WORK & CULTURE

Endowing the Neoliberal University

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Work & Culture 2005/7
http://www.yale.edu/laborculture/work_culture.html

Endowing the Neoliberal University

Notably absent from the burgeoning and persuasive literature on "academic capitalism" and the "entrepreneurial university"[1] is a discussion of perhaps the oldest and most overt form of university profit-making, investment of endowment funds. The neoliberal conditions of the last three decades has increased the need for private funding of universities while also encouraging the possibility of profiting in neoliberal markets, leading to an explosion in the importance of endowment wealth to both private and public universities. A more fully developed analysis of university investments is critical, not least because of their sheer force in the economy: U.S. university endowments constitute $230 billion dollars in a global financial market that has undergone massive deregulation and internationalization in the last three decades (Peterson). Analysis of university investment portfolios also sheds glaring light on the major contradictions between institutions' stated goals of furthering the public good and the conflicting consequences of their bottom line. This paper examines the importance of endowments and investments to the neoliberal university through the example of Yale University. Although locally specific, this analysis has application beyond, as changes in the Yale endowment are indicative of broader changes in university investments and financing; in fact, Yale shares the same funds with several other universities, both public and private. As a leader in endowment returns, Yale's model of investment success influences the broader "field" of colleges and universities in the U.S. and increasingly in the entire global north, while simultaneously being influenced by this larger field in the competition to maintain its comparative position. But, however massive the force wrought by the endowment and its investment managers, they are not the only actors in these changes nor this paper which then turns to union and student activism around endowment investing. Yale activists' efforts to track and intervene in the movement and effects of university capital, uncovering the experiences and resistances of those who have "lived on the other side of the Yale portfolio," as one Yale professor put it, point to the challenges and possibilities of new affiliations within and without the neoliberal university.[2]

For example, in 2002 members of the Graduate Employees and Students Organization (GESO) who had been serving as researchers for the Federation of Hospital and University Employees (FHUE) unearthed Yale's investment in the 100,000 acre Baca Ranch in Colorado. Yale had become part owner of the ranch through the hedge fund Farallon Capital Management. But neither Yale nor Farallon intended to take up ranching. Instead, they were speculating in the privatization of water, planning to extract and sell the water located in an aquifer deep below the ranch. The water scheme was a high risk project in many senses. There was virulent local opposition to the exportation of the water, which could potentially desiccate "hundreds of thousands of acres of irrigated croplands and wetlands" and threaten its neighbor, the Great Sand Dunes National Monument, public and federally protected lands with unique geological formations (Smith, Hunter, "Colorado Water Speculation and the Great Sand Dunes"). In exchange for the high risk there were high profits, with water "commodities" predicted to increase in value especially in the dry, rapidly developing, southwest; Farallon and its investors were expecting to yield a high net return – between 45% and 61%, or $44 to $67 million, within four years (www.unfarallon.info/bacaranch.asp).[3] The investors waged a legal and political campaign for the rights to extract the water which included a lawsuit and two controversial ballot initiatives which local residents of the already economically depressed farming area spent more than $1 million in fighting (Hunter, "Yale Helped Fund Plan To Sell San Luis Water"). After Coloradoans voted down the ballot initiatives and the last hopes of gaining the rights to expropriate and export the water were gone, Farallon abandoned the water project, deciding instead to sell the land. In April 2001, the Nature Conservancy agreed to buy Baca Ranch for $32 million, more than twice its original selling price, leaving Yale and Farallon with a 40% profit on their original investment (www.unfarallon.info/bacaranch.asp).[4] But when the unions at Yale broke the story, and made connections with local environmental activists and politicians, Yale's name made it into local and national news reports. With public scrutiny and political pressure mounting, Yale pledged to donate the profits from the sale to the Nature Conservancy.

In the last three decades Yale has moved billions of dollars to hedge funds and private investment vehicles that have little regulation, transparency, or accountability. In some of these funds, including Farallon Capital Management and Tercentennial Energy Partners, graduate student researchers for the unions at Yale have uncovered the economic, social, political, and environmental destructiveness of their university's capital. These union activists have taken up the project of researching and disclosing these investments, despite the lack of transparency and great geographical distance, using the information they uncover to educate and organize their campus while forming coalitions with activist groups across the country. This paper situates these campaigns within two interrelated histories: first, the recent history of the investment of university endowments in global financial markets and, second, the history of student and labor activism around university investments especially in the specific context of Yale. Lastly, in looking at activists' tactics and goals, this paper proposes the campaign's possibilities for reeducation and transnational solidarities. Lastly, these campaigns suggest how retracing our universities' global capitalism reeducates our campuses on their possible relationship to the public good, while mapping a network for the formation of new solidarities and alternative globalizations.

A History of Accumulation

Endowment investing is the behind-doors business of universities, now playing a primary role in the financing of higher education. Gains from the endowment constitute the most rapidly increasing source of revenue at many universities and already the largest source of revenue at wealthy private universities like Yale ("Yale University Financial Report, 2003-2004," 14). This is in line with the broader shift in the neoliberal university, with cuts to public support for higher education requiring more financial support from private sources, whether corporate-university partnerships, entrepreneurial research and patenting, higher fee-paying students, alumni and corporate donors, or investment portfolios.

