

## The New Funding Heresies

What everyone knows (but no one will say) about funding the left

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Their names, for the most part, are unknown. But we know a bit about what they've been up to. In early May about 100 well-heeled progressive donors from around the country assembled in a luxury resort on the outskirts of Austin, Texas, for a 21st century version of the smoke-filled room (i.e., the smoke-free room). The occasion was the second meeting of the Democracy Alliance, a group of millionaires--including George Soros and insurance magnate Peter Lewis--who've pledged to give a minimum of \$200,000 a year for the next five years to progressive organizations. Also in attendance were representatives from 25 organizations seeking Alliance funding.

The three-day meeting was partly a conference on the future of the progressive movement--featuring panels on America's Role in the World, 21st Century Economics and a surprise talk by Bill Clinton, who caused a stir with his testy response to a question about his wife's continued support of the Iraq occupation--and partly a meeting to decide who would be the beneficiaries of the Alliance's largesse. On the last afternoon, all of the partners met behind closed doors to make their final decisions.

Oh, to be a fly on that wall.

Since word of the Alliance first spread through progressive circles last year, it has loomed large in the imagination of many in the movement. Its tight-lipped approach to publicity has given rise to rumors, speculation and grumbling about a lack of transparency. But the Alliance's approach to long-term funding also suggests the promise of a significant change in the way the left is funded, one that many say is long overdue.

In the wake of the 2004 presidential election, more and more progressive funders are coalescing around what might be called the Infrastructure First theory of progressive revival. Originally pioneered by former Clinton Treasury official and Democracy Alliance founder Rob Stein, and now advocated by everyone from DNC chair Howard Dean to SEIU President Andy Stern, the theory goes something like this: The single most important factor in the right's political dominance over the last several decades is its superior infrastructure--a network of well-funded, tightly coordinated advocacy organizations, grassroots groups, think tanks and media platforms that are capable of mobilizing the base, drawing in new converts, moving the national political debate and exerting astounding influence on elected politicians. In a somewhat legendary PowerPoint presentation, Stein documents the way this conservative infrastructure was built, who funded it and how it works. The Democracy Alliance's mission is to help build a countervailing force on the left, what is cheekily referred to as the Vast Left Wing Conspiracy.

Indeed, there's been a shroud of mystery surrounding the group from its very beginning. "Now that we are fully operational, we recognize our responsibility for greater transparency and accessibility to the center-left community, including the press," Stein, who was at the meeting, told me recently. "But last year when the Alliance was literally in formation, we consciously chose not to ballyhoo or promote ourselves."

Secrecy isn't limited to the Alliance. In progressive circles, it seems the first rule of fundraising is: Don't talk about fundraising. Call up someone at a major foundation or a development director and their first response is to go off the record. "There's a deafening silence within the movement around the role of money in movement building," says Daniel Faber, who teaches sociology at Boston's Northeastern University and edited *Foundations for Social Change: Critical Perspectives on Philanthropy and Popular Movements*. "It's very difficult to penetrate that veil of secrecy."

It makes sense. Progressive activists, organizers and leaders are rarely in a position to openly criticize their funders. (That includes *In These Times*--here's hoping that the foundation that pays my salary admires our bracing honesty.) And funders find themselves so besieged by requests for money (not to mention right-wing invective, as Soros can tell you), there's a tendency to fly beneath the radar. But if the progressive movement is going to build an infrastructure to rival the right, it has to examine and undo the numerous dysfunctions that stem from the way it is currently funded. In order to do that, it must initiate a public debate, no matter how awkward such a discussion might be. It might seem churlish to criticize foundations and donors that are giving away hundreds of millions of dollars, but it's the people writing the checks that tend to make the rules and nearly everyone now agrees those rules need to change.

In more than three dozen interviews, I tried to suss out what the major criticisms of the existing funding mechanisms were and what new models were being set up to address the problems that funders, organizers, academics and observers had identified. I found, much to my surprise, a shocking degree of consensus about what's broken and how to fix it.

So here, then, are the five heresies held by the new funding consensus.

### 1) Big foundations aren't the answer

When you ask Daniel Faber who funds the left, he bluntly says that the dirty little secret is that most of the money comes from large foundations. Faber estimates that "foundation dollars provide 70 to 90 percent of funding support for most social movements."

