Epilogue: Universities and Corporations

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EPISODE: UNIVERSITIES AND CORPORATIONS
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These papers, diverse and pertinent responses to the topic, deserve contextual data placing the Forum in its appropriate societal dimensions. We use this epilogue to explore issues of funding for higher education in Michigan and the Nation.

THE HIGHER EDUCATION FUNDING CONTEXT
If the purpose of education is to understand and interpret society, the Forum on "Universities and Corporations" was held at a time most opportune to decipher the agitation gripping higher education in Michigan.

EVOLVING COMMON INTERESTS
Evidence suggesting widespread change in institutions of higher education has been accruing for decades by managers of higher education institutions and by scholars studying their development. This literature describes early and growing relationships with corporations and the adaptation of their managerial values by the universities. Further contact was encouraged by production pressures of World War II. Mid-century relationships expanded reflecting commonalities between the sophisticated technical needs of transnational corporations and the development of world-class research centers at universities.

A. AN ENDURING CONTEST: GOVERNMENT AND BUSINESS

1. European Origins.

A fundamental political/commercial issue is involved in the topic chosen for the Forum. That issue crystallized in Europe with Medieval transition to the Modern period. Nation-states evolved as absolute monarchies around 1500 A.D. A concurrent expansion of trade was governed in remarkable detail from the king’s palace. Known as mercantilism, the system permitted the king to control the economy and accumulate wealth for his treasury. However, as trade grew it produced a wealthy and powerful commercial class which insisted on economic freedom to conduct business.

The dispute, however, persisted through almost three centuries and finally broke out in violent revolutions during the late 18th century in the New World and into the 19th century in Europe. Following these revolutions “free market economies” arose in the West and commerce, subject to taxation, fell into the hands of owners and investors. The issue of economic freedom

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1 Following World War II, James Conant Bryant, then president of Harvard, published Education in a Divided World (Harvard, 1948). Focused on the question of public education in a democracy, he included chapters on the University and barriers to higher education. One of the first to note growth and modifications at large universities was Clark Kerr, former president of the University of California at Berkeley. In 1964, he published, The Uses of the University (Cambridge University Press). Prior to the student fracas at Columbia, Jacques Barzun published in 1968, The American University: How it Runs, Where it Is Going. (Harper and Row) At Columbia during this time, Barzun remarks in the Preface of his access to several presidents of his institution. See also the essays in Daedalus, Winter 1970, "The Embattled University" published by the American Academy of Arts and Sciences.
and government control, however, did not "just go away." It has remained a fundamental rift and an irritant in the fabric of modern society.

Later in the 19th century, the question flared once again when Karl Marx's critique of free enterprise, provided evidence of inhumane working conditions, long hours and paltry wages under free markets. As a counter effort many European governments began to engage in manufacturing and to provide social services to citizens (social-collectivistic revolution). Those states intended to reduce private exploitation in commerce by providing standards for wages, hours and working conditions. A series of social programs, a "safety net," was created to assure a basic standard of living for the poor.


It was almost a century later before the U.S. embraced a similar but still limited role for government. Following his election in 1932, President Franklin D. Roosevelt, created the "New Deal": a series of social programs and new regulatory agencies were established in response to a severe downturn of the economy during the "Great Depression" (1930-1939).

Many public works projects and support for cooperatives ensued but government ownership and operation of manufacturing facilities were not included, no industry was nationalized. A host of new government agencies were created to regulate economic sectors like food, securities, banks and transportation. The "New Deal" social programs included labor laws setting standards for hours, working conditions, and minimum hourly wage. The enactment of Social Security provided a social pension program for workers over the age of 65.

These programs associated with the Democratic Party, have been controversial since their origin but remained mostly intact through the end of the 20th century. Opponents have labeled the New Deal as "big government" and have associated its programs with "bureaucratic corruption" and waste. Programs instituted during the Depression defined government functions and were implemented by mostly Democratic majorities in Congress.

