Religion Page Column

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Freeing Charities to Raise Big Bucks

Imagine that you're on the board of directors of a big charity and you have to hire a guy to raise money for the important work you do.

You can hire Bob at $50,000 and he will raise $2 million for your charity.

Or you can choose Dave at $500,000 and he'll raise $6 million for your charity.

Who will you hire, Bob or Dave? Here's the math:

With Bob you clear $1.95 million.

With Dave you clear $5.5 million.

So you'll hire Dave, right?

No, you'll probably hire Bob.

Because if you hire Dave the IRS will investigate you and Dave, and the media will do stories about how foolish you are and how greedy Dave is, and who needs the headache, right? Besides, we just aren't comfortable paying a charity fund raiser a half million dollars no matter how good he is, how much good he does, or how much money he raises.

And all those people you serve through your charity will be denied benefits of the $3.55 million more you would have made had Dave been running the show.

In his book *"Uncharitable: How Restraints on Nonprofits Undermine Their Potential,"* author Dan Pallotta says that is exactly how charity organizations (with the exception of hospitals) work.

We have tied the hands of charities and nonprofit organizations by placing arbitrary rules on what they can and can't do with the money we give them.

Specifically, there are four things we refuse to let them do:

1. We don't let people who work for charities make large salaries. You want to make a million selling violent video games? Go for it. You want to make a million curing people of cancer? You're a parasite.

2. We don't let charities advertise. Business advertises until the ad investment stops retuning revenue. But we don't allow charities to use advertising to build demand for their cause. Budweiser is all over the Super Bowl. Children's Hospital is absent.

3. We don't let charities take risks. Disney can spend $100 million on a movie that flops and they chalk it up to a learning experience. If a charity invests $5,000 in a walk to raise money and doesn't double that investment it is considered incompetent or dishonest.

4. We don't let charities have long term visions or investments. Amazon.com forwent investor returns for six years to build market dominance, but if a charity doesn't spend every cent it gets every year it's considered wasteful.

For the next couple of years, as our economy is in recovery, it's going to be harder and harder for churches and charities to raise the money they need to do their very important work.

Pallotta says that we could make it easier for them if we were willing to untie their hands and let them use the gifts of capitalism to solve some of our country's problems and he makes a very convincing case.

Check out the book. It's fascinating and raises some interesting questions that deserve thoughtful answers.