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Redefining University Administrations: The Redistribution of Student Tuition Funds to Form
and Maintain Bureaucracies

BENJAMIN REMLINGER
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Reviewed and approved* by the following:

Jadrian Wooten
Associate Teaching Professor of Economics
Thesis Supervisor

Russell Chuderewicz
Professor of Economics
Honors Adviser

* Electronic approvals are on file.

ABSTRACT

College tuition costs continue to be a rising problem for students around the United States. Millions of young and middle-aged Americans have thousands of dollars of student debt, and many of them are paying for a product substantially inferior to what it was three decades ago. Consistent growth in tuition costs over this time period has helped to grow and permanently establish a bloated bureaucracy on college campuses around the country. Building on Max Weber's theory on bureaucratic development, we interpret our data in light of his methodology. Using data from the Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), and College Board we find that, among all sectors in the economy, the higher education sector has had the greatest unit labor cost increases since 1990. This implies high growth in employment and wages, but decreasing productivity. Furthermore, our results show a statistically significant relationship between increased government student loans and the higher education sector's employment, suggesting a strong correlation between government's involvement in higher education and college administrations. Bureaucratic administrators take advantage of federal student loans to redistribute the money into their own pockets to maintain their order and control over university faculty.

TABLE OF CONTENTS

LIST OF FIGURES	iii
LIST OF TABLES	iv
ACKNOWLEDGEMENTS.....	v
Chapter 1 Introduction	1
Chapter 2 Literature Review.....	4
Faculty Labor Costs and Productivity.....	4
Administrative Bloat.....	6
Effects on Students	11
Chapter 3 Higher Education Data.....	15
Chapter 4 The Iron Cage: Max Weber on the Development of Bureaucracy	20
Why Max Weber?.....	20
Characteristics of a Bureaucracy	21
Positive Bureaucracy	23
Negative Bureaucracy	25
Chapter 5 A Surrender of Identity: The Fall of the Faculty and the Rise of the Premium Bureaucracy	29
Bureaucracy from Democracy.....	30
Eliminating the Tenured.....	33
The Adjunct Professors.....	37
Government-Guaranteed Student Loans	38
Chapter 6 Conclusion	41
Appendix Regression Analysis	42
BIBLIOGRAPHY.....	43

LIST OF FIGURES

Figure 1: Unit Labor Cost Growth in Major Economic Sectors of the US	16
Figure 2: EduHealth Sector Productivity from 1987 to 2017	17
Figure 3: Relationship Between the Annual Increase of Student Loans and Education Sector Total Employment	19

LIST OF TABLES

Table 1: EduHealth Average Growth Statistics18

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Chapter 1

Introduction

Of the 46 million Americans with student debt, about 40% of them are considered in repayment, while the remaining 60% struggle with the usurious nature of student loans, as over a third of them are in the age group 35 – 49, what we would call middle age (Hanson, 2022 & USDOE, 2020). Many studies tout the negative causal effects of this problem. Borrowers result in having poor credit scores, implying former students have trouble owning a house, car, or any kind of property. With their outstanding debt, they are more likely to delay marriage and start a family – a traditional path to happiness in life.

Why do student tuition costs seemingly increase year after year, and where is all this money, often in the form of student debt, going? That is the principle question this thesis seeks to answer. Numerous scholars have attempted to answer this same question, but with benign results. They propose increasing government regulation parallel to decreasing government funds, requires that universities expand and acquire funding through higher tuition prices. Others suggest that university administrations facilitate student debt to respond to changing technological and organizational methods utilized in college classrooms. Thereby, they inflate the collegiate product they offer to millions of young, prospective students. It is the latter with which this thesis will take one step further.

My hypothesis is this:

Increasing student debt allows university administrations to become a bloated and unproductive bureaucracy, whose existence is detrimental to higher education and the students it serves.

First, I gathered data from the Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), and College Board Research to visualize the problem I address. I looked at annual growth of Unit Labor Costs (ULC) in major sectors of the American economy relative to the higher education sector. ULC is defined as the total nominal cost of an employee relative to their output or labor productivity. I combined two separate data sets to find higher education ULC, as labor productivity is not reported for higher education alone.

I found that the higher education sector had the highest ULC growth over a 26-year period, averaging at an annual rate of about 6.5%. With regards to annual higher education productivity levels over the same time period, I found a 15% decline in productivity, with the bulk occurring during the 1990s, when there began a noticeable takeover of university administrations by bureaucrats. This coincided with an increasing average annual growth rate for three other variables: employment, value added per additional worker, and earnings. I found value added to be lower than employment though, suggesting negative marginal labor productivity. Productivity is the only variable of the four to have a negative growth rate over the last three decades, demonstrating an unproductive sector that continues to grow in employment and earnings. In competitive markets, productivity declines result in decreasing, not increasing, employment and earnings. Furthermore, I analyzed the relationship between increases in total student aid (a majority of it coming from federal loans) and the growth in higher education employment. Running a regression analysis on the two variables, I found a very strong correlation between them.

To test my hypothesis, I analyze the data on higher education productivity and student loans through the lens of Max Weber, the principal subject on bureaucratic-formation theory. Expanding upon his theories, I restructured his proposal on the ideal and non-ideal type of bureaucracy into two types: positive and negative bureaucracy.

A positive bureaucracy represents Weber's ideal vision for bureaucratic takeovers. It represents his significant contribution to the field of sociology by procuring his theory on formal rationalization. Rationalization restructures the traditional understandings of how societal institutions function, into an impersonal and collective effort to maximize efficiency through fixed criteria. Notable among the characteristics defined in a positive bureaucracy are static authority, rules and wages, specialization, commitment, and freedom to operate.

Whereas a positive bureaucracy adheres to Weber's rationalization theory, the negative bureaucracy is the result of a positive bureaucracy turning in on itself. It no longer serves the end for which it was designed, but its very existence becomes its new end. This results in an obsession with justifying its own unproductive existence, even though it does more harm than good. The only way a negative bureaucracy can remain in power is if it redistributes funds to itself from other sectors of society since it produces nothing of value worth paying for.

Hence, my results speak within the framework of the above attributes. There is what appears to be a bloated bureaucracy, fed by ever-increasing student debt, on college campuses. Administrators solidify their control in a number of ways – drowning out tenured faculty, hiring adjunct professors subservient to the administration, removing democratic organizational oversight, and creating new and unnecessary departments that result in an expansion of administrative duties on campus. With mounting student tuition prices, student debt allows negative bureaucratic administrations to grow their influence and control over universities indefinitely until it is solidified into a permanent restructuring of the purpose of higher education institutions.

Chapter 2

Literature Review

A number of studies have attempted to answer the question of why tuition increases every year. Some have calculated the effects of tuition increases on students' post-graduation lives. Since 1990, tuition across universities, both public and private, have increased an average of 160% (Desrochers & Kirshstein, 2014). Studies have cited reasons such as wasteful spending, decreasing state subsidies and allocations of the budget, administrative bloat, overcompensating salaries and benefits/perks, faculty workloads, inefficient uses of new technology and teaching methods, changing faculty organization, and construction costs of new university buildings.

Faculty Labor Costs and Productivity

A common public complaint of universities is that they hire too many professors and employees that eat up large portions of the universities' budget. Since state legislatures and governments began decreasing funds available to four-year non-profit universities, college administrations entered the business of developing new cost-cutting measures designed to counter-balance the loss of subsidies from local governments. The complaint of "too many professors" deals with the hiring of non-tenured faculty, both full- and part-time, working at low wages and in harsh conditions. Today, non-tenured professors make up nearly 71% of teaching faculty at non-profit universities, compared to 1969 when 80% of the teaching faculty was tenured (Culvar & Kezar, 2013). From 2002 to 2013 alone, every sector of higher education, minus private research/doctoral work, saw a decrease in full-time faculty's share of the workforce (Rhodes & Frye, 2015). This drastic change in composition can only be explained by one reason – cost-cutting measures taken by administrations. One of the questions

this thesis will address is why the budget cuts were directed at the single most important pillar of higher education, i.e. the faculty which transmits the professional knowledge of their respective studies to the next generation of students, leaving students worse off than previous decades of students.

Kezar and Maxey (2013) explain that university administrations' obsession with hiring cheaper, non-tenured faculty lasts until days before the semester begins. The same faculty hired days before they begin teaching, usually find themselves being interviewed for the same job semester after semester. The systematic criteria universities use to hire these faculty members shows a complete disregard towards producing a higher education worth the price tag millions of students read in their financial statements. A comparable situation these professors find themselves in is similar to construction workers being hired in the middle of a project and not given any tools to contribute to the project's completion. Compared to tenured faculty, non-tenured full-time professors are paid 26% less (part-time faculty are paid 60% less), and some receive no formal orientation to the campus nor are they provided professional development or any formal evaluations of their work. To achieve productive results, universities must provide non-tenured professors with basic necessities they currently lack: office space, instructional materials, clerical support, access to copy machines, computers, telephones. Perhaps most importantly, the lack of access to professional development for non-tenured professors means students may not be exposed to teachers who can effectively produce the best student outcomes.