Historically, the tax-exempt wealth reserve of the endowment was meant to supplement tuition payments and state subsidies when they did not cover the full cost of student education, to safeguard institutions through extreme fiscal crisis like depressions, and to pay for large capital expenditures such as new buildings. The earliest US universities were founded with public and private financial support by sectarian religious groups and state appropriations, stemming from a blend of religious and public interest in training clergy and civic leaders. Relatively small and poor, tuition provided the most revenue for colleges, but endowments from wealthy individuals were established early on to supplement tuition revenues with charitable donations from religious sects and philanthropists. Public funds also went to both public and private colleges, which were understood as philanthropic institutions (Raines and Leathers, 44). The distinction between public and private colleges was not clearly delineated until 1819, when the Supreme Court decided that Dartmouth College was a private corporation whose charter could not be altered by the state (Raines and Leathers, 44). The importance of endowments rose in this period, as public subsidy of private colleges continued at a lesser degree after the Dartmouth case. These decades of industrialization and the rise of the new professional-managerial class also marked the development of new modern institutions established through private funds (for example, Johns Hopkins University and John D. Rockefeller's University of Chicago) to meet the new demands and resources. Existing institutions, both public and private, added graduate and professional programs, expanding their financial need while training the new class of prospective alumni donors (Raines and Leathers, 44). More public universities emerged when the federal government gave states public land to be sold to finance new utilitarian agricultural and mechanical curricula at existing schools or to create entirely new land-grant universities. These secularized and "capitalism-directed" universities were large and complex both in terms of intellectual and physical terrain; academic fields were organized into specialized departments and colleges built up larger campuses of varied facilities, libraries and laboratories (Raines and Leathers, 44). Funding these major universities was a feat, and major state universities received appropriations from state governments, but still depended on student fees and outside donors. Private universities relied more on endowments in addition to higher student fees, encouraging brand identities and campus cultures to promote goodwill and popularity amongst potential students and donors amongst a growing market of higher education options.

Universities' financial workings and cultural significance changed dramatically after World War II, with the state subsidizing Cold War research and development (the university-military-industrial complex) and the entry of massive numbers of new students to universities on the federally funded GI Bill (resulting in the "massification of higher education" and training for a new generation of members of the professional and managerial class and Cold Warriors).[5] The state subsidized this expansion of state-oriented research and development and financed mass higher education with increasing assistance from companies on the "industrial" side of the complex. As the genealogy of student activism around university investments will show later in this paper, these two elements of the Cold War university -- the university-military-industrial-financial regime and the new recipients of mass higher education (working-class students, women and racialized minorities entering college for the first time) -- would directly battle each other over the nature and politics of these university business arrangements.

But with the fiscal crisis of the 1970s and subsequent Reaganomic and Thatcherite cuts, the flow of public money to higher education receded, setting the scene for the neoliberal university. Both federal and state governments decreased their funding of colleges and universities. A recent Brookings Institution study tracking declining state support for higher education from 1977 to 2002 found that state appropriations fell so drastically over that time that if the 1977 level had been maintained, higher education would be receiving an additional $13 billion above currently existing state support.[6] To account for the difference, universities and their faculties increasingly turned to competitive private funding in the form of research grants and contracts, corporate-university partnerships, entrepreneurial research and patenting ("technology transfer" made possible by the Bayh-Dole Act of 1980), and the recruitment of more and higher fee-paying students. Sheila Slaughter and Larry Leslie call these marketlike efforts of the new entrepreneurial university, "academic capitalism," in their book by the same name. In addition to the effects of the inflationary and fiscal crises on universities, the authors see the 1980s as a turning point in the financing of higher education because "globalization accelerated the movement of faculty and universities toward the market" (5-8). Economic globalization and the opening up of world markets increased competition from Pacific Rim countries and drove corporations in the established industrialized nations to focus on new technologies for global competitiveness. Corporations turned to the academy which was receptive to market solutions as a result of cuts in public funding, to research and develop these technologies, often with entrepreneurial faculty and universities eager to participate (Slaughter and Leslie, 5-8, Anderson, 34-36).[7] But while profiting from the rhetoric of international economic competition through cooperative relationships with U.S. corporations, universities were hedging their bets by investing their endowments in many of those competing emerging markets across the globe.

As part of the transition "from Fordism to flexible accumulation" in the 1970s and 80s and the corporate globalization described above, after the fiscal crisis, the delinking and dematerialization of the dollar from gold, and the collapse of the fixed international exchanges of the Bretton Woods system, the global financial system underwent a complete reorganization (Harvey, *The New Imperialism,* 60-66, Harvey, *The Condition of Postmodernity*, 160-197). Neoliberal deregulation and financial innovation configured a new, highly integrated global system of international capital flows. Electronic communications media enabled near-instantaneous coordination of financial flows over vast spaces, while the unending creativity of finance capitalists generated new means of gambling in the global market: stateless capital in Eurodollars, currency trades, and various forms of hedging, futures, derivatives, shorts, etc. in new open financial markets. Washington consensus economic institutions, namely the International Monetary Fund and the World Bank, pushed the agenda of opening up global markets leaving indebted nations to the vagrancy of transnational capital, and privatizing the commons around the corner and around the world.

