

Academic Values, Institutional Management and Public Policies

by

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All of us here today are directly or indirectly engaged with an institution called the university and it still bears some of the hallmarks of its medieval origins. A millennium of evolution has seen the original institutional form take on many variations as it has adapted to changing times and to different national cultures. But globalization has affected the university in new and unprecedented ways, as it has virtually everything else in our world. After centuries of largely divergent national traditions in higher education and continuing differences in national educational policies, the processes of globalization have created conditions that are leading to stronger convergent developments in higher education between nation states. The rapid growth in the number of international students with qualifications from more than one country, the internationalization of disciplinary research, and the use of English as the primary medium of scholarly discourse are all sources of convergence.

We now find ourselves faced with many more shared issues, as well as those specific to our own national arrangements. The expansion of public expenditures in higher education has been associated with demands for enhanced accountability and effectiveness. These demands have required a more active, managerial approach to the administration of universities and increased pressures for universities to seek revenues beyond those provided by public funding. The impact of these pressures on the academic values of our institutions is the focus of this conference. How do we maintain the values that have inspired and sustained the university throughout its history? These values include academic freedom, intellectual integrity, moral and ethical probity, as well as a commitment to ensure fairness in access and a commitment to respond to social concerns. Although universities have not always been true to these values and commitments, they remain the bedrock of our identity and we need to be alert to any pressures that diminish their influence. In addition, demands for narrowly construed outcomes, combined with the market-related basis of new revenues, may create incentives that distort the core missions of our institutions as purely utilitarian motives drive both curricula and research. This morning I would like to explore that tension.

There are, of course, significant differences in national higher education histories and practices, particularly in the role of the state in funding and control. In Europe and, in varying degrees, elsewhere in the world, public policies continue to make possible free or extremely low cost access to higher education and, accordingly, the funding priorities are set in conjunction with government agencies. Consequently, the impacts of market-based governmental policies are more influential than the growth of non-public and market-related revenues in most parts of the world.

In the United States, a high degree of mission differentiation within higher education is in part based on the impacts of variations in the multiple sources of revenues on different kinds of institutions. This institutional diversity was established long before the rapid expansion of market-related revenues within the public sector of higher education, but the degree and kind of mission differentiation did open the US

system to greater penetration by market processes. In fact, mission differentiation is itself one response to the market-based policies of governments, the entrepreneurial policies of institutions and ultimately the selective decision-making of students.

To one degree or another, higher education in the nations represented here and throughout the world is being called upon to educate more students, provide more support for them, address workforce needs, solve social, scientific and technical problems and do all of it better, more efficiently, and in physical facilities and surroundings appropriate to the task. This expanding role increasingly includes adult students responding to the opportunities and necessities for life-long learning. Despite variations in demographic conditions, there is a global setting to the continuing expansion of the population we are called upon to serve.

To accommodate the full costs of massification and to respond to the research agenda of the knowledge economy, institutions are called upon to become more effective with their public resources and to seek through their own activities some of the funds they need to serve more and new kinds of students. Traditional higher education institutions, with their support from public funds or endowments or both, had a financial base that, for a long time, protected them from purely marketplace exigencies. However, with public support, shrinking in terms of total needs, market-related revenues must account for an increasingly large proportion of both operating and capital funds.

Until recently, higher education served only social elites. Somewhat later, universities became part of a meritocratic social order in which an extremely small proportion of eligible students were educated to serve as a new elite. Then, the massification of our higher educational systems based on a more egalitarian view of the purposes of universities has raised many conflicts about the compatibility of access and quality. This massification leads, of course, to problems of physical capacity, concerns about quality and an exponential growth in the financial support for students. In the absence of any major reductions in unit costs, the expansion of access has far exceeded its anticipated costs.

