



INDEPENDENT SECTOR
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On the Threshold of a New Social Compact

Diana Aviv, President and CEO, Independent Sector

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Exactly as we did four years ago, we find ourselves gathered together on the sixth day after a momentous national election. But the coincidence of this six-day interval may be the only thing that makes this situation seem in any way like the one in 2004.

Back then, we were dealing with the prospect of continuity in government. That was disappointing for some, reassuring to others, but it made for an essentially predictable environment for our sector, and for America as a whole. True, job growth was sluggish, the Iraq war was worsening, and a close and bitter election had jangled everyone's nerves. But the level of uneasiness was modest, at least by today's standards. The Dow was above 10,000 and rising, indices of market volatility were low. Foreclosure rates were about half of what they are today, and consumer confidence was comparatively high.

Four years has rarely seemed so long ago.

In important ways, today feels closer to 1932 than to 2004. Fortunately, the current economic troubles are, so far, less severe than those of the Great Depression. But in that anxious November, more than three-quarters of a century ago, Americans were deeply questioning the basic social compact that underlies our society—just as many are today.

In the 1930s, as now, Americans' essential understanding of the roles of government, industry, and civil society had been shaken by crisis, and by an unraveling of public trust. The ensuing election did more than place a new party in power; it also began to alter fundamental expectations about what the nation's leaders ought to *do*, and the urgency with which they had to do it.

The upheaval of the Great Depression began with a failure of the marketplace and deepened with an inadequate and confused government response, quickly dropping an avalanche of new demands on what was a tiny charitable sector, compared with today's. Suddenly poorer, alarmed at the apparent greed of and mismanagement by big business, and infuriated at the ineffectiveness of government, Americans sought to rebuild their social compact. New duties for government. New responsibilities for citizens. New relationships linking business, and government, and civil society.

Like many such massive undertakings, this reconstruction was done piecemeal, suffered failures, took longer than anyone wished, and provoked intense disagreements. Yet, it ultimately gave rise to a new social compact, one that changed—and, I believe, dramatically improved—life in the United States.

We might be once again on the verge of rethinking the social compact. And for many of the same reasons: Economic upheaval. Governmental negligence. Nonprofits stretched to, or beyond, their limits. And amid the wreckage, a public deeply suspicious of an old order of dubious honesty and competence.

This week, as they did in 1932, voters called on a charismatic new figure—someone with a life story full of both hardship and great achievement, of evident self-discipline and exceptional intellectual prowess. Yet as remarkable as that choice is, the election of a very talented new leader will not, by itself, be enough—even with the help of a new Congress—to produce the change we all need.

The change the country is seeking today will have to be, in some ways, even broader than in the 1930s. Because today, both the problems and the possible solutions are vastly more global—the centers of power far more widespread—than at any time in history. In the present crisis, irresponsible mortgages in Phoenix and Miami have bankrupted villages in Norway. Today, nearly half the GDP of the rest of the world is made up either of foreign investments in the United States or U.S. investments abroad. That economic integration has risen steeply since the 1990s. Where it will go from here is anyone's guess. But one thing is for sure: it will not go away.

Therefore, as we contemplate a far-reaching adjustment to the basic obligations that define our society, it is no longer just a set of domestic relationships we are questioning. Our voluntary sector—like business and government—is part of a web of interrelationships that envelops the globe. Interdependence is no longer a possibility or a virtue; it is a reality and a necessity. In the next few years, the solutions to many of our most urgent problems will have to be global.

Yet, we have to start here, in the U.S., because here is where the unraveling began. And here is where we have the greatest power and the widest opportunity to restructure, redefine, and renew.

If the past few months have proven anything, it is that basic ideas about how the elements of American society are organized could and should change. There had been signs for several years that such a change was coming. The first loud signal may have been the outrage following Hurricane Katrina, when Americans saw firsthand a system of public and private responsibilities that plainly didn't work. But the ground finally shifted dramatically on a warm morning this past September, when taxpayers woke to learn that they had become the owners of a global insurance company.

This wasn't just a new policy or an unexpected turn of events. It was a sudden, abrupt return to the governing premises of the New Deal: that the government would intervene when necessary in the workings of the market to limit the consequences of its excesses. It was a

premise that conservatives had been decrying and liberals had been backing away from for decades. For years, the regulatory reach of government—the careful system of brakes and limits on the wilder impulses of the free market—had been slowly whittled away. Too much interference, we were told, is the enemy of prosperity and the path to socialism. Government’s job was not to police the marketplace. Government’s job was to get out of the way.

