

Why Are Textbooks So Expensive?

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Newsletters and other missives that I receive seem filled with stories about textbooks and textbook prices, with many wringing their hands over why textbooks are so expensive now relative to the more distant past (usually when the author of the article was in college). I suspect some articles arise from middle-aged parents who suddenly must pay for their own children's college textbooks and they recoil when they see a bill of \$500 a semester or thereabouts.

What reasons are given for the high price of textbooks? Of course, there's general inflation, but evidence points to textbook prices outpacing inflation. Others point their fingers at the bright colors in many books (relative to older black and white models) and argue that production costs are needlessly pushed up by color. (A quick check of my own bookstore shows that many books without color are more expensive than those with color, probably due to the number of books in the print run.) Another suggested hypothesis is textbook publishers simply seek greater profit margins now than they did in the past. After all, the market used to be dominated by rather genteel textbook companies that really cared about scholarly texts and not so much about being wildly profitable. A comfortable, modest profit line was fine in the old days. Those days are now gone, because traditional textbook companies have been bought up by gigantic conglomerates that look only to the bottom line and seek huge profits. For these companies, so the theory goes, textbooks are just one more product line, no different from detergent or tires or toilet paper, on which to make a profit. The fact that many formerly independent textbook companies are being bought up and merged under the same corporate umbrella could also be partly responsible, if this process reduces competition through having fewer companies. Another facet of the debate is the frequent revision schedule of basic textbooks. Most introductory psychology textbooks are revised every three years, some every two years. Doesn't this constant revision drive up the prices?

Although the reasons listed above may have some merit, I don't think any of them is fundamental to why textbook prices are so high. In fact, I suspect that most of the properties described above are effects and not causes. What is the cause? If I had to bet, the root cause is a feature of the marketplace that has changed greatly over the years and fundamentally reshaped the textbook market: sale of used books.

Let us go back in time to what educational historians refer to as the later Paleolithic era in higher education, that is, the late 1960s, when I was in college. Here was how the used book market worked then. I was a psychology major and was about to take a course in history of psychology. A psychology major in my fraternity, Dave Redmond (now a big-time lawyer in Richmond, Virginia) was going on to law school and wanted to sell some of his psychology textbooks. He asked if I wanted to buy Edna Heidbreder's *Seven Psychologies*, for a dollar. I said OK. The book had cost him \$2.95, which is still listed in my copy. (It's a great book, by the way, published in the wonderful Century Psychology Series that was published by Appleton-Century-Crofts, before that company got gobbled up by some other company. It's out of print, but you can still get it on Amazon.com for as low as 55 cents a copy – or as high as \$39.)

But back to my story. The point is that this was how the used book market worked in my day. One student sold books to another student on a hit or miss basis. Books didn't cost much. Oh, also, most students kept their books and started building a personal library. (This is another idea that seems to have faded with time. Personal library? Today's students assume everything they need to know is on the internet.)

Let's fast forward to 1981. I was teaching at Purdue University and was considering (with Betty Capaldi and several others) writing an introductory psychology textbook, since textbook companies were wooing us to do so. However, neither Betty nor I had ever even taught introductory psychology, so we decided to teach independent sections one semester. We examined a lot of books and decided to use Phil Zimbardo's textbook, *Psychology and Life*. (Some background: The book was originally published by Floyd Ruch, and after many editions became Ruch and Zimbardo, then became Zimbardo and Ruch, then Zimbardo, then Zimbardo and Richard Gerrig, and now it's Gerrig and Zimbardo and in its 17th edition, currently published by Allyn & Bacon). Betty and I were each to teach a section of 475 students, so we ordered 950 books. Nine hundred fifty books was, and is, a big textbook order. Think of the profits to the company and the author!

A few days before classes were to begin, I happened by one of the three Purdue bookstores to buy something. I decided to go see the hundreds of copies of the book I had ordered, gleaming at me on the shelves. I found them, all right, but I was shocked at my discovery. Every single book on the shelf was a used copy! I went through many of them, disbelieving, and saw that quite a few were in poor condition (marked up, spines damaged, etc.), yet the prices were still substantial. How could this be? Zimbardo's book had never been used at Purdue before recent times. Where did all these used copies come from? I decided to walk to the other two bookstores and discovered exactly the same situation; every book for sale was a used book in the other two stores. There wasn't a new book to be found.

