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## CHAPTER SEVEN

### The Senseless Monstrosity in Our Path: Academic Bargains and the Rise of the American University

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*[N]obody has any business to destroy a social institution until he has really seen it as an historical institution. If he knows how it arose, and what purposes it was supposed to serve, he may really be able to say that they were bad purposes, that they have since become bad purposes, or that they are purposes which are no longer served. But if he simply stares at the thing as a senseless monstrosity that has somehow sprung up in his path, it is he and not the traditionalist who is suffering from an illusion.*

—G. K. Chesterton, *The Thing*

Anyone with even passing familiarity with the governance of American universities is aware of its failings and sometimes absurdities. (For anyone else, casual browsing of the *Chronicle of Higher Education*, *Inside Higher Education*, or other higher education coverage on pretty much any given day should provide an adequate primer.) Critics across the board disparage the existing system of shared governance in which boards, administrators, and faculty participate in institutional decisions, as a primary obstacle to solving—if not the ultimate cause of—the many problems confronting higher education: “Almost every contemporary issue facing higher education . . . is impeded and frustrated by a hundred-year-old system of governance practices that desperately needs modification.”<sup>1</sup> American colleges and universities are hobbled by “an outmoded and

dysfunctional set of organizational structures, processes, and policies . . . [in which] everyone claims a veto but no one takes responsibility for results.”<sup>2</sup> Democratic decision processes in academia result in “a web of inefficiency” that “undermines the very well-being of the nation’s colleges and universities.”<sup>3</sup> The system of shared governance has become, “in effect, governance by multiple veto by campus groups with vested interests[;] it can stymie necessary reforms.”<sup>4</sup>

A consequence of the diffusion of authority in universities is that everyone disclaims control. Trustees, who possess ultimate legal authority, deny exercising it “in any meaningful sense,” contending that the “real power in any university . . . is the faculty.”<sup>5</sup> Professors, in turn, complain that—notwithstanding formal structures affording faculty nominal authority in certain areas—faculty possess little power in practice, the true locus of control residing with administrators who simply ignore faculty advice with which they disagree.<sup>6</sup> For their part, university presidents profess an absence of latitude to make decisions in a system of “powerful governing boards at the top, a culture of faculty governance at the bottom, and between them a relatively weak central administration.”<sup>7</sup> With no one in charge, it is little wonder that the public displays “widespread skepticism about how universities and colleges are run.”<sup>8</sup>

And yet, somehow, despite all of these faults, American universities managed to dominate higher education for much of the 20th century. In the words of one admirer, “the American higher education system has become the worldwide ‘gold standard’ for higher education, respected for its leadership in research and scholarship and for providing access to large numbers of students.”<sup>9</sup> Apparently, the governance defects of U.S. colleges and universities—as bad as they are—did not prevent American higher education from outperforming educational systems elsewhere.

It is possible, of course, that with better governance the achievements of American higher education would have been greater still. The extent to which universities have been held back by bad governance, however, leaves the question of how we ended up with our current system and why it has persisted: If superior arrangements exist, why were they not adopted? With more than 3,000 four-year, degree-granting

institutions, the U.S. higher education industry is, by any conventional measure, highly competitive. In any other industry with so much competition, we would expect an enterprise that discovered and adopted a better way to manage its resources to outbid its less efficient rivals for customers and employees. Why not in higher education?

To be sure, longevity is not proof of superiority. Conceivably, malign motives, deficient incentives, or even chance events could have set universities on a path from which it has been difficult to deviate. Or perhaps today's governance arrangements were appropriate to the circumstances when they were adopted but have since become obsolete. But before declaring longstanding practices mistaken or outmoded, we ought to be reasonably confident that those arrangements have not served some valuable, possibly undiscerned, purpose that justifies their continuation. To do that requires that we understand why the system arose, how it evolved, and why it has endured.

#### THE EMERGENCE AND DIFFUSION OF SHARED GOVERNANCE IN THE UNITED STATES

Criticism of the role of faculty in academic governance has a long and illustrious history. Adam Smith famously assailed faculty control of universities in *The Wealth of Nations* (1776), observing that, when professors control the institutions of which they are members, "they are likely to make a common cause, to be all very indulgent to one another, and every man to consent that his neighbor may neglect his duty, provided he himself is allowed to neglect his own."<sup>10</sup> The situation at Oxford was so bad, according to Smith, that "the greater part of the public professors have, for these many years, given up altogether even the pretence of teaching."<sup>11</sup> A couple of centuries later, Thomas Sowell, echoing Smith, identified faculty governance (combined with tenure) as "[a]mong the leading liabilities of American colleges and universities," opining that "it is the wholly unaccountable nature of faculty self-governance which makes it so dangerous."<sup>12</sup>

Although critics often treat governance arrangements in modern American universities as ancient, static, and universal, none of these is

the case. Unlike Smith's Oxford, early American colleges did not have a tradition of faculty control. The typical institution of higher learning in the United States before 1865 was a small denominational college headed by a clergyman.<sup>13</sup> Authority, both formal and effective, resided in the president and outside governing boards composed mainly of clergy.<sup>14</sup> Colleges of this era mostly offered a standard classical curriculum that emphasized ancient languages, philosophy, rhetoric, and theology, supplemented eventually with studies in the natural sciences, English, and agricultural and mechanical arts.<sup>15</sup> There was little specialization; a professor was expected to be a "jack-of-all-disciplines."<sup>16</sup>

The distinctive organization features that we associate with the modern American university—large administrative bureaucracies, departmentalization, and faculty governance—began to take shape only toward the end of the 19th century. Of these features, faculty participation in university decisions was the last to emerge. As late as 1874, there was, in the view of one prominent Harvard scholar, "no university in the United States the intellectual interests of which [were] managed by professors, but always by a corporation outside."<sup>17</sup> Histories of American universities in the late 19th and early 20th centuries are remarkable more for their accounts of autocratic presidents than for faculty inroads into governance.<sup>18</sup> Even with the establishment of academic departments—"a logical outgrowth of size and specialization and of the pressing necessity to delegate and decentralize if major administrators were not to find themselves overwhelmed"<sup>19</sup>—the locus of power merely shifted from presidents to department chairs: "The turn of the century was a time of conspicuous departmental dictatorships" as control over appointments and promotions allowed department chairmen to demand personal loyalty and to inhibit rival viewpoints from being expressed in classrooms.<sup>20</sup>

Eventually, faculty at some institutions began to acquire a formal role in university decisions, as trustees delegated powers and responsibilities through bylaws and organizational constitutions. By 1890, faculty senates had been established at Cornell, Michigan, Illinois, Wisconsin, and other Midwestern institutions.<sup>21</sup> For the most part, however, those developments afforded professors little real authority. In Laurence Veysey's assessment, "Except for producing some unwieldy academic 'senates' and

for encouraging somewhat greater departmental autonomy in the area of appointments, [the movement for more faculty control at the turn of the century] bore little substantial fruit.”<sup>22</sup> At other institutions, such as Johns Hopkins and the University of Chicago, professors managed to acquire *de facto* control over matters of education and research.<sup>23</sup> But such gains were also subject to reversal. On becoming president of Columbia University in 1902, Nicholas Murray Butler substantially weakened the system of faculty self-governance that had developed during the 1890s.<sup>24</sup> Early faculty participation at Berkeley was similarly curtailed under the autocratic administration of Benjamin Ide Wheeler (1899-1919).<sup>25</sup> Almost everywhere, presidents remained the dominant force. “Whatever faculty voices may have been raised to the contrary, university government by the twentieth century centered upon the office of the president.”<sup>26</sup> As American higher education entered the new century, “even the most fundamental of faculty prerogatives—strong influence over, if not outright control of, decisions concerning faculty appointments and tenure—was very much in a ‘state of play.’”<sup>27</sup>

