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THE Nonprofit QUARTERLY

INEQUALITY'S TIPPING POINT & THE PIVOTAL ROLE OF NONPROFITS

Alperovitz *on* How to Reverse Rampant Inequality

Bales *on* Spinning a New Economic Narrative

Pratt *and* McCambridge *on* Seven Ways Nonprofits May Add to Inequality

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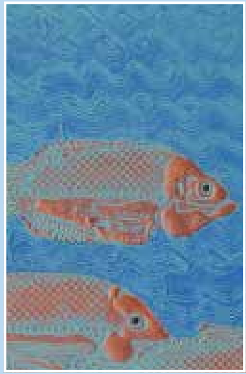

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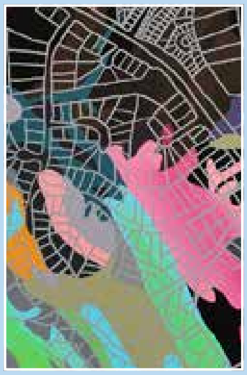

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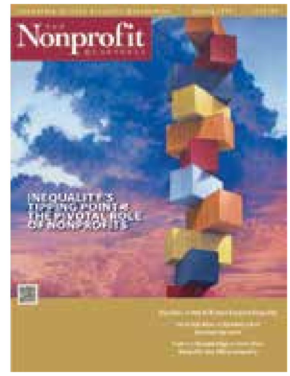
Welcome



Dear readers,

Welcome to the spring 2015 edition of the *Nonprofit Quarterly*. This edition focuses on the topic of inequality—a state that is the pot of simmering water to our collective frog. The issue as a whole is our call to action. Wealth and income inequality (and along with that, racial and gender-based inequality) should not be our accepted norm—but they are, inside and outside of our organizations.

Many of us are employed to address issues reliably generated by this state of inequality: hunger, homelessness, diseases caused and worsened by poverty, and joblessness, to name a few. And, of course, it is powerful to work with individuals on their own particular life circumstances, but that should never distract us from the generators of inequity.

The articles in this edition discuss the history and dynamics of the wealth gap and racial inequities that have only increased—and significantly—since the end of the recession, in marked difference from other recessions in U.S. history. This makes the moment a "burning platform" of sorts. I am reminded of a song by Funkadelic—"Free your Mind . . . And Your Ass Will Follow." As a sector, we can do nothing about persistent and worsening inequality unless we recognize that it is so much a given at this point that wrenching ourselves out of that norm will take an act of will and include sometimes uncomfortable cultural leadership.

The work needs new ways of thinking, talking, and acting that build the commitment to pluralism of ownership in our shared economy. Elected political leaders cannot be counted on to take the lead. Big money is so deeply inserted into our political system that, although it still cannot guarantee an election outcome, it *can* gag politicians who are in a codependent lock with large contributors.

We need to lead, and that must be from a place of example.

As Gar Alperovitz's article within proposes, we need to imagine and visualize what we want to create and then make it happen with experimentation, focus, and a loud and constant drumroll of discussion about where we want to head: "The real option on the table involves building what amounts to a new kind of economy—a 'next system' if you like, that is constructed, institutionally, from the ground up, in ways that both produce more-equal outcomes directly and also begin to build new institutional power to help support a new progressive politics. This is a huge and agonizing long-term task, the magnitude of which most have yet to confront."

The Nonprofit Ethicist

by Woods Bowman

In the case where an organization has the power to nominate a majority of members to a sister organization's board, those members' duty of loyalty is to their organization, not the one that nominated them. If you are invited to a board in order to provide your professional services, it's ethical to accept (so long as you aren't paid) but it isn't wise. And gifts in kind are tricky things—proceed with caution.

Dear Nonprofit Ethicist,

My question/concern is this: when one organization establishes another and nominates a majority of members to the other's board, does that change the duty of loyalty that the nominees have to the other organization in any way, and if so, how?

I have been involved with two organizations for forty-plus years. For the sake of anonymity, I'll call them Organization A and Organization B (the latter owns and operates a facility for the benefit of multiple nonprofit organizations, like Organization A). According to B's bylaws, A is allowed to nominate the majority of B's board members. There are also other groups that use Organization B's facilities, each nominating one representative to B's board; some board members are unaffiliated with any facility user. Finally, a majority of board members nominated by Organization A must approve certain kinds of changes to the bylaws.

Thus, while the history and structure of B's board suggests that it was intended to pay close attention to the needs of A (and the other users of the facility), the general standard of fiduciary duty includes that of loyalty, meaning that members of B's board must do what is best for B, regardless of impact on A.

The reason for my concern is as follows: Initially there was a very close tie between A and B; however, in recent years the relationship became pro forma, with A taking less and less interest in B and not paying much attention to whom A nominated to B's board, and B having a director who increasingly chafed at A's assumption that it could more or less dictate the terms of its use of B's facilities. This director has taken the board—which now has very few members committed to A, even though nominated by them—in the direction of making B more independent.

Organization A has also changed. Its longtime director resigned, and the new director's primary interests do not lie in A's relationship with B (although the new director is generally supportive of B because programs there bring in needed income). A's programs at B, which had once had long waiting lists, now leave significant spaces unfilled, and this has had negative impacts on both A and B, and exacerbated the conflict between them.

I've come across literature on nonprofit management and governance that suggests these circumstances are not unusual ones, and most often come up in hospitals setting up subsidiaries, with some authors suggesting that these circumstances change the duty in some way and others saying it doesn't. I'm struggling to get my head around the fact that A nominates people to B's board who then are expected to pay little or no attention to what is best for A.

The conflict for me, as a current (and past) member of B's board, and former member of A's board nominated to B's board by A, is that I am aware of the different sides of the situation yet see no way to make use of that knowledge when my duty of loyalty limits me to concern only for B. It is true that because the organizations are so intertwined, B's policies that negatively impact A may also negatively impact B in the long run, so in that case it is appropriate to point to this interaction. However, that is not always the case. Is there a way to include the history of the organizational relationship in decision making as a board member of B?

Conflicted

Dear Conflicted,

Notwithstanding the interesting layers and historical details of these entwined organizations, this is one of those cases that seem complicated but are really quite simple. As you correctly perceive, persons who serve on B's board have a duty of loyalty to B, not to A—even those whom A nominated. However, the duty of loyalty does not preclude B's board members from considering the impact of their decisions on all stakeholders—including, but not limited to, A. In this case A has clearly dropped the ball. It takes little interest in B and its facilities; it seems indifferent toward its nominees, and has lost its credibility with B's executive director and board. Organization A deserves whatever B dishes out.

Dear Nonprofit Ethicist,
I am a professional fundraiser and I have been asked to sit on a nonprofit board to help with developing a fundraising plan, among other things. I'm not sure how that will be perceived. Any advice?

Sincerely,
Being Courted

Dear Being Courted,
If they pay you, it would be a conflict of interest to sit on the board. If you donate your time, it is ethical but unwise. Suppose the board doesn't like your plan? If they fail to implement it properly they are more likely to blame *you* than to own up to their shortcomings. If you are on the board, things could get acrimonious. If you like this organization and want to donate your time while sitting on the sidelines, then go ahead. After they begin to implement your plan, when it's clear that they are pulling their weight and not just looking for a free ride, you could drop hints that you would be willing to join the board.

Additionally, would your paying clients assume that you are less committed to them than to the organization that you serve as a board member? It just sounds like a bad idea from every angle.

Dear Nonprofit Ethicist,
My agency receives gifts in kind in the form of new and used household items and clothing. We sort the items, attach a monetary value to the items, record the gift in our donation records, and then send the donor a receipt for tax purposes. Donations that we cannot use we offer to other area organizations that could better utilize them. Is it appropriate to count the items that are discarded as gifts to the agency?

Sincerely,
Bewildered

Dear Bewildered,
Gifts in kind are tricky. Let's start with recording their value. As you may know, you need this information for your financial statements, but you should not—repeat, not—share your estimate with the donor. Your acknowledgment of the gift should describe the goods and the date received. It is the donor's responsibility to have the goods appraised and to justify the deduction to IRS auditors when they come calling.

You should be able to give away unneeded donations to another 501(c)(3) agency. However, you must still record the gifts on your books, and I would assign a value of zero. The IRS has called to task some large agencies for "daisy chaining" gifts in kind. The practice results in the recording of a single gift multiple times as received and expended—sometimes complete with a vastly marked-up value. By the way, if you ever get vehicles, real estate, appreciated securities, historical treasures, or artworks, please consult IRS regulations. These items may be very valuable, but the special rules that apply to them can be a real headache.

Woods Bowman is a professor of public service management at DePaul University in Chicago, Illinois.

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Inequality's Dead End—
And the Possibility of a New, Long-Term Direction

by Gar Alperovitz

"There are many signs . . . that we may be at the beginning of a long struggle like that which preceded the New Deal—a struggle at the grassroots and in the state and local 'laboratories' to develop something new on the ground. . . . And though there is great pain in the fading of traditional strategies, it is in fact that very pain that is forcing a new possibility—one that is also gathering momentum as more and more people realize that the old direction is fading."

It is easy to be distracted by what passes for economic news these days, focused as it is on short-term fluctuations and assurances of recovery and revitalization. The simple truth, however, is that year by year, decade by decade, life in the United States is steadily growing ever more unequal.

Statistics illuminating this historical trajectory are easy enough to come by. For a start, the income of the top 1 percent has more than doubled in the past two decades, from roughly 10 percent of all income in 1980 to more than 22 percent in 2012.[1] Meanwhile, wages for the bottom 80 percent of American workers have been essentially stagnant in real terms for at least three decades.[2]

The growing gaps in income inequality are matched or even exceeded by gaps in wealth. Emmanuel Saez and Gabriel Zucman have recently demonstrated, for instance, that American economic life is as unequal now as it was at the outset of the Great Depression. Wealth—and with it, political power—is concentrated more and more in the hands of the richest of the elite.[3] From 1962 to 2010, the top 5 percent of Americans increased their share of national wealth from 54.6 percent to 63.1 percent, while the bottom 40 percent's nearly insignificant 0.2 percent share actually declined to a negative 0.9 percent, as mounting consumer debt outpaced stagnant wages.[4] The top 400 *individuals* have more wealth than the bottom 180 million Americans taken together.[5]

At the same time, for over four decades the percentage of Americans in poverty has remained essentially unchanged. Per the Census Bureau's 2014 report, 45.3 million Americans live below the

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"SUN DROPS ON THE HILL" BY YUKARI KAIHORI/WWW.YUKARIKAIHORI.COM/

When we look beneath the surface of the latest headlines, what we find are deeply rooted political stalemate, long-term economic stagnation . . . and, of course, ongoing social decay.

poverty line.[6] The poverty statistics also reveal the enduring racial disparities that undergird the American economy, with African Americans and Hispanics more than twice as likely to be living in poverty as non-Hispanic Whites.[7]

It is encouraging that our national conversation has at least begun to acknowledge the problem posed by increasing economic inequality, thanks in part to activists who popularized the rhetoric of the 99 versus 1 percent, and to scholars like Thomas Piketty, whose *Capital in the Twenty-First Century* provides an irrefutable account of the inexorable processes driving inequality. It is less clear, however, that our national political conversation has confronted the magnitude of the problem—to say nothing of the corresponding magnitude of the necessary solutions. In fact, what is called for is nothing less than transforming the underlying institutions that are producing the outcomes we see—in short, one way or another, transforming the system over time, beginning, as always (and as we shall see), in local communities where the pain is greatest.

Our Era in Historical Perspective

When we look beneath the surface of the latest headlines, what we find are deeply rooted political stalemate, long-term economic stagnation (masked by minor upticks and high dropout rates from the labor market that make official unemployment figures look better), and, of course, ongoing social decay. As always, there are exceptions here and there, but in community after community pain and resignation continue to grow. The possibility of ambitious and successful national policy action at a scale necessary to address the deeper problems—a "war on inequality," as it were—is remote, given a legislative system mired in deadlock.

Many people hope, or assume, that one day "the pendulum will swing," and a burst of new progressive politics will develop that is capable not simply of token gains but also, critically, *of altering the trends*. To understand both how unlikely this is and the depth of our challenge, it helps to be a historian—in many ways, the liberal moment of the twentieth century was an aberration, an unusual development largely created by major crises: an unprecedented Depression opened the way to the New Deal, and a world war created a postwar boom that interrupted the "normal" dynamics of the political economic system.

Chance also played a role: had a Democrat been in office and blamed for the Great Depression when it hit, not only would there have been no New Deal, we probably would have reversed even the modest reforms of the late 1920s. The post–World War II period was also exceptional, marked by abnormally high rates of economic growth—in part fueled by wartime savings and in part made possible because our major European and Asian competitors were (temporarily) sidelined by the war's destruction.[8] This was the era when everything seemed possible—*for a while*.

The middle decades of the twentieth century—from roughly 1933 to 1968—were also notable because of the presence of a labor movement strong enough to push back against the power of concentrated public wealth, both on the shop floor and, above all, in politics. Organized labor—the institutional heart and muscle of progressive politics in most nations—is now at a historic nadir in the United States, down from a postwar peak of 34.8 percent of wage and salary workers in 1954 to just 11.1 percent in 2014. The picture is even more dire when we look at the private sector, where just 6.6 percent of workers currently belong to a union.[9]

It is important to understand just how essential labor was in structuring the progressive political possibilities of the mid-twentieth century, and how much it will be missed at the level of the system as a whole. The great liberal economist, the late John Kenneth Galbraith, described labor's role in reducing inequality through what he called the theory of "countervailing power." The political power as well as the economic advantages enjoyed by corporations, he pointed out, were offset by other institutional powers. Labor unions, for Galbraith, were by far the greatest check on the corporation in all its dimensions, economic as well as political. As labor's capacity to meaningfully push back at the systemic level dwindled, the famous liberal economist lost faith, writing (in 1980) that he could no longer find a meaningful source of such power.[10]

Scholarly studies confirm the role of labor in the old liberal politics. The late Seymour Martin Lipset and Gary Marks, for instance, found that "variations in state effort, social policy, and economic inequality correlate with the extent to which the lower classes of a society wield political power. . . . Closely associated with social democratic participation in government is lower-class economic power exercised through trade unions."[11] John D. Stephens and associates summarized in 1997 that "various studies have shown a close relationship between social democratic governance and/or union strength and workers' rights, codetermination, egalitarian wage policy, and unemployment."[12] And in 1992, the preeminent Danish scholar Gøsta Esping-Andersen showed that the "political efficacy of social democracy," like liberal politics, was "contingent on trade union strength or cohesion."[13]

The New Historic Reality

In other words, in the absence of crisis and—give or take an exceptional moment—without the power of unions, we are unlikely to move the needle on the progressive agenda when it comes to substantially altering the dynamics of the economic system in the direction of more equal outcomes. This historical judgment should in no way diminish the profound respect due to the people on the front lines of work being done by unions today. Struggles around the minimum wage and the rights of fast food and Walmart workers—as well as the nontraditional labor organizing happening in sectors like domestic work and among immigrant laborers—are courageous and necessary.

Nor does it mean that nothing at all can be done. It's possible, for instance, that efforts to raise the minimum wage to $15 per hour might succeed in a few more cities and states. It's much less likely, however, that we will be able to win a national $15 per hour minimum wage anytime soon. And it's all but impossible to imagine a federal law that would mandate a minimum wage of $21.16, which is where it would be if it had kept pace with economic growth since 1968.[14]

We have—regrettably—left the era in which I came of age politically, working as legislative director for the great liberal senator and environmentalist Gaylord Nelson. This was an age in which it was possible not only to elect a broadly liberal government but also to expect such a government to have a reasonable chance of passing programs capable of addressing problems at the appropriate scale. There is little indication today that, even if elected, Democrats employing traditional liberal strategies of regulation and redistribution have the capacity to alter most of the deteriorating long-term economic, social, and environmental trends we face. Whether or not we elect a nominally progressive government, whether or not we see more populist rhetoric around inequality worked into party platforms, the fact remains—given the configuration of institutional power in our current system—that inequality is likely to continue to increase, high levels of poverty, including child poverty, are likely to persist, discrimination against women and minorities is likely to continue, corporate tax rates are likely to remain low, and (even allowing for slight recent improvements) incarceration levels are likely to remain a staggering monument to an unequal America.

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If we can no longer assume that the pendulum will swing back to traditional liberalism (and its traditional institutional power base), self-evidently either a new direction anchored in a different power base will be built or there will simply be no way forward. The real option on the table involves building what amounts to a new kind of economy—a "next system," if you like—that is constructed, institutionally, from the ground up, in ways that both produce more-equal outcomes directly and also begin to build new institutional power to help support a new progressive politics.

This is a huge and agonizing long-term task, the magnitude of which most have yet to confront. Nobel Laureate Paul Krugman recently reminded us, however, that this, in fact, is how serious change occurs: "If you read histories of the New Deal, you know that it . . . didn't spring out of nowhere. . . . We had a progressive movement and a lot of proto New Deal programs building for quite a long time."[15] Put another way, the experiments that went on in the state and local "laboratories of democracy" not only built the power base of the New Deal but also developed its programs in preliminary form in connection with labor law, social security, welfare programs, and many others—so that when the time was right, a new program was ready.

In our own time of "prehistory," we have two choices: either to assume nothing of trend-altering significance can really be done, or to build a new long-term direction *knowing that almost certainly, important as they were and are, the institutions that empower the next progressive era will be different.*

What is encouraging is that, across the country, there are many signs that frustration is forcing exactly the kind of experimentation with new institutions that may one day become a significant part of the power base of a new politics.

The Proliferation of New Approaches

There are, in fact, many signs that we may be at the beginning of a long struggle like that which preceded the New Deal—a struggle at the grass roots and in the state and local "laboratories" to develop something new on the ground that may also build up over time, both in numbers and, ultimately, at levels of scale different from that which can be achieved in local communities, but based on locally developed principles that can be applied at national levels. Strategies built, as the labor movement once was (though different in form), out of real needs and real frustrations on the ground.

This is a big task, and one the outcome of which cannot be known in advance. Accordingly, perhaps it may also help to remember that the modern conservative movement was relatively marginal in the 1940s, and that serious conservatives understood the necessity of a several-decade fight, beginning at the very bottom and working up.

What is encouraging is that, across the country, there are many signs that frustration is forcing exactly the kind of experimentation with new institutions that may one day become a significant part of the power base of a new politics and that may also suggest principles for larger national application—efforts that may also slowly help lay foundations for a long-term approach capable of reversing deepening inequality. Critically, at their core, these experiments involve a new principle, something quite different for the new era—at first locally, ultimately potentially nationally: *the idea that wealth ownership must be democratized both in theory and in on-the-ground practice, building slowly from experiments to larger scale.*

Essentially, a new strategic paradigm—the idea that democratizing ownership can begin locally—is emerging around the nation. Especially important has been the expansion of worker and community cooperatives—an old form now exploding in relevance around the nation in communities that have been left behind and writhing in pain as national and international forces both turn their backs on locality and find it impossible to enact even modest policies of significant assistance.

Consider recent developments in the small Maine community of Deer Isle. When the owners of two grocery stores and a pharmacy decided to retire, it was entirely possible that those sixty-two jobs—nearly 5 percent of the island's labor force—could have been at risk or eliminated.[16] Instead, a nonprofit economic development institute helped the town cooperatize the three businesses, creating the largest worker co-op in the state. Aside from the obvious benefits to the cooperative's new worker-owners, such a conversion keeps wealth local rather than stripping it off into the maelstrom of private equity and transnational chain stores. Most important, beyond the immediate benefits, the effort has made democratic worker ownership of economic institutions a central part of everyday life for this community. It saved the jobs of friends and neighbors, and, in the process, began to normalize the idea that just possibly another kind of economy might not be impossible to imagine if other communities were to do something similar—and even perhaps if new principles of ownership were one day explored for larger efforts.

Just beneath the surface of most public reporting, in fact, an explosion of experimentation like this is going on in all parts of the country. It is also beginning to demand—and get—backing from larger institutions, and political backing as well. Such efforts include groups like Prospera, in San Francisco, and Cooperative Home Care Associates, in New York, that bring together women who do home cleaning and home health work, respectively; cab driver co-ops in several cities; food co-ops in most parts of the country; advanced manufacturing co-ops like Isthmus Engineering & Manufacturing in Madison, Wisconsin; and many, many more. (To get a sense of the range of activities in different parts of the country, see www.community-wealth.org.)

Moreover, the movement has begun to find ways to generate larger institutional and political support. Thus, an increasing number of cities have begun to embrace models for economic development that explicitly call for democratized ownership of parts of the economy. In New York City, for instance, a coalition of grassroots community organizers and cooperative advocates secured $1.2 million from the city's budget under new mayor Bill de Blasio to support worker-owned businesses in low-income communities.[17] In Madison, Wisconsin, a similar measure has passed, earmarking $5 million over five years to support cooperative development.[18] And the city council of Austin, Texas, voted to acknowledge explicitly the positive impact of local cooperatives and support their development.[19] Viewed in developmental terms, what is interesting is that existing cooperative businesses have reached the point at which they can begin to make political claims on money earmarked for economic development—democratized ownership is providing an institutional platform for further steps to democratize ownership.

Other new and existing economic forms and strategies include community-owned land trusts to lower housing costs (as in Burlington, Vermont, and hundreds of other cities); the proliferation of social enterprises that use profits for social goals; and, all across the nation, "B corporations" (businesses set up explicitly in ways that allow them to pursue social and environmental goals in addition to profits). Also important are new municipal uses (and threatened uses) of eminent domain, as in the Dudley Street Neighborhood Initiative in Boston and in more recent struggles over housing in Richmond, California, Newark, New Jersey, and elsewhere.

The larger goal, broadly speaking, is to move past faltering, traditional, after-the-fact redistributive efforts backed by labor—which left the capital structure of the economic system entirely intact—and on to a new model that directly begins to create democratized and *inherently* redistributive ownership as a critical element in the economic system.

Larger Institutional Support

Citywide efforts with a larger, more systemic focus have also arisen. For instance, before his tragic recent death, Mayor Chokwe Lumumba was preparing an ambitious strategy in Jackson, Mississippi, to combat economic inequality in the heart of the Black Belt by building a "solidarity economy"—one that connected community and cooperative enterprises to municipal procurement. (The effort remains underway, led by the organizers behind Lumumba's grassroots electoral victory.) In Richmond, Virginia, the Office of Community Wealth Building, aimed at developing comprehensive strategies to combat deeply entrenched economic inequality, has been launched by Mayor Dwight C. Jones (and is headed by Thad Williamson, cochair of the Maggie L. Walker Initiative for Expanding Opportunity and Fighting Poverty, whom the mayor appointed director of the Office of Community Wealth Building).

This kind of work—reorienting economic development toward the construction of worker-owned and other community-based alternatives—can go hand in hand with more traditional efforts to win gains through government regulation of corporate activity, like the fights for $15 per hour or for paid sick days. Indeed, groups like National People's Action and the United Steelworkers have now explicitly acknowledged that traditional community, workplace, and political organizing can be meaningfully complemented by "new economy" work that can institutionalize gains in a durable way.

Major nonprofits like hospitals and universities are also getting into the game, recognizing that—unlike for-profit corporate entities oriented toward a global market—they have an intrinsic investment and interest in the places they call home. In Cleveland, Ohio, a group of hospitals and universities (including the world-famous Cleveland Clinic), concentrated geographically on the city's economically depressed east side, have recognized that a situation in which their institutions exist as an island of relative privilege in a sea of poverty is neither tenable in the long term nor consonant with their civic mission as nonprofit entities. To that end, they've begun an ambitious effort to deploy their existing assets to address deep-seated inequalities. One particularly impressive effort involves the Evergreen Cooperatives—a complex of linked cooperative

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businesses owned by workers from the surrounding low-income communities and established to create green jobs (and democratized ownership) by capturing procurement dollars from the "anchor institutions" as they make their supply chains more sustainable.

As Ted Howard, executive director of the Democracy Collaborative writes, nonprofit hospital and university "anchor institutions represent an enormous economic asset that can be leveraged for community-benefit. . . . Anchor institutions nationally represent more than $1 trillion in economic activity (6 percent of the GDP!) that is rooted in our communities. Activating these resources in a way that is a win-win for both the institution and the community can be a powerful strategy for every community."[20]

It's not just hospitals and universities; community foundations, with their ability to focus long-term philanthropic capital locally, have also emerged as a potentially powerful driver of new forms of democratized community economic development. The Vermont Community Foundation, to take just one example, has for the last decade devoted 5 percent of all assets—including donor-advised funds—to investments that benefit the state as a whole.[21] Much of the foundation's work has focused on developing more robust local ownership of Vermont's food system—for example, by supporting legislation that created Vermont's Farm to Plate Initiative (and then funding that initiative's ten-year plan to increase economic development), and by launching the Vermont Farm to School Network, which will establish local food-buying programs in all Vermont schools by 2020.

Undoing the rampant inequalities in wealth produced by an entirely market-based system with little regard for place or community requires institutions capable of sustaining development over the long haul. Cities, hospitals, universities, and community foundations can step—and increasingly are stepping—into this role by buying from worker co-ops, providing patient capital and key funding for technical assistance, and helping convene broad groups of stakeholders to develop new visions for the local economy.

The Next System

As this trajectory is amplified in many parts of the country, it is also beginning to be possible to think about larger and longer-range developments that might draw upon the institution-changing lessons that are being learned in the state and local "laboratories." And though there is great pain in the fading of traditional strategies, it is in fact that very pain that is forcing a new possibility—one that is also gathering momentum as more and more people realize that the old direction is fading.

The hopeful efforts emerging around the country point toward new possibilities and a larger project, and prepare us culturally and intellectually: *if we want to fight inequality, we need to think about the system as a whole in ways that democratize the ownership of wealth over time.*

Inklings of recognition of this larger, longer-term imperative are beginning to emerge as activists are also coming to understand that in order to ensure equitable and sustainable outcomes it may ultimately be necessary to "displace" some of the largest corporate powers in our economy—especially given their increasingly direct role not only in economics but also in politics. One early inspiring example can be found in Boulder, Colorado. Here, in a process stretching back over a decade, residents and council members began to understand that an effective and speedy transition to renewable energy was unlikely so long as a corporate conglomerate, Xcel Energy, continued to run the local electric utility with 60 percent of the city's energy coming from coal.[22] When the company's twenty-year franchise came up for renewal in 2011, activists put municipalization—in which the city would form its own publicly owned utility—on the ballot. Despite Xcel outspending municipalization supporters by more than ten to one (more than $1 million in total), the measure passed.[23]

As we might expect, corporate power doesn't go quietly when you try to displace it, and Xcel attempted to undo the municipalization push at the polls in 2013. Again, the corporation far outspent local activists.[24] But, in a striking display of enthusiasm for making the energy sector public, city residents voted overwhelmingly in favor of continuing the municipalization, winning by a more than two to one margin—68.6 percent to 31.3 percent.[25]

Elsewhere, recognition is also growing of the undue influence that private corporate finance—tied to Wall Street rather than anchored to Main Street—has on our communities. Most Americans understand that regulation can only go so far and that it has a tendency to unravel in the face of corporate pressure—as the recent successful efforts by Citigroup to roll back key provisions of the Dodd-Frank legislation amply demonstrate. Again, starting at the local level, "public banking" and related strategies seek to transform the current system toward one in which banking is managed as a public utility rather than a global casino where taxpayers pick up the tab for private losses.

Public banking campaigns in several areas seek to make sure that state and city deposits are deployed not to pad the margins of Wall Street managers but rather to benefit local communities. Santa Fe mayor Javier Gonzales, for instance, recently announced that the city was studying the creation of a public bank, noting that its existing provider of financial services, Wells Fargo, "take[s] city revenues, taxpayer dollars, and [uses] those dollars as part of a loan portfolio for folks outside of Santa Fe and New Mexico."[26] In late January 2014, the Santa Fe City Council approved a $50,000 contract with a local firm to investigate setting up such a bank.[27] Early in 2014, residents in more than twenty Vermont town meetings voted in favor of a proposal to turn the Vermont Economic Development Authority into a state bank.[28] Ultimately, the effort accepted a compromise in the state legislature, with the authorization of up to 10 percent of state cash balance (currently totaling around $350 million) being made available for investment in local enterprise—more or less fulfilling what would have been one of a state bank's most important functions.[29] The state of North Dakota, of course, has operated a highly successful publicly owned bank for almost a century.

We can also be reasonably certain that the economic crisis of 2007 to 2008 will not be the last time the market's dramatic convulsions endanger livelihoods and strip wealth from communities. Who could have predicted that (albeit briefly) we would have de facto nationalized GM, Chrysler, and AIG? The efforts described above—the patient work of building alternative patterns of noncorporate ownership at the neighborhood, city, and state level—both solve immediate problems and lay the groundwork for further transformations. The next time a crisis hits, perhaps we'll think twice before giving publicly bailed-out corporations back to their stockholders rather than establishing a new form of public utility. If not the next time, the one after that, perhaps—after still more wealth-democratizing experience has developed at the state and local level.

In the wake of the police violence experienced in Ferguson, Staten Island, and many other cities, a newly energized activist movement has also begun to understand the link between building a new politics and building a new economy, in many cities and rural areas around the country. There are also important intellectual efforts to map out what a practical, long-term democratized system beyond both corporate capitalism and state socialism might look like. (I cochair The Next System Project with former presidential adviser and environmentalist Gus Speth, which has recently held major meetings on the question at Harvard and M.I.T, and which includes recent presidents of the American Political Science Association, the American Sociological Association, and the American Management Association.)

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The crisis of inequality, in short, represents a tragic and painful failure of the old system and the old politics. It is also already proving to be a major stimulus both to build new institutions in the here and now and to begin to create a new, long-term, historically sophisticated politics. Such a politics would share the goals of the great progressive tradition but also steadily seek new ways and new institutional strategies to lay the foundations for a possible re-democratization—not only of politics but also of an economic system that powerfully shapes what can and cannot be done to achieve democratic and egalitarian outcomes.

Notes

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Not Adding to the Problem:
Seven Ways Your Nonprofit Can Avoid Mirroring Practices That Perpetuate Inequality

by Jon Pratt and Ruth McCambridge

Nonprofits must perform continual self-assessment to ensure that they are not contributing to the inequality that permeates the larger culture. This article presents seven key practices every nonprofit should adopt.

Do the net effects of all activity across the nonprofit sector tend to:

A. Increase the equality of conditions?
B. Decrease the equality of conditions?
C. Have no effect on the equality of conditions?

Equalling roughly 10 percent of the U.S. economy, the nonprofit sector does not have the financial resources to be a significant countervailing force to the larger trends in the economy. Nonetheless, it is important that the nonprofit sector stand for equality as a core principle—and, of course, the supporters and leaders of nonprofits don't want their organizations to contribute to or exemplify the problem of income inequality, wittingly or unwittingly.

The following are seven practices nonprofits can adopt to foster income equality.

