University of Michigan: Student Debt and the For Profit University

So, you saw the flyers. What's up? Well, the University of Michigan is changing for the worse—so much so you can see it in almost every part of the campus. We can see it just walking around, where the student body is more affluent and whiter than ever before (in 2000, 18.4% of Michigan students had a family income of $200k or more…in 2010, 27.6%). We can see it in the classrooms, where there are more and more GSIs and lecturers, who are paid only a fraction of what tenure-track professors make. We can see it in the salaries of the university administrators, which have risen a shocking 27% since 2006, while they have similarly raised our tuition (in the same time period) 22%. We hear their claims that there isn't enough money, that there have to be cuts, that the state has defunded us, but we see the reality that the administrators always get paid, in full, without fail. We can see it in tuition, which has risen at Michigan a jaw-dropping 233% since 1990, pricing many poor and middle-income students out of the university. We can see it in the student loans we are now forced to take out: last year alone Michigan students took out an estimated $412 million (that's right, for just one school year) in student loans—that's almost half of what the university took in in tuition last year! And to add insult to injury, we can see it in the $2.3 billion the university administration has borrowed since 2007 to build new buildings, buildings we didn't need, money we shouldn't have borrowed, money that students, not the administrators who borrowed it, will eventually have to pay back, with interest in the form of more student loans.

We can all see that the University of Michigan has changed for the worse and that it isn't getting better and that the administration has no ideas other than to raise tuition and to raise their own pay (…already the administration has announced that, despite state funding going up next year, there will still be a tuition hike!). Those of us involved in Occupy UM have been trying to figure out how things got like this and what we can do about it. In our struggle to figure out how things got so bad, we've come across some information that we found helpful. We want to ask you for 15 minutes of your time to share some of this information with you. In this piece, we will try to tell the story of how we got here. It is a story in two parts. The first part is about the Michigan Model and the rise of the for profit university, and the second is about the rise of student debt as a form of predatory lending (a term used to describe when banks use unfair or deceptive practices to get people into debt). By way of conclusion, we'll make a few proposals for what we can do about it.

The Michigan Model: The Rise of the For Profit University

If the original mission of the University of Michigan was to educate all people, regardless of financial resources or background, how did we get into a situation where a small group of administrators make big bucks and ruthlessly raise tuition each year, driving students deeper and deeper into debt? How did this come to pass?

The most important change that has occurred, and it occurred slowly, beginning in the 1980s but intensifying in the early 2000s under the administration of Mary Sue Coleman, is that Michigan has become a university run on a "for profit" model. What do we mean by "for profit" and how is this a change? Well, since the 1960s, in the United States, a massive change has taken place in the way universities are run. In the 1960s, education was envisioned as a public good, as something that everyone, regardless of class, race, gender, ability, etc., should have access to (even though women, students of color, sexual minorities, and the differently abled were still discriminated against). In theory, then, education was considered a public good, because it benefited society as a whole. A smarter populace would be a better workforce, went the thinking, so universities were run, at least ideally, with the goal of maximizing the number of students and the quality of their education, not the amount of profit. Today, however, education is thought of as a commodity, and especially so at Michigan. While Michigan doesn't pay out money to shareholders like a corporation, it is now run essentially like a corporation, or a for profit institution, which means that administrators attempt to squeeze money out of students however they can, and, more importantly, administrators are rewarded financially for increasing the bottom line of the university. This shift, from education as a public good, to education as a commodity, has, especially since 2000, led to a vicious spiral of tuition hikes for students and pay raises for the administrators raising tuition. This is a cycle that we must break before it completely breaks our university.

As it turns out, in this shift from thinking of education as a public good to a commodity, as something for sale, Michigan has played an important historical role. In fact, the University of Michigan has often served as a model for other universities seeking to become more profitable. This is the “Michigan Model.”

What is the Michigan Model? It works like this. Universities today all want to be like Harvard, with rich donors, fancy buildings, and students from wealthy and powerful families. Why? Because while educating students can be exciting, rewarding work, it is not flashy or glamorous. Building new buildings and spending and having lots of money are. At some point, beginning in the 1990s, Michigan administrators decided they were tired of the mundane work of educating in-state students and that they wanted to be a Harvard. So they began to work to stop being a state school, in the sense that the duty of state universities is to educate all comers or to serve (in theory at least) as a motor of social and class advancement. That’s the reason that for many years, tuition rates for Michigan closely followed middle-class incomes in the state. Because in order for the university to function as a motor of social advancement, everyday, average people had to be able to afford it. We know that now few students can afford Michigan, even the very wealthy ones, which is why we all have so many loans. In essence, what happened was that Michigan tried to turn itself into a private school, into an ivy league, a glamorous, big money, for profit school, thus leaving behind the thousands of in-state students and families who depended on it for an education.

The University of Michigan became obsessed with profit. And how do you make a profit? Well, at universities there’s really only one reliable way to make more money: raise tuition. So, Michigan started to do that. And it started to change the ratio of in-state to out-of-state students and the difference between the amount of tuition they paid. Why? Well, they found they could charge astronomical amounts of money for out-of-state students, so they began to raise the number of out-of-state students they admitted. Currently, the ratio is 33% out-of-state to 54% in-state and out-of-state students pay 3x the tuition of in-state students (roughly $11,800 versus $35,000 per year). The administration has recently added a new wrinkle to this equation: out-of-country students. This group of students pay $70,000 per year and are not eligible for any financial aid and have to present a bank statement with their application showing that they have four years of tuition and expenses in cash (out-of-country students are now the fastest growing segment of the student body, currently accounting for 13% of all students).

However, in the pursuit of profit, the university administration under Mary Sue has painted itself into a corner. Wealthy, out-of-state and out-of-country students are a tough market to chase, as they have a lot of money (they can pay for almost any school) and every university out there is trying to get them. What this has led to at Michigan is a building spree. In the attempt to court this high-end, tough-to-capture market, the university administration has decided to spend billions ($2.3 billion, to be exact, since 2007) updating and constructing new buildings, because this wealthy strata of students is used to nice things and they see what schools who truly have lots of money (Harvard, Princeton, etc) have to offer. The problem is that Michigan doesn’t really have this kind of money (Harvard’s endowment is around $23 billion, Michigan’s is around $9 billion). Moreover, state funding cannot be used to build buildings (it can only pay for instruction…which is another reason why the university doesn’t actually care that much about drops in state funding). So what the Michigan administration has done is to try to fund their pursuit of this allusive high-end student-consumer on the backs of their current, less affluent students.

