



## **BOOK REVIEW: EXPLORATION OF HIGHER ED'S 'TANGLED WEB' MAKES FOR PROFITABLE READING**

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Editors Todd Zywicki, a law professor at George Mason University, and Neal McCluskey, director of Cato's Center for Educational Freedom, have compiled contributions from many of the most original thinkers in the higher education reform movement.

Review of *Unprofitable Schooling: Examining Causes of, and Fixes for, America's Broken Ivory Tower*, Todd Zywicki and Neal McCluskey, eds. (Cato Institute, 2019), 250 pages, ISBN-13: 9781948647045; \$14.99 Amazon

There is no shortage of commentary on higher education these days—it is now a hot news topic. The Ivory Tower is an institution facing several crises: student loans, rising tuition, and politicization. So much money is involved, and so many people are affected, that interest is naturally widespread.

Unfortunately, most of the commentary comes from insiders who propose variations on the same policies that caused these crises in the first place. Not so in *Unprofitable Schooling: Examining Causes of, and Fixes for, America's Broken Ivory Tower*, published by the Cato Institute. Editors Todd Zywicki, a law professor at George Mason University, and Neal McCluskey, director of Cato's Center for Educational Freedom, have compiled contributions from many of the most original thinkers in the higher education reform movement.

### **Slaying Shibboleths**

The book's title may be a little misleading, though. The focus is solely on the financial or operational side of higher education. The intellectual or ideological side is entirely ignored, and there is plenty there that also needs fixing. Nor is the book a blueprint for how to reform higher education structurally.

At its best, however, the book jars readers out of widely accepted shibboleths about higher education, presenting alternate perspectives derived from free-market economics and public-

choice theory. It has, at times, a similar feel to the 2005 best-seller *Freakonomics*, in which surprising counter-claims are revealed to be more evidential than the accepted “common knowledge.”

For instance, it has long been accepted as historical fact that the Morrill Land-Grant Act of 1862, which created a system of public agricultural-technical universities, spurred an economic boom in the latter half of the nineteenth century. Richard Vedder, a distinguished professor of economics at Ohio University, dismantles that claim by revealing that economic growth was actually higher in the first half of that century.

In another example, despite all the media attention about for-profit education’s high student-loan default rates, Michael DeBow, a law professor at Samford University, shows default rates at public community colleges are in fact worse. Yet community colleges escaped similar federal sanctions.

### **Incentives of Nonprofit Managers**

The book excels with the contributors’ exploration of higher education’s tangled web of incentives. A popular establishment theory today, for example, is the “non-distribution constraint,” which suggests nonprofit managers are better at providing goods and services such as education because they are forbidden from receiving remuneration beyond a “reasonable” amount. Therefore, they have “better motivation to spend the organization’s funds on its stated mission rather than on personal benefits,” writes the late Henry Manne, a former dean of the George Mason University School of Law.

Manne eviscerates that claim by showing “managers of nonprofit organizations are no less interested in maximizing personal utility than are managers of for-profits.” Academics take their largesse in ways other than bonuses and stock options, such as palatial residences for top administrators and light teaching loads for faculty.

Roger Meiners, a professor of law and economics at the University of Texas-Arlington, explains how those incentives affect the relationship between administrators and board members: “Board members are fed a diet of selective information by top administrators, who have strong incentives to manage information so as to minimize damage to their own positions.”

Administrators’ preference for managing opinions instead of producing results happens because they are not driven out of their jobs for “bad financial performance but because of some event that brought bad publicity to the school,” Meiners writes. As a result, “presidents and other administrators learn to be trouble minimizers—offend no one, speak in platitudes, devote significant time to building coalitions, and go with the flow,” Meiners writes.

### **Institutional Governance Problems**

The book’s other great strength is its historical awareness of how higher education’s problems developed, particularly in the area of governance. In a chapter on “administrative bloat,” Zywicki and Christopher Koopman of the Mercatus Center at George Mason University succinctly describe the historical narrative.

“The increased complexity of the university’s structure and its lack of a clear mission created a power vacuum and a fundamental inability of the trustees to manage the organization,” Zywicki

and Koopman write. “In fact, control had effectively shifted to the faculty, which now determined personnel decisions, curriculum, and, implicitly, the mission of the university.

“More important, the assumption of control by the faculty brought with it fundamental changes in university governance because the self-interest of individual faculty members was not necessarily aligned with the desires of other university stakeholders,” Zywicki and Koopman write.

The governance problems have worsened in recent years, with the rapid growth of a huge administrative bureaucracy that seems to bear little relationship to the core educational mission of the university.

### **Focus on For-Profits**

One flaw in *Unprofitable Schooling* is the concentration on defending for-profit education—the book’s most consistent theme. Although that sector of higher education has much to offer and was indeed sorely mistreated by the Obama administration, it is not a cure-all, and a return to domination by for-profit schools is unlikely. Other solutions with more immediate potential, such as “skin-in-the-game” loan guarantees in which schools essentially become partial cosigners for student borrowers, receive no attention.

This is not a book one should read as an introduction to higher education today and its many problems. However, it is an extremely valuable tool for examining those problems at the deeper level of basic incentives. It is better at teaching how to reason properly about higher education than how to proceed