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**Derek Bok: Universities in the Marketplace**

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# 1 | THE ROOTS OF COMMERCIALIZATION

IT IS ONE OF THE UNWRITTEN, AND COMMONLY UNSPOKEN COMMONPLACES LYING AT THE ROOT OF MODERN ACADEMIC POLICY THAT THE VARIOUS UNIVERSITIES ARE COMPETITORS FOR THE TRAFFIC OF MERCHANT-ABLE INSTRUCTION IN MUCH THE SAME FASHION AS RIVAL ESTABLISHMENTS IN THE RETAIL TRADE COMPETE FOR CUSTOM.

—THORSTEIN VEBLEN

*The Higher Learning in America: A Memorandum on  
the Conduct of Universities by Businessmen (1918)*

Toward the end of the twentieth century, American universities—with their stately buildings, tree-lined quadrangles, and slightly disheveled, often-preoccupied professors—found themselves in an enviable position. No longer quiet enclaves removed from the busy world, they had emerged as the nation’s chief source for the three ingredients most essential to continued growth and prosperity: highly trained specialists, expert knowledge, and scientific advances others could transform into valuable new products or life-saving treatments and cures.

This newfound importance brought growing interest from the media, increased funding from government agen-

cies and foundations, and closer scrutiny from public officials. It also brought abundant new opportunities to make money. Universities learned that they could sell the right to use their scientific discoveries to industry and find corporations willing to pay a tidy sum to sponsor courses delivered by Internet or cable television. Apparel firms offered money to have colleges place the corporate logo on their athletic uniforms or, conversely, to put the university's name on caps and sweatshirts sold to the public. Faculty members began to bear such titles as Yahoo Professor of Computer Science or K-Mart Professor of Marketing. The University of Tennessee, in a coup of sorts, reportedly sold its school color to a paint company hoping to find customers wishing to share in the magic of the college's football team by daubing their homes with "Tennessee Orange." One enterprising university even succeeded in finding advertisers willing to pay for the right to place their signs above the urinals in its men's rooms.

Commercial practices may have become more obvious, but they are hardly a new phenomenon in American higher education. By the early 1900s, the University of Chicago was already advertising regularly to attract students, and the University of Pennsylvania had established a "Bureau of Publicity" to increase its visibility. In 1905, Harvard was concerned enough about its profitable football team to hire a 26-year-old coach at a salary equal to that of its president and twice the amount paid to its full professors. As President Andrew Draper of the University of Illinois observed, the university "is a business concern as well as a moral and intellectual instrumentality, and if business methods are not applied to its management, it will break down."<sup>1</sup>

What is new about today's commercial practices is not their existence but their unprecedented size and scope. Be-

fore 1970, university presidents may have sounded like hucksters on occasion and resorted at times to advertising and other methods borrowed from the world of business. Nevertheless, commercialization in the strict sense of the term—that is, efforts to sell the work of universities for a profit—was largely confined to the periphery of campus life: to athletic programs and, in a few institutions, to correspondence schools and extension programs.\* Today, opportunities to make money from intellectual work are pursued throughout the university by professors of computer science, biochemistry, corporate finance, and numerous other departments. Entrepreneurship is no longer the exclusive province of athletics departments and development offices; it has taken hold in science faculties, business schools, continuing education divisions, and other academic units across the campus.

What accounts for the growth of commercial activity in

\*Some writers speak expansively of *commercialization* to include a wide range of behaviors and trends, notably (1) the influence of economic forces on universities (e.g., the growth of computer science majors and departments); (2) the influence of the surrounding corporate culture (e.g., the increased use on campuses of terms such as *CEO*, *bottom line*, or *brand name*); (3) the influence of student career interests on the curriculum (e.g., more vocational courses); (4) efforts to economize in university expenditures (hiring more adjunct teachers) or to use administrative methods adapted from business; or (5) attempts to quantify matters within the university that are not truly quantifiable, such as trying to express matters of value in monetary terms rather than qualitatively. Often, words such as *commercialization*, *corporatization*, or *commodification* are employed for rhetorical purposes to capitalize on the widespread distrust of business and business methods in academic circles. In view of the several meanings of *commercialization* and the motives with which the term is often used, it is especially important to be clear about one's own definition at the outset. To repeat, therefore, in this book *commercialization* is used to refer to efforts within the university to make a profit from teaching, research, and other campus activities.