But since the defeat of the Goldwater campaign for president in 1964, the Republican Party has been restructured and has experienced increasing political success, especially during the recent two decades. Its success was highlighted by the election of Ronald Reagan in 1980 which signaled its return to national prominence and has raised the Republican political challenge to levels not seen since the 1920's. Steadfast opponents the new Republicans exercised leverage on New Deal programs and policies. The Nation is now in a period where the role of government with respect to the economy has once more come to the forefront of our political agenda. The following section outlines the nature of the current contest in this enduring struggle over the distribution of power and money.


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2 Barzun, Jacques. 2000. From Dawn to Decadence: 500 Years of Western Cultural Life. 1500 to the Present. New York: HarperCollins, Publishers. In the "Author's Note" he speaks of four great revolutions; the religious, monarchial, liberal-individualist (straddles the 18th and 19th centuries), and social-collectivist roughly a hundred years apart.
During the initial years of the 21st Century significant economic and financial problems were unfolding. The nation experienced an economic recession and the momentum of free trade fostered the continued movement of manufacturing and technical service jobs offshore. The total number of jobs lost to offshore industries was small compared to those in the nation but states like Michigan and Ohio were especially hard hit.

On September 11, 2001 the U.S. sustained a devastating attack on the heart of our economic system and which shattered the internal safe and secure existence the country had known since the war of 1812. In response, the U.S. invaded Afghanistan in October to destroy Al Qaeda terrorist camps and in March of 2003 the U.S. with coalition forces attacked Iraq arguing that the country was supporting terrorism and building weapons of mass destruction.

The Federal Government estimates that more than two million jobs were lost from various causes during the first term of George W. Bush Administration. The slow economy and a severe downturn in the stock market reduced income for the Federal Government. Additionally, the costs of programs like Medicaid and Medicare were escalating.

Also, during his first term George W. Bush enacted three tax cuts, mainly to upper income taxpayers, and executed unremitting government spending programs including war, home security, Medicare prescriptions and an education improvement program. The debt associated with this spending confounded many conservative supporters. Early in the term, the Administration depleted a Federal budget surplus of the late 1990’s and reached a record high budget deficit of $413 billion in fiscal year 2003-04.

The impact of these policies on the U.S. Budget required reductions in social programs. The 2004-05 budget increase funds for defense and home security but reductions were made in most other programs including health, education, veterans and children’s programs. High budget deficits are scheduled in the President’s budget for five more years.

Other financial problems appear to be ripening. The “current accounts” debt, the excess amount of our imports over exports, reached a new high of $60 billion for the month of January 2005 while trending toward a total of $600 billion by the end of this calendar year. This debt is held by foreign countries in the form of U.S. Treasury Bonds in an amount exceeding the holdings of U.S. citizens. It is by this means that the Nation’s net worth is transferred out of the country. Another concern of economists is consumer debt which reached an all time high of more than $2 trillion by the end of 2004. To counter this spending spree the nation is urged to find ways of saving, a difficult concept for citizens who are urged to spend even during a war by the U.S. President.

During the early months of 2005, economists outside of government and others in the International Monetary Fund began raising questions about the long term effect of those policies on inflation and the stability of our currency. By March 2005, Alan Greenspan, Chairman of the Federal Reserve Board, joined others in suggesting to Congress and the Administration that the U.S. Budget deficit and the current accounts were problems in need of attention.
B. HIGHER EDUCATION FUNDING POLICIES AND THE GROWTH OF WESTERN MICHIGAN UNIVERSITY

1. Traditional Funding and Growth.

The state universities in the U.S. originated with the enactment of the Morrill Act of 1862. The Act provided large grants of land to the states in an effort to encourage the development of higher education, especially agriculture and engineering. During the ensuing 140 plus years these schools and other state universities, have become large, complex institutions of knowledge and the envy of higher education systems throughout the world.

Because Western Michigan University was created in 1903 as a normal school it was not a recipient of Federal largesse in land. However, it did benefit from the tradition of Federal and state support of higher education initiated by the Morrill Act and other policies all of which enjoyed strong public support for education.

Western's student enrollment grew as veterans returned from World War II and a larger percentage of high school graduates enrolled in colleges. In the late 1950's, a large student body, diversity of faculty, enhanced graduate curricula, graduate programs and campus facilities qualified Western as a "University" and it was so designated by the Michigan Legislature. By the year 2000, spurred by the leadership of President Diether Haenicke, Western had 21 doctoral programs and was certified as a Doctoral/Research Extensive University by Carnegie Endowment for Higher Education.

