

# **A Review of Wake Forest University's Policies and Procedures as Related to Charles Koch Foundation Funding<sup>1</sup>**

Submitted by the Sub-Committee for the Committee of Academic Freedom and Responsibility (CAFR-SC)

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## **Table of Contents**

Recommendations and Motions

Introduction

Section 1: Analysis of Koch Foundation Donor Agreement and Memorandum of Understanding

Section 2: Analysis of Industry/Academy Relationship

Section 3: Analysis of Accreditation Benchmarks

Section 4: Analysis of Institute Governance in Light of Academic Freedom and Responsibility

Appendices

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<sup>1</sup> The subcommittee gratefully acknowledges the following individuals for their assistance in gathering information for the report: Deans Gillespie and Iacovou, Vice Provost Bruce King, Prof. James Otteson, and Ralph Wilson. All opinions expressed in this report are those of the sub-committee members.

## Recommendations

### I. Institute Guidelines

Given that Wake Forest institutes are currently operational without any explicit guidelines, the committee recommends that the **Faculty Senate, Deans, and the Associate Provost for Research** undertake in a timely manner the establishment of university guidelines in accordance with AAUP and SACSCOC standards and guidelines as they relate to a minimum of five domains:

- (1) the term, review, appointment, and reappointment of institute directors,
- (2) curriculum influence and teaching assignments;
- (3) institute conferences, symposia, research seminars, and other institute research activities as a potential channel of undue donor influence, including the responsible reporting of institute research findings;
- (4) the term, review, appointment, and reappointment of all institute staff and faculty;
- (5) the primacy of faculty governance as related to academic responsibility and freedom of inquiry.

### II. Donor Agreement Disclosure and SCA Contracts

The CAFR sub-committee further recommends that

- (1) the donor agreement and MOU be made public immediately, and that
- (2) the AAUP guidelines of full Senate participation in drafting, reviewing, and completing SCA contracts be adopted without delay.

### III. SACSCOC Accreditation: Contracts, Faculty Governance, Research Mission

To adhere to the mission and goals of Wake Forest University as approved by its Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) accreditation process, the CAFR sub-committee further recommends that WFU immediately proceed to establish guidelines to

- (1) ensure that all **existing and future contracts** with external donors to establish University institutes are transparent and meet the standards for institutional mission and effectiveness and academic freedom, integrity and governance as set forth by the WFU mission statement and bylaws and by SACSCOC accreditation standards. One way this can be accomplished is by developing a **faculty-led review process** implemented at all stages of the review process, including early considerations as proposed by the Office of Development, that establishes transparent policies regarding what donors can and cannot expect regarding hiring, research, and curriculum decisions at WFU;
- (2) to ensure that all institutes have **faculty-governed procedures** for appointing faculty and determining teaching assignments in keeping with SACSCOC standard 3.7.1; and
- (3) to ensure that Institute **research practices** contribute to University's overall research mission and have clear assessment processes in place that are in keeping with University's research mission (standard 3.3.1.4).

## **Motions**

### **Motion 1: Potential COI, Disclosure, and Faculty Governance**

The sub-committee asks that the Faculty Senate and the Committee on Academic Freedom and Responsibility create a joint Ad Hoc Committee charged with devising -- in consultation with the Research Advisory Council, the Provost, and the Vice Provost for Research -- a university-wide comprehensive conflict of interest (COI) policy that conforms with AAUP and Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) guidelines and specifically, clearly enunciates decision-making roles and disclosure responsibilities for institutes.

Incorporating faculty participation in all COI decision-making, these revised policies will improve disclosure process guidelines to ensure transparency of external relationships, funding sources for faculty and staff hires, conferences, research grants, and any donor-obligated teaching (such as direct student education, curriculum development, and service on committees with educational impact).

### **Motion 2: Gift Acceptance Policy**

The sub-committee asks (1) that the Senate recommend to the President that a Senate member be added to the Gift Acceptance Committee based on the definition of the Faculty Senate's responsibilities as defined in the Faculty handbook (see below); and (2) that the Senate recommend to the Gift Acceptance Committee to review and enhance guidelines in concert with AAUP and SACSCOC recommendations.

