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DISTANT REFLECTIONS ON CURRENT PROBLEMS: ETHICS AND ECONOMICS IN THE BUSINESS OF HIGHER EDUCATION

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Adam Smith’s Wealth of Nations contains many of the basic tenets of capitalism. Less well known is Smith’s discussion of the state of education in the late eighteenth century in the latter chapters of the Wealth of Nations. Smith offers a detailed examination of professorial and administrative motivations of his day. Smith’s analysis has direct application to many of the same problems that educational critics today have identified. This paper presents Smith’s observations in the context of the controversies identified in today’s educational reform movement.

Introduction

For the past couple of decades there has been a substantial movement toward operating universities more like businesses. In essence, this movement has been focused on bringing greater accountability to professional performance within academic programs. This raises many interesting questions about what academe is, and professorial ethics. The purpose of this paper is to examine the economic motivation and ethics of professors in colleges and universities in the United States.

Scholarship has many conventions, not the least of which is deference to work of those scholars who have gone before. After all, scholarship is rarely revolutionary; it is more typically an evolution of ideas over time. There is probably no greater example of this convention than that observed in the economics profession. Economists seem almost obliged to often cite the work of the classic scholars in the field, as though the citation gave instant credibility to the current scholar’s thoughts.

Clearly Adam Smith has risen to the level of ultimate authority to those economists whose reverence for the market system has no bounds. Even so, Adam Smith, father of capitalism, had his suspicions about the wholly wonderful system of markets and free will often attributed to his famous disquisition, An Inquiry into Nature and Causes of the Wealth of Nations. Perhaps this is heresy to neo-classical economists, but Smith also devoted a significant portion of the latter chapters of the Wealth of Nations to education. He was sufficiently concerned about education that he thought its problems worthy of considerable analysis. It is certainly a mystery why these scribbling have not gained the same notoriety as the “pin factory” or the “reasons we are fed.” In any event, any discussion of the business of higher education and its ethics is enriched by considering Adam Smith’s warnings and concerns.

Adam Smith’s Inquiry into the Nature and Causes of Educational Quality

Adam Smith wrote An Inquiry in the Nature and Causes of Wealth of Nations in 1776 during the so-called Age of Enlightenment. Smith’s work is the dividing line between mercantile and capitalist economic reasoning. The mercantile school of thought rested upon foundations of trade and assumed that there was a fixed pool of resources over which economic agents competed. Smith suggested that this view was at odds with the empirical evidence of the day. In fact, the distribution of goods and services was important, but people had the ability to create goods and services—a thought somehow missed by most scholars of the day. Thus, Adam Smith rejected the mercantilist view that economics was a zero sum game. In fact, his world was one in which production, hence a constantly expanding sum game, was the basis for aggregate economic well-being.

Smith was concerned with all aspects of the process by which economic well-being was brought into existence. It should therefore be no surprise that a portion of the Wealth of Nations is concerned with education. Smith observed (Smith, 1776, p. 718):

If the authority to which he [professor] is subject resides, not so much in the body corporate [community of scholars, e.g., college] of which he is a member, as in some other extraneous persons, in the bishop of the diocese for example; in the governor of the province; or perhaps, in some minister of state; . . . An extraneous jurisdiction of this kind, besides 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. The person subject to such jurisdiction is necessarily degraded by it, and, instead of being one of the most respectable, is rendered one of the meanest and most contemptible person in the society. 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. Whoever has attended for any considerable time to the administration of a French university, must have had occasion to remark the effects which naturally result from an arbitrary and extraneous jurisdiction of this kind.

Virtually every professor today has joked concerning the officiousness of academic administration. It is often heard in the hallways of academic institutions that administrators are concerned not so much with scholarship and teaching, as they are with football rankings, enrollments, and more mundane business matters. Smith, too, seemed suspicious of this sort of administrative focus, but perhaps not as light-heartedly as most professors of the current day. Smith’s view seems to take exception to administration of a university that is other than the self-governance variety espoused by the American Association of University Professors (AAUP) and other such democratic minded entities.

For example, it is the perception that financial resources available to the university can be enhanced, if enrollments are increased. In the quest for increased enrollment, limited resources are taken from scholarly pursuits and used for a marketing campaign. The administration justifies the marketing campaign as short-term pain, for long-term gain, yet often class sizes increase, library acquisitions suffer, and programs are curtailed.

