

BUSINESS AND THE HIGHER EDUCATION

By PROFESSOR GORDON L. WOOD, M.A., D.Litt.
*Dean of the Faculty of Economics and Commerce,
University of Melbourne.*

The relationship of University education to practical affairs is a subject of constantly recurring interest and controversy. Perhaps its classic treatment is still to be found in John Henry Newman's famous discourses on "The Scope and Nature of University Education," which were delivered just on 100 years ago. It was a time of revolutionary change, when the old rural society was dying and a slumbering social conscience was beginning to stir to the abuses of the new urban industrialism.

We, too, are living through times of vast change. Over the last two decades, a transformation has taken place in the conditions under which business is conducted. A shattering depression, an even more shattering war, have overturned the old ideas and upset the old balances, the role of the State in the guidance of both internal and external trading relationships has expanded dramatically, business profits from an end in themselves have become largely a means to the end of a broadly-based social welfare, and new insistent demands, political and social as well as economic in character, press upon the businessman from every quarter.

The author of this article, a leading figure in the University life of Australia, a distinguished economist, and one who has taken a prominent part in public administration, is uniquely qualified to elucidate, in this new context, the greatly increased significance of University education for business leadership, and the material requirements of the University if it is to fulfil its proper function.



Long before the full-employment theory existed, Joseph Addison wrote that "a well-regulated commerce is not like law, physics or divinity, to be overstocked with hands; but, on the contrary, flourishes by multitudes, and gives employment to all its professors." (By professors, Addison meant merchants.) If he saw the pattern of commerce two centuries later, he would have to admit that commerce was never more completely regulated, and that it never supported so large a proportion of the people as it does now. He wrote in the days when "mercantilism," the policy of so "controlling" trade as to make the country self-sufficient, was the accepted English commercial policy. Even before the Industrial Revolution, Adam Smith had convinced the industrialists of his day that commerce was most vigorous when it was unhampered, and that close regulation of trade by governments was suicidal. Owing to his powerful denunciation of government interference, England became the champion of free trade. The early years of the 20th century, however, saw a world-wide return to economic nationalism and every kind of obstruction to the free flow of goods about the world. The era of free-trade, it would now seem, has been merely a brief interruption in the traditional practice of trade regulation.

Today, like Lot's wife, we look backward and crave for the freedom which economic nationalism undermined, and totalitarianism, in our day, would completely destroy. And yet there are incredibly more "professors" of trade who sense the benefits to the world at large and to their own fortunes of "bringing into the country whatever is wanting, and carrying out of it whatever is superfluous"; and countless men of ingenuity and enterprise have, with the help of scientists and engineers, established vast industries and lifted beyond prediction the level of world production. Accompanying this expansion in the world output of all kinds of commodities is a rise in world population which has added hundreds of millions in the last century. The bridge between unrestrained expansion of population and unlimited industrial growth is foreign investment; but it is now realised that international trade is the only instrument which can transform investment capital into the producer and consumer goods which are so vitally needed,

both in backward countries of vast populations, and in the industrially more advanced countries where high living standards prevail.

Trade has not only altered, along with industry, in scope and technical complexity; but it has, in every country, become an instrument of national policy to an extent never before conceived. The climate of world commerce has changed, and is still changing at an unpredictable rate. Politically, trade has become a powerful influence for assisting the nation's external policy, for use in a nicely calculated strategy of defence, and for consolidating diplomatic alliances of many kinds. And yet, in modern economic theory it has become a basic concept that commerce has a social function intimately connected with both full-employment and the standard of living. So it comes about that international trade has become the centre of social and economic ferment which will be active well beyond the current century.

AN ADMINISTRATIVE TRANSITION

All this means that the theory of modern war has lowered the flexibility of world trade, that in three short decades we have passed through a revolution more violent and widespread than any in economic history, and that the present generation of business men is living through an administrative transition. They know that regulations have to be observed, that goods are carried in ships subject to a multitude of controls, that the dollar-value of the Australian pound has fallen, and that shipping charges and taxation remain high, but the meaning of the change and the pattern of the new national economy often eludes them. Moreover, for natural reasons, they will need to be re-inforced by younger assistants and possible successors who have been educated to perceive changes, taught to understand them, and trained to devise appropriate adaptations. For them, nothing can be more certain than the continuance of uncertainty and of major controls. For that reason alone, they will need a new kind of personal equipment, and a differently trained corps of assistants. The whole purpose



of this paper is to provoke some constructive thought upon education for business in the light of future conditions. Present thought and methods in Australia, except in one or two places, are already outdated. Our apathy in the face of developing world competition is rather frightening because our equipment is both deficient and obsolete. We are in many ways, but especially in training for business, opposing atomic weapons with muzzle-loading muskets. As a business community, Australia is now emerging from shelter to storm; visibility is low, and our ship is not equipped with radar.

To narrow the purpose of this storm warning into two questions, I would suggest that the first concerns the adequacy of financial provision for higher education in economics and commerce, and the second, a more lively interest in the kind of education which will prove most efficient for the needs of the near future.

