

**From Wall Street to College Street: Corruption and Corporatism on Campus**  
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The gruesome sexual abuse scandal and apparent cover-up within Penn State's football program that exploded during fall 2011 rocked the conscience of a community, spawned a raft of criminal indictments of university officials, and ended the careers of the university's storied football coach Joe Paterno and the university's long-serving president.

The severity of the depravity at Penn State surely (or at least hopefully) renders the incident at Penn State somewhat unique. But the response of the university's leadership—to downplay and cover-up the allegations—is not. In fact, based on my experience serving as an independent trustee on the Dartmouth Board of Trustees and my academic study of higher education governance, I suspect that the cowardly response of Penn State's leadership is not anomalous, but in fact is consistent with how many university boards today would respond. I submit that the core principle animating the modern university is a fundamental dishonesty to its core mission. Although the events at Penn State are extreme they illustrate the smaller dishonesty and lack of integrity that characterizes the modern university.

The purpose of this short essay is to provide a sketch as to my basis for this provocative claim, explain how this situation came to be, and offer some tentative suggestions as to how to rectify it.

**The Rotten Core of the Modern University**

The evidence of the myriad dishonesties that illustrate the core of the modern university is manifest. Some of the evidence is systemic and some is anecdotal evidence that illustrates deeper truths. Consider some examples.

The massive lie that characterizes big-time college athletics might be the easiest and most prominent example. Universities with big-time athletic programs operate what amounts to entire parallel universities with special classes, dorm, disciplinary rules, and other arrangements for athletes in major sports. Admissions standards are routinely relaxed, watered-down courses offered, and bread and circus recruiting practices (as recently exemplified by the University of Miami's excesses) differentiate athletes from all other students. Meanwhile, those students in on-revenue sports who remain closest to the student-athlete ideal are punished in the chase for ever-larger football television revenues. Conferences today span thousands of miles geographically, difficult enough for football and basketball players to fly too, but positively brutal for non-revenue students who bus to many of their away games. George Mason University President Alan Merton once characterized the relationship between big-time athletics and the rest of the university at many places as "being on the island"—a world unto itself, as athletic programs stood apart from the main university, distrusted by faculty and isolated from the university proper.

The gradual corruption of academic standards also evidences the problem. Rampant grade inflation has reduced accountability for students. The curriculum is in shambles—the university offers no coherent vision of what its students should learn in order to graduate, but is simply a *mélange* of faculty idiosyncrasies and intellectual quirks. A recent honors history graduate of Dartmouth once told me of his wish to take a

class in the Revolutionary and Founding eras before graduating—only to learn that the only relevant courses offered during his senior year were courses on women during the founding era and another on slaves during the founding era. In addition, while many courses with small enrollments serve a vital part of the university’s mission, a disproportionate number of these classes are esoteric and narrow courses offered for their politically correct rather than education value. Offering these dilettante classes, however, places a greater burden on good professors who teach courses that their students value.

The systematic repression of free speech on college campuses provides another startling example of the university’s betrayal of its mission of free thought, inquiry, and speech. According to the Foundation for Individual Rights in Education, only a very small number of universities can be said to fully protect free speech on campus.

Moreover, many universities have failed to protect a culture of free speech on campus—students who swim against the politically correct orthodoxy find themselves routinely harassed and intimidated providing a signal to other students to self-censor themselves rather than risk being outcast.

Finally, a few high-profile examples from recent years will serve to illustrate the deep fecklessness of university leadership. Consider the appalling saga of the Duke lacrosse scandal: a rush to judgment by certain faculty, the university president, and a board of trustees that stood aside as the reputations of several Duke students were systematically trashed.<sup>1</sup> Yet despite the debacle Duke’s president remains at the helm,

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<sup>1</sup> In a personal note on the Duke saga, one Dartmouth undergrad joined a “Friends of Duke Lacrosse” site on Facebook. According to the student, Dartmouth’s Dean of the Office of Pluralism and Leadership (not to be confused with the school’s Office of Diversity) learned of the student’s action and sent him an email upbraiding him for his lack of sensitivity.

the bullying faculty members have been unaffected and unrepentant, and the board of trustees has never accounted for its misfeasance.

