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New Study: A Dark Side of Corporate Philanthropy

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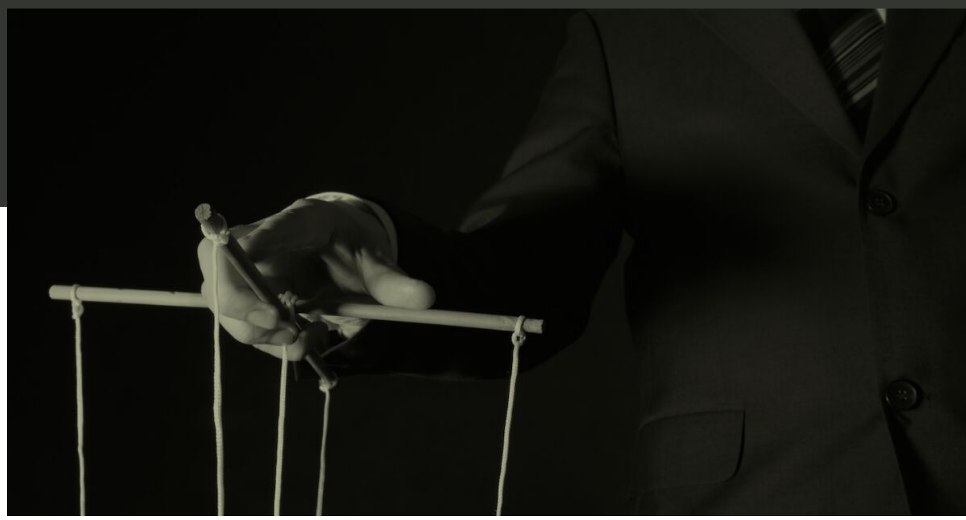

The Washington Post in mid-January 2019 **reported** on a surprising **new study** about corporate philanthropy released a month earlier by the National Bureau of Economic Research. Five researchers examined certain ramifications of the relationship of the corporate-donor and nonprofit-donee relationship.

What were they looking for? In ***Hall of Mirrors: Corporate Philanthropy and Strategic Advocacy***, the examiners explained they were looking for ties, connections, or influence other than the fact, itself, that these funders had given money to the charitable groups.

More specifically, was there any effect of the corporate largesse on the supported nonprofits' publicly-expressed views of pending and proposed laws and rules that would affect the donor-businesses?

The results: It was **worse than expected.**

The Study

In the study, **the researchers examined** 629 charitable foundations, 474 businesses, and the more than 225,000 nonprofits that received their donations.

They identified potential study participants by looking through Internal Revenue Service forms submitted by the charitable arms of large United States corporations. These forms list all grants awarded by each business to each nonprofit.

They then turned to evidence, in the form of public comments submitted to federal agencies, on proposed federal rules. The time frame reviewed was 2003 through 2015.

The premise, of course, was that "politicians and regulators **rely on feedback** from the public when setting policies. For-profit corporations and non-profit entities are active in this process and are expected to provide independent viewpoints." More to the point, as noted by lead researcher, Marianne Bertrand, nonprofits are seen as "**providers of nonpartisan, technical expertise** and are commonly expected to offer more neutral input into the lawmaking and rule-making process, with a focus on cost-benefit analysis and broader societal interests."

Of course, the policymakers and the public rarely have any idea of **any financial ties** between business firms and nonprofits. And certainly, there's nothing inherently wrong or suspicious about corporate philanthropy.

The Findings

The researchers were able to find three patterns of behavior in this large sample of public commentary by businesses and nonprofits before federal rulemakers.

First, a nonprofit organization is substantially more likely to comment – in fact, 2-4 times more – on a proposed rule or policy after it gets a corporation's donation.

Second, in a particular rulemaking incident, where businesses and nonprofits were likely to, and did, submit official comments, the written opinions expressed by nonprofits that received corporate cash showed a clear pattern of being more similar to the grantor's views than to other nonprofits who participated in the process but which had no relationship at all with another participating nonprofit's donor.

Third, in situations where business interests respond to proposed rulemaking and nonprofit grantees do as well, "the final discussion with regulators is heavily reflective of the business's perspective." That is, it appears that the rule makers were positively swayed by the expressed opinions of participating nonprofits, assuming, of course, that those opinions were neutral and unbiased.

Writing for The Nonprofit Quarterly, Danielle Holly, expresses alarm and surprise by the study results. She is the CEO of Common Impact, an organization that designs nonprofit capacity building and corporate community engagement programs. This research supports the conclusion that "corporations may be **strongly influencing public policy through their charitable giving**to nonprofit organizations." And, of course, the charities are wittingly or unwittingly playing along.

Conclusion

"This is **one of the more insidious examples** of the private-nonprofit sector power dynamic at play, and it rubs against the core purpose of the nonprofit sector." It also disturbs the integrity of the government rule-making process.