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**TEACHING VERSUS RESEARCH : a multi-tasking
approach to multi-department universities**

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Abstract

The budget of a university essentially depends on the number of students it enrolls. In multi-department universities resources created in one department may be redistributed to other departments. This redistribution affects the way academics share their working time between research and teaching activities. Redistribution creates free-riding on teaching efforts. In this paper, we show that by designing internal financial rules which create yardstick competition for research funds, a multi-department university may induce better teaching quality *and* research, as compared to the performance of independent departments.

Keywords: multi-task, incentive, university, conglomerate.

JEL Classification: D21, D82, G31, I20.

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