

# Gifts and Giving

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CORNELL

# GIFTS AND GIVING

## SOURCES OF SUPPORT

Despite their diversity and unique evolution, all major research universities in the United States are financed primarily from three sources: government support, user fees, and private donations.

### Government Support

Government support—in the form of appropriations, grants and contracts, student financial aid, and the provision of equipment and facilities—is a relative newcomer in higher education finance. While some states provided occasional financial support to private colleges within their boundaries as far back as the colonial era, the modern state university system did not arise until the middle of the nineteenth century. According to Elchanan Cohn and Larry L. Leslie:

Fairly regular in the early periods but more and more sporadic after the revolutionary war, public support of institutions took numerous forms. Harvard received from Massachusetts not only outright legislative grants but also certain franchises—for example, income from the Charles River ferry and later bridge tolls when the ferry was replaced...From Connecticut Yale received the proceeds from the sale of a captured French vessel, and almost every colony allowed its colleges to run a lottery. An indirect subsidy was enjoyed by the faculty at Brown University, who benefited from a practice dating back to Greece and Rome—the exemption from taxes owed the state.

Government policies after the Revolutionary War led to the use of the nation's burgeoning portfolio of western lands as a funding source for roads, railroads, and education. As Roger L. Williams noted:

The Northwest Territory Ordinance of 1787 established a...scheme for institutions of higher learning, called township grants. ...In 1836, Congress altered this system..., authorizing one [township] for establishment of a "seminary of learning" within a given territory, and one other for the establishment of a first state university within any given state.

These state initiatives were followed by the enactment of the 1862 Morrill Act, which launched the system of land-grant universities that includes Cornell. While the 1862 act was focused primarily on education, subsequent federal legislation (including the 1887 Hatch Act and the 1914 Smith-Lever Act) expanded the mission of these land-grant institutions to embrace research and public service, thereby creating the construct of the modern research university. Although government support for research was limited initially

to agricultural studies, World War II precipitated a huge increase in defense-related federal research funding. The 1950's and 1960's saw the expansion of government support for basic and applied research outside of defense and the introduction of government support for student financial aid. Today, government agencies fund about one-third of the cost of higher education in the United States.

### User Fees

Education's reliance on user fees is, literally, ancient history. As Cohn and Leslie describe:

...higher education in both Greece and Rome...was primarily a free enterprise endeavor in which aristocrats and wealthy parents paid to sophists fees for the political preparation of their sons. ...At times fees were graduated in accordance with the circumstances of the pupil, with no fees being charged to those who could not afford it. Yet, the awarding of "charitable scholarships" by the sophists may often have had some limitation, "for," said Libanius in a statement that has echoed down through time, "what one can get free, one makes no exertion to obtain, and what has cost nothing, one does not value."

It was not until the Middle Ages in Europe that modern universities would arise as collectives of freelance teachers. The universities provided a locus of activity and an administrative structure to collect fees from students. The word *tuition* derives from the Latin word *tueri*, which means to protect, and was used to describe guardianship. A university tutor assumed tuition for his students in the care and instruction provided. The word tuition evolved gradually to mean a specific course of study and eventually the fee paid for that service. The first recorded use of tuition in this latter sense occurred in 1582, as Augustine Steward accounted for the various costs of sending his stepsons, Thomas Sisley and Thomas Campion (the Renaissance English poet and composer), to Peterhouse College at Cambridge University: "Item, thir tuition yerely xlv. s for eche... Wh<sup>ch</sup> I will quterly deliver to thir tutor aforesaid."

User-based charges encompass not only tuition, mandatory fees, room, and board, but also fee-based services for hospitals, clinics, and academic programs; consumer products and services sold through campus stores and student unions; and athletic and entertainment events. Today, user-based fees account for a little less than one-half of the overall funding for higher education in the United States.

## Private Donations

The third pillar of higher education's financial support structure is composed of gifts and grants from private, nongovernmental sources. Related to this revenue stream are the investment earnings that are produced when these assets are held as endowments. This beneficence originated with church-led efforts in the United States. According to Cohn and Leslie:

The late Renaissance and the Reformation witnessed the advent of higher education in the United States, where financing took varied and occasionally new forms. Foremost of the varied forms was private benevolence, mostly of a religious nature. For [the] Colonial College, the most lucrative benevolent source was England; the major solicitation vehicle, in addition to visits by college representatives to the mother country, was the promotion pamphlet. Periodicals, such as *New England's First Fruits*, were in fact developed primarily for this purpose, even though the literary value of many turned out to be considerable. Throughout the colonial period, subscriptions remained the major vehicle of college support.

Prior to the Civil War almost all of America's institutions of higher education had religious affiliations. The middle and end of the nineteenth century saw the emergence of public philanthropists—men and women of considerable wealth who saw it as their duty to redistribute some of those riches for the common good of society, including that of higher education. As Robert H. Bremner has described:

Whether we approve or disapprove of philanthropy, the fact remains that it has been one of the principal methods of social advance. And we do not need to exaggerate the extent of our generosity to recognize that voluntary benevolence has played a large role and performed important functions in American society. Here, as elsewhere, philanthropy has covered a wider field than charity; the problems of the poor have not been philanthropy's only or even primary concern. The aim of philanthropy in its broadest sense is improvement in the quality of human life. Whatever motives animate individual philanthropists, the purpose of philanthropy itself is to promote the welfare, happiness, and culture of mankind.

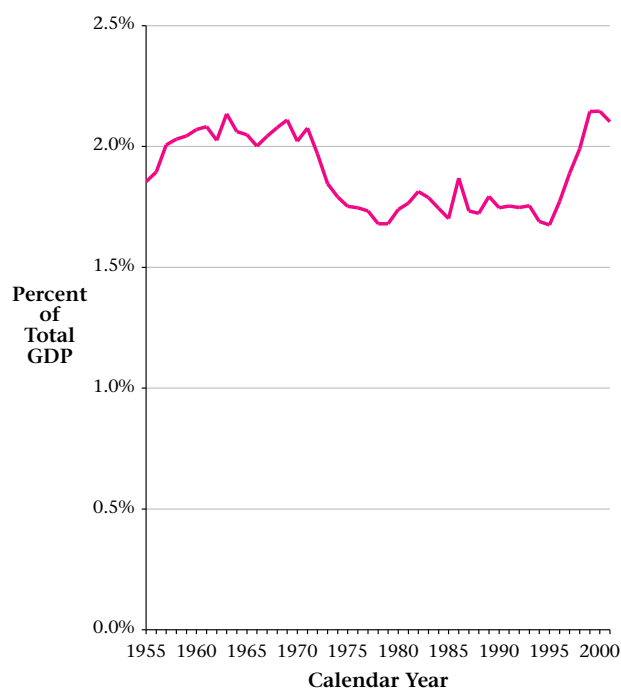
The wealth of these philanthropists sprang from the Industrial Revolution—fortunes amassed from raw materials, railroads, communications, and manufacturing. As it was a revolution that depended on a stream of scientific advances, it should come as no surprise that the era of these wealthy donors took on a flavor of what Bremner termed *scientific philanthropy*, where the rules of philanthropy were codified and applied rigorously. This ordered and organized philanthropy led to the formation of such institutions as the

American Red Cross, as well as coordinating agencies, such as state boards of charity. This era also saw the creation of foundations as devices to administer the philanthropic wishes of an individual or family. A third change that occurred in the nineteenth century, peculiar to higher education, was the emergence of the alumni as a funding-raising body.

According to Barbara E. Brittingham and Thomas R. Pezzullo, "The successful fund raising in World War I led to the founding of professional fundraising firms. Charles Ward, a fund raiser for the YMCA, and Harvey J. Hill opened Ward and Hill Associates in 1919. The five largest fund-raising firms in the United States today [1990] have their origins with that firm." Fundraising as it is now known came to maturity in the twentieth century, as an accumulation of changes in donor preferences, government modifications of tax laws, and a transformation of the fundraising roles of not-for-profit institutions from passive to active. Brittingham and Pezzullo have summarized these changes as follows:

- (1) The wide shift away from church-affiliated and individual and personal solicitation to direct institutional appeals of an organizational and professional nature.
- (2) The notion of *charity* has been replaced with *philanthropy*, and theories

Ratio of Total Giving to the Gross Domestic Product (GDP) of the United States



of donors' behavior have changed accordingly. (3) The imposing role fund raising plays in all aspects, daily or yearly, of institutional life rather than being limited to crises or major changes in direction. (4) While once considered an adjunct to the duties of the president or a few trustees, fund raising has become a central institutional activity. (5) Though once limited to independent colleges, fund raising in *public* higher education has become accepted.

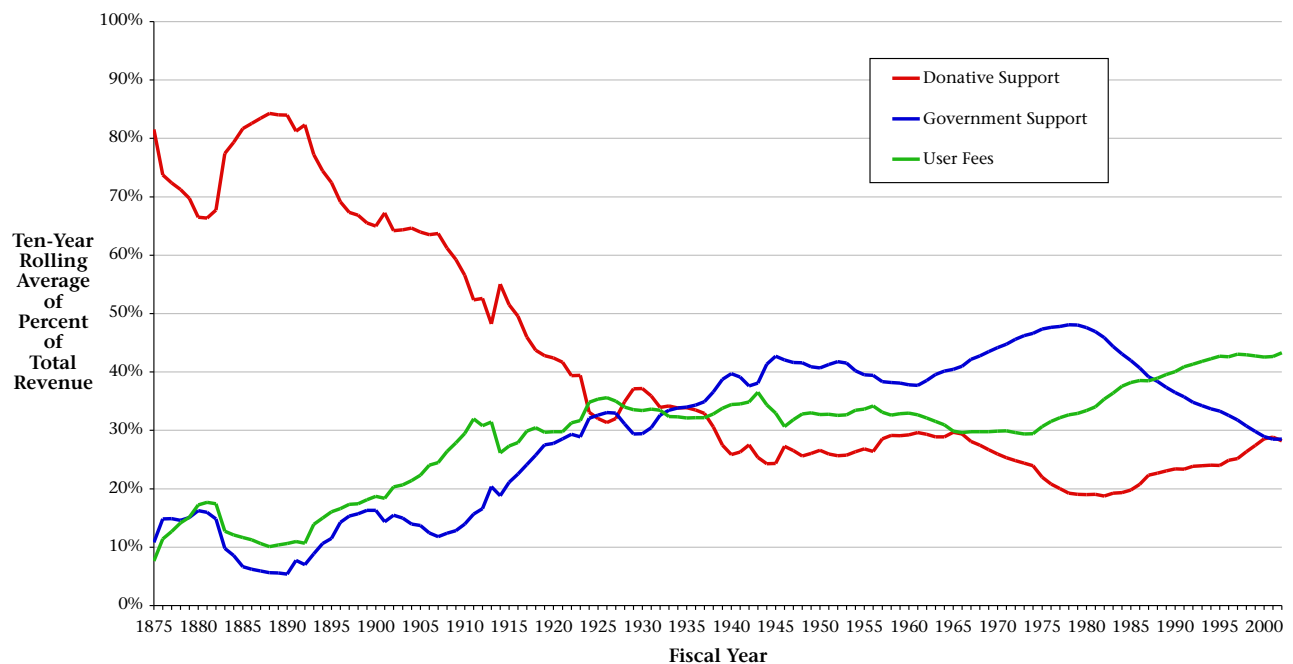
According to *Giving USA™ 2002*, donations in the United States totaled \$212 billion in 2001, an amount equal to 2.1 percent of the nation's gross domestic product. That ratio hovered around 2 percent for most of the 1950's and 1960's, declined in the 1970's and 1980's, and saw resurgence in the 1990's. (See graph on page 3.) Three-quarters of all giving comes from individuals, and that portion represents slightly less than 2 percent of personal income in the United States. The Council for Aid to Education/RAND estimated that gifts to higher education totaled \$24.2 billion in 2001, a little over 11 percent of all giving. Today, donative resources—giving combined with the endowment payout from prior gifts—account for about one-fifth of the overall funding for higher education in the United States.