Some studies have found a negative correlation between increased non-tenured faculty and graduation rates (Desrochers & Kirshstein, 2014) while others have found a positive correlation between adjunct non-tenured professors and graduation rates (Bettinger & Long, 2010; Figlio, Schapiro, & Soter, 2013). Nevertheless, quality teaching remains necessary for student success. Curtis (2006) notes, "the inaccessibility of part-time faculty to students due to time constraints, lack of office space, part-timers having to hold jobs at multiple locations has

an adverse, negative effect on student outcomes.” Moreover, another problem emerges in the rehiring of part-time professors every semester, that being, earning less pay for the same work as tenured professors could violate employment laws, possibly leading to discrimination lawsuits (Kezar & Maxey, 2013).

Rhodes and Frye (2015) find a competing answer on whether academic labor has done since 2000. They find a different answer than Kezar and Maxey, stating that academic labor costs cannot be the catalyst behind tuition costs, because as more students have entered into universities paying higher tuition prices every year, colleges are spending less on education, as evident by a mere 1% growth in educational spending from 1990 to 2013 (Desrochers & Kirshstein, 2014). If tuition keeps increasing and if educational spending is decreasing, where is this money going? Answering this problem of redistribution will be a central task of this thesis. Rhodes and Frye (2015) cite a model called the “Delta Project” which shows the disconnect between tuition increases and labor costs. The public perceives the college tuition problem within the lens of a “cost disease”, i.e. the higher education labor force’s resistance to innovative mechanisms and models that have proven to increase productivity, thus their labor costs have increased. But this cannot be if the percentage of full-time faculty within higher education has decreased by double digits in nearly every sector from 2002 to 2013 (Rhodes & Frye, 2015). It is not that productivity has decreased, but that there are fewer faculty doing more with fewer resources, leading to higher unit labor costs. The blame can be directed towards the upsurge in administrative hiring, otherwise known as administrative bloat.

Administrative Bloat

At the heart of the matter and the area with which this thesis will take the argument in new directions, college administrations are the selected target of many scholarly articles and

tuition price studies. Bergmann (1991) outlined the increasing costs of administrations over the 20th century. Beginning in 1930, universities saw 19 cents spent on administrations for every dollar spent on education. Fast forward to 1950, it was 27 cents; again in 1988, 45 cents. There were nearly eight consecutive decades of growth in administrative spending that outpaced spending for teaching. Bergmann (1991) cites two major reasons for exponential growth in administrative buildings: administrators believe hiring more underlings to assist them increases their status, and a governance problem.

Desrochers and Kirshstein (2014) corroborate these reasons, stating “[g]rowth in administrative jobs was widespread across higher education— but creating new professional positions, rather than executive and managerial positions, is what drove the increase.” The new professional employees work on the business end of universities, not in the classroom, and yet they currently account for nearly 20% to 25% of all on-campus jobs, outpacing not only faculty growth but student enrollment as well. At four-year, non-research institutions, full and part-time educational faculty account for only 25% to 30% of the university workforce. Curiously, the number of full-time professors on short-term contracts has increased by 30% to 50% from 2004 to 2012. The share of full-time contracts grew by less than 1% during that same time period. Job security has thus become a major concern for full-time professors, adding to the dysfunctional productivity lag, as many are unsure if they’ll be employed the following year (Desrochers & Kirshstein, 2014).

In 1990 full-time faculty outnumbered administrators 2:1; in 2010 they were practically equal. The large and persistent increase in college administrators has been explained several ways throughout the last three decades. Increasing government mandates, more oversight and multifaceted administrative requirements such as student services, redefined workforce responsibilities, hiring staff to fundraise, and excessive bureaucracy have all been targeted by researchers (Leslie & Rhoades, 1995; Greene, Kisida, & Mills, 2010; Archibald & Feldman,

2008; Ginsberg, 2011; Martin & Hill, 2013). Desrochers and Kirshstein (2014) find that tuition increases have “emanated from the combined effects of controlling full-time faculty costs, rising benefits costs, and hiring patterns that favor noninstructional professional positions, while offsetting the cost savings from using more part-time faculty.”

Furthermore, Slaper and Koston (2013) cite individual university research analyses on administrative payrolls. The highlight of their paper was a study done at the University of Minnesota which found a 45% increase in payrolls for administrators from 2001 to 2012, double the student enrollment growth and triple the faculty payroll over the same time period. Greene, et al. (2010) noticed from 1993 to 2007 administrative spending per student saw the largest increase (61%), double that of instruction and research spending per student. Most of the tuition hikes can be explained by internal factors such as faculty getting a premium for reducing how much they teach, thereby reducing productivity. The external factors such as the cost disease where productivity is fixed as the real wage increases, in part due to increased business competition for university talent, explain the rest (Martin & Hill, 2013; Slaper & Koston, 2013). Slaper and Koston (2013) further specify a major problem with administrations is the motives under which they operate. To compete, universities rely on prestige and reputation, not the profit motive which is how most other economic agents operates. Toma (2012) analyzed the effects of administrative motives on students, stating students do not have full information to see which is truly the best university for their needs, as they have to apply too many to get a semblance of the total price, including tuition, aid, housing, food, et cetera at different universities. This thesis will address this result, because it likely produces an overdiversified and soiled product, resulting in higher tuition prices.

Martin and Hill (2012) also present what they see as a solution to cutting administrative costs, and increasing university productivity, finding an ideal ratio between tenured faculty to administrators: 3:1. Universities can achieve this by two methods: either by reducing the size

of the administrative workforce or by hiring more tenured faculty. The former is preferable, as the latter could possibly lead to higher tuition prices but would result in an increase in productivity. Martin and Hill state, “[t]he balance between people who are actually in the trenches and those who are overseeing that work has gotten grossly out of line,....That imbalance is one of the primary reasons for why costs grew so out of control over the last three decades.” They repeat the same claim as Bergmann (1991), that administrators tend to hire more employees like themselves. Later, this thesis will explain the underlying principles surrounding this phenomenon, in that, bureaucrats produce more bureaucrats. Again, Martin and Hill (2012) reiterate what other literature has found regarding universities hiring part-time non-tenured faculty to cover the costs of the ever-increasing college administration offices.

Williamson, Hughes, and Head (2018), look at the National Center for Education Statistics from 2014-2015 and analyze tuition costs and university budgets. Only about 27% of spending at public tertiary education institutions were used for educational activities, which begs the question where does the other three quarters go? This single data point speaks of the new power paradigm ruling colleges and universities across the United States. No longer do faculty and academics run the universities, rather, bureaucrats sit in the administrative offices. Williamson, et al. specify two primary reasons for this result. First, due to the dwindling employment of tenured faculty, Williamson, et al.’s attention is increasingly focused on academic and professional interests, opening a power vacuum within university administrative offices. Second, increasing state subsidies for students seeking higher education resulted in dramatic enrollment increases, and universities needed staffers not occupied with academics to combat this inflation. The authors find:

"In summary, the growth in access to higher education through increased government support led to record numbers of students attending American colleges and universities. Because federal and state governments were spending more on higher education, there

was a need for added state oversight of colleges' and universities' stewardship of taxpayer dollars. As a result, state legislatures promulgated changes in the governance of their respective postsecondary systems, enabling the growth of the number of campus administrators and staff. Another, perhaps unintended, consequence of these changes has been the erosion of faculty power on campus, partly due to the decreased number of fulltime tenured faculty" (Williamson, Hughes, & Head, 2018, p. 17).

Greene, Kisida, and Mills (2010) analyzed several American universities from 1993 to 2007 and studied tuition patterns, enrollment, and labor costs. The researchers found that at Arizona State University, the number of administrators per 100 students increased by 94%, leading to half of the full-time university staff employed as administrators. Furthermore, looking at 198 universities, the authors find what this thesis will also focus on, namely that most firms and sectors see economies of scale over time, but universities are seeing diseconomies of scale as they get larger. An unnoticed problem exists at universities if technology and the scale of the higher education sector has increased, yet it costs more to educate students. They reiterate a point numerous other studies have found, in that universities compete based on prestige and reputation, not on actual competitive pressures.

Of particular significance to this study was identifying the relationship between increased administrative and non-tenured faculty hiring, enrollment, and tuition prices. Similar to others, they notice the rapid hiring of professionals defined as "persons employed for the primary purpose of performing academic support, student service, and institutional support..." including business and agent specialists, human resources and labor relations employees, as well as management, financial, and budget analysts (Greene, et al., 2010). Over the period analyzed, the newly hire professionals required a 67% increase in administrative spending per student, and it is unclear why it has cost two-thirds more to administer to each student from 1993 to 2007. Citing numbers from DataPoint, Friedman and Friedman (2021) found that from

1976 to 2011, there was a 369% increase in administrative, fulltime, nonfaculty, professionals. During the same time period, fulltime, tenured faculty were hired at a 23% rate.

Effects on Students

As the American economy morphs into a “creditocracy”, the attitude society has taken towards this unsustainable debt bubble is alarming, as we have replaced “debt” with the euphemism “credit” and nearly everyone has turned a blind eye. Andrew Ross (2017) goes into adamant detail on the so-called creditocracy, looking at creditor and debtor relations. A creditocracy is the expression of a creditor to wrap every social good in debt to generate long-term revenue streams and repayment obligations. Furthermore, Ross’ crucial point is that in American society, it is considered an utmost and high moral duty for a debtor to keep their creditors whole at all times, but so often the creditors/lenders bring no such spirit towards their own debt obligations. He points to the work of Jamie Peck (2012) who blamed the 2008 financial crisis for the astronomical amounts of debts not only students find themselves in but a vast majority of Americans. She coined the word “extreme economy” to define the situation, and its key aspects involve allowing creditors, owners, and elites to reassert their dominance over resources. In other words, the 2008 financial crisis was used as a smokescreen to allow a more efficient transfer of wealth and resources to a specific class of people. This same problem will be highlighted throughout this thesis but will remain focused on university administrators as the creditor class and students as the debtors.

