

Interview with David Lilly

**Interviewed by Professor Clarke A. Chambers
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Interviewed on October 11, 1994

David Lilly - DL
Clarke A. Chambers - CAC

CAC: This is Clarke Chambers again, your friendly interviewer. It is a lovely bright blue October day, October 11th in the morning. I have to converse with this morning David Lilly who came into the School of Business in 1978, and was there for a number of years, and then became vice-president of Finance and Operations for the university between 1983 to 1988.

David, welcome. And as I have with others, maybe, you could say just a bit about your career before you came to the university because that was quite a shift in culture.

DL: I started out in 1945, when I got out of the Army, with the Toro Manufacturing Company, Corporation it was called in those days. I was there for some thirty years. I was very active and was what they call, today, the CEO [Chief Executive Officer]. In those days, they used to call it the President and General Manager. I was active around town and was on various boards of directors, like with General Mills, and the First Bank, and the Dayton Hudson Corporation.

CAC: Excuse me. From time to time I'm going to interrupt. Okay?

DL: Sure.

CAC: Was it unusual for any person in business to spend that long in one corporation?

DL: Not in those days.

CAC: You kind of committed yourself to a corporation?

DL: This has been one of the delightful discoveries of my life. There have been a lot of other things to do and they are much more developmental of the individual than sticking to one company and one culture all that time.

CAC: It used to be people stuck with one university. We've become more peripatetic.

DL: Then, I felt that it was time to step aside and I did because I was appointed to the Federal Reserve Board in Washington to fill out an unexpired term. I went down there with [unclear] for two years and had a—what would one call it?—sweet and sour experience. Some of it was fascinating, the monetary policy, but we didn't spend as much time as the public thinks that you do. We spent more time on regulation, and writing regulations for banks and consumer credit, and stuff that was totally boring. My term expired, and also did President [Gerald] Ford who didn't get reelected; so, I didn't get reappointed. I was on the job market. At that point, I was approached by the university, in the form of Gerry Shepherd who was the chairman of the Search Committee, Wouldn't I like to be dean of the school in the College of Business Administration? I was delighted to undertake the job. The Federal Reserve experience, to me, had taught me something else, in that there was a different way of running things than the old line and staff business arrangements, which was after all adopted from the military.

CAC: And that was your experience at Toro?

DL: Right and in corporations that I was director of. The Federal Reserve Board . . . here they were seven board members, all equally responsible, and all having their own vote; so, you were faced with the question of getting along in a collegial sort of way. We had a very large staff of about 500 economists out doing all sorts of research and so, it was kind of a microcosm of a university culture. Fortunately, I had had that experience; so, when I came to the university I knew that it wasn't like a business, that it was run differently and it was a different culture.

CAC: Shepherd was vice-president at that time?

DL: No, he had retired but he was chairman of the Search Committee and there were a lot of people on that. Henry Koffler was the academic vice-president. Henry and I had dinner together and he made me an offer which I accepted. I've forgotten the figures but the order of magnitude is, I said that I wanted to be one of the highest paid deans because I thought that that would establish the importance of the school in the university. They hadn't been paying very much for their deans, and Henry agreed with that, and he offered me \$50,000, I think it was. Then, I went over to have breakfast with Peter Magrath, and told him about it, and he said, "Can't do that."

CAC: [laughter] I thought he was going to raise the [unclear].

DL: I said, "We made a deal." He said, "I'm the chief executive officer. He's not." I thought that was a rather interesting comment by the president about the academic vice-president. He

didn't want to break the \$50,000 barrier at that point. That was the ceiling and if he'd done that, he would have created a lot of problems with the legislature, he thought.

CAC: We might say for posterity that the inflation really accelerated one or two years after that, so that \$50,000 was a respectable sum.

DL: Yes, it was. It was a wonderful opportunity because I found that the School of Business was charging the same tuition in the MBA as all of the other schools were being charged. There was an egalitarian approach to tuition rather than a market approach and I suggested to Henry Koffler that the way to finance a great deal of our expansion was to raise the tuition to the market rate for the MBA program.

CAC: How did one determine a market rate?

DL: St. Thomas was right over there charging twice as much as we were.

CAC: I see. Okay.

DL: I don't remember if that's the order of magnitude.

CAC: Yes.

DL: We went into long involved negotiations and we, finally, agreed that we got seven-eighths of the increase and Henry kept one-eighth.

CAC: That's fair.

DL: We were also given a budget increase; so, I had the pleasant job of increasing the faculty 50 percent, an opportunity that no one has had since, anywhere.

CAC: This would mean from what size faculty to . . .

DL: I was trying to remember that. I think it was from 80 to 120.

CAC: Some of the 80 were adjunct and part-time?

DL: Yes.

CAC: Okay. What would the size of the core staff have been then, full time academic?

DL: Sixty, or so.

CAC: Okay.

DL: Those are facts, Clarke, and I'm . . .

CAC: That's all right. An historian can find them out.

DL: Part of the arrangement was that Ed Foster, who was an associate dean of the Graduate School, came over as associate dean at the school. He was a tremendous asset. He should have succeeded me as dean but instead they went outside after I retired. That was the big thing . . . we had a lot of excitement in hiring that faculty. We hired some really outstanding people. We also hired some real duds. One of them that became a constant pain in the ass was Jim Scoville in Industrial Relations. If we had investigated him more thoroughly, we wouldn't have hired him. He claimed that we were trying to liquidate the Industrial Relations Department . . .

