

Growing Influence of Academic Capitalism

Brendan Guenther

Michigan State University

SS07-EAD876-730

### The Growing Predominance of Academic Capitalism

A shift seems to have occurred in the society of the United States, loosely connected to globalization, which has replaced previous dominant cultural themes with capitalism. The focus of Higher education shifts as the global economy, especially in the United States, migrates towards a knowledge-based economy. Public perception of universities has shifted significantly in the past fifty years and the evolution of universities has exacerbated aspects of this shift in expectations. Gould (2003) believes that there no longer exists a common conception of the university shared among the public, and that we have already let an evolution occur influenced by capitalistic thought and entrepreneurial efforts. This changing thought about the purposes of the university and the value of a university education has caused traditional models to lose influence. Slaughter and Rhoades (2004) believe the concept of a separate public sector focused on the common good, as manifest in state-supported higher education, no longer effectively exists.

American universities are increasingly market oriented and corporate in their management, decision-making, and operation (Gould, 2003). The pressures created by reduced buying power and shrinking state support of higher education create a restrictive environment (Kezar, 2000; Slaughter & Rhoades, 2004;). With the constrained finances of traditional university functions, revenue-generating departments are the only segment of the university that can leverage their financial engine to gain a larger share of expenditures (Gould, 2003, p. 80). Washburn (2005) tracks the trends in technology transfer, intellectual property, and research. White (2000) composes a collection of scholars and commentators that likewise depict corporate influence as a subversive taint on academe and advises resistance strategies. Slaughter and Rhodes (2004), in their description of a theory of “academic capitalism”, provide an alternative

viewpoint. The theory of academic capitalism posits that the university is itself an active participant in the formation of the new capitalist culture and an active actor in seeking out entrepreneurial activities, corporate governance structures, and private-public joint ventures for revenue as the university integrates itself into the new economy. This paper will explore some of the characteristics of the shift towards academic capitalism and an entrepreneurial higher education system. Universities, rather than being passive vessels for the invasive influence of capitalism are instead actively seeking out new opportunities to satisfy their missions and generate revenue in capital markets.

### Generating Revenue from Students

Leslie and Rhoades (1993) point out that, unlike the for-profit sector that aims to minimize costs, non-profits are revenue-maximizers. Universities compete on a quality basis, and their production mechanism depends on quality inputs for quality output (Winston, 1999, p.17). Since universities spend their revenue to achieve greater prestige, by competing on a quality basis, they become cost-maximizers as well (Leslie & Rhoades, 1993; Winston, 1999, p.22;). This expenditure pattern has a role in the growth of higher education, as new opportunities such as the GI-bill or increased federal sponsorship of research made available new resources, universities expanded accordingly. The past thirty years has introduced a new trend in higher education funding and cost growth. State sponsorship of higher education has decreased relative to other programs as states face competing priorities for funding from other domestic social programs (Johnstone, 1988; Leslie, Slaughter, and Rhoades, 1997; Francis & Hampton, 1999;). Simultaneously, instruction receives a lower share of revenue within institutions. Meanwhile the competitive environment between institutions continues to lead colleges and universities to expand costs to maintain a competitive edge as measures of comparison continue to proliferate

(Slaughter & Rhoades, 2004, p. 23). Most institutions have made up the difference between their spiraling costs and expected revenues by increasing tuition paid by students (Hauptman, 1997). Pricing represents a limited solution that already shows diminished returns for subsequent increments while yielding increasing levels of dissatisfaction from students, parents, and government (Institute for Higher Education Policy, 1999; Gould, 2003;). Therefore, institutions will increasingly seek to diversify and identify new revenue sources to feed their appetite for revenue as state and federal governmental revenue sources provide a reduced share of budgets.

Universities also attempt to diversify their efforts and maximize revenue by reducing the dependence on the local economy and society. Most institutions, mainly those without high-levels of national prestige and recognition, have a traditional territory from which most of their students are drawn and in which sponsors have geographically focused the institution's mission. As traditional funding from sponsors weakens, the tight bonding of the institution to this geography weakens. For instance, an institution that begins to get a significant amount of research funding on national or international topics will begin to orient the social good mission beyond state boundaries. Similarly, as state sponsorship of institutions declines and tuition takes a larger role in institutional revenue traditional focus on satisfying the in-state demand for higher education slackens allowing institutions to focus recruitment efforts and acceptance quotas on higher tuition paying out-of-state students.