They have raised tuition like nobody’s business (293% since 1990) in pursuit of building a university that wealthy out-of-state and out-of-country students would want to attend. What this means is that right now you are taking out student debt and paying interest on it, so that the university can chase a small, high-end market of consumers. How could this have been approved as a strategy? Even as a business model it makes so little sense—why spend money you don’t have to chase students you don’t have? Why have we borrowed billions during the worst financial crisis since the Great Depression and then passed the bill onto students? Driven by vanity and the pursuit of personal profit the Michigan administration has pursued this foolish project, remaking the university, and pricing poor families and students of color out of a Michigan education.

[For more on this see our piece: "Welcome to the University of Michigan, The Engine of Inequality]

Let's give an example to bring this discussion down to earth. In 1996, general undergraduate tuition at Michigan was $5,710 per year, which meant that in-state students with perhaps a little help from their families and working a minimum wage job could get into Michigan and make it through school without going into debt. That reality is now a long lost, distant past. In-state undergrad tuition this year is $11,800 and the total estimated cost with living expenses is close to $25,000. This is incredibly sad, because it means that the institution has become available only to the extremely wealthy or those willing to take on massive amounts of student debt. The average student leaves Michigan with $27,000 in student loan debt (but since this is an average we know that the actual amount for students with loans is much higher). But let's take this figure as a baseline. On a 20-year payment plan, meaning you will be 40 before you pay off your loans, at 6.8% interest, the average monthly payment on 27k will be $206.10, and students will pay a total of 22,464.88 in interest over the life of the loan. If you take out $50,000 dollars in loans, roughly half of what 4 years will cost at Michigan, you are immediately talking about payments that will last the rest of your life (the loan payments on $50,000 at 6.8% interest is $325.00 dollars a month for 30 years). This means you will have to choose between buying a house and paying your debt, buying a car to use to get to work and paying your debt, having children or paying your debt. What it means is that none of our lives will ever be the same. What it means is that the university, instead of being an engine for equality, is now an engine for inequality. It means that many of us will actually be worse off for having come to the University of Michigan. This is the new Michigan difference.

The other key to the Michigan Model is attacking what is known as labor, or the janitors, CNAs, secretaries, GSIs, GSRAs, faculty, and lecturers who make the university run. There are two ways to make money at a university: you can raise tuition or you can lower the amount you pay to the people who work there. And Michigan has done both. If in the last 40 years, education has gone from being a public good to a commodity, what do we know about labor in U.S. universities? What we know is that as universities have increasingly become for profit in the last 40 years, they have consistently attacked the salaries and benefits of their employees. For example, in the 1970s, 70% of all teachers were tenured, meaning they were fully employed, had job security, benefits, pensions, health insurance. The other 30% of university teachers did not—they were what we call today adjuncts or lecturers, meaning they make less money, have little to no job security, and generally get few benefits. Today, in universities across the country the percentages have completely flipped: now, only 30% of teachers are full time and 70% of teachers are precarious part-time lecturers or adjuncts.

Here's an example of how this works at Michigan. A typical undergrad class at Michigan with 24 students (paying $1,200 each for 3 credit hours) brings in $28,800 in revenue for the university. Graduate students receive roughly $8,000 per class they teach, adjuncts $5,000, resulting in a net profit of $20,800-$23,800 per class for Michigan (as class size increases so do the profits). To hire a new tenure track assistant professor costs roughly $74,845. If that person teaches 4 classes per year (as is common at Michigan), the university will make only $10,000 per class, or half of what it makes exploiting young graduate students and adjunct faculty whom it can fire or dismiss at any time, who it harasses for their attempts at unionization or defending contractually obligated benefits.

But why would Michigan move in this direction, isn't this bad for both teachers and students? Because as a university, Michigan has become a for profit business. This leads to an attempt to "break" labor, to drive down labor costs in any form possible. Here at Michigan, two years ago, the graduate students union (GEO) almost went on strike. Last year, the nurses union, 3000 strong, also almost went on strike, and right now at Michigan there is a major battle with national implications on organizing GSRAs (graduate research assistants, for more info see the Graduate Employees' Organization at the University of Michigan). But these kinds of struggles are frequently hidden from students and from the general population, and they are frequently not linked to increases in student tuition. However, thinking about Michigan as a for profit institution allows us to see that attacks on labor or workers and steep tuition increases are actually two sides of the same coin. And if we are interested in trying to think about how to fight the loss of public education, the rise of student debt, the rise of the for profit university, we will have to think about labor and network with the people who actually make the university run and who are under attack as much as we as students are.

There's a lot more we could talk about here, but there is one final piece of the puzzle we want to put on the table. The final shift that forms a part of the Michigan Model, is a shift in who runs the university. Many years ago, the majority of university administrators were drawn from the faculty of the university. Since the 1990s, universities in the United States have seen the rise of a powerful class of administrators, who have never been faculty, but who have been trained in business or finance programs—trained to run universities on a profit maximization model. What this means is that universities are now controlled by people who do not have students' best interests at heart. Rather, as we can see at Michigan, the university is controlled by people whose first care is for themselves, for their paycheck, and, as a result, the amount of profit the university can generate.

[For more on this shift, see Benjamin Ginsberg's excellent piece "**Administrators Ate My Tuition**,"]

"Every year, hosts of administrators and staffers are added to college and university payrolls, even as schools claim to be battling budget crises that are forcing them to reduce the size of their full-time faculties. As a result, universities are now filled with armies of functionaries—vice presidents, associate vice presidents, assistant vice presidents, provosts, associate provosts, vice provosts, assistant provosts, deans, deanlets, and deanlings, all of whom command staffers and assistants—who, more and more, direct the operations of every school."

So that's the first part of our story: the rise of the "Michigan Model" and the University of Michigan as a for profit university. Let's turn to the second, which will be much briefer: the rise of student debt as a form of predatory lending.

Predatory Lending: The Rise of Student Debt

Student debt is one of the most nefarious, darkest areas of contemporary capitalism. But how did it become such a huge part of education? And how important has it really become?