1. *Nonprofit employees should be paid a livable wage, sufficient to afford adequate shelter, food, and the other necessities of life.* Nonprofit organizations are the employers of record for 10.3 percent of U.S. workers, most of whom have a livable wage. But a substantial number of child-care workers, direct service personnel, personal care attendants, and support positions are crowded at the very bottom of the pay scale. When boards and managers rely solely on market information (which often tells us that the bottom wage range needs to be lowered and the top needs to be raised because other employers are doing it), aren't they shirking the responsibility to make independent decisions to advance the organization's overall mission? While the executive compensation of nonprofits and foundations will never match the heights of Wall Street salaries, the internal equity among the workforce needs to be addressed in a principled way.
2. *Executive compensation should be reasonable and proportionate within the organization's structure.* The public has mixed feelings about compensation in the nonprofit sector, especially amid perceptions of rich rewards for top managers, who are not expected to be solely motivated by economic return. This suppressed market requires a common understanding among boards and managers to restrain the most adamant revenue

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When the number-two and -three positions make less than 75 percent of the number-one position, the concentration of power and undue deference are making the organization unhealthy in other ways as well.

maximizers and to take community values into account. A key indicator of an out-of-control executive pay package is the gap between it and compensation for the top manager at the next rung. When the number-two and -three positions make less than 75 percent of the number-one position, the concentration of power and undue deference are making the organization unhealthy in other ways as well. But a number of very rich organizations have tiers of pay, with a top tier that is very well compensated and a bottom tier that is paid so badly that it needs subsidies to survive. This can sometimes be reinforced by the board, which may be more interested in turning a profit or adding to the reserves than it is about internal fairness—in fact, to the point where it rewards a top executive for turning that profit at the expense of reasonable pay for the bottom tier of workers.

These issues have popped up in any number of hospitals and universities. For example, in April 2014, *NPQ* wrote about the biggest employer in Pittsburgh, the University of Pittsburgh Medical Center (UPMC), with 62,000 employees and more than $10 billion in annual revenue.[1] UPMC was a nonprofit and also the site of an intensive unionization effort. Its executive made more than $6 million in compensation, while its starting hourly wage in some jobs was all of $11. The SEIU, which had been waging a two-year-long unionization drive at the institution, wanted the minimum for service workers to be $15 hourly. The SEIU pointed to a study from MIT that found that an adult living in Pittsburgh with one child needs $17.01 an hour to meet minimum living standards, that two adults raising two children would need $16.98 each, and that more than half of UPMC's service employees earn under what experts consider to be a sustaining wage. Pittsburgh's mayor, Bill Peduto, exhorted UPMC to raise its wages. "It's the largest employer in the state of Pennsylvania," he said. "They have the means to help their workers break the cycle of poverty and join the middle class. They probably have more of an ability to do that than any other entity."[2]

But there is no rule that says CEOs should be impervious. In August 2014, *NPQ* wrote about Raymond Burse, interim president at Kentucky State University, who requested a $90,000 pay cut in order to raise the wages of twenty-four employees who made less than $10.25 an hour—and the school's board of regents approved the request.[3] The board's having approved the request may be even more important than the CEO's request in the first place, as it demonstrates an institution's overall understanding of the importance of wage equity. Burse, who ended up making $259,744 instead of $349,869 (a reduction in salary of nearly a third), has said that he understands that he cannot make the institution function without those workers, some of whom are making as little as $7.25. "It takes everybody on this campus to do what we need to do to improve it," Burse said. "I want everybody on the team to be involved and this is one way of showing employees on the lower end of the pay scale that they are important as well. . . . They are the people that do the physical labor on this campus on a daily basis. They are the ones that make it look good. I think they deserve to be rewarded. . . . We live in some very tough times and we want to make certain that they know we, the board and myself, care about them and want to do the very best by them."[4] Another example of CEO involvement is described in the same article: "According to the *Chronicle of Higher Education*, at Hampton University, William R. Harvey, the president, donated more than $100,000 so that low-wage workers there would make at least $9 per hour."[5] The donation covered higher wages through the end of the fiscal year, after which they were to be included in the university's budget.

3. *Nonprofits should consider capping their pay and publishing their pay ratios.* These are measures that many think are key to tackling inequality. A recent article in the *Guardian* suggests that there are any number of good reasons to implement such a policy: "ratios can serve as a 'helpful tool to assist in their [charities'] approach to pay—for example in

helping to identify the impact of pay decisions on individuals and the appropriate distribution of any increase in payroll spend across the whole charity each year.'. . . There are other benefits too. A recent report by the High Pay Centre has highlighted how workplaces with big pay gaps between the highest and lowest wage earners suffer more industrial disputes, more sickness and higher staff turnover than employers with more equitable pay differentials."[6]

And "this figure tends to rise with the size of the organization: the average pay ratio for organizations with 100 to 250 employees is 1:5 compared with 1:11 for those with over 1,000 employees."[7] In fact, "the 2011 charity pay ratio survey from Charity Finance found that the larger the organization, the smaller its lowest salary."[8] It appears likely that the same dynamic is true on this side of the Atlantic.

Some larger organizations have eschewed large differentials and do not seem to suffer from it organizationally—Médecins Sans Frontières, for example, has a policy that requires that the highest employee never earn more than three times the lowest paid.[9]

4. *The civic voice of a nonprofit organization should be applied broadly to advance the organization's mission and the people it serves, not narrowly used to protect its parochial interests in its own program and revenues.* Foundation grants and grassroots fundraising cannot in themselves reduce inequality without using their influence to leverage government and business policies. Given the links between income and health outcomes and between educational attainment and cultural participation, the success of every nonprofit mission is affected in some way by the economic success of the people the organization serves (or could serve, if it could afford it). So, for example, the success of the earned income tax credit and/or an increase in the minimum wage should be broadly discussed. Sector leaders need to avoid focusing almost exclusively on those measures that protect their own revenue streams and organizational health (for instance, through protecting charitable tax incentives, which themselves have a high correlation with the interests of wealthy donors) and weigh in on the larger challenges facing the economy and the people in it.
5. *Governance responsibilities should be broadly shared, not closely held, by recruiting board members who represent the organization's constituents.* Sometimes referred to as the zip code test (do the board members come from the same zip codes as the people the organization serves?), the question of who should be on nonprofit boards goes to the heart of whether the nonprofit sector will express the interests of plain citizens or of aristocrats. When organizational design results in board composition of high-net-worth individuals or the "connected," the organization's civic voice tends to reflect its economic perspective (which, again, could be sympathetic to the need for high executive compensation and skeptical of the benefits of increasing the minimum wage). Most organizational administrations anticipate the perspective of their boards; so, for example, it is unlikely that any United Way with a board of primarily business executives would support a position to increase the minimum wage. Not to pick on the United Way, since these issues apply to many organizations and foundations, but the fact that boards do not consider these economic positions anything close to a conflict of interest undermines efforts to address the current situation.
6. *Each organization should assess the ethnic and racial diversity in its leadership as well as elsewhere inside the organization.* Recent reports by BoardSource and the Diversity Initiative of the Green 2.0 Working Group have reinforced that this sector does a poor job of reflecting the country's diversity in its leadership positions, namely, among board members in general, board chairs, and CEOs. The Diversity Initiative's report, *The State of Diversity in Environmental Organizations: Mainstream NGOs, Foundations & Government Agencies*, showed that in environmental organizations the proportion of ethnic minorities

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Ethnic minorities and people of multiracial backgrounds make up about 38 percent of the U.S. population; ironically, in the government agencies, the greatest proportion of ethnic minority staff in any position (66 percent) was seen in the position of diversity manager.

on the board or general staff did not exceed 16 percent in any of the three types of institutions studied. For the conservation/preservation nonprofits, the percentage of ethnic minorities on boards was 4.6 percent, and the percentage of ethnic minorities on staff was 12 percent. Additionally, ethnic minorities tended to be concentrated in the lower ranks and occupy less than 12 percent of the leadership positions. Not one of the largest conservation and preservation organizations has a president who belongs to an ethnic minority, but the smaller conservation and preservation organizations were even less racially diverse than the largest. Ethnic minorities and people of multiracial backgrounds make up about 38 percent of the U.S. population; ironically, in the government agencies, the greatest proportion of ethnic minority staff in any position (66 percent) was seen in the position of diversity manager.

7. *Each organization should assess its own equality footprint to examine whether the net effect of its actions increases, decreases, or has no effect on the equality of conditions.* About a third of nonprofits primarily serve the poor, and most of the rest seek to make their activities available in some way to people of limited means. Each of these organizations has pledged to either use all of its resources for tax-exempt purposes or pay the regular corporate income tax on its unrelated business income. With this small army of organizations pledged to counteract market failure—each in its own way—there is a major stake in seeing that these resources are accessible and effectively applied. Some larger institutions have recently been called out for practices that abuse or exclude people of lower incomes. Two examples that come easily to mind are the recent stories about the aggressive collection policies of some nonprofit hospitals that have driven poor people further into poverty and the "suggested donation" of $25 at the Metropolitan Museum of Art in New York City. Nonprofit hospitals are gradually clarifying their charity care policies so that indigent patients can know in advance what care might be available to them. Equality of access should be a primary consideration in return for tax exemption, and, just as most organizations have a donate button on their websites, transparency is needed about the availability of scholarships, sliding scales, and direct assistance.

In *Democracy in America*, Alexis de Tocqueville predicted that as conditions in society became more equal there would be both more newspapers and more voluntary associations. Issues surrounding inequality during a time when the old regimes of Europe were under stress were a major interest for Tocqueville, coming from the aristocracy as he did. Newspapers and voluntary associations were seen as social goods and products of democracy that would thrive in a more equal society. In this era, the increased number of American media outlets and nonprofits exist in a democracy with a very high level of freedom of speech and freedom of association. The tools are there to increase the equality that made this possible—now if only we will use them.

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The Culture of *Inequality*

by Susan Nall Bales

Susan Nall Bales, founder of the FrameWorks Institute and new recipient of the MacArthur Award for Creative & Effective Institutions, here outlines the ways in which the stories we tell ourselves shape how we think about some of the most taxing problems of our time, and how, when it comes to inequality, these narratives stymie progress. She concludes, "If we are to transform the culture of inequality, we will need strategy that marries the social analysis to the communications analysis. For, when we squander our storytelling resources, the current cultural models predominate."

INEQUALITY MAY BE THE IDEA DU JOUR, BUT CULTURE is the reality that confounds. Whether we are able to make progress on inequality will depend to a great extent on the degree to which policy leaders recognize the duality of social issues. Like the two sides of a coin, the ability of social analysis to affect the world is always constrained by the perceptions that people bring to that reality. If we are to win ground toward a more equitable society, policy leaders must come up with solutions to both sides of the problem: science-based policy solutions that reduce and prevent inequity, and science-based communications solutions that address the deeply held, foundational but implicit patterns of reasoning—what anthropologists call "cultural models"—that people use to think about economic mobility. As funders and think tanks gear up to prioritize inequality as a key issue for our time, it will be imperative that we come up not only with policy solutions but with narrative solutions as well.

Susan Nall Bales is founder and president of the FrameWorks Institute.

What Is Culture, and Why Does It Matter?

In 2014, Merriam-Webster, Inc., announced that "culture" was the word of the year, based on the number of searches. More than anything, this may represent a testimonial to Americans' confusion over culture. What exactly is it? How does it affect us? An iconic *New Yorker* cartoon depicts this dilemma in two related frames: in the first, a goldfish swims in a bowl with a thought bubble overhead that says, "What water?" In the second, a man dressed in a business suit steps off a sidewalk corner in Manhattan surrounded by signs and marquee texts; his thought bubble reads, "What culture?" That's the challenge with culture: we must try hard to see it even as we are in it and it in us. We are steeped in culture like

"TOO BIG FOR BOWL" BY CHRISTOPHER SCARDINO/WWW.SCARDINOFINEART.COM

tea bags in hot water—infused with it to such a degree that it is virtually invisible.

But culture is not an arcane concept; rather, it is a pervasive reality. This is because culture is our default setting, the locus of explanations we reach for first to make sense of our world. Our opinions of everything, from the good society to the evil empire, are shaped by our culture's norms and stories. Scholars define cultural models as "presupposed, taken-for-granted models of the world that are widely shared (although not necessarily to the exclusion of other, alternative models) by the members of a society and that play an enormous role in their understanding of that world and their behavior in it." [1] Studying cultural models allows us to understand the context in which information is evaluated—the stories and ideas that will stick to our communications and serve to interpret it. Membership in a given cultural group is defined and facilitated by possession and use of these shared meaning structures, such that what is taken for granted is taken for granted by all those sharing the model in a way that allows for fluid and seamless interaction. As Roy D'Andrade explains, "everybody in the group knows . . . and everybody knows that everyone else knows . . . and everybody knows that everyone knows that everyone knows." [2]

Understanding the cultural models associated with any given issue allows communicators to view the meaning-making process more completely, identifying the deep narratives that people will use to understand new information. This more complete view of how people think about social issues prompts us to replace the narrow, outdated notion of humans as "rational agents or actors" who are "internally consistent," [3] "rational, selfish, and [whose] tastes do not change" [4] with a more expansive and informed understanding of the mind and how it actually constructs meaning from associations, bits of stories, stored memories, and near-fit hypotheses about how the world works[5]—the source of which is the culture we are a part of. As Walter Lippmann observed at the dawn of the confluence of psychology and political theory, "For the most part, we do not first see, and then define, we define first and then see. In the great blooming, buzzing confusion of the outer world we pick out what our culture has already defined for us, and we tend to perceive that which we have picked out in the form stereotyped for us by our culture." [6]

Understanding the cultural models associated with any given issue allows communicators to view the meaning-making process more completely, identifying the deep narratives that people will use to understand new information.

The Culture of Inequality in the United States

What does the culture of inequality look like in the United States, and how might it be expected to shape the discourse as people consider the causes and impacts of, and the solutions to, rising income inequality in our country? In this article, we attempt to answer that question by identifying the cultural models that are consistently evident across FrameWorks' issue-specific work and seem likely to adhere to income inequality as well. We are interested in the extent to which all the issues on which we work—children and family, government, race, environment, rural issues, food systems, and so on—reveal evidence of cultural models that are likely to be used by ordinary Americans as they grapple with the idea of inequality.

To dramatize the challenge that communicators will face, we contrast the social analysis with the cultural models that are most likely to be evoked. Drawing from a wide range of prolific communicators on inequality, we put forward an argument and then describe the cultural model most likely to be used to make sense of that assertion. In each case, we offer examples from our research across issues that give testimony to the depth and endurance of these patterns in American thinking. The cultural models we identify here are drawn from a database of over 150,000 informants, many of whom have at one time or another offered ideas and opinions about how wealth works in American society.

We have chosen examples of the expert social analysis of income inequality not because they are deficient in any way but because they represent to us a prototype of an expert, untranslated story—i.e., the gist of the social analysis that needs to be communicated. We are attempting to demonstrate that the expert story requires an analogue—a translated story—that is faithful to the social analysis but at the same time steers clear of the "pictures in people's heads"[7] that impede translation, and offers new ways of thinking about thinking.[8]

Ephemeral Opinions, Deep Cultural Models

If we are to believe the media, pollsters, and political parties, America is poised for a renaissance of populism: "Economic Mobility a Watchword for 2016," says the front page of the *Washington Post*.[9] "Big Labor Backs New Wealth Redistribution Plan," says another headline.[10] "Should Republicans Ignore Income Inequality?" asks James Pethokoukis, writing in the *National Review* (answer: no).[11] "Democrats to propose major shift in tax burden," announces another *Washington Post* article.[12] "You talk to any pollster, on the Democratic side or the Republican side, they're in complete agreement on the idea that there has to be an economic populist message," advises Matthew Dowd, a former top strategist for President George W. Bush.[13] President Obama has called populism ("economic mobility") "the defining challenge of our time."[14]

But wealth is hardly a new concept. As Thomas Piketty acknowledges in the introduction to *Capital in the Twenty-First Century*, "it would be a mistake to underestimate the importance of the intuitive knowledge that everyone acquires about contemporary wealth and income levels, even in the absence of any theoretical framework or statistical analysis. Film and literature, nineteenth-century novels especially, are full of detailed information about the relative wealth and living standards of different social groups, and especially about the deep structure of inequality, the way it is justified, and its impact on individual lives."[15]

We can expect to find that Americans have much to say (and think) about inequality more generally, and about its various entailments: who gets ahead and how they do it, who fails and why, and why those successes and failures matter for the rest of us—as indeed they do.

To date, public thinking about inequality and wealth has been crudely characterized as an "us versus them" dilemma, or a peculiar variant of class warfare.[16] Should Democrats distance themselves from Wall Street? Should Republicans offer success stories of people who have beat the odds and joined the upper echelons? These narrow diagnoses of what ails American thinking yield recommendations that have little potential to address the underlying causes of the public's inability to fully grasp the causes and implications of income inequality. At best, these recommendations are distractions; at worst, they play into and reinforce the deep-seated belief systems that people draw upon to think about wealth accumulation. It is only by understanding these deeper strains in American thinking that experts can begin to fashion a better explanatory strategy for getting the public to see what they see.

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Preflighting the Confusion over Inequality: Fatalism, Individualism, Little-Picture Thinking, and Small Solutions

Fatalism

We begin with a core proposition from Jared Bernstein and Ben Spielberg's excellent précis on inequality: Inequality has risen sharply since the late 1970s.[17] Many other explanations of inequality begin with this assertion, which seems such an obvious starting point that it is rarely questioned. "Multiple studies have revealed the growing chasm between the wealthy and everyone else," said Matt Gardner, executive director of the Institute on Taxation and Economic Policy, on the release of a fifty-state analysis of state tax systems.[18] But, as cultural models theory suggests, a fact without context and explanation begs the question, Why? And, without more to go on, people fall back on their "priors."

The cultural model likely to be evoked from Gardner's statement is *fatalism*. People bring this tacit perception to bear in understanding a wide range of social issues on which FrameWorks has done extensive research—from education to race to taxes to health. Whether talking about the demise of community spirit or the morals of adolescents, Americans exhibit nostalgia for a past that is collectively understood to have been better. This sense of loss dampens people's engagement and willingness to look forward for solutions. There is little we can do to solve these issues, they reason—and therefore little reason to engage. The problem is understood as so out of hand that it is beyond control or remedy.

This way of thinking about social issues hinges on a general assumption about the lack of personal

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agency in the face of incredible complexity and inevitability. If the public sees that the cause of the problem is natural or determined, its response is to become fatalistic about people's ability to affect the outcomes. We can't go back in time to eliminate fossil fuel burning, they reason, and society isn't going to stop relying on cars. According to this perspective, poverty and crime are intractable features of the inner-city landscape, and thus part of the inevitable life experiences of those who grow up there; politicians can throw money at underresourced communities, but they are not going to get fixed, because you can't change human nature or stop society's inertia in the face of change. Without an understanding of the underlying cause of an issue and the step-by-step practical actions that can be taken to address it, people reason that "things are the way they are," and that there is little that can be done to change the situation.

As one informant described the challenge of addressing racism:

> *I think it's a difficult situation, and I don't think it's ever gonna go away. It's been—it's always kind of existed, I think. I don't think there's any—you can probably narrow the gap a bit, but I don't think it's ever gonna go away.*[19]

Another informant laments the demise of Social Security, but in a way that does not contest or protest the determinism:

> *I don't know enough about Social Security to delve too deep into it other than that I keep hearing that I'll probably never be able to retire because it'll be gone by the time I'm old, and that saddens me, because I'm paying into it every year. Every time I get a paycheck, I pay into it, and I'm sad to think I'll never see it.*[20]

Here are group participants discussing how the criminal-justice system works—again evidencing the existence, application, and strength of the fatalistic cultural model:

> Participant 1: *If you got money, you buy good lawyers, you get off.*
>
> Participant 2: *Yeah, and if you're poor you go to jail.*[21]

When asked what determines how a child develops, another informant responds:

> *I want to say it's inevitable! And there is nothing that anybody can do, or should do any differently than they've been doing for hundreds and thousands of years, because it just* happens.[22]

The above quotes are typical of our informants' responses—and given this strong sense of fatalism, what might we expect Americans to conclude in response to the assertion that inequality has risen sharply since the late 1970s? FrameWorks' research would predict something like this: "So many things are in decline in our country—but that's the way the world works these days. You can't turn back the clock. You have to look out for you and yours and just try to get by. If you've got a little extra, give it to charity to help those less fortunate." In sum, a fatalistic understanding of the world depresses engagement, occludes thinking about meaningful solutions, and frames small individual gestures as ineffective but, ultimately, the only available remediation.

Individualism

Now let's look at another pillar of the social analysis of income inequality: the idea, as Bernstein writes, that "income inequality reduces opportunities, undermines the democratic process, and distributes growth unevenly."[23] Or, as the Center for American Progress's *Report of the Commission on Inclusive Prosperity* puts it, "the forces of globalization and technical change have also put pressure on middle-class families, as new and lower-cost competitors enter markets and new skills become mandatory, not just optional, for the best-paying employment. These new realities clearly call for important adjustments to economic policy."[24]

The cultural model likely to be evoked by this part of the social analysis is *individualism*. Reasoning from this deeply embedded American model leads people to conclude that outcomes (social problems) are the exclusive result of the choices that individuals make, and that it's up to each of us to take personal action—whether that be working "harder," purchasing the "right" goods and services, being "smarter," and so on—to address issues that by definition we have ourselves created (and thus whose outcomes we are responsible for). Focusing attention on changing our actions—instead of on the contexts that affect and prescribe our options and decisions—makes it difficult to communicate about common processes or structural and cultural-level forces that affect outcomes. Lifestyle choices become *the* solution to the most pressing societal-level issues. (Too much pollution? Plant a tree.) This bootstrap mentality narrows explanations about what causes problems and how best to address them to individual decisions and essentialist thinking about *who* is "deserving" of help. It creates a contextual blindness and obscures the social structures that constrain social and environmental equity.

Individualist thinking puts the responsibility for problem solving on "me," rather than on the "we" needed to build movements to address America's biggest issues. Approaching public problems through the lens of individualism, people become resistant to policy solutions, which are seen as mandating unnecessary bans on freedom that constrain consumption and personal choice.

Given the above, it isn't surprising that, when talking about what can be done to improve the criminal justice system in America, FrameWorks' informants homed in on individual responsibility:

> *This is America, and the only thing we seem to not be able to do is take responsibility as individuals. You want something done, you've got to do it yourself. You want people to stop doing crime? Then everyone needs to . . . be educated, and understand that you need to take the responsibility.*[25]

Likewise, in a discussion of disparities, informants rejected the premise that race inhibits opportunity:

> *Hopefully we can all admit that we're in the best country in the world, so from no matter what beginnings we come from, the possibility to succeed is there, one—and two, I think . . . what's the classic line? The grass is always greener. You know what? Quit looking at someone else and thinking he's got a better chance, he's got more than me, he's better looking . . . she's this, he's that. Just, whatever you want, it's there. You gotta go for it.*[26]

Finally, in discussions of how environmental conditions shape outcomes, informants again reverted to individual-level explanations:

> *You have to put all of it out there. The person is going to finally make their* own *decision in how they want to handle all of these different influences, because even though I can sit there and say the glass is half full all day, if you want to be mad because that other part is empty, that's how you're gonna be. It's the individual. You have a lot to say about how you deal with different things.*[27]

With this emphasis on individual-level explanations for social problems, how might we expect the public to hear social analysts' assertion that inequality reduces opportunities, undermines the democratic process, and distributes growth unevenly? FrameWorks' research suggests that the response would sound something like this: "People make their own opportunities. They have to want them and then they have to will them into being. They have to be disciplined and save and resist temptations to buy new stuff. That is the democratic process—you get to buy what you can afford and work your way up to afford better stuff. But it's up to you. If growth is uneven, then it's because some people worked harder than others. That's the American way."

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Little-Picture Thinking

"There are serious structural challenges facing advanced economies today: the changing economic environment, rising income inequality, and the move from crisis to recovery. These are large, systemic issues that threaten inclusive prosperity." So opens the analysis section of the report from the Commission on Inclusive Prosperity.[28] Key to the social analysis is the conclusion that "inequality may even have negative *macroeconomic* effects" (emphasis added; and see chart on following page).[29]

Americans, in particular, suffer from what FrameWorks calls *little-picture thinking*—a kind of failure of their "sociological imaginations."[30] Without an understanding of how systems and structures work to shape individual outcomes, people default to focusing on discrete events, people, and places—little-picture thinking—which obscures the conditions and structures that undergird social and environmental issues. Thus: "Children aren't being properly educated because teachers don't care enough about student success," and, "The poor are unhealthy because they don't bother to eat right and exercise." Little-picture thinking leads to simplistic solutions that treat the symptoms of the problem only at the most proximate level. And if individuals can't be "fixed," then public problems become intractable. It is easy to see how the inability to follow a chart like the one below sends people back to their go-to explanations of individualism and fatalism.[31]

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Little-picture thinking is sharply evident in the ways people think about government budgets and taxes. Because public budgeting is a fairly abstract idea for most, people tend to rely on patterns of reasoning derived from personal experience to organize their understanding of how budgets do and should work. Informants in our research used comparisons to household budgeting, largely focused on budget balancing and living within one's means, to think about efforts to reduce the national debt:

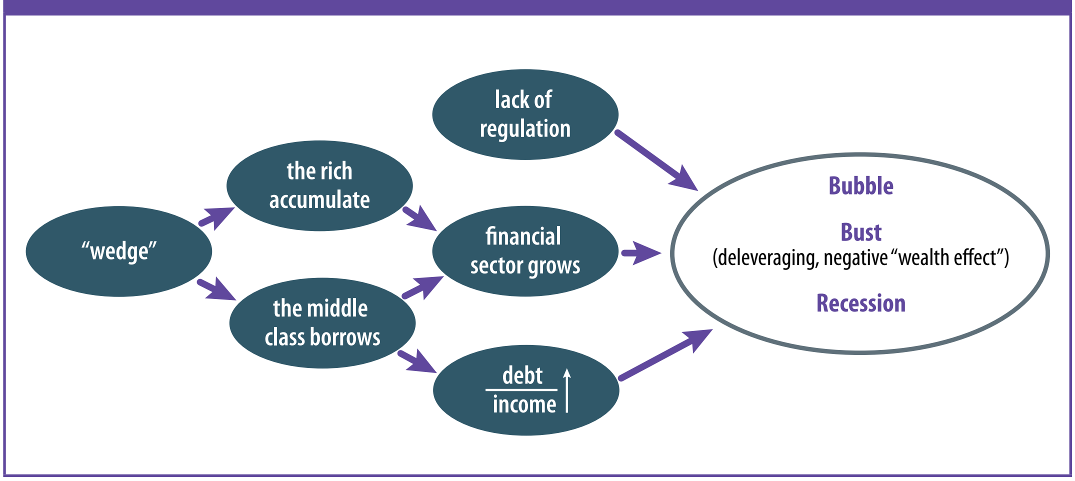
> *Well, I guess I think it [the national budget] probably works the same way the house [budget] does. I mean, so much money comes in, and then you've got so much money to do stuff with, and you've got to do the basic things, and I just think about that as . . . education, our roads, our healthcare, and how it all has to be spent, but spent wisely.*[32]

The problem with this analogical thinking is that the entailments of the metaphor skew perceptions in ways that are inconsistent with basic tenets of fiscal policy. Reasoning through the "government budgets work like household budgets" lens, people find collective benefits and long-term spending hard to think clearly about. Here is an informant thinking about how he or she would create a good public budget:

> *I would probably start off with some kind of a spreadsheet . . . like a balance sheet, and looking at . . . what you need most . . . like does it have running water? . . . I am thinking, like, does it have electricity, running water, all this stuff. Like, those would be my priorities—just like, basic living needs.*[33]

And because the difference between a good budget and a bad one is largely attributed to individual discipline, those who fail to live within their means are also understood to be responsible for other consequences of their actions:

Inequality May Have Negative Macroeconomic Effects



> *People who don't work have a higher chance of committing crimes versus people who work, because a person that works can save up enough money to buy that car, or to buy those shoes. A person who doesn't work is not gonna have that chance to save up their money to buy this stuff, so they figure, "Okay, the fast way for me to get this money is to sell drugs on the corner," or, "I'm going to steal money out of the register, I'm gonna steal money from the local corner store," or, "I'm gonna rob a gas station."*[34]

While FrameWorks' research on budgets and taxes is especially revealing as to how little-picture thinking gets applied and the implications of this application, this cultural model is observable on virtually any topic that relies on complex systems-level thinking. Here is an informant trying to contemplate zoning changes that would make cities more walkable and bikeable:

> *I think that if people aren't walking because they don't have a sidewalk on one street or another street, they can walk over one or two streets. That's not an excuse. If you want to exercise, you'll find a way to exercise. . . . If you want to do something, there are ways to do it and the problem is too many people find excuses not to do something.*[35]

How is little-picture thinking likely to disrupt the information exchange invited by the diagram in the inequality chart? First, people will struggle to see a system at all. Given that, there will be a strong temptation to "fill in" individual-level understanding of causation wherever possible. The rich accumulate and the middle class borrows? This is primarily the result of differences in discipline and "values." The relationship of income to debt? I manage my household budget, why can't the government or other people do the same? The financial sector grows? Naturalism (that's just the way the world works). Bubble, bust, recession? Fatalism (nothing we can do about it). Without a strong sense of causality or an underlying mechanism sufficiently familiar to displace these cultural models, Americans are likely to read into this diagram a confirmation of their old theories about how the world works.

Finally, inequality experts are eloquent in their assertions that "inequality is a problem we can combat with the right policy solutions."[36] "We should not be fatalistic," said Neera Tanden, president of the Center for American Progress and a member of the Commission on Inclusive Prosperity. "There are things we can do. They may be hard things. But there being hard things you can do is very different from there being nothing to do."[37]

Medical anthropology offers unique insights into the degree to which the appropriateness of a therapy or prescription is judged by its coherence to what people understand about the diagnosis.[38] Put simply, if people are working under a competing definition of the problem, they are not likely to find your solution germane. Thrown back on their enduring explanations of how the world works—*fatalism*, *individualism*, *little-picture thinking*—most Americans are likely to find solutions to income inequality that reflect their understandings of the *causes* of income inequality: there are no solutions (fatalism), or the solutions lie within the willpower of individual actions (individualism), or systems are the aggregate of individual actions (little-picture thinking).

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Small Solutions

In a major study of how Americans think about big-picture environmental health (including such issues as the need to protect people from air and water pollution, threats to food and safety, problems with the built environment, etc.)—the distance between the solutions experts say are essential and those the public came up with was striking. Experts focus on interventions at the population level as those having the greatest impact; FrameWorks' informants, even when asked to think about solving large environmental health issues, opted for doing so at the level of household behaviors—i.e., *small solutions*. Researchers reported, "These included simple things like putting a filter on your faucet or not spreading pesticides on your lawn."[39] Likewise, when asked to consider the need to protect the intertwined systems of oceans and climate change, informants rejected the idea that changes were needed at the macro level and instead focused almost exclusively on individual acts and behavior change. These acts were characterized by sacrifice and self-discipline, matching the prognosis that greed and consumerism were at the root of environmental degradation.