Overall, these trends result in a trend toward broader geographic engagement with a focus on export of education and an import of higher revenue students that pay differential tuitions (Slaughter & Rhoades, 2004, p. 288). This causes institutions to broaden their horizons beyond traditional boundaries, possibly to the detriment of their traditional mission and local marginalized populations. Reliance on distance education and non-traditional educational

programs will also increase. Indeed these efforts to maximize revenue through price manipulation provide positive reinforcement to capitalistic trends in higher education by shifting perceptions of students from learners to consumers of higher learning (Gould, 2003; Slaughter & Rhoades, 2004;)

As students matriculate from consumers on the open market, to a captive audience on campuses, they increasingly become consumers of branded products of both universities and their corporate partners (Huber, 2000). King and Slaughter (2004) depict this situation well using the case of athletic program merchandise, illustrating the corporate interest in marketing their wares to college students mixing with universities who leverage brand-identity within their own student ranks. Slaughter & Rhoades (2004) also point out that institutions increasingly partner with corporate information technology interests to supply cutting-edge technology to their students. This technology deployment serves the interests of corporations by supplying a market test, encouraging other institutions to compete by deploying similar technologies, and generating graduates versed in their product suite.

#### Research and Technology Transfer

Having maximized revenue from the student population, institutions realize they must tap other revenue sources as well. Federal research spending continues to increase modestly, yet the number of research institutions continues to grow. Corporations have been eager to step in and provide funding to universities, and in return expect that these contributions will yield the ability to cherry-pick the most promising research for market development (Slaughter & Rhoades, 2004; Washburn, 2005;). Institutions have been active in reforming their organizational structure, lobbying for legislative changes, and altering the policy debate to enable pursuit of greater revenue streams from their research output (Slaughter & Rhoades, 2004; Washburn, 2005;).

Beginning in the 1970s this policy trend has manifest a significantly different research landscape for the 21<sup>st</sup>-century. Slaughter & Rhoades (2004, p.57) identify twenty-seven federal legislative acts that enable the foundation of this new research economy with bipartisan support (p.64). Now higher education institutions move beyond simple activities sponsored by the federal government for public benefit, but also pursue research with direct benefits to the institution and to private industry often still using government subsidies. Slaughter & Rhoades (2005, p. 76-77) characterize the new academic capitalist research regime as replacing traditional university values of basic science, knowledge commons, and discovery with entrepreneurial science, intellectual property, knowledge privatization, profit making, global markets, flows of products, and an organized commitment to the knowledge economy. Universities often actively pursue these changes and use their lobbying efforts to support legislation that assigns greater rights to universities as holders of intellectual property, patent rights, and copyright at the expense of free information, public domain, and faculty property interests (Slaughter & Rhoades, 2005; Washburn, 2005;).

The emergence of a capitalistic economy, based on demand for research and technology transfer, has spurred expansion of the research enterprise beyond what government could possibly support. As federal research-spending fails to keep pace with increased research capacity and competitiveness, universities tend to shift labor to maximize research output while collaborating with private enterprise (Shane, 2004). This results in reduced cost and reduced quality instructional staff, poor prospects for graduate student researchers, and a forfeiture of intellectual property rights to private interests (Washburn, 2005). The pressures of reduced state spending on higher education only make universities more dependent on the research base as a stable source of funding. General fund support for the educational mission erodes, forcing

increases in tuition. Attempts to minimize instructional costs shift tenured faculty towards research with revenue potential. To facilitate the research enterprise institutions have been active in making changes in their labor pool and production methods.

### Shifting Labor Allocation

Within the instructional mission, there are significant pressures to reduce cost. Instruction is not a revenue growth activity; institutions divert tuition increases to cover escalating costs in salaries but seek to meet instructional commitments under reduced-cost models. Slaughter and Rhoades (2004) posit that the new economy positions universities and the knowledge they teach as an alienable good. Because of this commoditization, Huber (2000) compares university instructional models to an assembly line and suggests faculty resistance and unionization under the banner of social justice. However, this ignores the fact that many tenured research faculty buy into the concept of reducing cost and shifting labor to part-time faculty, adjuncts, and graduate students. Slaughter and Rhoades (2004) suggest there is a rift within many institutions between the science, math, and engineering faculty that obtain high-compensation research-centric positions based on revenue generation and the liberal arts faculty that depend heavily on general fund support from the institution. Furthermore, reducing the cost of instruction tends to reduce the quality perception and threatens to undermine the prestige of undergraduate education at an institution and inflame student, parent, employer, and legislative angst at rising tuition prices.

