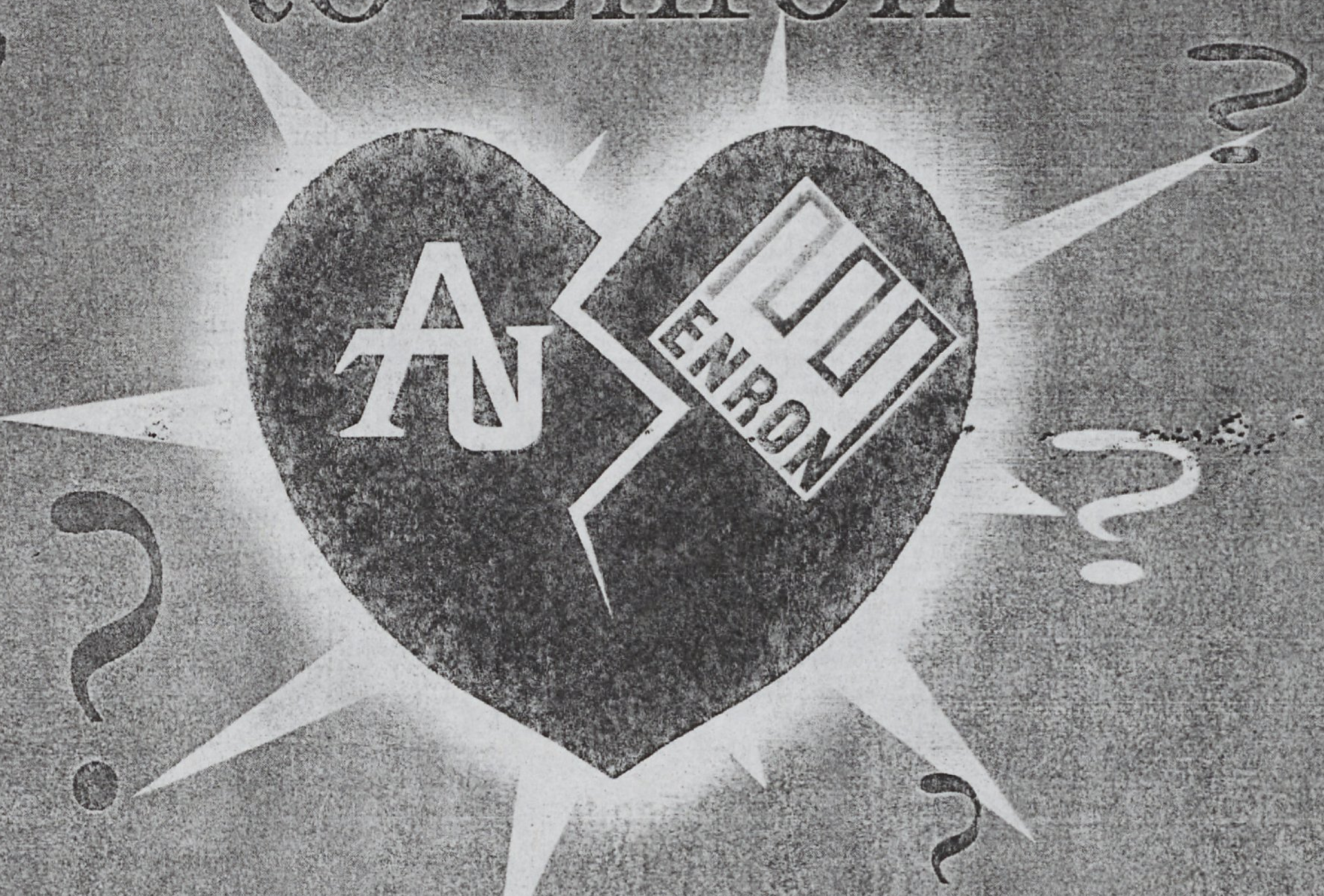
From Adelphi to Enron



Over the past decades, universities and colleges have borrowed much from the market ideologies of the business world. How will such a vision of higher education fare in the post-Enron world?

