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Civil society needs healthy pluralism of philanthropy

By [Lenore Ealy](#) | 12 May 2012 | 599 views



Rick Cohen has a [long essay at Nonprofit Quarterly](#) suggesting that it is time “to rethink the scope of transparency and disclosure in the nonprofit and philanthropic realms.” It’s worth a read. Here is one selection, at length (emphasis added):

Increasing public disclosure has become a matter of shoring up the condition of American democracy. The 501(c) sector is increasingly used by high rollers to hide the extent of their influence and control over the electoral process, and is being used by some levels of government to remove public activity from public oversight.

Is it time in our society to call for a new scheme of increased transparency and disclosure in the nonprofit and philanthropic sectors? I believe it is. It will mean that the nonprofit sector will have to cede some of its long held privileges concerning confidentiality of donors and donations, but the time has come for it. At some moments in history, one must be willing to accept a limitation on some right or privilege in order **to promote a greater good**. Letting more sunlight into the political system — by limiting the ability of the moneyed classes to use charity, philanthropy, and nonprofits as their ticket to secret influence and control — is warranted.

It is a tradeoff for the sector, much like the debate over possible restrictions on charitable deductions. How much is the sector willing to forego in order, one hopes, **to achieve a greater good**? For example, is accepting a cap on charitable deductions worth it for comprehensive health care reform and job creation, as President Obama has repeatedly linked the latter two initiatives to his proposal for the former?

The calculus that the nonprofit sector has to make involves factors such as whether the new government revenues would really go to the intended, **socially productive purposes**, whether the positive benefits of increased government expenditures on health care and jobs would be more positive than letting the nonprofit and philanthropic sectors allocate those resources, and whether focusing on health care and jobs outweighs other charitable activities such as the arts, youth services, or scientific research that might otherwise have been pursued had those dollars stayed in the charitable sector. It is similar regarding transparency. Will increased transparency and disclosure generate **societal benefits** that outweigh what the nonprofit sector has to give up?

Cohen is primarily concerned with the possibility that tax-exempt entities may be secret conduits of political influence by the “moneyed classes.” He fears that “high rollers” and “some levels of government” are now utilizing tax-exempt entities to hide their efforts at social control and political influence, so he says it’s time for a new regime of transparency and disclosure, listing more than a handful of new mandates for disclosure and oversight. These each merit discussion in turn, but I’ll leave aside for now.

What most concerns me with Cohen’s approach is his rhetoric, which supposes that the “nonprofit sector” can aim at a single “calculus” that promotes “a greater good.” While the issue of transparency is of importance in a free society, especially for groups receiving favorable tax treatment that are supposed to refrain from political activity, it is nevertheless necessary to inquire, “transparency toward what end?” Cohen here speaks of a “greater good,” but then seems (with political intent of his own?) to equate that greater good with President Obama’s health care reform and job creation initiatives. His questions further leave open (or do they?) the matter of who will judge what are “positive benefits” or “socially productive purposes” of philanthropic activity. There is little room left here for the richer conception of civil society as a polycentric realm of voluntary coordination around a pluralism of (sometimes complementary and sometimes incompatible) ends. Before extending the tentacles of the regulatory regime farther into civil society, perhaps it’s time to step back to consider at what point people might finally tire of the increasing burden of the regulatory state, to recognize the public choice problems that pervade bureaucratic action to solve social problems, and to rethink the proper SCOPE of government.

Rather than ask how to police special interests, we might consider how to deprive them of the opportunity for spoils by returning to a regime of limited government and rule of law. We might also take a more serious look at how “American democracy” actually tends to advance corruption by treating the federal government as a purveyor of special privileges and a cash register out of which problem solutions and the money to fund them can be drawn with enough votes and political influence. To the victors, and those who can buy them, go the spoils.

That we have a problem with special interests should come as no surprise. As the authors of the Federalist Papers observed, factions are a feature of our political system, indeed of human nature itself. In Federalist 10, James Madison suggests two solutions, we can seek to remove the causes of factions or seek to control their effects.

There are again two methods of removing the causes of faction: the one, by destroying the liberty which is essential to its existence; the other, by giving to every citizen the same opinions, the same passions, and the same interests.

It could never be more truly said than of the first remedy, that it was worse than the disease. Liberty is to faction what air is to fire, an aliment without which it instantly expires. But it could not be less folly to abolish liberty, which is essential to political life, because it nourishes faction, than it would be to wish the annihilation of air, which is essential to animal life, because it imparts to fire its destructive agency.

The second expedient is as impracticable, as the first would be unwise. As long as the reason of man continues fallible, and he is at liberty to exercise it, different opinions will be formed. As long as the connection subsists between his reason and his self-love, his opinions and his passions will have a reciprocal influence on each other; and the former will be objects to which the latter will attach themselves. The diversity in the faculties of men, from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interests. The protection of these faculties is the first object of Government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results; and from the influence of these on the sentiments and views of the respective proprietors, ensues a division of the society into different interests and parties.

Later in the essay, Madison discloses his solution to the division of interests, which is the extended and federal Republic established by the U.S. Constitution: The influence of factious leaders may kindle a flame within their particular States, but will be unable to spread a general conflagration through the other States: A religious sect may degenerate into a political faction in a part of the Confederacy; but the variety of sects dispersed over the entire face of it, must secure the National Councils against any danger from that source; A rage for paper money, for an abolition of debts, for an equal division of property, or for any other improper or wicked project, will be less apt to pervade the whole body of the Union, than a particular member of it; in the same proportion as such a malady is more likely to taint a particular county or district, than an entire State.

In the extent and proper structure of the Union, therefore, we behold a Republican remedy for the diseases most incident to Republican Government.