CAC: I see.

DL: . . . and he took a grievance all the way to the president. We went round, and round, and round.

CAC: That's the kind of case that you would not have faced in the private sector?

DL: Not at all . . . because he's still here, I think; he has tenure. He does not have the influence that he had as chairman of the department. It was a nice baptism to see how the whole academic protocol worked but I enjoyed it.

CAC: Mr. Foster was there to help particularly with that kind of . . .

DL: Yes, very much so.

CAC: Were there others who were of assistance in making that bridge possible from one culture to another?

DL: The faculty was very helpful. There were several of them that were very helpful. Other deans were very helpful.

CAC: Ah. Particularly professional schools?

DL: No, although . . . who's the dean of the Law School today?

CAC: Bob Stein.

DL: He was dean then.

CAC: He probably has seniority and rank, if anyone now.

DL: Fred Lukermann was very helpful.

CAC: Heavens. How would Fred have sought you out or vice versa?

DL: We used to have deans' meetings and we'd have monthly meetings. We had some common problems of one kind or another. Then, we were on committees, you know.

CAC: How about the vice-president? That's Mr. Koffler's office?

DL: I didn't see much of him.

CAC: I see. Although, you reported to him?

DL: I reported to him and one of his assistants used to look at our budget, and take issue with it, and then we'd have to go over there and correct it. Henry left soon, thereafter, and Ken Keller took over. Then when I . . . that's the second part of my history.

CAC: Right.

DL: The school . . . we expanded it and we asked to have a new building or an addition to our building. The legislature had the idea that the Humphrey Institute should be on the West Bank rather than on the East Bank. [Peter] Magrath called me up and said, "They're talking about combining the School of Business building with the Humphrey Institute. How do you feel about it?" I said, "I feel fine about it. I think that that's just a wonderful relationship that could be established." That's when I got the idea that we should change the name of the school to the School of Management because we really were teaching management, and management was important in the public sector, as well as the private sector. That's why it's now the School of Management. Incidentally, the Industrial Relations Department voted against the change.

CAC: Hmmm. Was this a national trend of the schools of business?

DL: It was just beginning. The Yale School of Management was founded and some of the others said, "No, we are business schools." Others said, "No, we're involved in a bigger horizon."

CAC: To what degree was this market driven; that is, by students who wanted a degree to take them into non-profits or into public, as well as into private?

DL: I can't answer that precisely but I do know we got a lot of people that were interested in a public career in public service that were taking the MBA because they thought it would help them in their public service.

CAC: So, you were responding to a graduate student need, the professional school need, right?

DL: Yes and we were offering a larger vision of the School of Business, something more than just a school of accounting.

CAC: Could you illustrate that? You say that those years were years of expansion of the faculty, like in what fields, what new courses, what new seminars were opened up, having in mind management rather than business? Are there some illustrations of that?

DL: The number one one was we hired Andrew N. Landavan who developed the Center for Management Studies. This was not reflected, particularly, in the curriculum because, as you know, the curriculum is a matter that's determined by the faculty, and not by the deans.

CAC: Sure.

DL: We revised our curriculum and that's when it was really a collegial experience.

CAC: Say a bit more about that.

DL: At faculty meetings when we were changing the curriculum somewhat, we had big arguments as to who would teach what. Industrial Relations felt they owned the whole business of the psychology of management, if you will.

CAC: Hmm.

DL: The management department felt that they had something to do with it. In fact, there were several courses that they each taught with the same name but different content. Trying to sort that out was an effort that I shouldn't have made but that was where I was trying to apply manufacturing technology to the field of ideas.

CAC: I see. Was there a difference between these two schools along political lines? Were the Industrial Relation persons more favorable to unions, for example?

DL: Yes, very much so. They had their own appropriation that was backed by the AFL-CIO.

CAC: You mean they had a special from the state legislature?

DL: Yes.

CAC: I didn't know that. And that persisted through your deanship?

DL: Yes, it did. We got along fine. Mike Bognanno became head again and we got rid of Scoville and, then, life was a lot easier.

CAC: You had George Seltzer, as well, right?

DL: George was there but he was head of it before I was there.

CAC: I see. Herb Henneman . . . was he part of that, too?

DL: Herb retired within a couple years of my coming in. Then, he was quite upset the way I was treating his department because he is the fellow that built it up into where it was kind of semi-autonomous.

CAC: Right. He was a very political fellow. Very skilled.

DL: He's the one that made the arrangements with the unions, and appeared at the legislature, and so on. I wanted to bring them in on an equal basis with the other departments. You can imagine the feeling there was.

CAC: Sure.

DL: Here's an outfit with a special and all of the others were subject to the budgetary control of the university.

CAC: That was Herb that . . . I mention his name in the conversational pattern here because, for example, he was very well represented in the AAUP [American Association of University Professors]. He kept his political lines open there so a lot of people in the Arts College knew Herb because he was the one that came over to see us.

DL: Is he?

CAC: Yes.

DL: He was a strong guy.

CAC: Yes, he was and very funny. He had more damn jokes than anybody I ever knew.

DL: He retired. And I retired after five years. I was sixty-six and I thought it was time that I followed my own preachments that when one got that age and when one had spent five years doing something, that was enough.