Ross (2015) notes that student debt has been the only type of debt increasing since the Great Recession, with an average debt per student upon graduation at \$33,000, not including future interest payments. Recall how the banks were bailed out after the financial crash in 2008. This has dramatic effects on our current understanding of creditor-debtor relations, as creditors

factor bank wholeness into their calculations that high levels of debt service to students is sustainable for themselves. Perhaps even more important is the assumption that creditors/lenders do not want the debtors to succeed, as that means less profit for them. In a creditocracy, the ideal debtor is a consumer that cannot make ends meet, meaning they have credit (debt) roll over each month in the form of interest payments to lenders. Lastly, Ross writes that the student-loan problem is not purely economic but revolves around our understanding of relationship power dynamics, something this thesis will emphasize in its relation to bureaucratic-formation theory.

As for specific and non-theoretical explanations on the current condition of graduates in heavy amounts of debt, a journal done by Elliot and Lewis (2015) looks at the results.. They compare students of the same education with and without debt, finding, “[i]ndebted college graduates have lower net worth, less home equity, and compromised ability to accumulate assets, as compared to their peers with the same level of education but no student debt.” There is also wide discrepancies in the rate of return for certain degrees that students pay nearly the same tuition for. More specifically, for two students who major in the same degree, they can see different returns based on how they financed it. Loans tend to increase the real price of the degree dramatically over time, because of usurious interest rates (Hiltonsmith, 2013). Elliot and Lewis (2015) blame changing attitudes in the government towards higher education as one major reason for the worsening student-debt crisis. They cite how the US uses higher education to achieve more equitable outcomes amongst all classes, which granted, is a noble desire. But what it has resulted in is the burden of paying for college has been pushed to the individual, evidenced by decreasing state support for public four-year institutions, the diminishing purchasing power of financial aid, and increasing college costs. The availability of these loans changes the borrower’s perceptions about post-graduation, distorting their view on actuality. It also delays their social lives, as their marriage rates plummet, and they delay having kids. Those

with debt who do marry after college (under age 37) are less satisfied in their marriages than those without debt (Gicheva, 2011; Baum & O'Malley, 2003; Dew, 2008).

With the increasing percentages of borrowers defaulting no matter what type of consumer debt it is, it effects future prospects that post-gradates need to finance primarily through credit. Some of these include relying on credit to buy a home or start a business development. Unfortunately, student loans affect their credit score to such a degree, it is increasingly difficult to acquire productive capital to begin financing wealth creation. On average, grads in debt have credit scores 24 points less than those without debt (Elliot & Lewis, 2015). The difficulty among heavily indebted graduates in asset accumulation explains the wide disparities we see amongst graduates of the same education level later in life. This leads to 73% of young adults setting aside savings for retirement, leading to even greater difficulty in accumulating assets and wealth throughout their careers. The increasing reliance on debt in the American economy, in particular for higher education, with no consideration of its long-term effects has left post-graduate students out to dry in the creditocracy. In sum, Elliot and Lewis say “[t]he long-term and aggregate effects of these derailed asset aspirations may constrain economic mobility and threaten the financial security of student borrowers throughout their lives, and these effects could transmit significant, albeit indirect, economic fallout from student loans.”

The prior literature hits several important points, but nearly none of them get to the heart of the problem. They speak of how universities are funded and where they see the problems in tuition prices and the rising costs of running a campus. We understand what is happening from a results perspective, but seldom has been done on critiquing the system. Who does the university take money from, and who does it give it too? This thesis will provide an original critique about the redistribution dynamics between the student debtor and the

administrative creditor, and how this relationship harms young adults throughout the rest of their lives.

Chapter 3

Higher Education Data

The central problem I will be looking at is what the tuition money and the rising student debt accompanying it is financing. As seen in the previous chapter, the literature highlights several different areas where these funds could be going. I am going to interpret the finances in an underutilized way. Using what we know about Unit Labor Costs (ULC), the data will show a new interpretation of where student debt is being funneled. Unit Labor Costs is defined by the OECD as:

Unit labour costs (ULC) measure the average cost of labour per unit of output and are calculated as the ratio of total labour costs to real output.¹

ULC tell us the worker's wage (price/cost the firm pays) relative to their productivity. The natural derivation of ULC allows us to split up its components to narrow the focus on what is driving the change in costs. The calculation of ULC is shown in Equation 1:

1

$$ULC = \frac{\text{Total Nominal Cost Per Employee}}{\text{Real Labor Productivity}}$$

Total Nominal Cost Per Employee cannot be reduced further, but we can see how Real Labor Productivity is calculated with Equation 2:

2

$$\text{Labor Productivity} = \frac{\text{Real Output}}{\text{No. of Employees}}$$

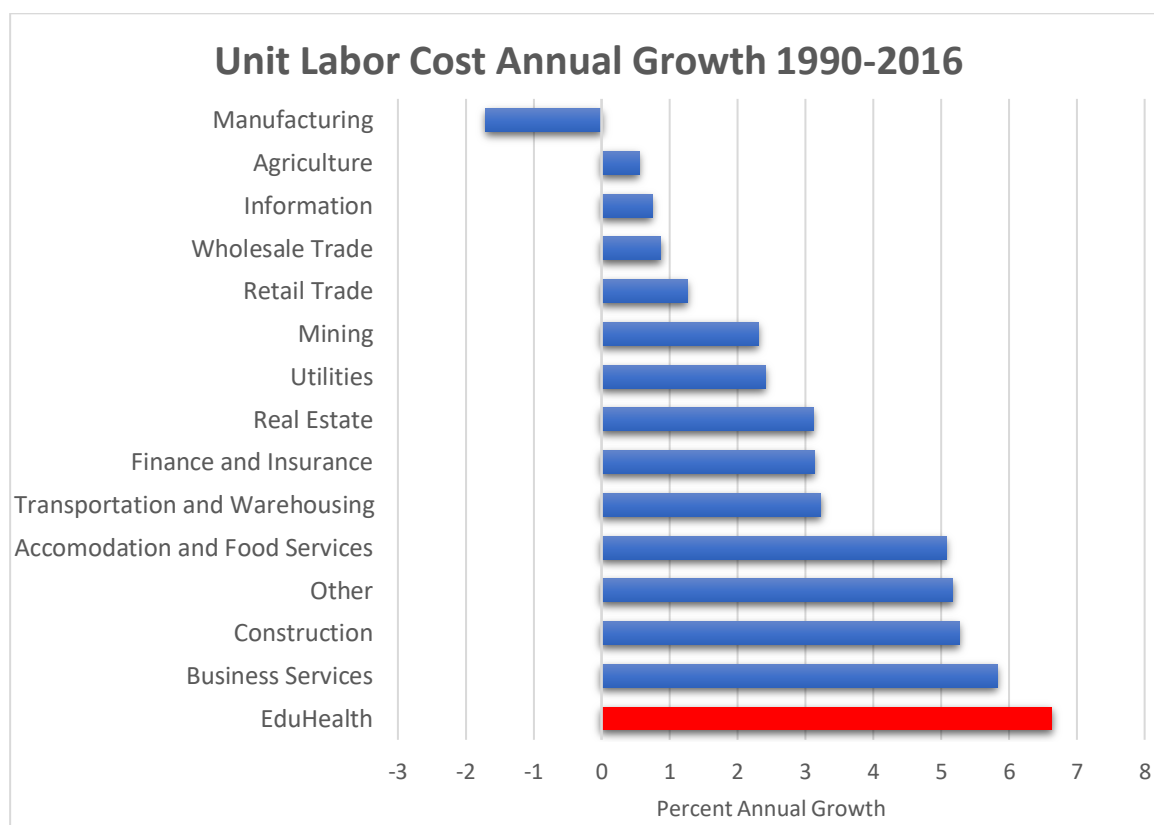
Thus, the ULC equation can be rewritten by combining Equations 1 and 2:

¹We will be using the OECD definition of ULC for this thesis.
<https://stats.oecd.org/glossary/detail.asp?ID=2809>

$$ULC = \frac{\text{Total Nominal Cost Per Employee}}{\frac{\text{Real Output}}{\text{No. of Employees}}}$$

Using data from the Bureau of Labor Statistics (BLS), the Bureau of Economic Analysis (BEA), and the College Board, we will look at ULC growth by industry in the United States. We calculate labor productivity by using annually inflation-adjusted values and dividing it by the number of employees in a given industry. The former is not reported for education services, but rather for what the BLS calls “EduHealth”, therefore our statistics will look at the sector as a whole:²

