

"A New Economic Reality"

THE UNIVERSITY'S financial gap, occasioned by the projected 30 percent decline in the value of endowment assets this fiscal year, has now been quantified—and measures in the hundreds of millions of dollars. The implications continue to unfold, but will, at a minimum, reshape at least one significant construction project deemed central to the academic mission, and cost numerous jobs. In a message to deans on March 18, vice president for finance Dan Shore wrote that, as world financial and economic conditions have progressively deteriorated, "[O]ur strong sense is that an eventual recovery will take longer, and that we must therefore begin to accommodate a new economic reality for the University."

- **Baleful budgets.** In recent years, rising distributions from the endowment have fueled strong growth in faculty ranks, financial aid, and facilities. But as Shore has now advised, those distributions will *decline* by 8 percent in the fiscal year beginning July 1, and by a *further* 8 percent in the subsequent year.

Those modest percentages, applied to the \$1.4-billion endowment distribution for operations this fiscal year, translate into large cuts for the schools' future budgets. Dean Michael D. Smith advised colleagues that the new guidance meant a \$52-million reduction in fiscal year 2010 revenues for the Faculty of Arts and Sciences (FAS—Harvard College and the Graduate School of Arts and Sciences, the University's largest unit, which faces the most acute financial pressure in absolute terms). Even *after* freezing nonunion staff members' compensation, sharply limiting hiring, and curtailing most faculty searches, he had previously forecast a \$100-million budget gap next year were

FAS's endowment distribution held *level*.

To cope with the gap, Smith said in December, FAS had available reserve funds of about \$100 million. Clearly, that is not sufficient to absorb large, multiyear budget shortfalls. Moreover, to the extent that unrestricted reserves are expended to pay for existing programs, they are unavailable for investment in new programs or fields—the lifeblood of intellectual renewal.

In a broader perspective, the gap looms even larger. Administrators across the University originally assumed that the flow of operating funds from the endowment would *rise* by about 15 percent for fiscal year 2010—a \$200-million increase. (Smith said that FAS had expected to have \$750 million in revenue from that source for fiscal year 2010, compared to \$650 million this year and \$550 million in the prior year.) So deans in the aggregate face operating their schools with nearly a third of a billion dollars less than they expected as recently as last summer. For fiscal year 2011, the difference between the distribution planned now and what might, until recently, have been anticipated widens to a half-billion dollars or more. That unforgiving fiscal limit will squeeze school leaders who face rising fixed costs from prior long-term investments: to build and operate new laboratories, extend financial aid, and appoint additional professors in growing fields.

- **Allston agonistes...and beyond.** On February 18, President Drew Faust announced that construction of Harvard's marquee project in Allston, a laboratory complex of four connected buildings, would be slowed during 2009, so that its foundation would be completed and brought to ground level by year-end. In the meantime, the whole project will be reviewed, including "assessing the building design and developing a detailed cost

analysis." Based on those findings, Faust wrote, "[W]e will examine whether economic conditions are enough improved to allow us to continue construction, or whether to reconfigure the building in ways that yield either new cost savings or new space realization, or whether we need to pause construction."

These were extraordinary measures to take with construction already under way (see the site photographs in John Harvard's Journal, March-April, pages 42-43). Redesigning the complex—after years of scientific programming, architectural and engineering work, public hearings, and permitting—is not trivial. Nor is finding alternate space and equipping labs for the intended tenants: the Harvard Stem Cell Institute, Harvard Medical School's burgeoning systems-biology department, and the new Wyss Institute for Biologically Inspired Engineering (see "Engineering Bioengineering," January-February, page 37). FAS's Fairchild Biochemistry Building and Bauer laboratory will be renovated to house the stem-cell scientists, after the molecular and cellular biology faculty members now located there are moved into the Biological Laboratories and newly fitted-up space in the recently opened Northwest Building—a series of no-doubt-expensive moves, ordinarily not made for the short term. (One possible side benefit: when the Northwest space is occupied, FAS may be able to start recovering some of its costs as scientists working there receive federal research grants. With new faculty appointments limited, that might otherwise take longer.) The other units scheduled to go to the Allston labs will remain based in the Longwood Medical Area.