CAC: Yes.

DL: I felt that Ed Foster should succeed me and that was one of my failures that I was unable to persuade the committee. They went out and hired Pete Tomley, who just died quite recently.

CAC: This was consistent with the pattern of having persons who have experience in the real world, as we say in the academy, to direct the program?

DL: Yes.

CAC: Rather than Ed Foster, whose whole career was in economics and within the university?

DL: Right. But I thought they'd had enough of the outsider in there, and that it was time for them to become comfortable again and, maybe, they could rotate every other time. The machine isn't picking up my hands, is it?

CAC: [laughter] That's where we need TV instead.

DL: Ed was acting dean for a year and did very well but, then, he went over to work for Ken Keller and . . .

CAC: His skills were transferable. He did lots of different assignments.

DL: Right.

CAC: How much of your time, David, was spent raising funds for the school? Was this a major kind of commitment you had to make?

DL: I spent a lot of time doing it and one of the things that we did is we wanted to get some endowed chairs. There weren't any endowed chairs in the university, to speak of, in those days.

CAC: Right. I think none at all except for the regents scholarships.

DL: So, I invented what was later known as a folding chair.

CAC: [laughter]

DL: I went around to the various companies and said I understand their feeling that if you give money to the university, it disappears. If you will endow a chair, you can review it at the end of ten years . . .

CAC: I see.

DL: . . . and if you don't like what you see, you can withdraw your support. I've forgotten how many we did, but we did something like ten.

CAC: You got the university to accept this rotating principle?

DL: Yes.

CAC: That took some persuasion upstairs?

DL: Well, it did but it was a way to get some real support.

CAC: You bet. That was a good idea.

DL: . . . and we didn't have to get them the capital. We just got the annual [unclear].

CAC: I see.

DL: One outfit withdrew their support at the end of the period but they put it into something else; so, it worked out all right. Then, later on of course, we devised that use of the Permanent University Fund . . . but that's when I was a vice-president.

CAC: Yes, we'll pick that up later.

DL: I spent a lot of time . . .

CAC: . . . a lot of rewarding years, from your point of view?

DL: It was a wonderful opportunity because the industry wanted a place to succeed and they wanted to be part of the university. It wasn't difficult and it was fun.

CAC: Good.

DL: I loved the five years I spent there. Then I retired . . . do you want to go to the next?

CAC: Sure. You were drafted for another position?

DL: As I retired, Magrath said he'd like me to be chairman of committee called the University . . . It's interesting that the vice-president for Planning and Administration, at that time, was named Hasselmo.

CAC: I've heard of him.

DL: He had an idea of forming all of these various study groups and the name of my study group was the University and the Economy. We had quite a distinguished group on that committee.

CAC: In-house and out-house, both?

DL: No, it was mainly in-house.

CAC: Okay.

DL: John Adams was the vice-chairman of it . . .

CAC: Ah!

DL: . . . and John wrote the final report.

CAC: I'm interviewing him next week.

DL: Well, if the truth is to be known to history, the origins of the Commitment to Focus are in that report.

CAC: Heavens!

DL: If one gets it out and reads it, it's amazing how much there is in there that's in the Commitment to Focus.

CAC: All right. Now, this would have been roughly the year 1983-1984 or 1982-1983, something like that?

DL: Yes. This was all being done under Nils but, then, Nils left, and went down to Arizona, and Peter had me as special assistant to the president and chairman of that committee. Then, the vice-president for Finance went to Brown, and Peter asked me if I wouldn't continue the interim vice-president, and I said I would. So, I landed up there for five years. They went through all the business of a selection committee and everything but I said, "If you want me, make me an offer but I won't be a candidate."

CAC: Hmm.

DL: That worked out. Do you want to go into that period?

CAC: Oh, sure. Oh, absolutely.

DL: It started out with Peter Magrath. His management technique was to have a breakfast every week over at the St. Paul campus. All the vice-presidents would come and we'd all talk about various things.

CAC: How many vice-presidents? This is Academic Affairs, Finance, Operations, Administration, but also the Health Science vice-president and the Agriculture School vice-president?

DL: And there's another one, too. It was the . . .

CAC: It's a body of five or six folks?

DL: Kegler was the . . .

CAC: I see, for outreach and really lobbying legislature . . .

DL: He was a lobbyist, period.

CAC: Yes.

DL: We all met, and discussed whatever was on Peter's mind, and then we'd have a retreat. Every year he had a retreat. We went up somewhere. Who was the black guy that was . . .

CAC: Frank Wilderson. That's vice-president for Student Affairs, right?

DL: Right. Peter stayed with him in his cabin and we were all over in a motel somewhere for this retreat. But that's where he hired Lou Holtz.

CAC: [laughter] At a retreat, well . . . ?

DL: He said, "I want Lou Holtz." So, Lou Holtz was hired.

CAC: Now, is this out of a sense . . . I've asked other people because the legend persists that a winning football team is wonderful to have with the legislature. Now, is that a prime kind of thought by hiring Lou Holtz, that it might bring a winning team, and that would bring a favorable visibility for the university?

DL: Well, it seemed to be the general opinion that you couldn't really have a great university unless you had a great football team.

CAC: Where does that come from?

DL: I don't know. I think from Michigan.

CAC: Ah.