Figure 1: Unit Labor Cost Growth in Major Economic Sectors of the US

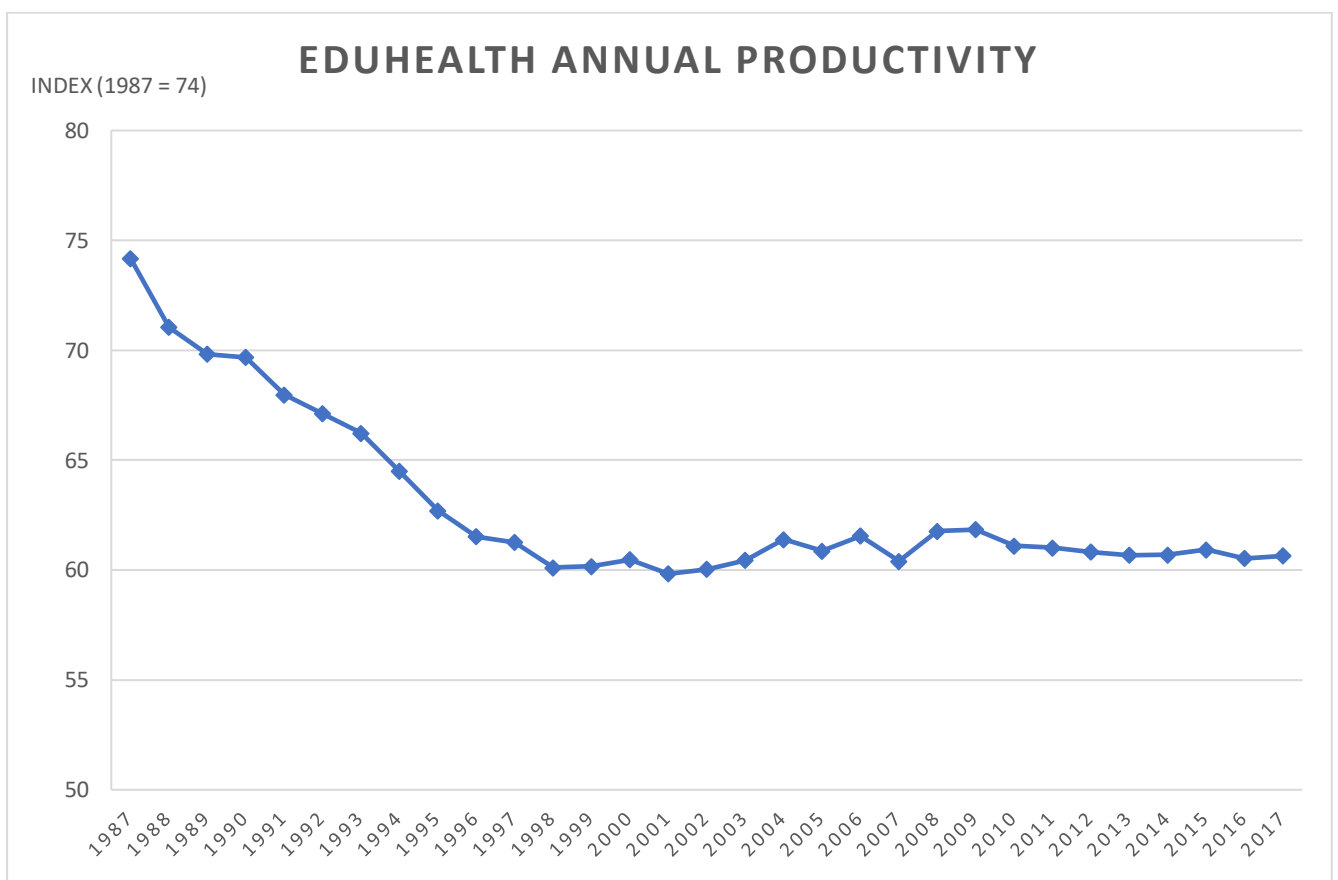


Source: BEA, BLS

² The BEA and BLS aggregate education services, health care, and social assistance into one sector. Their reason remains unclear, but I suspect it is due to their similar outlying behavior in competitive, capitalistic markets. Also, note that education services includes primary, secondary, and tertiary schooling.

The industries are on the vertical axis, with percentage growth on the horizontal axis, and EduHealth has also been highlighted. It is evident that over the last 30 years, EduHealth has seen the largest ULC increases, being the only industry to breach the 6% annual growth mark. The growth suggests that workers in this industry are being compensated far higher relative to their actual labor productivity than every other sector. Furthermore, Figure 2 shows the labor productivity within the EduHealth sector:³

Figure 2: EduHealth Sector Productivity from 1987 to 2017



Source: BEA

With productivity on the vertical axis and the year on the horizontal axis, the graph shows productivity in the EduHealth sector has declined since 1987. There was a near 15%

³ BLS defines labor productivity as “the ratio of the output of goods and services to the labor hours devoted to the production of that output.” For example, in 1987 EduHealth was productive 74% of the time per hour of work.

drop in productivity in the first 11 years, but it now remains relatively flat with slight decreases up to the present day.

Table 1 shows the average annual growth of important components in the EduHealth sector:

Table 1: EduHealth Average Growth Statistics

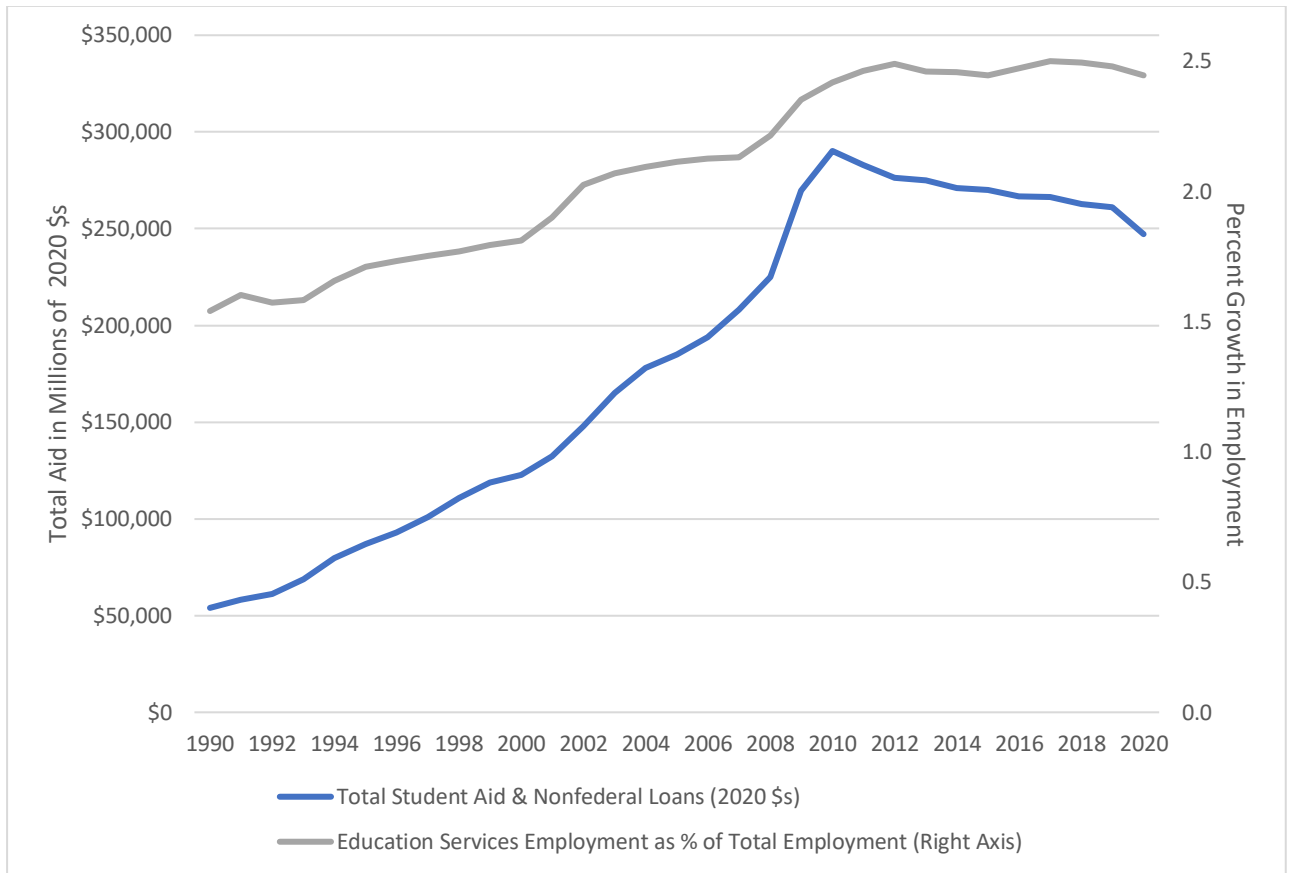
EduHealth	Average Annual Growth 1990-2016
Employment	3.01%
Value Added	2.32%
Productivity	-0.66%
Earnings	3.22%

The main problem within the higher education sector is extremely low productivity growth. Earnings have increased within the same time period but not vastly higher than inflation. The unproductivity of the sector remains the foremost problem in universities around the United States. A contributing factor to the low productivity is that employment numbers have grown at a higher rate than value added, implying negative marginal labor productivity if understood in reference to Figure 2. In short, there is too many workers with not enough to do.

