Corporate business practices among leaders of higher education have increasingly come under fire during the last two decades. Questions of university leadership, however, particularly corporate practices, go back at least to the early twentieth century. This paper contrasts the views of Thorstein Veblen and Charles W. Eliot, two prominent early twentieth century educators, whose opposing views demonstrate the still relevant benefits and perils of corporate practices in higher education. A brief summary of the lives of Veblen and Eliot is provided, followed by a discussion of their opposing beliefs on the qualities of a successful administrator and the role of the faculty in university governance.

Over the past century, definitions of corporate practices have varied, but this paper specifically highlights critiques of executive authority, methods of standardization, and the treatment of students as potential products for specialized markets. Modern examples of corporate practices in higher education are addressed to illustrate the relevance of Veblen’s and Eliot’s arguments in higher education today. Veblen’s model of university administration has become antiquated, unable to compete with the success of the model favored by Eliot. Nonetheless, continued discussion of Veblen’s criticisms remains important in keeping corporate practices in check.

Thorstein Veblen and Charles W. Eliot

Thorstein Veblen (1857-1929), a prominent economist and university critic, disparaged corporate practices in higher education in the early twentieth century. In particular, Veblen viewed the corporate vertical business model as a corrupting influence. He despised the leaders of universities, calling them “captains of erudition,” an acerbic variant of the contemporary optimistic phrase “captains of industry,” which referred to the prominent business CEOs...
of steel, railroad, and finance. Veblen’s scathing criticisms conflict with Eliot’s views on university governance. Veblen published his views concerning the maladies of university governance in *The Higher Learning in America*, mostly written in the first decade of the twentieth century but not published until 1918. Conversely, Harvard University President Charles W. Eliot (1834-1926) maintained that the businessman was well suited to run the university. Eliot’s *University Administration*, published in 1908, extolled the benefits of corporate-oriented trustees and presidents. The arguments found in these two books highlight Veblen’s and Eliot’s opposing views, and are the primary references for this paper.

Eliot’s ideas on the corporate model of university leadership largely mirror present day university practices. While students, faculty, administrators, and citizens complain about certain corporate tactics in universities, they tend to support cost-cutting and efficiency measures in general. But Veblen’s position provides a striking counterbalance, raising questions that are still applicable today. This paper addresses the qualities of university administrators and the advantages and disadvantages of Veblen’s and Eliot’s ideals of university leadership. If we were to accept Veblen’s model, it seems certain that ethical responsibilities would arise for faculty members—responsibilities faculty may not wish to claim. I argue, therefore, because faculty seem generally unwilling to take on the additional administrative responsibilities that Veblen’s views entail, his model of university leadership is not, perhaps regrettably, practicable in today’s university atmosphere. Though today’s universities exhibit drastic differences in the size and makeup of the student, faculty, and staff bodies, some of Veblen’s concerns still sound alarms within the contemporary dominant university corporate business model.

When contrasting the views of these two men, it is helpful to have some idea of their backgrounds and experience in university leadership. Veblen’s academic and personal life is somewhat reminiscent of that of Charles Sanders Peirce, one of the founders of Pragmatism, America’s indigenous philosophy. Veblen was fired from faculty positions on multiple occasions and eventually became a visiting lecturer. He was also invited by his former graduate students to fill faculty positions at various universities. Despite his troubled career and the fact that he could not get along with a series of

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4 Harvard itself is one example of a corporate university as highlighted in Harry R. Lewis’s *Excellence Without a Soul: How a Great University Forgot Education* (New York: Public Affairs, 2006).
university presidents and administrators, Veblen is best known for his controversial arguments and publications related to the “conspicuous consumption” of the leisure class.\textsuperscript{6} Perhaps less well known are Veblen’s views related to university leadership.

