

The Coming Social Renaissance...

by Don Eberly

INTRODUCTION

The most important development at the end of the twentieth century is the rediscovery of the non-governmental sector of civil society, or as some call it the voluntary or social sector. If the twentieth century was about the neglect, and even the systematic destruction of civil society through statist ideologies and destructive cultural influences, the twenty-first century may represent the era of its restoration.

After decades of neglect, Americans are rediscovering that the social sector — consisting of families, neighborhoods, voluntary associations and an endless variety of civic enterprises — is an essential and irreplaceable part of our democratic experiment. This sector performs thousands of essential functions in communities every day, from compassionate neighborly care, to maintaining public order and cleanliness, to meeting the recreational and social needs of residents.

Still more important than the practical functions of civil society is the role this sector plays in cultivating citizenship and generating values. Public in nature, though not governmental, the social sector provides public “space” where people learn through practice such essential democratic habits as trust, collaboration, and compromise.

Few things are more important to America’s social order than the dynamic role voluntary associations and private charities have played in creating a stronger society. This

social sector represents the most dynamic and unique force within the American system.

For one, it represents a peculiarly American channel for social action and moral transformation. Many of the great social reform movements in history, whether centering on moral uplift, justice for women and children, or the eradication of poverty and suffering,

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Targeting Recovery to the Poor: The Case for the Charitable Tax Credit

by Don Eberly

INTRODUCTION

The growing signs of civic renewal in America will be celebrated by most and will put to rest questions of whether America is in a state of civic decline, as some have argued. Still, these very trends may raise as many questions as they answer for public policy analysts, especially regarding the extent to which the social sector can adequately address America’s most enduring and obdurate problems such as poverty. There is less doubt that America is moving toward a social renaissance than there is skepticism regarding how much that renewal will benefit the most destitute communities in America.

In short, for those who believe that renewal movements must be measured by how they improve life for all Americans, and perhaps especially the poor, euphoria may be

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were orchestrated by voluntary associations. At various periods in the nineteenth century, America witnessed an explosion in civic initiative which led to the creation of many of the charities that serve to this day.

The story of America's wide network of voluntary associations and activities has long been considered a principle source of America's distinctiveness and strength, as any number of foreign observers have noted over the course of American history. Few appreciate just how inseparable this civic vitality is from other American distinctions, such as the tradition of limited government and the separation of church and state. Historically in America, if civic work was to be done, it was to be done largely by individuals, not predominantly by government, and by an empowered religious laity, not merely by the ordained clergymen of an official church who are hired to do this kind of thing, as was common in Europe.

In other words, civil society is part and parcel of who we are. It is a central feature of our history, a history which has been periodically renewed and appears to be entering a period of rebirth again at the turn of the twenty-first century. It can truly be said that, to the extent that this tradition of local charity is in decline, America itself is in decline.

EVIDENCE OF CIVIC RENAISSANCE

Fortunately, there are many signs at the end of the twentieth century that the social sector is coming alive again, witnessed especially by a fresh outpouring of social entrepreneurship and civic reinvention.

Increasingly, there is evidence of yet another fresh wave of charitable and civic initiative, stepping

forward to deliver an array of important goods, from crime watches, to programs for poor youth, to supplying food and shelter services for the hungry and homeless. There are five reasons why America may be on the verge of a social revival of Tocquevillian dimensions.

Lost Faith in

Centralization. The first factor is the col-

lapse of confidence in centralized systems of government, especially the welfare state as it has evolved since the New Deal, which is producing strong pressure for the devolution of policy, not merely downward toward local units of government, but outward toward non-governmental institutions in the community.

The relationship between civil society and the state is complex. While it is true that these sectors have always overlapped to some extent, the relationship between civil society and government has increasingly been characterized by competition and conflict, to the detriment of civil society. Civil society, with its quiet, voluntary ways is no match for the taxing and regulating powers of a central state. Few doubt that the welfare state has supplanted private civic initiative to some extent. The debate is over to what extent displacement has occurred, and over what should be done to revive civil society once it has been weakened.