BY PAUL LAUTER

12-3-02

AAUP)

Paul Lauter is A.K. and G.M. Smith Professor of literature at Trinity College. A longer version of this article will appear in Composition as Management Science: Literacy Work in the Managed University, *edited by Marc Bousquet, Leo Parascandola, and Anthony Scott.*

The changes now taking place in the academy are part and parcel of broader transformations reshaping other institutions in the United States. As political writer Richard Ohmann has pointed out, the same forces have altered the medical and legal professions. Although the changes under way differ from profession to profession, some features are common. One example is the concentration of institutional power in the hands of senior managers at precisely the historical juncture in which progressively larger institutions—universities, multinational corporations, accounting, consulting, and law firms, and the like—have come to play more determinative roles in the lives of people in the United States and elsewhere.

Where once it was said that war was too important to be left to generals, now it seems that education is too important to be left to teachers, medicine is too vital to be entrusted to doctors and nurses, and profit and loss is too critical to be left to investors. The recent accounting scandal at the former energy giant Enron dramatized the dangers of this arrangement, although some academics may have perceived them a few years back on a smaller scale at Adelphi University.

The changes to which I refer are called variously "corporatization," "privatization," "commodification," or "marketization." These terms represent related but somewhat different phenomena, but they all entail the application of "free-market"—that is, not government-planned—principles in every area of life, from the airwaves, to energy, to water—and, of course, to education. What is involved is something more than turning over public facilities to private profit, although that is often entailed. I am referring instead to the mindset, the informing ideology, or perhaps what French sociologist Pierre Bourdieu called the "habitus" that shapes people's ways of thinking and that underlies particular policies.

Briefly, that view holds, first, that the application of free-market principles is the best, perhaps the only, guarantee of efficient, sensible, and indeed fair distribution of desirable commodities. Second, it maintains that anything is at least potentially a commodity: cockles and mussels, college degrees, hearts, eyes, and livers, promises to supply as-yet-undiscovered natural gas, legislation, legislators, futures of every sort. Third, this perspective holds that market principles can best be maintained by what amounts to a new class of institutional managers whose main business is to resist the inertial drag of other potential centers of power—employee organizations, government regulators, various "publics." And finally, it contends that other considerations are undesirable, if not absolutely dangerous, interferences with the operations of the market, whether they involve redressing past racial discrimination; providing a living wage; balancing public needs, such as a clean environment, against private profit; or even maintaining certain traditional ideas about the purposes of education.

> Delegitimizing market ideology is . . . a necessary, though not a sufficient, condition of change . . . .

Enron taught us that the ability to perpetrate the most outrageous deceptions and frauds depends upon an ideology, a high level of shared assumptions among victimizers and victims, wolves and sheep alike, about what is legitimate enterprise, at least so long as it works. Delegitimizing market ideology is, I believe, a necessary, though not a sufficient, condition of change, whether one is talking about the American economy or the shape of the educational system.

The Adelphi Story

When I taught on Long Island in the 1970s and 1980s, Adelphi University was generally thought of as the premier institution on the island—not, perhaps, a high compliment considering the competition, but a meaningful one. That was so until John Silber (then president of Boston University and known for his aggressively right-wing politics) and others like him came to dominate the board of trustees. In 1985 the trustees appointed as university president Peter Diamandopoulos, who had been pushed out of his previous post in California. As Lionel Lewis points out in his 2000 book, *When Power Corrupts: Academic Governing Boards in the Shadow of the Adelphi Case,* Diamandopoulos's main talent seemed to lie in "privatizing" the resources of an institution by, for example, upping his compensation package to about $800,000 (second only to Silber's among university presidents), purchasing a $1.2 million condominium in Manhattan for his personal use, and arranging costly insurance-brokerage deals and excessive advertising and legal fees for supporters on the board.

Diamandopoulos's tenure was marked by efforts to crush faculty governance, cut courses, and force students (fewer and fewer each passing year) to pay more of the costs. He increased the university's endowment and, at the same time, enormously expanded administrative costs and perquisites. It is not a pretty tale, nor one worth extended analysis, except to say that its reigning ideology was that of the free market.

