

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

F. Miscellaneous Professional Associations

28. "A Critique of Goals and Objectives of Real Estate Education Programs from the Viewpoint of Industry and University", presented to the National Real Estate Educators Conference, November 15-16, 1982

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A CRITIQUE OF GOALS AND OBJECTIVES OF REAL
ESTATE EDUCATION PROGRAMS FROM THE VIEWPOINT
OF INDUSTRY AND UNIVERSITY

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INTRODUCTION

With due respect to my hosts, the National Association of Realtors, my colleagues here on the program, the educational roles of all of you in the audience, and most of all my own real estate students, I will argue the following propositions in regard to future real estate education to advance professionalism:

1. Professionalism and education both require integrity. If the integrity of education is to survive, real estate educators must avoid pandering to trade organizations which, by their nature, have a single-minded point of view and have friends to win support for that point of view.
2. Man is the only animal who manufactures a totally artificial environment for himself, and this building process is the subject of real estate. Therefore, real estate and land economic principles should be part of the college core curriculum to develop more discriminating consumers and more informed citizens sensitive to land use policies. Professionalism for the real estate industry will occur only with intensive training of the consumer so that the market place for real estate services can weed out the charleton and the self-serving.
3. Business schools and finance departments have become too narrowly specialized to teach land economics with integrity to the land and to the consumer; tech schools who pursue FTE counts should teach consumers of real estate space how to buy wisely, rather than sales persons on how to sell sharply.
4. The proper departmental base for university real estate education may be in the schools of planning, physical design, and public administration, which have a tradition of multi-disciplinary treatment of the subject matter. They only need additional rigor in matters of business strategy, finance, and marketing. At the tech school level the American College of Life Insurance is a sophisticated prototype for an American College of Real Estate.

PROPOSITION I

The University of Wisconsin in Madison had recognized rural land economics and urban land economics as a specialty within its general recognition of

institutional economics with John R. Commons and Ely. Ely went from Wisconsin to Northwestern and Fisher followed to become his first Ph.D. in real estate and urban land, and Fisher went on to Michigan with Babcock to create a program in urban land economics, housing and public policy which attracted Ratcliff. Ratcliff and Fisher went on with Babcock to the FHA only to return eventually as the FHA was subverted to the special interests of industry.

- A. In 1947 the University of Wisconsin was recognized as the first approved real estate program representing the ideals of the National Association of Realtors, then NAREB. It took three years and some fancy political maneuvering by Warner Baird, Paul E. Stark, and a few other key midwesterners to convince NAR that they could approve a program in which they didn't choose the instructor, the text, and the subject matter. Although Warner Baird may have won a tactical victory, NAREB still distrusted the Wisconsin mavericks and there was no financial support of the program.
- B. When the late Professor Ratcliff refused to research mundane matters, such as how many inches of classified space was required to sell a house, the State Board of Realtors lost confidence in the Wisconsin program. The only financial support for the Wisconsin program was a memorial fund for Paul E. Stark, funded by his family and friends in Wisconsin, and individual contributions by graduates of the program who went on to careers in real estate.
- C. Last year the State Board granted four \$250 scholarships for the University, as opposed to the tech schools. But unlike any other source of financial help, they reserved the right to pick the recipients by means of ponderous committee review.
- D. Only the American Society of Real Estate Counselors within the NAR umbrella have supported the Wisconsin program consistently and without conditions. Dick Ratcliff eventually went to Canada where professional appraisers were willing to finance research and critique of the appraisal process.
- E. We have watched the outstanding programs at UCLA and Berkeley wither over the years as California realtors politicized the distribution of license fees to every little school in the state; we have watched our friends at Connecticut dissipate their considerable teaching talents attempting to pay for a share of state license fees with research time and time-consuming committee involvements; we are watching our colleagues in Texas, who have used state funds so effectively, to date, to see if they dare to research the controversial, to question the laissez faire of Texas tycoons, or to describe the environmental degradation of further development of Westheimer and Post Oak Road.
- F. There was an independent fraternity for real estate students called Rho Epsilon; it "voluntarily" came under the umbrella of NAR because NAR had the funds and the temerity to hint that they would create a fraternal competitor. There are independent organizations of real estate educators, such as the American Association of Real Estate Educators and the Urban Real Estate and Land Economics Association with which this National Real Estate Educators Conference will one day compete.

Educators are short on funds and political sophistication, and therefore are vulnerable to those with money who would proselyte their point of view through education.

- G. I believe we have the best program at the University of Wisconsin because we have been free to search, to speak, and to teach without any debts to the industry. And now we have 600 graduates from our Masters program and more than a thousand from all our other real estate programs combined who can analyze real estate objectively and thoroughly. If the industry should pay us 50 percent of a head-hunting fee they pay others to pirate this young talent from competitive firms, University real estate education would have all the financial support it needs.

I will grant that the real estate industry like the insurance industry has a vital need to improve education and professionalization, but the insurance industry has the better model. The American College of Life Insurance and the American College of Casualty and Property Insurance have shown the way toward standardizing the quality and content of courses, examinations, and professional designations. Indeed they have developed an exciting MS program format which combines classroom and field training into an MS degree program approved by the American College and Schools of Business (ACSB). The Colleges of Insurance are loosely affiliated with the University of Pennsylvania, administered by a Ph.D. with legitimate credentials as a Dean, and staffed by visiting academics on two to three year assignments as part of their academic career development sequence. Education has been removed from the parochial politics of its trade organizations and lobby groups.

PROPOSITION II

Real estate education in 1980 is where insurance education was in 1960 when I first began teaching risk management and real estate. In 1960 a few educators had recognized that the primary function of business school education should be to teach insurance from the viewpoint of the consumer rather than the viewpoint of narrow preparation for an insurance career.

