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# Symbolic Interactionism and Moral Hazards in Higher Education

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*Public colleges and universities today are more than institutions of academic study. They play a role in the economic and social life of their communities by engaging in partnerships aimed at enhancing their scope and brand image. This paper suggests these partnered activities do more than just manage costs and replace state support during economic downturns; the activities are also central to managing the image and political scope of the institution. This paper presents an exploratory, multi-disciplinary examination of the market forces and potential moral hazards inherent in hybrid public/private partnerships in higher education. Agency and symbolic interaction concepts are used to explain the uses of private/public partnerships to achieve both symbolic and functional ends. The theoretical constructs are applied to three recent cases—a foodservice arrangement at University of Central Arkansas, an online course platform contract at Arkansas State University, and the Pennsylvania State/Sandusky/Paterno situation.*

*Keywords: higher education, symbolic interactionism, agency theory, moral hazards*

## INTRODUCTION

Economic downturns and increased demand for college coursework in a knowledge economy place a double bind on colleges and universities. Finney (2010) suggests the three D's (general disinvestment, demographic growth in enrollment, and increased demand in a high tech society) have all placed strains on higher education finance. Replacing lost state appropriations with increases in tuition and fees is of course unpopular with college going students and their parents as percentage tuition increases far exceed those of general inflation (Wadsworth, 2011; Vedder, 2004). Further, the recent state of the world economy has added to the challenge of generating private donations and maintaining predictable returns (Butler, 2011; Fuller 2012, Masterson, 2011). Consequently, it is to be expected that colleges and universities would be using multiple strategies to replace lost revenues, such as targeting research grants, emphasizing overseas recruiting, increasing online offerings, and entering into public/private partnerships.

This paper argues that while the media and interested parties have often addressed the facts of a changing mix of funding sources for higher education, little exists in the media or in the education literature that systematically addresses the unique issues of economics and accountability posed by emerging structures of higher education finance. This paper represents an exploratory discussion of the potential for multi-disciplinary concepts to explain recent developments in higher education. The analysis begins with an overview of economic and sociological concepts which suggest education markets differ significantly from those for other consumer products. The second section will synthesize the specific moral hazards implied by the interdisciplinary issues. Finally, the paper will demonstrate how some of the concepts developed in the earlier part of the paper can be used to explain problem areas in the foodservice contract at University of Central Arkansas, the Academic Partnerships online course platform contracts at Arkansas State University, and even the Penn state scandal on the national level. The paper concludes with some tentative observations about the relative power of key players in the higher education arena and the need for additional research and theory building.

## PERSPECTIVES ON MARKETS FOR HIGHER EDUCATION

## Market Economics

Accountability in higher education is problematic in a market based institutional arrangement because of the nature of the service or product. In a purely competitive market, consumers identify specific needs and rationally seek out a source that provides the best combination of quality and cost. Since the purpose of higher education is to acquire knowledge about the unfamiliar, the very nature of the service sought assures that consumers cannot really have adequate information to make a reasonable assessment of quality. If they already knew the nuances of the subject matter, they would not need to take courses. Given that is the case, consumers make purchase decisions based on price, convenience, and potentially misleading indicators of quality such as published ratings based on survey data from the institutions themselves, popularity of sports programs, prestige of selected professors, websites, and advertising copy created by the institution (Ruch, 2001).

Economists traditionally talk about four “ideal” types or forms of markets: 1) pure competition, 2) monopoly, 3) oligopoly, and 4) monopolistic competition. In “pure competition” there are typically many producers providing a homogenous product. Under pure competition, consumers view the goods or services provided as interchangeable and merely look for the best price. This forces producers to be very efficient, constantly looking for a way to produce the product at the lowest cost in the market so that they can have the lowest price to attract customers but still be able to make a modest profit. Purely competitive markets provide an automatic regulatory mechanism in which consumers get the greatest amount of goods at the lowest price (Garb, 1968).

In monopoly markets, geographic or legal restrictions assure that the good or service is only available from one provider. Monopoly markets provide less incentive for the producers to focus on cost efficiency because consumers only have one source; the only real restraint on price is that if the service becomes completely unaffordable, consumers may forgo the product altogether. Oligopoly markets have only a small number of providers for a specific product or service. Oligopoly providers may have an unstated “gentleman’s agreement” not to compete on price, assuring that all providers can earn profits above those of a purely competitive market. Still, oligopolies are subject to cut throat competition and price wars if one participant breaks the tacit agreement on price in order to attract the lion’s share of the market followed by other players dropping their prices to retain market share.

