

The New Goals at the Pew Charitable Trusts and the Fate of the Nonprofit Sector

by Marie C. Malaro

Editors' Note: Nearly everyone in the nonprofit sector is familiar with the Pew Charitable Trusts. With assets of approximately \$5 billion¹, it is one of the largest foundations in the United States. Yet beyond this clear brand recognition lies a complex and poorly understood transformation and an approach to grantmaking that rankles some observers.

According to Marie Malaro, recent actions on the part of the Pew Charitable Trusts, such as its efforts to move the Barnes Collection, illustrate a worrying lack of understanding among nonprofit leaders about the purpose of the nonprofit sector and may herald unanticipated and perhaps dangerous trends for the sector.

NONPROFIT SECTOR DECLARED Irrelevant, Privileges Revoked." I see this headline appearing in the not-too-distant future. I hope I am wrong, but experience leads me to believe otherwise.

The cause of my concern is the apparent lack of comprehension on the part of many nonprofit leaders of some very basic information—specifically, a clear understanding of *why* we have a nonprofit sector in this country. I say this because there are many in the sector who consistently engage in actions that undermine the very justifications we have for supporting this third sector of our society, and I can only assume they are doing this through ignorance. Nearly every week one can find news reports that demonstrate this major gap in the education of many operating within the nonprofit sector. This blind spot is seriously impacting the quality of governance within the sector.

Let me start my explanation with an example. An article in the February 8,

2007, issue of the *Wall Street Journal* featured an interview with Rebecca W. Rimel, the well-known president and CEO of the Pew Charitable Trusts.² Rimel explained her vision for the trusts following the organization's transformation from a grantmaking foundation to a 501(c)(3) public charity dedicated to using its resources to carry out its own programs. Rimel's plans for her "new" organization should raise serious concerns for all who care about the future of the nonprofit sector.

In her interview, Rimel said that one of her major goals was to make Philadelphia—her adopted city—a national art center that rivals New York City in its ability to attract the museum-going public. Toward this end, she takes credit for using the trusts' resources to help coordinate and support a high-powered assault on the Barnes Collection, one of the most unique nonprofit art organizations in the country, to force the removal of the magnificent Barnes art collection from its donor-designated location to

"museum row" in Philadelphia. She noted also that she used the same tactics to intervene in the sale by Thomas Jefferson University of its Thomas Eakins painting "The Gross Clinic" to prevent the removal of that masterpiece from the city of Philadelphia.

Other goals attributed to Rimel in the article include the following:

- the creation of a "national cultural policy;"
- the standardization of the grant-making process among organizations that fund the arts; and
- the promotion of a broad-based data collection program designed to gather information from art organizations that can be used to develop centralized art programming and policy.

Why should these goals alarm those interested in the future of the nonprofit sector? The answer is simple: They undermine the very reasons why the United States supports a nonprofit sector and affords it many privileges.

The Origins of the Nonprofit Sector

Our country is unique in that it fosters a large, nonprofit sector. Most countries make do with only a government sector and a for-profit sector and thus their citizens must look either to the government or to a commercial entity for their goods and services. In our country, however, there is another option available to all: goods and services

provided by nonprofit organizations.

We can trace the development of our third sector back to the early settlers to this country. Most of these settlers were fleeing governments they found too controlling, and they wanted to be sure that in this new land they reserved certain freedoms for themselves. They acted on this desire by making it a practice to join together voluntarily to provide certain community needs rather than wait for a governmental entity to step in and fill the void. Soon all kinds of volunteer organizations sprang up: fire departments, cemetery associations, schools, library societies. Before long our country was marked by a commitment to volunteer organizations. And as the country developed, our laws and customs accommodated this segment of our society we now call our nonprofit sector. It is important to note here that the "accommodations" provided to nonprofits (such as exemption from certain taxes, tax provisions that encouraged philanthropy, the ability of nonprofits to utilize volunteers, etc.) were designed to enable these organizations to function so as to provide the benefits our society expects of them.

What Benefits Must Nonprofits Provide?

The nonprofit sector generates many benefits that our government and business sectors cannot realistically provide. Three of the most important of these benefits are the following:

Provides an alternative to majority rule. Our democratic form of government must respond to the will of the majority, and it can promote only one policy at a time. These constraints leave those in the political minority, or those with new or unpopular ideas, with few avenues of expression. The nonprofit sector steps in and fills the gaps. Any group of individuals can band together and form a nonprofit organization to promote its ideas as long as the organization has a "public purpose" and can garner sufficient assets to support its work. In effect, the nonprofit sector pro-

vides a practical way for our citizens to share a great diversity of ideas and opportunities—far more than even a democratic government can provide. Just consider this one example. We now have in this country approximately 9,000 museums and historical societies that are large enough to be listed in a professional directory. These organizations range from great art museums to museums devoted to something as mundane as the potato. Truly this mix offers something for every taste and is a public resource no government could duplicate because of fiscal and political constraints.