institutions dedicated to higher learning? To Veblen, the obvious culprits were university presidents and their entourage of bureaucratic helpers. Intent upon accumulating money to expand the size and reputation of the institution, campus administrators were forever forcing the methods of the marketplace on a reluctant community of scholars. In Veblen's view, the remedy for the disease was as obvious as its cause: "The academic executive and all his works are an anathema and should be discontinued by the simple expedient of wiping him off the slate."<sup>2</sup>

If Veblen harbored any doubts about the reasons for commercialization, he did not acknowledge them. Even in his day, however, it should have been plain that the roots of the problem went beyond the academic bureaucracy. More than a few university presidents protested the growth of football programs, only to be overcome by the tidal force of enthusiastic students and alumni. Today, it is even more apparent that the recent surge in money-making activity on campus stems from causes far deeper than policies emanating from the president. University officials have surely initiated entrepreneurial ventures. But they often have little or nothing to do with the efforts of prominent professors to found their own companies, sell their services as teachers to corporations, or allow private companies to market their lectures through the Internet, tape, or videocassette. Nor is there any doubt that the greatest obstacles to reforming intercollegiate athletics continue to lie, not in the president's office, but among the alumni supporters, boosters, legislators, and others who insist on fielding winning teams.

If Veblen was wrong in heaping so much blame on university presidents, what else helps account for the recent burst of commercial activity on campus? Part of the explanation lies in the growing influence of the market through-

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out our society. Commercialization has plainly taken root, not only in higher education, but also in many other areas of American life and culture: health care, museums, public schools, even religion.<sup>3</sup> Entrepreneurial initiative, high executive salaries, and aggressive marketing techniques are all spreading to fields of endeavor quite outside the realm of business. Such practices set examples that legitimate the use of similar methods in universities. Nevertheless, merely noting the existence of a trend does not explain why it came about, let alone account for its sudden and deep penetration into an academic culture long considered an “ivory tower” set apart from the marketplace.

Several scholars have attributed the recent growth of money-making activity to a lack of purpose in the university.<sup>4</sup> Having lost sight of any clear mission beyond a vague commitment to “excellence,” our sprawling multiversities are charged with creating a vacuum into which material pursuits have rushed in unimpeded. Explanations of this kind almost invariably come from philosophers, literary scholars, and other humanists. Although they talk expansively about the university, their background is chiefly in the humanities. Since these are the fields of study most widely accused of having lost their intellectual moorings, it is not surprising that their professors see a similar aimlessness as the cause of other ills that have overtaken the academy.

If one looks more broadly at the university, however, one quickly finds that many faculties and departments are quite clear about their purposes and that these are the very parts of the institution in which commercialization is most rampant. Within the traditional disciplines, no faculty members feel a stronger sense of mission than the scientists, yet it is there—not in the humanities—that commercialization has taken hold most firmly. Among the several faculties,

none has a clearer sense of purpose than schools of business and medicine, yet it is their professors—not their colleagues in literature and philosophy—who are most deeply involved in lucrative consulting and entrepreneurial activity.

If there is an intellectual confusion in the academy that encourages commercialization, it is a confusion over means rather than ends. To keep profit-seeking within reasonable bounds, a university must have a clear sense of the values needed to pursue its goals with a high degree of quality and integrity. When the values become blurred and begin to lose their hold, the urge to make money quickly spreads throughout the institution. Just what these values are and how they are threatened by commercial pursuits are subjects discussed in subsequent chapters. For the moment, it is enough to say that loss of *purpose* is not a useful explanation for the recent growth of money-making ventures in the university.

Critics from the left have a different theory to explain the burgeoning commercial activity on campus. To them, such behavior is simply another illustration of the attempts by the businessmen and lawyers who sit on boards of trustees to “commodify” education and research, reduce the faculty to the status of employees, and ultimately, make the university serve the interests of corporate America.<sup>5</sup>

The influence of the private economy on the university is undeniable. Wealthy donors clearly alter the shape of the institution through the power of their benefactions. Anyone harboring doubts on this score need only contrast the opulence of business schools with the shabbiness of most schools of education and social work. The world of commerce and industry affects the curriculum in even more striking ways through the jobs it provides and the salaries it offers; witness the growth of undergraduate business majors,

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the rise of computer science departments, and the generous compensation offered to professors of management and economics, compared to that paid to colleagues in literature and philosophy.