Some products fall into markets between pure competition and monopoly, a condition termed monopolistic competition (Chamberlin, 1962; Garb, 1968). In these markets it is either inherently impossible to standardize the product sufficiently to make services interchangeable, the consumers are geographically constrained to make purchases from a limited number of producers, or the producers actively seek to add features and qualities that make their product sufficiently unique to create a market in which consumers shop for the best features rather than the lowest price. Producers may attempt to create an impression of differences in quality through branding and advertising whether actual differences exist or not. Successful advertising campaigns attract customers, create brand loyalty, and provide incentive for consumers to pay extra for the good or service. When successful, branding initiatives allow producers to bootstrap themselves from a purely competitive to a monopolistically competitive market.

Prior to the widespread availability of distance learning technologies, many public institutions of higher education were operating like oligopolies. Students who wanted to stay close to home and take advantage of in-state tuition rates had limited choices. Institutions did not differ widely on price within a given state, though occasional price wars might erupt in the form of competition for institutional scholarships. With distance learning technology, the game has changed. If students perceive educational offerings as interchangeable, the market comes closer to a purely competitive market. But it is in the producers’ best interests to avoid this model because it would reduce both institutional prestige and financial rewards. Since inherent qualities of the educational product are not knowable by consumers *a priori*, and deficiencies in the education program will come to light only after a long delay, educational institutions do not generally compete on qualities of the educational product itself. Collegiate websites tend to use sports images and pictures of students engaging in extramural activities to create a brand image of a fun place to be. Advertising is used by today’s providers of educational services to actively manage their markets to increase the chances that consumers will perceive differences in quality between their education brand and those of others, whether they exist or not. Moore (2009) notes that these techniques are used by institutions to convert the market structure from the pure



competition model to the monopolistically competitive structure.

## Problems in Educational Accountability

Because of the unique market in which consumers are unable to assess institutional quality *a priori*, the systems for offering college degrees may be at risk of devolution to a system of credentialization in which degrees lose their connection to an underlying knowledge base. While dedicated university educators may want to make sure college is a challenging endeavor, students and parents might actually prefer to receive the credential at minimal cost and effort if the degree would still serve as a passport to higher paying wage markets.

The public's inability to assess educational quality directly coupled with institutional efforts to create a brand mystique that will take them out of pure competition into a monopolistically competitive market model has resulted in side effects of the corporate branding model which are taking American colleges further and further away from their educational essence (Wood & Oates, 2009). The increasing emphasis on publication is itself a phenomenon of a symbolic branding culture. Publication prestige is easier to count and appropriate to the university image than performance in the classroom.

It is popular today to assume that better accountability would solve educational problems. In reality, systems of so-called accountability can also exacerbate the problem; by allowing student ratings to be a major component of teaching performance, the system itself may contribute to a watering down of the curriculum. Understanding the basic concepts and terminology of agency and symbolic interaction theory could be a place to start in understanding and describing the larger forces at work that could potentially work to erode the status of higher education from one of rigorous training (either intellectual or professional) to one of symbolic rather than substantive credentialization.

## Agency Theory and Accountability

Agency theory conceptualizes organizations or even society as a nexus of contracts between self-interested principals and agents who have some divergence in their individual goals. Agency theory is used in the field of accounting to describe problems in achieving coordination between the goals of the principal and the agent (Watts & Zimmerman, 1978). A key problem addressed by agency theory is the *moral hazard problem* that arises from information asymmetry (Mattessich, 1993). The key characteristic of educational markets is that students and citizens do not know enough about specialized educational offerings to judge their merits *a priori*. Further, course descriptions on transcripts give future employers little clue as to the actual rigor or content of a given course. Another problem in principal/agent relationships is the *horizon problem*. Players who have a short planning horizon will act differently than those who are looking at the long run effect of their behavior. Chambers (1967) describes the principal-agent connection as "a temporary coalition of participants in an unstable equilibrium" (p. 16). Agency theory suggests that changing informal contracts or institutional arrangements can prevent grosser forms of dysfunctional behavior, but there is a cost-benefit restraint on controlling all moral hazards inherent in the nexus of contracts between a myriad of players in society. The term moral hazard as used in this paper refers to systemic problems which promote short term satisfaction of individual wants and needs to the detriment of the long term well-being of the overall system participants.

