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Op-Ed-Opinions and Editorials-Shell Games on Upper Broadway

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Tony Ferguson throws down a brave challenge: "At my institution we take in a lot of money, we spend even more money, and we borrow money annually. If there are great centers of profit out there, please advise." (see ATG v.12 #1, p. 38)

OK. I can do this because I subscribe to the Chronicle of Higher Education. The Internal Revenue Service requires public nonprofits to report revenue and expenditure on their form 1-990, figures that are public information. Here is the latest for Columbia University, covering the fiscal year ending in 1998:

Revenue $1,900 million
Expenditure 1,400 million (including $31 million for libraries)

Profit $500 million

That is 26% profit after taxes. The prior year also showed $500 million profit. These profits are not distributed to shareholders. Dividends should be mission-related. Spending another $30 or $40 million to make its libraries hum would make more sense than blindly adding to its hoard of commercial real estate and other investments. (Nov. 26, 1999, and Oct. 23, 1998)

Tony suggests that Columbia University is so poor that it must borrow to survive. I can understand this one because a margin call wiped out my old broker. Borrowing preserves investments that might return more than the cost of interest. University endowments averaged 13% in bull markets since 1989. They would have done better, but Coca-Cola shares dropped suddenly on the last day of the fiscal year. (Feb. 18, 2000)

University misers managing $3,500 million who cry about borrowing at 9% and spout crap about a "rainy day" probably eat their children. They are out of control. They clearly cannot be trusted to act in the interest of library users or the academy. They always pay back their lenders only to avoid jail. In the academic version of 3-card Monte, they use past glory for credit and then cheat library users of promised excellence. We shouldn’t let them get away with it.

Tony asks, "When did we cut spending?"

This is also easy because I lived with growing impoverishment since 1970. Jacques Barzun, president of Columbia University in the 1960s and speaking for all research universities, emphasized that 6 percent of the university’s budget went to the library. (The American University. 2nd ed. University of Chicago Press. 1993 pp. 174, 196) About ten years later, a National Science Foundation study by Bernard Fry and Herbert S. White noted that the libraries’ share of university spending had dropped. The National Enquiry on Scholarly Communication recognized that this financial policy caused a crisis. (1979) It timidly avoided criticizing this trend. (See R. Abel, Publishing Re-