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The ethics of philanthropy: everyone is picking on Harvard

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Quad 136

Picking on Harvard

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The Ethics of Philanthropy: Everyone is Picking on Harvard



Hedge fund manager John Paulson recently gave one of the largest gifts ever to an educational institution. He gave \$400 million to Harvard University to build the endowment for its school of engineering, which will be named after Paulson.

The gift has generated significant press both for its size and its beneficiary. Harvard, of course, has the largest endowment of any educational institution in the world at \$36 billion.

Harvard grad [Conan O'Brien](#) once joked that Harvard's fund raising pitch was, "We are Harvard, we don't need your money, we just want it," but for many commentators a gift to the richest educational institution in the world was **no joking matter**:

"The idea that the superrich are just handing some of their money to the other superrich in a time of need and insecurity just seems obscene," said Kevin Carey, who directs the education policy program at New America. "There's literally not another university in America that needs that money less."

And:

Author Malcolm Gladwell mocked the gift shortly after it was announced Wednesday. "It came down to helping the poor or giving the world's richest university \$400 mil it doesn't need. Wise choice John!" Gladwell wrote in one tweet. In another: "If billionaires don't step up, Harvard will be down to its last \$30 billion."

[Walter M. Kimbrough](#), president of Dillard University, put the issue in moral terms, calling the gift an "obscene use of \$400M." He goes on to say:

Harvard's total cost annually is \$62,000. Yes, that's just the sticker price, but when more than 40 percent of your student body receives no aid at all, we're not talking about a needy population. Just 17 percent of the student body receives Pell Grants. At my institution, Dillard University, 98 percent of my students receive some form of aid, including 80 percent receiving the Pell Grant.

The Harvard Crimson reported that in the recent freshman class, the average student comes from a family with between \$125,000 and \$250,000 in annual income, and 14 percent have household income above \$500,000, placing them among the wealthiest in America. The median family income in New Orleans, where I work, is \$35,000, and for my students is \$31,000. The writers for The Crimson said it best in describing the class of 2017: "In Harvard Yard, 14 percent are the 1 percent."

This gift increases Harvard's endowment by a little over 1 percent. For me? It would increase it by over 500 percent. In fact, with a \$400 million gift, I could use a 5 percent spending rate and pay the tuition and fees for all 1,200 Dillard students — with money left over.

And that's where we have to mature as a nation.

Then there was the inevitable opportunity cost question, the game of "what else could \$400m buy?" The *Chronicle of Higher Education* offered a list that included covering the education of all students at Berea College for a decade, building multiple buildings on a campus, covering some state's higher education budget cuts, funding research to cure disease, paying for thousands of professors' salaries, etc.

Several observations about this controversy:

First is the obvious point, conceded by most observers, that because the money Paulson gave had been honestly earned and all his taxes legally paid, he could do with what he saw fit.

Second, he did choose to give \$400 million away. He could have consumed it, albeit a daunting task! He could have given it to heirs. He could have built an America's Cup team, raced horses or bought a sports franchise. But he chose to give it to an educational institution.

Third, when any donor gives to education, it is an investment in the future. Normally such a gift is viewed as an investment in students. Those of us in the small liberal arts world tend to focus on investment in undergraduates—especially less well-off students or first generation students where the impact of a good education is so often powerful, readily apparent and lasts a lifetime. These are the investments in students Dillard's president focused on.

But many educational institutions are more complicated than residential liberal arts colleges. To simplify things considerably, educational institutions produce two things: educated graduates (both undergraduates, professional and graduate students) and academic research. Obviously a donor to higher education can care about any or all of these things.

If John Paulson believed that some of his philanthropy should support improving America's science and technology, giving money to support Ph.D. students and/or faculty at Harvard's engineering school might be a good investment. As one observer said:

Richard K. Vedder, director of the Center for College Affordability and Productivity, says despite the controversy following Mr. Paulson's donation, for a donor looking to advance world-class research, "I

wouldn't say the worst place to give money is Harvard." Though there are "poorer schools in the U.S. where at the margin the dollar would work better," he adds, "there is something to be said for giving money to schools where there is a tradition of excellence in research."

Finally, those in higher education and elsewhere who are casting aspersions on Paulson's choice need to be a little careful when they get into the game of making value judgments about philanthropic causes and recipients. As important and necessary as supporting the mission of higher education is, how does it stack up against other good causes? Is giving a dollar to a university "better" than giving that dollar to a symphony orchestra? How about early childhood development? What about mosquito nets or vaccines in Africa? Does higher ed want to pit a lacrosse field or even an endowed chair against the face of childhood poverty in Africa?

There is certainly a strong philanthropic case to be made for investing in higher education (and I'll be happy to make it to anyone interested in supporting a fine Benedictine liberal arts institution in the upper Midwest), but glib value judgments tweeted out to the world are not a serious attempt to engage the moral complexities of philanthropy.

Begrudging Harvard its philanthropic success and criticizing the generosity of John Paulson are not good ways for those interested in supporting good causes to spend time and energy. Having a compelling mission that can be articulated clearly when your own John Paulson comes calling (or you go seeking) seems like the best way to advance and secure your institution's future.

The other important lesson from this story is that in the case of most educational institutions it takes a lot less than \$400m to significantly move the needle. Paulson's gift nudged Harvard's endowment barely 1 percent. A couple million for Saint John's would do a lot more—any takers?

By [Michael Hemesath](#) | June 29th, 2015 | Categories: [Economics](#), [Higher Education](#) | [0 Comments](#)

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