## Symbolic Interactionism and Educational Accountability

The foundations of symbolic interaction theory were developed by George Herbert Mead (1922, 1934), a University of Chicago professor who melded ideas from philosophy, sociology, and psychology into a pragmatic theory that explained how actors are affected by and in turn impact their social environment. Primarily a lecturer rather than a writer, most of Mead's theories were expounded by his students, particularly Blumer. Blumer (1969) saw the basic premise of symbolic interaction as the idea that events are not purely objective, but are impacted by the meanings the actors ascribe to external stimuli. Blumer saw three ideas as critical to symbolic interactionism: 1) the focus on the interaction between the actor and the world, 2) a view of both the actor and the world as dynamic processes rather than static structures, and 3) the actor's ability to interpret the social world (p. 2). Burbank and Martins (2009) suggest that the theory of symbolic interactionism is typically used to focus on individual meaning in society, but is also related to the macro perspectives used by Habermas's (1973, 1984) critical perspectives theory. These theories suggest that it is not at all surprising that symbolic measures are used as a substitute for the full details of a situation in

our interpersonal dealings. These theories would suggest that branding concepts for businesses, not for profits, and colleges/universities are quite normal. They also suggest that intentionally misleading messages and personal misinterpretations could lead to crisis points which seriously disrupt the functionality of the system. Lynch and McConatha (2006) posit that information age technology has heightened the visual component in contemporary society to the point of *hyper-symbolic* interaction. Lynch and McConatha (2006) suggest that a useful research direction might be to measure the degree to which digital societies are becoming less and less able to tell the difference in objective and subjective realities. Cetina (2009) maintains that advanced technologies used in global communications lead to greater use of *scopic* components, i.e., the use of artificial measures of situational dynamics.

## A SYNTHESIS OF MORAL HAZARDS

The market for higher education depends on a complex array of social actors. Key actors include college recruiters, students, citizens, educators, government agencies at the state and national level, accrediting bodies, and administrators in the various types of colleges. The problems for each key actor are discussed below with the primary issues summarized in Table 1.

### College Recruiters

College brochures use government literature to quote the higher earnings of college graduates and paint an appealing picture of campus extracurricular activities (Bureau of Labor Statistics, 2010; Longley, 2010). Students are assured that most of their college education will be paid for with “financial aid,” which generally turns out to be loans. Many colleges direct their recruiting agents not to discuss academic rigor or to try to promote specific academic programs. Orientation programs usually emphasize extracurricular activities more than academics. In most cases, little is said about the potential for financial ruin if the student does not study or simply does not have the academic skills needed to be successful in college. Students are rarely told that actually finding the time to study in a disciplined way will be difficult to balance against the usual distractions of modern life coupled with working full or part time jobs to fulfill their “unmet financial needs” and to pay for housing, transportation, clothing, and the electronic gadgets that have become a “necessity” in modern college life. Emphasis on giving a positive spin rather than a more balanced picture, which includes the mundane difficulties of college life, is encouraged when recruiters have numeric targets with compensation and continued employment tied to meeting the numbers (Field, 2010).

### Students

Students with weak high school backgrounds, inadequate time management skills to juggle school and employment, and little tolerance for delayed gratification find college to be very difficult under the more rigorous instructors. On-line tools like Rate My Professor.Com (<http://www.ratemyprofessors.com/>), Rate A Prof (<http://rateaprof.com/>), or ProfessorPerformance.com (<http://www.professorperformance.com/>) can help students scope out the easier professors. If students begin college merely because of the vague promises of “college is the way to a better life,” but without any real desire for a specific vocation, they may shop around for the easiest possible major—to a point. Typically even the easy majors eventually have a few upper level courses with sufficient rigor that students will not be able to fake their way through them. By that time, the student already has amassed a large volume of student loans with no degree to show for the related debt. Consequently significant numbers of students drop without having acquired the skill set that will allow the “better life” or allow them to pay off their college loans.

### Citizens

The general citizenry of a geographic location are stakeholders in the educational system. Citizens benefit from the economic multiplier effect (Wright, 1956) when college tuition, financial aid, and purchases from businesses by students invigorate their local economy. Citizens benefit even more if some of the students become highly skilled and stay in the local area to enhance the types of businesses that will thrive in the local economy over the long run. However, the skills sets acquired are much more difficult to assess and provide enhancement only in the long run. The local economy is immediately stimulated by tuition and financial dollars along with other purchases in the community. Consequently, citizens tend to lobby their legislators to support community colleges in their area and tend to pay attention primarily to enrollment statistics rather than indicators of learning from their community college students.