The incremental financial burdens of massification were assumed in part by national governments or in federal systems by state governments. The magnitude of this need for institutional support and student financial aid is beyond the capacities of individual states and federal governments have made major commitments to the financial needs of students at public and in the United States for those at independent (private) institutions. This commitment has, however, raised the political discourse about tuition and the rising costs of higher education to a national level, where it has become a matter of fiscal debate. Increasingly, governments are questioning their obligation and their willingness to pay the full costs of expanded access and, at the same time, they are actively encouraging higher education to seek alternative revenues.

The debate about tuition

The most immediate and obvious sources of new revenues are tuition and fees. Tuition may be viewed as a legitimate partial payment of the cost of higher education if the benefits are assumed to be both public and private. Tuition at public institutions has either been low or nonexistent, but once tuition becomes a significant source of revenue, higher education is involved in a calculus quite different from one based exclusively on public support.

Tuition levels are set in part in response to market-related conditions. For example, tuition may be set at different levels for different programs and degrees. Graduate professional programs set their tuition in relation to both the presumed future private benefits to the student and the willingness of employers to pay the full cost of the education of future or current employees. New programs may set tuition at lower levels, while prestigious established programs may set tuition at levels the market will sustain. Some professional and continuing education programs may explicitly establish themselves as a for-profit segment within a university and the resulting surplus revenues may make the unit independent of public revenues and

occasionally of the university itself. The policy challenge of these programs is the degree to which it is possible to redirect some of these new revenues as a subsidy to other less market-based units within the university.

Political jurisdictions may also set relatively low tuition levels for in-state citizens, but charge what the market will support for those from other states or countries. International students were, for a long time, subsidized, perhaps as a source of future cultural influence, but foreign students are now part of a complex international market in higher education. International students are, for some institutions, clearly a source of revenue, and some institutions in the United States, in fact, use very high levels of out-of-state undergraduate tuition to subsidize low in-state undergraduate tuition.

Both public and institutional sources of financial aid have mediated some of the negative consequences of a pure market approach to tuition, but these strategies of student subsidies designed to enhance access of the less affluent are themselves part of increasingly competitive behavior among and between universities. The manipulation of tuition and financial aid is clearly one of the most immediate ways in which US higher education has responded to and also mediated the influence of the marketplace. The balance between need-based and merit-based financial aid is now one of the major public policy debates in the United States as efforts are made to confront an apparently irreversible substitution of tuition for public revenues.

Higher education: private or public good?

Increased tuition has also amplified the distinction between the private and public benefits of higher education. As an increasing proportion of the financial burden of higher education is now borne by students and their families, it is increasingly assumed that higher education is a private benefit resulting in higher lifetime earnings. Lost in this argument is the strongly held value of universities that they are educating citizens who serve society in their private capacities, as well as by means of their professional expertise. Universities do not wish to see themselves as a pure instrument of workforce development. Through their educational programs they serve the polity, the culture and the societal tone of the nation and the world, as well as the individual economic aspirations and the needs of the workplace.

Nevertheless, there is a temptation for publicly funded institutions to argue their case primarily on the basis of the purely instrumental needs they fulfill in producing trained professionals and creating new knowledge that supports economic development and competitiveness. Those who hold the purse strings are often more responsive to arguments that promote national competitiveness than those that stress our role in promoting the welfare of civil society and carrying the cultural legacy of the nation and world. But exaggerating our role in supporting competitive national interests as the basis of state support may undermine our basic values and distort our mission as easily as our search for new revenues. As long as all institutions depend, to a greater or lesser degree, on public support, we do need to continue our commitment to national needs. But we should be careful to define those needs in ways that do not do violence to our ultimate goal of being objective and sometimes skeptical critics of society at large and, perhaps more directly, of some segments of the larger society.

