Research Reports

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"Philanthropy and the Nonprofit Sector in a Changing America."

Indiana Univ. Press, 601 N. Morton St., Bloomington, Ind. 47404, 544 pp. $35.
Editors: *Charles T. Clotfelter and Thomas Ehrlich*

There's been an explosion of philanthropy in America in recent decades. From less than $25 billion in 1972, charitable giving grew to more than $150 billion in 1995—an increase of more than 50 percent in inflation-adjusted dollars. With a huge intergenerational transfer of wealth due to take place as baby boomers come into their inheritances—and as new fortunes are amassed in today's technology boom—the future of philanthropic giving looks bright. And the number of nonprofit groups eager to use all the charitable dollars has mushroomed, too—up to 1.5 million in 1996.

Despite that seemingly rosy picture, many leaders in the philanthropic and nonprofit world are worried, according to the 30 contributors to this volume, the product of a conference sponsored by the Indiana University Center on Philanthropy and the American Assembly of Columbia University.

One thing that worries the philanthropy-minded is a perceived loss of public trust in nonprofit institutions, according to editors Clotfelter, director of the Center for the Study of Philanthropy and Voluntarism at Duke University, and Ehrlich, president emeritus of Indiana University. Americans have lost confidence in institutions generally, they note, but scandals at the United Way and other organizations have also hurt. United Way campaigns in many places have faltered in recent years; revenues in the Chicago region, for instance, fell 13 percent between 1992 and 1996. Joel L. Fleishman, a law professor at Duke, urges creation of a federal regulatory agency to police nonprofits—a suggestion that, while endorsed by the editors, was not welcomed by most conference participants.

Another reason for the decline in public confidence is the increased "commercialization" of museums, universities, and other nonprofit organizations. "It is hard to find a college or university these days that . . . does not have at least a few exclusive licenses with companies that make everything from software to soft drinks," Clotfelter and Ehrlich note. The importance of private donations to nonprofits has shrunk correspondingly, accounting for less than one-fourth of nonprofit revenues in 1993, compared with more than one-half in 1965. "In the eyes of many," the editors believe, "trust in the nonprofit sector was sustained in part by its separation from the commercial sector."

Some nonprofits have offered new services, such as fitness centers, that prove so popular they spawn for-profit rivals, notes Elizabeth T. Boris, director of the Urban Institute's Center on Nonprofits and Philanthropy. These businesses then often complain about the "unfair" advantage enjoyed by the tax-exempt nonprofit, as some health club owners did a dozen years ago in bringing suit against the Young Men's Christian Association (YMCA).

Other nonprofits, Boris observes, have "pioneered public programs"—such as primary education, kindergarten, and disease control—"that became government responsibilities when the demand grew beyond nonprofits' capacity to respond."

The trend toward devolution of federal functions to state and local governments, as in the 1996 welfare reform, is yet another cause of philanthropic worry. Clotfelter and Ehrlich advocate greater efforts by nonprofits and government to aid the poor—and a campaign by nonprofits to reverse the 1996 legislation. Leslie Lenkowsky, a professor at the Indiana University Center on Philanthropy, however, urges a different course: "After nearly a century of pursuing national purposes through national means, the philanthropic world, like public policy, faces the challenge of reinventing itself to be more relevant to the values and problems of local communities."

"The New Dollars and Dreams: American Incomes and Economic Change."

Russell Sage Foundation, 112 E. 64th St., New York, N.Y. 10021, 248 pp. $39.95; paper, $16.95
Author: *Frank Levy*

"A rising tide lifts all the boats," President John F. Kennedy famously said about economic growth. But it ain't necessarily so, warns Levy, an economist at the Massachusetts Institute of Technology.

"When economic growth is skill biased, large portions of the population can lose ground even as the economy grows," he observes.

The remarkably good news about the U.S. economy today—low unemployment, low inflation, low interest rates, the stock market at record highs—is not the whole story, Levy reports. Income inequality is high: the richest five percent of families received 15.6 percent of all family income in 1969—and 20.3 percent in 1996. And average wage growth remains slow. In 1976, the average 30-year-old worker earned $31,100, almost twice as much (in constant dollars) as a comparable worker in 1949. But the worker of 1949 could look forward to rapidly rising wages: by age 50, he was earning $40,000. His younger counterpart, in contrast, saw his wages reach only $37,800 at his half-century mark. Workers who only went to high school fared much worse, reaching only $28,400 at age 50.

Levy attributes this weak wage growth to the post-1973 slowdown in productivity growth; the post-1979 surge in skill bias, favoring the better educated; and the average worker's loss of bargaining power, thanks to deregulation, globalization, and technology. These trends could change, he notes. Productivity growth could accelerate as computers are better integrated into the workplace; technology could begin to replace higher-skilled workers, as well as lower-skilled ones. But if current trends are not reversed, he predicts, "as much as a fifth of the population will increasingly fall behind . . . [and] a majority of the population will reject pro-growth policies."

"Space and International Relations: Challenges for the 21st Century."

A conference, March 25, 1999, at the Woodrow Wilson International Center for Scholars, Washington, D.C. The conference was co-sponsored by the Space Policy Institute and the Elliott School of International Affairs, George Washington University.

For most of the Space Age, the United States and the Soviet Union were the only nations active in space, and the Cold War set their agendas. Today, there are four more "spacefaring" countries (plus Europe), and space satellites are vital to commerce as well as national defense.

How should the United States protect its security interests in space? Some, such as former acting air force secretary Tidal McCoy, urge development of a military capability to defend U.S. satellites and use anti-satellite weapons. Others, such as U.S. Representative George Brown, D.-California, oppose the "militarization" of space.

Since the end of the Cold War, the U.S. and other governments have put some 80 satellites a year into orbit, according to U.S. Air Force Colonel Frank G. Klotz. "Even as military use of space grows, its share of the 'action'—and ultimately its ability to dominate the space policy process—is being overtaken by the commercial sector." In 1997, for the first time, more American commercial payloads were launched into space than government ones.

The Clinton administration, observes John Logsdon, director of George Washington University's Space Policy Institute, has given preference to gaining economic advantage, even if that involves some security risks. In 1994, over the protests of the Pentagon and the Central Intelligence Agency, it authorized American aerospace firms to market satellite high-resolution photos.

Klotz favors prudent restrictions on the sale of American space technology. "Draconian restrictions," he says, would only invite more competition from other countries, ultimately reducing America's ability "to write the rules for space."