

Book Reviews

Editor's Note: Guidelines for Selecting Books to Review

Occasionally, we receive questions regarding the selection of books reviewed in the *Journal of Economic Literature*. A statement of our guidelines for book selection might therefore be useful.

The general purpose of our book reviews is to help keep members of the American Economic Association informed of significant English-language publications in economics research. We also review significant books in related social sciences that might be of special interest to economists. On occasion, we review books that are written for the public at large if these books speak to issues that are of interest to economists. Finally, we review some reports or publications that have significant policy impact. Annotations are published for all books received. However, we receive many more books than we are able to review so choices must be made in selecting books for review.

We try to identify for review scholarly, well-researched books that embody serious and original research on a particular topic. We do not review textbooks. Other things being equal, we avoid volumes of collected papers such as *festschriften* and conference volumes. Often such volumes pose difficult problems for the reviewer who may find herself having to describe and evaluate many different contributions. Among such volumes, we prefer those on a single, well-defined theme that a typical reviewer may develop in his review.

We avoid volumes that collect previously published papers unless there is some material value added from bringing the papers together. Also, we refrain from reviewing second or revised editions unless the revisions of the original edition are really substantial.

Our policy is not to accept offers to review (and unsolicited reviews of) particular books. Coauthorship of reviews is not forbidden but it is unusual and we ask our invited reviewers to discuss with us first any changes in the authorship or assigned length of a review.

A General Economics and Teaching

Modern Social Contract Theory. By Albert Weale. Oxford: Oxford University Press, 2020. Pp. xiii, 456. \$100.00. ISBN 978-0-19-885354-1, cloth. *JEL* 2021-0003

Social contract theory is one of the mainstream methodological approaches taken in modern moral and political philosophy. Its central claim is that the basic justification of moral and political principles with which we judge the rightness/wrongness or justness/unjustness of individual acts and social institutions stems from what

rational individuals, given their state of knowledge, would agree to in a suitably defined hypothetical social contract. Different social contract theories emerge depending on how the social contract theorist characterizes the contracting parties' rationality and available knowledge. With respect to rationality, some social contract theories characterize the rationality of the contracting parties in terms of modern utility theory standardly employed in economics (e.g., John C. Harsanyi, James M. Buchanan, Gordon Tullock, David Gauthier, etc.); others ascribe to the contracting parties a more rich form of (what

federalism. But they end with an important caveat: “The case for Democratic Federalism will then be the most persuasive for new evolving democratic states where citizen preferences for public goods and services vary but where there is sufficient goodwill and respect for such differences that compromise is possible” (p. 377). Just as we have a theory of optimal currency areas, this suggests a theory of when a system of countries will find it beneficial to join together as a federal system. Inman and Rubinfeld have constructed a persuasive case for democratic federalism.

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I Health, Education, and Welfare

Markets, Minds, and Money: Why America Leads the World in University Research. By Miguel Urquiola. Cambridge, MA: Harvard University Press, 2020. Pp. vii, 347. \$35.00. ISBN 978–0–674–24423–8, cloth

JEL 2020–0461

It has been said that Hollywood loves movies about making movies. For a similar reason, academics love to read about academia; we love to understand our profession, why it works and, too often, doesn't. Miguel Urquiola's (2020) book should therefore find a wide audience among

academics, especially those who want to understand the success of US higher education.

Urquiola's book is motivated by a seeming paradox: the United States produces students that are in the middle of the pack in terms of test scores, yet maintains a comfortable lead over the rest of the world in the production of academic research. Urquiola argues that these two outcomes can occur simultaneously because of the United States' uniquely free-market higher-education system. “Free-market” here means that universities operate with a large amount of autonomy and have relative freedom of entry and scope. The United States produces remarkable research and middling educational outcomes because that is what the consumers, students and their families, want and are willing to pay for. Urquiola persuasively illustrates this argument through a rich history of US higher education.

One achievement of this book is correcting a false narrative that the United States began its dominance in the production of academic research after World War II. Using data on institutional affiliations of Nobel Prize winners, Urquiola places the start of the United States' preeminence in the late nineteenth or early twentieth century. Moreover, the United States' rise was gradual. This is not to downplay the importance of World War II, but by the time Nazi Germany expelled Jews from its universities, the United States already led the world in research.

After outlining his main argument, Urquiola provides a chapter discussing the inauspicious beginnings of US higher education. Prior to the Civil War, the free-market orientation of American colleges did not incentivize them to focus on research. Instead, one of the primary purposes of the antebellum college was to train clergy, and students had to ensure they were getting the right kind of clerical training. The splintered nature of American religion therefore resulted in a large number of small colleges, each catering to a specific religious denomination in a particular area. Recent empirical work (Xiong and Zhao 2019) supports Urquiola's conclusion. As a result of this sectarian competition, the United States had, and in fact still has, far more colleges per capita than anywhere else in the world.

