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Book Review: *The College Cost Disease: Higher Cost and Lower Quality*

By Stefan Amrine

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In *The College Cost Disease: Higher Cost and Lower Quality*, Robert E. Martin, an Emeritus Professor of Economics at Centre College, KY, addresses two of the most pressing challenges in higher education: cost containment and quality of instruction. He utilizes his years of experience as an economist to critically examine higher education through the lens of an economist. Throughout the text, Martin applies formal economic theory and various models such as Howard Bowen's (1980) *Revenue Theory of Cost*. Although the text is very readable, it is laden with economic terminology, modeling, and equations. The non-economist may find the text difficult to understand; however, there is a glossary, and Martin helpfully contextualizes and explains the economic theory used in his research. The author clearly states his intention to address both an audience of economists and non-economists such as faculty members, higher education administrators, and policymakers. Overall, the book adds an intelligent perspective to the rising college costs discussions that is worthy of the reflection of higher education leaders and policymakers.

Martin argues that higher education has managed to increase its costs and decrease its quality to such a degree that is unseen from other industries. With the possible exception of health care, no other industry has seen as dramatic an increase in costs. In fact, Martin argues that the relative costs of many other goods and services have actually declined. Although health care costs have increased, the quality of care available has greatly increased. Why cannot U.S. higher education replicate the same quality output along with rising costs? Martin argues that the higher education industry has managed to create an incentive structure that creates all the wrong incentives when it comes to cost containment and quality of instruction. Through formal economic theory and modeling, he sheds light on this flawed incentive structure.

A number of different frameworks are used to examine the rise in higher education costs, with one of the most critical being termed the "Chivas Regal Anomaly." This underlying theory posits that consumers of higher education do not have an accurate measure of quality teaching so they use price as a proxy of quality. An important assumption is then made: the more an education costs, the better it is. In this sense, purchasing an education is analogous to purchasing liquor or a bottle of wine. According to Martin, when one does not know the quality of a product, one can only assume that the expensive product (in this example, liquor) is likely to be better quality. Martin argues that without accurate measures of quality, reputation becomes a primary focus of the higher education industry. He argues that lavish spending on dorms, fitness centers, etc., and elevated tuition prices are employed to feed the reputation of the institution. Other institutions then feel compelled to keep up with their competitors. As a

result efforts are not made to reduce costs. He argues that reducing costs often requires taking something away from a vocal constituency in the university administration, thus provoking a controversy. Controversy must be avoided because it runs the risk of damaging reputation.

Martin acknowledges the influence of commercialization and corporate values on higher education as reasons often cited for higher costs. However, he consistently rejects these arguments, focusing instead on the incentives and unique nature of the higher education market. Martin argues that the purchase of higher education is far different from most consumer products. For instance, one cannot easily determine its value, switch to a substitute product, or sample different schools. It is a purchase whose value can only (sometimes) be determined at a much later date. The typical supply and demand characteristics of the open market are not as applicable. Last but not least, Martin illustrates the application of Bowen's Revenue Theory of Cost and the incentive structure of higher education: "The absence of a profit maximization incentive, the existence of subsidies from third party contributors, limited competition, and an unexplored connection between expenditures and outcomes lead to expenditures following revenues and a failure to minimize costs" (p. 19).

When it comes to instructional quality, Martin's assessment is equally scathing. He documents declines in teacher productivity as well as the absence of, and resistance to, measuring teacher quality among postsecondary institutions. In addition, he examines declines in GRE scores, graduation rates, and contact hours as well as the inflation of grades. According to Martin, there is very little incentive for a professor to grade rigorously. Low grades may generate controversy for the university and headaches for the professor with high grading standards.

Martin also bemoans the lack of a market for "senior teachers." However, it is understandable that a market for senior teachers does not exist in the way that it does for researchers. It is much easier to measure researcher productivity than it is to measure teacher productivity. As Martin states, "there are strong metrics for research productivity and few metrics for teaching productivity" (p. 144). Despite the difficulties in establishing such metrics, Martin sees no reason why universities should not at least try.

Clearly, Martin is addressing a relevant, timely topic. There are certainly cost and quality issues in higher education. He is hardly the first or only commentator to identify such issues and these concerns are shared across the political and ideological spectrum. In recent years, elected officials from each major party – both at the state and federal level – have proposed legislation to cut costs, reduce student loan debt, and improve academic quality. In light of these cost and quality issues, the Obama administration has released two different consumer information products, the Shopping Sheet and the Scorecard, to help students become more informed consumers and find a cost effective, quality education.

The College Cost Disease clearly illustrates how research is most valued and discusses the decline in teacher productivity. The "Chivas Regal Anomaly" underscores an example of how costs rise without a subsequent improve-

ment in quality. A relentless focus on reputation has led some universities astray, away from what should be the core values of the institution – excellent teaching, research, and service to the community. Through formal economic models and persuasive arguments, Martin illustrates what is, at times, a broken incentive structure.

However, important contextual pieces are overlooked. The author does not fully account for the decline in state aid to public higher education. The expenses of this unique field must be covered somehow, whether through higher tuition or government expenditures. In addition, postsecondary institutions must comply with an increasing number of unfunded laws and regulations. Higher education is also a personnel-heavy field. Personnel costs such as professionally competitive salaries, insurance, and health care have increased substantially in recent years. Other significant campus expenses such as energy costs are not fully accounted for by those examining the college costs problem.

Martin also diminishes the role of postsecondary demand. Higher education has become the ticket to the middle class and few lucrative jobs that do not require a postsecondary certificate or degree remain. In addition, only a fraction of the college student population is attending exceedingly expensive, elite, doctoral granting institutions. The prosperous, global elite are not price sensitive; students will pay for postsecondary education despite the cost.

One must also be careful to sufficiently differentiate between types of schools and programs. A bachelor's degree in engineering from a quality, in-state public research university remains an excellent deal in terms of both cost and quality. Recognizing that not all postsecondary experiences fit neatly into a box, the author notes, "nothing I say here should be construed to be a template that fits all institutions" (p. 2). However, Martin displays a number of statistics, data, and equations to illustrate his contention that students are paying more for less. One must remember that behind every number is a person with a story, rich with context. Therefore, it would help if Martin's heavy quantitative focus was deepened to fully examine the context behind each statistic.

There is also more room for the author to offer concrete suggestions on what he would do to resolve the cost and quality issues of higher education. Identifying the problem is not as difficult as finding the solutions necessary to fix it. In a subsequent piece, Martin could elaborate on market and policy corrections taking place in response to these challenges. Some universities (Purdue, for example) have frozen tuition, while others have increased the published tuition price while adding to the level of institutional aid available. In such cases, the net tuition price paid by many students and families may be less.

Few disagree on the relevance and importance of cost and quality issues. The matter of concern is that solutions must fully understand (and address) the underlying problems. For decades, higher education policymakers, legislators, and media figures have looked into cost and quality issues. Under a budget-tightened economy, higher education

institutions, students, and parents are increasingly looking at costs and quality with a new, critical eye. Martin adds a distinct, analytical voice to the discussion, using the lens of an economist. Perhaps, the book's most important contribution is the acknowledgement that universities grapple with cost containment and quality of instruction. The rise of online technology, competency-based degree programs, and other postsecondary options signal the opportunity for higher education to improve quality and lower costs.