**Table 1**  
*Moral Hazards of Key Players in Higher Education*

| Player                         | Trigger  | Moral Hazard   |
|--------------------------------|--|--|
| College recruiters             | Short run numbers and tuition/financial aid dollars.   | Students are ill-informed about the rigors of the program, incoming skills needed, and financial risks.  |
| Students                       | A vague concept of a better life without an understanding of the underlying discipline needed for success.   | Student is not motivated or does not have enough hours in the day to study and really acquire the skills that will provide the better income hoped for when they enrolled.   |
| Citizens                       | Economic effect from increased dollars flowing into the community.   | Citizens pay little attention to educational quality because it is difficult to assess and has a longer horizon than the short term economic gains.  |
| Educators                      | Educators are rated by students who do not want rigor and evaluated by administrators who want the prestige of quality research. They fear not being understood if they took their educational crisis concerns to the public.                      | Educators operating on their own have little power to enhance the rigor of the college classroom and often succumb to the process of managing the measurable markers of student ratings, research output, and service hours.   |
| State and national governments | Elected officials normally have a limited term and must focus on short term markers of success such as numbers of enrollees and graduates.   | Because learning quality is a long term concept and difficult to measure across disciplines, state and government officials reward programs based on enrollment and physical rather than mental retention.   |
| Accrediting agencies           | Accrediting agencies exist through member fees. They get ahead by accrediting more institutions, not by removing the accreditation of one of their members.  | Institutions have such a variety of programs it is difficult to have a single objective measure of quality. Money is made by making the accrediting 'process' very elaborate and selling training programs for the accrediting visits which primarily check to make sure the institutions have quality 'processes' in place which are a weak surrogate for actual quality of learning. |
| College administrators         | College administrators are hired by Boards appointed through a political process, consequently administrative incentives will be more closely aligned with the short term goals of political forces above them than those of the academic faculty. | College administrators are key players in the public relations, branding, and image making agenda. Administrative emphasis is on recruitment and retention along with managing symbolic markers of quality such as college ratings, financial development, research output, and grants.  |

## Educators

In today's society, educators have multiple outputs that are expected. They must get good student ratings, they must publish, and they must create positive goodwill for the university within the community and professional realm in the form of service activities. College students today spend considerably more time working, watching TV, and electronic socializing than they did in the prior generation (Babcock & Marks, 2010). Yet students still get to rate the professors. Further, institutional branding efforts are better enhanced by "innovative techniques" rather than fundamental rigor in education. Base level competencies are de-emphasized in favor of "student engagement" (NSSE, 2011). Ideally students would all put in some level of disciplined study of the basics in their field and become engaged in stimulating service or hands-on activities, as well. Realistically, there are not enough hours in the day. Even the professors who want to be rigorous find they cannot require as much homework, memorization, and detailed analytic projects as they once did and still get good ratings from the students. Some faculty are willing to try automated student response systems, i.e., clickers and Second Life<sup>®</sup> avatars and other on-line game techniques to engage their students. Objective evidence of the long term efficacy of these techniques is hard to come by (Walker & Barwell, 2009; Warren, Littleton, & Macleod, 2009). It is an open question as to whether these devices really work better than traditional modes or if they are just a mechanism used to stimulate the economy through the purchase of high tech devices demanded by faculty and administrators seeking to keep students better entertained, i.e., engaged. Generally, faculty who use the techniques think they work, and those who do not use them are skeptical.

Given that research activities are more highly rewarded than teaching, faculty members look for ways to get release time from teaching to focus on writing and grantsmanship. Further, there is no incentive for educators to warn the public of the crisis in learning that exists in American higher education today. If they talk openly about their concerns, some members of the public will assume it is just their individual college and send their kids somewhere else. This could lead to teachers being laid off—not a good prospect for professors who have spent years of their life specializing in just one type of expertise with limited academic openings.

## State and National Government Leaders

Elected officials typically have a limited term of office before they must be re-evaluated by voters. Consequently elected officials have a very short term time horizon. Habermas (1973) observes that government leaders will not stay in power without a robust economy or at least the appearance of one. Establishing vocational schools, community colleges, and higher level universities in the local area are ways to attract state and federal dollars to the community. Sporting and cultural events associated with educational institutions attract visitors and increase the dollars flowing to local businesses. Politicians and other public administrators have a stake in managing the number of students attending and matriculating from college in their geographic region. Quotes of the college going rate and numbers of degree holders in the area are used in advertisements to attract business and industry. Numbers of students and the retention rates at public institutions are widely used by governmental agencies as part of their funding formulas for public institutions. Knowing that the public cannot directly assess quality, administrators and political figures have an incentive to manage the symbols rather than the essence of educational achievement because this is what the public will use as a surrogate for direct assessment of quality. Administrators of public and private colleges typically have a keen interest in managing rankings of their institutions by *U.S. News & World Report* and other media in spite of criticism of these measures (Myers & Robe, 2009).

Political structures in state government see institutions of higher education more as mechanisms to enhance economic development than institutions upholding truth and critical thinking. Political actors may view the academic missions of colleges and universities as secondary to their role in attracting dollars from student tuition, from local commerce related to university events, and from federal grants giving selected professors release time to develop technology that can be harnessed to increase economic development in the local area. Governors compete with other states to attract industry, often by citing the numbers of residents with college degrees. In spite of recent tight budgets and cuts in U.S. educational funding, governors, legislatures, and departments of higher education actively track and look for ways to promote increases in college enrollments and completion. Initiatives in many states provide incentives for college student retention. Most of these efforts ignore the fact that there are two different types of retention. With the difficulty in objectively measuring how long students "retain" learning in specialized college level



offerings, retention of human bodies in the degree pipeline is more likely to be rewarded than retention of facts or techniques by the student body.

