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1992 SENATE FISCAL RETREAT

President David P. Gardner
University of California

Berkeley
February 7, 1992

Senator Alquist, ladies and gentlemen, friends, I am very glad to be here and honored to have been invited by Senator Alquist, for whom I have enormous respect and have had for the many years we have been acquainted, both during my recent tenure in California and even before.

I feel altogether comfortable in this environment. For four years I worked down the hall in this building as a young staffer at the Alumni Association when I was a graduate student here. My wife's and my reception was held right here and we stood right where everyone is sitting over there in front of the fireplace. They had a fire going and by the time it was over we were well done. So I feel altogether comfortable here and welcome, and it's especially nice to see so many friends here this morning.

Now for remarks of this kind, I always prepare a written text. I have prepared one, but I thought last night that I would not read it to you. I'm going to instead share with you my impressions of where we are, the issues we confront, and how those of you who are elected public officials might be helped in dealing with it. I am not a businessman; I am not an economist; I'm an educator. Now we all come with our own jumble of biases, so let me describe my own. These tend to be framed and formed mostly by our own experiences. I was born within two miles of this building. I grew up just up the street. I attended the Berkeley public schools, all the way

through Berkeley High School. There was only one high school in this city. People from every ethnic and racial group, every socioeconomic group in our city attended that high school and it was a wonderful thing. I have two graduate degrees from this campus myself. My wife was a graduate of UC San Francisco. My youngest daughter just graduated from this campus as a senior last December. I have another one enrolled in UC San Diego in graduate school. My third daughter graduated from UC Davis. My second daughter has a masters degree from UCLA.

I worked with the California Farm Bureau Federation as a very young person, and became acquainted with what is the State's largest single industry at that time. As I indicated, I worked here with the California Alumni Association servicing the alumni clubs throughout this State. So I know California pretty well. I was at the University of California, Santa Barbara during all of the expressions of student disquietude in the 1960s, and have that as an integral part of my early experience. I was a vice president of the University of California in the early 1970s and President of the University of Utah for ten years, then came back here in 1983.

I have ongoing communication with virtually every major constituency in this State: leaders in the various minority communities of California, the business community, the various professional groups, alumni whose interests cut across virtually every facet of California life, agricultural leaders, government officials, educators, and young people. I have traveled throughout the world extensively. I cannot go into any international airport

anywhere in the world without having UC alumni come up and say hello. I go into government offices, into the major universities of the world, and there are University of California people there, either on the faculty or the administration or both. I remember visiting Karl Marx University in Budapest where we have 32 students enrolled as part of our Education Abroad Program. The rector is a graduate of UC Davis. He took me on a drive down to the Danube in his Volga. He said, "This is the world's worst automobile." He said, "I would much prefer to have the old Ford I drove at Davis when I was a student."

I also have occasion to meet people who come here from all parts of the world. This last fall we had several heads of state at the University of California. Chancellor Kohl, who came to give the Tanner Lectures at Berkeley, came from Bonn. President Salinas from Mexico has been on several of our campuses this last fall. President Havel from Czechoslovakia gave the Tanner Lectures at UCLA; the President of Ireland was Ms. Chancellor's Tien's guest, and so forth. So the world does tend to be crashing through this place. All this is by way of suggesting that I have a range of contacts and experiences that tend to mitigate my own inherent biases.

I am always learning and being informed, and I would like to share with you some of the impressions that I have as a result of my work as it pertains to the theme that will be engaging your time and attention throughout this conference. Let me start with the positive things. Less is said about the positive things than

should be said. They tend to be less prominently displayed on every morning's newspaper or on the evening's television. Well, we are blessed here in California to be living in an area that is strategically located between the eastern and western cultures and economies. We are about equi-distant between Western Europe and the principal countries of East Asia. We have to look to the west and to the east for us to have a sense of where we are and how we can take advantage of our geographically strategic and advantageous position. I think we need to reform and refashion our own sense of where we are. We use language that tends to be encumbered by our own heritage. After all, we refer to Japan as our Far East, do we not? Yet, Japan is not California's Far East, it is its Near West. We have to rethink, it seems to me, the language we employ to describe ourselves.