Eliot, on the other hand, a Harvard-trained chemist, based his argument for the university model on his tenure as Harvard University’s president (1869-1909). Eliot called for a number of dramatic reforms in both higher and secondary education that included raising requirements for graduate and professional programs and standardizing curriculum in high schools.\textsuperscript{7} It could be argued that his crowning achievement was the founding of the Harvard Business School in 1908. During Eliot’s presidency, he implemented the elective system whereby students could take non-required courses to prepare them for their future careers, including vocational or business courses. Veblen deplored this system, claiming that universities should not integrate professional schools with those who do “science and scholarship.”\textsuperscript{8} Veblen saw the introduction of vocational courses as an affront to the traditional elements of higher education, especially since these courses were intended only to prepare students for “competitive business.”\textsuperscript{9}

Veblen’s and Eliot’s views particularly clashed with regard to the qualifications and attributes of a successful university leader. Veblen was adamantly opposed to the business leadership model for university governance.\textsuperscript{10} He maintained that the businessman rises to the presidency because of his flare for publicity “as contrasted with the slow-moving and often obscure working of inquiry that lies (commonly) somewhat beyond [the businessman’s] intellectual horizon.”\textsuperscript{11} Not only did Veblen suggest that businessmen are not as intellectually developed as the traditional academic, he complained that it is mainly the charismatic demeanor of businessmen that allows them entry into university governance. Veblen maintained that universities would flourish “even under the undistinguished and uneventful management of commonplace honesty and academic tradition, without the


\textsuperscript{7} A selection of Eliot’s speeches are included in Charles W. Eliot, The Training for an Effective Life (Boston: Houghton Mifflin company, 1915).

\textsuperscript{8} Veblen, 20.

\textsuperscript{9} Ibid., 196.

\textsuperscript{10} For some of his analysis Veblen drew on James McKeen Cattell (1860-1944), a psychologist and contemporary of Veblen and Eliot. See Cattell, “The Corporation and the President” in University Control, ed. James M. Cattell (New York: The Science Press, 1913), 28. Cattell criticized contemporary university governance by claiming that despite written policies, “in practice” the president of the university “is likely to select the trustees” and the executive committee members “and the faculties and professors are supposed to communicate with the trustees only through the president.”

\textsuperscript{11} Veblen, 88-89.
guidance of a ‘strong man’.”\textsuperscript{12} In contrast, Eliot claimed that most professors have little interest in running a university and that they preferred instead “a highly educated, public-spirited, business or professional man, who takes a strong interest in educational and social problems” to govern the day-to-day affairs of the university.\textsuperscript{13} Eliot saw the university presidency as an office for those advanced in skills of administration and social relations, not as one geared for discipline-based academic research.

According to Veblen, there was much to criticize in the corporate business-led model of the university. He attacked the notion that businessmen knew how to best lead university communities by claiming that the businessman’s competitive “bread-winning” mentality focused on monetary prices, quantity, and profit, appeals to the “vulgar.”\textsuperscript{14} Furthermore, Veblen described the corporate leader as an “itinerant philanthropist,” blending the terms philanthropist and philanderer.\textsuperscript{15} So for Veblen the corporate leader was seen as demonstrably inferior. Administrators of higher education were generally held in contempt by Veblen, who maintained business leadership caused damage to the educational process.

Veblen leveled a number of specific criticisms at the corporate model. He claimed that a “mechanically” constructed credit system had the effect of reducing instruction “to standard units of time, grade, and volume.”\textsuperscript{16} Furthermore, Veblen asserted that “work that has a commercial value does not belong in the university.”\textsuperscript{17} For Veblen, the ideal university soared above the mundane, transactional, profit hungry world. “All this advocacy of the practical in education,” Veblen complained, “has fallen in with the aspirations of such young men as are eager to find gratuitous help toward a gainful career, as well as with the desires of parents who are anxious to see their sons equipped for material success.”\textsuperscript{18} Veblen also complained that the changes he saw in education were unduly influenced by employers who relied on new graduates to staff their businesses. So Veblen attacked not only those students who sought a “practical education,” but also their parents and business-minded employers. In this vein Veblen also took a stab at business ethics. He disdained the idea that “what is good for business is good, without reservation.”\textsuperscript{19}

Veblen argued that these tainted business values were perpetuated by a “captain of erudition” at the university helm. He contended that the university

\textsuperscript{12} Ibid., 268.
\textsuperscript{13} Eliot, \textit{University Administration}, 2.
\textsuperscript{14} Veblen, 198.
\textsuperscript{15} Ibid., 259.
\textsuperscript{16} Ibid., 103.
\textsuperscript{17} Ibid., 151.
\textsuperscript{18} Ibid., 196.
\textsuperscript{19} Ibid., 197.
president was difficult to be rid of because he “is too dear to the commercialized popular imagination, and he fits too convincingly into the businessmen’s preconceived scheme of things, to permit any such sanguine hope of surcease from skilled malpractice and malversation.” Veblen held that the “academic executive and all his works are anathema, and should be discontinued by the simple expedient of wiping him off the slate; and that the governing board, in so far as it presumes to exercise any other than vacantly perfunctory duties, has the same value and should with advantage be lost in the same shuffle.”