- A. Risk management took the larger view of control of variance in the plans, expectations and assumptions in any organized undertaking and saw insurance as simply one of the tools or methods of control to improve decision making.

The result has been to train buyers of insurance whose control of premium budgets as corporate and public risk managers is revolutionizing the insurance product and the methods of its distribution.

- B. The only way to improve the real estate product and replace its obsolete methods of distribution is to create consumer managers of space and environment who are trained to get the most for their real estate budget. Only then will the real estate industry be forced to market through consumer research and sound capital planning as opposed to selling by means of a monopoly of information, reciprocity, grossly inefficient investment selection, and appraisal methods.

- C. In 1958 I wrote a book on feasibility analysis which had almost no impact on project development. I now realize that feasibility is ethics, i.e., concerned with project fit to the needs and limitations of the physical, social, and community environment; on the other hand, the industry builds anything it can finance and the basic concern is project financial viability rather than system feasibility.
- D. Financial solvency is critical but is the minimum threshold. Capital efficiency, social equity, and environmental impact sensitivity are still the real objectives but American financial institutions are amoral; business schools teach financial spread, tax leverage, and unit cost as traced by historical accounting transactions. Design schools are teaching social and environmental impact devoid of financial realities of money (capital) as a resource; public administration schools are teaching fiscal impact, and political sensitivity, without regard to business profitability on which the tax system depends. Hence, Proposition III, how does real estate education achieve a multi-disciplinary approach in the School of Business?

PROPOSITION III

Planning is the integration of problem solving within many subsystems into a larger totality. Problem solving involves the exploration of many subsets of issues in terms of feasibility, and feasibility in a business finance department is confused with financial solvency and financial rates of return rather than satisficing within a linear program of nonquantifiable institutional constraints and limitations. Business ethics are generally confined at the low end to discussion of whether short changing a customer must be shared with your partner or at the high end, to a discussion of whether capital efficiency ala Friedman requires social and political brutality. Real estate taught by finance professors at best leaves students ignorant of planning issues or polarized in terms of capitalism versus social planning versus environmental engineering. But universities are supposed to provide a platform for resolution of social conflict--not train you for a single viewpoint once you graduate.

- A. Business school curriculum standards must recognize the need for cross pollination of majors by means of cross-listing of courses as major requirements outside of the Business School. At the University of Wisconsin-Madison, real estate courses are cross-listed in Economics, Urban Planning, Ag Economics, Engineering, and Law School, and more than 50 percent of our students are non-business majors. In contrast, most business schools treat outside courses as electives and not fundamental to a major.
- B. Business school faculty hiring and tenure standards must relent from the emphasis on Ph.D.s to recognize the teaching and research credentials of outstanding practitioners in real estate and other fields who wish to return to full-time teaching. Statistics show existing business school faculty lack realistic levels of business experience and even the ACSB has recently recommended recognition of degrees in architecture, law, public administration, or the MBA of an experienced executive as appropriate for tenure consideration.

- C. The business school must recognize the desirability of intensive project problem courses or role playing courses which are traditional in design school labs or trade school courses in negotiation, sales, or communication arts. Thus, a capstone course for seniors or graduate students might be a nine credit design lab or work study semester with selected employment situations.

Business education has shown a fifty year trend toward quantitative specialization and abstract administrative technique. By the same token, trade associations with the real estate industry generally have been self-serving, reactionary, and anti-intellectual. History suggests that NAR plus the accounting mentality of business schools will not provide a guiding light--only a black hole.

PROPOSITION IV

In the future most good real estate will be the result of a partnership between a municipality and a developer. Sensitivity to the collective consumer operating politically will be as important as fitting to the liquidity needs and the locational preferences of the consumer. Stringent capital limitations and cash solvency will also limit the designer while the public administrators will be looking for certain multiplier benefits to the fiscal position of the community. Regulation will move closer to the density zoning and public consortium concepts being developed in the east. As a result, it could be argued that:

- A. It would be easier to teach planners, architects, and public administrators about real estate finance than it would be to introduce the soft sciences of political science, economic redevelopment and environmental planning into the business schools in order to reduce the polarization or protagonist-antagonist orientation of business school and planning school viewpoints.
- B. The real growth in real estate education will occur in multi-disciplinary programs which introduce business forecasting, market survey, and financial techniques into schools of physical planning, public administration, or an American College of Real Estate, separately endowed by the industry including NAR, the ULI, ICSC, and the life insurance industry. Design schools and the American College of Real Estate will be able to employ experienced developers with a master's degree and rich experience who are effectively screened out of ACSB schools of business because of counter-productive accreditation standards, the fake elitism of tenure practices, and the impotent intellectualism of academic finance. Real estate professionals take pride in getting the job done. Real estate professionals as well as true professional real estate educators will simply bypass these traditional barriers to excellence. We will exploit the intellectual freedom of design school formats or create our own college institution.
- C. To that end, the Urban Land Institute, the most prestigious organization of real estate developers, has been financing the introduction of real estate economics into the design schools at Harvard and Berkeley.

In addition, ULI has financed a seminar each summer to teach the faculty of physical planning schools and public administration schools how to introduce real estate economics and finance into their curriculum. For the second straight year that course will be offered at the University of Wisconsin-Madison from July 10-16, 1983.

- D. Simultaneously with the shift of creative real estate development, regulation, and operation outside of the School of Business, School of Business courses will shift their emphasis toward the managerial decision process of when and how to use, acquire, and finance real estate. The consumer will be taught real estate from a financial asset management point of view as compared to the real estate professional who will be taught real estate from a project feasibility context point of view. This way the lambs will have the abilities needed to deal with the lions and the lions will have the conscious of the professional in dealing with the lambs.