In September 2010, total student loan debt surpassed, for the first time ever, total credit card debt in the United States. Total credit card debt is right now roughly $850 billion. Total student loan debt is over $1 trillion dollars. What this means is that student loans have become an important source of revenue for big Wall Street banks. In a nutshell, the rise of student loan debt has been a ploy by the 1% to make money by driving students into debt. These banks and the federal government have loaned $1 trillion dollars to students, loans that students are going to spend the rest of their lives paying off. In so many words, this is no different than the subprime mortgage crisis that brought the world economy to a halt in 2007. It is an attempt to sell debt to people in unfair or deceptive ways, namely to 17-year-old high school students contemplating whether to go to Michigan or Eastern or Washtenaw Community College and deciding that in the long run it makes sense to take out loans and go to Michigan. This is what predatory lending looks like: lending vast sums of money to people who are not sure what $50,000 of debt is going to feel like at 25 years old in an economy that is still losing jobs. Student loans are predatory lending—it is predatory to loan huge quantities of money to teenagers at high rates of interest by preying upon their justifiable worries about getting ahead in life.

But that's not the whole story. What is so nefarious about student debt is that the big banks have passed legislation to make student debt, in legal terms, unlike any other form of debt. What they have done is turn it into a completely safe bet for themselves and their institutional investors.

Since the beginning of the federal student loan program in 1965, student borrowers are not allowed, as in it is illegal, to change lenders in order to find better terms or rates for a loan. This means once you have a loan, you are locked in. This is unlike any other form of credit.

Then, in 1998 a bill was pushed through Congress with a critical element: this bill made student loan debt "the only type of loan in United States history that is NON-dischargeable in bankruptcy," meaning even if you go bankrupt, and many times if you die, you or someone else will still have to pay off your student loans.

What this means is that banks, with the help of the federal government, have turned student loan debt into a special kind of debt: one you can never get rid of. The reason why U.S. citizens have the right to declare bankruptcy is because predatory lending can ruin people's lives, and people have the right to start over. The possibility of bankruptcy is the risk banks take on when they loan money—that's why they are allowed to charge interest, because they are taking on risk, the risk that people might default and that they might not get paid back. With this new legislation, banks have essentially made student loan debt risk-free for themselves and have, as a result, locked students into a lifetime of debt servitude.

How does this look at the University of Michigan? Michigan makes roughly $1 billion from tuition each school year, which is by far its largest source of revenue. Almost half of that is in student loan debt. This means that each year the 40,000+ students at the university collectively take out an estimated $412,000,000 in debt and then immediately hand that money over to the university. Every year. The university functions then as a kind of gigantic Walmart where the shelves are lined with debt instruments (Private or federal? Fixed or floating rate?), where the goal of instruction has gotten lost in the drive to move these financial products, to make money. As such, Michigan now generates huge profits for Wall Street banks. Since 1998, since the banks changed the bankruptcy rules, student loan debt is where they are making big money, and the university is complicit in this shift from predatory lending in housing and credit card markets to predatory lending to students. The university cries "state defunding," but it is clear to any student with loans we can never repay that the hand that rocks the cradle is on Wall Street and on South University, not in Lansing.

University administrators across the country, but especially at Michigan, have been complicit with the rise of predatory lending to students, which functions as a system of capital accumulation for the finance sector. But why? Isn't it their job to protect students, to look out for our best interests? …And now we have come full circle. Actually, in the university run on a for profit model, it is not. Their job is to increase revenue as much as possible. The more money they squeeze out of students and out of workers, they better they look and the more their compensation rises. Just yesterday (Feb. 20, 2012), the university released a statement saying that even though state funding for Michigan will go up next year, tuition has to be raised. When asked if tuition might sometime in the next future be frozen or rolled back, they replied, not a chance, our costs are out of control. When the combined salaries of 25 highest paid Michigan administrators is whopping $11,158,000 each year (the equivalent of 995 in-state students' tuition), yeah, costs are definitely out of control. Students shouldn't be the ones to suffer. It's time we stood up and said enough. It's time we said: You, Mary Sue, take a pay cut, before we pay another dollar in tuition, before we take out another dollar of student loan debt.

What to do? Well, frequently, student debt is a private sorrow. People who have a lot of debt or who are worried about it, feel like failures, or feel like they or their family is not good enough. But obviously, student loan debt is a structural, not a personal, problem. So the first thing we can do is bring student loan debt into the light as a form of predatory lending that is propping up an administrative class at Michigan. Student debt has to be addressed as a structural, not a private problem. And one of the best solutions for dealing with it, as a structural problem, has been a proposal to make education free for all from Occupy Wall Street and a professor, Andrew Ross, from NYU. You can read more about it here.

But what about in the long term? What kind of solutions does Occupy UM have? You might be thinking now, well, you all are great at identifying problems, but what about fixing them? Where do we go from here?

We don't think the university can continue as it is. But we think the problem with the university is actually pretty simple: the problem is with the people who run it. Do you think if students were in charge of the university, tuition would have been increased 233% since 1990? Do you think if workers were in charge of the university they would allow full-time work to be replaced with poorly paid part-time work as a way of “saving” money, i.e., giving more of it to the administrators? And do you think if students, workers, and faculty were in charge of running the university that administrators’ salaries would rise while the university drowned itself in debt to build buildings it doesn’t need? Our vision for the future of the university in general, and Michigan in particular, is simply this: a university run by workers and students, a university without a vampyric administrative class. It would be a university open to all, free to citizens and the undocumented alike, a true engine of equality in our lives and our communities.

But now you are asking: Could that really work? Wouldn’t things just fall apart? When we first began researching information for this piece, one of the things that we were most surprised to learn is that there is in fact a long tradition of student run universities. In fact, many of the very first universities in Europe in the 12th-15th centuries were student run, such as the University of Bologna, which is in fact the oldest university in Europe. The same is true of many universities in Latin America during the 1960s and 70s. The list of experiences is quite extensive, but the model is generally the same. Namely, there is some participatory structure whereby students and workers make decisions about the university’s future. These decisions are passed onto a minimal administrative support staff who execute them. What this creates is a more open, democratic, inclusive university structure where the problems that affect students and workers are the first ones that get addressed, instead of having these groups being the first to get exploited.

How do we get from here to there? We don’t have a road map, but we do have some ideas. All that we ask is that you get involved. Email this piece to your friends, tell them to read it. Check the Facebook page and come to GAs when they are announced. Come to an event or an action. Bring your ideas and your desire to end student and worker exploitation at Michigan. Help us abolish student debt, make education affordable, and turn this university once more into an institution based not around profit, but people.

