Lessons Learned?

What has the University discovered about itself from its exposure to the coronavirus? It may seem premature to speculate just a few months after the campus community largely dispersed. Yet there are apparent contradictions, important to sort out, between focusing on Harvard’s needs versus emphasizing cooperation with peer institutions as higher education faces frightening challenges.

- Respect the past: In late 2008, when recession ravaged the endowment and other financial decisions soured, the University faced a liquidity crisis, and borrowed $2.5 billion, at high interest, to pay its bills. Those unforeseen risks in financial management and shortcomings in oversight prompted governance reforms, unveiled in late 2010, meant to enhance performance of the Corporation’s fiduciary responsibilities.

When the current economic calamity unfolded, the University had ample liquid funds on hand (see Harvardmag.com/virus-fiscal-hit-20). In fact, Harvard had bolstered its cash position last fall, anticipating a recession (just not this one), and maintained multiple backup sources for further liquidity if needed. The lessons have been learned: in this regard, the governance reforms and changes in financial administration worked.

- Act fast: As President Lawrence S. Bacow has explained (harvardmag.com/bacow-on-pandemic-20), once faculty experts made the pandemic’s risks clear, he and other University leaders immediately prepared to shift to remote teaching and empty the campus to safeguard community health.

Bacow may also move swiftly to make the near-term financial adjustments Harvard faces in light of a diminished endowment (distributions from which are the largest source of operating revenues); lost income from extension and continuing education; deferred research; and the costs of the steps needed to resume residential classes and research. As Tufts president, he outlined the impact of the 2008 financial crisis that October and November—and balanced the budget within the fiscal year (“The Pragmatist,” September-October 2018, page 32). Tufts, admittedly, was and is significantly less endowment-dependent than Harvard. The University’s immediate budgetary blues are consequential (see page 21), but some are temporary concerns. Team Bacow seems inclined to have deans take their medical, and look toward the future sooner. The reduced endowment distribution and new assessment announced in early June are a downpayment (see harvardmag.com/covid-online-supplements-distribution-down-20). Furloughs and layoffs are likely next.

These steps suggest how 2020 differs from 2008. Both affected Harvard’s finances, but the educational impact of social distancing from a residential university is potentially transformative. All the more reason to begin dealing with what lies ahead.

- Identifying opportunities. Preparedness means being able to seize opportunities. Harvard’s recession planning spoke of identifying “areas for investment and growth. Creating capacity...in advance of a downturn can enable the organization to...‘play offense’ during times of constraint. The ability to hire faculty or invest in emerging fields of study can better position Harvard for future success”—especially if other institutions are hamstringed. Bacow, a runner, said “races are won on the uphill,” when others are winded.

One concern is that the Faculty of Arts and Sciences (FAS), in particular, hasn’t been able to do anything like that. In the past dozen years, it has invested heavily in financial aid and fixing up the undergraduate Houses—important priorities, to be sure. But its faculty census has remained unchanged. The disciplinary mix has shifted toward engineering and applied sciences, and there are plenty of new faces. But more scholars in more new fields in which to do Harvard-quality research would be even better. So it was discouraging to read in Dean Claudine Gay’s April 15 message that almost all current faculty searches had been suspended, and “new searches will not be authorized.”

After 9/11, the Great Recession, and now the pandemic, the Corporation’s highest fiduciary responsibility may well be to guard against catastrophes every decade: reining in spending (as in the past few years), and fighting to maintain at least the Harvard that exists today. But that is a worrisome definition of “playing offense”—for a world desperate for new ideas and breakthroughs, and for an institution designed to foster them.

- Going big. Given those caveats, it may seem obtuse to suggest that Harvard aim larger. But the 2010 governance reforms had two aims: to enhance the Corporation’s fiduciary oversight and to create space for strategic thinking. The need for the latter (especially when immediate concerns loom so large) is greater than ever—perhaps beyond any one institution acting alone.

As noted, even in a benign economic decade, FAS had trouble expanding. Bacow, while fully attentive to Harvard, has also been generous in talking about all of higher education. He champions partnerships with peers like MIT and Boston University on matters ranging from faculty or graduate-student housing to quantum science research. And he constantly emphasizes the importance of the local biomedical/biotechnology ecosystem of universities, hospitals, research institutions, and private enterprises—productive collaborators in attacking COVID-19.

With many schools’ return to residential teaching and research delayed, Harvard will feel the pain—but large public and smaller private schools may be crippled. If foreign students cannot enroll, the challenges multiply. This applies across higher education, at a time when its services are essential.

So perhaps now the highest priority for Harvard is not playing offense, but extending the notion of partnership to like institutions in Greater Boston—beyond single-purpose entities such as the Broad Institute (the Harvard-MIT genomics research shop). All nearby universities will struggle to fulfill their core missions: hiring faculty; maintaining laboratories and libraries; investing in remote and online learning; and straining to advance as they refit for a new era of constraint. The core mission will be squeezed across the board.

From its hard-won position of relative financial strength and continuing academic prowess, the University is uniquely placed to be a foresighted academic partner and collaborator: advancing Boston not just as a biotech center, but as a higher-education mecca. (One thinks of the collaboration among the University of Massachusetts, Amherst and nearby colleges.) If Harvard were to encourage such a research-university-level cluster, it might usefully inspire similar clusters elsewhere.

The University has survived a sometimes-punishing start to this millennium. Today, much of higher education may not. To continue to survive, and to create that “capacity” to thrive on society’s behalf, might mean moving beyond leading any one institution to win “on the uphill.” During the past decade, Harvard improved its governance and financial management to good effect. Now it has been presented with an opportunity—even an imperative—to see if it can perform at an equally high level strategically, to advance teaching and discovery as a whole, in a fraught era. —John S. Rosenberg, Editor