The drive against the central welfare state in recent years has been driven by much more than concern over rising costs. It has been fueled by a desire to push back against the bureaucratization of America. The encroachment of trained and pedigreed "social service professionals" into nearly every corner of our society suffocates citizenship and discourages local non-professional care givers from getting involved in healing and renewing the lives of the poor.

What the return of interest in the social sector reflects is a repudiation of twentieth century ideologies premised on grandiose fantasies of national community and a loss of support for large, secular megastructures. What people long for today are real communities — local, particular, cohesive — as a bulwark against the uprooting forces of modernity and its impersonal structures.

The Quest for Values. The second factor is the search for values that registers consistently in public opinion polls. It is in communities, not through the large bureaucratic structures of modern society, where values must be recovered. This fits with a public which harbors a desire to see values renewed, but which is very doubtful that the work of moral renewal should be undertaken mostly by the state. In fact, it is the failure of society and culture to maintain ethical norms that causes many to turn to the state. As Peter Berger and Richard John Neuhaus have stated, the "Mediating structures are the value-generating, value-maintaining agencies in society. Without them, values become another function of the megastructures, most notably the state."¹

Much is lost when the mediating structures of neighborhood and family are bypassed and modern society becomes organized entirely around either the mechanism

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Political consultant*

of the market or the state. For one, individuals are encouraged to see themselves, not as citizens of communities, but as self-interested, rights-bearing consumers, a mentality which has contributed powerfully to the rise of modern individualism and social fragmentation.

Increased Volume of Volunteers. The third factor that points to the possibility of civic renewal is the renewed interest in volunteerism that is taking place across the entire age spectrum. America's retired population is healthier, more prosperous, and probably more active than any ever. Almost 90 million Americans now volunteer, averaging more than four hours per week, and that is likely to grow.

The twenty-first century, according to forecasters, will yield a significant increase in volunteering by the retired and semi-retired, filling such essential roles as mentoring and serving in local charities. A new phenomenon among middle-agers called "half-timers" is taking shape in which entrepreneurs who have achieved financial success are trading in "money for meaning," according to the movement's leader, Texas entrepreneur Bob Buford. Numerous indicators of increased civic activism are also showing up on college campuses and among America's youth.

Inherited Wealth. Fourth, we are about to witness the largest intergenerational transfer of human wealth in history. Not only have the "baby boomers" created enormous amounts of new wealth, beginning in the year 2010 and continuing for decades to come, they and their children will be the inheritors of their parent's wealth, which is cumulatively measured at \$2 trillion.²

In addition, the baby boomers may themselves give away up to \$3 trillion by 2010 and as much as \$10 trillion by 2040, according to Cornell University Professor Robert Avery, who has studied this phenomenon.³ The availability of these two forms of wealth — new wealth and inherited wealth — will make unprecedented resources available for charitable investment.

These factors taken together are yielding predictions of a new "golden age of philanthropy." "Giving by Americans, individually and institutionally, is poised to grow at an astounding rate," predicts John Walters.⁴ And that giving will likely generate new social ventures, ones which are results-oriented, and highly entrepreneurial, just like the entrepreneurs who created the wealth in the first place. The new rich view civic endeavors much as they view venture-capital firms; they think in terms of "giving away money in the same way they made it — through small, flexible institutions, very focused, outcome-driven."⁵

The Social Sector as an Arena of Effective Action.

Fifth, the social sector has suddenly taken on new credibility because it is perceived to be an arena of effective public action.

Poll after poll reveal that large majorities of the American people see conventional political action as synonymous with gridlock, excessive self-interest, and ineffectiveness. By contrast, many are searching for the means to improve society outside of conventional political involvement, and are turning to the social sector, which is controlled by citizens and generally free of partisan taint.

Many observers have concluded that political disengagement must surely signal public indifference, but in reality, much of the passion and vision that was once directed toward political action is now frequently directed toward civic renewal. The driving impulse of these social sector initiatives is neither political power nor economic profit, but rather social improvement.