Government-subsidized student loans also play a part in affecting the productivity of higher education. Figure 3 takes a look at the relationship between employment in education services as a percentage of total employment and the level of inflation-adjusted student loans:⁴

⁴ Similarly in defining “EduHealth”, education services here refers to primary, secondary, and tertiary school, not just higher education. We can assume though that non-university education is fixed relative to total employment, so all of our change is coming from higher education.

Figure 3: Relationship Between the Annual Increase of Student Loans and Education Sector Total Employment



Source: BLS, College Board Research

There appears to be a very strong correlation between student loans and higher education total employment. To test for this relationship, I have run a linear regression on the logarithms of the two variables. The results (shown in the Appendix) are statistically significant with $p < 0.0001$.

The reinterpretation of these results can be placed within a purview that describes how an unproductive sector grows if left alone.

Chapter 4

The Iron Cage: Max Weber on the Development of Bureaucracy

This thesis identifies a new aspect of the problem by drawing on the literature of Max Weber. I propose a fresh interpretation of the analysis done above with the data. Max Weber is largely regarded as the father of modern sociology. Although, Weber's economic and sociological ideas about bureaucracy relate to the subject at question. I will direct his methodologies towards university administrations, faculty organization, and their relation to the student polity. Weber's work on the relationship between democracy and bureaucracy will face the forefront of this thesis' interpretation of college tuition funds and where that money goes.

Why Max Weber?

Max Weber attached his methodological development of sociology to the rise of bureaucratic social structures within Western democracies. He saw its rise as a threat to individualistic expression and the current social order; casting a shadow over liberalism, ending in a permanent reshaping of civilized society. In the words of German historian, Wolfgang J. Mommsen (1972), Weber "was convinced that the universal advance of bureaucratic forms of social and political organization was bound to place the principles of individual liberty and personal creativity in jeopardy" (xiii). This same conviction extends to college campuses, where a reorganization and refinement of what a university is has and continues to occur.

Central to Weber's sociological theories on the development of bureaucracies we see forming at universities, are his questions on the origins of modern industrial capitalism and its social consequences. Weber absorbed what Karl Marx noted but resisted the socialist rationale Marx is most famous for. Whereas Marx believed the distribution of property to be the problem,

Weber countered with a rephrasing of Marx's own ideas. Yes, Marx was correct in recognizing that capitalism's "irrationalities" plagued individual autonomy to an extent. Marx's answer of socialism was wrong though, so Weber rephrased Marx's conclusion by describing capitalist institutions as having "formal rationality", although still consisting "substantive irrationalities" as Marx himself noted. Weber took Marx's initial proposition and reworded it to show the problem being not who controls distribution, but to what end those in charge serve (Mommsen, 1972). This redefinition will be seen in the next chapter when we discuss the displacement of faculty by non-faculty university administrators and bureaucrats. Understanding the means used to serve an end is critical in analyzing the paths student tuition funds take. As you will see, the answer will become a regurgitating theme – bureaucracy always begets more bureaucracy.

Weber's identification of the underlying question can be summarized as so: with ever-increasing bureaucracy and with no end of its dominion in sight, how can democratic leadership remain effective? He fought within his work too keep democracy alive amidst the tide of bureaucratic industrialism forming in society. As for university campuses, we will address in chapter 5 the undoing of formal democratic process' within university governance because of tsunamic bureaucratic administration.

Characteristics of a Bureaucracy

Our discussion begins with Weber's (1958) idea of the "rationalization of society". The theory of rationalization is defined as the elimination of traditional customs, practices, ideas, and organizations, in favor of a formalized rational approach to organizing society and institutions based on fixed criteria. Weber viewed rationalization as inevitable given the direction capitalist and industrialized Western nations were headed. Again, his recognition of

this problem is credited to Marx's realization that capitalism's obsession with maximum efficiency threatened traditional expressions of individual autonomy. Rationalization formalizes and constructs homogenous concepts that explain different aspects of society. In other words, it is a collective effort of control by a select group of specialized individuals who understand how the motor runs. These individuals dominate through their sheer sense of knowing. As Weber describes how the development of the modern organization exists:

“The development of the modern form of organisation concurs in all sectors with the development and continuous expansion of bureaucratic administration.... The main source of the superiority of bureaucratic administration lies in the role of technical knowledge, which, through the development of modern technology and economic methods in goods' production, has become absolutely indispensable [...] Bureaucratic administration fundamentally means the exercise of domination based on knowledge. This is the trait that makes it specifically rational. It consists, on the one hand, of technical knowledge, which is, per se, sufficient to ensure a position of extraordinary power for bureaucracy. On the other hand, it should be considered that bureaucratic organisations, or those in power who use it, tend to become even more powerful by the knowledge that comes from the practice that they attain in the function” (Weber, 1966, pp. 24-26 cit. Serpa & Ferreira, 2019).

When analyzing the relationship between university administrators and faculty, the former has a highly stylized community within higher education that the latter no longer does. Weber (1958) was not criticizing bureaucracy but rather sees his description of the development of modern organizations as the “ideal type” of bureaucracy, albeit not good as he begrudgingly believes their development to be inevitable. The ideal is an impersonal organization, so it cannot be motivated by individual bureaucratic interests. Where his concerns and criticisms arrive is in the recognition of societies inability to contain the impersonal

bureaucracy. The bureaucratic beast on college campuses would have been an ideal representation of Weber's greatest fear.

Weber developed this ideal type of bureaucracy for future generations, where he believed bureaucratic takeovers would unavoidably happen. The ideal bureaucracy served as his "yardstick" for measuring the exact political, cultural, and possessive influence of modern bureaucracies over individuals. He desired future generations to compare the bureaucracies in their lifetimes to his ideal version. Weber's ideal type exaggerated the rule of formal rationality, subordination, and discipline, placing itself as outlandish when stacked up against empirical realities (Mommsen, 1974). Weber wanted it to literally be an ideal type, meaning its perfection may never be attainable but can nevertheless be striven for by those in the future; a literal yardstick to measure how positive or negative the bureaucracy of the future is.

Positive Bureaucracy

Bureaucracy often produces negative connotations today such as long lines at the Department of Motor Vehicles, but to the early academics of the 20th century, the word had several meanings before Weber narrowed its definition to his ideal type. Bureaucracy could have meant a political system adherent to a monarchy, a public administration with coercive features but subservient to the government, or a non-market organization below a ruling funder. All three types have been seen throughout the 20th century, but we will focus on Weber's concept of bureaucracy – a management system, operated by professionals who are guided by fixed rules and criteria. (Beetham, 1998). It is rule by rules, where the authority descends from the system of rules, not from a democratic process. The "[b]ureaucratic administration is characterized by a complex division of labor, hierarchy of authority, technical competence, rules of procedure for office, rules governing employee behavior, limited position authority,

differential salary by position, separation of ownership and administration, emphasis on written communications, and rational discipline” (Ferreira & Serpa, 2019). This description is what we will call the “positive bureaucracy”. This is Weber’s ideal type, wherein rational-legal domination is perfectly manifested.

In one of his seminal works, *The Theory of Social and Economic Organization*, Weber (1957) outlines the defining principles of a good or positive bureaucracy:

1. The principle of fixed jurisdiction, where the authority in the position of power is regulated and subject to the founding administrative rules and laws of the bureaucracy.
2. The principle of hierarchy, where the bureaucracy is categorically organized by level of authority; it is a top-down approach, where the head administrator has subordinates that answer to him/her, the subordinates have subordinates of their own, and so on, and they can appeal to those above themselves if need be.
3. The division of labor within the office is based on written documents outlining their organization.
4. There is a period of specialized training and formation for those working within the bureaucratic administration.
5. Once the training is complete and the adherent of the office is fully developed, they must be committed to their role for the entirety of their career.
6. If the person in a specific position fails to adhere to their duties, the job must be defined in such a way as to easily be taught to the next adherent.

Related to the principles defining a positive bureaucracy are several objective principles Weber outlines that are to be fulfilled by those within the administration. A few pertain to our exercise in analyzing the university bureaucracies:

1. The individuals in power are free to exercise their obligations and are subjected to higher authority.
2. There is a clearly defined hierarchy of bureaucracy.
3. Each position within the bureaucratic machine is competent to the purpose of the administration.
4. The employees are subject to specific qualifications, tailored to their role, and are appointed, not elected to their positions.
5. Their salaries/wages remain fixed.
6. The position occupied is to be the occupant's sole position, with no other duties involved.
7. There is room for promotion based on merit and seniority.
8. There is no appropriation of the position.
9. Whomever occupies a position is held to rigorous and substantive discipline if they are found incapable of fulfilling their responsibilities.

These principles relate to certain aspects of professors gaining tenure at universities for their years of service to the institution. We will revisit the significance of this next chapter.

Negative Bureaucracy

Weber's vision for a positive or ideal type of bureaucracy has, for the most part, remained just a vision. In his admittance that this ideal type may not coincide with empirical reality, Weber often ignored or permitted the negative aspects (Al-Habil, 2011). He remained intellectually honest though and did address the principal problem with his impersonal and rational bureaucratic organization. This is where I will diverge from Weber's archetypal model

and move onto the empirically tested bureaucracies. We find a self-regenerating bureaucratic machine, dehumanized from any conception of human ends. Weber's (1958) notable description of the empirical reality of bureaucracies was their tendency to morph modern society into an "iron cage" – where the preoccupation is on the means and rational organization of instruments rather than on the traditional ends of society-shaping institutions. The university administrative bureaucracy fits the mold identified by Weber, in its ability to use knowledge to regenerate itself with redistribution.

