The Beginning of "Free Money" Ideology in American Universities: Charles W. Eliot at Harvard, 1869–1909

Bruce A. Kimball
Benjamin Ashby Johnson

During the period between 1870 and 1920, the gross national product of the United States increased more than sixfold, as revolutions in transportation, communications, and manufacturing sparked growth in the economy.[1] Large industrial corporations emerged, and their growing power presented grave challenges for social policy, while their wealth enriched an unprecedented number of millionaires and multimillionaires, whose contributions prompted an enormous increase in philanthropy across the nation.[2] In particular, Andrew Carnegie sold his steel companies for $480,000,000 in 1901 and founded the Carnegie Institution of Washington in 1902, the Carnegie Foundation for the Advancement of Teaching in 1905, and the Carnegie Corporation of New York in 1911.[3] Even more prominent, oil magnate John D. Rockefeller, "the most famous American of his day," devoted $447,000,000

Bruce A. Kimball is a Professor in the Department of Educational Studies (kimball.45@osu.edu) and Benjamin Ashby Johnson (johnson.3357@osu.edu) is a Ph.D. candidate in the Philosophy and History of Education program at Ohio State University. They would like to thank the editorial staff and the anonymous reviewers of *History of Education Quarterly* for their many helpful suggestions in developing this article for publication.

[1]See "Standard Series" in *Historical Statistics of the United States, Millennial Edition On Line*, ed. Susan B. Carter, Scott S. Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright (Cambridge: University Press, 2006); Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Harvard University Press, 1977), 52.

[2]Michael E. McGerr, *A Fierce Discontent: The Rise and Fall of the Progressive Movement in America, 1870–1920* (New York: Oxford University Press, 2003), 147–81; Pitirim Sorokin, "American Millionaires and Multi-Millionaires: A Comparative Statistical Study" *Journal of Social Forces* 3 (1925): 627–40; Merle Curti, Judith Green, and Roderick Nash, "Anatomy of Giving: Millionaires in the Late 19th Century," *American Quarterly* 15 (1963): 416–35; Olivier Zunz, *Philanthropy in America: A History* (Princeton, NJ: Princeton University Press, 2012), 8–43.

[3]Ellen C. Lagemann, *Private Power for the Public Good: A History of the Carnegie Foundation for the Advancement of Teaching* (Middletown, CT: Wesleyan University Press, 1983); Ellen C. Lagemann, *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* (Chicago: University of Chicago Press, 1989).

to endowing the Rockefeller Institute of Medical Research in 1901, the General Education Board in 1903, the Rockefeller Foundation in 1913, and the Laura Spelman Rockefeller Memorial in 1918.[4]

During this same period, full-fledged universities emerged for the first time in the United States and began to compete for academic distinction, while their wealth, particularly in the form of endowments, increased markedly, since they were among the leading recipients of the new millionaires' philanthropy over the course of these decades.[5] Among the eight wealthiest universities arising during that period, Harvard's endowment first assumed a lead in 1920 and has not been surpassed since. More remarkably, Harvard attained this lead without receiving any enormous gifts, even as the seven other wealthiest universities each obtained at least one "mega-gift" dwarfing any that came to Harvard.[6]

The $3,500,000 bequeathed by Johns Hopkins in 1873, the reported $20,000,000 from Leland and Jane Stanford in 1885, and the $5,500,000 from Ezra Cornell and from the proceeds of New York's land grant scrip realized by 1900 were benefactions to their namesake institutions that vastly exceeded the value of Harvard's largest gift of $1,135,000 received only in 1903.[7] Even apart from those huge gifts, during the mid-1890s at least five American universities received much larger additions to their endowments than did Harvard.[8] In the following two decades, the $34,700,000 given by Rockefeller to the University of Chicago (culminating in his pledge of $10,000,000 in 1910), the John

[4]Quotation is from Ron Chernow, *Titan: The Life of John D. Rockefeller, Sr.* (New York: Random, 1998), xiii. See Allan Nevins, *Study in Power: John D. Rockefeller, Industrialist and Philanthropist*, 2 vols (New York: Charles Scribner's Sons, 1953).

[5]See Laurence R. Veysey, *The Emergence of the American University* (Chicago: University of Chicago Press, 1965); Merle Curti and Roderick Nash, *Philanthropy in the Shaping of American Higher Education* (New Brunswick, NJ: Rutgers University Press, 1965), 211; Clyde W. Barrow, *Universities and the Capitalist State: Corporate Liberalism and the Reconstruction of American Higher Education, 1894–1928* (Madison: University of Wisconsin Press, 1990), 31–59; Roger L. Geiger, *To Advance Knowledge: The Growth of American Research Universities, 1900–1940* (New York: Oxford University Press, 1986), 39–57.

[6]Quoted term is drawn from Marybeth Gasman and Noah D. Drezner, "Fundraising as an Integral Part of Higher Education," in *Philanthropy, Volunteerism & Fundraising in Higher Education*, ed. Andrea Walton and Marybeth Gasman (Boston: Pearson, 2008), 596. See Appendix: Largest Endowments of Colleges and Universities, 1880–1939.

[7]Helen H. Thom, *Johns Hopkins: A Silhouette* (Baltimore: Johns Hopkins University Press, 1929), 71–72; Hugh Hawkins, *Pioneer: A History of the Johns Hopkins University, 1874–1889* (Ithaca: Cornell University Press, 1960), 3; Orrin L. Elliott, *Stanford University: The First Twenty-Five Years* (Stanford, CA: Stanford University Press, 1937), 76; Carl L. Becker, *Cornell University: Founders and the Founding* (Ithaca, NY: Cornell University Press, 1943), 39, 89–109, 113–18; Charles W. Eliot, *Annual Report of the President and the Treasurer of Harvard College, 1901–1902* (Cambridge: Harvard University, 1903), 35–36; Eliot, *Annual Report* 1905–1906, 27.

[8]Eliot, *Annual Report, 1895–1896*, 43.

W. Sterling bequest of $15,000,000 to Yale in 1918, and the Henry C. Frick bequest of $15,000,000 to Princeton in 1919 overshadowed Harvard's largest gift of $5,000,000 received only in 1924.[9] Meanwhile, Columbia's older mega-gift of productive real estate in New York City made its endowment the largest in the nation through the 1910s.[10]

Rather than banking enormous gifts, Harvard built its wealth by adhering to a coherent strategy that gradually became the common sense—the prevailing ideology—of how to build and maintain the wealth of private universities. President Charles W. Eliot formulated this "free money" strategy over the course of his administration from 1869 to 1909 and summarized it quintessentially in 1906:

> In the competition between American universities, and between American and foreign universities, those universities will inevitably win which have the largest amounts of free money....How is more free money to be obtained?... The only way to increase the amount of such funds is to emphasize the urgent need of them, and then to treat them with such steady consideration that they will have... an assured permanence as funds.[11]

When Harvard conducted the first modern fundraising campaign in American higher education, between 1916 and 1921, the campaign adopted Eliot's statement as its motto.[12] While highlighting his words in its literature, the Harvard Endowment Fund (HEF) campaign endorsed the tenets of his strategy, extending its influence further.

Several of Eliot's precepts had origins among the benefactors and trustees of prominent civic institutions in Boston and, taken individually, would not have surprised the businessmen who were beginning to join the boards of the wealthiest universities. But, in addition to certain

---

[9]These gifts arrived over time, and the amounts fluctuated. George W. Pierson, *Yale College, An Educational History, 1871–1921* (New Haven, CT: Yale University Press, 1952), 371n; "Bequests of Frick Shrink $30,000,000," *New York Times*, 23 February 1921, 1; Thomas W. Goodspeed, *A History of the University of Chicago* (Chicago: University of Chicago Press, 1916), 497–98; William Lawrence, *Memories of A Happy Life* (Boston and New York: Houghton Mifflin Company, 1926), 419–20.

[10]See Appendix: Largest Endowments of Colleges and Universities, 1880–1939. Columbia University, *An Official Guide to Columbia University* (New York: Columbia University Press, 1912), 6; Horace Coon, *Columbia: Colossus on the Hudson* (New York: Dutton, 1947), 29.

[11]Eliot, *Annual Report, 1905–1906*, 55, 57–58.

[12]Scott M. Cutlip, *Fund Raising in the United States: Its Role in America's Philanthropy* (New Brunswick, NJ: Rutgers University Press, 1965), 169–74; Seymour Harris, *Economics of Harvard* (New York: McGraw-Hill, Inc., 1970), 298; Robert Bremner, *American Philanthropy* (Chicago: University of Chicago Press, 1960), 138; Dwight Burlingame, ed. *Philanthropy in America: A Comprehensive Historical Encyclopedia*, vol 1 (Santa Barbara, CA: ABC-CLIO, 2004), xxxiii; Gasman and Drezner, "Fundraising," 595. The received account of this campaign, conventionally dated to 1919–1920, does not consist with the records of the campaign in Harvard Endowment Fund Committee, Records of Harvard Endowment Fund, 1916–1939, Harvard University Archives.

novel tactics, Eliot's singularity lay in synthesizing these points into a coherent strategy for administering a university and in advocating the tenets explicitly and publically in his published writings. Furthermore, Eliot's earnest focus upon this coherent and public strategy was unique among presidents of wealthy universities who usually assumed the role of "a teacher or preacher or cultural 'ornament' ... till late in the [nineteenth] century or beyond."[13]

The foundational precept of Eliot's free money strategy holds that, in the competition among universities for academic accomplishment and reputation, the standing of a university is determined primarily by its wealth. Second, he narrowly defined a university's wealth as its permanent invested funds, which came to mean its "endowment" by the end of this period.[14] Given this narrow definition, a university must refrain from depending on tuition revenue, spending its own resources on buildings, or accepting any "inexpedient" gifts. Third, a university must strive to keep its endowed funds "free"—unrestricted both in asset type and in purpose—although restricted gifts that are fungible should be strongly encouraged. Fourth, the university must be managed like a business, operating efficiently and disclosing its finances fully and clearly so that the public appreciates its prudent management. Yet, in striking contrast to a business, a university, fifth, should never carry a surplus but regularly run a deficit because this provides the justification for asking for more free money. By implication, therefore, a university's needs are insatiable. Lastly, the president must assume responsibility for developing the wealth of the university, including identifying, justifying, and presenting its needs for more free money.

