

## Glaring errors in a widely used textbook of economics

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Fostering an awareness of our uncritical craze for foreign books will boost made-in-India content

<https://www.livemint.com/opinion/online-views/glaring-errors-in-a-widely-used-textbook-of-economics-11614095742279.html>



The newspapers are filled frequently with the global rankings of leading universities, followed by the usual laments about how few Indian institutions feature in them. In the realm of higher education, India has undergone a huge push over the past two decades towards doing more research and raising rankings. While 30 years ago, it was possible to get a permanent job at one of India's leading institutions with just a doctorate, and sometimes even without, nowadays even entry-level candidates are rejected outright if they lack adequately-ranked publications. Unfortunately, in the midst of this publication frenzy to improve higher education, some very basic matters are being neglected. Specifically, what are the books and other teaching material (case studies for management courses) that we use for MBA and university Masters' programmes? In this regard, the abysmal state of affairs in some subjects needs to be highlighted.

A widely used book at present in India is *Macroeconomics* by Mankiw and Taylor (Cengage Publications, 4th edition, 2017). It is an offshoot of a book with the same title by just Mankiw, the leading text globally for over a decade. N. Gregory Mankiw is the Robert M. Beren professor of economics at Harvard University, and earlier headed the Council of Economic Advisors under former US president George Bush. He is also the leading author of economics textbooks used across the world. First comes his *Principles of Economics* (micro and macro combined), used for as an introductory first or second year course in Bachelors' programmes. Then comes his higher level 'intermediate' *Macroeconomics* text, for third or fourth year BA courses. Or else, this higher-level book is used straight away at the MBA level and/or Masters in Economics level as the first and often mandatory macroeconomics course in these programmes.

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According to a recent post by Mankiw, over 4 million copies of his various books, including translations, have been sold worldwide. After the global financial crisis of 2008, he has been criticized for the pro-market conclusions of his book(s) on 'microeconomics' issues such as income inequality, free trade, the impact of a minimum wage, and others. The validity of these criticisms is a separate matter. From a macroeconomics standpoint, the IS/LM framework—which plots an 'investment equals saving' curve against a 'liquidity preference equals money supply' curve and dates back to 1936—used by Mankiw is faulty. In a long note, I have criticized Mankiw's flawed defence of IS/LM (specifically in his *Macroeconomics* sixth edition, before the 2008 crisis) on factual and analytical grounds. This critique ('Why IS/LM is Irrelevant and Wrong', February 2015) can be read on [financialmacroeconomics.com](http://financialmacroeconomics.com), my website.

Mankiw's macroeconomics book is exorbitantly priced, like many others in the US. On my last visit to the country in 2018, I was told by someone teaching at an upscale college in California that they did not use it, but relied on their notes since it was too expensive. Unlike some Indian Institutes of Management, where books and teaching material are given out to all students as part of a package deal for the total fees they pay, the usual practice in US universities, even when the fees are high, is to leave it to students to buy the book or not. (Making US students buy the book, like making them wear masks, is not easy.) Like most foreign textbooks used in India, Mankiw's book was being sold at a reasonable rupee price in a paperback version prohibited outside South Asia, in a tie up arrangement with some publisher. However, this was not proving viable. Given the huge price differential, the much cheaper South Asian paperback version was perhaps finding its way back illegally to the US. This is often the case for other foreign books too.

For whatever reason, the print version was discontinued some time around 2014 or 2015, and only the e-book version could be used and sold in India. Subsequently, however, the offshoot *Macroeconomics* book by Mankiw and his co-author Mark Taylor, written for the UK and European markets, has become the prescribed or recommended text at many universities in India (2017 South Asian edition).

Scrutinizing the actual content of this book, its mistakes are glaring. It seems as if chapters from some other Mankiw book have been selected and cobbled together without changing the chapter numbers references within the text. As a result, from start to finish, the book is replete with references to non-existent chapters. In Chapter 1, for example, in the very first paragraph, it says, "In Chapter 7 we introduced two measures of well being." But Chapter 7, titled 'Issues in Financial Markets', does not discuss measures of well being.

Delving further into Chapter 7, on page 129, the book states, "In Chapter 25, we outlined the principles of CDOs and credit default swaps (CDS)." But the book ends at Chapter 19. There are over 50 such errors in this book—in fact, 10 of them in the crucial Chapter 15 titled, 'The influence of fiscal and monetary policy on aggregate demand'.

My suggestion is that wherever this book has been prescribed, it should instead be proscribed—i.e., banned.

Further, we must try to rectify the failure of India's present academic ecosystem—from publishers down to professors—to develop local teaching material of high quality. This is an important matter that calls for urgent attention.

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