



Inside Philanthropy

Second Thoughts: Why I Changed My Mind About Philanthropy and Public Policy

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If you work in a nonprofit policy or advocacy group, you probably don't question the role of tax-deductible donations in supporting this world. It may seem to go without saying that such cause-driven work should be federally subsidized, with all taxpayers helping foot the bill for an ever-expanding complex of nonprofits seeking to influence what government does.

For most of my own career, I never had a second thought about this setup. It's just how things were—and always would be. Eventually, though, I came to wonder: Wait a minute, is this really okay?

A bit of backstory. My first job after graduate school was working at a small foundation, the Twentieth Century Fund (now the Century Foundation) which backed progressive research and ideas. I started that job in 1994, the year that Republicans, led by Newt Gingrich, took control of Congress. This victory drew attention to the growing network of right-wing think tanks, opinion journals and leadership institutes that provided the ideas and policy firepower for a surging conservative movement—a network funded by a handful of foundations like Scaife, Bradley and Olin.

I was curious about how these funders operated, and why they seemed so much more effective in shaping the national political narrative than much larger liberal funders like Ford and MacArthur. In 1995, I published an article on this subject in *The Nation*, looking at how conservative funders strategically invested in multi-issue policy organizations that told a larger story about American life, while also producing detailed blueprints for governing that were embraced by politicians from Reagan to Gingrich. Funders like Ford, meanwhile, tended to invest in single-issue advocacy work and hands-on pilot projects—scoring narrow wins while allowing the right to dominate larger debates over such topics as the role of government and the scope of individual responsibility.

A few years later, Sally Covington made this same point in an important study, "Moving a Policy Agenda," about conservative funding strategies published by the National Committee for Responsive Philanthropy. I wrote a follow-up to that report, published in 1999, "\$1 Billion for

Ideas," that drilled more deeply into the large flow of funding to conservative think tanks like the Heritage Foundation and the Cato Institute. I looked in detail at the enormous influence of such grantmaking on issues like welfare, Social Security, taxes and environmental policy.

Fighting Money With Money

To me, the big takeaway of this research was that progressive funders needed to invest more heavily in the same kinds of policy institutions that the right had scaled so effectively—to level the playing field in the “war of ideas.” That conviction led me to become involved in founding Demos, a national progressive think tank that was incubated by the Nathan Cummings Foundation, then led by Charlie Halpern—one of the funders who understood the importance of ideas and think tanks. An Illinois state senator named Barack Obama was among the founding board members.

A few years later, as we were building Demos, Rob Stein began giving a compelling PowerPoint presentation that made many of the same points Covington and I had advanced earlier. Bill Bradley also published an influential *New York Times* op-ed on the success of the conservative infrastructure. Major individual donors on the left took notice and bankrolled a new set of progressive institutions that aimed to advance a broad ideological vision, including the Democracy Alliance, the Center for American Progress, and Media Matters. Today, the left’s infrastructure for fighting the war of ideas still pales in comparison to the right’s, but it’s much more powerful than it used to be.

I spent 15 years helping build Demos, which is now a strong organization that draws support from many foundations and major donors. As a 501(c)(3), Demos is nonpartisan, but it’s very progressive, and Democratic policymakers at both the federal and state levels have often turned to it for ideas. In 2009, Demos staff sat in the Rose Garden ceremony in which President Barack Obama signed legislation that Demos had helped shape, reforming the credit card industry. Like many other policy groups these days, Demos now has a 501(c)(4) arm, which allows it to weigh in on electoral issues.

Demos does great work, and I’m proud of my role in developing it. But over the past few years, I’ve come to have doubts about whether tax-deductible charitable dollars should be bankrolling America’s growing constellation of ideological policy groups, many of which work in close concert with one of the two major political parties.

Political Spending by Another Name

One problem, as I see it, is that funding for these groups is basically political giving by another name—which is not what philanthropy is supposed to be about, at least as most Americans understand it.

The main reason donors give money to politicians is to effect changes in public policy. Much giving to think tanks and advocacy groups is motivated by the same goal. This wasn’t so much the case in an earlier era when think tanks played a more neutral research role. But since the 1970s, policy groups have become deeply politicized, working as part of larger ideological movements to change government policy. Charitable tax law, though, hasn’t changed at all. The charitable tax deduction was created in 1917, and Congress hasn’t revisited how philanthropy is regulated since 1969—before the explosion of an ideological arms race fueled by charitable dollars.