### WFU Faculty Handbook Definition of the Senate and its Powers

The Faculty Senate consists of ex-officio representatives from the administration, elected representatives from the Faculties, and an ex-officio representative from the Staff Advisory Council. The Senate has the power, unless otherwise directed by the Board of Trustees, to participate in long-range planning for the University, to consider other matters pertaining to the general welfare of the University, to advise on the appointment of senior administrative officers, and to recommend through the President to the Board of Trustees persons to receive honorary degrees.

## Introduction

This report summarizes a CAFR-SC review of the funding of the Eudaimonia Institute conducted between December 2016 and March 2017 as requested by a Faculty Petition issued in October 2016 and as accepted by the Faculty Senate in November 2016. The Faculty Petition outlined four concerns related to the institute's main funding source, the Charles Koch Foundation: (1) academic freedom and transparency (2), faculty governance, (3) intellectual foundations, and (4) academic reputation. The faculty further requested that Wake Forest University's Provost Rogan Kersh provide the Donor Agreement with the Memorandum of Understanding to the CAFR and a Senate Ad Hoc Sub-Committee, which was formed independently as requested by the October Faculty Petition (see separate Senate Sub-Committee Report, March 2017).

As of April 4, 2017, these documents have not been provided to either committee. The need for a review was raised due to widely publicized information about Koch Foundation agreements put into place at universities nationwide.

Academic Freedom and Responsibility Concerns. Based on well-researched public evidence, the Koch Foundation and its affiliates have forcefully inserted the donor mission and vision in two major ways: one, by stipulating that its donation flow be dependent upon specific benchmarks outlined in the contractual agreement, and two, by creating an independent "integrated network" of Koch Foundation and affiliates educational leadership and student body that extends to policy makers, related think tanks, centers, and institutes, and the industry (Charlie Ruger, Director, University Investments at Charles Koch Foundation, APEE Annual Meeting, 2016; Schalin, 2015). As such, the Koch Foundation and affiliated sponsors have successfully built a nation-wide strategic corporate alliance (SCA) funded by nearly two hundred million dollars that leverages a university's infrastructure to its own purposes. Journalist David Levinthal concludes that, "a review of hundreds of private documents, emails, and audio recordings...indicate the Koch brothers' spending on higher education is now a critical part of their broader campaign to infuse politics and government with free-market principles." The Koch Foundation and similar corporate donor organizations thus constitute a new type and scale of industry interference for which most colleges and universities seem ill-prepared. Unlike its predecessors, this innovative type of donor behavior threatens to leverage the infrastructure of its institutional host to its own ends in parasitical fashion. As is true for dozens of colleges and universities across the country, academic integrity, financial autonomy, and institutional governance thus become severely compromised. The danger to the institutional host include not only the violation of academic freedom and responsibility as well as public intangibles such as loss of scholarly reputation, but also, potentially, a threat to university accreditation.

## References

- Levinthal, David. "How the Koch Brothers Are Influencing US Colleges," *Time Magazine*. 15 Dec. 2015. Web. <http://time.com/4148838/koch-brothers-colleges-universities/>
- Ruger, Charlie. Association of Private Enterprise Education, Annual Meeting, Bally's Casino, Las Vegas, April 5, 2016. Transcript Session 3.F.7.
- Schalin, Jay, Director for Policy Analysis, The John William Pope Center for Higher Education Policy, NC, "Renewal in the University: How Academic Centers Restore the Spirit of Inquiry", 2015. ([https://en.wiki2.org/wiki/Pope\\_Center](https://en.wiki2.org/wiki/Pope_Center)).