Will you join us?

http://occupyumich.tumblr.com/post/19735255245/university-of-michigan-student-debt-and-the-for-profit

Welcome to the University of Michigan, The Engine of Inequality

What does a two tiered university, a university that is an engine not of equality but inequality, look like?

A two tiered university fosters inequality not only outside it, but in its very core. It creates different levels of access and privilege for "different" students. It gives certain "elite" students ample meeting spaces, new classrooms, fresh food, the latest technology. A two tiered university creates spaces inside itself that are accessible to only certain groups of students: elevators that work only with certain kinds of ID cards, libraries that restrict access to books and study space to certain students, private gyms open not to all but only to a chosen few. The two-tiered university does not attempt to mitigate the radical class, gender, race, and sexual inequality outside its walls—it embraces it and intensifies it, it makes this inequality into its mission, into a means of disciplining students, faculty, and workers in minor and minority programs, programs without rich donors, without corporate investors, or Defense Department money funding their research—it says, if you don't behave, if you don't shut up and turn a blind eye to the inequality that we are fostering in the very heart of this institution, we will defund you even further.

The university of inequality is a university of super-exploitation, where underpaid graduate students and precarious adjunct faculty do the majority of instruction. The university of inequality exploits their labor to support the salaries and benefit packages of administrators and high-paid professors in law, business, and medicine. A typical undergrad class at Michigan with 24 students (paying $1,200 each for 3 credit hours) brings in $28,000 in revenue for the university. Graduate students receive roughly $8,000 per class they teach, adjuncts $5,000, resulting in a net profit of $20,000-$23,000 per class for Michigan (as class size increases so do the profits). To hire a new tenure track assistant professor costs roughly $74,845. If that person teaches 4 classes per year (as is common at Michigan), the university will make only $10,000 per class, or half of what it makes exploiting young graduate students and adjunct faculty whom it can fire or dismiss at any time, who it harasses for their attempts at unionization or defending contractually obligated benefits, and to whom it makes no guarantees, only that you will be used for your labor and then spit out into an increasingly hostile job market.

The question is: in the university that seeks super-exploitation where does this all money go? (Look at the number of courses in the catalog and multiple that by $20,000 to get a rough idea of how much money we're talking about). Not back to lowering the tuition costs of students, not back to the increasingly precarious workers who make the university run. It goes only one place: **UP**, into the pockets of the university's 1% (the administrators and faculty making $300,000+ per year) and into the palaces they have built for themselves—the new Business school, the new Law school, the new research complex on North Research Campus.

The University of Michigan spent $70 million on the new Business school building, plus roughly 5% interest annually until 2040 (the Stephen Ross gift to the school was $100 million, but only $75 million of this went to the building's construction, leaving the university to pick up the rest of the total 145 mil tab). Every dollar the university spent on this palace for its 1%, on this monument to the university of inequality and super-exploitation, was a dollar taken either from a worker's paycheck or an extra dollar—**70 million of them**—paid in tuition by a student. (Let's not even start on the **other 2.3 billion** in construction projects that university has started since 2007, all during the worst financial crisis since the Great Depression—money that will have to paid back through worker cuts or tuition, meaning more loans as tuition inevitably increases next year). The university of inequality is a university whose first thought is for construction, and whose last is for instruction. The university of inequality is a university whose first thought is for accumulation of profit and whose last thought is for those whose money (in the form of current or future wages, as payments on student loan debt) is being swallowed whole, and sent upwards.

The university generates inequality within itself to export it—we teach students by our actions in this university that exploitation is the norm, that some people have to live precarious lives (like the janitorial staff, adjuncts, CNAs at the hospital) so that others can reap all the remaining, half-rotten fruits, and then we send them out into the world to enforce these ideals, working for major law firms, finance companies, and corporations, peddling neo-colonial forms of exploitation, both at home and abroad, covered in the apologetics we've taught them: "sustainability," "free trade," and "austerity" (and its inevitability; well, for the poor and the working class that is).

That universities serve big business and provide ideological cover for capitalism (by allowing "donations" from rich crooks, like A. Alfred Taubman who did federal time after being convicted of felony price-fixing and anti-trust charges, but who now has two buildings named after him on campus, or by creating vast programs that teach students that free-market capitalism, if we just give it a little more time, can indeed lift millions, but not everyone all at once, out of poverty)—all this, in some ways is old news.

However, the university of inequality takes this a step further by not only providing ideological cover for capitalism, but ***by actively producing capitalists' profits for them***. Here's how this works. Michigan makes roughly $1 billion from tuition each school year. Almost half of that is in student loan debt. This means that each year the 40,000+ students at the university **collectively take out an estimated $412,000,000 in DEBT** (that's enough to build 3 Business schools a year) and then immediately hand that money over to the university*. **EVERY YEAR.** The university serves then as a kind of gigantic debt generating machine, a kind of drive-thru lifetime indebtedness store, a Walmart where the shelves are lined only with debt instruments (Private or federal? Fixed or floating rate?), where the point of instruction has been replaced by the goal of moving these financial products. As such, the university now generates huge profits for Wall Street banks. In 2008, total U.S. student loan debt (now more than 1 trillion dollars) outstripped total U.S. credit card debt for the first time—since 2000, student loan debt is where banks are making big money, and the university is complicit in this shift from predatory lending in housing and credit card markets to predatory lending to students. The university cries "state defunding," but it is clear to any student with loans we can never repay that the hand that rocks the cradle is on Wall Street and on South University, not in Lansing. It's a for-profit scam, a form of predatory lending, a system of capital accumulation for the finance sector, and one the university actively condones, makes possible, and fosters.

The university once pretended that it was a mechanism for social mobility, for the reduction of inequality. We know that bedtime story is false, a fiction sown together from the fragments of the dreams of prior social movements that university administrators once fought tooth and nail and with actual guns (like at Kent State) to stamp out. Neither the university, nor our society as a whole, was ever interested in access, mobility, equality, but this is a dream that the Occupy movements, as an anti-capitalist force, aspire to once again. The "new" university, our Michigan, beneath the sheen of a slimy rhetoric of sustainability (with $814.8 million of the endowment invested in oil), "cost cutting" (administration code for breaking labor), "need blind admissions" (let in everyone, but only the rich can afford to come) has embraced a vicious and vast program of the super-exploitation of its workers and teachers, has created a two tiered, university-within-the-university for privileged and elite programs and their students, and has openly, brazenly, and without shame served as a site of capital accumulation for Wall Street banks, thereby enslaving its students with years, decades, and lifetimes of crippling debt.