Harvard's president Lawrence Summers ran afoul of the PC police with some remarks given at an academic conference on the supposed underrepresentation of women in academic science and engineering positions (underrepresented according to what standard apparently being a question with an obvious answer). Summers famously refused to attribute the disparity to rampant sexism and discrimination by university faculty—and rarely has any public official received such a firestorm of criticism from a group for *not* being denounced as sexists. Soon, of course, Summers had a full-scale rebellion on his hands (there were other factors at work reportedly as well) and the board of the Harvard Corporation soon tossed him overboard.

Nor has Dartmouth (where I was elected as a write-in candidate by the alumni body to the board of trustees and served from 2005-2009) been spared the trend. A notable example surfaced shortly before I ran for trustee—Dartmouth's Director of Student Admissions had sent a secret letter to the Director of Admissions at Swarthmore College in support of a proposal there to discontinue its football program, stating his belief that Dartmouth's football team exerted an “anti-intellectual influence” on campus. When the letter came to the attention of Dartmouth's leadership, the president and board of trustees agreed to cover it up—and to permit the Director of Admissions to continue. Eventually, however, the letter leaked out and president and board were forced to respond. Similarly, during the era when Dartmouth was ruled by president James Freedman the president launched an unprecedented personal attack on the editors of the *Dartmouth Review*, seeking through kangaroo-court student disciplinary proceedings to

destroy the students' academic careers and to silence the independent publication.

Meanwhile the board of trustees sat idly by as the president pursued his vendetta, costing the College hundreds of thousands of dollars in legal fees and betraying its core values.

### **The Roots of the Current Situation**

If it is true that an animating characteristic of the modern university is its systematic dishonesty, how did this situation come about? What are the forces that have driven us to this point?

Although there are myriad forces that underlay this, one umbrella concept that serves as a short-hand for the current plight of the academy is the growing corporatism of the university—i.e., the capture of the university by corporate values rather than academic values. Moreover, this corporatism has been furthered by well-intentioned reformers who have believed that the solution to what ails the modern university is to model universities after private for-profit corporations, with university presidents in the role of CEOs. Although well-intentioned, this experiment has proven counterproductive.

Making the argument more concrete, the animating principle of the modern university is a focus on the image and “brand” of the university, rather than the underlying substance of the education experience received.<sup>2</sup> Governance of the modern university is almost completely absorbed by how to best market the school's brand rather than how to improve its underlying quality. The focus of every discussion is what impact a particular action (or inaction) will have on the school's brand.

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<sup>2</sup> During my four-year tenure on the Dartmouth board we never had a single board-level conversation about the Dartmouth curriculum, what Dartmouth students should learn while in school, or what professors should teach. By contrast, we discussed how to improve Dartmouth's “brand” at virtually every meeting.

One needn't read a grand jury transcript to know what was animating Penn State's leadership upon learning of a sexual predator at the heart of Joe Paterno's football dynasty: What impact will revelation of these misdeeds have on Penn State's reputation and fundraising? Given that both reputation and fundraising are driven largely by public *perception* rather than underlying quality, if management of reputation and fundraising is the overarching goal of the institution—rather than the inculcation of character and educational values—then other factors must be subordinated to those ends. From there it is a short step to Penn State's fatal decision—to quietly sweep Jerry Sandusky's alleged misdeeds under the rug in order to avoid a scandal that could tarnish the school and lead to the resignation of their storied football coach who has generated millions of dollars of direct revenues and donations to the university.

A full assessment of these various forces would require a much lengthier article than is possible here. So I will just sketch the factors. All of them point in the same direction, however: toward an increased focus on image-management rather than substantive quality. I will briefly discuss several: (1) the educational emptiness of the modern university, (2) the changing composition of boards of trustees and board governance practices, (3) the rise of the CEO university president, and (4) the impact of rankings.

### *The Educational Emptiness of the Modern University*

The story begins with the hollowing out of the notion of a liberal arts education, creating a substantive vacuum that rather than being filled with a coherent educational vision has been supplanted by image management instead. The full story of the collapse

of the notion of a liberal arts education awaits another day for telling. And I stress that none of these factors made it inevitable that they would bring about a collapse of confidence in a liberal arts education. Instead, the claim here is that they arguably did in fact have that effect and that understanding these forces is essential to reversing them. But for current purposes it suffices to say that the collapse of a coherent vision of a liberal arts education can be attributed to at least three factors: (1) the 1960s, (2) the development of mass university education, and (3) the rising cost and growing role of government in education.