## Section 1: Analysis of Koch Foundation Donor Agreement and Memorandum of Understanding

### Current Understanding

As of April 4, 2017, neither the CAFR sub-committee (CAFR-SC) nor the Ad Hoc Faculty Senate subcommittee have been permitted access to the Koch Foundation Donor Agreement and the MOU. Considering this serious impediment, the CAFR sub-committee has conducted several oral and written interviews to create contextual knowledge. Committee members have also reviewed existing Koch donor agreements that are publicly available. The interviews varied in length from forty-five minutes (Dean Gillespie, February 2017) to two hours (James Otteson, February 2017). The interviewees agreed to have their names published in this report, but substantial portions of the conversations were requested to remain confidential (see Appendix 2 for a list of questions submitted to the interviewees).

#### *Timeline of CAFR-SC Interviews Pertaining to the Donor Agreement*

December 15th, 2016: James Otteson (written responses to Rick Harris's written questions)

February 14th, 2016: Dean Charles Iacovou (Rick Harris)

February 16th, 2017: James Otteson (Jill Crainshaw, Rick Harris, Mark Knudson, Ulrike Wiethaus)

February 21st, 2017: Dean Michele Gillespie (Rick Harris, Ulrike Wiethaus)

February 23, 2017: Confidential external source at another university (Rick Harris)

### Gaps in Understanding

Currently, no explicit guidelines at Wake Forest exist regarding institute formation, governance, review, and donor transparency. This section will summarize five institute domains affected by this gap. For additional aspects, please consult other report sections.

1.1 Institute Directors. Per the interviews, faculty governance by the School of Business was judged adequate and followed university procedures for selecting James Otteson as Director of the *BB&T Center* and as the first School of Business's Teaching Professor of Management in 2013 (untenued, renewable). In 2015, James Otteson received a tenured full professorship in the Department of Economics as the inaugural recipient of the Thomas W. Smith Presidential Chair in Business Ethics, continuing his work as Executive Director of the *BB&T Center for the Study of Capitalism*. He assumed the inaugural position of Executive Director of the *Eudaimonia Institute* in 2016. Since his arrival at WFU, James Otteson conducted a substantial and successful fundraising campaign with the New York donor Thomas W. Smith, as well as the Liberty Fund and others and wrote four solicitation proposals (initially \$4 million, then \$16 million, \$6 million and \$4.1 million) for submission by the Provost and Development Office to the Koch Foundation and its affiliates. While funding of the EI by the Koch Foundation was briefly announced on the university news website, the Koch donor is not listed on the EI website.

1.2 Curriculum Influence. We cannot ascertain whether direct or indirect donor influence is averted in all cases of curricular institute activities due to lack of access to the donor agreement and the current governance structure of the institute (see below). The WFU *Gift Acceptance Policy* identifies such influence under the rubric of "problematic gifts".<sup>2</sup> A properly executed donor agreement disavows donor influence over curricular matters which can be approved only by standard and usual University processes involving faculty curriculum committees. We must expect the donors to seek to exercise influence over curricular decisions, because donor-created curricula have been documented in terms of choice of textbooks and

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<sup>2</sup> Wake Forest Gift Acceptance Policy, Dr. Nathan O. Hatch, December 12, 2013.

faculty for numerous courses at other universities; donor influence also has extended to extracurricular student activities (APEE Annual Meeting, 2016).

1.3 Teaching Assignments. The Koch Foundation works through vetted faculty and staff who are accepted into the Koch and affiliates network (Charlie Ruger, Director, University Investments at Charles Koch Foundation, APEE Annual Meeting, 2016). A faculty position search and a staff position search is underway with funding provided by the School of Business and the EI. An advertisement for the position of Associate Director of the EI was posted at the Koch-affiliated agency Talent Market several weeks before the position was posted on the WFU Silk Road site. The Associate Director position can be interpreted to function as a vetting mechanism for curricular-related positions, since it includes the responsibility of providing a “preliminary review of grant requests, research proposals, and inquiries regarding collaboration”, and is posted with the preference of Ph.D. level educational attainment. Protection from undue donor influence needs to be extended to include Institute staff hiring decisions and teaching assignments.