The impact of private revenues

While the changing conditions of public support are presenting several challenges to our core values and missions, the expansion of private sources of revenue is assumed to have even deeper impacts. In fact, these effects vary according to the kind of private support. Private individual philanthropy, the primary source of funds for institutional endowments, have enhanced the flexibility and strengthened the independence of universities. Occasionally, private gifts may not meet the needs or serve the values of an institution and can provoke undesirable conflicts, but most private fundraising occurs within the framework of the priorities of a strategic plan. Indeed, under-funded programs may be the beneficiaries of reallocations made possible by the scale of private funding in other areas. As tuition has increased at public

universities and as the costs of research are no longer entirely borne by the local tax base, endowments based on private philanthropy are no longer limited to private institutions. Prior to about 1980, explicit campaigns to solicit funds from former students were quite rare in public institutions. More recently, the diminished rate of growth – if not absolute declines – in public investments have made private philanthropy indispensable to the viability of the public sector of higher education in the United States.

Unfortunately, private and largely alumni philanthropy is a major source of revenue for a relatively limited number of well recognized and long established comprehensive research universities and especially a limited number of elite independent institutions. These institutions also benefit, but with less predictability, from the revenues of intellectual property, especially patents, as well as real estate. In many respects it is the management of these endowments rather than the solicitation of private gifts that has exposed higher education to the vicissitudes of capital markets and competitive returns.

This success has, however, raised unsustainable expectations that all institutions will, in varying degrees, be in a position to create an endowment. The cost-benefit of extensive fund raising for smaller, regionally based institutions is clearly a consideration that requires more careful scrutiny, while the sheer magnitude of some endowments may create negative public reactions if they are not prudently used. If the concentration of wealth in a few elite institutions is combined with the relative impoverishment of the remainder of the American higher education system, questions will no doubt be raised about the preferential tax policies that make private contributions attractive to donors.

In the US, corporate funding remains a relatively small proportion of the growth of new revenues. Frequently this kind of funding takes the form of partnerships to support specific research projects of direct interest to the private sponsor. These grants, of course, present more serious ethical problems than private philanthropy. Specifically, issues of publication and ownership of research findings raise issues that need clear policy guidelines to resolve. A more egregious ethical problem arising from corporate funding is the too-often realized possibility of corporate censorship of research findings inimical to their interests. Indeed, most corporate gifts and partnerships generally result in a project-specific investment and rarely create long term resources, whereas a major portion of private gifts and patent revenues are usually invested in an endowment for future needs.

Market-related pressures from both the public and private sector can also create strong temptations to distort core values and essential missions, most immediately and directly a shift in the motivation and manner in which research is conducted. Scholarly investigation motivated by serendipity and curiosity may give way to narrowly conceived utilitarian goals and an imperative need for immediate applicable results. This fear does assume that there is a well-defined distinction rather than a continuum between pure and applied research and that public support is less likely than private funding to support project-specific research. In fact, the core issue is the degree of freedom that investigators have to follow their creative instincts or even the logic of their findings. Under such circumstances, university endowments may be the most untrammelled source of support for individual scholarly creativity.

This presumed pressure towards a utilitarian approach to higher education is also reflected in the expansion of professional education, even at the undergraduate level. The curricula of these programs are designed to meet professional needs and may neglect a broad educational commitment to encourage civic engagement, to provide a broad knowledge of the past and of other places and other cultures, and to develop questioning minds. Of course, this loss of breadth is also linked to the intense specialization of specific degree programs of specific disciplines and even sub-disciplines. In many respects, changes attributed to the growth of market-related revenues are also the outcomes of an almost continuous increase in the intellectual division of labor over the past century and a lack of consensus on the proper place and role of general education in the curricula of higher education.

Effects on management and governance

Perhaps the most intense pressures from the growth of market-related revenues have been on how universities are managed and governed. Over the past two decades, the internal management of US universities has become highly specialized and segmented, leading to new leadership challenges. New revenues have necessitated reliance on professional management with corresponding attention to the executive and leadership talents of senior university officials. Most of the budgets of large institutions are now professionally managed, just as the endowments are under the care of investment professionals. Human resources, public relations and facilities are all under the supervision of professionals specifically trained in these fields. Institutional management has long since ceased to be the exclusive province of faculty members with a knack for management.