A traditional liberal arts education had three basic goals, all of which overlap to some extent. First, it was concerned with the formation of the sensibilities and character of the individual. This included helping young adults to form a meaningful philosophy of life and to refine the senses to learn to distinguish the beautiful from the ugly and to appreciate those elements of life that uplift us. Second, a liberal education is designed to prepare students for their role as citizens in a free and democratic republic by teaching them our inherited history and preparing them to pass along that tradition to the next generation. And third, universities engage in human capital formation by imparting technical knowledge of engineering, business, and other practical arts do improve economic productivity.

Over time, however, investment in education has come to be justified solely on the basis of this third factor—will my degree get me a job and how much will it pay? Ironically, it is only with respect to the first two factors that universities arguably have a comparative advantage in educating their students because students can more readily gain practical experience by simply getting a job and learning those skills rather than spending

four years borrowing rather than making money. Moreover, the whole social underpinning of higher education rests on the assumption that the first two factors are foremost responsibilities. For example, the tax-exempt nature of universities logically rests on the idea that they produce external benefits for society that otherwise would be underprovided. Individuals largely internalize their investments in human capital that increase one's personal productivity; however, thus there is little reason to provide tax-preferred treatment for that purpose.

I see three possible contributory explanations for the collapse of the traditional liberal arts vision. First, the 1960s provided a culture shock to universities from which they never recovered. For a variety of reasons, including most prominently those identified by Shelby Steele in his work, universities lost the courage of their convictions as to what students should learn. Instead, the old structure of authority in universities collapsed and relativism and student and faculty preferences were put in the driver's seat. The growing cultural alienation of the university from traditional American principles further eroded support for the commitment to educating good citizens. No longer could it be said that there was a consensus as to what *should* be learned in college. This created a vacuum at the core of the university.

This force was exacerbated by the democratization of university attendance, beginning with the GI Bill. The traditional idea of a liberal arts education was to a large extent elitist and impractical. The opening of the universities to a new class of students could have served to uplift those students. Instead it drove a democratization of the university and a growing emphasis on its practical and utilitarian aspects. This pushed less-concrete principles to the periphery.



Third was the rising cost and growing entanglement of the government with the university, especially following the Sputnik crisis of the 1960s. As government increased its support for universities it tended to focus its efforts on the expansion of practical knowledge at the expense of other types of knowledge. Power and focus tends to follow money—government grant-chasers became the reigning stars of the academy and the emphasis of students and universities followed apace.

I suggest that these three factors led to a collapse of the traditional vision of the purpose of a liberal arts education with no coherent vision to take its place. To the extent that any vision remains, it is one of practicality—to ensure that students get well-paying jobs when they graduate. This development also coincides with the rise in economics of the idea that the main purpose of university is “signaling” rather than the value added while in college.

#### *The Changing Composition of Boards of Trustees*

Much has been written and will continue to be written about the damage to the American economy resulting from government policies and Wall Street over the past several years. In my opinion, almost all of this vituperation is entirely fair and appropriate, especially the bailouts of the banking industry that allowed them to socialize their losses.

Less-noticed, however, is that the massive amounts of money earned by Wall Street over the past decade has led to a fundamental change in the composition of the boards of trustees at many of the nation’s leading colleges and universities. With assets in the billions of dollars, investment bankers have among the nation’s largest

philanthropists and have used their wealth to purchase an ever-increasing number of seats on the boards of trustees of many of the nation's most prestigious institutions. In so doing, however, they have brought with them to College Street the same crass and self-serving ethics that served them so well on Wall Street. In short, they have increasingly imposed Wall Street ethics on colleges and universities.

As well-exemplified by the Wall Street meltdown in 2008 a defining characteristic of the investment banking mindset is a lack of concern with the underlying substance of what they produce (this isn't to imply that they engaged in fraud, just that they generally do not see it as their job to analyze the underlying quality). Instead, the focus is on getting the deal done and passing along the risk (both upside and downside) to someone else. What matters is not whether the deal itself is sound but whether how the deal *appears* to be. This narrow, facile, and transactional mindset latches easily on to the idea that the primary purpose of a university is short-term image management and public perception rather than long-term substance.

