



Charity and finance in the university

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ABSTRACT

In this paper we explore the financialisation of the university, and how it is possible that universities behave as if they were private corporations despite legally being corporations with a charitable status. We argue that this is largely attributable to financialisation, which creates tension with the university's charitable status. The paper commences with a brief history of incorporation, and examines developments in corporate governance. With the dominance of finance, and the treatment of institutions as mere nexus of contracts, distinctions between public and private become redundant. The paper continues with an account of the effects of financialisation on university governance, under which the university acts increasingly like a for-profit corporation, with its financial governance in direct contradiction to its charitable status. Here, the university emerges as a key site of neoliberalism, where financialised subjects are shaped. Finally, we examine to what extent the financialisation of the university may be halted through a reflection on its status as a charitable corporation.

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1. Introduction

The announcement of the founding of a New College for the Humanities by Grayling in June 2011 sparked much outrage in the UK higher education sector. It arrived on the back of a fierce struggle over the future of universities in the UK, with the government succeeding, despite student and academic opposition, in raising university fees to £9000 per annum, leading to widespread worry about the sustainability of universities. Hunt (2011), general secretary of the Universities and Colleges Union, complained that the New College would further “entrench inequality within higher education”, and Eagleton (2011) accused Grayling of “taking advantage of a crumbling university system to rake off money from the rich”, and surmised that if there would be more private universities “the current crisis in universities will escalate into educational apartheid”.

The criticism here rests at least in part on the fact that the New College is a for-profit corporation in the form of a limited company – in contrast to all of the existing universities in the UK (except the University of Buckingham), most of which as charities enjoy the status of “exempt charity”, meaning they do not have to explain to the Charities Commission in what way they produce public benefit (CUC, 2009, p. 38). At the same time, by being accredited as universities or university colleges, and therefore agreeing to certain governmental regulations, they have the right to grant degrees, charge student fees up to

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£9000 (from 2012), and are financially supported by the state. By contrast, the New College shuns this bypass clause, gives up on state funding and its regulatory implications, and concentrates on the custom of those capable of spending £18,000 annually, whilst relying parasitically on the University of London to grant its graduates degrees and to provide basic facilities like lecture halls and libraries.

Yet on what grounds is this fury at Grayling and his colleagues based? Jenkins (2011) suggests that it arises partly from the fact that Grayling has caricatured the British university as “no longer an academic community but a high-end luxury consumable for the middle classes”. The New College, in this view, is an institution that simply puts a mirror to the face of the British university and what it will become if the recommendations of Browne et al. (2010) and the proposed reforms (DBIS, 2011) are implemented: not a public but a private good traded in “a lightly regulated market in which consumer demand, in the form of student choice, is sovereign in determining what is offered by service providers (i.e. universities)” (Collini, 2010, p. 23). Yet the idea that “most not-for-profit higher education institutions now operate in a businesslike manner” (Universities UK, 2010, p. 4) challenges a primary distinction between charities and for-profit businesses and fudges the traditional distinction between public and private institutions. Still, the distinction between public and private has hardly been explored in the context of the university (Parker, 2011, p. 448). To respond, we will follow Calhoun, by asking in what sense the university “is or may be ‘public’: (1) where does its money come from? (2) who governs? (3) who benefits? and (4) how is knowledge produced and circulated?” (2006, p. 7).

We will address these questions using the institutional history of the university, which demonstrates that the charitable status of the university has been problematised, with financialisation having profound effects on university governance. We first recount a brief history of incorporation to show the problematic legal status of public and private institutions. Incorporation has historically been bound up with the notion of the university. We argue that incorporation provides a legal form connected to a long history of ideas, informing conceptions of ownership and attributions of agency and rights. These conceptions were fundamentally challenged by the new theory of the firm (Jensen and Meckling, 1976), which casts institutions as a nexus of contracts, and therefore reducible to economic agents contracting. Since the latter are conceived of as *homo economicus* in neoliberal discourse (Foucault, 2008), the very idea of charity is destabilised, and the legal status of institutions becomes largely irrelevant to their functioning. With the neoliberal reshaping of the state (Harvey, 2005), these economic logics have come to dominate in the public sector, including universities.

This has taken place against a background of major changes in corporate governance and management (Calhoun, 2006, p. 15). With the dominance of Wall Street (Henwood, 1998) and the widespread primacy of shareholder value, financialised logics have come to dominate. In the second part of this paper, we show how this financialisation privileges very particular notions of ownership, agency and rights, thereby changing the nature of the corporate form. The nominally equal status of the private corporation and the university then allow these logics to become similarly dominant in the university. Under neoliberalism, the distinction between public and private is challenged. Where previously the welfare state might have financed universities in support of their public benefit, the neoliberal state increasingly refrains from doing so. The university must now look elsewhere for finance, through loans, bonds, or even equity, which consequently impose their logic (Beverungen et al., 2009).

Here neoliberalism as “the financialisation of everything” (Harvey, 2005, p. 33) emerges as the key process with which to understand the contemporary university. Complementing studies of the dominance of management in the contemporary university (e.g. Parker and Jary, 1995; Prichard and Willmott, 1997), this paper interrogates the dominance of management in the university today as one consequence of financialisation, and specifies the concrete form this dominance of management takes through the changed nature of financial accounting in the university, e.g. in its extended use of cost- and profit-centres (Alexander, 2000). Extending work on the commercialisation or privatisation of the university (e.g. Slaughter and Rhoades, 2004), a focus on financialisation shows how the university has a central place in reproducing financial logics and subjectivities (Parker, 2011).

The university thus appears not merely as a victim of financialisation, but as one of its main agents. In our conclusion, we explore potential responses to these developments. The first is to struggle for a take-over of the university and its governance, and to seek new ways of governing the university that resist financial logics. This would entail the construction of common spaces within the university that oppose the instrumental logic of finance. The second is to reclaim the historical attachment of the status of the university to the notion of charity. This reclaiming of the university in the name of charity is, however, crucially reliant upon a critique of finance and accounting in contemporary university governance.

2. A brief history of incorporation

Many of the foundational texts of the modern university (Newman, 1996 [1889]; Kant, 1992 [1798]; Humboldt [1809] in Müller, 1990) rely on a distinction between the activities of the university and private enterprise, and therefore between the university and the private corporation as institutions. The university is considered to be an institution not guided by the principles of commerce but instead held together by theology (in the case of Newman), reason (Kant) or culture (Humboldt) (see Readings, 1996). It is an institution similar to the church and/or the state, rather than business. Yet in works such as Newfield (2003), a more complicated relationship emerges in which “the research university and the business corporation grew up together” (2003, p. 3). Newfield drily notes that historians “have been unable to find a period in which colleges and universities were fully in the hands of educators who ignored business input” (2003, p. 21).

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