Diamandopoulos also brought in large grants from the right-wing Olin Foundation to fund highly paid visiting professorships for and lectures by conservatives who presumably shared the concerns of Olin's president, William Simon, over what Simon described in his 1978 book, *A Time for Truth,* as the "dominant socialist-statist-collectivist orthodoxy which prevails . . . in most of our large universities." Whatever the ideology being promoted, the ruling practice at Adelphi was use of the institution to enrich its insiders.

The regime ultimately crumbled in 1996 when the faculty union led a successful effort to get the New York State Board of Regents (a sort of educational Securities and Exchange Commission unique to New York) to intervene in an increasingly corrupt situation and to remove the malefactors: Diamandopoulos and seventeen trustees, including such conservative luminaries as Silber, Hilton Kramer, and Joseph Carlino. Adelphi has been in faint recovery since, its decline perhaps symbolized by the melting away of the English department from twenty-seven faculty members to about five.

Managers Versus Professionals

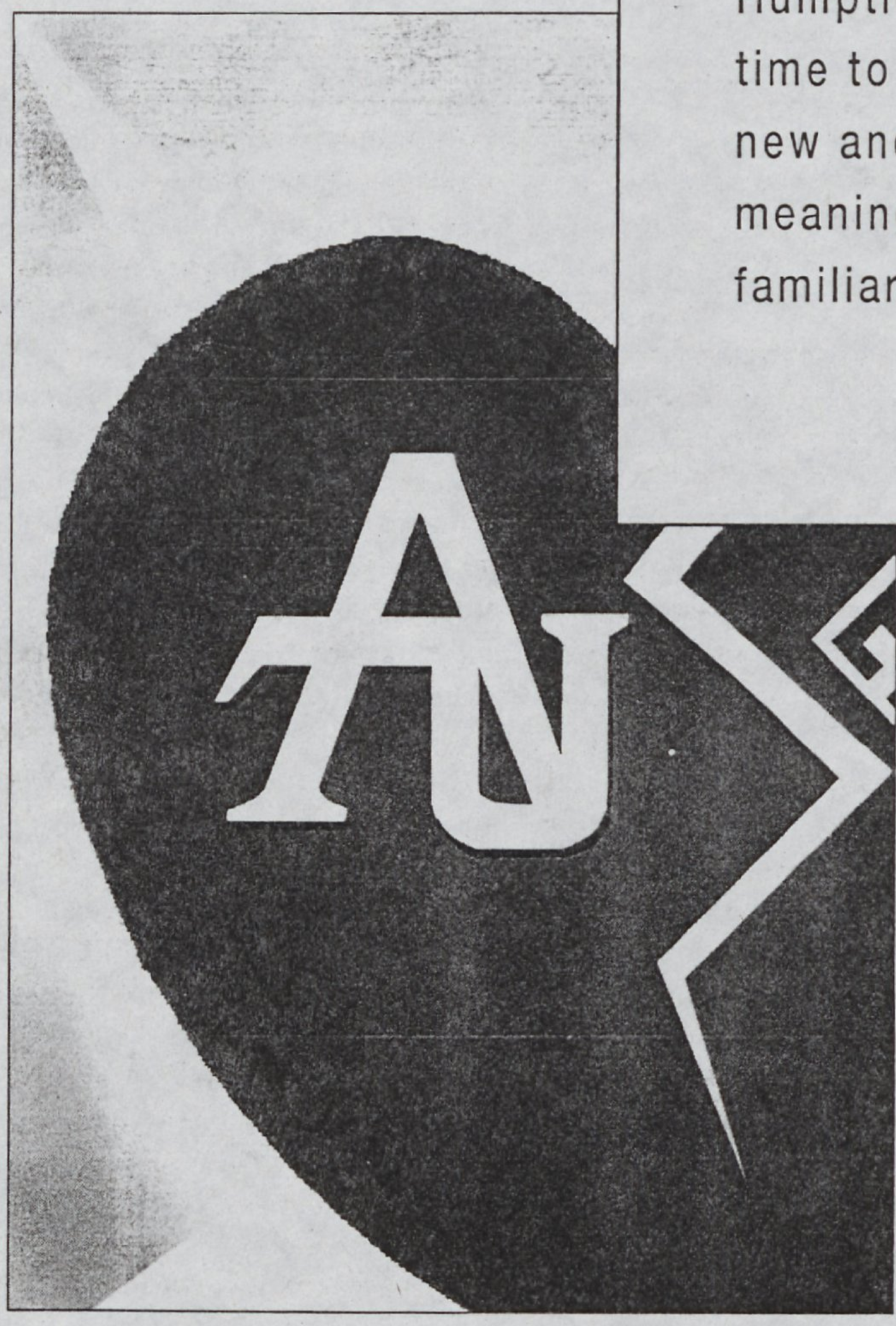
The situation at Adelphi was extreme, to be sure, but only insofar as it carried certain widespread practices of institutional executives—union busting, program cutbacks, privatization of costs, heavy capitalization, insider enrichment—beyond the realm of what even New York's conservative attorney general saw as legitimate. It is not the extremity of Adelphi that was the problem but its very commonality; so is it with Enron.

