

OPINION

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Lessons for Charities Amid the Financial Crisis

AMERICA'S serious financial crisis is hurting—and will continue to hurt—the children, families, and communities that are served by America's more than one million charitable organizations.

Nonprofit groups themselves will be hit hard from both sides. Government and private donors are likely to cut back sharply on resources for charities at the same time that Americans will expect nonprofit groups to do more to take care of the people in need.

As studies by the Aspen Institute and the Johns Hopkins University's Center for Civil Society Studies have consistently shown, nonprofit groups simply cannot replace government in terms of supporting essential services for those who need them most. With diminished resources and the absence of effective market regulation, the current gap in services available to lift people out of poverty and face other societal challenges will only be exacerbated.

Now more than ever, nonprofit groups and grant makers must engage in relevant economic public-policy debates. Nonprofit groups must work with the government and business to craft solutions that seek to prevent the problems that hobble so many people in society. Otherwise, the nonprofit world will be left scrambling to deal with the myriad human casualties of incomplete or failed policies.

The recent federal bailout of the nation's financial institutions is just the beginning.

The Treasury Department and other entities now need to carry out the plan. How will mortgages be adjusted and for whom? What regulations will govern housing and other consumer lending? Will policies be changed to support rental housing on a more equal basis with homeownership for those who cannot afford to own? What kind of education and incentives will be offered to help lower-income families to accumulate assets and savings to climb out of poverty and to gain a share of the American dream? And what will federal, state, and local budget priorities be in the face of growing deficits?

It is not too late for a critical mass of charities, grant makers, and philanthropists to step up to the plate on these issues. As we move forward, nonprofit leaders can take with them some key lessons from the current financial crisis:

Policy matters. Whether it relates to market regulations and incentives, support for social services, or corporate decisions, public policy matters intensely to the people and causes served by nonprofit organizations.

All direct service programs operate within a context and regulatory framework shaped by government and business. Indeed, nonprofit organizations often play a role in looking out for the most vulnerable people, who often get left behind by government or business decisions.

Moreover, nonprofit groups and their constituents have knowledge and expertise based on real-world experiences that can inform effective and efficient solutions. Nonprofit groups cannot achieve their missions and bring about systemic change without making advocacy part of their efforts to provide services. There must be a balance between service and advocacy, and the two approaches go hand in hand.

Nonprofit groups and their constituents need to exert greater influence on public policy. Nonprofit organizations, and the donors who support them, must sharply increase efforts to tackle the causes of problems and engage in systemic policy solutions.

The old-fashioned concept of charity as requiring nothing more than giving spare change to a person who is homeless should be relegated to the dustbin of history. The current foreclosure crisis should make clear that, regardless of ideology, we must tackle the causes, not just the symptoms, of such problems. And it's not just about doing for another but also about empowering others to do for themselves and their communities. Thus, nonprofit groups and low-income families should be heard as well as seen, and be centrally involved in devising and carrying out solutions.

For example, if there had been far greater support for those charities and foundations that had been working to increase financial counseling to low-income people, curb predatory lending, and reduce the dangers of certain adjustable-rate subprime mortgages, there would have been a real chance to prevent millions of foreclosures. Now, at a significantly greater human and financial cost, we must attend to the devastation to families, communities, and our economy from those foreclosures. At the same time, we still need to fix the underlying causes of the problems.

The economy is a critical issue for nonprofit groups to care about. Charities care for the poor, sick, disabled, and other underserved and disadvantaged members and communities in our society. Nonprofit groups care for our common environment, including clean air and water.

Yet while nonprofit groups have done so much to directly meet basic human needs, they have not put a commensurate amount of resources and energy into dealing with economic-policy issues that could prevent widespread harm in the first place.

This gap may be partly explained by an illogical separation between service and advocacy that grew out of political tussles over the last decades.

This phenomenon may have reached its nadir when some influential members of Congress sought to prohibit nonprofit groups receiving government funds from lobbying at all with their own private funds.

The lawmakers lost that battle, but still too many influential government, foundation, and nonprofit leaders continue to dis-

courage charities or shy away from getting involved in advocacy out of misguided fears or confusion.

An added deterrent is the very tangible satisfaction of helping a needy individual as compared with the abstraction of and often longer time period required for systemic policy and program changes.

Still, economic-policy organizations seem to lag behind other nonprofit policy groups, such as those tackling social or moral issues. For example, how many advocacy organizations at all levels of government focus on the causes of economic problems, whether those problems end up affecting jobs, hunger, health, housing, consumer protection, or financial lending and assets? How many charities really delve into the intricacies of insurance, antitrust law, budgets, tax law, or other consumer issues?

Thus, in addition to a self-defeating reluctance to engage in advocacy, why is it that such a small number of leaders in the nonprofit world have focused their resources on financial and market policies that so centrally affect the people they serve?

Could it be that there is a perception that financial and business matters will be inherently corrupting of their missions? Is this subject area considered too controversial or too dry? Are people afraid that standing up for the American dream would be tagged as class warfare? Are there disproportionately fewer nonprofit and foundation leaders with a business or financial background, and if so, why?

To be sure, there are many nonprofit champions that have focused on economic-policy issues, such as the Center on Budget and Policy Priorities, which provides high-level research and advocacy on budget and financial policies that affect low-income families. In addition, labor and business groups have supported nonprofit organizations that are involved in economic-policy matters. But the current financial crisis should lead

foundations, major donors, and charities to devote more resources and energy to economic-policy efforts with and on behalf of those they serve.

As resources dwindle and expectations increase, charities and foundations will have to be even more strategic in their work. Charities will have to figure out how to do more with less. By increasing support that can be used for grassroots organizing and direct lobbying, as well as efforts to get citizens more involved in the democratic process, nonprofit leaders can bring about change at a scale needed to empower and serve those most in need.

Clearly foundations and wealthy donors will have to make ever more difficult decisions about how to invest their limited resources to produce the greatest good for the greatest number.

What is required is balance. Unfortunately, right now efforts by nonprofit groups to foster civic participation in general, and on economic matters in particular, are woefully underfinanced, underresearched and undervalued.

Charities and foundations must not be bystanders as decisions are made that will affect the ability of low-income families to become self-sufficient by building assets, finding living-wage jobs, affording decent health care and housing, and providing a future for their children.

The current financial meltdown has been described by the president as dangerous and by others as the worst since the Great Depression.

If this is not a call to action for every organization in the nonprofit world, then how much worse do things have to get before we advocate for positive social change?

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