The organized used book market represents the great change in the landscape of higher education publishing, but one that has gone relatively unnoticed by most academics (unless they are textbook authors). The implications are huge. Consider the situation in today's dollars (although I am estimating). A single author of a textbook might make a 15 percent royalty on the net price of the book (sometimes a bit more); the net price is the price the bookstore pays the textbook company for the book and the list price is the price set by the bookstore to sell to the student. The net price of an introductory psychology textbook today might be \$65 (before the bookstore marks it up), so the author would make \$9.75 per book. However, that is only if the book is bought from the company; if the student buys used books, the author makes nothing and neither does the company. If 950 used books are sold, the author would lose (be cheated out of?) \$9,262, and the textbook company would perhaps lose a similar or larger amount. (Profit margins probably differ from company to company and book to book. They are a closely guarded secret.) Of course, at Purdue in 1981 the figures would have been smaller, but the principle the same. The fact of modern campus life is that used book companies buy up textbooks on one campus, warehouse them, and ship them to wherever the book is being adopted, and therefore prevent sales of new books.

Consider what this means. The textbook company that invested hundreds of thousands of dollars – maybe millions for introductory textbooks – to sign, develop, review, produce, market, and distribute a book over several years is denied its just profits. The author or authors who wrote the book over many years are denied their royalties. Meanwhile, huge profits are made by the used book companies who did

nothing whatsoever to create the product. They are true parasites, deriving profits with no investment (and no value added to the product) while damaging their hosts. The issue here is similar to that in the movie and recording industries for pirated products that are sold very cheaply, denying the companies and the artists their profits. One major dissimilarity in these cases is that pirated movies and music are illegal whereas the used textbook market is legal. (There have been proposals to change this state of affairs. For example, one idea is that when used book companies resell texts they would pay the original textbook company and author a royalty.)

The high price of textbooks is the direct result of the used book market. A textbook is customarily used for one semester and (unlike the old days) students rarely keep their books now but sell them back to the bookstore (more on that anon). Therefore, the same text might be used by three to four students, but the textbook company and author profit the first time a book is sold and not thereafter. It stands to reason that textbooks must be priced aggressively, because the profits from the repeated sales will not go to the authors and companies that actually wrote and produced the books, but rather to the companies that specialize in buying and selling used books. Further, the reason textbooks are revised so frequently is to combat the used book market, which further drives up the company's costs. Frequent revisions also add wear and tear on the authors who must perpetually revise their books. (I've sometimes wanted to have two somewhat different versions of my textbooks and then alternate them.) Most fields of psychology hardly move at such a swift pace as to justify two- to three-year revision cycles of introductory textbooks. The famous textbooks of the 1950s and 1960s were revised every eight to 10 years or so, but after the used textbook market gained steam, revisions became frequent. Moreover, because of the used book market, profitability of many companies was hurt and they became ripe for takeovers, which further consolidated the market. That is why I said in the third paragraph that many factors used to "explain" the high prices of books are probably effects, with the cause being the organized used book companies that prey parasitically on the host publishing companies and threaten to destroy them.

Other changes have also affected the market. College and university bookstores used to be owned by the school and operated as a service to the students and the faculty, but those days are past on most campuses. Now the bookstores are operated by large companies (Follett's, Barnes and Noble, and others), often the same ones who operate used book operations. Most "bookstores" have turned into carnivals where emphasis is placed on selling sweatshirts, trinkets, souvenirs and snacks and, oh, incidentally (used) books.