## Accrediting Agencies

The moral hazard for accrediting bodies is that, in addition to assuring quality, they want to increase their own prestige and power base through the fees paid by accredited and aspiring candidates for accreditation. The fees paid to attend training programs which teach accreditation candidates to manage the *scopic* measures used to grant and maintain accredited status can be substantial. Though elaborate procedures are in place, this mechanism also suffers from the potential for the moral hazard that economists call regulatory capture (Stigler, 1971). Because those outside the area of expertise of the degree program cannot objectively assess quality, assessment falls to insiders such as deans, provosts, and vice presidents of academic affairs as the main assessors. Accrediting bodies have elaborate procedures and processes for attaining accreditation; this may increase quality. It certainly generates fees from training aspirants in the processes. Accrediting bodies often turn down institutions on their initial try for accreditation, knowing the institution will pay more fees to try again. Once accredited, some institutions are placed on probation, but few have their credentials removed if their dues are paid and they give appropriate attention to maintaining elaborate assessment procedures. Yet the current version of assessment of learning does very little to penalize any institution that simply measures outcomes by whatever elaborate mechanism is allowed by the current accreditation model and promises to make changes that might have a positive impact on future educational outcomes. Assessment goals and outcomes may be lofty but are generally quite vague, providing only indirect measures of graduates' ability to function on the job or in society. A study by Stone (2012) found that higher ranking, tenured faculty are more skeptical of the overall value of assessment activities than lower ranking, non-tenured colleagues. Frenrich (2007) describes many assessment activities as "grotesque, unintentional parodies of both social science and 'accountability'" (B6).

While governments suspect that some accrediting bodies are very loose in their standards and sometimes threaten to remove their charters, actually dis-enfranchising existing accrediting bodies is problematic. If government agencies took over the accrediting process, any negative publicity from the bad apples in higher education would reflect directly on the government itself. Further, there is no single standard among academic, society at large, or governmental agencies as to whether the primary aim of a higher education is to foster critical thinking skills, to promote humane and artistic sensibilities, or to enhance vocational skills. Thus, each institution has the latitude to choose its own standards. Furthermore, Masterson (2010) finds that many university board members do not fully understand student assessment processes at their own institutions.

While mechanisms such as government minimum standards for the institution to receive federal financial aid and regulatory approval procedures could impose a minimum standard of quality on college degrees, even these processes are subject to certain moral hazards and attempts at colonization of collegiate institutions for self-interested aims. Independent sector accrediting bodies are used to legitimate the educational offerings in the geographic area. Beneviste (2002) argues that regulations and educational testing are often used for symbolic legitimation purposes rather than purely rational-functional reform. Governments have an incentive to accept weak accrediting measures from the institutions overseen by Departments of Education at the state and local level because they are not really interested in having weaknesses of their educational institutions highlighted.

## College Administrators

College administrators are hired through a political process that takes input from faculty, staff, students, and the public, but top level college administrators ultimately answer to the Board. In public institutions these Boards are usually appointed by the governor. In private institutions, Board members are often business figures with potential for generous donations. College administrators play a pivotal role in balancing the demands of the public, student, staff, faculty, accrediting agencies, regulatory bodies, and governmental forces. A college administrator's primary job is to manage the public persona of their institution in a manner that is acceptable to the political and regulatory forces above them. While college administrators may be concerned about academic quality, managing the public image comes first. If governors want increased enrollment even without corresponding increases in funding, if the public wants convenient classes of little rigor, and if the public is impressed with increases in enrollment and increases in media rankings, these are key factors that must be managed by administrators to continue in their position.



Dollars to maintain the public image are in short supply. The need to increase resources from corporate donors and government grants as the organization grows puts in place an additional demand that may potentially move attention of the administrators even further away from core teaching concerns of faculty in the classroom. Further, faculty are trained to be analytical and to take critical perspectives on their field of study. It is not surprising that faculty extend these critical perspectives to administrators' academic decisions. While faculty members have the right to exercise their free speech, exercising these rights in the media can be seen by administrators as a threat to the public persona of the institution. Thus, many administrators purposely distance themselves from faculty. In some cases, the primary administrative game becomes finding a way around faculty shared governance mechanisms because faculty perspectives run counter to the political ends of government officials and donors which are paramount for administrators to finesse. Continuing increases in the numbers of part time and contract faculty at American institutions of higher education (Miller, 2001; Monks, 2009) may be as much related to administrators' desires to distance themselves from vocal, tenured faculty as it is a question of budgets.