## Changes in Cornell's Sources of Support

Since its founding in 1865, Cornell has experienced sweeping changes in its pattern of operating and capital revenues that reflect these overall national trends. And being a private university with a public mission, Cornell has been subjected to financial and political forces that have affected private and public higher education in the United States differently.

- Through all of the nineteenth century and into the first two decades of the twentieth, donative resources were the institution's dominant funding source. (See graph below, which illustrates the ratios of the three major funding sources using a ten-year rolling average to smooth out annual fluctuations.) While Cornell enjoyed government support from the onset—first in the form of its land grant (which was realized by the sale of timber and property in Midwestern states) and later as federal and state appropriations—and did charge tuition, room, and board, the university was an *endowed* institution in the fullest sense of the word. The university was entirely dependent on its donors for survival during this period.

Rolling Average of the Percent of Total Operating and Capital Revenue\* for Cornell University



\* Excludes employee benefit and debt service costs paid directly by New York State and not recorded by Cornell. User fees are shown net of financial aid.

- That picture gradually changed in the beginning of the twentieth century as the contract colleges were founded. The advent of these colleges brought about increased government appropriations, grants, and contracts, and also led to a growth in user fees from added enrollment and the sales of a number of academic services. The creation of the Medical College during this period reinforced these financial trends, gradually adding significantly to the levels of user fees, through its clinical practices, and government support, through its research.
- Each of the primary sources of support provided about a third of the total funding throughout the middle of the twentieth century, with government support dominating slightly as research activity increased beginning in World War II.
- This situation changed fundamentally during the last quarter of the twentieth century, with ongoing trends that appear to be harbingers of Cornell's financial future in the twenty-first century. Government support is declining as a percent of total revenue, while user-based fees and donative support are increasing. The user-fee revenue increases have resulted from the addition of academic programs, augmented enrollments of both traditional and nontraditional students, growth in tuition rates (even when discounted for increased financial-aid expenditures), and an expansion in clinical services. The growth in donative resources reflects the dual factors of an increase in endowment principal and return (though tempered by the current recession) and Cornell's growing success in fundraising.

As the university works to limit its dependence on ever-increasing user-based fee revenues, it is highlighting the growing importance of donative support—both in terms of the size and return on investment of its endowment and the flow of gifts for operating and capital needs.

## EARLY GIFTS AND GIVING AT CORNELL

The Morrill Land-Grant Act of 1862 provided the impetus to found Cornell University, but precious little of the funding. New York State's share of the land granted by the act amounted to about 990,000 acres

in the form of scrip. If the land could have been sold on the spot at the then current rate of \$1.25 per acre or about \$70 per acre in today's dollars<sup>†</sup> the resulting endowment would have totaled \$1.24 million (~\$68 million currently). Invested safely at 5 percent, this nucleus fund would have yielded an annual pay out of \$61,875 (~\$3.4 million currently). In fact, as the 17.4 million acres of land allocated by the act began to be dumped on the market, the selling price of this land plummeted. When the New York State Comptroller first began selling scrip in 1864, he obtained 85 cents an acre. He ceased sales, however, when the price fell to 50 to 60 cents. Through a complicated set of maneuvers spearheaded by Ezra Cornell, the original land grant was eventually converted to a New York State-administered fund of \$473,403, on which the Comptroller paid the University an average of \$24,452 annually from 1867-68 through 1893-94 (including two years when he inappropriately withheld payment because he misinterpreted federal and state law).

The \$18,000 land-grant payment received in 1868-69, the first year of operation with students, was equivalent to about \$1 million in current dollars, hardly sufficient to create the physical structure of the campus and operate it. The fact that the land-grant legislation mandated that the land-grant funds could not be used for capital construction further complicated and limited the financial planning of the institution. The first three buildings constructed by the university cost a total of \$270,596 (~\$15 million currently). By 1874 the university had purchased, constructed, or received physical property valued at \$919,701 (~\$57 million currently). Cornell's operating budget averaged \$87,981 (~\$5 million currently) per year in the first five years of operation, with student tuition providing \$13,601 (~\$783 thousand currently) of that total annually. The substantial difference between Cornell's financial need for operating and capital funds and the resources available from the land grant and student tuition was bridged almost entirely by a set of founding gifts and the investment return gleaned from several that were held as endowments. Were it not for these philanthropic resources Cornell University could not have been launched or sustained.

<sup>†</sup> See page 23 for a discussion of the approach used in this article to adjust for inflation over the period 1865-66 to 2001-02.

## The Founding Gifts and Donors

The stream of gifts that flowed to Cornell University was, from its founding, an eclectic mixture of cash, bonds, mortgages, furniture, equipment, property, scientific collections, books, animals, and vegetation.

- First and foremost was Ezra Cornell's initial gift of \$500,000 that served as the inducement for the New York State legislature to concentrate and dispose New York's land grant proceeds on one institution that, at the time, was still a figment. Having amassed a small fortune after the merger of his telegraph companies with Western Union Telegraph Company, Mr. Cornell found himself with excess wealth. As Carl Becker recounted:

...what would Ezra Cornell do with all this money? Live in the gilded luxury to which he was not accustomed? No. For Ezra Cornell, with his dour, hard-bitten New England conscience, with his fine Quaker feeling for justice and humanity, there was just the one obvious thing to do with his superfluous wealth. And so he sets it down, with great simplicity, in the Cyphering Book: "My greatest care now is how to spend this large income to do the greatest good to those who are properly dependent on me, to the poor and to posterity."

The size of the founding gift began as \$300,000 and was increased to \$500,000 as Cornell and Andrew D. White refined their plans for the institution. The state charter that created the university mandated the enlarged gift as a condition for allocating the land-grant proceeds to the proposed university. The actual gift was made as a bond, backed by \$700,000 in Western Union stock as collateral. Mr. Cornell's largess did not stop this initial gift; he donated two farms that became university land, a \$25,000 reimbursement that he had received from New York State, a barn, library collections, and equipment. In total, he gave \$669,555 (~\$37 million currently) to his beloved institution before his death in 1874.

- The university's second great benefactor was Andrew D. White. While best known as Cornell's first president and the guiding spirit of its then radical educational reforms, White's giving record totaled \$193,081 (~\$13 million currently). As recounted in *The Builders of Cornell*, "One of [Mr. White's] first duties in his new post [as president] was to travel abroad to buy scientific equipment, books, and maps for the University, as well as to investigate several schools of applied science." White often purchased and donated these materials,



Ezra Cornell – Founder of Cornell University

asking only the university pay for shipping. His two most significant gifts were his library, valued at \$100,000 in 1887, and his house and grounds. Both are still enjoyed as testaments to White's vision that the university should be:

...unsectarian, fully equipped for the highest instruction in the sciences & the arts, and in history & in modern literature as well as for the branches hitherto carried on in the Colleges of the State, an institution in which various courses should be maintained, carried on in the same buildings & estimated of equal dignity, & in which women might receive an education equal to that given to men.

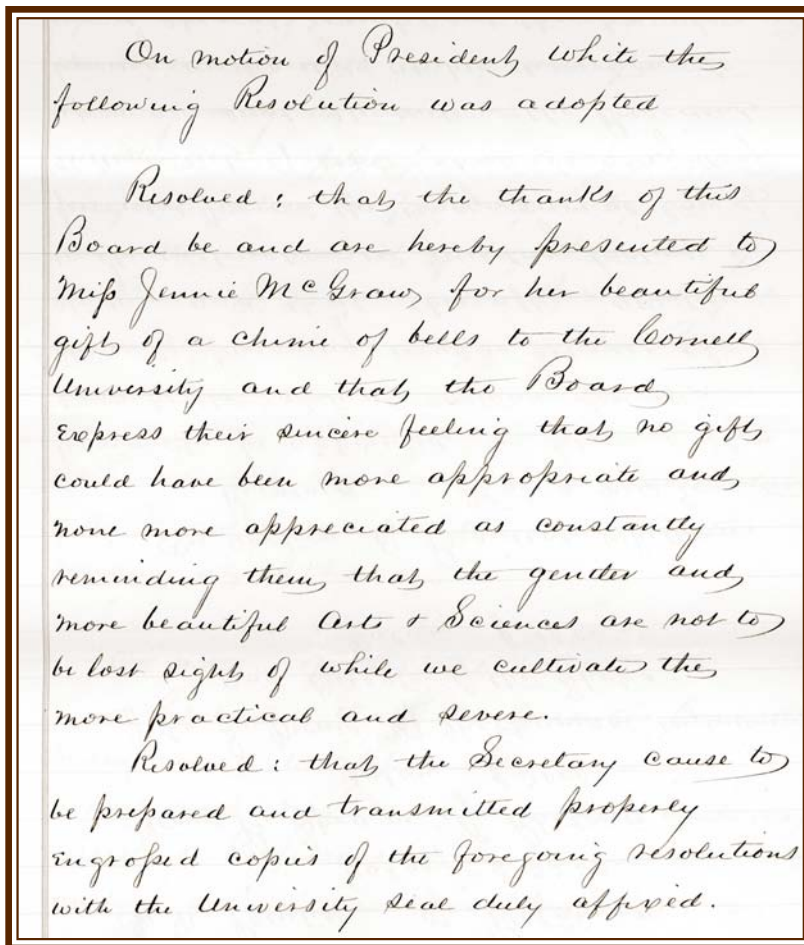
- Cornell's third founding donor was actually a pair—John McGraw and his daughter, Jennie. John was one of the university's ten original trustees, and his primary gift was \$120,000 for a library and museum (the current McGraw Hall) that included a tower to house his daughter's gift of bells. He had made his fortune in the timber industry, first in upstate New York and later in the Midwest, and was "comfortably a millionaire," according to

Bishop, when he joined the trustees. Bishop described his sole daughter, Jennie, as “cultivated and high-minded.” Her gift, valued at \$3,150 and on site at the university’s opening, came at the suggestion of President White, who, according to Bishop, ordered that the bells be rung at the beginning of each day “with the ‘Cornell Changes,’ adapted from a carillon tune which White had heard and loved one Christmas Eve in London. The ‘Changes’ were soon rechristened ‘The Jennie McGraw Rag,’ though Jennie herself knew nothing of them.” The 1868 trustee minute thanking Jennie (reproduced at right), voiced President White’s view “that the gentler and more beautiful Arts and Sciences are not to be lost sight of while we cultivate the more practical and severe.” John and Jennie McGraw donated a total of \$146,268, worth about \$9 million currently.