Eliot's coherent and public strategy of increasing the free money—the unrestricted invested financial capital—of his university was distinctive among presidents in his day, though not due to any shyness, secrecy, or deception on his part. In fact, Eliot tried to persuade some of his contemporaries to follow his policies. Certain university presidents, usually when under financial duress, adopted one or two of these tactics, but none asserted that increasing the university's permanent financial capital was central to their responsibility. After Eliot retired in 1909, Harvard adhered to his financial policies, notwithstanding the

[13]Ronald Story, *The Forging of an Aristocracy: Harvard and the Boston Upper Class, 1800–1870* (Middletown, CT: Wesleyan University Press, 1980), 54. See Thomas J. Wertenbaker, *Princeton 1746–1896* (Princeton, NJ: Princeton University Press, 1946), 239, 377; Edward P. Cheyney, *History of the University of Pennsylvania, 1740–1940* (Philadelphia: University of Pennsylvania, 1940), 180–256; Brooks M. Kelley, *Yale: A History* (New Haven, CT: Yale University Press, 1974), 273, 325.

[14]See Bruce A. Kimball and Benjamin A. Johnson, "The Inception of the Meaning and Significance of Endowment in American Higher Education, 1890–1930," *Teachers College Record* 114, no. 10 (2012).

reluctance of his successor Abbott L. Lowell, and Harvard's endowment gained an insurmountable lead during the 1920s. In subsequent decades, Eliot's free money strategy gradually became the financial ideology of the wealthiest private universities—a set of taken-for-granted precepts itemizing the common sense of how to build and manage the endowment necessary to compete for academic eminence.

Eliot's Singularity

Eliot's free money strategy has not been studied. The foremost historical study of philanthropy in higher education discusses Eliot briefly but does not attend to his central writings on the subject. The leading study of the history of fundraising in higher education neglects Eliot altogether, as does more recent historiography, including the entries of the three-volume *Philanthropy in America: A Comprehensive Historical Encyclopedia*.[15] The accumulation of wealth at Harvard prior to Eliot's inauguration in 1869 has received attention from historians, but the historiography on Eliot's tenure at Harvard overlooks the subject.[16] The most extensive historical treatment of Harvard's finances has serious deficiencies and misconstrues some of Eliot's major policies.[17] Overall, to the extent that these studies address Eliot's involvement in university finances, they subordinate his role or depreciate his acumen.[18] In

---

[15]Curti and Nash, *Philanthropy*, 137–38; Cutlip, *Fund Raising*; Dwight Burlingame, ed., *Philanthropy in America: A Comprehensive Historical Encyclopedia*, 3 vols (Santa Barbara, CA: ABC-CLIO, 2004); Frank H. Oliver, "The Roots of Academic Fund Raising," in *Philanthropy, Volunteerism & Fundraising in Higher Education*, ed. Andrea Walton and Marybeth Gasman (Boston: Pearson, 2008), 602–13; Michael J. Worth, "The Historical Overview," in *New Strategies for Educational Fundraising*, ed. Michael J. Worth (New York: Praeger, 2002), 24–35.

[16]Margery S. Foster, "Out of Smalle Beginnings . . . ": *An Economic History of Harvard College in the Puritan Period 1636–1712* (Cambridge: Harvard University Press, 1962); Story, *Forging of an Aristocracy*; Henry James, *Charles W. Eliot: President of Harvard University, 1869–1909*, 2 vols (Boston: Houghton Mifflin, 1930); Hugh Hawkins, *Between Harvard and America: The Educational Leadership of Charles W. Eliot* (Cambridge: Harvard University Press, 1972); Samuel E. Morison, ed. *The Development of Harvard University Since the Inauguration of President Eliot: 1869–1929* (Cambridge: Harvard University Press, 1930); Samuel E. Morison, *Three Centuries of Harvard, 1636–1936* (Cambridge: Harvard University Press, 1936); Morton Keller and Phyllis Keller, *Making Harvard Modern: The Rise of America's University* (New York: Oxford University Press, 2001), 13–14, 134.

[17]The long study by economist Seymour Harris, *Economics of Harvard*, is full of valuable information and insights, but is disorganized, redundant, and often misleading due to a persistent tendency to compare financial policies from different eras without sufficient understanding of the different historical contexts. In addition, many of its citations to Harvard's archives are inaccurate or unspecific.

[18]While relying heavily on Harris's *Economics of Harvard*, Geiger's *To Advance Knowledge* tends to attribute Eliot's initiatives to others or to treat them as typical, even when Eliot's views are the earliest cited by Geiger, whose study begins in 1900. See, for example, 48, 78–85.

fact, in his exposé of the "interlocking directorate" of financial interests governing Harvard, Upton Sinclair considered Eliot "a scholar" and an exception to the general rule "that Harvard is a close corporation ... of the vested interests of ... enormous financial power."[19]

Paradoxically, other historical works on higher education during this period emphasize and usually criticize Eliot's devotion to the business practices of industrial corporations, even considering him the prototype of Thorstein Veblen's "captain of erudition."[20] This latter interpretation comports with the view of the two predominant groups of university and college presidents during Eliot's administration between 1869 and 1909. During the first half of Eliot's tenure, the great majority of college and university presidents had served as Protestant clergymen prior to accepting their office. Embracing the traditional pastoral role of a college president, many in this group chided Eliot, secretly, if not publically, because he "never teaches the students and has not the least formative control over their minds or characters. He is really a sort of general manger with duties analogous to those of a superintendent or president of a railroad."[21]

While that group of former clergymen remained significant through the end of Eliot's tenure, by 1890 about half of university presidents came to their office after serving as faculty members, and many of this group zealously adopted academic reforms in pursuit of the new ideal of specialized research. Like Andrew D. White, president of Cornell University from 1866 to 1885, these visionaries often huffed that Eliot presided more as "a skillful manager of a cotton factory" than an academic leader.[22] Hence, both the traditional ministerial presidents and the academic visionaries likened President Eliot to a corporate executive, and his supporters and detractors within Harvard considered Eliot "a pretty good business man."[23]

---

[19] Upton Sinclair, *The Goose-Step: A Study of American Education, rev. ed.*, vol 1 (Girard, KS: Haldeman-Julius Publications, 1923), 68.

[20] Thorstein Veblen, *The Higher Learning in America: A Memorandum on the Conduct of Universities by Business Men* (New York: B. W. Huebsch, 1918), 89. See Veysey, *Emergence*, 346–55; Barrow, *Universities*, 75–81.

[21] The speaker is Martin B. Anderson, a Baptist clergyman and president of the University of Rochester from 1853 to 1882, quoted in Arthur J. May, *A History of the University of Rochester, 1850–1962*, ed. Lawrence E. Klein (Rochester, N.Y.: University of Rochester, 1977), 101. More generally, see George P. Schmidt, *The Old-Time College President* (New York: Columbia University Press, 1930), 184, 77–107.

[22] White is quoted in Glenn C. Altschuler, *Andrew D. White: Educator, Historian, Diplomat* (Ithaca: Cornell University Press, 1979), 147. See Barrow, *Universities*, 80; Veysey, *Emergence*, 121–79; Schmidt, *Old-Time College President*, 184, 77–107.

[23] Charles F. Adams, Jr. to Eliot Wadsworth, 30 July 1920, in Charles F. Adams, Jr. Correspondence, 1919–1925, Records of Harvard Endowment Fund, 1916–1939, box 1, Harvard University Archives.

The historiographical judgment of Eliot's approach to university finances is therefore largely divided between neglecting or devaluing his financial acumen and considering him preoccupied, even obsessed, with business affairs. Much of the reason for the disagreement lies in the lack of appreciation for his free money strategy. Among the presidents of the eight private universities that emerged as the wealthiest and most influential between the Civil War and World War I, Eliot uniquely understood, developed, and expounded the responsibility of increasing the financial capital of the university. His thinking shaped Harvard's path-breaking efforts at endowment building and then proliferated throughout higher education in the 1920s and 1930s.

Prior to Eliot, the presidents of American colleges, extending back to the beginning of the colonial era, had responded to financial exigencies by soliciting money for their institutions, often making trips to England to do so.[24] After the Civil War, this activity continued, and the presidents of the wealthiest universities, including the traditional ministerial presidents, responded to financial crises and to annual deficits by privately soliciting funds from a few wealthy donors.[25] No university president, however, made it a central priority to build financial capital by developing a coherent strategy, encouraging efforts across the institution, and publically advocating the approach, as did Eliot.

In Ithaca, New York, Ezra Cornell and President White worked harmoniously by keeping within their separate financial and academic domains, respectively.[26] President William R. Harper (1891–1906) at the University of Chicago and President David S. Jordan at Stanford University (1891–1913) discussed financial issues extensively with their respective benefactors, John D. Rockefeller and Leland and Jane Stanford. But these sometimes contentious relationships generally addressed only the limits that those benefactors placed upon the presidents, who saw their primary responsibility as developing the academic programs of the university. For example, Harper heedlessly ran up deficits that the distressed Rockefeller felt obligated to meet.[27] After Leland

[24]Jesse B. Sears, *Philanthropy in the History of American Higher Education* (Washington, DC: Government Printing Office, 1922), 31–33; Beverly McAnear, "The Raising of Funds by the Colonial Colleges," *Mississippi Valley Historical Review* 39 (1952): 591–612; Curti and Nash, *Philanthropy*, 3–59; Robert L. Church and Michael W. Sedlak, *Education in the United States: An Interpretive History* (New York: The Free Press, 1976), 42–43.

[25]Schmidt, *Old-Time College President*, 63–69; Curti and Nash, *Philanthropy*, 143; Munroe Smith, ed. Brander Matthews et al., "The Development of the University," in *A History of Columbia University, 1754–1904* (New York: Columbia University Press, 1904), 265; Robert A. McCaughey, *Stand, Columbia: A History of Columbia University in the City of New York, 1754–2004* (Columbia University Press, 2003), 301.

[26]Becker, *Cornell*, 87, 118, 173–80.

[27]Richard J. Storr, *Harper's University: The Beginnings; a History of the University of Chicago* (Chicago: University of Chicago Press, 1966), 65, 246–78, 345–55; Goodspeed, *A History*, 275–88.