1.4. Rights to Rescind on Short Notice. Standard contract mechanisms often include an exchange of incentives for each party to reveal asymmetrically-held information about the likelihood of completion and renewal of the contractual relationship. Per one committee interview, the Koch Foundation negotiated to retain a right to rescind on short notice in the following circumstances:

- a) appropriation of Koch funds for purposes other than the EI,
- b) illegal activity by the EI,
- c) failure of EI to meet donor agreement timelines,
- d) failure of WFU to meet its own internal guidelines pertaining to tax-exempt status, and
- e) failure to pursue the donor contract’s stated objectives.

Though the final circumstance is standard contract terminology, these rights to rescind on short notice qualify the CKF grant as “soft money.” Many states prohibit the creation of faculty line positions at their public universities based on such impermanent resource flows. Thus, pre-existing public University endowments have in some cases been earmarked to backstop the CKF grants. At WFU, one School has decided to create faculty line positions based on the CKF soft money.

1.5 Faculty Governance. Currently, faculty governance consists of the Executive Director, who also serves on the Faculty Advisory Board, and a Faculty Advisory Board (FAB). Based on some of the interviews, the current FAB shares advice with the Executive Director on a wide range of issues almost weekly, assesses proposals for internal research grants, interviews staff candidates, and has formulated the June 2015 *Declaration of Research Independence*. All final decisions rest with the Executive Director.

## References

Association of Private Enterprise Education, Annual Meeting, Bally’s Casino, Las Vegas, April 5, 2016. Transcript Session 3. F.7.

Koch Donations to WFU, 2009-2016: <http://conservativetransparency.org/recipient/wake-forestuniversity/>

EI Associate Director Posting

<http://web.archive.org/web/20161030094102/http://talentmarket.org/openings/>

WFU Announcement of Koch Foundation Grant

<https://www.charleskochfoundation.org/news/wake-forest-university-expand-study-human-flourishing/>

## Section 2: Analysis of Industry/Academy Relationship<sup>3</sup>

### Current Understanding

Academic institutes face significant financial pressures with a greater use of external funding sources as opposed to internal funding such as tuition and endowments. Thus, many academic institutions have sought industry support for educational or research activities. An increased reliance on industry support generates potential for unwanted industry influence defined here as conflict of interest (COI). For example, Academic Health Centers have been under scrutiny for years, driven by Pharma relationships. [1] More recently, potentially conflictual relationships have been identified between industry and Academic Economic Institutes, and concerns exist that such relationships may be contributory to negative economic events of 2008. [2] Nationally, Universities now seek to better identify and deal with COI with industry relationships.

Wake Forest University (WFU) has limited policy related to COI, but defines COI broadly to cover professional and scientific endeavors. [3] The WFU policy refers to “compromise or appearance of compromise” in judgement or conducting of professional activities. [3] While there are guidelines for Faculty, Departments and Centers, there are no specific guidelines for managing COI by Institutes. The currently operational guidelines are broad and not aggressive about identification or amelioration of COI, and there are no clear consequences identified for violations of COI policy.

Funding by Charles Koch Foundation (CKF) for EI raises multiple potential areas of COI:

The Executive Director has previous and current relationships with CKF.

Two job advertisements, visible data on the EI website, and the upcoming Eudaimonia Conference have minimal or no disclosure of potential COI.

In conversation with the Executive Director, there are no plans to change the process of disclosure nor to further identify or investigate COI.

### Gaps in Understanding

Policy related to COI has been developed across many academic institutions. Nationally, numerous governmental and regulatory agencies have developed policy and guidelines to identify, ameliorate and protect from COI. Some of these are specific to research, patient care or certified continuing education, but there are unifying principles identified by external governmental agencies and accrediting bodies as well as examples of policy created by external bodies that could serve as a model for the creation of a Wake Forest University COI policy. [4,5,6,7,8]

### References

[1] Serving Two Masters — Conflicts of Interest in Academic Medicine, Bernard Lo, M.D., N Engl J Med 2010; 362:669-671. February 25, 2010. DOI: 10.1056/NEJMp1000213

[2] “Considerations on Conflict of Interest in Academic Economics”, Jessica Carrick-Hagenbarth and Gerald Epstein, *The Oxford Handbook of Professional Economic Ethics*, edited by George De Martino and Deirdre McCloskey, Print Publication Date: April 2016

[3] Wake Forest University COI policy

[4] <http://www.accme.org/requirements/accreditation-requirements-cme-providers/standardsfor-commercial-support>

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<sup>3</sup> See also section 4’s discussion of financial conflict of interest (FCOI) regarding institute governance.