The majority of this money comes from just a few large foundations. In a recent study of social justice philanthropy, the Foundation Center noted that two foundations, Ford and Robert Wood Johnson, provide 25 percent of foundation grants for social justice work. "That's a tremendous concentration of influence," Faber says. "And the problem with the mainline foundations is that they don't attack social problems in political terms. They look at them in terms of providing services--so they look at them in isolation."

A program director at one major foundation that funds a wide variety of progressive groups agreed with Faber. "I can't think of any topic we work on domestically where we feel like we want to build a movement," she said.

This attitude comes from the reformist culture of philanthropy, which grew out of a distinctly apolitical belief in noblesse oblige and neutered "charity." But it also results from a concerted effort by conservatives to bully and intimidate foundations away from funding groups that seek to build political power. Foundations like Ford, which funds hundreds of very progressive groups, live in fear of being hauled before Congress, nailed by the IRS or mau-maued by right-wing critics for any perceived political project. (A recent cover story in *The Nation* recounted the latest dust-up over Ford's funding of a U.N. conference on racism that exploded into a controversy over anti-Semitism and -Zionism.)

Things are quite different on the right. Partly because conservatives felt shut out of major foundation funding, a network of conservative family foundations grew up in the '60s to fund the nascent movement. And unlike their mainstream counterparts, the Olin, Scaife, Coors and Heritage foundations all proudly view themselves as funders of the conservative movement.

But for the progressive movement, the single largest source of funding comes from institutions that don't consider themselves part of the movement itself. This means that organizations are caught between pursuing their political objectives and pleasing their apolitical funders. Kim Klein, a development consultant who has spent three decades helping progressive organizations raise money, says that an over-reliance on foundation money is the "number one dysfunction" of the movement. "It reflects a lack of political analysis about the nature of money," she says. "If you're really serious about social change and social justice, then you want the people engaged in membership to feel ownership. Imagine there are two lines on your phone. One is someone from the so-and-so foundation and the other is a person who lives down the street. I'll tell you which call most executive directors take."

### 2) Fund institutions and organizations, not programs

It's tempting to view money as money: Why should it matter who a check comes from as long as it clears? But most money comes with strings attached and foundation money tends to have the most strings. Often those strings come in the form of grants for specific programs as opposed to general operating support. By granting money for specific programs, foundations can exert a tremendous amount of control over the organizations they fund. Faber says that the Ford Foundation once had a reputation for being so overbearing that grantees used to ask each other: "Have you been driven by Ford lately?"

Again, this differs from the conservative movement. A 2004 report by the National Committee For Responsive Philanthropy (NCRP) found that between 1999 and 2001 the top 79 conservative foundations gave \$94.3 million in general operating support to policy and advocacy organizations against \$77.5 million in program funds. In 2005, NCRP released another report which showed that the 10 best-funded conservative advocacy organizations receive 90 percent of their foundation funding in the form of general operating support. By contrast, their counterparts on the left receive just 16 percent of their foundation funding in the form of general operating support.

"There's a place for project funding," Stein says, "but if we're going to build a movement, there has got to be sustainable financial security for our organizations." This is why Democracy Alliance has committed to primarily providing general operating support. "It is almost impossible to be an aggressive, bold, problem-solving oriented institution without financial security," Stein says. "By way of example, the Heritage Foundation has a budget of \$40 million dollars but they have cash and investments of \$100 million. That's two and half years' worth of money to be creative."

### 3) Think and fund for the long term

Stein says his chief goal is to cultivate a culture of "strategic long-term investment." Emphasis on programs, he and others say, leads to a flavor-of-the-month effect, where funders support fashionable programs for a few years and then move on to the next new thing. Alison Fine, who has served as CEO of the E-Volve Foundation and consulted with grant-seekers, says, "It's very hard to get people to put money into long-term infrastructure because it's not sexy. Funders want to fund things they can count, something they can bring back to their trustees or their country club and say 'Look at what I funded,' and what we desperately need is someone who is going to fund the process of progressive change."