When Weber first coined the term iron cage, he was referring to sociological organizations within modern capitalism, stating that bureaucratic realities of impersonal rationality trap the individual man in a cage of efficiency through control; control by knowledge. Typical of any redistribution scheme, the negative bureaucracy damages the relationship between the free man and the institution he shares relations with. Instead of the institution having a personal and traditional working relationship with the man, it instead becomes impersonal, where a quasi-dehumanization process begins to develop.

Once the loss of tradition and the original purpose begin, the bureaucratic organization becomes obsessed with itself. The passion to rationalize and organize the institution morphs into a passion for order. The order becomes the end in itself, even though its initial purpose was to serve the traditional end of the institution. Weber and his contemporaries thereafter, describe this breakdown as a "dysfunctional passion"; obsession with rational order (Mayer, 1965 & Clegg, 1990).

The breakdown results in subsiding productivity within the organization. The individual servants of the bureaucratic machine obey order alone. Those who rule establish a ritualistic behavior among the institution, i.e. a pattern of service to the bureaucracy alone; feeding itself (in the case of a university, financially) so it may expand its scope over the portion

of society it serves. The employees begin to find their work rigid, hurting their response to specific demands for which they devote themselves too. This rigidity usually finds itself associated with these elements: “the extension of the development of impersonal rules, the centralization of decisions, the isolation of each hierarchical category and concomitant increase of group pressure on the individual, and the development of parallel power relations around the remaining areas of uncertainty” (Crozier, 1981 cit. in Ferreira & Serpa, 2019). Thus, the resulting conclusion of the dysfunctional breakdown is a permanent tension between the ideal of rational organization and its principles, and the reality of those working on the ground. This tension gives those in power freedom to exercise their dominance over those below them, resulting in a monopolization of the administration and the power to make decisions. The monopoly then commits itself to stay in power by growing and regenerating itself. This damages the participation of the bureaucracy’s employees and eliminates any degree of democracy that once reigned (Michels, 1966 cit. in Ferreira & Serpa, 2019).

These aspects of negative bureaucracy have disrupted the founding idea of higher education – training students in the arts and humanities; providing an opportunity to learn for those who desire more knowledge. No longer do we see this as students are rushed into the bureaucratic machine’s new message espoused within universities. Through redefining the idea of what a university means, the bureaucracy upholding higher education has successfully managed to change our culture’s perception of why students attend college, and as a result, the price they are willing to pay for it. No longer are prospective academics and true students the main client. Consistently cited as the number one reason for attending college over the last two decades has been “to be able to get a better job (Elwell, 2000 & Wyer, 2013), or because of “the college experience”. The mission of universities no longer concerns learning but the impersonal formation of young people to go and serve the corporate bureaucracy wherever they

are needed. Thus, an influx of students and a significant increase in tuition costs are the result of this lost identity.

Chapter 5

A Surrender of Identity: The Fall of the Faculty and the Rise of the Premium Bureaucracy

As late as the 1970s, universities were completely run by faculty concerned with education and research. Often, the administrators usually came from the faculty and returned once their term expired. Then in the 1980s, a transitional period developed whereby administration began to increase and faculty influence began to decrease. The bureaucratic administrators solidified their control over universities by the 1990s, where our research data begins. We now focus on why and how university bureaucracies took over, beginning by looking at labor.

Those who rose to university power in the 1990s saw management as an end itself, and had seldom faculty experience. The means of administrating became the end, a noted characteristic of Weber's negative bureaucracy. With the shift towards management, bureaucratic administrators' ignorance of education resulted in the layoff of full-time faculty members, citing budget cuts due to decreasing state funds (Griffith, 1993). This is a pattern representative of administrators' uneasiness with tenured faculty that spans the last three decades.

Citing budget cuts when faced with reductions in state grants and allocations is a fair excuse if reductions in employment occur in the university sector. This is not the case though, as university administrative offices have seen presidents beget vice presidents; vice presidents beget associate vice presidents and assistant vice presidents, et cetera. As Weber noted, when a bureaucracy forms, it grows endlessly no matter the conditions. This can be seen by the analysis done on EduHealth Unit Labor Costs.

My focus on ULC is due to its components. – employment, productivity, and wages. Firstly, my attention is on the growth of EduHealth employees over the last three decades. The

pattern of budget cuts previously alluded as a reason for letting go of full-time faculty, does not coincide with the data. Shown in Table 1, from 1990 to 2016 EduHealth experienced a high 3.01% annual growth in employment. It appears that the supposed university financial crises provided administrators with the opportunity to invoke emergency action and thus prioritize administration over faculty teaching. As Weber (1957) noted, negative bureaucracy overcomes what it serves and utilizes its resources for itself.

Table 1 also shows the annual value added of the new EduHealth employees is 2.32%. This means that every new hire is less productive than the last, since it is less than employment growth as was mentioned earlier with negative marginal labor productivity. It appears that a university administration constantly releases full-time faculty under supposed financial constraints, yet it still finds room to increase its administrative employment numbers despite low value in doing so. Recall the underlying principle of Weber's depiction of bureaucracy – bureaucracy begets more bureaucracy, no matter the cost. It is a management system built on expedience, and what is more expedient than citing fiscal emergencies to act with haste in altering the purpose of a university? It is a tactic characteristic of a negative bureaucracy, that is, a state of emergency which allows college administrators to release their critics (the faculty) and hire more supporters. The appropriate next step in our analysis is looking at who administrators are replacing, and more importantly, who are the administrators if they are not faculty members?

Bureaucracy from Democracy

Recall from Weber's bureaucratic-formation theory, bureaucracies form from democracies. Before the transitional period of the 80s when faculty ruled universities, they were primarily a "bureaucratic democracy". To be sure, bureaucracy has always existed to

some extent in universities, but it used to be attached to what is called the “university collegium” that ruled campuses for centuries. Collegium can be defined as an organization where each member has equal amounts of power and authority, very characteristic of a democracy. Take the words of John D. Millet (1962, pp. 234-35), president of Miami University from 1953 to 1964 who describes the collegium as a community:

“The concept of community presupposes an organization in which functions are differentiated and in which specialization must be brought together, or coordination, if you will, is achieved not through a structure of superordination and subordination of persons and groups but through a *dynamic of consensus* [emphasis added].”

The bureaucratic democracy had appointed presidents, deans, and chancellors, in addition to non-appointed professors, instructors, and research assistants, but each adhered to their own specialties or competence. In the introduction to Weber’s *Theory of Social and Economic Organization*, the translator Parsons (1957) differentiates between two types of competence: legal and professional. In bureaucratic democracies, we see the professional competence that ties in Millet’s definition of the collegium. Professional competence is rule by knowledge in a specific area, for example, a doctor issuing prescription orders for a patient based on their superior medical knowledge, or a scientist determining two hydrogen and one oxygen molecule forms water based on their knowledge in chemistry; the professor who determines the grade of a student based on their knowledge of the subject. In short, professional competence allows employees to have authority and power within their formal position of knowledge.

Granted, as Baldrige (1971) notes, the idea of the university collegium or dynamic of consensus, never really existed. In fact, what we see throughout the pre-80s period is an arena of intense discussion and battle over decision making, where one group prevails over the other.

This sounds very similar to the academic understanding of democracy. Contrasting this with legal competence, we find something more analogous to Weber's bureaucratic characteristic of rule by knowledge. Legal competence is rule by officiality, that is, being appointed a specific place in the bureaucracy. Recall the Weber quote about this subject in the previous chapter, where he states that this competence derives from their professional practice at work. The higher-ups abuse the legal competence given to them, thus the university becomes a field of domination by knowledge – knowledge of how decisions are made. This results in a loss of collegiality where specific positions rule by the knowledge of their given field. No longer though, as legal competence began to dominate the transitional period, eventually leading to its full implementation in higher education.

Perhaps, as a direct result of its victory over democratic professional competence, that is why we see decreasing productivity in Figure 2. The bureaucratic democracy became the bureaucracy alone. Naturally as Weber points out, bureaucracy springs from democracy. But if left uncontrolled, it will cut itself off and overcome the democracy (Mommsen, 1972). Those in power therefore are not the most competent to make decisions in specific areas, resulting in decreasing labor productivity.

The first component of ULC is the number of employees, which increased with the bureaucratic takeover and has grown at a higher percentage than the value added of each additional worker, implying a productivity reduction. The productivity of higher education is the second component of ULC. Table 1 shows that over the last 30 years, there has been a -0.66% reduction in productivity. Most of this reduction came during 1987 – 1998 as evident by Figure 2, when legal competence won out over professional competence. In a typical market where productivity decreases or remains flat, employment does not grow nor do wages. However, higher education remains an outlier. It affords an increase in employment and wages amongst its employees, even after the constant declines in state funds and supposed financial

crises. This decrease in productivity came from the replacement of faculty members with bureaucrats, and thus those with special knowledge in an area were lost. Bureaucrats could not burden themselves with face-to-face interactions in classrooms, so they sprung the idea of hiring adjunct professors and other “professionals”.