The massive endowments of private universities and many public universities have emerged only in these last twenty five years of this global financial system. The *Chronicle of Higher Education*'s 2003 survey of endowments notes,

> Twenty years ago, colleges tended to view their endowments as rainy-day funds. In 1981 Harvard University was the only

> single-campus institution to have outgrown the convention of measuring institutional wealth in the millions. Its endowment weighed in at $1.7 billion. Two decades later, unprecedented fundraising success and spectacular investment returns have expanded the universe of billion-dollar endowments to 39. Harvard's endowment has grown to $18 billion as of last year [now up to 22.6 billion (Strom)]—a couple of hundred million more than the combined values of the 192 institutions that participated in the 1981 survey. (Pulley)

Rather than a stockpile of money grown for emergencies, endowments are complex and actively invested by "management corporations" facing massive pressure for high rates of return, rather than maintenance, for the functioning of the neoliberal university. With cuts in public funding, competition between universities, and the expansion of high-cost science research and student services, universities are relying more on endowments to cover their operating costs. In 2006, the Yale endowment contributed the largest portion of the yearly budget, or 33 percent of the budget, compared to 10 percent in 1986, an increase in annual support of $564 million dollars ("Endowment Update," 3).[8]

Neoliberalism has reshaped the role of university endowments in various ways. First, the neoliberal move to cut public funding for universities or privatize aspects of higher education (schools or institutes within universities, university investment corporations themselves, etc.) has increased the search for sources of support, and tightened the connection between universities and private interests. A free market logic has been applied to universities which compete with each other for higher-tuition paying students, grants, the production of patents, and corporate joint ventures. Second, these shifts in the university have been financed in part by the large profits from neoliberalism at work in the global economy. The neoliberal economy which arose out of various global crises and resulted in "the financialization of everything" (Harvey, *A Brief History of Neoliberalism,* 33) based on the ultimate freedom of the market has wrought massive changes to the university endowments who have invested in it. Motivated to find higher profits away from the crowded thus less dramatically profitable area of publicly-traded U.S. securities, Yale has sought out the liberalized, "less efficient" markets of foreign and private equity investments. Over the last few decades university endowments like Yale's have grown to previously unimaginable sizes through investment vehicles specializing in international markets, private equity, "absolute return strategies" (which profit from short positions offsetting long positions especially exploiting corporate "events" like mergers, bankruptcy, and "reorganizations" and hedging holdings with different valuations), derivatives and futures trading, the privatization of public industries, the purchase of international debt.

This is true mostly for U.S. universities although in international forums like the International Conference on Higher Education the benefits of endowment revenues has been touted by rich American universities to financially-strapped universities from around the world (Altbech and Johnstone). Facing the results of financial crises and the implementation of structural adjustment programs the nations of sub-Saharan Africa reduced government expenditure in higher education, resulting in larger student fees and the responsibility of individual universities to engage in income generating activities to raise additional funds, including capital campaigns and endowment investing (Abagi). Around the world, endowments are tied up in the logic of the neoliberalization of higher education which emphasizes the "freedom" of market independence for universities, as a third way in these debates about the corporate university between the public "mass" university and the profit-generating, consumer-focused corporate university . As David Swensen, who heads the Yale endowment has written: "Endowment accumulation facilitates maintenance of institutional autonomy, since reliance on impermanent income sources to support operations exposes institutions to the strings attached by providers of funds," such as states or industry, "foster[ing] greater academic freedom, allowing trustees the flexibility to chart an independent course" (Swensen, 11).

Within the increase of market forces within academic financing, universities' widely increased direct market exposure in the growing reliance on endowment investment is an example of academic "paper entrepreneurialism," (Harvey, *The Condition of Postmodernity,* 162) the profiting without production of actual goods or services. Universities have changed their endowment investment strategies to fit this new environment of finance capital, with a number of elite institutions' high profile investment management teams setting the standard now followed by most. Whereas publicly traded securities, bonds, and cash used to make up the majority of Yale's investments, in the late 80s and 90s Yale shifted its investments into "a variety of financial instruments, venture capital, real estate and 'distressed property' investments" (Lafer, 95). As of the 2003-2004 financial report, "foreign equity, private equity, absolute return strategies, and real assets now represent more than three-quarters of the endowment" (25).

Yale's investment team has pioneered the addition of alternative investment strategies, notably hedge funds and private equities, to university endowment portfolios. Arriving as Chief Investments Officer in 1985, it is not coincidental that David Swensen's tenure in the position overlaps with these dramatic economic changes. After earning his Ph.D. in economics from Yale in 1980, he went to Wall Street, where in the corporate-finance department at Salomon Brothers he engineered the first modern currency swap. In 1981, "IBM had bonds denominated in Swiss francs and German marks that it traded to the World Bank for an identical debt in dollars, and 'Voilà! The world of swaps was born'" (Pulley, "Big Bucks, Closed Books").[9] When Swensen first arrived at Yale from Wall Street, Yale invested more than three-fourths of its assets in domestic stocks, bonds, and cash, and after a particularly unprofitable and inflationary ("stagflation") period before his arrival, the inflation-adjusted value of Yale's endowment had fallen by almost half (Pulley, "Big Bucks, Closed Books). Swensen diversified Yale's holdings to match the neoliberal global economy, turning away from publicly traded investments and toward lightly regulated asset classes including private-equity funds (investors own part of a private company), venture-capital funds (investors finance start up ventures), and hedge funds (which use aggressive tactics such as short selling, leverage, program trading, swaps, arbitrage, derivatives -- unavailable to other fund managers) (Pulley, "Big Bucks, Closed Books"). His investment choices have added over $10 billion dollars to the endowment. Swensen literally 'wrote the book' on the application of these new alternative investment strategies to endowments, *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment* (2000). Harvard Business School profiled Yale's investments as a teaching tool for new approaches to endowment management and *The Chronicle of Higher Education* and other investment officers acknowledge him as a "genius" to be learned from (Lerner, Pulley, "How Small Colleges