It is one thing, however, to note the effects of the economy on academic institutions and quite another to imagine a plot on the part of business leaders to bend universities to their corporate purposes. It is true that toward the end of the nineteenth century, as American colleges transformed themselves into large research institutions, clergymen began to give way to business executives and lawyers on most university boards. Still, ascribing this trend to some sort of national corporate plot seems rather farfetched; there is a more benign explanation. As institutions of higher learning grew larger and more complicated, they needed trustees who could help them raise money and develop better methods of administration. Clergymen were poorly equipped for these tasks and were increasingly out of step, in any case, with faculties that were steadily becoming more secular and professional. Business executives and corporate lawyers simply seemed better suited to the changing needs of the university.

In the early years, some business-oriented trustees did try to impose their views on the institution, even to the point of firing faculty members with radical opinions. But professors soon organized to protest such interference. Eventually, board members had to modify their behavior and defer to scholarly judgments in academic matters or risk doing harm to the reputation of their university. Long before the recent wave of commercialization, therefore, trustees of major universities had become far less intrusive. By the 1960s, they were serving, as they do now, largely out of loyalty to their alma mater or from a sense of civic duty, rarely



interfering with academic decisions except where necessary to guard the financial health of the institution. Today, if trustees encourage commercial ventures, they are far more likely to do so in order to find resources for the university's needs rather than to promote the selfish interests of American business.

Professors of higher education offer a different explanation for the growth of commercial activity on campus. In their view, the recent wave of entrepreneurial behavior is a response to the reductions in government support for higher education that began in the 1970s.<sup>6</sup> As the economy slowed after the energy crisis of 1973, Congress could no longer sustain the rapid increases in research funding that occurred during the 1950s and 1960s. State legislatures, burdened by the mounting costs of prisons, welfare, and health care for the indigent, followed suit and cut their appropriations for higher education, especially in the 1980s and 1990s. The result, according to this theory, was to force university officials and faculty members to look for new sources of funding. Eventually, enterprising presidents and entrepreneurial professors found ways to market their specialized knowledge and scientific discoveries in return for the cash they needed to make up for declining state support.

Government cutbacks may well be the precipitating cause that has led a number of universities in Britain, Australia, Scandinavia, and Holland to become more entrepreneurial.<sup>7</sup> In the United States, however, funding cuts are not the whole story. After all, the past two decades are hardly the first time that American higher education has experienced financial difficulties. Government funding slowed or declined in the early 1970s, not to mention the 1930s, yet universities did not respond with a burst of profit-seeking ventures.

Moreover, private universities in America have been no less entrepreneurial than their public counterparts even though few of them have had much state funding to lose, and most have seen their endowments surge during the heady stock market booms of the 1980s and 1990s. Basic biomedical scientists have been among the more enterprising in the academy, notwithstanding continued real increases in research support from the National Institutes of Health. Business schools and their faculties have pursued new money-making ventures with notable zeal despite having suffered few, if any, of the financial cutbacks that have beset other parts of the university. In short, declining appropriations may have played a part, but something more is surely required to explain the rise of entrepreneurial activity on American campuses during the last twenty years.

Universities share one characteristic with compulsive gamblers and exiled royalty: there is never enough money to satisfy their desires. Faculty and students are forever developing new interests and ambitions, most of which cost money. The prices of books and journals rise relentlessly. Better and more costly technology and scientific apparatus constantly appear and must be acquired to stay at the cutting edge. Presidents and deans are anxious to satisfy as many of these needs as they can, for their reputation depends on pleasing the faculty, preserving the standing of the institution, and building a legacy through the development of new programs.

The need for money, therefore, does not merely occur now and then in the wake of some ill-considered decision on the part of state officials to cut university budgets. It is a chronic condition of American universities, a condition inherent in the very nature of an institution forever competing for the best students and faculty. Such talented, ambi-

tious people are constantly asking for more programs, more books, more equipment, more of everything required to satisfy their desire to pursue new interests and opportunities. In this sense, the recent surge of commercial activity is best understood as only the latest in a series of steps to acquire more resources, beginning with the use of aggressive marketing to attract tuition-paying students in the early twentieth century, and moving on to the determined search for government and foundation funding after World War II, and the increasingly sophisticated and intensive effort over the last fifty years to coax gifts from well-to-do alumni and other potential donors.\*

What made commercialization so much more prevalent in American universities after 1980 was the rapid growth of opportunities to supply education, expert advice, and scientific knowledge in return for handsome sums of money. During the first half of the twentieth century, the chances to profit from such activities were not nearly so abundant. Executive education for business had not yet generated much interest. With very few exceptions (such as Harry Steenbock of the University of Wisconsin, who discovered how to enrich milk with vitamin *D*), academic scientists did not produce much research that had immediate commercial value. Outside of a few fields, such as chemistry and certain branches of engineering, corporations did not perceive much need to seek professorial advice.