We are in a unique part of the world with unique opportunities and superbly located, and we need to have eyes in the front and back our head to take full advantage of that. This is a vibrant and dynamic state; it always has been. I like to say the Gold Rush started in 1849 and has never stopped. We have size and we have diversity, and I don't mean just racial and ethnic diversity. I mean diversity in life styles, attitudes, experiences, backgrounds, and countries of origin. All of which are fundamentally enriching of a society that needs to be on the move rather than comfortable before its been. Twenty-five percent of the nation's scientists and engineers live in this state, and in an economy that will be depending on skilled intelligence more than on anything else to

carry it forward, this is an enormous advantage. Some of the world's great universities are here. If you don't believe that is true, then you ought to travel around the world and talk to young people who would give everything they own to come and study here and some of the most talented do and they stay. The Chancellor of this campus is one example so is our most recent Nobelist in Chemistry, Yuan T. Lee, who came here to study as a graduate student from Taiwan and who now contributes to our State and this university. This state is famous--or infamous depending on your point of view--for its openness to different ways of looking at the world, mostly--but not always--for its tolerance and for its respect for new ways of looking at how problems can be dealt with. We have a very rich and broadly based economy, which in my view is underestimated as to its positive and long-term strategic value to the state. We are growing in population, which is surely better than if we were shrinking. We have immigration with all of the new ideas and experiences and ambition that the people who have enough energy and drive to get up from where they are and to go some other place tend to bring. We have a spirit of entrepreneurship, sometimes expressed in rather acute or extreme fashion, but generally a positive force. And we have one of the most beautiful and interesting places in the world to live. So there is a lot going for California; after all, we are all here right? We have some problems too, of course.

The rate of growth is in my view a bit excessive for us to accommodate and assimilate, especially in a period of economic

downturn. I don't know what one does about it, but I think it's a factor. With respect to the immigrant pool, it is not the ethnicity or race of the people who are coming, it is the age distribution of those who are coming; that's the issue. In the 80s as we know the age distribution tended to favor those of working age and in the 90s thus far it suggests that the age distribution tends to be younger or older and therefore tending to be more the recipient of the range of public services than those who generate taxes by virtue of their work and employment. Now this is an issue.

Cost of doing business in California tends to be exaggerated, but it is nevertheless not inconsequential as a factor, as business leaders will surely tell you when you meet with them, as you have. I am on the Board of a new university in Hong Kong, and I have been helping get it started for the last four years. It is modeled on MIT. It has faculties of science, engineering, and management, with an emphasis on the international aspects of management. The decision to build this institution was taken four years ago; we admitted the first students last fall. So in four years they will get out the university in Hong Kong that it will take us 8 years in this state to get out, mostly because of environmental requirements and other related burdens--some warranted and some not-- that are placed on us with respect to our need to move forward. Well, if that is true for the University of California, it is surely true for business. I think one needs to allow for that.

We have made rootlessness a way of life in California in many

respects. Now that may be wonderful for the individual who feels free but it's surely debilitating with respect to the sense of civic responsibility and a sense of common commitment to community that we would really like to foster and which makes the society in the end work or not work. I don't know what to do about that either, but it's an issue for us. Drug usage and crime in this state are well above what any of us should be comfortable with. It costs the State, as legislators and staffers here will know, half again as much to fund the correctional system in California as it does to pay for the University of California and the prison system has only two-thirds of our enrollment. And you don't charge those people fees. We have the problems of intergenerational welfare dependency, dramatic double-digit increases in welfare case loads, explosion in the cost of medical care and the percent of the population that requires some assistance to pay for those costs. Two-hundred to two-hundred and fifty-thousand new students enrolled each year in the public schools of this state coming from all over the world. In some respects we are putting on the teacher in the classroom an almost impossible educational responsibility. I think we ought to look at that more closely, frankly.

We have a budget that if you take account of the welfare, medical care, K-12, and the correctional system locks up 85 percent of the State's budget. Those programs tend to be driven at either double-digit or nearly double-digit expenditure levels and therefore, their share of the State budget will be increasing each year and the share available to the programs that are not protected

will be declining, such that by the year 2000 there's likely to be no money left except for programs that are protected plus the correctional system; I'll come back to that.

