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Financial Success Comes With a Responsibility

By Luz Vega-Marquis and Ruth Massinga

Last year the endowment of the Marguerite Casey Foundation grew by $121-million, thanks to the start of a market rebound. At the same time, the number of American families living in poverty increased by more than 400,000.

Sadly, these two statistics are not unrelated.

It is nearly impossible to get a grip on how many bags of groceries or heating bills $121-million might buy, or to envision 400,000 new households (more than the entire population of Miami or St. Louis) joining the ranks of the nation's poor all at once. Like so many statistics, numbers this large can seem abstract, incomprehensible, far removed from our day-to-day lives.

But the truth of the matter is they couldn't be more real.

The Marguerite Casey Foundation has been blessed with a sizable endowment (worth more than $600-million as of this writing), and, like other foundations, we manage these assets as carefully as possible, trying to maximize the return on our investments. As the stock market grows, so too does our pool of available grant dollars, which we devote to efforts to help low-income families and communities.

But what is the true cost of this type of financial gain? The foundation's bottom-line growth is plain to see year after year. But what successes can low-income families, the very people our foundation seeks to support, claim? And how is it that our investments can be performing so well, while millions of working families in this country are falling further and further behind?

Such questions, uncomfortable as they are, deserve more debate and discussion than they usually receive within the philanthropic world.

Our foundation has struggled with this irony since its inception, at both the staff and board levels. We are emboldened when the market performs well, yet we know these profits come with very real human consequences. Publicly traded corporations in which we have invested streamline here and downsize there, maximizing for efficiencies one day, merging and acquiring the next. And with each transaction applauded by Wall Street, the lives of hundreds or thousands of working families can be irrevocably changed for the worse.

Recent trends bear this out. While the stock market has slowly inched its way back up from the bursting of the bubble, low-income families and the working poor have seen few, if any, meaningful gains of their own. Among the key trends:

- Job losses and slower wage growth resulted in a decline in median family income of nearly $1,500 over the past two years.
- More than 43 million Americans (15 percent of the population) did not have health insurance in 2002, and the amount of premiums that insured employees pay for family coverage has increased about 50 percent over the past three years.
- Since 1997, the number of hours worked by dual-earner and single-earner couples has increased an average of 12 hours per week. Americans work longer hours than people in any other developed country, including Japan, and have less time to spend with their families as a result.
- Over the past decade the average amount of credit-card debt for low-income families has risen by 184 percent.

These pressures are worsening by the day. Single-earner families are less likely to stay above the poverty line than ever before. Unemployment continues to rise. And we have no method to accurately count the number of unemployed workers who have given up their job hunts altogether.

Yet unlike the Nasdaq and the New York Stock Exchange -- whose tickers, technologies, and trend watchers let us measure second-by-second ebbs and flows from the comfort of our laptops -- we have no such national index for family well-being, no scientific metrics to assess the human costs of buying low or selling high.

We watch nightly as the evening news reports on what the Dow Jones industrial average did that day. But when was the last time your favorite news anchor reported on how many single parents took on a second or third minimum-wage job just to cover the mounting interest fees owed to their neighborhood check-cashing outlet?

We recognize and share the responsibility foundations bear in helping to alleviate the challenges of poverty. The struggle for a more just and equitable society is a marathon rather than a sprint. That's why our grant-making strategy is focused not on providing temporary assistance for those in need, but on leadership development, strengthening the operations and capacity of nonprofit groups that serve the poor, promoting efforts to get all citizens involved in policy making, and other long-term strategies to improve and permanently change systems and institutions that serve the public.

Some lawmakers and nonprofit advocates contend that the best way to help the needy is to increase the dollar amount that foundations are required to distribute in grants each year. Private philanthropic wealth, they contend, offers an ideal way to fill gaps created by ever-deepening cuts in government programs.

But in reality, foundations will never be capable of shouldering the responsibility of federal, state, and local governments to serve the needy. The assets of all American foundations combined (roughly $480-billion) could not even offset our current federal deficit of $540-billion. And even if those foundation assets were paid out in their entirety, they could never bridge the gaping chasm between the wealthiest 10 percent of American families, whose median net worth jumped from $785,000 in 1995 to $1.3-million in 2001, and the bottom 25 percent, whose median net worth was stuck at $1,100.

No single institution or segment of society -- certainly not philanthropy alone -- can unilaterally answer this challenge. Indeed, none should be expected to.

But what should be expected -- what foundations need to demand of one another -- is a commitment to remember how the economic decisions made by our institutions affect the people we serve.

The Rev. Martin Luther King Jr. reminded us that "philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary." His words have never been more true than they are today. We cannot afford to take the market for granted or forget the undeniably human impacts of its often inhumane whims.

As tax-exempt entities, grant-making foundations have a public responsibility to insist that the nonprofit groups we support deliver real results for families -- helping parents demand and achieve tangible improvements in services ranging from health care to education to housing. We can also pool investments with other grant makers and corporations to increase general operating support for key grantees, and, in so doing, help put these vital institutions on the path to sustainability.

But grant makers also need to be constantly aware of the choices we make with our portfolios and vigilant to the consequences of our economic decisions.

As investors we should demand more family-friendly practices from the business and nonprofit worlds alike -- more livable wages, affordable health premiums, less reliance on temporary labor, and greater flexibility in scheduling, just to name a few.

We should explore options for creating investment filters that take into account whether companies are family friendly, like those already used to screen out tobacco companies or corporations with poor environmental records.

Together we can strive for greater accountability and responsiveness from the public companies in which we invest, using the leverage of our collective assets to further our organizational missions. And in so doing, we can be proud, not guilt stricken, when our portfolios deliver good results.

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