THE STATISTICS OF UNIVERSITY EDUCATION

The historical approach takes us to the statistics of University education in Australia which, at the best, are very defective. For Australia as a whole, the national income for 1949 was about £2,000m. Expenditure on universities, i.e., for top-level education, was about £5m., which represents about .25 per cent., or say, three-farthings in the pound. The total number of university students is about 30,000, and this means that the cost of higher education is about £166 per student, of which about half is met by students' fees. For Victoria the share of national income is about £650m., and the total expenditure of the University of Melbourne is about £1m. This gives a proportion of .15 per cent., or about one-third of a penny in the pound of national income. The amount spent upon training in economics and commerce is not easily discoverable, but it is a mere fraction of total University expenditure. Such a low proportion of expenditure upon research and training would be ridiculed by a business of any size.

"TOO BAD TO BE TRUE!"

When it is interpreted in this way, the outlay upon training for public and private business seems too bad to be true, but it is, unfortunately, beyond dispute. What would be a

reasonable cost for the training of executives of all types to administer the nation's business? To answer such a question would be impossible, even if we accept the expenditure which is standard in other countries. Expenditure for this purpose in American universities, contributed from public and private sources, would be, for us, impossibly high. The University of California has at its disposal for research alone in all faculties \$36m. The expenditure upon business training at Harvard, Chicago, Columbia, Pennsylvania, to name only four universities, would appear to Australians colossal. As a start, however, Australia should be expending upon teaching and training in university courses in economics and commerce not less than £2m. a year, and that would be a mere insurance premium of one-tenth per cent. of national income, and on a cut-rate policy at that. It would not enable the establishment of even one School of Business Administration, which would alone require £250,000 for a modest beginning.

"BORN-SKILLED" BUSINESS EXECUTIVES

When we have covered (in theory) the costs of ensuring that our business efficiency will be comparable to that of other countries, we must then decide upon the kind of education required for business, i.e., whether it should be "general" or "technical." We can, in Australia, I believe, ignore as academic the protest that technical courses have no place in a university. In practice, for generations ahead, all the professions will demand that the universities provide and protect their professional training. Medicine, science, law, find an unquestioned place in most universities; but it would be difficult to support the view that these courses are purely cultural rather than practical and technical. They are, in fact, the least liberal courses that universities provide because they are so narrowly technical. If the only distinction between a profession and an occupation was that the practitioner was paid in guineas and not in pounds, the question might be settled on a *quid pro quo* basis—but it is vastly more complicated than that. Against the establishment of professional business training, conserva-

tive academics have fought doggedly and the doughtiest resisters have been the philosophers and the medicos. But the old-style business leaders are not resistant so much as contemptuous and fearful of modern university training for business. By some dispensation they had needed no training for their great responsibilities—they possessed a business genius which was born, not made, and they found for themselves fruitful opportunity. Does any realist, viewing the conditions surrounding the process of business efficiency and survival, still believe we can afford to rely on the supply of “born-skilled” business executives? It is almost unnecessary even to ask such a question.

THE CARR-SAUNDERS REPORT

Let us, however, not limit such an inquiry to Australia. The British economic crisis has provoked a welter of controversy about many aspects of national life, but more particularly about the relative efficiency of British industries and commercial procedures. Logically enough, much of the blame for Britain's plight has swung towards an educational system which has been described as impractical, “failing to meet the needs of the day,” and “insular.” Naturally enough, the education of those who will have to raise and maintain business efficiency has become a focus of discussion. The Government, somewhat appalled by the volume and acidity of the comment, set up a committee headed by Sir Alexander Carr-Saunders of the London School of Economics to find the facts. The committee's report entitled “Education for Commerce,” was published last month, and the greatest surprise it contained was the emphatic approval of “general” rather than “specialised” education in the schools as a basis for careers in business. The committee reports that they “found on all sides advocacy of a good general education, and distrust of pre-employment training for specific occupations,” as well as a belief that training for business should be left to the universities. The swing

in that direction had already been shown by the interest in modern accounting as a social technique, an interest that was keen even in the pure air of Oxford and Cambridge.

A somewhat hostile reviewer, writing in the Educational Supplement of the London *Times*, said that "Reports have, perhaps, necessarily to plan for an ideal world. The emphasis of this one on maintaining general (school) studies so that vocational training for the higher business skills does not begin till 18 is expensive. Its demands for finer buildings also promises expense Its preference for day-release as against evening classes is as much humane as luxurious; but, for day-release on a large scale to be practicable, business will have to provide the premises." He said, further, that the claim that such reforms would raise business efficiency was perhaps beyond argument, but "the fact remained that there were other national needs competing for limited funds." This is, of course, a standstill attitude towards all reform, and it is difficult to take it seriously when the huge national expenditure upon unessential industries such as horse racing and "the dogs" are considered.