Can Get Yale-Like Returns," Pulley, "Big Bucks, Closed Books"). A number of people have learned from Swensen and the investment office directly, as they have graduated investment officers to Princeton, Bowdoin College, the Carnegie Corporation, the Rockefeller Foundation, as well as a number of investment banks and funds (Pulley, "Big Bucks, Closed Books").

The rising power of financiers under neoliberalism extends to investment management at universities. Endowment managers are the highest compensated university workers. David Swensen's one million dollar salary far exceeds the university president's. But it does not even compare to the salaries of the investment managers of the Harvard Management Corporation (the top paid university workers ever, I imagine, with the top seven managers earning a combined $78.4 million in 2004 and $107.5 million in 2003). While not on the order of Harvard, the same is true at both private and public universities across the country. But all these endowment managers are taking pay cuts (for a variety of reasons including school loyalty, commitment to education, etc.) from their market compensation as fund managers on Wall Street, where Swensen for example could be making hundreds of millions of dollars, as is the frequent justification for their incomparable academic salaries. With these high costs and the increased specialization and active management of the investment funds which make up endowments, universities and colleges hire high priced managers by investing in outside funds, especially the vast majority unable to pay for their own in-house high-priced investment managers or those with smaller endowments seeking active management and diversification strategies without the endowment size or comfort with the exposure to individual risk. Even at Yale which has a large in-house investment staff most of its investments are now managed by outside fund managers. This means that most universities endowment assets have become vastly more obscure (less transparent) and less regulated.

Under neoliberalism, deregulation and globalization, and Swensen's leadership, the Yale endowment veered away from publicly traded investments and toward lightly regulated asset classes like private equity funds (invests in stock in a private company), venture-capital funds (provides money to start-ups), and hedge funds ("whose managers use aggressive tactics -- short selling, leverage, program trading, swaps, arbitrage, derivatives -- that are unavailable to mutual-fund managers") (Muskus). The last of these constituted a new asset class euphemistically called "absolute return." These hedge funds seek to exploit market inefficiencies with large sums of money from multiple institutional investors, in this case, namely endowments. In fact, college endowments have fueled much of the growth of these investment strategies, with their large sums of cash investment and legitimacy, providing private-equity vehicles and hedge funds the credibility to attract more investors.

Although even the financial press finds them hard to define, hedge funds like Farallon's are "basically private investment pools for wealthy, financially sophisticated investors" as they "very often use speculative investment and trading strategies" by anticipating market movements, which come with high risks and sometimes high returns ("Capitalism's New Kings," 9). Farallon also manages private equity, like Yale's limited partnership in Baca Ranch. Both types of investments are highly secretive and oppose greater transparency as a threat to their proprietary knowledge and profitability, and are thus nearly impossible to monitor and control (Rubin). As they do not have to tell investors, the public, or the government where they invest their money, hedge funds are at the center of a growing debate over disclosure and social responsibility, as they increasingly manage the money of nonprofit endowments, funds, and foundations ("A Survey of Private Equity").

Yale has had great success with these strategies, growing from $4.0 billion to $15.2 billion in the last decade. With annual net investment returns of 17.4 percent over that time, and a two decade record of 16.0 percent annualized returns produced a 2005 endowment value of more than ten times that of 1985 ("Endowment Update," 4). Now the endowment grows by millions of dollars per day so that in 2004 for example, even with higher "targeted" revenue spending of 5% of the endowment (the actual rate was only 4.54%) it constitutes only a fraction of the endowment's yearly 19.4% return. In other words, the $502 million dollars contributed by the endowment to the operating budget was in actuality less than a quarter (23.9%) of just 2004's interest on the endowment -- $2.1 billion (for perspective, just the interest on the 2004 endowment was roughly equal to the GDP of the Republic of the Congo, and more than the GDPs of 18 of the world's nations combined) (Conroy, "Financial Report, 2003-2004," "The World Fact Book"). Although it is awkward to think about, as we are accustomed to understanding universities as perpetually financially-strapped, the endowments are in fact idle capital made hyper active. As the classic Marxian analysis would go, the capitalism of Yale's endowment produces over-accumulation and its dialectical partner, crisis, when "idle capital and idle labour supply…exist side by side with no apparent way to bring these idle resources together to accomplish socially useful tasks." To absorb this capital university endowments rely on the classic "temporal" and "spatial" fixes. Excess capital can be put to "future uses" and absorbed through long-term "investments in plant, physical and social infrastructures, and the like" (Harvey, *The Condition of Postmodernity,* 182-183). Yale absorbs excess capital in new buildings and reinvestment in the endowment for future use. Not surprisingly, of $202.1 million spend on buildings in 2004, 45% was spent in the medical school and science buildings, where the vast majority of the $491 million in grant and contract income is generated (29% of operating revenue), investing in a future source of revenue. Residential colleges, of great importance to attracting students and their tuition revenues (13% of operating revenue), received 26%. And no other single campus area received more than 8% ("Financial Report, 2003-2004"). In turn, the global reach of the endowment tries to "spatial fix," or "the production of new spaces within which capitalist production can proceed…the growth of trade and direct investments, and the exploration of new possibilities for the exploitation of labour power" (Harvey, *The Condition of Postmodernity,* 182-183). But the crises over Yale's investments continuously arise, both on its campus, and around the world.