A new generation of civic activist is discovering the workings of social or civic capitalism. Chris Gates of the National Civic League describes it as turning from capital "P" politics to small "p" politics, focusing on small, local, and results-oriented forms of civic involvement. Says philanthropic expert, John Walters, the world of private philanthropy is about to become "the most dynamic growth sector of domestic American life."⁶

The social sector increasingly has its own distinct identity, language, and dynamics. In many respects, the social sector is its own economy, with its own institutions, offering careers to a growing percentage of the nation's workforce. Management guru Peter Drucker reports that over 800,000 new non-profits have been created over the past 30 years. Drucker states "the growth sector of a developed society in the twenty-first century is mostly unlikely to be business."⁷

Reflecting this trend is the growing number of professional schools that are providing degrees in non-profit management and research into the workings of the non-profit sector. Drucker calls for "principled, theory-based management" of this emerging social sector. Successful leadership in this sector, he says, could yield major results on the enormous problems facing the world.⁸

Also contributing to the rise of interest in the social sector is an explosion of academic research from across numerous social science fields focusing on the state of

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“social capital” in America. Magazines, journals, and newsletters serving the non-profit sector are proliferating.

Interest in reviving the social sector has increasingly affected public debate. New terms, like “compassionate conservative,” “communitarian,” and the “civil society movement” have entered the public vernacular. Political consultant Dick Morris captures the political ramifications of the contest of ideas in this emerging field this way: “Democrats own the public sector; Republicans own the private sector. But the voluntary sector — where the action is — is up for grabs. The party that makes the voluntary sector its own will acquire a lock on America’s conscience.”

The recent embrace of a “civil society model” in public policy, which evaluates the success of policies in light of their impact on communities and which to the greatest degree possible relies on civic institutions to achieve public goods, is a welcome trend. In the end, more is at stake than the replacement of monopolistic government services with a pluralistic system of social service delivery, as vital as that is. These local civic networks become the incubators of democratic citizenship and habits. They are where we learn neighborly regard, practical civic problem-solving, and democratic values.

ENDNOTES

1. Peter L. Berger and Richard John Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy* (Washington, D.C.: American Enterprise Institute, 1977), 2.
2. John P. Walters, “The Coming Philanthropic Explosion,” *Philanthropy* (Winter 1977): 3.
3. Alan Reynolds, “Death Taxes, and Giving,” *Philanthropy* (Winter 1997): 6.
4. Walters, 2.
5. David Ignatius, “How To Give Away Mountains of Money,” *The Washington Post*, January 17, 1999, B7
6. Walters, 2.
7. Peter F. Drucker, “Management’s New Paradigms,” *Forbes*, October 5, 1998, 156.
8. Drucker, 158.

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premature. One must ask whether the increased social capital taking shape within the middle class — whether in the form of inherited wealth, increased personal involvement, or proliferating non-profits — will in any meaningful way improve the prospects for the poorest Americans? Can this renewal movement, if it can be called that, be captured on behalf of the neediest Americans?

It would be a mistake to conclude based upon this evidence that all is well — or even significantly on the mend — in every community of America. With exceptional economic growth and near record levels of employment, it appears that the national public debate has merely shifted to other subjects. But according to officials of 30 major cities recently surveyed, the impact of recent economic improvements on urban conditions such as hunger and homeless “has had very little positive impact.”¹

Michigan Governor John Engler, a welfare reform pioneer among governors, states: “A rising tide should lift all boats, but after an unprecedented period of economic growth, many in our urban centers remain moored to shore. Our inner city poor live in a separate nation, and the few ties that bind them to the rest of us are growing more strained every day.”²

With the welfare state in retreat and economic growth bypassing many pockets of urban destitution, the real question before us concerns what the present capacity is of the non-governmental sector to improve conditions for the poor. There is the real possibility that even the widespread social renewal described here will also largely bypass America’s neediest citizens if additional steps are not taken to dramatically strengthen those neighborhood-based groups which are uniquely positioned to directly reach them.

For one, there is no guarantee that the large inter-generational transfer of wealth described above will go to charitable giving, as opposed to direct personal spending or other forms of investment. Substantial portions of the inheritance may simply go into the stock market or to the purchase of vacation homes, yachts, and luxury cars.

Secondly, even if a higher portion of the inherited wealth income is directed to charity, there is no assurance that it will be directed to those programs that directly serve the poor such as homeless programs, soup kitchens, housing-rehab programs, and so on, commonly referred to as human service programs.