Stanford died in 1893, Jordan focused his financial efforts on extracting minimal amounts of funding from the wealthy, but controlling hand of Jane Stanford, until she died in 1905.[28] At Johns Hopkins University, President Daniel C. Gilman (1875–1901) viewed himself primarily as an academic leader and only after the value of the founder's bequest of stock in the Baltimore & Ohio Railroad plummeted in the mid-1880s did he seek to raise money. Assuming this responsibility due to the crisis, Gilman pursued the tactic of searching for a few large donors, and witnessed the decline of the university's reputation commensurate with its financial resources.[29]

Nor did the presidents of the other three oldest and wealthiest universities view finances as central to their responsibility. Until 1902, Princeton continued to choose as presidents Presbyterian clergymen who clung to their pastoral role and largely left money matters to the treasurer or trustees. Under the academic visionary Woodrow Wilson (1902–1910), Princeton continued to fall behind other private universities in financial resources until John G. Hibben became president in 1912.[30] At Yale, the clerical presidents Noah Porter (1871–1886) and Timothy Dwight (1886–1899) made earnest requests for funds in their annual reports, but left financial policy to the university secretary and treasurer, while the alumni organized appeals largely unaided by the university administration.[31] In 1899, economist Arthur T. Hadley (1899–1921) became the first Yale president not drawn from the clergy, but he also left financial planning and management to the university treasurer and secretary. Yale's endowment grew, but most gifts went to buildings and current use, and the University continually faced serious financial constraints. "Yale needs money. The statement has become stereotyped," observed the *Yale Alumni Weekly* in 1911, "The solution lies in endowment. The University must face the problem."[32]

---

[28]George E. Crothers, *Founding of the Leland Stanford University* (San Francisco: A.M. Robertson, 1932), 24–35; Elliott, *Stanford*, 104, 252–53, 283–99, 462–66, 326–78.

[29]Kathleen W. Sander, *Mary Elizabeth Garrett: Society and Philanthropy in the Gilded Age* (Baltimore: Johns Hopkins University Press, 2008), 156, see also 95–96, 141–2, 162–70; Edwin E. Slosson, *Great American Universities* (New York: Macmillan, 1910), ix; Hawkins, *Pioneer*, 316–21.

[30]Wertenbaker, *Princeton*, 389–90; James Axtell, *The Making of Princeton University: From Woodrow Wilson to the Present* (Princeton, NJ: Princeton University Press, 2006), 24–25, 51.

[31]See, for example, Noah Porter, *The Report of the President of Yale University, 1879–80* (New Haven, CT: Yale University, 1880), 9–10, 12, 24–25; Timothy Dwight, *The Report of the President of Yale University, 1891* (New Haven, CT: Yale University, 1892), 11–13, 19–24, 32–35, 41–46, 55–57.

[32]Frederick M. Leonard, "Yale Endowment," *Yale Alumni Weekly* 20 (17 March 1910): 636. See "Yale's Golden Years," *Yale Alumni Weekly* 20 (30 September 1910): 1; Clarence Deming, "Treasurer Day's First Reports," *Yale Alumni Weekly* 20 (30 September 1910): 32; Anson P. Stokes, *Annual Report of the Secretary of Yale University* [1910s]

Columbia University had the largest endowment of any university in the first decade of the twentieth century, yet that wealth lay primarily in real estate holdings in New York City. As late as 1930, thirty percent of the income of the entire university came from the rent of one eleven-acre parcel in Manhattan. Columbia's presidents Frederick A. P. Barnard (1864–1889), Seth Low (1890–1901), and especially Nicholas M. Butler (1902–1945) were more entrepreneurial than the presidents above, but their efforts were largely directed to expanding the university with more acquisitions and buildings, which drew upon the university's revenue for support and maintenance. This approach proved imprudent, particularly after the university's income from its real estate declined in the 1930s and 1940s due to unfavorable leasing arrangements.[33]

Among contemporaneous university presidents, Eliot most fully assumed and enthusiastically embraced the responsibility of increasing the financial resources of the university. In so doing, Eliot identified a coherent set of policies that he incorporated into his thirty-nine annual reports, which were frequently quoted in the newspapers and read by other presidents, whom Eliot intended to educate on university management.[34] Fulfilling a long-held plan to synthesize this material into a study of university administration, Eliot published the first book on the subject in 1908.[35] This volume together with his annual reports and related correspondence, comprising some 3,000 pages, elaborate his free money strategy.

Competition for Money

Like other presidents at leading universities, Eliot took for granted that their institutions were engaged in a Darwinian competition for

(New Haven, CT: Yale University). Geiger portrays Yale as financially progressive and thriving between 1890 and 1920. Geiger, *To Advance Knowledge*, 48–51. But Yale historians describe the financial situation as bleak and regressive, apart from the Sterling gift of 1918. Pierson, *Yale College*, 505, 535–38; Kelley, *Yale*, 333–34, 355–56.

[33] Coon, *Columbia*, 29, 108–9; Geiger, *To Advance Knowledge*, 52–53; McCaughey, *Stand*, 208, 226–27, 230, 302–15, 330, 416–18.

[34] "Football Worse than Fighting Says Pres Eliot," *Boston Globe*, 3 February 1906, 1, 7; Eliot to Thwing, 28 February 1896 and 17 February 1898, in Charles F. Thwing, Papers, box 5, Case Western Reserve University Library, Special Collections; Eliot to Gilman, 12 February 1899, in Daniel Coit Gilman, Papers, ms. 1, Johns Hopkins University Library, Special Collections. See Hawkins, *Between*, 291, 302.

[35] Charles W. Eliot, *University Administration* (Boston: Houghton Mifflin, 1908). Prompted by Eliot's suggestion, Thwing published *College Administration* (New York: Century, 1900).

"survival of the fittest," as Harper observed.[36] One prominent group of presidents, largely drawn from the clergy, maintained even through the beginning of the twentieth century that the key to survival lay in upholding collegiate traditions. Another group, coming from the new profession of the professoriate, believed that the future of the university lay in developing academic programs in new fields of knowledge. All presidents recognized that the outcome of the competition depended on adequate financial resources, particularly "external sources of patronage."[37] Like Porter at Yale, they might entreat "the friends of the college ... that invites their liberal contributions and requires their generous aid."[38] But it was Eliot who first and most clearly perceived that the outcome would be determined not simply by soliciting and spending gifts from major donors, but by actively seeking to increase the financial capital of the university. These were two different endeavors. The competition for academic distinction was a struggle to accumulate wealth. This was his bedrock principle. "If the primacy of Harvard University among American institutions of education is to be maintained, it must not be surpassed by any other in material resources," he declared in 1896.[39] The leading university needs the most money to retain its position.

The direct link between competition in academics and in finances echoes throughout his writings, beginning in his inaugural address where Eliot urged the Harvard governing board to increase the return on the university's permanent funds, observing that "an institution like this College is getting decrepit when it sits down contentedly on its mortgages. On its invested funds the Corporation should be always seeking how safely to make a quarter of a per cent more."[40] Such admonitions on investment policy do not appear in the inaugural orations of his contemporaries, whether clergymen seeking to preserve tradition or academic visionaries imbued with the university ideal.[41] As the mega-gifts arrived at Cornell, Johns Hopkins, Stanford, Chicago, and

---

[36]William R. Harper, *The Trend in Higher Education* (Chicago: University of Chicago Press, 1905), 375. See Veysey, *Emergence*, 317, 323–32, 347, 357–8; Geiger, *To Advance Knowledge*, 12.

[37]Geiger, *To Advance Knowledge*, vii. See 1–2.

[38]Porter, *Report of the President of Yale University, 1879–80*, 25.

[39]Eliot, *Annual Report, 1895–1896*, 43.

[40]The Corporation is the primary governing board of Harvard University, equivalent to a board of trustees, and at the time comprised the president, treasurer, and five additional Fellows. Charles W. Eliot, "Inaugural Address... Oct. 19, 1869," in *Educational Reform: Essays and Addresses* (New York: Century, 1901), 33.

[41]Noah Porter, "Inaugural Address," 26–65, in *Addresses at the Inauguration of Professor Noah Porter, D.D. LL.D. as President of Yale College* (New York: Charles Scribner, 1871).

other universities, Eliot repeated his association between academic and financial competition.

In 1878, he called for funds "to place the Harvard Divinity School upon an equality with ... Andover, Newton, Yale, Princeton, and the Episcopal School at Cambridge."[42] In 1884, he noted that Columbia "is said to be the richest of our Colleges," but affirmed in 1887 that the value of Harvard's academic facilities and equipment exceeded that of all other universities.[43] In 1898, he observed that "the Harvard Veterinary Department is in competition with those of Cornell and the University of Pennsylvania, both of which are largely endowed," and that the Harvard Semitic Museum needs a new building "like the University of Chicago and the University of Pennsylvania."[44] In 1903, he warned, "the University has not been able, for lack of money, to keep the [mineral] collection in the leading position to which its age entitles it."[45] By that point, the private institutions also faced "formidable competition with a large number of strong State universities in which tuition is free."[46] Hence, in Eliot's view, Harvard was continually under threat on all sides, so "we need money."[47]

But what kind of money? Eliot maintained that a university's wealth is measured by its permanent invested funds. In keeping with conventional practice during his tenure, Eliot sometimes used the term "endowment" broadly to refer to all university property, including land, buildings, equipment, and all funds and reserves.[48] Other times, he employed it narrowly, as in its present usage, which first became conventional in the 1920s.[49] In either case, Eliot relentlessly emphasized the primacy of permanent invested funds, a priority hallowed by tradition and experience, he maintained.[50] Indeed, "further endowment is the only thoroughly satisfactory and permanent remedy" for any problems that the university may face in the future.[51]

---

[42] Eliot, *Annual Report* 1877–1878, 35–36.

[43] Quotation is from Charles W. Eliot, "What Is a Liberal Education?" *Century Magazine* 28 (June 1884): 203. See Eliot, *Annual Report, 1885–1886*, 20.

[44] Eliot, *Annual Report, 1896–1897*, 29, 38.

[45] Eliot, *Annual Report, 1901–1902*, 57.

[46] Eliot, *Annual Report, 1906–1907*, 16.

[47] Eliot is quoted in "Bishop Lawrence Pleads for Funds from the Alumni," *Boston Journal* (30 June 1904): 1.

