

Further Thoughts on Bureaucracy, Waste, Corruption, Autonomy & Governance

My wife Ann, a professor at Arizona State University, recently complimented a colleague on the beautiful job that was done repainting her department's offices and corridors. She replied that the department had been able to get it done inexpensively by bypassing the university's procedures. They used the department's discretionary funds, and bought the materials and hired the painters directly rather than going through the usual layers of university bureaucracy --- which, she said, would have resulted in more than doubling the cost. On another occasion, a department managed to get twice as much shelving by going themselves to an office equipment supplier rather than ordering through "normal" university channels. (Ann asked me not to mention the names of her colleagues or the departments, because they could run into trouble with ASU's administration if they knew.)

At most U.S. colleges and universities it is well known that supplies, services, renovations, and capital construction projects typically cost the institution much more than they should. In many cases the explanation involves bureaucratic constraints that prevent searching for the best price, inflation of costs by contractors who view the university budget as a bottomless pit, and simple incompetence on the part of the university officials who are responsible for oversight.

But in some cases the problem is corrupt officials who receive "gifts" or kickbacks for steering university business in a particular direction. For example, according to a front page article in the *New York Times* (13 August 2007),

At many campuses, study abroad programs are run by multiple companies...that offer colleges generous perks to sign up students [such as] free and subsidized travel overseas for officials.... Many of these perks are similar, if not identical, to ones uncovered in multiple investigations into the student loan industry.... The similarities raise questions about how many aspects of higher education involve such little-known incentives that may have large impacts on the college experience.

According to the *Chronicle of Higher Education* (13 August 2007),

...companies that run study-abroad programs often provide a range of benefits to the campus officials who decide which programs will win recognition... The benefits include free foreign travel... and even bonuses for signing students up, or what some would call kickbacks.... Those deals, which seem to favor certain companies over others, increase the cost of study abroad.

It should be noted that many of the forms of corruption that result in increased costs to students are most likely not illegal, and even when they are illegal, it is almost impossible to successfully prosecute such cases (and so prosecutors rarely try). The American judicial system affords many protections to defendants in corruption cases, and corrupt university officials are almost never convicted of a crime.

The most recent corruption scandal that dominated news of higher education in the U.S. occurred at a well-known technical university, the Stevens Institute of Technology. According to a front-page article in the *New York Times* (22 December 2009),

...charges are swirling over Stevens Institute of Technology in Hoboken, N.J. The state attorney general has sued the institute and its president, Harold J. Raveche, accusing him of

plundering the endowment and receiving \$1.8 million in illegal low-interest loans for vacation homes, with half of them later forgiven. The institute's trustees tripled Dr. Raveche's salary over a decade, to \$1.1 million last year...

On 28 December 2009 the *New York Times* ran an editorial about "The Stevens Scandal", as they called it. In it they complained about "New Jersey's weak laws governing the financial behavior of colleges and other non-profit institutions," and they expressed concern that the governing board of the Stevens Institute of Technology would try to prevent a thorough investigation of the charges:

The board is politically powerful, and some faculty members and alumni worry that it will use its connections to stall the suit once...the new governor [of New Jersey] is sworn in next month. That must not be allowed to happen.

Despite the hope expressed in the *New York Times* editorial, as in other similar cases it seems unlikely that the corrupt university administrators will ever be punished.

Higher education "experts" from Harvard, The New School, the U.S. State Department, and the World Bank are all telling Vietnam that good governance of its universities means adopting the administrative structures of American higher education and setting up governing boards modeled on those in the U.S. However, the tragic recent history of corruption at one of America's finest technical universities shows that imitation of the U.S. is not necessarily the best strategy if one wants universities that are free from financial malfeasance.

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When U.S. and World Bank officials speak of "autonomy", they mean that decisions regarding allocation of resources and other university matters are made by the governing board and central administration officials rather than by outside bodies (such as government ministries). What "autonomy" definitely does *not* mean is that students or faculty have any power to make decisions or to prevent or correct irresponsible governance.

For example, in December 2009 the University of Texas at Austin (an institution that belongs to the state but has autonomy) announced that Mack Brown, the head coach of the football team, would receive a 70% salary raise, bringing his annual income from USD 3 million to above USD 5 million. To the best of my knowledge this salary (more than ten times that of U.S. President Obama) will make him the highest-paid government employee in the world. This comes at a time when academic programs at U of T, as at other U.S. universities, are facing sharp cut-backs. On 14 December the faculty council passed a resolution condemning the coach's salary boost as "unseemly and inappropriate". But of course the faculty has no power to overturn this obscene salary increase.

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Finally, some people might think that the U.S.-Vietnam Education Task Force's proposals could not possibly be as bad as I say they are if the World Bank is willing to approve a USD 400 million loan for the purpose of implementing them. Surely such an august institution as the World Bank would not lend a large sum of money for such a project without first acquiring detailed knowledge of the situation of higher education in Vietnam?

Well, think again. The best way to get an idea of the World Bank's level of expertise in this area is to view the [World Bank YouTube video](#) about higher education in Vietnam. The presenter, Jeffrey Waite --

identified as "Lead Education Specialist, World Bank, Vietnam" -- reminds me of a schoolboy who, having been caught unprepared without having done the week's lesson, tries to bluff his way through the teacher's questions. The amount that Mr. Waite knows about higher education in Vietnam is clearly not enough to fill the four minutes of the YouTube video, and for this reason he has to keep repeating himself and falling back on the favorite buzzwords "autonomy" and "governance".

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