Activism and Crises in the Towers

Much of the focus of the Yale endowment and activists has been on Farallon Capital Management, LLC, the fourth largest hedge fund in the world with about $16.4 billion dollars of assets under management, run by Yale graduate Thomas Steyer.[10] Farallon invests endowment money for several universities including Bowdoin College, Brandeis University, Case Western Reserve, Christian Theological Seminary, Denison University, Duke University, Mills College, Oberlin College, Princeton University, Tufts University, University of Michigan, University of Pennsylvania, University of Texas, Yale University, and others.[11]

UnFarallon researchers believe that Yale (and the Yale pension) has between 500 million to over 4 billion dollars in Farallon's investment vehicles and partnerships.[12] Between the secrecy surrounding private equity and the often short time period investments are held it is extremely difficult to track Farallon's (and thus Yale's) money. Searching the financial news, scouring Yale's tax forms, appealing to state Sunshine Laws and the federal Freedom of Information Act where possible, and making use of allies around the country, GESO researchers followed the trail of Yale's global capitalism.

GESO, with support from its international union UNITE-HERE, committed a full-time researcher and inspired a number of rank-and-file members to track Yale's endowment, focusing on the secretive ventures of Farallon. This was not an entirely new pursuit for the doctoral students involved with the unions whose research had already made Yale's finances the subject of attention-grabbing reports. In 2001 three doctoral students wrote the historical account of Yale's relationship to slavery and race relations in "Yale, Slavery and Abolition" (2001) while another researcher reported on contemporary Yale endowment money invested in Talisman Energy in the Sudan through the fund Tercentennial Energy Partners, on a union website called YaleInsider.org. Searching the financial news, scouring Yale's tax forms, and making use of allies around the country, GESO researchers followed the trail of Yale's global capitalism despite the lack of transparency and great geographical distance. Over time, researchers pieced together a troubling picture of the worldwide effects of the university's endowment: they uncovered investments including the privatization of a bank and price-gauging in the privatization of the power industry in Indonesia; conflicts of interest scandals in Russia's emerging bond market; a Panamanian bank that financed a destructive crude oil pipeline through Ecuador; all in Argentina, the privatization and subsequent duopolistic rate-hikes of a telecommunications company, the privatization of a natural gas company, the restructuring and the threat of layoffs of 6,000 textile workers; and, closer to home, the investment in the largest for-profit, private prison company in the United States (UnFarallon.info, DumpFarallon.org, YaleInsider.org, GESO).[13]

When GESO researchers find information about investments, they disclose it, in contrast to Yale and its investment vehicles' policy of super-secrecy. They have created multiple websites, including UnFarallon.info, DumpFarallon.org and YaleInsider.org (along with the rest of the unions at Yale), to piece together what is known about Yale's capital, post documentation, and share advice on endowment research and activism. In the process they have forged relationships with other student, community and activist groups – the United Students Against Sweatshops, Students Resisting and Transforming Corporations, Student Environmental Action Coalition, the Rainforest Action Network, UT-Watch (a University of Texas watchdog community-student group), Not With Our Money (anti-for profit prison group), Prison Legal News, etc. – to form a coalition of activists to share information, co-sponsor the website, and organize actions. Student and labor activists from around the country have come to New Haven to train with GESO researchers and share lessons from their home institutions. In the process, UnFarallon has become a national campaign, with activists at a number of the wealthiest universities in the U.S. petitioning their university administrations for disclosure, oversight or divestment of investments, holding teach-ins to educate their campuses, and making visible the obscure world of their university endowments' global capitalism with street theater and performance art in national Days of Action.

March 3, 2004: Saving the world from the Yale Investments Office.

April 16, 2004: Students (per)form the ironic Stakeholders for the Aggressive Management of the Endowment (S.H.A.M.E.). Learning from their university's work at Baca Ranch, they pump and sell the water from Yale's famous fountain: "We are a group of high net worth student activists who are dedicated to fighting for a university that puts the pursuit of profit, and of maximum investment returns, above all else."

The UnFarallon coalition builds upon two rich legacies of activism: the first, student activism around university finances and business relationships, the second, labor activism and social movement unionism. At various historical moments, students, alumni, workers, and community members have challenged universities to examine the role of their finances in war, racial discrimination, economic exploitation, political repression, and environmental destruction. In the 1960s and 70s, students took aim at their own universities as centers of Cold War power. Anti-Vietnam War activists protested (often facing violent reprisals) their universities' embeddedness in the military-industrial complex while also demanding divestment of university endowments from companies like Dow Chemical, manufacturer of napalm. Demonstrating the breadth of targets, demands and tactics, in the same period, students at dozens of U.S. universities organized "Campaign GM," calling for universities to be more active investors by leveraging continued ownership of General Motors stock for progressive reforms by voting on a variety of shareholder resolutions on the disclosure and oversight of environmental, minority hiring, and safety concerns (Simon, Powers, and Gunneman, 3). Although many campaigns around university investments have often had an international focus or bias, student and community activists have also called on universities to invest more responsibly in their own cities and face their local problems of poverty, segregation, and discrimination.