- The fourth founding donor was also a pair—Hiram Sibley and his son, Hiram W. The elder Sibley was Ezra Cornell’s business competitor in the telegraph business, serving as president of Western Union Telegraph Company. At the time he was one of the wealthiest men in America. He donated funds to build the first engineering building on campus and endow the engineering program. He and his son provided \$324,486 (~\$20 million currently) to create and equip these facilities. The trustee memorial made upon the elder Sibley’s death in 1888 commemorates an example of his largess:

Traveling in Italy in the early, hard days of the institution, when every day of its existence was a struggle against the malignity of its enemies and the insufficiency of its resources, he saw one of the most splendid works ever issued from the Italian press,—a triumph of art and of scholarship,—Canina’s great series of folios on the Antiquities of Rome. Without the slightest suggestion from any person connected with the University, he at once bought it, and sent it to the Library with a kind message.

- The fifth founding donor was a dynasty: the Sage family, which was headed by Henry W. Sage and included his sons, William and Dean, as donors, as well Dean’s spouse and children. Together they



provided \$1,777,179 (~\$108 million currently) in gifts for various projects over forty-four years. Henry W. Sage had been John McGraw’s partner in the lumber business, became very wealthy, and was appointed as a Cornell trustee in 1870. In 1875, he was elected president of the board of trustees, following Ezra Cornell’s death. The Sage family’s projects included Sage Hall (housing Cornell’s college for women), Sage Chapel, a library building and endowment, the Cornell Infirmary building and endowment, and the university’s first fully funded endowed professorship—the Susan E. Linn Sage Professor of Ethics and Philosophy, given in 1885. (The first endowed professorship was technically given in 1874. See page 12.) Perhaps Henry Sage’s greatest gift was his firm guidance of the university, as board president, through its most distressing financial period, when it faced bankruptcy. He managed the university’s land-grant investments in such a way as to yield for Cornell, which had received one tenth of the 1862

land grant, a net of \$5.1 million, or one-third of the total land-grant revenues generated by all of the states.

The next three founding gifts came as bequests—two realized and one not. Two of them triggered legal battles that reached the U.S. Supreme Court and set legal precedents, one of which is still cited.

- Upon John McGraw's death in 1877, his daughter, Jennie, inherited most of his considerable estate. She was unmarried, and while she suffered from tuberculosis, she had a number of suitors, including Willard Fiske, a Cornell professor and the university's librarian. Jennie and Willard were married in July 1880, but her health worsened and she died that September. Bishop noted that

[her] will was probated without objection. By it Jennie gave to her husband \$300,000; to Joseph McGraw and his children \$550,000; and, not to mention minor bequests, to Cornell University \$200,000 for a library, \$50,000 for the development of McGraw hall, and \$40,000 for a student hospital, and most importantly, her residual estate for unrestricted use. The total value of her estate was variously estimated, but Cornell's share would be a least a million.

Relations between Fiske and the university's trustees grew strained when Fiske was apprised by a lawyer that

...Cornell was apparently debarred by its original charter from receiving Mrs. Fisk's bequest, that the charter revision [of 1882] was designed (though *ex post facto*) to remove that disability, that according to state law no decedent having a husband could leave more than half her estate to charity, that Judge Boardman, executor of Jennie's will, had sedulously—and improperly—refrained from informing Fiske of his rights, and that the trustees in the know had surrounded Fiske with a wall of concealment.

Fiske elected to sue to break his wife's will, creating what has

come to be known as The Great Will Case. At issue were not only Jennie's bequest but also, as Bishop described, fundamental aspects of the university's relationship with New York State and its land-grant funding:

...was the Cornell Endowment Fund held in trust by the University (as Cornell claimed), and still subject to the provisions of the Land Grant Act, or was it a personal gift from Ezra Cornell, to which neither state nor federal government had access? If all the sums arising from the land sales were still to be regarded as part of the original land grant, then the University could not use its endowment for buildings or for other purposes not foreseen in the act. And had the State of New York limited or modified the act of Congress by its transfer of the land to Mr. Cornell?

While Cornell's position was upheld in Surrogate Court, the university lost on appeals in New York's Supreme Court and its Court of Appeals. In 1890, the U.S. Supreme Court ruled against Cornell. As Bishop noted, "The Court reiterated, however, that the Cornell Endowment Fund, the absolute property of the University, could be used for any purpose whatever." This decision turned out to be more important than losing Jennie's bequest, as it clarified the degrees of freedom Cornell enjoyed on charting its own future and controlling its own assets. The Supreme Court ruling also forced New York State to remit to Cornell 5 percent interest



Sage Hall



on the land-grant assets that were still held by the state, as mandated by law, and which the State Comptroller had not done consistently. As a footnote developed more fully below, some of Jennie's bequest eventually made it to Cornell, donated by Willard Fiske.

- The second significant will case concerning Cornell University in the nineteenth century hinged partially on the same legal point as the McGraw-Fiske case: an 1860 New York State law that a testator having a spouse, child, or parent was forbidden to give more than one-half of his or her estate to a literary or benevolent institution. In 1884, Daniel B. Fayerweather, a wealthy New York leather merchant, made a will containing a total of \$2,100,000 in bequests to twenty colleges, including Cornell. Prior to his death in 1890, Daniel made several codicils to this will. At the time of his death his estate was valued between five to six million dollars. He left a widow, Lucy, and three nieces as his only heirs at law. They filed objections to the will and codicils, and during the protracted probate of the estate they signed releases in return for gifts from the estate made by the executors in order to clear the path of the probate. While Lucy died in 1892, litigation over the estate continued by various courts, including a suit brought by five of the twenty colleges. In the middle of this, one of the trial judges released post-trial statements of factors that had weighed in his decision. Finally, the matter was taken up by the U.S. Supreme Court, which ruled in 1904 that the releases were proper. In refusing to overturn lower court rulings the Supreme Court established what has become known as the *Fayerweather Rule*: "A judgment is a solemn record. Parties have a right to rely upon it. It should not lightly be disturbed, and ought never to be overthrown or limited by the oral testimony of a judge or juror of what he had in mind at the time of the decision."

Cornell received \$339,373 (~\$21 million currently) from the Fayerweather estate, including interest. As the estate moved through the courts, Cornell's trustees made various plans of how to use portions of the hoped-for bequest, including support for the College of Architecture and the planned construction of the university's first bona fide residence hall. In the end, the funds were set aside as an unrestricted endowment, supporting

**THE FAYERWEATHER WILL.**

**REPORT THAT A SECOND AND LATER WILL HAS BEEN FOUND.**

It was stated yesterday by a Philadelphia paper that the lawyers retained by Mrs. Daniel B. Fayerweather to contest her husband's will had found another will—one very different in its provisions and drawn subsequently to the will which, with the codicil, is now being contested in the courts. At the office of Mr. Frederic R. Coudert, who is one of Mrs. Fayerweather's counsel, yesterday, it was said that there was nothing to be given for publication in regard to the case.

Mr. Thomas G. Ritch, one of the executors of the contested will, laughed at the story of a new will having been discovered. Judge Arnoux, who represents him, said that if another will had been made subsequent to the last codicil of the 1884 will, it must have been drawn up just as Mr. Fayerweather was dying. If made prior to the date of the codicil, Nov. 15, 1890, then it would be invalid, inasmuch as in the last codicil of the contested will he expressly stated, "In all respects except as hereinafter modified, I ratify my said will and the codicils thereto," meaning the will to which the codicil was attached.

Additional objections to the probate of the will were filed yesterday in the Surrogate's Court by Daniel G. Rollins on behalf of Emma S. Fayerweather and Lucy J. Beardsley, nieces of Daniel B. Fayerweather. The grounds of the objections are the same as those already filed by the other relatives.

New York Times, January 23, 1891

- general university operations.
- The third large bequest came from Frederick W. Guiteau, a produce and commission merchant of Huguenot descent. Hewett described him as a man who "While not enjoying the privileges of a liberal education...had derived from his parents a love for knowledge." Guiteau had little connection with the university prior to his death in 1903; however, his will contained provisions to bequeath to it \$100,000 plus the residue of his estate. Cornell received a total of \$172,511. The fund was later augmented by a bequest of \$94,689 from his sister, Nancy G. Howe, making a total of \$267,200 (~\$13.5 million currently).

The next two founding donors were Cornell faculty who had long-term and varied relationships with the university, and whose devotion to the institution's academic programs and students was intense.

- Andrew D. White's original plan for creating the

university's first faculty was to hire a set of solid, resident faculty who would be augmented by the lectures of a group of established academic superstars from other institutions. The latter were to be employed on a visiting basis in recognition of immense difficulty of luring any of them to take permanent residence at a fledgling university in upstate New York. As recounted by Becker, President White thought that these faculty:

...should naturally be the best obtainable, since the quality of a university depended fundamentally on the quality of its faculty. Unfortunately, the best were not to be had on permanent tenure at any price. "To take Agassiz permanently from Cambridge," the report said, "we must outbid the Emperor of the French, who has recently offered the most tempting prizes in vain." This being the case, Mr. White's happy idea was to secure as permanent, or "resident," professors the most promising young men to be had—at salaries ranging from \$1,000 to \$2,500—and trust them to achieve distinction; but also to invite men who were already distinguished, such as Agassiz or James Russell Lowell, to give courses of lectures for a term or a year as temporary or "non-resident" professors. This would enable students, faculty, and the citizens of Ithaca to hear many of the most famous scholars in the country, to their own great advantage and to the enhanced prestige of the university.

According to Becker, White landed two of these plums while in Europe in 1868 on a buying trip for the university. As Becker described:

Not the least of his triumphs was that, in England, he managed to "gobble up" Professor Goldwin Smith, and Dr. James Law, a highly recommended young man in veterinary science. And so he returns, flushed with success, and pleased more than a little when it was jocosely said that he had brought back, as part of his European spoils, "an Oxford professor and a Scotch horse doctor."