DL: And from my old past, when we were the greatest . . . the university was really a great university back in the late 1930s.

CAC: So, correlations are drawn between these two free-standing events?

DL: Yes. I think it's total nonsense.

CAC: But it was widely shared? Obviously, Peter shared it?

DL: Yes. He wanted Lou Holtz. There was a great deal of excitement when we got Lou Holtz.

CAC: Yes.

DL: Lou Holtz, of course, turned his back on the university after promising that he would stay until we went to the Rose Bowl. I'll never forgive him for that.

CAC: He lost to Boston University this past . . .

DL: I'm just delighted every time I see him lose.

CAC: [laughter]

DL: What can I tell you about the vice-presidency?

CAC: Did you perceive yourself, as others, as pretty free-standing and this is a confederation you're coming to?

DL: I felt, having seen it as a dean, that Finance and Operations was entirely too autonomous and it should be meshed together with the academic side more than it had been. I guess, under Middlebrook and then his successors, it had become pretty powerful in its own right. I didn't think that was appropriate. I felt and I told the people when I went in there that there was only one reason that we were there, and that was to service the students and the faculty, that we didn't have any other justification. If we didn't have the students and if we didn't have the faculty, we didn't have a job. We shouldn't be hiding the assets and playing games with them. That's when I went through all of the accounts and there were little pockets . . .

CAC: And what are those pockets?

DL: Little reserves . . .

CAC: Where do the reserves come from?

DL: You've got a great big cash machine here, and you've got a lot of cash that's coming in, and before you use that cash, you can invest it. There's a lot of temporary income that's coming in from that cash.

CAC: But the fund itself is dedicated, in every instance, to some particular purpose?

DL: Yes, but it was dedicated by the administration, not by the legislature.

CAC: And not by donors?

DL: No.

CAC: Okay. These are not philanthropic endowment funds?

DL: No. No. These are little pockets of cash that people had tucked away.

CAC: People like deans and . . .

DL: Well, my predecessor, for example, had cut the budget for maintenance, and laid people off but kept the cash, didn't put it back in the general pot; so, here was a little account that was building up. There were all kinds of little tricks.

CAC: I see.

DL: Of course, faculty members were doing the same thing. They'd get grants, and they wouldn't spend it all; so, they'd have a little left over and then they'd put that in a reserve. The whole budgetary system, fund accounting here, is a wonderful device to confuse everybody.

CAC: And other vice-presidents hadn't been able to monitor all of these scattered funds?

DL: No. I wasn't either but I was able to gather together a lot of funds that were under my supervision and put them all together into the president's contingency fund.

CAC: You're several years into your vice-presidency by now to have accomplished this?

DL: Yes . . . one or two years.

CAC: As I remember—although you see, faculty generally don't understand this—it was a pretty darn big sum for contingency, wasn't it, that you were able to draw?

DL: Oh, yes. Then, we invested it well, too. There's a genius over there by the name Roger Peschke, who was the treasurer, investment officer actually; and he managed all of the cash and he did a marvelous job investing it. During my period, we double the net worth of the university, if you will.

CAC: Now, were these funds or is there some other . . .

DL: These were all funds.

CAC: Okay. Say more about that then. These funds were increased by what kind of policy or strategy?

DL: By investing in the market.

CAC: I see. A fund you already had? This wasn't seeking new of new funds?

DL: No. This was investing in funds we already had in the market in various ways. Then, we had some endowment funds and that sort of thing. We didn't have the Foundation at that time. They were independent but we later got them into it. Then, we decided we should raise money. We decided that we were going to have a campaign.

CAC: A capital campaign?

DL: A capital campaign of \$300 million. It was the largest campaign any public university had ever even considered.

CAC: Was this out of your office or out of the Minnesota Foundation?

DL: It was our office.

CAC: Ah. Okay.

DL: The Foundation reported to me and Steve Rosell . . . I retired Bob Odegard and put Steve Rosell in as head of the Foundation, which is the Office of Development. That's one of those two-headed things. Steve said, "I'll take the job if there's going to be a campaign." I said, "There's going to be a campaign." We put together this . . . that's when we got the idea of using the Permanent University Fund. Now, the Permanent University Fund goes all the way back to the Land-Grant days. These were funds that were generated from the sale of lands that came to the university. The legislature said, "Any monies that you earn on those funds, we will offset in our budget." So, nobody was paying any attention to . . .

CAC: So, it had to be a spend down, so to speak?

DL: Right. Nobody paid any attention to the Permanent University Fund because whatever increase there was in it, the legislature just took it off of its appropriation to the university.

CAC: This had been going on for a long time then, David?

DL: Yes. Then, we said, "Let us use that as a matching fund for the . . ." And you were remember those chairs? I think there were over 100 of them.

CAC: Yes, lots, all around the university.

DL: That's where that all came from. I went to the legislature . . .

CAC: You had to raise money from the private sector to match that fund?

DL: Right.

CAC: And if you did that, then the state legislature wouldn't subtract it from their appropriation?

DL: Right. I went to the legislature and said, "Look, let us use the Permanent University Fund as a matching fund and we will generate dollar for dollar, every dollar that we put into these chairs, we'll get the private sector to match it, and don't you offset that." It didn't cost them much because the amount of money they're talking about was 5 percent of whatever we raised. All we were asking them to do was turn over the Permanent University Fund for matching purposes.