Let me offer a couple of relevant Enronic examples and their academic analogies. Key to the practices of Enron—and apparently dozens of other big corporations—were so-called off-balance-sheet transactions. Once upon a time, we might have taught our first-year students that the term "off-balance-sheet" violates one of the basic laws of thought, that of contradiction. If a "balance sheet" has any meaning, it stands for an inclusive summary of an organization's assets and liabilities, from which nothing can be "off"—unless, of course, you're Humpty Dumpty:

> "But 'glory' doesn't mean 'a nice knock-down argument,'" Alice objected.
>
> "When *I* use a word," Humpty Dumpty said in rather a scornful tone, "it means just what I choose it to mean—neither more nor less.
>
> "The question is," said Alice, "whether you *can* make words mean different things."
>
> "The question is," said Humpty Dumpty, "which is to be master—that's all."

Senior Enron managers, their Arthur Andersen accountants, pricey lawyers, and, very likely, key federal government players apparently bought into this Dumpty definition—"which is to be master—that's all."

What enables the Humpties of our time to create such new and dangerous meanings from familiar phrases?



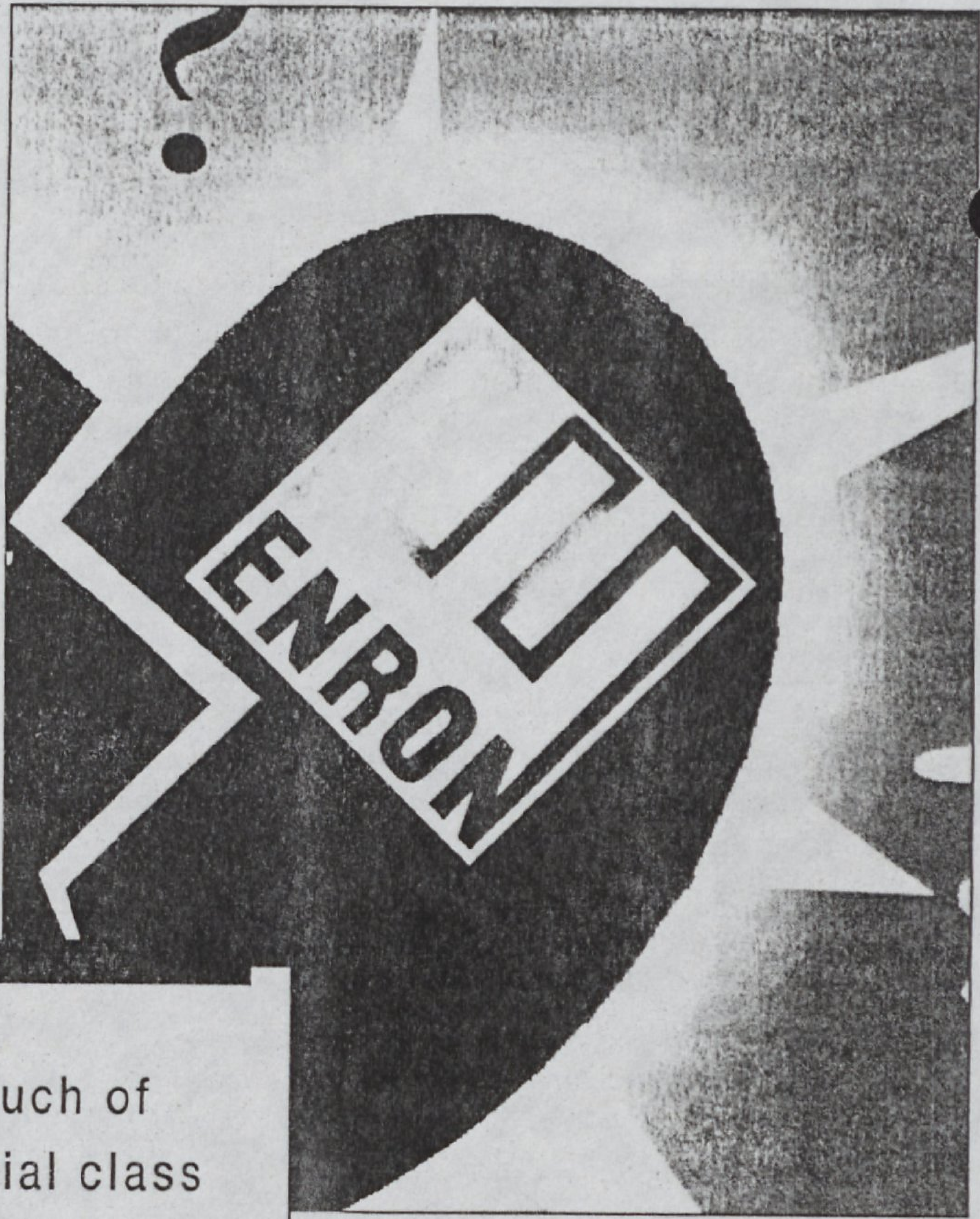
Academe pioneered a similar kind of doublespeak with the invention of the "non-tenure-track" line. Until the mid-1970s, being on a "line" meant that one would in due course of time and work be fired or achieve tenure, just as a person laboring on an assembly line for a period designated in a contract would, unless terminated before, achieve an appropriate form of job security. What enables the Humpties of our time to create such new and dangerous meanings from familiar phrases? The arrogance of power inspires them, in part, but more important are the widely shared assumptions about the market and the role of managers within it that mark today's capitalism—free-market ideology, in short.

