

Institution-Building – Lessons from History

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In the post war world, numerous attempts at all levels – multinational, bilateral and domestic – have been made to foster growth and development in the low income world so that these countries can catch up with their richer brethren from the industrial countries. Why has growth not been faster? What can be done to make these countries achieve more balanced and sustainable growth? These are important questions of the day that are preoccupying all serious positive social science and development policymaking. To a large extent, many of the answers that are being derived relate to the failure of these countries to develop key institutions. Most practitioners and thinkers are now in agreement on this issue but remain perplexed at what is required to develop these institutions. The public sector's attempts at developing the institutions within its fold have not succeeded. The fostering of non-governmental institutions also remains fairly uneven in its results. Donor funding for institutional support too has had very limited results despite the extensive history of sectoral and institutional reform that has been supported by substantial financial and technical assistance and resources.

One area that the practitioners and thinkers in the sphere of institution-building seem to be paying little attention to is the origins and development of more successful institutions in the world. Most of the institutions that command international respect are in the western industrial countries. These include the major universities such as Oxford, Cambridge, Harvard and Chicago, think tanks such as Brookings, Carnegie, Rand, court systems, stock exchanges and central banks etc. How were these established and how did they develop to the extent of gaining the respect of the society around them? What was their contribution to the society in which they were situated? These are important questions that may allow us to understand the difficulties with institution building in the low income countries. We examine the history of two major universities in the US to derive certain important implications for institution-building.

Rockefeller, Harper and the University of Chicago

The University of Chicago (U of C) offers us a wonderful opportunity to look at institutional development in modern times and at a rapid rate.

¹ The views are those of the author's alone and should not be construed to be those of the international Monetary Fund.

The traditional universities such as Oxford, Cambridge and Harvard have a long history of development. U of C, on the other hand, was set up in 1892 and had established itself as a major research university by the turn of the century. A few years later it began to contribute to key economic policy issues such as the setting up of the Federal Reserve Board and major advances in science such as the splitting of the atom. Let us review the essential ingredients of this success.

The birth of the University was the result of a happy circumstance where an important philanthropist, John D. Rockefeller (JDR) was supported and joined by the entire educational community of the time in the venture to set up a major educational establishment in Chicago. JDR, the richest man of the time and given to very aggressive business practices, remains one of the most important philanthropists of all time. In his life he gave around half a billion dollars to various institution-building enterprises and set in motion a tradition that his children continue to date. This is an even bigger sum of money if we adjust for the amount of inflation that has taken place in the last eighty years or so since his demise. In today's prices, JDR would have given away something like \$ 77.7 billion.²

However, even more interesting is the manner in which JDR made his gifts to allow the sapling on an institution to grow. JDR was not a distant or overbearing contributor or interested in receiving accolades. He took a keen interest in selecting the man who it was generally believed could undertake such an enterprise – William Rainey Harper. JDR did not possess the arrogance that came of power and money. He would not expect Harper and others who were interested in the 'proposed college at Chicago' to approach him. He would not summon them as he could, given his wealth and power. Instead numerous letters written by Harper to others involved in the project show that JDR would undertake lengthy journeys to visit him in places such as Poughkeepsie and New Haven. As Harper records, "He seemed to have nothing to do except talk with me." He would even wait while Harper taught his class so that they could resume the discussion.

When the University started functioning, JDR announced through Gates, his close associate in most charitable and personal investment and business matters, 'While he (JDR) is, of course, closely interested in the conduct of the institution, he has refrained from making suggestions, and would prefer in general not to take an active part in the counsels of the management. He prefers to rest the whole weight of the management on

² Long time series data suggests that the change in the CPI between 1913 to 1995 was 1536 per cent.

the shoulders of the proper officers. Donors can be certain that their gifts will be preserved and made continuously and largely useful, after their own voices can no longer be heard, only in so far as they see wisdom and skill in management, quite independently of themselves, now. No management can gain skill except as it exercises its functions independently, with the privilege of making errors and the authority to correct them.” Goodspeed, another member of the group involved in setting up the University, also records that “Mr. Rockefeller never, under any circumstances, could be induced to recommend the employment or dismissal of a member of the faculty or give any advice whatever regarding the teaching force.” JDR resisted the overbearing management of the interfering benefactor who, drunk on his wealth, presumed to know it all. In fact, frequent references to his restraint and respect for professional management can be cited.