Then, in just the past several months, the prevailing orthodoxy of recent times has fractured, first in small ways, then in large ones.

Consider this: About 10 days ago, in an op-ed in the *Washington Post*, the former chairman of the Council of Economic Advisers in the Reagan Administration, Martin Feldstein, endorsed more – that’s right, *more* -- government spending on public infrastructure as a means to economic recovery. As reporter Steve Coll put it in the *New Yorker*, “This was a bit like Al Gore embracing coal.”

All in all, we have reached a historic moment, in which we are re-examining the most elementary premises of our society:

- what government is *for*;
- what it’s capable of;
- how it interacts with the private economy and embodies Americans’ higher values and aspirations; and, more generally
- what responsibilities and obligations bind Americans to their neighbors, to their leaders, and to the rest of the world.

This has been a long time coming. Over the last three-plus decades, we have seen the traditional American belief in *limited* government exaggerated, distorted, and caricatured—until at last it took the form of outright *contempt* for government. It’s a view encapsulated by Ronald Reagan during his first inaugural, “Government is not the solution to our problem; government *is* the problem.”

Most people do share a bedrock belief that government authority must be kept within clear and reasonable boundaries. But that fundamental principle instead became twisted, little by little, into a desire to see public systems hobbled, discredited, and some of them abolished outright.

Consequently, we have seen miserable failures in such areas as disaster response, in energy policy, in health care, education, transportation, and finally in financial regulation.

For a time, these failures were lifted up, one by one, as evidence that government is not fit to function in these areas, and ought to retreat. At the same time came years of fiscal policy so dissolute that government increasingly couldn’t *afford* to perform its functions adequately, whether those functions were appropriate or not. Federal spending increased immensely to pay for two wars, a large expansion of Medicare prescription drugs, and skyrocketing entitlement programs. Meanwhile, the Treasury was starved by massive tax cuts that mostly benefitted the wealthiest Americans.

And the result? A government without the means to tackle new problems or even deal effectively with old ones. And a regulatory system that was not only shackled by new laws but shrunken by budget cuts.

This wasn't just a change in governing philosophy. It produced a change in the governed. Society itself was altered, profoundly for the worse. Growing numbers of very rich and very poor people were separated by gargantuan wealth differences, dividing the privileged few from the disadvantaged many. The idea of a common wealth, a community of shared interests, became harder and harder to sustain.

These consequences were gradual. Some Americans may not have noticed them, at least for a time. But everyone in this room noticed them. They hit many of us like a falling asteroid. Year after year, we saw new expectations piling up at our doorstep—expectations that once had formed a web of *mutual* obligations among government, business, and voluntary organizations. Bit by bit, that shared commitment was unraveling, the values that underlay it lost in a fog of widespread indifference, deep-seated disenchantment, wrongheaded ideology, and plain ol' greed.

It wasn't just our government that had checked out, either. The fraying of our sense of fiscal responsibility extended to some individuals and families. Greased by our frictionless financial system and loose credit standards—and keen to take for themselves a piece of the American dream—too many Americans cast thrift to the wind. They bought houses they could not afford and spent money they did not have. A culture that once prided itself on making careful provision for hard times and future generations instead began to borrow and spend as if hard times had been abolished, as if the future would find ways of taking care of itself.

To be sure, this reckless view of public and private responsibility was an exaggeration, and in some cases a distortion, of what most Americans actually believed. But it had become a kind of established dogma. A few years ago, the Vice President even described *energy conservation* as a “personal virtue” rather than a public policy—in short, something best left to conscientious and voluntary activity, firmly outside the legitimate boundaries of government.

The verdict on this extreme and disfigured idea of the social compact has now been definitively rendered. These ideas are not gone, certainly. But they are no longer enshrined in the governing philosophy of either the Executive or the Legislative branches of government, at least for now. The texts of the past quarter-century are about to be rewritten.

But what will replace them? What now is the proper balance of public, corporate, civic, and individual responsibility in the American pursuit of happiness?

