

Introduction

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During recent decades tuition for undergraduate students has risen at rates substantially higher than the rate of inflation at both public and private colleges and universities in the United States.¹ These high rates of tuition increases led Congress to establish the National Commission on the Costs of Higher Education in 1997 to conduct a comprehensive review of college costs and prices and to make recommendations on how to hold tuition increases down. Parents of college students, taxpayers, and government officials all wanted to know why academic institutions can't behave more like businesses—cut their costs, increase their efficiency, and thus keep their tuition rates under control.

Part of the answer to this question, and the subject of *Governing Academia*, is how higher education institutions are governed in the United States. In some states, coordinating boards oversee both public and private higher educational institutions and help to rationalize course and degree offerings across institutions. In other states, their focus is solely on how public higher education is organized and administered.

Public higher education is often organized into a system, or several systems, of academic institutions, with governing boards elected or appointed for each system or for individual institutions. For example, in New York State, there are two public systems, the State University of New York (SUNY) and the City University of New York (CUNY). Each of these multicampus systems has a single board of trustees that, among other things, appoints the president of each campus, approves program offerings at each campus, and sets tuition for the entire system. In contrast, in Florida the governor and legislature recently approved a change in how their system of public academic institutions is gov-

erned, eliminating the single statewide board of trustees for the whole public university system and establishing boards for the individual campuses.² Private higher educational institutions always have boards of trustees.

The size and composition of boards, along with whether the trustees are appointed or elected, differ across institutions in both the public and the private sector. For example, the governor of Florida appoints all of the board members for that state's public universities, but all of the board members for the University of Michigan are elected in biennial statewide elections. At Princeton University, a leading private academic institution, alumni elect some of the board members, the board itself elects some members, and the governor of New Jersey appoints a member.

Boards of trustees have fiduciary responsibility for all that goes on at an academic institution. However, typically they delegate most of their authority to the institution's president and become involved only in major policy decisions. The president in turn appoints a team that includes central administrators, as well as deans of individual colleges within multicollege institutions. These administrators then oversee the institution in conjunction with a system of faculty governance that specifies the sharing of decision-making power between faculty members and administrators. Increasingly, other staff and students are also involved in decision making.

Faculty members play a key role in the governance of academic institutions. They are the creators of new knowledge and, along with students, the key participants in the educational process. Hence, on educational matters the faculty often reigns supreme. Such matters include admission standards, curriculum, graduation requirements, faculty hiring and promotion processes, and the like. While trustees formally retain the final authority on academic matters, in practice they rarely overturn administrative recommendations. Administrative recommendations, in turn, are heavily influenced by faculty decisions.

This system of shared governance between trustees, administrators, and faculty members has often led to the perception that no one is really in charge of academic institutions. An often-repeated phrase is that an administrator trying to lead the faculty faces the same problem as a person trying to "herd cats." Other observers have described academic institutions as "organized anarchies" (Cohen and March 1986). As a result, it should not be a surprise that changes in academia come only slowly and that it is difficult to get institutions to focus on economic efficiency and holding down costs.

The governance of academic institutions also relates to how they are organized and how revenues flow and costs are allocated across the institutions. Some universities, for example, place the sciences, social sciences, and humanities within a single college of liberal arts and sciences. Others have separate colleges for each of the three disciplinary groups. The different forms of organization may well influence the decisions that are made within a university. So too may the systems used to allocate revenues and costs. Some institutions treat the whole institution as a single budgetary unit, while others treat each unit as a "tub on its own bottom" and hold each unit responsible for balancing its own budget.

Because of the Supreme Court decision in the *Yeshiva* case, very few private colleges and universities have faculty unions.³ However, many faculty members at many public institutions are covered by collective bargaining agreements, as are many other employees in both public and private universities. The last few years have also seen a dramatic growth in the number of campuses at which graduate teaching assistants have won the right to bargain collectively over their working conditions.

Higher education is subject to a set of governmental regulations and the requirements of what might be called "nonlegal legal influences" on academic governance and the decisions at universities. Government regulations include environmental, nondiscrimination, and immigration rules—the most recent of the latter to hit academia is the USA PATRIOT Act, which was enacted as an outgrowth of 9/11 and will increase the costs and decrease the ability of American academic institutions to enroll foreign students. Nonlegal legal influences include intellectual property issues, the role of donors in determining policy, insurance carriers' requirements, accreditation bodies, higher education academic consortia and athletic conferences, and sole-source service providers. Each can have a substantial effect on the cost structure of an academic institution and on the efficiency of its operations.

Finally, higher education in the United States has traditionally consisted of a nonprofit private sector and a public sector. However, the last decade has seen the growth of accredited for-profit higher education institutions—one notable example is the University of Phoenix, which is now the largest (in terms of enrolled students) private higher education institution in the United States. The growing competition from the for-profit institutions, whose governance structure is often more corporate in nature, is putting pressure on the nonprofit and public higher education institutions to meet the competition, and this in turn may affect how they are governed.

The chapters in this volume cover all the aspects of higher education governance just discussed. The focus of each is on what social scientists know about that aspect of governance and on the types of future research that might be undertaken to help us better understand how to improve the performance of these institutions.

