

AN EVER-MORE CHARITABLE SOCIETY?

As time goes on, more conflicts seem to flair between charities and businesses. Just last year, the Senate Finance Committee and the House Ways and Means Committee began investigating questions ranging from whether nonprofit hospitals were really charitable to whether corporate-sized salaries for some foundation board members and charitable officers were excessive. At the same time, charities and businesses collaborate like never before. We've all seen credit cards bearing a charity's good name, donations of business staff time for pro bono work, and corporate logos associated with nonprofit events. (My favorites are the Chick-fil-A Bowl, the Meineke Car Care Bowl, and the Pioneer Pure Vision Las Vegas Bowl. Somehow, Sin City doesn't summon up the pure vision of pioneers for me, but hey, I guess it works for some people.)

These new business-charity collaborations and conflicts, and consequent legislative attempts to ensure that charities really are "charitable," can be tricky. But before attempting to judge all these attractions and repulsions between the two sectors, let's hold our peace and ask what is fostering these new relationships in the first place.

Put simply, Americans are becoming more charitable! More and more of our industries produce goods and services that potentially serve charitable purposes. And ever more adults are engaged in activities and occupations that can be either charitable or profitable.

This isn't fairy dust descending from the jet stream. Our economy's growth is mainly in health care, information services, and research, while information science and nursing rank among the fastest-growing professions.

Professor Joseph Cordes of George Washington University and I have studied data on output by industry and employment by occupation to figure out just how much charities and profit-making businesses are beginning to look like each other. Between 2004 and 2014, industries involving businesses that could organize as charities and pass the charitable purpose test are predicted to grow by almost 3.5 percent a year, compared with about 1 percent for all other industries. Similarly, occupations with a nonprofit bent will collectively grow by a whopping 23 percent over that decade, compared with about 13 percent for other types of employment.

A typical "do-gooder" 100 years ago might have been someone who worked in a steel mill or grain elevator by day and volunteered at an orphanage or looked in on shut-ins at night. That person's counterpart today might be a computer scientist or advertising exec who works for a profit-making drug firm but e-mails technical advice throughout the day and evening to community nonprofit organizations.

If such trends persist, in a few decades we'll find that most people in developed nations will produce services and products that could be produced as easily in the nonprofit as in the profit-making sector.

In this new AC/DC system, charities, government, and charitable watchdog groups inevitably will see opportunities and tensions proliferate. And as service and innovation incubate together, the never-bright line between what is charitable and what isn't—determined in part by "charitable purpose" so health care and research qualify but manufacturing and entertainment don't—will blur even further.

Meanwhile, competition will increase. Profit-making institutions will continue entering fields once left to nonprofits as rising fees and government payments make these forays more lucrative. Charitable contributions may continue to stay fairly constant as a percentage of gross domestic product, but charities will produce larger shares of economic output as long as they continue to collect more private and government fees in exchange for what they provide.

With all this in mind, think about the recent evolution of hospitals as a test case. With the significant expansion of health spending, it's easy to understand how nonprofit hospital output has grown rapidly even while the share of hospital work supported by charitable giving has declined and competition from for-profit medical service providers has intensified. A further upshot has been congressional investigation of what makes a nonprofit hospital charitable, the reorganization of some nonprofit hospitals into profit-making ventures and vice versa, and a whole host of questions surrounding the future research and teaching capabilities of hospitals.

So here's the rub—and the opportunity. These forces are probably unstoppable, but they must be channeled to maximize the public good. Tax laws governing charitable giving and charitable status must continually be reexamined, and consumer protection and tax laws must help protect the charitable purpose of our charitable contributions in this polyglot of joint ventures, marriages and divorces across sectors, selling of charitable names, and competition for status. As businesses and charities increasingly cooperate and compete to meet both public and private demand, we will spend more and more of our time providing and receiving services once defined as primarily charitable. Whether all these changes beget greater generosity is an open question.