### THREE CASE STUDIES

The three case studies below provide real world examples of moral hazard issues suggested by the symbolic interaction and moral hazard literatures. The first two cases concern privatization of auxiliary and educational services within University of Central Arkansas (UCA) and Arkansas State University-Jonesboro (ASU). With both campuses having approximately 10,000 full time equivalent students, mature Master's programs, and a limited number of Doctoral programs, the UCA and ASU programs illustrate problems presumably faced by many non-land grant institutions seeking to achieve a good reputation for quality outputs with limited resources. The third case discusses branding problems caused by a widely publicized athletic personnel problem at Pennsylvania State University. This case study is used to demonstrate some of the moral hazard problems inherent in using non-academic mechanisms for enhancing prestige.

#### University of Central Arkansas

The University of Central Arkansas has incurred multiple incidences of negative media coverage concerning its upper level administration from 2008-2011. One president with a gambling problem resigned after it came to light he had possibly forged certain documents that enticed the Board of Trustees to grant an early bonus (Deloney, 2011). The subsequent president resigned after it came to light that the exclusive contract for food services to be provided to the university required the corporation to provide \$700,000 in remodeling services to the president's home if the contract were awarded. When the food contract contingency came to light, the new president resigned, but with a contract buyout of \$525,000 (Brantley, 2011). The food service contract suggests the importance of looking at potential moral hazards inherent in partnerships with business entities.

Food services, dormitories, and even athletics are often structured in public colleges as auxiliary or business type enterprises. Auxiliary enterprises are business-like functions with less restrictive budget mechanisms than for the regular Education and General (E&G) budget, which has many legal spending and contracting constraints. The assumption is that the activities should be self-sustaining and would not exist if they were not profitable. Since these operations are selling goods and services, the "invisible hand" of the profit mechanism should provide an automatic control mechanism; yet, consumers of the goods and services actually have little choice about purchasing the offered product under contracts that provide exclusive rights to sell on the campus. Further, many auxiliary units, such as athletic programs at many universities, are not profitable at all, being subsidized by other auxiliary units or even the regular E&G funds.

Whether privatization harms or benefits students and society on average is not altogether clear. Privatization of auxiliary services can be undertaken with corporate vendors who are large enough to provide efficiencies of scale that reduce costs to students. On the other hand, auxiliary programs can also be used to charge fees higher than those in a competitive market because of their monopoly status on campuses with administrators having wide latitude for choices to use those excess profits to subsidize the educational mission, to enhance other auxiliary budgets, or to promote plush administrative lifestyles. The use of private vendors can be used as a mechanism to circumvent bidding constraints on purely public funds while effectively laundering public appropriations into the hands of private



interests. In recent years it has become widespread practice for universities to privatize the privilege of monopoly sales to students by shopping the contracts, with or without a formal bid process, to companies willing to make substantial investments in infrastructure improvements at the onset of the contract.

Privatizing university operations is sometimes a choice and sometimes a mandate. Arizona (Arizona Auditor General, 1998), New Jersey (New Jersey Privatization Task Force 2010), and Virginia (Bryson 1997) are examples of states mandating that public colleges consider the potential cost savings to come from privatization. When viewed through the lens of symbolic interaction, privatizing food services serves not only as a potential financial windfall, but also can be used as a mechanism for a public entity to distance itself from what has historically been a problem area. Students love to complain about food services. By privatizing food services universities can not only benefit financially, but will be able to divorce themselves from the complaints by directing blame to a separate entity for correction or by disassociating itself from the private vendor at the end of the contract. There are also advantages in using private vendors for certain services to minimize university exposure from liability issues (Hayes, 2011).

Privatizing of food services at University of Central Arkansas is not necessarily a problem per se. In one view the public relations fiasco arose only from the attempt to disguise the full details of the contract from the public on the front end. It is well known that universities have the potential to generate substantial benefits from private contracts with little oversight, but press reports suggest that contracting administrators may have gone beyond using profits at their discretion after the fact. UCA personnel were alleged to have designated the food service vendor's contingent, pre-award donations for private inurement of administrators in the contracting process rather than students or other units of the institution (Hale-Shelton, October 24, 2011 & December 4, 2011). What is interesting in this case as it unfolded was the absence of any great public outcry about using what could be considered public funds for private inurement or the buyout of the president's contract. The primary focus in the media seemed to be that the lack of transparency hurt the university brand or reputation, which Brantley (September 2, 2011) termed a "PR disaster." Universities have to purchase some services from outside vendors as they cannot be expected to manufacture their own pencils and hard drives as a matter of course. On the other hand, when an entity's external purchasing process encourages significant discretionary funding through excess charges to direct users of the service, this would seem to pose a stewardship/ accountability problem in its own right regardless of the transparency of disclosures. Thus the case illustrates the divergent interests of the student purchases of the privatized services and those in charge of awarding the contracts.