[48] Eliot, *Annual Report, 1869–1870*, 28; Eliot, *Annual Report, 1881–1882*, 30; Eliot, *Annual Report, 1884–1885*, 54; Eliot, *Annual Report, 1900–1901*, 49–50; Eliot, *Annual Report, 1907–1908*, 41.

[49] Eliot, *Annual Report, 1870–1871*, 29; Eliot, *Annual Report, 1877–1878*, 131; Eliot, *Annual Report, 1885–1886*, 22–23; Eliot, *Annual Report, 1892–1893*, 36. See Kimball and Johnson, "Inception of the Meaning and Significance of Endowment."

[50] Charles W. Eliot, "National University," in *The Addresses and Journal of Proceedings of the National Education Association....1873* (Peoria, IL: N. C. Nason, 1873), 119.

[51] Eliot, *Annual Report, 1904–1905*, 23.

A corollary to this tenet is to avoid dependence on tuition, for "the law of supply and demand . . . never has worked well in the province of high education," he said in 1869.[52] Any "increased dependence on fees is extremely undesirable, because it threatens the stability and just independence" of the university.[53] By the same token, gifts "for immediate use . . . , though very welcome, constitute but a precarious resource for the maintenance of scientific work."[54] Therefore, no unit of the university can maintain itself "through precarious gifts made for present use."[55]

Another corollary to the primacy of permanent invested funds is to refrain from spending university funds on erecting buildings, because "experience has shown that new buildings will be provided by gift nearly as fast as they are needed."[56] Donors like to give buildings; hence, virtually all of Eliot's annual reports describe needs for buildings of various sorts, often including details of plans, estimates of cost, and pleas for gifts.[57] Even so, before accepting a gift for a building, the university should try to persuade the donor to direct the gift to endowment instead. As he wrote in 1882, "It may be doubted whether a building is, after all, so durable and desirable a memorial as a fund, the income of which is devoted to an object of permanent interest and worth. Buildings get out of fashion and decay, or are remodeled and converted to new uses . . . but the permanent funds which have come down from those centuries are still doing the very work which the givers meant them to do, and time only adds to the interest with which they are regarded."[58] Only if the prospective donor of a building cannot be persuaded to give to endowment should the donation of a building finally be accepted.

In striking contrast, Dwight at Yale made more requests for buildings than any other kind of gift in his annual reports. While Eliot extolled the advantage of invested financial capital, Rev. Dwight offered a hymn to bricks and mortar: "No one who has observed the College life for the past thirty years can fail to be impressed by the influence which the new buildings have had on the manly and gentlemanly life of the community. The silent power of architectural taste and beauty, as well as of the provision for such comfort as is befitting for educated men, upon manners and even morals cannot be easily estimated. The silent

[52] Eliot, "Inaugural," 26.
[53] Eliot, *Annual Report, 1903–1904*, 51. See Eliot, *Annual Report, 1885–1886*, 13.
[54] Eliot, *Annual Report, 1893–1894*, 28.
[55] Eliot, *Annual Report, 1897–1898*, 42. See Eliot, *Annual Report, 1894–1895*, 34.
[56] Eliot, *Annual Report, 1882–1883*, 42.
[57] Eliot, *Annual Report, 1871–1872*, 21; Eliot, *Annual Report, 1869–1870*, 30; Eliot, *Annual Report, 1893–1894*, 27; Eliot, *Annual Report, 1872–1873*, 22–23; Eliot, *Annual Report, 1898–1899*, 35.
[58] Eliot, *Annual Report, 1881–1882*, 52.

influences of life, which operate constantly and in all quietness, ... are among the greatest forces as bearing upon culture and character. The benefactor who gives to the University a building may, therefore, be providing, not only a temporary dwelling place or place of instruction for the students, but also an educating force which will bear upon their subsequent life."[59]

Eliot's closely related corollary is to reject "inexpedient" gifts, "as, for instance, a gift for a specified object which is not of a surely durable nature, ... or a gift which cannot be utilized without bringing new charges on the university itself."[60] Early in his administration, Eliot realized that "as fast as new resources are placed in their hands, ... the Corporation incur new permanent charges." Gifts, in fact, are expensive, especially buildings, because "enlargements, improvements, and repairs fall upon the Corporation." And buildings are not "productive" investments, unless they yield rents at competitive rates.[61] Eliot's advocacy on this point led to a breakthrough during the year 1898–1899 when Harvard received a gift of $100,000 for a building along with another $100,000 to endow a maintenance fund. "This is the first time in the history of the university that a new building has been provided with an adequate endowment at the start; and it is believed that the manner of this gift is unique in this country," Eliot observed.[62] Four years later, the corollary became policy when the Corporation voted not to accept a gift for a building unless supplemented by an endowment for a sufficient maintenance fund.[63] In contrast, again, Dwight at Yale rarely mentioned the cost of maintenance for the buildings he solicited.[64]

Through at least 1900, Eliot's devotion to the primacy of endowment and to its corollaries was distinctive among presidents of the wealthiest universities, as shown in several ways. Prior to 1865, most benefactions for American higher education were made for current expenses; hence, the focus upon endowments had little precedent.[65] In subsequent decades, as new private universities were founded with handsome benefactions, their presidents, such as White at Cornell and

---

[59]Dwight, *Report, 1887*, 18.

[60]Eliot, *University*, 27–28.

[61]Quotations are from Eliot, *Annual Report, 1882–1883*, 42. See also, Eliot, *Annual Report, 1883–1884*, 45; Eliot, *Annual Report, 1892–1893*, 3; Eliot, *Annual Report, 1900–1901*, 45–46; Harris, *Economics*, 290.

[62]Eliot, *Annual Report, 1898–1899*, 51.

[63]Eliot, *Annual Report 1902–1903*, 25. See also, Eliot, *Annual Report, 1900–1901*, 44–45; Eliot, *Annual Report, 1902–1903*, 25–26; Eliot, *Annual Report, 1904–1905*, 40–41; Eliot, *Annual Report, 1906–1907*, 36–39.

[64]Dwight, *Report, 1887*, 24–25; Dwight, *Report, 1891*, 22.

[65]Isaac L. Kandel, "Endowments, Educational ... United States," in *A Cyclopedia of Education*, vol 2, ed. Paul Monroe (New York: Macmillan, 1918), 458–89; Sears, *Philanthropy*, 38; Curti and Nash, *Philanthropy*, 41, 56.

Harper at Chicago, attended primarily to creating academic programs and erecting buildings, while relying upon the founder to provide the funding. The financial challenge for the president at these institutions was basically to extract as much money as he could from the founder.[66] Among this group, Gilman at Johns Hopkins and Jordan at Stanford gave most attention to endowment, but their concern resulted from deficiencies. Gilman faced a steep decline in the value of his endowment, and Jordan had no control over his endowment, which Jane Stanford had not legally relinquished. In both cases, the attention to endowment was driven by a threat rather than an entrepreneurial effort to build, and was felt to be a distraction from the proper work of the president.[67]

Meanwhile, Columbia University, confident of its perpetual wealth in New York City landholdings, focused upon erecting new buildings rather than increasing permanent funds, and covered the resulting annual deficits with gifts for current use.[68] Yale accepted endowment when offered, but made little effort to persuade benefactors to donate permanent funds rather than buildings or gifts for current use. In 1910, the *Yale Alumni Weekly* observed that Yale's financial constraints had "rendered competition with our rivals exceedingly difficult. Harvard and Columbia each had more than double the endowment of Yale."[69] In 1914, the president of Princeton first began to proclaim publically the need for endowment in order to avoid depending on a small group of alumni and trustees to cover its annual deficits.[70] Until that time, none of the wealthiest universities had made increasing permanent invested funds the highest priority, as had Harvard.

"Free" Money

Beyond striving to increase permanent funds, Eliot held that a university should seek endowment that is "free" in two respects. First, the funds should be unrestricted in type of asset, allowing the university to follow its own investment strategy. During the nineteenth century and earlier, donors often stipulated the type of asset of their gift, fearing that it would be handled unwisely or improperly.[71] Eliot therefore had to

---

[66] Storr, *Harper's*, 67, 78, 245–78, 298, 335, 341–47, 350–54; Altschuler, *Andrew*, 67–150.

[67] Hawkins, *Pioneer*, 97–324; Elliott, *Stanford*, 36, 50–51, 125, 283–99, 462–66.

[68] Smith, "Development," 265; Coon, *Columbia*, 108–9; McCaughey, *Stand*, 208, 226–27, 230, 301–15, 417–18. In 1909–1910, Columbia drew thirty-nine percent of all its revenues from the rent of real estate in Manhattan. Columbia College in the City of New York, *Annual Report of the Treasurer to the Trustees 1909–1910* (New York: The University, 1910), 9–10.

[69] "The President's Report for 1910," *Yale Alumni Weekly* 19 (8 July 1910): 1026.

[70] "Princeton Cramped by Yearly Deficit," *New York Times*, 12 January 1914, 5.

[71] Harris, *Economics*, 353.

raise confidence in the College's investment policies and to explain "the extreme imprudence of the testator who undertakes to dictate the investments in which his money shall be placed through all time," or even "through so short a period as forty years."[72] At the end of his administration, Eliot was still preaching the virtue of gift funds unrestricted in type of asset.[73]

Eliot advocated this kind of freedom partly on the technical grounds that unrestricted investments, rather than being administered as separate entities or even by separate boards of trustees, could be pooled, enhancing efficiency, security, and fairness in distributing income to the various gift funds.[74] This freedom also allowed the university to maximize the return on the endowment as new circumstances arose. During the nineteenth century, custom and risk-avoidance guided investment policy for endowments, which were routinely allocated to real estate, bonds, notes, and mortgages because stocks and equities were thought imprudent. Harvard's treasurer had primary responsibility for determining the asset allocations, guided by a small committee of the Corporation Fellows or trustees.[75] Nevertheless, Eliot did not hesitate to offer guidelines for investing the university's permanent funds that he held so dear. In fact, an economic historian observes that "one of the best general statements on the appropriate structure of investments comes from President Eliot. The emphasis is on diversification, and the large changes in availability of different kinds of assets over time."[76] His annual reports are studded with such recommendations, highly unusual for a president, including observations on business conditions, such as the financial panic in the late 1880s.[77]

The second no less important sense of "free money" is that gifts of permanent funds should be unrestricted in purpose. Restrictions in this regard had long been debated in England, where the "dead hand" of donors who endowed charities with highly restrictive purposes had created many "inconveniences" that prompted legal and policy reforms during the mid-nineteenth century.[78] Such dead hand restrictions had

[72]Eliot, *Annual Report, 1878–1879*, 36. See also, Eliot, *Annual Report, 1876–1877*, 33–34; Eliot, *Annual Report, 1888–1889*, 27.

