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UNITED States**NAICS/Industry Codes:** 813319 Other Social Advocacy Organizations
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611310 Colleges, Universities, and Professional Schools**Abstract:** The author reflects on how money and fundraising can impact policies at U.S. colleges and universities. Particular attention is given to the influences of wealthy donors who tend to favor specific faculties and departments, as the author suggests that such recipients can be taxed by academic leaders to compensate for less funded departments. In addition, he comments on how relying on private donations can create disparities between institutions such as research universities and liberal-arts colleges.**Full Text Word Count:** 2131**ISSN:** 0009-5982**Accession Number:** 89725299**Database:** Academic Search Complete**The Ambiguous Role of Money in Higher Education**

Views

MONEY is a mixed blessing for higher education. It is obviously essential for colleges to survive and improve. Yet it is also at the root of many problems. Since academic leaders are under constant pressure to raise increasing amounts of money, they may be tempted to accede too readily to the desires of those on whom they depend for support. To their credit, they have generally resisted blatant attempts by donors to exert improper influence by choosing the professor to fill a new chair they have endowed or shaping the content of the academic programs they support. Here and there, one encounters a contrary example, such as the willingness of many medical schools to allow pharmaceutical firms to pay for continuing-education programs despite the risk that company

sponsors will influence the menu of programs, the choice of speakers, and the content of the presentations. Examples of this kind are rare, however, and even medical schools may be beginning to tighten their rules for accepting corporate support for continuing education.

While direct donor influence over academic decisions has been quite well contained, donors as a group undoubtedly have a pronounced effect on the nature and shape of universities. Faculties and departments with wealthy alumni, such as leading business schools and elite colleges, attract a lot of support. Those that prepare students for modestly paid professions and occupations do much less well.

Academic leaders can try to offset these tendencies by "taxing" more prosperous faculties to subsidize less-fortunate programs or by making extra efforts to help raise money for parts of the university that lack wealthy patrons. Still, measures of this kind will seldom come close to offsetting the effects of donor preferences. To appreciate the results, one need only visit the campus of a leading university and compare the facilities of the business school with those of the schools of education, divinity, architecture, or social work.

The preferences and priorities of wealthy donors may not be ideal for shaping the priorities of a university. Nevertheless, it is difficult to conceive of any other way of allocating resources that would be clearly preferable. One can imagine a system in which the vast bulk of financial support took the form of block grants from the state that universities could allocate as they choose. The British government followed this practice for many years. Yet it is not self-evident that academic leaders will be better or wiser in choosing appropriate priorities than the mix of government agencies, foundations, corporations, and individual donors that share this function with universities in the United States. Academic institutions have their own internal politics and preferences that do not always reflect the legitimate needs of the various stakeholders with an interest in the work of higher education. As a practical matter, therefore, a system offering multiple sources of support may be the best that one can hope for, even though it does not always produce ideal results.

Relying heavily on private donations not only produces large differences in financing among different faculties in the same institution; it also gives rise to great disparities between institutions. That is certainly true of the United States, where research universities with multibillion-dollar endowments coexist with small liberal-arts colleges that can barely continue to operate, not to mention all of the struggling community colleges with expenditures per student far below those of Ivy League institutions.

Is this a desirable state of affairs? That is not a question one can put to a former president of Harvard and be confident of a wholly objective answer. It does seem clear that community colleges and many comprehensive universities have not received the money they will need to raise their graduation rates while providing an education of appropriate quality. However, Europe has hardly achieved better results by relying almost entirely on government support. By encouraging multiple sources of income, America has been able to provide greater aggregate support for higher education as a whole than other advanced countries.

At the same time, the colleges that have gained the most from this system need to recognize certain obligations, if only to acknowledge the benefit they derive from tax deductions and other forms of official encouragement for private giving. Among these obligations is a responsibility to do their best to give students of limited means a chance to enroll and earn a degree if their academic qualifications are sufficient to make them reasonably competitive with the rest of the entering class. In this way, the best-endowed universities can try to temper the effects of great disparities of wealth by helping to create opportunities for all talented students instead of becoming a means for perpetuating hereditary patterns of affluence and privilege. By doing so, they can move America closer toward achieving one of its noblest, most fundamental ideals.

At the end of the 20th century, it was apparent that elite institutions were not doing enough to satisfy this responsibility. Thousands of low-income students with high academic ability were not even applying to selective colleges. Since then, a number of prominent institutions have recognized the problem and revised their financial-aid policies accordingly. Many others, however, divert too much of their financial aid to merit scholarships and strategic tuition discounts that do not help the neediest students. What is also lacking is a determined effort by every well-endowed selective college to recruit lower-income students, since only a small fraction of the very ablest among them think to submit an application, presumably because they cannot imagine that attending such a college is even conceivable. By doing more to reach out to these young people, selective colleges could enrich the diversity of their student bodies while helping to serve the public interest.

