also exceeded the market benchmark for the policy portfolio by 3.8 percentage points, and the median institutional fund by 5.3 percentage points annually over the past decade. In absolute terms, that means $8 billion of value added relative to the median fund’s performance—nearly half the total endowment today. (Since HMC staff are compensated on the basis of relative performance, many of them will again, as in recent years, earn large bonuses, despite the negative absolute return on endowment investments.)

In terms of supporting University finances, Meyer notes, “spending has not faltered.” In fact, endowment distributions for Harvard’s use have roughly tripled during the past 10 years, and doubled during the past five.

But looking forward, the prospects are cloudier. “Our board is fairly accustomed to outperformance now,” Meyer says, noting the 3.8 percentage-point margin relative to market performance compounded over the past decade; he would be more comfortable guiding expectations to a sustainable 1-point margin over time.

As for spending on University programs, he thinks the current rate of distributions from the endowment is sustainable, assuming investment returns of 6 percent or so above the rate of inflation—implying nominal returns of 8 to 9 percent. “I think that’s doable over the next five to 10 years,” Meyer says, if not immediately or in any given period. “But that would not allow for any dramatic increases in real spending” of the sort deans and faculties have become accustomed to of late. Given plans for expensive new science facilities, faculty growth, and other priorities—not to mention the much longer-term development of Allston properties for academic use—Meyer’s forecast is an important element in the University’s aggregate financial picture. In this light, the early twenty-first century looks very different from the late 1990s.

**Watertown-Gown**

Harvard has reached an agreement to pay $480 million over 52 years to neighboring Watertown, Massachusetts, where in May 2001 the University purchased a 30-acre commercial property known as the Arsenal for $162 million. Watertown officials and residents, concerned about the potential loss of future tax revenue under a nonprofit owner, initially protested the acquisition and sought through legislation to eliminate the tax exemption for large land-owning nonprofit organizations statewide. But a guaranteed revenue stream from Harvard ($3.8 million in 2002, and rising 3 percent each subsequent year until 2054), which represents a combination of taxes from commercial tenants and a payment in lieu of taxes (PILOT) for tax-exempt uses, persuaded Watertown to welcome the University instead. Harvard will also contribute $500,000 over the next three years to support education initiatives in Watertown that focus on technology, and a further $100,000 annually to support “community enrichment” programs.

President Lawrence H. Summers hailed the agreement as the first application of a new principle for future acquisitions: “…when Harvard purchases and withholds property from municipal tax rolls, it will make a voluntary payment for a period and at a level commensurate with the impact of the acquisition.” As part of the agreement, Harvard will not be required to seek special zoning permission to convert any of the property’s 750,000 square feet of space to tax-exempt academic and research use.

The Arsenal property is strategically important for the expanding University. “The acquisition was made so that the University could have some flexibility for space needs that can’t be met on the existing campus, but can’t wait for the redevelopment process in Allston,” explains associate vice president for planning and real estate Kathy Spiegelman. Unlike Allston, “Watertown is ready now,” she says. “There are buildings ready to be fit out, [there is] open space, parking, and shuttle transportation back and forth to Harvard Square.” Several University groups, she adds, “are in the process of analyzing whether the space there could work for them.”

**Curriculum Czar**

Propelled by the cataclysm of World War II—and a half-dozen years of prior study of the undergraduate curriculum—a faculty committee chaired by Paul H. Buck, then dean of the Faculty of Arts and Sciences, produced General Education in a Free Society. That 1945 report, based on the principle of a shared body of knowledge, reshaped the College course of study for a generation.

In 1974, after a decade of political and social ferment, Henry Rosovsky, early in his FAS deanship, challenged the faculty to rethink the curriculum again (www.fas.harvard.edu/~secfas/1974Undergraduate.html). Knowledge had expanded, the faculty had grown and become more specialized, but unifying “general education” had deteriorated—raising the specter, Rosovsky suggested, of a bachelor’s degree reduced in significance to a “certificate of attendance.” By 1978, the faculty had responded with the new Core curriculum (www.courses.fas.harvard.edu/~core/), and had begun a four-year process of phasing in courses organized by “approaches to knowledge.”

In the new century, the time has come round again to consider the College course of study. President Lawrence H. Summers has spoken often of curricular overhaul. Now, the FAS dean whom he appointed last spring, William C. Kirby, has made that a formal goal of his administration (see “An Asia Expert for Arts and Sciences,” July-August, page 75). In September 3 letter announcing the appointment of Benedict H. Gross as dean of undergraduate education, Kirby wrote, “[I]n the coming years we will engage in a broad-based review of our undergraduate programs, including the Core, concentrations, and tutorials.

Gross ’71, Ph.D. ’78, the point person for what promises to be an extended effort, comes to his new responsibilities with wide experience. A member of the faculty since 1985 and now Leverett professor of mathematics, he served on the committee that reviewed the Core curriculum in 1997, and then chaired the group that created the “quantitative reasoning” part of the Core in 1999. Gross calls the latter achievement “one of the few things we accom-
Capitalism Campaign

Harvard business school (HBS), established in 1908, on September 21 formally launched its first capital campaign. The timing might not seem propitious: the aftermath of the late 1990s stock-mar- ket bubble, recession, and widespread financial and accounting chicanery have given unwonted prominence to business matters.

In fact, those problems—acknowledged in the principal speeches made during the campaign kickoff events—highlight some of the issues facing scholars and students of management and leadership within private enterprises. They lend an extra urgency to the school’s work. The $500-million campaign, planned well before the current headlines, aims at sustaining HBS’s mission by keeping its research, teaching, and students abreast of the effects of globalization, technology, and entrepreneurship on business practice.

“We’re at an inflection point,” says Howard H. Stevenson, putting those fundamental forces in context. He speaks expansively of the “three billion people who have come into the market economy in the last 12 years,” creating enormous opportunities for private enterprise. Stevenson, the Sarofim-Rock professor of business administration and the intellectual godfather of entrepreneurial studies at HBS (see “Conceiving a Curriculum,” March–April 2001, page 38), is attuned to possibilities like that. At the same time, he says, “The capacity to communicate has enlarged the reach” of businessespeople and consumers, so the “demand for knowledge about how organizations work is soaring.”

In his other HBS role, as senior associate dean for external affairs, Stevenson has spent much of the last two years listening to alumni and faculty colleagues, helping to conceive the campaign. Everywhere he sees “how technology impacts the world of management” and the resulting difficulties of managing “the globalization enabled by the technology” across different languages, cultures, and even life goals. When he was a student (M.B.A. ’65, D.B.A ’69), he says, it might have been interesting and sufficient, to understand a manufacturing plant in Milford, Connecticut; today, it requires utterly different knowledge to understand a manufacturing operation in Sichuan, China (which may be connected electronically to suppliers and customers around the world). Then, he notes, his M.B.A. class had just eight women; today, HBS students need to be