Though Veblen did not offer a feasible alternative for university leadership, he did describe his version of the ideal university president, conceding that such an individual might be found in a flawed university governance system. He described the ideal president as one “with ingrained scholarly ideals and a consistent aim to serve the ends of learning,” expressed in the form of a senior faculty member who had not aspired to the position but who had strong faculty backing. Veblen maintained that “this will happen in spite of the ubiquitous candidature of aspirants who have prepared themselves for this enterprise by sedulous training in all the arts of popularity and by a well organized backing of influential ‘friends.’” Here Veblen criticized those with aspirations for attaining the top university position and proposed instead that the best candidates would only accept the job at the urging of faculty peers.

Eliot, by contrast, maintained that universities need business-oriented administrators who also see the importance of higher learning and who support the community’s social wellbeing. He claimed that a larger administrative body was beneficial to the students and that students were better served by business-like competition in the university atmosphere. For example, Eliot declared that students were offered better prices on housing accommodations through the merits of private business competition, allowing students to live more affordably. In his annual report for the academic year 1900-1901 Eliot applauded the recent growth in the size of the university’s administration “because much greater administrative attention is now given to the individual student than was given twenty years ago, or forty years ago, when the number of students was much smaller.”

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20 Ibid., 286.
21 Ibid., 286.
22 Ibid., 263. Veblen describes the authority given to the university president by a governing board as “arbitrary powers exercised in a tangle of ambiguities,” Veblen, 84.
23 Eliot, University Administration, 2-3.
24 Eliot, University Administration, 21.
25 Charles W. Eliot, “President’s Report for 1900-1901 to the Board of Overseers,” Annual Reports of the President and the Treasurer of Harvard College, 1900-1901 (Cambridge: Published by the University, 1902), 46.
Eliot also argued that the academic faculty had little concern for the administration of a university and that professors preferred to have a business leader at the helm. Further, Eliot suggested that the President was not alone in carrying out essential university functions, explaining that a network of individuals insured the functioning of a university. The president worked with the boards of overseers and trustees, committees, and fellows, for example, to draw “upon public-spirited persons known to be interested in the objects the Committees were trying to promote.”

Eliot also cautioned university leaders that they should pursue “the advice of the university faculties” and avoid interfering with their power. Hence, Eliot supported the corporate model of university leadership while emphasizing the benefit of staying in tune with the voices of the faculty.

In his article, “The University President in the American Commonwealth,” Eliot maintained that the university president “is never in the position of a military commander or a ‘captain of industry’. He cannot serve the university well by the exercise of any arbitrary authority, and as a matter of fact—with the rarest exceptions—he does not possess, or attempt to use, any such authority.” Eliot did not see the relationship between president and professor as that of employer and employee, and he refused to acknowledge the university president as “the arbitrary and unsympathetic employer.”

No doubt, the positions of both Veblen and Eliot have virtues based on their own logic. Veblen saw faculty involvement at the administrative level as an ethical necessity to prevent the maladies of corporate business practices, whereas Eliot’s views encouraged corporate-like competition among universities that led to scholarly achievement in both established and developing academic fields. Eliot argued that university professionals need to focus their efforts on their unique specializations rather than govern a university, but Veblen suggested that professors could handle administrative loads alongside their other responsibilities. For Veblen, replacing the business administrator with governing faculty members untainted by unrighteous ambition would radically recuperate the academic atmosphere.

Veblen’s *Higher Learning in America* is a treasure trove of higher education criticisms. Though it suffers from tedious redundancy and peculiarity that may not completely reflect the current state of universities, he drafts an illuminating censure of the perils in higher education. Veblen’s

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26 Eliot, *University Administration*, 55.
29 Ibid., 236.
scathing critiques are typically made in ambiguous terms. Though the lack of specific evidence might hamper his warranted efforts, Veblen’s persistent exposition of the problems of the business paradigm for the university leaves an indelible impression.