JDR was not interested in accolades or praise. When the University opened its doors in 1892, he was invited to a formal opening ceremony with pomp and show, but “he advised against any formal opening ceremonies and thought it would in any case be hardly possible for him to attend.” He did not visit the University until he was finally persuaded to attend the quinquennial and the decennial celebrations, those being the only two occasions when he visited U of C. His sentiments are best captured by his own speech at the quinquennial celebration, “Why shouldn’t people give the University of Chicago money, time and their best efforts? Why not? It is the grandest opportunity ever presented. Where were gathered, ever, a better Board of Trustees, a better faculty? I am profoundly thankful that I had anything to do with this affair. The good lord gave me the money and how could I withhold it from Chicago?” He noted that he had merely made ‘a beginning’ and said that “you have the privilege to complete it.” The institution-building philanthropist realised that his money was only a part of the process and without the main participants doing their bit, his donation, no matter how big, would not bear fruit if a dedicated management did not emerge to develop an outstanding academic environment. He was, therefore, conscious of not exaggerating his role and therefore stifling the venture.

JDR’s respect for academics and professionalism, and his skill as an institution-builder again becomes evident when he decided to give complete autonomous control to Harper who was the main visionary of the time. JDR was hoping to set up a college with a few hundred thousand dollars. Harper wished for a university with an emphasis on research and graduate education at a time when even Harvard was a mere undergraduate institution. Harper’s plan was much vaster in scale than that envisaged by others who were involved in the project. As Rockefeller’s biographers, Harr and Johnson note, “He wanted to rival Oxford and Cambridge, the great German universities,

and the best schools in the Eastern United States.” Harper’s thinking prevailed because JDR always maintained that he was merely providing the money and he did not wish to involve himself in running a university.

Harper set himself the task of “organising an institution of a distinctively new type” and considered it to be an ‘educational experiment’ that had to prove itself. From the beginning, he planned a university steeped in original research and investigation. He encouraged publication and developed the concept of a university press. As a result, the now famous University of Chicago Press, the publisher of the Encyclopedia Britannica was founded. To encourage research, departmental journals were encouraged. Among those that were founded then, several such as the *Journal of Political Economy* are now among the leading research publications in the world. He encouraged continuing and extension education where part-time education was encouraged. To make education more convenient for the student, he developed the quarter system with continuous graduation, thereby breaking away from the tradition of graduating only in the summer.

The success of Harper’s experiment is evident from the following. First, almost all his ideas are universally accepted now with all major universities adopting the themes that he propounded. Second, U of C remains one of the finest universities in the world claiming among the largest number of Nobel prize recipients on its faculty. Third, U of C’s name has been associated with many of the important academic events of this century.

Harper set about hiring a faculty before the university was established. He wanted to get the very best and in particular was looking for ‘head professors’ who would develop their own departments. Goodspeed notes that “He sought big men, men already established and recognised as exceptionally able.” Harper worked very hard to get the faculty he wanted. He was willing to increase the salaries by substantial amounts of people he wanted. Harr and Johnson note that “He (Harper) wanted to assemble the most brilliant faculty in the world by paying an unheard of salary of \$ 7,000 per year.”^{3 4}

Harper knew that in order to attract a good faculty, he must provide them with an atmosphere to flourish. Though himself an academic of considerable achievements with many books and publications and numerous important university appointments, he was not in competition with his

³ Harr and Johnson (1988) page 15.

⁴ Equivalent to \$ 108,000 in 1995 using the CPI data presented above.

faculty. He recognised the need to encourage and develop this faculty. "He rejoiced in the growing reputation of members of the faculty as though they were his own. Every distinction they received gave him pleasure. Every book they published was a source of satisfaction to him.....he was proud of the honours they received and he watched the development of growing scholars with joy and pride." Harper established the approach that continues to be followed by most major universities --- to hire the best, attracting them with incentive pay packages, and allowing them to do their research and writing free of restraints.