Smith also concerned himself with the degradation of professors. Professors in this business-model scheme are labor, to be managed, directed, and inspected to assure their conformity with the university’s business plan. This sort of production function is not what represents the research and teaching mission that most entering the professorial pursuits expected. Academic freedom replaced with efficient operations, freedom of inquiry subservient to business image, highly visible sports programs the calling card of a university, rather than the quality of education. It is a world Adam Smith presumed to be degrading to most scholars.

To the extent that a government or bishop is motivated by other than the quest for knowledge, there may be merit to Smith’s concern. How often, today, are administrators willing to suggest that a university ought to be run like a business—profit motive and all? Are not the profits of education those intangibles that are improvements of mind cherished by all who value education?

In modern times there have been discussions of the motivations of professors. Politics, promotion, tenure, laboratory time, and advancement of various personal goals are always part of any academic organization. However, Adam Smith was not completely sure that scholars would tend to societal best interest, left to their own devices. Smith discusses what he perceived to be the motivations of professors in 1776 (Smith, 1776, p. 718):

... It is the interest of every man to live as much at ease as he can; and if his emulations are to be precisely the same, whether he does, or does not perform some very laborious duty, it is certainly his interest, as least as interest is vulgarly understood, either to neglect altogether, or, if he is subject to some authority which will not suffer him to do this, to perform it in as careless and slovenly a manner as that authority will permit. If he is naturally active and a lover of labour, it is his interest to employ that activity in any way, from which he derive some advantage, rather than in the performance of his duty, from which he can derive none.

Smith identifies, what modern organizational behaviorists would recognize as the difference between extrinsic and intrinsic motivation. He describes extrinsic motivation in professors as their reactions to the
demands of authority. Modern organizational behavior scholars have refined this basic idea into at least two kinds of authority, aversive control of behavior (punishment for poor performance) and positive control (incentives and rewards). (Blackburn and Lawrence, 1995). However, modern organizational behaviorists recognize that Smith's conclusions are correct. Extrinsic motivation people will perform the required duties only within the perimeters in which authority can be exercised and maximize their ease otherwise (Bess, 1998; Notz, 1975). Intrinsically motivated people (lovers of labour), perform the aspects of their duties which they inherently value, extrinsic incentives and duty having little to do with their performance, except by chance (Morgan, 1984).

Smith's analysis suggests that authority is ineffective with extrinsically motivated professors, and that administrative authority from outside of the community of scholars is likely to be counterproductive. Smith describes an alternative manner of governing academic institutions (Smith, 1776, p. 718):

If the authority to which he [professor] is subject resides in the body corporate, the college, or university, of which he himself is a member, and in which the greater part of the other members are, like himself, persons who either are, or ought to be teachers; they are likely to make a common cause, to be all very indulgent to one another, and every man consent that his neighbour may neglect his duty, provided he himself is allowed to neglect his own. In the university of Oxford, the greater part of the public professors have, for these many years, given up altogether even the pretense of teaching.

Smith suggests that there is a propensity for professors, either implicitly or explicitly, to agree to rather minimal standards of professional performance. The cartel arrangement Smith describes is founded upon the premise that professors will maximize their "ease" as discussed above. Professors whom are "lover(s) of labour" whose object of affection are their teaching and research are unlikely to be motivated to enter into arrangements whereby they pledge to suffer their colleagues to do none of that for the benefit of themselves being excused from their academic duties. Thus far Smith provides a critical, if not damning, analysis of academe. However, he does offer a prescription for change in academe that may provide adequate cure. Smith observes (Smith, 1776, pp. 732-33): . . . Masters, however, had been found, it seems, for instructing the better sort of people among those nations in every art and science in which the circumstances of their society rendered it necessary or convenient for them to be instructed. The demand for such instruction produced, what it always produces, the talent for giving it; and the emulation which an unrestrained competition never fails to excite, appears to have brought that talent to a very high degree of perfection. In the attention which the ancient philosophers excited, in the empire which they acquired over the opinions and principles of their auditors, in the faculty which they possessed of giving a certain tone and character to the conduct and conversation of those auditors; they appear to have been much superior to any modern teachers. In modern times, the diligence of public teachers is more or less corrupted by the circumstances, which render them more or less independent of their success and reputation in their particular professions . . .