Eliminating the Tenured

One of the main reasons for a rapid decrease in productivity over the last 30 years is because universities are not focusing on education and research any longer. Typical of bureaucracies, their job now is to prepare the next generation to serve the higher bureaucracy – the corporate world. Noteworthy is the realization that the federal government promotes most of this change. This has happened through a shift in educational resources, that is, who is teaching in the classrooms.

The university administrators in power, lacking the special knowledge needed for their positions, view faculty as just employees who teach in classrooms and nothing more. Unlike the positive bureaucracy which contains the characteristic of permanent employment, the current negative bureaucracy on college campuses reserves that privilege for itself. Moreover, whereas the positive bureaucracy’s reason for fixed employment comes from the academic freedom of expression for professors, the negative bureaucracy allows no freedom. Thus, no professors can be granted tenure for self-expression. Universities are now highly motivated by equity (and general cost-cutting), and have therefore decided to stop hiring or even let go tenured professors, so faculty can be more equal.

For most of the pre-negative bureaucracy period, academic freedom and the tenure system came hand in hand. The two were inseparable, as tenure allowed professors to remain clear of administrative oversight on what they teach, how they teach, and whether they are

productive enough in the eyes of the bureaucracy. For it is in the tenure system where academic freedom's value in faculty work is most apparent. A professor with tenure is *fully expected* to be simultaneously productive in teaching and research; to be teacher and scholar, as the prime ideal in higher education. No longer is this reality.

Brown Jr. (1997) describes tenure as providing professors “with an incentive to participate in certain aspects of decision making where their expertise is valuable, to make decisions that are in the long-run best interests of the university, and *to actively and effectively monitor the decisions made by university administrators* [emphasis added].” This description captures the connection between tenure and professional competence. It should come as no surprise that tenured professors' ranks have been depleted to less than 30% of academic faculty.

Typical of Weber's concept of the negative bureaucracy, there exists a fundamental difference in the purpose of higher education between tenured faculty and university administrators. Whereas the former increasingly see their numbers dwindle due to alleged cost-cutting measures, the administrators do not see the same percentage decrease in their makeup of university employment. Again, Table 1 provides the evidence with the previously mentioned 3% annual employment growth in EduHealth during the last three decades. The bureaucrats hire people more like themselves and less of those who are not, characteristic of the negative bureaucracy. They hire subordinates in order to have more oversight and authority over them.

Research suggests university administrators are silencing tenured professors in an unconventional way. Since the bureaucrats cannot be rid of the tenured by firing per se, they utilized a method that drowns out their influence. According to the American Association of University Professors (AAUP, 2004), by 2001 the percentage of the full-time faculty workforce without tenure or tenure-track is 34%, a significant increase from 20% in 1993, which was a worrisome number at the time. Now, the AAUP (2018) data from 2016 suggests this same

percentage has escalated to 73% of full-time faculty! In addition, the same report states that tenured faculty increased by 25% over the last several decades. How does this align with our previous analysis?

The unconventional method mentioned above is none other than an increase in employment in non-tenured and part-time professors so that most of the faculty is subservient to the administration. Before the time of bureaucratic take-over on college campuses, administrators relied on the faculty for support. Ginsberg (2011) highlights the vast scope of faculty responsibilities for most of American history. Those include teaching, research, student recruitment, registration, admissions, curricular planning, and counseling. Thus, we see for example that during the 1970s, 80% of full-time faculty held tenure or tenure-track positions (Baldwin & Chronister, 2002). With the complete reversal that we have seen over the last three to four decades, how has this impacted tuition costs and the size of the administration?

Beginning with Weber's first characteristic of administrators' positions in the positive bureaucracy, the elimination of tenured faculty violates this rule – freedom to practice their work. Where there is no tenure, there is no academic freedom for faculty to exercise their obligations. Without tenure, we see administrators' influence take over classrooms and research facilities. They will change curricula designed by specialist professors, set evaluation standards unrealistic to the subject being studied, and reduce grade thresholds so more students pass. It is not uncommon for professors to be berated for failing students, as it makes the bureaucrats look bad. This leads us to the second violation of a positive bureaucracy – the means become the end.

Whereas the positive bureaucracy is utilized in service to the ending mission of an institution, the negative bureaucracy becomes obsessed with maintaining itself, that is, maintaining its image. Bureaucrats do not tolerate embarrassment or failure of their

administration in the public square, so it seems reasonable to them to appear as if their rule is successful for all students, no matter if they attend class or not. The violation of this principle leads to the iron cage concept. The concept creates a total rationalization of order, where obsession with the means becomes the end. Tradition is thrown out in favor of rational control and of maintaining that control. Universities have in essence, thrown away the traditional post-secondary education in favor of a controllable, calculated, and efficient bureaucracy. This results in an oversupply of students and an increase of administrative employment within the system.

Moreover, Weber noted that an administrator is given select duties at a fixed wage. Permanence is part of the positive bureaucracy, as it is part of the rationalization process – nothing changes. Table 1 shows a 3.22% annual growth in EduHealth sector wages over the last three decades. The increase is slightly more than inflation over the same time period (AAUP, 2018), so it would appear Weber’s principle remains intact. Although, salaries for university administrators and faculty did not increase equally. Whereas the salaries of full-time faculty grew marginally over inflation, administrators have seen significant salary increases. When analyzing the productivity of the EduHealth sector from Table 1 and Figure 2, it is not in the interest of the higher education market to afford higher wages to those within the sector. Unfortunately, the administrators are behaving exactly as Weber predicted.

A study from 1996 to 2006 looked at faculty and administrator pay in the city of Ontario, Canada. They found a 43% compensation difference between administrators and faculty, with the highest escalation of pay occurring for presidents and provosts at 63% over this time period (Essaji & Horton, 2010). Essaji and Horton note that there is increasing government regulation which *necessitates* a bureaucracy. They also cite “increased organizational complexity”, which represent Weber’s idea of rationalization. Lastly, they mention the devolution of previously faculty-led tasks to dedicated administrators, aligning

with our theme of eliminating the tenured. A key component of this study is that they found this overwhelming trend across most US public and private universities as well!

These three significant deviations of Weber's principles of bureaucratic administrators shows that universities are negative bureaucracies. They no longer prioritize teaching students, but rather are obsessed with order and rationality. It is what the bureaucracy demands – stability. Anything that threatens that stability, like tenured faculty, must be silenced. This creates the order that bureaucracies have fashioned to actualize their control of university governance permanently.

The Adjunct Professors

Much has been written about the decline of traditional university faculty and the promotion of adjunct or supplementary professors. A variety of reasons are cited for this phenomenon, such as budget cuts, decreases in state funds, more students than ever before, et cetera. I intend to show a different reason for the phenomenon that relates to established bureaucracies and university administrators' desire to reshape the purpose of a college education.

Nothing could be more symbolic of the university sector's shift away from its traditional end than the rise of adjunct professors. Tenured faculty represented the essential vision of the university in teaching, research, and the free exchange of ideas. Now, by definition, the word "adjunct" implies a supplemental nature or a non-essential state of operation. If the adjunct faculty that dominates campuses and classrooms are not essential, then what is essential?

Within Weber's bureaucracy, there is a clearly defined chain of command that is subservient to those higher than them. Since teaching is no longer the vital aspect of higher

education, adjunct professors serve who hired them – the university bureaucracy. College administrators, as we have seen, do not seek to engage with faculty on university governance. The availability of adjunct faculty allows administrators to hire educators who are divested from university governance, because they struggle to remain employed as it is. This ties back into the university bureaucracy’s redefinition of why students attend college. No longer does a university exist to transmit knowledge, for its own sake, to a younger generation of self-motivated learners. Rather, it is now a reflection of the entire American economy – becoming a purveyor of goods and services alone and nothing more.

Government-Guaranteed Student Loans

As of 2022, 46 million Americans have student-loan debt, which accounts for one in eight Americans. Nearly 92% of the debt is owned by the U.S. Department of Education, with a total of \$1.61 trillion, and more than \$600 billion of it is owned by those ages 35-49, people considered in midlife (Hanson, 2022). Before the CARES Act offered student debt relief in 2020, 40% of borrowers were considered in repayment, implying they no longer occur any student debt but are still paying back their student loans.⁵ About 8% have loans in default, with a million more each additional year. Nearly 5 million borrowers have loans in forbearance (USDOE, 2020).

Up till now, I have shown you how universities have morphed into full-fledge bureaucracies in bad taste. Having established that college administrations show nearly all the characteristics of a negative bureaucracy and are uniquely unproductive, yet, still growing, the last question that remains is how are they being funded?

⁵ The statistics provided are from the pre-CARES Act era, as the statistics for loans in repayment, default, and forbearance in the Federal Student Aid reports for 2021 and 2022 are vastly inflated due to its remaining implementation.

Figure 3 shows the correlation between growth in higher education employment and total student aid (federal and non-federal). Over a 20-year period from 1990 to 2010, both of these variables grew considerably in size. In the last decade though, both seemed to have leveled off. This is no accident as we can see in our regression analysis. The results are highly statistically significant and demonstrate a strong correlation between growth in higher education employment and total student aid. What is to be said about this correlation and its relation to tuition costs?

