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# Crisis in higher education: A shared responsibility and a major opportunity;

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**The Crisis in  
Higher Education**

**A Shared Responsibility  
and a  
Major Opportunity**

by  
Michael N. Chetkovich  
Managing Partner

# **Haskins & Sells**

*Internationally*

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## **The Crisis in Higher Education**

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### **A Shared Responsibility and a Major Opportunity**

Remarks of Michael N. Chetkovich, managing partner of Haskins & Sells and past chairman of the American Institute of Certified Public Accountants, upon receiving the Brandeis University Distinguished Community Service Award. The presentation was made on December 1, 1977 at a dinner at the Plaza Hotel in New York City. The award was instituted by Brandeis University to honor outstanding leaders in a wide range of community services.

I deeply appreciate this honor — even though I have great difficulty in understanding how it came about, for I know of no reason why it should come to me. However, I am happy to accept, if by so doing I may in some way help the cause of higher education, and of Brandeis University in particular.

As an accountant, I feel a certain closeness to the University and to its namesake, Louis D. Brandeis. Although he is remembered primarily as a distinguished Associate Justice of the United States Supreme Court, Justice Brandeis also was nationally known, long before he joined the Supreme Court, as the Boston attorney who, more than any of his contemporaries, could analyze, understand and interpret financial data. In those days, there was little public disclosure of financial information, and Louis Brandeis championed the cause of public responsibility and public disclosure by the business sector. He is regarded by many as the spiritual father of the Securities and Exchange Act.

Louis Brandeis is also remembered for the generous giving of his time and money to causes in which he believed. In this spirit, I would like to speak to you tonight on a cause in which I believe, one that I think is vital to the continued viability of our American way of life. That cause is the need for preserving and enhancing the high standard of excellence we have attained in our system of higher education — a standard that I believe is far superior to that of any system elsewhere in the world.

It certainly is not necessary for me to make a case for higher education before this audience, for you know what it means to us as well as I do. Our country and the world face many grave problems in the years to come —

a fragile environment, shrinking resources, critical energy deficiencies, nuclear proliferation, and many others too numerous to mention. Education is not, by itself, the solution to all our problems, but it is the single best hope for their resolution, and for a better society.

We all recognize that our system of higher education has been a key factor in our social, political, and technological advancement. It has significantly increased the opportunities available to the poor, to racial minorities, the suppressed and oppressed. It has been a pathway to the professions, to increased aesthetic appreciation, and, most important, to increased knowledge of ourselves and the world around us. The renowned English philosopher and author, C.P. Snow, said it more pointedly than I could hope to in writing a few years ago that “American universities are among the world glories. If they do not flourish we shall have lost more than we know.”

Well, they are hardly flourishing! The stark fact is that many are barely surviving. While new colleges and universities are still being born, in the last decade more than 150 have died. Moreover, most of the existing institutions are facing financial crises unlike anything they have previously experienced.

These crises exhibit themselves in many ways, some more evident than others, including faculty cutbacks, program terminations, the closing of facilities and mounting tuition costs. If these developments become pandemic, as many believe they already are, in the words of C.P. Snow, “we shall have lost more than we know.”

Nowhere in the world is there a system of higher education that can compare with ours, in quality, scope and availability to all the people. By the same token, nowhere is there greater reliance on the private sector for support. Unfortunately, unless there is a significant upturn in private financial support, we may lose much of this priceless resource.

Let's look briefly at some basic facts that illustrate the need to increase private support better than any further rhetoric. Although the operating and capital expenditures of our colleges and universities have increased enormously in the last few decades, these same expenditures, on a per student basis and adjusted for inflation, have shown a steady decline over the last ten years. And, during the last five years, they have been decreasing, on this basis, at an average rate of 2 percent per year.

One of the principal reasons for this cutback in spending is the relative decline in private-sector support. In fact, private contributions per student, again adjusted for inflation, have been declining at the rate of about 6 percent per year, as compared with the drop in expenditures of 2 percent per year.

This growing shortfall in private support has been made up (to the extent it has been made up) by government expenditure. Former President Johnson, in speaking with a group of business leaders in 1971, highlighted this development by observing: "In spite of the fact that your federal government has seen fit to allow a charitable deduction of 5 percent of your profits, the record is quite clear that you business leaders still feel that the federal government can spend this money more wisely than you can."

Well, what can we do about this situation? In looking at the composition of private support, we find that over the years individual contributors and corporations, together, have provided about two-thirds of all private support (with the balance coming from private foundations, religious organizations and other sources). Since we all belong to the first category (individuals), and as most of us are involved with corporations or other forms of business enterprise, let's concentrate on those.

Taking individuals first, we find also that giving to higher education has not increased proportionately with income during the last few years. In fact, if we had contributed the same proportion of either our personal or disposable personal income during the three years between 1974 and 1976 as we did in the previous four years, contributions to higher education would have increased by approximately \$800 million over that period. That's quite a disparity, and clearly we must do better or the quality of higher education will suffer.

Perhaps an even more disappointing fact that comes out of this analysis is the lack of a better showing by corporations. Although *total* corporate contributions have increased by almost 70 percent since 1970 (an impressive and important improvement), corporate income before taxes increased by nearly 120 percent during this period. Recently, the Commission on Private Philanthropy and Public Needs, sometimes known as the Filer Commission, recommended that corporations set as a minimum goal, to be reached no later than 1980, the giving to charitable purposes of 2 percent of pretax income. In making this recommendation, the Commission remarked that the record of giving by the corporate

world as a whole in the mid-1970s was “an unimpressive and inadequate one.” In fact, corporate giving was less than half the Commission’s minimum 1980 goal during the period between 1970 and 1976. Had this minimum goal been reached over that seven-year period, corporate contributions to higher education might have been increased by as much as \$3 billion:

Even more disappointing is the fact that most corporations give little or nothing at all. The Filer Commission found, for example, that only 20 percent of corporate tax returns filed in 1970 reported any charitable contributions at all, and only 6 percent made contributions of over \$500. Even if we exclude those companies reporting losses, the percentage of contributors increases to only about one-third, leaving 680,000 companies that reported profits but failed to claim any charitable contributions. Moreover, nearly 50 percent of all contributions came from fewer than 1,000 companies. Even more shocking, perhaps, was the finding that the nongiving companies included 39 whose assets exceeded \$1 billion.

Clearly, something must be done. The continued vitality of our nation’s colleges and universities is our best hope for meeting the awesome environmental, social, and technological challenges we face. And the need for additional private support is essential to this vitality. We, as individuals, and particularly in our roles as leaders in the business community, must act to meet this critical need before it is too late. To paraphrase H.G. Wells, the future of our society is increasingly dependent on the outcome of a race between education and catastrophe. If we act now, we may well be able to affect that outcome. If we fail to act, we may well be witness to that catastrophe.



There are, of course, a number of ways we can evidence our support of higher education. The best and most fundamental can be illustrated by a quote from Clarence Darrow. When the famous lawyer was a young man he did an important service for an elderly lady. She was very grateful and said, "I just don't know how to thank you." "Well, my dear lady," he replied, "ever since the Phoenicians invented money, there has been an answer to your dilemma."

Those of us here this evening share a major responsibility and, at the same time, a major opportunity to do something about this problem. We can all help by encouraging aid to higher education by our employers or our firms through direct corporate giving and through matching grants. And, as individuals, we can give more to the colleges and universities of our choice, and encourage others to give. Above all, we must act, and act now, before it is too late, and before we lose "more than we know."

