

Defining Values & Freedom: How the Right's Perspectives and Strategies Win

Jeff Krehely Speaks on a Panel Discussing the Olin Foundation's Influence on American Society

The following remarks were presented at the Hudson Institute on December 8, 2005. Jeff Krehely, one of three panelists who spoke on John Miller's A Gift of Freedom, offered a historical overview of the Olin Foundation, which recently spent down its assets and closed its doors.

First, I'd like to thank Bill Schambra and Krista Shaffer for inviting me to speak. Although the politics and ideology of NCRP and Hudson are a bit divergent, our organizations have developed a very good relationship, and we at NCRP highly respect the work that Bill and Krista do. When the Hudson Institute is a progressive philanthropic watchdog organization's closest friend, you know there is something wrong with progressive philanthropy, not to mention the progressive movement itself. So until the left gets its act together, Bill, you're stuck with us, which means we'll be speaking to your audiences for years to come.

Most of all, I'd like to thank John Miller for a fantastic book. His work is, by far, the best piece written in a long time on what constitutes effective philanthropy. Although I disagree with 99 percent of the social or political ideals presented in the book, it is to be admired for its frankness, depth, and social and political contextualization. These are the very things missing from other attempts to evaluate foundations and their impact, and I'm guessing



Jeff Krehely

ic strategies of the left versus those of the right.

Instead, I'd like to raise larger themes and questions that this book brings to mind, particularly around one of the questions posed in this event's e-mail invite, and that is, "Should foundations be involved in trying to change America?" I want to stress that these are mostly newer ideas and ones on which NCRP's board and staff have not taken official positions. In fact, I'm not even certain of my positions on them; they're merely worth pondering and putting out for discussion and reaction.

So, is changing America a charitable activity that foundations should be funding? From a slightly different perspective, what is the charitable sector's role in the ongoing war of ideas that is currently being fought in the United States? To answer these questions, we have to ask whether attempting to change America is a charitable activity itself, and whether the nonprofits that engage in this work—conservative or liberal—are indeed charitable organizations, as both the spirit and intent of tax law define them.

What are charitable activities? For one perspective, I'd like to turn to the Tax Foundation, based in Washington, D.C., which

recently released a report called "Charities and Public Goods: The Case for Reforming the Federal Income Tax Deduction for Charitable Gifts." The Tax Foundation is largely funded by foundations with names like Bradley, Koch, and Scaife, so I'm not lobbying some kind of crazy left-wing idea here. This policy brief basically argues that the charitable sector has evolved into something that is not exactly or even largely deserving of charitable tax deductions, which are essentially indirect government subsidies of these organizations. Especially from an economics perspective, the brief argues, only a small fraction of the nation's 501(c)3 public charities should qualify for this preferential tax treatment.

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your book was completed with a fraction of the budget other organizations have used to tell us that "an engaged board is an effective board" and that grantees appreciate it when program officers return their phone calls in a timely fashion.

I don't think John and I would ever see eye-to-eye on most of the policy positions the Olin Foundation has helped to advance and that he seems to support, so I don't want to argue about the ideas within the book. And since we've already had debates on why conservative foundations are better at policy and advocacy work than their mainstream or liberal counterparts, I don't want to present yet another analysis on the philanthrop-

One class of organization that the brief's authors specifically cite as not being especially deserving of tax breaks is what they call "lobbying and political activist groups," such as national and state-level think tanks, grassroots advocacy groups, and other issue-advocacy organizations. The authors note that the Tax Foundation itself falls into this category. They go on to state that "because these groups primarily benefit donors and management in the same way for-profit lobbying firms benefit clients, it is unclear in what sense they provide a public good justifying tax subsidy."

Consider that view in light of a project highlighted in John's book: a 2,000-page "how-to" policy manual for what the Heritage Foundation and its funders were figuratively and literally praying for in the late 1970s: a Reagan administration. From my perspective, there is something inherently partisan and narrowly beneficial about underwriting and undertaking that kind of work. The same can be said about much of the work of the recently established Center for American Progress, headed by John Podesta, Bill Clinton's former chief of staff. The center has brought in several million dollars in foundation, donor-advised funds, and other charitable gifts in the past couple of years, all in an attempt to push a modestly progressive policy agenda.

There are many other examples of elite organizations that claim to be nonpartisan public charities working closely with elected and appointed officials to influence policy decisions, often along partisan lines, while reaping millions of dollars in donations from foundations, individuals, and corporations, as well as direct and indirect government subsidies. To me, that kind of advocacy is very different from a 501(c)3 charter school advocating on legislation related to school privatization or an HIV health clinic lobbying for more HIV and AIDS research funding. In other words, it's one thing for a public charity to lobby or advocate on issues key to its mission, but quite another to have the mission itself be policy research, lobbying, and advocacy—especially direct lobbying that does nothing substantial to educate the public and bring it into the policy process.

Similarly, it is absurd that the same IRS that recently bestowed 501(c)3 tax status on the Center for American Progress would investigate a church in California for criticizing President Bush's Iraq policies just before the 2004 election. Although I don't personally believe churches or other charities should be engaging in electioneering activities, I think that the sheer financial size, national scope, and overt ideology of both the Center for American Progress and the Heritage Foundation—and many other charitable

organizations—did much more to influence voters in 2004 than one Sunday sermon in one California church.