With money going out for those programs--welfare, prison, medical care for indigent adults, and so forth, we by definition have less money to invest in those public services that will help generate wealth in the coming years--the State's physical infrastructure, its colleges and its universities, its communication, water system, and transportation systems. We're really living off the investment that was made a quarter of a century ago. My own personal view is that there is a preoccupation with rights without regard to concomitant individual responsibility, which helps fashion and influence public opinion so that there is a take attitude rather than a give attitude that tends to be developed in our society, and I think it hurts us. There's also a reduction, indeed, a loss of civility and manners in our civil discourse. This may sound anachronistic to some of you, but I do not apologize for it; that's my view. I think public discourse has drifted to the lowest common denominator, exemplified by the way in which the news is reported on television each evening, the nature and character of our political campaigning, and the nature and language of our political and public discourse, where we tend to reduce enormously complicated issues to one-liners, put them on bumper stickers or placards and then shout at one another as though somehow we are exchanging ideas. I could go on, but I won't. You get the general idea. Well, where does this

leave us and what can we do about it?

Now most of you are elected public officials, and I am not; I'm appointed. You have to be elected. I am keenly aware of the pressures that are on you. You can hardly walk out of your office without being badgered by one group or another. You have endless lists of people on your telephone call list, letters that you receive, everyone seeking advantage from you. You don't have an easy job, and I respect the role that you play, and people who are overly critical of you haven't walked in your shoes. I know the kind of problems that you confront, the kind of daily life and burdens that you carry. It's surprising that many of you in fact are willing to run for office in this environment. I'm not sure why some of you do choose to run for office. Anyway, there is, as a result of this and just human nature, just immediate exigencies of the day, a tendency to deal with the immediate problem as though all of our problems are somehow tactical, rather than with the longer term strategic issues. That is understandable. But there's a price to be paid for that. Moreover, government can't solve a lot of the problems to which I have been making reference. It just can't. You can encourage and discourage, sanction and reward, and so forth. But some you can't really influence. Others you can. But public officials can influence the style and character of the debate about public policy issues of vital interest to the people. The language you employ to argue among yourselves, the level of civility you bring to the table, all of this influences people, especially young people who tend to emulate the behavior of leaders

on the one hand or reject it entirely on the other hand. Now there are some issues you can work to resolve, however intractable these solutions may appear or these problems may appear to be. Let me give you one example and the one I know best because I have studied this issue, and it has to do with a series of federal mandates for State spending unaccompanied by federal dollars that the states must spend under law with constitutional requirements to spend on certain programs--Prop 98 being the most recent and most prominent example and an array of statutes enacted by the legislature over the years that has put into place an array of social services and programs that command priority with respect to State's funding. It's back to the 85 percent issue that I mentioned earlier. Well, the University of California is not in the 85 percent. I want to describe to you what it means for us to be in the 15 percent, which next year may be 13 percent, the year after that, 11 percent, and so forth. Because that's where it's going. Now let me say that my interest in this is not disinterest. I am President of this institution. I have an obligation to it. I really want to talk about it in a more personal way.

Now this institution, which is world renowned for the quality of its work, however imperfect it is and however many flaws it possesses and how many inadequacies we should freely acknowledge it has, surely does better than most and historically has been at a very low cost to the people who benefitted from this institution and the fact that it has been low cost, has in the minds of young

people always seemed to make it available and accessible. We are in the process of changing that. When I say we I mean collectively, not just you and not just us. I want to talk about what is going to happen to this place if we don't address the 85 percent issue. And I don't want to be overly provincial about it. If I were heading the CSU campus, Barry Munitz, I can say the same thing. Other parts of state government rendering essential services to the public could say the same thing, so I'm not suggesting somehow that we are that unique, but whatever we are this is what is happening to us, and I want to describe it. This is not a pitch for money--I'll do that with the legislature hearings. I want to describe the context within we are looking at this problem. Now under the present set of circumstances, the statutory and constitutional constraints, alright I'm going into my text now because I can't say it any more succinctly. The constitutional statutory constraints under which the Governor and the Legislature must operate mean that they will have less and less ability to fund unprotected parts of State government. Therefore, the University's share of the State budget will decline as it has been, 5.6 percent in 1986, 4.9 percent today and going down every year and the State's share of our budget will decline. In 1960, the State paid for 70 percent of the University of California. Next year it will pay for about 28 percent. That will go down every year. It has been going down every year. This trend is inevitable and irreversible, assuming the continuance of the current structural constraints on the Governor and the Legislature

to allocate State revenues. Even if the economy recovers, this trend will persist because we are in the 15 percent of the budget that is without any protections whatsoever. Even if the economy recovers, you can't get the money over to us.