As Occupy UM, we say to you: Before it consumes you, occupy it.

*This is a conservative estimate using 2010 numbers, but we have been conservative because the numbers are still shocking. On the Ann Arbor campus, the university dispersed $262,778,406 in federal student loans in 2010. The university does not track, however, the amount of loans from private lenders. Currently, on a national level, private lenders issue more than 50% of student loans each year. Thus, our estimate of an additional 150 million in private loan debt issued at the university in 2010 is a very conservative one when compared to the dynamics of the market on a national scale. If we were to assume national averages held at Michigan, we would have to estimate the total amount of debt generated each year at in excess of 580 million. These numbers will only increase in 2011-12, as since 2007, total amount of federal student loan debt on the Ann Arbor campus has increased by a staggering 38%.

http://occupyumich.tumblr.com/post/17964447678/welcome-to-the-university-of-michigan-the-engine-of

Administrators Ate My Tuition

No statistic about higher education commands more attention—and anxiety—among members of the public than the rising price of admission. Since 1980, inflation- adjusted tuition at public universities has tripled; at private universities it has more than doubled. Compared to all other goods and services in the American economy, including medical care, only "cigarettes and other tobacco products" have seen prices rise faster than the cost of going to college. And for all that, parents who sign away ever-larger tuition checks can be forgiven for doubting whether universities are spending those additional funds in ways that make their kids' educations better—to say nothing of three times better.

Between 1975 and 2005, total spending by American higher educational institutions, stated in constant dollars, tripled, to more than $325 billion per year. Over the same period, the faculty-to-student ratio has remained fairly constant, at approximately fifteen or sixteen students per instructor. One thing that has changed, dramatically, is the administrator-per-student ratio. In 1975, colleges employed one administrator for every eighty-four students and one professional staffer—admissions officers, information technology specialists, and the like—for every fifty students. By 2005, the administrator-to-student ratio had dropped to one administrator for every sixty-eight students while the ratio of professional staffers had dropped to one for every twenty-one students.

Apparently, as colleges and universities have had more money to spend, they have not chosen to spend it on expanding their instructional resources—that is, on paying faculty. They have chosen, instead, to enhance their administrative and staff resources. A comprehensive study published by the Delta Cost Project in 2010 reported that between 1998 and 2008, America's private colleges increased spending on instruction by 22 percent while increasing spending on administration and staff support by 36 percent. Parents who wonder why college tuition is so high and why it increases so much each year may be less than pleased to learn that their sons and daughters will have an opportunity to interact with more administrators and staffers— but not more professors. Well, you can't have everything.

Of course, universities have always employed administrators. When I was a graduate student in the 1960s and a young professor in the 1970s, however, top administrators were generally drawn from the faculty, and even midlevel managerial tasks were directed by faculty members. These moonlighting academics typically occupied administrative slots on a part-time or temporary basis and planned in due course to return to full-time teaching and research. Whatever their individual faults and gifts, faculty administrators seldom had to be reminded that the purpose of a university was the promotion of education and research, and their own short-term managerial endeavors tended not to distract them from their long-term academic commitments.

Alas, today's full-time professional administrators tend to view management as an end in and of itself. Most have no faculty experience, and even those who have spent time in a classroom or laboratory often hope to make administration their life's work and have no plan to return to teaching. For many of these career managers, promoting teaching and research is less important than expanding their own administrative domains. Under their supervision, the means have become the end.

Every year, hosts of administrators and staffers are added to college and university payrolls, even as schools claim to be battling budget crises that are forcing them to reduce the size of their full-time faculties. As a result, universities are now filled with armies of functionaries—vice presidents, associate vice presidents, assistant vice presidents, provosts, associate provosts, vice provosts, assistant provosts, deans, deanlets, and deanlings, all of whom command staffers and assistants—who, more and more, direct the operations of every school. If there is any hope of getting higher education costs in line, and improving its quality—and I think there is, though the hour is late—it begins with taking a pair of shears to the overgrown administrative bureaucracy.

Forty years ago, America's colleges employed more professors than administrators. The efforts of 446,830 professors were supported by 268,952 administrators and staffers. Over the past four decades, though, the number of full-time professors or “full-time equivalents”—that is, slots filled by two or more part-time faculty members whose combined hours equal those of a full-timer—increased slightly more than 50 percent. That percentage is comparable to the growth in student enrollments during the same time period. But the number of administrators and administrative staffers employed by those schools increased by an astonishing 85 percent and 240 percent, respectively.

Today, administrators and staffers safely outnumber full-time faculty members on campus. In 2005, colleges and universities employed more than 675,000 fulltime faculty members or full-time equivalents. In the same year, America’s colleges and universities employed more than 190,000 individuals classified by the federal government as “executive, administrative and managerial employees.” Another 566,405 college and university employees were classified as “other professional.” This category includes IT specialists, counselors, auditors, accountants, admissions officers, development officers, alumni relations officials, human resources staffers, editors and writers for school publications, attorneys, and a slew of others. These “other professionals” are not administrators, but they work for the administration and serve as its arms, legs, eyes, ears, and mouthpieces.

Before they employed an army of professional staffers, administrators were forced to rely on the cooperation of the faculty to carry out tasks ranging from admissions to planning. An administration that lost the confidence of the faculty might find itself unable to function. Today, ranks of staffers form a bulwark of administrative power in the contemporary university. These administrative staffers do not work for or, in many cases, even share information with the faculty. They help make the administration, in the language of political science, “relatively autonomous,” marginalizing the faculty.

While some administrative posts continue to be held by senior professors on a part-time basis, their ranks are gradually dwindling as their jobs are taken over by fulltime managers. College administrations frequently tout the fiscal advantages of using part-time, “adjunct” faculty to teach courses. They fail, however, to apply the same logic to their own ranks. Over the past thirty years, the percentage of faculty members who are hired on a part-time basis has increased so dramatically that today almost half of the nation’s professors work only part-time. And yet the percentage of administrators who are part-time employees has fallen during the same time period.