A series of surveys conducted over the course of the 20th century indicate that, although faculty roles in university decisions increased, such gains were gradual and selective. A 1911 poll of science professors at top universities revealed overwhelming support for “a change in administrative methods in the direction of limiting the powers of the president and executive officers” through more democratic participation by faculty.<sup>28</sup> A 1925 survey of local chapters of the American Association of University Professors (AAUP), however, found “formal involvement” in “the selection of members of the teaching staff” in fewer than one-fourth (38 of 167) of responding institutions and no clear faculty role in hiring decisions at more than two-thirds (114).<sup>29</sup> A subsequent survey suggested only modest change by 1940: Although a plurality (47 percent) of 217 responding AAUP chapters reported a trend toward more faculty governance at their own institutions, “the typical American college or university still . . . provided for faculty consultation on appointments, promotions, dismissals, and budgets only through department heads or chairs,” who were, in turn, appointed by deans or presidents without formal faculty consultation at four of five institutions.<sup>30</sup>

Faculty authority expanded in the period after World War II as “faculty were sometimes able to negotiate gains in shared governance with presidents and boards,” but, as earlier, that authority “remained highly uneven across the institutional landscape.”<sup>31</sup> The extent and unevenness of faculty roles across institutions and decision areas were captured in a 1970 AAUP survey that asked representatives of colleges and universities to “specify the level of faculty participation” in each of 31 decision areas in terms of the following categories:<sup>32</sup>

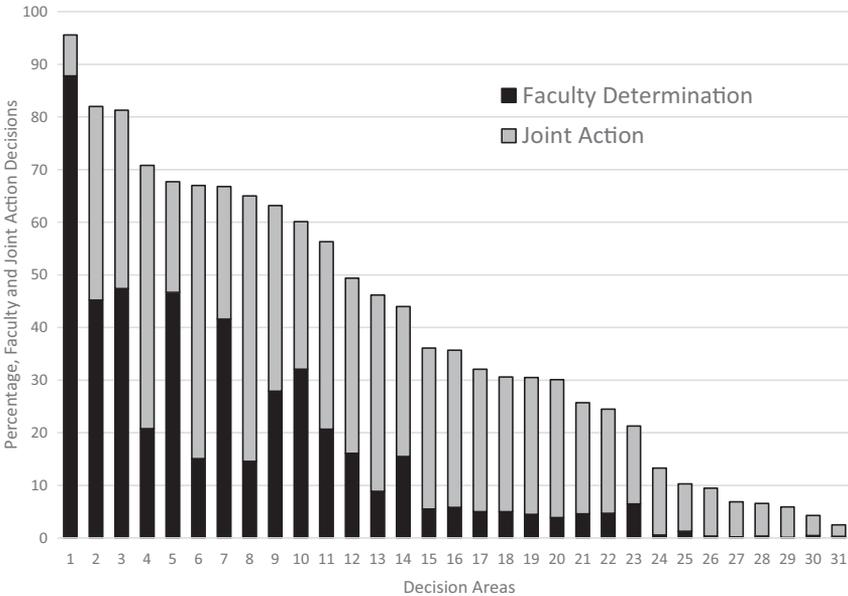
*Administrator Determination:* decisions or actions over which administrators have unilateral authority

*Faculty Determination:* decisions or actions over which “the faculty of an academic unit or its duly authorized representatives have final legislative or operational authority with respect to policy or action”

*Joint Action:* decisions or actions that require “formal agreement by both the faculty and other components of the institution” and are subject to “veto by any component”

Figure 7.1 summarizes the distribution of authority among these categories across decision areas at the 826 institutions that responded, representing about one-half of the roughly 1,650 four-year, degree-granting institutions in the United States at the time.<sup>33</sup> The bars in the figure indicate, for each decision type, the percentage of institutions governed by faculty determination (dark bars) or joint action (light bars).<sup>34</sup> Immediately apparent is the large variation in authority across decision areas. Whereas faculty at a majority of institutions were likely to exercise some level of authority over instructional and curricular matters and some internal organization issues (decision areas 1–11), faculty authority over compensation, budgets, or the appointment of presidents or deans was rare (areas 24–31). Moreover, where it existed, faculty authority was most often shared with administrators (*Joint Action*, represented by the light bars). The only decision for which faculty at a majority of institutions enjoyed exclusive authority (*Faculty Determination*) was academic performance of students (area 1)—essentially, grading. For every other decision category, administrators at most institutions possessed at least veto power but frequently

**Figure 7.1**  
**Decision Authority by Decision Areas, 1970**



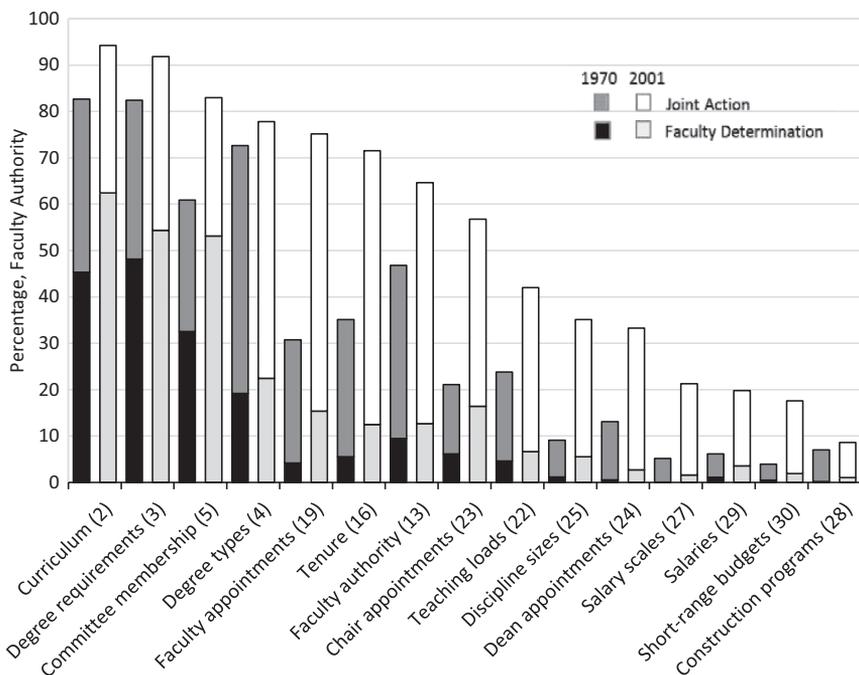
1	Acad. performance of students	17	Promotions
2	Curriculum	18	Specif. student extracurricular rules
3	Degree requirements	19	Appointments
4	Types of degrees offered	20	Extracurricular behavior
5	Membership dept. committees	21	Reappointments and renewals
6	Estab. of new . . . programs	22	Average teaching load
7	Specify....dept. committees	23	Department chairmen
8	Teaching assignments	24	Academic deans
9	Academic discipline	25	Relative staff sizes of disciplines
10	Membership...senate committees	26	President
11	Specify. ... senate committees	27	Faculty salary scales
12	Student role in institutional govt.	28	Programs for bldgs & facilities
13	Authority of faculty in government	29	Individual faculty salaries
14	Admission requirements	30	Short-range budget planning
15	Dismissal for cause	31	Long-range budget planning
16	Tenure		

Sources: American Association of University Professors, "Report of the Survey Subcommittee T," *AAUP Bulletin* 57, no. 1 (March 1971): 68-124; Scott E. Masten, "Authority and Commitment: Why Universities, Like Legislatures, Are Not Organized As Firms," *Journal of Economics and Management Strategy* 15 (2006): 649-84.

complete authority; *Administrator Determination* was the predominant governance mode for 20 of the 31 decision categories (decision areas 12–31). Even for hiring, promotion, and tenure decisions (areas 15–17, 19, and 21)—“the most fundamental of faculty prerogatives,” according to Bowen and Tobin—faculty exercised effective authority at only about one-third or fewer colleges and universities in 1970, three-quarters of a century after the outlines of the modern American university first appeared.

