

<http://philanthropy.com/premium/articles/v17/i21/21003102.htm>

Philanthropy Must Challenge Corporate America

By Pablo Eisenberg

The United States has long depended on its nonprofit groups to serve as a watchdog, an independent force to hold other parts of society accountable and ensure that they are honest and productive. Nonprofit activism has led to changes in rural policy, the creation of Social Security, improvements in government behavior, better education and health-care systems, and expanded civil rights and civil liberties.

Nonprofit groups were successful in bringing about those changes because they were not afraid to forge an adversarial, as well as a complementary, relationship with business and government.

But in recent years, the adversarial zeal of nonprofit groups has waned as organizations have become increasingly dependent on government funds and as conservative politics has taken a stronger hold on the country. In addition, a lack of leadership at nonprofit organizations, foundation reluctance to support challenges to established institutions, and the escalating emphasis by grant makers on partnerships, collaboration, and joint ventures have all taken a toll on nonprofit activism.

In today's climate, only the news media are serving as monitors of government, business, and nonprofit groups. But they too have declined in their ability to serve as watchdogs, in part because of the growing concentration of ownership of news-media companies.

Nonprofit groups have been particularly loath to take on corporate America, even in the aftermath of the recent business scandals. In the past 25 years, corporate power has grown enormously, unchecked by government, nonprofit organizations, foundations, or the news media. It has become octopus-like in its reach, controlling almost every aspect of our society, often against the interest of the public's health and security.

While free enterprise is the heart of our economy, the boundaries that were set to limit the potential excesses of capitalism and to ensure a productive competitiveness seem progressively to have deteriorated. The American system of checks and balances is no longer working. In the old days, a combination of government oversight, labor unions, political elites, and nonprofit groups managed to curb egregious and unaccountable corporate activity. No more.

What is especially tragic in this situation is that corporate America is running roughshod over the rest of society.

Companies have been ruining the environment, weakening the rights of employees and breaking promises to provide pensions, buying off and controlling politicians, avoiding their patriotic duty to pay a fair share of the country's taxes, paying excessive compensation to their executives, and claiming huge subsidies and tax breaks from American taxpayers. They have weakened American values of fairness, decency, and integrity.

In its zealous pursuit of the bottom line, big business has trampled over consumers, debtors, and the safety of workers. It has sought to shape and control the research agendas of universities, even distorting research findings to justify corporate products. It has fought vigorously to eliminate regulations aimed at ensuring environmental quality, health standards, and fair wages.

Corporate America, ironically, has become the heart of our welfare state, its huge subsidies from taxpayers far overshadowing the relatively small amounts provided to poor women and children. President Reagan's "welfare queen" with a Cadillac has been replaced by the corporate CEO with his exorbitant salary and perks. In short, the capitalist system is running wild, unfettered by reasonable rules and regulations, not constrained and balanced by the other forces of our society.

What is surprising is not that this development has occurred, but that it has occurred without much concern on the part of nonprofit organizations. The major reason for this inattention, of course, is that foundations and wealthy donors have continually refused to provide support for any systematic effort to monitor, assess, hold accountable, and improve the behavior of corporate America.

Pieces of the corporate puzzle have periodically received some attention by nonprofit groups and just a few foundations.

The watchdog groups founded by Ralph Nader have for many years campaigned against corporate excesses, raising most of their money through membership fees and grass-roots fund raising. The Corporate Library, in Portland, Me., has been collecting data and monitoring corporate activities; it is not surprising, however, that its money comes from subscriptions to its publications.

Foundations have given the Center for Public Integrity, in Washington, general support for its programs, which have included investigations into defense contractors, international tobacco firms, and corporate lobbyists. A few other watchdog groups still manage to limp along with small staffs and limited budgets.

Some environmental groups have received substantial funds for their work to safeguard environmental standards, including money to wage lawsuits against corporations.

Similarly, several consumer groups have received foundation funds for their activities. And a few foundations gave nonprofit organizations money to persuade banks to carry out the Community Reinvestment Act, legislation requiring financial institutions to provide mortgages and commercial loans in the neighborhoods where they do business.

But that's about it.

No large or midsize mainstream foundation has ever established a major grant-making program with a substantial budget devoted to the study and oversight of America's free-enterprise or capitalist system. It is extraordinary that this dominant feature of our society -- our economic engine, as it were -- has been totally ignored by our philanthropic institutions for so many years. Foundations have tackled some of the toughest issues in education, community development, health, crime and justice, civil rights, and women's rights, but never the corporate world.

By contrast, some conservative foundations support groups that promote a free-enterprise system unhampered by government regulations and oversight.

The reasons most foundations shy away from making grants to oversee corporate America are fairly obvious.

Most foundations have been established by the beneficiaries of corporate wealth, and by and large their trustees represent those interests. Little wonder these institutions don't want to take a hard look at the system from which they have derived their assets.

Moreover, foundation trustees often have close ties with corporate colleagues and friends. Not surprisingly, they have little enthusiasm for pursuing any examination of corporate activities, especially if such an effort may involve exposing the dark side of corporate operations.

When Henry Ford II resigned from the Ford Foundation board in 1977, he accused the institution of undermining the free-enterprise system. Looking back from his grave today, he must be smiling at the naïveté of his accusation.

Despite the power and influence of corporations, one would have thought that at least one or two major donors might have been motivated to explore this most significant sector.

Why hasn't George Soros, with all his concern about open societies and democratic institutions, allocated a vast sum to study, evaluate, and improve corporate America? Or Warren Buffett, Charles Feeney, Peter Lewis, Ted Turner, and other wealthy people like them?

What's more, historians, researchers, and analysts of American foundations have rarely, if at all, commented on this black hole in philanthropy. It is as though even the possibility of such a concern or priority has never crossed anybody's mind.

It would take just one of the wealthiest foundations to provide the resources to make such an examination possible and productive, permitting solid research and evaluation as well as frequent meetings and forums of economists, policy makers, and civic representatives. The foundation could

create a clearinghouse of information and focus on getting journalists and policy makers relevant data and ideas for change.

At this critical time in our economic and social history, we need to take a hard look at corporate America to determine how it can better serve the nation's interests. At least one grant maker or billionaire should be willing to take on this challenge.

Pablo Eisenberg, a regular contributor to these pages, is senior fellow at the Georgetown University Public Policy Institute. His e-mail address is pseisenberg@erols.com.

[Copyright](#) © 2005 [The Chronicle of Philanthropy](#)