[5] <http://www.icmje.org/recommendations/browse/roles-and-responsibilities/authorresponsibilities--conflicts-of-interest.html>

[6] <https://www.aaup.org/issues/conflicts-interest>

[7] [https://www.nsf.gov/pubs/manuals/gpm05\\_131/gpm05\\_131.pdf](https://www.nsf.gov/pubs/manuals/gpm05_131/gpm05_131.pdf)

[8] <https://www.hhs.gov/ohrp/regulations-and-policy/guidance/financial-conflict-of-interest/index.html#>

### Section 3: Analysis of Accreditation Benchmarks

#### Current Understanding

Since the AAUP definition of academic freedom has at times been in tension with the Koch Foundation's understanding of academic freedom, standards of accreditation are of particular importance in cases where CKF-funded university programs face scrutiny. [1, 2] The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) expects institutions of higher-learning to be self-regulating and to establish principles that simultaneously protect academic freedom and faculty governance while maintaining integrity between programs and policies and the institution's stated mission.

As stated in the SACSCOC *Principles of Accreditation: Foundations for Quality Enhancement*,

[S]elf-regulation through accreditation embodies a traditional U.S. philosophy that a free people can and ought to govern themselves through a representative, flexible and responsive system. . . The [accreditation] process provides an assessment of an institution's effectiveness in the fulfillment of its mission, its compliance with the requirements of its accrediting association, and its continuing efforts to enhance the quality of student learning and its programs. [3]

Central to the accreditation process is the institution's work to demonstrate relative to accrediting standards the extent to which institutional teaching and learning policies and practices as well as research and public service activities emerge from and support the institution's stated mission (see 2.4 and 3.1.1). [4] Institutional effectiveness is "the **systematic, explicit, and documented** [emphasis by authors] process of measuring institutional performance against mission in all aspects of an institution," including, but not limited to, curriculum development and faculty research. An institution's institutional effectiveness process "provides a sound basis for budget decisions, resource allocations, and plans for institutional improvement" (See standards 2.5 and 3.3.1.4). [5]

Accrediting standards provide clear guidelines for institutions as they consider whether to accept funding from external donors such as the Koch Foundation who have a proven track record of utilizing donor agreements and financial leverage to influence universities' educational and research efforts in the direction of donor their mission and vision.

Specifically, accreditation standards require institutions to ensure that research and educational programs supported by external influences are consistent with the institution's mission, with principles of academic freedom (see standard 3.7.4) and faculty governance (3.2.6, 3.4.10 and 3.7.5), and with standards related to faculty credentials and competence (see standards 2.8 and 3.7.1).

WFU's "Statement of Principles of Academic Freedom and Tenure" ensures that teachers and scholars have "complete freedom to search for the truth and to expound the truth as they see it." [6] WFU also ensures that faculty members share with university governing boards and administrators academic and governance authority. [7] Through a recent (2016) successful accreditation review process, WFU demonstrated through



extensive supporting documentation how University entities overall are adhering to these principles as well as to related SACSCOC standards in developing curriculum and in hiring and promoting faculty.

### Gaps in Understanding

As noted in previous sections, a “systematic, explicit, and documented process” of aligning institutes with the WFU mission and goals as required by SACSCOC cannot be documented: the donor agreement and memorandum of understanding remain undisclosed (see section 1); no institute guidelines exist to protect from COI (see section 2), and faculty governance for the EI is incomplete (see section 4).

