

How Best to Run a University System

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Introduction

We have been asked to advise on how best to run a university system, and the answer is given on page 18 of Alfred Fernandez's paper to this colloquium entitled 'The Situation of Free Higher Education in Europe', 2011 Report, OIDEL. On page 18 Fernandez presents a table that shows that, whereas on average the universities of the nations of the OECD receive 70% of their income from the state, and the universities of the countries of the EU receive 80% of their funding from the state, in the United States the universities receive only 33% of their funding from the state. The United Kingdom is the other, great, private outlier, with its universities receiving only 35% of their income directly from the state. The UK is an outlier in a further respect in that 17.5% of all its university funding goes from the state to private institutions compared to only around 5% for the countries of the OECD and the EU. Amongst the OECD countries, therefore, the universities of the US and the UK are outliers in terms of income.

But in terms of output, the US and UK are also outliers because the international university league tables are dominated by the universities of the US and UK. So for example Shanghai Jiao Tong University's Academic Ranking of World Universities places Harvard first, Stanford University second, the Massachusetts Institute of Technology third, the University of California Berkeley fourth, and the University of Cambridge fifth. *Times Higher Education's* World University Rankings 2012-13 rate the California Institute of Technology first, the University of Oxford and Stanford joint second, Harvard fourth, and MIT fifth. And the QS World University rankings finds the Massachusetts Institute of Technology first, the University of Cambridge second, Harvard third, University College London fourth, and Oxford fifth.

Different tables employ different methodologies, yet despite their inevitable shortcomings, they produce similar, credible results. So, of the first 20 universities in the tables, the ARWU lists just seven state-funded universities and only one non-anglophone example (the University of Tokyo). *THE's* equivalent figures list eight state universities, including one non-anglophone institution (ETH Zürich - Swiss Federal Institute of Technology Zürich). And QS lists just four state-funded universities amongst the first 20 universities in its table, of which only one is non-anglophone, ETH. Broadly speaking, most of the top 100 universities globally are anglophone and/or independent.

The odd feature of the tables is the poor performance of the universities of France, Germany and the rest of Europe. A great determinant of university excellence must be gross domestic product (GDP) *per capita* - rich countries should have good universities - yet although Europe's wealth is comparable to that of the US, its universities trail in the global league tables. Why? It may be partly because institutions such as the French *grandes écoles* do not fit well into the rankings, and that the sequestration of German research into its Max Planck Institutes damages its universities' rankings – and it may also be that research rankings favour anglophonic researchers - but as Alfred Fernandez's paper suggests, there is in addition to GDP *per capita* a second important determinant of university excellence, namely autonomy.

Europe's universities were born independent. The first, the University of Bologna, was founded around 1100 by students seeking an education in law. Later on, the universities of Padua and Montpellier were founded, also as student initiatives, offering tuition in medicine and the sciences. Those Mediterranean universities were democratically run by the students. Soon afterwards, Oxford and Cambridge were created by scholars, and they too were democratic, being run by the scholars. But not long thereafter, universities were created by the Church (often from pre-existing cathedral schools) or by monarchs, and they were not so democratic, the key appointment - that of the leader (aka vice-chancellor, rector or president) - often being in the gift of the Church or the Crown.

Worse, the Church then took control of the erstwhile independent, democratic universities. As Pope Boniface VIII stated in 1294: "You Paris masters at your desk seem to think that the world should be ruled by your reasonings. I tell you that this is not so - it is to us that the world is entrusted, not to you." The authorities thus forced Church oversight on to the universities, which is why many academic titles such as dean and doctor are ecclesiastical. Subsequently, under inquisitions, absolutism and Napoleon, continental Europe fettered its universities, generally nationalising them.

But England's universities took a different course. In 1687-88 King James II expelled the president and 25 fellows of Magdalen College, Oxford, replacing them with Roman Catholics. He was a Roman Catholic and he wanted the universities to follow his theological lead. But Protestants were outraged, and the episode helped precipitate the Glorious Revolution. That in turn spawned the Bill of Rights of 1689, the third article of which stated: "That the commission for erecting the late Court of Commissioners for Ecclesiastical Causes, and all other commissions and courts of like nature, are illegal and pernicious." Translated, this meant that England in 1689 recognised the ancient right of its universities to independence. England's - later the UK's - universities did not spin out of 1689 fully independent. During the 18th century, monarchs, politicians and bishops interfered relentlessly, but the institutions were on an autonomous trajectory. Their legal status as private bodies was thereafter respected, and they have never lost it.

