A striking fact about the world right now is that the United States has a 10-year bond rate of 1.8 percent—and that is very high by global standards. What’s telling us is that markets don’t expect a return to 2 percent inflation even over a decade.

Something like this occurred during the 1930s and led Harvard economist Alvin Hansen to put forward the idea of “secular stagnation.” Essentially, Hansen’s idea was that an economy may find itself with a propensity to save that is very high, relative to its propensity to invest in new physical capital. Introductory economics would say that in such a situation the interest rate should decline, discouraging savings and encouraging investment, and bring about balance. But there are limits to how far interest rates can fall, since people can just hold cash, and since excessively low interest rates may create financial bubbles. So it may be that interest rates never get low enough to enable investment to absorb all the desired saving. The result is a tendency toward sluggish growth, low inflation, and very low interest rates—exactly what we’ve seen.

So I believe we have a real macroeconomic challenge that’s very different than the one that we have had traditionally: generating enough demand in a financially sustainable way to absorb all that the economy is capable of producing.

- On policy responses: There are a number of things that flow from this analysis.

First and most obviously, it makes a compelling case for expanded public investment in infrastructure. Money has never been cheaper, material costs have rarely been lower, and there are large numbers of construction workers who are still out of work. Our infrastructure investment rate is lower than at any time since the Second World War, and if you take depreciation out, it is essentially zero. Increased public investment would raise employment in the short run, would increase the economy’s capacity in the medium run, and, by avoiding deferred maintenance, would reduce the liabilities that our children’s generation will inherit.

Equally important is stimulating private investment. There’s no better time than the present to shift away from coal...and to start producing power in more environmentally sustainable ways.

There’s also, in my judgment, a compelling case for immigration reform that would keep more skilled workers and entrepreneurs in this country. And critically, in the current economic context, where we’re short on spending, measures like increases in the minimum wage and support for fair treatment to union organizers, which promote economic equity, offer the prospect of increased spending, increased demand, and economic growth.

- On steering through “political distemper”: We’re caught in a difficult moment of political distemper. I’m inherently an optimist (though Donald Trump challenges that optimism). What worries me is that we seem to be losing faith in our public institutions—and responding by making it harder and harder for them to succeed as their resources are cut and more and more requirements are imposed on them. Then there is a vicious cycle of poor performance, reduced support, and poorer performance.

The ultimate challenge for the next president is to reverse this cycle. Without confidence in their government, I think the American people will have trouble being confident in their future. And without an America that is confident in its future, other nations will become ever more insecure and fractious.

Campus Campaign

Harvard’s own 2016 campaign is in full swing, as eligible degree-holders Mull their choices in the annual election of members of the Board of Overseers—unusually contested this year—and Harvard Alumni Association (HAA) directors. The full slates—eight HAA-nominated Overseer candidates and the five challengers who successfully petitioned for a place on the ballot, vying for five places on the 30-person Board—are appear on pages 74-75. Ballots were mailed by April 1, and must be returned by May 20, in time for the results to be tallied and announced during the HAA’s annual meeting on the afternoon of Commencement day, May 26.

As reported (see “Crimson Contest,” page 29), a group of five candidates organized by Ron Unz ‘83 under the “Free Harvard/Fair Harvard” (FHFH) banner announced in January that they would petition for places on the Overseers’ ballot. They were successful.

Their campaign advances two linked proposals. First, they “demand far greater transparency in the admissions process, which today is opaque and therefore subject to hidden favoritism and abuse.” That message is coupled with language about “powerful statistical evidence” of an “Asian quota” in admissions—leading to their statement, “Racial discrimination against Asian-American students has no place at Harvard University and must end.” Second, they “demand the immediate elimination of all tuition for undergraduates since the revenue generated is negligible compared to the investment income of the endowment.” They link this proposal to the notion that moving from financial aid to a tuition-free model would more readily promote diversity in the student body because, they suggest, “relatively few less affluent families even bother applying because they assume that a Harvard education is reserved only for the rich,” despite the existence of financial aid.