The committee, however, drops a weighty brick when it advocates, so wholeheartedly, purely cultural courses for personal and intellectual development as university training for the business men of the future. The difficulty is precisely that faced in a practical world by the professions of medicine and law. If the bread-and-butter techniques are not acquired along with higher education for developed personality, they will be acquired in legal offices and hospitals, but at so late an age in the life of the student that the process becomes too expensive for the ordinary person. The developing techniques of business like the improved techniques in diagnosis and surgery, must find a place in university courses because full-time students must spend from four to six years after matriculation in covering honours courses, and then, at the age of 25 or 26 years, commence the higher-level special studies. This is not practicable, at least in Australia, without private or governmental subsidies at a much higher level than have been customary in the past. As far as training for business is concerned, only critics who are unaware of the extent to which

the study of national income is becoming the centre of economic planning, and of the contribution which social accounting is making to economic theory could advocate such unpractical courses of action. It would seem that, in young vigorous countries which are short of trained experts of all kinds, the economic urgencies will outweigh some of the pleas for general culture and dalliance in non-economic fields of learning.

A CRISIS OF FUNCTIONS

University authorities, in Australia as in Britain, are wrestling with this crisis of functions in education. That crisis involves, at bottom, the kind of response the universities are making to the demands of the community. Rightly or wrongly, that part of the Australian people which is interested in higher education in relation to professional training does not see eye to eye with the purist academics. That section understands, logically enough, that the division of the university into faculties upon largely professional lines is a realistic if reluctant acceptance of community pressures. There is, however, a basic confusion of education with training; and some compromise, whether upon well-considered principles or not, seems the inevitable solution. It is socially, very important in our highly specialised society that students be given the opportunity to acquire resources other than those which are essential to narrowly professional employment.

Many industrialists are, however, troubled by another problem. They accept the view that business and industrial administration need men and women who have been trained, generally and specially, to the highest pitch of their aptitudes. Other industrialists, however, are urging more highly technical training, and the establishment of technological universities which will train specialists at all levels, from foremen to general executives, despite the fact that world-famous centres, such as Massachusetts Institute of Technology, are now emphasising the dangers of specialisation and the benefits for business efficiency of all-round education as well as of technical instruction.

"EDUCATION FOR BUSINESS, NOT TRAINING IN BUSINESS"

Education for business, not training in business, is the dominant purpose of the Faculty of Economics and Commerce in Melbourne. In co-operation with business associations, the training has taken the pattern of a fusion of liberal education with specialised economic studies. The social function of business and industry is a background upon which is projected optional specialisations of several kinds. This structure is widely approved, although, like all vigorous disciplines, it is under salutary criticism. But it is a mere general framework; and the logical expansion will be, almost inevitably, towards the establishment of a post-graduate School of Business Administration. Much thought and planning must precede so important a development; but leading universities overseas have co-operated with governments and private organisations to provide urgently needed training at post-graduate levels. Harvard, Chicago, Columbia, California, Cambridge and Oxford are among scores of universities which have established, or are preparing to establish, professional training at the highest possible levels.

THE COST

And now, assuming that, in the main, business leaders are convinced that these views of education for business are sound and that provision must be made for higher training, the question of cost arises. A fully staffed and equipped medical school now requires very large sums for capital costs and maintenance. The medical schools of Australia are estimated to have cost not less than £5,000,000 to establish, and to require not less than £250,000 a year for staff and maintenance. Ancillary medical and health departments (excluding physical sciences) required perhaps another £500,000 to establish, and an annual expenditure of £100,000. Establishment for these professions thus cost £5,500,000, and annual maintenance costs £350,000. Engineering and architecture represent capital and revenue expenditure of about £2,000,000 and £150,000 respectively. When we come to the physical

sciences (physics and chemistry) with their expensive buildings, large teaching and research staffs, and elaborate equipment, we must think in terms of £5,000,000 for capital costs and £500,000 for maintenance. These are instances of large schools of the highest national importance.

The capital cost of the Commerce Building at Melbourne University, completed in 1938, was about £35,000. Since that time, and despite a rise in student enrolment from about 750 at that time to the 1947 peak of 1900, two war huts costing about £2000 represent the only expansion of accommodation. Only the generosity of the Education Department in permitting the use of part of the University High School for night classes saved the situation. The existing building was intended to provide a theatre, half a dozen class rooms, and accommodation for one professor, 8 lecturers and about 16 tutors. Teaching and maintenance before the war cost less than £10,000 a year.

The enlarged faculty is already hopelessly cramped. A new building is required to house at least 6 professors, 20 full-time and part-time lecturers, 30 tutors and at least 12 research workers. It will cost, when building is possible, at least £200,000, and maintenance costs can be expected to rise to about £80,000. Research will cost about £10,000 annually. Such estimates, however, are little better than guess-work; and are not put forward as the considered views of the faculty. They indicate, however, the order of the provision which, in my view, will be required to make possible, in this State alone, the necessary higher education for the businessmen of the future. The consideration of ways and means has already become an urgent problem only 25 years after the establishment of the School of Commerce.