I'm not saying that charitable organizations do not have a role to play in the policy process, or that the Olin, Walton, and Soros families don't have the right to give money to the organizations and causes of their choosing. What I am questioning is the real charitable intent and character of some of the nation's leading think tanks and the extent to which they and their funders deserve preferential tax treatment. Yes, I agree that speaking out on policy issues is a right enjoyed by many nonprofits, and that right should be protected and defended, but is it a universal right for all organizations currently considered charitable, and should this right be underwritten, in part,

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by substantial tax breaks?

Here is another perspective. My experience over the past seven years working at a foundation, researching foundations, and then working as a watchdog of the foundation sector has taught me that most foundations are incredibly undemocratic institutions, nearly untouched and unmoved (and at times angered) by outside or unsolicited feedback or criticism. And I know that "collectivism" is a dirty word for most people in the audience, but from my perspective, we are all footing the tax breaks that foundations and other nonprofits receive at their inception and throughout their institutional lives. In the case of the nation's largest foundations that have been recently established and continue to grow, this lost tax revenue can easily cost billions of dollars. Yet only a handful of foundation board members or foundation trustees have any say in how that money is actually used.

This brings me to the life spans of the nation's foundations, a topic key to the Olin story. In 2003, the Bill and Melinda Gates Foundation had assets approaching \$30 billion. How much larger will their foundation become upon their deaths? What about the Walton family, estimated to be worth collectively over \$100 billion, and the family's foundations? Considering that 30 years ago no one really knew of the Waltons, it's hard to predict who in coming years could have control over this kind of tax-exempt wealth. I'm guessing many people here are comfortable with the Walton Family Foundation perhaps someday giving away about \$5 billion each year to policy advocacy nonprofits, but think about your reaction if it were a radically progressive family handing out that cash to influence policy. What if future generations of the Waltons are more progressive

than the current members of the family, and completely overhaul the foundation's program areas and giving strategies? That was a real worry for John Olin, especially after what happened at the Ford Foundation in the late 1970s.

So when it comes to foundations, how big is too big? Should we think about capping the size of foundations? Making them more democratic? Making Olin's idea of spending down mandatory? As I mentioned earlier, I'm really not sure what the answers are to these questions, but I think these conversations are important to have right now, as thousands of foundations are established yearly, and others see their assets grow at rather impressive rates.

From another perspective, might smaller foundations be more effective and have more impact than larger institutions? Some conservative critics counter NCRP's work on right-wing foundations by citing that liberal foundations have so many more billions of dollars than the conservatives, rendering our research useless, in their eyes. While I tend to disagree with these critics about how many foundations are actually liberal and how many have programs that are actually coherent enough to matter, I would certainly agree that mainstream and left-of-center foundations have more wealth than their right-of-center counterparts—and that's something we try to stress when talking about our research on right-wing foundations.

Perhaps this fact has actually aided the success of conservative foundations. In other words, is there an assets and resulting charitable spending threshold that, once surpassed, makes it difficult for a foundation to maintain programmatic focus, limit spending on itself, or be flexible enough to respond to an ever-changing policy envi-

What is freedom? Who defines it? For me, it's a rather dynamic, subjective term. Even on the political right, I imagine that the Cato Institute's definition of freedom is different from the Heritage Foundation's, which is probably different from that of Concerned Women for America. Cato, for example, played a key role in getting the Supreme Court to decriminalize sexual activity between two consenting same-sex adults. Yet to this day, Concerned Women for America has a section on its Web site explaining why sodomy laws need to be put back on the books.

It's one thing for tax-exempt organizations to fund or participate in a big picture debate on freedom, but something quite different for them to fund or work on specific policy agendas based on a definition of freedom held by a small, elite group of people, liberal or conservative. But that raises the thorny question of where we draw the line concerning ideas, research, policy, advocacy, politics and partisanship. Is the tax code adequately regulating these activities and organizations? Is it good or even coherent public policy to say that foundations can't fund specific lobbying campaigns—based on the IRS's specific definition of lobbying—but then give them enough leeway to fund a Heritage or a Center for American Progress? Heritage, by the way, claims on its Web site that it does no lobbying, and reports zero lobbying expenses on its IRS Form 990.

The liberal in me wants the left to get its political act together, figure out what it stands for, and then pursue its goals using as much money as it can find, taking full advantage of PACs, c(3)s, c(4)s, foundations, etc. But the philanthropic watchdog in me really questions whether it's a good idea to have elite groups of people using charities to further what are sometimes narrowly self-interested political goals.

I've asked a lot of questions, and I hope that some-

one here finds them as challenging and pertinent as I do, and that we can discuss them here today or at a later date.

In closing, I want to once again thank John for a terrific contribution to the field, and Bill, Krista and the Hudson Institute for providing a venue to have debates and discussions about the real accountability issues facing nonprofits and foundations. Other organizations might have more money to spend on debating the minutia of accountability, but their fat budgets can't hide what they are lacking in substance and relevance.

Jeff Krehely is deputy director of NCRP.

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ronment? Many people may hold the assumption that more money leads to more impact, but is that in fact the case? Might there be some sort of optimum range of foundation size that is big enough to have real impact, but small enough to maintain focus and control? I'm not aware of research into this theory, or have any idea about what this ideal range of size might be, but it would be a great contribution to the field, I think, if someone were to research it in a comprehensive way.

Here are some other questions, which have less to do with the politics or mechanics of philanthropy, and more to do with some of Olin's specific work.