### Online Partnerships/Arkansas State University

The online partnership program at Arkansas State University-Jonesboro (ASU) demonstrates that a university's primary as well as its auxiliary services can be privatized. The rocky beginnings for the online partnership between Arkansas State University and Higher Education Holdings (HEH), later renamed Academic Partnerships (AP), have been well-documented by a special Shared Governance Subcommittee investigative committee (ASU Faculty Senate Minutes, February 4, 2011) and reports in the state and local press. The investigative committee report seems to confirm the divergent interests of administrators, faculty, and other stakeholders suggested by agency theory. Per the Shared Governance investigative report to the ASU Faculty Senate, negotiations with HEH began with visits to corporate headquarters in Dallas and to another university using their online platform in late March of 2008. A contract was signed by mid-April with program approvals through the Arkansas Department of Higher Education by summer 2008.

Pros and cons of the HEH/AP approach to online education continued to be discussed at ASU Faculty Senate meetings throughout the fall of 2008 with some Senators expressing concern about whether new delivery platforms should be considered simply a new medium for offering an existing curriculum or if they should be required to go through the more lengthy process used for new programs approval (ASU Faculty Senate Minutes, November 21, 2008). Some faculty were discomfited by the prospect of future online class sizes up to 1,500 students through the use of coaches without direct contact between the instructor of record and the individual students. In contrast, the campus Chancellor listed enrollment of 300 students in the pilot Master's in Educational Theory and Practice program, with a net new cost of less than \$5,000, as one of the four most significant successes within Academic Affairs for the first quarter of 2009 (Potts, 2009). This was possible due to the unique funding arrangement. As a fee for providing marketing ser-

VICES, the on-line course delivery platform, and limited filming services by the private partner (with these duties later transferred back to the institution), the for profit partner (HEH/AP) received roughly 70% of the student tuition dollars while the institution kept the remaining 30% of tuition. ASU agreed to pay the salaries of any new instructors, enrollment and financial aid administrative costs, filming and digitizing of materials, and printing of graduation certificates. Another feature of the program was sale of the classes as an overall program, rather than on a course-by-course basis, which would be likely to enhance retention rates which are elements of the state's performance funding formula. Though the institution received fewer dollars per course than for traditional courses, the ability to run classes of large section sizes provided the potential for a larger total revenue inflow, especially if state tuition matching funds are considered. Traditional faculty, on the other hand, had concerns that the online program might cannibalize face-to-face classes. Further, it is unclear whether the \$5,000 of new costs is really an appropriate metric of sustainable costs as on-campus infrastructure and existing faculty salaries are inherently program costs as well.

After press reports that the Arkansas State interim campus Chancellor was sitting on the Board of the American College of Education (ACE), a subsidiary of the HEH/AP partnership institution, the interim Chancellor denied taking any remuneration or sustaining any conflict of interest, but nevertheless chose to resign from the ACE Board (Campbell, 2010). The former system president of the Arkansas State University System retired from his position effective June 30, 2010, and was given a full semester leave to retool for a teaching assignment. In October of 2010, the press brought to light that the former system President was also listed on an online recruiting site as the president of American University System (AUS), another subsidiary to HEH/AP (Brantley, 2010; Carpenter, 2010; Smith, 2010). It is unknown what the salary arrangements were for that position because the private subsidiary is beyond the freedom of information laws which cover the traditional public college campus. In November of 2010, the former system president elected to go on uncompensated leave from the university effective January 1, 2011 (News Release, November 18, 2010).

The Arkansas State University HEH/AP case highlights the divergence of interests between layers of principals and agents. University administrators seek to satisfy the demand by their state agencies for a rapid response to perceived demand for on-line educational access. Employment at will in administrative positions promotes emphasis on short term measures which may be exacerbated as administrators near retirement. Traditional faculty tend to emphasize quality of the product, the school's long term reputation, and a slow deliberate process to ensure that quality. It could also be true that there might be a desire for job preservation by traditional faculty that would be difficult for outsiders to separate from faculty quality concerns. Students and parents would be likely to emphasize short term access and convenience over long term quality issues that would be difficult to assess. There is no direct evidence that signing of the initial partnership agreement with HEH/AP was connected to the post-presidency AUS agreement. It is also unclear that there was any direct harm from the Chancellor's position on the ACE Board. Still, the mere perception that these arrangements might color administrative judgments caused enough potential damage to the institution's reputation that adjustments were made, thus demonstrating the power of *hyper-scopic* interpretation of media signals. The proliferation of subsidiaries and name changes for the HEH/AP organization also suggests additional problems in tracking the reputations of modern educational entities.