But the paradigmatic example of divestment campaign is the anti-apartheid movement of the 1980s which galvanized students at colleges and universities across the country, setting new precedent for activism and university response. With its roots in earlier decades' demands to boycott companies with discriminatory practices and an interest in racial apartheid and politics in Africa which spanned decades, the divestiture from South Africa campaign reached its dramatic culmination in 1985 when students across the country occupied shantytowns they built on their campuses. The campaign succeeded in winning various levels of divestiture of their universities' endowments from companies in apartheid South Africa.

Campaigns calling on universities to cease investing in or procuring goods from particular corporations (there is common crossover between anti-sweatshop and investment activists) have only increased as the richest universities actively position themselves in the global marketplace. Examples of recent activism include: Free Burma Coalition (PepsiCo, Texaco, UNOCAL), Free Nigeria Movement (Shell, Mobil, Coca-Cola), United Farmworkers (strawberries), Pineros y Campesinos Unidos del Noroeste (Gardenburger, NORPAC), Students for a Free Tibet (China), Student Environmental Action Coalition (Burma, tropical hardwoods, Exxon, Nigeria), East Timor Action Network (Indonesia), Jobs with Justice (union busters), Global Exchange/National Labor Committee/UNITE!/United Students Against Sweatshops (sweatshops), the Democratic Socialists of America Youth Section (various), Make TIAA-CREF Ethical, and the much publicized recent campaign for the divestment from the Sudan (Manski, 395).

These campaigns have yielded victories on specific investments and at times even on the nature and oversight of university investing. In 1969 as a result of early activism at Yale, a group of students and faculty convened a series of seminars on socially responsible investing that led to the publication of *The Ethical Investor: Universities and Corporate Responsibility*. The book "established criteria and procedures by which a university could respond to requests from members of its community to consider factors in addition to economic return when making investment decisions and exercising rights as shareholder," and became the model for the consideration of "ethics" in investment policy at universities ("Committee History and Mission"). *The Ethical Investor* advises that universities choose investments "based solely on maximum-return principles" but "require[s] the university to take shareholder action to deal with company practices which appear to inflict significant social injury" (Simon, Powers, and. Gunneman, 8-9). Universities should vote on shareholder proxies (but not propose their own), communicate with corporate management, or sell the holding if the "social injury appears to be 'grave'" (Simon, Powers, and. Gunneman, 10). Universities should not sell investments because of a company's socially injurious practice "unless these practices are grave and unless all methods of correcting the practices have failed or appear doomed to fail." But at the same time, "if correction of social injury (or the process of correction) reduces the return sufficiently to make the stock unattractive under conventional maximum-return criteria, the Guidelines require the university to sell the stock" (10-11). The authors make it quite explicit: under no circumstances should a university take "affirmative action for social improvement" with its investments (6).

The authors also proposed, and the university established, two committees for investment review: the Corporation Committee on Investor Responsibility (CCIR), composed of Fellows of the Corporation, and the Advisory Committee on Investor Responsibility (ACIR), composed of two students (one undergraduate and one graduate), two alumni, two faculty and two staff members. The CCIR recommends policy to the full Corporation, and is advised by the ACIR on how to vote in shareholder proxy resolutions, but their decisions are rarely made public. The ACIR's oversight is also limited to Yale's investments in public equities, which limits its ability to react to the new assets of the neoliberal university. Ben Begleiter, GESO's researcher for the UnFarallon campaign, argues: "Stocks in Yale's name account for less than 3% of Yale's holdings…the ACIR has control over nothing" (Begleiter). The CCIR and ACIR have suggested that their "ethical investing policies" could be applied to private investments as well. But as there are no shareholder proxy votes in private investments, proposals for action would have to come from campus activism, which is almost impossibly hindered by the lack of disclosure by both the university and its outside investment managers who understand these investment choices as valuable proprietary information which could be exploited by other investors effecting Yale's profit possibilities. Given the complexities and timeline of the 'bewildering world' of endowment investing, no more than a select group of endowment managers at Yale could know about its own investments. A Yale School of Management Professor explained: "[Private equity] funds are set up as limited partnerships and limited partners have no say whatsoever in what investment decisions are made…The amount of disclosure made by the management company to the limited partners vary—there are no well established standards. Typically there is an annual report that includes a brief description of each of the investments, but this can be released 12 to 15 months after the investment is made" (Rubin).

Many would like to see the policies for disclosure and oversight broadened to include universities' new forms of global capitalism. An array of constituencies, with a variety of politics, has taken up this cause. As high tuitions and private donations compose a larger share of some universities' institutional revenues, students, parents, and alumni have become important "consumers" and "clients" who wield some power (Slaughter and Leslie, 237). They have begun to demand more transparency and accountability as stipulations to their money.