A personal anecdote from my time on the Dartmouth board will illustrate the point. When I joined the board it had three stranding committees: Governance, Finance, and Buildings and Grounds. My first request when I joined the board was that we adopt a standing committee on Academic Affairs—which was, after all, the purpose of the entire enterprise (or so I thought). At which point I was informed that the board “has no expertise” in monitoring the academic operations of the college and so there was no reason for us to oversee that portion of the college's operations (it never occurred to him that the board's lack of expertise on this point might be a problem). It was as if a director of General Motors was told that the members of its board has no expertise in building

cars, so the board would not monitor its car production. More tellingly, it was evident from the board's response that they thought it was unnecessary to develop such expertise—in some sense it was evident that they saw what students actually learned during the Dartmouth careers was of relatively trivial importance to issues of finance and capital improvements.

Perhaps most menacing about the rise of the corporate college headed by investment bankers, however, is the acceptance of the idea that universities are simply another forum for self-dealing. Massive university endowments have provided a rich target for investment bankers to enrich themselves at the college's expense. In addition, a seat on the board of a prestigious university gives the lucky recipient access to a large number of wealthy potential investors beyond the university's endowment. In turn, boards have come to appreciate the financial value of the seats that they control and can reserve them for the largest donors. Pamela Joyner, an investment banker with whom I served on the Dartmouth board, put it bluntly, "Being a trustee should be a reward for your largesse."

This issue came to a head during my time on the board of trustees in the form of conflicting interest transactions with members of the board of trustees. According to series of investigative reports by journalist Rick Jurgens, Dartmouth's trustees at one point had as much as 15% of Dartmouth's then-\$4 billion endowment invested in their various hedge funds and private equity firms. In short, these trustees viewed their large contributions that got them on the board as a mere downpayment for the fees that they would later receive for managing half a billion dollars of Dartmouth's endowment. Even worse, this focus on funneling college funds into their own hands led to a dangerous

overweighting in Dartmouth's endowment to illiquid and highly risky investments, such that when the market collapse of 2008 came Dartmouth's endowment not only collapsed in value but was highly illiquid as well. This led Dartmouth to be forced to issue several hundred million dollars in bonds just to cover operating expenses (hence, not tax-free) and in so doing to become so highly leveraged as to lead to a downgrading of Dartmouth's credit rating—leading to having to pay several hundred thousand dollars a year annually to cover the increased interest rates caused by a lower credit rating.

The gap between modern university ethics and the real world is also illustrated by the response of the Dartmouth board of trustees to the so-called “Dartmouth insurgency” of which I was a part. By a contract signed in 1891 between the College and its alumni the Dartmouth alumni association was given the authority to elect half of the board's trustees (leaving aside two *ex officio* trustees). I, and three others, were elected as “petition trustees,” gaining access to the ballot by petition from alumni at large rather than being hand-picked by the alumni nominating committee working in cahoots with the board. The other half of the board was self-perpetuating, as the board replicated itself by picking its successors.

The danger of this system is obvious, of course: it leads to an insular and self-reinforcing board of trustees, as incumbent board members pick their friends and exclude those who will challenge them. It is precisely for this reason that the Sarbanes-Oxley law pushed for an increased role for independent trustees in for-profit corporate governance and greater accountability in board governance. When confronted with the challenge offered by independent trustees, however, the Dartmouth board did exactly the opposite—it “packed” the board by breaching the traditional agreement to provide parity

by enlarging the board by 50% with all new seats to be chosen by the board itself rather than the alumni. It also adopted electoral reforms designed to make it more difficult for truly independent trustees to be elected. And at the end of my first term on the board (although voted on to the board by the alumni, in 1990 the board seized the right to reelect alumni trustees for a second term) I was removed by a secret vote of the board without being provided an explanation.

This increasing focus on the mission of the board to manage the endowment and its finances has led it to increasingly cede control of the academic side of the institution to the professional academics who run it. Moreover, the prestige and self-enrichment that comes from serving on a university board tends to attract and to reinforce an attitude of “don’t rock the boat” and to stay in good standing with other board colleagues and the president. One mustn’t push too hard if one is dependent on the chumminess of fellow board members to retain the lucrative and prestigious board seat. In addition, given the absence of any clear qualifications to serve on a university board, there are a virtually limitless number of qualified candidates. As a result, board members are chosen primarily for their fund-raising potential and their willingness to “go along to get along” with other members of the board. This is a recipe for lazy and vacuous governance.