CAC: This was really a break in policy and strategy. Where did the initiative come from? Is this from your office, from Magrath? Obviously, you had to have the president's okay.

DL: Magrath was gone.

CAC: Oh, I see. Now, it's Ken Keller? Okay. It's primarily the initiative of your office?

DL: Right.

CAC: You had to sell it not only to Central Administration but you had to sell it to the legislature? Was it your task to sell it to the legislature?

DL: Yes, I went down there and appeared. It wasn't difficult to sell because it didn't really cost them much.

CAC: But it meant a great deal to the university?

DL: Oh, you can imagine . . . the amount of money that was being generated by the Permanent University Fund was \$3 or \$4 million . . . I've forgotten these figures. They're all a matter of record.

CAC: Sure.

DL: To free up that capital was the big thing; so, they didn't really mind adding to the university's budget the amount they used to offset and letting us use the capital because it generated so much more money. We came out, finally . . .

CAC: How did you get that inspiration?

DL: It goes back to the folding chairs.

CAC: Okay.

DL: That was an original concept to get people to contribute and, then, when you looked at the Permanent University Fund . . . by then you understood about matching funds; so, you said, "Let's use the Permanent University Fund as a matching fund for chairs. But these will be permanent chairs. These won't be folding chairs."

CAC: Mr. Keller was quick to see the wisdom of it?

DL: Mr. Keller was very quick to see it.

CAC: Mr. Benjamin . . . was he in on this at all? He is then vice-president, I think, in Academic Affairs.

DL: Roger came in later. I remember when he was hired.

CAC: So, it was primarily your office and the president's office that had to take the initiative on this?

DL: Right.

CAC: Okay.

DL: Then, we went to the Foundation Board and said, "You ought to start a campaign." And they did. We went out and called on Curt[is] Carlson and got that big chunk.

CAC: Was a lot of your own time invested in the raising of those funds then?

DL: Not particularly. Once we had established that it was going to be this, then, it was a question . . . the deans really worked on it. There were many, many endowed chairs around here.

CAC: It's about at this time, I think—I say it as a statement but really it's a question to you—a lot of the colleges then begin to hire their own development officers? Is that right?

DL: I think I was the first one in the School of Management to hire my own development officer.

CAC: Apart from Minnesota Foundation?

DL: Right and that created a lot of problems.

CAC: With whom?

DL: With the Minnesota Foundation.

CAC: I see. You were intruding on their turf?

DL: Right. It worked out that we developed this idea of each college having their own development office and the Foundation would be a coordinating outfit. That's the way it still is, I believe.

CAC: Yes.

DL: That was a difficult thing to sell. The colleges really didn't want to go raise their own money. They felt that was the administration's job. It was a hard sell to get them to undertake to do this.

CAC: They could use their own college funds in the first instance to get up to speed, so to speak?

DL: The Foundation would help them. It would pay half the salary of a development officer. The Medical School got the idea pretty quickly and they did very well.

CAC: I would suspect they were in gear already, weren't they?

DL: Yes.

CAC: They had their own funds for cancer hospitals, and research, and so forth?

DL: I don't know who had development officers over there then but there is no question, they were raising money in a big way at the Medical School.

You want to know, I'm sure, about Eastcliff. When Ken Keller became president, if you remember, there was some controversy because he originally didn't want to be . . .

[End of Tape 1, Side 1]

[Tape 1, Side 2]

DL: People persuaded him that he was not likely to get to be president if he just said, "I'm not a candidate." So, he decided to become a candidate when he was academic vice-president. There were a lot of people that thought that was unfair, that he had an insider's . . .

CAC: Sure.

DL: . . . point of view. I never quite understood that. I thought that here was a man who really understood the university.

CAC: Right.

DL: [He] had been raised here.

CAC: I think it relates to the regents themselves because they passed a resolution in the fall saying that he would not be considered, right? I think that's where this idea comes from.

DL: I don't think they said he will not be considered.

CAC: I see.

DL: Because they did consider him.

CAC: Okay.

DL: And they elected him.

CAC: Well, finally, they did, right.

DL: But when he came in and, then, proceeded to produce Commitment to Focus . . .

CAC: And, now, the term is used for the first time? But you're suggesting that the earlier report had the seeds of the idea?

DL: I am, indeed. But he picked up that report and several other reports, and added Ken Keller's own thoughts to it, and put it together in Commitment to Focus.

CAC: How actively was your office involved in that, in any of the details, or implementation, or strategy?

DL: Informally, I was involved because I used to counsel with him a lot. I also counselled with Roger Benjamin because I was supposed to be a facilitator.

CAC: Sure.

DL: In fact, when Roger Benjamin was interviewing, he came into my office and I said, "Roger, you've just got to come here. Money is not going to be a problem for you." We had monies, in those days, but they were not recurrent funds. They were rather single amounts of money. Once you spent them, they were gone. These were the monies that . . .

CAC: So-called soft monies?

DL: Yes.

CAC: Recurring soft monies?

DL: We didn't have recurring monies the way the legislature would appropriate it.

CAC: Okay.

DL: Roger came and we all worked fairly closely on that Commitment to Focus, and the campaign, the whole thing.

CAC: But now, it's about this time that the Campbell Committee, so-called, makes its recommendations to Roger and, therefore, to Keller involving the Dentistry and the Vet Medicine?