But the issues are complex. What constitutes "grave social injury?" Is it abusive practices by a company with otherwise socially beneficial products (debatably, GM), or is it a company complicit in the injustices of an actor beyond its control (apartheid South Africa), or is it a company with socially harmful products doing its business "ethically" (Dow Chemical)? And whose "ethics" are we going by, ask defensive investment managers, firing back with the possibility of anti-abortion activists targeting investments in pharmaceutical companies who produce the morning after pill. From the other side, Marxists, question divestment campaigns implicit proposition of the possibility of an "ethical investment" which profits from another's labor.

And what should be the end goal of an investment campaign? Is it to get a university to be a more "active investor" pressuring to a corporation to behave better, or is it to sell the investment and leave it up to less socially-inclined investors (as the authors of *The Ethical Investor* argue)? Having learned important lessons from the sweatshop movement, endowment activists know that divestment, like boycotts, can often punish the most vulnerable communities and people on the other side of the investment. Investment activists have demonstrated an increased sophistication in their tactics and demands often asking for their universities to leverage their investments to make positive change. In a similar trend, students and alumni have formed groups to advocate for socially responsible investment (SRI) of university endowments, and have even proposed alternative giving funds (Baue, Responsible Endowments Coalition). While still capitalist in nature and mired in debate over what kind of investment is actually "socially responsible" or "ethical," this shift to socially responsible investing marks a growing recognition of the capitalism's destructive results, even if activists aim only to restrain or improve it. These activists argue that U.S. university endowments could constitute a powerful force in the global financial marketplace with their more than $230 billion of investments (Peterson).

The UnFarallon campaign also emerges from a particular local context of labor organizing at Yale and GESO's now long fight for union recognition. The unions argue that they have a direct interest in Yale's investments: they pays their wages and fund their pensions. "The union looks at Yale's endowment because we care how our pension funds are invested," a union activist commented. "We believe that Yale should be an ethically responsible investor" (Begleiter in Rubin).[14] One of the consequences of an organizing campus is a group of Yale-trained researchers eager to put their skills to activist scholarship, like Begleiter and Haley.

The federation of unions at Yale – service and maintenance employees, clerical and technical workers, graduate teachers, and hospital workers, and their allies in the community – have frequently highlighted the disjunctures between the university's mission and its methods through various "corporate campaigns," inspired by the models of their affiliated international unions UNITE-HERE and SEIU. The unions conduct corporate campaigns to "shame" Yale into correcting discrete wrongs, to educate members and allies on the politics of the university, and to leverage the university administration onto the broader union program, whether at the time that involves contract negotiations, recognition of new union drives, retiree benefits, or a "social contract" with the community.[15] In researching Yale's investments, union members try to reconstruct and expose the economic capital buttressing Yale's cultural capital, as Yale is sensitive to the ways in which UnFarallon's actions mar their reputation with both the public and the investment industry; Yale does not like "to be thought of as a capitalistic investor," nor does it like to be seen as a financial liability to its investment partners (Begleiter). As a recent labor consultancy report characterized the situation, "Union power is derived by attacking Yale's reputation. Doing so effectively requires forming alliances with others and expanding the battleground beyond the bargaining table and the campus itself" (Rubin). Thus, investment campaigns are another aspect of the growing social movement unionism in New Haven.

By taking up the UnFarallon campaign GESO has expanded its allegiances and its battleground. The prospective union of graduate teachers is well-positioned for these kinds of new formations. Identifying as both students and workers on campus they have direct connections to both student and labor organizations like United Students Against Sweatshops and UNITE-HERE. Whereas the vast majority of the research has been conducted by GESO members and former graduate students who are now employed by the unions, many of the protests have been organized by an affiliated group of Yale undergraduates. The UnFarallon campaign provides an opportunity to involve community members with different histories of activism – labor, environmental, legal, and especially those in global justice. It also challenges GESO members who may have no more than a hazy understanding of the benefits of a union contract to see the larger system in which their intellectual work exists. When I put the question to Begleiter directly: "What is this campaign really about? Is it really about getting to Yale?" At the beginning it probably was, he admits, pointing out that taking on a multi-billion dollar intransigent employer is no small matter. But then he dives into the description of the information they uncovered about Yale's capital in pipelines in Ecuador and Sudan. "People died to pay my stipend," Begleiter finishes, "it's different for me now." Thus, the UnFarallon campaign is a productive means as well as an end. It teaches and organizes students and workers on the Yale campus by demonstrating how capitalism and globalization work on their campus and half way around the world. It opens up discussions, both theoretical and practical, about the place of universities in the global economy.

If the UnFarallon campaign as a "means" demonstrates how capitalism works on the Yale campus and in Indonesia, it also provides a means to connect the two. In Gauri Viswanathan writing about Yale's financial windfall from a previous global moment, he theorizes the relationship between Elihu Yale's profits in the British East India Corporation and the financing and naming of Yale. Viswanathan applies Edward Said's concept of "filiation and affiliation," which suggests a shift from the familial relationships of a pre-capitalist order towards the formation of new affiliative relationships with the transition to a global capitalism marked by the growth of institutions and corporations to which we relate (Viswanathan). UnFarallon's retracing of the flow of Yale's capital maps a network of affiliative relations that could be used to form and mobilize alternative, counter-hegemonic affiliations and solidarities.