> *It needs to start right here with you and I. Maybe you should get solar panels and maybe you shouldn't throw out your leftovers and maybe you guys eat leftovers one night a week. And then I think if we each do little things it goes on from there. My age group is so wasteful. We just throw electronics out, which causes pollution, but the new phones come out and we get rid of the old ones. I have this fight with my husband all the time—I don't need a new this or that. I didn't need the 500 dollar tablet. I'm okay with the 200 dollar one.* [40]

Indeed, public tendency to solve what it defines as individual-level problems with similarly small-level solutions is evident throughout FrameWorks' research. Whether expressed as addressing bias in the criminal justice system by kicking out the one bad cop instead of rebuilding the policing system, or making better food choices rather than fixing the food system, or reporting neighbors who beat their kids as opposed to changing the child protection system (and supporting parents in ways that make abuse and neglect less likely to happen in the first place)—people seize on very small solutions as the primary way to address social problems. Moreover, across all these issues, people volunteer that "more information" to the individual will result in better systems-level outcomes, as this will lead to more and more individuals making better choices.[41]

One can easily imagine the corollary for income inequality: "There really isn't anything you can do to make the have-nots into haves; they have to do it themselves, they have to want it. But you can alleviate their suffering by providing the most basic services that they need to survive." And, "Fix the economy? How on earth would you do that? It's almost like a natural system; if you monkey with it, you're only going to make it worse."[42]

Pulling and Pushing Culture

Why does it matter if these complex principles are ill understood? After all, they will soon be boiled down to slogans and human stories that will suffice to market the issue for people in the upcoming campaigns, right? And that's the point. Without more authentically explanatory tools to contest the existing cultural models of how inequality works, these slogans and vignettes will not help people to reconsider the issue at the level required to solve it. They will be left without the tools they need to evaluate various proposals for remediation and prevention. As scholars found in studying the kinds of actions Americans tend to take on global warming, "The cultural models available to understand global warming lead to ineffective personal actions and support for ineffective policies, *regardless of the level of personal commitment to environmental problems*" (emphasis added).[43]

FrameWorks' research across issues that touch on inequality reveals at least four major, fundamental problems with the way people are likely to hear an appeal to engage with this problem:

1. It's just the way the world (the economy) works, or *fatalism*.
2. Individuals need to address this problem, or *individualism*.
3. Small acts of individual effort are all we can do, or *little-picture thinking*.
4. The best solutions are those that fit the problem, or *small solutions*.

Space precludes an enumeration of additional traps—such as how Americans think about fairness, for example. But the point here is that, without a firm grasp of communications analysis (i.e., understanding how people think), even the best policy experts and social scientists are unlikely to get the public to engage with one of the most important issues of our time. Moreover, public understanding requires more than avoiding negatives. If economists and others are to succeed in educating the public, they will need to understand what aspects of American thinking favor considerations of inequality and how to evoke those more productive cultural models. Framing is a "pushing and pulling art"—a constant awareness of what you have to work with in people's mental repertoires.

This is not to overlook the fact that there are many interesting communications hypotheses in

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current expert discourse on inequality. The Great Gatsby curve, the birth lottery, inclusive prosperity, and so on—these are useful first drafts of a reframing strategy. The problem lies in knowing which of these work, and what they do exactly. Do they help people understand how the economy works, how systems affect individual outcomes, why the fates of the rich are connected to those of the poor, how solutions connect to causes, and who is responsible for those solutions? Or are they merely bunting on the platform of the next candidate for public office?

Public communicators have made an important stride in recent years—the notion of the 1 percent has redrawn the us-versus-them lines that have plagued discussions of income inequality for years. But even this important contribution is insufficient to overturn the fact that most Americans think the United States benefits from having a class of rich people, and more than a quarter of young people believe it's somewhat likely that they will become rich.[44] Nor does it assail the cultural models we've identified above (fatalism, individualism, little-picture thinking, small solutions). The 1 percent strategy leaves unaddressed fundamental issues of how the economy works, who is responsible, and who benefits (and with what consequences).

"The distribution of wealth is too important an issue to be left to economists, sociologists, historians, and philosophers. It is of interest to everyone, and that is a good thing," writes Thomas Piketty in the opening pages of *Capital in the Twenty-First Century*.[45] For too long, we have used social science to pioneer better solutions and interventions, while failing to bring these same methods and theories to help reformers think about thinking. If we want to make progress, we need to apply the same high standards to the communications we promote as we do to our proposed policies. And the solution is not a poll here and a focus group there but a deep and systematic evaluation of the communications tools we have available so as to match tool to task, to address the deep-seated cultural models in mind that threaten to preclude public buy-in.

And then we need "frame sponsors." "Although humans are not irrational, they often need help to make more accurate judgments and better decisions, and in some cases policies and institutions can provide that help," says Daniel Kahneman.[46] While expert economists are one source of information, there are those in communities who are already explaining how wealth works, and for whom and with what consequences, on a daily basis. For example, the leaders of social welfare agencies, under the umbrella of the National Human Services Assembly, are in more than 150,000 communities every day explaining why underserved youth need after-school programs, how more families came to be at the local shelter this month, and who needs work training programs and why. Without a coherent narrative that is shared across these various levels of expertise—academics, practitioners, frontline advocates, and service providers—those who favor actions on income inequality are likely to be disappointed.

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The American public deserves a better story about income inequality. Its public communicators deserve better social science on how to communicate that story. If we are to transform the culture of inequality, we will need strategy that marries the social analysis to the communications analysis. For, when we squander our storytelling resources, the current cultural models predominate.

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From a *Tangle* of *Pathology* to a *Race-Fair America*

by Alan Aja, Daniel Bustillo, William Darity, Jr., and Darrick Hamilton

According to many, America is enjoying a post-racial moment. Post-racialism asserts that structural factors affecting racial progress are largely a thing of the past, and thus the huge racial wealth gap in the United States must be due to deficiencies in the communities in which entrenched poverty exists. But this ignores persistent structural trends that are barriers to economic security, mobility, and sustainability for black Americans—and these will not change until policies providing access to jobs and asset building for all Americans are put in place.

Editors' note: *This article was originally published in* Dissent Magazine, *in summer 2014, and is reprinted with permission of the University of Pennsylvania Press.*

When President Lyndon Johnson gave his June 4, 1965 commencement address at Howard University, he invoked a symbolic language that would both seize the political moment and serve as a foundation for subsequent policy. The Civil Rights Act had passed only a year earlier, and Johnson, noting that it is "not enough just to open the gates of opportunity," told the black graduating class that America needed "not just equality as a right and a theory but equality as a fact and as a result." This call for "results" was a precursor to Johnson's Executive Order 11246, a mandate for the enforcement of positive anti-discrimination measures in preferred positions of society, or "affirmative action."

But later in the speech, Johnson moved away from his point of departure, abruptly arguing that "perhaps most important—its influence radiating to every part of life—is the breakdown of the Negro family structure." This "rhetorical sleight of hand," as sociologist Stephen Steinberg aptly calls it, would reverberate in public discussion for years to come. By defining the central problem facing the black community as not the deep-seated structures that perpetuate racism but rather deficiencies internal to blacks themselves, the focus of policy would become the rehabilitation of the black family.

The roots of this ideology can be traced to Oscar Lewis's notion of a "culture of poverty" and the 1965 Moynihan Report, in which black families were characterized as being caught up in a "tangle of pathology." The contemporary version of this thesis

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"COMMUNICATION, CASE, AND DOUBT" BY BARBARA IRINA LESINSKA/OMNISTAR.COM.UA

Field experiments of employment audits provide powerful evidence that employer discrimination remains a plausible explanation for racial labor market disparity.

is the "post-racial" narrative in which America has largely transcended its racial divides. The narrative of grand racial progress is coupled with the claim that whatever racial disparities remain are overwhelmingly the result of actions (or inactions) on the part of subaltern groups themselves. If blacks (and other subaltern communities, including Native Americans, Mexicans, Filipinos, Puerto Ricans, and Vietnamese) simply would reverse their self-sabotaging attitudes and behaviors, this argument goes, full equality could be achieved. Herein lies much of the rationale for austerity policies. If behavioral modification is the central issue, why fund government agencies and programs, which, at best, misallocate resources to irresponsible individuals and, at worst, create dependencies that further fuel irresponsible behavior?

Post-racialists often confirm their perspective by pointing to black and minority appointments to the nation's elite positions, including the election of Barack Obama to the highest office in the land. Indeed, the president himself often perpetuates this "post-racial" trope. In his speech marking the fiftieth anniversary of the March on Washington for Jobs and Freedom, Obama described how "legitimate grievances" had "tipped into excuse-making" and "the transformative message of unity and brotherhood was drowned out by the language of recrimination." "And what had once been a call for equality of opportunity," he continued, "the chance for all Americans to work hard and get ahead, was too often framed as a mere desire for government support, as if we had no agency in our own liberation, as if poverty was an excuse for not raising your child and the bigotry of others was reason to give up on yourself."

The president's rhetoric on race is consistent with the following premises:

1. The civil rights era has virtually ended structural barriers to black equality; remaining barriers are due to the legacy of *past* discrimination, the residual effects of concentrated poverty, and black folks' own behaviors. After all, virtually all groups of Americans have faced some form of discrimination but managed to "get ahead" anyway.
2. Blacks need to cease making particularistic claims on America and begin, in the president's words, to "[bind] our grievances to the larger aspirations of all Americans."
3. Blacks need to recognize their own complicity in the continuation of racial inequality, as well as their own responsibility for directly changing their disparate position.

But if structural factors are largely artifacts of the past, what explains the marked and persistent racial gaps in employment and wealth? Is discrimination genuinely of only marginal importance in America today? Has America really transcended the racial divide, and can the enormous racial wealth gap be explained on the basis of dysfunctional behaviors?

The Racial Employment Gap

In marked contrast to incremental gains in relative educational attainment and income, the racial gap in mass long-term unemployment continues to remain intolerably high, with black Americans bearing a disproportionate burden. In the spring of 2014 the black unemployment rate was estimated at 12.0 percent, compared to 5.8 percent for whites. This continues a structural trend where the black rate remains roughly twice as high as the white rate. In fact, over the past forty years there has been only one year, 2000, in which the black unemployment rate has been below 8.0 percent. In contrast, there have only been four years in which the white rate has reached that level. Blacks are in a perpetual state of employment crisis.

At every rung of the educational ladder, the black unemployment rate is twice the white rate. In 2012 the unemployment rate for whites with less than a high-school diploma was 11.4 percent, but for blacks with the same educational level the rate was 20.4 percent. Most telling as an indication of ongoing discrimination in U.S. labor markets is that the unemployment rate for adult white high-school dropouts (11.4 percent) was less than the rate for blacks with some college education or an associate's degree (11.6 percent).

Field experiments of employment audits provide powerful evidence that employer discrimination remains a plausible explanation for racial labor market disparity. Economists Marianne Bertrand and Sendhil Mullainathan found a 50 percent higher callback rate for résumés with “white-sounding names” than for comparable résumés with “African American–sounding names.” Even more telling, the “better”-quality résumés with African American–sounding names received fewer callbacks than “lower”-quality résumés with white-sounding names.

Princeton sociologist Devah Pager conducted another employment study in Milwaukee, Wisconsin that revealed the difficulties for stigmatized populations in finding a job. Wisconsin has outlawed employer use of criminal background checks for most jobs, yet among young males of comparable race, experience, and education, audit testers with a criminal record received half as many employment callbacks as testers without a record. Nonetheless, race was found to be even more stigmatizing than incarceration. White testers with criminal records had a slightly higher callback rate than black testers without criminal records.

Racial disparities persist even for those employed. Nearly 87 percent of U.S. occupations can be classified as racially segregated even after accounting for educational differences. Black males experience the most severe underrepresentation in construction, extraction, and maintenance occupations. These occupations tend to require low educational credentials but offer relatively high wages. At the other extreme, service occupations have the highest concentrations of black males; these are also low-credentialed occupations but, in contrast to construction, tend to offer relatively low pay. This distinction is noteworthy given the widely held view that the lack of “soft skills” on the part of blacks is a major factor in explaining their labor market difficulties.

The “soft skills” explanation fits neatly within the “post-racial” narrative. For example, Harvard sociologist William Julius Wilson argues that employers in service industries fail to hire black men because they “lack the soft skills that their jobs require: the tendency to maintain eye contact, the ability to carry on polite and friendly conversations with consumers, the inclination to smile and be responsive to consumer requests.” Yet the hard fact remains that blacks are “crowded in” to the service sector, which typically requires customer and coworker interactions, and “crowded out” of the construction sector, which primarily involves not soft skills but working with materials and machinery. This contradicts the notion that soft-skills differentials explain the racial labor market disparity.

The Racial Wealth Gap

Wealth is of paramount importance as a pool of resources, beyond income, that individuals or families can use as a sustained mechanism for provision of support for their offspring. Wealth represents long-term resource accumulation and provides the economic security to take risks, shield against financial loss, and cope with emergencies.

Wealth is also the economic indicator in which blacks and whites are farthest apart. Prior to the Great Recession, white households had a median net worth of approximately $135,000 and black households a median net worth of a little over $12,000. Thus, the typical black family had less than 9 cents for every dollar in wealth of the typical white family. According to the Pew Hispanic Center, this gap nearly doubled after the Great Recession, with the typical black family having about a nickel for every dollar in wealth held by the typical white family; in 2009 the typical black household had less than $6,000 in net worth.

Regardless of age, household structure, education, occupation, or income, black families typically have less than a quarter of the wealth of otherwise comparable white families. Perhaps even more disturbing, the median wealth of black families whose head graduated from college is less than the median wealth of white families whose head dropped out of high school, and high-earning married black households typically have less wealth than low-earning married white households.

Wealth provides, perhaps, the best evidence to dispel the myth of a post-racial society. It also provides the best evidence to dispel the parallel and reinforcing myth that the vestiges of racial inequality are the result of poor choices on the part of blacks themselves. The conventional wisdom explains the persistence of this massive racial wealth gap across all levels of income by

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Substantial attention has been given to black business development as a means of closing the racial wealth gap. This confuses cause and effect: the racial wealth gap would have to be closed as a prelude to closing the racial self-employment gap.

invoking allegedly poor savings behavior or inferior portfolio management on the part of blacks. For example, when asked at an April 2009 lecture at Morehouse College about the racial wealth gap, then Federal Reserve Chair Ben Bernanke attributed the gap to a lack of "financial literacy" on the part of blacks, particularly with respect to savings behavior.

But greater financial literacy will do next to nothing to close the racial wealth gap in the absence of finances to manage; nor does it provide insulation against heavy hits to one's investment portfolio. The massive loss in wealth experienced by shareholders on Wall Street in 2008 was not due to their financial illiteracy; it was due to the stock market crash. Most of the individuals defrauded in Bernie Madoff's pyramid scheme could hardly be described as "financially illiterate." Presumably, all Americans may benefit from improved knowledge about management of their personal financial resources, but racial differences in knowledge about management of personal financial resources do not explain the racial gulf in wealth. Maury Gittleman and Ed Wolff reinforced this in an analysis of data predating the mortgage market crisis that finds no significant racial advantage in asset appreciation rates for white families with positive assets after controlling for household income. They also find no meaningful difference in savings by race after controlling for household income—a conclusion that economists as ideologically disparate as Milton Friedman and Marcus Alexis (a founding member of *Black Enterprise*'s Board of Economists) have reached.

Most of the racial wealth gap is explained by inheritances, bequests, and intra-family transfers—transfers largely based on the economic position of the family into which an individual is born. Indeed, inheritances and intra-family transfers are far more important considerations in explaining the racial wealth gap than education, income, and household structure. Moreover, intrafamilial shifts of resources are transfers made on a non-merit basis. The continued structural barriers that inhibit blacks from amassing resources and making intergenerational transfers provide strong opposition to the post-racial narrative. Past, present, and prospective racial exploitation and discrimination provide a sounder basis for understanding the vast material disparities between blacks and whites in the United States. There is a long history of structural impediments to black wealth accumulation. Beginning with the period of chattel slavery, when blacks were literally the property of white slave owners, and continuing through the use of restrictive covenants, redlining, general housing and lending discrimination—policies that generated a white asset-based middle class—and the foreclosure crisis (which was characterized by predation and racially disparate impacts), blacks have faced structural barriers to wealth accumulation.

The Racial Self-Employment Gap

Substantial attention has been given to black business development as a means of closing the racial wealth gap. This confuses cause and effect: the racial wealth gap would have to be closed as a prelude to closing the racial self-employment gap. Business formation, success, and survival depend heavily on the initial level of financial capital available to the entrepreneur, and black firms start with much less initial capital than white firms. Policy has often reinforced this initial disadvantage. Tamara Nopper has documented specific changes in Small Business Administration policy—such as more aggregate targeting of women and other minority groups, and a shift to private-sector lenders with more stringent collateral and credit requirements—that accounted for a substantial reduction in loans directed to black business. Nopper also noted that the tendency for ethnic banks to service co-ethnics, coupled with a relative paucity of black-owned banks and undercapitalization of these banks, negatively affected black business access to finance. For example, in 2008 the Federal Deposit Insurance Corporation identified a total of ninety-six Asian- and Pacific Islander–owned banks with a total of $53 billion in assets in contrast to only forty-four black-owned banks with $7.5 billion in assets. The business success of certain immigrant groups relative to blacks is a consequence of greater initial wealth upon entry into the United States, the selectivity of immigration, and the support of the Small

Business Administration, rather than a "deficient" entrepreneurial spirit or cultural orientation toward business among blacks.

What Can Be Done?

The most parsimonious policy approach would be carefully targeted race-based policies. However, if such policies are becoming politically infeasible, then we need bold policies that lead to economic security, mobility, and sustainability for all Americans, or what john a. powell has labeled "targeted universalism."

Child Trust Accounts (Baby Bonds). These accounts are designed to provide an opportunity for asset development for all newborns regardless of the financial position in which they are born. The baby bonds would set up trusts for all newborns with an average account of $20,000 that progressively rise to $60,000 for babies born into the poorest families. The accounts would be federally managed and grow at a federally guaranteed annual interest rate of 1.5–2 percent to be accessed when the child becomes an adult and used for asset-enhancing endeavors, such as purchasing a home or starting a new business. With approximately 4 million infants born each year, and an average endowment of around $20,000, we estimate the cost of the program to be $80 billion. In relative proportional costs, this would constitute only 2.2 percent of 2012 federal expenditures.

These accounts could be paid for by a more equitable allocation of what the federal government already spends on asset development. A 2010 report by the Corporation for Enterprise Development and the Annie E. Casey Foundation estimates that the federal government allocated $400 billion of its 2009 budget in the form of tax subsidies and savings to promote asset-development policies, with more than half of the benefits going to the top 5 percent of earners—those with incomes higher than $160,000. In contrast, the bottom 60 percent of taxpayers received only 4 percent of the benefits. If the federal asset-promotion budget were allocated in a more progressive manner, federal policies could be transformative for low-income Americans. For example, repealing the mortgage interest deduction—which primarily benefits middle- and upper-income households—would be an important first step in creating a tax code that is fairer for all and treats renters and homeowners alike.

A Federal Job Guarantee. This would provide economic security, mobility, and sustainability for all Americans, while also addressing the longstanding pattern of racial inequality in employment. We estimate that the average cost per job directly created by the employment corps—including salary, benefits, training, and equipment—would be $50,000, with the total compensation package amounting to $750 billion, which is less than the first $787 billion stimulus package and considerably less than the first phase of the bailout of the investment banks estimated at $1.3 trillion. The net expenses of the job-guarantee program would be reduced because of a wide array of cost savings from other social programs; in 2011 alone, federal antipoverty programs (Medicaid, unemployment insurance, and so on) cost approximately $746 billion.

While liberal leaders, whether they be Lyndon Johnson or Barack Obama, may rhetorically acknowledge the legacies of racism, they often support policies that are based on conservative notions of a culture of poverty. Policies that emphasize deficient norms, values, and behaviors on the part of blacks and other subaltern groups amount to what William Ryan categorized over forty years ago as simply "blaming the victim." These include efforts to encourage small business development without first addressing the racial maldistribution of wealth, and the current White House initiative, "My Brother's Keeper," which is aimed at transforming the motivation and behaviors of "defective" black male youths to make them more "employable" without addressing their lack of job opportunities and labor market discrimination. Addressing the racial employment and wealth gaps will require not paternalistic policy, but policies providing access to jobs and asset building for all Americans.

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The most parsimonious policy approach would be carefully targeted race-based policies. However, if such policies are becoming politically infeasible, then we need bold policies that lead to economic security, mobility, and sustainability for all Americans.

Nine Charts about Wealth Inequality in America

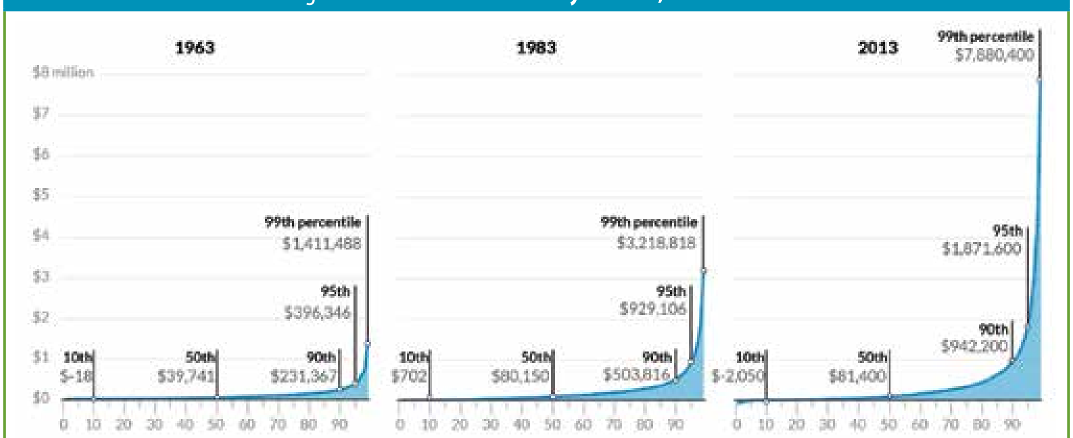
by Signe-Mary McKernan, Caroline Ratcliffe, and C. Eugene Steuerle

***Editors' note:** This article was originally published by the Urban Institute, in February 2015. The charts were designed to be interactive—please visit datatools.urban.org/Features/wealth-inequality-charts/ in order to access this feature.*

Why hasn't wealth inequality improved over the past fifty years? And why, in particular, has the racial wealth gap not closed? These nine charts illustrate how income inequality, earnings gaps, homeownership rates, retirement savings, student loan debt, and lopsided asset-building subsidies have contributed to these growing wealth disparities.

1. Wealth inequality is growing.

Figure 1: **Percentiles of Family Wealth, 1963–2013**



Sources: Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2013.
Notes: 2013 dollars. No comparable data are available between 1963 and 1983.

Signe-Mary McKernan and **Caroline Ratcliffe** are Senior Fellows in the Center on Labor, Human Services & Population at the Urban Institute. **C. Eugene Steuerle** is Richard B. Fisher chair and Institute Fellow at the Urban Institute.

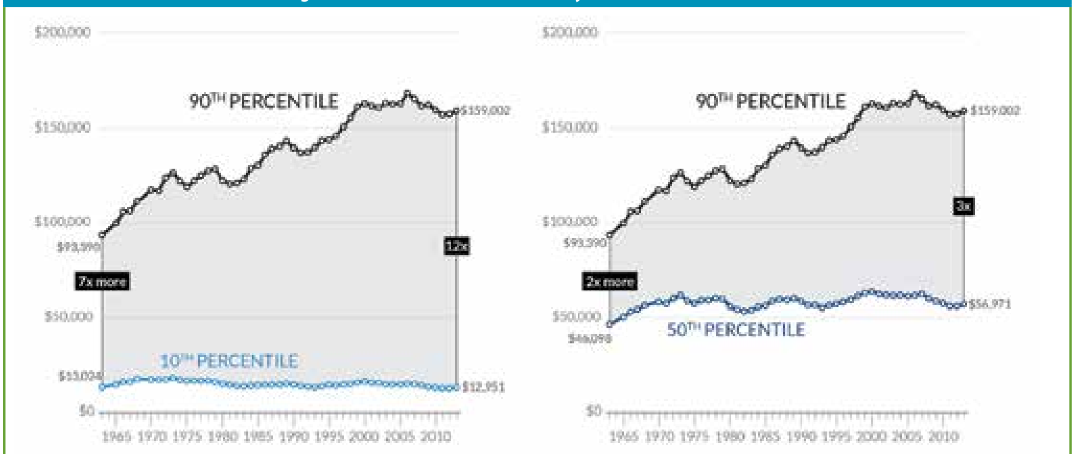
Average wealth has increased over the past fifty years, but it has not grown equally for all groups. Between 1963 and 2013:

- Families near the bottom of the wealth distribution (those at the tenth percentile) went from having no wealth on average to being about $2,000 in debt;
- Those in the middle roughly doubled their wealth—mostly between 1963 and 1983;
- Families near the top (at the ninetieth percentile) saw their wealth quadruple; and
- The wealth of those at the ninety-ninth percentile—in other words, those wealthier than 99 percent of all families—grew sixfold.

These changes have increased wealth inequality significantly. In 1963, families near the top had six times the wealth (or, six dollars for every one dollar) of families in the middle. By 2013, they had twelve times the wealth of families in the middle.

2. One reason for rising wealth inequality is income inequality.

Figure 2: **Distribution of Family Income, 1963–2013**



Sources: Current Population Survey 1963–2014. Calculations provided by Karen Smith, Urban Institute.
Notes: 2013 dollars. Income here is measured as private income (e.g., earnings and dividends) plus cash government benefits. Income differences narrow when all taxes and transfers—such as health insurance and in-kind government benefits—are included, but private wealth does not change.[1]

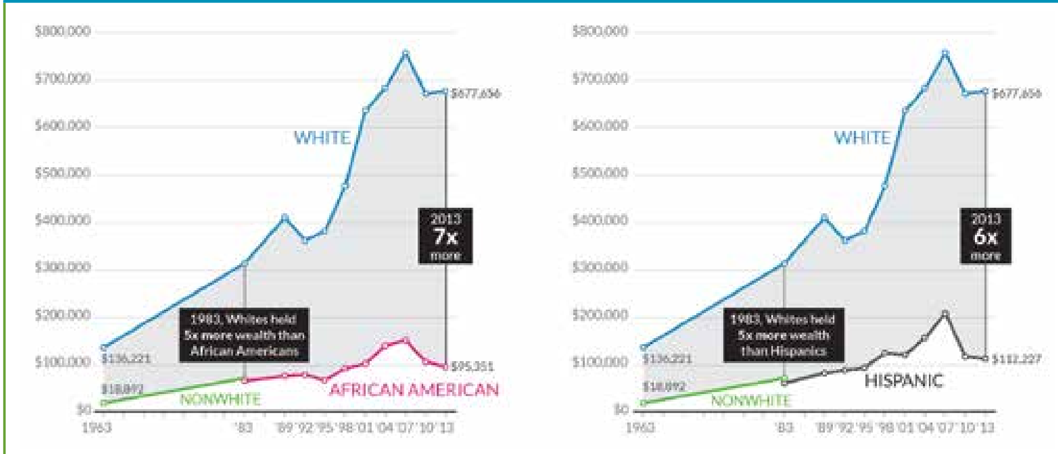
Income is money coming into a family, while wealth is a family's assets—things like savings, real estate, businesses—minus debt.[2] Both are important sides of families' financial security, but wealth cushions families against emergencies and gives them the means to move up the economic ladder. Also, wealth disparities are much greater than income disparities: three times as much by one measure.

Income inequality can worsen wealth inequality because the income people have available to save and invest matters.[3] Focusing on private income, such as earnings and dividends, plus cash government benefits, we see that families near the top had a 70 percent increase in income from 1963 to 2013, while the income of families at the bottom stayed roughly the same.[4]

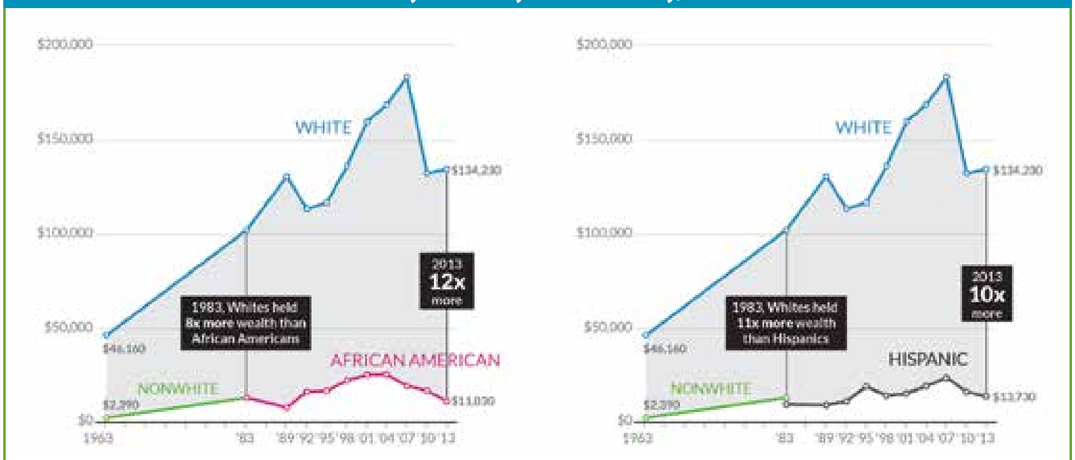
3. Racial and ethnic wealth disparities are also growing.

Median wealth by race and ethnicity is lower than average wealth, but the trends stay the same (see figure 3, following page). Both measures are important because average wealth indicates how a group is prospering as a whole relative to other groups, while median wealth shows how the "typical" family is doing.

Figure 3: **Average Family Wealth by Race/Ethnicity, 1963–2013**



Median Family Wealth by Race/Ethnicity, 1963–2013



Sources: Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2013.

Notes: 2013 dollars. No comparable data are available between 1963 and 1983. African-American/Hispanic distinction within nonwhite population available only in 1983 and later.

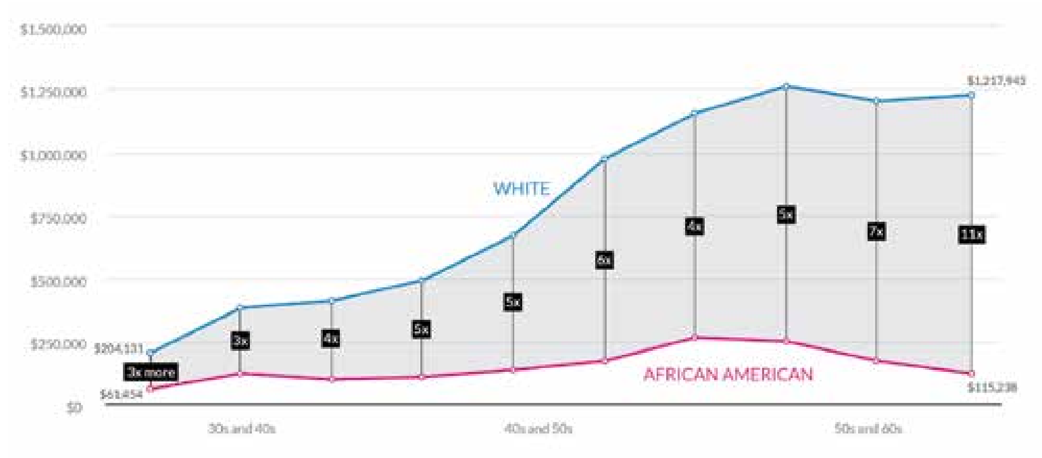
Families of color will soon make up a majority of the population, but most continue to fall behind whites in building wealth. In 1963, the average wealth of white families was $117,000 higher than the average wealth of nonwhite families. By 2013, the average wealth of white families was over $500,000 higher than the average wealth of African-American families ($95,000) and of Hispanic families ($112,000). Put another way, white families on average had seven times the wealth of African-American families and six times the wealth of Hispanic families in 2013. The ratio of white to African-American or Hispanic family wealth remained extremely high over this period and deteriorated in recent years.