### *The Rise of the CEO President*

The third factor that has characterized the modern university is what I will call the rise of the “CEO president.” College presidents in the past were often distinguished by their distinction as teachers and scholars and their commitment to the college’s mission. Today, however, virtually every president is selected according to the same criteria: will

the president be a fund-raiser and how will he manage the school's reputation. This gives rise to the idea of a CEO president—not a scholar or teacher, but an image man and image manager who manage the finances of the institution.

This tendency has been reinforced by the increasing tendency of university presidents to serve on the boards of private for-profit universities. It is understood, for example, that one of the perquisites of being a college president is the opportunity to serve on private corporate boards. These entanglements potentially create divided loyalties for college presidents, who may occasionally have to stand up for academic values (such as free speech) or otherwise navigate the occasional tensions between university leadership and the private sector.

To some extent the rise of the CEO president was also an intended consequence of the fear expressed decades ago about the growing control of faculty over universities. It was thought—correctly, I stress—that faculty had poor incentives to manage universities efficiently. It was also thought—incorrectly, it turns out—that giving more power to the president to control the faculty would create better incentives for operating the university. The model seemed clear—the relationship between shareholders, the board, and the CEO of a private corporation.

But this assumption ignored an important difference: shareholders and directors can effectively manage corporate CEOs through profit and loss statements and the impact on stock prices. But college presidents run *nonprofit* institutions, thus there is no measurement of their efficacy or insuring that they are managing in the best interest of the institution rather than pursuing their own narrow self-interest. In fact, as I have argued elsewhere, academic administrators should be understood to have incentives much

more akin to those of governmental bureaucrats rather than private corporations.

Following William Niskanen, I argue that academic administrators should seek to engage in internal empire-building and expanding the size of their staffs and budgets, not to increase efficiency. And, in fact, the most striking development of higher education over the past two decades has been the rapid growth of expenditures on non-academic personnel, such as raft of assistant deans, provosts, and presidential hangers-on, even as expenditures on academic personnel have remained constant. Indeed, I was struck during my time on the Dartmouth board how many allies I had among the faculty—not because they shared my ideological vision, but because they shared my frustration at the rapid growth of the College’s administrative apparatus.

This development has dovetailed with the increasing corporatism of universities generally. As board members become more consumed with finances and image and less interested in academics it becomes a self-reinforcing tendency to select a president who embodies those characteristics.

### *Rankings*

It is with some hesitation that I point the finger at the final factor that has driven the corporatism of the modern university: rankings. Rankings can be good by providing useful information to students shopping in an information-poor environment. But rankings today—most notably *U. S. News and World Report*—do not focus on substance but rather on *reputation*. Thus they tend to reinforce the underlying dynamic to measure reputation rather than substance. In turn boards and college presidents “teach to the test”—i.e., manage their institutions with an eye toward the impact on rankings.

### **Conclusion: Where to Go**

Ironically, many of the factors that I have identified as causes of the current crisis were actually touted as solutions by a prior generation of reformers. It was thought that what needed to happen was to bring hard-headed business decision-making to universities and that would straighten them out. Instead the wealthy MBA's and investment bankers who have joined university boards have become part of the problem instead of the solution. Absent any compelling vision of the outputs that universities should be producing they instead have focused on the inputs, such as budgets. And lacking any substantive measurement for what students should be learning they have substituted rankings as a crude measurement. But rankings measure reputation, not substance, so the cycle repeats.

In conclusion, I see several possible reforms. First, we should rededicate ourselves to an explanation of the value of a liberal arts education and how college resources should be allocated to advance that vision. Second, boards should follow the principles of good corporate governance and become less-insular and self-perpetuating, but instead increase the representation of independent trustees selected for reasons other than their fund-raising prowess and willingness not to rock the boat. Third, we need stronger policies to police self-dealing by trustees and university officials. Fourth, it is time to try to enlist faculty to create checks and balances against the expanding empire of college presidents and other administrative personnel. Finally, we need a new generation of college presidents with the courage of their convictions to put academic values—free



speech, academic rigor, and intellectual integrity—ahead of careerism and self-enrichment.