DL: That was the end of the world. We were all on a retreat, at that point, up on the Mississippi and somebody called in with what the Campbell Committee had recommended. Ken Keller said, "You've just sunk me!" And it was true that that created the *raison d'être* for the people who were against him in the first place, on the Board of Regents, to begin to go after him.

CAC: You're suggesting that during this retreat, this was a consensus, the vice-president, that you all had a sinking feeling?

DL: Well, particularly, Ken who understood it completely.

CAC: Yes.

DL: I didn't realized that a remote committee could have that much influence and impact but it sure did.

CAC: And your office was never asked to respond to it? I mean, you're out of the loop, so to speak?

DL: No. Then, Keller had to move into Eastcliff and it was in terrible shape. It was like all the other buildings in the university that didn't have their own endowment. I think, it's very interesting that all of the buildings in the university that are the location for income generating activities are in good shape . . . the dormitories, for example.

CAC: I see.

DL: Because they have a cash flow that they can devote to the maintenance of the building. Buildings like this are dependent on the legislature giving them money for maintenance and the legislature just won't do it. This is true of all of higher education, incidentally. Yale has a billion dollar deferred maintenance bill.

CAC: Did your office try to address this deferred maintenance in things other than Eastcliff?

DL: Oh, yes.

CAC: And how would you address that? Because, you see, faculty and students know it all the time, this building just falls apart.

DL: You just try to squeeze out a little bit here and a little bit there but you know that you're not getting . . .

CAC: Falling behind all the time?

DL: Right. We were falling behind and, now, there's a real effort to do something about it; and I guess, it's in their appropriation request.

CAC: Yes. Eastcliff fit into that general problem?

DL: Eastcliff was a university property that had been given to the university and it was falling apart. Keller said, "Here I am living in this place," and I mean, the floor was rotten, for one thing. So, we went to the regents and said, "How should we do this?" I'll never forget Wendell Anderson saying to me, "Don't bring this to the regents. You know, how to do it. Pay for it a little out of this account and a little out of that account." The regents all knew that we were going ahead and renovating . . .

CAC: Regents other than Wendy Anderson? This is a general understanding?

DL: Yes. All the regents knew, informally, that we were going ahead and they had all agreed. But unfortunately, it was one of the major errors in my administration. We should have taken the project to the regents and gotten their approval in writing.

CAC: Yes.

DL: We did not. We thought the verbal, informal, approval was enough. It probably would have been if it hadn't gotten so high in cost and the *Daily* decided that this was outrageous.

CAC: I think, in all of history, this is the only story the *Daily* ever scooped. Right?

DL: They had had it the before that this had been going and it was going to be over budget. Then, the next day, they decided it was a scandal; so, they rewrote the story.

CAC: Who is chair of the regents at this time? Mr. Lebedoff?

DL: Yes. Then, you know the story but the only one point that I'd like to make . . .

CAC: Oh, I don't know the story. I just am hearing from different places.

DL: Okay. They appointed an audit firm to come in, and investigate this whole thing, and whether we had done it properly or not.

CAC: The regents did?

DL: The regents did. One of the things that came out was that this was coming out of so-called secret funds, central reserves.

CAC: These are the central reserves that you had been able to centralize?

DL: These are the reserves that . . . When I first came in as vice-president, I said to Lebedoff, at the time, and other regents, "You do not have an audit committee. If there's one thing that you ought to do is you ought to form an audit committee because I've never heard of an organization of this size that doesn't have an audit committee."

CAC: Right.

DL: So, they formed an audit committee, and Lebedoff was on it, and chairman of it for awhile but then was always on it. When it came time to talk about the central reserves, they said they never knew anything about them. They're an item on the balance sheet. The audit committee met with the auditors and the auditors went through every item on the balance sheet. This is the kind of world that suddenly dissolved then . . . everybody saying, "I didn't know anything about that." There was no way you could say, "Well, you did, too."

CAC: And they were privy to the audit?

DL: They were total privy and the auditors had explained it to them; but we were employees, and they were the regents, and how do you as an employee say, "Well, the regents are just lying in their teeth"? There was no question that if they hadn't gotten Ken on that, they would have gotten him on something else.

CAC: Speak on that—because others have commented on the division within the regents regarding Mr. Keller—in general, and some policies, in particular.

DL: There were several that were really against him. One of them was McWiggin from Marshall, Minnesota, who announced at some conference, "Well, he's not going to last very long." This was a regent talking about a president that he hired. Win Demore did not like him. Dave Roe did not like him. Mary Schertler did not like him.

CAC: What were the grounds for their uneasiness?

DL: That he was an elitist . . .

CAC: I see.

DL: . . . and this was a state university, and it was for everybody, and he was trying to make it something . . .

CAC: So there's sort of a populist [unclear]?

DL: No, question of it. It was a total populist . . .

CAC: So, then Commitment to Focus would be made to seem elitist in this interpretation?

DL: Right. And that's what happened.

CAC: The chairman of the regents had to shift, then, or something. He had been in the Keller camp, initially, I'm guessing; that is, Mr. Lebedoff?

DL: He is a survivor. They all were looking to their own interests at that point. Nobody was looking to the interests of the university. It was the most interesting thing to me.

CAC: But Mr. Keller had a caucus also in his support?