This level of professional management is often viewed as a threat to the established forms of university governance. Traditional academic governance is seen as too slow, inexpert and unresponsive and its sphere of influence is mediated by professional management. This issue has the potential to redefine the role of the faculty. They are the guild around which the university is built. While they may be extremely apprehensive about the growing influence of professional administrators, they are themselves now assisted by a large number of adjunct professionals, some of whom will never attain full professional status. This so-called “underclass” describes the increasingly unionized elements of adjunct faculty in the United States, whether they are graduate assistants or individuals who teach, on contract, a specific course with none of the privileges of faculty status. Market-related revenues have certainly exacerbated this increasing reliance on adjunct faculty and support staff with a corresponding loss of internal coherence.

Potentialities of new revenues

While we need to be sensitive to the negative impacts of market-related revenues, I think we should also pause to weigh their potentialities. If diminished state support is accompanied by decreased regulation, it may provide for greater flexibility and speed of decision-making, as well reducing the costs of reporting requirements. The close association of higher education and state agencies has also created a complex array of bureaucratic processes. Changes that simplify this relationship have made it possible for institutions to be more responsive and agile, especially in matters of faculty appointments and in improvements to research facilities.

If tuition is either an unavoidable consequence of diminishing state support or a deliberate effort to assign a private benefit to higher education, then it is possible to use tuition as a redistributive social policy. A shift from low to moderate tuition, combined with well-funded, needs-based financial aid policies, may actually create a more equitable allocation of higher education expenditures. At both the institutional level and at the broader level of higher education systems, students from low-income families are under-represented and it is more likely that an average student from an affluent family will attend college than an above-average student from a poor family. Under these circumstances, low tuition is, in fact, a massive subsidy by low-income taxpayers to those who could afford to pay higher tuition.

We underestimate, I think, the opportunities created by market based policies and revenues to loosen the hold of disciplinary and departmental structure over curriculum and instruction. The intellectual division of labor of most of our institutions was established at the close of the nineteenth century. These developments defined the academic organization of most twentieth century universities. New programs and interdisciplinary ventures have usually found it difficult to establish themselves in this vertically organized structure. Disciplines dominate our institutions and interdisciplinary innovations usually require funding that does not conflict with existing allocations. Special government programs, foundations and institutional endowments initially nourished many new areas of interdisciplinary activity that more closely reflect contemporary understandings of how issues and problems need to be approached. These new structures for the most part continue to exist on the fringes of the university. An important task for institutional leaders is

to use the opportunity external funding has created to bring these new structures into the center of teaching and research activity.

The policy environment in the United States

Of all the sources of new revenues, tuition has attracted by far the most political discourse. Precisely because of the under-representation of low-income students within college populations, the public policy debate about college cost in the United States is skewed towards the interests of middle-income families, who comprise by far the largest proportion of all students. For a long time, low cost tuition within the public sector of higher education was viewed as an entitlement, irrespective of income, and most states also provided generous levels of financial aid to assist in the higher costs of those who attended independent colleges. Although the debate about increased tuition is often phrased in terms of diminished access for economically deprived families, the political response to this issue is sustained by the concerns of a broader segment of middle-income families who view tuition as a lost entitlement. The more progressive outcomes of need-based tuition policies that would use higher tuition revenues to fund low-income students, while placing a higher financial burden on the affluent, rarely gain any political traction.

Under conditions of inadequate public funding, higher education cannot be a universal entitlement and increased tuition becomes one strategy to charge those who can afford to pay and to provide need-based financial assistance for those less able to pay. Many of the long established independent institutions in the United States have, for a long time, charged high tuition, but have also developed needs-blind admission policies. Institutional resources are used to supplement state and national sources of student financial aid, but the success of this process does depend on the size of the universities' endowment.

Since these changes in the funding of higher education have occurred in a piecemeal fashion over two decades or more, it is only recently that policy makers have recognized that the historic compact between the public support of higher education and their expectations of that public investment has almost collapsed. Today, at both the state and federal level, the tax base or low tax policies can no longer sustain access at the levels public authorities would wish them to be. This challenge is exacerbated at comprehensive research universities where the costs of research and especially of facilities and equipment have also escalated.

