

The Third Sector *as a* Protective Layer *for* Capitalism

by Joan Roelofs

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Editors' Note: Nonprofit Quarterly articles don't usually quote Karl Marx, but for a story on the role of class in the nonprofit sector, it makes sense to go back to the root of the argument. What would Marx think of the role of the modern nonprofit sector in society? i) nonprofits are not formed to conduct work in a rational way, but are structures that legitimate power systems to maximize control and profits; ii) work is divided not to improve efficiency but to "deskill" workers, to displace discretion from workers to managers, and to create artificial workforce divisions; iii) hierarchical systems are developed not to increase coordination, but as an instrument of control and a means of accumulating capital through the appropriation of surplus value.

The following is a contribution by Joan Roelofs, a political scientist influenced by "power elite" analysis. A longer version of this article originally appeared in *Monthly Review*, Volume 47, September 1995 and is available online at www.namebase.org/roelofs.html.

THOSE WHO WISH TO PROMOTE CHANGE should look closely at what sustains the present system. One reason capitalism does not collapse, despite its many weaknesses and valiant opposition movements, is the nonprofit sector. Yet philanthropic capital, its investment, and its distribution are generally neglected by the critics of capitalism. Most studies of the subject are generously funded by the nonprofit sector itself; few researchers have followed up on the observation of Marx and Engels in *The Communist Manifesto*:

A part of the bourgeoisie is desirous of redressing social grievances, in order to secure the con-

tinued existence of bourgeois society.... To this section belong the economists, philanthropists, humanitarians, improvers of the condition of the working class, organizers of charity, members of societies for the prevention of cruelty to animals, temperance fanatics, hole-and-corner reformers of every imaginable kind.

Spending more than \$400 billion annually, the United States has the largest nonprofit sector—in both size and scope. More than 1,500 foundations in the U.S. are affiliates of profit-making corporations, and they work along with the traditional charities and foundations to keep the ship afloat. Foundations and many nonprofits, including civil rights and environmental organizations, invest their assets in the usual lucrative stocks and bonds.

A Protective Layer?

Nonprofits provide goods and services that the

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market cannot—from homeless shelters to opera and BBC TV drama. The latter are quite important, as the defection of intellectuals tends to be more dangerous than dire poverty.

Unprofitable but necessary activities could be carried out by government, as they are in many countries. However, privatization of charity, culture, education, and reform has many advantages. If philanthropic capital were taxed, its disposition would be subject to political debate. Nonprofit organizations, on the other hand, are directed by self-perpetuating boards, and there is no democratic control over their private policy-making. Staff members have no civil service status or security; they are dependent on philanthropy and its visible, hugging arms. Almost all organizations look to corporations and foundations for funding. Small donations or dues are rarely adequate for any major undertaking, and require much energy to collect. Even the NAACP Legal Defense and Education Fund was crucially dependent on foundation money for the litigation leading to *Brown v. Board of Education* in 1954.

Some of these unprofitable functions could be performed by political parties, unions, or social movements. Elsewhere in the world, political parties sponsor youth groups, daycare centers, children's camps, and other charitable and educational activities. One might think it

particularly appropriate in a democracy for political parties to be the primary locus for social reform and public policy research and advocacy. Nevertheless, in the United States, advocacy and reform are largely monopolized by foundation-supported nonprofits.

Yet another protective function is employment for sons and daughters of the rich who might otherwise be unemployed and disaffected, along with those of any class who are dissident and troublesome. Mix a "soup" of potential and actual troublemakers with lots of gold floating around, and it will go down very smoothly, soothing sore throats and sore heads.

The nongovernmental and nonpartisan status of these organizations generates a halo of altruism and independence, and this is all the more useful in their international activities. Their geographical and functional range is exhaustive. Recent activities include support for Christian Democratic parties, unions, and grassroots organizations throughout Latin America; the creation of a nonprofit sector in Eastern Europe and the former Soviet Union; the fostering of a nonracial, nonsocialist solution in South Africa; and the "sustainable" development response to critics of third world exploitation. The United Nations itself, by origin and development, owes much to multinational philanthropy.

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The contours of the nonprofit system become clearer when we look at its great planning and funding arms: the large foundations. They contribute to amusement, to placation of artists, to biochemical research, and to routine charity, but perhaps their most interesting endeavors are in directing social reform. They and their creations supply the ideas for political change. The great multipurpose foundations first arose in the early twentieth century, closely connected in spirit and practice with Progressivism and the rise of the social sciences. The new millionaires of robber baron infamy saw foundations as devices to serve several purposes. First, they would provide a systematic way to dispose of vast fortunes. Second, they would permit considerable social control through philanthropy. John D. Rockefeller decided “to establish one great foundation. This foundation would be a single central holding company which would finance any and all of the other benevolent organizations, and thus necessarily subject them to its general supervision.”¹ Third, foundations could improve public relations; many believed that the Rockefeller Foundation was created to erase the scandal of the Ludlow Massacre.