Adam Smith, the optimist and the incurable marketeer, suggests that our salvation, again, is to be found in the invisible hand, i.e., competition. The remedy for the short-comings of Smith's contemporaries is clear -- they must be accountable based upon their "success" in teaching and "reputation in their particular profession." "Corruption" is the result of the circumstances in which the scholars of Smith's day found themselves. (Tullock, 1996) Administration external to the particular community of scholars (college or discipline), salaries paid independent of their teaching and professional reputations, bureaucratic rules, and the perverse incentives (for extrinsically motivated professors) and unreasoned restraints (for the intrinsically motivated professors) these circumstances create. The prescription, according to Smith, is the competition that occurs between scholars who are intrinsically motivated by the requirements of their profession and success in the instruction of their students. But this assumes that the professorial intrinsic values correlate with their duties. It may also be that extrinsically motivated professors could be provided with sufficient academic incentives that they too could be counted upon to perform research and teach. However, without the transparency to see what each professor has accomplished, and clear standards for assessments of accomplishments, the idea of competition may be very difficult to operationalize. Even so an argument can be made that academic standards may well
follow the “theory of the second best.” That is, sound standards subject to fair and responsible assessment by accomplished colleagues may, in fact, provide a reasonable proxy for the competitive academic environment Smith envisioned (Colbeck, 1998).

Smith also wrote extensively about the educational function in church supported schools or seminars. His views concerning religious instruction are also based upon the self-interest of the parties to these endeavors. However, there are interesting differences in his analysis worthy of detailed examination, but that examination is beyond the scope of the present work (Smith, 1776).

Back to the Future

Smith appears to be cynical concerning education in his times, though he states that education is necessary to the political and economic well-being of a society – much the same as many of academe’s contemporary critics. However, he seems to come to the conclusion that scholars of the eighteenth century had failed their society in providing the requisite education. Has this situation changed over the decades? The Nation at Risk report (1983) was an aggregate assessment of education and its successes during the middle portion of the twentieth century. This report focused on the general failures in our educational system. The Bush administration, too, has proposed reforms, No Child Left Behind, which again suggests there are significant failures in the system. Yet, with these recurrent critiques of education little significant change appears on the horizon. Without refocusing the discussion on the basic motivations and values of educators, as Smith suggested, we are simply going to have more political rhetoric and less educational improvement.

External views of education too often become confounded with political issues. The self-examination necessary to fully understand the issues in education is subject to professorial self-interest. If the economic basis of self-interest is understood, then meaningful debate can be conducted within the academy. Perhaps, truly critical self-examination may be the basis upon which education can make progress. Indulgence of implicit agreements for abstention from performance of academic duties, however, cannot be mistaken for academic freedom. Similarly, the proper role of academic administration within the academy cannot be excused as support for institutional tranquility. The examination and debate, should it occur, is a prerequisite for academic progress. If scholarship is truly a profession, then scholars have a moral obligation to be critical, introspective, and open in debating the objectivity, utility and integrity of the profession. Certainly, there are discipline specific issues. However, there are matters of considerable importance to the profession that require broader examination. Each of these issues will be examined, in turn, in the following paragraphs.

Values of Professors

It is almost cliché, but Academe is neither better nor worse than the individual scholars that comprise the whole of the faculty. The division of economics into macroeconomics and microeconomics is instructive. The microeconomy is the summation of individual microeconomic agents, who may behave in some predictable manner in aggregate. The analogy of economics with education is appropriate. While individual professors may have specific values and behave in a specific manner, left to their independent actions, the total community of scholars will behave in a predictable manner. History shows that the circumstances in which education occur, administrative rules and peer pressures, generally will not suffice to redirect extrinsically motivated faculty members’ efforts to produce social goods (education). The few intrinsically motivated professors, if the reformers are to be believed, may be too few in number or strength to overcome the influence of extrinsically motivated faculty. However, there has been an explosion of knowledge over the last twenty years – in spite of or because of the quality of education? Perhaps the “lovers of labour” in academe are not as sparse as certain critics would have us believe.