**VEBLEN, ELIOT AND THE CONTEMPORARY UNIVERSITY**

Today universities seem to align more with Eliot’s ideals of governance than with Veblen’s. In the current academic atmosphere, effective university presidents must fundamentally possess a broad range of skills. As claimed in a recent article in *The Chronicle of Higher Education*, “Administrators and faculty members who hope to move up, need to be able to show that they have been involved in raising money for capital campaigns, understand collegiate athletics, and know how to lobby state lawmakers and work in community relations.”³⁰ The university president must be a figure who will foster a sense of loyalty and be a point of energy for the university. Samuel M. Natale, Anthony F. Libertella, and Geoff Hayward highlight the argument that the president must “create the vision, innovation, and internal synergies” of the institution.³¹ In other words, university presidents must promote the university brand in order to acquire funds and be able to produce enhanced services or products such as high quality graduates.

Perhaps it is unfortunate that there has been little room for Veblen’s idyllic professor-run institution among large American universities. Veblen’s critique might appeal to the present-day scholar who shares misgivings of a top-level decision making structure. To be sure, provocative parallels would not escape the passing glance of a scholar keen on the organizational behavior and structure of the modern university. One might ask, if current administrators of a university were relieved of their duties, who would become the fundraisers, public relations specialists, and the lobbyists? If full-time fundraisers were eliminated, would faculty support pay cuts? Faculty would have to respond to parents, students, donors and their restricted funds, and community complaints. They would be the ones to come under fire if a member of the football team received a DUI. They would have to hire and fire the plethora of faculty, staff, and construction companies. Many faculty actually seem uninterested in adding these to the list of their professorial duties, not only because they are tasks sometimes odious to the academician, but because it would make full time research and teaching impossible.

From the faculty perspective it is facile to point out the ills of the corporatization of American higher education. Commonly cited problems include the outsourcing of university teaching and university services, the corrosion of the faculty tenure system, the rise of student tuition, cost-cutting university governing boards, the increased emphasis on grantsmanship, and the marketing practices and acceptance of money from corporate sponsors. Corporate administrators are easily targeted as prestige loving, power hungry “captains of erudition.” And “corporate” is sometimes employed as a pejorative adjective at the faculty club.

Naturally, many questions arise related to the corporatization of universities. But what is there to appreciate among the profit-minded administrators of today’s universities? Why are they tolerated? What might happen were we to reject the corporate model? To be sure, large institutions require a set of expert administrators, professionals whose only tasks center around the success of the institution, with success measured by a number of indicators, not the least of which are financial stability and the quality of faculty, graduates, and athletic teams. For example, administrators work in securing both alumni and non-alumni donations that contribute to a university’s endowment that assists a financially strapped university to ride out difficult economic times; but on the same token, too much reliance on income from endowments has resulted in later drastic cost-cutting actions, as demonstrated recently in the case of Harvard.32

It is apparent that the business model for administration in higher education suggested by Eliot has generally triumphed in American universities during the past century. However, administrators are not always the outsiders that Veblen perceived them to be, since many university presidents started out their careers as faculty members themselves. Veblen would likely admire university faculties that have, at times, stepped up to assert their interest and influence. For example, during the Vietnam War, Stanford University rocked with debate over whether its research arm, Stanford Research Institute (SRI), should accept war related contracts. The faculty asserted itself by insisting that the business-oriented trustees spin off SRI so the university would not be compromised by war industries related work. In another instance, the Harvard faculty, like faculties of several other American universities, decided to drop all stocks from their portfolio (judiciously assembled by its businessmen advisers) which supported the policy of apartheid in South Africa.

Will we ever get beyond corporate business practices in education? One scholar suggested that with the demise of globalization and the demise of

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the nation-state, “the University of Excellence,” or the university that is driven more by profit than culture “serves nothing other than itself, another corporation in a world of transnationally exchanged capital.” 33 Consider the many ways business is integrated in the university with corporate funded research and academic program development. Veblen surely would have been critical of university exclusive beverage contracts that require groups to serve only those products at campus venues. But more importantly, corporate funds often determine the type and scope of university research programs. 34 Paradoxically, academics might complain about the perpetual fundraising drives around them, but the next moment write a slew of grant proposals. Funding is continually becoming more competitive in a market driven enterprise. Federal, state, and local government funding, as well as corporate and foundation grants and donations influence the various fields of research. Yet academics rely upon these funds not only for their salary but also to carry out their respective studies. 35

