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Why Are America's Rich Such Charitable Scrooges?



By Pablo Eisenberg

As Christmas nears, charities throughout the country, especially small ones, are facing tough times. Many groups have been forced to reduce their budgets, trim programs, and lay off employees. Decreases in government funds and philanthropic donations are taking their toll not just on nonprofits but also on needy people who no longer have access to the services and financial support they once had.

Yet the charitable spirit that should infuse this holiday season doesn't seem to have materialized, either in government or in philanthropy.

With a national unemployment rate edging toward 10 percent, the number of homeless and hungry people in the country has escalated sharply. Antihunger charities can't keep up with the growing demand for emergency services. The number of American households using food pantries rose by 44 percent from 2007 to 2009, with 5.6 million households seeking help.

Government safety-net programs should serve as a cushion against the harsh effects of a recession, but many have also been reduced. States have reduced their assistance to welfare mothers and Medicaid recipients, for example, and their cuts in aid to colleges have put higher education out of reach for many poor people.

While lawmakers should be channeling more money to the needy, so too should wealthy donors and foundations. Yet they are sitting by idly, doing little or nothing to help stem the crisis afflicting our nonprofits and civil society, especially the millions of disadvantaged people they serve. In a national

crisis, all parts of the community should share the burden of remedial action. Thus far, foundations have not done so.

According to the Foundation Center, giving in 2011 will grow only modestly, after a year in which most foundations didn't increase their giving at all.

This behavior raises a big moral question about how foundations can give so little away as the nation faces the most troubled economy since the Great Depression. Why aren't foundation leaders taking action to help poor, homeless, hungry, needy people—and to assure that the charities that serve them are able to do their jobs?

Now is the time for foundations to give a bigger share of their assets away and not give any more than the legally required minimum of 5 percent of assets a year. If foundations don't increase the share of assets they give, then Congress should step in to require them to give more.

The Council on Foundations should also exercise the courage and leadership to lead the way. Distributing 6, 7, or 8 percent in grants annually will not cause foundations to run out of money and shut down. But not giving more will invariably hurt nonprofits and cause some of them to close.

Foundation leaders could do more than direct a bigger share of assets to causes. To demonstrate the need for shared sacrifice, highly paid executives, particularly those earning \$300,000 or more a year, should cut their salaries by 20 percent and direct those savings to programs that are helping Americans with dire financial troubles.

Such actions might prompt other nonprofit leaders to do their part. For example, university and college CEO's, many of whom receive very high salaries and benefits, could channel a portion of their compensation to scholarships for students.

While foundations are doing little to respond to the economic crisis, America's wealthy are doing even less. Warren Buffett last week confirmed that he was paying off a \$50-million pledge he made in 2006 to develop an international nuclear-fuel bank to prevent the spread of atomic bombs. Why hasn't he donated an equal or greater amount for programs to aid the hungry and homeless in America?

Eli Broad, the billionaire arts patron continues to give large amounts of money to arts institutions and education-improvement efforts, yet doesn't seem interested in the plight of needy people who have been cut off from access to local social services and other forms of assistance.

Other wealthy donors could also spend more of their vast fortunes to aid the needy. Among them the insurance mogul Peter Lewis, the Gund and Rockefeller families, and Marion and Herb Sandler, who made hundreds of millions of dollars by selling their savings-and-loan business.

Bill and Melinda Gates, along with Mr. Buffett, have been soliciting fellow billionaires to give [half their fortunes](#) away, but why have they not organized an emergency drive for the needy?

They could attract a pool of \$2-billion or more from their wealthy friends to support people in need and to demonstrate to affluent people in cities and rural areas nationwide that local food banks, social-service organizations, mental-health groups, and job-training programs are trying to help the needy—but falling short because of lack of funds.

It's not just wealthy people or foundations that have fallen short. Charities themselves and their leaders have failed to make the strong case that they need more money and the people they serve face tough challenges. In Washington and elsewhere, too many of the associations that represent charities are focused on protecting the charitable deduction from attack, especially as several new proposals to trim the federal deficit have included a cutback in charity tax breaks.

Instead, nonprofit associations like the Council on Foundations, Independent Sector, and the National Council of Nonprofits, as well as the progressive think tanks, should be putting pressure on grant makers and wealthy Americans to step up to the plate and share the burden of community citizenship. Is their failure to do so a sign they are afraid of ruffling the feathers of their supporters?

Unless foundations and billionaires are prepared to contribute more of their resources to strengthen the nation's precarious nonprofits so they can serve the nation's needy, America will no longer be able to claim to be the most charitable nation in the world.

Indeed, if they don't change their ways, America's philanthropists will turn out to be the Scrooges of Christmas past.

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