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

Ronald G. Ehrenberg  
*Cornell University, rge2@cornell.edu*

Follow this and additional works at: [http://digitalcommons.ilr.cornell.edu/articles](http://digitalcommons.ilr.cornell.edu/articles)  

Part of the Higher Education Commons, Labor Economics Commons, and the Labor Relations Commons

Thank you for downloading an article from DigitalCommons@ILR.  
Support this valuable resource today!
Review of the Book *Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education*

**Abstract**

[Excerpt] Befitting a former journalist, Kirp’s book is extraordinarily well-written; once one picks it up it is hard to put down. Some economists may be put off by a book that contains no equations, tables, figures or regression results. Such an attitude, however, would be misguided and any academic economist interested in better understanding how market forces are reshaping higher education should read *Shakespeare, Einstein, and the Bottom Line*.

**Keywords**

higher education, economic markets, academic institutions, competition

**Disciplines**

Higher Education | Labor Economics | Labor Relations

**Comments**

**Suggested Citation**


**Required Publisher Statement**

© *American Economic Association*. Reprinted with permission. All rights reserved.

This article is available at DigitalCommons@ILR: [http://digitalcommons.ilr.cornell.edu/articles/860](http://digitalcommons.ilr.cornell.edu/articles/860)
The project’s major theme is clearly and provocatively laid out by the coauthors in the lead-off chapter: “Many Latin American governments cut infrastructure spending in the era of macroeconomic reform—a line item in the adjustment program that set adjustment back rather than forward” (p. 1)...“The conclusion is that cutting high-return public infrastructure indiscriminately during fiscal adjustment does not make sense in either macroeconomic or microeconomic terms” (p. 4).

The introductory chapter begins with references to the existing literature arguing that the social returns to public infrastructure investment are typically very high, ranging from 20–120 percent, in spite of the occasional “white elephant” project. The authors then speculate as to why these investment projects have often experienced disproportionate contraction during periods of fiscal austerity. They argue that the “myopic use of the current budget deficit to GDP ratio as the single yardstick to assess fiscal performance” (p. 2) is largely to blame. “It could easily be avoided if economic analysts—including the IFIs (International Financial Institutions)—were to change their thinking and evaluate adjustment in terms of the only budget constraint that matters economically, namely, the intertemporal budget constraint (IBC)...that the present value of all future government revenues must be sufficient to cover the existing stock of debt plus the present value of all future government spending” (pp. 2–3).

Using the IBC as a guide, the authors discuss various fiscal tricks that have been used by countries to reduce their current deficit/GDP ratio, even though these actions have a negative effect on the net wealth position of the public sector. Examples are taken from recent macroeconomic history in the United States at the time of the Gramm-Rudman bill, the European Union as member countries struggled to meet the Maastricht deficit targets, as well as many developing countries. Easterly and Servén then go on to argue that the list of illusory fiscal adjustments should potentially include slashing spending on infrastructure projects. If these projects indeed have social returns well in excess of the government’s marginal cost of borrowing, eliminating them will worsen the public-sector net wealth position, improvements in their current deficit/GDP ratio notwithstanding.

The remaining chapters provide careful data collection and analysis as well as detailed econometric evidence (using times-series, cross-country, and panel data techniques as appropriate) to back up the book’s main message. The chapters are tightly interwoven and relate neatly to each other in a way that is atypical for multi-authored collections on topics of current policy interest.

I came away impressed by the thoroughness of the authors’ research on linkages between infrastructure spending, public-sector net worth and economic growth. The analysis is sophisticated, taking into account possible complementarities and/or substitutability of various public and private investments, the impact of economic growth on government revenue collection, etc. This volume will be invaluable to anyone interested in the effects of infrastructure investment on macroeconomic performance either during normal times or in periods of fiscal crisis and retrenchment.

I remain unconvinced, however, by the volume’s central theme that infrastructure compression is an inappropriate component of macroeconomic adjustment programs. The author’s focus on the IBC and “solvency,” while appropriate in normal times, is not “the only budget constraint that matters” during times of financial distress. Once countries find themselves mired in a debt crisis, they face severe liquidity or period-to-period cashflow constraints; the opportunity cost of funds skyrockets (which, of course, also affects the IBC). If the fiscal realities are that some expenditures must be cut and/or some taxes or user charges must be increased, the fiscal authorities must assess which expenditures to leave intact (or with smaller cuts): infrastructure spending, high caliber civil servant salaries, social safety net programs, education and health programs, etc. Ideally, budget authorities would like to have the same thorough analysis of the costs of cutting other government expenditure categories that the present volume provides for infrastructure spending.

JOHN T. CUDDINGTON
Georgetown University

I Health, Education, and Welfare

I rarely agree to review books. However, once every few years a book comes along that I wish I had written and that I want to tell the world about. David Kirp’s *Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education* is the most recent of these books and hence this review.

Kirp is a professor of public policy at Berkeley—not an economist. However, he understands how economic forces affect higher education institutions better than most economists. While many books on higher education, such as my own *Tuition Rising: Why College Costs So Much* (2000, Cambridge MA: Harvard University Press), focus on the behavior of one institution (in my case Cornell) or a class of institutions (in my case selective private colleges and universities), Kirp paints a much broader picture of how economic pressures are affecting the behavior of all academic institutions, be they public or private, graduate/professional or undergraduate, or non profit or proprietary. Much of the picture he paints is not very flattering because he describes multiple situations in which traditional academic values come in conflict with market pressures and how the responses that institutions make are often driven by dollars signs rather than their core values.

