

# H-Net Reviews

in the Humanities & Social Sciences



Elizabeth T. Boris, C. Eugene Steuerle. *Nonprofits and Government: Collaboration and Conflict*. Washington, D.C.: Urban Press, 1999. xii + 383 pp. \$29.50 (paper), ISBN 978-0-87766-687-5.

Reviewed by Milton Goldin (National Coalition of Independent Scholars (NCIS))  
Published on H-Business (July, 1999)



## The New Gospel of Wealth

Today, in the second Gilded Age, a hundred years after the first, scholars at universities and think tanks have replaced clerics and muckraking journalists as primary observers of America's philanthropic system. And government has replaced the private sector as financier of welfare services. But no one has replaced the Reverend Walter Rauschenbusch, Lincoln Steffens, Ida Tarbell, and others like them, individuals who attempted to tie together charity, the generosity of the very rich, social justice, and public outlays. Nor has any scholar emerged as a latter-day Thorstein Veblen, the University of Chicago gadfly whose writings discombobulated robber barons.

*Nonprofits and Government*, an Urban Institute *tour de horizon* of philanthropy at the turn of the twentieth century, consists of a foreword by William Gorham, the institute's president, an introduction by Elizabeth T. Boris, director of the institute's Center on Nonprofits and Philanthropy, and ten essays by various scholars. As a summary of current relationships between 501(c)3 organizations and Washington, and as insight into who among savants thinks what, it is a must-read, not only for individuals who work in government, the media, and nonprofits but for business historians who want to know where the economy stands with respect to voluntary organizations.

Gorham writes that "there is a nonprofit organization to fill almost every imaginable human need or interest.... Regardless of their individual origins, these organizations create relationships and networks that connect people to each other and enable them to work toward mutual goals" (p. xi). Four paragraphs later and more expansive,

he tells us that "Nonprofit organizations have been called the glue that holds civil society together." This prepares the way for Boris's comment that "relationships such as those fostered by choral societies, bowling leagues, and other community associations build the trust and cooperation that is essential for the effective functioning of society, politics, and [the] economy" (p. 18).

From that point, however, the text takes on a steely tone. Writers set about demolishing some of our most treasured philanthropic understandings. If you believe that corporations have a genuine interest in preserving traditional American community values, consider Dennis R. Young's claim that despite "massive gifts" by George Soros and Ted Turner, "corporate philanthropy generally is becoming more of an exercise in strategic marketing and employee morale-building than [in] corporate social responsibility" (p. 82). If you believe that Americans are extraordinarily generous, consider C. Eugene Steuerle and Virginia A. Hodgkinson's view that in 1996, "charitable giving stood at 1.9 percent of personal income, slightly [sic] below its post-1964 average of 2.3 percent." And, given media stories about staggering sums raised, if you believe that private giving pays for social services, ponder the same two authors' observation that nonprofits receive in donated funds "about one-twelfth of the government's social welfare spending" (p. 79).

So much for starters. Conservative writers fondly argue that cutting taxes increases amounts raised for charity. But Alan J. Abramson, Lester M. Salamon, and Steuerle tell us that "on balance, the overall thrust of tax

policy [that is, tax benefits for the very rich] in the 1980s and 1990s appears to have weakened the financial incentive for charitable giving” (p. 121). The wealthy “experienced sharp increases in the after-tax cost of giving between 1980 and 1994, when the after-tax price of giving \$1 rose from 30 cents to 69 cents between 1980 and 1991 and then fell back to about 60 cents in 1994 and beyond” (p. 122). The result of this process was that the wealthy came to the belief that it was better to create tax shelters than to seek deductions after making charitable gifts.

In neither conservative nor liberal camps do scholars question that tax exemptions provide nonprofits with benefits that are denied for-profits. Nonprofits get to keep nearly all the surplus they earn from a variety of income-producing activities, ranging from fees for services, to cost-plus programs on behalf of public agencies, to for-profit ventures. The other side of the coin is that tax exemption means that government annually certifies a nonprofit’s operations (which is actually less and less of a problem, as the IRS keeps cutting the number of employees available to investigate exempt organizations).