An undertaking of this size was not possible without major funding. Between 1892 and 1915, JDR provided a princely sum of about \$ 35 million to the U of C in keeping with his vision of participating in "the grandest opportunity ever presented." In today's dollars, this is equivalent to about \$ 536 million. It was a big and liberal grant that allowed the academic vision of Harper to flourish. To place this in perspective, consider some of the loans arranged by the World Bank which is a big multilateral development finance institution financing the development of education in developing economies for the reform of the entire education sectors in developing countries. For example, in Pakistan the World Bank arranged a Social Action Programme, part of which concerns education with financing of \$ 200 million in 1994.⁵ Similarly, a sector loan for the reform of 'middle schooling' was provided for \$ 115 million in 1992. Contrast with JDR's donation, the numbers are worthy of further thought.

The upshot of this marriage between a generous grant from a non-interfering philanthropist and a talented visionary for rearing the institution created a marvel in the academic world. The university started in the year 1892 with a very strong faculty of 128 faculty members who were to teach 594 students with 276 in undergraduate departments. "Harper succeeded in attracting extraordinary faculty and a large and impressive student body and in establishing important innovations in higher education."⁶ Over the years, the university has been amongst the foremost contributors to fundamental research in many areas. Many notable academics, Nobel prizewinners, path breakers in their own subjects have been associated with the U of C --- too many to enumerate in a paper such as this. In academics, the U of C established a name for itself very early in its life and retained a position of eminence, thanks to the ingenuity of its founders. And that is something that we should try to learn from.

⁵ See World Bank 1995.

⁶ Harr and Johnson (1988) page 28.

II. Jefferson and the University of Virginia

After his retirement from public life and two terms as president, as an old man Jefferson developed a plan for public education and gave the last years of his life to its realisation. He had been reading up on educational methods and techniques in other lands as well as talking to specialists for years. The plan that he developed for the state of Virginia was perhaps one of the most ambitious projects of the time for education in a free republic. He was seventy five years old when he developed this plan.

In this plan, he divided his educational system into three parts – elementary school, high school and university. Elementary schools were to provide instruction in reading, writing, arithmetic and geography. They were to be free to all children, for Jefferson insisted that it was the duty of the government “to provide that every citizen should receive an education proportioned to the condition and pursuits of his life.” However, being a strong advocate of liberty, Jefferson hesitated to make attendance in elementary schools compulsory. Coercion of any kind was so distasteful to him that he would not see it applied even in so vital a matter as public education; he was prepared to tolerate the rare instances of a parent refusing to let his child be educated, rather than forcibly educate a child against the will of the parent. High schools were to teach science and languages, and to provide at public expense, preparation for the professions. These were to be established throughout the State, within one day’s ride of every inhabitant.

The apex of the whole system was to be the university. It was to be composed of a number of professional schools, giving instruction in what Jefferson called “useful” branches of science. These professional schools were to train architects, musicians, sculptors, gardeners, economists, military and naval scientists, horticulturists, agronomists, physicians, historians, clergymen and lawyers.

Jefferson’s plan has several parallels with that of the University of Chicago. Jefferson knew that he wanted a major learning centre and used all his elder statesmanly powers of persuasion to convince the state legislature. To the skepticism of the legislators, Jefferson reacted by saying that they “do not generally possess enough information to perceive the important truths, that knowledge is power, and knowledge is safety, and that knowledge is happiness.”

It is interesting to note the kind of support in those days that a venture like the university had from eminent people. Among the twenty-four Commissioners appointed for the organisation and location of the

university were former Presidents Jefferson, Madison and Monroe. The three men met often at Jefferson's famous house, Monticello and made plans for the founding of the University at Charlottesville.

For the next six years Jefferson lived only for the University of Virginia. The institution was to be the crowning glory of his life, and upon it he lavished all his energies, his talents, his hopes. Jefferson did everything himself. He raised money and drew up the architectural plans himself. He procured the workmen, including the importation of sculptors from Italy. He prepared all the details of construction.

Jefferson's greatest difficulty in building the university was concerning finances. He had designed his institution on a grand scale. The originally appropriated sum of \$ 15,000 was of course inadequate. By patient and persistent political pressure, he obtained \$ 300,000 from the legislature for the construction of the buildings --- a tremendous sum for those days. The University which is still considered to be one of the most beautiful campuses of the world, was built according to Jefferson's architectural plans and specifications.