By the end of the 20th century, that picture had changed significantly. Figure 7.2 presents a side-by-side comparison of the allocation of faculty

**Figure 7.2**  
Faculty Authority in Decisions, 1970 and 2001



Sources: American Association of University Professors, “Report of the Survey Subcommittee T,” *AAUP Bulletin* 57, no. 1 (March 1971): 68–124; Gabriel E. Kaplan, “Preliminary Results from the 2001 Survey on Higher Education Governance,” American Association of University Professors, 2002; Scott E. Masten, “The Enterprise as Community: Firms, Towns, and Universities,” in *Handbook of Economic Organization: Integrating Economic and Organization Theory*, ed. Anna Grandori (Cheltenham: Edward Elgar Publishing, 2013), pp. 105–6.

Note: Numbers in parentheses refer to the decision area numbers in Figure 7.1.

authority in 1970 and 2001 for the 15 decision areas covered in a follow-on survey.<sup>35</sup> As seen in the figure, faculty gained authority across the board over the 30-year interval between the surveys, with the largest increases occurring in the areas of faculty appointments (decision area 19), tenure (area 16), and department chair appointments (area 23). Administrator determination, which had been the prevalent governance mode for 11 of those 15 decision categories in 1970, dominated only 7 categories in 2001, with faculty at a majority of institutions having obtained control or veto authority over decisions that determined the authority of faculty in governance at the institution level (area 13), in addition to hiring, tenure, and chair appointments. The gains in faculty authority notwithstanding, substantial variation in governance remained both across decision areas and, for decision categories in the middle range of Figure 7.2, among institutions. Notably, faculty at more than one-fourth of responding colleges and universities had no authority over the fundamental areas of faculty appointments or tenure as American higher education entered the 21st century.

In sum, early American colleges and universities, unlike some European institutions, did not have a tradition of faculty governance. When faculty in the United States did begin to gain decision authority, they did so only gradually and selectively. Although formal structures of faculty governance have now existed at some universities for a century, the extent and scope of faculty authority has varied both among institutions and over time. And although the trend throughout the 20th century was toward more participation, faculty authority—with a few exceptions, such as over curricular matters—is rarely exclusive: Most decisions over which faculty have formal authority require mutual agreement with administrators.

#### STARING AT THE SENSELESS MONSTROSITY

Critics mostly let the defects of modern university governance speak for themselves without displaying much interest in how such a purportedly inefficient system arose and persisted. When the origins of shared governance are considered, detractors tend to blame a combination of rent seeking, market power, and, occasionally, chance or idiosyncratic events. In Henry Manne's account, for instance, faculty came to control universities

by default, the result of “an accident of history that caused our higher educational industry to be not-for-profit or government-owned in its structure.”<sup>36</sup> In such organizations, Manne claimed, control tends to be “somewhat arbitrary or political in nature,” going “to whatever group just happens to be best positioned to capture the benefits, regardless of whether they are the best qualified or the most efficient ones or the most deserving ones. In this case, where there was really no one else contending for quasi-ownership of physical assets, the faculties were almost guaranteed to emerge in charge of the institution. No one else really wanted it.”<sup>37</sup> Happenstance is similarly implicated in historical accounts that portray faculty demands for greater control at particular institutions as a backlash against especially autocratic presidents or other “local conditions.”<sup>38</sup>

As with the prevalence of nonprofits in higher education, faculty governance has been too pervasive and durable to be explained by chance events and path dependence alone.<sup>39</sup> Among more systematic explanations proffered by critics, growing faculty market power has been a favored culprit. Noting the correlation between growth in demand for professors and “the timing of grants of authority to faculty,” Bowen and Tobin, for example, argue that “the strong expansion in demand for professors in the late 1890s and early 1900s . . . had a pronounced impact on their role in governance—and especially . . . their role in the faculty appointment/advancement process.”<sup>40</sup> The accelerating demand for professors after World War II similarly produced “gains in income, power, and prestige”<sup>41</sup> and “increased leverage,”<sup>42</sup> which enabled faculty “to negotiate gains in shared governance with presidents and boards.”<sup>43</sup>

Faculty governance and the demand for faculty definitely rose together over time. The number of instructional staff (regular faculty, junior faculty, and research assistants) grew tenfold—from roughly 60,000 to more than 650,000—between 1921 and 1973, a period during which the U.S. population approximately doubled (from 106 million to 203 million between 1920 and 1970).<sup>44</sup> Higher demand for professors implies higher rents accruing to faculty (assuming less than perfectly elastic supply). It does not by itself, however, explain why faculty would have chosen to take those rents in the form of greater authority or more security rather than in higher compensation, even

if increased demand somehow conferred monopoly power on tens of thousands of professors. More broadly, insinuations that faculty governance and tenure were manifestations of monopoly power on either side of the academic marketplace are hard to reconcile with the competitive nature of the industry. The number of postsecondary institutions grew rapidly in the decades following the Civil War through the end of the century, rising from 563 in 1870 to 977 in 1900 and 1,041 in 1920, with continued increases thereafter.<sup>45</sup> Table 7.1 shows the number of four-year, degree-granting institutions at the end of each decade from 1919–1920 through 2009–2010, plus the most recent figure for 2014–2015. Higher education in the United States consisted of large numbers of institutions at any point in time, but—of arguably more importance—the market experienced significant entry over time: The

**Table 7.1**  
**Number of Four-Year Postsecondary Institutions, 1919–2015**

Year	Public	Private	Total
1919–20			989
1929–30			1,132
1939–40			1,252
1949–50	344	983	1,327
1959–60	367	1,055	1,422
1969–70	426	1,213	1,639
1979–80	549	1,408	1,957
1989–90	595	1,532	2,127
1999–00	614	1,749	2,363
2009–10	672	2,102	2,774
2014–15	701	2,310	3,011
Change 1949–2015	357	1,327	1,684

Sources: National Center for Education Statistics (Snyder 1993: Table 26); and *Digest of Education Statistics 2015* (Snyder et al. 2016: Table 317.10).

Note: Data for years before 1974–75 include main campuses only. Data for later years include both main and branch campuses. Inclusion of branch campuses increased the number of public institutions by 85 and private institutions by 9 in 1979–80.

number of institutions has roughly doubled every 60 years and has more than tripled since 1920.

