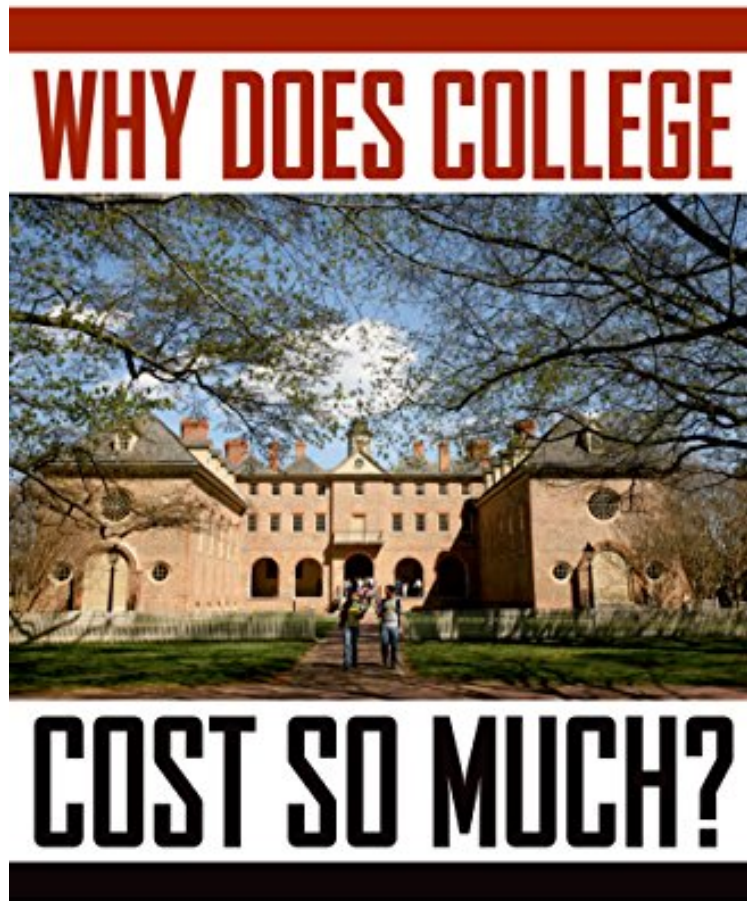


(Free read ebook) Why Does College Cost So Much?

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Robert B. Archibald, David H. Feldman

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Robert B. Archibald, David H. Feldman : Why Does College Cost So Much? before purchasing it in order to gage whether or not it would be worth my time, and all praised Why Does College Cost So Much?:

1 of 1 people found the following review helpful. It is not about Baumol's cost disease By AbacusFirst, for an overall review of the book I will refer you to the excellent review written in 2014, associated with a 3 star rating, by J.M. Alexander. The latter does an excellent job of covering every aspects of the authors' analysis of the economic drivers of college costs and their recommendation on how to handle those through a more transparent and effective subsidy structure by shifting the Government funding away from the institutions and directly to the students

and their families in the forms of yearly vouchers. I will not cover the same topics, as I would simply rehash what Alexander has already covered very well. However, I will drill down on a key issue of the authors' analytical argument. They refer to Baumol's cost disease theory to advance that college professors' salaries have grown much faster than inflation. And, that they are one of the main drivers behind the overall staggering rise in college costs. By data mining they uncover that a few other service professions such as lawyers and dentists have experienced nearly the same trends (way above inflation wage increases) as overall college costs. In the authors' minds this confirms the validity of the Baumol's cost disease as applied to college education. The authors further support their argument by indicating that splitting up college costs between administration, teaching, research, facilities, and other expenditures is either not feasible or arbitrary. Thus, given their framework college costs trends equal pretty much college professors' cost trends. The authors make further assumptions that college costs trends equal college prices trends, but I won't go into detail on this issue. However, while the authors were unable to isolate college professors' wage trends, others have been able to do so. And, they have been able to compare those to college tuition trends that the authors identified is the component of college costs that has grown faster vs. room and board (see figure 7.3 on page 25). And, from 1978 to 2007 relying on data from the BLS and NCES these other social scientists uncovered that college tuition increased by a staggering annual compounded rate of 7.9%. Meanwhile, faculty salaries increased at barely above the overall inflation rate over that period at 4.5% per year vs. 4.1% for inflation. Others have extended this analysis through 2012 using similar data, and such trends pretty much continue. In other words, contrary to what the authors suggest college professors do not "benefit" from the Baumol cost disease. So, why have college professors not "benefitted" from the Baumol cost disease effect while other highly educated professionals like lawyers and dentists have (using the authors' cherry-picked examples)? The answer is that there are far more PhDs in social sciences than there are available positions within universities. That is why much of these PhDs go begging and accept part-time jobs (because no full-time jobs are available). Part-time faculty has risen from 30% of total faculty in 1975 to over 50% by 2011. And, many PhDs end up by default switching careers in often unrelated fields. In other words, the unfavorable supply-demand factors for college professors have entirely negated the Baumol's cost disease effect experienced by other professionals in health care and legal services. The above facts are devastating to the authors' arguments. It renders every single related graph and table (about cost and wage trends) within their book inaccurate and misleading. If you take out the flawed Baumol's cost disease argument from this book, you are not left with much. Analysis of the funding sources of college costs, including declining public funding, and increased funding privatization to make up for the public funding is well known. Their proposal of shifting subsidies from universities to students would not resolve college costs. You are left with arguments that the authors thought they had rebutted, but given their inadequate analysis, they have not. In other words, universities are becoming increasingly expensive country clubs for pampered students that are overstaffed with expensive administrative staff benefitting from overly generous and unsustainable pension benefits. And, all of that has very little to do with a pragmatic efficient education system.