Madison is considering here how the new government will protect property from the leveling spirit of democratic majorities, with a dose of concern about politicized religious zeal thrown in. Cohen is asking us to turn Madison's concern on its head and fear the faction of the "moneyed class" more than that of the so-called 99 percent, proposing that the wealthiest Americans have found ways to exert unwarranted influence over public policy and political outcomes. Cohen is at least fair-handed in pointing to both the Koch and Soros families as major players in his reckoning. Nevertheless, if one compares their political giving we might imagine that Madison's belief that faction would check faction seems to be playing out just fine — Koch gives primarily to libertarian/conservative causes and Republican candidates; Soros, heavily to progressive/liberal causes and Democratic candidates.

Madison hoped for a republican remedy — through representative institutions rather than direct democracy — for the worst effects of faction. Perhaps more important to the end was the constitutional restriction of the powers of the national government essentially to those that would serve to protect the confederation from foreign aggression, smooth the way for a fluid zone of interstate commerce, and, primarily via the courts, check the excesses of liberty-threatening faction as they were likely to emerge in the states, especially when they controlled a state.

Cohen recognizes that there will be trade-offs in his proposed transparency regime. He favorably cites the Supreme Court case that upheld the privacy of the NAACP member list from Alabama state officials in the 1960s as an argument against his own call for the mandated disclosure of organizations' donors. The outcome of this case, we should note, would seem to support the Federalists' hypothesis that the constitutional division of sovereign powers between the federal and the state governments can serve as a check on faction. Moreover, he concedes that there are no guarantees that mandating greater transparency for the 501(c)3s would stymie for long the creative ways people will always find to direct their support to political ends and controversial social causes. Nevertheless, seemingly smitten by a romance with American democracy, Cohen is still willing to try mandated transparency in the name of the common good.

How about we try something else instead? Let's diminish the flow of dollars into and out of Washington, D.C., and help Americans recover a confidence in their own resilience and entrepreneurial capacities. As the national government has undertaken more and more efforts to promote substantive conceptions of the general welfare, and to redistribute tax revenues and regulate more and more of our economic and social lives, is it a wonder that our regime is corrupt and wanting for transparency? While Uncle Sam sits atop a mountain of spoils up for grabs (let's face it, many of our 501(c)3s are in line for their share), and local and state governments face increasing financial straits that leave them too headed to Washington with caps in hand, Cohen and others would deflect our attention to the [Daddy Warbucks](#) among us.

In the end, I will concur with Cohen on this: the more folks get into bed with the State, the more transparency will be needed. Celibacy may be a more necessary virtue in the business of self-government than even transparency. In the end, though, [there is little room in politics for romance](#) and a lot of room in civil society for a healthy pluralism of philanthropic purposes.

3 Responses to "Civil society needs healthy pluralism of philanthropy"

1. [...] reflections on Rick Cohen's recent essay at Nonprofit Quarterly is now online at Philanthropy Daily. ←Changing the Model of [...]

Pingback by [Romancing the Greater Good I The Philanthropic Enterprise](#) on May 12, 2012 at [5:28 pm](#)



2.

Lenore, your article is clear-headed and articulate, as usual. Alas, I also must demur.

You ask "transparency toward what end?" Alas, you have it backward. You appear to demand a burden of proof from those who want information flows to be open and for accountability to flow. This is the road to hell.

We know this from several basic facts:

1) The incredible progress made by our civilization arose from the positive sum effects of four great arenas, Markets, Democracy, Science and the Justice System. All four of these systems need three ingredients to operate well – vigorous competition, transparency and rules that keep the game balanced and competitive. The great fallacy of the left is to ignore the miraculous positive benefits of that ingredient "competition."

The mania of the right is to ignore the necessity for the other two ingredients. Competition only works when cheating is prevented and all players know as much as possible. Markets, democracy, science and courts all work EXACTLY in proportion to the degree that most of the participants know most of what's going on, most of the time.

The fail in direct proportion to the toxic effects of secrecy.

2) Both left and right seem maniacally determined to ignore 6000 years of history. Humans will cheat when they can. The mighty will cheat even more eagerly and use their influence to end competition. This is no minor effect. It is THE major effect on all of history and it cauterized human progress in every culture other than ours.

3) Not all secrecy is malignant or toxic. But human nature guarantees that we will each of us choose secrecy for ourselves and nakedness for opponents. Self-serving secrecy is a reflex and its rationalizations are not trustworthy.

If you combine these two blatant and fundamental facts, you are left with one driving lesson.

The burden of proof goes the other way, Lenore.

"Secrecy... toward what end?"

As for the rest of your article, alas, I am confused. You seem to be talking as if there is actually an argument between two sets of cogent political principles in American life. This has not been the case for years. Decades.

I am a pragmatist and I look at effects. And no one can name a single unambiguous metric of national health that improved under Republican rule.

The middle class was devastated, wealth disparities are approaching French Revolution levels and the right is waging war not only on science but every other clade of knowledge in American life.

Under Clinton, the Keynesians kept their word and bought down debt in good times. In contrast, not a single prediction ever made by Supply Side has ever come true, at any level, in any way whatsoever.

Do you doubt I could go on? No, Lenore. This is not a time for pretense. The clade that took over and hijacked your movement is at best insane. You should be

angry at that. Rescuing conservatism from criminals and lunatics should be the agenda, not providing them with excuses for bribing and hijacking the entire political system with floods of secret cash.

Comment by [David Brin](#) on May 13, 2012 at [3:06 pm](#)

3. [...] a sort of disinterested self-interest . This interest can be distorted however by conceptions of the public good that require too much homogeneity of personal interests, by rationalizing policy in terms of a [...]

Pingback by [Bourgeois Paternalism and Austrian Capital Theory I The Philanthropic Enterprise](#) on June 23, 2012 at [1:48 pm](#)

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