

What Makes Harvard #1? Governance and the Dominance of US Universities

Shailendra Raj Mehta
IIM-Ahmedabad

Shanghai Jiao Tong Rankings - 2010

Rank	Institution	Country	Total Score
1	Harvard University	USA	100
2	University of California, Berkeley	USA	72.4
3	Stanford University	USA	72.1
4	Massachusetts Institute of Technology (MIT)	USA	71.4
5	University of Cambridge	UK	69.6
6	California Institute of Technology	USA	64.4
7	Princeton University	USA	60.8
8	Columbia University	USA	60.4
9	University of Chicago	USA	57.3
10	University of Oxford	UK	56.4
11	Yale University	USA	54.6
12	Cornell University	USA	52.6
13	University of California, Los Angeles	USA	52.2
14	University of California, San Diego	USA	50
15	University of Pennsylvania	USA	49
16	University of Washington	USA	48.7
17	University of Wisconsin - Madison	USA	46.4
18	The Johns Hopkins University	USA	46
18	University of California, San Francisco	USA	46
20	The University of Tokyo	Japan	45.9

Three Puzzles

- Puzzle 1 - Why is Harvard #1?
- Puzzle 2 - Why are US Universities in general, so good?
- Puzzle 3 – Why did many US Universities join front rank so quickly?

First Ranking-Rosovsky

- Asian Wall Street journal in 1987
- Six out of the top ten Universities in the world were from the United State
- Harvard (ranked #1), Stanford, Berkeley, MIT, Yale, Cornell and Michigan. The non-US universities included Cambridge/Oxford (inexplicably clubbed together), Tokyo and Paris-Sorbonne.
- Rosovsky added that even if the top ten were expanded to the top twenty or thirty two-thirds to four-fifths of the top universities would be US based.

Why?

- National wealth,
- Large population,
- Government support especially of science
- The constructive influence of Hitler refugees
- The American habit of private philanthropy
- Fierce competitiveness of American universities for students, for faculty, for athletes, for funding
- Tenure which involve a long period of tenure during which faculty members have to thoroughly prove themselves.
- Unitary governance –one person in charge - president. While educational matters are delegated to faculty, the president retains economic powers. The president is only answerable to a Board of Trustees.

Is it Really?

- Philip Altbach tells the story (in the 1880s) of John D. Rockefeller asking the legendary President of Harvard University – Charles W. Eliot, what it would take to create another Harvard.
- Eliot is supposed to have retorted that it would take \$50 Million and 200 years.

Subsidy Structure of US Universities

Dollar Value of Subsidy	Enrollments	Average Student Subsidy (\$)	Full Cost(\$)	Tuition and Fees(\$)	Price Cost Ratio
All Institutions	3,500	8,200	12,000	3,800	31.50%
Public	5,100	8,700	9,900	1,200	12.40%
Private	1,700	7,700	14,200	6,500	45.90%
Decile 1	3,300	22,800	28,500	5,700	20.10%
Decile 2	3,800	11,100	14,900	3,800	25.40%
Decile 3	4,300	9,300	12,300	3,000	24.40%
Decile 4	4,500	8,200	11,000	2,800	25.60%
Decile 5	3,700	7,300	9,900	2,600	26.60%
Decile 6	3,900	6,500	9,400	2,900	30.80%
Decile 7	3,500	5,800	8,700	2,900	33.10%
Decile 8	3,500	5,100	8,400	3,300	39.50%
Decile 9	2,900	4,100	8,700	4,600	52.50%
Decile 10	1,600	1,800	7,900	6,100	77.40%

Costs, Prices, Subsidies, and Hierarchy, 1995

Source: Winston-Yen, 1995 (updated); based on US Department of Education IPEDS data. Includes 2739 institutions, of which 1420 are public and 1319 are private. All dollar amounts are per FFE student averaged over institutions. Col. 3: Educational costs include the share of E&G spending devoted to instruction plus the rental rate for physical capital. Col. 4: Tuition and fees net of grant aid.

