

# Killing the Goose that Lays the Golden Eggs

*Higher Learning, Greater Good:  
The Private and Social Benefits of Higher Education*

Walter W. McMahon

JOHNS HOPKINS UNIVERSITY PRESS, 2008

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During the middle of a worldwide recession when states like California are cutting back public higher education in devastating and dramatic ways not seen before in the history of this nation, a book that examines the private and social benefits of higher education is extremely important. It is likely that the next several years will bring more devastating financial news to postsecondary institutions and that states will continue to make significant cuts in funding. This text investigates the implications, and more importantly, the wisdom of such dramatic budget cuts. The book provides the most comprehensive analysis to date of the many benefits higher education brings to both individuals and society. While single studies have demonstrated the way higher education contributes to a particular outcome, no source is as definitive as Walter McMahon's *Higher Learning, Greater Good*.

Each chapter addresses an important area of higher education's contribution, ranging from the way higher education contributes to jobs and earnings, to improved health of individuals, to less crime in society, to the important research that fuels innovation in business and industry. As the author notes, many people think about how higher education contributes to individual economic benefits, such as jobs, but fewer people analyze the non-market or social benefits, such as

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improved parenting skills, fostering democracy, or reducing inequalities in society.

McMahon examines indirect effects of education and counters skeptics who tend to narrowly define outcomes and benefits. Most of the past studies of the benefits of higher education have underestimated, particularly in economic terms, its significant benefits compared to costs. McMahon's book is novel in applying a human capital approach that highlights the importance of these broader societal and non-market outcomes. The author does a wonderful job of addressing critiques of human capital theory, like the one that posits that over-education will result in lower salaries. The book is sophisticated, bringing in new approaches to analyze data that ensure benefits are not counted more than once and that do not overestimate benefits. McMahon also makes sure to carefully control for income and other attributes that could impact the integrity of the analysis. Comparisons to other countries are often helpful for putting benefits in context.

The book is also original in its examination of the issue of privatization of higher education and how this impacts private and social benefits. The author notes how market-driven models of higher education tend to value areas like math and English less because the outcomes are not tangible and direct, as well as undervaluing the contributions of fields where patents are not possible. He notes:

“Some fields such as law, political science, and constitutional law contribute to civic institutions, the rule of law, and political stability, which is fed back through indirect effects to set the stage for the next round of growth and development. Other fields such as English and mathematics nourish other disciplines but also are vital to earnings directly by contributing to what most graduates do every day. Foreign language and international affairs contribute to trade and hence to growth. In these fields, the short-term monetary returns are usually not high and patterning is not possible” (xi).

These insights are important as campuses make decisions about fields they will support. Through a complex analysis, McMahon reveals the indirect effects of important fields that institutions are often cutting or providing less funding. The author does not see privatization as either wholly good or wholly bad. I would have liked to see an entire chapter where the arguments about privatization were addressed, as they seem to get lost in the flow of the book. It wasn't clear what the author thought was the appropriate approach to privatization of higher education and research programs for economic or social efficiency.

This is an economics text, and I was wary of whether it would be written in an accessible way, as promised by the author in the introduction. Generally, I found that the author was generous in defining key terms for non-economists and that he tried to use direct and accessible language. Yet, I found myself a little weary on pages where formulas were described for fine-tuned analytic techniques or comparison of econometric models. Readers might want to skip over these and get to the summaries, as you do not need to understand the mathematics behind the analysis in order to understand the rich insights.

My major critique or concern with the book is the author's understanding (or really lack of understanding) of policy frameworks, particularly in the United States. Having a co-author with policy experience might have helped. The author's overall objective is to use this analysis to influence federal, state, and local policy. But the author tends to think about policy from a federal or national perspective, when most policy related to postsecondary institutions happens at the state level. For example, the author references the College Cost Commission or the Spellings Commission as definitive sources of policy. But the United States is unique in having no Ministry of Education. The Department of Education is barely 30 years old and has limited authority or funding.

McMahon's underlying recommendation is for a much stronger federal role in higher education. There are other specific recommendations: He calls for increases in Pell grants, a 20 percent increase in enrollment rates (both which are argued for by most policy analysts), and more federal support for state and local higher education (very unlikely, given history and culture of the United States). These are hardly revolutionary suggestions. The author offers only a few cursory ideas about this new system might be paid for. I did like his idea of examining the relationship between higher education and school finance reform. He also suggests that higher education should be a universal entitlement, but this idea runs counter to international trends of charging tuition as higher education expands access. There may be no way that a society can pay for universal higher education especially with large populations; at least no country has figured out how, as yet.

I also found McMahon unapologetic about the rising costs of higher education. He seems to believe that as long as earnings go up that the costs of higher education and the rate at which costs go up is not significant. Point taken, but is it really okay if higher education increases costs in double digits each year? He also seems surprised that non-market outcomes are not used by students to make decisions about college and that the general public does not embrace non-economic benefits. He believes that the solution to this problem is better communication and dissemination of information about nonmarket benefits to students, parents, and the general public.

I am less surprised than he is that in a capitalistic, materialistic culture the market and private benefits of higher education are typically embraced. Many groups, including the American Council on Education, which the author does mention, promote the social and non-market benefits of higher education. Many state commissions have Web sites that try to provide information about going to college. I find the efforts of the states—and non-profits, like Pathways to College Network—to communicate about college and its benefits commendable. I just do not think people are interested.

As the author notes, this book builds on other important texts, such as Bowen's *Investment in Learning*. McMahon's sophisticated analysis of data and updated sources may prove influential to some who pick up the book, but the

general conclusions are not much different from earlier books on the topic, like *Investment in Learning*. I wish I believed the general public, students and parents, or policymakers will pick up this book or be persuaded by the broader benefits of higher education. Bowen's and other books have been around for a long time and people still have not found enough inspiration to spend more money on higher education because it is a good investment and the benefits certainly outweigh the costs.

A rational argument like this book makes doesn't drive public policy or public perception. If it did, we would not be in the policy and educational binds that we are in today. McMahon makes an economic argument for spending more money on higher education, but from a policy perspective where competing demands exist (such as health care and prisons) for limited funds, I am not sure his analysis will be persuasive. I hope I am dead wrong. 