In their early days, foundations worked to ameliorate the lot of the masses and at the same time co-opt intellectuals who often had socialist sympathies. They promoted an ideology that regarded social ills as problems to be solved by social scientists. Class struggle—even conflict of interest—was of no moment.

After the Second World War, foundation intervention in the policy process increased dramatically. Fear of political disorder brought forth an amelioration strategy from the Ford Foundation. Its *Report* for 1949 argued that the U.S. had to strengthen its system in order to meet the challenge of communism. Problems included the unfinished business of the Civil War, the lack of political participation, and the political excesses of maladjusted individuals. Ford’s initial strategy was to fund litigation for Supreme Court decisions, which successfully obtained increased legal equality for blacks, reform of the criminal justice system, and reapportionment of legislatures.

During the 1960s, in response to burgeoning protest movements, the Ford Foundation took the lead in developing public interest law, which included law firms, clinical programs in law

schools, specialized law reviews, and an appropriate ideology. Among the litigation organizations created were the Women’s Law Fund, Environmental Defense Fund, Natural Resources Defense Council, and several Legal Defense and Education Funds (LDEFs) including the Puerto Rican LDEF, Mexican-American LDEF, and Native-American LDEF. Older organizations, such as National Association for the Advancement of Colored People Legal Defense and Education Fund and the American Civil Liberties Union, also became dependent on foundation funding.

Foundation ideology, disseminated through conferences, reports, and sponsored research and books, holds that radical protests are signs of inadequacies in pluralism. Disadvantaged groups such as blacks, Chicanos, women, children, and the poor need help in getting their rights. Grant money enables them to participate in the interest-group process on an equal basis with the more advantaged groups. Note that the poor are seen as just another minority group. Any idea that poverty, militarism, racism, and environmental degradation are related by-products of the capitalist system is ruled out.

Foundations have also poured money into existing organizations to steer them to reasonable, pragmatic goals. There were no rewards for those who wanted blacks in the United States to see themselves as part of the world anticolonial uprisings. Moderate black organizations, including the National Urban League, NAACP, NAACP/LDEF, and Southern Regional Council have been funded; radical groups have been ignored or repressed.

Foundations promote coalitions that are weighted towards the status quo:

- The National Urban Coalition (NUC) was formed in 1967 as an alliance between civil rights organizations, foundations, and major corporations.

- One program of the NUC, under Ford Foundation leadership, was the creation of Community Development Corporations, in an attempt to transform the “Black Power” slogan into the more acceptable “Black Capitalism.” These entities, which combine financing from government, corporations, and foundations, develop small businesses and industries in impoverished areas—white and black, urban and rural. Although their return on investment is trivial, their payoff can be measured in terms of pacifi-

cation, the development of moderate leadership, and social mobility for individuals.

- Another project of the foundation-corporation alliance was the establishment of the Martin Luther King Jr. Center for Non-Violent Social Change in Atlanta. It was financed by the large foundations, as well as the corporate foundations of Ford Motor Company, Atlantic Richfield, Levi Strauss, Amoco, General Motors, Heublein, Corning, Mobil, Western Electric, Procter and Gamble, U.S. Steel, Monsanto, Morgan Guaranty Trust, etc. Along with innocuous programs such as daycare centers, housing rehabilitation, and information on how to celebrate Dr. King's birthday are two striking projects. One is work with military chaplains to provide King Birthday observances at military bases. The other is cosponsorship of an annual lecture series entitled: "The Free Enterprise System: An Agent for Nonviolent Social Change."

- Other minority movements have been transformed into standard Washington lobby format. The Southwest Council of La Raza and National Council of La Raza were created by the Ford Foundation from what were once militant movements of Chicanos in the Southwest.

Leadership training and technical assistance programs for protest and advocacy organizations also stress pragmatic goals. The foundations claim that their programs enhance pluralism. What they mainly do is increase the clout of the foundation-corporation network. For all the emphasis on participation, ordinary people have become alienated from politics in any form, and foundation-supported policy experts nearly monopolize the political debate.

Some may see a galaxy of organizations doing good works—a million points of light—but the nonprofit world is also a system of power that is exercised in the interest of the corporate world. Much helpful and good work has been supported, but the energy to devise, promote, and initiate radical alternatives to the present system has been dissipated by the third sector's protective layer.

Endnote

1. B. Howe, "The Emergence of Scientific Philanthropy," in Arnove, R., ed., *Philanthropy and Cultural Imperialism* (Boston: G.K. Hall, 1980), p. 29.

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