

Marketopia U

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Anyone who has read the *Chronicle of Higher Education* over the past decade or so has heard the drumbeat: the university needs to get with it and embrace the market. Anyone who has taught in that decade, perhaps excepting those lucky few at universities well-insulated from the market by multi-billion dollar endowments, has felt the drumbeat's effects: pressure on class sizes, marketing studies for new academic programs, students treated as customers. For just as long, AAUP and the faculty at large have protested loudly that treating the university as one more business will degrade our main tasks of scholarship and teaching. But, since our high-minded sentiments appear to be getting us nowhere fast, let me suggest that we abandon the high ground and engage the battle where it will be lost and won, on the terrain of the political economy of the university.

The university may not be a business, but it does have to pay the bills. For most private universities, that means tuition dollars are overwhelmingly important. As state spending on higher education stagnates or even drops, public universities, too, come to generate an increasing share of revenues out of tuition dollars. As a result, the student becomes a producer of marginal revenue. Even though the university may not run a profit, adding one extra student generates more revenue than costs. It may be an oversimplification to say that the student is a customer – after all, parents and the government may kick in a significant portion of the price – but it's not fundamentally wrong.

If students are quasi-customers, what are they showing up to buy? We know from the UCLA surveys of entering students that they're buying the promise of future higher incomes. We also know that to secure those higher incomes, students need to complete the degree. Students with some college make somewhat higher incomes than students without, but the real break in incomes in the U.S. is between workers with undergraduate degrees and those without. So, students come to the university to buy a credential. That credential certifies them as having certain general skills (literacy, numeracy, and perhaps, dare we say, compliance), and in some cases specific skills relevant to the labor market (accountancy, public relations, hotel management, etc.). That puts us in a very strange business, for it makes students both the customer and the product.

That peculiarity manifests itself in the fact that students must labor for their credential as well as purchase it, and they themselves are the material upon which they labor. That credential certifies a degree of self-transformation, but it contains little information about how the student was transformed while obtaining the credential. For the economically rational student, the best strategy is to obtain this credential at the lowest cost. Not for nothing does ratemyprofessor.com tell you which professors are easy and which aren't.

Please don't mistake this as a moralistic attack on lazy students. Students are caught in a collective action problem. If all students at a particular university work hard, an efficient labor market will recognize that the credential from that university is worth more, and will reward the students accordingly. However, an individual student's effort will not have an appreciable effect on the value of the credential, so the rational course of action is to free-ride, to piggyback on the hard work of others. Since all students have this same incentive the natural tendency is to produce a cohort of free riders. The unintended outcome of this individually rational action is to lower the collective value of the credential. Unfortunately, the lone diligent student cannot raise the market value of the credential; unrewarded diligence is rarely maintained.

When Marketopia U makes decisions about how to allocate revenues, the market must guide it. In any university, some majors will require more work than others. Economically rational students will avoid them, gravitating instead to the majors that allow them to secure their credentials with the least labor. Marketopia U will rationally respond to student demand by shifting resources to programs in the greatest

demand. In consequence, rigorous programs will become marginal to the university, while gut courses will proliferate. The economically rational actions of students and administrators will ineluctably transform Marketopia U into Slacker U.

There's good news and there's bad news. The good news is that market-driven universities are not necessarily the wave of the future. Because of the incentive-compatibility problems sketched above, market-driven universities are likely to produce degrees of lowered value in the market. Rich private universities, those most insulated from market pressures, will continue to command a premium. What's the bad news? The bad news is that any individual university can be run into the ground by an administration pursuing the mantra of the market.

Why are faculty members the first and often the only line of defense against the encroachment of the market? Not because we're nobler or smarter or more farsighted than other players in the game, but because our immediate and long-term interests are different. None of us wants to spend our nights grading hastily composed student essays. None of us wants to live in fear of bad student evaluations caused by a rigorous curriculum. Few of us want our courses packed with so many students that we're reduced to courses built around lectures and multiple-choice exams. All of us would like to pick up a book now and then, to generate new ideas that may or may not show up in next term's syllabus. Almost all of us have ideas for research that we wish we had time to carry out. And, to take the long view, none of us want to teach at the ultimate market-driven university where mass-produced courseware is delivered to the students via learning assistants paid low piece-rates with no job security.

What are the morals of the story? Two of them will be no surprise coming from the AAUP. Two others may be:

- Tenure is your friend. We don't need to apologize for the fact that tenure insulates us from market pressures. Tenure helps us maintain educational standards precisely because it insulates us from the market. When the university can't get rid of us, we have greater latitude to demand more of our students. That latitude helps preserve the university from market failure.

- Faculty governance is your friend. At most of our universities, the faculty still has effective power to hire and tenure, as well as power over the curriculum. Traditional standards of academic rigor preserve the university from market failure even as they serve our interests as faculty members.

- External research grants are your friend, not only because they buy you time for your research agenda, but because they diversify the university's revenue base. As that revenue base diversifies, the market exerts less pressure on the university.

- The development office is your friend, for similar reasons. Development officers may have to spend a good deal of their time sucking up to people with money, but their holy grail is unrestricted giving, exactly the sort of revenue stream that insulates the university from market pressures.

In short, AAUP's fight is as important today as it was in 1940. Unfortunately, we come to that fight with our ranks depleted. National membership is down by more than half in the past generation. Strong, active chapters are the exception rather than the rule. My predecessor, Pan Papacosta, has spent the past three years working to strengthen chapters across this state. I want to carry on that work. Contact us, and let's talk about how the state conference can work with your chapter to rebuild AAUP's base.