\*Each of these efforts has elicited its own corresponding criticism. Seeking out students produced charges of “consumerism.” Soliciting government grants led to complaints in the late 1960s that universities were complicit in unsavory policies of the CIA and Defense Department. The launching of larger and larger capital drives has provoked concerns that university presidents are now being chosen primarily for their fund-raising abilities.

The outlook for remunerative activity began to change after World War II. The contributions of science to the war effort convinced Washington policymakers to invest heavily in research, both in the natural sciences and, with the development of the National Institutes of Health, in medicine, as well. From 1948 to 1968, federal support for basic scientific research rose 25-fold in real dollars to reach almost \$3 billion per year. The results exceeded expectations. Academic scientists helped develop the hydrogen bomb, launch satellites into space, and put a man on the moon. Advances in electrical engineering gave rise to civilian applications, most notably through the growth of electronics and the rise of the computer industry. The discovery of DNA and the development of gene-splicing techniques produced a revolution in medicine that helped launch a new biotechnology industry.

After three decades of large-scale federal support, priorities for basic science began to change. In the late 1970s, the slowdown in economic growth and the challenge of strong industrial competitors in Europe and Japan caused Congress to search for new ways to stimulate economic growth. As the Cold War waned, the emphasis of science policy in Washington shifted to place less weight on maintaining military superiority and more on ensuring America's competitiveness in the world economy.

This change in priorities led the government to consider new ways of linking university research to the needs of business. In 1980, Congress passed the Bayh-Dole Act, which made it much easier for universities to own and license patents on discoveries made through research paid for with public funds. Federal and state legislation offered subsidies for a variety of university-business cooperative ventures to help translate the fruits of academic science into new prod-

ucts and processes. Tax breaks encouraged industry to invest more in university-based science.

By all accounts, these initiatives achieved their purpose. Within a decade, two hundred universities had established offices to seek out commercially promising discoveries and patent them for licensing to companies. By the year 2000, universities had increased the volume of their patenting more than 10-fold and were earning more than \$1 billion per year in royalties and license fees. Some twelve thousand academic scientists were participating in more than one thousand collaborative arrangements with local companies.<sup>8</sup> Many campuses had created centers to give technical assistance to small businesses or developed incubators offering seed money and advice to help entrepreneurs launch new enterprises. Several institutions formed special venture capital units to invest in companies founded by their professors.

Meanwhile, advances in genetics had suddenly made academic research commercially important to industry. Investors were willing to invest millions of dollars on the promise of a new idea without waiting for an actual product, let alone a healthy profit margin. New companies could be founded on the strength of a discovery in a university laboratory. Quickly, corporations doubled and redoubled their share of total academic research support, increasing it from 2.3 percent in the early 1970s to almost 8 percent by the year 2000.

Opportunities for profit also emerged after World War II in the field of adult education, as professionals in many fields felt the need to acquire new knowledge and to master new skills in order to prosper in an increasingly complex society. Extension schools attracted more students seeking to upgrade their vocational skills. Continuing education for

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doctors expanded greatly, as physicians scrambled to keep up with the rapid advances in medical science. Executive programs for business became increasingly popular, while corporate training of all kinds blossomed into a multibillion dollar per year activity.

The growth of money-making possibilities extended well beyond universities as institutions. Individual faculty members, especially in the best universities, found new ways to supplement their incomes with lucrative activities on the side. As biotechnology boomed, life scientists not only started to seek patents on their discoveries and take attractive consulting assignments; they also began to receive stock from new firms eager for their help and even to found new companies based on their own discoveries. Outside the sciences, business school professors traveled to corporations willing to pay substantial sums for days spent consulting or teaching their executives. Legal scholars began to collect large fees for advising law firms or their corporate clients. Economists, political scientists, psychologists, and many others discovered that their counsel was worth a tidy sum to companies, consulting firms, and other private organizations.

Even university administrators saw new possibilities for earning money outside the familiar realm of teaching and research. Alumni offices began organizing cruises, complete with lectures, to carry graduates to exotic places. Business offices started to license the use of the university's name on sweatshirts, mugs, and other paraphernalia. University museums built attractive shops to sell related bits of merchandise, and college bookstores moved off campus to downtown locations in search of greater profits.

Within a few short decades, therefore, a brave new world had emerged filled with attractive possibilities for turning

specialized knowledge into money. University presidents, enterprising professors, and even administrative staff were all busy exploiting these opportunities.