[73]Eliot, *Annual Report, 1907–1908*, 51–52; Eliot, *University*, 10–11.

[74]Eliot, *Annual Report, 1874–1875*, 34–37; Eliot, *University*, 60; Harris, *Economics*, 356, 374.

[75]Paul C. Cabot, and Leonard C. Larrabee, "Investing Harvard Money," *Harvard Alumni Bulletin* 12 (May 1951): 628–34.

[76]Harris, *Economics*, 363. See Eliot, *University*, 8–9

[77]Eliot, *Annual Report, 1889–1890*, 31; Eliot, *Annual Report, 1872–1873*, 36; Eliot, *Annual Report, 1895–1896*, 42–43; Eliot, *Annual Report, 1904–1905*, 58; Eliot, *Annual Report, 1907–1908*, 51–52.

[78]See John Stuart Mill, "Educational Endowments," (1866) in *The Collected Works*, vol 21, ed. John M. Robson (Toronto: University of Toronto Press, 1984), 209–17;

not become a significant factor in the United States, largely because the number and amount of benefactions were relatively small until the 1870s, by which point Americans had learned the lessons of the English controversy.[79] Furthermore, the *cy près* legal doctrine began to emerge, allowing courts to modify outmoded or unduly narrow restrictions.[80] Nevertheless, no restriction is better than even broad restrictions as Eliot's predecessors had observed.[81] Given his focus on accumulating endowment, Eliot therefore proclaimed in 1879 "the imperative need" for endowment "which can be used at the discretion of the Corporation, now for this purpose, now for that, in any department of the University."[82] As munificent gifts came to other universities, Eliot emphasized even more that "the value of unrestricted gifts ... is always mounting and becoming more generally recognized; ... [departments] must also have free money to devote to new objects ... It is the most far-seeing universities, and those most prompt to meet new needs, which will serve their communities best and deserve best of the republic. For such uses the University needs free money."[83]

Eliot encouraged donors along this path by publically commending unrestricted gifts because they provide "great additional value," and by praising these benefactors as knowledgeable about the best way to donate.[84] Conversely, he explicitly discussed "highly inexpedient" gifts with narrow purposes that Harvard had to reject, and also described broad restrictions that were acceptable, citing specific examples while noting the willingness of the president and Corporation Fellows to meet with prospective donors and negotiate satisfactory terms. In fact, Eliot was apparently the only university president to append model wills and gift letters to his annual reports in the 1870s, 1880s,

---

John S. Mill, "Endowments," (1869) in *The Collected Works*, vol 5, ed. John M. Robson (Toronto: University of Toronto Press, 1967), 614–29; Arthur Hobhouse, *The Dead Hand: Addresses on the Subject of Endowments and Settlements of Property* (London: Chatto & Windus, 1880).

[79]Eliot, *Annual Report, 1882–1883*, 41; Kandel, "Endowments," 458–9; Sears, Philanthropy, 16–17, 38;Curti and Nash, *Philanthropy*, 31–32, 41, 56; Bremner, *American Philanthropy*, 48–50. Zunz (*Philanthropy*, 11–22) has recently argued that the "dead hand" became a serious problem in American philanthropy, but he refers to the restrictive legal interpretation imposed on charitable bequests, which did not apply to higher education or to the bulk of philanthropic donations overall.

[80]Roger G. Sisson, "Relaxing the Dead Hand's Grip: Charitable Efficiency and the Doctrine of Cy Pres," *Virginia Law Review* (April 1988): 635–54; Lawrence M. Friedman, *Dead Hands: A Social History of Wills, Trusts, and Inheritance Law* (Stanford, CA: Stanford University Press, 2009), 153–54.

[81]Thomas Hill, *Annual Report of the President of Harvard College*, 1863–1864 (Cambridge: Harvard College), 11–15; Hill, *Annual Report, 1867–1868*, 4–6.

[82]Eliot, *Annual Report*, 1878–1879, 36.

[83]Eliot, *Annual Report, 1905–1906*, 54–55.

[84]Quotation is from Eliot, *Annual Report*, 1879–1880, 41. See Eliot, *Annual Report*, 1885–1886, 4. See also Hill, *Annual Report, 1869–1870*, 25–26.

1890s, and 1900s in order to teach prospective donors the best way to structure benefactions.[85] These bequests and gifts set "a high example of intelligent, sympathetic, and far-seeing beneficence" and, therefore, "are always valuable quite out of proportion to their amount."[86] Surely potential donors would wish to earn this public commendation while extending the value of their gift!

An important corollary to the principle of seeking free endowment, unrestricted in purpose, is to encourage restricted gifts that are fungible. Scholars have recently begun to examine the fungibility of restricted gifts and endowments in higher education.[87] Yet, Eliot's insight in this regard has not been noticed and apparently was neglected by other university presidents. Ironically, this oversight may have stemmed from Eliot's own emphasis upon the distinction between restricted and unrestricted endowment, which became widespread.[88] Even so, he shrewdly equated unrestricted endowment with restricted endowment that is "devoted to such comprehensive purposes as salaries, retiring allowances, scholarships . . . , administration and service in the Gymnasium, Chapel, Library, or Dining Hall, and the maintenance of the several scientific laboratories." In this way, Eliot argued that endowments restricted to such purposes—fixed expenses paid by general revenue—were essentially fungible and, therefore, just as beneficial as unrestricted endowment.[89]

Some recent scholars have suggested that such fungibility is deceptive because "these cultivated gifts often pay for expenditures the university would have made even without a gift, thereby allowing the institution to redirect funds to current expenses or to the endowment."[90] Far from concealing the arrangement, however, Eliot trumpeted his idea that fungible gifts free up resources that the university had

---

[85]Quotation is from Eliot, *University*, 27–28. See Eliot, *Annual Report, 1872–1873*, 75–76; Eliot, *Annual Report, 1882–1883*, 41–42; Eliot, *Annual Report, 1905–1906*, 52–54.

[86]Quotations are respectively, from Eliot, *Annual Report, 1887–1888*, 28–9; Eliot, *Annual Report, 1892–1893*, 46–7.

[87]James Tobin, "What Is Permanent Endowment Income?," *American Economic Review* 64 (May 1974): 427; Henry Hansmann, "Why Do Universities Have Endowments?," *Journal of Legal Studies* 19 (1990): 8; R. G. Ehrenberg and C. L. Smith, "The Sources and Uses of Annual Giving at Selective Private Research Universities and Liberal Arts Colleges," *Economics of Education Review* 22 (2003): 227; Sarah E. Waldeck, "The Coming Showdown over University Endowments: Enlisting the Donors," *Fordham Law Review* 77 (2009): 1809.

[88]Abbott L. Lowell, *Annual Report of the President of Harvard College, 1911–1912* (Cambridge: Harvard University, 1913), 24; Trevor Arnett, *College and University Finance* (New York: General Education Board, 1922), 16; Henry A. Yeomans, *Abbott Lawrence Lowell, 1856–1943* (Cambridge: Harvard University Press, 1948), 248–49; Harris, *Economics*, 350–1.

[89]Quotation is from Eliot, *Annual Report, 1881–1882*, 51. See also Eliot, *Annual Report, 1883–1884*, 44; Eliot, *Annual Report, 1905–1906*, 52–58.

[90]Hansmann, "Why," 8. See Waldeck, "The Coming Showdown," 1809.

designated for fixed expenses, while providing the attraction to donors of specifying a purpose for their gift and ensuring the perpetuity of that purpose. This mutually beneficial arrangement made appealing for fungible gifts the most common kind of solicitation throughout his tenure.[91] Some of his favorite objects for fungible restricted endowments were the salaries of the president or treasurer, the administration of the library, and maintenance funds for buildings.[92] Above all, "there is no more desirable gift to a university than a fund to endow a professorship."[93] Such a gift "sets free resources now used to meet those charges" for salary; hence, "whoever endows one of the ... professorships which have no endowment" and "whoever gives an unrestricted fund contributes by its full amount to the same end."[94] In Eliot's view, the arrangement was twice as beneficial to the university as a restricted gift and therefore twice as appealing to the donor.

Business Practices

It is well known, and often lamented, that in the late nineteenth century, the emerging universities adopted many attributes of business firms and industrial corporations.[95] At Harvard, the process commenced decades earlier because businessmen, financiers, and early industrialists had begun to dominate the membership of the Corporation by the 1830s. These new Fellows demanded "tighter control of finances, better accounting procedures, more aggressive investment policies," and in 1829, they appointed lawyer Josiah Quincy as Harvard's first nonclerical president, who made advances along these lines.[96] But it took another forty years until Harvard inaugurated a president who wholeheartedly affirmed that "the principle of divided and subordinate responsibilities, which rules in government bureaus, in manufactories, and all great companies, which makes a modern army a possibility, must be applied in the University," as did Eliot in his inaugural address.[97] The other wealthiest universities followed this path later. For example, "at Princeton, Yale,

[91] Eliot, *Annual Report, 1875–1876*, 41–42; Eliot, *Annual Report, 1897–1898*, 8–9; Eliot, *Annual Report, 1906–1907*, 38–39.

[92] Eliot, *Annual Report, 1877–1878*, 44, 47; Eliot, *Annual Report, 1881–1882*, 51; Eliot, *Annual Report, 1882–1883*, 41; Eliot, *Annual Report, 1886–1887*, 13; Eliot, *Annual Report, 1905–1906*, 52–58.

[93] Eliot, *Annual Report, 1906–1907*, 38.

[94] Eliot, *Annual Report, 1883–1884*, 46.

[95] Veblen, *Higher Learning*; Sinclair, *Goose-Step*; *Barrow, Universities; Frank Donoghue, The Last Professors: The Corporate University and the Fate of the Humanities* (New York: Fordham University Press, 2008), 1–23.

[96] Story, *Forging of an Aristocracy*, 42. See also 27–41, 161.