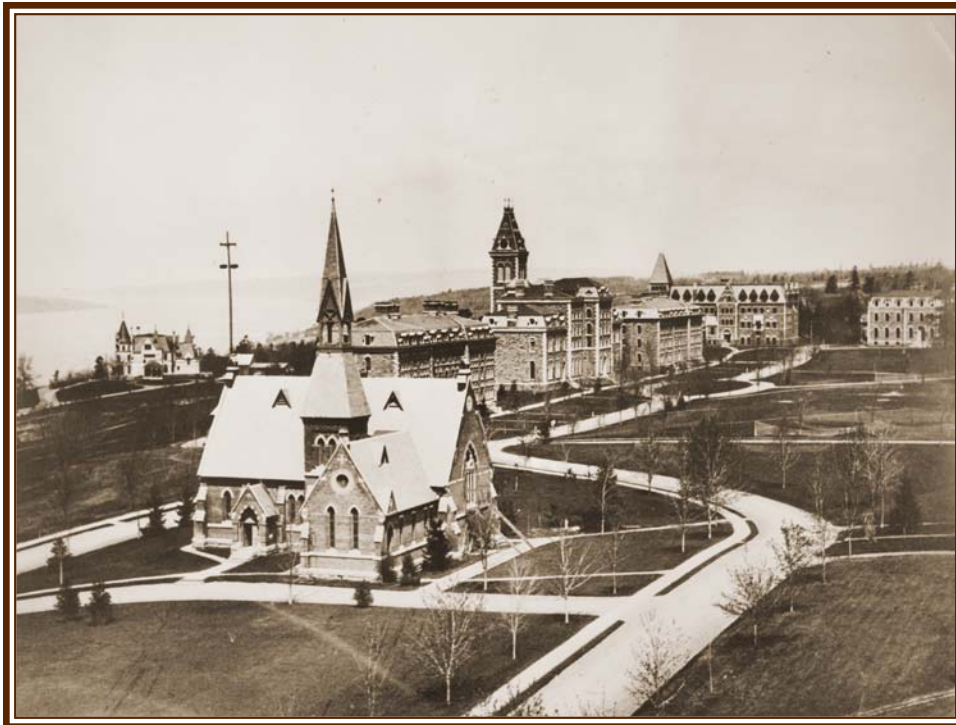
Goldwin Smith, who was Eton and Oxford educated, was "an elegant classical scholar," according to Hewett. Holding liberal political views, Smith took an interest in America and its Civil War, visiting the United States in 1864 and meeting President Lincoln. Smith was appointed a professor of English history at Cornell in 1868, and in 1871 he became one of White's *nonresident* professors, moving to Toronto, Canada, where he lived to his death in 1910. He returned annually from Toronto to teach, and his lectures were among the most popular on campus. Besides bestowing great prestige to Cornell in its infancy, Smith donated his private library of 3,400 volumes and provided the university with a substantial bequest. His and

his wife's gifts totaled \$720,412 (~\$36.7 million currently).

- The second faculty member who was also a principal benefactor was Daniel Willard Fiske, husband of Jennie McGraw. Fiske, who Bishop described as "a rolling stone who had gathered considerable moss," was a "professor of north European languages, librarian, and director of the University Press. Reared in Syracuse, he was a boyhood friend of White, and was the only Ithacan privileged to greet the President as 'Andrew.'" While he was a *resident* professor he had a "social polish and a kind of malleability which made him at home, and warmly welcome, from Iceland to Egypt." As the university's librarian, Fiske insisted that the library be developed and utilized as a research tool—a radical departure in an era when university libraries were often poorly organized affairs, with limited student access. In 1871, Fiske reported to the trustees that his "experiment, never before made in an American University, of keeping the library open from morning to night, on every week day, continues to produce the most satisfactory results." The imbroglio over his wife's estate (described above) estranged Fiske from Cornell, although he continued his friendship with White. The board of trustees stripped him of his nonfaculty duties and Fiske eventually left the university to live in Florence, Italy. During his long scholarly career he had amassed remarkable library collections of Dante, Petrarch, Rhaeto-Romanic, and Icelandic works, which he eventually donated by bequest to Cornell along with a substantial endowment. His gifts totaled \$589,492 (~\$30 million currently).

Two world-famous business magnates and philanthropists, John D. Rockefeller and Andrew Carnegie, were also among Cornell's founding benefactors.

- Rockefeller, born poor in Richford, New York (less than twenty miles from Ithaca), was the founder of Standard Oil Company. During his life he gave about half of his fortune to various philanthropies. In 1901, the Cornell trustees were notified that Rockefeller and President Schurman had reached agreement on a \$250,000 gift to construct and equip "a building to be devoted to Physics, or to the Humanities." The gift was predicated on a requirement that Cornell raise an equal amount from other donors, which it did. According to



Sage Chapel, Morrill, McGraw, White, Franklin, and Sibley Halls

Bishop, "At the building's opening in 1906 [Rockefeller Hall] was the largest and best-equipped physics laboratory in America. Carrère and Hastings were the architects, but their creation is hardly one of their glories. The interior is uncommonly bleak, because the Physics Department wished to save on décor and spend on equipment." The current value of the Rockefeller gift is about \$14.5 million.

- Carnegie was born in Scotland. His family came to America when he was ten, and like Rockefeller, his family had brushes with poverty. He founded an iron and steel empire that eventually became the United States Steel Company. As with Rockefeller, Carnegie had a strong philanthropic bent, spending millions to found libraries across the nation and supporting educational and scientific institutions. He was appointed a Cornell trustee in 1890, and was a close friend of President White. In 1903, Ithaca was struck with a typhoid epidemic. According to Bishop, "Ithaca was not a very hygienic or a very healthy city. It had no general sewage system." The Ithaca water supply was "viewed with dark distrust," and imbibers suffered regularly from outbreaks of "Ithaca fever," "Six Mile Creek colitis," and "freshmen diarrhea" due

to poor sanitation. The 1903 epidemic resulted in 841 cases of typhoid, including 291 students, of whom 29 died. As the epidemic wound down, Andrew Carnegie offered to defray "the expenses of...student victims of the disease" and "to build a filtration plant on the campus for the University's water supply." Carnegie's gifts for these and other projects eventually totaled \$216,209 (~\$12 million currently).

The final major founding donor became the key that opened the door to the creation of Cornell's Medical College. Propositions for

a medical college came before the trustees at least four times before a creditable proposal was made that passed trustee muster.

- In 1866-67, Dr. Egbert Guernsey, a homeopathic physician, and Dr. John Carnochan, a noted surgeon, approached the trustees with a proposal to found a medical department in New York City. This request came as the initial plan of organization for the university was being developed, and while entertained by trustees, never progressed.
- Dr. Guernsey returned to the trustees in 1877 with a similar plan, which met a similar fate.
- In 1882, a more organized effort, led by Doctors Roosa, Hammond, and Sturgis, was presented to the trustees, who placed several conditions on the undertaking: (1) that \$300,000 had to be raised to support the endeavor, (2) that the proposed medical department had to have suitable facilities, and (3) that the university would not be liable for any costs of the department. As Bishop dryly noted of this third effort, "A group of New York physicians tried in vain to find funds for a Cornell medical college in New York City."
- The fourth unsuccessful effort was initiated by the trustees, in 1887, motivated by the vision of Cornell's second president, Charles Kendall Adams, to

expand the university by adding schools of law, pharmacy, and medicine. According to Bishop, a search for a partner in medicine eventually yielded a proposal from the “Bellevue Hospital Medical College of New York [which] sought union with Cornell in the winter of 1891-1892. Its secretary, Dr. Austin Flint, engaged in long discussions with President...Adams. The Cornell trustees were, however, adverse.”

- The fifth attempt was the charm, as Cornell’s trustees were summoned to a special meeting in March 1898 to hear the proposal of Colonel Oliver H. Payne to underwrite Cornell’s first medical department. As described by Bishop, Payne was the “wealthy son of a Standard Oil founder [who] became interested in medicine through his college friend from Yale, Dr. Lewis A. Stimson, a famous surgeon, and through the ministrations of his physician, Alfred L. Loomis.” Loomis and Stimson were associated with the medical college at New York University (NYU). Colonel Payne served as an NYU trustee, and when a fundamental disagreement arose between Stimson, Loomis, and other physicians associated with the college on the one hand and the university administration on the other, the physicians, joined by Payne and others, decided to secede from NYU. “The newly separated faculties, feeling the need of a university connection, considered Yale, Dartmouth, and Princeton” before settling on Cornell. “Most of the faculty of the [NYU medical school] and four from the Bellevue Hospital Medical College joined the new establishment, accompanied by 215 of their students.”

Cornell placed the following conditions on founding of this new medical college:

(1) Cornell...would not establish a medical department which is to be supported by students’ fees. There must be capital for buildings, equipment, apparatus, and other facilities needed for instruction and investigation, and there ought to be an endowment for maintenance. (2) Cornell...must have the same absolute and unrestricted control of its medical department as it has of every other department of the University. While educational matters will be left in the hands of the faculty, of which the President will be ex-officio chairman, appointments will be made and business of every kind conducted by the Board of Trustees. (3) The medical department, like every other department of the University, must be open to women on the same terms as to men. (4) The medical department must receive state scholars without charge for tuition

on the same terms and conditions as other departments of the University. (5) It is desirable that a portion of the medical course should be given in Ithaca as well as in New York—say, the first year or two.

- Beginning in 1898-99 and continuing through 1918-19, Colonel Payne’s gifts to the Medical College funded facilities and equipment, underwrote the college’s operating budget, and provided a substantial endowment. His annual gifts covered three-quarters of the daily operating costs of the college through 1912-13. His endowment of the Medical College, which totaled \$4.85 million in 1919, was the university’s second largest single endowment fund at the time and represented one-third of Cornell’s total endowment. Overall, he donated \$7,668,267 (~\$380 million currently), making Colonel Payne one of Cornell’s most substantial donors.

Taken together, these twelve benefactors and their families provided 80 percent of all donations received by Cornell through World War I, a remarkable memorial to these farsighted men and women.

## Firsts and Other Peculiarities

Cornell’s gift history is not just a list of donations or a set of trends. The record is peppered with innovations in gift giving and peculiar and unique gifts.