Another image familiar to most Americans by now is that of Enron CEO Kenneth Lay puffing the value of Enron stock to the corporation's employees—even as he is dumping millions of dollars worth of his own holdings. He was, of course, trying (desperately, perhaps) to maintain the loyalty of his troops. Or to say it slightly differently, he was engaged in a rhetorical exercise designed to sustain the illusion that his interests and those of his employees—at least those professionals sufficiently compensated to own company stock—were enough allied for them to make common cause.

Lay's problem was that the "professional-managerial class"—the "PMC" made famous by social critics Barbara and John Ehrenreich—has increasingly fragmented. The real interests of professionals—doctors, professors, information technology geeks, company accountants, even some lawyers—and those of managers or "executives" have diverged, the more so as budgets have come under stress in recession.

Perhaps Lay had studied the letters written by the managers of Yale University to its professoriate during the 1996 grade strike among teaching assistants, and later to a broader academic world. These letters succeeded in sustaining managerial hegemony by winning the assent of those whose academic, and therefore largely anticorporate, culture might have inclined them to sympathy with their graduate employees. In other words, university managers, like their corporate counterparts, maintain authority by the familiar tactic of securing the cooperation of those whose real-world interests might more or less overlap with those of the managers but are not clearly identical to them. My own experience tells me that adopting the hostility of college and university administrations to unionization is, for most faculty, an error—not as egregious, but as blind, as the choice of Enron's employees to listen to Lay's lies and hold their stock.