But Jefferson well knew that what makes a university is teachers, and not structures. It was difficult to find a faculty of the requisite quality in the new country. There were few universities and colleges in the United States at that time and the existing ones lacked the trained scholars in sufficient numbers, or of caliber high enough to draw upon for the University of Virginia's needs as envisaged by Jefferson.

Jefferson wanted only the best men in their fields, and the best were available mainly abroad, particularly in England, "the land of our own language, morals, manners and habits." He sent an American scholar, Francis Walker Gilmer to Britain to induce scholars to join from the universities of Oxford, Cambridge and Edinburgh. He also set in motion his powerful connections in England to help him get first rate scholars who would be willing to undertake the arduous journey to the U.S.

To Samuel Parr, the eminent Oxford classicist, he wrote, "We are anxious to place in it none but professors of the first grade of science in their respective lines." And he asked him to assist Gilmer to find the men. To Dugald Stewart, the famous Scottish metaphysician, Jefferson made the same request in almost identical words "anxious to receive none but the highest grade of science in their respective lines." By these means, Jefferson succeeded in assembling an excellent faculty of seven professors, only one of whom was a native American. This was John Taylor Lomax of Virginia, who was given the chair of law. The others included George Tucker, a native of

Bermuda, professor of Moral Philosophy; George Long of Cambridge, England, professor of Ancient Languages; George Blitterman, a German professor of Modern Languages. Apart from the Georges, there were Thomas Hewitt Key, an Englishman, professor of Mathematics; Charles Bonnycastle, also an Englishman, professor of Natural Philosophy; and Robley Dunglison; likewise an Englishman, professor of Anatomy and Medicine. The salary of the professors was \$ 1,500 a year, as well as a rent-free house, and a fee of \$ 20 from each student.

Conclusion

In both examples, we find that there are several common themes. We could review other examples and in all likelihood find the same commonalties. With the benefit of hindsight, it seems that the key ingredients for the creation of a successful university are as follows:

- * the prime mover of the institution was an important, gifted and respected individual with a dream;
- * adequate funding; in the one case we saw a generous grant from a non-interfering philanthropist, and in the other funding from a state legislator in awe of a living legend, helped realise his dream;
- * a talented visionary --- with an emphasis on vision and innovation --- for nurturing and rearing the institution;
- * the assembling of the best available faculty and, more importantly, the ability to induce the required academic talent away from across the seas if necessary;
- * a management structure which recognises that talented and inspired people should be allowed the independence to pursue their cherished research and investigative instincts.

The current approach to developing these institutions in the low income countries depends far too heavily on a collaboration of governments and aid-giving agencies, both of whom are plagued by complex bureaucracies. Plans are drawn up by international experts who occasionally fly in to supervise and instruct at a huge cost. Buildings and the international consulting expense is often the biggest cost component of such projects. The hiring of the faculty remains relatively low on the list of priorities if we judge by the salaries offered and the efforts put in to find such faculty. In the opinion of this establishment, domestic talent is considered to be inferior to foreign talent and therefore is offered lower salary incentives as

well as lower stature in the hierarchy. Indeed, the highest salaries in any country are those of donor agencies and multinationals and these too place local expertise of all kinds well below expatriate staff. Naturally, the response to this discriminatory arrangement is that the more capable people move into the donor agencies or multinationals. The more capable who can, migrate or leave the country. It is not surprising then to find many talented professors from Africa, Asia and Latin America in major universities in the West. Yet none of them, despite efforts, are able to find any positions at home.

This approach leaves no room for a 'Harper' to take charge of his institution and make it happen as it were. He will be hidebound by plans drawn externally, rules and reporting requirements that will leave him little room for his innovations. Moreover, given the view of inferiority of domestic talent, no effort is made on the part of the sponsors to find that special 'Harper'. Instead, they think that any retired government official and any minor academic from the North can create a 'Chicago of the South.' And the 'Harpers' and 'Jeffersons' of the South are left to seek employment in the aid paraphernalia in the local office at a salary above that of domestic institutions. At an international salary if they migrate to the northern capitals and are employed in international institutions.

Presumably, the experts know better and have achieved an optimal arrangement for the allocation of talent. The results, if judged by the numerous universities that have been created at substantial cost in many poor countries only to languish in decay, would suggest otherwise. Perhaps it is time that we considered the role of domestic talent to be other than troops in the aid infrastructure.

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