

Mistakes to Learn From in the Charitable-Deduction Debate

By Phil Buchanan

A few years back, I sat in the audience of a session at an Independent Sector conference listening to a marketing consultant say that the best way to inform the American public about the value of the nonprofit world was by telling one charity's story at a time. A number of us asked how we might do a better job of clarifying the important role and contribution of all nonprofits—and showing the collective force of organizations that share key attributes and are separate and distinct from business and government.

But the consultant was dismissive, saying, essentially, “Don't bother—that didn't fly with our focus groups.” Someone in the audience remarked that we had better change that, or we'd be in a lot of trouble, but the consultant was adamant that this was a non-starter, a waste of time.

It is now abundantly clear, in my view, how wrong he was. I don't dispute that whatever message he tried on his focus groups didn't resonate, but that need not have meant we should give up.

Because the fact is, we could have used a more powerful message about nonprofits as a group these past months, as Congress and the Obama Administration debated changes to—or the elimination of—the charitable deduction. Regardless of how the debate on the charitable deduction plays out, and even if the deduction remains in its current form, it's clear that, though nonprofits enjoy public support, it is a quiet support because we are not well understood. (How many bumper stickers did you see advocating for America's nonprofits? If you saw one, you saw more than I did.)

Ignorance of nonprofits was on full display in a *Wall Street Journal* oped this week by Daniel J. Mitchell that argued that the deduction should be eliminated because it makes donors “sloppy” and charities “fatter and lazier.” (I wonder if he thinks this applies to his colleagues at the nonprofit Cato Institute, where he is employed as a senior fellow?)

It is true that, as the nature and seriousness of the threat to the charitable deduction became clearer, there has been more coalescence and more powerful advocacy for the significance of nonprofits.

As Diana Aviv, the Independent Sector CEO who has been a forceful voice in the discussions, told *The New York Times* earlier this month, “Normally, every nonprofit is focused on its own particular mission, whether saving the environment, or helping children, or imbuing a greater appreciation for art... For the first time, I've seen the sector coming together. We're like Rip Van Winkle waking up and saying, 'This is not O.K.!'”

But what a shame that we find our real voice so late, after allowing ourselves to be defined in ways that diminish our unique and distinctive value.

Among the mistakes, we have:

- Allowed our push for effectiveness to be described in the inaccurate shorthand of operating more “like a business,” whatever that even means, rather than discussing it as a movement we own. In so doing, we have sent the message that we're “behind” business when it comes to strategy or performance metrics. Fact is, what it takes to be an effective nonprofit is often pretty different from what it takes to be effective in business, and it frequently requires much more sophisticated skills.

As a former consultant MBA now working in a nonprofit (disclosure: I am one) learns quickly, evaluating the efficacy of a social program is far more challenging than analyzing the size of the market for, say, paper towels. At the organization I lead, I recognized very quickly that rigorous research and assessment would require skills they didn't teach me in B-school—and set out to hire people who had them.

- Failed to articulate that which unites us, and instead welcomed the much ballyhooed “boundary blurring” between business and nonprofits in ways that diminish understanding of nonprofits’ unique role. But our role is distinctive and should remain so. A new and important report by Lester Salamon and colleagues at Johns Hopkins demonstrates that nonprofits, in fact, agree about a distinctive set of key values they believe characterizes the nonprofit world. As a group, nonprofits are: productive, empowering, effective, enriching, reliable, responsive, and caring.

But there is also significant anxiety among the nonprofits surveyed that the public and government officials don't sufficiently understand or appreciate these values. The report finds, “Fully 62 percent of respondents acknowledged that the nonprofit sector does a poor job of articulating its special qualities to people outside the sector.”

- Missed opportunities to take advantage of the high level of trust the public has for charities. Turns out, most people don't agree with the kind of caricature of nonprofits drawn by the Cato Institute's Mitchell: Polling shows that public faith in nonprofits is higher than that for government or business. As *The Economist* noted in 2010, citing separate surveys conducted by American Express and Merrill Lynch, “Few institutions in the modern world enjoy more trust than charities—a trust given both by rich people who give them money and by the wider public that may benefit from their work.”

This trust the public has in nonprofits provides a foundation for educating people about how we work, if only we'd use it. The trust data tell us the public has an open ear to our messages, that people won't cynically dismiss what we have to say as the lies of politicians or the marketing spin of business. But that trust is an asset squandered if we don't speak up. Citizens won't advocate for nonprofits unless we help them understand why they should.

- Shied away from promoting our successes—and allowed societies' ills to be framed as the responsibility of nonprofits alone. I have read too many articles and blog posts that start with some statistics that show a lack of progress on some particular societal indicator and then pin the responsibility on philanthropy and nonprofits.

Almost never discussed in these articles, which usually introduce some shiny new approach that claims to be the formula for future success, is just how much worse it might have been without philanthropy and nonprofits. Also overlooked is the fact that in some areas—such as elementary and secondary education—philanthropy's ability to effect change is inherently limited. And rarely does anybody mention the many ways in which our lives are better than 50 years ago—from advances in opportunity and rights for myriad groups to safer products to cleaner water to reduced smoking rates, to name just a few—and the role philanthropy and nonprofits have played.

- Preoccupied ourselves with our own stories and not linked our work to the larger story about America's nonprofits. In other words, we have acted exactly as the consultant at the conference a few years back recommended. We pay our dues to Independent Sector or the National Council of Nonprofits and figure, “Hey, they've got us covered.” But these kind of umbrella organizations, vital though they are, cannot do this work alone. Our message will be most powerful when it's carried by the myriad nonprofits that make up the sector in all its shimmering diversity: from Harvard to the homeless shelter; from hospitals to hospices; from horticultural societies to historical preservation groups. What the Johns Hopkins report tells us is that nonprofits know what they stand for—and they want to do more to make sure others do, too.

The charitable deduction could emerge from the fiscal-cliff debate relatively unscathed. The latest media reports are that it will be capped at 35 percent, rather than the 28 percent feared. If so, then the efforts of Independent Sector and others will have been enough to avert a more dramatic change. But this certainly won't be the last time we debate federal policy that affects nonprofits.

Next time, I hope the nonprofit community is better understood and appreciated by the public and by those in government.

It's up to all of us to ensure that it is.

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