

*“THE ECONOMICS OF TEXTBOOK SALES”*

[Final Edition]

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**Document Text**

It's the time of year when more than 17 million college students head to bookstores to purchase textbooks and course materials for their classes. Alas, their trips will be expensive; this academic year, they will spend \$4.9 billion, with the typical student attending a four-year public university spending more than \$1,000 on textbooks and course materials.

Textbook prices rose at six percent per year from 1986 to 2004, even though the Consumer Price Index rose only about 3 percent annually over the same time period.

Why have textbook prices been rising so rapidly and what can be done to slow their rate of growth? Let's look at those who purchase books, as well as those who supply them, to obtain some answers.

Students, along with a few universities that operate textbook- rental systems, purchase nearly all textbooks. Even so, it is faculty who choose the textbooks students purchase, though faculty don't have to pay for them. A recent Connecticut study revealed that most faculty don't know how much textbooks cost and therefore don't take those prices into account when making choices.

You may recognize this situation. It also exists in pharmaceuticals, where doctors don't have to pay for the prescription drugs they tell their patients to purchase. One result, of course, has been rapidly rising prescription costs and that's what has been happening with textbook prices.

Students can choose to purchase a new textbook, or buy it used, or not buy the book at all (about 20 percent of students don't purchase the required textbook). When students can shop around, they often can find a used copy of a textbook at greatly reduced cost.

The non-profit University of Montana bookstore lists all required textbooks on its Web site and even supplies an icon next to each book that takes students directly to Amazon.com with one click. There, they can compare prices and usually can find an inexpensive used textbook, if they wish. For example, Gregory Mankiw's "Principles of Microeconomics" is listed for \$99.40 new and \$78.30 used at the Montana bookstore. A single click revealed that Amazon is selling the identical book for \$106.95 new and that it has an inventory of 970 used copies of the book for sale at \$3.00 per copy and up.

On the supply side of the market, there are five dominant publishers who have 80 percent of the textbook market. They aren't dummies and know when they produce a new edition of a textbook it renders obsolete the used copies of the previous version. This is especially true if campus bookstores cooperate and stop carrying the old edition. And, that's what campus bookstores usually do, since they make more money selling new books. New editions tend to come out frequently, not the least because the publishers make most of the revenue in the first year after a new edition appears. After that, the used-book market takes over.

Increasingly, textbook publishers have moved to textbook bundles that include the textbook and related items, such as workbooks, CDs, Web sites and the like. These bundles easily can cost \$150 each and the problem is students usually aren't allowed to unbundle the package and purchase only the items they want.

About two dozen universities nationally (including six University of Wisconsin campuses) operate textbook rental systems. Here, students pay a rental fee for their textbooks (it is less than \$250 per year per student in Wisconsin) and return those books at the end of the course. This approach provides students with huge savings, but it may cost a single university several million dollars to begin a rental system.

Textbook rental systems also diminish or eliminate the profits universities typically earn from the textbook trade. About one-half of all institutions operate their own bookstore; another 35 percent contract their bookstore to a firm such as Follett or Barnes & Noble. In either case, the universities receive a stream of profits from textbook sales and are therefore reluctant to give it up by starting a textbook rental system.

Rental systems work best when faculty use the same edition of a text for several years in a row, but some faculty bridle at that restriction.

Textbook costs can be reduced if institutions help students shop around. They can do this by putting all book lists on the Internet (this is now law in Virginia), by providing a Web page icon to give customers easy access to used-book sellers, by requiring their bookstores to unbundle all textbook packages, and by operating textbook rental systems.

Is this going to happen? That's not yet clear, but the Advisory Committee on Student Financial Assistance of the U.S. House of Representatives will hold hearings this fall on these matters and shine light on the alternatives. We should wish them well.

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**Abstract** (Document Summary)

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