Adding impetus to the search for money was a mounting competition among the nation's research universities. Institutional rivalry has always marked American higher education to a greater extent than in other countries. But several factors helped to intensify this tendency over the latter half of the twentieth century. Increases in the college-going population and a vast growth in federal funding and philanthropic aid helped to support a larger number of institutions with legitimate ambitions to become research universities of the first rank. Better transportation and increased financial aid permitted more students to consider a much wider range of institutions in deciding where to pursue their education. Meanwhile, state legislatures began to give more help to science and technology at their leading universities, hoping to boost their local economies by emulating the success achieved by Silicon Valley and Route 128 in Massachusetts. Even the advent of annual rankings by publications such as *U.S. News and World Report* may have played a part. Although every college president can recite the many weaknesses of these ratings, they do provide a highly visible index of success, and competition is always quickened by such measures, especially among institutions like universities whose work is too intangible to permit more reliable means of evaluation.

Increased competition in turn produced greater effort to find resources, because almost anything a university did to try to lift its reputation cost money: recruiting outstanding new professors, financing the merit scholarships to attract better students, and providing the salaries and facilities needed to keep respected faculty members from leaving for

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more welcoming venues. Increasingly, therefore, success in university administration came to mean being more resourceful than one's competitors in finding the funds to achieve new goals. Enterprising leaders seeking to improve their institution felt impelled to take full advantage of any legitimate opportunities that the commercial world had to offer.

Summing up, then, commercialization turns out to have multiple causes. Financial cutbacks undoubtedly acted as a spur to profit-seeking for some universities and some departments. The spirit of private enterprise and entrepreneurship that became so prominent in the 1980s helped encourage and legitimate such initiatives. A lack of clarity about academic values opened the door even wider. Keener competition gave still further impetus. But none of these stimuli would have borne such abundant fruit had it not been for the rapid growth of money-making opportunities provided by a more technologically sophisticated, knowledge-based economy.

What should one make of all the entrepreneurial activity that has ensued? Public officials intent on economic growth are undoubtedly pleased with the vigor universities have shown in placing their discoveries and expertise at the service of private industry. By all accounts, corporate investments in academic science have yielded a handsome return in new products and improved technology.<sup>9</sup> As a result, companies have increased their support, relieving the government of some of the burden of funding university research. Meanwhile, programs of continuing education have sprung up on campuses everywhere to satisfy the growing needs of professionals for further schooling at later points in their careers.

The new opportunities for earning money have clearly helped make universities more attentive to public needs. In



Europe as well as America, students of higher education have credited market forces with causing universities to become less stodgy and elitist and more vigorous in their efforts to aid economic growth.<sup>10</sup> Many people doubtless applaud this result and feel that universities are doing more to justify the large sums of public money governments spend on their behalf.

At the same time, the rise of entrepreneurial universities has not met with universal enthusiasm. Professors on the left complain about the “commodification” of higher education, claiming that universities have turned into “knowledge factories” where academic ideals are routinely compromised for the sake of money. According to sociologist Stanley Aronowitz, “the learning enterprise has become subject to the growing power of administration, which more and more responds not to faculty and students, except at the margins, but to political and market forces that claim sovereignty over higher education.”<sup>11</sup> To cultural anthropologist Wesley Shumar, learning and research have “come to be valued in terms of their ability to be translated into cash or merchandise and not in any other ways, such as aesthetic or recreational pleasure. Eventually, the idea that there are other kinds of value is lost.”<sup>12</sup>

Most critics do not paint the current situation in quite such bleak colors. But many are afraid that commercially oriented activities will come to overshadow other intellectual values and that university programs will be judged primarily by the money they bring in and not by their intrinsic intellectual quality. They view with dismay how the surrounding economy draws more and more students into vocational fields of study, elevates the salaries of computer scientists, business school professors, and others whose work relates to business, and attracts ever greater sums of outside

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money for subjects of commercial relevance to the neglect of other worthy, but less practical, fields of study. Even those who support the university's efforts to aid economic growth worry about the side effects of profit-seeking and the unseemliness of institutions of learning hawking everything from sweatshirts to adult education.

These concerns are linked to a broader disquiet over the encroachments of the marketplace on the work of hospitals, cultural institutions, and other areas of society that have traditionally been thought to serve other values. Almost everyone concedes that competitive markets are effective in mobilizing the energies of participants to satisfy common desires. And yet the apprehensions remain. However hard it is to explain these fears, they persist as a mute reminder that something of irreplaceable value may get lost in the relentless growth of commercialization.