Beyond the sheer number of competitors and entrants, higher education histories describe the industry's dynamism during its formative years. By all accounts, higher education in the late 19th and early 20th centuries was characterized by high degrees of institutional autonomy, experimentation, and competition.<sup>46</sup> Following the 1819 Dartmouth College case, which, among other things, constrained state authority over private institutions, private colleges faced few constraints on their operations or organization. With an "almost total lack of federal involvement . . . colleges and universities—and their donors—were spared government intrusion and allowed to innovate."<sup>47</sup> The result was an industry characterized by "fluidity, uncertainty, and diversity," as institutions experimented with organizational and governance arrangements.<sup>48</sup> Successful experiments persisted and were copied: "Again and again the first widespread occurrence of a particular academic practice may be traced to those years, usually after preliminary pioneering by one of two institutions during the seventies or eighties."<sup>49</sup> Arrangements that proved unworkable, on the other hand, were abandoned. In 1919, Berkeley's Board of Regents created "a Council of Deans to exercise presidential responsibilities," an experiment that "proved to be a disaster" and lasted only a year.<sup>50</sup> More durable was the California Institute of Technology's (Caltech's) creation in the 1920s of an executive council, comprising four trustees and four faculty members, "to exercise the authority normally assigned to a college president."<sup>51</sup> Although Caltech as an institution experienced considerable success during that period, its novel governance had few imitators and was replaced with more conventional governance arrangements in 1946.<sup>52</sup> Eventually, the basic structure and organizational features of the American university emerged through a process of experimentation in a "competitive market for money, students, faculty, and prestige" as "truly deviant ideas on academic structure were all but impossible to reconcile with success."<sup>53</sup>

Even if survival in the face of competition supports a presumption of efficiency, it leaves unanswered the question of why faculty governance came to dominate other possible arrangements. The most conspicuous development coincident with the rise of faculty authority was

the introduction and diffusion of research as a function of universities. Scholarship emerged fairly abruptly in the United States:

[I]n the 1870's research played no important role in American higher education. . . . Around 1880 a definite change occurred. . . . Ten years later research had become one of the dominant concerns of higher education. . . . As far as official demands upon faculty were concerned, by 1910 research had almost fully gained the position of dominance which it was to keep thereafter.<sup>54</sup>

The growth in research over the educational landscape is reflected in the number of institutions granting doctorates and in the number of doctorates granted. The first true American research university, Johns Hopkins, opened in 1876. By 1900, more than 14 U.S. institutions were granting PhDs.<sup>55</sup> Between 1920 and 1971, the number of institutions awarding doctorates grew from fewer than 50, roughly 5 percent of all four-year institutions, to 260, about 15 percent.<sup>56</sup> American universities were granting doctorates at the rate of about 40 per year in the late 1870s, a figure that rose to about 300 annually by 1900; 1,200 by 1925; 33,000 by the mid-1970s; and 55,000 in 2015.<sup>57</sup> Roughly 3,600 PhDs were granted in the first decade of the 20th century, more than 400,000 in the last.<sup>58</sup>

Expectations of scholarship, initially concentrated in research universities, eventually extended to faculty in many liberal arts colleges as well: "The ethos of research . . . spread throughout the tertiary educational system, and even institutions where teachers ha[d] historically done little or no research now encourage their faculty members to undertake research. . . . In the late 1960s, only a minority of those working in American four-year higher educational colleges tended to publish regularly; today over sixty per cent do."<sup>59</sup> Coincident with this growing emphasis on research, faculty participation in the decisions of liberal arts colleges increased significantly.<sup>60</sup>

Although the emergence and diffusion of faculty governance broadly parallels the introduction and spread of research in higher education, the causal connection between scholarship and faculty authority is less obvious than is their temporal correlation. The higher education literature posits two main avenues through which research may have affected

governance. The first associates the rise of faculty governance with changes in faculty self-perceptions that accompanied the professionalization of academic careers as scholarship gained prominence.<sup>61</sup> As their stature increased, the argument goes, professors came to view themselves as more akin to doctors and lawyers—deserving of comparable autonomy and respect—and to regard treatment as mere employees as inconsistent with their newfound professional status as experts.<sup>62</sup>

Research, as has been widely noted, also severely diminished the ability of nonspecialists to evaluate faculty performance and expanded the range of university activities. Trustees found “less and less of an opportunity for usefulness in a machine so elaborate that any incursion into it, by those unfamiliar, may do infinite harm.”<sup>63</sup> With growth in the size and complexity of institutions, boards increasingly delegated policymaking and managerial decisions to presidents,<sup>64</sup> who, in turn, found it necessary “at least to consult with departmental faculty who had the relevant expertise in order to make an informed evaluation of the credentials of individuals being considered for appointment or promotion.”<sup>65</sup> Greater specialization eventually left “university-wide administrators, and at times deans as well, unable to do more than respond to initiative on matters of personnel, facilities, teaching, curriculum, and research.”<sup>66</sup> In the absence of anyone else competent to evaluate their activities, “[p]rofessors, as the authorities for their respective specializations, assumed more and more control over academic affairs.”<sup>67</sup> In this view, faculty gained authority not because “no one else really wanted it” but because no one else really was capable of exercising it.

Although plausibly contributing factors, neither faculty self-perceptions nor expertise offers a fully satisfactory explanation for the form, appearance, and spread of governance arrangements observed in U.S. higher education. Arguments made on the basis of tastes are difficult to refute, of course. Nevertheless, historical accounts provide little support for the claim that faculty governance resulted from heightened professional self-regard or preferences for control over time. Then, as today, most faculty regarded engagement in the affairs of governance as a burden: “At the large universities, faculty meetings were often tedious and relatively inconsequential affairs; the fastidious professors either attended them for amusement or else

avoided them whenever possible.”<sup>68</sup> Even if changing status altered attitudes, an absolute preference for autonomy or control does not automatically translate into authority when other objectives and costs are taken into account: “Desires for security, status, and income sometimes found further expression in a more sweeping demand for power,” but of these, achieving power was “the least realistic.”<sup>69</sup>

The proposition that changes in control were related to changes in relative competence finds some support in the observed distribution of authority across decision areas in Figures 7.1 and 7.2: Faculty generally possess greater authority over areas in which they possess the most expertise, such as curriculum design, and less over issues about which they are likely to be less well-informed—budgeting and construction programs, for example. Strictly speaking, however, the ability to make effective decisions in the presence of dispersed information and expertise implies only a need to communicate or consult with knowledgeable parties and does not necessarily require the delegation of authority over those decisions. As noted previously, the earliest response to scholarly specialization was the decentralization of decision authority, first, from boards to presidents and, later, from presidents and deans to autocratic department chairs rather than to faculty. In modern universities, administrators continue to draw on the specialized knowledge and judgment of faculty on many decisions through consultation while retaining full authority over those decisions.<sup>70</sup> Finally, although the distribution of authority among decision areas is broadly consistent with differential expertise, the relatively late diffusion of faculty authority over hiring and promotion decisions and the still scant authoritative participation of faculty in salary determinations are hard—without additional considerations—to reconcile with the need to rely on faculty expertise.

#### ACADEMIC BARGAINS AND UNIVERSITY GOVERNANCE

The establishment of research as a central function of universities very likely was a major factor in the evolution of academic governance—but not directly or primarily for reasons of faculty status or expertise. Rather, the production of scholarship changed academic employment relationships in ways that made academic bargains more difficult to secure.

Specifically, research increased the cost of institution-specific activities, reduced faculty mobility, and, by increasing faculty heterogeneity, impeded collective responses to administrator opportunism.

Before the introduction of research (and, to a large extent, for adjunct and other temporary faculty today), the relationship between a college and a professor did not differ fundamentally from employment relationships in other settings. Professors received compensation for their services on an at-will or short-term contract basis. If a professor became dissatisfied with his compensation or work conditions—or the college, with his services—the relatively standard curriculum of early colleges facilitated the substitution of alternative trading partners. In such settings, mobility and reputation served to discipline the academic labor market in the conventional way.

