fractionally, to $591.1 million, reflecting completion of work on graduate-student-housing projects, large new lab buildings, and other Faculty of Arts and Sciences (FAS) projects. But, Shore said, “We certainly expect to see more,” given academic aspirations and work already under way: the Allston science complex, Harvard Law School’s office and classroom building (see March-April, page 54), and the Fogg renovation—three projects expected to cost perhaps $1.7 billion in all—and such planned work as the renovation of the undergraduate Houses.

Harvard continues to fund such capital programs with debt: bonds and notes payable totaled $4.1 billion on June 30, up from $3.8 billion on June 30, 2007 (during which fiscal year debt outstanding rose by more than $900 million). In the normal course of events, Shore said, Harvard’s net borrowings will continue to rise, in keeping with the capital plan.

Endowment income distributed for operations rose nearly $158 million, or 15 percent, to just above $1.2 billion (see table). The administrative assessment that allows the University to contribute to the “strategic infrastructure fund” (Allston development expenses) rose $28 million, or nearly 20 percent, to $68.4 million. And unspecified “decapitalizations” for one-time or time-limited purposes totaled $258.2 million; in fiscal year 2007, a $100-million decapitalization in support of FAS construction was identified.

The fiscal year 2008 “distribution rate” established by the Corporation for all eligible funds amounted to 4.1 percent of the endowment’s year-end 2007 value, down from 4.3 percent. (Endowment investment returns were an extraordinary 23 percent in 2007 to return to PIMCO, the huge fixed-income investment-management firm. When Markets Collide: Investment Strategies for the Age of Global Economic Change—serves as a useful guide to contemporary financial terminology and the sorts of diversified strategies the endowment’s managers employ (and individuals might emulate) as they navigate perilous markets.

For detailed accounts of the panel presentations and access to a recorded webcast of the September 25 discussion, visit harvardmag.com/extras and consult the two-part “Financial Crisis, Faculty Perspectives” postings of September 26.

Financial Crises, Faculty Views

- **Leverage, liquidity, transparency.** HBS dean Jay Light talked about the need for fundamental reform of both regulatory oversight and the operating standards for commercial and investment banks—and their use of new kinds of investment instruments.
- **Moral hazard.** McLean professor of business administration David Moss, author of When All Else Fails: Government as the Ultimate Risk Manager, emphasized the importance of balancing any federally financed rescue plan with offsetting measures to discourage inappropriate, even dangerous, risk-taking in the future.
- **Real losses.** McArthur University Professor Robert Merton noted that, beyond immediate problems of liquidity and scarce credit, the underlying deflation of house prices had caused a permanent loss of perhaps $4 trillion of actual wealth to date.
- **Middle-class stress.** Professor of management practice Robert Kaplan—a Goldman Sachs alumnus who served as interim head of Harvard Management Company (HMC) in late 2007 and the first half of 2008—looked beyond the immediate crisis to focus on the “severely weakened middle class in the United States” as the core economic problem.
- **Reduced global status.** Cabot professor of public policy Kenneth Rogoff, former chief economist of the International Monetary Fund, said the financial sector as a whole was “bloated” and had to shrink. Given the “spectacular deficits” being run by the U.S. economy, he warned, Americans could not fund the repair of their own financial system, painting policymakers into a corner: “We borrowed too much, we screwed up, so we’re going to fix it by borrowing more.”

Not present was Mohamed El-Erian, who left his position as HMC president late in 2007 to return to PIMCO, the huge fixed-income investment-management firm. But the book he completed during his brief HMC tenure and published this spring—When Markets Collide: Investment Strategies for the Age of Global Economic Change—serves as a useful guide to contemporary financial terminology and the sorts of diversified strategies the endowment’s managers employ (and individuals might emulate) as they navigate perilous markets.

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