2. Western Responds to the Funding Crisis.

In the "State of the University" address in February, 2004 President Judith Bailey pointedly observed that a "restructuring of public higher education is now underway--both here in Michigan and throughout the nation". This restructuring requires "modification of purpose, benefits, and fiscal support." The language and the tone of her remarks were subdued. However, the implications of such modifications are profound and will impact the educational core values of the University. President Bailey defended traditional educational responsibilities; four times in her remarks, she noted a commitment to "a national student centered research university". She further expressed concern that "skyrocketing" tuition rates were denying low income students access to a university education.

On another tack, President Bailey noted that "this is the first year in the University's history when state fiscal support amounted to less than one half of the annual revenue received, the University must consider its options and will rethink and redefine University activities." Western, she noted, was already a reasonable distance into a new funding approach and was embarking on a new path of corporate interrelationships. "We established several new and innovative partnerships at the Business Technology and Research Park, now home to almost two dozen companies." Associated with the Research Park is the Biosciences Research and Commercialization Center, co-funded with the State of Michigan to develop and commercialize patents and products developed by the University researchers. She described a second new institution, the Western Michigan University Research Foundation, designed to "focus on
industry as a significant source of sponsored research funding. With these units in place, she observed that our “base of financial support is evolving.”

In a second address in November, 2004 the president set forth additional policies and goals for Western. By promising a careful accounting of funds invested in Western and a continued drive for more efficiency in University operations, she asked the State of Michigan to expand its support for higher education and acknowledged that the future state support “will be linked to a higher level of ‘proof’ that universities truly merit a state investment.” In response to this “new reality” she set the following objectives to be achieved during the next four years:

- Adopt a “carefully planned enrollment strategy” to reach a minimum of 30,000 students (currently 27,829) under the aegis of a professional enrollment manager.
- Double the amount of external support for research from $40 million to $80 million. She pointed out that such funds contribute to the economic development of the State and increase discretionary funds for the growth and expansion of academic programs.
- Mount a new capital campaign to begin in January, 2008. Stating no precise goal, she noted the most recent campaign generated $160 million which doubled the amount of the preceding one.
- “Carefully plan the allocation of our resources”.

Thus, in a period of less than one year, the president has organized new infrastructures, policies and goals associated with new funding in recognition of the restrained funding conditions from the State.

In summary, President Bailey’s statements overtly set the University on a course seeking new sources of funds while protecting and expanding its current state funding allocation. Applying these new initiatives, Western will demonstrate a “responsible and effective” use of funds from the State of Michigan as it seeks an influx of private funds from corporations, foundations, alumni and students. There are some new bridges, but old bridges are well maintained.

C THE NEW ORDER OF VALUES


At the time of the Forum, the funding direction of other State Universities was unclear although much concern had been expressed. The Presidents’ Council of State Universities of Michigan has been actively considering the future of the state’s higher education. In 2002 the Council announced the formation a “University Investment Commission”. In seeking additional state financial support, the Commission proposed a “new compact” between the State of Michigan and its universities. A year later it initiated an annual “State of the Public Universities Address.” In the second of these addresses, in November 2004, Dr. Gary Russi, President of Oakland University and Chair of the Council, presented its recommendations for the future of higher education in Michigan. His address given before the Detroit Economic Club argued that the 15 state universities are a “force for economic renewal” in Michigan, and are preparing students for the new “brain economy,” capitalizing on research and development opportunities in which “all Michigan citizens” can participate. Finally, he stated that the universities will continue seeking improved quality in higher education while striving for more efficiency in the
In 2003, Governor Granholm appointed 40 prominent leaders from political, business and educational communities to the Governor’s Commission on Higher Education and Economic Growth. Chaired by Lt. Governor John Cherry, it reported a year later. Therein was some stark information concerning the Michigan economy and its Universities. During the 20th century the state proudly waved its industrial achievement flags as the automobile industry and associated suppliers served very well as the core of Michigan’s economic well-being. The Cherry Commission noted that while the educational system may have been adequate for the previous century this was now no longer the case. Then, students with high school diplomas (and many without) entered factories or took other employment for which their education was adequate. Now, the Commission argued, a high school education was a reliable prediction of economic failure. The new “knowledge economy” requires post-secondary education at least to the baccalaureate level. The report focused on strategies needed to produce better prepared high school graduates and to reduce the number of dropouts. Improved high school training would generate more interest in college education and may result in a larger percentage of first-year students obtaining degrees after four years. The Commission made explicit that students in financial need should not be excluded from college because of high tuition rates. It urged Michigan to rectify this growing problem. Data in this report from governmental and economic sources indicate that more education would lead to greater opportunities for employment and may double earning ability. Some data revealed an unsettling view of Michigan’s economic conditions. In 2004 the State was 20th in per capita income among all states and from 1969-2001 the state’s income change relative to the national average dropped almost 12 percent, while most states increased average income. Michigan’s share of college degrees granted, bachelor’s or higher, was 26 percent while many other states ranged in the mid-30 percent to a high of 48 percent. In a particularly cogent sentence, the report noted, “a troubling reality... that nearly all (90 percent) of the state’s 9th graders say they want to go on to college, but only 41 percent enroll directly out of high school and, ultimately only 18 percent graduate with a bachelor’s degree.”

