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Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education

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ciate the wealth of information that makes it easy to catch up on developments in other programs. Experts on means-tested programs in other countries may want to consult the book for the broadly applicable conceptual and methodological frameworks it provides.

Excellent chapters, each sharply focused on one type of means-tested support, ensure that readers become knowledgeable about separate programs. But this strength is also a limitation. Though most chapters briefly discuss interactions between their program(s) and some of the others, none provides an analysis of the "system" of means-tested benefits. The book's value for policy analysis, research, and teaching would have been enhanced by a tenth chapter that looked across programs, considered differences in eligibility rules, pulled together common analytic issues, and examined multiple program participation, cumulative marginal benefit reduction rates, interactions with social insurance programs, and other structural aspects of America's current set of means-tested transfer programs. These issues and their implications for reforming means-tested transfers have challenged policy-makers and analysts for more than 30 years. Such a chapter might also have offered an informed, albeit inexact, assessment of means-tested programs' overall behavioral and efficiency effects and provided evidence on the programs' joint impact on income poverty, income inequality, and other measures of economic well-being and income redistribution.

Despite this missed opportunity, *Means-Tested Transfer Programs in the United States* is a superb addition to the literature on income support programs.

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Human Resources, Management, and Personnel

Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education. By David L. Kirp. Cambridge, Mass.: Harvard University Press, 2003. 328 pp. ISBN 0-674-01146-5, $29.95 (cloth).

How are market pressures reshaping higher education in America? This book presents vignettes depicting recent changes in twelve colleges and universities to illustrate how market forces have affected different institutions. Each story describes the characters who make decisions, their responses to challenges, and the outcome.

To make itself more attractive to undergraduates, the University of Chicago made significant changes in advertising, curriculum, and amenities for students. Although the university president who promoted the changes left his post under pressure, the changes succeeded in increasing the University's appeal to undergraduates. A new president at Dickinson College gave the college more international emphasis, reformed financial aid policies, and succeeded in reviving the college's fortunes. The University of Virginia gave its Darden Graduate School of Business Administration considerable freedom to become self-financing. Other vignettes address events at NYU, New York Law School, and the Universities of Southern California, California–Berkeley, and Michigan.

Among the most interesting accounts are those involving proprietary higher education. The first of these stories contrasts Columbia University's short-lived effort to launch a for-profit subsidiary called Fathom to produce and sell online courses with MIT's foundation-financed program to make its online course materials available without charge. Here open access seems to have been the right call. Columbia sought profits from charges for its online services but failed to generate revenues and closed its online venture. MIT gave access without charge and continues to do so.

A second story on proprietary higher education discusses the British Open University's $10 million effort to enter the American market for distance education. This effort failed after three years, in contrast to the success of similar programs the institution had launched in Britain. The book identifies three possible causes of the failure: Open was slow to win accreditation; its course materials were too British; and in the United States, unlike in Britain, tutorial support was not offered. The author also might have suggested that it is hard to find an unfilled niche in the American market, where community colleges are ubiquitous and the proprietary sector robust. Perhaps $10 million of initial capital was too little.

A third discussion considers the institutions that provide certification training for Cisco and Microsoft. Proprietary training academies that offer "boot camps" with highly concentrated training, private technical colleges and public community colleges that offer certification alongside degree programs, and the extension service of the University of California–Santa Cruz all provided the service. The prices varied widely, from under $200 at the community college to more than $8,000 for a boot camp. One measure of success of the training is the pass rate on the third-party certification exams. However, learning to pass the test does not develop the more general problem-solving skills the author suggests may be needed for successful career advancement. Degree programs do that; boot camps do not. The market for certification rose and fell with the dotcom boom, a strong indication of immediate market forces at work.

The last institution examined is DeVry University, a proprietary institution operating many campuses with stock traded on the New York Stock Exchange. DeVry offers accredited technical and business degrees at the two- and four-year levels, with tuition approaching $40,000 per year. Its curriculum is centrally controlled by senior management but adapts to each local market. It spends 10% of its budget on recruiting students. Full-time faculty (50% of the total) average salaries of $60,000 for three four-course terms per year—that is, $5,000 per course. DeVry takes pride in (and invests in) high rates of placement of graduates in appropriate jobs. Although DeVry's enrollment declined in the most recent recession, it appears to be both an educational and financial success.

The volume does not mention the U.S. Army's eArmyU even though it is among the largest ventures in distance education. How does the publicly financed eArmyU venture compare with the private ventures?

The theme of the volume, stated most clearly in the concluding chapter, is that market forces are undermining the educational commons, our colleges' and universities' role in promoting the public good. To the extent that the only consequence of college is seen to be higher earnings for those who attend, the irresistible tendency, Kirp seems to suggest, will be toward a business model in which students pay all costs, and colleges, for their part, respond to immediate student demands. DeVry could then be the wave of the future, a prospect that dismays the author. Kirp views the liberal arts as the core of the commons, and he sees its decline as emblematic of a wider problem. The concluding sentence puts it well: "If there is a less dystopian future, one that revives the soul of this old institution, who is to advance it—and if not now, when?"