4. The racial wealth gap grows sharply with age.

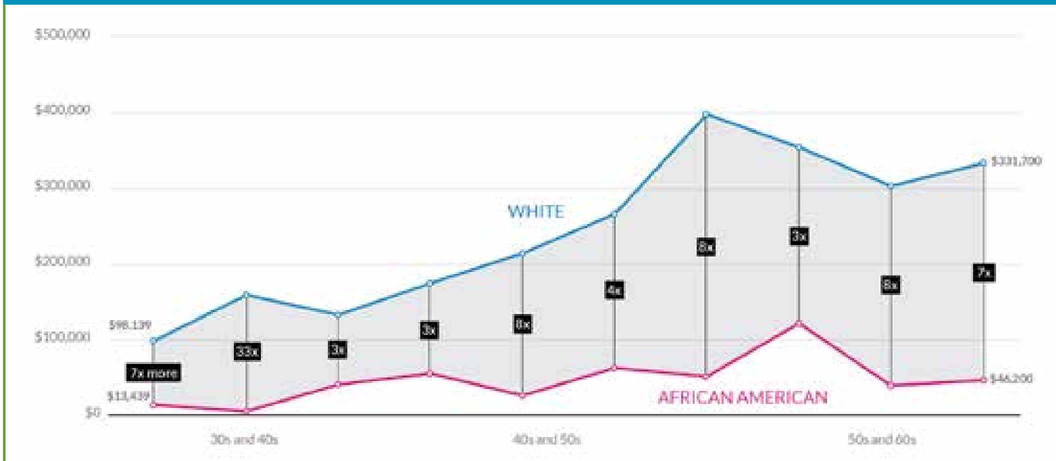
White families accumulate more wealth over their lives than African-American or Hispanic families do, widening the wealth gap at older ages (see figure 4). In their thirties, whites have an average of $140,000 more in wealth than African Americans (three times as much). By their sixties, whites have over $1 million more in average wealth than African Americans (eleven times as much).

Median wealth by race is lower. Though the dollar gap grows with age, the ratio doesn't grow in the same way: whites have seven times more median wealth than African Americans in their thirties and in their sixties.

Figure 4: **Average Family Wealth for Those Born 1943–51**



Median Family Wealth for Those Born 1943–51

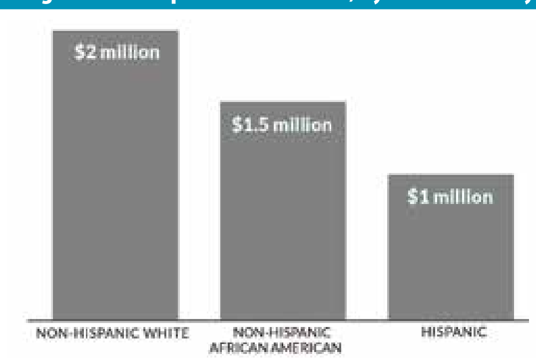


Source: Survey of Consumer Finances 1983–2013.
Notes: 2013 dollars. Hispanic sample size too small to show. Age is defined as the age of the household head. In 2013, these people were ages 62 to 70. In 1983, ages 32 to 40.

5. Differences in earnings add up over a lifetime and widen the racial wealth gap.

Why is the racial wealth gap so big? People with lower earnings may have a harder time saving. The typical white person earns $2 million over a lifetime, while the typical African American earns $1.5 million and the typical Hispanic person earns $1 million. These disparities partly reflect historical racial disadvantages that continue to affect later generations.

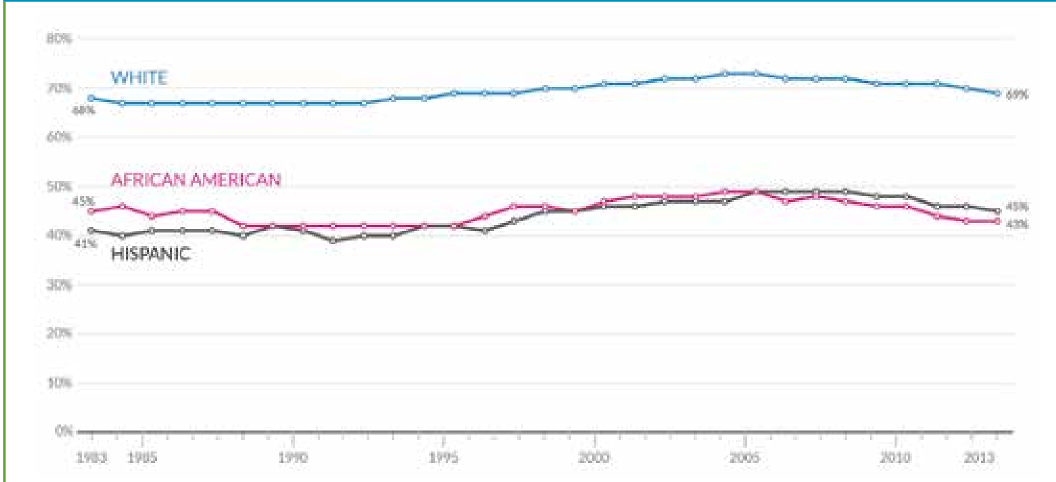
Figure 5: **Median Present Value of Lifetime Earnings at Age 61 for People Born 1943–51, by Race/Ethnicity**



Sources: Health and Retirement Study 1992–2012 matched to Summary Earnings Records 1951–2007. Calculations provided by Melissa Favreault, Urban Institute.
Notes: 2013 dollars. These people are age 61 in 2004–12.

6. African Americans and Hispanics lag behind on major wealth-building measures, like homeownership.

Figure 6: **Homeownership Rate by Race/Ethnicity, 1983–2013**



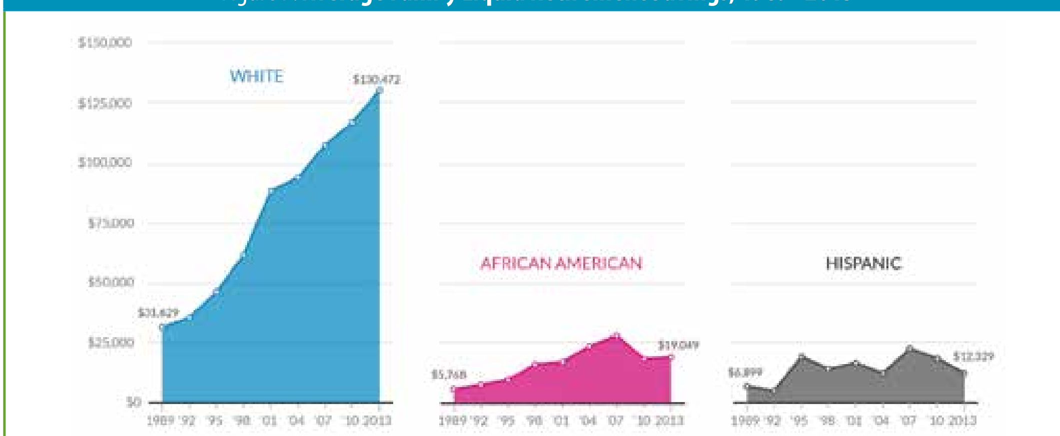
Source: Current Population Survey 1983–2013.

African Americans and Hispanics are less likely to own homes and have less in liquid retirement savings, so they more often miss out on these powerful wealth-building tools. Homeownership, in particular, makes the most of automatic payments—homeowners must make mortgage payments every month—to build equity.

In 1983, 68 percent of white families owned their home, compared with 45 percent of African-American families and 41 percent of Hispanic families. By 2013, the racial homeownership gap improved slightly for Hispanics, but it grew worse for African Americans. African Americans and Hispanics were also less likely to own homes than whites at the same income level.

7. African-American and Hispanic families have less in liquid retirement savings.

Figure 7: **Average Family Liquid Retirement Savings, 1989–2013**



Source: Survey of Consumer Finances 1989–2013.
Notes: 2013 dollars. Liquid retirement savings include dollars in accounts such as 401(k)s, 403(b)s, and IRAs.

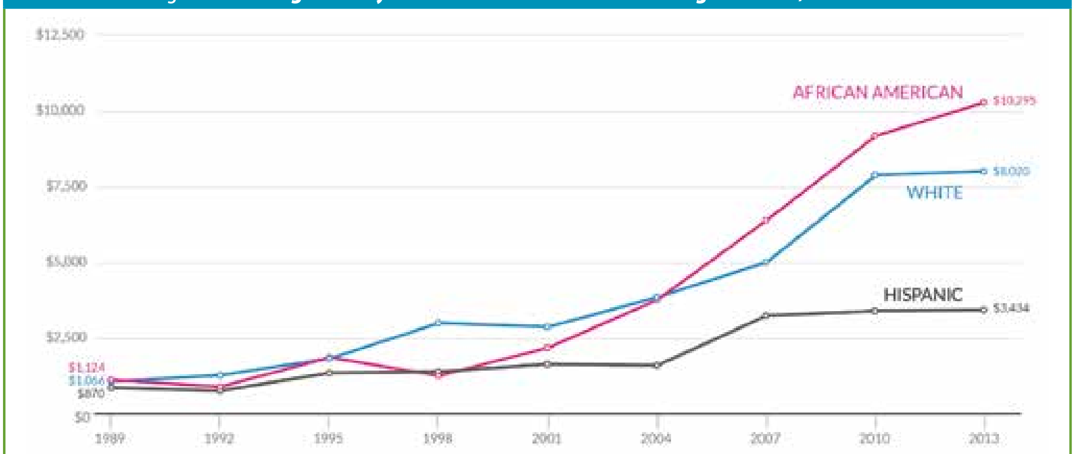
Median liquid retirement savings for African-American and Hispanic families were zero from 1989 to 2013. Median liquid retirement savings for whites were zero through the mid-1990s, about $1,500 in 1998, and $5,000 in 2013.

In 2013, white families had over $100,000 more (or seven to eleven times more) in average liquid retirement savings than African-American and Hispanic families. In sheer dollar terms, this disparity quadrupled over the past quarter-century: in 1989, white families had $25,000 more (or five times more) in average retirement savings than African-American and Hispanic families. This gap is becoming more important as liquid retirement savings vehicles, like 401(k)s, replace more traditional defined-benefit pension plans.

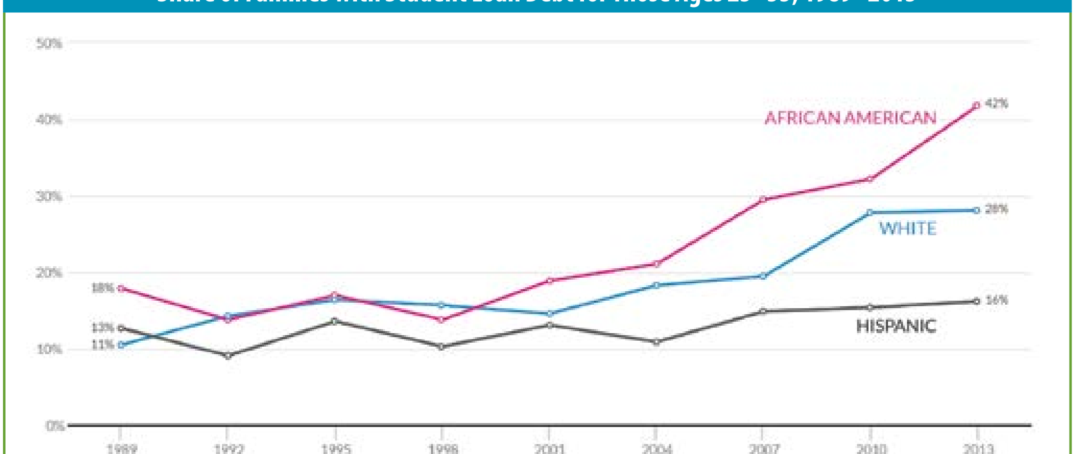
Why does this gap exist? It's not just income differences; even at the same income level, gaps remain. African-American and Hispanic families have slightly less access to retirement saving vehicles and lower participation when they have access. But lower access and participation isn't the full story. Hispanic workers are less likely to participate in employer retirement plans than African-American workers but have similar average liquid retirement savings. This suggests that simply having more employers offer retirement plans will not be enough to close the gap, especially if lower-income groups contribute smaller portions of their income to retirement plans and have a greater likelihood of withdrawing money early to cover financial emergencies. Lower-income families may also get lower returns on average if they invest in safer, more short-term assets.

8. African-American families carry more student loan debt than white families.

Figure 8: **Average Family Student Loan Debt for Those Ages 25–55, 1989–2013**



Share of Families with Student Loan Debt for Those Ages 25–55, 1989–2013



Source: Survey of Consumer Finances 1989–2013.
Notes: 2013 dollars. Age is defined as the age of the household head.

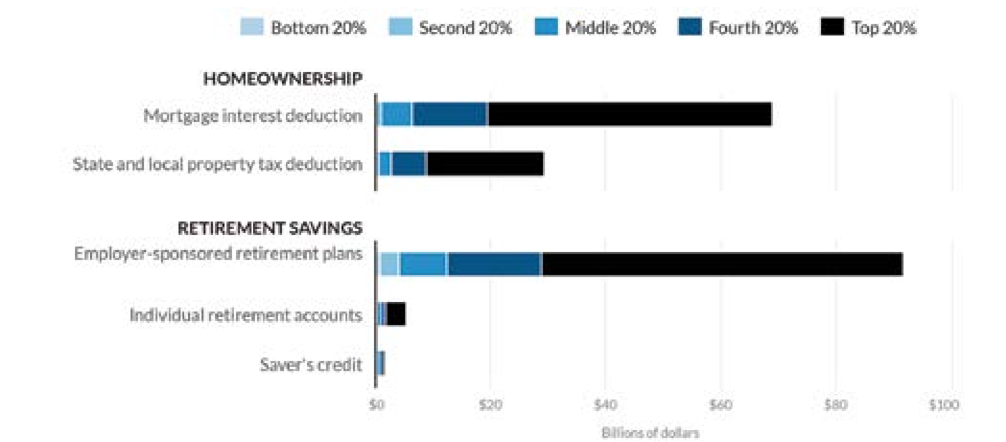
Since the mid-2000s, African-American families, on average, have carried more student loan debt than white families. This is driven in large part by the growing share of African-American families that take on student debt. In 2013, 42 percent of African Americans ages twenty-five to fifty-five had student loan debt, compared with 28 percent of whites.

Because African-American families, on average, have less wealth and fewer private resources, they may be more likely to turn to loans to finance their education. White families are five times more likely than African-American families to receive large gifts or inheritances, which can be used to pay for college.[5]

However, African Americans also have lower graduation rates than whites, and people of color disproportionately attend for-profit schools, which have low graduation rates.[6] This means that student loan debt doesn't always translate into a degree that would promote economic mobility—and income and wealth—in the long run.

9. Federal policies fail to promote asset building by lower-income families.

Figure 9: **Size and Distribution of Select Asset-Building Tax Subsidies, 2013**



Source: Steuerle et al. (2014).[7]
Note: "Income" refers to the Tax Policy Center's "expanded cash income" measure, which is described in Rosenberg (2013).[8]

The federal government spent $384 billion to support asset development in 2013, but those subsidies primarily benefited higher-income families—exacerbating wealth inequality and racial wealth disparities.[9]

About two-thirds of homeownership tax subsidies and retirement subsidies go to the top 20 percent of taxpayers, as measured by income. The bottom 20 percent, meanwhile, receive less than 1 percent of these subsidies. African Americans and Hispanics, who have lower average incomes, receive much less of these subsidies than whites, both in total amount and as a share of their incomes.

Low-income families benefit from safety net programs, such as food stamps and welfare, but most of these programs focus on income—keeping families afloat today—and do not encourage wealth-building and economic mobility in the long run. What's more, many programs discourage saving: for instance, when families won't qualify for benefits if they have a few thousand dollars in assets or when they have to give up rent subsidies to own a home.

Promising Policies to Shrink Wealth Inequality and Racial Wealth Gaps

Federal asset-building subsidies disproportionately benefit high-income families that need them the least. Here are six recommendations that could help reduce wealth inequality and racial wealth disparities:[10]

- Limit the mortgage interest tax deduction and use the revenues to provide a credit for first-time home buyers.
- Establish automatic savings in retirement plans.

- Offer matched savings such as universal children's savings accounts.
- Reform safety net program asset tests, which can act as barriers to saving among low-income families.
- Promote emergency savings with incentives linked to savings at tax time.
- Reduce reliance on student loans while supporting success in postsecondary education.

By more efficiently and equitably promoting saving and asset building, more people may have the tools to protect their families in tough times and invest in themselves and their children.

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Do *the* Fruits of Philanthropy Now Fall Closer Than Ever *to the* Tree?

by the editors

The proportion of the postrecession recovery proceeds has overwhelmingly favored the top 1 percent of asset holders. So, at first glance, the fact that the total amount of money given away by the very wealthy is rising looks like a positive trend—except that the majority of these donations are "mega-gifts" of $80 million or above, and are given to rich institutions that tend to have played a role in the donors' lives and that do not redistribute the wealth to those in need via such services as housing endowments and food pantries.

THE ONE CHARACTERISTIC THAT SETS THE current postrecession recovery apart from others in this nation's history is the overwhelming proportion of the recovery proceeds that have gone to the top 1 percent of asset holders. The table on the following page, originally printed in the *Washington Post*'s *WonkBlog*, in 2013, provides a stark picture of just how marked this distinction has been.[1]

This article looks at the possibility that this inequality in the sharing of recovery proceeds is reflected in philanthropy.

The Giving Recovery as a Mirror of the Larger Recovery

Too many large donations disproportionately serve the personal interests and values of the benefactors, says Patrick Rooney, associate dean for academic affairs and research at the Indiana University Lilly Family School of Philanthropy, and author of Giving USA's annual report. Additionally, according to Rooney, the increases in individual giving last year were due primarily to a proliferation of "mega-gifts" of $80 million or more, and "the gains and losses in giving are

Real Income Growth by Groups				
	Average Income Real Growth (1)	**Top 1% Incomes Real Growth (2)**	**Bottom 99% Incomes Real Growth (3)**	**Fraction of total growth (or loss) captured by top 1% (4)**
Full Period 1993–2012	**17.9%**	**86.1%**	**6.6%**	**68%**
Clinton Expansion 1993–2000	31.5%	98.7%	20.3%	45%
2001 Recession 2000–2002	−11.7%	−30.8%	−6.5%	57%
Bush Expansion 2002–2007	16.1%	61.8%	6.8%	65%
Great Recession 2007–2009	−17.4%	−36.3%	−11.6%	49%
Recovery 2009–2012	6.0%	31.4%	0.4%	95%

Computations based on family market income including realized capital gains (before individual taxes). Incomes exclude government transfers (such as unemployment insurance and Social Security) and nontaxable fringe benefits.

Incomes are deflated using the Consumer Price Index. Column (4) reports the fraction of total real family income growth (or loss) captured by the top 1%. For example, from 2002 to 2007, average real family incomes grew by 16.1% but 65% of that growth accrued to the top 1% while only 35% of that growth accrued to the bottom 99% of US families.

Source: Piketty and Saez (2003). Series updated to 2012 in August 2013 using IRS preliminary tax statistics for 2012.

It may be worth noting here that wealthy people are not more generous than other Americans. In fact, the opposite is true: poor people give far more a proportion of their incomes than do the rich.

increasingly driven by a smaller percentage of the population."[2]

Rob Reich, associate professor of political science at Stanford University, takes it a little further: "The favored charities of the wealthy are gaining in share in the philanthropic economy. The total amount of money given away by the very wealthy is going up, not because they're giving away a greater share of their income [but because] their total income and wealth itself has grown."[3] According to Reich, the nation's postrecession economic gains have largely been concentrated in the top income tiers, and these donors tend to give to higher education, medical research, and cultural institutions rather than to, say, day-care centers or community health centers in poor neighborhoods. As we will see later, however, problems do exist as well when high-wealth donors insert themselves into problem solving for low-income neighborhoods—sometimes referred to as "committing philanthropy."

As Rooney explained in an interview with the *Nonprofit Quarterly*, in calculating the 2014 findings of Giving USA, any gift of $80 million dollars or above was considered a mega-gift because gifts this size were large enough in 2013 to affect the rate of change in total giving. These are added to the numbers after general forecasting is done. This year, gifts in that category totaled $4.22 billion, in contrast to last year, when they were a mere $1.55 billion. That is an increase of 172 percent in mega-gifts. (As a side note, the largest proportion of mega-gifts in 2013 was relatively new money, with $3 billion being contributed by living donors and the rest contributed through bequests.)

The ten largest donations in 2014 equaled $3.3 billion, with one of those a bequest of $1 billion from Detroit businessman Ralph Wilson Jr. to his own foundation. That $3.3 billion contributed by ten sources constitutes 1 percent of all donations for 2014 in the United States.

Does that mean that these folk are just extraordinarily generous? It may be worth noting here that wealthy people are not more generous than other Americans. In fact, the opposite is true: poor people give far more a proportion of their incomes than do the rich; but the astronomical numbers on large charitable gifts from high-dollar donors are nothing less than staggering.

Gifts Often Stay Close to Home: Geographic and Institutional Inequities

In 2013, Mark Zuckerberg and Priscilla Chan, both under thirty years old, gave stocks worth $1 billion to the Silicon Valley Community Foundation—the same foundation that was graced with a $500 million donation from GoPro founder Nick Woodman in 2014. This reinforces the fact that because many larger gifts are given locally, geography over need can be a deciding factor in the final destination of contributions. A study by the Indiana University Lilly Family School of Philanthropy found that, between 2000 and 2011, half of all gifts of a million dollars or more given by donors between 2000 and 2011 went to a recipient in the state where the donor lives—and 60 percent were given in the same region. These gifts also tend to go to a limited number of institutional types, with 36 percent of all dollars given in million-dollar gifts over the ten years between 2000 and 2011 going to foundations, and 32 percent going to higher educational institutions.[4] This is more than two-thirds of all million-dollar-plus gifts.

Waves of Record-Setting Mega-Gifts to Already-Rich Institutions

Gifts to universities and university-related organizations are setting records—the Broad Institute in Cambridge received $650 million in 2014 from billionaire Ted Stanley to support work in identifying the genetic roots of schizophrenia within what will be called the Stanley Center for Psychiatric Research. The Broad Institute, which partners with the Massachusetts Institute of Technology and Harvard University, was established as a collaborative biomedical research center. This followed two major founding gifts of $200 million and $400 million from Edythe and Eli Broad.

In September 2014, Harvard received an institutional record-setting gift of $350 million from the Morningside Foundation to help support Harvard's School of Public Health. The foundation is associated with private-equity-and-venture-capital firm Morningside Group, which is run by the descendants of T. H. Chan, founder of one of the largest real estate firms in Hong Kong in the 1960s. One of these descendants, Gerald Chan, attended Harvard's School of Public Health in the 1970s. And Yale, too, received a record-setting gift—$250 million, from a 1954 alumnus, Charles B. Johnson. That money will be used to break ground on two new buildings.

Thus, the endowments of universities and colleges are climbing even as the cost of education climbs for students and as young people are entering their lives with increasingly overwhelming debt. This does not constitute any kind of redistribution.

Two other examples of close-to-home giving in 2014 were from John and Laura Arnold, whose $300 million gifts went mostly to their family foundation—money that will be regranted over time—and from Pierre and Pam Omidyar, who gave $230 million in total that year, of which $225 million went to the health-related organization founded by Pam Omidyar, known as HopeLab.

Barriers to Redistribution: Nothing New Here, Folks . . .

Maybe giving to elite universities is a problem, but what could possibly be the problem with giving to foundations that presumably will regrant the money—sometimes to good causes? In "Philanthropy and Inequality: What's the Relationship?," Kevin Lakowski describes the barriers that are set up to any redistributive purpose:

> There is increased emphasis on financial intermediaries. For nearly five decades, charitable giving as a share of GDP has remained around 2 percent. Charitable giving has not increased from this vantage; it has instead shifted. In 1978, foundations received 4 percent of charitable dollars; by 2010, foundations were receiving 11 percent of charitable dollars. In effect, the rise of philanthropy means that less is going "directly" to charity as a share of GDP, and more is moving to a larger and larger set of competing financial intermediaries.[5]

Philanthropy does not generally act as an effective method of redistribution in a democracy. Rich people tend to give to rich institutions; they do not generally endow housing for poor people with grants in the multiple millions.

Philanthropy does not generally act as an effective method of redistribution in a democracy. Rich people tend to give to rich institutions; they do not generally endow housing for poor people with grants in the multiple millions.

. . . But All This May Increasingly Threaten Democracy

Deductions for charitable giving are taken primarily by the top 20 percent of wealth holders; this money amounts to somewhere close to an astounding $40 billion a year.[6] In other words, this is a $40 billion tax expenditure that takes decision making out of the hands of elected representatives (who are, at least in theory, accountable to the public) and into the hands of the rich—who are not accountable to the public but who nonetheless, as generous philanthropic citizens, are infused with the soft golden light of public goodness.

Oligarchy Unlimited

It is, of course, well known that people of wealth tend to give to institutions that have played some role in their own lives. Thus, people may give to universities they have gone to, prep schools they would like their child to attend, a hospital that has served a family member well. They do not attend the local food bank, and as society becomes more wealth polarized, some worry that people of wealth will become less and less likely to respect the intelligence and voices of people at lower-income strata or to empathize with their struggles.

But even when a billionaire does involve him- or herself with an issue that is aimed at addressing a social reality that affects the lives of people at those lower strata, if their approach is top down it can cause serious harm to communities. Examples of this kind of high-handed strategy are legion, with a lengthy historical tail.

The double whammy of taking deductions, which reduces this country's tax base, while contributing individually to causes (not to mention political campaigns) gives billionaires outsize public influence—the very definition of oligarchy. Robert B. Reich, public policy professor at University of California-Berkeley and former labor secretary (no connection to Rob Reich at Stanford) comments, "We're back in the late 19th century when the robber barons lorded over the economy and almost everyone else lost ground. The Vanderbilts, Carnegies, Rockefellers made so much money that they too could give away large chunks to charity and still maintain their outsize fortunes and their power and influence."[7]

As wealth has become more stratified, giving goes up, but more of it is being directed by the highest-level givers. This trend is, therefore, capable of undermining democracy by giving high-level givers a defining voice in social issues—at least temporarily, until people rebel, something that they will likely have to do without a multi-million-dollar grant.

Notes

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Philanthropy's Misguided Ideas for Fixing Ghetto Poverty:

The Limits of Free Markets and Place-Based Initiatives

by Peter Dreier

Philanthropy certainly has a place in the effort to create a more equitable society, but in order to be truly effective it must turn from focusing on place-based antipoverty initiatives, and stop relying on market forces to solve the growing inequalities of income, wealth, and political power. Public opinion generally favors greater government action on these fronts, but without mobilization from movements committed to a growth-with-equity agenda, this will not translate into public policy. As the author concludes, "If philanthropists want to help create a more humane, fair, and democratic society, they should support the many organizations and activists who are building a movement for shared prosperity."

One hundred years ago, progressive thinkers and activists who called for women's suffrage, an end to lynching, the right of workers to form unions, health and safety standards for workplaces, the eight-hour workday, a federal minimum wage, a progressive income tax, old-age insurance, and government-subsidized healthcare were considered impractical idealists, utopian dreamers, or dangerous socialists. Fifty years ago, those who called for women's equality, laws protecting the environment, civil rights for gays and lesbians, and greater numbers of black and Hispanic/Latino elected officials were also considered clueless or hopelessly radical. Now we take all these ideas for granted. The radical ideas of one generation have become the common sense of the next.

Peter Dreier is E. P. Clapp Distinguished Professor of Politics and chair of the Urban & Environmental Policy Department at Occidental College.

Just three years ago, the idea of a $15/hour minimum wage was also considered a crazy notion; but in 2014, Seattle passed a citywide minimum wage at that level. This "radical" idea has now become almost mainstream, and in a growing number of cities, local elected officials are proposing similar policies. The dramatic change in so short a time didn't happen by accident. It is the culmination of years of grassroots activism, changes in public opinion, and frustration with the political gridlock in Washington.

"ICE TOWER" BY ANNE DARLING/WWW.SAATCHIART.COM/ANNEDARLING

Significant changes come about when people dare to think beyond the immediate crisis, propose bold solutions, and work for stepping-stone reforms that improve people's lives and whet their appetites for further reform.

Helen Keller was once asked if there was anything that could have been worse than losing her sight. Keller replied: "Yes, I could have lost my vision." Keller was a lifelong radical who participated in the great movements for social justice of her time. In her investigations into the causes of blindness she discovered that the poor were more likely than the rich to be blind, and she soon connected the mistreatment of the blind to the oppression of workers, women, and other groups, leading her to embrace socialism, feminism, and pacifism.[1] In a 1924 letter to Senator Robert M. La Follette Sr., Keller wrote: "Superficial charities make smooth the way of the prosperous; but to advocate that all human beings should have leisure and comfort, the decencies and refinements of life, is a Utopian dream, and one who seriously contemplates its realization indeed must be deaf, dumb, and blind."

Four decades later, Reverend Martin Luther King Jr. made a similar observation: "Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary."

Keller and King were both practical visionaries. They reflected a long-standing American tradition of radical reform. They wanted philanthropy to be bold and to challenge the system of economic exploitation and social injustice that created so much misery. But they also wanted to see immediate changes that would improve people's lives today, without waiting for an overhaul of society.

Significant changes come about when people dare to think beyond the immediate crisis, propose bold solutions, and work for stepping-stone reforms that improve people's lives and whet their appetites for further reform.

Reformers and Radicals Confront Inequality

That radical reform tradition came of age in the late 1800s and early 1900s. At the time, America was a country dominated by rampant, unregulated capitalism, during what was sometimes called the "Gilded Age." It was a period of merger mania, an increasing concentration of wealth among the privileged few, and growing political influence by corporate power brokers known as the "robber barons." New technologies made possible new industries, which generated great riches for the fortunate few—but at the expense of workers, many of them immigrants, who worked long hours and under dangerous conditions for little pay.

American cities were a cauldron of seething problems—poverty, slums, child labor, epidemics, sweatshops, and ethnic conflict. Corruption was widespread. Businesses routinely bribed local officials to give favorite corporations private monopolies over key public services, which were typically run inefficiently. Cities were starved for cash but businesses paid little taxes.

Out of that turmoil, activists created a progressive movement, forging a coalition of immigrants, unionists, muckraking journalists, settlement-house workers, middle-class civic reformers and suffragists, and upper-class philanthropists; while these activists spoke many languages, the movement found its united voice through organizers, clergy, and sympathetic politicians.