The willingness to incur such costs suggests the University's eagerness to avoid the much larger costs—hundreds of millions of dollars—required soon to finish the Allston complex on its original schedule, with occupancy in 2011. While the financial markets and economy remain under duress, Harvard's prospects for substantial further borrowing required to fund the project are constrained. As Faust wrote about the new building schedule, although the Harvard community hopes that circumstances "will enable continued construction, if at

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a slower pace, we must also prepare for the possibility that the economic outlook will continue to be both bleak and volatile.” And she cautioned, “Any decision will, of course, depend on our ability to proceed without compromising the University’s long-term financial health.”

In this context, it comes as no surprise that long-term planning for academic expansion in Allston as a whole (beyond the fast-tracked initial science complex) “will occur at a slower pace,” Faust wrote, “and our broader plans for developing the Allston campus are delayed.” A new master-plan submission to Boston authorities had been expected early this year; now, no timeline has been disclosed, even though Faust noted, “Harvard’s 50-year vision for Allston is undiminished, regardless of these short-term challenges.”

A different challenge awaits on the Cambridge side of the Charles. Unlike the science complex, which would yield additional space for programs that can be temporarily housed elsewhere, the Fogg Art Museum underpins teaching and research in the arts and other disciplines. And it is closed, with staff and collections warehoused off site, in anticipation of a wholesale renovation and reconfiguration that has been on track to begin this fall and last until 2013. Renzo Piano’s design work was scheduled to conclude this spring, to be followed by construction drawings, bidding, and site preparation for a complex project, in tight quarters, with a cost estimated at \$350 million to \$400 million. Christopher M. Gordon, chief operating officer of the University’s Allston Development Group, is engaged in the Fogg program, too. Presumably, the earlier stage of the work provides greater scope for rethinking costs before construction begins. Harvard benefactors have made major commitments to the project, but securing full funding may be difficult. As the Allston building is reassessed, the Fogg project’s scope and cost are being analyzed, too. Whatever decision emerges, perhaps by autumn, will suggest University leaders’ view of the economic environment.

• Jobs in jeopardy. Even as administrators try to minimize growth in *future* costs (hence the salary freeze and limits on hir-

HARVARD PORTRAIT



Pardis Sabeti

On a recent Tuesday afternoon, Pardis Sabeti was not in her office at Harvard’s Center for Systems Biology, but en route to Manhattan—to play a gig that night at a club in the Meatpacking District with Thousand Days, the alternative-rock band for which she sings lead vocals and plays bass guitar. Though such weeknight gigs are rare and Sabeti admits she would choose science over music if pressed, the latter does not detract from her duties as assistant professor of organismic and evolutionary biology; the interaction, she says, is multiplicative, not subtractive. She keeps a guitar in her office to capture the songs that sometimes spill over during spells of scientific creativity. It was during just such a bout of “flow” that Sabeti made a landmark discovery in genetics. As a Rhodes scholar at Oxford in 2000, she was investigating a basic tenet of the field—that evidence of natural selection should be detectable on the human genome because beneficial variants spread quickly through populations. Many were searching for a way to find this evidence in the new data made available by genome sequencing; Sabeti was the first to devise a method, and her algorithm is now used routinely to identify areas of interest on the genome for further study. It was also at Oxford that she taught herself to play the guitar so she could help friends form a band. Aside from dabbling in piano lessons as a child, she had never before played an instrument, but, she says, she had been listening to music for so long that playing and writing followed naturally. In music and biology, experience has taught her, “If you do what you really love—find your passion—it comes easily.”

Yesterday's News

From the pages of the *Harvard Alumni Bulletin* and *Harvard Magazine*

1919 Massachusetts governor Calvin Coolidge, speaking on Commencement day afternoon, calls education the nation's biggest industry and the one that yields the largest dividends, and says citizens must be prepared to pay market price for "marked intellectual ability and teaching power."

1934 The *Bulletin* reports on the Saturday afternoon visit by Harvard 1904s to the White House. FDR invited his 604 classmates and their wives and children to tea, and 936 acceptances arrived from 26 states and five foreign countries—prompting a Boston newspaper columnist to suggest the classmates would get more food out of the president than he got votes out of them.

1949 The Harvard Law School Association council votes 8-5 in favor of admitting women to the school, but recommends polling the alumni to determine *their* views. Harvard Medical School, meanwhile, graduates its first women—12 in a class of 141.

1954 Harvard establishes a Center for Middle Eastern Studies, similar to its existing "area programs" on East Asia and the Soviet Union.