The anecdotal evidence in the volume, however, addresses this sweeping claim only tangentially. Surely, entrepreneurial spirits led most institutions when they were founded. There have long been proprietary professional schools, beginning even in the eighteenth century. The propensity of colleges and universities to respond to markets, enter new markets that give promise of financial and educational success, and adapt to changing demands is not new and need not entail sacrifice of the public good. Indeed the public good associated with higher education may complement the private good.

The volume would have been stronger had it carefully explored the relationship between the private and public benefits of higher education in each of its case studies. It associates the public benefit with the liberal arts and contends that the liberal arts are disappearing in favor of more vocationally oriented education. In the University of Chicago story, the author seems to associate curricula featuring more required courses with the public good. These hypotheses deserve thoughtful discussion.

The claim that the liberal arts are dying out is, I think, debatable. The liberal arts disciplines continue to account for the largest share of undergraduate students. Entrance to liberal arts colleges, either at universities or in free-standing colleges, is among the most prized. As higher education has come to serve a larger share of the population, it is true that we have seen the launching of many new programs addressing particular careers, but the liberal arts remain a typical path to post-baccalaureate education and the professions.

The general human capital developed by the liberal arts—careful reading, critical thinking, many different ways of knowing—is useful in many fields and allows graduates to shift careers and grow from entry-level to managerial roles more readily. Although reading standard classic works (as in the old program at Chicago) is one proven path through the liberal arts, the distribution requirements approach has worked well for more than a generation on many campuses. Of course, market forces will continue to allocate educational resources between formation of general human capital and career-specific human capital; there may be a substantial positive private return to both. The renewal at Dickinson College is an affirmation of the success of the liberal arts with its emphasis on language and global perspectives. Not all of the cases presented in the volume necessarily support the main thesis.

The most troubling case is that of the Darden School at Virginia. Darden declared its independence from public funds, trading on its and the University's reputation to attract high-paying students for its various programs. Having a public university spin off a private college is consistent with sustained roles for private education and could be consistent with a significant complementary public role. The problem for the loss of the public commons, however, arises as Darden's faculty undertake research and develop teaching materials that are controlled by the firm the materials describe. Thus, ideas developed for one firm do not become available for use by others. The Darden case does seem to show a loss of the public common. The author does not, however, suggest that the University of Virginia should disallow such activities by schools that bear its name. In fact, the volume lacks policy proposals and leaves the reader wondering just what problem the author has isolated and what he would recommend.

The book is a lively read, with detailed case studies, and interesting contrasts that reveal important changes in American higher education. Its shortcomings notwithstanding, I recommend it to scholars and policy-makers alike.

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International and Comparative Industrial Relations

Social Security Programs and Retirement around the World: Micro-Estimation. By Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press and NBER, 2004. 752 pp. ISBN 0-226-31018-3, $99.50.

It is ironic that as people are living longer, they are retiring from the labor force earlier. This will have an increasingly negative impact on labor supply, GDP, and the financial solvency of social security systems as populations age, both in the United States and in other countries. During the past decade a large literature has developed to explain the falling labor force participation rate among older men. Several studies have argued that rising national income has led to a demand for greater leisure. If workers were non-myopic and took all benefits and costs into account, this choice would imply that the utility from increased leisure is greater than the potential utility from continued work and output. However, the work by Gruber and Wise, together with colleagues from many countries, in their 1999 *Social Security and Retirement around the World* (University of Chicago Press), reinforced by the present volume, provides irrefutable evidence that retirement behavior is strongly influenced by rules of the social security system, which distort these decisions by hiding some of the social costs of retirement and the social benefits of continued work.

The major contribution of the first volume was to measure, carefully and consistently in many countries, the incentive to postpone retirement, and to analyze the relationship between this incentive and the observed labor force participation rates of older men across countries and time. The incentive to work was defined as the incremental wage plus the increase in the expected present discounted value of future social security benefits (social security wealth or SSW) from working one extra year. The increment to SSW varies across individuals within a given country because of their varying work histories, but even greater variation is found across countries that have different social security systems. In most countries studied, the increment to SSW for older men from an additional year of work is actually negative—an implicit social security tax—because the increase in future annual benefits does not compensate for the lost current year of benefits when retirement is postponed.

The present volume examines the impact of work incentives at the individual level, using longitudinal micro-data within each country. Two additional measures of work incentives are defined, based on longer-term returns to work—the "option value model" and the "peak value model." The option value model evaluates the utility derived from the expected incremental income from wages and pensions for all possible future retirement ages and chooses the optimal date. The peak value model focuses on pension income only. The reward for continued work is the difference between the individual's SSW if he retires today and his SSW if he works to some future date when it is maximized. If this incremental wealth is negative, people will retire today (if allowed to do so). Regressions show that in most countries studied the work disincentives and the responses to them are large; the greater the disincentives facing an individual the less likely he is to postpone retirement; people in different cultural settings have very similar responses; and the longer-term measures of incentives are stronger than the original short-term measure. Having estimated the marginal responses to incentives, the authors then simulate the impact of