Befitting a former journalist, Kirp’s book is extraordinarily well-written; once one picks it up it is hard to put down. Some economists may be put off by a book that contains no equations, tables, figures or regression results. Such an attitude, however, would be misguided and any academic economist interested in better understanding how market forces are reshaping higher education should read *Shakespeare, Einstein, and the Bottom Line*.

Kirp takes the reader on a tour of higher education institutions around the country. We learn about the arms race of spending taking place at selective private institutions as each institution tries to improve its position vis-à-vis its competitors and how the large publics are for similar reasons developing honors colleges—which serve only a few of their top students at the expense of the many. We see how one of the nation’s most respected private academic institutions, the University of Chicago, goes through a painful revision of its core curriculum in an effort to make the university more attractive to more potential students, even though in doing so some of the unique flavor of the institution is lost.

We travel to visit a liberal arts college in Pennsylvania that is seeking to define its niche and to achieve “brand recognition” without heavily investing in science. We observe how the principle of providing aid based on students’ financial need is at least partially sacrificed by the institution and merit aid is increasingly used in an effort to attract a more “desirable” student body at a lower total financial aid cost. We visit one major urban private university that is making a big splash and drastically increasing its students’ SAT scores through the recruitment of a number of star faculty members. However, these faculty members have no contact with the institution’s undergraduate students and the majority of undergraduate students at this institution are taught by adjuncts and graduate instructors. So enhanced institutional reputation, based on hiring star faculty and upgrading the SAT scores of undergraduate students has come at the expense of divorcing the research faculty from undergraduate students. It is not surprising that this institution recently became one of the first private universities at which adjunct faculty voted to establish an adjuncts-only faculty union. Kirp’s discussion of this institution leaves us wondering if the institution’s improved academic reputation can be sustained if undergraduate students have little contact with top faculty.

We next visit a lower tier law school that has traditionally placed a high value on public service. Sadly, law school rating organizations (i.e., *US News and World Report*) do not factor public service into their ratings and a new law school dean is forced to try to change the nature of the product the institution is producing. We visit a major business school located at a public university—this business school has privatized itself and effectively ceased to share its revenue with the rest of the university. So facilities improve and salaries rise at the business school at the same time that salaries are frozen and facility needs are not met at the rest of the university. While the business school remains firmly ensconced near the top of the business school rankings, its faculty members are busy writing “proprietary cases” for corporate executive education programs and, as a result, the research output of the faculty suffers.
We learn how budgetary models, designed to increase the incentives that individual units within an academic institution have to take actions to increase revenues and reduce costs, often have perverse effects on the academic programs at the institution as a whole (a theme of mine also in *Tuition Rising*); how some institutions have tried to use the internet to generate additional revenue from their faculty members’ teaching, while others have instead chosen to place all of their course outlines on the web, and still others have sought to share faculty resources across geographically dispersed institutions by teaching classes to multiple locations via the internet. We learn how efforts to commercialize faculty research findings, often those produced with public support, may interfere with the free exchange of knowledge. Finally, we explore how for profit competitors are fundamentally changing the competitive landscape that institutions face and forcing institutions to rethink how they deliver certain types of training and education.

Though Kirp’s discussion may at times give the reader the sense that he is “anti market,” nothing could be further from the truth. Rather, Kirp understands that the use of market based principles has contributed to the dynamic nature of American higher education and its continual improvement. However, he also understands that there is often a trade off between traditional academic values and the use of market mechanisms. *Shakespeare, Einstein, and the Bottom Line* is really a plea for academics and academic leaders to always keep their core academic values in mind when they make very hard decisions. Put in terms that economists will easily understand, increasing the magnitude of the revenue flowing into an academic institution is not always in the best interest of the institution.

**RONALD G. EHRENBERG**

*Cornell University*


*JEL 2003–1448*

Ending hunger in our lifetime is a moral imperative, argue four of the agricultural development profession’s most distinguished scholars, and it is possible technically, economically, and politically. The book sets out the case along all three of these dimensions.

This idea is not new. Herbert Hoover founded the Food Research Institute in 1921 at Stanford University with the goal of ending hunger. Lord Boyd-Orr made it the objective of the Food and Agriculture Organization (FAO) at its founding in 1945. And at the first World Food Conference in 1976, Henry Kissinger pledged United States support for ending hunger “within a decade.” With encouragement and financial support from the Ford Foundation, the authors explain what is different now.

The premise of the book is that “...given the growing interdependence among nations, food security has taken on characteristics of a global public good, necessitating a multilateral response” (p. 205). The proposed “response” is not modest. Ending hunger will require that rich countries invest substantially more in foreign assistance, including vastly more on agricultural research in poor countries themselves. Existing international institutions including the World Bank, FAO, WTO and a (new) Global Environment Organization (GEO) will need to be radically re-engineered to be fairer to poor countries. Expanding trade opportunities will be the engine of renewed economic growth, and the Doha Round of multilateral trade negotiations should be renamed the “Food Security Negotiations” as a way to bring greater access for exports from poor countries to the markets of rich countries.

At one level, this global perspective is clearly right. We have learned, perhaps uncomfortably, that hunger sits at the intersection of three larger forces: 1) trade and investment flows in the global economy, 2) the political interests of rich countries in poor countries, and 3) the governance of poor countries themselves. In effect, the authors are asking rich countries to focus on organizing *all changes* in these three vectors with the objective of ending hunger. Anything less, they claim, cannot solve the problem.

Fortunately, they are wrong about the need for this multilateral approach, in three important ways. First, it treats the poor as passive “receivers of food.” “In a very real sense, ending hunger in the twenty-first century is a question of mind over matter: because we know that sufficient