

## **Why Textbooks Are So Expensive**

Christopher Ragan  
The Globe and Mail, September 10, 2014

Classes started last week at many Canadian colleges and universities, and thousands of first-year students were probably shocked to see such high textbook prices. Why does a 500-page textbook in economics or cell biology or calculus cost \$150, and sometimes much higher, while similarly sized “trade” books cost only \$40 or less?

For 25 years I have been teaching at McGill University and have been an active user of textbooks. For most of those years I have also been a co-author of a widely used introductory economics textbook. Neither thing makes me an expert on this industry, but I still think I can shed some light on the question.

To begin, it is unlikely that high prices are simply the result of “profiteering” by publishing companies who produce books at low cost but jack up the prices for unsuspecting students. If this were true, the publishing companies would be very profitable, but they’re not. Over the past four years, for example, one of the largest textbook publishers in Canada had an average return on equity of 10.1 per cent. When you consider the riskiness of publishing (because many books are financial flops) there is nothing spectacular about these profits.

In the absence of high profits, high prices must reflect high costs. We should therefore ask why it costs so much more to produce textbooks than to produce trade books. There are three main reasons.

First, because professors and students rely on textbooks as authoritative sources of information, they are subjected to an extensive reviewing process. My own textbook gets reviewed by roughly 30 economics professors at various points of the process, and all of them are paid for their services. Most trade books do not have reviewing processes anywhere near as rigorous. This difference costs money.

Second, if you flip through today’s textbooks, you see high-quality paper, sophisticated design in full colour, and complex graphing and photographs. The production values are very high. In contrast, your typical trade book is just simple text on relatively cheap stock. This difference requires much time and effort – and therefore money.

The third and most important element comes from the nature of textbook competition. In the market for introductory economics textbooks, there are only three or four publishers, each producing two or three books. Competition between the various books and publishers is fierce, but generally not in terms of price. As is often the case in markets like this (see Chapter 11 of my textbook *Economics* for a full explanation), the most important aspect of competition is the features that distinguish each book from the others – created in an attempt to increase the book’s appeal to professors and students.

Producing textbooks that satisfy professors (who ultimately make the choice of which book to assign) and students (who ultimately purchase it) has led publishers to create a large suite of costly products associated with each textbook.

Professors – especially young ones – demand an instructor’s manual to help them understand the author’s points of emphasis, as well as complete electronic lecture slides for class. Even more important, professors demand that publishers provide banks of thousands of multiple-choice questions that can be used on final exams, and that are written specifically to match the textbook. The publishers have provided all these costly things to professors – for free. But these costs must be covered somehow, and so the book’s price increases.

Students increasingly demand the ability to work through the material online, and to test themselves on central concepts. In response, publishers have created expensive online platforms, custom designed for each textbook, and e-books that are fully integrated into the students’ self-testing procedures. All of this online material is very expensive to design and produce but it comes for free with the price of the textbook. So the price of the textbook increases again.

You or someone in your family may now be in the market for textbooks, and I understand the sticker shock you must be feeling. This column can’t reduce that pain, but hopefully it helps you understand that textbooks are far more costly than they might appear on the bookstore shelves. My advice to textbook buyers is to read them carefully; there’s lots of value inside.

\*\*\*\*\*

*Christopher Ragan is an associate professor of economics at McGill University and a Research Associate at the C.D. Howe Institute.*