15 of 17 people found the following review helpful. A Lucid, Important Book By Richard B. Schwartz This is a lucid and measured attempt to put the 'cost of college attendance' in an appropriate context. Eschewing the apocalyptic outcries from other commentators (including those in the popular press) they argue that the 'unaffordability crisis' has been much exaggerated. In fact, college costs should not be seen in the context of, e.g., durable goods (whose prices have indeed diminished) but rather in the context of the products of service industries (lawyers, dentists) which require highly-educated practitioners. Seen in that light, college costs track very nicely with other service industry costs and should not be causes of alarm. The authors also deflate some of the popular outcries by pointing to the realities of actual pricing. Very few people pay the top-dollar charges of elite institutions and they can generally afford to do so without significant pain. Top institutions have deep financial-aid coffers and tuitions are discounted significantly. While the COFHE schools discourage merit-based support, e.g., their need-based support is generous; at the very top schools the support is largely (or even exclusively) in the form of grants rather than loans. Many distinguished private institutions and public institutions, generally, often offer merit-based support as well. Universities should not be thought of as Bentley dealerships, with prices beyond the means of all but the most wealthy consumers. On the contrary, they are much more like airplanes in which every passenger is paying a different price, in some cases a very modest price. Moreover, much more attention should be paid to cost, not price. The actual cost of education is generally far higher than even the top rack-rate tuition. This cost is reduced by private colleges' endowments and public colleges' state contributions. This is all true and it is all explained in great detail and with great transparency. While there are charts and graphs there are no mathematical formulae that would be opaque to the non-economist. In terms of economic analysis, this is as simple and straightforward as it gets. At the same time, from certain perspectives, college costs have risen dramatically and they are, indeed, troubling. The authors point out, for example, that living standards have generally risen in America and, with them, costs. The bare and simple dorms of yesteryear would not be to current students' taste. And, of course, the technological revolution will not be denied. The one-phone per floor dormitory of the past has been replaced by the wi-fi dorm of the present and the cafeterias offer greater choice and more healthy selections. This all comes at a price. Given this orientation, however, the authors are not at pains to look, in depth, at a number of contemporary costs. The endless

nanny-state services of the modern college and university come at a considerable cost. They could be offered on an individual rather than mandatory basis. Students could receive some services (as all of the rest of us do) from the community beyond the college gates or, alternatively, the college could offer some of the services it provides to students to the surrounding community on a cost basis. Services, once provided, are difficult to withhold, particularly if other institutions offer them. However, while some institutions have made it a point to attract the affluent by erecting luxury dorms, some even with valet parking, I have seen very little evidence of institutions advertising that "your tuition dollar here goes largely to instruction, while our competitors invest no more than 25-35% on instruction--the putative purpose of your being here in the first place." In short, the funding models are nearly always based on imitation (what does our competition or what does Harvard provide?) rather than on distinctiveness. Except for St. John's in Maryland and Santa Fe the vast majority of institutions look alike. More often than not (= nearly always) their curricula look the same and favor "choice" over distinctive requirements. How many institutions (beyond the service academies, for example) can be said to offer a bona fide "signature" such that your attendance there changes you in a special, valuable, noticeable way? The authors also offer solutions to our current situation--grants to individual students (across the board) in lieu of the multiplicity of federal contributions and grants to individual students within states rather than state grants to individual institutions (in effect, the Colorado model or, in a sense, the Miami of Ohio model). These recommendations make a great deal of sense. They would encourage a wide swath of our fellow citizens to see college as being within reach, while now they often fail to understand the funding process until they are already deep in the FAFSA/application tangle (if they ever get there in the first place); states would liberate public institutions from politics and red tape and give them more autonomy but also make them compete for students' tuition dollars. Still, there is great resistance to these efforts. The authors explain why that resistance should be more rational and thoughtful and offered at a much lower volume. Finally, this is an important book, but one that gives a teeny bit more credit to universities than they deserve. A more searching critique would note, e.g., the ways in which schools raise room/board rates to avoid 'tuition hike' stories in the press. (Room/board rates vary across the country and across public/privates very dramatically, even though the dorms may be being built by the same developers and the food largely coming from Marriott.) "Fees" have often been applied apart from tuition and actual costs are much less transparent than they could be. Student activity fees can be very, very high and they can fund services that few use and speakers, e.g., that many find abhorrent. Athletics pay for themselves almost nowhere. Why should these costs be imposed on those with no interest in them? Why should recreational facilities (particularly those plated with gold or platinum) be paid for through mandatory fees rather than on an individual membership basis, as in the real world? The bottom line is that the average age of students has risen considerably. A very high proportion of them work, live off campus and pursue what can only be considered 'adult' lives. Nevertheless, the funding/service patterns seem to be modeled on the experience of some young, timid, unaware neophyte at a remote, private institution, who requires endless counseling, handholding, behavior modification therapy, and so on. Costs could be reduced considerably and institutions could do what they do best: teach and generate new knowledge.