With the emergence of research as a major academic activity, what were previously relatively discrete, simultaneous exchanges acquired a temporal dimension. Because academic reputations depend on a scholar's cumulative contributions, interruptions in research production acquired the potential to reduce an individual's professional standing and market value throughout his career, particularly if delays or disruptions resulted in a loss of priority for a discovery or contribution.<sup>71</sup> Research thus raised the opportunity cost of time spent on teaching and in service to an institution. More important, the long-term consequences of current research effort introduce a sequential component to academic bargains that increases the risk of opportunism. As long as administrators value faculty time spent on institutional activities more than the cost to professors of forgone research, a bargain in which administrators compensate faculty for research sacrifices—with promises of higher salaries, promotions, future appointments of desired colleagues, or anything else that faculty value—will leave both better off. Discrepancies between the timing of actions and the accrual of benefits expose such bargains to the risk of renegeing, however: the possibility that the dean (or the next dean) may fail to honor his or her end of the bargain will (or should) make a professor hesitant to serve on committees, schmooze with alumni, or pursue research favored by the institution or its patrons (e.g., by redirecting research toward practical rather than basic research or away from

controversial topics), lest he or she find his or her academic credentials and market opportunities diminished relative to those who spurn such requests. (Future dean: “I don’t know or care what deals you may have struck with my predecessor; what matters to me is your record, and what I see is less than expected for someone at your career stage.”) By the same token, administrators will be wary of fully compensating faculty up front for the expected value of research sacrifices (even if doing so did not run afoul of the nondistribution constraint) for fear that faculty, having received the benefit, will provide less than consummate effort.

Contracting—a common response to holdup and renegeing problems in commercial bargains—offers little recourse in academic transactions. Although some dimensions of academic employment, such as current salary and teaching loads, are contractible, the complexity and subtlety of academic responsibilities and the need to adapt to changing circumstances make conventional contractual solutions to renegeing on academic bargains ineffective.<sup>72</sup> As a result, academic bargains must be largely self-enforcing. Unfortunately, at the same time that research exacerbates renegeing hazards, it also weakens reputational supports for academic bargains. First, by reducing faculty mobility, research diminishes the credibility of termination as a response to administrator opportunism. Although research itself typically is not institution specific, greater specialization—by reducing the likelihood of finding suitable positions at institutions of comparable status and resources within increasingly narrow fields and subfields—tends to complicate the academic matching problem. Second, because the sanctions that an individual faculty member can bring to bear on opportunistic administrators (or colleagues) are few and small, effective deterrence often will require collective actions—faculty revolts, protests, and the like. The private costs of participation in such actions, however, are potentially large, especially in light of an administrator’s (or majority faction’s) ability to target rewards and retaliation selectively. In general, the prospect of overcoming the individual incentive to free ride will be greater to the extent that members of the “community” agree on what constitutes acceptable behavior and can identify and communicate violations and settle on appropriate responses thereto. By increasing the heterogeneity of faculty interests and beliefs, research reduces the ability of faculty to assess the outcomes of

substantive bargains between administrators and faculty (and among faculty) and thereby makes the coordination necessary for credible collective “self-enforcement” of academic transactions harder to achieve.<sup>73</sup>

Faculty governance can be seen in this context as serving a role analogous to democratic institutions in securing political bargains. In the political domain, constitutionally prescribed democratic decision rules enhance confidence in governmental policies by (a) broadening the interests of the government<sup>74</sup> and (b) providing a relatively verifiable criterion—namely, that proposals receive the consent of designated individuals or groups—by which to evaluate the legitimacy of decisions.<sup>75</sup> In general, the more parties with veto power, the greater the stability of bargains. In institutions that vest authority exclusively in administrators, a discrete change in policy or practice (such as a change in program emphasis or in the relative weights assigned teaching and research in tenure decisions) requires only a change in the priorities or identity of a single individual. Effecting the same policy change under rules that require the concurrence of a specified majority of enfranchised faculty, by contrast, would necessitate a shift in the overall distribution of faculty preferences or identities sufficient to make the new policy the preferred course of the decisive voter (or voters). By giving those who would be adversely affected by a proposal the potential to block its passage, faculty governance increases confidence in the continuity of existing policies and, thereby, the willingness of faculty to conform their behavior to standards and policies peculiar to a given institution. By the same token, requiring the assent of both faculty and administrators affords administrators (and the interests they represent) protection against faculty overreaching and, to the extent that it further contributes to the stability of academic policies, stands to help preserve minority interests within the faculty as well.<sup>76</sup>

The cost of adding veto points—in both academia and politics—is the increased difficulty of effecting adaptations, thereby, increasing the likelihood that opportunities for efficient adjustments will be blocked. Criticisms of university governance, not surprisingly, echo those of its political counterparts, particularly of divided democracy: policy incoherence; lack of accountability; capture by special, entrenched, or ideological interests; and an inherent propensity to preserve the status quo

to the extent of fostering gridlock. The question in universities—as in politics—is whether the gains in securing the respective bargains outweigh the drawbacks of democratic governance.

The available evidence generally supports the proposition that university governance reflects and has been responsive to these tradeoffs. The emergence and subsequent spread of shared decision authority closely followed the introduction and diffusion of research. Among the institutions covered by the 1970 AAUP survey, faculty authority—and especially joint administrator–faculty determination—was more prevalent in large, heterogeneous research institutions than in liberal arts colleges and specialized institutions.<sup>77</sup> Those differences decreased significantly by 2001, however, at the same time that research expectations at liberal arts colleges increased.<sup>78</sup>

#### CONCLUSION

Adam Smith was, as previously noted, no fan of faculty governance. But as low as his opinion of faculty control of universities was, Smith regarded administration by an authority outside the faculty as worse:

An extraneous jurisdiction [by someone outside the faculty] is liable to be exercised both ignorantly and capriciously. In its nature it is arbitrary and discretionary, and the persons who exercise it, neither attending upon the lectures of the teacher themselves, nor perhaps understanding the sciences which it is his business to teach, are seldom capable of exercising it with judgment. From the insolence of office too they are frequently indifferent how they exercise it, and are very apt to censure or deprive him of his office wantonly, and without any just cause. . . . It is by powerful protection only that he can effectually guard himself against the bad usage to which he is at all times exposed; and this protection he is most likely to gain, not by ability or diligence in his profession, but by obsequiousness to the will of his superiors, and by being ready, at all times, to sacrifice to that will the rights, the interest, and the honour of the body corporate of which he is a member.<sup>79</sup>

The inducement under autocratic governance to engage in what we would today call rent seeking or influence activities transformed

professors in French universities, by Smith's account, into "the meanest and most contemptible persons in society."<sup>80</sup> Smith's solution was to subject professors to competitive market discipline by tying their compensation to fees paid directly by students. Their livelihoods dependent on "the affection, gratitude, and favourable report of those who attended upon [their] instructions," professors would thereby be induced to discharge their duties faithfully and diligently.<sup>81</sup>

Student sovereignty over the supply of education was hardly original to Smith. The first medieval universities of Europe were, in fact, organized much as Smith proposed: teachers at the universities at Bologna and Salerno during the 12th century were hired, paid, and even fined for poor performance directly by student guilds.<sup>82</sup> Yet despite the prominence of the so-called "Italian model" of education during the Middle Ages, student-run universities were ultimately displaced everywhere by alternative governance arrangements. Smith's market solution failed the market test of survival.<sup>83</sup>

By this standard, the American model of university governance would have to be deemed a success. Its many problems and deficiencies notwithstanding, the U.S. system of shared governance has survived in the face of substantial competition. The reasons for that success, I believe, derive from its role in sustaining academic bargains. More broadly, an appreciation of the functions of faculty governance in a modern research university requires an understanding of its relation to tenure and academic freedom. As Smith observed, uninformed decisions are necessarily arbitrary and capricious, inviting sycophancy and rent seeking. Giving authority to those with the relevant expertise increases the prospect that decisions will be made on the basis of academic rather than political, personal, or other nonacademic considerations. But decision authority cannot be meaningfully exercised if troublesome or uncooperative participants in the decision process can be easily replaced; voting authority without tenure would be of little value. The complementarity between faculty governance, tenure, and academic freedom is an important reason why faculty governance and tenure rights are granted conjointly and why comparable decision rights typically are not granted to non-tenure track faculty or to

students, staff, alumni, donors, or other groups who also have interests in the operations of universities.