Some wealthy Americans—mostly college-educated women—contributed their time, talent, and money to battles to improve the lives of the immigrant poor. Jane Addams, Alice Hamilton, Florence Kelley, Lillian Wald, and others founded the settlement-house movement—the nation's first generation of community organizers—and embraced crusades for workers' rights, public health, housing reform, women's suffrage, civil rights, and peace. During the great "Uprising of the 20,000" in 1909 and 1910 (the largest strike by American women workers at the time), upper-class women affiliated with the Women's Trade Union League (WTUL) raised money for the workers' strike fund, lawyers, and bail money, and even joined the union members on picket lines. It was through her work with the WTUL that a young Eleanor Roosevelt was first exposed to the suffering of the poor, an experience that transformed her into a lifelong progressive. Frances Perkins was a recent college graduate working for the Consumers League in New York City when the Triangle Shirtwaist factory fire in March 1911 took the lives of 146 garment workers, most of them young immigrant girls. Perkins led the campaign to get New York State to adopt laws protecting workers from dangerous sweatshop conditions. When she became Secretary of Labor during FDR's New Deal, she championed reforms such as the minimum wage, workers' rights, and Social Security. Another ally was Anne Morgan, the daughter of Wall Street chieftain J. P. Morgan. She recruited other upper-class women—and a few men—to walk picket lines and raise money for families whose daughters were killed in the Triangle Shirtwaist fire. Some of them came to the picket lines in their fancy clothes, so union organizer Rose Schneiderman referred to them as the "mink brigade."

One of the Progressive Era's great crusades focused on improving living conditions of the urban poor. Jacob Riis's book, *How the Other Half Lives: Studies among the Tenements of New York* (1890), helped catalyze campaigns to improve housing conditions. Philanthropists joined forces with civic reformers, immigrant activists, and liberal politicians to "clean up" the slums—physically, socially, economically, and even aesthetically.[2] They were motivated by different values—religious faith, social idealism, noblesse oblige, and a concern for protecting or expanding the property of the affluent in city centers and adjacent areas. Some philanthropic reformers believed that cleaning up the slums required changing the behavior and the values of the poor themselves. Others sought to create philanthropy-sponsored "model tenements," assuming that improving the physical conditions of housing in the slums would improve the lives of the inhabitants. A third group pushed to reform public policy to give the government a stronger role in regulating housing conditions and providing subsidies to house the poor.[3]

Ever since the Progressive Era, philanthropy, government, and intellectuals have debated those three approaches to addressing the problems of cities and the poor. In the 1960s, American foundations, catalyzed by civil rights protests and tenants' rights activism, again focused attention on the problems of urban slums. The major goals of those efforts included providing job skills to the "hard-core" underclass; nurturing nonprofit community development organizations to build affordable housing; and empowering poor residents to gain a voice in urban renewal and other neighborhood improvement initiatives, challenge slumlords, and hold local politicians accountable.[4]

In the late 1970s and 1980s, foundation efforts (with notable exceptions) reflected the retreat from government activism and community organizing, focusing instead on neighborhood-based self-help initiatives. This approach was boosted in the 1990s by academic studies about the impacts of the concentration of poverty. As a consequence, philanthropic funders have devoted substantial resources to addressing poverty in specific geographic areas. The major focus of these recent efforts has been on "place-based" antipoverty initiatives. The most well-known example is the Harlem Children's Zone, but there have been hundreds of others, documented in several reports by the Aspen Institute called *Voices from the Field*.[5]

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Seeking to understand the lessons from these initiatives, in 2014 the University of Southern California's Center on Philanthropy & Public Policy convened a series of meetings in New York, Los Angeles, and Washington, D.C., of academics, foundation staff, and policy practitioners to discuss urban poverty. Those provocative discussions led to the publication of a report, *Place-Based Initiatives in the Context of Public Policy and Markets*, that summarized the ideas generated during the gatherings and the current thinking about urban poverty and place.[6] Those discussions and the report generally reflect the narrow perspective on poverty that, with some notable exceptions, mainstream philanthropy (as well as many policy-makers and academics) has applied to these issues over the past few decades. That thinking focuses on the poor rather than on the super-rich, and on places (geography) rather than on the larger economic system in which those places are embedded. Although the discussions and the report gave lip service to the problem of widening inequality, the prescriptions avoided any challenge to this reality.

Indeed, since the 1980s, most discussions within the philanthropic world of the "urban crisis" or of what to do about "ghetto poverty" miss the larger picture of economic inequality and the concentration of income, wealth, and political power. When most philanthropists and policy experts look at low-income neighborhoods, they miss the broader picture—that these places are part of a system of economic segregation resulting from government policies that embrace free-market ideas.[7]

Poor ghettos are the flip side of rich ghettos. Poverty is the flip side of super-wealth. The solution is shared prosperity, and that never happens without strong rules that limit market forces.

Social scientists tend to study the "underclass," but they pay much less attention to the "overclass." The two are connected. That was one of the lessons of Occupy Wall Street. It is also one of the basic points of the book that I wrote with John Mollenkopf and Todd Swanstrom, *Place Matters: Metropolitics for the Twenty-First Century.*[8] The book's title indicates that we recognize the power of place in shaping the lives and destinies of people, but our focus is not simply on the people who live in areas of concentrated poverty but rather on the broader dynamics of geographic segregation by wealth, income, and race. Poor ghettos are the flip side of rich ghettos. Poverty is the flip side of super-wealth. The solution is shared prosperity, and that never happens without strong rules that limit market forces. It requires government—and government run by people who believe in the power of laws and rules—to change human behavior, institutions, and society.

Widening Wealth and Income Inequality

The problem of widening inequality has become a central issue in American politics and culture. The Occupy Wall Street movement, which began in New York City in September 2011 and quickly spread to cities and towns around the country, changed the national conversation. At kitchen tables, in coffee shops, in offices and factories, and in newsrooms, Americans are increasingly talking about economic inequality, corporate greed, and how America's super-rich have damaged our economy and our democracy. Catch-phrases adopted by Occupy Wall Street—the "1 percent" and the "99 percent"—provided Americans with a language to explain the nation's widening economic divide, the super-rich's undue political influence, and the damage—a crashed economy and enormous suffering and hardship—triggered by Wall Street's reckless behavior.

To those concerned with nuance, the Occupy Wall Street rhetoric may have seemed simplistic; but its basic message resonated with the American public and was soon being echoed by a growing number of elected officials and civic leaders. In 2006, five years before the Occupy movement, a survey conducted by psychologists at Duke and Harvard found that 92 percent of Americans preferred the wealth distribution of Sweden over that of the United States. In Sweden, the wealthiest fifth of the population has 36 percent of all wealth, compared to the United States, where the wealthiest fifth has 84 percent.[9] The reality of widening inequality and declining living standards, the activism of low-wage workers and Occupy Wall Street radicals, and increasing media coverage of these matters solidified public opinion. Two months after Occupy Wall Street began, a poll from the Public Religion Research Institute found that 60 percent of Americans agreed that "[American] society would be better off if the distribution of wealth was more equal." A Pew Research Center survey around the same time found that most Americans (77 percent)—including a majority (53 percent) of Republicans—agreed that "there is too much power in the hands of a few rich people and corporations."[10]

Those attitudes have persisted. In a national survey conducted in 2014, Pew found that 60 percent of Americans—including 75 percent of Democrats, 60 percent of independents, and even 42 percent of Republicans—think that the economic system unfairly favors the wealthy. The poll discovered that 69 percent of Americans believe that the government should do "a lot" or "some" to reduce the gap between the rich and everyone else. Nearly all Democrats (93 percent) and large majorities of independents (83 percent) and Republicans (64 percent) said they favor government action to reduce poverty. Over half (54 percent) of Americans support "raising taxes on the wealthy and corporations in order to expand programs for the poor," compared with one-third (35 percent), who believe that "lowering taxes on the wealthy to encourage investment and economic growth would be the more effective approach." Overall, 73 percent of the public—including 90 percent of Democrats, 71 percent of independents, and 53 percent of Republicans—favor raising the federal minimum wage from its current level of $7.25 an hour to $10.10 an hour.[11]

The expanding number of Americans who constitute the "working poor" has stimulated growing concern among policy-makers, academics, and workers themselves. The majority of new jobs created since 2010 pay just $13.83 an hour or less, according to the National Employment Law Project.[12] The Institute for Policy Studies, in a March 2014 report, found that the $26.7 billion in bonuses handed to 165,200 executives by Wall Street banks in 2013 would be enough to more than double the pay for all 1,085,000 Americans who work full time at the current federal minimum wage of $7.25 per hour.[13] The low wages paid to employees of the ten largest fast-food chains cost taxpayers an estimated $3.8 billion a year by forcing employees to rely on public assistance to afford food, healthcare, and other basic necessities.[14] Even after local officials had pushed Occupy protestors out of parks and public spaces, the movement's excitement and energy were soon harnessed and co-opted by labor unions and community organizers. Not surprisingly, the past few years have seen an explosion of worker unrest (especially among Walmart employees, workers at fast-food chains, janitors, and hospital workers, demanding that employers pay them a living wage) and a growing number of cities and states adopting minimum wage laws significantly higher than the federal level of $7.25 an hour.[15]

Candidates for office and elected officials began echoing some of the same themes. Progressive mayors like Seattle's Ed Murray, New York's Bill de Blasio, Minneapolis's Betsy Hodges, Newark's Ras Baraka, Boston's Marty Walsh, and Jackson, Mississippi's Chokwe Lumumba (who died in 2014), and hundreds of city council and school board members, embraced the idea of using local government to address income inequality and low wages. In a major address in Kansas in December 2011, two months after the first Occupy protests, President Barack Obama criticized the "breathtaking greed" of the super-rich. He pointed out that the average income of the wealthiest 1 percent had increased by more than 250 percent, to $1.2 million a year. He also described the nation's widening inequality and the decline of economic mobility as "the defining issue of our time."

The Rich and the Super-Rich

What Obama and a growing number of Americans understood is that within the United States there is a growing divide between the super-rich and the rest of society. America's super-rich are also part of a small global elite whose total wealth dwarfs that of most of the world's population.[16] Among the world's 7 billion people, the richest 10 percent own 83 percent of the world's wealth, with the top 1 percent alone accounting for 43 percent of global assets. In contrast, the bottom half of the global population together possess less than 2 percent of global wealth.

There are about 84,500 individuals in the world whose net worth exceeds $50 million. Almost half of them (37,950) live in the United States. According to the 2013 annual *Forbes* billionaires list, there are 1,426 billionaires in the world with a total net worth of $5.4 trillion. The United States leads the list with 442 billionaires, followed by Asia-Pacific (386), Europe (366), the Americas (129), and the Middle East and Africa (103).

At the very pinnacle, the world's richest 200 people have about $2.7 trillion in total wealth, which is more than the world's poorest 3.5 billion people, who have only $2.2 trillion combined, many of them living in extreme poverty and destitution.[17]

Moreover, the chasm between the world's rich people and nations has been getting wider over the past several decades. Almost all of the world's super-elite live in a handful of global cities, where the headquarters of the world's large transnational corporations are located. These global cities include New York, London, Tokyo, Sydney, Stockholm, Paris, Singapore, Hong Kong, Chicago, San Francisco, Los Angeles, Zurich, Beijing, Seoul, Copenhagen, Boston, Berlin, Frankfurt, Buenos Aires, and Amsterdam, with a growing number of big cities in Asia, Latin America, and Africa soon to join the list.

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Why don't more social scientists explore the "culture of the rich" to learn how their daily lives and routines make most (though not all) of them immune to understanding (or caring about) the consequences of their corporate decisions on the lives of the poor and middle class?

The distribution of wealth is even more unequal than the distribution of income. In 2010, the top 1 percent of households controlled a larger share of national wealth than the bottom 90 percent. Between 1983 and 2010, the top 5 percent captured nearly three-quarters of the growth in household wealth.[18]

The typical household has two-thirds of its wealth in home equity, and the bursting of the housing bubble had devastating consequences for many middle- and lower-income Americans. Between 2006 and 2009, American households lost $7 trillion in household wealth. The impact was disproportionately felt by low-income families that had been victims of predatory lending and subprime loans. Since the beginning of the recovery, in June 2009, housing values have increased, but most Americans, particularly the poor, have not recovered the assets that they lost in the recession.[19]

Ranking sixth out of 187 nations in gross domestic product (GDP) per capita, the United States is one of the richest nations in the world. The United States is also referred to at times as the "land of opportunity"—and indeed, historically, American society has been based on an implicit social contract: If you work hard, you will get ahead. Substantiating this contract was not only the belief but also the experience that economic growth benefits all social classes. President John F. Kennedy's memorable words, "A rising tide lifts all boats," is a great bumper sticker but happens to be false: Rising prosperity, on its own, does not guarantee greater equality or opportunity; only government policy committed to shared prosperity can do that.

Economic Segregation: Place-Based Inequality

For decades, journalists, sociologists, and philanthropists have studied the lives and neighborhoods of the poor but downplayed the broader dynamics of inequality of income, wealth, and power that trapped many low-income families in urban (and now, increasingly, suburban) ghettos. A turning point in recent social science was William Julius Wilson's 1987 book, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*, which examined the "neighborhood effects" of living in areas with a large number of other poor people.[20] Wilson looked not only at the conditions of the poor but at the larger forces—such as the decline of good-paying manufacturing jobs in urban centers—that led to the increased concentration of poverty.

Wilson's study spawned a cottage industry of research devoted to understanding the geography of poverty—the consequences of living in areas of concentrated poverty, often compounded by racial segregation.[21] But most of those studies paid little attention to the dynamic of widening economic inequality of income and wealth, the proliferation of low-wage jobs, the excessive compensation of top corporate executives, and the growing geographic isolation of America's wealthy living in urban and suburban enclaves.

Few social scientists, foundation staffers, or policy-makers were asking, What about the consequences of living in areas of concentrated wealth? Who studies the lives of people in our wealthiest communities like San Marino, Bel Air, Greenwich, Lake Forest, and Bloomfield Hills, where the 1 percent (or, more accurately, the .01 percent) live?[22] Why don't foundations fund more research about the overlapping networks of corporate board members and the decisions made by top executives that have devastating impacts on the entire society, including middle-class and low-income people and their communities? Why don't more social scientists explore the "culture of the rich" to learn how their daily lives and routines make most (though not all) of them immune to understanding (or caring about) the consequences of their corporate decisions on the lives of the poor and middle class?[23] Why do we have to rely on after-the-fact reports by journalists and academics to get a glimpse into the decisions by top Wall Street executives that caused financial havoc, recession, layoffs, the epidemic of foreclosures, and the reality that, several years into the "recovery," millions of Americans are still drowning in debt with "underwater" mortgages?[24]

In recent decades, places—neighborhoods, cities and suburbs, and regions—have become more unequal. Economic classes are becoming more separate from each other as the rich increasingly live with other rich people and the poor live with other poor people. Over the last half century, the poor have become concentrated in central cities and distressed inner suburbs, while the rich live mostly in exclusive central-city neighborhoods and outer suburbs.

Living in high-poverty neighborhoods isolates residents from job opportunities, restricts them to bad schools, imposes unhealthy environments, and makes them pay high grocery prices. Such factors strongly influence individual life chances. Many studies show that most people leave such places whenever they can, suggesting they have little doubt about the negative consequences of living in such places.

Rising economic and geographic segregation reinforces disadvantage in central-city neighborhoods, speeds the deterioration of central cities and inner suburbs, and heightens the cost of suburban sprawl. A 2013 study examining variation in economic mobility across metropolitan areas got op-ed-page attention from the *New York Times* and columnist and Nobel Prize–winning economist Paul Krugman. Based on a massive data set of all tax filers in the United States from 1996 to 2011, the study found that—other things being equal—upward mobility was significantly higher in metropolitan areas with lower levels of economic segregation. The most likely explanation is that poor people, stuck in central cities and inner-ring suburbs, become isolated from economic opportunity when jobs sprawl out to distant suburbs.[25]

This dynamic would be bad enough if it simply reflected individual and household choices in free markets, but it does not. Federal and state policies have favored suburban sprawl, concentrated urban poverty, and promoted economic and racial segregation.[26] Only new policies that level the metropolitan playing field and bring all parts of the metropolis into a dialogue can stop the drift toward greater spatial inequality. America needs central-city and suburban residents to unite in a new coalition to support shared prosperity.

Many cities are enjoying something of a revival. Young professionals and empty nesters are moving back to cities in search of pedestrian-friendly urban environments. These positive trends present opportunities for creating mixed-income neighborhoods and reversing decades of rising economic segregation. But this will not happen automatically. Indeed, the renewed vitality of many cities is generating new forms of economic segregation as gentrification pushes poor people, minorities, and immigrants out of cities into new suburban zones. This partly explains that explosion of suburban poverty in the past decade. Policies such as inclusionary zoning, which requires developers to build affordable housing along with market-rate housing, can ensure that urban revival moves toward equity.

However, cities by themselves cannot capture enough of the wealth generated within their borders to significantly reduce concentrated poverty. We need metropolitan-wide as well as federal policies to do that.

The problems of the different parts of metropolitan areas are interconnected. No part occupies the moral high ground. Overall progress will come only when the different parts of metropolitan areas work together and push for federal policies that create incentives for regional cooperation rather than beggar-thy-neighbor competition. But there are powerful interests that have a stake in the status quo that allows developers and businesses to pit cities against cities and regions against regions.

Democracy cannot flourish under conditions of extreme income inequality and residential segregation. The huge and growing gap between rich and poor communities results in tremendous differences in the quality of our schools, parks, garbage collection, and police and fire protection—as well as economic and social opportunities—across our metropolitan areas.

In the context of extreme local political fragmentation, economic and racial segregation has turned local governments into privatized interest groups concerned with the narrow self-interests of their residents. This cuts off those living in low-income neighborhoods and distressed suburbs from access to jobs and decent schools—or even the same kind of shopping and household services available to most Americans—and subjects

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them to unhealthy environments and poor healthcare. In this context, freedom of residential choice has little meaning. Growing economic segregation exacerbates income inequality and worsens its effects.

The pattern of metropolitan development in the United States helps explain why the United States has significantly lower levels of upward mobility than other developed countries.

Economic security means more than having a job. It means not getting wiped out by illness, rising college tuition, a workplace injury, or a layoff. A few years ago, Yale political scientist Jacob Hacker calculated that one in five American households—the highest level in the past twenty-five years—is financially insecure.

Full Employment and Good Jobs: The Best Antipoverty Policy

As indicated above, place-based policies cannot on their own address the major trends that have led to widening inequality, a decline in the overall standard of living for most Americans, and an increase in poverty. Twenty years ago, research by economists Richard Freeman and Paul Osterman demonstrated that the most important factor in increasing the employment opportunities for inner-city youth and helping them escape poverty is a tight labor market—that is, full employment. When unemployment is low, employers hire workers who in looser labor markets struggle to get jobs. The so-called "hard to employ" workers with fewer skills and less education, and those with black skins who had previously been victimized by employer discrimination, get "pulled" into the labor market.[27]

This is exactly what occurred in Boston and other cities during the late 1990s. Aided by a tight labor market and the expansion of the federal Earned Income Tax Credit, the nation's poverty rate dropped to 11.8 percent by 1999—the lowest rate since 1979. In central cities, the poverty rate fell from 21.5 percent in 1993 to 16.4 percent in 1999. For black Americans, the poverty rate dropped significantly.[28]

American workers today face declining job security and dwindling earnings as companies downsize, move overseas, and shift more jobs to part-time workers. A 2009 survey by the Economic Policy Institute found that 44 percent of American families had experienced either the job loss of one or more members, a reduction in hours, or a cut in pay over the previous year. For the vast majority of workers, the costs of basic necessities are rising faster than incomes. Productivity is also increasing faster than incomes, meaning that workers are not sharing in the benefits of economic growth.[29]

Government has ample powers to change these trends for the better. Back in the days of President Lyndon B. Johnson's War on Poverty, Republican critics liked to say that the best antipoverty program was a job. The federal government has the capacity—and responsibility—to promote full employment, where everyone who wants to work has a job. But the *kind* of job—the pay, benefits, security, and prospects for advancement—are as important as the job itself.

A good job means one that pays enough to allow a family to buy or rent a decent home, put food on the table and clothes on their backs, afford health insurance and child care, send the kids to college, take a yearly vacation, and retire with dignity. A good job means that parents don't have to juggle two or three jobs to stay afloat, and that they still have time to spend with their kids.

Economic security means more than having a job. It means not getting wiped out by illness, rising college tuition, a workplace injury, or a layoff. A few years ago, Yale political scientist Jacob Hacker calculated that one in five American households—the highest level in the past twenty-five years—is financially insecure. One in five Americans has lost at least one-quarter of his or her income within a year due to a job loss and/or large out-of-pocket medical expenses, and doesn't have enough savings to replace those losses.[30]

Joblessness and economic insecurity lead to personal and economic disaster. People often lose their health insurance, lose their homes through eviction and foreclosure, suffer depression, and fall into poverty. And high unemployment weakens the bargaining power and reduces the wages of those who do have jobs.

Dr. Harvey Brenner, a sociologist and public-health expert at Johns Hopkins University and the University of North Texas Health Science Center, is a longtime student of the correlations between economic fluctuations and mental and physical health. According to Brenner, for every 1 percent rise in the unemployment rate (about 1.5 million more people out of work), society can anticipate 47,000 more deaths, including 26,000 from fatal heart attacks, 1,200 from suicide, 831 from murders, and 635 related to alcohol consumption.[31] The National Institute of Justice reported in a 2004 study that violence against women increases as male unemployment rises. When a woman's male partner is employed, the average rate of violence is 4.7 percent; but the average rises to 7.5 percent when the male partner experiences one bout of unemployment, and to 12.3 percent when he suffers two or more periods of joblessness.[32]

Moreover, much like post-traumatic stress disorder in wartime, for some people the symptoms become chronic, lasting even after they find work again. Psychological depression, troubled marriages, and loss of self-confidence don't just go away when the economic recession ends. Economic hardship leaves behind a trail of wounded people who never fully recover.

Decent wages are necessary for social stability and for the purchasing power that the economy needs to trigger and sustain a strong recovery. The explosion of low-wage jobs is not the result of workers having inadequate education or skills. Over the past two decades, both education levels and skills have improved, while incomes have stagnated. This troubling trend is due, for the most part, to the declining bargaining power of America's employees.

Consider the case of two newly hired security guards with the same level of education who work in downtown Los Angeles for Securitas—the nation's largest security company, with $8.7 billion in revenues last year. Both José and Bill work in two of L.A.'s large office buildings. José's starting pay is $12.50 an hour, with paid health insurance as well as two sick days, five paid holidays, five vacation days (increasing to ten days after five years), three paid bereavement days, and a uniform maintenance allowance of $2 a day. Bill starts at $9 an hour (the state minimum wage) and gets no health insurance or any other benefits. What accounts for the difference? José is a member of the Service Employees International Union (SEIU), which has a collective bargaining agreement with Securitas, while Bill is on his own, with no union contract.

Multiply this example millions of times, across different job categories and industries, and you get a sense that, contrary to business propaganda, unions are actually good for the economy. According to the Economic Policy Institute, union workers earn 13.6 percent more in wages than nonunion workers in the same occupations and with the same level of experience and education. The "union premium" is considerably higher when total compensation is included, because unionized workers are much more likely to get health insurance and pension benefits. A strong labor movement would do more to address the problems of the poor—urban and suburban—than all place-based policies together.[33]

Los Angeles provides a good illustration of how unions strengthen worker purchasing power and the economy. According to a December 2007 study by the Economic Roundtable, union workers in Los Angeles County earn 27 percent more than nonunion workers performing the same jobs. The higher wages for the L.A. union workers—who number about 800,000, or 15 percent of the workforce—add $7.2 billion a year in earnings. And there is a multiplier effect. As these workers purchased housing, food, clothing, child care, and other items, their consumption power created an additional 307,200 jobs, or 64,800 more than would have been produced without the higher union wages. The union wages also yielded about $7 billion in taxes to various levels of government.[34] If unionization rates were higher, these positive ripple effects would increase across the economy.

Unions not only raise wages but also reduce workplace inequities based on race. The union wage premium is especially high for Hispanic/Latino employees (23.1 percent), black employees (17.3 percent), and Asian employees (14.7 percent). The union wage premium is 10.9 percent for white employees. In other words, unions help to close racial wage gaps by making it tougher for employers to discriminate.

Likewise, unions reduce workplace inequities based on gender. The union wage premium is 15.8 percent for black women, 14.7 percent for Hispanic/Latino women, 12.7 percent for Asian

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women, and 7 percent for white women. Unions also reduce overall wage inequalities, because they raise wages more at the bottom and middle than at the top.[35]

When activists propose policies to raise wages or regulate business practices, corporate lobbyists and their consultants-for-hire warn that these policies will scare away private capital, increase unemployment, and undermine a city's tax base.

If unions are good for workers and good for the economy, why are so few employees union members? Some business leaders argue that American employees are simply antiunion, a consequence of our culture's strong individualistic ethic and opposition to unions as uninvited "third parties" between employers and their employees. Antiunion attitudes, business groups claim, account for the decline in union membership, which peaked at 35 percent in the 1950s and is now about 11 percent.

But this story leaves out four decades of corporate union bashing that has increased the risk that workers take when they seek union representation. In general, polls reveal that American workers have positive attitudes toward unions, and these positive views are increasing as anxiety about job security, wages, and pensions grows.

A majority of American employees say they would join a union if they could; but they won't vote for a union—much less participate openly in a union-organizing drive—if they fear they will lose their job or be otherwise punished or harassed at work for doing so.

And there's the rub. Americans have far fewer rights at work than employees in other democratic societies. Current federal laws are an impediment to union organizing rather than a protector of workers' rights. The rules are stacked against workers, making it extremely difficult for even the most talented organizers to win union elections. Under current National Labor Relations Board regulations, any employer with a clever attorney can stall union elections, giving management time to scare the living daylights out of potential recruits. According to Cornell University's Kate Bronfenbrenner, it is standard practice for corporations to subject workers to threats, interrogation, harassment, surveillance, and retaliation for union activity during organizing campaigns.[36]

During the summer of 2014, Los Angeles mayor Eric Garcetti proposed adopting a citywide minimum wage that would begin at $10.25 in 2015, increase to $11.75 in 2016 and $13.25 in 2017, and rise with inflation after that. He called it "the biggest anti-poverty program in the city's history." According to an analysis commissioned by the mayor's office and conducted by researchers from the University of California-Berkeley, Garcetti's plan would increase incomes for an estimated 567,000 workers by an average of $3,200 (or 21 percent) a year. Predictably, the Los Angeles Chamber of Commerce warned that "this proposal would actually cost jobs, would cause people to lose jobs and would cause people to have cutbacks in hours." It said the same thing in 1997 when Los Angeles adopted a much narrower "living wage" law that only covered employers with municipal contracts. It was crying wolf. There's no evidence that the living-wage law has had such negative consequences, but the Chamber of Commerce keeps repeating the "job killer" mantra and the media keep reporting businesses's warnings as though they had any credibility.

Indeed, one of the biggest barriers to adopting effective antipoverty laws—at the federal, state, regional, and local levels—is the propaganda campaign waged by big business against policies that would require corporations to be more socially responsible. When activists propose policies to raise wages or regulate business practices, corporate lobbyists and their consultants-for-hire warn that these policies will scare away private capital, increase unemployment, and undermine a city's tax base. When a politician (like the aforementioned Mayor Eric Garcetti) suggests that we raise the minimum wage, chambers of commerce and other business lobby groups warn that it will kill jobs. Ditto with inclusionary zoning, laws to strengthen oversight of banks' predatory lending and racial redlining, and efforts to require companies to reduce spewing of dangerous toxics into the environment (such as L.A.'s Clean Truck Program). In every instance, the business groups' warnings were bogus; but so long as elected officials and the media take them seriously, they can cause policy paralysis.

What Cities Can and Can't Do

The role of the federal government in addressing issues of poverty in general and concentrated poverty in particular has ebbed and flowed in sync with political and ideological fluctuations. With some exceptions, states have generally been even less committed to dealing with these issues, particularly since the 1970s, as suburban voters have dominated state government. Cities and city officials have to deal with the realities of poverty in their backyards; but progressive, liberal, and conservative urban officials have differed in their approaches to urban poverty.[37] Some academics have argued that cities are in no position to address questions of poverty and, more broadly, redistribution. In his 1981 book *City Limits*, political scientist Paul Peterson argued that both capital mobility and people mobility made it difficult for cities to engage in redistribution policy to help the poor.[38] Cities, Peterson claimed, cannot tax or regulate businesses too much because they could then leave, taking their jobs and tax base with them. And if cities help the poor too much, they will attract even more poor people, further increasing the costs to local governments and triggering an even greater exodus of well-off people and businesses.

There are certainly limits to what local governments can accomplish when it comes to addressing poverty; the federal government has many more tools to deal with these issues. But experience over the past few decades suggests that Peterson was too timid. Even in a global economy, local governments have considerable leverage over business practices, job creation, and workplace quality. Most jobs and industries are relatively immobile. Private hospitals, universities, hotels, utilities, and other "sticky" industries—as well as public enterprises such as airports, ports, transit systems, and government-run utilities—aren't about to flee to Mexico or China if government policy requires them to raise wages, pay higher taxes, or reduce pollution. This makes threats to pull up stakes less compelling and gives cities (and progressives) more negotiating power.

The past few years have seen an upsurge of activism, such as the wave of strikes at Walmart and in the fast-food industry, with employee protests backed by a broad coalition of consumers, community groups, and unions calling for a $15 minimum wage (or, in the case of Walmart workers, a full-time salary of $25,000). A growing number of cities have adopted living-wage and minimum-wage laws, including the pathbreaking $15/hour citywide minimum in Seattle.

Across the country, homeowners facing foreclosure due to reckless predatory loans have linked arms and resisted eviction, while community groups and unions push elected officials to hold major lenders accountable with fines, settlement agreements, and jail time for top executives.

Local coalitions of labor, community, and faith groups have pushed cities to adopt community-benefit agreements, laws against big-box stores, local hiring and training requirements, improvements in workplace health and safety, and ordinances requiring cities to adopt social standards when purchasing goods and services (such as anti-sweatshop policy labor standards for production of uniforms for cops, firefighters, and hospital workers).[39]

The Los Angeles Alliance for a New Economy (LAANE)—a coalition of labor, community, and faith-based groups founded in 1993—has been a pioneer in waging successful campaigns to give working-class residents a stronger voice in local and regional government. LAANE pushed Los Angeles not only to adopt a strong living-wage law and the nation's first community-benefit agreements but also to improve working and environmental conditions at the city's port and in its sanitation and recycling industry, thwart the invasion of low-wage big-box stores, and train inner-city residents for well-paying union jobs on government infrastructure projects.[40]

Now, dozens of cities have adopted community-benefit agreements and inclusionary zoning laws to require developers to create good jobs and affordable housing, or to hire local residents on construction projects or as regular employees, without experiencing a flight of private investment.