While the EI has a Faculty Advisory Board and, per some University administrators, the Koch Foundation purportedly has no approval rights over curriculum decisions or faculty hiring in the College, less clear is how faculty governance functions relative to

1) how the philosophy and programming of the EI is being developed to reflect the mission and goals of the University or, related to this, the University’s institutional effectiveness process and program priorities, and

2) how specific faculty appointments and teaching assignments are made that ensure that each teacher has appropriate credentials and competencies “to accomplish the mission and goals of the institution” as well as of the specifics of each course (see standard 3.7.1). For example, in cases where Institute directors and other staff are hired from outside the University and granted faculty status, what processes are in place to ensure that SACSCOC standard 3.7.1 is followed when determining faculty rank and departmental home?

Also, because faculty governance in curricular decisions is a core accrediting principle, it is vital that all Institute governing documents have in place stipulations about how curricular decisions are made across all University schools and ensure that decisions are made without undue external influence and with transparency relative to any pertinent donor or grant provisions.

[1] [https://www.washingtonpost.com/news/answer-sheet/wp/2014/11/07/charles-koch-foundationsunique-definition-of-academic-freedom/?utm\\_term=.208cb303c245](https://www.washingtonpost.com/news/answer-sheet/wp/2014/11/07/charles-koch-foundationsunique-definition-of-academic-freedom/?utm_term=.208cb303c245).

[2] <https://www.aaup.org/issues/academic-freedom/professors-and-institutions>.

[3] <http://www.sacscoc.org/subchg/policy/2012PrinciplesOfAcreditation.pdf>.

[4] For SACSCOC accrediting standards,  
<http://www.sacscoc.org/subchg/policy/2012PrinciplesOfAcreditation.pdf>.

[5] <http://www.sacscoc.org/pdf/Resource%20Manual.pdf>.

[6] WFU Bylaws, Appendix A, “Statement of Principles of Academic Freedom and Tenure.”

[7] WFU Policy Resolution, 3.2.1-3.2.3.

## **Section 4: Analysis of Institute Governance in View of Academic Freedom and Responsibility**

### Current Understanding

The American Association of University Professors (AAUP) has developed fifty-six comprehensive guidelines for best practices in safeguarding academic freedom and responsibility regarding the relationship between the academy and corporations. These guidelines are available online and in print. The guidelines cover the sciences, social sciences, and humanities alike.

In the introduction to the guidelines, the AAUP warns that

Commercial relationships...may have far-reaching consequences for the university, its missions, and its constituents (students, faculty, colleagues, patients, the public) as well as on the academic profession (in areas reaching from research integrity and reliability to knowledge sharing, public health, and public trust).

<https://www.aaup.org/sites/default/files/files/Principles-summary.pdf>

This section summarizes the principles relevant to the Koch Foundation's influence as it relates to institute governance evidenced on the EI website. The summary is organized following three AAUP guideline rubrics: a) faculty governance, b) financial conflict of interest (FCOI -- see also section two for COI analysis more generally), and c) strategic corporate alliances (SCA).

#### 4.1. Faculty Governance

To guarantee research autonomy, the AAUP recommends that faculty "should have a major role" in designing and regularly assessing university policies guiding industry relations and the implementation of procedures that oversee the handling of violations of such policies; that all corporate-funded contracts be publicly disclosed; that faculty should be involved in the review of such funding as it impacts the teaching of students, the hiring and assessment of external researchers and post-doctoral appointments; and the regular updating of policies and procedures to accommodate new developments (AAUP *Policy Documents and Reports*, 275-276). Per these recommendations, adding faculty representation to the Gift Acceptance Committee seems critical. Clearly, "The university must preserve the primacy of shared academic governance in establishing campus-wide policies for planning, developing, implementing, monitoring, and assessing all donor agreements, whether with private industry, government, or non-profit groups. Faculty, not outside sponsors, should retain majority control over the campus management of such agreements and collaborations." (Part I: General Principles & Standards to Guide Academy-Industry Engagement, Principle 1).