Criticisms of the system of shared governance that has long characterized American higher education continue. The *Chronicle of Higher Education* listed “widespread attacks on shared governance” as one of its 10 “key shifts in higher education” in its 2016 *Trends Report*, noting that “[t]he traditional model of shared governance is eroding as more governing boards make unilateral changes that ignore faculty opinion.”<sup>84</sup> That university governance is rife with inefficiencies is indisputable. And it may well be that the nature and severity of the problems facing colleges and universities today have made once salutary organizational arrangements obsolete or have exacerbated the system’s inherent defects to the point that the need for wholesale reorganization is now acute. Also possible, however, is that the commitment afforded by shared governance will be crucial to securing the academic bargain needed to elicit from faculty the effort and cooperation required to respond to that new educational environment.

## CHAPTER 7

<sup>1</sup>William G. Bowen and Eugene M. Tobin, *Locus of Authority: The Evolution of Faculty Roles in the Governance of Higher Education* (Princeton, NJ: Princeton University Press, 2015), p. 1.

<sup>2</sup>Richard C. Blum, “We Need to Be Strategically Dynamic,” open letter to the University of California Regents, August, 2007, <https://www.scribd.com/document/34048298/Strategically-Dynamic-Blum>.

<sup>3</sup>Commission on the Academic Presidency, *Renewing the Academic Presidency: Stronger Leadership for Tougher Times* (Washington: Association of Governing Boards of Universities and Colleges, 1996), p. 8.

<sup>4</sup>Candace de Russey, “Public Universities Need Rigorous Oversight by Trustees,” *Chronicle of Higher Education*, October 11, 1996.

<sup>5</sup>José A. Cabranes, “Myth and Reality of University Trusteeship in the Post-Enron Era,” *Fordham Law Review* 76 (2007): 960.

<sup>6</sup>Benjamin Ginsberg, *The Fall of the Faculty and the Rise of the All-Administrative University and Why It Matters* (New York: Oxford University Press, 2011), pp. 15–16.

<sup>7</sup>Gary C. Fethke and Andrew J. Policano, *Public No More: A New Path to Excellence for America’s Public Universities* (Stanford, CA: Stanford University Press, 2012), p. 172.

<sup>8</sup>Jon Marcus, “Polls: Americans Increasingly Mistrustful of College Costs, Leadership, and Value,” *The Hechinger Report*, November 7, 2016.

<sup>9</sup>Philip G. Altbach, “The American Model in Comparative Perspective,” in *In Defense of American Higher Education*, ed. Philip G. Altbach, Patricia J. Gumport, and D. Bruce Johnstone (Baltimore, MD: Johns Hopkins University Press, 2001), p. 11.

<sup>10</sup>Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library College Editions, 1985), p. 427.

<sup>11</sup>Smith, *The Wealth of Nations*, p. 427.

<sup>12</sup>Thomas Sowell, *Inside American Education: The Decline, the Deception, the Dogmas* (New York: Free Press, 1993), p. 294.

<sup>13</sup>Fritz Machlup, *Knowledge—Its Creation, Distribution and Economic Significance, Vol II: The Branches of Learning* (Princeton, NJ: Princeton University Press, 1982), p. 132.

<sup>14</sup>In this respect, American colleges more closely resembled late medieval universities than English colleges: “In place of immediate control of the colleges by teachers or professors, the practice evolved [in colonial America] of granting complete corporate power to governing boards composed of external members,” the origins of which “lie in the medieval universities of northern Italy” (E. D. Duryea, “Evolution of University Organization,” in *The University as an Organization*, ed. James A. Perkins [New York: McGraw Hill, 1973], p. 18). The *universitas*, or “free corporation,” of the 13th century was itself an organizational response to the deficiencies of earlier student control, municipalities’ growing interests in protecting their investments, and the desire of the Church to limit local power and influence over those increasingly important institutions. (Hastings Rashdall, *The Universities of Europe in the Middle Ages, Volume 2*, ed. F. M. Powicke and A. B. Emden [London: Oxford University Press, 1936], pp. 59–62; Alan B. Cobban, “Medieval Student Power,” *Past & Present* 53 [1971]: 28–66.

<sup>15</sup>Machlup, *Knowledge—Its Creation, Distribution and Economic Significance, Vol II*, pp. 132–135.

<sup>16</sup>Laurence R. Veysey, *The Emergence of the American University* (Chicago: University of Chicago Press, 1965), p. 142.

<sup>17</sup>Louis Agassiz, as quoted in Larry G. Gerber, *The Rise and Decline of Faculty Governance: Professionalization and the Modern American University* (Baltimore, MD: John Hopkins University Press, 2014), p. 25.

<sup>18</sup>See Veysey, *The Emergence of the American University*, pp. 303–305; Duryea, “Evolution of University Organization,” p. 23; Bowen and Tobin, *Locus of Authority*, pp. 29, 39; Gerber, *The Rise and Decline of Faculty Governance*, pp. 48–49. At the close of the first decade of the 20th century, “the greatest concern among [the nation’s leading scientists] was not direct interference by trustees but autocratic rule by presidents” (Gerber, 48–49).

<sup>19</sup>Duryea, “Evolution of University Organization,” p. 31.

<sup>20</sup>Veysey, *The Emergence of the American University*, p. 322.

<sup>21</sup>Duryea, “Evolution of University Organization,” p. 21.

<sup>22</sup>Veysey, *The Emergence of the American University*, p. 393. “Faculty government, where it existed, served much the same function as student government. It was a useful device whereby administrative leaders could sound out opinion, detect discontent so as better to cope with it, and further the posture of official solidarity by giving everyone parliamentary ‘rights’” (Veysey, p. 305).

<sup>23</sup>Duryea, “Evolution of University Organization,” p. 21; Paul Westmeyer, *A History of American Higher Education* (Springfield: Charles C. Thomas, 1985), p. 95.

<sup>24</sup>Gerber, *The Rise and Decline of Faculty Governance*, p. 48.

<sup>25</sup>Gerber, *The Rise and Decline of Faculty Governance*, pp. 63–64.

<sup>26</sup>Duryea, “Evolution of University Organization,” p. 23.

<sup>27</sup>Bowen and Tobin, *Locus of Authority*, p. 33.

<sup>28</sup>James M. Cattell, *University Control* (New York: Science Press, 1913), pp. 23–24.

<sup>29</sup>Report of Committee T (1924), as reported in Gerber, *The Rise and Decline of Faculty Governance*, appendix.

<sup>30</sup>Gerber, *The Rise and Decline of Faculty Governance*, pp. 75–79.

<sup>31</sup>John R. Thelin, *A History of American Higher Education* (Baltimore, MD: John Hopkins University Press, 2004), p. 310.