In that regard, it is fitting that we are meeting at this moment in Philadelphia—not only because the Phillies just upended the assumptions of a quarter-century of recent history. But also, perhaps a tad more important, because we stand in the shadow of Independence Hall, where the Second Continental Congress inscribed “the pursuit of happiness” into the canon of inalienable human rights.

Admittedly, in light of the colossal financial excesses exposed in the recent market collapse, the idea of “pursuing happiness” may seem a two-edged sword. The past few months have furnished us many examples of the kinds of happiness, and the means of pursuit, that led us into financial disaster. Astronomical executive bonuses, golden parachutes for failed CEOs, all the excesses of debt and consumption were, to some eyes, just the normal pursuit of a material kind of happiness.

But that was not, I don’t think, what Jefferson had in mind. The classic phrase from which he took his inalienable rights came from John Locke, who famously wrote that a just society must protect every person’s “life, liberty, and *estate*,” or “*property*.” By replacing “property” with “the pursuit of happiness,” Jefferson extended society’s obligations beyond the confines of immediate acquisition and possession. He lifted them into the realm of enduring virtue. That was a foundation of the distinctive American vision of a free society—one to which Americans of every political persuasion could repeatedly return when they sought common ground.

The worship of material gratification, the cult of wealth and quick profits that fueled the years of political and economic excess—these are not the real American idea of happiness. They are not what most of us believe in, fundamentally. Nor are they what we actually want from our government, our enterprises, or ourselves.

Our endeavors offer indisputable evidence of paths taken in pursuit of a different kind of happiness—the kind created by furthering a higher cause, by giving back and making life better for others. The notion of people giving to others is deeply ingrained in our national psyche, where it remains strong today, brought to life by the millions of volunteers inspired to devote some part of their lives to the greater good—and by all of us who give ourselves over day in and day out to repairing the world outside our windows.

This election season, too, has ignited, for many, a newfound interest in the well-being of our polity. As millions of people enter the public square for the first time or return after a long absence, heeding a loud national call for hope and unity, our organizations should be there to embrace them—to help convert their fresh ideas into real-world change, to help transform their enthusiasm into bold new action.

If we stand, as I believe we do, at a moment of profound rethinking about the American social compact, then the values of mutual concern and shared responsibility that unite us must be central to the discussion. We must use *our* voice — the organized expression of what we collectively call the independent sector, a voice founded on the values and aspirations that are embedded in the work we do.

The great national re-imagining that is poised to take place must draw a good part of its moral and intellectual inspiration from the nonprofit community. From us—individually and collectively. From our ideas and our actions. Government and business have recognized that our commitment to the greater good over individual gain is our enduring virtue; this puts us in a unique position to speak up now—when the good needs to be so much greater.

I definitely do not mean to say that social problems are first and foremost charitable or voluntary matters. Nor that we should—or even can—be the linchpin of a new approach to

social responsibility. But we need to be a visible, authoritative, active, and effective part of the change that needs to happen.

We need to do this not just as individuals, but as agents of the common weal. We have an urgent responsibility to let our elected leaders know of our clear and unambiguous expectations about the obligations each of us must bear. And specifically that government must assume the full measure of *its* responsibility for protecting, enabling, and empowering its people, guaranteeing our freedoms and rights, all while ensuring that the various systems and structures that undergird our society and way of life are adequate to the task.

Just as government stepped forward, Republicans and Democrats together, to rescue the financial industry, so it must now step up and invest in the people and communities that also need help. Once they have stabilized those conditions, our next and greater task is to make America a society in which people are not defined by their fabulous wealth or extraordinary poverty, but a community where it is possible for everyone to succeed and to live well, well enough to give back to others.

As the realignment of societal roles and responsibilities begins, we have not only a moral interest, but a *self*-interest in seeing that it is effective, equitable, and enduring. The mismanagement and carelessness that led to the current financial crisis were an affront to American values, and to the higher causes that are variously represented in this room. They were body blows to the main sources of revenue with which we serve those causes and the people who depend on us.

With corporate and personal wealth in decline now and for the immediate future, with philanthropic endowments sinking in value, with federal deficits rising to near-thirty-year highs, with human need in practically every area rising as a consequence of deepening recession, how likely is it that we will be able to carry out our responsibilities in anything like the way we have done in the past?