Softens the harshness of capitalism. Another benefit provided by the nonprofit sector is that it can offer the public certain services and products that are easily compromised if left to the business sector. Under capitalism the central purpose of every business is to make a profit. But we all recognize that in certain areas such as health, education, and child care for example there is concern when providers must answer to stockholders. The nonprofit sector offers a comfortable environment for these more sensitive services. A nonprofit has no stockholders to answer to, it can accept donations and volunteer help, it is exempt from many fees and taxes, and it is expected by law to focus its attention on carrying out its particular public mission. Hence it is far easier for a nonprofit to concentrate on quality of service or product. In this way the nonprofit sector can expand in important ways the quality of services and products available to the public in areas where users are particularly vulnerable.

Promotes citizen participation. A third benefit the nonprofit sector provides is that it satisfies our very American desire to take a personal interest in shaping our communities. It does this by offering us endless opportunities to participate in public causes we care about. In other words, it perpetuates our early settlers' dream to have a country that operates effectively by

majority rule yet offers the individual a measure of individual freedom.

Rimel's Goals versus Nonprofit Goals

Now let us look at the goals articulated by Rimel for the Pew Charitable Trusts. Are these goals in accord with societal expectations of nonprofits?

With the blessing of her board, Rimel wants to make Philadelphia a Mecca for museum-goers and has already given examples of how she expects to accomplish this goal. In these examples trust assets are used to interfere in the management of other nonprofit organizations in order to divert their assets to her Mecca goal. Certainly this type of activity does not further the diversity benefit expected of the nonprofit sector. There is a wise saying that goes as follows: "Our third sector is not working if there are no nonprofits one does not like." This saying reminds us that one of the reasons we have a nonprofit sector is to give a voice to things that may not be popular at the moment. Thus, steps taken to silence or alter the mission of a legitimate nonprofit undermine one of the very reasons our society supports a nonprofit sector.

Rimel also sees the development of a national cultural policy as an appropriate goal for the Pew Charitable Trusts. But has she ever questioned why, in contrast to most other countries, the United States has never seen fit to have such a policy? If she did, she would realize that a national cultural policy, whether promulgated by government or by a nonprofit entity, would inhibit the great diversity we currently enjoy because of our nonprofit sector.

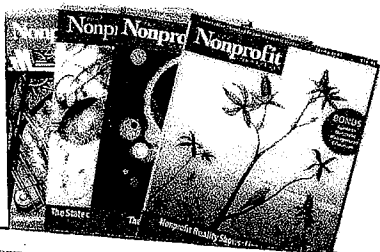
There is a similar problem with Rimel's goals to bring uniformity to grantmaking processes used by art-funding organizations and to create broad-based data banks that collect information from art organizations for use in developing art programming and art policy. Once again, these goals demonstrate little tolerance for diversity and individual ingenuity when it comes to art and culture and little

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appreciation for our very American desire to allow the individual some freedom in shaping one's community.

Why the Concern?

Perhaps the most worrisome problem in all of this is that many share Rimel's lack of understanding of why we have a nonprofit sector. Consider these examples:

- We have board and staff members of many nonprofit organizations tripping over each other in their rush to establish their brand and compete in attracting paying customers. When questioned about succumbing to marketplace pressures, these nonprofit leaders claim emphatically that their business ventures in no way affect their organizations' dedication to mission. What, then, might these individuals say if government decided to revoke many of their nonprofit privileges, which are granted on the assumption that a need to engage in commercial activities inhibits the ability of a nonprofit to focus on mission? Nonprofits cannot have it both ways.

- We have more and more for-profit organizations treating nonprofits as business partners (the now-common corporate sponsorship arrangement) rather than practicing true, no-strings, corporate philanthropy. This drift from corporate philanthropy to corporate sponsorship could not have happened if nonprofit leaders understood how important "true philanthropy" is for the nonprofit sector to retain its integrity.

- And then there is the problem of the media remaining strangely silent as to what is really happening to the nonprofit sector.

This growing tendency to blur, out of ignorance, the role of the nonprofit sector does not bode well for our society. Of necessity, our government and business sectors are here to stay regardless of how much they are abused, but not our nonprofit sector. This third sector is fragile. It was designed to be guided by those who were willing to put public service before power and personal

wealth and who appreciate why the sector has many privileges. Without informed leadership our nonprofit sector could become irrelevant by failing to offer society its unique benefits and by merely mimicking what government and for-profit companies offer. In effect, it could forfeit its very reasons for being.

What Can Be Done?

We need to improve the education of those who assume major positions in our nonprofit sector. We need to include instruction in the school systems on how our nonprofit sector came about and the role that it is supposed to play in society. We need members of the media who are well qualified to comment on issues affecting nonprofits. Those who really care about the future of our nonprofit sector should push for these changes now. Without a better-informed public we could wake up one morning to the headline that began this piece. Just think how different our lives would be.

Endnotes

1. "Statement of Financial Position," the Pew Charitable Trusts, June 30, 2006 (www.pewtrust.org/pdf/PP_07_Financials.pdf).
2. Judith Dobrzynski, "A Cultural Conversation With Rebecca W. Rimel," the *Wall Street Journal*, February 8, 2007.

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