Long-term funding helps organizations focus on those kinds of activities--grassroots organizing and base-building--that by nature require long gestation and don't readily produce the kind of immediate returns on investment that so many funders look for. Barbara Osborn, communications director at the small progressive Liberty Hill foundation, says that the recent immigration marches, which surprised many observers by turning out millions, are perfect examples of the fruits of this kind of long-term commitment. "Liberty Hill has invested \$4.5 million in immigrant rights work in Los Angeles since 2000," she said by email. "What erupted on the streets March 25 was no accident and no surprise to us."

Calls for long-term funding and more general operating support are by no means new. Indeed, nonprofit sector expert Pablo Eisenberg and members of the NCRP have been sounding this refrain for years. But the failures of 2004 have succeeded in knocking loose the status quo, even in the uber-conservative and risk-averse world of philanthropy. While Stein cautions that changing the approach is like moving an "oceanliner," the fact that Democracy Alliance and other groups now exist and can pursue grantmaking that incorporates these critiques signifies the beginning of a sea-change. Stein says he's even found that program officers at foundations now quietly ask him to tell their bosses that they need to increase the lengths of their grant cycles.

4) Fund innovation, provide startup money.

New organizations, particularly those with a novel approach or issue, face a Catch-22: They can only secure funding if they have a good reputation and a demonstrated record of achieving results, but without any money it's hard to gain much of a reputation or get much of anything done. This might be called the problem of funding inertia: organizations that are funded tend to stay funded and those broke tend to stay broke. "There's really only a handful of people that are going to fund new ideas," a staff member at a small progressive startup told me. "You can be a community arts organization that's been around for 15 years, and you can get \$50,000 from a foundation. For something like our open media software, we're scrambling to get \$50,000."

The leading voices for a more innovation-oriented, risk-seeking style of progressive investment are Andy and Deborah Rappaport. Andy Rappaport made his fortune investing in communications and technology companies and has been giving to progressive organizations for years. In 2004, the Rappaports started a donor circle called Band of Progressives, modeled after the Band of Angels, a group of fellow Silicon Valley investors who would meet regularly to evaluate start-ups. The couple gained a reputation for giving generously to a variety of non-traditional organizations like Music for America, which sought to mobilize young voters through organizing concerts.

The venture capital model drew lots of converts and last year, the Rappaports set up a new organization called the New Progressive Coalition. NPC functions as a virtual marketplace of progressive giving, connecting organizations seeking money with those with money to give. Its Web site features MySpace-like profiles of different member groups (including In These Times) that investors can browse. The approach and vocabulary is frankly entrepreneurial: There are no donors, only "investors," staff members talk about measuring the "political return on investment" and setting up "portfolios" of organizations that investors can manage like a mutual fund.

The idea is that by opening up the funding process to a free-market approach NPC can avoid the conservatism that tends to prevail. "The political capital market is broken," says NPC's Investor Services Director Catalina Ruiz-Healy. "We're trying to fix it. The way politics has traditionally worked, there hasn't been much transparency, analysis or accountability. It's more someone told you to give to this or your friend is doing that." Those are valid data points, she says, but you would never use them to decide how to make financial investments.

"We're trying to build a mutual fund approach," she says. An investor can come to NPC with some parameters, and they can suggest a bundled set of organizations to invest in. "We can say: 'Here's a way for you to invest, we've done the due diligence. You need the big elephant and these three startups. One startup might fail, but your money isn't down the tubes.' We need to take risks. We create an environment where there is calculated risk-taking."

#### 5) Expand the small donor base

Due in no small part to Rob Stein's infamous PowerPoint, the dominant narrative of the Vast Right Wing Conspiracy tells of a nefarious cabal of rich masterminds getting together and single-handedly funding modern conservatism. But "nobody understands that much of the right's work was self-funded," says Jean Hardisty, who founded Political Research Associates to study the conservative movement. "The religious right raised its money for the most part from its own people."

"The Heritage Foundation has 275,000 individual donors," says Kim Klein. "The Right-To-Life organizations have thousands of small donors. The grassroots of the right wing is actually funded by the grassroots and the grassroots of the left wing is funded by foundations, and I think it's an enormous problem."

Self-funded movements were once the norm on the left as well. The labor movement is funded almost entirely through union dues, and the early Civil Rights movement, though it received key support from small, progressive family foundations, was bankrolled overwhelmingly by African-American business people and congregants in black churches.