In Weber's writings on bureaucracy, once bureaucrats completely take over the institution they developed in, there is a complete cycle of regeneration. Since a bureaucracy of the negative type cannot sustain itself through its own power, it must nurture itself through different means. Unproductive competitive markets are punished for their low productivity through a decrease in employment and wages. Unproductive competitive markets that see their employment and wages increase can only survive through redistribution. This is where college students enter the equation.

Higher education's traditional purpose was the promotion of teaching and research – the areas under direct authority of the faculty. The EduHealth sector exists to serve these ends. But now with faculty no longer in positions of governing power within college administrations, there exists a new class of university employees that are for administration alone. In removing the traditional purpose of higher education, administrators now use teaching and research for a different end. These means are being utilized to attract new customers, similar to a business. The curriculum does not matter to the bureaucrats so long as what the university offers brings in more buyers than any detriment in educational quality would lose. Regarding research, their goal is to achieve the maximum amount of licensing dollars into the university treasury, whether it benefits or disadvantages research (Ginsberg, 2011).

All this amounts to a redefinition of the university's purpose in society, and that is, to use student tuition to stuff the pockets of the bureaucrats ruling campuses and to expand the bureaucracy. We have seen repeatedly in our literature review and other chapters that bureaucracy begets more bureaucracy. This costs money, and student tuition funds are being used to grow this out-of-control bureaucracy on college campuses across the United States. Student to faculty ratios have dwindled over the last three decades, whereas student to administrator ratios have grown.

A November 2021 report on one of the most prestigious universities in the United States found a 1:1 ratio of undergraduate students to administrators. There are 12,060 students at this university and 4,703 of them are undergraduate students (Univstats, 2021). On the same campus, there are 5,066 administrators, outnumbering the faculty and undergraduate population (Mousavizadeh, 2021)! The university under review: Yale.

Yale is only one example of the central problem this thesis has identified. Tuition dollars are used to hire more bureaucrats under euphemistic titles such as “support services”, “professionals”, “medical services”, et cetera. When asked, administrators always cite their bureaucratic expansion as a way to help strengthen the higher education institution in its pursuit of education and research. Supposedly for a sector plagued with budget cuts and government regulation, the actions of administrators speak louder than any justification they could ever give for their own existence. Their words are a way for administrators to hide their true intentions behind ever-increasing tuition funds – to grow the unproductive negative bureaucracy that sustains their own livelihoods.

Chapter 6

Conclusion

Our initial hypothesis was that increasing student debt allows the higher education sector to become a bloated and unproductive bureaucracy. We have shown that increased tuition prices allow us to conclude that student loans are indeed permitting the exponential growth of an unproductive and bloated bureaucracy in the higher education sector. With millions of young adults taking out massive student loans, the unproductive and uncompetitive university sector bureaucracy is allowed to be paid a wage far higher than their productivity should allow for.

The redistribution taking place is the result of a seismic shift in resources away from education and research towards the principle of bureaucracy begetting itself. The army of administrators with this unlimited supply of tuition dollars and its complete circumvention of the faculty, allows it to meddle in university governance pertaining to the curriculum, research, and all other programs for the foreseeable future. Those paying the price are 18 to 22-year old adults relying on government subsidized loans to finance an education they have been told was essential to their success and future well-being.

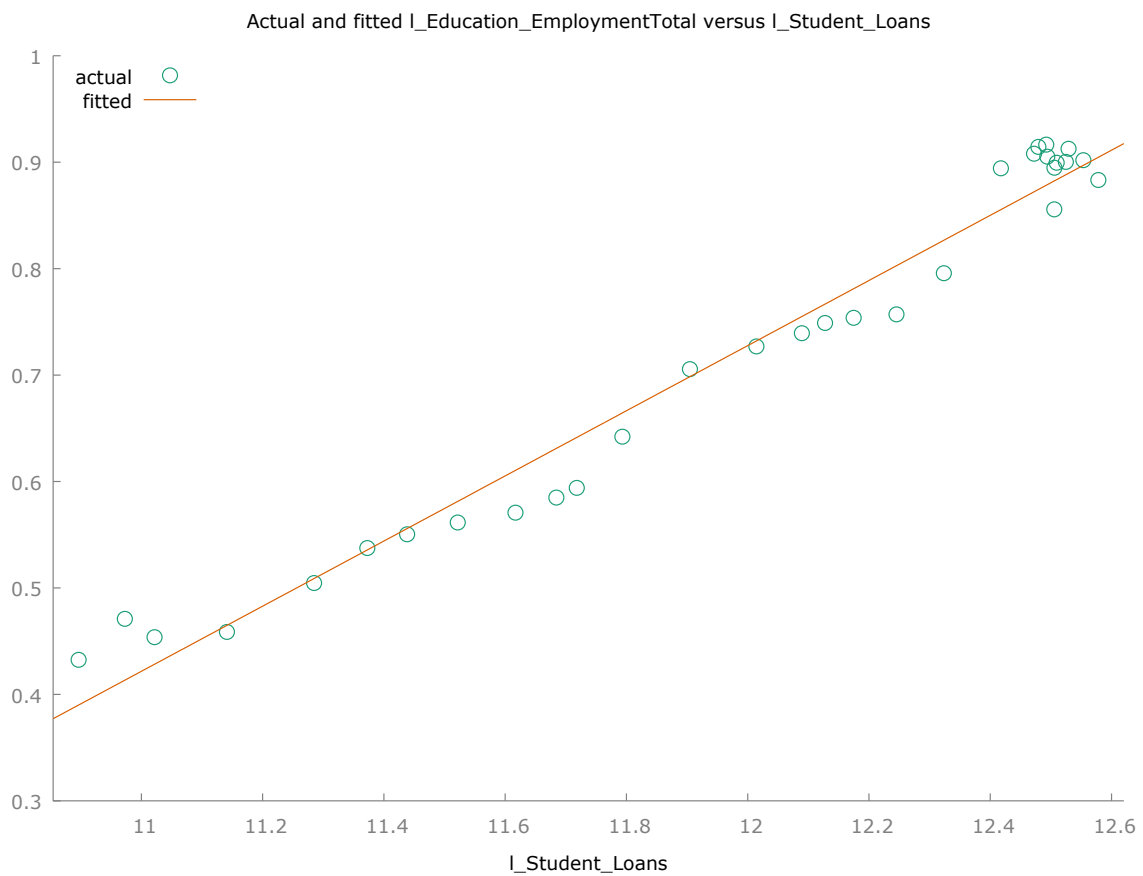
Appendix

Regression Analysis

Model 1: OLS, using observations 1990-2020 (T = 31)
Dependent variable: l_Education_EmploymentTotal

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>	
const	-2.94425	0.119055	-24.73	<0.0001	***
l_Student_Loans	0.305994	0.00992705	30.82	<0.0001	***
Mean dependent var	0.721793	S.D. dependent var		0.170921	
Sum squared resid	0.025958	S.E. of regression		0.029918	
R-squared	0.970382	Adjusted R-squared		0.969361	
F(1, 29)	950.1338	P-value(F)		1.02e-23	
Log-likelihood	65.83458	Akaike criterion		-127.6692	
Schwarz criterion	-124.8012	Hannan-Quinn		-126.7343	
rho	0.850952	Durbin-Watson		0.269363	

Figure 4. Regression Scatterplot of Student Loans versus Education Sector Total Employment



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A goal-oriented, ambitious, and principled individual, with advanced knowledge in the field of economics, pursuing a full-time job at an engaging, supportive, and enjoyable work environment.

• EDUCATION

- FALL 2018 – EXPECTED GRADUATION MAY 2022
- **PURSUIING A B.S. IN ECONOMICS**, SCHREYER HONORS COLLEGE, AT THE PENNSYLVANIA STATE UNIVERSITY

Dean's List 7 out of 7 semesters

Key Modules of Study: Human Resource & Public Economics; Macroeconomics, Money & Banking; Economics of Business & Law

• LEADERSHIP EXPERIENCE

Penn State Altoona Newman Club VP
Assistant Director of the St. Elizabeth Spring-A-Rama carnival

Youth Minister at Saints John & Paul Parish
Baldwin High School Boys Volleyball Team Captain, and A-10 Travel Team Captain

• RELEVANT WORK EXPERIENCE

- JUNE 2019 – AUGUST 2019
- **SERVER**, SOUTH HILLS COUNTRY CLUB
 - Administer to club patrons their food and beverage needs
 - Responsible for setting tables during weddings, shower receptions, & graduation parties
- SEPTEMBER 2014 – SEPTEMBER 2017
- **OFFICE ASSISTANT MANAGER**, ST. ELIZABETH PARISH
 - Managed rectory, including greeting visitors and responding to telephone and in-person requests for information
 - Served as point of contact for all outside vendors needing to gain access to the building

• THESIS PROPOSAL

- An original thesis on how bloated university administrative bureaucracies have established an enslaving debtor/creditor relationship with millions of young college students, placing them in usurious debt for decades of their lives.
- Productivity of the higher education sector has remained stagnant for over three decades while its size and scope has expanded tenfold, all the while producing an oversaturated product.
- Drawing from the work of sociologist Max Weber, this thesis will show how Weber's methodology on the organization of bureaucracies has manifested itself in collegiate institutions. Using data from the BLS, BEA, & College Board, analysis will focus on exposing a menacing bureaucracy that has taken power away from university teaching faculty.