

# New York University employs Wall Street-style compensation for top staff

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New York University, already embroiled in a lengthy battle with its faculty and community groups over its massive expansion plans in its Greenwich Village neighborhood in lower Manhattan, has made headlines recently over its lavish spending on perks for top officials and professors.

A report in the *New York Times* last month gave numerous examples of the special treatment afforded to NYU president John Sexton and many others. Sexton, who has headed the university for the past 11 years and previously served as dean of the NYU Law School, was given a \$600,000 loan to buy an expensive vacation home on Fire Island, east of the city. Others at NYU have been given loans to buy homes in East Hampton—an even more upscale location on Long Island—as well as Litchfield County in Connecticut.

Other top universities have provided homes or assistance for residences near the schools, but loans for vacation homes are another matter, according to observers. NYU has provided more than 100 loans for second homes to select celebrity faculty and administrators.

Richard Revesz, a law professor and previously dean of the Law School, lives in a town house financed by NYU and also was aided by an NYU loan in buying a country home on 65 acres in Litchfield County, according to the *Times* report. He and his wife, also on the law faculty, owe the university a total of \$5.7 million.

Sexton's Fire Island home was financed with NYU aid back in 1994, when he was dean of the law school. He has also received other loans since then, and some of them were forgiven over a period of time, according to county records. At the same time, as university president he recently had his salary raised to \$1.5 million, with a "length of service" bonus of \$2.5

million promised for 2015, along with eventual retirement pay of \$800,000.

These astronomical figures compare to the relatively meager salaries and lack of job security for NYU adjunct faculty. Meanwhile students are compelled to pay high tuition and leave the school with enormous student loan debt after graduation. NYU is known for giving significantly less in grants and scholarships than other schools.

The official reply by NYU to its critics is that under Sexton the university has supposedly entered the top ranks of higher education. University spokesman John Beckman said the "loan programs go right to the heart of several decades of sustained and successful effort at NYU: to transform NYU from a regional university into a world-class research residential university."

The debate over NYU's latest expansion has been raging for several years. The current plans call for massive building on two blocks just south of Washington Square Park, adjoining many of the school's current buildings. NYU plans to add up to 3.5 million square feet of building space in this crowded neighborhood where it already owns much property. Huge new towers are proposed, to contain faculty housing, classrooms and also a new luxury hotel.

After receiving final approval from the New York City Council last year, the expansion has been at least temporarily held up by legal action. NYU Faculty Against the Sexton Plan has joined forces with the Greenwich Village Society for Historical Preservation to seek to halt the plan, arguing that it represents a danger to the neighborhood as well as its history and architecture. New York Supreme Court Justice Donna Mills is hearing the case and may issue a ruling within the next several months.

So extreme have NYU's practices become that they

have allowed Republican Senator Charles Grassley of Iowa to posture as a defender of students and the non-profit tradition in higher education. Grassley became involved in the issue during the Senate confirmation hearings earlier this year for Jacob Lew, Obama's pick to succeed Timothy Geithner as Treasury Secretary. Lew had obtained mortgage loans, which were eventually forgiven, when he was NYU executive vice president from 2001 to 2006.

Grassley has accused NYU of stalling on an inquiry he began into its compensation practices. "Universities are tax-exempt to educate students, not help their executives purchase vacation homes," he said in a statement last week. "It's hard to see how the student with a lifetime of debt benefits from his university leaders' weekend homes in the Hamptons."

The NYU faculty has accused the administration of running NYU like a free-spending corporation. Andrew Ross, president of the NYU chapter of the American Association of University Professors, told the Huffington Post that "NYU is the closest large university [to Wall Street]. It's clear a lot of those practices have spilled over. A lot of the contagion from Wall Street is clear—vacation homes, compensation packages—that's the kind of thing that's standard in that world."

While the faculty at five NYU schools has already voted by large margins to express no confidence in Sexton, he has continued to receive the unanimous backing of the board of trustees. Chairman of this board for the past 14 years is Martin Lipton, a partner in the top New York-based mergers and acquisitions law firm of Wachtell Lipton Rosen and Katz. This firm is the most profitable in the world, with profits-per-partner approaching \$5 million annually. Last week the NYU Faculty Against the Sexton Plan issued a letter demanding that Lipton resign from the NYU board.

Most of the other trustees at NYU, as elsewhere in higher education, are multimillionaire lawyers, real estate developers, hedge fund managers and the like. The relentless growth of inequality and the sheer number of billionaires in recent decades is intimately bound up with the transformation, not only of NYU, but of similar institutions elsewhere. The proximity to Wall Street highlights this development, but it is by no means confined to NYU or New York City.

What is involved is not simply greed or envy for Wall

Street compensation packages and lifestyles, but rather the transformation of class relations and the composition of the ruling elite itself. As in the field of non-profit hospitals and many other areas of social life, the non-profit university functions like a profit-making institution today, driven by competition for star professors and for wealthy students who can afford high tuition or others who can be convinced that astronomical student loan debt will not be a problem once they obtain their degree.



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