The public acknowledgment of a host of deficiencies inside the Michigan educational system was a painful therapeutic exercise. But it also provided a rationale for a renovation of its academic system. Positing the arrival of the “brain economy” to replace one based on “industrial growth” the Commission found a rationale and proposed radical improvements in curricula at all levels. It expected young Michigan to respond by learning more at every level. The intent and the determination are caught in two concluding phrases, “Michigan must transform itself... to be a leader in an era where knowledge is the key ingredient in economic success...” Followed by this statement, “Michigan’s long-term economic and fiscal health can only be secured if it makes the development of a highly educated population an overarching priority.”

It is to the commission’s credit that of more than 20 recommendations the first called for a “universal” post secondary degree and a “guarantee” from the state that financial support would be linked to that goal. The proposals urged the state to achieve a wide range of educational reforms within K-12. Rigorous high school training and assessment are included along with developing a “culture of high expectations” for teachers and students. Other recommendations seek to expand opportunities and encourage students to complete a four year degree.
But several recommendations direct attention to Michigan’s failing economy. The State Board of Education is asked to place entrepreneurial skills into the K-12 program. Another asks businesses and foundations to create scholarships in higher institutions with emphasis on “key disciplines (e.g., science, engineering).” More to the point the Commission looked to its “commercialization strategies” as Michigan nurtures the “industries of the future” for sources of employment. Existing industries are to be assisted in their search for innovations and new technologies. Its use of terms such as venture capital, applied research and commercialization places the Commission thrust in concordance with that of the Federal government.

Within the next decade the Commission report envisioned a vigorous K-12 system, a universal post secondary education, expansion of university and private research in new technologies and modifying Michigan’s educational system into assets for greater economic growth and opportunity for its residents.

2. EVOLVING NATIONAL POLICIES FOR HIGHER EDUCATION

There is a harmony between the Cherry Commission report and the economic/technical views of The Economic Development Administration in the U.S. Department of Commerce. It publishes a quarterly entitled, “Economic Development America”. The Winter 2004 issue was devoted to “University-Based Partnerships in Economic Development.” In it David A. Sampson, Assistant Secretary of Commerce for Economic Development, took note of the critical role universities have in the economic development of the nation and stated that such a role should become the core mission. By building strong research partnerships with industry and promoting technology transfer new products for the future would be created through “technology incubators” and “knowledge commercializers.” All of this in the name of bringing prosperity to the 21st century.

These data suggest that Western Michigan University, other Michigan universities, the State of Michigan, and the Federal Government are aligned on one policy objective: bringing the universities of the nation closer to a partnership role with corporations to achieve economic growth. This raises a question meriting consideration: In the long run, what impact will this policy have on other values of higher education such as aesthetics, arts, equality, justice and ethics? Responses to those issues are speculative but if the playing field was ever level, it is fair now to suggest it is tipped in favor of science and technology.