<sup>32</sup>The “Administrator Determination” category was further divided into “Consultation,” “Discussion,” or “None,” depending on the nature and form of communication between faculty and administrators to be undertaken before a decision. For a breakdown of responses for these three subcategories, see Scott E. Masten, “Authority and Commitment: Why Universities, Like Legislatures, Are Not Organized as Firms,” *Journal of Economics and Management Strategy* 15 (2006): 649–84. Note that faculty lack the ability to block actions

by administrators under these three subcategories, unlike under “Faculty Determination” and “Joint Action.”

<sup>33</sup>Surveys were completed jointly by administrators and faculty representatives in two-thirds of the institutions (542), by administrators alone at 169 institutions, and by faculty representatives at 45 institutions. Faculty and administrators submitted separate survey responses at 70 institutions (Masten, “Authority and Commitment”).

<sup>34</sup>The survey allowed for variation in governance arrangements within an institution and asked respondents to report the percentage of faculty governed by each arrangement. The vast majority of responses indicated that the governance mode applied uniformly within the institution, implying that most of the observed variation in governance arrangements resulted from differences between rather than within institutions (Masten, “Authority and Commitment”).

<sup>35</sup>Comparisons in Figure 7.2 are for the 527 institutions that participated in both surveys. The 2001 survey obtained responses from 882 institutions (Gabriel E. Kaplan, “Preliminary Results from the 2001 Survey on Higher Education Governance,” 2002; Unpublished report presented to Committee T of the American Association of American University Professors, Washington, February 15–16). Kaplan compares average responses for all respondents in the 1970 and 2001 surveys (Gabriel E. Kaplan, “How Academic Ships Actually Navigate: A Report from the 2001 Survey on Higher Education Governance,” in *Governing Academia: Who Is in Charge at the Modern University?*, ed. Ronald G. Ehrenberg [Ithaca, NY: Cornell University Press, 2004], pp. 165–208).

<sup>36</sup>Henry G. Manne, “How the Structure of Universities Determined the Fate of American Legal Education—A Tribute to Larry Ribstein,” *International Review of Law and Economics* 38 (2014): 116 (reprinted in chapter 8 of this book).

<sup>37</sup>Manne, “How the Structure of Universities Determined the Fate of American Legal Education,” p. 113. The predominance of nonprofit and state institutions in higher education is likely not an accident but rather an endogenous institutional response to problems of contracting for education services. See, among others, Henry Hansmann, “The Role of Nonprofit Enterprise,” *Yale Law Journal* 89 (1980): 835–901; Henry Hansmann, “The Evolving Economic Structure of Higher Education,” *University of Chicago Law Review* 79 (2012): 159–83; Scott E. Masten, “Old School Ties: Financial Aid Coordination and the Governance of Higher Education,” *Journal of Economic Behavior and Organization* 28 (1995): 23–47; Tyler Cowen and Sam Papenfuss, “The Economics of For-Profit Education,” in *Doing More with Less: Making Colleges Work Better*, ed. Joshua C. Hall (New York: Springer Publishing, 2010).

<sup>38</sup>Bowen and Tobin, *Locus of Authority*, pp. 29, 39; Veysey, *The Emergence of the American University*, pp. 303–5.

<sup>39</sup>Cowen and Papenfuss, “Economics of For-Profit Education,” p. 18.

<sup>40</sup>Bowen and Tobin, *Locus of Authority*, pp. 31, 40.

<sup>41</sup>Thelin, *A History of American Higher Education*, p. 310.

<sup>42</sup>Gerber, *The Rise and Decline of Faculty Governance*, p. 81.

<sup>43</sup>Rosen similarly attributes the introduction of tenure to faculty monopoly power. Sherwin Rosen, “Some Economics of Teaching,” *Journal of Labor Economics*, 5 (1987): 561–75. Glaeser offers a model in which faculty authority, along with tenure and the emphasis on research, is an outgrowth of rent seeking motivated and enabled by the increasing wealth of universities (Edward L. Glaeser, *The Governance of Not-for-Profit Firms* [Chicago: University of Chicago Press, 2003], pp. 1–44).

<sup>44</sup>Changing definitions and survey methods complicate comparisons over time. More recent estimates using a narrower definition (excluding research assistants) put the number of full-time faculty at 369,000 and of all faculty at 474,000 in 1970. The corresponding figures for 2001 (using yet another methodology) were 618,000 full-time and 1.113 million total faculty (Thomas D. Snyder, Cristobal de Brey, and Sally A. Dillow, *Digest of Education Statistics 2015* [NCES 2016–014], [Washington: U.S. Department of Education, 2016], Table 315.10).

<sup>45</sup>Thomas D. Snyder, *120 Years of American Education: A Statistical Portrait*, (Washington: U.S. Dept. of Education, 1993), Table 26; U.S. Census Bureau, *Decennial Census of Population, 1900 to 2000*. Available statistics did not begin to distinguish two- and four-year institutions until 1917, at which time 46 of the 980 total were two-year colleges; two-year colleges accounted for 52 of the 1,041 institutions in 1920 (Snyder, *120 Years of American Education*, Table 26). The number of pre-Civil War colleges is a matter of speculation but probably numbered between 400 and 500, many of which did not survive the century. The 1860 census reported 467 colleges (including two-year institutions), whereas a 1980 study by the Department of Education identified 381 surviving institutions founded before 1860 (Snyder, *120 Years of American Education*: 105). This contrasts with findings by Westmeyer, who reports that, of the more than 800 colleges founded in the United States between 1776 and 1860, only 180 survived until 1900 (Paul Westmeyer, *A History of American Higher Education* [Springfield, IL: Thomas], p. 24).

<sup>46</sup>Veysey, *The Emergence of the American University*, p. 330; John R. Thelin, *A History of American Higher Education*, pp. 110–13. In an essay devoted to debunking the “myth” of the laissez-faire origins of American higher education, Bennett nevertheless devotes several pages to describing the general

ease of entry, proliferation of new institutions, high level of experimentation, significant failure rate, and generally overall competitiveness of higher education in 19th-century America. Daniel L. Bennett, “Myth Busting the Laissez-Faire Origins of American Higher Education,” *Independent Review* 18 (2014): 513–17.

<sup>47</sup>Thelin, *A History of American Higher Education*, pp. 153–4.

<sup>48</sup>Thelin, *A History of American Higher Education*, p. 151.

<sup>49</sup>Veysey, *The Emergence of the American University*, p. 339.

<sup>50</sup>Bowen and Tobin, *The Locus of Authority*, pp. 37–38.

<sup>51</sup>Gerber, *The Rise and Decline of Faculty Governance*, p. 68.

<sup>52</sup>Gerber, *The Rise and Decline of Faculty Governance*, p. 34.

<sup>53</sup>Veysey, *The Emergence of the American University*, p. 340.

<sup>54</sup>Veysey, *The Emergence of the American University*, pp. 174–5, 177.

<sup>55</sup>Lori Thurgood et al., “U.S. Doctorates in the 20th Century,” NSF Division of Science Resources Statistics, NSF 06-319, Arlington, VA, p. 5. American institutions began offering PhDs before becoming research universities. The first PhD awarded at an American institution occurred at Yale in 1861 (Veysey, *The Emergence of the American University*, p. 50). According to Westmeyer, 44 PhDs were awarded by 25 universities in the United States in 1876, the year Johns Hopkins was founded (Westmeyer, *A History of American Higher Education*, pp. 95–96).

