

The SCoC, Giving Back
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This has been an exciting time at MIT, to some degree paralleling the exciting time in Washington. There are so many challenges that it's very hard to keep up with all of them.

I want to spend this column focusing on the newly established Schwartzman College of Computing. First of all, some words about its benefactor, Stephen A. Schwartzman.

Mr. Schwartzman founded the Blackstone Group in 1985 with fellow Lehman Brothers executive and Nixon Secretary of Commerce Peter Peterson. This hedge fund specializes in real estate investment. Beginning in fall, 2012, the Blackstone Group began buying up single family homes, usually through auction or foreclosure proceedings. (Recall that during the 2000's, some nine million American families lost their homes due to foreclosures.) By early 2015, it had spent some \$10B acquiring 48,000 private homes, mainly in depressed housing markets such as southern California, Florida, Las Vegas, Phoenix, Atlanta.

Not content with waiting for the market to rise to realize profits on this investment, Blackstone did two things. By December 2016 it had sold at least \$5.4B in rent-backed securities. This was a courageous move, since in 2012 Fannie Mae had declined to guarantee such arrangements. But now, in January, 2017, under the current administration, it agreed to back securitized rents – but for the Blackstone Group only.

This was excellent timing for them, since it immediately preceded Blackstone's second action, the launch of the publicly traded corporation Invitation Homes to manage this investment property. This IPO raised \$1.54B in late January, 2017. Fueled by this infusion of cash, Invitation Homes had extended their portfolio to 82,000 single family homes by August, 2018.

Stephen Schwartzman profited greatly from these investments. Forbes quotes his wealth as \$18.4B as of 31 Oct 2019, up from \$12.4B in August, 2018, and a mere \$9.5B in March, 2016.

In October, 2018, President Reif announced the formation of the Stephen A. Schwartzman College of Computing. Schwartzman's founding gift totaled \$350M. It is best regarded as a transfer of wealth to MIT from disproportionately Black and Hispanic foreclosed-upon homeowners in the southern tier of the US.

Schwartzman has used his free time in a variety of ways. In December, 2016, he was named chair of the President's Strategic and Policy Forum, a panel made up of business executives and abandoned after many of them resigned following the U.S. withdrawal from the Paris climate accord and the President's support of the Unite the Right rally in Charlottesville (which caused Schwartzman to resign).

Schwartzman counts among his friends Saudi Arabia's Mohammed bin Salman. In March, 2018, shortly before the Saudi visit to President Reif, he arranged a roundtable in New York to introduce forty American businessmen to Mr. bin Salman. This was not unconnected with the Blackstone's development of a new fund, Blackstone Infrastructure Partners -- of which the Saudi Public Investment Fund is a prime affiliate -- designed to further privatize infrastructure development in the US.

This relationship continues: During the last week of October, 2019, for example, Schwartzman joined Steven Mnuchin, Rick Perry, Jared Kushner, and few others, at the "Future of Investment Initiative" in the Ritz-Carlton hotel in Riyadh. He is also deeply involved in the Kushner "Prosperity to Peace" plan in the Middle East, as well as in the presidential re-election campaign.

Back at home, the total projected cost of the SCoC was set at \$1.1B. Where will the rest of the funds come from? It's possible that other donors will wish to contribute \$750M – more than double Schwartzman's donation -- directly to the College, but it may be a hard sell since naming rights have already been sold. So most likely much of that shortfall will met using funds from the Campaign and general funds raising, redirecting resources that would otherwise go to other pressing needs across the Institute.

I would like to make two proposals.

(1) MIT should offer a scholarship, to be called the Stephen A. Schwartzman Scholarship, to any MIT student whose home was subject to foreclosure since 2005.

(2) The 25 so-called shared appointments described in Dean Huttenlocher's "Strawman" document should simply be released to the Provost, to be allocated by him in the usual way to non-College entities. This would let the rest of the

Institute grow somewhat – though still proportionately much less than the computer science sector. The originally announced intent of these appointments was to ease the transition to more computationally based faculty across the Institute, in response to the observation that computational methods were increasingly important across the whole MIT spectrum. But these appointments should be made by host departments, as part of their natural evolution. I made this proposal in "MIC," Faculty Newsletter, November/December 2018, and was pleased to see that something like it was mentioned as an option in the Preliminary Report of the Working Group on Faculty Appointments as a type of "conventional hiring process." We can still hope that it gets taken up, as it is by far the most "collegial" option.