- *Professorships* – The first endowed chair at Cornell was the Professorship of Hebrew and Oriental Literature and History, which the New York City financier Joseph Seligman proposed to endow in 1874. Instead of transferring his \$20,000 in endowment capital to Cornell, Seligman paid the university the interest on the same, a total of \$4,200 for three years of salary. Cornell’s *Register* of 1874 glowed with the prospect that the university would soon be able to offer courses in “Arabic, Syriac, and other cognate languages to the Hebrew, and that Semitic philology.” A condition of Seligman’s gift was that he would nominate the chair holder, and based on his wishes Felix Adler, a graduate of Columbia and the University of Heidelberg, was appointed. Bishop described Adler as “...young, brilliant, and popular with the students, who called him ‘Young Eagle.’” Adler managed to rile some of Cornell’s faculty and local townspeople with his views on Scripture, and allegations were made that “...some eminent citizens

were getting ‘gloriously drunk’ on the fine old wines proffered by Adler.” According to Bishop, “After two years Adler was quietly dropped. His sponsor [Seligman] demanded an inquiry.” In rebuffing Joseph Seligman in 1877, the trustees established one of their first guiding principles governing the receipt of gifts.

A communication from Joseph Seligman asking the reappointment of Prof. Felix Adler was read and, on motion of Mr. Halliday, the following resolution was adopted: RESOLVED, That in the future no Endowments of Professorships will be accepted by the University which deprive the Board of Trustees of the power to select the persons who shall fill such professorships.

The next professorship (and the first to persist to the present day) was the Susan E. Linn Sage Professor of Ethics and Philosophy, given in 1885 by Henry W. Sage, and described above.

- *Financial aid* – The first gift-funded student aid came in the form of merit-based prizes. Andrew White initiated the concept at Cornell in February 1868, when he offered the university \$1,000 “to be applied to the support and encouragement of meritorious students.” The first named prize that was backed by an endowment was the Woodford Prize in Oratory, established in 1870 by Stewart L. Woodford. Like Joseph Seligman, Woodford preferred to invest his endowment directly and paid over the interest annually. According to Bishop, “This considerable reward [about \$5,800 currently], and the paucity of entertainment [at Cornell], made the Woodford Stage one of the great events of the college year. Most of the students and a throng of visitors crowded the largest hall available and sat, presumably enthralled, through an evening of exalted rhetoric. The winner was regarded as a college hero, marked for future eminence.”

Amos Padgham created the first endowed scholarship fund in 1892 in memory of his son, Frank, who had been an engineer in the class of 1888 and a founding member of the Central City Bicycle Club in Syracuse, New York. Amos wanted the scholarship to favor a student from Syracuse who was entering the Sibley College of Mechanical Engineering. Amos Padgham’s desire to customize and channel his gift was typical of many subsequent financial-aid donors.

- *Gifts in kind* – Gifts of nonfinancial assets are re-

ferred to as *gifts in kind*, and have spanned a variety of categories: furniture, artwork, scientific equipment, musical instruments, memorabilia, literary works, real estate and facilities, natural history specimens, and plants and animals. Interesting examples include:

- *Cornell’s first gifts*, which after Mr. Cornell’s founding gift of \$500,000, were articles of furniture, given in 1866.
- *The Cornell Aeronautical Laboratory*, one of the university’s largest facility gifts, which was donated in 1945 by the Curtiss-Wright Corporation. The gift was valued at \$4,553,516 in 1945 (~\$57 million currently). Located in Buffalo, New York, the laboratory had been engaged in classified military research throughout World War II. Included with the facility was a workforce of 500, who became Cornell employees, and an operating deficit, which was rectified.
- *A holograph copy of Lincoln’s Gettysburg Address*, which, according to Bishop, was “presented by Mrs. Nicholas H. Noyes in honor of her husband, of the class of 1906.” One of only five copies in existence, it was inherited by a Cornell faculty member, Wilder Bancroft, who sold it in 1929 to a New York dealer for \$100,000 (~\$2.2 million currently). It passed through another dealer in Indiana and then was acquired by Mrs. Noyes, who brought it back to Cornell in 1949.
- *A Peruvian mummy*, presented in 1899 by Alberto Fortunato Larco, a Peruvian alumnus whose family founded the Rafael Larco Herrera Museum in Lima, Peru. The mummy was featured in a television documentary, “The Mummy Road Show,” in October 2002.
- *The Ostrander elms*, given by a local farmer of limited means who wanted to contribute to the new university. Planted in 1877, the elms developed eventually into a magnificent promenade lining East Avenue on the Ithaca Campus. The trees lasted nearly a century, until they were ravaged by Dutch elm disease and elm phloem necrosis—the dual terrors that caused the demise of Cornell’s stately canopy of these trees. A small stone monument in front of Stimson Hall is all that remains to commemorate them.

- *A lock of Charles Dickens's hair*, given by William G. Mennen. This relic was taken by from Dickens at his death by Georgina Hogarth, his sister-in-law, lifelong companion, and executrix. She had it mounted in a leather presentation case, constructed to look like a book, along with a sample of his signature. The memento accompanied collections of rare books and manuscripts that Mennen donated to the library in the 1950's and which included first and early editions of Dickens's works, four original folios of William Shakespeare's plays, and the private papers of James Joyce.
- *Anonymous gifts* – Based on a variety of personal reasons, donors sometimes wish to have their gifts remain unattributed. The first recorded anonymous gift was made in 1900-01, in the form of \$500 in prizes awarded at the Medical College. The first anonymous endowment was created in the following year as the Professorial Pension Fund, based on \$150,000 gift from William H. Sage. The fund provided pension support for full professors when they retired.
- *Educational discounts* – Manufacturers of supplies, equipment, and services sometime make a gift of the discounted purchase of their products. Such discounts are common today, especially scientific and computer technology. The first educational discount at Cornell was recorded in 1882, when William Sellers & Company, Shire Steam Engine Governor Company, and other firms provided “liberal discounts on articles purchased of them” for the Sibley College of Mechanical Engineering.
- *Life income agreements* – These are arrangements in which the university invests a gift and pays the income from the fund to one or more beneficiaries during their lifetimes. Upon termination of the life interests, the principal becomes available to the university to be used in accordance with the donor's wishes. Mary F. Hall proposed the first life income agreement executed at Cornell, when she established a scholarship for women, in 1901. A provision of the gift was that Miss Hall reserved “the privilege on any year during the remainder of my life, as it seems to me necessary, of drawing an income of five per cent. for that University year, on the actual invested funds....”

## FUNDRAISING IN THE TWENTIETH CENTURY

Fundraising for a large research university demands the efforts of trustees, administrators, alumni, and a large and well-financed staff of development and alumni affairs professionals. Successful fundraising hinges on a carefully considered and coordinated strategy. In the nineteenth century, fundraising was opportunistic, dependent largely on the unsolicited approach of trustees and other donors wishing to aid the institution—either to create new programs and facilities or to respond to the occasional institutional crisis. Fundraising then was mostly a passive affair from Cornell's perspective, as the donor rather than the institution took the initiative. The 1890's saw the first organized fundraising drives at Cornell, led by alumni and centered on the individual classes. The creation of the Cornellian Council in 1908 (described below) focused those separate fundraising efforts into a coordinated annual fund drive that continues to this day as the Cornell Fund.<sup>†</sup> Finally, the creation of the Cornell University Council (also described below) provided the university with a standing group of influential advisors who mobilize alumni in focused efforts that benefit the University and provide the university with a source of expertise. The professionalization of the fundraising effort came in the twentieth century, as the university established development and alumni affairs offices and gradually expanded the size of the workforce dedicated to these activities. Many modern fundraising initiatives and strategies, however, have their roots in the nineteenth century, and none more so than the dynamic role played by alumni in institutional affairs and welfare.

### The Crucial Importance of Alumni

From the beginning, Cornell's alumni have demonstrated a deep and powerful involvement in the university's programs. Three aspects of that engagement have amplified this relationship.

- *Alumni trustees* – Cornell's 1865 founding charter

<sup>†</sup> The objective of the Cornell Fund was and continues to be to promote a commitment to annual support of the university through consistent giving and involvement among the broadest audience of alumni and friends. Currently, about 44,000 individuals donate to the Cornell Fund, producing a revenue stream of about \$16 million annually.

gave a brief description of how the institution would create its first board of trustees. The deficiencies of this legislation were corrected in an 1867 amendment to the charter that introduced the concept of alumni trustees. Bishop noted that Harvard was the only other college or university at the time with alumni trustees. The university's alumni elected their first alumni trustee, Samuel D. Halliday (class of 1870), in 1874. At Cornell, alumni trustees have always played full and equal roles with other trustees.

Cornell's first woman trustee was Martha Carey Thomas (class of 1877), a remarkable individual who attended not only Cornell but also Johns Hopkins University, the University of Leipzig, the University of Zurich (where she obtained her Ph.D., having been refused the same at Leipzig because she was a woman), and the Sorbonne in Paris. She was president of Bryn Mawr College when elected a trustee.

- *Alumni associations* – The alumni organized as the Associate Alumni of Cornell University in 1872.

While such associations existed at other universities in the 1870's, Cornell's was unusual because it was the body that elected the alumni trustees. The association was very involved in the well-being of the institution from the start, especially its academic programs, and weighed in regularly with the board of trustees over concerns.

- In 1877, the alumni observed “that the only way in which skillful and experienced teachers can be secured and retained is by guaranteeing them a satisfactory support,” and resolved “that measures be at once taken to increase [faculty] salaries...”
- By 1881, a group of alumni took the uni-

versity to task for retaining in the faculty “certain incompetent and inefficient instructors.” In addition, the alumni noted that in filling the “vacancies left by the decease or resignation of professors of national reputation” the tendency was to appoint “men of no standing—except such as they may have attained from the fact that they now occupy chairs which their predecessors have made creditably conspicuous.”

- In 1882, the New York Association of Alumni petitioned the trustees to adopt the “Yale Plan” for electing alumni trustees. Cornell's charter required that alumni assemble in Ithaca, on a specific date, if they wanted to vote for a representative, giving a clear advantage to New York alumni. The proposal was to allow an election by mail, and Cornell's charter was so amended in 1883.
- The alumni graduates of the arts and literature courses complained, in 1884, that the university was advertising itself as a “technical school.”

The alumni had surveyed all publications that featured Cornell ads, and included a devastating composite photographic copy of these documents as an addendum to the petition. At issue was the fact that among the courses advertised, no mention was made of arts, literature, philosophy, science, history, or political science. The alumni saw this slight as a “great injustice both to the University as a whole, and more especially to the professors and graduates of those unadvertised courses whose aim is general or literary culture rather than technical training.”

- The Associate Alumnae of Cornell University requested, in 1892, that the trustees change the rules governing female students in Sage College. Specifically, the alumnae



Martha Carey Thomas – First Woman Trustee at Cornell University

asked “That all regulations for the government of students resident at Sage College be made by those students themselves;” that upper-class students be allowed to reside in Sage Hall, along with the underclass students, in order to have a “wholesome and controlling influence;” and “That residence at Sage be voluntary.”

