Spring 1978

The Treatment of Economic Issues in High School Government, Sociology, U.S. History and World History Texts

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It is often argued that the declining support of free institutions which we have observed in our recent history is, in part, a result of economic illiteracy. That is, ignorance and misinformation about the workings of a voluntary exchange system and about the deleterious effects of governmental interference in that system lead to support of increased government intervention in the economy.

The particular version with which this paper deals argues that we get many of our views about the economy from our social studies classes and, specifically, from our textbooks. Those views, in turn, influence the way we vote on the issues which relate to the economy. If this view of the process is correct, then it is important to examine how effectively the voluntary exchange system and the effects of government intervention are being treated in these texts. If most texts are doing a good job in these areas, then one must look elsewhere for an explanation for the declining support for free instructions. If, on the other hand, social studies texts are in general doing a poor job in conveying an accurate understanding of the workings of voluntary exchange systems and government intervention in them, then this suggests that some improvements can be made by changing the way in which such texts are written.

This paper is a condensed version of a report on the findings of four separate studies which were prepared under a grant from the Foundation for Research in Economics and Education. They critically analyze the economic content of leading high school texts in World History, U.S. History, Sociology, and Government. The Worid History study was performed by C. W. Baird; the U.S. History study was performed by L. F. Saft, with assistance from Baird; the Sociology study was done by G. J. Santoni, with assistance from J. W. Ashley; and the Government study was performed by C. C. Stone.1 Each report assesses the economic issues discussed in the books, presents the correct economic analysis of each issue, and compares this analysis with that found in the books.

This brief summary is intended to touch on some of the highlights of the longer reports and to point out some of the key areas in which important errors of economic analysis occur. Each of the four reports documents different errors. Some errors are of a technical nature. Others reflect a more profound misunderstanding of the way in which markets operate. Because of space limitations, this paper will deal largely with the latter. In addition, limitations on space prevent us from reporducing the quotations found in the longer version of this paper and in the reports.

Labor Markets

The most numerous and serious errors occurred in the discussions of labor markets. Most of the texts (15 out of 17) have some discussion which reveals their authors' views of how labor markets work. Of those 15, all but one make serious errors of fact or analysis regarding the workings of labor markets and of interventions in them. The most common mistakes were in the area of historical facts. All four U.S. History texts and five of the six World History texts stated that the industrial revolution in Europe and the U.S. widened the gap between low and high income persons by making the workers poorer while a few industrialists grew rich. Except in one World History book, there is little appreciation of the fact that in a market system, industrialists grow rich because they offer workers and consumers *better* terms of trade than they had before.

Roberts. Main is Associate Professor of Economics, California State University, Hayward. This is a condensed version of a paper given at the National Conference on Economic Education and the Future of Capitalism, held in Chicago August 21-23, 1977. I should especially like to thank the authors of the four papers which I am summarizing here: Charles W. Baird, Lester F. Saft, Courtenay C. Stone, and Gary J. Santoni. Without their fine work, there would literally be nothing for me to say. In addition to writing their own papers, they contributed substantially to the writing of this one. I should also like to thank J. C. LaForce, J. W. Ashley, and Victor Tahbush for their helpful comments on and corrections of an earlier draft. Henry H. Villard provided helpful comments. Financial assistance from the Foundation for Research in Economics and Education is gratefully acknowledged.

A related notion, which appears in the two sociology books which discuss working conditions as well as the history books, is that in unrestricted markets employers can establish any wage rate and working conditions they wish and get as much of any quality of labor as they want. Prevailing wages and working conditions are thus viewed as largely the outcome of an ethical decision process by the employer. To the extent that market conditions are assumed to enter, they do so only from the demand side—perhaps an assertion that firms could not compete if their wages were too high—never from the supply side, wherein an employee's supply price is influenced by what he or she can earn elsewhere.