The chapters in part 1 deal with state governance of higher education and boards of trustees. The section begins with an essay, "Presidents and Trustees," by James O. Freedman, a former president of major academic institutions, both public and private, who now serves on the boards of several other institutions and whose experiences uniquely qualify him to write on this topic. His essay addresses the differences in roles that the boards of public and private institutions play and the interactions of an academic institution's president with the board in each of these types of institutions. His experiences lead him to suggest how boards can improve their functioning and how a president and his or her board can maximize their joint effectiveness in guiding their institution.

Benjamin Hermalin has a long-standing interest in the functioning of boards of directors of corporations and nonprofit institutions and how boards influence the performance of these organizations. In "Higher Education Boards of Trustees," Hermalin points out how an understanding of for-profit corporate boards may provide insights into how academic boards of trustees operate, and indicates crucial differences between corporations and academic institutions that make it unlikely that all of the findings with respect to corporate boards will carry over to academic boards.

Donald Heller's chapter, "State Oversight of Academia," first discusses the history of state governance of higher education and what the social outcomes of our higher education system are likely to be. He then asks whether how states choose to administer higher education has any impact on the end results.

Part 2 focuses on how the organization of a university and the allocation of revenue and costs across units can affect outcomes at the institution.

In "Darwinian Medicine for the University," Susanne Lohmann treats the university as an institution whose organization has evolved over a long history to help solve problems of information and commitment. She stresses that aspects of the university that may appear to outside observers to be defects, such as the tenure system and impermeable departmental boundaries, are actually subtle design solutions that have evolved to help facilitate the university's goals. Thus any proposal to reform university

governance needs to be crafted very carefully, with a full understanding of the institution's local history and environment. While institutional governance rules tend to get etched in stone, it is important to judge carefully whether they are *defects* of the system that need to be changed or *defenses* of the system that help it to achieve its goals.

Thomas Hammond's "Herding Cats in University Hierarchies" presents a "bottom-up" perspective of how the formal structure of universities can affect the outcomes from their decision processes. Using simple illustrations that deal with the way an institution might group four different departments into two colleges, he shows how the method of grouping will bring different types of information, different packages of advice, and different sets of conflict to the attention of top-level administrators. Thus the optimal way to structure a university depends on the types of information, advice, and conflicts that the administrator considers most important.

John D. Wilson's "Tiebout Competition versus Political Competition on a University Campus" compares centralized budgeting models with decentralized budgeting models that treat each unit as a "tub on its own bottom." Under a broad set of circumstances, he shows that the decentralized budgeting models, which often are more formally referred to as "responsibility center management," or RCM models, yield less efficient outcomes than the more centralized ones. In particular, he argues that the centralized budgeting models provide better incentives to increase educational quality. Given the movement of many universities toward RCM models, his essay is an important one.

Part 3 concerns shared governance and collective bargaining in academia. Over thirty years ago, the American Association of University Professors conducted the last major survey of academic institutions that ascertained the extent to which faculty and administrators shared governance in a variety of decision-making areas. In "How Academic Ships Actually Navigate," Gabriel Kaplan reports the results from a new survey of governance at academic institutions that he undertook at the turn of the twenty-first century. Despite concern by faculty nationwide that their role in governance has diminished over time, Kaplan finds that faculty play a significant role in governance at many institutions and that their authority is greatest in their areas of expertise—curriculum, degree requirements, and hiring and promotion. In contrast, administrators and boards have more authority in budget making, long-run strategy, and facility issues.

"Collective Bargaining in American Higher Education" is a product of the work of three Cornell undergraduate students, Daniel Klaff,

Adam Kezsbom, and Matthew Nagowski, and myself. After reviewing what social scientists know about the effects of faculty unions, we present the results of the first study of the impact of collective bargaining on staff salaries in higher education and discuss the emerging phenomenon of graduate student unions. Using data for a set of public research universities provided to us by a data exchange consortium, we investigate the effects of graduate student unions on graduate assistants' salaries, hours of work, and other economic outcomes. The competition to attract first-class graduate students to major research universities appears to have more effect on these outcomes than does collective bargaining per se.

The chapters in part 4 deal with the external forces that affect governance and how academic institutions behave. In "Nonprofit and For-Profit Governance in Higher Education," Brian Pusser and Sarah Turner address the growing importance of the for-profit sector in higher education, the differences in governance between the for-profit and nonprofit sectors, and how the growing importance of the for-profit sector will likely influence governance in the nonprofit sectors. They caution that one impact of the growth of the for-profit sector is that nonprofit and public higher education institutions may be forced to behave more like the for-profits, which in turn will reduce the rationale for public subsidies, either directly in the form of state appropriations or indirectly in the form of tax exemptions.

Michael Olivas, in "The Rise of Nonlegal Legal Influences on Higher Education," provides four case studies of nonlegal factors that influence higher education governance in the sense that they dictate policy responses and constitute the complex features of statutory, litigative, or regulatory requirements. The four cases Olivas addresses are the roles of insurance carriers, accreditation, consortia, and sole-source providers. He shows how pervasive the influences of these nonlegal legal influences are on academic institutions' behavior.

In the conclusion, I summarize the major themes in this volume and look to the future. I discuss the trends in the environment—including growth in enrollments at a time when many state governments are limiting their financial support for public higher education institutions; the increasing use by many academic institutions of part-time faculty, non-tenure-track full-time faculty, and adjunct faculty; and the growth of collective bargaining for graduate assistants and adjunct faculty on higher education campuses—that will likely influence higher education governance in the years ahead.