A new vision for the future must also deal with the mathematical realities that American government has been mostly avoiding for the past 25 years. The fundamental fallacy of most of those years has been that we can provide entitlements, engage in multiple military interventions, maintain our infrastructure, and discharge all the day-to-day responsibilities of government—all while steadily chopping away at the revenue that pays for everything.

It has become a rite of passage for virtually all politicians, left and right, to vilify taxes. By a firm but unwritten law, taxes could never be as Oliver Wendell Holmes described them—the price we pay for civilization. Instead, they must be seen as a kind of theft, taking what rightly belongs to taxpayers and using them for bridges to nowhere.

Yet as essential as government revenues are to the work of so many in this community, taxation and fiscal policy are not something on which the nonprofit sector has had a collective, vocal position. When we address matters of public policy, we tend to do so from our respective corners of expertise. We may have something to say about health or child welfare, about the arts or education or urban planning. We haven't, though, had a common message about the fundamental rules and principles that would keep the economy strong, provide for urgent needs, and make sure the bills are paid. It is time we found our voice not

only on the issues directly related to our missions, but on the issues that will determine whether we or our neighbors have the means to discharge our missions at all.

There are encouraging signs of leadership mobilizing our community around a new social compact. For example, the One Campaign to end poverty, created by several organizations represented in this room, is notable both for its careful nonpartisanship and for its global reach. This campaign speaks not just for substantive concerns about international development, nutrition, health, and education. It explicitly seeks to define fundamental principles of social responsibility: what governments must do, how economic fundamentals must be altered, what people and businesses and nonprofits can do to forge a solution.

The surest way for us to grow stronger—for civil society to rise to the mounting challenges that the current moment presents us—is to ensure that we are not charting our future in isolation. The purpose of a new social compact—beginning now, in the extraordinary weeks and months we are living through—will be to weave a new, more durable, more responsible web of interlocking obligations among *all* the sectors of society and then with our partners in all corners of the globe. We are well equipped to participate vigorously in serving that purpose. What's more, we *need* to participate, for the sake of our missions, and of all the things we hope to achieve.

I want to end by describing a personal reflection. It bears directly on the prospect of re-imagining the relationships and responsibilities, and recalibrating the limits of possibility, that define us as a society.

As an American who grew up in South Africa, I have had the privilege to witness astonishing leaps forward both in the country of my childhood and that of my adult life. The election of Barack Obama, an American with family roots in Africa and formative years in Asia, has represented many things on many levels. Surely one of them has been to show how a society can, after long and terrible struggle, come to deal with some of its prejudices, its hatreds—and choose a different course. The biases and ill feeling are far from gone. Not everyone has rejected or even confronted them. But enough people have found a way through the darkness—enough to make all the difference.

It is not the first time that I have experienced the kind of astonishment I felt on Tuesday and still feel this afternoon. In fact, I regard it as one of the supreme privileges of my life that I have been astonished in this way not once, but twice.

When I was a girl, the whole apparatus of South African society—legal, economic, social, political—was built on excluding people of color from any participation in a society reserved for whites only. Black people were aliens in their own land.

White people could remain, if they chose, almost completely oblivious to the misery and the injustices that made up the lives of people who tended our gardens, cooked our meals, and cleaned our offices.

It's not just that few South Africans ever imagined a black president. Most white families hardly thought about black people at all. It was a national system organized specifically to make that possible.

That system, at least as a legal framework, is gone.

Whatever other deep problems South Africa has today—and they are many—one of them, at least, has been confronted forthrightly. Institutionalized, legal racism ended in my lifetime.

Half a world away, an American girl only a little older than I might well have heard George Wallace proclaim from the steps of the Alabama state house, “Segregation now, segregation tomorrow, segregation forever.” She would have seen television images of little Ruby Bridges walking across the color line into an all-white elementary school in New Orleans—as white parents, pulling their children out of class, were walking out.

Last week, a man with a white mother and an African father upended every assumption about race and politics for the last 230 years to become the 44th President of the United States. It’s not the end of racism, certainly. It’s not the end of injustice, any more than it has been in South Africa. Still, to anyone immersed in an earlier world, or anyone straining hard to see a better future, it is a breathtaking and ennobling achievement that brings us one step forward to the kind of America we want.

For those of us ready to take up other long struggles and unlikely pursuits, it is a source of encouragement and renewed energy. Our challenges are enormous. But extraordinary things can happen.

It is now up to us to see to it that they do.