6 of 7 people found the following review helpful. Best book yet on college costs
By Wanda B. Red
During the first half of this wonderful book, I grew a little impatient with what seemed to me its plodding and repetitive textbook style. First tell them what you are going to say, then tell them, then tell them what you said. Boy was my impatience misplaced. That methodical groundwork pays off great dividends in the book's second half, where Archibald and Feldman use their macroeconomic analysis of "cost disease" to explain convincingly why college costs, like costs in similar service fields, have risen significantly over the past 50 years. They are driven by productivity gains in manufacturing sectors that have raised the overall standard of living and put a premium on highly educated, skilled labor; this thesis is carefully documented with data from not only higher education but also the legal, medical, and other professions. The book also carefully qualifies the atmosphere of crisis that surrounds the cost of college, by taking full account of tuition discounting and putting arguments about affordability in their full economic context. I began as a skeptic. I was someone inclined to the Bennett hypothesis that overly abundant aid money had led to an arms race between colleges and universities that was chiefly responsible for the rapid increase in tuition and fees. This complex, clearly written book completely changed my mind about that by pointing out ways that this hypothesis fails to account for the ways that incentive structures in higher education really work. It's true that universities are unlike other industries to the degree that their success derives in part from being selective about their customers (which could lead to an arms race), but they also compete on costs. The only way, as the authors indicate, to hold down the price of higher education is either to increase productivity (hard to do in the service sector) or to compromise on quality. Chapter 8 on "Productivity Growth in Higher Education" provides a fascinating and dispassionate look at how technology and distance learning might help to clear the way on the first of those paths--by increasing productivity. A thought experiment on what higher education would look like if it fully embraced the distance learning model provides one of the most insightful analyses of the many functions performed by our universities, ranging from socialization of the young to basic research, that I have ever read. The authors' conclusion is that blended learning, offers some hope for increasing productivity, but that technology will not be a panacea. This common-sense inference is typical of the balanced wisdom of this book. Practical suggestions about how to simplify the financial aid landscape represent the most radical of the authors' proposals. While they support helpful

incremental reforms in the bureaucratic process of applying for aid such as eliminating the requirement that families include assets in their FAFSA forms, their real innovation lies in the strong case that they make for universal grants directly to students and their families (based on the Hope grants already offered by some states). One can only hope that politicians in a position to make a difference in this area can be persuaded to listen to these powerful arguments. In a landscape so dominated by demagoguery as the financing of higher education, this book stands out for its clear-headed untendentious aerial view of the scene.

Much of what is written about colleges and universities ties rapidly rising tuition to dysfunctional behavior in the academy. Common targets of dysfunction include prestige games among universities, gold plated amenities, and bloated administration. This book offers a different view. To explain rising college cost, the authors place the higher education industry firmly within the larger economic history of the United States. The trajectory of college cost is similar to cost behavior in many other industries, and this is no coincidence. Higher education is a personal service that relies on highly educated labor. A technological trio of broad economic forces has come together in the last thirty years to cause higher education costs, and costs in many other industries, to rise much more rapidly than the inflation rate. The main culprit is economic growth itself. This finding does not mean that all is well in American higher education. A college education has become less reachable to a broad swathe of the American public at the same time that the market demand for highly educated people has soared. This affordability problem has deep roots. The authors explore how cost pressure, the changing wage structure of the US economy, and the complexity of financial aid policy combine to reduce access to higher education below what we need in the 21st century labor market. This book is a call to calm the rhetoric of blame and to instead find policies that will increase access to higher education while preserving the quality of our colleges and universities.