Nonetheless, these pressures for cost effectiveness in the instructional supply chain have created a definite movement towards lower cost labor. Labor expenses comprise the vast majority of instructional costs, with tenured fulltime faculty receiving very high compensation and health benefits at many institutions. Institutions increasingly seek to increase their ownership

of instructional materials by imposing copyright policies that disenfranchise the property rights of instructors (Gould, 2003). By encouraging instructional labor practices that favor the use of institutional capital in the form of technology, reliance on institutional employees on a work-for-hire basis, and managerial processes for developing instruction institutions increase the likelihood of retaining ownership under the new copyright policies (Slaughter & Rhoades, 2004). However, Slaughter and Rhoades (2004) point out that institutions have been “generous in sharing royalties with faculty”, causing an alignment between faculty and institutional interests in producing instruction conducive to the generation of new revenue sources despite the institutional retention of property rights traditionally associated with faculty. Further specialization and stratification in the faculty ranks should be expected as institutions continue to unbundled the faculty labor role and identify ways to substitute capital and management functions in place of highly compensated, salaried, and professional faculty.

Gould (2003) and Zinn (2000) express great concern over the effect that these shifts in labor and authority might have on the curriculum and academic freedom that has long been the pride of American higher education. Students today are very value conscious and expect to translate their education into marketable skills from which they can derive upward economic-mobility (Gould, 2003; Slaughter & Rhoades, 2004). Greenwood (2000) observes that students should not yield so easily to the narrowed curriculum focused on market-based capitalism at the expense of other relevant counterpoints. On the other hand, Gould (2003) sees hope in using the university as a living laboratory to allow students to witness and question the role of capitalism and freedom in modern society, while Slaughter and Rhoades (2004) cite academic capitalism as a hidden extracurricular benefit to today’s students.

### Proliferation of Administrators

Capitalist influences are strong in American society and the reliance on corporate management strategies within higher education leads universities to restructure staffing levels and activities to maximize economic benefits. Leslie and Rhoades (1995) posited several propositions that attempt to explain the burgeoning ranks of administrators in higher education. Several of these propositions are particularly relevant to academic capitalism. As institutions seek entrepreneurial sources of revenue, they are willing to make an investment in units responsible for generative activities, thus “The more an institution emphasizes the generation of alternative revenues, the greater the proportion of resources that are directed to administrative units perceived as (potentially) generating such revenues” (1995, p. 193). As institutions expand into new areas of activity, the mission and organization becomes increasingly multiplicative, thus “the more complex an institution becomes, the greater the share of it’s expenditures that will be devoted to administration” (1995, p. 196). As referenced in the section on substitution of labor, “increases in administrative costs are a function of administrators taking on functions formerly performed by faculty” (1995, p. 197). Finally, as referenced in the section on research, “increases in administrative costs will be proportionate to the unit’s perceived closeness to the high technology and corporate marketplaces” (1995, p. 205).

These shifts towards administrative growth are unlikely to occur in a uniform fashion across the organization. Instead, certain areas have a disproportionate dominance by the administrative ranks. Areas of intersection with corporate interests, areas of revenue generation, and technology-related activities create the need and provide the resources for hiring more administrators. Gould (2003) and Mallon (2004) point out that such regions of the university tend to reject traditional governance norms and adopt instead practice akin to those found in

private enterprise. Mallon (2004) further observes that this results in a disjointed governance process whereby the entrepreneurial units are able to exercise greater growth opportunities and flexibility than the traditional academic units because of proximity to upper administrators, control over their own growing revenue pools, and authoritarian executive management decision-making.

### Moving Forward

As higher education in the United States increasingly engages in a more global knowledge economy, stakeholders must recalibrate expectations and reform efforts in light of dominating capitalist influences. The theory of academic capitalism best explains how markets exert influence over academe and how institutions have been active in engaging with and shaping these markets. This passage from Slaughter & Rhoades (2005) best summarizes the existence of a supplementary rewards system that co-exists with our traditional purposes and models of support for higher education: “The academic capitalist system is setting up an alternative system of rewards in which discovery is valued because of its commercial properties and economic rewards, broad scientific questions are couched so that they are relevant to commercial possibilities (biotechnology, telecommunications, computer science), knowledge is regarded as a commodity rather than a free good, and universities have the organizational capacity (and are permitted by law) to license, invest, and profit from these commodities.” (p. 107)