Other cities have enacted "linked deposit" laws and issued annual report cards on their

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lending activities to push banks to invest in underserved areas as a condition for receiving municipal business. More than a hundred localities have adopted living-wage laws, and none have experienced the negative consequences predicted by local business groups. Building on the living-wage model, progressive local officials understand that cities can focus municipal subsidies on industries and firms that provide decent pay, benefits, and upward mobility. Some cities have recently joined the movement to divest their pension funds from fossil fuel companies and gun manufacturers. In Cleveland and elsewhere, local governments have partnered with universities, hospitals, and community groups to promote community-owned or worker-owned cooperative businesses, as Gar Alperovitz documents in his fascinating book, *What Then Must We Do?*[41] In a few metropolitan areas, cities and suburbs have forged peace agreements (such as regional tax-base sharing) to end the mindless competition that pits local jurisdictions against each other over private investment.

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Richmond, California is a city of 103,000 in the Bay Area with perhaps the most progressive local government in the country. In November 2012, the *New York Times* reported that this "small, blue-collar city best known for its Chevron refinery has become the unlikely vanguard for anticorporate, left-wing activism in recent years, having seized the mantle from places like Berkeley, just south of here, or San Francisco, across the Bay."[42] A progressive coalition of unions and community groups, led by Mayor Gayle McLaughlin, has not only improved city services and reined in police abuses but also challenged the power of the city's biggest private employer (Chevron) by raising taxes and opposing its plan to expand its refinery in order to handle dirtier crude oil, which would result in more pollution and greenhouse gas emissions. When the housing bubble burst in 2007, almost half of the city's homeowners were underwater, and the blight of vacant buildings and the decline of property values devastated Richmond's finances. When Wall Street banks refused to modify the troubled loans, the city government enacted a plan to take the underwater mortgages by eminent domain and sell them back to homeowners for their current market values. Despite enormous lobbying pressure from the banking industry, the city's progressive officials—supported by SEIU and by the Alliance of Californians for Community Empowerment, a community-organizing group—refused to back down.[43] In November 2014, Chevron poured over $3 million into the municipal elections on behalf of a conservative slate of candidates. Despite being outspent by 20 to 1, the progressive coalition consolidated its control of the local government. All of its candidates for Mayor and City Council won.[44]

We need to redefine what it means to have a "healthy business climate." It shouldn't just mean higher profits for developers and other businesses. It should mean overall prosperity that is shared by working people—a more enlightened view of business's responsibility to the broader community. Some enlightened business leaders get it;[45] but business lobby groups keep spouting the party line, even though it is bogus. Activists, academics, and policy-makers have to learn how to challenge business's scare tactics. That's why, several years ago, I joined with a number of scholars to found the Cry Wolf Project to document the many corporate-sponsored "job killer" lies and myths that shape our thinking about economic policy.

What Now?

In 1962, Michael Harrington wrote a slim, 186-page book, *The Other America*, that helped inspire President Lyndon Johnson's "War on Poverty." As Harrington described it, the poor were invisible to most Americans because they lived in rural isolation or in urban slums. Once they become aware of the situation, Harrington wrote, Americans should be ashamed to live in a rich society with so many poor people.

"The fate of the poor," he concluded, "hangs upon the decision of the better-off. If this anger and shame are not forthcoming, someone can write a book about the other America a generation from now and it will be the same, or worse."[46]

A generation later, thanks in part to Harrington, the poor are no longer invisible. The policies adopted under President Johnson (including Medicaid, subsidized housing, Head Start, legal services, raising the minimum wage, and, later, food stamps)—in combination with a strong economy—significantly reduced poverty.

The nation's poverty rate has never returned to the level Harrington described in *The Other America*, but progress stalled in the 1970s. Today, almost 50 million Americans—over 15 percent of the population—live below the nation's official poverty threshold. Almost as many poor people live in the suburbs as in cities—a phenomenon that was unthinkable fifty years ago. About one-quarter of America's children now live in poverty.

Even more startling is the fact that about 100 million people comprise what the U.S. Census calls the "poor" and the "near poor," based on a new definition of poverty that measures living standards, not just income. Almost one-third of the nation, in other words, can barely make ends meet.[47]

Although America's poverty rate has fluctuated over the years, it has persistently been two or three times higher than poverty rates in most European societies, which have much more generous social welfare policies and stronger labor unions. Even Canada—whose economy and distribution of wealth are similar to that of the United States—has a much lower poverty rate and does not permit the level of sheer destitution and misery found in the United States, including hunger, slums, and the growing army of homeless people sleeping on park benches and in abandoned buildings.

In other wealthy nations, national governments take major responsibility for funding public transportation, public safety, parks, housing, social services, and infrastructure, while encouraging localities to cooperate and innovate in administering these key functions of government.

The United States does it backwards. Washington typically requires cities and states to deal with issues such as homeland security, clean air and water, and schools, without providing the necessary funding. Cities have to tax residents

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Without clear government ground rules, capitalism becomes anarchy and cronyism. Every segment of industry . . . becomes so shortsighted and greedy that it doesn't see the possible train wreck coming around the corner. That's what happened to the financial services and housing industries . . . when they got the deregulation that they fought so hard for.

and businesses to raise the billions of dollars a year to comply with these unfunded mandates. Not surprisingly, our bridges, water systems, dams, and highways—as well as many school buildings—are crumbling.

Similarly, immigration policy is supposed to be a federal responsibility; but, because immigrants wind up living in America's cities and suburbs, it is local governments that are compelled to deal with housing and educating them. Washington provides no help except to send federal agents to workplaces looking for illegal immigrants.

Federal tax and highway policies promote costly, energy-wasting sprawl, which encourages developers and companies to invest in the urban fringes while allowing existing buildings and infrastructure in cities and older suburbs to deteriorate. Federal transportation policy is mostly about building and repairing highways rather than funding public transit and requiring automakers to make energy-efficient cars. (Even so, we don't spend enough to adequately repair and upgrade our existing highway infrastructure.)

Making matters worse, American cities and suburbs are forced to compete against each other for private investment and jobs, from shopping malls and office parks to Walmarts and sports franchises, which undermines the fiscal health of cities and suburbs alike.

Equally absurd, the United States has the most fragmented crazy quilt of local governments. Within just the one hundred largest metropolitan areas, there are nine thousand layers of government—municipalities, school districts, counties, water districts, park districts, and others—making it almost impossible to coordinate.

Unlike other major countries, we have no federal policies that encourage, much less require, regional planning. We permit private industry and local governments to determine where housing will be built and where jobs will be located, without thinking about—or planning for—how people will get to and from where they live, work, attend school, and shop.

Faced with an even graver situation in the Depression, President Franklin Roosevelt worked with Congress to give the federal government the tools it needed to revitalize the economy, put Americans back to work, and make business act responsibly. At the time, critics called him a socialist, but in retrospect it is clear that what FDR did was rescue capitalism.

We hear echoes of that same debate today. No matter what President Obama proposes—healthcare reform, a stimulus plan of large-scale public works, extending unemployment benefits, protecting consumers from credit-card abuse, increasing financial aid for college students, raising fuel standards on cars, and more—the right-wing mainstream of the Republican Party calls it "socialism."

But in reality, the choice is not between "socialism" and "capitalism"—it is about what form of capitalism makes the most sense for a healthy society.

One version of capitalism is characterized by free-market fundamentalism, where consumers, workers, and families are on their own, and businesses do whatever they want, with little or no role for government. Let's call this "no rules" capitalism.

The other version of capitalism is one where society sets the rules and standards of commerce regarding matters like protecting consumers, employees, and the environment from irresponsible business practices, such as excessive pollution; risky oil drilling; predatory and reckless bank lending; unsafe workplaces, food, medicine, and transportation; unfair wages; and discrimination by race and gender. Let's call this "responsible" capitalism.

Without clear government ground rules, capitalism becomes anarchy and cronyism. Every segment of industry—and the same goes for consumers—becomes so shortsighted and greedy that it doesn't see the possible train wreck coming around the corner. That's what happened to the financial services and housing industries—the builders, banks, mortgage companies, brokers, investors, credit-rating agencies, and others—when they got the deregulation that they fought so hard for.

The history of the Community Reinvestment Act (CRA) illustrates the pitfalls of market-oriented solutions to address poverty and neighborhood distress, as well as the importance of grassroots activism in bringing about significant policy change. In the 1970s, community groups documented widespread racial discrimination in mortgage lending, which became known as "redlining." When they proposed a federal law to address this problem, it was considered a radical idea. The banking industry opposed the CRA.[48] Its lobbyists argued that the CRA would tie banks' hands and reduce credit in low-income neighborhoods, even though it did not require banks to make loans to businesses or people who couldn't repay them. It did not ask banks to engage in charity. It simply said: Don't discriminate against qualified borrowers.

Passed by Congress in 1977 over industry opposition, the CRA gave federal regulators the power to deny approval for lucrative bank mergers or acquisitions if banks engaged in persistently irresponsible or discriminatory lending. Under presidents Ronald Reagan and George W. Bush, regulators failed to enforce the law, so activist groups used the CRA to hold banks accountable. They conducted their own studies, uncovered banks with a pattern of irresponsible lending, exposed these practices to the media, worked with elected officials who shared their concerns, and demanded that regulators do their job. To avoid costly and harmful confrontations, many lenders forged "community reinvestment agreements" with community groups, pledging to make loans to borrowers who could afford them and whose neighborhood banks had ignored them. Once they did so, banks discovered that many working- and middle-class black and Hispanic/Latino borrowers were excellent customers with good credit histories. These new markets generated good profits on stable loans with little risk. By 2002, the CRA had helped catalyze more than $1 trillion in bank lending in underserved communities.[49]

But the tide of deregulation in the late 1990s and early 2000s allowed a new sector of unregulated lenders to emerge; they circumvented the CRA. Deregulation led to an explosion of subprime mortgages and predatory lending. In 2002, subprime loans made up 8 percent of all mortgages; by 2006, they had soared to 20 percent, most of them including adjustable rates. Many borrowers were hoodwinked by irresponsible mortgage brokers and lenders who offered mortgages with hidden fees and bad underwriting standards.

When Congress enacted the CRA, the vast majority of all mortgage loans were made by lenders regulated by the law. By 2006, only about 43 percent of home loans were made by lenders subject to the CRA. Indeed, the main culprits in the subprime scandal were nonbank mortgage companies, which successfully grabbed the bulk of the mortgage market away from the CRA-regulated banking industry. The number of lenders regulated by the government and covered by the CRA dramatically dwindled. The foreclosure rates on subprime, adjustable-rate, and other exotic mortgage loans were four to five times higher than the foreclosure rates on conventional CRA mortgages.

Only about 20 percent of subprime mortgages were issued by banks regulated by the CRA. The other 80 percent of predatory and high-interest subprime loans were offered by financial institutions not covered by the CRA and not subject to routine examination or supervision. "The worst and most widespread abuses occurred in the institutions with the least federal oversight," University of Michigan law professor Michael Barr told Congress. A report by Harvard's Joint Center for Housing Studies agreed: "The data suggest that far from being forced into risky corners of the market, the institutions under the scrutiny of the CRA were crowded out by unregulated lenders." Janet Yellen, then president and CEO of the Federal Reserve Bank of San Francisco, criticized those who blamed CRA lending for the subprime crisis: "Most of the loans made by depository institutions examined under the CRA have not been higher-priced loans, and studies have shown that the CRA has increased the volume of responsible lending to low- and moderate-income households."[50]

Consider, too, the recent epidemic of foreclosures, which precipitated the nation's mortgage meltdown and led the country into today's

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economic hard times. Banks, mortgage brokers, rating agencies, and homebuilders all acted badly. If there was ever a case for regulating business, this was it. President Obama and the Democrats, backed by a feisty coalition of consumer, community, and labor groups, put in place new rules to protect consumers—and the entire economy—from Wall Street's greed. It was a bitter fight. Wall Street used its political clout in Congress to weaken the stronger rules that Obama and others wanted.[51] After the GOP victories in November 2014, the banking lobby began trying to eviscerate the Dodd-Frank Wall Street Reform and Consumer Protection Act, and other consumer protections.

But here's the biggest problem with our troubled financial system: Americans don't have enough money to pay their mortgages. That is why so many of them are drowning in debt.[52] Fix that—that is, help most American families achieve a middle-class income—and you're pretty far along toward solving many other serious problems troubling our society.

America is now in the midst of a new Gilded Age with a new group of corporate robber barons, many of them operating on a global scale. Like its predecessor, this new Gilded Age is characterized by a frenzy of corporate mergers, widening economic disparities, a proliferation of low-wage jobs, and deteriorating social conditions. America today has the biggest concentration of income and wealth since 1928. Meanwhile, the American Dream—the ability to buy a home, pay for college tuition and health insurance, take a yearly vacation, and save for retirement—has become increasingly elusive.

The obvious question confronting America is what role, if any, government should play in setting standards and rules for corporations and their stockholders, taming their abuses; stimulating the economy to boost and sustain private economic growth; providing or helping people afford education (both K–12 and college), healthcare, child care, and retirement savings; and protecting the environment and public health from the damages of pollution and the corporations that profit from our dependence on fossil fuels.

We already know what policies work to promote shared prosperity.[53] For starters, these include:

- Raising the minimum wage to a living wage (at the local, state, and/or federal levels).
- Adopting a more progressive income tax.
- Lifting the cap on income subject to Social Security.
- Restoring some version of the Glass-Steagall Act to protect consumers from banks' predatory practices and to stabilize the financial system.
- Raising taxes on corporations where the ratio of CEO pay to average worker pay exceeds a certain limit (say, fifty to one).
- Adding a housing component to the Earned Income Tax Credit, adjusted for regional differences in housing costs, which are the largest component of family budgets.[54]
- Expanding the social safety net to include universal child care and pre-K schooling.
- Equalizing per-student funding in K–12 school districts around the country.
- Limiting college student debt.
- Investing in our infrastructure to expand public transit, rebuild bridges and roads, and repair aging public school buildings.

Many Americans are wondering whether the country has lost its ability—or our political will—to sustain a middle-class society that works for everyone. The recent recession and the much-too-slow recovery have deepened the anxiety and pain, but in many ways it has simply exacerbated trends that were underway for several decades. A growing number of Americans doubt that their children will be better off than they are.

America seems to be holding its breath, trying to decide what kind of country it wants to be. We seem to be at one of those crossroad moments when attitudes are rapidly shifting and significant reform is possible. Americans are upset with widening inequality, the political influence of big business, and declining living standards. Public opinion is generally favorable toward greater government activism to address poverty, inequality, and opportunity. But public opinion, on its own, doesn't translate into public policy. It has to be mobilized.

That's what movements do. Can a coalition of conscience take advantage of the new mood in the country, which has created openings for unions, community organizations, environmental-justice advocates, faith groups, and fair-minded elected officials to promote a growth-with-equity agenda? They are up against enormous odds. They need more resources to build movements and issue campaigns that can win real victories that change public policy, improve people's lives, and change institutions.

The most effective way to address poverty and urban decline is to address their root causes, which involve the vast and growing inequalities of income, wealth, and political power. Focusing narrowly on revitalizing poverty-stricken neighborhoods, and relying on "market" forces to solve these problems, is shortsighted and misguided. Social-justice philanthropy has a long and valuable tradition in the United States, but it is still a marginal part of the foundation world.[55] If philanthropists want to help create a more humane, fair, and democratic society, they should support the many organizations and activists who are building a movement for shared prosperity.

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Is Your Board "*Normal*"?

BoardSource's 2014 Nonprofit Governance Index

by Ruth McCambridge

BoardSource's most recent report on nonprofit board practices shows, among other trends, that lack of diversity in board leadership with respect to race, gender, and age persists. And as YNPN's communications and network engagement director Jamie Smith warns, "Until we make our boards and executive leadership more diverse, our sector won't be operating at its full potential."

Editors' note: *BoardSource's* Leading with Intent: A National Index of Nonprofit Board Practices *(formerly known as the* BoardSource Nonprofit Governance Index*) is a series of studies that track and analyze trends in nonprofit board leadership, practices, and composition. BoardSource's 2014 report, released on January 27, 2015, is based on responses from 878 nonprofit CEOs and 246 board chairs, who shared quantitative and qualitative data about their boards' composition, policies, practices, and performance in a survey conducted in summer 2014. (The report can be downloaded for free from the BoardSource website, www.boardsource.org/eweb/.)*

In this article we concentrate on just a few of the findings, so we urge our readers to take a look at the full report. We do caution the following: First, the data is self-reported and therefore prone to subjectivity—and that subjectivity, by the way, comes from a place that is older, whiter, and more male than we all wish it were. Second, the fact that the respondents are by definition people who have been in touch with BoardSource—and therefore have evinced some interest in good governance practice—makes the index not entirely representative (although, according to Vernetta Walker, BoardSource's vice president and programs and chief governance officer, previous research suggests that the findings are still representative of the larger field). With that said, the information gives us a backdrop of impressions that can help guide future thinking and action vis-à-vis nonprofit boards.

This article is adapted from an article of the same name, published on Nonprofit Quarterly*'s website on January 27, 2015.*

IS YOUR BOARD OUT OF STEP WITH THE NORM? BEFORE you ponder this question you may want to review *Leading with Intent: A National Index of Nonprofit Board Practices*, BoardSource's newly released report on trends in board leadership.[1] As the report makes clear, in some cases these norms may reflect good standards of practice, but in others, not so much.

RUTH McCAMBRIDGE is the *Nonprofit Quarterly*'s editor in chief.

"DIFFERENT" BY STEFAN GEORGIEV/WWW.STEFANGEORGIEVART.COM

The larger the organization—in terms of financial assets—the less racial and ethnic diversity there is in governance.

Are You in the Norm? 12 Indicators against which to Compare Your Governance

Based on the findings in the report, your board is in a *very small* minority if:

1. You pay board members an honorarium (98 percent do not);
2. Your CEO/executive director is a voting member of the board (88 percent are not);
3. You do not have directors' and officers' insurance (96 percent do);
4. You do not get an annual financial audit (89 percent do);
5. You do not have a whistleblower policy (88 percent do);
6. You do not have a document retention and destruction policy (86 percent do);
7. You do not have a written conflict-of-interest policy (97 percent do);
8. You do not distribute the Form 990 to the board before filing your taxes (85 percent do).

These practices are generally recommended as components of good governance, although when it comes to number 4, some groups are small enough to be able to replace the audit with financial statements—and, frankly, some still question the real need for D&O insurance (number 3). But you are also in a small minority if:

9. You do not have a white board chair (90 percent are white);
10. You do not have a white executive director (89 percent are white);
11. You have a board chair who is forty years old or under (91 percent are over forty);
12. You have an executive director who is forty years old or under (94 percent are over forty).

If BoardSource's respondents are indeed relatively representative, these last four points indicate a lack of diversity in leadership in the sector overall. It's this lack of diversity in leadership (and a few related issues) that *NPQ* will focus on in this short review of some of the findings.

But first, it is important to recognize that boards have shrunk. This trend isn't new; according to this index, over the twenty years between 1994 and 2014, board sizes have diminished by almost 20 percent, from an average of 19 members in 1994 to 17 members in 2004 and to 15.3 members in 2014. While there are still some large boards, more than 80 percent of boards have fewer than twenty members.

Also, the thought that boards must be packed with influential connectors seems to be going the way of the dodo—at least for many organizations. This fits well with the idea that boards should know how to interact effectively with larger systems of governance and support. "Interacting effectively" in these times means that board members are connected enough to the organization and its stakeholder environment—rather than to influential individuals external to that environment—to ensure proper communication with stakeholders. This means too that board members should be capable of listening with an educated ear for the tremors and trends in the organization's environment—and a lack of diversity on the board interferes with the capacity to accurately "listen." What follows is a summary of some of the key points in the report having to do with issues of diversity.

Racial and Ethnic Diversity on Boards Have Progressed Very Slowly

While there has been progress in racial and ethnic diversity on boards, it has been slow. As noted above, 80 percent of board members are white. This compares with 91 percent, as reported ten years ago in the 2004 *Nonprofit Governance Index*, but given the diversity of the country's population, it still comes up wanting. Add to this the fact that, as we mentioned earlier, 89 percent of executive directors/CEOs are white (recognizing that executive directors are indeed an important guiding force in governance) and 90 percent of board chairs are white, we see a firm cultural lock in governance leadership that should be unacceptable in this sector. Again, the larger the organization—in terms of financial assets—the less racial and ethnic diversity there is in governance. When we look across nonprofits like this it is easy to see that there is a problem, but individual organizations are the level at which these changes will finally be made. The governance index findings "show a lack of concerted planning and follow-through."

Gender Diversity Is Still Sensitive to Size

Conforming to the findings of other studies, women in leadership tend to dominate in small and midsize organizations, but the picture changes as nonprofits get larger. As the report indicates, more than 65 percent of small and 75 percent of midsize organizations have female CEOs, compared to just 37 percent of large organizations. The same dynamic exists on the board and in the board chair position, but as the report states, "the larger the organization, the more likely the chair is to be white, over 40 years and male."

Board Members Are As Old or Older than They Were Twenty Years Ago

According to the index, boards appear to have stagnated on building young membership or even become less inclusive of youth over the past twenty years. In 1994, more than half of board members were reported in the index as being between thirty and forty-nine years old.[2] The 2014 index does not use the same age spans, so it is difficult to compare exactly, but in 2014, 84 percent of board members are reported to be older than forty. In other words, only 16 percent of board members are younger than forty.

And executive director longevity was impressive across all sizes of nonprofits. A whopping 41 percent of the CEOs who responded had been in their positions for ten years or longer, and 80 percent had been in their positions for three years or longer. This is higher than in 2004, when only 71 percent had been in their positions for three years or longer.[3] Additionally, prospects for future longevity are surprising, with 50 percent of all current execs saying they have no plans to leave, and another 25 percent saying they may leave in the next three to five years—which, in our experience, could mean anything.

This is an interesting trend, given that there was an alarm sounded early last decade about an anticipated mass exodus of leaders. It is described in *Next Shift: Beyond the Nonprofit Leadership Crisis*, a 2007 report by Frances Kunreuther and Patrick A. Corvington, as "a rising sense of alarm in the nonprofit sector about the future of

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As it stands, only 34 percent of responding boards have written executive succession plans, and considering the age and longevity of the CEOs, this could spell big problems.

its leadership. Study after study has pointed to an impending crisis, with roughly 75 percent of executive directors/CEOs reporting that they plan to leave their jobs within the next five years."[4]

As it stands, only 34 percent of responding boards have written executive succession plans, and considering the age and longevity of the CEOs, this could spell big problems. For any number of reasons, leadership succession should be seen as a sector-wide challenge that needs to be addressed through the development of much deeper and younger leadership benches on the boards and in executive leadership in every nonprofit.

While the 2014 index does suggest that board members under forty increased from 14 percent to 17 percent between 2010 and 2014, the proportion of board members under forty in 1996 was higher than this year, at 19 percent. Thus, little movement is apparent on this front, and combined with the advanced ages of CEOs and leadership (as shown in points 11 and 12 above), this may spell problems in terms of nonprofit resonance and relevance in the future.

Because the report's data on the ages of leadership were so striking, we asked staff at the Young Nonprofit Professionals Network (YNPN) about the implications. Trish Tchume, YNPN's national director, took the following stand:

> The case for diversity and inclusion tends to focus on "reflecting the communities we serve." While this is a strong reason in and of itself to work toward greater inclusion on boards, there is a much more straightforward reason to seek diversity: Our visions for a change are far too complex and the possible solutions to address these challenges are far too vast to rely on a narrow set of people to bring them to bear on our organizations.[5]

Budget Size Matters to Diversity

A number of board characteristics change with organizational size as figured by annual budget, and many of these have to do with inclusion. For instance, most board members in nonprofits are older, with 84 percent in the over-forty category. (And when it comes to CEOs, forty may be the new twenty; a full 94 percent of CEOs responding to the survey reported that they were over forty.) The larger the organization, the greater the percentage of older board members. At small organizations, 80 percent of board members are over forty; at midsize ones, 85 percent are over forty; and at large ones, it goes up to 90 percent. A similar proportional dynamic exists regarding the gender of board members: small, 52 percent female; middle, 47 percent; large, 40 percent. And boards of small organizations were only slightly more racially diverse than those of midsize or large organizations.

Big-Picture Governance Requires the Ability to Work through Diverse Networks

As David O. Renz suggests in his article "Reframing Governance II," the systems that govern an organization exist in the organization's external environment as well as within the board. Boards that do not act on this point end up abdicating some of the most powerful decisions to others:

> Governance is not just about organization; it's an essential function in addressing a particular issue or need in our community. But for so long, individual organizations have been the appropriate unit to address problems, and we assumed that it always would be this way. But now, for the most critical and substantive community issues and problems, single organizations can no longer appropriately match the scale of these issues and problems. We've found it increasingly essential to develop alliances and coalitions—extraorganizational entities—to address the multifaceted complexity of these critical needs and issues. And the most successful systems we've developed to govern these alliances reflect the same scale and complexity as the alliances themselves.[6]

For many nonprofits, their work is bounded, limited, and facilitated by public policy, yet according to the index, few boards see themselves as responsible for monitoring the impact of public policy on their organization; 37 percent do, at least to "some extent," and this category is sensitive to size, with smaller organizations doing less of it. Even fewer, 33 percent, try to affect policy by educating policy-makers "to some extent."

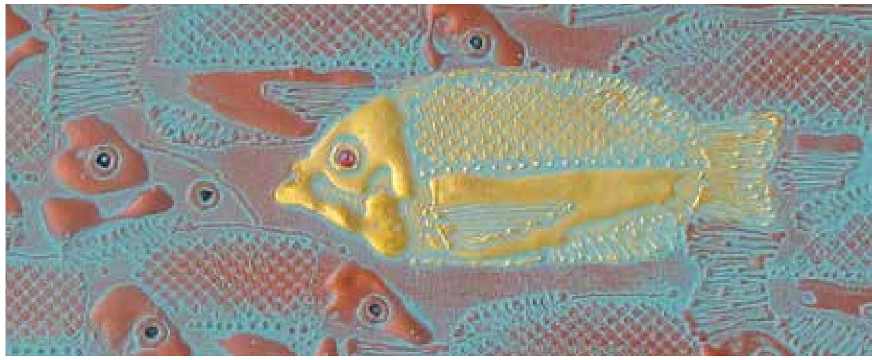
• • •

In a time of massive societal disruption, nonprofit boards remain relatively stable. Though they have not changed much, some of the changes they *have* made seem positive. The adoption of practices to improve accountability (and, presumably, lessen the potential for conflicts of interest) is good, and the fact that boards have become smaller could be quite positive under the right conditions. But the lack of inclusion of younger people and people of color on boards and in the position of executive director seems to point to an unwillingness to join in and make best use of the current societal disruption.

Young people have a different experience base in the political and social uses of networks, which relates to the ability to approach big questions. Additionally, smaller boards can do their best work for the good of a larger community if those boards have an understanding of how to interact effectively with a larger, more diverse, and unbounded governance system of stakeholders. This cutting edge of governance requires cultural wisdom—and that means the wisdom of younger leadership must be courted and engaged. As Jamie Smith, director of communications and network engagement at YNPN, puts it:

> Until we make our boards and executive leadership more diverse, our sector won't be operating at its full potential. Beyond missing out on opportunities to learn from diverse perspectives, we're operating in a way that's unsustainable and completely unnecessary. . . . There's an abundance of young and diverse leaders who are looking to be engaged. The question is, why aren't we engaging them?[7]

It's a good question. Is the problem coming from a tendency to self-protect and self-perpetuate through recruitment practices that depend on the networks of current board members?



What else may be at play? Whatever it is, Smith thinks there is no other way forward but to break through whatever barriers are holding back change, because otherwise nonprofits are atrophying in the midst of rapid learning and change. "Cross-generational leadership that blends the wisdom and experience of senior leaders with the curiosity and creativity of younger leaders makes our sector stronger," she says. "Not just immediately, but in the long term, as we prepare for the current generation of executives and board members to retire."[8]

Notes

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Inequality and Space:
Mapping the Geography of Human Services

by Brent Never

Many feel that privatizing public services is a contradiction in terms and leads to any number of problems; and, in the context of human services, inattention to matters of geography appears to result in misallocation and/or unequal quality of delivery—unsurprisingly, with the highest levels of inadequate or distressed providers correlating with less well-off communities. Mapping service providers, says the author, can enrich the debate and help us to grapple with these spatial concerns.

Over the course of sixty years, the United States has moved human services from public to private provision. The poor, who used to go to county health departments for their medical care, now go to nonprofit health clinics or even for-profit hospital emergency rooms. Mental healthcare famously moved from state hospitals to nonprofit outpatient services. Vocational training is now offered by nonprofit contractors. Even

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"Untitled 3 (Xanadu)" by Sue Beyer/www.suebeyer.com.au

A concern of elected leaders, whether congressmen or city councilors, is that their district receive a share of services—and there have always been due-process concerns with regard to schools and public defenders. Now that human services have in some cases moved to private providers, it becomes even more crucial to understand space.

legal services in many jurisdictions are handled by nonprofit legal clinics or private attorneys funded by counties as piecemeal public defenders. As Steven Rathgeb Smith and Michael Lipsky have articulated, the public-private "contract regime" is here to stay.[1]

Privatizing human services has had many positive aspects. First, it has allowed for greater flexibility. Clients potentially have choices. Nobel laureate Elinor Ostrom and her husband, Vincent, held that this would create a polycentric system, where choice leads to what they called "public economies";[2] public economies allow for competition, which in turn can lead to better services for all. Second, privatization can result in services that are tailored for particular communities. No longer is it a one-size-fits-all government bureaucracy but rather a series of small, community-based providers that are close to their clients. Lastly, privatization moves liabilities off the books of governments and onto those of private organizations. The perceived headaches of government—payment of employees, negotiations with unions, depreciation of equipment and buildings—could instead become the headaches of contractors. And, in some ways, this has resulted in a malleable and efficient system for many Americans. But there is an aspect of the privatization of human services that has not been adequately studied—that of geographic space.

Mapping Human Services

Geography is traditionally a central concern for government-provided services. A concern of elected leaders, whether congressmen or city councilors, is that their district receive a share of services—and there have always been due-process concerns with regard to schools and public defenders. Now that human services have in some cases moved to private providers, it becomes even more crucial to understand space.

A core argument for privatizing human services is that it brings services closer to the people who need them, yet this argument is difficult to study. A cartography of the nonprofit sector could help, with mapmakers not only looking at geographic space but also at the relationship between people and the services they demand. There would need to be two different types of maps: one that charts the populations needing services, and another that charts the providers supplying those services.

Maps of human-service demand are tricky. In a forthcoming study, conducted for the Kresge Foundation, in which I attempted to map the interaction of where human services are delivered and where they are needed, I asked leaders of nonprofit, public, and for-profit agencies to mark on a map the locations of clients using their programs. Some leaders were able to use program data to identify client locations, but the majority had to rely on gut intuition, and said such things as, "Yeah, I think that most of our folks come from neighborhood X," or, "There's probably a Hispanic population in that area that we aren't reaching, but we just haven't had time to try." Asking a wide range of people if they need a service is an expensive process, but the private sector often does this (in Nielsen surveys of consumer preferences, for example). The data that governments typically use, if they use them at all, are proxies: levels of unemployment as proxies for the need for vocational training; birth rates as proxies for future Early Head Start sites; etc. Proxy measures aren't perfect. They are almost always aggregate measures per census tract or political boundary, which may not help in locating populations within that region. Proxies almost never completely capture the variable of interest but rather correlate with it to a certain degree. Each of these factors affects the validity and reliability of demand maps.