The non-profit social sector is vast, consisting of hospitals, theaters, colleges and universities, research,

and civic organizations, each of which represents important and valued work, but which generally serves the middle and even upper classes.

Finally, even if charitable giving for private sector services to the poor increases, there is no guarantee under existing policies that those added resources will be directed to many of the small-scale, innovative programs that are credited with being most effective at transforming the lives of poor people. Some of the most effective charities are very small, often faith-based programs that exist in neighborhood storefronts and churches.

Many of these programs are attempting to pick up the slack where welfare has retreated. Just how robust the civic sector presently is, or what its future prospects are, within the poor community is a matter of vigorous debate. The assumption among many is that civil society can pretty much rebound in poor communities, largely on its own, and rise to meet the challenge. For others, the assumption is that even if government directly undermined civil society, which most acknowledge it did to some extent, government's retreat does not ensure civil society's return. As former Senator Dan Coats has said: "getting government out of our lives will not *ipso facto* lead to a rebirth of private and civic virtue."³ What is needed, he adds, is a policy that combines boldness with humility and realism in this area.

Whatever one's views regarding the cause of declining community in poor neighborhoods — whether the cause is the welfare state, loss of jobs, the rise of pathology, or a combination of those factors — the question remains: what can be offered as an alternative to the welfare state?

Some recommend more volunteering. Politicians who support volunteerism regularly cite the statistic that 93 million Americans volunteer 20 billion hours of their time — an average of 218 hours per person. In spite of dire warnings of Americans "bowling alone," the evidence seems to suggest that this form of civic engagement remains rather robust, as policymakers are quick to point out.

But, once again, one must look candidly at the limits of this remedy. Much of current volunteering, for example, is not provided in the form of human services, the area of greatest concern to us here. In fact, only 8.4 percent of those 93 million volunteers work in such human service fields as helping the homeless. The vast majority of volunteerism consists of involvement in one's church, bake sales for the local school, serving on community boards, and so on. Even in churches, a very small percentage — 15 percent — of volunteering goes beyond sanctuary walls.⁴

Individuals volunteer all the time for Habitat for Humanity projects, food and clothing distribution, and numerous forms of mentoring, and this should, of

course, be encouraged. Moreover, there is much that suburban churches and middle class civic groups can do to partner with effective urban programs, and it is important that better use be made of these partnerships.

But middle class volunteerism, however well-intentioned and even effective, is hardly a sufficient answer to persistent urban poverty. Providing continuous and personal care, the qualities that most strongly commend private religious charity, is rarely supplied by the casual or occasional volunteer.

Others cite the remarkable level of current charitable giving in America as evidence that the private sector is ready to step forward and confront poverty. But general reliance on private charitable giving, as important as it is, does not go far enough either. Like the distribution of American volunteer activity, private charitable giving may have to be expanded dramatically — and more importantly redirected — in order to fill the gap in social services.

Of the \$150-plus billion given to charity, approximately 44 percent goes to religious organizations, 13 percent to educational organizations, 9 percent to health organizations and only 8 percent to social service organizations (even though the number of non-profit organizations providing social services comprise approximately 40 percent of the whole).⁵

TARGETING ASSISTANCE TO THE POOR

New efforts to expand the role of private charity must target assistance where it is needed the most. Turning the lives of poor people around is not going to be accomplished through casual volunteers from distant places or through more generous charitable giving to schools, museums, hospitals, or churches which overwhelmingly serve the non-poor.

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Where resources need to be directed are to the local neighborhood renewal workers that neighborhood renewal activist Bob Woodson calls the "Josephs," those "embers of health and restoration" that often produce dramatic results on meager resources, whether in controlling gangs, curing addictions, or curbing poverty. What is unique about these local neighborhood renewal activities is their location: they take place in the poor communities, day and night, serving as antibodies against social viruses.

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There was a time not long ago when these local charities labored in obscurity to all but a small group of local admirers and an even smaller group of national self-help advocates who saw in what they are accomplishing is a glimpse of the future. Recently, these local anti-poverty activists have made their way to the center stage of America’s social policy debate. The reason for their sudden emergence is their unusually high effectiveness in dealing with a range of problems, from drug addiction, to family breakup, to welfare dependency.

