Early in 2009, in the heat of the battle on Capitol Hill over financial reform, Senator Dick Durbin was interviewed by a Chicago radio host about how the negotiations were going. Durbin lamented, “The banks—hard to believe in a time when we’re facing a banking crisis that many of the banks created—are still the most powerful lobby on Capitol Hill. And they frankly own the place.”

*They frankly own the place.* This is not what anyone wants to hear a U.S. senator say. And most people know who basically won that policy battle. Headlines may have painted the financial reform that passed Congress as a significant step forward, but it was, at best, a partial victory, watered down considerably by the industry it was supposed to regulate. As renowned *New York Times* reporter Gretchen Morgenson said when asked by Bill Moyers if the financial crisis could happen again, “It will happen again. And the unfortunate fact is we did not fix the problem.” The reason, she said: “The big powered, moneyed institutions are in control in Washington…. You and I don’t have a lobbyist and so we are not represented.”

Sadly, this is not a startling insight. And, more sadly, the finance industry isn’t the only big problem we can’t seem to truly fix. From public health to the environment to education to wasteful government spending, we are in a state of national paralysis. Before the election, Congress’s approval ratings were at an all-time low, and the public’s cynicism about the country’s future was at an all-time high.

Not coincidentally, the special interests that finance and influence the political process have amassed unprecedented power in the last 30 years—power that can lead to a dwindling of the public purse, damage to public health and the environment, the neglect of public education, and the ascendance of cronyism and rigged markets.

When Senator Durbin laments that the bankers are “dictating policy” because “they frankly own the place,” he is not just bemoaning the struggle for financial reform. He is ultimately mourning the loss of our freedom. How can we make the changes we need when the American political process is in thrall to Big Money?
One reason why the American experiment is underperforming is that the reform community, although noble and dedicated, can muster only a fraction of the strength that is required to fundamentally and sustainably change the rules of the game in favor of the public interest. A mere $45 million is invested annually in money-in-politics reform, much of which is spent just keeping track of who is paying how much to whom in Washington and the state capitals. The total staff size of the reform community is about that of a midsize law firm, around 280 people. They are trying to take on an influence industry that numbers more than 10,000 registered federal lobbyists, plus another 10,000 ultrawealthy donors, and at least another 90,000 employees of the influence industry who don’t have to register as lobbyists but spend their working hours trying to bend public policy and public opinion in the direction of their clients’ economic interests.

Philanthropy, it seems, has a blind spot for democracy, which has led to a chronic underinvestment in the cause of reform.

What would be an appropriate amount of investment in reform? Our proposal: 1 percent for democracy. Some $300 billion is donated annually to charitable causes. So, $3 billion for reform. Yes, $3 billion sounds like a lot of money. But 1 percent of philanthropy is not excessive—especially not for a purpose as important as maintaining a government of, by, and for the people. We spend magnitudes more than that funding the arts and humanities, fighting infectious diseases, providing the poor and needy with the services they need, and trying to improve our educational institutions. Committing a sliver of philanthropy to making sure Washington and the state capitals are free of corruption—both legal and illegal—seems like a smart investment. Doing so should not be seen as merely advancing an abstract concept of “good government,” but as a concrete and necessary step in advancing solutions to the great challenges of our time—solutions that the philanthropic sector often invests in but never sees actualized.

Call it our democracy imperative—one we have neglected for far too long but that is now urgently upon us.

When Government Is Rigged

At the core of such an imperative is a return to thinking about how major change occurs in society. The theories of change employed by the philanthropic sector should reflect the insights of our country’s best thinkers, many of whom are starting to form a consensus that the fate of most major public-interest causes like public health, education, the environment, and an equitable economy are limited by the sclerotic condition of our democracy.

Here’s one example: In a New York Times piece published last fall, Nobel Prize-winning economist Joseph Stiglitz listed a number of solutions to shrinking the wealth divide, including tax reform, improved market competition, restructuring corporate governance, and improving access to education. Where to begin? “The critical decisions are taken in the political arena,” he wrote, “and that’s why the most important reform is stronger protections of our democracy against the disproportionate influence of money in politics.”

Other economic analysts are reaching similar conclusions. The year before last, in reaction to the Supreme Court’s Citizens United decision, the business-oriented Committee for Economic...
Development warned, “The influence of money can sustain inefficient or outmoded businesses, thereby subverting and frustrating the creative innovation that encourages new investment, spurs business development, and keeps jobs and investment at home.” The organization then proposed a campaign-finance-reform agenda as an essential step to creating a regulatory climate that encourages economic competition, innovation, and domestic job growth.

People from all walks of life are beginning to coalesce around a common theory of change: Reforming the way money flows in and around politics enables other reforms and innovations by reducing the ability of entrenched powers to obstruct the greater good.