#### 4.2. Financial Conflicts of Interest (FCOI)

Per the AAUP and as noted in section 2 of this report, a "conflict of interest (COI) is broadly defined as a situation in which an individual or a corporate interest tends to interfere with the proper exercise of judgment on another's behalf" (Part IV: General Principles to Guide Management of Financial Conflicts of Interest). Such interference may and does result in research bias, prejudiced decision-making processes, concealment of research methodologies and processes, and eventually, the erosion of public trust and loss of respectability. The public disclosure of financial sources and sponsors for any type of research is an essential step in safeguarding research integrity and minimizing FCOI. Other recommended strategies beyond public disclosure include

- I. "divesting troublesome assets,<sup>4</sup>
- II. terminating consulting arrangements,
- III. resigning corporate board seats, and
- IV. withdrawing from affected projects" (Principle 27, emphasis and numbering by authors).

The same transparency regarding FCOI ought to be practiced for conference and other oral presentations (Principle 31).

#### 4.3. Strategic Corporate Alliances (SCAs)

An SCA is defined by the AAUP as "a formal, comprehensive, university-managed research collaboration with one or more outside company sponsors, centered around a major, multi-year financial commitment involving research, programmatic interactions, 'first rights to license' intellectual property, and other

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<sup>4</sup> This strategy has been voted on with a majority vote by the WFU Senate based on the Ad Hoc Senate Committee's report submitted in March 2017.

services” (Part VI: Targeted Principles: Strategic Corporate Alliances). The AAUP recommends the full participation of the Senate in all aspects of implementing SCAs; this includes a Senate review of a first draft of SCA contracts and their financial stipulations as well as all subsequent drafts and the final version, which in its fully approved form should be made public to the university community. If SCAs include new faculty appointments, the standard university protocol for faculty searches and hires must be followed to ensure academic freedom and responsibility (Principle 36). To safeguard university autonomy, academic freedom, and faculty self-governance, SCA governance should be under majority university control (Principle 37). As Principle 37 notes, this includes the stipulation that “the SCA’s main governing body should also include members who are neither direct stakeholders of the SCA nor based in academic disciplines or units likely to benefit from the SCA.”

### Gaps in Understanding

We welcome the fact that the EI has instituted a diverse Faculty Advisory Board, included a Research Independence statement on its website, and has published a new five-year thematic outline that integrates humanities domains that appeared to be missing in its original 2014 Eudaimonia Project plan submitted to the Koch Foundation. While we acknowledge these positive developments, several key areas are still in need of review.

### Appearance of Undue Donor Influence in Research and Teaching

1. **Research.** The EI Mission Statement proclaims that the EI will “create the first community of scholars dedicated to developing an interdisciplinary understanding of what eudaimonia is, what the institutions are that support it, and what its chief obstacles are.” The EI will not be a pioneer in this field as described in the mission statement. Multiple well-known and internationally recognized communities of scholars have dedicated their research to this very topic for years.

However, other Koch-funded institutes explicitly devoted to the study of free enterprise such as the University of Kentucky have adopted a near identical language of “well-being” and “human flourishing” in their proposals. The Koch Foundation’s own website features a page devoted to the “Foundations of Well-being,” including links for applications to its funding. This language is in line with the current Eudaimonia Institute Executive Director’s remarks at a June 2014 conference of Koch Foundation and affiliated donors on the rhetorical advantages of framing free market theory as the promotion of well-being (Mayer, 2016; Charles Koch Institute’s Inaugural Well-Being Forum, uploaded link June 27th, 2014, <https://www.youtube.com/watch?v=mOL58VbwN-s&t=1s>).

2. **Teaching.** The curriculum of Wake Forest University is the sole province of its faculty. The lack of faculty participation in the creation of a donor agreement has been noted above. However, the Koch-funded EI’s Mission Statement extends into curricular domains. It proclaims, “We will also want to consider the curricular and pedagogical implications of our research: What does our research say about how we should frame liberal arts and professional education?” Secondly, the EI is the only one among the three WFU institutes involved in the search and funding for a new faculty position (School of Business tenure track Assistant or Associate level). The assumption that the Institute is free to act, among other decision makers, as a participant in a job hire funded by Koch monies and to engage in the “fram[ing] of the liberal arts” at Wake Forest University without the full participation and approval of the faculty appears to be a clear violation of faculty governance.

