WAS MARX AN ADJUNCT?

THE ECONOMICS OF PRIVATE NONTRADITIONAL HIGHER EDUCATION

by Walter Block & Marshall Horton

Introduction

A topic of frequent debate in *The Chronicle of Higher Education* is the use and abuse of adjunct faculty. Such part-time laborers are widely perceived to be exploited by university administrators. As documented in Gappa and Leslie (1993), many administrators like to use such faculty because they are cheap. In a period of declining enrollments, workers who can be denied permanent salaries, benefits, offices, and tenure are too good to overlook. An adjunct faculty is particularly important in the fast-growing area of nontraditional education. In order to survive, small, non-research oriented institutions especially have found it necessary to branch out geographically and programmatically with off-site programs for working adults. This practice is consistent with the activity described by Bennett and DiLorenzo (1989), in which

> Managers of commercial non-profit enterprises (CNEs) are responsible for the day-to-day operations of their organizations, which are supposedly carried out under policies set by the board. There is no doubt that CNE managers have considerable discretion, for part-time board members have neither the time nor the inclination to become intimately involved with the details of an organization's operation. Because CNE management is critically judged by the organization's financial viability, there are pressures to avoid risky undertakings that may prove to be unprofitable; there are strong incentives to 'cream the market' by engaging in only those activities that generate large amounts of revenue relative to the associated costs. This is what makes CNEs so paradoxical. They are ostensibly charitable, not profit-seeking organizations; but because truly charitable activities are not always profitable, in an accounting sense, they have redirected their organizations into commercial activities that are (profitable). (p. 48)

Bennett and DiLorenzo further advocate the removal of tax-exempt status as the optimal economic remedy for the "unfair" situation in such non-profit institutions as private universities.[1]

In addition, union organizers have taken advantage of the perceived exploitation of adjunct faculty, as documented by Leatherman (1998). To some, the situation may bring to mind the Marxian labor theory of value [Marx (1954)], in which laborers are assumed to contribute 100 percent of a product's value. Capitalists hire the

Walter Block is Harold E. Wirth Eminent Scholar Chair in Economics at Loyola University, New Orleans..

Marshall Horton is Associate Professor of Economics at Southern Arkansas University.

workers, exploit them, and pay them only a subsistence wage, keeping any surplus value for themselves. According to Marx, this process will end when the workers, having had their fill of subsistence, rise up in a revolution of the working class. They overthrow the bourgeoisie and establish a utopian "dictatorship of the proletariat" in which greedy capitalists will cease to exist.

The traditional market rejoinder to this scenario is that, far from contributing all of the product's value, labor contributes only a portion of the value. In addition, capital, provided by entrepreneurs, accounts for a great deal of a product's value. By using his own funds, an entrepreneur is entitled, under capitalism, to whatever return he can garner on wise investments. This argument is frequently applied to private corporations founded and operated at great risk to investors.[2]

But this argument does not apply to the case of private universities, in particular those employing the highest proportion of adjuncts in offering nontraditional programs for working adults. Many of these institutions are non-profit entities in which no stakeholder has ownership rights.[3] Instead, state and federal governments have chartered such institutions to serve the public purpose rather than that of private individuals. Given that the role of the capitalist entrepreneur is not explicit in most universities, could the Marxian approach be correct when applied to higher education in general and adjunct faculty in particular?

Was Marx Right?

That part-time faculty are unjustly exploited seems to be accepted as fact by some educators. Adjunct instructors are required by accreditation agencies to have the same academic credentials as full-time faculty. They typically have higher teaching loads, no offices, and little status. They are paid on a "piece-work" basis. Leatherman (1998) quotes the provost of Columbia University as saying: "There are campuses that are opting to replace full-timers with part-times for purely economic reasons." Because individuals, rather than institutions, are capable of exercising options, perhaps the statement should read: "There are *provosts* opting to replace full-timers with part-timers *for purely economic reasons.*"[4]

In other words, some administrators act for a board of trustees in reducing pay for faculty.[5] The board of trustees in a private university, unlike the board of directors in a corporation, acts on the behalf of no shareholders. The trustees have no legally transferable right to sit on the board. They collect no dividends or capital gains. They must certify on an ongoing basis that they are gaining no "private benefit," beyond the compensation for expenses, from serving on the board. They must diligently guarantee that the public purpose for which the nonprofit was chartered is served by the activities of the organization. They have some of the responsibilities of ownership, with few of the rights thereof, save the ability to hire and fire the executive staff.

In some institutions, large benefactors are represented on the board of trustees. For example, a wealthy donor may have his name represented on buildings to signify a generous contribution toward financing construction projects or scholarships. In this limited sense, such donors use their own capital in the educational production process that generates tuition revenue. But it must be kept in mind that such capital infusions also come from those outside the board of trustees.

With regard to programs for adults and continuing education, moreover, a link between tuition revenue and board members can seldom, if ever, be established. Such programs, by design, do not benefit from the traditional, trustee-financed amenities of a college campus, such as dormitories, libraries, or athletic complexes.[6] How then, could Marx be wrong? After all, a leading employer of adjunct faculty, nontraditional educational programs, treats the most important factor of production in education (teachers) as temporary workers without permanent wages, tenure, benefits, or offices.