The texts' view of the determination of wages and working conditions leads naturally to a favorable appraisal of factory laws, unions and minimum wage laws. Of the 11 books who mentioned these developments, ten viewed them as preventing ' 'exploitation" by employers or as improving the situation of "labor" in general. All eight books which mention minimum wage laws view them as benefiting "labor." There is only an occasional mention of the possibility that consumers might be hurt and no mention of differing effects on various kinds of labor.

The authors' views of the workings of labor markets are a key to understanding how they view the voluntary exchange system. Capitalism is viewed as a wild beast of tremendous energy which must be "tamed" so as to provide benefits to' 'the people" rather than the owners of factories. In particular, an impression that comes through is that employers are not constrained by the factors influencing the demand and supply of labor, and that in the absence of factory laws, minimum wage laws and powerful unions, all workers would be makitig much less than they now are and their working conditions would be worse.

Trade, Surpluses, and Imperialism

Why does trade occur? According to the authors of these texts, it is because each party to the transaction has a "surplus" of some good. All six Worid History books, all three Sociology books, and three of the four U. S. History books discuss trade in these terms. The usual example is the agricultural case, where a farmer produces a surplus of grain, and thus sells some to the city dweller, who is coincidentally producing a surplus of manufactured goods. This reversing of the line of causation is in the nature of a' 'technical" error, and seems relatively innocuous in this context. But the same logic leads to serious mistakes when applied to the issue of the' 'New Imperialism" of the late 1800s. The notion that the existence of "surpluses" creates a "need for markets" bears a close resemblance to the Leninist "push" idea that industrialized countries seek to dominate underdeveloped countries to find an outlet for the "surplus" manufactured goods for which there is not sufficient demand at home. Although none of the authors would claim to be a Leninist, all four U.S. History books and four of the six World History books tout this line. My conjecture is that the authors were attracted to the Leninist argument because of their confusion over the basis for exchange which their "technical" error in the agricultural case illustrated.

Mercantilism—The Old Imperialism, Tariffs, and Regulatory Agencies

The name "mercantilism" could be applied to a very wide range of government policies in today's economy, from the ICC to "energy independence." Any situation where nominally private property remains, but where some transactors are prohibited from selling in competition with others who are protected, falls into the category. Thus, the subject includes not only the period of the "Old Imperialism," from the 1500s through the 1700s, but also tariffs, regulatory agencies and licensing. The texts, however, use the term exclusively to describe the old imperialism. As such, it is viewed as a historical curiosity rather than a powerful force in today's economy.

Their lack of recognition of mercantilism in more modem dress leads all four U.S. History books to comment favorably on Alexander Hamilton's proposals for tariffs in his *Report on*

Manufacturers and on the tariff of 1816. In the latter case, the argument that the British were engaged in "predatory dumping" is accepted uncritically and used to justify the tariff. One presumes the same authors would view "trigger" pricing in steel in a similarly favorable light.

Regulatory agencies such as the ICC and CAB are mentioned in two U.S. History and three Government books. In all five cases, the regulation is described as "effective" or "in the public interest." There is no appreciation of the role of these agencies as cartel enforcers.

The texts' inept treatment of these issues which I have lumped under mercantilism is in the nature of a "technical" error. Perhaps we should not expect historians to understand the fine points of predatory dumping and cartel-enforcing regulatory agencies. But it is disconcerting to see the mistaken analyses persist when they have been discredited so badly.

Competition and Monopoly

Although the authors always extoll the virtues of competition, they seem to be afflicted with considerable confusion about its nature and doubt about its durability. The most common view, expressed in all four U.S. History books, is that there is a tendency for competitive industries to be monopolized through "unfair practices." The practice that is mentioned most often is "predatory pricing." In the eyes of all these authors, the "Robber Barons" who engaged in predatory price cutting were the same ones who were able to dictate the wages and working conditions they paid and to obtain as much of whatever quality of labor as they wanted. The two notions are mentioned in succeeding sentences in the case of two books. Rockefeller and others are still accused of predatory pricing by all four U.S. History texts, twenty years after McGee's classic article pointed out that neither economic theory nor the evidence supports such an accusation.