Supply maps are equally difficult to generate. The contract regime has opened up a mind-boggling array of potential human-service providers, and maps including only nonprofits are far from sufficient. Maps must now include for-profit providers. As an example, the hospice industry was, traditionally, dominated by nonprofits until the 1986 Medicare Hospice Benefit was made permanent; now for-profit franchises have come to be the largest segment in end-of-life care. Maps must also now take into consideration nonprofit charities—which in the past were excluded—via data drawn from 990 IRS returns or secretary of state listings.

Geography Matters

The new world of publicly funded, privately provided human services opens a new discussion about inequality on two fronts: *inequality of spatial access to services*, and *inequality of quality of services*. Whereas when services were publicly provided there were institutional avenues for registering dissatisfaction with access, the introduction of private providers adds a level of distance between potential clients and their governments.

Geography matters in human services. Human services are almost entirely provided in situ (day care, for instance, cannot be outsourced to a foreign country). The importance of location is amplified for poor individuals who have limited transportation. For instance, Scott W. Allard, analyzing the spatial allocation of vocational training services in Los Angeles, Chicago, and Washington, DC, found that in our post-welfare-reform world, those who need vocational training tend to live far from where vocational training services are offered.[3] Amy E. Hillier moves beyond looking at literal distance to consider imagined distance; in a study of Camden, New Jersey, she found that African Americans will not access services in what they perceive to be a Hispanic neighborhood, even if it is much closer than the next option.[4] Inattention to matters of geography results in misallocation of services.

An added complication is that not all service providers are equally financially healthy. The recent recession has highlighted the fact that, whereas governments very rarely go bankrupt, private providers can (and do) close their doors, potentially leaving a community without access to a necessary service. In my research I consider two aspects of human-service geography: the financial health of nonprofit human-service providers, and the demographics of the communities that they serve.[5] Or, as I describe it to my students, I am a nonprofit pathologist: I study "sick" nonprofits and who will be affected by their death should they perish.

My research covers human-service nonprofits in two periods: a pre-recession (2004–6) and recession (2007–9) timeframe, with a focus on organizations that are financially "sick" and potentially threatened with closure in the near future. Human-service nonprofits provide resource-intensive services, so a large drop in spending is a signal that the organizations are no longer serving clients at the same level. I created two levels of "sick": organizations that had a 25 percent drop in expenditures (Model 1) and those with a 50 percent drop (Model 2) over the time period (see figures 1 and 2). The results show a marked jump in levels of financial distress from the pre-recession to recession periods for both models.

Geography matters in human services. Human services are almost entirely provided in situ (day care, for instance, cannot be outsourced to a foreign country).

Figure 1: **Percentage in financial distress (Model 1)**

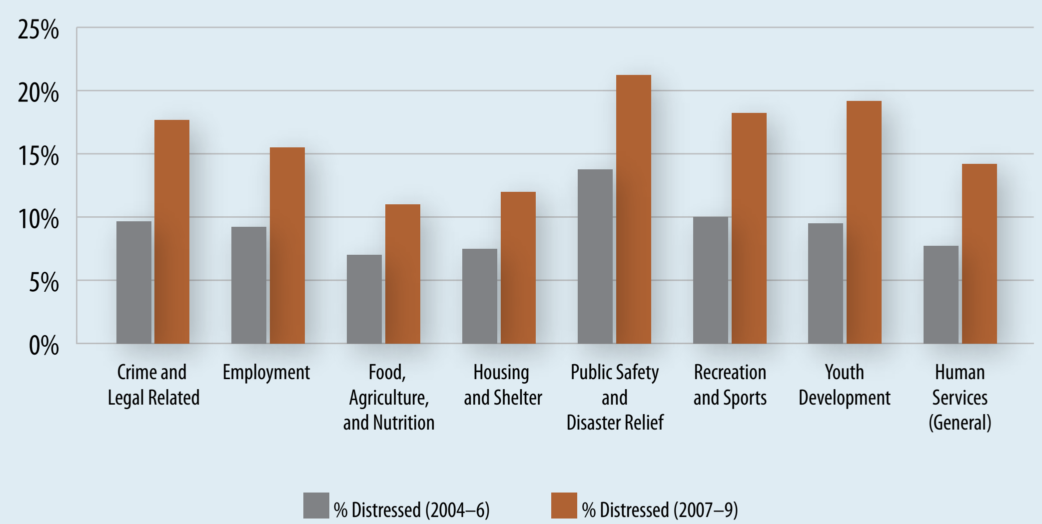
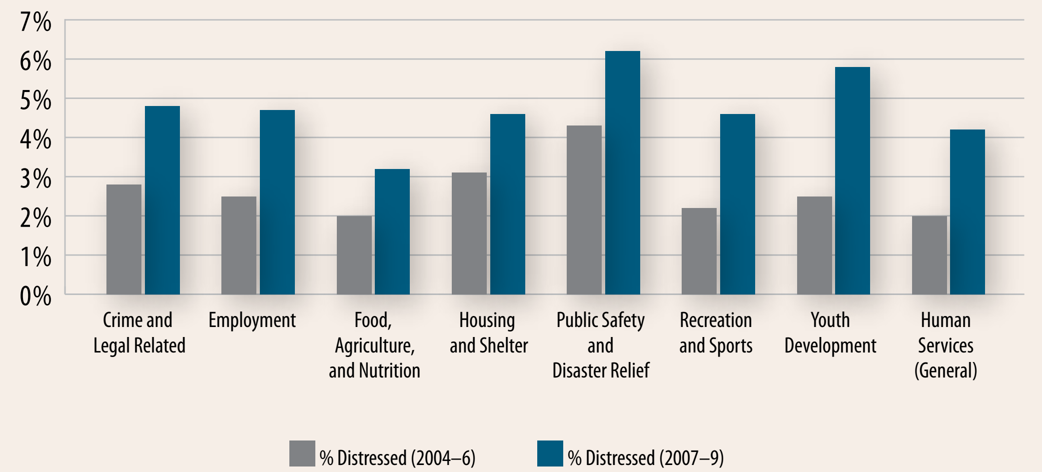


Figure 2: **Percentage in financial distress (Model 2)**



There is a positive correlation between the number of minority individuals in a community and the number of financially distressed human-service nonprofits. This correlation only intensified during the recession period.

On average, just over 9 percent of all human-service nonprofits were financially distressed (Model 1) before the recession, whereas close to 16 percent were distressed during the recession. A similar pattern is apparent for the severely distressed organizations (Model 2).

The results require more precision: What types of organizations potentially face closing their doors? The answer is small nonprofits. Almost 20 percent of organizations with annual revenues less than \$500,000 were distressed (Model 1) in the recession period. This compares to only 7.2 percent of organizations with revenue above \$5,000,000 during the same period.

The important question then becomes, who is served by these ailing organizations?

The first step was to map the location of the organizations based on the addresses included in their 990 forms, excluding those with PO boxes. This is fraught with error, because the mailing address of an organization is not always the location of its service delivery. Unfortunately, with a national study, it is impossible to check locations of each and every nonprofit. The compromise was to count the number of distressed organizations via census tracts in order to see what communities had the greatest number of ailing human-service nonprofits. It was possible to correlate the number of distressed organizations (a rough supply-side map) with the demographics of that community (a rough demand-side map).

The results represent correlations, which range from –1 through +1. A positive number represents a positive relationship between the variables, and, likewise, a negative number indicates a negative relationship. The asterisks are an indication of how confident we can be in the result, with three (***) being the highest level of confidence (see figure 3).

As figure 3 demonstrates, there is a positive correlation between the number of minority individuals in a community and the number of financially distressed human-service nonprofits. This correlation only intensified during the recession period. I found a similar trend using a measure of diversity in a particular census tract—essentially, the chance that any one person will interact with someone of a different race or ethnicity. Lastly, there is a strong relationship between being a frontline organization and being financially distressed, particularly during the recession.

The frontiers of understanding inequality across geography are rapidly expanding. My current research, conducted with Drew Westberg, a graduate student in economics at the University of Missouri-Kansas City, uses predictive models and simulations to identify the types of communities that are most likely to face distressed nonprofit organizations. All of our models indicate that African-American communities, even controlling for income and unemployment in those communities, have the highest number of distressed nonprofit human-service providers.

Figure 3: **Correlation between the number of minority individuals in a community and the number of financially distressed human-service nonprofits**

	Median Income of Individuals in Census Tract (2011)	Minority Population (2011)	Esri Diversity Index[6] (2011)	Number of Frontline Organizations
Model 1 (2004–6)	–.002	.030***	.027***	.323***
Model 2 (2004–6)	.000	.015***	.014***	.189***
Model 1 (2007–9)	.020***	.039***	.025***	.408***
Model 2 (2007–9)	.004	.029***	.026***	.254***

Significance levels: *** < .05

This line of research has direct implications for public policy. One of the foundational concepts behind the provision of public services—that individuals shall be afforded access to public services—is that of due process, enshrined in the Fifth and Fourteenth Amendments to the U.S. Constitution. Does this extend to services provided by government contractors? Is there an implication about the quality of service? While I am no constitutional scholar, I believe these questions warrant discussion between the American public and its elected leaders.

• • •

Maps give us a means of understanding where financially distressed nonprofits are located, but they should not be used solely to identify "bad actors" that can't be trusted with a contract or grant; maps can also be used as tools to identify organizations that are key bridges to communities in need, in order to better direct funding to strengthen these bridges for the future.

Ultimately, mapping service providers can enrich the debate over privatization. I cannot speak to the quality of services nor the financial strength of the contracting organizations—this area of research is in its infancy, and requires the sustained support of practitioner, academic, and funder communities. But this model of delivering human services will not fundamentally change over the next several years, and policy-makers, practitioners, and scholars should grapple with the implications of space being a key dimension in the equitable delivery of human services.

Notes

1. Steven Rathgeb Smith and Michael Lipsky, *Nonprofits for Hire: The Welfare State in the Age of Contracting* (Cambridge, MA: Harvard University Press, 1995).
2. Vincent Ostrom, "Polycentricity 1," in *Polycentricity and Local Public Economies: Readings from the Workshop in Political Theory and Policy Analysis*, Michael D. McGinnis, ed. (Ann Arbor, MI: University of Michigan Press, 1999).
3. Scott W. Allard, *Out of Reach: Place, Poverty, and the New American Welfare State* (New Haven, CT: Yale University Press, 2009).
4. Amy E. Hillier, "Why Social Work Needs Mapping," *Journal of Social Work Education* 43, no. 2 (July 2007): 205–21.
5. Brent Never, "Divergent Patterns of Nonprofit Financial Distress," *Nonprofit Policy Forum* 5, no. 1 (October 2013): 67–84.
6. The Esri Diversity Index measures on a scale from 0 to 100 the likelihood that two persons, selected at random from the same area, would belong to a different race or ethnic group.

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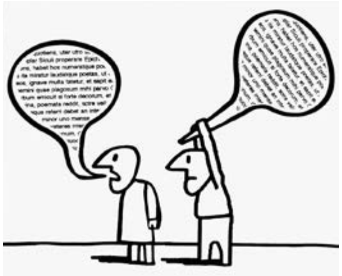

Dr. Conflict

by Mark Light, MBA, PhD

If as a new hire as second in charge you experience barriers to fulfilling your role, clarify your job, reach out to your staff, and engage your CEO, board chair, and other stakeholders. Then, craft a worthy vision for your organization that will unite the organization under a common banner.

Dear Dr. Conflict,

I am new to a small, county-focused nonprofit. There are thirteen employees besides me. I was hired as second in charge by an organization that has only ever had one internal leader (and there is an overly involved board chair, to boot).

My goals are to relieve the CEO of the daily minutia, particularly personnel issues, so that he can focus on growing the organization and special projects. My problem comes from two angles: First, while the CEO had agreed to the position, was in on the hiring process, and has visibly tried to support my role, he has struggled with letting go of the day to day. While I understand the difficulty of letting go after being responsible for so long, it often hampers my abilities to implement process and make needed changes, and can lead to undermining my abilities and authority. I have tried to have conversations, albeit gently, with him about this. He does not react poorly during these conversations but I do not think that he really feels he is doing anything wrong.

This has some tie-in to my second dilemma: integration with the staff. I am no stranger to having to integrate into a new culture, gain trust of employees and peers, and learn the new ways. But I have never had such a difficult time before. This time, I do have a higher position than previous jobs, and I know that some of the pushback is because I am the new guy who was given power over them. They are concerned about what I may change, and resentful that I make more money.

The fact that the CEO sometimes seems to undermine my authority doesn't help matters. I have tried many different approaches with the group, but they just won't open up. They are the quietest group I have ever dealt with. Getting input and feedback is excruciating. I am aware that there is a rumor/complaint mill that goes on about me and my activities and duties. Again, things take time, but I feel as though I am the only one trying, and I could use a ray of sunshine cracking through. Sometimes I question my decision in taking the position.

Caught in the Middle

Dear Caught in the Middle,

Talk about a rock and a hard place! On one side is a long-standing CEO (call him a founder due to his long tenure) and an overly involved board chair (what a pain that can be, almost always); on the other side is the quietest group ever of subordinate staff biting their nails as they gossip and wait for the shoes to drop. And right in the middle is you, the first day-to-day go-to person in the history of the agency. What is this—*Game of Thrones: The Nonprofit Sequel*?

The first thing for you to do is to *buck up for the work ahead*. No more questioning your decision to take the job. Put away your self-doubts and that box of tissues. You have a tough road to travel, so get centered and line up your personal support for the journey ahead—be it meditation, libations, or a personal coach.

Now it's time to *clarify your job*—the low-hanging fruit of fixing your troubles. Are you the second in charge or the director of daily minutia and personnel issues? You write that the CEO sometimes seems to undermine your authority, but why should he bother when you're so much better at it? A second-in-command connotes a chief operating officer (COO); daily minutia describes an executive assistant. Which are you? You'll find out when you create what Geoff Smart and Randy Street call a "scorecard," with its mission that "describes why a role exists . . . outcomes that a person must accomplish [and] the behaviors that someone must demonstrate to achieve the outcomes."[1] Put your scorecard together with a revised organizational chart, discuss it with the CEO and that overly involved board chair, and get clear on it. Be rock solid about this.

Dr. Conflict is assuming that you are the COO, which *Game of Thrones* calls the Hand of the King, "second only to the King in authority and responsibility . . . the King's closest advisor, appointed and authorized to make decisions in the King's name."[2] But if you're the minister of minutia instead, then you have a difficult decision to make. Being a knight is not so bad; it's better than being a squire.

Now, dear COO, you must *reach out to your staff*. Dr. Conflict knows they're concerned about what you're going to change, which is surely valid; they deserve to know and also have some level of participation in the outcomes. Dr. Conflict knows, too, that they are bitter about your compensation and there's a "rumor/complaint mill that goes on" about you. So what? This goes with the C-level turf. And what Dr. Conflict once wrote about boards probably applies here, too: "More likely they are reverting to their primate heritage and simply stirring the pot of conflict as a way to deal with the boredom."[3] Grow a thicker skin.

Sit down with each of your staff members one on one and discuss the new organizational chart and his or her position. They won't be so quiet once you start asking well-intentioned questions that have real purpose. Have a robust discussion, a give-and-take, about your expectations. Get to know your staff personally, their aspirations for themselves and the organization, who they are, their likes and dislikes. If you listen with sincerity and openness, you'll see a clearing of the clouds. After all, you know your job now and your staff will know theirs.

Speaking of relationships, *don't forget your CEO*. You do know that the position you now hold was not his idea, don't you? It's right there between the lines in "he had agreed to the position." This can't be an easy time for him, and part of your role must be to help him with letting go. Ironically, one of the best things you can do is to involve him in your thinking. Go to him with your observations and use him as a sounding board that celebrates his long contribution to the agency. Remember that old adage that "as he is, you will be." Pay it forward.

You must also *engage your board chair and other stakeholders* of influence who very likely advocated for your position as part of succession planning. Seek them out one by one to ask their counsel; they will become good friends to you and generous allies later in your work.

Finally, gather all of your constituents together to *craft a worthy vision* for your organization that will bring everyone together under a common banner. As Burt Nanus so eloquently put it, "Vision always deals with the future. Indeed, vision is where tomorrow begins."[4]

Notes

1. Geoff Smart and Randy Street, *Who: The A Method for Hiring* (New York: Ballantine Books, 2008), 44.
2. "Hand of the King," *Game of Thrones Wiki*, accessed February 27, 2015, gameofthrones .wikia.com/wiki/Hand_of_the_King.
3. Mark Light, "Eye-Rolling, Chair-Shifting, Last-Nerve Boards—and What to Do about Them," *Nonprofit Quarterly*, October 4, 2012, nonprofitquarterly.org/management/21119 -eye-rolling-chair-shifting-last-nerve-boards -and-what-to-do-about-it.html.
4. Burt Nanus, *Visionary Leadership: Creating a Compelling Sense of Direction for Your Organization* (San Francisco, CA: Jossey-Bass, 1992), 8–9.

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How Philanthropy Props Up Public Services and Why We Should Care

by Beth Gazley

Philanthropic support for public services is increasing rapidly, and we should be concerned about the long-term implications on a number of fronts—in particular, the tendency of private funding of such services as schools and parks to exacerbate rather than eliminate financial and geographic inequities and to reduce public accountability and citizen access.

Over the past twenty years, private donors have contributed a figure somewhere in the billions of dollars to support public services such as education, parks maintenance, and libraries. As Rick Cohen has observed, there now seems to be a charitable arm for every federal agency—from the CDC to the CIA.[1] So far, judging from some high-profile cases like the dramatic "rescue by foundation" of the city of Detroit from bankruptcy, public and expert opinion has been divided as to whether governments—and taxpayers—should welcome this kind of philanthropy or whether we should be concerned about it. Complicating our ability—as voting citizens and also as scholars—to understand the impact of this public-oriented philanthropy is the lack of information about its scope and its long-term implications for public service provision, tax and budget policy, the nation's philanthropic capacity, and a host of related issues. Scholars are still working on those questions, but the following is what we know so far.

Charities that Support Public Services Are Legally Unobjectionable (Even If They Are Controversial)

An examination of the growth in these government-supporting organizations reminds us that the legal definition of a "charity" via the tax code is broader and more inclusive than most people may realize. Among those activities allowable under section 501(c)(3) of the tax code are not only relief of the poor, distressed, and underprivileged, and advancement of religion, education, and science, but also activities that support public service provision. These include, for example, erection or maintenance of public buildings, monuments, or works; activities that lessen the burdens of government; and activities that lessen neighborhood tensions. Thus, on the face of it, charities created to support government services are hardly controversial from a legal standpoint. Legislators have also defended their efforts to create charitable foundations for public agencies by claiming that these new entities can bypass legal obstacles to public-private partnerships, increasing flexibility and minimizing red tape.

Trends in Philanthropic Support for Public Services: The Example of Schools

We know that philanthropic support for public services is growing rapidly, outpacing the growth of the charitable sector overall. The rate of growth is seen especially in K–12 education. My analysis of these organizations' ruling dates via 990 forms suggests that, over the past forty years, as many as one-third of all charities filing under the National Taxonomy of Exempt Entities (NTEE) "educational" classification (i.e., the "B" class) were created to support public schools.[2]

Private donors support public education through several vehicles. In local school systems, "booster clubs" don't just support extramural activities such as sports teams and marching bands—they also make vital contributions to schools' core curricula in music, technology, and science. In addition, parent-teacher organizations and associations these days are mainly focused on raising money for single elementary and middle schools, generating more than $425 million in reported IRS revenue in 2010 alone.[3] Since many of these organizations do not file annual 990 returns, the true revenue figure is undoubtedly much larger. One study by the Public Policy Institute of California suggests that as much as $1.3 billion was donated in 2007 alone to California public school booster clubs, foundations, and parent-teacher organizations (PTOs).[4]

School districts also create their own 501(c)(3) public school foundations, known as "local education foundations," which in 2010 infused another $300 million in reported 990 revenue into public education.[5]

As tables 1 and 2 demonstrate, even when accounting for only the registered and reporting tax-exempt organizations, these K–12 educational charities are being created at a rate 30 percent faster than the growth of the nonprofit sector overall (i.e., the difference between a 260 percent rate of growth and the charitable sector's overall growth rate of 196 percent in the same time period).[6] They are also raising an increasingly larger piece of the charitable sector's philanthropic pie. And they are being employed as giving vehicles not only by those with the most at stake—local parents and community members—but also by donors thousands of miles away. Just one organization, DonorsChoose.org, has, since 2000, raised over $300 million nationally for classroom needs, including $80 million in its most recent fiscal year alone. Championed by Oprah Winfrey and Bill Gates, this organization has a mission of addressing "educational inequity" through private philanthropy, and reports having received teacher requests for funding from more than half of all U.S. public schools.[7]

My own research, with my colleague Ashlyn Aiko Nelson, suggests that DonorsChoose.org is something of an anomaly. Most of the philanthropy directed at public schools is local, meaning that wealthy school districts enjoy a philanthropic advantage and few people are paying attention to fairness and balance. And, indeed, we found clear evidence that across the nation private philanthropy for public schools exacerbates rather than eliminates budgetary inequities across school districts. Specifically, although most school funding still comes from taxpayers, we found that wealthy school districts are able to provide more dollars per pupil overall through this philanthropic "bonus."[8] Simply put, DonorsChoose.org's successful efforts at raising $80 million in 2014 do not come close to balancing the inequitable impact of the other $880 million raised in 2010 by local PTOs, school foundations, and booster clubs.[9]

So, should we welcome efforts like those of DonorsChoose.org to address inequities? The answer may depend on whom you ask. Those in favor of these philanthropic efforts point out that school donations are meeting real educational needs. Parents, in particular, have energetically challenged the implications of our research by arguing that these philanthropic opportunities keep wealthier parents committed to public education and also serve as a natural and appropriate form of community self-determination.[10] However, other observers have pointed out how the narrow focus on school fundraising saps community energy and possibly distracts parents from other forms of political engagement—such as advocating for more public spending overall on public schools in order to end the reliance on fundraising altogether.[11]

It's no coincidence that this disagreement is happening during a time of heated political debate over school "ownership." The recession reduced public services in nearly every state, a result of sharp declines in state tax revenues.[12] Meanwhile, conservative shifts in federal and state policy toward education have resulted in growth in nonprofit charter schools, shifts from local to state control of education budgets, and controversies over student testing and teacher seniority. These political fights reflect deep ideological divisions—even to the point of challenging fundamental assumptions about the public sector's responsibility for public education.

But it's startling to find this discussion happening at a time when truant officers still roam communities to enforce compulsory public education. Why *doesn't* the public's obligation to educate its citizens extend to full school financing? It's not so simple. Complex school finance policies limit the ability of school districts to raise their own source revenues. In other words, these local education charities offer a convenient way to get around both strict state policies on school funding and the political stalemates in state capitals. As a result, any rock-ribbed assumption that taxes should pay for public schools is probably on the table—or will be soon.

Table 1. Fifteen-Year Growth in 990 Filings by School-Supporting Charities Compared to All U.S. Charities

Year	Total Filing U.S. Public Charities	Total Filing School-Supporting Charities
1995	187,038	3,458
2010	366,086	9,004
Growth	**196%**	**260%**

But how much of this trend legislators and local officials will stomach is still to be determined. In Dallas and Los Angeles, school officials have proposed selling off naming rights to athletic facilities.[13] Should we welcome the future "Paul Revere Middle School 'McDonald's' Soccer Field"?

Looking forward, whether or not philanthropy for schools will substitute for taxes in any substantive way, and what that signifies for tax policy, is something to which policy-makers and scholars should pay closer attention. Donations to schools have been described as a "minor and highly variable source of revenue" and ". . . an ill-suited replacement for broad-based tax revenue."[14] Ten years ago that conclusion was still accurate, when the National Center for Education Statistics reported that less than 3 percent of public-school revenue came from philanthropy.[15] A more recent estimate is needed.

But, regardless of the amount raised, any source of philanthropic support for schools can change policy-making when it becomes permanent. One possible policy response is to seek more control over the activities of these organizations. In Tennessee, the School Support Organization Financial Accountability Act was enacted in 2007 to require local boards of education to adopt policies concerning local school support groups (e.g., to regulate financial accountability and spending) before those groups could operate.[16]

Table 2. Percent Increase in Revenues Reported by School-Supporting Charities Compared to All U.S. Charities (Note: Incomplete data; includes only registered and filing charities via 990 forms)

Type	1995 Revenues	2010 Revenues	Percent Increase in Revenues
PTOs	$21,966,242	$137,713,636	526.9%
Local education foundations	$50,766,059	$296,959,231	485.0%
Boosters	$31,078,895	$148,900,391	379.1%
PTAs	$87,578,215	$287,860,297	228.7%
Other	$2,763,032	$5,545,986	100.7%
Endowments	$2,452,346	$3,146,526	28.3%
TOTAL	**$196,604,789**	**$880,126,067**	**347.7%**
Comparison to all filing U.S. charities	$573,318,600,000	$1,514,153,000,000	264%

The Growth of Charity Support for Public Parks

The field of recreation and natural resources management offers another instructive and often colorful view into the role of philanthropy in public service provision. Private donors also actively support public parks—through direct gifts and also by creating "Friends of the Parks" groups. Under active encouragement by all levels of government, both numbers and revenues have increased over time.[17] For example, using partial data (National Center for Charitable Statistics Core Files for public charities) I estimate that parks-supporting charities of all kinds were created at a rough average of fewer than two per year up into the 1980s, but since then new organizations have been created at an average of more than twenty per year.

These long-term trends suggest that the most active period of "Friends" group creation was in the privatization era of the 1990s. However, many in parks management argue that the present need for support has never been greater. The recent recession was rough on parks and recreation departments, which absorbed some of the deepest blows of conservative fiscal policies, such as state property tax caps. One state parks official described an impact on his department's capacity so severe that "we've gone from 'lean and mean' to emaciated and violent."[18]

At the national level, the National Park Service, custodian of four hundred national monuments, historic sites and battlefields, parks, trails, rivers, preserves, and recreation areas situated across 84 million acres, has a budget of $3 billion and 22,000 staff.[19] But it also has a deferred maintenance backlog estimated at more than $11 billion.[20] So, nearly four hundred nonprofit "Friends of the Parks" and "cooperating associations" pick up some of the slack through fundraising, trail and infrastructure maintenance, advocacy, programming, visitor support, and volunteer engagement. In fact, one of the newest national park sites, the Flight 93 National Memorial in Somerset County, Pennsylvania, would not exist without the $40 million that the National Parks Foundation raised in private support for the memorial.[21]

At the state level, my research suggests that roughly half of all state parks across the United States now have an associated nonprofit "Friends of the

Parks" group. These organizations provide a range of services, but their aims are quite similar on the whole. Among the 650 charities I have analyzed to date that support public parks at the federal, state, or local government level, 97 percent conduct fundraising to support parks programming, 63 percent recruit and manage parks volunteers, and 65 percent participate in parks maintenance and construction activities (e.g., trail maintenance). An additional 39 percent provide public education and outreach, and 32 percent provide recreational programs, while 15 percent engage in advocacy. So, on the whole, their principal purpose is quite clear: to bring in dollars and volunteers.

Again, as with public education, the research in which I have participated finds a similar connection between a community's wealth and its ability to sustain a "Friends of the Parks" group.[22] At federal, state, and local levels, parks-supporting charities are not only more likely to be created in wealthy communities, they also raise much more money. Chicago's Millennium Park, for example, was planned as a "garage with grass over it" under the city's original $150 million budget. Then philanthropy stepped in. The budget expanded to $475 million, and the park's amenities—fountains, bandshells, landscaping, a theater, sculptures—ballooned as well.[23] In assessing the impact of philanthropic support for parks, Margaret Walls, research director at Resources for the Future, observes that—as with schools—one's perspective will determine whether this philanthropy is viewed as a "stunning success" or a moral failure. Walls notes, for example, that an entirely donations-based approach to parks maintenance is likely to result in the underfunding of public spaces over time, since some "free-riding" citizens can still enjoy parks without supporting them.[24]

Another similarity with schools is that parks, too, are geographically bound. A wealthy donor is more likely to support the park in her neighborhood than she is the pocket park across town. So unless cities create policies to support parks budgets equitably regardless of philanthropic input, as the city of New York has attempted to do, a reliance on philanthropy is bound to result in inequitable quality.[25] Since neighborhoods have wealth and income disparities, so will parks and schools under a philanthropic regime.

What Don't We Know—and Why Does It Matter?

Many private gifts directed toward government services appear to be short-term infusions of philanthropy, not intended to permanently replace tax-funded or fee-based public services. For example, private donors and foundations stepped in with millions of dollars—but only in the form of loans—to assure the continuation of some social services during the federal government's shutdown in the fall of 2013.[26] Perhaps the lure of a short-term commitment is also one of the reasons why many donors prefer to fund capital projects rather than ongoing programmatic or maintenance needs in public parks and spaces.

But the data suggest, overall, that philanthropic funding for public services is neither a temporary nor a short-term trend. The fact that government agencies are creating entirely new 501(c)(3) institutions as vehicles for organizing volunteers and donors suggests that the goal is a permanent fundraising infrastructure. I expect those who attend the Association of Fundraising Professionals events are seeing more public employees enrolling to gain grant-writing training, as well.

But we have not yet answered some important questions about this trend's impact on public-service provision—including, as I've mentioned, some questions related to how private philanthropy affects equitable public access to services. As noted, my research so far suggests that it does so for education and possibly for parks, but the full scope and impact of these inequities are challenging to measure and require much more observation over time.

A related question should be how private philanthropy alters the power dynamics of public-service decisions. Back in Chicago's Millennium Park, it wasn't an independent, objective panel of citizens or a group of elected officials who selected the final architectural design for the Pritzker Pavilion concert space, but the donor herself.[27] Another story out of Chicago describes a day when the park was closed to the public for a donor event[28]—just a single day, yet noteworthy, because it was the first time the park had ever been closed to its own citizens since 1836, when public officials designated the waterfront a space that should be "forever open, clear and free."[29]

• • •

I have written elsewhere and in more detail about the possible problems this trend introduces.[30] They include a virtual Pandora's box of potential ripple effects, including reduced public accountability and citizen access, less donor transparency, more-challenging power dynamics, and less-stable public services. But I, like other observers, need more information. In the meantime, policy-makers should allow themselves to be guided by more impact data before marrying themselves to these revenue sources.

Notes

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That—Several, Actually," *Nonprofit Quarterly*, April 13, 2012, nonprofitquarterly.org/policysocial-context/20145-philanthropy-funding-government-work-theres-a-foundation-for-thatseveral-actually.html.

2. Unpublished analysis of filing public charities via National Center for Charitable Statistics Core Public Charity data.

3. Ashlyn Aiko Nelson and Beth Gazley, "The Rise of School-Supporting Nonprofits," *Education Finance and Policy* 9, no. 4 (Fall 2014): 553.

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Disrupting the Dominant Frame: An Interview with Susan Nall Bales of the FrameWorks Institute, 2015 MACEI Award Winner

Communications for nonprofits is not about "dissemination"; rather, "it is about understanding the ways that people perceive your issue." As Susan Nall Bales explains, in order to effectively address social issues, "You have to disrupt the dominant frame and replace it with a better model of how the world works."