UnFarallon's new solidarities are characteristic of the "industrial unionism" and community organizing at Yale, which has challenged the divisions between workers and communities – with service and maintenance employees helping to organize clerical and technical workers, all supporting the drives for unionization of graduate teachers and researchers and hospital workers, insisting on the connection between the university and the university hospital, fighting for community benefits agreements with Yale-New Haven hospital and against the corporatization of a depositor-owned bank, etc. – through the ties of Yale's capital. Most recently, GESO graduates serving as researchers for the union found Yale's investment in the Corrections Corporation of America, the largest private, for-profit prison company in the country. Sarah Haley, a doctoral student in African-American and American Studies who works on race, gender, and incarceration, and a GESO member, researched and wrote a report on the nature of the investment. Grassroots organizing led to campus mobilization for divestment while the campaign connected the union to a wider network of prisoner advocates and anti-privatization activists. The university slowly and quietly divested last year.

Through these campaigns, GESO members learn about the new world economy that we call globalization, and can begin to locate themselves within it. While recognizing the increasing global division of labor and its extreme inequalities, the cultural and intellectual workers of GESO could begin the process of creating solidarities with the new working classes of the world based on their shared relationship to Yale's capital and their positionality in the same economic system. Another world becomes easier to imagine, and possible.

Notes

[1] The expanding literature includes Sheila Slaughter's books with and Larry L. Leslie, *Academic Capitalism: Politics, Policies, and the Entrepreneurial University* (1997) and Gary Rhoades, *Academic Capitalism and the New Economy: Markets, State and Higher Education* (2004), *Chalk Lines: The Politics of Work in the Managed University* (1998) edited by Randy Martin, and *Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education* (2004) by David Kirp.

[2] As Matthew Jacobson said in his speech at the Faculty Speakout against Corrections Corporation of America, December 1, 2005.

[3] Deposition of Jason Fish, August 7, 2001, Exhibit 405, Cabeza de Vaca v. Vaca Partners, 15; "Reply To Counterclaims and Third-Party Complaint and Cross-Claim," CV 01-D-83, Exhibit 1; cited at www.unfarallon.info/bacaranch.asp (accessed December 12, 2004).

[4] Deposition of Jason Fish, August 7, 2001, 33 & 68; "Intervening Plaintiff Peter Hornick's Brief in Opposition To Motion By Defendants For Summary Judgment…" CV 01-D-0083, August 30, 2001, 2; cited at www.unfarallon.info/bacaranch.asp (accessed December 12, 2004).

[5] See essays by Michael Denning and Naomi Paik in this collection, as well as *The Cold War and the University: Toward and Intellectual History of the Postwar Years*, Andrew Schiffrin, ed. New York: New Press, 1998.

[6] From 1977 to 2002, state appropriations to higher education fell from approximately $8.50 to $7.00 per $1,000 in personal income. If the 1977 ratio of public appropriations to personal income had been maintained, state financing of higher education would have been about 20%, or $13 billion higher in 2002 than existing appropriations. Thomas J. Kane and Peter R. Orszag, "Funding Restrictions at Public Universities: Effects and Policy Implications," Brookings Institution, (2003) http://www.brookings.edu/views/papers/orszag/20030910.htm.

[7] In *America By Design* (New York, 1977), David Noble points out that many U.S. universities were set up by and connected to corporate capital from their inception, but there does seem to be a marked shift from the 1980s on.

[8] In 2004 the next largest revenue generators, as Leslie, Slaughter, Rhoades, and Gopinath (in this collection) could attest, were "grant and contract income, 29%," "medical services, 15%," and "student income, net 13%." "Yale University Financial Report, 2003-2004," http://www.yale.edu/finance/fr/index.html (accessed January 5, 2005).

[9] Robert Lowenstein from *When Genius Failed: The Rise and Fall of Long-Term Capital Management* quoted in John L. Pulley, "Big Bucks, Closed Books," *The Chronicle of Higher Education*, 52 (2) 2005.

[10] In 2004, Farallon Capital Management was the largest hedge fund manager, but in 2006 it dropped to number four in the world. Katherine Burton, "Goldman Sachs Listed as Top Hedge Fund," *Bloomberg News*, June 22, 2006, http://www.iht.com/articles/2006/06/21/bloomberg/bxhedge.php (accessed August 1, 2006).

[11] www.unfarallon.info (accessed January 3, 2005) collected from public records requests (for public universities) and mentions in the financial press.

[12] Yale's Form 990 filing with the Department of Treasury, Internal Revenue Service for tax year beginning July 1, 2002-June 30, 2003.

[13] Barbara Garson undertakes a similar intellectual project on an individual level in *Money Makes the World Go Around*. New York: Viking, 2001, as she literally follows her money around the world to see the effects of her various investments.

[14] Begleiter in James Rubin, "Yale's Investment Practices Under Fire," *The Yale Herald*, September 13, 2002. Interestingly, one of the most powerful moments of the last strike at Yale was the occupation of the investments office by retired workers over inadequate and late pension payments, demonstrating the increased awareness of the location of financial power in the university.

[15] For a discussion of the organizing tradition at Yale and social movement unionism, see Sumanth Gopinath's essay in this series.

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