- *Fundraising organized by alumni* – Besides general alumni/alumnae associations, individual undergraduate classes formed class societies, complete with officers and class events. The trustees recognized these events officially in 1877 when they resolved “that the Wednesday preceding Commencement be set apart and designated as Alumni Day in the Register, also that the Tuesday preceding Commencement be set apart and designated as Class Day in the Register.” The first class fund was set up by the Class of 1886 as an endowment to award a prize in oratory. The next two class funds (1891 and 1894) provided endowments to aid sick students and recognize excellence in debating skills respectively. The Classes of 1896, 1897, and 1898 focused on a common goal—the creation of a university club.

In 1908, the directors of the Associate Alumni and the class secretaries met and created the Cornellian Council to act as the organized fundraising arm of the alumni. The Council was supported annually by a special payment from The Alumni Fund. Thus was created Cornell’s first formal development activity supported by university resources. This event was followed, in 1920, with a trustee recommendation that the university create an office of Alumni Secretary. Duties would include the maintenance of alumni addresses and class lists, the tracking of biographic and financial information about alumni donors, the creation of a clearinghouse of employment opportunities, and the coordination of alumni reunions and other class events. The outcome of these changes was the replacement of the Associate Alumni with the Cornell Alumni Corporation in 1923. According to Bishop, “Many of the local [alumni] clubs undertook to seek out promising high-school students...They organized the first Cornell Day in 1934, bringing some six hundred fifty prospective Cornellians to campus.”

The arrangement of an internal-to-Cornell alumni affairs office and a semi-external alumni development office continued until World War II, when the fundraising activity and associated personnel were moved inside Cornell’s budget. During the 1930’s and 1940’s the trustees redefined the role of the provost, a new administrative position that had been created in 1931 and held by Albert R. Mann. Upon Mann’s retirement the provost’s duties were refocused on non-alumni fundraising, and H. Wallace Peters was appointed to the position. During the tenure of Provost Peters, President Day stressed that the “designation of Provost does not indicate that the officer would have any educational function or powers but rather would serve as the full-time executive officer of the Committee on Funds for the Endowed Colleges.” In the period after Peters resigned, from 1944 to 1946, the trustees continued to discuss the duties of the provost while several acting provosts filled the position: Sherman Peer, an Ithaca-based attorney, and Walter Heasley, Jr., the executive secretary of the Cornellian Council. When Peer was appointed it was very clear that the trustees were using the title of provost in an unconventional manner:

Since this position under discussion was originally to be that of vice president, and the President’s recommendation for Mr. Peer’s title was Provost, the Committee spent some time considering the question of title. The President and several other members of the Committee expressed themselves as opposed to the title of vice president, since this title implies a “second-string” man. ...It was held that one of the great virtues of the title of provost is its ambiguity. It is not a second-rate title; it is coordinate with that of President, and this position needs a title that will cover that conception of its status.

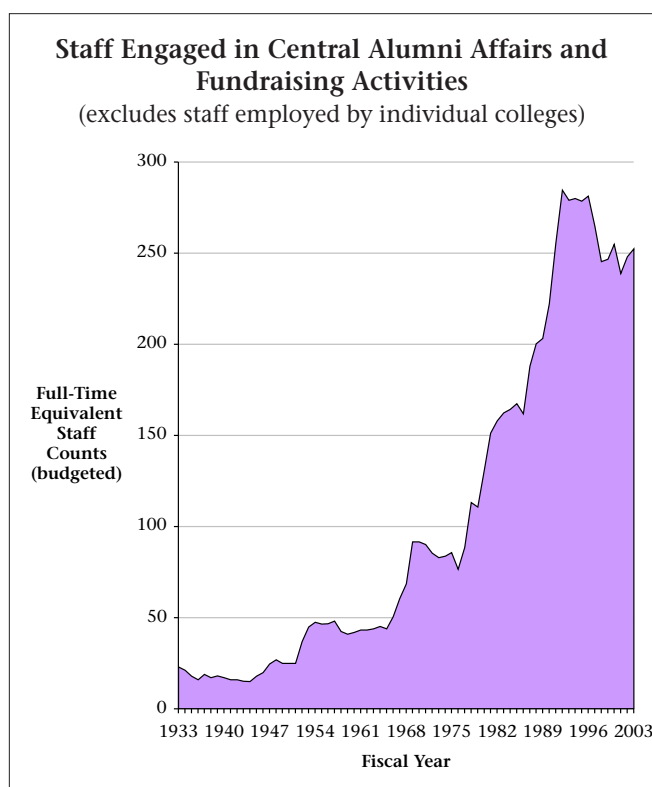
Finally, in 1946, the position of a vice president in charge of fundraising activities was created, with Solomon C. Hollister, the dean of the College of Engineering, appointed as its first incumbent. (The office of provost was returned to its traditional assignment as “...the chief administrative officer of the University under the President...”) The current Division of Alumni Affairs and Development is an amalgamation of these various structures and approaches—all designed to encourage sustained and productive relationships with alumni and other donors and to facilitate donors’ desires to support Cornell.



## Donor Relation and Fundraising Strategies

A lesson demonstrated repeatedly over the years is that there is a high correlation between fundraising results and the deployment of professional development and alumni affairs staff. Accordingly, Cornell has increased the size of this staff through most of the twentieth century, with marked buildups centered on major campaigns. (See graph below.) In addition, Cornell has employed several strategies—university-wide campaigns, project-specific drives, challenge programs, donor recognition events, planned giving support, regional alumni affairs and development offices, and advisory councils—to develop deep and lasting relationships between the university and its donor community and to elevate fundraising results beyond the level that can be yielded reasonably from annual fund drives.

- *University-wide campaigns* – Cornell has had six major campaigns.
  - The first was held in 1914 to raise funds for dormitories. The trustees formed a special committee to guide the process and issued a case statement in the form a marketing pamphlet. As Bishop recounted, “In 1914 a full-fledged campaign for funds was inau-



gurated, the first ‘drive’ in Cornell history. George F. Baker, celebrated New York banker, gave \$350,000 to build the group known as Baker Court, and \$100,000 was taken from the Alumni Fund for Founders Hall.”

- Cornell’s next campaign came five years later, coincident with the semi-centennial celebration of the university’s founding. With a goal of \$10 million, the campaign’s planners naively assumed that the funds could be raised in a fortnight. According to Bishop,

The campaign went slowly and badly. Its closing date was repeatedly postponed. In January the announcement came that only a little over two million had been pledged. The workers recognized that money raising is an arduous task, requiring endless time, labor, devotion of its agents. Through the whole of 1920 the campaign continued, with an attempt to allure the general public. Enormous advertisements appeared in newspapers and magazines, with the slogan: “Producer of Producers—She *Must* Go On!” While sensitive spirits cringed, the total of pledged contributions slowly mounted. Finally, in January 1921, the results were published: \$6,243,617 for the Endowment Fund, plus the previously announced \$1,500,000 for the laboratory of chemistry, plus the August Heckscher Research Fund of \$500,000, plus \$500,000 for the Medical College, plus other restricted gifts of \$708,733—making the grand and welcome total of \$9,452,650.

- Almost thirty years lapsed before Cornell attempted another such effort: the Greater Cornell Fund Campaign of 1948-1951, with a goal of \$12.5 million. This time the trustees were much more deliberate and realistic in their expectations, and planning for the drive was elaborate. The effort was led by the Greater Cornell Committee, which had been created specifically for this purpose (and was transformed into the Cornell University Council at the close of the campaign). Cornell benefited from having a vice president for university development, Asa S. Knowles, and a staff of professional fundraisers. At its conclusion more than 10,000 gifts were received, totaling \$12.8 million. Major gifts included funding for the Newman Laboratory of Nuclear Studies and Teagle Hall.
- Cornell’s centennial celebration triggered the fourth campaign, occurring between 1963 and 1965. The goal was set at \$73.5 million, and \$75.6 million was realized, with donations

from 27,940 benefactors. Maxwell Upson provided a lead gift of \$8.5 million, and gifts of \$1 million or greater accounted for 58 percent of the total raised. The campaign included funding for Clark Hall, a wing on Baker Laboratory, the Noyes Center on West Campus, and scholarship endowment.

- The fifth campaign was a five-year drive launched in 1975 to raise \$230 million. That campaign yielded funding for new facilities for the biological sciences, the Knight Laboratory for Submicron Research, the Centre for the Performing Arts, and Snee Hall. More than \$80 million was added to the university's endowment.
  - “The Cornell Campaign: Creating the Future” was the university's most spectacular fundraising effort. This five-year campaign, which ended in 1995, raised \$1.5 billion, \$250 million more than planned, making it the most successful university campaign in the nation to that date. More than 96,000 individual gifts were made through the efforts of more than 2,300 volunteers. Unlike the heavier emphasis on construction projects of prior efforts, this campaign had a more complex matrix of goals, emphasizing endowments for faculty positions and student financial aid, and included specific college and operating unit fundraising targets.
  - *Project-specific drives* – Over the past quarter of a century Cornell has employed project-specific drives in addition to institution-wide campaigns. While many of these more targeted efforts are focused on facility projects, the university has deployed them successfully around other themes, including undergraduate financial aid (described below). Perhaps most significant of these campaigns have been the Medical College efforts to fund its strategic plan. The research component of Phase I of this plan required that \$200 million be raised while Phase II, focused on the clinical mission, has a goal of \$750 million.
  - *Challenge programs* – Individual alumni classes have often engaged in friendly competitions to see which classes could raise the most gifts during reunion weekends. Such informal jousting has been incorporated periodically in campaigns as a device to rally donors around an institutional priority.
- The 1995 Cornell Campaign included a challenge program that raised endowment for 118 faculty and other positions. In 1999, Cornell concluded a campaign to raise undergraduate financial aid endowment. The overall goal was \$200 million, and included a proposal from an anonymous donor to provide \$50 million if the university could raise \$150 million from other benefactors. The campaign was successful, garnering a total of \$171 million plus the \$50 million challenge for reaching the \$150 million goal.
- *Donor recognition events* – Cornell has recognized the generosity of its donors in many ways. In the nineteenth century, buildings were named after donors and major donors were frequently commemorated in oil paintings. Donations of library works were recognized by bookplates and commemorative plaques were affixed to other gifts of physical objects. The naming of endowments was employed from the university's beginning as a form of donor recognition. All of these practices continued into the twentieth century, and others, such as the Tower Club and the Cayuga Society, added. The Tower Club recognizes donors who make annual gifts of \$5,000 or more. Recognition includes an annual dinner where Club members can meet each other as well as faculty, students, deans, and trustees. The Cayuga Society recognizes donors who have remembered Cornell through a bequest or planned gift.
  - *Planned giving support* – Including Cornell in estate planning can increase current income for the donor while providing future support for the university. Cornell supports a variety of planned giving opportunities, including bequests, life income agreements, real estate giving, and charitable lead trusts. The institution also operates the Cornell University Foundation, which is a donor-advised fund offered as a cost-effective alternative to a commercial charitable gift fund or a private foundation. The donor can make multiple charitable gifts to different organizations, including but not limited to Cornell.
  - *Regional Offices* – The concept of a regional extension of Cornell's alumni affairs and development efforts was created during the Centennial Campaign of the 1960's. Regional campaign offices were set up in nine cities across the nation to extend the university's presence and coordinate local

fundraising efforts. The success of these regional offices led to their introduction as an ongoing component of the university's donor relations and development activities.