It is important not only to acknowledge their effectiveness, but to identify with some precision the reasons for it. Private and community-based programs are praised for being personal, challenging, flexible, innovative, community-centered, results-driven, and often spiritually renewing. In contrast, government programs are seen as undemanding, rule-bound, distant,

unaccountable, impersonal, and hyper-secular.⁷ This more recent shift to policies of personal responsibilities, according to poverty expert Joel Schwartz, “returns us to the strategy of nineteenth century American moral reformers, who attempted to make the poor less poor by making them more virtuous.” Charity campaigns in that century sought to effect moral reformation and self-discipline. In exchange

for society’s help, the poor bore an obligation to better themselves. According to Schwartz, reformers at the time argued “that society should enable the poor to help themselves, and contended that the latter could so by practicing humble virtues such as diligence, sobriety, thrift, and familial responsibility.”⁸

These personal factors are held by the vast majority of poverty researchers and workers today to be irrelevant at best, and at worst tantamount to “blaming the victim,” a phrase which itself signals the modern shift from personal responsibility to victimization. To be fair, the degree to which the poor are to blame for their plight is a deeply philosophical and even theological debate of long standing. That the urban poor today have suffered from profound economic dislocation associated with the collapse of an urban manufacturing economy, there can be no doubt. Still, the evidence also suggests that many poor and unemployed persons have compounded their plight by turning away from the ethic of self-reliance and industry that enabled the poor of the past to, over time, conquer disadvantages and injustices.

Wherever one settles on this philosophical divide, it appears that all sides in the debate are to varying degrees extending fresh support to faith-based charities, and often for the reason that they are able to treat the whole person: body, mind, and spirit. The providers of care typically suffer with and are in relationship to the poor in a manner that is personal and continuous. With this approach, givers of care treat the poor, not as clients, but as persons who were made in the image and likeness of God and who thus bear inherent dignity and worth.

Much like nineteenth century charities that were less affected by the secularizing, bureaucratizing forces of modernity, these local charities understand that the problems of idleness, drunkenness, crime, and promiscuity cannot be separated from issues of moral culture and private character. Although the nineteenth century offers important lessons for today in delivering effective charity, most acknowledge that the circumstances of the late twentieth century are radically different from those of the late nineteenth century. Modern values and systems with their emphasis on secularism, compartmentalization, and professional specialization are pervasive, and will not be easily or rapidly thrown off.

GENERATING NEW SOCIAL CAPITAL

While the remarkable stories of these small, local, church-affiliated charities are cited almost everyday, there is little evidence to suggest that their successes can be replicated on a large scale without some attempt to widen their support base. These once obscure charities are now carrying expectations that may be impossible for most of them to meet under existing circumstances. As Reverend Eugene Rivers of Boston has said: “Without public support and back-up, financial and logistical, there’s no way churches or other community folk can turn the tide.”⁹

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The charities we celebrate the most for their effectiveness are working their miracles in the midst of the most concentrated and intractable poverty. Many needy Americans have a legitimate claim on society's compassion, but especially those who occupy our urban pockets of poverty. The number of people living in high poverty neighborhoods almost doubled since 1970. Eight million people, nearly a third of them children, now live in neighborhoods where more than 40 percent of residents are poor, and many more subsist on low-wage jobs.

They operate in communities where material resources are very scarce and civic institutions have withered to the point of near extinction. In many cases, these churches and faith-based charities are the last remaining line of defense against complete civic collapse. Says national expert John DiLulio "churches are clearly the ideal — indeed, in most cases, the only — mediating institutions in black inner-city neighborhoods." DiLulio cites studies indicating that 70 percent of urban black congregations run or participate directly in community outreach activities — staffing day care facilities, offering drug- and alcohol-abuse prevention programs, administering food banks, building shelters, serving and safe havens, and more."¹⁰

It is worth pondering what huge burden would suddenly be transferred to already weak municipal governments in these areas if churches, synagogues, and mosques suddenly stopped doing the work they are doing. It is also worth imagining what might be achieved in our cities if we could double, triple, or quadruple the work these religious institutions are doing. If America is going to have a true anti-poverty strategy, it must dramatically expand this civic capacity in high-poverty neighborhoods.

