The 21.1 percent total return was calculated, as always, after all expenses and—in language new to this year’s report—“negotiated fee offsets.” Since the late 1990s, an increasing share of endowment assets has migrated from in-house HMC professionals to outside investment firms, formed by successful HMC staff who have set up shop on their own. HMC has maintained its access to their expertise by assigning them a portion of the endowment assets to invest and, in return, sharing in their firms’ growth, effectively lessening the fees Harvard pays.

That trend is notable for two reasons. First, Meyer said, the newest departure of HMC portfolio managers for greener pastures (the foreign-equity and commodities professionals) brings the portion of funds managed internally down to about 50 percent (from 80 to 85 percent in the late 1990s). That naturally prompts discussion about whether HMC will remain a stand-alone, “in-house” money-management firm. Second, the growth of hedge funds, like those formed by former HMC staff, indicates the rising challenge to maintaining Harvard’s outsized investment returns.

In language much more pointed than his past cautions (“This time I really mean it”), Meyer wrote that returns on HMC’s diversified asset classes in the next 10 years “will be closer to 8 percent than the 12 percent of the last decade.” In conversation, he emphasized that, compared to past returns 10 percentage points greater than the rate of inflation, “We’d be lucky” to earn half that margin. He also reduced expectations about HMC’s ability to outperform its benchmarks, writing, “Value-added will also drop significantly,” because the proliferation of competing hedge funds has “reduced the opportunity” to exceed market returns. “We can see the opportunity set,” he said, “and it’s diminished.”

These are not forecasts for any given year, he emphasized, but HMC’s endowment managers do not expect to equal in the next decade the 15.9 percent annualized returns HMC produced in the last. Meyer concluded his report by writing, “We do not want to cut short the celebration of fiscal 2004 results, but we should not get accustomed to these outsized returns.”

Re-Development

After two years in limbo, the Center for International Development (CID) has at least a temporary new lease on life. The appointment of Kamal professor of public policy Mark R. Rosenzweig, a development economist, as the center’s director suggests a renewed effort to engage Harvard scholars in interdisciplinary research on problems of sustaining growth in less developed nations.

CID, set up at the Kennedy School of Government (KSG) in 1998 to complement the economic, political, and social consulting services of the Harvard Institute for International Development (HIID), was envisioned by its founder, economist Jeffrey D. Sachs, as a think tank and academic training venue. After he left for Columbia in 2002, the center was run by a faculty committee (see “Developmental Troubles,” September-October 2002, page 61) and then briefly by Cabot professor of public policy Kenneth S. Rogoff (see “Harvard Portrait,” January-February, page 51). Thus the center has effectively been in a holding pattern for two years, even as progress has been made in launching other interdisciplinary programs, including one pertinent to development issues—the University’s global health initiative (see “Global Research in Health Sciences,” January-February, page 62).

Rosenzweig came to Harvard from the University of Pennsylvania in 2002, attracted, he says, by the depth and range of development expertise among faculty members at the University, MIT, and elsewhere in Greater Boston. “It would be good if there were an organization that could pull them all together,” he says, while acknowledging that doing so will not be easy. In the wake of serious problems in managing its work in Russia, HIID was closed in 2000, following a faculty review that concluded its far-flung advisory services did not complement teaching and research priorities (see “HIID, Dismantled,” March-April 2000, page 77). CID it-
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self currently lacks sustainable funding and, in the view of the faculty oversight committee (on which Rosenzweig served), had failed to attract broad scholarly involvement.

Rosenzweig, an editor of the Journal of Development Economics, whose research interests span deforestation, low-birthweight infants, labor mobility, and immigrant demographics, hopes to rekindle CID’s research by addressing knotty problems in growth and sustainability.

One example is a new project on indoor air pollution: cooking fires have huge implications for millions of individuals’ health and safety, and for use of forests. The search for new cooking techniques will involve technology, delivery of alternative fuels, and careful understanding of household behavior—who cooks?—and so might draw on Harvard expertise in environmental quality, health, economics, engineering, domestic architecture, anthropology, and infrastructure. Fresh ideas, Rosenzweig says, could have “global consequences, health consequences, development consequences.”

Another inquiry involves labor mobility. Globalization, he says, commonly implies movement in goods, services, and financial capital. But the movement of people within and among countries is much less understood, and is barely encouraged. Aid is delivered to needy people where they live—but they might benefit more from moving to areas of greater opportunity, a subject explored in some detail by his KSG colleague

Underwriting Public Service

A $10-million gift of funds for current use, to be expended during the next five years, has bolstered the Kennedy School of Government (KSG) early in David T. Ellwood’s deanship, which began July 1 (see “Mr. Inside,” July-August, page 63). The donor, David M. Rubenstein—a Duke alumnus who cofounded and is managing director of the Carlyle Group, a Washington-based private equity firm—called the school “among the most important assets this country has” for its leadership training, research, and impact on public affairs worldwide. Citing the low compensation of public servants in the United States compared to those in other nations and in other professions, Rubenstein said KSG graduates were “undertaking a great burden for our country” and are owed a great deal in return.