The authors of the texts exhibit a remarkable ignorance of the nature of competitive markets. All three Sociology texts, and three of the four Government texts, attempt to justify government agricultural policies by discussing the "problems" which a competitive industry has. The "problems" include the facts that: (1) output decisions are arrived at independently; (2) the existence of large numbers of sellers makes collusion difficult; and (3) there is uncertainty about demand for the product and the weather. Again, these mistakes probably fall under the category of "technical" errors, but they are of such gross dimensions and have such important policy implications that they cannot be ignored.

The Causes of the Great Depression

All four U.S. History books and two World History books attempt to explain the causes of the Depression. (Depressions were also mentioned in all three Sociology books, but there was no attempt at an analysis of the causes, other than to suggest that they are a "natural" feature of capitalist economies.) All the attempts at explanation are deficient. This is not a terribly serious criticism, given the disagreement on this issue which has existed among economists. What is important is the *way* in which the texts miss the mark. The explanations vary, but all four U.S. History texts cite "inappropriate income distribution" as a cause. The usual version is that if the large corporations had paid their workers more and taken less in profit, there would have been more purchasing power, and the Depression could have been avoided. The corollary is that, had unions been powerful in those days, we could have avoided the Depression. Other "causes" which were mentioned are: (1) low farm income (presumably because of too much competition), mentioned by two texts; (2) tariffs, mentioned by two texts; (3) stock frauds, mentioned by one text; and (4) price fixing by trade associations, mentioned by one text. None of the texts mentions mismanagement by the Federal Reserve System as a possible cause. Again, a complete discussion of the causes of the Depression would require a level of technical competence which it is unreasonable to expect of historians. But the nature of the explanations propounded indicates the same deep lack of understanding of the workings of capitalist economies which the authors exhibit in other areas.

Conclusions and Recommendations

The findings of the four studies on which this paper has reported lend support to the notion that social studies textbooks propagate misconceptions about the way a voluntary exchange economic system operates and about how government intervention works. The misconceptions appear to be greatest in the discussion of labor markets, but the other areas discussed (and some which were not touched on here but are dealt with in the reports) also have their share. My conjecture is that many of these errors are the result of faulty methodology—in particular, the lack of a general organizing theory of behavior in regard to economic matters. This lack of explicit theory permits the authors to propose *ad hoc* explanations for economic phenomena, and prevents them from seeing inconsistencies in their analysis.

We should not be too grandiose in our expectations. We cannot expect the books to teach the economist's "way of thinking." But we can expect them to "get the facts straight" and perhaps foster some understanding of the way in which a voluntary exchange economy operates. How can we bring this about? One obvious way would be for people with both a knowledge of the economics of market processes and of the particular social studies area to write textbooks. But this does not appear to be a realistic possibility at this time. A more attainable goal would be first to convince the publishers that a problem exists through studies such as those reported on here and then to encourage the publishers to make greater use of consultants in the various areas of specialized knowledge, including economics. This is already being done with regard to certain areas of knowledge in some texts, especially in World History. Many experts were consulted in the writing of some of the books, but none of the consultants had any obvious economic credentials. Selection of appropriate consultants in economics would go a long way toward eradicating the obvious errors in the textbooks.

I hasten to add that the textbooks students use are only a (possibly diminishing) part of the educational input they receive. The teacher's understanding of the issues (not to mention the nonscholastic inputs which students receive) is a very important factor in determining the way in which economic matters are discussed. The lack of economic sophistication of teachers, including economics teachers, continues to be a major barrier to improve treatment of economic topics. But this should not prevent us from attempting to improve the texts.

Footnotes

'"Economics in World History Texts," C. W. Baird; "A Review of High School U.S. History Texts," L. F. Saft; "Sociology and Economics," G. J. Santoni; "Issues in Search of Analysis: A Critique of American Government Textbooks," C. C. Stone. All of these are summarized in R. S. Main, "Economics in Social Studies Texts," contained in *National Conference on Economic Education and the Future of Capitalism-Proceedings*, August 21-23, 1977. Copies of these papers may be obtained by writing R. S. Main.