The support from within these communities is very limited, and the source of potential support that lies beyond these communities, such as foundations and corporations, is either unavailable or problematic. The answer may not be in lecturing corporations to do more, because what they already do with their money is too frequently misguided. For one, major corporations and the largely secular charities they typically support frequently run on the same premises as government and are thus often no more effective. Much of this corporate philanthropy is guided more by what is thought to be politically fashionable than by any criteria of effectiveness.

If this is the approach that is taken by turning to the private sector to replace government, "we could end up with a welfare regime just as dysfunctional as the one we are struggling to replace," maintains James Payne. Typically, this form of private charity is most likely to

practice "sympathetic giving," which is as indiscriminate as government welfare, and can be just as counter-productive.¹¹

Similarly, major corporations often shy away from assisting organizations that are religious in nature. However, there is evidence of some recent softening of attitudes

here, for example, in support for such programs as the Jeremiah Project, headed by Princeton University Professor John DiLulio, which is targeting corporations for greater involvement in the faith-based social service sector.

In spite of small changes in this area recently, it remains doubtful that funding small religious charities will suddenly become the hottest trend in corporate philanthropy, and even if it should, corporate contributions represent only 5.6 percent of philanthropic giving in America, compared to nearly 80 percent that comes from individuals.¹²

If civil society in most poor communities is in various degrees of extinction, and if the private sector remedies currently being offered — middle class volunteerism and corporate philanthropy — are not sufficient, what should public policy do to help invigorate poor communities?

That we need increased capacity for local, indigenous, effective charities, there should be no doubt. But there are any number of ways to expand the capacity, not all of which are equally ideal. The central question becomes: what public policy is most effective, and most consistent with the non-bureaucratic nature of the civil society enterprise?

LOCAL GOVERNMENT SUPPORT

One approach is to simply encourage state and local governments to more consciously support local charities as part of their anti-poverty programming. Indeed, according to Joe Laconte "massive, direct public funding for private non-profits is quickly becoming the most important strategy for attacking social problems in America." "Countless charities and other non-profits," says Laconte, "are now heavily subsidized to deliver care; many of these 'private' groups depend on public funds for well over half of their income," a trend he finds worrisome.¹³

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The practice of directly supporting charities through local government has a long history. Local government support for charity was not uncommon throughout American history, even during periods when private church-based programs made up the bulk of local charity. Except perhaps during colonial America, charity was never the exclusive province of the private sector. For example, private charities for poor children operating in New York in the 1870s received half of their funding

Faith-based institutions have a vital role to play in the renewal of America's communities. Most are aware of the mountain of evidence that confirms the healing and renewing powers of religious faith in all facets of life, for rich and poor alike, whether in marriage, work, or dealing with life's setbacks.

from state and local governments. But this practice becomes vastly more complex and problematic in today's environment in which the government has a way of controlling what it touches. In fact, thanks to a vast array of statutes that did not exist even 30 years ago, the government has no choice today but to assert controls over the activity it funds.

The state is capable not only of preempting private local charity by replacing local caregivers with social service professionals, as mentioned earlier, it can deform these charities by suffocating them with direct grants, procedures, and various regulations. It would be a shame if in our rush to see effective local charities flourish we fall back on a common American habit of merely throwing money at them, which could result in undermining their effectiveness through what Joe Laconte calls "mission creep."

THE CHARITABLE TAX CREDIT

While it would be foolish to think that local charities do not need greater capacity, as has been indicated here, it would be just as foolhardy to underestimate the capacity of public policy to weaken their effectiveness. So the real question becomes **how** can we help? Expanding the use of the charitable tax credit has the most merit as a capacity builder for several equally important reasons.

One, it preserves the entrepreneurial qualities that made local charities effective in the first place. Local non-profit charities are famous for their entrepreneurial verve in selling their programming to local donors, and

have little experience drafting proposals for government agencies. It is not uncommon for local charities which suddenly come upon state money to spend days and even weeks receiving new training in how to satisfy government bureaucrats.