Pattern

- For Profit Universities get the weakest students
 - SAT score
 - National Merit Scholars
 - Top 10% of graduating class
- Focus on older students
- Training as opposed to education

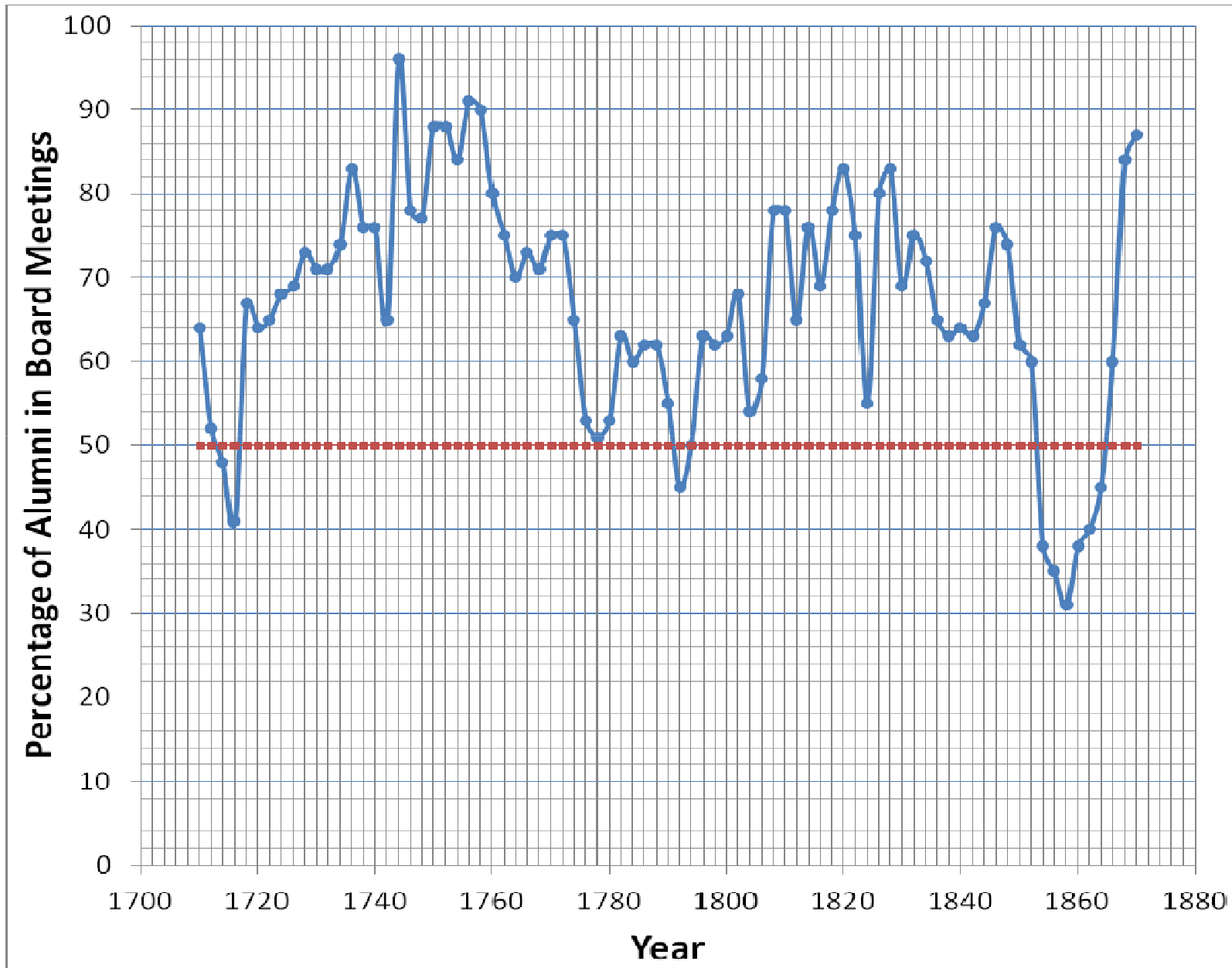
Alumni Control

- This is the secret and has a very interesting History

Top 20 US Universities – US News and World Report Rankings

Rank	University	# of Trustees	Alumni	Alumni %
1	Harvard University	30	30	100%
2	Princeton University	42	38	90%
3	Yale University	17	17	100%
4	Columbia University	23	23	100%
5	Stanford University	31	28	90%
5	University of Pennsylvania	58	53	91%
7	Cal Tech	50	20	40%
7	MIT	73	57	78%
9	Dartmouth College	22	20	91%
9	Duke University	36	31	86%
9	University of Chicago	46	36	78%
12	Northwestern University	81	56	69%
13	Johns Hopkins University	63	42	67%
13	Washington U. in St. Louis	53	29	55%
15	Brown University	42	37	88%
15	Cornell University	64	55	86%
17	Rice University	24	14	58%
17	Vanderbilt University	56	45	80%
19	University of Notre Dame	49	39	80%
20	Emory University	41	32	78%

Percent of Harvard Alumni on the Board



Immigration into Massachusetts

Date	Resident Population	Growth by Decade
1870	1,457,351	18%
1860	1,231,066	24%
1850	994,514	35%
1840	737,699	21%
1830	610,408	17%
1820	523,287	11%
1810	472,040	12%
1800	422,845	12%
1790	378,787	-

Source: US Census Bureau - Resident Population and Apportionment of the U.S. House of Representatives for the State of Massachusetts.