Administrators are not only well staffed, they are also well paid. Vice presidents at the University of Maryland, for example, earn well over $200,000, and deans earn nearly as much. Both groups saw their salaries increase as much as 50 percent between 1998 and 2003, a period of financial retrenchment and sharp tuition increases at the university. The University of Maryland at College Park—which employs six vice presidents, six associate vice presidents, five assistant vice presidents, six assistants to the president, and six assistants to the vice presidents—has long been noted for its bloated and extortionate bureaucracy, but it actually does not seem to be much of an exception. Administrative salaries are on the rise everywhere in the nation. By 2007, the median salary paid to the president of a doctoral degree-granting institution was $325,000. Eighty-one presidents earned more than $500,000, and twelve earned over $1 million. Presidents, at least, might perform important services for their schools. Somewhat more difficult to explain is the fact that by 2010 even some of the ubiquitous and largely interchangeable deanlets and deanlings earned six-figure salaries.

If you have any remaining doubt about where colleges and universities have been spending their increasing tuition and other revenues, consider this: between 1947 and 1995 (the last year for which the relevant data was published), administrative costs increased from barely 9 percent to nearly 15 percent of college and university budgets. More recent data, though not strictly comparable, follows a similar pattern. During this same time period, stated in constant dollars, overall university spending increased 148 percent. Instructional spending increased only 128 percent, 20 points less than the overall rate of spending increase. Administrative spending, though, increased by a whopping 235 percent.

Three main explanations are often adduced for the sharp growth in the number of university administrators over the past thirty years. One is that there have been new sorts of demands for administrative services that require more managers per student or faculty member than was true in the past. Universities today have an elaborate IT infrastructure, enhanced student services, a more extensive fund-raising and lobbying apparatus, and so on, than was common thirty years ago. Of course, it might also be said that during this same time period, whole new fields of teaching and research opened in such areas as computer science, genetics, chemical biology, and physics. Other new research and teaching fields opened because of ongoing changes in the world economy and international order. And yet, faculty growth between 1975 and 2005 simply kept pace with growth in enrollments and substantially lagged behind administrative and staff growth. When push came to shove, colleges chose to invest in management rather than in teaching and research.

A second common explanation given for the expansion of administration in recent years is the growing need to respond to mandates and record-keeping demands from federal and state governments as well as numerous licensure and accreditation bodies. It is certainly true that large numbers of administrators spend a good deal of time preparing reports and collecting data for these and other agencies. But as burdensome as this paperwork blizzard might be, it is not clear that it explains the growth in administrative personnel that we have observed. Often, affirmative action reporting is cited as the most time consuming of the various governmental mandates. As the economist Barbara Bergmann has pointed out, however, across the nation only a handful of administrators and staffers are employed in this endeavor.

More generally, we would expect that if administrative growth were mainly a response to external mandates, growth should be greater at state schools, which are more exposed to government obligations, than at private institutions, which are freer to manage their own affairs in their own way. Yet, when we examine the data, precisely the opposite seems to be the case. Between 1975 and 2005, the number of administrators and managers employed by public institutions increased by 66 percent. During the same time period, the number of administrators employed by private colleges and universities grew by 135 percent (see Table 4). These numbers seem inconsistent with the idea that external mandates have been the forces driving administrative growth at America's institutions of higher education.

A third explanation has to do with the conduct of the faculty. Many faculty members, it is often said, regard administrative activities as obnoxious chores and are content to allow these to be undertaken by others. While there is some truth to this, it is certainly not the whole story. Often enough, I have observed that professors who are willing to perform administrative tasks lose interest when they find that the committees, councils, and assemblies through which the faculty nominally acts have lost much if not all their power to administrators.

If growth-driven demand, governmental mandates, and faculty preferences are not sufficient explanations for administrative expansion, an alternative explanation might be found in the nature of university bureaucracies themselves. In particular, administrative growth may be seen primarily as a result of efforts by administrators to aggrandize their own roles in academic life. Students of bureaucracy have frequently observed that administrators have a strong incentive to maximize the power and prestige of whatever office they hold by working to increase its staff and budget. To justify such increases, they often seek to capture functions currently performed by others or invent new functions for themselves that might or might not further the organization's main mission.

Such behavior is common on today's campuses. At one school, an inventive group of administrators created the "Committee on Traditions," whose mission seemed to be the identification and restoration of forgotten university traditions or, failing that, the creation of new traditions. Another group of deans constituted themselves as the "War Zones Task Force." This group recruited staffers, held many meetings, and prepared a number of reports whose upshot seemed to be that students should be discouraged from traveling to war zones, unless, of course, their home was in a war zone. But perhaps the expansion of university bureaucracies is best illustrated by an ad placed by a Colorado school, which sought a "Coordinator of College Liaisons." Depending on how you read it, this is either a ridiculous example of bureaucratic layering or an intrusion into an area of student life that hardly requires administrative assistance.

The number of administrators and staffers on university campuses has increased so rapidly in recent years that often there is not enough work to keep all of them busy. To fill their time, administrators engage in a number of make-work activities. This includes endless rounds of meetings, mostly with other administrators, often consisting of reports from and plans for other meetings. For example, at a recent "president's staff meeting" at an Ohio community college, eleven of the eighteen agenda items discussed by administrators involved plans for future meetings or discussions of other recently held meetings. At a gathering of the "Process Management Steering Committee" of a Midwestern community college, virtually the entire meeting was devoted to planning subsequent meetings by process management teams, including the "search committee training team," the "faculty advising and mentoring team," and the "culture team," which was said to be meeting with "renewed energy." The culture team was apparently also close to making a recommendation on the composition of a "Culture Committee." Since culture is a notoriously abstruse issue, this committee may need to meet for years, if not decades, to unravel its complexities.

When they face particularly challenging problems, academic administrators sometimes find that ordinary meetings in campus offices do not allow them the freedom from distraction they require. To allow them to focus fully and without interruption, administrators sometimes find it necessary to schedule off-campus administrative retreats where they can work without fear that the day-to-day concerns of the campus will disturb their deliberations. Sometimes these retreats include athletic and role-playing activities that are supposed to help improve the staff's spirit of camaraderie and ability to function as a team. For example, at a 2007 professional development retreat, Michigan Tech staffers broke into teams and spent several hours building furniture from pieces of cardboard and duct tape. Many staff retreats also include presentations by professional speakers who appear to specialize in psychobabble. Topics at recent retreats included "Do You Want to Succeed?" "Reflective Resensitizing," and "Waking Up the Inner World." In all likelihood, the administrators and staffers privileged to attend these important talks spent the next several weeks reporting on them at meetings with colleagues who had been deprived of the opportunity to learn firsthand how to make certain that their inner worlds remained on alert.