[97] Eliot, "Inaugural," 34. See Hawkins, *Between*, 16–17, 28, 47, 75, 215, 266; Barrow, *Universities*, 31; Veysey, *Emergence*, 346–55.

and the University of Pennsylvania, the governing boards remained non-secular and noncommercial for another half-century" after the conversion of Harvard's Corporation.[98] The appointment of business-minded presidents then followed the transformation of these boards after a time-lag commensurate with Harvard's. It was not until 1902 that the new treasurer at Yale announced, "the system of bookkeeping . . . has become cumbersome, and in some respects not quite complete. I have, therefore, with the approval of the Corporation, opened the books for the year 1902–3 on a plan more akin to the manner in which the books of large business corporations have been kept during the present generation."[99]

In keeping with the established direction of Harvard's governance policy and with his own interest in financial management, evident from his youth, Eliot advocated two business practices as part of his free money strategy.[100] First is to employ the resources of the university, particularly gifts, effectively and efficiently. In general, a university's acquisition of new free money "depends on widespread confidence in the wisdom and success with which the trustees have used their existing endowments."[101] For a particular unit of the university, when "it is obvious that all the resources of the establishment in instruments and money were intelligently and economically employed, and that its influence, usefulness, and reputation are increasing from year to year," then may "further contributions to the permanent endowment" be expected.[102] A newly established unit, such as the Veterinary Department, "will ask, *at the proper time*, for suitable endowment with fair chance of obtaining what it needs," after it has established a record of performance.[103] When that time arrived, Eliot endorsed and proclaimed the need, detailing how new permanent funds would be used efficiently, so that "the giver would run no risk about the productiveness of his gift," whether for the observatory, the dining association, or retiring allowances for the faculty.[104]

---

[98] Story, *Forging of an Aristocracy*, 54.

[99] Morris F. Tyler, *Report of the Treasurer of Yale University, 1902* (New Haven, CT: Yale University, 1902), 1–2.

[100] His grandfather became one of the wealthiest merchants in Boston in the early 1800s, and his father became treasurer of Harvard and a member of the Corporation. Eliot's son became the first chief executive of the American Unitarian Association in 1900 and a devotee of scientific management. Eliot's marked concern for financial management may stem from the fact that his father lost his fortune in the Panic of 1857, costing Eliot the prospect of a large inheritance. Hawkins, *Between*, 18–19.

[101] Eliot, *University*, 17.

[102] Eliot, *Annual Report, 1882–1883*, 38–39.

[103] *Ibid.*, 33. Emphasis added.

[104] Eliot, *Annual Report*, 1900–1901, 38. See Eliot, *Annual Report*, 1898–1899, 12–13, 36; Eliot, *Annual Report*, 1906–1907, 51.

The second business practice emphasized by Eliot is to present and publicize the finances of the university transparently because "the fulness [sic] and clearness of the Treasurer's Statement ... are ... a just source of public confidence in the financial administration of the University."[105] And "public confidence in the financial management of the University is a main root of its prosperity."[106] Consequently, the university president "should secure complete publicity in regard to the financial situation of his university; its annual receipts and expenditures, the gifts annually received, whether for funding or for immediate use."[107] To this end, the Harvard treasurer made clarifying improvements in his long complicated annual report throughout Eliot's administration, and this effort was noted in the public press.[108] In addition, Eliot frequently commented on aspects of the treasurer's report, and added detailed explanations of how the university financed certain projects, solved financial problems, or utilized significant gifts.[109] Above all, the Harvard treasurer, at Eliot's behest, began publishing in 1870 a full annual accounting of each of its endowed funds in as much as "the winning of new endowments depends on widespread confidence in the wisdom and success with which the trustees have used their existing endowments."[110]

Eliot's insistence on complete transparent disclosure was unusual. More than a decade after Johns Hopkins opened, he was still trying to convince his friend, Gilman, of the wisdom of this course: "Do you not think that you would be more likely to get new endowments, if you now took up the practice of publishing a detailed treasurer's statement?"[111] The president of Johns Hopkins never agreed. Meanwhile, the only other wealthy university to undertake this full accounting was Yale, although its reports inflated the endowment by incorporating into "investments" its "unproductive real estate," which amounted to about ten percent of the total in 1881.[112] In 1905, a new treasurer at Yale

---

[105] Eliot, *Annual Report, 1904–1905*, 59.

[106] Eliot, *Annual Report, 1876–1877*, 39.

[107] Eliot, *University*, 234.

[108] Eliot, *Annual Report, 1901–1902*, 60; Eliot, *Annual Report, 1905–1906*, 7–8; "Deficit, $30,743," *Boston Globe*, 15 January 1906, 7.

[109] Eliot, *Annual Report, 1884–1885*, 58, 194; Eliot, *Annual Report, 1886–1887*, 166; Eliot, *Annual Report, 1894–1895*, 31; Eliot, *Annual Report, 1898–1899*, 44–45; Eliot, *Annual Report, 1901–1902*, 11–15, 33–37.

[110] Eliot, *University*, 17–18. Harvard, *Annual Report of the Treasurer, 1869–1870*.

[111] Eliot to Gilman, 29 October 1887, in Gilman, Papers.

[112] H. C. Kingsley, *Report of the Treasurer of Yale College [1880–1881]* (New Haven, CT: Yale College, 1882), 8; William W. Farham, *Report of the Treasurer of Yale University [1889–1890]* (New Haven, CT: Yale University, 1891), 14.

radically revised its financial statements, observing that the previous reports lacked "intelligibility and clearness."[113]

The wealthiest universities were even less willing to reveal their financial operations. In California, Stanford University could make no public accounting because Jane Stanford clung to control over amounts and purposes of spending until 1902, when the University first began to assume legal title and control of the gifts and endowments that the Stanfords had supposedly conveyed years before.[114] In New York, Columbia's treasurer was issuing extensive annual reports by 1910, but they did not illuminate fundamental distinctions, such as among permanent invested funds, building funds, income-producing real property, and nonproductive real property. Nor can be discerned the flow of revenue from various sources to the expenses of various units of the University. The reports, in fact, appear to be a collection of separate account statements that do not allow an appraisal of the overall financial condition of the university or any of its individual units. This puzzling format turns out to be calculated because Columbia's president and treasurer wished to make the finances opaque in order to maintain their control, and even the trustees were frustrated in trying to fathom the university's financial situation.[115] Similarly, the University of Chicago had not issued a treasurer's statement by the turn of the century because "it has never dared to disclose to the public the facts [of its finances]. The public confidence is maintained only because the public is not informed as to the true situation," observed a wary benefactor.[116]

These maneuvers of ensuring executive control by withholding information fit the general pattern observed by the General Education Board in the 1910s: "financial reports [in higher education] are made to conceal the situation rather than disclose it."[117] Eliot's approach differed entirely at Harvard. As early as 1900, the treasurer commenced assigning to each fund its date of origin and listing them alphabetically under the appropriate unit of the University. The intent was to facilitate the finding and tracking of every fund by interested parties.[118] Eliot believed that people with means would give again or give more if they could see exactly where their gift went and the work that it had accomplished.

---

[113]Lee McClung, *Report of the Treasurer of Yale University, 1905* (New Haven: Yale University, 1905), 3.

[114]Crothers, *Founding*, 1–36.

[115]Coon, *Columbia*, 31–32. See, for example, Columbia College, *Annual Report... 1909–1910*, 8–65.

[116]Goodspeed, *A History*, 286–87; Storr, *Harper's*, 269.

[117]Arnett, *College*, 105.

[118]Eliot, *Annual Report, 1900–1901*, 49–50.

Adherence to business practice had at least one great exception, however. According to Eliot, "a university cannot be managed like a railroad or a cottonmill" because universities ought "to spend every year all their income." [119] From his inaugural in 1869 to *University Administration* in 1908, he maintained, "a university should not be carried on, like a business corporation, with any policy of laying up undivided profits, or of setting aside unused income for emergencies or future needs. On the contrary, it should endeavor to expend all its available income."[120] In fact, "it is not possible to avoid occasional deficits," asserted Eliot, because "to avoid deficits invariably would mean to aim deliberately at an annual surplus, and to keep sufficient reserves to guarantee that annual surplus."[121] As late as 1905, Eliot reported that the university had run up "eight annual deficits of serious amount within the last ten years," all of which were described fully in his annual reports and reported in the public press.[122]

This tactic of intentional deficit spending seems paradoxical in several respects. Eliot's own pronouncements are equivocal, because, though adopted as policy, the deficit spending "gives much concern to the Corporation ... and has forced the Corporation to consider anxiously the measures necessary to prevent the recurrence."[123] Furthermore, he continually extolled "the cautious and frugal methods" of the university, announcing that the university "should never live beyond its means" and that "the President and Fellows desire to manage the property of the University in a conservative way."[124] Finally, Eliot ran a deficit despite receiving a steady stream of gifts each year. In 1905–1906, gifts amounted to about $1,860,000 for endowment and about 358,000 for current use, but the university still ran a deficit of more than $59,000, "the largest ever experienced." Indeed, Eliot admitted, "it seems strange that, with such a remarkable inflowing of gifts for several years past, it should be necessary to discuss the means of overcoming a large annual deficit."[125]

---

[119]Quotations are from, respectively, Eliot, *Annual Report, 1882–1883*, 42; Eliot, "Inaugural," 27.

[120]Eliot, *University*, 29–30.

[121]Eliot, *Annual Report, 1902–1903*, 53.

[122]Eliot, *Annual Report, 1904–1905*, 14, 11–24. See also, Eliot, *Annual Report, 1892–1893*, 49; Eliot, *Annual Report, 1898–1899*, 53–54; Eliot, *Annual Report, 1902–1903*, 48–49, 53–54; Eliot, *Annual Report, 1903–1904*, 49–50; "Deficit, $30,743," *Boston Globe*, 15 January 1906, 7.

[123]Eliot, *Annual Report, 1880–1881*, 40–41. See also, Eliot, *Annual Report*, 1899–1900, 50.

[124]Quotations are from, respectively, Eliot, *Annual Report, 1900–1901*, 50; Eliot, *University*, 29–30; Eliot, *Annual Report, 1889–1890*, 36. See also, Eliot, *Annual Report, 1891–1892*, 31–32; Eliot, *Annual Report, 1892–1893*, 14; Eliot, *Annual Report, 1902–1903*, 53; Eliot, *University*, 234–35.