Values-driven policy work and advocacy is important for many reasons. Despite what some may argue, it's not clear to me why giving that seeks to influence government decision making, often in ways that are more effective than campaign giving, should be subsidized by the U.S. Treasury—especially since most of this grantmaking is done by wealthy individuals and foundations that are not representative of the broad spectrum of the American public. (See my rebuttal of the "pluralism defense" of philanthropy [here](#).) It's troubling to see tax expenditures amplifying the preferences of elite actors in public life.

Social justice advocates tend to push back on this point, noting the critical role of foundations like Ford and the Open Society Foundations in supporting dissenting views and marginalized populations. Such funding is, indeed, important, and I know the history here as well anyone else. But as I see it, the current rules around philanthropy ultimately benefit the upper class more than other groups when it comes to who has influence in American life. With philanthropic dollars increasingly deployed as another form of money in politics, as I detail in my new book, *The Givers*, we should view this influence spending with concern for the same reason that many worry about campaign spending: because the wealthy have more resources to be heard.

Winners and Losers

While progressive funders have helped advance key gains for equity over the past four decades, mainly in the arena of social rights, conservative funders have been far more influential in shaping debates over government, the economy, and equity. By investing billions in a vast policy infrastructure at the federal and state levels, starting the 1970s, they've helped block and partly roll back the liberal redistributory project of the mid-20th century.

What's more, if you take a closer look at the top social justice gains of the past century, you'll find that philanthropy's role has been modest. While funders have often taken the side of justice advocates in these fights, especially from the civil rights era onward, the left's biggest victories owe almost nothing to such funding. They have come from organizing, popular mobilization, and efforts to change cultural norms. To be sure, liberal grantmakers have helped to institutionalize the gains of social movements, and their dollars have been key to playing defense from the 1980s onward. But these investments have had negative unintended consequences, as a professional class of advocates bankrolled by grantmakers came to replace mass-based movements, weakening the left overall.

Historically, the struggle for justice has tended to pit the power of people and social movements against the power of corporations and rich people. Because you need lots of money to engage in large-scale philanthropy, this is a tool that's more likely to tilt the balance in this struggle in favor of the upper class. Which is exactly what's happened in recent decades.

Looking ahead, that's likely to be even more true. Why? Because living donors from the business world, not legacy foundations run by nonprofit veterans, will increasingly dominate major-league giving. That's a big shift from the second half of the 20th century, and it means that the values and preferences of the upper class will play a much bigger role in driving organized, large-scale philanthropy than has been the case in the recent past.

This is happening already, and the change calls into question views about philanthropy that took root during the heyday of legacy foundations, a period when some of the biggest funders around, most notably Ford, were important allies of social justice advocates. The future is likely to look

different, and perhaps ominously so for the left. The Koch brothers, for example, have a combined net worth that's six times greater than Ford's endowment. If and when that wealth is more fully deployed to advance libertarian values, its effects could be profound.

A Pandora's Box?

With right-wing populism ascendant, and a conservative president in the White House, most progressives don't want to talk about any scaling back of philanthropy's freedom to engage in public policy fights. Tax-deductible funding for social justice work is seen as essential right now.

But is it, really? So far, philanthropy has played a negligible role in the successful resistance to Trump's agenda that's occurred. Activated citizens have led the fight, particularly the push to save the Affordable Care Act, and that's likely to be true going forward. Likewise, it was a grassroots Tea Party movement, not conservative donors, who get the lion's share of credit for pushing back against President Obama's agenda.

With big shifts to philanthropy underway and trillions of dollars poised to enter the charitable sector from America's wealthiest citizens, it's important to look at the long-term picture. We need to critically explore who's ultimately going to benefit the most from a dated regulatory regime that makes it easy to use charitable gifts for political influence. My own conclusion is that it's not going to be ordinary citizens, much less America's most marginalized communities.

That's an inconvenient conclusion in many ways. It raises doubts about a part of the nonprofit sector where I spent most of my career, and where many of my friends work. It also raises hard questions about what reform steps might look like, opening a Pandora's box that most people would rather keep closed. I'll readily confess that I don't have complete answers to these questions. But I don't see a way to avoid asking them any longer.