

Building World-Class Universities in Japan

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Presentation to the Expert Panel on the University Endowment Fund

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Three Questions

- How can the University Endowment Fund be used to leverage the reforms needed to improve the international competitiveness of Japan's top universities?
- How might funds be allocated over time to produce maximum impact?
- How many world-class universities can be supported with US\$100 billion?

Essential characteristics of world-class universities

1. First-rate **facilities and equipment** for research
2. Ample **funding** for research
3. **Competitive salaries** to attract top-tier faculty
4. **Merit-based allocation** of research funding
5. **Openness** to the global community of scholars
6. **Curriculum and pedagogy** that encourage critical thinking
7. **Governance** that allows academic leadership sufficient flexibility to innovate

A large endowment makes 1-3 affordable; but achieving 3-7 requires structural reform!

Leveraging reform with grants of income from the University Endowment Fund

- As a condition of receiving support from the Fund, universities should commit to:
 - Paying globally competitive salaries for top-tier faculty, and generous startup packages for all new faculty
 - Allocating internal research funding based on merit, not hierarchy or politics
 - Increasing the enrollment of international students as well as the number of inbound and outbound visiting faculty
 - Pedagogical reform
 - Changing the method by which presidents are selected, and allowing reappointment of presidents beyond their initial terms
 - Allowing presidents to change administrative structures and initiate new programs without faculty approval

For maximum impact, the Endowment Fund allocations should be stable and predictable

- Each designated university should submit multiyear expenditure plans
 - Each university should have flexibility to choose its own focus areas for advancing research and teaching
- To execute plans, stability and predictability of income is important
 - The Fund should have a smoothing rule around a target payout
 - The allocation of annual income from the Fund going to particular universities should be stable (or growing steadily) over a relatively long period (6-10 years?)
 - If allocations are periodically adjusted across universities, there should be multiyear smoothing to new equilibrium levels.
- Annual reallocations will lead to short-term thinking and stifle reform

How many world-class universities will US\$100 billion support?

- Approximate endowment per student at top 5 US universities
 - Princeton \$3 million
 - Yale \$2.5 million
 - Harvard, Stanford, MIT \$2.0 million
- At \$2 million per student, Tokyo U (at \$54 billion) and Kyoto (at \$44 billion) would exhaust the University Endowment Fund
- A realistic objective (comparable to China's in 1998) would be to aim for two universities to achieve top 15-20 global ranking in 20 years and 3-4 others to achieve top 50 status
- A possible target allocation of endowment income:
 - 30% each to top 2; 10% each to next 4
- Each year some portion of endowment income could be used to match donations to endowments held by each of the designated universities.
 - Given realistic fundraising targets, the match should likely be 2:1 or greater.