But in the '60s and '70s, progressive organizations outside civil rights and labor came to rely heavily on foundation support. At the same time, conservative mastermind Richard Viguerie pioneered direct mail, a method of mail solicitation that proved enormously successful and helped capture an entire generation of Republican and conservative small donors.

The great hope for progressive organizations is that the Internet can be for the left what direct mail has been for the right. Traditionally small donor cultivation has been relatively expensive,

meaning that the largest organizations are best equipped to pursue it. The Internet changes that calculus significantly, providing a means of reaching thousands of potential donors and processing donations with an incredibly low overhead.

But it's unclear whether Internet giving will simply make small donor fundraising less expensive and more efficient, or whether it has the ability to expand the universe of people who are willing to give money.

Even if Internet small-donor cultivation doesn't solve an organization's funding problems, it has a substantive effect that ranges beyond the immediate financial return. "People need to own and run their organizations, elect officers, set the budget for the staff," says Steven Kest, executive director of ACORN, which requires dues from all of its members. "Paying for the organization is one way of owning the organization."

It's almost too obvious a point to articulate, but it bears repetition nonetheless: The arithmetic of fundraising is not the simple arithmetic of democracy. There is no one person, one vote. American hyper-capitalism creates winners and losers, people who can write \$20 checks and people who can write \$2 million checks. Even if the Internet provides a platform for massive small donor giving, large donors are still going to play a disproportionately large role in funding the progressive movement. But the specter of a progressive movement funded largely by wealthy individuals, or even members of the comfortable upper middle class, raises some thorny issues, ones that hover over the technical and strategic critiques outlined above.

It's not often stressed, but the conservative movement was motivated as much by class self-interest as it was by ideology. While key funders like Scaife and Coors were furthering their beliefs they were lining their own pockets by agitating for reduced taxes on wealth, union-busting and deregulation. "There's something much more authentic on the right about what they were doing," says Jeff Krehely, research director at NCRP. "Spending \$5 million on grants would bring so many more rewards in the long run because the policies would change to benefit them. "

This isn't the case for progressives, who will have to rely upon a kind of What's the Matter with Kansas? effect in which ideological principles trump personal class interests. "Trying to fund an economically progressive movement from a bunch of rich people is a tough sell," says Krehely. "I don't think anyone's tried to figure out what we do about that. Until we figure that out I don't think we're going to get very far."



Jane Covey, development director for United for a Fair Economy, disagrees. She cites UFE's work with wealthy individuals in fighting against the repeal of the estate tax. "They ended up being a very surprising voice on the side of economic justice and fairness."

"All of us want our stock prices to do well," says Larry Litvak, a former Working Assets executive and current investor with NPC, "but at the same time you're not satisfied if just that aspect of your goals are being addressed." The silver lining of the increase of inequality over the last 30 years, Litvak says, is that now a lot of people "both have assets and have this broader set of values."

But what exactly is in that "broader set of values" is what's at issue. Last year I spoke to one Democracy Alliance partner who expressed frustration with his fellow partners' reluctance to fund groups that would attack the free-trade consensus. "I think this is a really dangerous period to be mindless free-traders. I don't think the Democracy Alliance is wrestling with that stuff," he said. "That's one of those things that's really hard for wealthy people to do, to feel how working people feel."

There might not be a simple way of resolving this inherent tension, but in all the ink spilled over Soros in the last election cycle, it was easy to miss that Big Money is only part of the picture. In fact, the big donors themselves are the most eager to point that out. "We do not believe that we are the end-all, be-all source of financial security and health," says Stein. "We will not build a healthy center-left movement in America without a diverse base of small- and medium-sized donors."

If there's one answer to the question of how best to fund the left, then, it's this: Raise as much money from as many sources as possible. For the last 36 years, ACORN has managed to win crucial victories in states and localities around the country. It's survived and even thrived during a time of conservative ascendancy, growing its staff and operations and spearheading minimum wage campaigns and organizing drives.

Kest chalks up the organization's longevity to the diversity of its funding sources and its reliance on members. "There are valuable partnerships to be made with wealthy donors and foundations--there's no way in which we are purists about this." Indeed, ACORN receives money from the Rappaports and foundations. "But," says Kest, "if we were solely dependent on

contributions from wealthy individuals and foundations, I don't think we would have survived for 36 years."

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