<sup>56</sup>Although the number of doctorate-granting institutions continued to grow thereafter, reaching 409 in 2000 and 432 in 2015, the proportion of all institutions offering doctorates leveled off in the range of 15 percent and 17 percent (Thurgood et al., “U.S. Doctorates in the 20th Century,” p. 5; National Science Foundation, National Center for Science and Engineering Statistics, *Doctorate Recipients from U.S. Universities: 2015. Special Report NSF 17-306* (Arlington, VA, 2017), [www.nsf.gov/statistics/2017/nsf17306/](http://www.nsf.gov/statistics/2017/nsf17306/)).

<sup>57</sup>National Academy of Sciences, *A Century of Doctorates: Data Analyses of Growth and Change* (Washington: National Academies Press, 1978; distributed by ERIC Clearinghouse); National Science Foundation, *Doctorate Recipients from U.S. Universities: 2015*.

<sup>58</sup>Thurgood et al., “U.S. Doctorates in the 20th Century,” p. 9.

<sup>59</sup>Michael Billig, *Learn to Write Badly: How to Succeed in the Social Sciences* (Cambridge, UK: Cambridge University Press, 2013). See also Kyle V. Sweitzer, “The Increase in Research Output among Liberal Arts Colleges: Exploring the Data and the Rationale,” unpublished paper presented at the American Educational Research Association Annual Meeting, Washington, D.C. April 11, 2016.

<sup>60</sup>Scott E. Masten, “The Enterprise as Community: Firms, Towns, and Universities,” in *Handbook of Economic Organization: Integrating Economic and Organization Theory*, ed. Anna Grandori (Cheltenham, UK: Edward Elgar Publishing, 2013), pp. 105–6.

<sup>61</sup>Gerber, *The Rise and Decline of Faculty Governance*, pp. 6, 81.

<sup>62</sup>Veysey, *The Emergence of the American University*, p. 388; Thelin, *A History of American Higher Education*, pp. 127–8, 154. According to Gerber, “The increasing professionalization of the faculty . . . was an essential factor in the development of the principles and practices of shared governance,” support for which is “the definite correlation between the reputation of an institution and the extent to which its faculty enjoyed a measure of self-government” (Gerber, *The Rise and Decline of Faculty Governance*, pp.78, 146).

<sup>63</sup>James P. Munroe, “Closer Relations between Trustees and Faculty,” *Science* 22 (1905): 850, 852.

<sup>64</sup>Duryea, “Evolution of University Organization,” p. 23.

<sup>65</sup>Gerber, *The Rise and Decline of Faculty Governance*, p. 78.

<sup>66</sup>Duryea, “Evolution of University Organization,” p. 30.

<sup>67</sup>Duryea, “Evolution of University Organization,” p. 25. McCormick and Meiners argue that the difficulty of assessing faculty performance creates an agency problem to which tenure and faculty governance are a response but consider the drawbacks of making decisions collectively to outweigh the benefits, resulting in inferior outcomes at universities with more faculty governance. They raise, but do not attempt to answer, the question of why universities adopt inefficient governance arrangements (Robert E. McCormick and Roger E. Meiners, “University Governance: A Property Rights Perspective,” *Journal of Law & Economics* 31, no. 2 [1988]: 423–42). Brown, like McCormick and Meiners, argues that tenure makes faculty partial residual claimants in the organization but serves also to “provide faculty members with the freedom to participate openly and honestly in the monitoring and evaluation” of administrators and trustees (1997). Faculty authority, the merits of which vary with the type of decision, meanwhile affords faculty the effective power to constrain administrators (2001) (William O. Brown Jr., “University Governance and Academic Tenure: A Property Rights Explanation,” *Journal of Institutional and Theoretical Economics* 153 (1997): 459; William O. Brown Jr., “Faculty Participation in University Governance and the Effects on University Performance,” *Journal of Economic Behavior & Organization* 44 (2001): 129–43. See also Cowen and Papanfuss, “The Economics of For-Profit Education,” pp. 185–8.

<sup>68</sup>Veysey, *The Emergence of the American University*, pp. 304–5.

<sup>69</sup>Veysey, *The Emergence of the American University*, pp. 391–4. A preference for control tied to professional status also fails to account for the greater

incidence of “Joint Action” relative to “Faculty Determination” in more prestigious research institutions universities relative to other institutions (Masten, “Authority and Commitment,” p. 677).

<sup>70</sup>Kaplan, “How Academic Ships Actually Navigate”; Masten, “Authority and Commitment,” pp. 649–84.

<sup>71</sup>Although loss of priority is costly mainly to an individual scholar, interruptions in research may also harm society by delaying advances in knowledge and slowing the rate of scientific progress—again, particularly if advances are cumulative in nature.

<sup>72</sup>For discussions of the difficulty of contracting for academic services, see, among others, Richard B. McKenzie, “In Defense of Academic Tenure,” *Journal of Institutional and Theoretical Economics* 152 (1996): 325–41; Paul Milgrom and John Roberts, *Economics, Organization & Management* (New Jersey: Prentice Hall, 1992), pp. 127–9; and Douglas B. Bernheim and Michael D. Whinston, “Incomplete Contracts and Strategic Ambiguity,” *American Economic Review* 88 (1998): 902–4.

<sup>73</sup>Compare Duryea, “Evolution of University Organization,” p. 28: “Diversity became the pervasive quality of the new era—diversity among institutions and within the major universities.”

<sup>74</sup>Democratic governments are less likely than autocratic ones to infringe on individual property and political interests to the extent that those interests are represented in legislatures (Martin C. McGuire and Mancur Olson Jr., “The Economics of Autocracy and Majority Rule: The Invisible Hand and the Use of Force,” *Journal of Economic Literature* 34 [1996]: 72–96; Douglass C. North and Barry R. Weingast, “Constitutions and Credible Commitments: The Evolution of the Institutions of Public Choice in 17th Century England,” *Journal of Economic History* 49 [1989]: 803–32).

<sup>75</sup>See, for example, Russell Hardin et al., *The Federalist Papers and the New Institutionalism* (New York: Agathon Press, 1989), pp. 100–120; and Barry R. Weingast, “Constitutions as Governance Structures: The Political Foundations of Secure Markets,” *Journal of Institutional and Theoretical Economics* 149 (1993): 286–311.

<sup>76</sup>The argument that heterogeneity favors democratic governance contrasts with Hansmann’s position that “strong homogeneity . . . seems essential to effective self-governance” and that increasing heterogeneity will lead to “less discretion we can expect to be delegated to university faculties to choose their own colleagues (Hansmann, “The Evolving Economic Structure of Higher Education,” p. 180). Hansmann predicts, “As a consequence of increasing faculty heterogeneity, we can reasonably expect that faculty self-governance in all respects—not just with respect to hiring but also with respect to setting the curriculum and allocating teaching responsibilities and research opportunities among the faculty—will decline. . . .

In general, then, the future is likely to bring greater centralization of authority within American universities, which means an administrative model much closer to that found in conventional proprietary firms” (“The Evolving Economic Structure of Higher Education,” p. 180).

<sup>77</sup>Masten, “Authority and Commitment,” pp. 649–84.

<sup>78</sup>Masten, “The Enterprise as Community,” pp. 105–6.

<sup>79</sup>Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library College Editions, 1985), p. 428.

<sup>80</sup>Smith, *The Wealth of Nations*, p. 428.

<sup>81</sup>Smith, *The Wealth of Nations*, p. 427.

<sup>82</sup>Cobban, “Medieval Student Power”; Rashdall, *The Universities of Europe in the Middle Ages, Volume 2*.

<sup>83</sup>Rosen, “Some Economics of Teaching,” pp. 561–75.

<sup>84</sup>“The Trends Report,” *Chronicle of Higher Education*, March 4, 2016.