Editors' note: *On February 4, it was announced that the FrameWorks Institute has been named a recipient of the 2015 MacArthur Award for Creative and Effective Institutions. Each year, the MACEI award is granted to help a number of exemplary nonprofit institutions continue "creative work" of exceptional value to society. Along with the FrameWorks Institute, the other grant recipients include: ASILEGAL (Asistencia Legal por los Derechos Humanos), in Mexico City, Mexico; Firelight, in New York City; Forest Trends, in Washington, D.C.; the Human Rights Center, at UC Berkeley School of Law; iCivics, in Washington, D.C.; the National Institute on Money in State Politics, in Helena, Montana; and the Roosevelt Institute Campus Network, in New York City.*

FrameWorks was founded sixteen years ago by Susan Nall Bales. The core of its work is on how advocacy communications can be improved through the use of Strategic Frame Analysis. Bales is a veteran communications strategist and issues campaigner with more than thirty years of experience researching, designing, and implementing campaigns on high-profile social issues. The $1 million award comes at a pivotal time for FrameWorks, as the organization prepares to expand access to its groundbreaking and incredibly useful work.

Susan Nall Bales: FrameWorks' mission for fifteen years has been to deliver the quality research that nonprofit organizations need to effectively address social issues. Our mission has two parts: The first is to actually do the research that is necessary to inform public engagement about an issue, and the second is to teach nonprofits how to use that research.

***NPQ*:** How important is the way that you frame an issue?

SNB: I've argued for twenty years that communications for nonprofits should be a front-end activity. It's not about dissemination. It's about understanding the ways that people perceive your issue, and this needs to be part and parcel of your work on an issue right from the beginning.

You have two sides of a coin. You have the actual social analysis of what the problem is and what would improve conditions, but you also have the way that people perceive that problem and what they perceive the solutions to be—and those things are joined at the hip. FrameWorks tries to understand the social analysis the experts want to put forward and then tries to figure out what are the impediments in people's minds that prevent them from engaging with the issue, understanding it, and wanting to resolve it.

***NPQ*:** You have talked before about the power of a dominant narrative and how that is one of the things that distracts people from even the best-supported arguments. Can you talk a little bit about what people doing social justice work might be battling as they go about trying to persuade people that there are other ways to look at issues that they face?

SNB: To start with, I think that the nonprofit sector has made enormous progress in bringing social science into the way that it thinks about social problems. We do better social analysis, we look at evidence with much greater scrutiny, and we weigh policy options, I think, with much more rigor. But communications as a social science has not enjoyed that same progress, and so I think that what we have is a black hole in our strategic toolkit that prevents us from seeing what communications is good for and how to use it. Unfortunately, the consequence of that is that we are losing battles unnecessarily. I don't mind losing, but I really, *really* don't like to lose when we don't have to.

***NPQ*:** Can you talk about some of the issues specifically that you think continue to revert to form, despite evidence to the contrary?

SNB: Well, I think many issues do. I mean, it's just part of the way we think. We know from the work of people like Daniel Kahneman and from others who study how we think that unless our automatic thinking is disrupted—unless it doesn't prove helpful in making our ordinary day go well—we are going to default to these dominant ways of thinking . . . these folk models of how the world works. And you can't just steer them with a little slogan or a tagline, which I would say continues to be the way that we in the nonprofit sector think about communication. You have to disrupt the dominant frame and replace it with a better model of how the world works.

***NPQ*:** Can you give an example of that in your recent work?

SNB: One example would be our work on education where, over time, ten foundations came to us and wanted to work on a new education story. But all of them had very different parts that they were funding. You know, some were in afterschool programs, some were in assessment, some were in equity. I think one of the innovations that FrameWorks has brought forward is to bring those people together around a core story. It isn't just one little piece of the elephant that you're trying to put your hand on but a new story about how education works—what it is, what it's good for, what derails its outcomes, and what would improve it.

We worked with those ten foundations and created a new story. It has a plot. It has the equivalent of "it was a dark and stormy night." It sets the stage. It has characters. It has mechanisms that are operative in the universe. It has bad guys in the narrative. It follows a narrative outline, but it isn't the old story: One kid, highly motivated by a caring teacher, pulls himself up by his bootstraps and becomes Bill Gates. That is the narrative we tend to tell ourselves. Tinkering around with that narrative is not going to get you anywhere, but substituting a different story—and, we would say, an empirically tested story—can be demonstrated to get people to a different place, where they appreciate that the system needs to be changed if you want better outcomes for most kids.

***NPQ*:** What would be the replacement story for that basic "bootstraps" narrative that is deeply embedded in everybody's psyche in this country, and even in the psyches of people who come to this country from elsewhere? What do you try to replace that with?

SNB: The first thing I would say is that we have new tools up on our website that explain this. We provide a message memo and toolkit for explaining the new story. But basically, re the bootstraps example, what the new story does is make clear why education is a public good that society needs in order to move forward. The distinction is between education as a public good and education as an individual product that one acquires as a consumer. It sounds very simple when you think about it, but that assertion of publicness is almost invisible in media coverage of education and, to some extent, in nonprofit groups' own messaging.

***NPQ*:** We've talked before about the idea of needing to repeat the new story and stick to it over time. Can you talk a little bit about that as a function of communication, and how important it is and how it occurs?

SNB: What's really important is telling a complete story over time and using that story—that same story—to explain multiple policy objectives. What we are doing wrong is thinking we have to have a different story for every policy "ask." What a core story does is to create a way of understanding how an issue works that would then allow you to see why multiple policy prescriptions would address that reality. There isn't enough time or money in the world to advance every policy "ask" with a new story, nor could people absorb that. So I think that's a fundamental mistake that we are making.

***NPQ*:** I often encounter people working on the same issue but portraying that issue in many different ways, and there's a different assumption base behind each of the ways that it's portrayed.

SNB: Yes. And I would say that there's a corollary to this, which is that we think that we're branding, not framing. And so we think, for instance, that it's child care versus children's oral health. Well, that's ridiculous. If you understood what children needed, you would be able to see why quality child care is important *and* why a child needs access to regular dental care, too. You want to move toward the story that lifts all boats instead of thinking that nonprofit issues are like Coke and Pepsi, and if mine moves forward, yours has to fail. That's a bad conceptual orientation.

***NPQ*:** Going back a bit, when you talk about empirically testing communications, what does that entail?

SNB: Here is where I really feel that we have not made the progress that we should as a sector. First, communications is seen as an art, not a science, and if it's an art then my idea of how to engage people is just as good as yours. If it's a science, then when you have your opinion I should be able to say, "Prove to me that that's going to work for me." So, FrameWorks is definitely in the empirical camp.

In the science camp, we think the artistry comes once you start to know what the message is. Then you want creative people to be able to implement that, to execute it in multiple ways. But right now what you've got is that all research is considered equal. One person's two focus groups are the same as another group's serious experimental survey. And the lack of rigor in that work and in our reflection on that work is killing us. So I think that as a sector we need to step back and look at how we view communications as an integral part of policy advocacy and what level of rigor we require in the execution of communications research.

***NPQ*:** It really is a huge idea, and in some ways revolutionary for the sector. But it adheres in some ways to some of the trends, which are to look at research (at least to inform what you're doing) and to depend a little bit more on data to help you design the way you're going to go about doing something. I see people use communications in this way in their fundraising, but they do not necessarily bother to do that in their advocacy.

SNB: Yes, we're often called in to talk to people's direct-mail consultants. The direct-mail formula is directly counter to what social scientists say should be an issue narrative. So, they're writing things like "send money or this x will die." It doesn't matter whether it's manatees or child abuse victims. We've actually worked with some direct-mail folks and said, "You know, a better story would be one that explains the underlying mechanism." So, why are critters in the oceans being pushed closer to the coastlines, where they're being unintentionally caught (and so, in other words, become more vulnerable), and what are some of the solutions that would prevent them from becoming bycatch?

So, there's an example, and the direct-mail people are so happy to have a different story. You know, they'll say to us, "Oh my God, I couldn't do that dead shark story one more time." And when you do that—when you change that direct-mail narrative—you're also educating your core constituency to be issue advocates. So, this notion that the people who give you money are different from the people who vote for your issues seems to me quite comical.

***NPQ*:** So, you're saying that at every opportunity one has to drive that issue story home.

SNB: Yes, and wouldn't you want to figure out ways to bring your cash constituencies into your issue advocacy?

***NPQ*:** Right.

SNB: I think we don't spend enough time on that; we simply assume that the old formulas are getting us where we want to go. I think that what FrameWorks has been about is questioning old formulas and then systematically undertaking research to find out whether they work or not.

***NPQ*:** You're a watcher of social movements. I'm wondering if there are any examples of seizing a narrative in a frame that you've seen recently that have been impressive to you?

SNB: Let me say two things. There is a scholarship of social movement; again, it is often ignored. So, I don't think I would be overstating it to say that I am in meetings with people who profess to understand how social movements work and to be social movement builders whose advice is at odds with what we know about the theory and practice of social movements. So, again, I think we're losing unnecessarily because we're not really paying attention to a good literature—to a good *social sciences* literature.

I thought that the campaign in the U.K. to keep Scotland part of the United Kingdom was phenomenal. If you watched the whole first part of the campaign and heard Cameron's statements, they were all about, "Don't do this, you'll die, you'll starve." And that just brought up all this Scottish resistance—from Braveheart onward: "We're Scots"; "We're used to this"; "We'll eat haggis." You know.

***NPQ*:** Right.

SNB: Talk about playing into a default frame. I mean, the use of this punitive, scolding frame of enforced economic dependence was setting the stage for Scottish secession—as one observer said, the main message was "Do the maths and grow up." The referendum was even framed as the "No" campaign. I am told that some very smart communicators figured out this was not going well and changed the final weeks of that campaign to be about, "We need you! You are part of us. This would be a sundering of our mutual relationship." The "Better Together" campaign appealed to values of economic interdependence and longstanding cultural ties. Suddenly, the frame changed to "Don't leave us. Please stay." That was a really masterful wielding of the value of interdependence. Look at how close that was, and it didn't go the way that many people thought it would. I think it would have been far more problematic for Great Britain if that sea change in the framing had not occurred. I mean, I thought that was brilliant.

Certainly, the reframing that is closest to home is gay marriage, where we've seen a complete change in the way that is thought about. And, of course, the go-to place for a change is tobacco—which has evolved from being thought of as a personal vice to being thought of as a defective product—with many campaigners who very conscientiously made that frame change.

***NPQ*:** When you have a very diverse field that is approaching an issue in multiple ways, and—I don't know why, I always think about the issue of poverty—how do you approach something that really has multiple, to use your word, *defective* frames being used around it? And how do you begin to overwhelm that noise to try to counter that?

SNB: That's a really good question. The way that we teach advocates and experts to think about what communications is good for is with the analogy of a swamp—that people aren't just blank receptacles; they have lots of things in them that they have pulled over time from their experiences (including their mediated experiences), from things they know, from their folk economics, etc. So you're wading into a swamp, and there are alligators in that swamp that are big dominant ideas that are going to eat your incoming information every time. And there are some orchids in the swamp—things that people are trying to grow—but there's not a lot of nurturance to help them grow.

We diagram that swamp, and we say, "Here is this cluster of ideas. These ideas, if you step in them, they are going to pull you under. But here's another cluster of ideas." And then, as we do our prescriptive work—the metaphors, values, and other frame elements that we develop—our work is tested to overcome those parts of the swamp, so that now you have tools to help you navigate around those things and help you overcome them. This is where I think lots of people talk about "strategic communications." I don't think there's a lot of strategy in most communications. What we've tried to accomplish is a tool-to-task fit. You see the task, which is that you have to overcome a pattern of thinking; you have ways to avoid it, and you have tools that get you around it.

Here's an example. We know that people think a lot about fairness, and we know that advocates invoke fairness all the time. But fairness, in the American psyche, can mean "us versus them": "Somebody is getting something I'm not"; it can mean, "Somebody is not trying hard enough and so they're being given something." So, when you evoke fairness between individuals or fairness between groups, you're getting some of this swampy thinking that's not very helpful to you.

Over time, what FrameWorks has done is to experiment with a different kind of fairness, which is fairness across *places*—the idea that fairness is not being equally distributed, and that the distribution mechanism is faulty. Some kids in some parts of the city aren't getting the educational benefits that they need to thrive. And so the problem is not that one group should be giving their benefits to the other one; the problem is that the mechanism needs to be repaired so that fairness is being equally distributed. This has been a kind of "zip code message"—that where you're born, the part of town you're born in, shouldn't be your fate. That's a much more powerful way to overcome that swampy thinking and get people to see fairness.

***NPQ*:** What do you think about the idea that there is a limited number of stories in the universe that we all know and glom onto? Is that in fact something we need to pay attention to—that the ways we craft our stories have to be familiar and clear enough that people can glom onto them?

SNB: That is a really good question. It is true that we know a limited number of stories and that those stories are greatly influenced by the cultures in which we live. The story that feels good to us is the story that we hear every day. We're attracted to these familiar stories, the contours of which we know so well. They are culturally specific—so in *this* culture you would say that the triumphant individual who pulls himself up from his bootstraps is the way that individualism as a value is inculcated in us in our society. But I think what many scholars would say is that you can't tell people that those stories aren't true, because you just reinforce them. You just remind people of that story.

However, you *can* build new slots in that story. I'll use an example from Roger Schank, an artificial intelligence scholar, who said, "You can't tell people that Cinderella didn't have mice." Now, in your head, you've got Cinderella and mice, right? But what you could do is say, "Did you know that Cinderella had another stepsister?" So, you can take an empty slot in a story and build it out. You can take a narrative structure that has a setting, characters, a bad guy, and a good guy, and you can turn that into a story about systems, so that the bad guy is not teachers unions in the education story—which just torches all public engagement (whether you like them or not, that's the end of the discussion about education reform) . . . but you *can* make it that the charging stations that kids need in order to learn in this society are spotty for some kids. They're not there in every community, and they're not there with the regularity that we need, and so fixing those is what we need to turn our attention to. That's a story about fixing things, and Americans are very pragmatic and practical. So, there is a way to tell stories along one part of the cultural grain while not delivering back to people the same old unhelpful story.

If I have a hobbyhorse, I would say it is the way that people talk about resonance—as in, "Does the story resonate with your audience?" What resonates is going to be the dominant story, so what you want to do is figure out something that *breaks* that story, like the unknown stepsister, and move people to rethink the story and to come out with a different outcome. So, when I hear people saying, "It has to resonate," I think, "Oh my God, we're dead in the water." On kids' issues, for example, we're just going to be telling them that parents are responsible—and people think this because they don't have any other way of thinking about how kids operate.

I think one of the problems here is the lack of interdisciplinarity. People who are advocating for solutions to social problems—people who are scientists and social scientists who study those social problems—live in their own niches and are not routinely in contact with people who are communications scientists. Even the communications scientists are narrowly niched. If you look at anybody who's doing communications, if you're lucky they're following one academic discipline. They're psychologists, or they're linguists, or they're public health people.

What FrameWorks has done—and what I'm most proud of—is to create a transdisciplinary organization. We duke it out over whether we are showing people that structures affect people's outcomes, whether their political science methods are better than anthropological methods for getting at a particular question. So, what FrameWorks has been is one large inquiry into how to get the best theories and the best methods aligned to give you answers to the practical questions that communicators need answers to. And I don't think anybody can do it through just one or two disciplines.

When I first started FrameWorks, I wondered why nobody else had done it before. It seemed to me a logical thing to do, and I was interested in an effort in the mid-'30s by the Rockefeller Foundation. They created The Communications Roundtable. This is really at the dawn of political psychology and understandings about propaganda, and we had this amazing array of the major social scientists in this country. I went up to Pocantico [Hills, New York], which is where the archives live, and I went through the box of minutes from those meetings.

The problem was that everyone fought each other from their disciplinary perspective. Then World War II broke out, and half of those people went into the Office of War Information. They used to pick up Margaret Mead and give her a ride into work so that they could pick her brain, because they needed some anthropological perspective! And then, after the war, they all went back to academic institutions and tried to create the same interdisciplinary conversations they had in the Office of War Information, and they were eaten alive by the academic institutions.

So, what we have done at FrameWorks is to try to create that kind of inquiry outside of the academy, recognizing that it wasn't likely to happen inside. In our little humble way—you know, we're roughly twenty people—we try to incentivize interdisciplinary study to reward people who get together and share their work: "See, we've taken *this* method and we've added *this* perspective to it, and when we apply this to immigration we're getting different answers." I don't think you can get good message recommendations without doing that.

***NPQ*:** Do you think that process is counterintuitive for a lot of Americans? Many people's idea of communications is to stay on point, stay narrow, get from the beginning to the end.

SNB: There's actually a report on our website called "Don't Stay on Message." It's on the subject of immigration, supported by MacArthur. We tested whether actually staying on message when you're attacked is effective, or whether pivoting to a second message is better—and, if so, which one. What we were able to show is that if you stay on message, you lose ground. If you pivot to a second message, you are able to counter your opposition. So, staying on message is not always the right thing to do—and this gets to that idea of a "poor story." Instead of taking that hammer of communications and putting it on the same nail over and over and over again, you're taking the hammer of communications to a whole set of nails that are configured like a story, and you know which one to hammer in response to which place in people's minds they're going to.

***NPQ*:** This is the communications strategy of all of our dreams, and you're one organization with twenty people. So, now what?

SNB: We have two directions we're moving in that we think respond to that. The first is the FrameWorks Academy. A couple of years ago, with funding from MacArthur and the Kellogg Foundation, we began to invest in a state-of-the art online course that would help people understand how metaphors work, how values work, how communications works, and what's a good theory of change. We created a course called "Framing Fundamentals," and it's up on our website, available to people that may not actually ever come in contact with us otherwise. And we are creating another set of courses that build upon that, that take up issues, but they're topical. So we've got one up on our site now that is on skills and learning education. There will be another one soon on immigration, and then one on human services.

You can subscribe to the courses and sit at your desk, and say, "I have no idea what these people are talking about with metaphor. I'm going to take this metaphor lesson, and then I'm going to look at what they're saying about human services, about how to frame that." We give you the ability to learn what *we* have learned over these years, in a very interactive way.

The second thing we've done has to do with feeling that we have to get ahead of the next generation of nonprofit leaders. I think we have to build their communications capacity in the places where they are learning how to think about their jobs. Additionally, we are beginning to partner with a number of academic institutions—the University of the South is one, and we expect the University of Alberta to be another—to help develop a curriculum that is used by people who are training up to become the next generation of nonprofit leaders. They'll have some framing chops under their belts, to mix a metaphor, and they'll understand—when they see a problem like a measles immunization backlash, for example—that four focus groups is probably not the way to attack the issue, and that you need to understand where people *are*. You need a medical anthropologist or two to come in and help you understand how people are conceptualizing immunization and how best to begin to work with them to get them to see it in a different way.

When we see the political posturing around that particular issue, the thing that is tragic is that people have so little understanding of how immunizations work that they're confused about whether the solutions that are being put forward are good or bad ones—and that's when you have this perceptual problem. The whole public health approach to community interdependence is being questioned and, I think, is losing ground, because people do not have a vivid way of thinking about what that means.

***NPQ*:** The MacArthur award comes, it seems, at a very good time for you, because it sounds like you're able and ready to launch with a much more broadly available approach right now. Is that right?

SNB: I think that is exactly right. We've spent fifteen years experimenting and refining methods, and throwing things out and saying, "No, we don't want to do it this way," or, "We're not going to pay attention to this scholarship because we don't think it's helpful," or, "We're going to pay attention to this," or, "We're going to bring that into our work." I feel like we're in a very good place. We still continue to experiment and innovate, but we have a strong theoretical base.

We feel confident that we have developed a tool in Strategic Frame Analysis that is useful, predictive, adaptable to multiple issues, and that can be brought forward to pretty much any type of policy issue that presents itself. Now, we don't do anything around individual behaviors; we're not interested in how to get your kid to sleep through the night. But we *are* interested in the degree to which noise in your community, if left unaddressed by the community, affects your kid's sleep. So, we're interested in those issues of how "what surrounds us shapes us," as the California Endowment has put it — and I feel that we have a strong platform and are now ready to help other people to become conversant in the use of it and to ask better questions about how good communications research could improve their outreach, their public engagement.

Over the last couple of months, I have been in, I would say, a half dozen meetings about how to communicate on social issues, where, if I closed my eyes, I would have thought it was 1985. What tends to happen is that everyone has an opinion—everyone. And there's a great quote from David O. Sears:

> Everyone, you will find, is an expert on public opinion; after all he is a member of the public and he knows how he feels and what he thinks about an issue. Or does he? There is a great deal about the way in which people borrow opinions, or reach down into their experience for guidance which is, even for the individual himself, out of sight. . . . We rarely think of our opinions as being formed by group memberships, forgotten childhood experiences, party labels, friendship patterns. . . . Yet, even if people were endowed with perfect self-knowledge, they might not understand what others were doing or thinking.[1]

So, because there is no compass, there's no ruler to allow you to sort what is good advice from bad advice. We just end up in this big lump, and then we generate taglines. These are high-level meetings; I'm talking about people who have the power to bring many high-level communications folks together, and that is the task—to come up with a tagline. So, clearly we are not conceptualizing communications at the level we need to in order to make progress. The MacArthur award makes me cautiously optimistic that we can turn this page and become better nonprofit communicators about social problems and their solutions.

Notes

1. Robert E. Lane and David O. Sears, *Public Opinion* (Englewood Cliffs, NJ: Prentice-Hall Inc.), 1964, v.

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How Board Members Can Learn to Spot Red Flags

by Kate Barr

Two reasons why boards can miss the red flags that pop up along the way to an organization's financial collapse are the complexity of business models and the tendency of boards to separate the roles of governance and management. The solution, says the author, is for board members to get in the habit of asking good questions and grabbing the reins in the event that a board collectively skirts a problem and fails to act.

Editors' note: *This article is adapted from the Nonprofits Assistance Fund blog,* Balancing the Mission Checkbook, *January 7, 2015, and was published on* NPQ*'s website on January 8, 2015.*

Here we go again. A few weeks ago, the *Nonprofit Quarterly* reported on the fallout from reports by FEGS Health & Human Services in New York of an unexpected $19.4 million loss: changes in the executive office and cuts to programs and budgets.[1] Like many others in the sector, one of my first reactions was to ask, Where was the board?

This question comes up all too often. People's Health Clinics in Baltimore closed in June 2014 with almost $500,000 owed to the IRS for payroll taxes, a cancelled federal grant, and unpaid rent and other bills. Locally, we've been following Community Action of Minneapolis–based education services provider TIES's critical audit report and financial challenges. Did the boards of these organizations miss such red flags as diminishing cash, ballooning debts, and recurring deficits? Each of these news stories includes documentation, audit reports, and other evidence of problems. If we can read about the information now, why didn't the members of the board see and address the problems?

Maybe the boards *did* miss the red flags. Human beings possess the gift of hindsight; at the time, the signs may have been obscured for a variety of reasons. One reason is the role of governance versus management. As reported in the *Star Tribune*, the chair of the TIES board's executive committee said that "directors were not aware of the problems that the audit revealed because they aren't involved in day-to-day operations."[2] That is absolutely true and is one of the quandaries of board members as fiduciaries. After all, how would a board member know that a report was filed correctly or if a contract payment was adequate? Most board "best practices" warn about micromanaging. Boards rely on the executive and staff to manage the organization and to be forthcoming and transparent with information, including information about problems.

Another factor is the complexity of nonprofit business models. FEGS Health & Human Services is a multiservice agency with a $250 million budget and multiple nonprofit and for-profit subsidiaries. This is a big, complicated business entity with equally complicated financial reports. While most nonprofits are much smaller, many operate a variety of programs with different types of revenue, cost structure, cash flow, and capital. Business models are complex. If I'm a board member, which of the financial reports do I need to study and scrutinize? This is a serious challenge for all board members, especially those who don't feel confident in their finance knowledge and skills.

So, what can board members do? Learn how to ask good questions!

One advantage that board members have is time and a broad scope. Serving on a nonprofit board is a cumulative activity carried out over a three- to ten-year period. Auditors, funders, and watchdogs generally suffer from tunnel vision—information is reviewed for a short time period, a single program, or a limited aspect of the organization. Board members, on the other hand, review financial reports, program results, and strategic goals many times over, and have the opportunity to continually gain more knowledge and understanding. They learn about what's important or typical or unusual. This is crucial, as all of the problems reported in the above stories built up over time.

Rather than expecting board members to instantly recognize a problem in the making, let's encourage boards to learn to ask the questions that will lead them there. One month with a deficit isn't a red flag, but questions must be asked when a board sees financial reports with unfavorable variances and deficits in meeting after meeting. The same goes for other financial indicators, such as cash-flow dips or bumps-up in liabilities. I know board members who are concerned about asking a "dumb question"; my advice to them is, Okay, don't ask it the first time the question comes up—but please ask it by the third time you have the same question.

Practice asking questions like these:

- "Can you help me understand what this means?"
- "Is this is a trend or pattern that we should talk about?"
- "Is this unexpected?"

You can be certain that you won't be the only member of the board who wants to know the answer. *Remember: Board members have the benefit of time and cumulative understanding*. Take advantage of that, and ask some questions.

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This article is essentially part 3 of two earlier pieces. In "Why board members miss the red flags," I suggested that one reason is the way in which board members use financial statements.[3] In that piece, I proposed that boards pay too much attention to income statements and budgets—short-term information—and not enough attention to the long-term perspective of balance sheets. (Yellow flags are on the income statement; red flags are on the balance sheet.)

In the follow-up piece, "Why board members miss the red flags, part 2," I acknowledged that boards of nonprofits with critical financial problems sometimes look the other way—usually because of a combination of embarrassment and fear of tarnished reputations and reluctance to take on the huge task of dealing with the problems.[4] While some individual members may raise the right questions, collectively the board skirts the problems and fails to act. If you are a member of the board of a nonprofit with red flags flying, it may be up to you to grab the reins until attention is paid.

It's not fun, but nothing less will do.

Kate Barr is executive director of the Nonprofits Assistance Fund.

Notes

1. Martin Levine, "Surprise! 19.5 Million Surprise Loss Rocks an Important NYC Social Service Agency," December 19, 2014, *Nonprofit Quarterly*, nonprofitquarterly.org/management/25353-surprise-19-5-million-surprise-loss-rocks-an-important-nyc-social-service-agency.html.

2. Jennifer Bjorhus, "Audit finds St. Paul–based nonprofit funded by state schools misspent millions," *Star Tribune*, updated December 4, 2014, www.startribune.com/local/stpaul/284833901.html.

3. Nonprofits Assistance Fund; *Balancing the Mission Checkbook*; "Why board members miss the red flags," blog entry by Kate Barr, February 16, 2012, nonprofitsassistancefund.org/blog/2012/02/why-board-members-miss-red-flags.

4. Nonprofits Assistance Fund; *Balancing the Mission Checkbook*; "Why board members miss the red flags, part 2," blog entry by Kate Barr, May 23, 2012, nonprofitsassistancefund.org/blog/2012/05/hy-board-members-miss-red-flags-part-2.

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2015 "Selfie Awards" Salute Philanthropic Narcissism (Recipients Boycott Ceremony . . . but Need Not Be Present to Win)

by Phil Anthrop

In this face-off between entrenched, self-regarding foundations and a group of young upstarts out to rattle the status quo, the latter inevitably win the fight. Add a dollop of social media, and all bets are off.

Reform philanthropy from the inside or the outside? That was not a literal question for Jasmine Bluth, leader of True Philanthropy—a small group of former foundation program officers who formed their own pressure group after years of servitude, silently and agonizingly critiquing every guideline, grant, and pronouncement from the foundation presidents nearby who paid their salaries. These renegades had flown the coop, and now, after years of silent suffering, their talons came out, Twitter style, with the discreet invitation "True Philanthropy Seeks Nominations for Selfie Awards."

"This field has been begging for a feedback loop," self-employed consultant Bluth posted, "and while it's true that if the rich give away some of their money they won't get shot, that doesn't mean we have to be craven."

A current challenge for awards programs is to distinguish themselves from other awards, since there is a limit to any one award's ability to inspire desired behavior. Unhappily, the sheer number of awards programs has diluted their ingratiating effect.

For this reason, the Selfie Awards adopted a piggyback strategy—same time (April 27, 2015), same place (San Francisco)—as the annual conference of the Council of Large Foundations.

The first True Philanthropy Annual Selfie Awards (recognizing exemplary performances during the previous year) were announced in twelve categories:

1. Outstanding Performance in Self-Congratulation by a Philanthropic Program;
2. Definitive Self-Promotion by an American Philanthropist (Male);
3. Definitive Self-Promotion by an American Philanthropist (Female);
4. Most Insufferable and Self-Serving but Ultimately Destructive Funding Initiative;
5. Most Dramatic Reversal and Abandonment of Previous Positions (with Scant Explanation) by a Private Foundation;
6. Most Elegant Office Redesign Using Funds Designated as Paid Out for Charitable Purposes;
7. Most Supremely Pointless (but Well-Catered) Destination Location Conference/Confab/Ideas Festival;
8. Most Begrudging and Demeaning Treatment of a Grantee;
9. Most Degrading and Abusive Rejection of an Unsuccessful Applicant;
10. Most Self-Serving but Least Productive Celebrity Charity Activity;
11. Least Productive Result yet Most Effective Publicity-Garnering Corporate Initiative; and, finally,
12. Absolute Smallest Portion of Available Undesignated Funds from a Community Foundation.

Recognizing the essential role of lackeys accepting gifts from philanthropists—without them none of this would be possible—a special acknowledgment was promised for the Most Unctuously Groveling Nonprofit Shill in a Subordinate Role to Foundation Aggrandizement.

Not unexpectedly, Yusuf Arak, president of the Association of Large Foundations, criticized the announcement as "a juvenile and inappropriate intrusion on a serious professional meeting bringing together some of the most generous institutions that tackle society's toughest problems with innovation and élan."

The Association of Large Foundations, which for several years had presented awards for the Best Annual Report and the Best Leadership on Public Policy, decided to fight this upstaging battle, statuette to statuette.

"We've seen this kind of attack before," observed Arak. "This is not so different from California, in 2007, with legislation from that Greenlining Institute, whose so-called 'Foundation Diversity and Transparency Act' attempted to coerce foundations into divulging a PC definition of gender, racial, and ethnic diversity on an annual basis."

"We fought that off in 2008 with $38 million in targeted consortium grants," added Brent Williams, president of the Bear Flag Foundation, "and guess what happened? That legislation crawled away by itself into a back room with our lobbyists and the brute force of reason."

"The simple fact is, we can pay for a bigger spotlight than they can," Arak confided in an interview with the *Eleemosynary Chronicle*.

Surely, when wealthy donors compete, the public can only come out ahead. That's how the Titanium Philanthropy Award came into being, with an eye-popping $100 million prize, Oprah Winfrey as its extra-special host, and the Boys Choir of Harlem as its premier $100 million recipient. Simultaneously, ten million YouTube views of the three-minute-long Selfie Award ceremony gave True Philanthropy a similarly permanent place in the philanthropic pantheon.

"Actually, it's not the size but the number of spotlights," Bluth cheerfully tweeted to her 450,000 followers.

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