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Charities Must Challenge Politicians

By Robert Egger

As America enters the first White House election cycle in decades with no incumbent president or vice president in the race, the nonprofit world cannot allow the country's future to be determined by a political process in which it has no role.

The stakes for America are too high for nonprofit leaders to allow themselves to be bullied into silence by the perceived or often overt threat that any talk about politics will cause a charity to lose its tax-exempt status. It is time for charities not just to get involved in this historic race, but also to urge candidates for the White House to make it a priority, once elected, to rethink how nonprofit groups are regarded and regulated. Furthermore, nonprofit leaders must also stimulate a discussion about changing the rules that prohibit charitable organizations from getting involved in partisan politics.

While many nonprofit leaders take for granted the separation of politics and charity, it was not until the 1950s that prohibitions were placed on charity and foundation involvement in politics. In the era of Sen. Joseph McCarthy and its pronounced anti-communist hysteria, lawmakers began investigating whether nonprofit groups were involved in subversive activities.

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LIVE DISCUSSION: Read the [transcript](#) of a live chat with Mr. Egger about his opinion article, "Charities Must Challenge Politicians." (June 4)

In that environment, the nonprofit advocacy group OMB Watch notes, it was easy for Sen. Lyndon Johnson, whose ire was reportedly raised by Texas nonprofit groups that were campaigning against him "by producing red-baiting radio shows, television programs, and millions of pieces of literature," to get legislation passed in 1954 that expressly prohibited nonprofit groups from campaign activity.

In silencing his critics, Mr. Johnson silenced every nonprofit group in America.

At the time, nonprofit groups were not as big a part of America as they are today — just 100,000 charitable groups existed. But now more than one million charities and foundations, plus tens of thousands of religious congregations, are registered with the Internal Revenue Service.

Perhaps more important than the number of organizations in operation is the role they play in every community in America.

Since the 1980s, nonprofit groups have provided critical social services that used to be the domain of government. Not only have they filled this vacuum, but they also have grown to employ 14 million people — almost 10 percent of the national work force.

In addition, 27 percent of people 16 and older volunteer annually and contribute billions of dollars worth of services. In fact, with combined assets of more than \$1.76-trillion and annual expenditures of \$945-billion, the nonprofit world as a whole is more economically viable than many countries that are members of the United Nations Security Council.

Yet, even with all this growth, and the vital socioeconomic roles they play, nonprofit groups accept their muzzled role, persuading themselves that it is best to be perceived as independent and unsullied by the sordid world of politics.

What nonprofit groups are, in fact, is subservient and at the mercy of posturing politicians who develop policies through a decision-making process in which charitable organizations have little influence.

The shared vulnerability and the inequities of the current system were once again brought to light in re-cent months when Sen. Charles Grassley, Republican of Iowa, appeared on the front page of *The Washington Post* to comment on the findings of an internal audit investigating the spending of Lawrence Small, secretary of the Smithsonian Institution, the world's largest museum complex.

In addition to his salary of more than \$900,000, Mr. Small received generous reimbursements for his housing, first-class travel for himself and his wife, catering services, flowers, and other expenses that Senator Grassley labeled a "Dom Pérignon lifestyle."

Whether Mr. Small's compensation package was extravagant or not, it had been duly approved by the Smithsonian's Board of Regents (which includes Vice President Cheney and three senators). Ignoring the authority of the Smithsonian's governing body, Senator Grassley whipped Washington into a frenzy of indignation over another nonprofit "scandal."

Once again, the reputation of the nonprofit world was tarnished by the implication of impropriety at one institution. The public's limited understanding of the laws and financial policies governing charitable organizations allowed Senator Grassley to play into the stereotypes of overindulged nonprofit leaders lining their pockets and the charity world as a whole as "out of control" and in need of restrictive, legislative remedies. And, perhaps most frustrating, that happened with nary a peep of protest from national nonprofit leaders.

At the same time that Senator Grassley was delivering his tirade over the betrayal of the public's trust, the Ford Motor Company announced that its new chief executive, Alan Mulally, would receive \$28.2-million in compensation, after working with the company for only four months.

That should have triggered as much outrage as what happened at the Smithsonian. Ford might be a private company, but it is no less dependent on federal subsidies than tax-exempt groups. It received \$9.1-billion in such subsidies over five years, a Citizens for Tax Justice report stated in 2002.

In fact, in 2004 businesses in America accepted \$210-billion of federal support in the form of direct subsidies, credit subsidies, tax expenditures, subsidized services and trade restrictions.

Yet, unlike nonprofit groups, the recipients of those government subsidies can provide cash contributions to Senator Grassley or any other elected official. In other words, they can actively participate in the political process to ensure that candidates that are supportive of their agendas are put into power. They can then push for legislation that supports the goals of their industries, and openly advocate the passage of that legislation.

Furthermore, as so tellingly illustrated by Mr. Mulally's payment from Ford, businesses in America can compensate their leaders at rates that make Mr. Small's "champagne" lifestyle seem positively flat by comparison.

It would have taken Mr. Small, who was charged with protecting and preserving our nation's artistic, cultural, and scientific treasures (and the free admission its charter dictates), 31 years to earn what Mr. Mulally was given for just four months work.

The destructive double standard between for-profit and nonprofit organizations must be changed, and that won't happen unless nonprofit groups make it a priority to do everything they are legally allowed to do in this election cycle.

Nonprofit leaders should follow the lead of two major foundations that recently announced they are putting \$60-million into "Ed in '08," a project designed to make improving education a top priority of the 2008 presidential race.

The Bill & Melinda Gates Foundation and the Broad Foundation are planning to pay for advertising in battleground states and will organize voters to press candidates about their policies on education.

"Ed in '08" won't endorse candidates, but if it can influence the debate and ensure that the candidates focus on the issue, it could make a big difference.

Similarly, in New Hampshire charities are uniting to educate presidential candidates on the significant impact of nonprofit organizations while asking candidates to discuss how they would strengthen and support charitable groups if they were elected. In addition, nonprofit groups in Kentucky are hosting candidate forums for the 2007 gubernatorial elections.

As the United States moves away from the era in which companies like Ford can provide thousands of jobs, nonprofit groups need to press the candidates to talk about how they would help charities achieve greater economies of scale and strengthen their ability to be both solid employers and stimulators of the economy.

Nonprofit groups must also ask the candidates to recognize that the rules that were created in the middle of the last century to regulate charities not only are outdated, but also will be counterproductive in this new century.

A new hybrid organization is growing more popular, one that is part business and part nonprofit. The new social entrepreneurs will create capital while empowering their employees, supporting the neighborhoods where they are based, preserving the environment, and inspiring citizens.

After nurturing countless innovations like the steam engine and the silicon chip, will America continue to force daring new business models to conform to the limited for-profit and nonprofit dichotomy? Or will we erase the lines to create entirely new rules?

The future of America's economic and social vitality depends on a new understanding of the role of the nonprofit world. Charities cannot afford to sit on the sidelines, silenced, any longer.

Nonprofit groups must now challenge the candidates to see them not as charities that need to be restricted or restrained, but as partners looking for a leader with the vision to recognize the role such organizations play and the resources they bring to the table.

Robert Egger is president of D.C. Central Kitchen, in Washington, a leader of the Nonprofit Congress, and author of Begging for Change: The Dollars and Sense of Making Nonprofits Responsive, Efficient, and Rewarding for All (HarperCollins).