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By

S. L. Mintz /

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Ugly New Economics in Public Education: Donors Rule

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Is this

the new meaning of supply and demand at a major state university? To cope with a shrinking state budget for education and intense competition for major charitable gifts, the **Florida State University** and the **FSU Foundation** tarnished the integrity of its economics department for a cash donation.

A mere \$6.5 million over six years bought a scarce privilege: veto power over two new tenured posts and the privilege to shut down programs that violate the donor's philosophical and educational intent. "This is an egregious example of a public university being willing to sell itself for nothing," **Jennifer Washburn** told the [St. Petersburg Times](#). Her book, "University Inc.," investigates ties between industry and academia.

It's a time-honored tradition for donors to etch their names in campus facades, but quite another to etch their agendas in the economics curricula at taxpayer-funded academic institutions. And add this irony: the donor in question would slash tax support for most government initiatives. FSU struck its bargain with the [Charles G. Koch Charitable Foundation](#), a well-heeled proponent of libertarian ideas that sparked the tea party movement.

FSU should overturn the agreement and restore unfettered academic independence that students, faculty, alumni, taxpayers and other donors expect and deserve in a public university. The controversy surfaced on May 1 in the [Tallahassee Democrat](#) when a current and a retired FSU faculty member cried foul. Handing faculty selection to an outsider riled **Ray Bellamy**, a physician and a member of the FSU College of Medicine, and **Kent S. Miller**, an emeritus professor of psychology at FSU.

Not so fast, argues **Robert Rasmussen**, Dean of the FSU [College of Social Sciences](#). Turning down the money would have been irresponsible by his lights. It adds eight courses a year to the department's capacity. Rasmussen insists that academic integrity will remain unblemished. Miller and Bellamy, for their part, were careful not to impugn the quality of any teachers, only the manner in which their selection was handled.

Rasmussen reminds critics that the Koch Foundation facilitated the hiring of an economics research group at **George Mason University**, led by Nobel Laureate **Vernon Smith**. An endowed chair created for the purpose did indeed attract Professor Smith to GMU, but it imposed no restrictions on his research or teaching. "That's a line in the sand for us," a GMU spokesman told me. Note also that in 2009, when FSU received \$290,000 from the Koch Foundation, GMU banked \$5 million, according to the Koch [tax return](#).

Wait, there's more. Just \$30,000 established an FSU undergraduate economics program designed by a committee that reports to the Koch Foundation's hand-picked advisory board, accompanied by the right to withdraw support upon review of funded professors, publications and related publicity that stray from the agenda. And as cheap dates for large foundations go, students who read selected books and attend approved meetings can earn \$200.

But never mind moral outrage. Authority granted the Koch Foundation flouts **Internal Revenue Code** that bars donors from continuing to exercise control after making a gift to a university. Such control ordinarily forfeits tax benefits. Without more scrutiny, the IRS invites donors of all political persuasions to exploit budget shortfalls at universities.

Fidelity to academic integrity has a price tag. In 2008, the same year that the Koch Foundation agreed to help plug the budget gap at FSU, **Princeton University** returned \$50 million to a wealthy donor who sued because he didn't like how his family's legacy was being spent.

An economics department that surrenders authority to donors fails anyone who demands a neutral view of economics - not least future managers apt to draw the same conclusions on their own. In the best interests of all concerned, FSU should draw its own line in the sand, one that the Koch Foundation and other intrusive donors -- left and right -- cannot cross.

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