In addition to the distributive effects of philanthropy, the very process of seeking private donations can affect the behavior of universities in questionable ways. Their insatiable need for money, coupled with the existence of multiple sources of funds, has led to a consuming effort on the part of academic leaders to gain financial support, a quest intensified by the struggle for pre-eminence throughout large segments of American higher education. These efforts have contributed much to the success of our universities, but they have also given rise to a host of troubling side effects.

The constant search for money affects almost every aspect of university behavior. Academic leaders are frequently chosen in part on the basis of evidence of their fundraising abilities. Once in office, they frequently spend more time raising money than they give to academic affairs, and assemble larger and larger staffs to assist them. Only a few decades ago, a leading university might have had a mere handful of professional development officers. Today, such staffs often number in the hundreds, especially if one includes alumni-affairs personnel and others whose work is intended in large part to assist the development effort.

The influence of fund raising extends far beyond academic leaders and their assistants. Trustees are often appointed, especially in private universities, because of their ability to make a large donation. Professors are frequently hired or promoted in part because of their capacity to bring in research grants and corporate support. Students applying to selective colleges will generally have an advantage in admissions if their parents are wealthy enough to make a substantial gift or they are talented enough in football or basketball to strengthen a profitable team that helps support the college's athletic program.

It is difficult for campus authorities to resist the tendencies just described. The advantages gained by successful fund raising are clear and measurable--more scholarships, added professorships, new buildings, and the like. The costs--apart from the salaries paid to the development office--are largely invisible and impossible to measure. How many promising candidates have refused positions of academic leadership because of the fund-raising burdens involved? What intellectual contributions might academic leaders make to their institutions if such large fractions of their time were not taken up by soliciting gifts? With questions as speculative as these, is it surprising that the tangible benefits of fund raising have a greater and greater influence over the life of universities? What else can one expect when each institution sees its competitors raising ever-larger sums with which to strengthen their faculties and improve their research and teaching programs?

IN VIEW of these multiple influences, one may again ask whether having to raise so much money from multiple sources, with all its attendant temptations and costs, is the best way to finance higher education. Yet what other system can one suggest? For all its disadvantages, the current modus operandi seems much like democracy--the worst possible system except for all the known alternatives. After all, American universities, especially selective colleges and research universities, are much more amply supported than their counterparts abroad. They are better protected from disruptive fluctuations in government financing, not to mention the vagaries of politics that often affect how public funds are distributed. It is doubtful that higher education as a whole would do better by having all its funds provided by a federal government that is subject to the pressure of powerful interest groups and prone to earmarking appropriations for projects of questionable value that are dear to the hearts of individual lawmakers.

Could American higher education have achieved the level of financial support it has enjoyed under any other system? Policy makers in other advanced nations do not seem to think so. Instead, they are trying to wean their universities from an exclusive dependence on government support and encouraging them to follow our example by seeking funds from a variety of sources.

That said, it is still important that there be some limits to the influence of money. Almost anyone connected with a university would agree that donors should be rebuffed if they seek to dictate the choice of the professor to fill a chair they have paid for. No sensible dean or president would agree to auction off places in the entering class to the highest bidder. Such agreements strike at essential academic values. To disregard these values threatens to erode the respect of the faculty and all those associated with the institution.

With this caution in mind, one has to question a number of current practices of universities, such as the advantages in admission many private colleges give to children of wealthy parents and the lowering of admissions standards, along with the creation of easier courses and majors, for recruited athletes by colleges engaged in big-time intercollegiate athletics. Troubling signs also exist of a willingness on the part of many universities to compromise academic values in the course of working with industry to convert scientific discoveries into useful products. Campus officials have been accused of an excessive use of exclusive licensing and an overly zealous defense of lucrative patents in order to maximize their royalties. Anxious to preserve existing opportunities to make money, academic leaders have staunchly resisted government efforts to regulate institutional conflicts of interest. In their effort to attract support from companies, many universities have been

reluctant to set clear limits on the length of time that industry donors can embargo the findings of academic scientists. Some have even been notably lax in preventing corporate donors from keeping control of the data used in the experiments they pay for or ghostwriting the published reports of the professors they support.

Competition intensifies the ambiguous role of money in higher education. The struggle for financial advantage creates a potent incentive to emulate the successful practices of rival institutions. This process improves performance when the practices involved enhance the quality or lower the cost of education. But it can also cause universities to adopt inappropriate methods of their rivals if they appear to be effective. Thus, a number of dubious practices have spread widely under the pressure of competition, such as compromising academic standards either to admit the children of wealthy parents or to achieve athletic success. No one can predict how much effect such behavior has on the reputation of universities and the respect they command from faculty, students, and the public. But it is surely unwise and unworthy to test the limits, for trust, reputation, and self-respect are assets of great value that are hard to restore once they have been lost.

Presidents and trustees would thus be well advised to examine their existing policies and try to eliminate practices that seek immediate financial benefit at the cost of compromising important academic values.

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By DEREK BOK

From 1971 to 1991, and from 2006-7 on an interim basis, Derek Bok was president of Harvard University, where he is now a research professor. This essay is an excerpt from his book, *Higher Education in America*, to be published in September by Princeton University Press.

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