Suddenly program "outcomes" become measured, not in saved lives, but in how well charity workers have performed in the great paper chase. Says Joe Laconte: "With government grants and contracts come government standards — reams of regulations intended to ensure accountability and guarantee quality care. What they guarantee instead is mind boggling waste."¹⁴

When the means of organizing a local charity involves going directly to local supporters, the voluntary nature of this activity is preserved.

Two, because the charitable tax credit would not involve transfers from the taxpayer to the charitable recipient via the government, it would neither waste money through needless administrative overhead, nor produce a whole new layer of middlemen, including government workers, lobbyists, and grant-making consultants. Government grant-making to local social agencies invariably ends up expanding the class of people whose employment consists, not in serving the poor, but in lobbying, writing grants, conducting or attending conferences, and engaging in political advocacy.

Three, the charitable tax credit goes the farthest in protecting the autonomy of the charitable entity from state encroachment. What government funds, it regulates for the sake of public accountability. It would be derelict of a funding agency not to impose some programming controls to ensure that public purposes are being served and to guard against gross inefficiencies or outright abuse of public money.

Four, and directly related to three, the charitable tax credit is the most viable arrangement for supporting the important but too-frequently underestimated work that religious institutions and agencies perform. Thanks to the sudden rediscovery of faith-based charities, our social policy has made significant shifts in new directions. For example, poverty is now viewed less as a material condition, and more as a condition requiring personal and spiritual care. Many now admit to the impoverishing effects of secular, impersonal bureaucracy on the poor, even traditional defenders of the welfare state in many cases. Publicly-employed social service professionals are rarely prepared, even if authorized, to care for the souls of the poor.

Faith-based institutions have a vital role to play in the renewal of America's communities. Most are aware of the mountain of evidence that confirms the healing and renewing powers of religious faith in all facets of life, for rich and poor alike, whether in marriage, work, or dealing with life's setbacks. Research shows that religious faith, like no other force, has a positive impact on a host of pathologies like drug abuse, alcoholism, and crime.¹⁵

But the mission of faith-based agencies can and should be expanded in a fashion that is consistent with our pluralistic society and constitutional traditions. There is an understandable worry among many about the possibility of undue entanglement by the state in matters of religion, on the one hand, or the possible corruption of religion due to state support on the other. In short, the state is ill-equipped to play a direct role in providing for the spiritual needs of the poor, even though it has a direct interest in seeing the well-being of the poor, including their spiritual well-being, enhanced.

Religious charities are effective precisely because they are religious in character, which means that they must be accepted for what they are. But here is where it gets tricky. Many local civic initiatives owe their success to strict moral codes, which are often grounded in unfashionable world views, and which often exist in open contradiction of many secular policy requirements. In the landmark 1988 case of *Bowen v. Kendrick*, the court ruled that the government can fund organizations with religious ties, but only when those agencies are not "pervasively sectarian."

Recently adopted "charitable choice" legislation enables state and local governments to provide grants to religious charities for the delivery of social services "without impairing the religious character of such organizations." According to this measure, such organizations are not required to alter their "religiously inspired way of providing services" so long as the funds themselves are not used for worship, proselytization, or sectarian indoctrination. This new policy has significantly clarified many of the thorny constitutional and administrative questions surrounding the support of religious charities by taxpayers.

Still, existing court precedent insists upon a separation of religious and secular activity when public funding is involved, and it remains unclear whether this difficult balancing act can be preserved. Trends do not suggest that this problem will get any easier any time soon.

The reasoning in the recent decision by the Appellate court in New Jersey to deny the Boy Scouts their right to choose their own moral code in respect to homosexuality is only the latest in a widening pattern of the state attempting to cover private entities with statutes affecting race, creed, religion, or sex. The Scouts were rendered a public entity by reason of using public buildings and accepting some money from local governments. What is at stake here is nothing short of preserving the core constitutional freedoms of religion, conscience, and association.