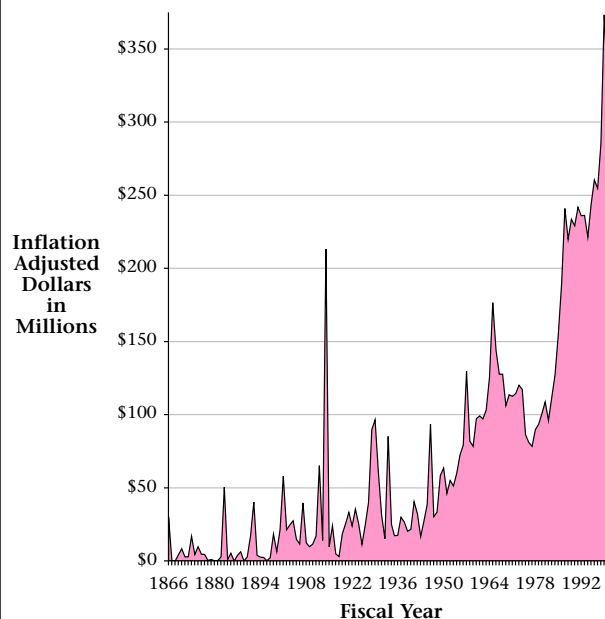
- *Advisory councils* – Cornell's first academic advisory body was created in 1887 for the Agricultural Experiment Station at Ithaca, and by the 1930's each of the Ithaca Campus colleges had an advisory council. The council set up for the College of Architecture, in 1936—which had two trustees, two faculty members, two professional architects, and the dean, ex officio—illustrated the typical arrangement. Today, in addition to the college councils, there are advisory bodies for the library, athletics, the Johnson Museum, and the Glee Club. Together they involve almost 600 individuals who provide expert advice to individual academic and program organizations. Several other groups have been created to meet institution-wide needs and provide forums for donor and supporter interaction with Cornell:

- *Cornell Alumni Admissions Ambassador Network (CAAN)* – A network of 4,000 volunteers and 300 committees in the United States and elsewhere who identify and attract student applicants with high success potentials.
- *Cornell Alumni Federation* – An umbrella organization for all alumni activities.
- *Cornell Association of Class Officers* – An organization of all class officers that assists class leaders in organizing class activities.
- *Cornell University Council* – An organization of selected alumni and Cornell supporters who are leaders in service to the university.
- *Corporate Connections* – Companies that connect with Cornell for recruitment, research, technology, faculty interaction, and executive education.
- *President's Council of Cornell Women* – An organization dedicated to advance the involvement and leadership of women students, faculty, staff, and alumnae within the Cornell community.

## Giving Trends Over the Years

Cornell's founding gifts, crucial to the university's financial health but arriving erratically in the beginning, were replaced eventually by a steadier flow. As

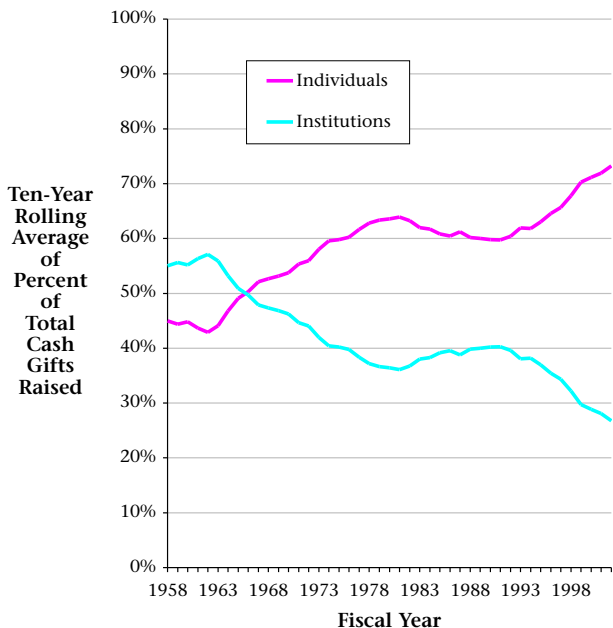
**Cornell University – Operating and Capital Gifts**  
(in inflation-adjusted, 2001-02 dollars in millions)



described previously, this change was the result of many factors, including the professionalization of fundraising, the active involvement of alumni, and an evolution in donor giving patterns. Through Cornell's history, certain trends emerge:

- As the graph above illustrates, overall annual giving to Cornell has grown substantially since 1865-66. The university has benefited from over \$4.7 billion in gifts since its founding, roughly equal to \$10 billion in current, inflation-adjusted dollars. And notwithstanding the crucial importance of the founding gifts previously described, gifts received in the last twenty-five years account for over half of all the donations ever made to Cornell (even when adjusting for inflation).
- A second general trend has been the gradual decrease in the proportion of Cornell's gifts coming from foundations, corporations, and other institutions during the last half of the twentieth century and the corresponding rise in giving from individuals, most notably, alumni. (See graph at the top of page 20.) While almost all of Cornell's gifts came from individuals in the nineteenth century, the twentieth century saw the rise of corporate giving and the creation of national philanthropic foundations. Corporate giving, in the form of out-

### Cornell University – Gifts Raised from Individuals and Institutions as a Percent of Total Gifts Raised



right gifts and grant programs for both basic and applied research, helped launch the university's research mission in earnest, well before the federal government became a major funding partner. Foundations evolved into the conduits by which gifts flowed from the major industrial philanthropists, such as the Rockefeller family. For example, in the 1950's and 1960's, Cornell was the beneficiary of a remarkable set of endowments set up by the Ford Foundation to underwrite programs in engineering, modern languages, and Southeast Asian studies and to fund faculty salaries. While organizational support is still important to Cornell, many corporations and foundations have refocused their philanthropic approaches, de-emphasizing higher education as a primary target.

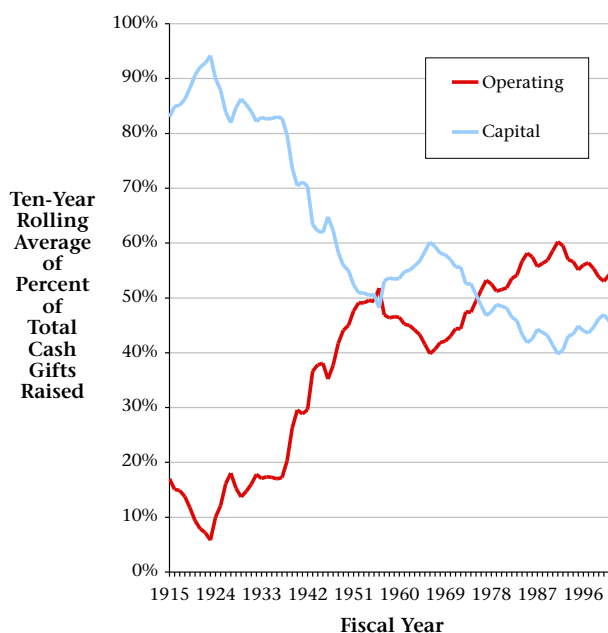
- The final major trend has been the shift from capital gifts (endowment, buildings, and equipment) to gifts intended to support operations. (See graph at right.) This also is a phenomenon that stretches back to Cornell's founding, as most of the donations received during the nineteenth century were given to construct facilities, create endowments, and provide books and scientific apparatus. Cur-

rently, operating gifts represent a little more than half of all giving.

### 2001-02 Results and Peer Comparisons

By any measure, 2001-02 was an extraordinary fundraising year for Cornell. New gifts and commitments (pledges) totaled \$454 million while a total of \$363 million of cash gifts were made. (The cash gift total includes new gifts as well as payments on prior pledges.) Cornell ranked fourth in the nation among institutions of higher education in terms of total cash gifts raised and first in the nation in alumni giving, with a total of \$159 million. For the past thirty-seven years Cornell has outperformed the average of its Ivy League and peer research university competitors in terms of total cash gifts raised. (See graph on page 21.) According to the Council for Aid to Education, giving to higher education dropped in 2001-02, the first decline in more than fifteen years. The drop was apparent especially in the area of alumni giving, which experienced a 13.6 percent decline nationally. Thus Cornell's fundraising achievements in 2001-02 are even more remarkable.

### Cornell University – Operating and Capital Gifts as a Percent of Total Gifts Raised

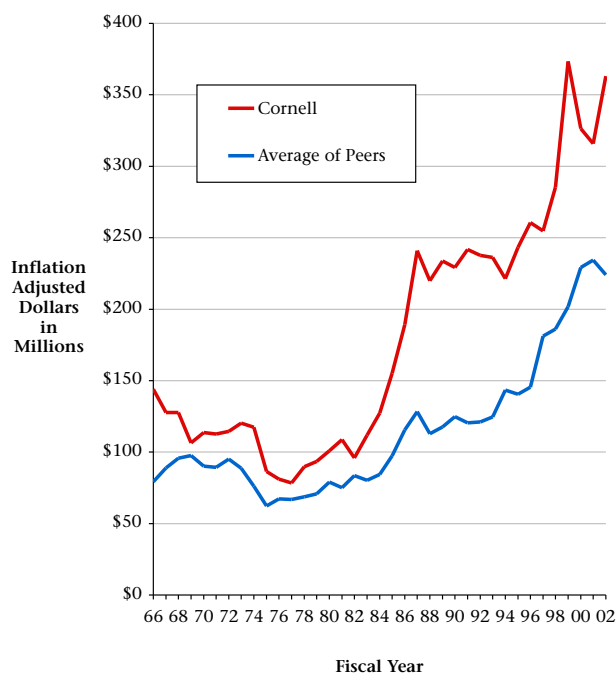


## ECONOMIC IMPORTANCE OF DONATIVE RESOURCES

In a seminal series of papers, the economist Gordon C. Winston and his collaborators have described the basic economics of higher education, distinguishing

...two quite different sources of revenue for nonprofit firms. Some, like churches, are supported by charitable donations from people who endorse the firm's ideological purposes (donative nonprofits, in [Henry Hansmann's] term) while some, like day-care centers, are supported more conventionally by the sale of goods or services (commercial nonprofits). Others—including colleges and universities—are supported by both charitable contributions and sales revenues: donative-commercial nonprofits. In higher education, of course, sales proceeds in the form of net tuition receipts are the commercial revenues that combine with charitable donations, broadly defined, in the form of legislative appropriations, current gifts, and asset earning from the accumulated past donations embedded in endowment and physical plant. Long run survival for the college, like the business firm, requires that current costs not exceed current revenues, but total revenues for the college have those two components, only one of which is related to the sale of product. So donative-commercial nonprofits can subsidize their customers by selling them a product at a price that is far below the costs of its production. This

**Cash Gifts Raised by Cornell and the Average of 21 Ivy League and Peer Research Universities**  
(in inflation-adjusted, 2001-02 dollars in millions)



sustainable separation of cost and price—the continuing ability of a college to subsidize all of its customers—is surely a defining economic characteristic of higher education, both public and private.