The American universities enjoyed a similar trajectory. Nine colonial colleges were created in North America before the US Declaration of Independence in 1776: Harvard in 1636 (as New College); the College of William & Mary in 1693; Yale in 1701 (renamed as such in 1718); Princeton in 1746 (then known as the College of New Jersey); Pennsylvania in 1751 (the College of Philadelphia); Columbia in 1754 (King's College); Brown in 1764 (Rhode Island College); Rutgers in 1766 (Queen's College); and Dartmouth in 1769.

The institutions were founded by clergymen as theological academies, with governance structures modelled on the colleges of the universities of Oxford and Cambridge. They accepted government money, but only as private bodies, not as nationalised bodies. And their legal independence was confirmed by famous Dartmouth College Case. In the early 19th century, the professor of theology at Dartmouth College also acted as pastor of the local First Congregational Church, but in 1805 the college and the church fell out over who should be appointed to the joint role. A decade later the dispute had still not been resolved, so in 1815 the government of New Hampshire - claiming that as it was largely funding the college it should therefore direct it - threw out the trustees and the college president, installed its own people and nationalised the institution.

But the original trustees sued, and in 1819 the US Supreme Court found for them, judging that the state could not take over an independent corporation. The college thus retained its autonomy, with a charter (originally a royal charter) that enjoyed the status of a contract, the sanctity of which had to be respected.

The ruling was a landmark because it protected the independence from the State of all private American universities. Soon all the colonial colleges followed Dartmouth into full independence, eschewing government money. People assumed that, without state support Dartmouth and the other colonial colleges would soon fail, but seven of them not only survived but actually flourished on alumni donations and tuition fee income, and they went on to become the Ivy League (together with Cornell University, which, although founded in 1865, was admitted to what is formally a regional sports league, officially established only in 1954). Only William & Mary and Rutgers University eventually resorted to state ownership. Why is autonomy an independent variable for university excellence? One answer is monopoly: when a government nationalises the universities and - as generally happens - abolishes tuition fees, it enjoys monopolistic control of higher education. Why, therefore, would it put into the universities a penny more than the absolute minimum? As the 2003 European Commission report *The Role of the Universities in the Europe of Knowledge* acknowledged, the consequence is that "American universities have far more substantial means than those of European universities - on average, two to five times higher per student...The gap stems primarily from the low level of private funding of higher education in Europe." Since one source of university excellence is money, the free-market US and the

relatively free markets of the other anglophonic countries beat monopolistic Europe because students and their parents will contribute more in fees than will governments.

Competition is another source of excellence: when students pay, independent universities compete to satisfy them where state universities need not. Equally, in their search for reputation, independent institutions fight for research money in ways that their public equivalents need not. And the former are more likely than apparatchiks in some distant capital to know how they should be run.

Moreover, the endowments of the US independents (Harvard, \$30.7 billion (about £19 billion); Yale, \$19.3 billion; Princeton, \$17 billion; Stanford, \$17 billion) show how public goods can attract private philanthropy, which in turn supplies social justice: the Ivy League operates “needs-blind admissions”, so no one is refused entry if they cannot pay. Equally, the universities of England now charge fees of their students but in its *Education at a Glance 2012* report, the Organisation for Economic Co-operation and Development found that England’s tuition fees had produced the world’s most “advanced” support for students - without damaging social justice.

Competition, moreover, spills over to the state sector: higher education in the US is benchmarked by the Ivy League, so one reason the country’s state universities are unusually good is that they are forced to compete not only against each other (there are in effect 50 such systems in the US) but also against the Ivies, which is why some state universities have accumulated startling endowments themselves (the University of Texas, more than \$17 billion; the University of Michigan, \$7.8 billion; Texas A&M University, \$7 billion; the University of California system, \$6.3 billion; and the University of Virginia, \$5 billion).

And then there’s academic freedom. In *Academic Freedom in the Wired World: Political Extremism, Corporate Power, and the University* (2008), Robert O’Neil, the former president of Virginia, reported how a politician, on disagreeing with Rodney Smolla, director of the Institute of Bill of Rights Law at state-owned William & Mary, threatened him. “Your institution will pay for this,” he said, to which Smolla replied: “I’ve just moved to the (independent) University of Richmond.” It is no coincidence that many of the challenging thinkers of our time, from Milton Friedman (Chicago) on the Right to Noam Chomsky (MIT) on the Left, have been based in independent universities.

To conclude, the evidence is clear that university autonomy provides excellence. The universities of Europe should, therefore, be privatized: they should be handed over to independent boards of trustees, and the state should thereafter limit its role to providing financial support to individual students and to individual researchers but not to institutions.