

Banking & Fintech

Corporate funding for universities: serving society or human greed?

Is it right for banks to fund the academic chairs that will train the economists and financiers of tomorrow?

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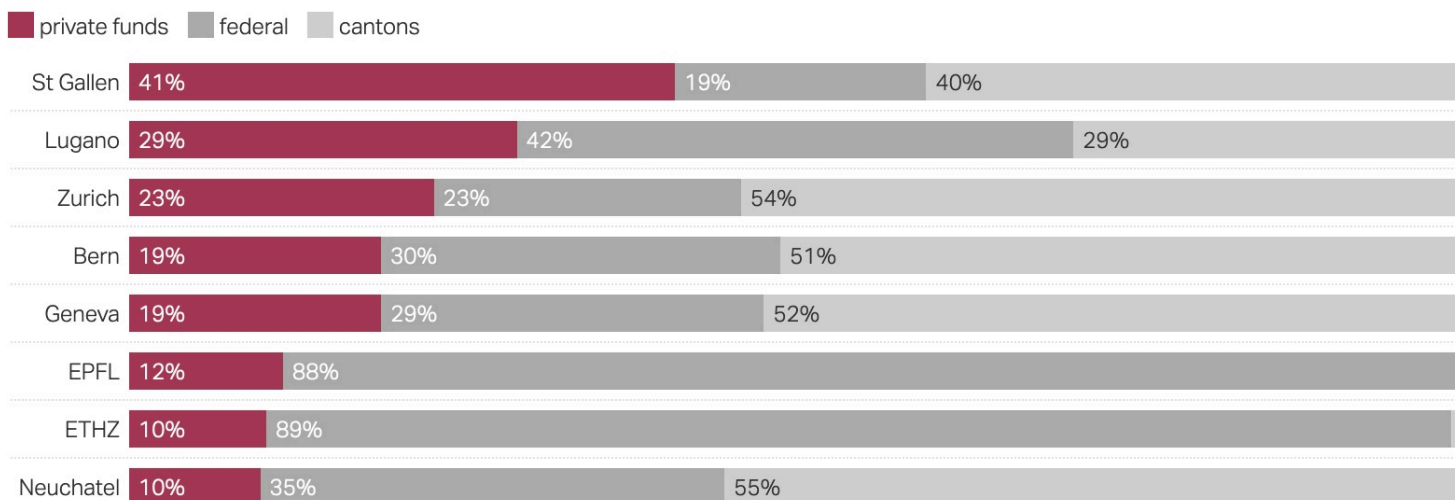
Can the judge and the defendant be one and the same? Last March, immediately after the announcement of the Credit Suisse debacle, the finance ministry commissioned an analysis to explain why the "too big to fail" regulation had not worked in this case. At the time, the press and political parties were outraged that this work had been entrusted to Professor Manuel Ammann, a specialist in the field but also director of the Swiss Institute of Banking and Finance at the University of St Gallen, which is co-financed by ... Credit Suisse.

This was enough to rekindle the debate on corporate funding for university teaching and research. Unlike in Japan, the United Kingdom and the United States, this practice is still not widely known or understood in Switzerland.

Yet the trend is on the rise. According to the latest figures (2019) from the Federal Statistical Office, the private sector provides 10% to 41% of funding for universities and federal technology institutes, depending on the establishment.

Private funding accounts for between 10% to 40% of expenditure at Swiss universities

Share of expenditure financed by type of fund at selected Swiss universities in 2019



Private funding includes tuition fees, funding from foundations, research mandates from the private sector, income generated by services/continuing education and other non-public university resources. Scholarships are not included.

Chart: ptur • Source: [Federal Office of Statistics](#) • [Get the data](#)

SWI swissinfo.ch

The partnerships are not just in the field of finance, of course, but also medicine, pharmacy and technology.

But if we are talking about the University of St Gallen – which tops the list – then economics is indeed the main area concerned. The university’s American-style business school promotes a world view deemed by many in Switzerland to be – to say the least – liberal. It’s thus not surprising that St Gallen is also home to the Centre mentioned above, which is funded to the tune of CHF10 million (\$11 million) by none other than Credit Suisse.

Who pays the piper calls the tune

Marc Chesney, meanwhile, does not see it that way. A professor of finance at the University of Zurich and outspoken critic of “casino capitalism”, the author of *Permanent Crisis* holds that “receiving money from one or more major banks induces universities either to keep quiet or to defend the agenda of these bodies”.

To illustrate this, he cites research topics which “are not relevant to the common good”, for example: “How can the performance of hedge fund portfolios be improved?” According to Chesney, “the performance helps people who are already very rich to become even richer, exacerbating social injustice”.



▲ Marc Chesney unizh

Above and beyond the matter of “deference towards these large financial institutions”, Chesney laments that financial practice and teaching are imbued with the spirit of the thinkers of the 1980s, centred on Milton Friedman, in what is known as the Chicago School. This school emphasises supposedly free markets, individual freedom and distrust of government intervention.

A sustainable financial system?

Practically speaking, though, what does all this mean in the classroom? “After the Credit Suisse debacle, I talked about it with my Bachelor’s students and I also asked them if any other professors had analysed the issue. Apparently not really, or not enough. This is a problem,” Chesney regrets.

The teaching of finance has nonetheless evolved since the 2008 crisis. In Zurich, Chesney introduced “in-depth changes” to his lectures, for “when a theory is clearly wrong, it doesn’t make sense to keep teaching it”.

We are facing a real crisis of values, he believes. “I ask my students what their values are. Are they purely financial?” The professor defines himself as a “deconstructor” of finance – who, in order to do this, must obviously have very sound knowledge of the field he is deconstructing.

Sustainable finance? For Chesney, this is an oxymoron – the figure of speech in which contradictory terms appear in conjunction. He concedes that the situation is “different at an institution like Alternative Bank Switzerland”, but for the big banks the logic of casino capitalism and its gambles still prevail.

Now, as Chesney notes, “the vital signs are flashing red”. Take global warming, the loss of biodiversity, the war in Ukraine. What is needed, he stresses, is a complete “paradigm shift”. For a society dominated by selfishness and cynicism “can never resolve these urgent problems”.