These situations lead John H. Goddeeris and Burton A. Weisbrod into one of the most interesting discussions in the book, “Not for-Profit? Conversions and Public Policy,” in which they address the question, Why should a growing number of nonprofits, particularly those in health care, want to convert to for-profit status, given certain incomes from public funds and fees?

Part of the answer, they tell us, hinges on the “nondistribution constraint” imposed on nonprofits—that is, the restriction prohibiting distributions of profits or surpluses to managers and/or trustees. As early as 1983, the answer also began to hinge on cut-offs of federal grants and loans for HMOs and the removal of tax advantages for Blue Cross and Blue Shield companies. Insiders considered the loss of these benefits intolerable to their personal financial gain, if the nonprofit had accumulated valuable assets. Moreover, “As the market for hospital services has become more price competitive and the level of overcapacity more apparent, hospitals have come to view affiliation with larger organizations as necessary for survival. The most attractive suitors have often, though not always, been for-profits” (p. 250).

How we got to where we are today and whose interests have been served during the journey, subjects addressed in part in all the essays, are discussed by Young in an awesomely-titled essay, “Complementary, Supple-

mentary, or Adversarial? A Theoretical and Historical Examination of Nonprofit-Government Relations in the United States” (pp. 31-67). Young writes that “public policymakers,” both on the left and on the right, have “oversimplified” views of nonprofits, although of late there have been improvements. Even dedicated Reaganites no longer argue that if government pulls out of welfare programs, nonprofits and volunteers will happily take over responsibilities, using donated funds. On their part, liberals agree that the centralized welfare state should be dismantled to some degree and that local nonprofits should assume more responsibility.

Young further suggests that differing understandings of philanthropy’s role should not be surprising. Three theories of the role of voluntary organizations in the national life, in some ways contradictory, have been operative since the founding of the Republic. In a “supplementary model,” nonprofits fulfill a demand for public goods left unsatisfied by government. In a “complementary view,” nonprofits operate as partners with government, to deliver public goods. And in an “adversarial view,” nonprofits exist mainly to prod government into adjusting its policies to provide public goods.

The problem is that Young’s explanation does not go far enough to address a new trend as the twentieth century comes to an end. We are currently in the midst of the greatest transfer of wealth in world history. Possibly between five and six trillion dollars (no one knows for certain) is either already in, or en route to, foundations, charitable remainder trusts, and similar financial creations, dispatched by the World War II generation and the first Baby Boomers to retire.

Unlike their predecessors during the first Gilded Age, these rich often have little or no interest in philanthropy. Preservation of capital is not just part of the story, it is very nearly all of the story. What will happen to the philanthropic system as the rich park more and more of their assets in tax-sheltered instruments is anyone’s guess. There is no discussion of this development in *Nonprofits and Government*.

Copyright (c) 1999 by EH.Net and H-Net. All rights reserved. This work may be copied for non-profit educational uses if proper credit is given to the author and the list. For other permission, please contact the EH.Net Administrator (administrator@eh.net; Telephone: 513-529-2850; Fax: 513-529-3308).

If there is additional discussion of this review, you may access it through the network, at:

<https://networks.h-net.org/h-business>

**Citation:** Milton Goldin. Review of Boris, Elizabeth T.; Steuerle, C. Eugene, *Nonprofits and Government: Collaboration and Conflict*. H-Business, H-Net Reviews. July, 1999.

**URL:** <http://www.h-net.org/reviews/showrev.php?id=3239>

Copyright © 1999 by H-Net, all rights reserved. H-Net permits the redistribution and reprinting of this work for nonprofit, educational purposes, with full and accurate attribution to the author, web location, date of publication, originating list, and H-Net: Humanities & Social Sciences Online. For any other proposed use, contact the Reviews editorial staff at [hbooks@mail.h-net.msu.edu](mailto:hbooks@mail.h-net.msu.edu).