Administrative budgets frequently include travel funds, on the theory that conference participation will hone administrators' skills and provide them with new information and ideas that will ultimately serve their school's interests. We can be absolutely certain that this would be the only reason administrators would even consider dragging themselves to Maui during the winter for a series of workshops sponsored by the North American Association of Summer Sessions. Given the expense and hardship usually occasioned by travel to Hawaii, it is entirely appropriate for colleges to foot this sort of bill.

Another ubiquitous make-work exercise is the formation of a "strategic plan." Until recent years, colleges engaged in little formal planning. Today, however, virtually every college and university in the nation has an elaborate strategic plan. This is typically a lengthy document— some are 100 pages long or more—that purports to articulate the school's mission, its leadership's vision of the future, and the various steps that are needed to achieve the school's goals. The typical plan takes six months to two years to write and requires countless hours of work from senior administrators and their staffs.

A plan that was really designed to guide an organization's efforts to achieve future objectives, as it might be promulgated by a corporation or a military agency, would typically present concrete objectives, a timetable for their realization, an outline of the tactics that will be employed, a precise assignment of staff responsibilities, and a budget. Some university plans approach this model. Most, however, are simply expanded "vision statements" that are often forgotten soon after they are promulgated. My university has presented two systemwide strategic plans and one arts and sciences strategic plan in the last fifteen years. No one can remember much about any of these plans, but another one is currently in the works. The plan is not a blueprint for the future. It is, instead, a management tool for the present. The ubiquity of planning at America's colleges and universities is another reflection and reinforcement of the ongoing growth of administrative power.

There is, to be sure, one realm in which administrators as a class have proven extraordinarily adept. This is the general domain of fund-raising. Even during the depths of the recession in 2009, schools were able to raise money. On the one hand, the donors who give selflessly to their schools deserve to be commended for their beneficence. At the same time, it should still be noted that, as is so often the case in the not-for-profit world, university administrators appropriate much of this money to support—what else?—more administration.

The stress on fund-raising has enabled more than a few university presidents to acquire luxurious offices, lavish residences, and an assortment of perks in addition to princely salaries. Some enjoy the services of a chauffeur when they commute to work and a household staff when they entertain or even relax at home. These and many other perquisites are usually defended by administrators as needed to carry out their social duties and, particularly, to impress their schools' wealthy benefactors. Yet no study has ever proved that presidents who arrive at fundraising events in chauffeur-driven limousines are more likely to succeed in their capital campaign goals or in any other endeavor than their counterparts who drive their own cars or come by taxi or, for that matter, by subway. I have personally known university presidents who were outstanding fund-raisers but, nevertheless, lived frugally and always traveled as cheaply as possible. Among college officials, though, the spendthrifts seem to outnumber the penny pinchers.

College presidents are usually the guiltiest parties, since they are in the best position to authorize expenditures, and many are more than happy to use school funds to burnish their own images. One recent case in point is that of Benjamin Ladner, the former president of American University in Washington, D.C. Soon after arriving on the campus in 1994, Ladner and his wife, who dubbed herself AU's "first lady," declared that the president's official residence was inadequate and had the university build an expensive new house, which included a waterfall and pond behind the patio, a few blocks from the campus. They outfitted the house with expensive furnishings, china, and stemware. At university expense, the Ladners employed a chauffeur, a cook, a social secretary, and numerous other personal staff members. They hosted gala events to which they invited prominent Washington figures. They traveled abroad frequently, generally charging their first-class tickets to the university.

Matters came to a head in March 2005, when an anonymous whistleblower wrote to the board of trustees accusing the Ladners of "severe expense account violations." An extensive audit subsequently revealed hundreds of thousands of dollars in questionable spending, some personal but most associated with President Ladner's frenetic image-polishing efforts. Over the previous several years, the Ladners had charged the university for $6,000 in club dues, $54,000 in drivers' costs, $220,000 in chefs' services, $44,000 for alcohol, and $100,000 in services from their social secretary.

After months of bruising battles within the AU board, Ladner's contract was terminated—though he and the first lady received a generous severance package. While Ladner mingled with the rich and famous at the school's expense, faculty members had to settle for miserly annual salary increases and students saw their tuitions rise markedly every year.

The expansion of college and university administration has not been coupled with the development of adequate mechanisms of oversight and supervision, particularly for senior managers. University boards, which technically oversee the administrations, are generally not well prepared for the task. One recent study found that 40 percent of university trustees said they were not prepared for the job and 42 percent indicated that they spent less than five hours a month on board business. Many trustees serve because of loyalty to their school and say they have "faith" in its administration. They do not go out of their way to look for problems, and administrators are generally able to satisfy trustees with the rosy pictures of college life presented at weekend board meetings.

Moreover, university boards do not have the same legal responsibilities borne by corporate boards. Most federal regulations establishing management standards for private-sector firms, such as the 2002 Sarbanes-Oxley Act, do not apply to nonprofit entities, and state regulation of university administration is spotty. At the same time, while schools have developed many internal rules and standards applying to the conduct of faculty members and students, few if any have established standards governing administrative conduct or established oversight mechanisms. For the most part, senior administrators police themselves.

The result of this lack of supervision is that a number of college and university administrators have, in recent years, succumbed to the temptation to engage in corrupt practices. In 2008, for example, the director of Tufts University's Office of Student Activities, Josephine Nealley, was indicted on three counts of larceny for embezzling more than $300,000 in student activities funds. She allegedly transferred the money to her personal bank accounts and used it for purchases and trips. While acting on an anonymous tip regarding Nealley's activities, university auditors uncovered a second, apparently unrelated case of embezzlement. Raymond Rodriguez, a budget officer, allegedly stole more than $600,000 from the university, which he spent on trips and luxury goods. Rodriguez was indicted on two counts of larceny for his alleged thefts. Both Nealley and Rodriguez entered guilty pleas and were sentenced to prison terms.