On the whole, funding from businesses and foundations has increased the corporate influence on universities over the past century. The advent of the Carnegie, Rockefeller, and Ford Foundations added new institutions to the funding scene. And despite the arrival and departure of two World Wars, foundation sponsored research greatly increased. This legacy has continued and it seems Veblen would lament the explosion of corporate or foundation sponsored research that has permeated academia since World War II and has frequently precluded original research in favor of restrictive or applied research guidelines. Funding through government and the foundations, which are really non-profit businesses, has become more competitive and has served as a market driven enterprise that has dictated the direction of academic research. Robert Arnove, for example, asserted that “foundations like Carnegie, Rockefeller, and Ford have a very corrosive influence on a democratic society; they represent relatively unregulated and unaccountable concentrations of power and wealth which buy talent, promote causes, and in effect, establish an agenda of what

34 In the mid-1930s Robert Maynard Hutchins argued that the university should “provide a haven” from vocationalism “where the search for truth may go unhampered by utility or pressure for ‘results.’” Hutchins also maintained that “We have come to the point where the pursuit of truth for its own sake is actually regarded as dangerous by nervous newspaper publishers and business men.” See Hutchins, The Higher Learning in America (New Haven: Yale University Press, 1936), 43-4.
merits society’s attention.”36 Since Veblen’s time, business and foundation sponsored research has dramatically altered in form.37 Only a minority of professors are funded by university purses that support flexible research not tied to a particular thematic top-down dictated project allowing professors the ability to study what interests them.38

**Conclusion**

This paper is an attempt to reevaluate the merits and demerits of the corporate business model in higher education through the arguments of Thorstein Veblen and Charles W. Eliot. Despite the cultural, chronological, and structural distance between the universities known by Veblen and Eliot and the universities of today, some of the arguments remain valid. First, if we are to accept Veblen’s view, we should recognize that it comes with certain ethical obligations for faculty to become involved in the needs of the university. It seems that many faculty are unwilling to take on that obligation at the cost of their own teaching and research.

Second, it should be recognized that the current structure of universities would have to change for Veblen’s faculty governance model to have meaning. Universities would need to be dramatically re-shaped. Currently, fundraising efforts to achieve high rankings place a corporate-like value on university governance, with a dramatic effect on faculty hiring practices. Universities hungry to improve their rankings will frequently hire academic “stars” who are rewarded with elevated salaries. Gerda Lerner showed the gap between entry-level professors and the highest paid history faculty, or “star” level faculty, from 1985 to 2005. Over the twenty-year period, the gap widened between the highest and lowest paid. Equally worth mentioning are the increase of temporary instructors—from 1979 to 2003, contingent faculty, who are frequently hired and fired in corporate fashion, increased from 6% to 25%.39 The tide of such bottom-line-driven practices is indeed strong. The notion that universities can now be run strictly by teaching and research focused academics, or in Veblen’s plan, a faculty supported, non-

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37 This progression is highlighted in the last decade by Stanley Aronowitz who argued that, in contrast with Veblen’s era, higher education has become more comfortable with corporate sponsorships; see Aronowitz, *The Knowledge Factory: Dismantling the Corporate University and Creating True Higher Learning* (Boston: Beacon Press, 2000), 81.
38 Commoditization of higher education is discussed by Dennis Hayes and Robin Wynyard, eds., *The McDonaldization of Higher Education* (Westport, Conn.: Bergin & Garvey, 2002).
businesslike senior professor, may appear somewhat idyllic in today’s university climate of massive and comparatively diverse university populations.

It is not time to eliminate business practices altogether, but to question which ones are helpful for the university environment. In this context, incorporating Veblen’s criticisms and views on the ideal academic governing model assists in providing a meaningful discussion. A challenge confronts faculty, including faculty turned administrators, to reclaim (or in some instances maintain) their influence in university governance, to participate on administrative boards, panels, and committees, and to select faculty leaders that will best advocate for faculty interests.

On the surface it appears Eliot’s arguments have carried the day, yet Veblen’s concerns have surfaced many times over the past century to protest the corporate influence in higher education. Today, Veblen’s Socratic approach critically questions the ethics of university governance and practices in American higher education. While Veblen was unable to reinvent the administration of a university according to his ideal, his perspective stimulates an invigorating debate that continues to influence the course of universities.