The direction of this trend is less speculative. At every level of government universities have been enlisted in the nation’s infatuation with economic growth as its only raison d’etre. The process is still in an early stage but at the forum one could already detect a feeling of helplessness and conformity in the face of powerful superior institutions.

The public documents opening the debate in Michigan include certain objectives: improving all levels of education, making college affordable for low income families, while repairing an outdated economy. Worthy goals indeed. They are clearly related to policies of the U.S. Department of Commerce which sees the “core mission” of universities as making direct contributions to the economic development of the nation.

Three issues come to the fore: The adverse affect of tuition increases on students in low income families, the trend towards privatization of public universities and the longer term influence of corporate preferences on teaching and research in science and its offspring, technology.
The critical ethical issue is the cost of higher education. Increasingly higher tuition and fees are raising the financial shelf beyond the reach of students from low income families. Many cannot even consider an application for college. Scholarships and other financial aids to students are not keeping pace with increased costs at college. The long term impact of this policy is contrary to the democratic principle of equality and in the long term will modify the institutional framework of higher education.

The question of public versus private funding was acutely described by Katherine C. Lyall, an economist and president emeritus at the University of Wisconsin. To a forum of educators in September 2005 she said, "America is rapidly privatizing its public colleges and universities, whose mission used to be to serve the public good. But if private donors and corporations are providing much of a university's budget, then they will set the agenda . . . Public control is slipping away." Some educational leaders disagree with the sweep of this assessment - but the trend is not denied.

Most large universities are committed to substantial contributions from corporations ranging from new buildings, new research programs in science and technologies, and new training programs. All of these endeavors enhance corporate objectives but in the long term these policies will impact systems of higher education in ways that deviate from models evolved since the Morrill Act of 1862. Out of that act and subsequent laws in support of public higher education the states have built remarkable institutions which attract students worldwide. But there is concern in higher educational circles that those institutions are being dismantled. Science educators, however, are more concerned that nations like China, India, and Japan may have overtaken our science and technological advantage.

In August of 2005 the Congress asked the National Academies to report on the status of "the science and technology enterprise" in the United States. The Committee on Prospering in the Global Economy of the 21st Century reported on October 12th. It membership was drawn from academia, Industry and government and was chaired by Norman R. Augustine, retired chairman of Lockheed Martin. In a statement Mr. Augustine said "America must act now to preserve its strategic and economic security . . . . The challenges that America faces are immense." The panel reported that China is graduating 600,000 engineers annually, India, 350,000 against 70,000 in the U.S. That is a deep challenge.

The panel’s long term objective is to create new industries and new sources of energy by fostering higher education training for scientists and engineers. At the base of the program are plans to train 10,000 math and science teachers for K-12 each year. Another 30,000 scholarships for college-level study in science, math and engineering and capped by an increase of 10 percent per year in basic research for seven years. The cost of the program was estimated at the news conference to be about $10 billion a year.

Two other points made by the panel are worth noting. The cost of an engineer or a chemist in the U.S. is about the same as five chemists in China or 11 engineers in India. And please note this observation by the Committee, "Thanks to globalization, workers in virtually every sector must now face competitors who live just a mouse-click away in . . . dozens of nations whose economies are growing." But of course we have experienced outsourcing in previous decades by moving factories overseas. Both tactics of globalization adversely impinge on available

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5 New York Times. October 13, 2005 and (national academies.org.)
jobs and wage scales in the U.S. That strikes some people as being not in the interests of American workers.

The U.S. Secretary of Education is more upbeat; "We still have the finest system of higher education in the world" but she allows that the world is catching up. In September of 2005 she appointed a national Commission on the Future of Higher Education. It is unlikely that this Commission will deviate from an apparent very successful policy of giving preference in higher education to science and technology and tying the new knowledge to new products and to prosperity. This is very consistent with related policies of free trade, the exploitation of third world labor markets and the enhancement of multinational corporations as they continue to remain competitive in global markets.

As the debate continues and unintended impacts are experienced, further evaluation will be needed. The issue is centuries old. There is no reason to conclude that this wave of preferences is final. Material and economic goals are integral to Western Civilization and those values currently receive political preference. One isn’t obligated to condemn those values in effort to recognize and promote other social values also at the heart of Western higher education.

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