Another pernicious trend: After universities relinquished their hold on bookstores, the bookstores aggressively raised that the percentage markup on the net price paid to the publisher on new books. Thirty years ago a standard rate of markup was 20 percent and publishers provided list prices on their books (because markups were standard). I can recall the great hue and cry that arose when textbook stores started marking up books by 25 percent. However, a 25 percent markup for today's bookstores would look like chump change. Publishing companies now sell the bookstore the books based on a net price and the bookstore decides on the list price, often marking up the books 30 to 40 percent in the process. The profits go to the company owning the store and the company pays the college or university for the right to have a monopoly business on campus. However, many students have now learned that it is cheaper and (given the huge lines) sometimes easier to buy textbooks from other sources like Amazon.com.

Let me give you a concrete example. Last summer the eighth edition of my textbook (with Barry

Kantowitz and David Elmes), *Experimental Psychology: Understanding Psychological Research*, was published by Wadsworth Publishing Company. The net price (the price the bookstore pays the company for a new book) the first time the book is sold is \$73.50. The authors receive 15 percent royalties on the book, so we would split the \$11 royalty three ways. However, at the Washington University bookstore, the list price of the book is \$99.75, a markup of \$26.25 (or 35.7 percent)! Yes, that's right, the authors who wrote the book get \$11.02 for their years of hard work whereas the bookstore that ordered the books, let them sit on their shelves for a couple of weeks, and sold them, gets \$26.25 per book. (If books are not sold, they are returned to the company for a full price refund. It's a no-risk business.)

Yet the story gets even worse because of the used book problem. After the student uses the book (and if it is in pretty good condition), the bookstore will buy it back from the student at a greatly marked down price, somewhere between 25 and 50 percent. Let's assume that *Experimental Psychology* is bought back for 40 percent of the list price (which is probably a generous assumption at most bookstores). That would be \$39.90. After buying it, the bookstore will mark it back up dramatically and resell the book. Suppose the used book is sold for \$75, which sounds like a bargain relative to the new book price of \$99.75, and it is. However, notice that the profit markup for the bookstore on this used book would then be \$35.10, which is higher than the (still very large) profit made on the new book (\$26.25). In fact, the primary reason bookstores prefer selling used books to new books is the much higher profit margins on used books. So, on the second (and third and fourth, etc.) sales of the same book, the bookstore and used book company make huge cumulative profits. The textbook company that invested large sums into developing the book (and the authors who invested time and energy and research into writing it) receive exactly zero on these resold books.

If this sounds bad, it actually gets worse. Another insidious influence in the textbook industry is the problem of sales of complimentary copies. In order to market their wares to professors, it is customary for textbook companies to give out free copies of their books. All of you who teach basic courses in the psychology curriculum receive such books. This is just another price of doing business for the book companies. However, many of these books find their way into the used book market because some professors sell books to scavengers from the used book companies who search through university campuses seeking to buy complimentary copies. Now these companies are soliciting professors to sell their complimentary copies by e-mail. I never sell my complimentary books, of course, because I believe it unethical to sell for profit something I was given by a company in good faith. However, apparently many professors do sell their books. Now the textbook company gets hit by a double whammy: The book they produced to give to a professor for possible adoption enters the market and takes away a new book sale in the marketplace!

Is it any wonder that textbook prices are so high? The wonder is that they aren't higher.

What can you as an individual do about the used book problem and the rising cost of textbooks?

Unfortunately, the answer is probably "not much" beyond not selling your complimentary copies. (If you have too many books, give them to prisons, or libraries, or deserving students.)

The textbook companies themselves have few alternatives in dealing with this problem. They can and do raise the price of the books so that they try to recoup their investment on the first sale (hence the high price of textbooks). They can revise the book frequently, which renders the previous edition obsolete. They can try to bundle in or shrink-wrap some additional item (a workbook, a CD) with the new text, so

that students will need to buy new books to get the free item. This strategy can work, but some bookstores will just unbundle the book from the study guide and sell both! (So, a study guide the bookstore received free can be sold for, say, \$15.) Unless and until laws are changed to prevent the organized sale of used books, you can expect textbook prices to keep increasing. Oh, and if an editor comes by to ask you to write a textbook “just by writing up your lecture notes,” tell him or her that if you want to make real money, you’ll open a university bookstore. That’s where the money is.

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