Winston and Yen noted that “student subsidies are a permanent feature of the economics of higher education; for the average student they represent a large part of total costs; and they are only slightly smaller in private than in public institutions.” In essence, Winston views the availability of donative resources (which he defines to include government appropriations as a kind of public *gift*) as the defining resource that allows institutions of higher education to differentiate themselves among their peers.

A hierarchy of institutions results from their ‘donative-commercial’ revenue sources and from the radical differences among them in their successes—past and present—in raising and accumulating donative resources. These differences in donative wealth, in turn, strongly influence their current commercial circumstances. Schools that get a lot of donated money from endowments and legislatures and gifts can and do sell, in their commercial role, at a lower price or higher quality. So Williams sells its \$65,000 education for a net price of about \$20,000. “The market” for higher education is very different, then, from commercial markets and competitive market forces play out in a much different environment. They may still work, perhaps, but they do so on a strikingly tilted playing field.

It is the presence of sufficient donative resources (and not a high tuition rate or an abundance of grants and contracts) that allows an institution be highly selective in admitting its student body and to provide those students with a remarkably rich and textured education. There is a feedback loop at work here as student quality is both an output and an input in an economic sense. Students are attracted to an institution in part because of the quality (measured along a number of diverse axes) of their fellow students in residence. As Winston notes, this is “an input that cannot be bought from anyone other than the school’s customers.” As a result, “...institutions have strong incentives to *care* about—to control or influence—who they sell to. The familiar indifferent/anonymous market models of microeconomic theory aren’t appropriate.”

The occurrence of substantial donative resources and the high degree of student selectivity are two of the hallmarks that differentiate America’s premier universities (including Cornell) from those in other countries and make the United States system of higher education the envy of the world.

## EPILOGUE AND PRELUDE

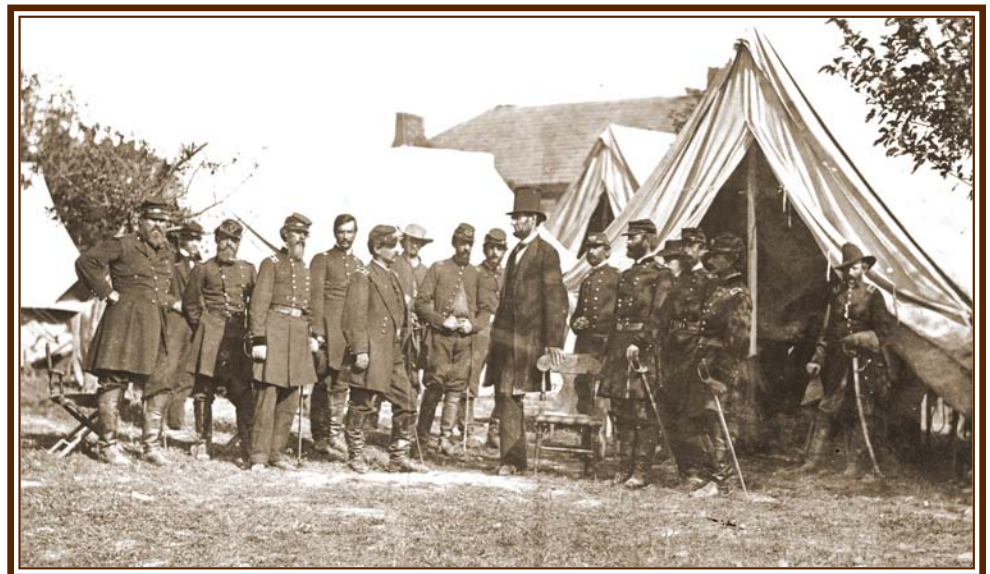
Cornell University was created at the conclusion of a great civil war—a time of massive political, economic, and social turmoil in America—a turning point when *these* United States became *the* United States. The university was founded based on the 1862 land-grant legislation signed into law by Abraham Lincoln. The popular press of the day reviled Lincoln, now seen as one of America's greatest presidents. He was taken to task over his handling of the war, his choice of generals, the eccentricities of his wife, and his personal demeanor. The conduct of the war weighed especially heavily on Lincoln as he signed the land-grant legislation that July 2, within months of his decision to relieve George B. McClellan of his command as General of the Army of the Potomac. In May of that year, Lincoln had signed the Homestead Act, and taken together these two laws, born in an unlikely era, were destined to change the face of America. One opened the West to immigration and settlement; the other extended the reach of higher education to the entire population.

Ezra Cornell and Andrew D. White were radicals when it came to education, and the institution they created based on the nation's *gift* of the land grant was both praised and vilified at the time, much as Lincoln was treated. Yet like Lincoln, they proved to be prescient, and the institution they launched was also destined for a remarkable future. That future was only realized due to a tide of benefactors who gave tirelessly of their time and resources. It seems very fitting to note that the seven-millionth volume to be added to the university library should come as a gift and should be a photographic record of the very war that was Cornell's genesis. Thomas A. Mann and Diann Goodman Mann donated the book, Alexander Gardner's *Photographic Sketch Book of the War*. (A plate from the book is reproduced at right.) It was given with the same esteem and

passion for the cause of education and scholarship as Andrew D. White's donation of his library. As President White described in his 1887 letter to the trustees:

...I have accumulated a library of about thirty thousand volumes, besides some ten thousand valuable pamphlets, and not a few manuscripts. In almost all its departments, I may say without undue partiality, there are very many works rare and valuable, in several the collection would doubtless be considered remarkable, and in one or two it is certainly unequaled in the United States. The bringing together of this library has been to me a labor of love. It consists to an unusual extent of primary sources and original material for historical study, and my thought has been not solely of myself but of the American scholars of the future. It has always been my intention to place it some day as a whole where it could be used to the best advantage by historical students.

Higher education philanthropy is inspired by affection and affiliation—a labor of love, to quote White. Donors give to a university because they believe in the vision of that institution and share its ethos. Cornell has been blessed with hundreds of thousands of ardent supporters since its inception in 1865. Together they carried the institution through the nineteenth and twentieth centuries, providing the capital and the spirit that made the university special. Cornell will rely on current and new benefactors in an ever-increasing fashion as it moves into the twenty-first century—an era that is being born in strife yet contains such possibilities.



Lincoln on the Battlefield of Antietam, October 1862 – Alexander Gardner

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- Page 15. Martha Carey Thomas. Photographed by James L. Breese, The Carbon Studio, New York. Courtesy of Bryn Mawr College Library.
- Page 22. Plate 23, *President Lincoln on the Battle-field of Antietam*. Antietam, Maryland. October, 1862. Photographed by Alexander Gardner, *Gardner's Photographic Sketch Book of the War* (Washington: Philp & Solomons, 1865-66). Division of Rare and Manuscript Collections, Cornell University Library.

## FOOTNOTE ON INFLATION

The discussion of gifts (pages 2 to 22) provides information in both nominal and inflation-adjusted terms. Correcting for the change in the long-term purchasing power of a currency is problematic as there is no

generally agreed upon index that can be used to adjust for inflation. As the authors of the Economic History Services point out, the indices employed most often for this purpose are:

- The *Consumer Price Index (CPI)*, which measures the average change in the prices paid by urban consumers for a fixed market basket of goods and services, representing the buying habits of about 80 percent of the noninstitutional population.
- The *Gross Domestic Product (GDP) Deflator*, which is similar to the CPI, but includes all of the economy's products, not just consumer items.
- The *GDP Per Capita*, which measures the average output per person and is correlated with income.
- The *Unskilled Wage Rate*, which is one of the more consistent measures of the relative amount of time and cost that it takes to produce something.

These and other such indices all suffer from one or more of the following problems when they are applied over long periods of time:

- Indices based on a defined market basket assume that those products have been available and desired consistently over the period in question.
- Embedded in the indices are changes in productivity, which lower per-item costs, and trade globalization, which shifts production to low-cost locations. If the American populace had to make all of its purchases from *Made in the U.S.A.* sources, price indices would be much higher.
- The index may have to be interpolated to establish the desired timeline, as the data may not have been collected consistently over the period. The most senior of these indices, the Consumer Price Index, wasn't initiated until World War I.

Despite these and other difficulties, attempts have been made to extend these indices back beyond the twentieth century. Such exercises yield dramatically different results. (See graph at right.) The CPI and the GDP Price Deflator show about a 25-fold change since 1850 (i.e., a \$100 cost in 1850 would be equivalent to a \$2,500 cost in 2002). The wage and GDP production indices show much greater changes (175-fold and 340-fold respectively). By these latter two measures, a \$100 cost in 1850 would equal \$17,500 or \$34,000 in 2002. The problem is that costs, wages, and productivity have not grown in tandem, although there have been major episodic effects—such as national and global wars and depressions—that affected all indices.

The test of any extended cost index has to be its reasonableness. When Cornell opened for business in 1868, its student board rate was \$4 per week, it paid each faculty about \$2,000 for the academic year, and a research microscope cost about \$200. Today, those costs are \$119, \$96,000, and \$5,000 respectively—about 25 to 50 times greater. The CPI and GDP Deflator indices show 12-fold and 11-fold increases respectively since 1868—a range lower than the experience of the institution's cost basis. The Unskilled Wage Rate and GDP Per Capita indices demonstrate 99-fold and 167-fold increases from the same date—a range that is much greater. As a compromise, the author averaged the CPI and the Unskilled Wage Rate indices to create a composite index that reflected two of the fundamental drivers in inflationary pressure: the rise in prices, which has been limited by the increase in the productivity in the U.S. economy, and the rise in labor costs. This composite index, which was used throughout the article, yields a 56-fold increase in cost from 1868 to 2002, for example. Thus, the current value of a gift is stated in terms of its purchasing power at a university, where about half of the annual expense is in the form of labor costs.