Let me add one further element to this unseemly brew: institutional loyalty. Most of those who actually ran Enron escaped its collapse as wealthy people, whereas the company is busted, much of its staff is unemployed, its pension plans are drained, its creditors are empty-handed, and its customers—like the California electricity users it seems to have cheated—are a good deal the poorer. This scenario supports the suggestion that the interests of managers, on the one hand, and of the institutions they manage, on the other, diverge. Indeed, that is one of the conclusions arrived at by the internal investigative committee examining Enron's demise.



Executive Excess

This conclusion should come as no surprise. The key to the "new economy" of the 1990s was the market, the stock market, that is. The stock market is at once a form of capitalization and a form of speculation. Capital markets are designed to provide funding for companies that want to offer a product or a service. But in the new economy, no company had to produce a product or a service that actually sold. It had only to *seem* saleable. If those who founded and ran companies like Global Crossing and Worldcom that misstated their profits could sustain an illusion for long enough to accumulate and then peddle company stock, they could—and did—come away, as we used to say, filthy rich.

The operative bottom line for these executives was their own bank account. As all Americans have come to see, the interests of such executives do not coincide with those of the company being managed, much less with those of its employees, the communities with which it engages, or even its shareholders. To say this another way, the company becomes a mechanism not only for transferring, in traditional Marxist terms, the surplus value created by workers producing products or services into the pockets of executives, but also a means for transferring the investments of those who buy stock into the same pockets. As a former Enron manager told the *Washington Post* in February 2002, "The ingrained philosophy was, me first, money counts, and the government should eliminate my taxes. That's all [Enron executives] cared about—what impacted them personally." No surprise, then, that we now see the greatest disparities of wealth and income in the history of the nation.

Universities are among the institutions involved in widening the distance between the compensation of those at the bottom—often the professors—and those at the top, many of whom are ignorant of classrooms. Of course, the ten-, fifteen-, or even fifty-fold disparities between the compensation of teaching assistants, groundskeepers, and secretaries, on the one hand, and university provosts and presidents, on the other, are small potatoes when today's corporate executives make off with millions as employees populate the unemployment office. Still, such practices in academe help legitimate the even more extreme forms now commonplace in corporate America.

Moreover, much of the managerial class in colleges and universities see their institutions in the same way that corporate executives perceive their companies . . . .

Moreover, much of the managerial class in colleges and universities see their institutions in the same way that corporate executives perceive their companies: fundamentally as arenas for pursuing their own bottom lines. Like the personal bottom lines of the Enron executives and the Adelphi trustees, those of university managers often relate to money, perquisites, connections to others who share their values, or the leg up on the next position. But the issue is not really the personal values of academic administrators; after all, we all know excellent folks who have chosen, for whatever reasons, to work as executives. Rather, the important point is the way in which the institutions promote the corporate ideals I have been describing.

Education in Capitalism

Colleges and universities teach both in and outside of the classroom. When Harvard University resists paying employees a living wage, a lesson is taught. When the University of Pennsylvania so gentrifies its immediate neighborhood that store rents there are higher than in Center City Philadelphia, a lesson is taught. When Yale uses the standard corporate tools of outsourcing, cutbacks, and speed-ups to "save" money at the expense of its low-income New Haven workers, a lesson is taught. As I wrote in *From Walden Pond to Jurassic Park*, "Lessons, powerful lessons, are taught by how things are managed, and thus by the managers. . . . Indeed, the lessons of power are often those modeled by how classrooms are organized, employees managed, decisions executed—and how a college interfaces with the community it often dominates and always shapes."

The free-market ideology being taught at U.S. universities has to do with winning the hearts and minds of young Americans to the fantasy that their interests are at one with those of Enron and Worldcom executives. Such lessons are reinforced within the multiplying classrooms devoted to promoting enterprise, marginalizing labor, submerging the realities of social-class disparity, and, above all, promoting the underlying ideological tenet of free-market capitalism: individualism.