Urquiola next provides three chapters detailing a slow shift in the business model of US higher education, from providing denominational sorting to sorting along other dimensions. Because US colleges had a large degree of autonomy, schools could experiment with teaching reforms to better satisfy their customers. Among these reforms were the demise of the recitation, replaced by the lecture; expanding the curriculum and hiring specialist faculty; and allowing students to choose the subjects they studied. Schools that adopted these reforms, like Johns Hopkins University, Harvard University, and Columbia University, saw increased demand, allowing them become much more selective in their admissions and charge higher tuition. Urquiola refers to this as “sorting reform,” and it forms the central argument in the book: as schools gained reputations for having better faculty and consequently better students, the best students increasingly wanted to attend them to signal their ability. While the earliest reforms may have improved pedagogy, by the start of the twentieth century the best students wanted to associate with the best researchers and best peers regardless of the quality of education. Federal research dollars also increasingly went to the top schools, reinforcing their prestige and attractiveness as destinations for top students.

Urquiola next provides a very useful pair of chapters comparing US to European higher education. Perhaps surprisingly, Europe invented the free-market university, with the earliest universities at Bologna, Paris, and Oxford emerging spontaneously and with little centralized direction. This situation changed following the Protestant Reformation. As Europe fragmented, universities began serving local territories, rather than operating in a broader Catholic education market, opening the door for newly powerful states to exert control over their universities.

For a book seeking to explain how US universities came to dominate the world in research, Urquiola devotes surprisingly little attention to the rise of the research university itself, especially in Europe. His discussion of European universities essentially ends around 1600; he provides only a single paragraph describing German dominance of academic research from about 1700 to 1850 (p. 173). There is no discussion of the rise of the Humboldtian model of

higher education, nor why German university research was declining relative to the United States decades before the rise of the Nazis. This is unfortunate, because many differences between US and German universities in the decades before the world wars support Urquiola’s thesis. For instance, German universities offered only a single degree that was too technical for those going into industry but not technical enough for those going into academia; the United States, on the other hand, could experiment with different academic programs and settled on separate bachelor and doctoral degrees (Stokes 1997, p. 42).

The other surprising omission is a discussion of America’s non-elite public universities, especially the land grant colleges chartered to conduct practical research and provide practical skills. Urquiola mentions the Morrill Act, which established the land grant colleges, only four times in passing. This is not entirely a critique: the history of the land grant colleges has been documented in detail elsewhere (Geiger and Sorber 2013, Sorber 2018), and my personal opinion is that the land grants often get too much credit for driving the growth of US research in the decades after their founding (Johnson 1981). Moreover, even in a book-length treatment it is impossible to cover every type of US university, underscoring Urquiola’s point about the diversity of American higher education. But one wonders if Urquiola attributes a bit too much to the role of sorting, perhaps giving too much credit to America’s most selective universities at the expense of its more democratic institutions. Even a cursory look at America’s most research-intensive institutions (e.g., pp. 121–22) reveals a prominent role for public universities that are not especially selective.

Urquiola closes the book with a chapter on potential challenges for American universities to maintain their research dominance. In particular, Urquiola identifies four possible threats to universities’ ability to sort students: massive open online courses or similar technologies, an increasing focus on identity that makes it harder to recognize individual talent, an aversion to inequality that redirects resources from top schools, and skyrocketing costs that may eventually limit student demand. Those of us in higher education would do well to think carefully about

each of these. But while Urquiola is right to point out potential challenges, he misses an opportunity to explore actions US universities have taken to insure against these threats. For instance, the rise of technology transfer in the post–World War II decades has allowed universities to increasingly profit from faculty research (Berman 2012, Mowery et al. 2004), helping to decouple research funding from sorting activities.

Overall, Urquiola does a convincing job arguing that the US higher education’s free market orientation has allowed it to fund the world’s best system of research, and he illustrates this argument with fascinating anecdotes from history. Returning to the paradox motivating the book, the reader is left with one final question: does it matter that the United States is best in the world at producing research if it fails at educating its students? Urquiola addresses this question only briefly, noting that a nation’s success in producing research “matter[s] because university research contributes to economic growth and human welfare” (p. 5). But does it matter to the American people that US universities are conducting this research? After all, the United States’ early success in textiles was built on technologies from England; the United States led in developing the commercial internet but now lags most of Europe in internet access; recent

catch-up growth in China was predicated on technologies developed elsewhere. It may well be the case that successfully educating the population is more important for a nation’s growth than promoting research.

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