Theories concerning professorial values abound (Wilshire, 1987). However, there is little that can be concluded from the available empirical evidence. The evidence suggests that there are both extrinsically and intrinsically motivated professors and students (Allen, 1980). There is also evidence to suggest that abilities and training affect performance in addition to either the incentives or the values possessed by professors (Isley and Singh, 2005; Becker, 1974).

During the 1980s a debate emerged in academe concerning whether a code of ethics should be adopted for higher education (Callahan, 1982 and Schurr, 1983). There are several dimensions of the debate concerning academic ethics. Among the dimensions is whether professors’ conduct is focused on advancing the profession (performing their duty) or their self-interest (which may be contrary to the mission of the academy and less than honest). Among the controversies is what constitutes a professor’s duty and whether there is a need for some ethical compulsion for professors to attend to their duties (Callahan, 1982 and Schurr, 1983). The

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accounting crises (Arthur Anderson, Enron, WorldCom, etc.) in the beginning of the current decade seems to parallel the debate concerning the need for an academic code of ethics. The overwhelming majority of businesses use sound accounting principles, and are therefore transparent, and the same may well be true of professors. However, a few bad apples make a lot of unflattering press for their respective industries.

There is substantial evidence to suggest that many individual professors perform their roles in a manner consistent with that suggested by Adam Smith. For example, Centra (1975) has found that when colleagues are charged with the responsibility to appraise teaching, a few exhibit a propensity to hold their colleagues to relatively low standards of performance. Too often, these non-performing professors have argued that they are teaching faculty and there is no reason for them to be active in the consistent publication of research results in refereed journals (or equivalent validation of academic merit in the arts and certain of the humanities). This argument is very much the type of behavior described by Adam Smith. Quality teaching institutions have long recognized that scholarly activity is the foundation upon which instruction is based. Teaching scholarship (textbooks, etc.) and the publication of original research are both important forms of scholarship. Professorial scholarship must be validated. In Ph.D. granting institutions that validation has traditionally been through the publication of original research in refereed journals of quality (Weaver, 1989; Carter, 1996; and Crane, 1965). The validation of scholarship is what provides academic reputation for the institution in academic circles, particularly for Ph.D. granting institutions (Goldberger, Maher and Flattau, 1995; Siegfried, 1972; Hagstrom, 1971; and Cole and Cole, 1967). Yet, the best of the teaching institutions normally require evidence of scholarship in pedagogy and other teaching related areas which parallel the requirements in the research oriented Ph.D. granting institutions. One of the most powerful arguments for an academic code of ethics is to eliminate the self-serving abstinence from professorial duties or to create effective accountability standards for the performance of those duties.

What specific values are held by professors have yet to be conclusively examined in the literature. However, from the work done to date, it is clear that there are substantial variations in professorial abilities and values. One need not inquire at length to find substantive evidence of the values described by Adam Smith in the Wealth of Nations. The aggregate behaviors described by Smith are the troubling aspects of academe that give rise to the need for educational reform. Even so, the claim that all professors neglect their duties or perform only those duties which they personally value, is an unjust allegation.

Academic Freedom and Self-Governance

The effectiveness of elementary and secondary teachers is premised on their success in the classroom. Similarly, a professor should be expected to establish a reputation for excellence in the fields in which (s)he works. For secondary and elementary teachers with instructional responsibilities without research expectations, success in the profession is simply excellence in the classroom. The analysis of post-secondary academician differs only in the breath of the requisite professional success. Excellence in teaching is required, but excellence in research is also required of professors. The discussion that follows will focus on professorial behaviors.

Few things in academe are as well settled as the idea of academic freedom. The American Association of University Professors has provided a written statement on academic freedom that has not been seriously challenged on the basis that it does not recognize any abstinence rights for faculty members. The 1940 Statement of Principles on Academic Freedom and Tenure, states in pertinent part (AAUP, 1990):

Academic freedom is essential to these purposes and applies to both teaching and research. Freedom in research is fundamental to the advancement of truth. Academic freedom in its teaching aspect is fundamental for the protection of the rights of the teacher in teaching and of the student to freedom in learning. It carries with it duties correlative with rights . . .