### Accusations of Sexual Abuse/Penn State

Athletics programs are a potential mechanism for brand differentiation by universities. Brand differentiation helps transform the market into one of monopolistic competition where consumers pay premium prices. Sports are controversial in the eyes of some academicians who see them as potentially taking resources away from the educational mission, but the business community values the potential for advertising joint ventures and increased local trade. The public at large is likely to see sports as less controversial than issues in the social or natural sciences. Further, articles about sports endeavors are much more likely to be read in the popular media than academic pieces. Thus, athletics coverage provides a form of media advertising and brand enhancement (Weisbrod, Ballou, & Asch, 2008, p. 180). Although early court results (Drape, 2012) suggest the veracity of allegations against Sandusky, Paterno, and Pennsylvania State University, damage was done to the school via media coverage even before any adjudication in court, which highlights the downside of staking a major portion of a university's reputation and fundraising activities on non-academic branding activities.

The decision to terminate Paterno prior to the bowl game is indicative of the strong need to distance the university



from even the allegation of mishandling of issues that were decades old. While the allegations in this case appear to be egregious and substantive, it is of some interest that contract language used in the coaching contracts at Penn State and similar institutions commonly allow arbitrary dismissal of athletics personnel even without guilt if it is felt that media or other coverage significantly harms the brand image of the institution (Marshall, 2012). Even though it may be difficult for the public to assign much sympathy to the alleged perpetrators or abettors in the Sandusky/Paterno/Penn State situation, it should be a matter of some concern for societal justice if the precedent of placing brand image or *scopic* issues above any semblance of an orderly adjudication of employee rights should come to be the norm for most employee positions.

## SUMMARY AND IMPLICATIONS

This paper presented an exploratory discussion of the potential for a multi-disciplinary approach to understanding the motivations and power relationships within higher education. The agency literature suggested that institutions exist within a nexus of relationships between myriad social actors. Because of the difficulty in assessing the qualities of education objectively on an *a priori* basis, it appears that moral hazards which emphasize short term over long term benefits to society may be prevalent in the higher education market. These moral hazards were highlighted by the three cases.

In a complex society requiring increasing levels of higher education, citizens have little time for detailed analysis of the inner workings of higher education finance. Yet, they are increasingly affected by the outcomes. Thus, the public relies more and more on *scopic* measures of success of their universities, including flawed *US News and World Report* rankings, athletic win/loss ratios, and public relations images, rather than seeking out the underlying institutional benefits to society. The public relations problem for professional academics is that, given the already problematic nature of the services they provide, as they have become more specialized and more productive in writing articles in the academic press which enhance their own and their institutions' reputations, the rank and file members of academia and even their professional administrators are increasingly vulnerable to attacks on personal and institutional integrity in the media and from the public at large.

From the analysis of moral hazards it is obvious that administrators, recruiters, and the local economy have shared goals in attaining short term economic advantages. It is not clear that academics have found a way to communicate to other actors in the system that rigorous classroom and intellectual activities might enhance the shared public good more than short term credentialization. The closed nature of academics, teaching, and learning is perhaps exacerbated by FERPA (Family Educational Rights and Privacy Act) laws which make much of what academics do inscrutable to the public. The general populace likely does not remember that the origins of tenure were not in job security *per se*, but in protecting the right of academics to speak the truth for the public's benefit. The AAUP (American Association of University Professors), which came to prominence in the aftermath of the McCarthy era as a representative for faculty rights, attracts relatively fewer academicians as members than it once did. Though the AAUP is one of the more prominent cross-disciplinary organization in academia, is not clear that the AAUP's primary rallying concept of "academic freedom" is well received in the media arena or that its goals resonate with academics as a whole. The public may view this term as a protection that allows faculty to behave badly rather than an empowerment to tell the truth on the greater society's behalf. It is unclear whether AAUP's public terminology is a problem of that organization's management or a symptom of a larger problem that academics themselves have become oriented toward short-term, discipline-specific goals rather than the broader goals of academia as a whole. The introspective tendency of academics may contribute to isolationism rather than reaching out to explore shared goals with other actors in the system.

The moral hazards section of the paper suggests there are good reasons for greater attention to multi-disciplinary issues that impact the long term viability and functionality of systems of higher education. Not only is there potential for more empirical investigation of the linkages and power relations between actors in the higher education setting, but perhaps more importantly, a better understanding of these relationships could provide clues to forestalling some of the tendency for individual short term goals to override perceived long term benefits of higher education in society at large.

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