Throughout the world, a political dialogue about the necessity for and cost of high access and global competitiveness continues. An older social compact that allowed free tuition for all who went to college necessitated a public investment based on no more than a quarter of the age group, 18 to 25, attending college. At the same time, the costs of research were still modest and it was possible for all universities to sustain expectations of becoming a comprehensive research university. The pressures of other social priorities, combined with fiscal policies that face either an aging population or high levels of immigration, are now in conflict with that older social compact.

A new social compact will presumably be needed to reconcile diminished or, at best, stable levels of public support by means of tuition and other market-related revenues. That compact will no doubt vary from state to state and nation to nation. Despite these variations, there will also be an underlying discourse on the cost and price of higher education and questions about the degree to which alternative learning models, perhaps based on instructional technology, might improve outcomes and reduce costs. These pressures were initially derived from government policies designed to improve the effectiveness of public investments or to justify diminished levels of public investment. In the United States and perhaps elsewhere, concerns about price and cost are also attracting the attention of the business community and are also provoking the direct agitation of students and their parents about an apparently lost entitlement. Clearly, as the private costs of higher education increase, the consumer, as well as the government, will exert pressure on the practices of higher education.

These same pressures will no doubt increase the proportion of the student population attending private proprietary institutions, particularly in countries where the public sector is relatively small and poorly funded. But in relatively advanced countries, proprietary colleges have also responded to the demand for further or adult education and especially to the demand for life-long learning by those who have already completed an initial phase of higher education. Indeed, it is this rapidly expanding market that has sustained the growth of cross-border distance education and in this sense globalization does represent a direct impact of market processes on higher education. The massification of higher education in economically developed parts of the world has created a structure that will no doubt confront, adopt or compete with these exogenous developments, but in those parts of the world yet to experience massification, the outcome is less clear.

Globalization is associated with convergent developments in higher education, but while the diverse and growing funding needs of comprehensive research universities may well create an international standard, the enormous challenges of massification may result in a variety of different outcomes. Alternative learning models, the expanded applications of instructional technology and pressures to contain costs may support different institutional configurations of higher education. These pressures may well be greatest in regions where current capacities are far below immediate needs. Within more developed systems, the expanding demand for adult and further education, combined with the need to address the rapid growth of knowledge itself, may also result in changes within existing delivery systems or, alternatively, parallel providers. Perhaps the answer to these speculations is connected to a larger question. Is the current technological transformation in communications as critical to higher education as that associated with the invention of the printing press? The printing press certainly consolidated the place-specific nature of the advancement of knowledge, but the full implications of the current communications revolution on place based activities remains an unfolding event.

Concluding observations

I would like to conclude with several observations that confront the contingent nature of the impacts of market-related policies and revenues on higher education. There are, of course, some direct threats. The public and social priorities of higher education may be lost. In particular, equitable access will be threatened if rising tuition is not accompanied by generously funded, need-based financial aid. A myopic commitment to utilitarian goals will certainly undermine the pure or serendipitous search for knowledge and perhaps distort the balance and range of curricular developments. The revenue sources needed to fund faculty research can influence the nature of that research and threaten the open communication of the results. Threats to the purpose and coherence of higher education are, in fact, as old as our institutions. They have come from the church and from the State, as well as from influential private interests.

Certainly, there has been no greater threat to higher education than the authoritarian state. If we identify periods when higher education was at its lowest ebb, it would be those times when an authoritarian state squeezed the intellectual freedom out of our higher education system. Thus, some of our greatest threats are rooted in our connections to national purposes and our vulnerable dependency on state funding. As we clarify our values it will be dangerous to believe that there was at one time a highly unified moral structure within our institutions that would have protected us from the pressures we face today. If we feel insurgent external pressures, we should not invent or indulge in arguments that reject criticisms of our own status quo. If we do share an overarching value, it is grounded in the role of universities as places of disputation, scepticism and questioning. Those values may well be critical as we attempt to confront ourselves with the changes that we ourselves need to make to our institutions.