Declining support from the State means that the University will have to find other sources of revenue to substitute for reductions in State support. And this means we will have to look principally, not exclusively, but principally to our students and their families to make up the difference between revenues and expenditures. With each passing year, as a result, we will become more and more like a private university and less and less like a public one. That is where we are headed. University of Michigan for example, which now receives 15 percent in its budget from the State of Michigan, recognized the inevitability of its problems in the early 1980's and made an affirmative decision to move that way. What did they do? Well, they capped enrollments. Not growing with the State or with the demand. They also relied very heavily on high tuitions charged to their students and 40 percent (roughly) of their students are non-residents, whereas 8 percent of ours are. And some other things I won't burden you with.

Now rather than growing under the scenario I've described, the University of California in recent years--in the coming years--will shrink if these trends persist. That's where it's going. This situation will require a change in eligibility rates for UC and for the California State University as well. Everything I say about UC, you can say just the same for California State University, same

thing.

Change in eligibility rates for UC for entering freshman and a curtailment of transfer students because there will not be sufficient money to pay for the growth expected over the next decades. It is one thing to ask the students to pay for an increasing share of the cost of operating the universities and another thing to ask them to pay for the growth. When I describe this, I don't want to be misunderstood; I don't favor it. I think these trends are both adverse and a rejection of our most historic policies in this State. And rather than helping California in the long run, these trends will prove to be adverse to the State's interest and the vital interest of its people, so I don't want to be misunderstood here. I am just describing what will be happening. Now the array of educational and public services we offer to the state will be pinched or indeed eliminated. In fact, we are already doing that.

Now in our discussions about what to do about this crisis. What is it we tend to do? Well, we tend to focus on whether a student fee increase for a given fiscal year should be a 20 percent or 10 percent or 30 percent or whether the student/faculty ratio should be 17 to one or 18 to one. We get all exercised about this and spend all of our time on this. Well I understand why we do that. Because politically that is what people tend to be interested in. Now these concerns, though understandable enough, miss the point--so do suggestions that the problem can be solved by the faculty's teaching more next year and doing less research, by

cutting administrative salaries next year or by cutting the cost of administration next year, which we are already doing anyway.

Such suggestions assume that the problem is short-term and tactical, and if we can just solve it for next year we've dealt with it. When in reality this problem is long-term and strategic. The point is that the State, whether it intends to or not, under the current scenario, is withdrawing its support from the University of California and the California State University and this will continue inevitably under the current set of budgetary constraints, even if the economy of this State recovers. The fact is that these problems are structural with 85 percent of the budget being driven in double digit levels or close to it--with State revenues coming in single digit. And as I needn't tell those of you in the room, even if the economy recovers you're still going to have single digit revenues. So if 85 percent of the budget is going up close to double digits, its pretty clear that their share of the total budget is going to be going up every year, if revenues are at the single level. I didn't do too well in math but I can figure that out.

Now there appears to be no rush to deal with these strategic, long-term issues, because they are so uncomfortable to confront and so politically intractable to resolve. I mean after all, we are dealing with the Congress, the State constitution, and with laws which you enact. So in the University and the Legislature, I put us together in this respect, we tend to spend our time working around the issues--tinkering here, modifying there, deluding

ourselves into thinking that if we can just get through one more year, we can survive. I am more and more convinced that this is a very dangerous illusion.