## Appearance of Undue Donor Influence in Governance

1. The **term rotation** for the director of the PHI is three years with one renewal; for the HI, three years. The term for the directorship for the EI's director is unspecified, leading to the supposition that it may extend to the duration of the Koch funding stream.

2. All three WFU institutes enjoy the support of a faculty advisory board (FAB). No institute guidelines exist as to the composition and choice of FAB members; as the designation makes clear, their function is to advise, not govern. Lacking a proper governing board or multiple independent directors such as PHI's five directors and four associate and assistant directors, or HI's assistant directorship and governing board, the EI's Executive Director currently exercises sole governance control over EI activities. It must be noted that the advertisement for an EI Associate Director stipulates that the new director will report directly to the Executive Director. The current Executive Director is also being listed as a member of the Director's advisory board, thus limiting the independent functioning of the Advisory Board. While the EI's "Declaration of Research Independence" circulated by the university ostensibly creates a safeguard against undue donor influence over scholarship, it also states that "the EI maintains sole control over the selection of researchers, the composition of research teams, or the research design, methodology, analysis, or findings of EI research projects, as well as the content of EI-sponsored educational programs". Since the Faculty Advisory Board's role is merely advisory and includes the Executive Director as one of its members, structurally, "sole control" is granted to the Executive Director. As such, this safeguard in the Declaration of Research Independence creates not a bulwark against industrial and outside interference, but rather a firewall against broader faculty input into and oversight of EI activities and decisions.

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- AAUP Policy Documents and Reports, 11th edition (Baltimore: John Hopkins University Press, 2015)  
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## Appendices

### 1. Institute Donors at Wake Forest University

Based on a vision by Provost Emerita Jill Tiefenthaler, Wake Forest has created three of an envisioned four campus-wide Institutes: the *Humanities Institute* (HI) in October 2010, the *Pro Humanitate Institute* (PHI) in July 2014, and the *Eudaimonia Institute* (EI) in June 2016. The HI is funded by grants from the NEH, the Mellon Foundation, and private donor Wade Murphy. The PHI's financial operations are based on a University endowment originally created for the Institute for Public Engagement. The EI is funded by the CKF and the Liberty Fund, on behalf of donors Liz and Chris Wright, owners of Liberty Oil. On the Wake Forest Reynolda campus, WFU entered into a \$2 million, 10-year contract with the BB&T Foundation to endow the *BB&T Center for the Study of Capitalism*, fund a speakers' series, and distribute books by Ayn Rand as gifts to interested students beginning in 2008. Following five years of minor (\$5,000 to \$8,000) donations to WFU, the first substantial pledge by the Koch Foundation to Wake Forest was an \$87,000 grant in 2014 to support an Eastern European post-doc at U Illinois (Dr. Adina Dabu) to continue her teaching and research in the U.S. as a Research Assistant Professor in the *BB&T Center for the Study of Capitalism*, a staff position at Wake Forest. In 2016, the Charles Koch Foundation pledged \$3.7 million, and the Wrights pledged \$500,000 to fund the *EI*.

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### 2. Written Interview Questions about the General Content of the WFU- Koch Foundation Donor Agreement

a. Other than rescinding their agreement on short notice to fund the Institute, does CKF have any direct or indirect approval rights over what is taught (curriculum)?

b. Other than rescinding their agreement on short notice to fund the Institute, does CKF have any direct or indirect approval rights over who teaches (including TT or POP professors and postdoc appointments)?

c. Other than rescinding their agreement on short notice to fund the Institute, are there any limitations direct or indirect on your freedom of inquiry?

d. Other than rescinding their agreement on short notice to fund the Institute, are there any limitations on your freedom of speech to the media as Director of the Institute?

e. Is the governance structure you adopted with the current Faculty Advisory Board a starting point or is it part of the MOU/Donor agreement and therefore "etched in stone?"

f. Have you worked with the Research Advisory Council of the University?

g. Are there any clauses in the MOU/Donor agreement relating to climate change broadly considered?