DL: He had a minority of support but it was clear, as it unfolded, that it was disappearing. He, finally, decided to get out. I was in the hospital at that point, having had an angioplasty, and I'd had some complications with it, and I'd had surgery; and I woke up in the operating room and didn't know where I was, and somebody had to come over and tell me. As I lay there, I thought, Well, this is enough. Ken came over to see me that night and I said, "I'm retiring." They tried to fire me.

CAC: They . . . the regents?

DL: Dave Roe came to see me and said, "This thing's a mess. If you will quit, if you'll resign, it will clear things up." He said that to me in front of Ken Keller. I said, "Well, I'm not going to resign because I don't think I've done anything wrong." He said, "They're going to vote you out." I said, "Well, let them. I guess you're going to have to vote." They never took the matter up at the regents meeting. He was just playing his own game at that point. Then, Lebedoff met with me . . .

CAC: The purpose was to throw the blame for all this stuff on you?

DL: Yes.

CAC: Okay.

DL: Maybe, I should have taken it all but I didn't think it was right.

CAC: So, when Ken withdrew, then, really you had to withdraw? That's the occasion [unclear]?

DL: I said, "I would like to retire at the end of the year and I want a single quarter leave." I got that and while I was on leave, is when he retired.

CAC: I see. I've got a few other questions along this line.

DL: Sure.

CAC: I gather that the dean of the Graduate School then, Robert Holt, was working with you closely in these affairs? Could you say something about the relationship of your office to the Graduate dean, at that time?

DL: I tried to work closely with as many people as I could on the academic side to see if we couldn't help them in whatever way we could. I worked very closely with Bob and I've forgotten all of the details but he, perhaps . . . He has a wonderful memory.

CAC: I have interviewed him and he spoke, particularly, of the initiatives that you had done, that he approved of, and that there was a correspondence, a communication there between those two offices that he felt was very close.

DL: Oh, every day. Every day, we were doing something. We were working on those chairs, for example.

CAC: Yes.

DL: We did a lot in terms of faculty retirement and enhancing that.

CAC: Could you say something just a little bit more about that . . . enhancing it in what fashion, early retirements, or phased retirement, or what?

DL: Opening up the investments, for one thing.

CAC: Say something about that. See, we're talking to people ten years from now who will be listening to this. I know what I did with mine. [laughter]

DL: What did you do with yours?

CAC: What your office did was to open up, for faculty on the eve of retirement, different options for using the retirement fund they had, right?

DL: Exactly.

CAC: And that required what kind of legal action or what kind of regential action, or was it something your office could do on its own?

DL: It required regential action but the regents really never understood it.

CAC: Okay.

DL: It really was working with the faculty committees and that's what we did. We opened it up as you described.

CAC: Correct me on this . . . I think up to a certain point—I have no idea on the calendar when this was—that the reserve that was there for retirement had to be accepted in the form of an annuity. Is that a correct statement?

DL: That's correct.

CAC: So, what you open up is a possibility for investing over and having control of that sum oneself?

DL: And investing that annuity, the corpus of the annuity, in various things.

CAC: Yes. So, that was part of the policy that came from your office when you were there?

DL: Right.

CAC: You see, as a faculty person, that was a pretty major thing. It may be that not many people understood it but the faculty knew because it was their money.

DL: Yes.

CAC: Were there other policies of this order that you'd like to share?

DL: I can't remember them, Clarke, that's my problem.

CAC: Okay. Well, you've suggested some pretty important ones. The matching of the reserve funds was a major . . .

DL That was a major thing.

CAC: And the investment of the funds to get a better return and opening options for the faculty to use their own retirement funds, with certain options.

DL: Right.

CAC: Those are three pretty important things, David.

DL: [sigh] I'm glad they worked. It's a great place. All I can say is, imagine the Twin Cities without the university. Omaha comes to mind.

CAC: I think we share that perception but, again, having people that are going to listen to this down the line, could you give some for instances . . . for example, the importance of the university in the business community or the cultural community of the Twin Cities?

DL: For example, my wife and a group of twenty women, for the last twenty-five years, have been having an annual, every winter, a study club. I think one year, you . . .

CAC: I did. I went to talk to these rich people about poor people. [laughter]

DL: Right. Access to the university by the people that live around it is something that I don't think we've ever developed sufficiently. I was just on the Northrop Committee . . . what to do with Northrop. I said, "Reestablish it as a place that people come to the university and the university can be in their conscience."

CAC: Have to improve the acoustics.

DL: Oh, we have to do a lot of things to it but it's a very interesting subject.

CAC: Corporations of all sorts and the metropolitan area, the last thirty years, has had all kinds of new businesses . . . medical tech, for example . . . computers, etcetera. What is the relationship of those initiatives, venture capital, to the university? Do they draw on our graduates in engineering, and business, and public affairs, etcetera? Can you say something about that?

DL: Here we are, mainly, the student body here is home-grown. We are educating them in, not only the liberal arts, but also in the sciences and we are the source of skilled labor, professional, technical, what have you, for industry. Every industry in the Twin Cities, it's management is mainly composed of graduates of the University of Minnesota.

CAC: That really is statistically the case? Yes.

DL: Not the number one guy . . . they always go outside somewhere to get it. If you took the middle and top management, you'd find that most of them are from the university . . . most of them, 51 percent.

CAC: And that would be more true here than in other states?

