Check That Checkbook

A guide to smarter alumni giving

BY TODD J. ZYWICKI

Before sending a check to your alma mater this year, know this about higher education: America's wealthy and elite universities are convinced that you need them more than they need you.

At the beginning of 2008, 76 colleges

and universities had endowments estimated to be $1 billion or more. That number has shrunk because of the financial crisis, but leading universities will not be breaking out the tin cup anytime soon. True, many institutions (including Harvard and Dartmouth) have been forced to make major budget cuts and issue hundreds of millions of dollars in debt financing. But these shortfalls resulted primarily from universities' overloading their investment portfolios with hedge funds and other exotic, risky, and illiquid gambles. The financial crisis has not changed the fundamental dynamics of modern university-alumni relations.

Indeed, massive endowments have fundamentally distorted the traditional relationship between universities and their supporters. In the 19th century, alumni leveraged their alma maters' dependence on their financial support into successful movements for academic reform and better university governance. Their efforts helped bring about, among other things, a modernization of the classical curriculum to include the study of science and other fields, as well as more open and accountable campus leadership. Today's academy requires analogous reforms. What can you do to encourage them?

Support specialized programs. Entrepreneurial faculty and concerned alumni at several universities have developed programs that provide what was once the heart of a liberal-arts education. Princeton's James Madison Program in American Ideals and Institutions and Brown's Political Theory Project are noteworthy examples that have inspired similar efforts elsewhere. But their success, and their dissent from prevailing intellectual orthodoxies, has also provoked resistance. Hostile faculty and administrators have blocked such programs at some schools (most notably Hamilton College), and at others have insisted on control of their content.

Massive endowments reduce the

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leverage that even large donors have to promote curricular or other reforms. Wealthy universities have decided that free money is too expensive if it comes with the "wrong" sort of strings attached. Yale returned a gift from the Bass family rather than teach Western civilization. At Dartmouth, the independently funded Daniel Webster Project in Ancient and Modern Studies languished in administrative purgatory for years. For every successful program there seems to be at least one that has foundered on the shoals of ideological opposition and bureaucratic infighting.

Don't donate reflexively. Many alumni view supporting their alma mater as an annual tithing obligation that must increase along with one's wealth. Universities have developed a special osity would return to its former level within a few years. Based on similar episodes in the past, one suspects that they were right.

Earmark your donations for specific purposes. The modern academy rests on a sort of shell game: raising money purportedly for sound educational purposes but surreptitiously using it to support academically suspect programs. One reason university finances are so opaque is that alumni would be less generous if they knew how their money is really spent, as opposed to how they are implicitly promised it will be spent.

For example, funds donated for educational purposes are often diverted to cover administrative costs. According to the Delta Project on college costs, administrative spending grew two to three times as rapidly as educational expenditures from 1995 to 2004. Much of this growth is simply empire-building by self-interested college bureaucrats of all stripes (bigger departments mean bigger salaries), but some of it represents the proliferation of deans and administrators to enforce political correctness. Dartmouth, like many schools, has long had an "Office of Institutional Diversity and Equity" (OIDE). Yet a few years ago, it felt the need to establish something called the "Office of Pluralism and Leadership" (OPAL). In my four years on the board, I never was quite able to figure out what OPAL did that OIDE did not, or could not, do. Whatever the answer, both require the oversight of a college vice president whose office was created just a few years ago.

Unfortunately, earmarking funds is of limited usefulness so long as most alumni continue to reflexively donate to the institution's general fund. Money is fungible, so, while earmarking will make you feel more comfortable that your donation is going to be used productively, it isn't sufficient to end the shell game that is the essence of university finances.

Your alma mater will not always be controlled by your friends. Recent years have seen a spate of donor-intent lawsuits and controversies, most notably the litigation over gifts to Princeton and to Trinity College in Connecticut. Such disputes are likely to become more common in coming years, especially if endowments are slow to return to their formerly high-flying valuations. In both cases, gifts were established for specific purposes long ago. As the gifts grew, the institutions redirected, or sought to redirect, a portion of them to purposes other than those that the donor intended. This prompted lawsuits from family foundations. The dispute at Princeton was settled on terms that appear highly favorable to the

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skill in manipulating this sentiment—indeed, many of my friends express feelings of genuine guilt about withholding donations over their disagreements with university policy.

During my time on the Dartmouth board of trustees, and over my opposition, the board's majority abrogated the college's 116-year agreement with alumni—which had empowered them to elect half of the then 16 non-ex officio members of the board—by adding eight new trustees appointed by the board itself. The majority knew its decision would generate a major backlash from alumni, who would respond by withholding financial donations. But the board had made a cynical calculation: that the new appointed seats could essentially be sold to large donors, who would more than offset any drop in donations from rank-and-file alumni. As one trustee put it in a rare moment of public candor: Board seats are valuable financial assets, and alumni-elected trustees take up seats that could be filled by mega-rich donors. Even more cynical was the board's calculation that alumni have short memories and their genera-