

CHAPTER 7

Reflections on the Difficulty of Balancing the University's Economic and Non-economic Objectives in Periods When Its Economic Role Is Highly Valued

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During the past few years there has been an outpouring of statements by politicians, business leaders, and the media heralding the arrival of the knowledge economy, an era 'in which the application of knowledge replaces capital, raw material, and labour as the main means of production' (University of Toronto 2002). Given the central role of higher education in the production, dissemination, and conservation of knowledge, implicit in the idea of the knowledge economy is the belief that a nation's economic well-being depends critically upon the state of its higher education.

Insofar as this perception is valid, one should expect the present decade to be a time of intense interest in the contribution of higher education to national economies, and certainly the symposium that gave rise to this book is an indicator of such interest. Having studied this relationship for my entire professional life, I would say that not since the 1960s has there been such strong and widespread belief in the importance of education to national economic well being as is the case today. The 1960s was the decade in which the phrase 'human capital' was first popularized. It was then that economists identified education as the previously unknown factor which accounted for much of the substantial portion of economic growth that could not be explained by increases in the more traditional factors of production: labour, capital, and natural resources.

The plethora of studies showing the large contribution that education made to economic growth provided intellectual support for the massive increase in public spending on higher education that occurred in the 1960s, and also for the way that newly formed systems of higher educa-