One way to understand why the first-year composition course survives, indeed thrives, despite its costs, its dubious results, and its general disparagement, even by those who teach it, is to think of its ideological function: it teaches students that they, and they alone, are responsible for their own success or failure. I think back to English 101 as it was taught at my Big Ten university in the 1950s: the "flunk-out" course, the one that warned students that failing to understand the enchantment of subject-verb agreement or the mystique of the past tense "-ed" marked them as losers who belonged elsewhere than in the university.

We are now at a point in this article in which we can perform a rhetorical exercise: to what question is "Enron" the answer? What is the name for some bad boys who got caught with their hands in the cookie jar? Or, what happens when there's a temporary breakdown in what is otherwise the best of all possible systems? Or, what is the logical outcome of free-market capitalism run rampant over much of the globe? These questions represent three distinct, if overlapping, analyses of the current big-time scandals. What would it take to make a majority of Americans agree that the appropriate question is the final one, that is, that the story of Enron is neither one of bad boys nor creaky checks and balances, but of free-market ideology?

A free-market curriculum has not prepared young people to survive in this tense, competitive world.

Instruments of Change

The political situation I have signified by "Enron" was constructed in a particular way and at a particular time. In what is now clearly a new time and a rapidly changing reality, it can be dismantled. And universities should and can be instruments of that process. They *should* encourage the process because the unalloyed promotion of the free market as the standard of value has, as Adelphi and Enron make clear, led neither to truth seeking nor to sound education.

The selling of "career" programs that satisfy the immediate training needs of corporate employers and donors has not prepared students for real careers in a world requiring flexibility, logic, imagination, breadth, and the ability to reinvent oneself. Instead, it has slotted students, with luck, into mere jobs, many of the dead-end variety. A free-market curriculum has not prepared young people to survive in this tense, competitive world. It has made them into sheep, ready to be sheared and consumed by those who depend upon their ideological docility, their institutional credulity, and their inability to ask, and to keep asking, nasty questions about ethics, truth, and even addition.

Universities *can* be instruments of change because with all their narrowness and privilege, colleges and universities remain among the few institutions in American society with the resources and the intellectual space to call pieties into question. They can foster transformation also because the cultural conditions within which free-market ideology became hegemonic have altered, and because a renewed campus movement for change has come into being over the last few years.

Deploring or anatomizing the corporatization, as it has been called, of today's university is nothing new, as sociologist and social critic Stanley Aronowitz pointed out in his 2000 book, *The Knowledge Factory: Dismantling the Corporate University and Creating True Higher Learning*. What has changed in the wake of Enron, Global Crossing, Worldcom, the collapse of the dot-com bubble, and other abuses now drifting into visibility is a widespread reassessment of corporate values and practices. In *Breaking the Social Contract: The Fiscal Crisis in Higher Education*, published in 1997, the Council for Aid to Education called on higher education to "change the way it operates by undergoing the kind of restructuring and streamlining that successful businesses have implemented." Few people criticized that objective. Yet who, in 2002, would propose that universities model themselves on corporations? What is necessary now, just as politicians and pundits are reexamining business values and procedures, is a thoroughgoing critique of the damaging influence of corporate culture on higher education in America.

In the meantime, developments off campus—from Seattle and Genoa to Enron and Global Crossing—are combining with those on campus—from new breakthroughs in faculty unionization to living-wage and sweatshop campaigns—to create conditions for change unimaginable even two or three years ago. Opportunities exist for students, staff, and teachers to question the exploitative practices that have produced the main results of academic corporatization: the scandal of part-time employment, the erosion of tenure, the abuse of graduate students, and, especially, the narrowing of higher education.

It took some thirty years and huge investments by right-wing financiers to produce the damage. Reversing the tide will not happen overnight. But it can be brought about if we keep our eyes on the object: questioning fundamentally—radically—the prevailing corporate ideology and acting, on campus, in the classroom, and in the street, to make sure those questions are on every political agenda.