The announcement was preceded by a panel on “Innovation to Impact: Ideas That Really Matter.” Ellwood talked about how his research on public assistance and joblessness—how to “make work work for people”—led to the Clinton administration’s welfare reform (for an assessment by KSG scholars see “Forum,” page 34). Researcher Juliette Kayyem described how her work with Ames professor of law Philip B. Heymann and others on legal methods of terrorism-related interrogation took on urgent importance after the disgraceful disclosures from Abu Ghraib prison last spring. President Lawrence H. Summers recalled his 1998 meeting, as Secretary of the Treasury, with China’s premier during the Asian financial crisis. After an exchange of banal pleasantries, Summers said, he was surprised to find himself questioned on technical points of international finance and foreign exchange—an indication of how powerfully sound ideas from basic research can affect mainstream policy.

Rubenstein’s gift, Summers said, reflects the “generosity of an individual who recognizes the importance of good ideas” and so

is willing to act “in support of excellence.” Said an elated Ellwood, “We now have an opportunity to invest in ourselves,” because the funds won’t be used “to pay old bills or keep the lights on.”

In a subsequent interview, Ellwood indicated that his highest priority would be using the new funds to “attract more world-class faculty.” The new money can help fund named chairs that are not fully financed, and begin the process of replacing the school’s “founding fathers,” like the late Richard Neustadt. (Rubenstein separately paid to renovate a classroom, now named for Neustadt, at One Eliot Street; the building itself will be renamed to recognize Rubenstein.) At least $1 million will go to replenish the school’s strained loan-forgiveness program for students in low-paying careers—a “downpayment,” Ellwood said; such aid has been cut in recent years as the school eliminated budget deficits. He also plans start-up funding for new programs linking KSG to the College and the law and business schools. Finally, there will be conferences to bring academic and public leaders to Cambridge, and send KSG scholars out into the world, and awards to highlight powerful public-policy ideas of the sort discussed by the panelists.

Although it is still early to pronounce new directions for KSG scholarship or appointments, Ellwood is clearly interested in what he called “dramatic changes in demography, population, and families,” with their implications for poverty and productivity. He also envisions much more work on national security.

On this evening, though, he focused on the close connections between Summers and Rubenstein—who were neighbors in Washington, and who first discussed the gift at the World Economic Forum in Davos last January—and now the Kennedy School. It is, said the dean, “a wonderful way to begin.”
Dani Rodrik, Hariri professor of international political economy (see “Globalization for Whom?” July-August 2002, page 29). Rodrik and professors from other Harvard schools are now exploring this topic in a CID study. At the broadest level, Rosenzweig asks, “Should Africa do any agriculture at all?”

Spurring such scholarship is a matter of some urgency. CID’s student programs, Rosenzweig says, are succeeding. Fifteen or so undergraduates typically receive research aid each summer, as do students pursuing the master’s in public administration degree specializing in international development. CID also provides office space for more than a dozen doc-

**University People**

**Senior Status**

Effective September 1, assistant dean of the Faculty of Arts and Sciences (FAS) David B. Fithian also began serving as secretary of the faculty. In the latter capacity, he succeeds John B. Fox Jr. ’59, who has worked at Harvard since 1967, first in the office for graduate and career plans and then in University Hall, where he formally became a full-time special assistant to then dean of FAS John Dunlop in 1972. Subsequent stints included nine years as dean of Harvard College, and nine more as the administrative dean of the Graduate School of Arts and Sciences. He became secretary of the faculty in 1992. Strung together, Fox’s assignments, by his reckoning, had him “sitting at the front of the Faculty Room…longer than any other person save [Charles William] Eliot [president from 1869 to 1909]”—befitting a Harvard servant whose family ties to the University extend to John Pierce, secretary to the Board of Overseers for 35 years in the 1800s, and beyond. Fox’s final assignment, as senior adviser to FAS dean William C. Kirby, is compiling the history of the faculty, for which he seeks information and anecdotes from anyone. If insufficient material is available, he can always resort to other sources: in his fourth class report, the wry Fox told classmates, “I enjoy being able, unchallenged, to make up my own Harvard history and precedents as occasions demand.”

**Diabetes Doctor**

Iacocca professor of medicine C. Ronald Kahn, president and director of Joslin Diabetes Center, received the Bernard Medal from the European Association for the Study of Diabetes, recognizing his research on insulin signal transduction and the mechanisms of altered signaling in disease.

**Star Synthesist**

Popular Science has named chemist David R. Liu, Loeb associate professor of the natural sciences, one of its “brilliant 10” young researchers. The magazine cited his use of strands of DNA as a scaffold to direct chemical reactions and syntheses precisely.

**Fixing Medical Mix-ups**

Adjunct professor of health policy Lucian L. Leape, of the School of Public Health, has received the individual achievement award of the Joint Commission on Accreditation of Healthcare Organizations and the National Quality Forum for “fundamental conceptual contributions” to the understanding of medical errors and efforts to improve patient safety.