I know that this is an election year, that those of you who are elected public officials are confronted with term limits, that you are pushed by every constituency seeking advantage for itself. I recognize that you and your colleagues face extraordinarily difficult choices among socially desirable, useful, and indeed often necessary programs, and that you are burdened with really uncommon and unusual constraints in this really pretty miserable environment. I do not underestimate the unpleasantness of having to deal with these major issues for the long term, when given the existence of term limits, most of you will not be in Sacramento to see the benefits that will accrue to the State from your willingness to confront the long-term issues now. But it is precisely the need to subordinate one's individual interest in the common good of our state that should engender the political will needed systematically to address our current dilemma. Federal mandates for state spending without corresponding funds to help, constitutional obligations to support programs without regard to their impact on others, and an array of conflicting statutes enacted over the years that, however unintentionally, have deprived the Governor and the Legislature of control over this budget. These are awesome challenges. I do not believe that we can ad hoc our way to a solution, nor do I believe that anyone is capable of discovering the answers except the elected public officials of our

State who, after all, are elected by the people to represent us. Those of us who are appointed are not. We try to have a sense of our obligation to the public, but those of you who are elected are elected by the people. Well, anyway that was the only part that I'm going to read. Much to your relief no doubt.

Now, finally. Well, what can we do here? Well, I think the opinion of the people of the State with respect to elected public officials would dramatically increase if there was an impression given that the leadership were more leading now than following the polls. Now I don't know what the reality is, but I know what the impression is. They may not even coincide. But the impression is that the polls drive the leadership. Not that the leadership will drive public opinion. That is the impression that people have. I hear it all the time.

Second, we really have to find some uncommon approaches to deal with common problems. This 85 percent issue needs to be addressed. I don't know what the answer is. All I know is that we ought not to be fussing around the edges about it. We ought to try to address it forthrightly. We cannot solve it this legislative session. But there needs to be a means by which we undertake to address these strategic issues in my view, or we will simply drift toward an outcome that none of us would knowingly prefer. For example, I don't think many of you in the room including myself would prefer the scenario that I have described for the University of California. I don't. That's where we are headed.

I also think that there ought to be some affirmative and

explicit steps that can be taken by the Legislature and the Governor, and local officials to help restore people's faith in government and the integrity of its work. Now I get around the State. People will tell me things they won't tell you. You are lucky. Just as I am sometimes the last to hear at my institution about problems because people don't want to tell me. Although I have the impression they tell me routinely. I'm sure I don't hear everything. People are not voting. They tend to be increasingly cynical and alienated, and we are not immune to the social consequences of that over time. We're already paying a price. So you may say, well that is really easy for you to say Gardner; you are getting out of here October 1. Well that is true, I am. But I'd say this, what I did this morning, whether I was leaving October 1 or not.

Now if you ever heard me read a speech, please be informed about how much you have been spared this morning by my speaking more extemporaneously. I wanted to share these rather personal thoughts with you. I've tended to illustrate by using the University of California, but I could use other parts of the state government to explain the problems that I have attempted to describe here. Now let me close by saying that I don't underestimate the problem that you have. It is a bit like the problem we have with admissions. We have 20,000 applicants for admission for the Berkeley campus; we have 3,500 spaces--not 4,000, not 4,500--3,500 spaces. 20,000 eligible applicants of whom 8,700 are straight-A students. So I had a meeting with the Board of

Regents a couple of years ago, and I went through this drill with them, explained our problem, indicated what we are doing, what our options have been, why we chose our course of action, asked what advice they have. The end of the day, I had representatives from all the schools, the superintendents, and principals, all the major racial and ethnic communities were represented. We had a full day of discussion on this issue. At the end of it, one of the Regents said, "Well, President Gardner, I am leaving this meeting more confused about this issue than when I came in, so what was the purpose of the today's meeting." I said, "Exactly that." I said, "You came in this morning thinking you have the answers to this problem. You are leaving today knowing you don't. That is real progress." I said, "Those of you who think you have a solution to this problem do not comprehend it. And those of us who comprehend the problem, don't have a solution. But we are trying."

So in terms of these intractable problems you are confronting as elected public officials, everyone out there thinks they have the solution, but they don't comprehend the problem. Those of you who understand the problem, may not have a solution. My concern is that we acknowledge that this is the problem and try and find a way of moving towards a solution to it over time. So thank you very much.