1964 Among the statistics from the class of '39's twenty-fifth report: their favorite institution is marriage; the average number of drinks consumed per week has doubled, from four to just over eight; 14 percent of their wives work outside the home for pay; and the median family income is \$23,800.

1969 The Senate Committee on Government Operations serves subpoenas on the deans of the College and graduate schools, demanding the records of any students receiving federal assistance who were arrested after the occupation of University Hall.

1974 A survey of Harvard seniors reveals that 17 percent want a law career and 15 percent a medical career, with business not far behind. Students "are much more aware of the problems of financial security," says a career-services adviser. "They seem less socially concerned and more introspective. They have realized that the life-styles they want require a certain kind of income."

ing), balancing newly straitened budgets inevitably comes back to people. Compensation and employee benefits account for 48 percent of University expenses: \$1.66 billion of \$3.46 billion in fiscal year 2008.

Beginning in February, some 1,600 staff members from across the University—those who have reached age 55 and have at least 10 years of service—were offered a voluntary early-retirement package. (It provides a payment equal to one year of salary, plus \$750 per month and medical coverage up to the age of Social Security and Medicare eligibility, all funded from excess assets in the affected employees' defined-benefit pension plan.) Those eligible must make their decisions by early May. Only then will administrators be able to judge the efficacy of the program. Quickly thereafter come Commencement and the end of the fiscal year, by which time plans should be drawn up for the layoffs, if any, required to balance budgets in the new fiscal year, beginning July 1. At this writing, it is unknown whether any school will offer retirement incentives to faculty members.

THOSE ARE THE KNOWN factors shaping Harvard's "new economic reality," when the endowment can no longer reliably fund a growing share of the University's multibillion-dollar operations (that share now exceeds 34 percent). At the same time, University planners worry about other income streams. Although a short-term economic "stimulus" infusion will boost sponsored research during the next two years, the national fisc seems unlikely to sustain growth in federal funding. In a recession, it is infeasible and impolitic to raise tuition aggressively. Quite the contrary: as more families rely more heavily on financial aid, net tuition may actually decline. And a March 30 report by the *Chronicle of Higher Education* documented a sharp decline in philanthropy in recent months. So those revenue sources—together, about 46 percent of Harvard's income in recent years—promise little relief.

As those abstractions work their way through the budget process, changes have begun appearing across campus. Contracted workers, such as janitors at Har-