The AAUP, at no time, suggests that a professor is excused from performing legitimate academic duties, neither does any policy or statement of this organization suggest that academic freedom protects abstention from research or teaching, unless one is appointed to a position that clearly limits duties to one specific activity. Academic freedom is the foundation upon which academic endeavors rest, not an excuse for failing to meet one's responsibilities. The perversion of academic freedom to justify abstention from teaching or research is the single greatest threat to academic freedom of those who actively seek to contribute to their disciplines and provide instruction.

Academe will be no more successful than the scholars who are attracted to intellectual pursuits. Intrinsic motivation to pursue a scholarly life-style and
to contribute to one's discipline is the ideal for professors, but within the constraints that both teaching and research are valued. For the extrinsically motivated there must be clear academic standards for performing professorial duties. The purpose of tenure is to protect academic freedom, but the decision to tenure is supposed to be based upon professional attainment and success in teaching. The academy must properly select and retain those individuals whose performance is consistent with the academic accomplishments expected by the profession, the institution and their colleagues.

In matters of academic consequence there must be self-governance. That self governance, however, must be predicated upon a competent faculty seeking to serve the community of scholars and not self-interest. On one plane, the administration must serve the faculty, to assure proper coordination of physical plant, security and resources; on another plane, the administration must hold faculty accountable for professorial outputs consistent with the institutional mission (and not outside driven agenda — as Smith feared). This is not an easy balance for academic administrators to achieve. The end result is there is a natural tension between faculty and administration that is too often dysfunctional, even though the synergies between administration and professorial activities are critically dependent upon one another (Adams, 1976).

Smith also suggested that there are problems within the cadre of faculty. No doubt there are faculty members who place their vulgar self-interest above their professional interests and their duties. The only solution to this problem is to attract quality scholars to serve academe. Most institutions have given lip-service (some more to high academic standards and continued professional growth. Selection and retention of faculty members is of critical importance in obtaining those dedicated scholar-teachers who will perform their duties because of their love of labor. Tolerance of faculty members who rely upon academic freedom to shirk their duties provide the ever vigilant critics with the anecdotal evidence upon which too often straw-man crises are built. However, if this shirking reaches levels where it is the rule, rather than the exception, then the academy may well find itself an industry becoming irrelevant to our economic well-being. From this view, for purposes of culling those faculty members who do not vigorously pursue intellectual contributions and quality instruction some safeguards such as tenure review might become necessary. It may be that with fair warning the offending faculty members may reform themselves, but if academe is not their passion, they may need to pursue other occupations.

Pragmatic details must develop as the debate takes form. It is not an easy path, the pragmatic details of a revolution in academe are fraught with danger. Chaos and anarchy provide no relief from the potential extremes of professorial irresponsibility or at the end of the spectrum the potential for administrative usurpation of faculty rights. Professorial responsibility for their teaching and research duties and for their obligations to the profession and institution are prerequisites for proper self-governance. There should be attention to prevent aberrations in the professorial landscape from becoming the crisis in education that critics suggest may have already occurred. This attention must begin from a professional perspective, based on the consistent historical observations, sound economic reasoning and independent of limiting self-interest. If academe is to be of utility it must grow and change, not regress and return to the patronage and subserviency of the French Universities Smith observed in his day (which seems to have corrected their deficiencies over the past two centuries).

CONCLUSIONS

It is easy to adopt a cynical view of the current educational performance and academic circumstances facing university professors. Perhaps it is somewhat comforting to know that much of the current criticism of academe is easily identified in ancient discourses on the subject. There is certainly nothing new about the academy being perceived in crisis by some critics. Academic endeavors may very well have suffered from the lack of professional responsibility and ineffective administration for as long as this enterprise has been in existence -- but the evidence does not suggest it is wide spread or consistent.

Institutional reform must be limited to assure that universities are not subjected to arbitrary and draconian measures imposed by those without the expertise to properly remedy any potential deficiencies that may be identified. Not unlike the accounting ethics problems in certain publicly traded companies, there are always a few whose motivations may not be consistent with the overall good of the institution. Tenure, promotion, and salary decisions must be based on sound academic standards and not political expediency, or non-academic considerations that have significant potential to mar the academic landscape. Only sound professorial and administrative ethics and vigilance will prevent the crises similar to that which evolved from accounting fraud in publicly traded companies in early 2000. Academe must always take the lead to instill ethical standards among students.
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