No, the Marxians Are Wrong (Yet Again)

Educational administrators, particularly in nontraditional programs, act on behalf of no other stakeholder to turn faculty, the factor of production that contributes the greatest share of the revenue, into temporary, part-time workers. The administrators have regular salaries, benefits, offices, and status. The adjunct faculty members usually receive none of these forms of compensation. *In addition to seeming unjust, the situation* seems indefensible from a market perspective because those who skim the proceeds off the top from selling the product of the workers' labor themselves contribute no appreciable capital or expertise.[7] Could it be that adjunct faculty represent the one verifiable real-world example of the capitalist, free-market injustice decried by Marxists?

The answer is "Not at all." Even if he were an adjunct faculty member pointing out the real-world applicability of his ideas to higher education, Marx would still be wrong. The very existence and growth of for-profit institutions of higher learning underscores the fact that the market principle is alive and well. Accounting for over 150,000 students as of 1998, such publicly traded, for-profit institutions as The University of Phoenix, DeVry, and ITT Educational Services show that barriers to entry, such as accreditation and corporate taxation, have not succeeded in protecting non-profit universities from competition and allowing abuses of monopoly power. As Strosnider (1998) notes: 'Within little more than five years, post-secondary proprietary education has been transformed from a sleepy sector of the economy to a $3.5 billion-a-year business." The crux of the argument against Marx is as follows.[8] If adjunct faculty members are indeed being exploited by corrupt administrators, then they can seek the market remedy, become entrepreneurs, use their own capital, and form new, for-profit institutions run by and subject to the adjunct faculty members themselves. After all, they currently choose to voluntarily work for nonprofit institutions, don't they? If the adjunct faculty members' marginal products are as valuable as they seem to believe, compared to their presumably excessively low salaries and perks, then such new institutions will eventually come to dominate the marketplace and make both students and faculty members/owners better off. Otherwise, factors such as accreditation barriers to entry or economies of scale must be accounting for a substantial portion of the typical nonprofit university's overhead.

Alternatively, if adjuncts really were underpaid compared to their productivity, it would pay other employers, in academia or not, to offer them jobs with higher remuneration. From the fact that the adjuncts stay where they are, then, we are entitled to deduce that these are their best options, at least as far as their information is concerned. But more. Offers of better jobs can come from not one but two directions: from the supposedly "exploited" adjunct professor, but also from other potential employers. That no such offers have been forthcoming strongly suggests that the adjuncts are not being underpaid in the first place.

Of course, adjunct faculty work without coercion. Particularly in business fields, the existence of alternative modes of employment indicates that adjuncts voluntarily continue to work as part-timers, faculty grousing notwithstanding.

Unionization, as ever, is unnecessary.[9] Government intervention, to head off a dictatorship of the adjunct faculty proletariat, is ill advised. Instead, market pressure forces inefficient institutions to either become more efficient or fall to those which *do* become more efficient. Thus society is better served by leaving the situation alone than by revisiting the old, fallacious Marxian arguments for collective action.

References

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Endnotes

1. Although these authors have been widely (and properly) associated with the philosophy of free enterprise, this association cannot be made in the present case. With government share of gross domestic product already far too high, and further mounting, the true market advocate would argue for the extension of tax-exempt status to for-profit educational firms, as well as retention of the status for nonprofit institutions.
2. Mises (1966) points out that the true capitalist is not a gambler in the same sense as an investor in an efficiently-traded stock market (pp. 809-810). The fundamental logic, however, of the value of the capitalist's contribution, holds true.
3. A board of trustees effectively "owns" the institution *collectively* since such a board has the legal right to hire/fire any staff member or administrator and must be able to perpetuate itself. In addition, the board has a fiduciary responsibility for the institution. The law prohibits any nonprofit entity from presenting a benefit to a private individual. Self-dealing is illegal in each state and is specifically designed to keep anyone from "owning" a non-profit. Individual board members of private institutions may expect indirect benefits, such as influence on administrative decisions, etc.
4. Horton (1999) provides a model in which it is does not make economic sense for the private university to "exploit" adjunct faculty.
5. Some commentators claim that administrators, in addition to paying adjuncts below-market wages, try to reduce their prestige as well. This result is unlikely to obtain in the long-run; in fact, the opposite is likely to occur. Since status and remuneration are substitute goods, administrators are likely to offer adjuncts more of the cheaper of the two, status, to forestall having to increase pay. In fact, LeTourneau University in Texas, a long-standing employer of adjuncts as primary faculty, has divided its adjunct faculty into three categories (with attendant promotion guidelines) in lieu of matching its competitors' pay. An additional characteristic of private universities is that of mission, in that religious-affiliation institutions provide a nonpecuniary benefit (believed to accrue in the hereafter) to those who work for them.
6. The father of modern nontraditional education, Malcolm S. Knowles, envisioned a "campus" without any of the trappings of traditional education [see Knowles (1970) and Neufield and Barrows (1990)]. For those institutions affiliated with The Apollo Group, the leading for-profit education company, an office suite with an administrative staff and part-time faculty is all that is necessary to offer degrees [see Strosnider (1998)]. Both the for-profit University of Phoenix and dozens of non-profit institutions operate under The Apollo Group model.
7. Barzun (1968), the former provost of Columbia, notes that administrators exist merely "to see that the chalk is there." (p. 96)
8. This argument was applied in Horton and Parry (1997) to the context of curriculum and product development in a university setting.
9. See Block (1996) and Reynolds (1984).