Support for Harvard Dwindles

- Since state support of Harvard by this time had dwindled by this time to nothing, Harvard was increasingly reliant on private donors. But the donors started to back away from funding in a situation when politicians interfered with the disbursement of funds. ([Wasserman 1979](#)) (pg. 258) quoting ([Story 1972](#)) says that a bequest of \$50,000 was given to Harvard in 1855 conditional on the Massachusetts Legislature not altering the Harvard Charter.
- Soon thereafter, two bequests were canceled in protest. Faculty recruitment was also hurt in a situation where the appointment of faculty members and their subsequent performance would be subject to vicissitudes of legislative politics. ([Wasserman 1979](#)) (page 258).

The Problem

- The Fellows of Harvard argued that the growth of the university since the turn of the century in 1800 was in danger of being lost. Political control would lead to stagnation and there were dark hints that the existing endowments would be returned to the contributors.
- Matters apparently came to a head when in 1862, the Corporation presented their nomination for President of Harvard, Thomas Hill, to the Board of Overseers, who rejected it after a bitter debate. The Overseers persisted and resubmitted the candidature and finally Thomas Hill was elected the 20th President of Harvard. ([Wasserman 1979](#)) (page 261) quoting ([Land 1933](#)).

Quick Developments

- Support for Harvard declines in the Legislature
- Donations stop
- Harvard proposes a radical solution
- It barely passes
- Radical features
 - Turned over to alumni
 - Faculty cannot be on board
- Very quickly Harvard overtakes Columbia – then richest in the country.
- Huge wave of copying the Harvard model begins
- Columbia has internal takeover which is harmful – does not get alumni control till 1908.

Impact

- The *de jure* control of Harvard by alumni quickly allowed Harvard to raise large sums of money. In the nine years between 1869 and 1878 its endowment tripled. It tripled again in the following two decades.
- By 1898 its endowment was nearly \$12 Million and its annual income was nearly \$1.4 Million. With nearly four thousand students and nearly five hundred faculty, Harvard was the pre-eminent university in the United States.
- Harvard was now the richest university in the world

Measures

- Selectivity
- Endowment
- Rank
- Rank Category (for Logit)

Fast Progress

- Yet, with slightly more than \$50 Million that Rockefeller personally endowed, University of Chicago became one of the top Universities in the world in a few short decades after its founding in 1892 ([Altbach 2004](#)).
- Nor was the University of Chicago unique. The same pattern has been observed in the case of other universities which, very quickly after their founding achieved international status. Noteworthy examples are Stanford, Johns Hopkins, Carnegie Mellon and Duke. How could they do it so quickly?
- This then is the third and main puzzle – other great universities, notably those in Europe, took centuries to achieve their prominence.

What is the Secret?

	Private	Public
For Profit	<ul style="list-style-type: none"> • Control by Shareholders in Universities such as Apollo, Devry and U. Phoenix in the US and elsewhere (e.g. the Philippines). • Against the law in the many countries – e.g. India • Never been a for profit research University in 2500 years (Mehta 2011) 	<ul style="list-style-type: none"> • Not Observed in Practice
Non Profit	<ul style="list-style-type: none"> • Control by Alumni • Control by a self-perpetuating Trust • Control by Faculty 	<ul style="list-style-type: none"> • Control by the State • Mixed control by Faculty, Alumni and State • Delegated Control by Alumni

Education Hard to Evaluate

- Socrates makes part of the argument in Plato's Dialogues:
- “When you buy food and drink from the merchant you can take each item back home from the store in its own container and before you ingest it into your body you can lay it all out and call in an expert for consultation as to what should be eaten or drunk and what not, and how much and when. So there's not much risk in your purchase. But you cannot carry teachings away in a separate container. You put down your money and take the teaching away in your soul by having learned it, and off you go, either helped or injured.” (313d-314b).
- Many “universities” and “business schools” claim to be #1 in this or that – rankings bought

For Profit Universities

- Education is rarely a solitary undertaking. Done properly it requires an environment that must be carefully constructed and nurtured. Students therefore have a double role. **They are outputs of the process, but at the same time are also inputs into the process.** A highly talented and highly motivated individual will benefit from being around a diverse group of other highly talented and motivated individuals.
- It is noteworthy, that in even the earliest records of the very first university, Takshashila, that had an unbroken run for nearly 1500 years, there is evidence that bright but poor student were admitted alongside those who were able to pay their own way. (Mehta 2011)
- Part of the charm and value of a truly great center of learning is the “atmosphere of learning” which is what students provide for one another.