In a similar vein, the president of the University of Tennessee was forced to resign when an audit revealed that he had spent hundreds of thousands of dollars in university funds on personal trips, entertainment, and purchases. The president's travel at university expense allegedly included trips to Birmingham, Alabama, where he was said to have a "personal involvement" with the president of another school.

Often, frauds go unnoticed for years because the perpetrators are the accountants and financial officers responsible for fiscal oversight. When fraudulent conduct is discovered, university officials often prefer to allow the perpetrators to resign or retire quietly rather than risk a public brouhaha that might upset donors and lead to questions about the quality of the school's leadership. Many professors can point to cases at their own school when crooked administrators were allowed to leave quietly, sometimes even without being compelled to make restitution for their offenses.

When fraud is exposed and restitution demanded, the sums can be considerable. In January 2008, Roy Johnson, chancellor of Alabama's community college system, pled guilty to bribery and was required to forfeit the $18 million he admitted receiving in direct and indirect benefits from companies doing business with the colleges he oversaw. As the U.S. attorney who prosecuted the case observed, "Taxpayers must wonder how many more Alabama students could have been educated had money not been wasted on fraud."

The priorities of the hyper-administrative university emerge most clearly during times of economic crisis, when managers are forced to make choices among spending options. Thanks to the sharp economic downturn that followed America's 2008 financial crisis, almost every institution, even Harvard, America's wealthiest school, has been compelled to make substantial cuts in its expenditures. What cuts did university administrations choose to make during these hard times?

A tiny number of schools took the opportunity to confront years of administrative and staff bloat and moved to cut costs by shedding unneeded administrators and their brigades of staffers. The most notable example is the University of Chicago's Pritzker School of Medicine, which in February 2009 addressed a $100 million budget deficit by eliminating fifteen "leadership positions," along with 450 staff jobs, among other cuts. The dean also emphasized that faculty would not be affected by the planned budget cuts. Chicago's message was clear: administrators and staffers were less important than teaching, research, and—since this involved a medical school—patient care; if the budget had to be cut, it would be done by thinning the school's administrative ranks, not by reducing its core efforts.

Unfortunately, few if any other colleges and universities copied the Chicago model. Facing budgetary problems, many schools eliminated academic programs and announced across-the-board salary and hiring freezes, which meant that vacant staff and faculty positions, including the positions of many adjunct professors, would remain unfilled until the severity of the crisis eased.

Perverse administrative priorities were even more in evidence at a number of schools that actually raised administrative salaries or opted to spend more money on administrative services while cutting expenditures on teaching and research in the face of budget deficits. For example, in January 2009, facing $19 million in budget cuts and a hiring freeze, Florida Atlantic University awarded raises of 10 percent or more to top administrators, including the school's president. In a similar vein, in February 2009, the president of the

University of Vermont defended the bonuses paid to the school's twenty-one top administrators against the backdrop of layoffs, job freezes, and program cuts at the university. The university president, Daniel Fogel, asserted that administrative bonuses were based on the principles of "extra pay for extra duties" and "pay for performance." The president rejected a faculty member's assertion that paying bonuses to administrators when the school faced an enormous budget deficit seemed similar to the sort of greed recently manifested by the corporate executives who paid themselves bonuses with government bailout money. Fogel said he shared the outrage of those upset at corporate greed, but maintained there was a "world of difference" between the UVM administrative bonuses and bonuses paid to corporate executives. He did not specify what that world might be.

In the meantime the president of Washington State University, Elson Floyd, accepted a $125,000 pay raise, bringing his 2009 salary to $725,000 per year, soon after announcing that financial circumstances required the school to freeze hiring. At another university that had just announced a large budget deficit and mandated salary and hiring freezes, the outgoing president was feted by the board of trustees at a gala 350-person dinner, to which trustees, senior administrators, alumni, donors, and other notables—but no students or faculty—were invited. The dinner, which might as well have been held on the promenade deck of the *Titanic*, featured musical performances, videos, and a lounge area with hundreds of Chinese newspapers and a tea set to recognize the president's many trips to China. (No wonder university spending was frozen.) Later, this same university placed restrictions on the use of copy paper by graduate students. Maybe the Chinese newspapers should have been recycled.

On any given campus, the only institution with the actual power to halt the onward march of the all-administrative university is the board of trustees or regents— which, as we've seen, tend to be unprepared or disinclined to make waves. But they need to do so if their institutions are to be saved from sinking into the expanding swamp of administrative mediocrity.

To begin with, trustees interested in trimming administrative fat should compare their own school's ratio of managers and staffers per hundred students to the national mean, which is currently an already inflated nine for private schools and eight for public colleges. If the national mean is nine administrators per hundred students at private colleges, why does Vanderbilt need sixty-four? Why does Rochester need forty and Johns Hopkins thirty-one? Management-minded administrators claim to believe in benchmarking, so they should not object to being benchmarked in this way.

The right kind of media coverage would embolden boards to ask the right questions. In particular, the various publications that rate and rank colleges—*U.S. News* is the most influential—should take account of administrative bloat in their ratings. After all, a high administrator-to-student ratio means that the school is diverting funds from academic programs to support an overgrown bureaucracy. I am certain that if Vanderbilt or Duke or Hopkins or Rochester or Emory or any of the other most administratively top-heavy schools lost a few notches in the *U.S. News* rankings because of their particularly egregious administrative bloat, their boards would be forced to act.

But given the general fattening of administrative ranks in recent years, even schools with average administrator-to-student ratios could stand to see major cuts in their administrative staffs and budgets. This could help not only to fill budget holes but, more importantly, to begin a healthy shift in the balance of bureaucratic power within universities. A 10 percent cut in the staff and management ranks would save millions of dollars but would have no effect whatsoever on the operations of most campuses. The deanlets would never be missed; their absence from campus would go unnoticed. A 20 percent or larger cut would begin to be noticed and would have the beneficial effect of substantially reducing administrative power and the ongoing diversion of scarce funds into unproductive channels.

With fewer deanlets to command, senior administrators would be compelled to turn once again to the faculty for administrative support. Such a change would result in better programs and less unchecked power for presidents and provosts. Faculty who work part-time or for part of their careers as administrators tend to ask questions, use judgment, and interfere with arbitrary presidential and provostial decision making. Senior full-time administrators might resent the interference, but the university would benefit from the result. Moreover, with fewer administrators to pay and send to conferences and retreats, more resources might be available for educational programs and student support, the actual items for which parents, donors, and funding agencies think they are paying.

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