[125]Eliot, *Annual Report, 1905–1906*, 55–56.

The exhortation to avoid a surplus therefore seems paradoxical, if not hypocritical, and indeed contemporary presidents of colleges and universities normally shunned deficits, and sought to build up surpluses to prevent them.[126] Some wealthy private universities, such as Columbia, Yale, and Princeton, customarily ran deficits because their presidents could quietly cover them at the end of the year by appealing to a few trustees or major donors.[127] Presidents of universities with one primary benefactor who continued to monitor events, such as Stanford and Chicago, had to beseech each year from that individual. Eliot is, apparently, the only president who saw virtue in deficits and, certainly, the only one to advocate them publically.

Understanding this tactic begins by recognizing that Harvard always had the reserves to cover its deficits. At the beginning of his presidency in 1869, Eliot identified two accounts of unrestricted invested funds: a Stock Account of about $197,000 and an Insurance and Guaranty Fund that grew to a maximum of about $228,000 in 1877. By 1904, those two funds were entirely depleted by charging off the deficits against them and a smaller named account, a practice described extensively in his annual reports and reported in the press.[128] At that point, Eliot admitted, "it is, of course, extremely undesirable to use up unrestricted funds bearing a benefactor's name by charging annual deficits to them."[129] Indeed, this maneuver appears iconoclastic, contradictory, and imprudent. The leading history of Harvard's finances relentlessly excoriates Eliot's practice.[130]

The advantage of doing so was that Eliot never had to ask a donor to cover the university's annual deficit, as happened routinely at the other wealthy universities. The annual deficit at Harvard, usually amounting to between $25,000 and $50,000, was distributed across various units in amounts of a few thousand dollars each.[131] Deans or directors of those units might request gifts to cover their annual deficits, but Eliot rarely echoed such requests in his annual reports. Instead, his discussion of

---

[126] Keller and Keller, *Making*, 116–7, 143, 150; Eliot to Gilman, 29 October 1887, in Gilman, Papers.

[127] "Princeton Cramped by Yearly Deficit," *New York Times*, 12 January 1914, 5; Axtell, *Making*, 24; Smith, "Development," 265; McCaughey, *Stand*, 301; Geiger, *To Advance Knowledge*, 247.

[128] Eliot, *Annual Report, 1892–1893*, 49; Eliot, *Annual Report, 1898–1899*, 53–54; Eliot, *Annual Report, 1899–1900*, 50; Eliot, *Annual Report, 1902–1903*, 48–54; Eliot, *Annual Report, 1903–1904*, 49–50; Eliot, *Annual Report, 1904–1905*, 11–24; Eliot, *Annual Report, 1905–1906*, 55; "Deficit, $30,743," *Boston Globe*, 15 January 1906, 7.

[129] Eliot, *Annual Report, 1905–1906*, 57.

[130] Harris, *Economics*, especially, 213–24. See, too, Paul C. Cabot and Leonard C. Larrabee, "Investing Harvard Money," *Harvard Alumni Bulletin* (12 May 1951): 634.

[131] Harvard's annual expenses meanwhile grew from $616,000 in 1880–1881 to $1,033,000 in 1889–1890 to $1,412,000 in 1899–1900. Harvard, *Annual Reports of the Treasurer*.

a unit's deficit began by justifying its expenses and concluding that its deficit is structural because Harvard must not cut back on its work and because "to increase the tuition fees is . . . to impair its democratic quality, and in the long run to diminish its influence." Nor can the deficit reliably be covered in the future by annual gifts or by the university administration, which is depleting its reserves. Consequently, "further endowment is the only thoroughly satisfactory and permanent remedy." Based on an expected annual return of four-and-a-half percent, Eliot then concluded that a structural annual deficit of, say, $2,000 in a particular unit can be solved forever by a gift of $44,500 for an endowment fund.[132]

In this way, Eliot's practice of covering the deficits from unrestricted invested reserves allowed him to frame and justify his requests in terms of needing endowment to capitalize the deficits, without having to beg for gifts to cover immediate expenses that had already been made.[133] Far from disguising this approach, Eliot announced and explained it. In 1904, he presented data to show that during the period between 1832 and 1857 "there were only four years in which there was not a surplus. Financially, this period might be called successful; but it was not a period of rapid development, either in the College proper or in the University as a whole. . . .[T]he period during which deficits have been largest and most frequent is the period when the increase of the invested funds of the University by gift and bequest has been most rapid. There seems to be no connection between the procuring of annual surpluses and general University prosperity, or between the occurrence of deficits and University decline."[134]

The figures cited above for the year 1905–1906 demonstrate the point.[135] The $1,860,000 in new endowments would yield about $83,700 at four-and-a-half percent for the annual budget; the deficit of $59,000, in Eliot's plan, was essentially an opportunity to demonstrate the need for $1,300,000 more in permanent funds for the following year. The current gifts of $358,000 supported initiatives that would produce deficits in future years needing to be capitalized.

In sum, while lamenting deficits in order to demonstrate his concern for prudent management, Eliot held that running deficits is sound business for a university if it can cover the shortfalls without badgering donors, who may be enticed to give more for an endowment that permanently solves a problem and does them honor. Eliot had complete

[132]Quotations are from Eliot, *Annual Report, 1904–1905*, 23–24. See also Eliot, *Annual Report, 1893–1894*, 27.

[133]W. R. Harper at Chicago did the latter, infuriating John D. Rockefeller. Storr, *Harper's*, 67, 78, 245–78, 298, 335, 341–47, 350–54.

[134]Eliot, *Annual Report, 1902–1903*, 53–54.

[135]Eliot, *Annual Report, 1905–1906*, 55.

confidence in his novel approach, as he wrote to Gilman, "So long as the community sees that the Trustees [of Johns Hopkins] can and do build out of income, ... new endowments will be somewhat improbable ... Is it not time to mortgage—so to speak—your whole income, as we do at Harvard? A man who can build a good home without touching his principal is sure to be counted rich."[136]

The corollary is that Harvard's needs are insatiable because new initiatives necessarily produce deficits that need to be capitalized. Thus, Eliot habitually coupled grateful acknowledgments of gifts with observations about new needs: "It may seem strange to urge the need of further endowments immediately after the receipt of the large ... Endowment Fund; but the fact is that ... the income of that fund is not applicable to charges already incurred, or to any expansions of the work of the College."[137] Again, the following year, "it seems strange that, with such a remarkable inflowing of gifts for several years past, it should be necessary to discuss the means of overcoming a large annual deficit," but "the increasing cost of instruction, administration, and equipment is not often remembered."[138] Even while accepting "the largest single addition to the resources of the University ... since it received its charter in 1650," Eliot was utterly shameless in noting that another "urgent need ... has not been provided for by any of the recent gifts," so "additional endowment will be indispensable."[139] The scale of Harvard's urgency was sometimes staggering. In 1895, when Harvard's permanent funds amounted to about $8,400,000, Eliot observed, "the Corporation could use the income of additional endowments to the amount of ten millions of dollars for the satisfaction of none but well-known and urgent wants."[140]

The final precept of Eliot's free money strategy is that the central duty of the president of a wealthy university is to increase its financial capital. It is not to erect buildings, like Butler at Columbia, or to build academic programs, like Harper at Chicago, or to cultivate scholarship, like Wilson at Princeton. All of these endeavors are valuable, so long as they are endowed. This central duty entails asking for money, and Eliot suggested that presidents should make "direct appeals" and adverted to his negotiations with benefactors,[141] although presidents

[136] Eliot to Gilman, 29 October 1887, in Gilman Papers.

[137] Eliot, *Annual Report*, 1904–1905, 24.

[138] Eliot, *Annual Report*, *1905–1906*, 56–57.

[139] Quotations are from Eliot, *Annual Report*, *1905–1906*, 28; Eliot, *Annual Report 1902–1903*, 22.

[140] Eliot, *Annual Report*, *1895–1896*, 43. See also, Eliot, *Annual Report*, *1900–1901*, 49–50; U.S. Commissioner of Education, *Report [for the Year 1895]*, vol 5, pt. 2 (Washington, DC: G.P.O., 1896), 2132–47.

[141] Quotation is from Charles W. Eliot, "The University President in the American Commonwealth," in *Charles W. Eliot, The Man and His Beliefs*, vol 1, ed. William

of wealthy universities at this time generally avoided what they often called "begging," unless done discreetly from regular major donors.[142]

Eliot's innovation lay not in advocating presidential solicitations, which had been occurring for centuries, as discussed above, but in asserting that the responsibility of a president is to make the university wealthier. Thus, he encouraged members of Harvard's academic units and their alumni and Visiting Committees to undertake subscription campaigns or solicitations for gifts, which he considered to be "hard work."[143] His annual reports ceaselessly identified, justified, and publicized Harvard's financial needs and encouraged gifts of free money.[144] To be sure, all presidents noted pressing needs here and there in their annual reports.[145] But Eliot's reports were filled with extended solicitations for gifts, even modest ones. His appeals were tailored not only to needs but to prospective donors. To endow a scholarship "does not require a large sum of money."[146] To endow a book fund requires even less, and "is certainly a pleasant benefaction to make; for the readers are agreeably reminded of their benefactor by the book-plate ... Establishing a book-fund in a University Library is, therefore, a safe and desirable mode of doing some perpetual service to learning."[147] A need to suit every donor should be the president's creed.

Free Money Ideology

Eliot received no mega-gifts before stepping down in 1909, and it was not until 1920 that Harvard's endowment gained the lead over all other universities that it would not relinquish.[148] Yet, he provided the

---

A. Neilson (New York: Harper, 1926), 219. See Eliot, "Inaugural," 34; Eliot, *Annual Report, 1871–1872*, 33; Eliot, *Annual Report, 1874–1875*, 14–15; Eliot, *Annual Report, 1905–1906*, 52.

142 Eliot, *University*, 233–34. Scholars have maintained that Eliot disdained soliciting. Harris, *Economics*, 297–98, 302; Geiger, *To Advance Knowledge*, 48.

143 "Way to Get Money Is to Go Out and Get It," *Boston Globe*, 9 September 1923, A3. See Eliot, *University*, 53–55; Eliot, *Annual Report, 1889–1890*, 28–29; Eliot, *Annual Report, 1898–1899*, 38–39; Eliot, *Annual Report, 1900–1901*, 33–37; Eliot, *Annual Report*, 1907–08, 30.