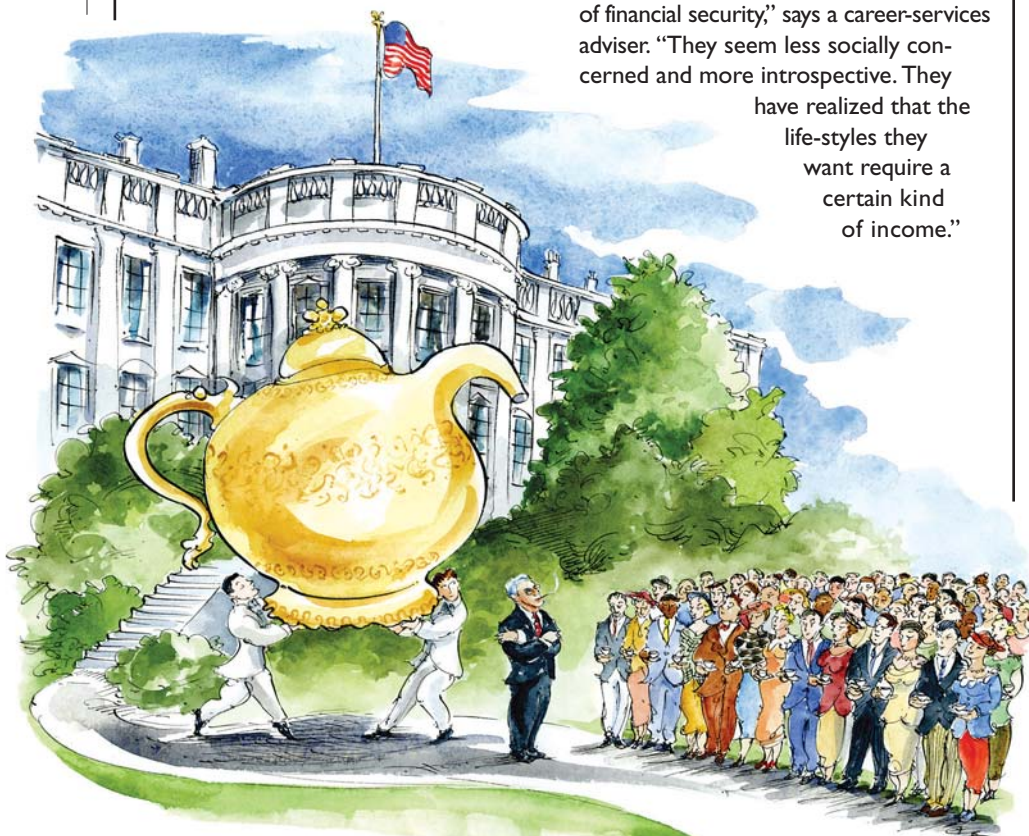


Illustration by Mark Steele

vard Medical School, are being let go, and other, sporadic cuts are being imposed (major layoffs at the Faculty Club, for example, where dining and meeting revenues began declining last fall). The College admissions staff has curtailed travel to individual high schools. Some of the elevators in Holyoke Center have been shut down. And the FAS course catalog and student handbook will now appear only online.

Not yet visible are the changes in the core activities of teaching and learning. The graduate school has trimmed admission of students—saving fellowship funds and perhaps recognizing the

dimmed job prospects for future Ph.D.s. In time, that will reduce the ranks of teaching fellows. As FAS and other schools have imposed limits on the use of visiting or other temporary professors, there will be consequences for course availability when faculty members take scheduled leaves. The *Crimson* reported that the economics department, the largest College concentration as measured by enrollments, will eliminate its junior seminars—a recent innovation, and the only small classes regularly taught by the department faculty. This may be just the first sign that the academic smorgasbord Harvard students have

come to expect will be less well stocked in the future. Adjustments in student and faculty life and amenities may well follow.

In his March message to colleagues, Dean Smith described the work involved in “taking every possible measure to protect our core mission, to support our priorities, and even to pursue some new initiatives in the midst of this crisis.” That hard work may be only just begun.

For continuing coverage of University financial news, see harvardmagazine.com, where there are also more in-depth reports covering many of the developments summarized here, as well as the situations and strategies of peer institutions.

A Walk through History with Justice Ginsburg

CASE BY CASE, Ruth Bader Ginsburg, L’59, has chipped away at laws that have disadvantaged women and reinforced notions of men as breadwinners and women as dependents: both as an attorney for the American Civil Liberties Union (ACLU) who argued cases before the Supreme Court, and as a justice on that very court. During a conference at the Radcliffe Institute for Advanced Study in March, the associate justice led listeners on a journey through the historic cases that overturned many of those laws; the path corresponded largely with her own life. (To view video coverage, visit www.radcliffe.edu.)

Her fellow panelists at the conference—titled “Gender and the Law: Unintended Consequences, Unsettled Questions”—wondered whether younger women today realize just how much has changed. They “have had the privilege of coming of age professionally in a world that Ruth Bader Ginsburg helped to make,” said moderator Linda Greenhouse ’68, who spent three decades covering the Supreme Court for the *New York Times*.

Ginsburg (who attended Harvard Law School, but finished her degree at Columbia) came of age as an attorney at the same time women’s rights were first coming to



U.S. district judge Nancy Gertner (left) listens as Linda Greenhouse, formerly the Supreme Court reporter for the *New York Times*, questions Justice Ruth Bader Ginsburg.

the Supreme Court’s attention. Until 1971, the justice said, the court had no doctrine on gender discrimination. That year, she wrote a brief in *Reed v. Reed*, which challenged an Idaho probate law that said “males must be preferred to females” in appointing estate administrators. (At the time, many states had similar language on their books, she recalled.) It was the first Supreme Court case she worked on in which the court issued a decision, and was an auspicious start: the Court ruled in her client’s favor.

Ginsburg founded the ACLU Women’s

Rights Project in 1972 and, in the eight years before her appointment as a federal judge, argued or wrote briefs in more than a dozen major women’s-rights cases. Especially in the beginning, she said, it was important to choose sympathetic cases: those whose plaintiffs were demographically similar to the Supreme Court, and sometimes similar in *gender* to members of the Court, as well, on the premise that *any* discrimination on the basis of gender was unconstitutional—not just discrimination against women. In one such case, 1975’s *Weinberger v. Wiesenfeld*, the Court struck