While this new order has displaced some traditional areas of emphasis associated with American higher education, traditional ideas of academic freedom, public good, and common societal benefit have not been eclipsed completely. Slaughter and Leslie (2000) explain that faculty and students that wish to “change the reformulate of faculties’ tripartite role have to focus

on the way service is being reformulated as service for fees rather than service for free”. If the theory of academic capitalism accurately describes our future, then institutions must actively consider ways to innovate and reinvent themselves in this new era. Trustees, presidents, and administrators will need to find ways to balance the disjointed governance presented by traditional collegial and conservative forms of academic departments with the entrepreneurial executive management style associated with revenue seeking institutes and business units (Mallon, 2001). Matkin (1997) classifies several ways that universities reorganize to position themselves for the continuing education market and the technology transfer market. Matkin (1997, p. 279) identifies these strategies as integrated, peripheral, subsidiary, interdependent, and independent with the former having entrepreneurial elements embedded directly in academic departments and the latter being the creation of a wholly separate entity to pursue markets. Certainly, all the trends in funding and societal expectations point towards an increase in academic capitalism and a move towards a capitalistic market-orientation of benefits derived from higher education in place of state-sponsored public benefits. Institutions will increasingly be proactive in restructuring their organizations, policies, and practices to derive the most benefit from capitalism and will exert their influence to redefine laws and regulation that inhibit their ability to compete in a global knowledge marketplace.

*References*

- Gould, E. (2003). *The University in a Corporate Culture*. Yale University Press.
- Greenwood, S. (2000). Learning to Think Like a Harvard Economist. In: White, G. D. (2000). *Campus, Inc.: Corporate Power in the Ivory Tower*. Prometheus Books, Amherst New York, pp. 273-280.
- Huber, S. (2000a). Tough Customers: Business' Plan to Corner the Student Market. In: White, G. D. (2000). *Campus, Inc.: Corporate Power in the Ivory Tower*. Prometheus Books, Amherst New York, pp. 106-118.
- Huber, S. (2000b). *Faculty Workers: Tenure on the Corporate Assembly Line*. In: White, G. D. (2000). *Campus, Inc.: Corporate Power in the Ivory Tower*. Prometheus Books, Amherst New York, pp.119-139.
- Johnstone, D. B. (1988). Patterns of Finance: Revolution, Evolution, or More of the Same?. *The Review of Higher Education*, (21), 3, 245-255.
- Kezar, A.J., George Washington Univ., W., & ERIC Clearinghouse on Higher Education, Washington, DC. (2000). *Higher Education Trends (1997-1999): Finance*. ERIC-HE Trends. , 8.
- King, S. & Slaughter, S. (2004). SPORTS 'R' US: Contracts, Trademarks, and Logos. In: Slaughter, S., & Rhoades, G. (2004). *Academic Capitalism and the New Economy: Markets, State and Higher Education*. Johns Hopkins University, pp .
- Leslie, L.L. & Rhoades, G. (1995). Rising Administrative Costs: Seeking Explanations. *Journal of Higher Education*, 66(2), 187-212.
- Mallon, W. (2004). Disjointed Governance in University Centers and Institutes. *New Directions for Higher Education*, 2004, 127, 61-74.

- Matkin, G.W. (1997). Organizing University Economic Development: Lessons from Continuing Education and Technology Transfer. *New Directions for Higher Education, 1997, 97, 27-41.*
- Shane, S.A. (2004). *Academic Entrepreneurship: University Spinoffs and Wealth Creation.* Edward Elgar Publishing.
- Slaughter, S. & Leslie, L.L. (2000). *Professors Going Pro: The Commercialization of Teaching, Research, and Service.* In: White, G. D. (2000). *Campus, Inc.: Corporate Power in the Ivory Tower.* Prometheus Books, Amherst New York, pp 140-156.
- Slaughter, S. & Rhoades, G. (2004). *Academic Capitalism and the New Economy: Markets, State and Higher Education.* Johns Hopkins University.
- Washburn, J. (2005). *University, Inc.: The Corporate Corruption of Higher Education.* Basic Books.
- White, G. D. (2000). *Campus, Inc.: Corporate Power in the Ivory Tower.* Prometheus Books, Amherst New York.
- Winston, G. C. (1999). Subsidies, Hierarchy and Peers: The awkward economics of higher education. *Journal of Economic Perspectives, 13(1), 13-36.*