DL: Oh, yes.

CAC: Indiana, Ohio, Illinois, etcetera?

DL: Right.

CAC: A larger dependence upon the university, for it to supply skilled management, skilled technicians, etcetera?

DL: Right. And politicians and lawyers.

CAC: Yes.

DL: The university has made Minnesota, in my opinion. And it's not recognized as such because, here it is, it's a big city all by itself.

CAC: Why aren't we recognized?

DL: Because we've been so encapsulated all these years. It's difficult right now to find a parking place. I'm getting a ticket, I'm sure, because I've been in my parking lot too long. The university has always been a city unto itself. It has not opened itself to the surrounding area and I don't know why. I think it's changing and I think it should be accelerated. I think that art museum is a good example how it can change.

CAC: It's not a hospitable place to come after dark.

DL: Right.

CAC: And it's hard to park but it just isn't a hospitable environment, David.

DL: Well, I agree.

CAC: Yes. Let me try something else on you. Now, we're to the reflective part of the conversation which is sometimes very interesting. Several people have suggested to me in the interviews—who know the state legislature rather well—that part of the visibility problem of the university in the state was the redistricting of state legislative and senatorial seats which reduced in the 1970s, and then obviously in the 1980s, the importance of outstate, greater Minnesota legislators. They were reduced in number and in influence therefore, and that there were a substantial number of those older legislators who were rural, and prudent, and conservative, Republicans, who did recognize the centrality of the university, and the economy, and the culture of the whole state; and that when more liberal—and this is not to fault . . . this is a descriptive

term that they use—legislators came in, their commitment was not as much to this elite institution of the university. From your experience, does that interpretation make any sense?

DL: No.

CAC: Okay.

DL: My view is that we went from a respect and love of education to an anti-intellectual environment in the legislature.

CAC: I see.

DL: And the type of legislature that you have today, compared to what we had thirty-five years ago, is entirely different. You don't see great people, great minds, anymore in the legislature. You see small minds who are anti-higher education. Now, that isn't all of them.

CAC: It's not across the board, of course.

DL: But there are just a lot of them that look down their noses at eggheads from the university and that sort of thing.

CAC: This is part of a larger climate, is it not, of ideology [unclear]?

DL: Right.

CAC: And it makes it more difficult for a state university, or any university, therefore to fulfill its functions?

DL: We used to have a guy named Senator Mullin, years and years ago, who really represented the university at every turn over in the legislature and always made sure that the university was there. We don't have anybody like that anymore. There's nobody that's really interested and dedicated to the university.

CAC: Would you say the same thing is generally true of the governors then?

DL: Yes, very much so.

CAC: I think of the governor . . . Wendy Anderson serves on the regents but Elmer Anderson . . . my gracious! what he did for the university in and out of the governorship . . . is really an exceptional kind of commitment.

DL: Well, the current governor [Arne Carlson] is believing all of these myths about the university. It's a typical business man's . . . you ought to run the university like a business.

CAC: I see.

DL: Actually, the last thing you want to do is run a university like a business . . . [laughter]

CAC: [laughter]

DL: . . . anymore than you want to run a business like a university.

CAC: Right.

DL: They are two different cultures, and different mores, and everything else. But when you sit there and look at through that kind of a filter, then you come up with the ridiculous statements that he's coming up with. Did you see them in Sunday's paper?

CAC: Well, one of the persons I interviewed spoke of the melancholy of the professoriate, which is a nice academic term, but I think that it is that sense of the decline of a culture that is supportive of higher education and research that he had in mind in using that term. It is widely felt by the faculty, I'm sure.

DL: It's really fascinating to me but I happen to have a belief—some people would call it a prejudice—that the solution to most of our problems is education. I think that Metropolitan State in St. Paul, dedicated to raising the educational level of the central city of St. Paul, is one of the more . . .

[telephone interrupts conversation]

CAC: This interrupted a sentence you were . . .

DL: I've forgotten what I was . . .

CAC: You were talking about Metro University and its playing at that role in St. Paul.

DL: Right. There, I think, you're going to see a very exciting city because of that university. The problems there are more vocational.

CAC: Sure.

DL: It's going to do wonders for that place, for St. Paul. Everybody talks about K thru 12 but nobody talks about Graduate Schools. [laughter]

CAC: I've talked with people from thirty different disciplines so far and in strange places, there was always that outreach to the community . . . Theater Arts, for example . . . the dance, the music. In so many cultural ways, as well as in business and engineering, that outreach was there.

DL: Yes.

CAC: I think there are many people who kind of feel that there's a sense of loss now, that is, in the kind of decline. David, that was an extraordinarily helpful conversation. I thank you for what you did and for sharing it.

DL: It was a pleasure, a pleasure, Clarke. What ever facts are needed . . . a lot of what I said was just recalling figures . . .

CAC: Right.

DL: . . . and I do not vouch for the accuracy of any of it.

CAC: Down the line, historians know that, and what these kinds of informal discussions bring out is a kind of informal way in which big institutions operate, and you've certainly advanced that understanding.

DL: Have you learned anything about Morrill Hall?

CAC: You bet.

DL: Have you?

CAC: Wish I'd known it earlier.

DL: Well, I'm glad.

CAC: All right. And posterity will be enriched.

[End of Tape 2, Side 2]

[End of Interview]

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