144 Eliot, *University*, 233–36.

145 See James B. Angell, *The President's Report to the Board of Regents for the Year Ending Sept. 30, 1894* (Ann Arbor: University of Michigan, 1894), 13, 20, 24.

146 Eliot, *Annual Report, 1906–1907*, 116.

147 Eliot, *Annual Report, 1897–1898*, 41.

148 In 1903, Gordon McKay bequeathed to Harvard a gift that began to pay out in 1909 and that was not fully available until 1949, at which point it became the largest gift ever received by Harvard and ultimately supported some 40 professorships, numerous fellowships, and a building that were valued at a half billion dollars in 2007. The extent of this gift, unmentioned in Eliot's annual reports, was not appreciated in the 1900s. Had this mega-gift been realized upon McKay's death, Eliot would have effected the growth of Harvard's endowment far above any contemporary. Yeomans, *Abbott Lawrence Lowell*,

conceptual framework for establishing Harvard's financial preeminence, and his free money strategy persisted and proliferated by virtue of the support from the broad base of Harvard alumni. Taught by Eliot, they directed their gifts disproportionately toward endowment. In 1899, he observed that, of the $1,545,000 in gifts received during the previous year, almost ninety percent of the total amount went to endowment, a remarkably high percentage, particularly given the "multitude of small gifts." In addition, Eliot noted that many gifts were unrestricted, and both of these trends persisted over the last fifteen years of Eliot's administration.[149]

By comparison, when the Yale Alumni Association established the nation's first annual alumni fund in 1891, "the intent of the Association was to contribute all of its income to the current needs of the University."[150] As of 1899, about $86,000 had been contributed, and the principal of the fund stood at merely $7,664, about nine percent of the total gifts. In 1905, the invested principal of the Yale Alumni Fund had grown to nearly $113,000, at which point the Harvard class of 1880 began the custom of making a twenty-fifth anniversary gift of $100,000 in unrestricted endowment to their alma mater. As a result, the unrestricted endowment of the Harvard alumni fund rapidly eclipsed that of the Yale fund, even as the latter's proportion of principal to total gifts increased.[151] Similarly, Yale's broader appeals during the 1900s did not give highest priority to endowment, and much of the contributions went to buildings, while the reporting of gifts did not clearly distinguish permanent funds, confirming the lack of priority.[152] In 1911, a Yale observer commented hopefully that the trend "since 1908 forecasts the beginning of a period of large gifts to endowment for the University."[153] Similarly, Princeton's "endowment fund" campaign of 1919 and 1920 allocated about half of its goal to permanent funds and the balance to buildings and current use, whereas Harvard's

---

260, 269; James B. Conant, ***Annual Report of the President of Harvard College for 1948–1949*** (Cambridge: Harvard University, 1952), 24; Harry R. Lewis, "Gordon McKay: Brief life of an inventor with a lasting Harvard legacy: 1821–1903," ***Harvard Magazine*** 110 (September–October 2007): 48–49.

[149]Eliot, ***Annual Report, 1898–1899***, 53. See also, Eliot, ***Annual Report, 1905–1906***, 55.

[150]McClung, ***Report, 1906***, 9. See George C. Holt, "The Origin of the Yale Alumni Fund," ***Yale Alumni Weekly***, 2 February 1917, 528–29.

[151]Lawrence, ***Memories***, 228; Clarence Deming, "Yale's Larger Gifts," ***Yale Alumni Weekly*** (1911): 634; George W. Pierson, ***A Yale Book of Numbers: Historical Statistics of the College and University 1701–1976*** (New Haven, CT: Yale University Press, 1983), 610.

[152]"The Yale Bi-centenary Fund," ***New York Times***, 25 June 1901, 7; Deming, "Yale's Larger Gifts," 634; Samuel R. Betts, "General Alumni Gifts to Yale," in ***The Book of the Yale Pageant, 21 October 1916***, ed. George H. Nettleton (New Haven, CT: Yale University Press, 1916), 236; Geiger, ***To Advance Knowledge***, 50–51, 288n.

[153]Deming, "Yale's Larger Gift," 635n.

contemporaneous endowment fund campaign devoted nearly one hundred percent to permanent funds.[154]

The HEF campaign, in fact, provided the vehicle through which Harvard alumni advanced Eliot's strategy and extended its influence across higher education. In 1909, Abbott L. Lowell assumed the Harvard presidency and sought to reverse Eliot's major academic policies, while begrudging his continuing stature at the university and initially adopting the patrician aloofness toward fundraising that characterized President Hadley of Yale.[155] Notwithstanding Lowell's lack of support, the Harvard alumni in 1916 began planning "the biggest, longest, and most important campaign of its kind ever undertaken in this country."[156] The HEF began soliciting pledges at the beginning of 1917, paused during World War I, recommenced in the summer of 1919, and concluded in 1921. The five-year national effort attracted widespread publicity and many inquiries from other colleges and universities.[157]

Throughout the campaign, the Harvard alumni embraced the financial teachings of Eliot, "whose slightest word they regard as law," wrote the HEF chairman.[158] Indeed, Eliot's signal quotation about "free money" became the epigraph of the HEF Campaign Book and appeared in printed pamphlets mailed to all alumni.[159] By way of this campaign, Eliot's free money strategy proliferated through higher education as other colleges and universities initiated their own endowment fund campaigns, emulating Harvard. Already in February 1920, some seventy-five colleges and universities were "following in your wake," as Princeton President Hibben wrote to Harvard at the outset of Princeton's first Endowment Fund campaign.[160] In 1922, many of Eliot's central tenets about the priority of unrestricted endowment,

[154]"Princeton Opens $14,000,000 Drive," *New York Times*, 27 September 1919, 13.

[155]Arthur T. Hadley to A. L. Lowell, 24 September 1919, and Lowell to Hadley, 26 September 1919, in Abbott L. Lowell, Records of the President of Harvard University, 1909–1933, box 135, Harvard University Archives. See Hawkins, *Between*, 269, 273, 282–84, 290.

[156]Thomas W. Lamont to John J. Jones, December 1916, in Thomas W. Lamont, Correspondence 1916–1921, Records of Harvard Endowment Fund, 1916–1939, boxes 1 and 2, Harvard University Archives.

[157]"Call for Harvard," *Boston Globe*, 11 January 1917, 1, 5; "To Raise Million a Year for Harvard," *Boston Globe*, 30 June 1921, 4. See Lamont, Correspondence.

[158]Lamont to Duncan, 5 February 1917, in Lamont, Correspondence. See Richard N. Smith, *The Harvard Century: The Making of a University to a Nation* (Cambridge: Harvard University Press, 1986), 57–61.

[159]Eliot Wadsworth, "Campaign Book of the Harvard Endowment Fund Committee" [typescript] (June 1919), 2, in Lamont, Correspondence; *Harvard Endowment Fund* (Harvard Endowment Fund Committee [September 1919), 11–12, in Lamont, Correspondence; Harvard Endowment Fund, *Harvard and the Future* (Cambridge: Harvard University Press, 1919), 8.

[160]Hibben to Lowell, 24 September 1919, in Lowell, Records, box 135. See "Universities Ask Over $200,000,000," *New York Times*, 8 February 1920, E1.

avoidance of inexpedient gifts, and adoption of business practices (but not his unorthodox deficit spending), were codified in the leading analysis and guidebook on academic finance, published by the General Education Board.[161] During the 1920s and 1930s, Eliot's free money view gradually became the financial common sense in private universities: an ideology comprising the taken-for-granted precepts of how to build and manage university wealth in order to compete for academic eminence. Meanwhile, Harvard's endowment continued moving ahead of other private universities, fueled by an increasingly aggressive investment policy and its own mega-gifts. But the roots of its financial preeminence lay in Eliot's free money strategy formulated between 1869 and 1909.

Appendix

Largest Endowments of Colleges and Universities, 1880–1939 (in thousands of dollars)[a]

Institution	**1880[162]**	**1890[163]**	**1900[164]**	**1910[165]**	**1920[166]**	**1930[167]**	**1939[168]**
Harvard	3,960	7,030	12,615	21,990	44,569	108,087	141,250
Columbia	4,816	8,131	13,285	25,846	39,602	73,375	70,714
Yale	1,293	3,148	4,942	12,532	24,049	82,857	100,449
U Chicago	NA	NA	5,726	14,902	28,364	59,615	70,944
Stanford	NA	NA	18,000	24,000	33,260	27,846	30,503
Cornell	1,264	4,855	6,756	8,687	16,001	24,709	30,872
Johns Hopkins	3,000	3,000	3,250	4,558	9,135	26,827	30,387
Princeton	1,083	–	2,317	–	10,313	–	31,532
MIT[b]	265	–	3,099	1,872	14,989	33,221	36,230

[a]Dashes indicate values omitted from the source cited for the corresponding year. Round numbers indicate uncertainty in endowment figures.

[b]Massachusetts Institute of Technology is not discussed in this essay due to its special character and circumstances as a technical institution.

---

[161]Arnett, *College*, 6–7, 16, 63–64. See Storr, *Harper's*, 259.

[162]U.S. Commissioner, *Report*... *[1880]*, vol 3 (Washington, DC: G.P.O., 1882), 665–70.

[163]U.S. Commissioner, *Report*... *[1890]*, vol 5, pt. 2 (Washington, DC: G.P.O., 1893), 1600–1609.

[164]U.S. Commissioner, *[Report]*... *1900*, vol 2 (Washington, DC: G.P.O., 1901), 1924–57. Princeton figure refers to 1898–1899.

[165]U.S. Commissioner, *[Report]*... *1910*, vol 2 (Washington, DC: G.P.O., 1911), 868–942.

[166]U.S. Bureau of Education, *Biennial*... *1920–1922*, vol 2 (Washington, DC: G.P.O., 1925), 384–425.

[167]U.S. Bureau, *Biennial*... *1928–1930*, vol 2 (Washington, DC: G.P.O., 1932), 480–500.

[168]Clarence S. Marsh, ed. *American Universities and Colleges*, 4th ed (Washington, DC: American Council on Education, 1940). Endowment values for these institutions in 1940 are not included in U.S. Office of Education, *Statistics of Higher Education, 1939–1940 and 1941–1942*, vol 2 (Washington, DC: G.P.O., 1944).