sources of revenue.” For instance, increased financial-aid spending has meant that “undergraduate net tuition actually has declined on an inflation-adjusted basis during the past decade at an average rate of 5 percent.” Excluding the national economic-stimulus program, “federal sponsored research revenue has had an inflation-adjusted compound annual growth rate of only 2 percent since 2002, and non-federal sponsored research has fared worse. Meanwhile...benefits expense has more than doubled in the past decade to $476 million in fiscal 2012.”

The near-term response has been retrenchment: tighter staffing and attempts to rationalize information technology, purchasing, and the decentralized libraries structure. But Shore and Rothenberg call that merely a prologue to “an even more fundamental examination of our activities with the goal of more crisply prioritizing what we do and what we are willing to forgo.”

The future: Sketching the need for a new economic model for Harvard and other private research universities, they observe:

We are challenged by volatility in the capital markets due to our endowment dependence and disproportionately fixed cost structure. We depend considerably on [federal] funding of biomedical research at a time when the government’s projected deficits and accumulated debt create enormous pressure to reduce such discretionary dollars. The University’s sizable campus requires significant annual funding to maintain and still more funding to address deferred maintenance.

Turning to matters at hand, they term the increase in employee-benefit costs “unsupportable...relative to actual and expected growth” in revenue. Harvard is now addressing those costs largely by effecting changes in healthcare benefits (co-insurance and deductibles rose during calendar 2012), and by increasing the share of premiums borne by higher-paid employees in calendar 2013.

In a sign of the rising pressures, disagreements about compensation and healthcare costs have caused a public, contentious breach with the Harvard Union of Clerical and Technical Workers, the University’s largest union; at press time, the parties had not negotiated a successor to