In opposition, a group of alumni organized as the Coalition for a Diverse Harvard have focused particularly on the admissions part of the FHFH platform, and on some of the FHFH candidates’ expressed antipathy toward admissions policies that incorporate consideration of applicants’ racial or ethnic background. As the Coalition’s website notes, the...
campaign “was launched by Harvard and Radcliffe alumni to take a stand against the FHFH slate—and in favor of race-conscious and holistic admissions practices that support campus diversity.” Coalition members have also supported the current financial-aid program, and criticized the proposal to abolish tuition as a giveaway to the families of upper-income applicants and students. The group collected statements on the issues from all 13 Overseer candidates, published them online, and then, on March 25, endorsed five for election—all from among the eight HAA nominees.

Both petitioner proposals are at odds with University policies and practices. In an interview, President Drew Faust said, “Free tuition is a really bad idea. It would mean we would be subsidizing significantly people who could afford to pay Harvard tuition, and our sense has always been that Harvard’s resources should be devoted to enabling those who otherwise would be unable to come to Harvard....” Citing the University’s financial model, she said, “When we think about the wide range of purposes to which we devote resources, they include more than tuition. They include spaces, faculty salaries, research—and if we were to subsidize those who were not in need of subsidy, we would be taking resources away from those very important purposes at Harvard.”

And she reiterated support for the long-standing admissions policies: “I also have a deep commitment to our admissions process, which looks at students as individuals and considers the wide range of attributes that they possess and would bring to bear on this community, because so much of what this community is about is the interactions between and among students as well as what they learn directly from the faculty members. So who will be a vibrant member of this community, both within the classroom and beyond the classroom, is a very important part of our assessment of student qualifications. And we therefore want to take into account many of these attributes as we consider admissions, and having the diversity of backgrounds, experiences, identities, origins among our student body is a critical part of that. Race as one factor considered among all of those has been an important dimension of how we’ve thought about this diversity....”

Separately, five past presidents of the Board of Overseers wrote to the magazine, addressing these issues; their letter appears in full beginning on page 5.

Now the matter rests in the hands of alumni. As in the U.S. presidential caucuses and primaries, turnout may matter: in recent elections, an average of 11 percent of the 250,000 or so eligible voters have returned their ballots.

—JOHN S. ROSENBERG

News Briefs

Preventing Sexual Assault

The final report of the University’s task force on the prevention of sexual assault, chaired by former provost Steven E. Hyman, recommended that each Harvard school institute mandatory, annual assault-prevention training for all students—with special emphasis on alcohol education for undergraduates. The report, issued March 8 and accepted for implementation by President Drew Faust, also proposed a new senior position, reporting to the provost, to coordinate activities University-wide relating to sexual assault and harassment—including prevention, response to incidents, and education. And it called for additional resources for the bisexual, gay, lesbian, transgendered, and queer (BGLTQ) community, where survey results showed the incidence of sexual assault is disproportionately high.

The task force also focused attention on private single-sex final clubs, in light of their “disproportionate influence on campus culture” and evidence that they help “perpetuate an environment where sexual assault occurs” with disproportionate frequency. Accordingly, the task force urged the College to pursue “nondiscriminatory and open membership practices” at the clubs—and, failing changes in behavior, to pursue “any alternative approaches” that the University may find necessary. The discussion of final clubs was part of the report’s larger focus on community and culture—“what it means to be a citizen of this campus and the nature of our responsibilities to one another.” Read a detailed report at harvardmag.com/assault-16.

A Shield Retired

Following the recommendation of a Harvard Law School (HLS) committee (see harvardmag.com/shield-16), the Corporation on March 14 agreed to retire the school’s shield (see harvardmag.com/hlsshield-16).

The shield, adopted in 1936, is modeled on the coat of arms of the slaveholding Royall family, whose fortune endowed Harvard’s first professorship of law. In their letter to Dean Martha Minow conveying the Corporation’s decision, President Drew Faust and Senior Fellow William F. Lee wrote that the school should “have the opportunity” to propose a new shield, perhaps in time for its bicentennial next year—“one conducive to unifying the law school community rather than dividing it.” In so doing, the Corporation proceeded “on the understanding that the school will actively explore other steps