Five, the charitable tax credit enhances more active and generous citizenship on the part of the supporting public. When state funding accounts for 60 percent or more of a non-profit service provider's budget, more is lost than the charity's independence and voluntary character. Members of the public are more likely to be denied an opportunity to participate in local problem solving — through their dollars, their active concern and prayers, and in many cases their personal participation. Public work becomes done more and more by public workers, not by ordinary citizens, volunteers, and non-profit entrepreneurs.

If corporations and secular grant-making foundations are cool toward religious charity, individual Americans themselves are decidedly warm toward them. According to a Gallup poll, 58 percent of all Americans, and an astonishing 86 percent of black Americans, believe that religion, churches, or faith-based organizations can help solve contemporary social problems.¹⁶

Supplanting individual giving with state taxing, granting, and oversight activity undermines the civic heritage. For our democratic system to flourish, we must do all we can to reinforce the "we-the-people" mentality which holds up local self-government as a democratic imperative.

The final, most compelling reason for

The most compelling reason for adopting the charitable tax credit as the preferred means of directing badly needed aid to poor communities is, quite simply, this is where the money is. Individual Americans are the world's foremost contributors to private charities, with average middle class Americans contributing far more than the rich and the poorest Americans giving the highest percentage of their incomes.

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CHARITABLE TAX CREDIT PROGRAMS: MODELS FOR POLICYMAKERS

Recently retired United States Senator Dan Coats, a leader in the American Renewal Alliance, has been promoting a federal charity tax credit that would allow every taxpaying family to give \$1,000 of what it owes to the government each year to a private charity in their community.

The charitable tax credit has received growing recognition as a core anti-poverty measure in state legislatures and the U.S. Congress.

Influential members of the United States House and Senate have joined together in what is known as the American Renewal Alliance, a legislative caucus to promote community-based anti-poverty legislation. One measure being advocated by the

American Renewal Alliance is a block grant program designed specifically to encourage state officials to adopt charitable tax credits.

Recently retired United States Senator Dan Coats, a leader in the American Renewal Alliance, has been promoting a federal charity tax credit that would allow every taxpaying family to give \$1,000 of what it owes to the government each year to a private charity in their community. He argues that “most people would prefer to fund the Salvation Army than the Department of Health and Human Services, Habitat for Humanity instead of the Department of Housing and Urban development.”¹⁸

Several states have either passed a charity tax credit or have legislation under active consideration. The Arizona state legislature passed a bill to provide a 100 percent credit for contributions to charities which assist the poor, with a ceiling of \$100 per person, \$200 for

couples. In Pennsylvania, a bill to provide a 50 percent credit on contributions to qualified charities is under active consideration in both chambers. Similar proposals are under consideration in Indiana, Minnesota, and North Carolina.

There are difficulties to be overcome in more widely applying the charitable tax credit at the state level, to be sure. For example, policy analysts are finding it challenging to develop acceptable criteria for the activities to which the credit should be applied. Each of the pending bills makes its own attempt to limit the tax credit to “qualified” activity. For example, the Indiana bill applies the credit to contributions that have been made to organizations serving individuals at no more than 185 percent of the federal poverty rate, and to specific anti-poverty services such as housing, emergency shelters, job training services, substance abuse services, soup kitchens, and food banks.

A second drawback to the charitable tax credit is figuring out how to implement it in states that have no individual income tax. One suggested alternative for such states is to provide qualified individual contributors a rebate.

These limits notwithstanding, the charitable tax credit is emerging as a key tool in the movement to renew civil society in America. Of its many advantages, all enumerated above, the leading advantage is its capacity to tap into the expanding resources of individual middle class givers in order to empower those neighborhood charities that are on the frontlines of fighting inner city poverty.

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Don Eberly is a nationally recognized voice on issues of citizenship and community, and a leading contributor to the growing debate over how to strengthen social institute in America. His writings on issues of society and culture include dozens of essays and articles and four books, most recently *America's Promise: Civil Society and the Renewal of American Culture*. Don has founded or co-founded several nationally recognized initiatives promoting civic, democratic and economic renewal, including the Commonwealth Foundation, the Civil Society Project, and the National Fatherhood Initiative, a non-partisan civic initiative seeking to renew responsible fatherhood in American society.

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