Here’s a specific example of how those entrenched powers are able to obstruct needed progress. In 2009, environmentalists—with Democrats firmly in control of the House, the Senate, and the White House—felt that they finally had the opportunity to tackle global climate change and so pushed their chips into the middle of the table to support passage of the American Clean Energy and Security Act. Also referred to as the “cap-and-trade” bill, it was, in many ways, the centerpiece of decades of policy work and grassroots mobilization. It brought together an interesting alliance of market-oriented Republicans and outside-the-box environmentalists who were leaning on a similar system adopted in 1990 to reduce acid rain. It would have been the first major law to encourage renewable energy and modernize the electric grid. It even had popular support. But it was never approved. It got crushed by the oil and gas industries, which spent $175 million lobbying against it, not to mention the millions that industry leaders spent directly on the campaigns of politicians who helped kill it.

As environmental author and activist Bill McKibben said of the decades-long struggle against global warming: “We’ve come to understand just how much advantage big money affords big polluters in our political system. We’ve won every scientific battle, but we’ve lost most of the legislative ones, because the system runs on cash. Time for that to change.”

Another snapshot, this time at the state level: Proposition 29 in California, which was voted on in June 2012, would have added a $1 tax to a pack of cigarettes, generating $735 million annually, which would have been used to fund cancer research, anti-smoking programs, and state fiscal relief. It also initially enjoyed broad public support, in addition to the financial backing of organizations like the American Cancer Society. Then the tobacco companies swung into action under the auspices of an umbrella group called Californians Against Out-of-Control Taxes & Spending, outspent the public-health groups by 4-to-1, and snuffed out the measure. In the wake of the loss, Jane Warner, president and CEO of the American Lung Association in California, said, “Big Tobacco continues to use its vast financial resources to oppose bills and life-saving ballot initiatives that would benefit public health.”

Yet another example: According to the Centers for Disease Control and Prevention, an estimated $147 billion is spent annually on health-care costs that result from America’s obesity epidemic—about 10 percent of overall health-care spending. Funders like the Robert Wood Johnson Foundation, the Aetna Foundation, the W.K. Kellogg Foundation, and the Jared Foundation collectively pump hundreds of millions of dollars a year into fighting the epidemic with efforts like public-education campaigns, better food labeling, health and wellness programs, and
medical screenings for diabetes. Robert Wood Johnson alone made a $500 million, five-year commitment to such work.

But these funders—and the groups they back—are, more often than not, overpowered by the sugar, agriculture, and fast-food lobbies, which have vastly more resources than the anti-obesity groups and greater ability to manipulate the political process in their favor. Simple nutritional changes to school-lunch standards can turn into vicious fights on Capitol Hill. According to a report by researchers at the City University of New York on behalf of Corporate Accountability International, in 2010 food and beverage companies contributed more than $14 million to federal candidates, and the industry spent more than $41 million on lobbying that year, employing one lobbyist for every two members of Congress.

We could go on, but you get the idea. While foundations and environmental groups have done everything humanly possible for the last 20 years to prove that global climate change is not just a reality but also a threat, they are virtually incapable of getting the kind of laws passed that would actually tackle the problem because they are drowned out by the money the big coal and oil companies pump into the political process every year. The good guys simply don’t have the money to compete in that arena. The same holds true for a near-endless list of causes that would advance the public interest.

As Jeff Faux, co-founder of the Economic Policy Institute, told us: “People think there’s a big ideological debate in Washington. But that’s not the case anymore. Now it’s all about the huge competing special interests who are spending money on both sides of the political aisle. As a result, the fundamental decisions on the Hill are all about how far the policies can be pushed without losing the contributions from the big cash constituents.” We all lose when government is rigged.

**Five Problem Categories**

How, specifically, is it rigged? What needs to be fixed? How big a challenge awaits those who might invest time or money in reform?

There are multiple dimensions to the challenge that can be broken down into five problem categories: campaign finance, lobbying, the courts, politics, and enforcement. *Campaign finance.* The 2012 election cycle was the most expensive in history, costing more than $6 billion. Most of that money was provided by a tiny swath of the population—0.37 percent gave a donation of more than $200. In election years, members of Congress spend an estimated 40 percent of their time fundraising. As former Democratic Congressman Dan Glickman recently said, “The volume of money raised is so high that the job has changed from public service to begging for dollars.”

*Lobbying.* The real day-to-day pressures on policy-makers come from the 12,000 registered lobbyists—22 for every member of Congress—who ply politicians and their staffs. In 2011, lobbyists disclosed $3.3 billion in spending. Despite repeated scandals, the power and wealth of the lobbying industry has grown so substantially in the last 20 years that it’s become a standard career destination for former public servants lured to the profession by handsome pay packages—50 percent of retiring senators (and 42 percent of retiring House members) go
straight into lobbying after holding office. After shepherding Medicare Part D through Congress, Republican Congressman Billy Tauzin retired and then received a $2 million salary as president of Pharmaceutical Research and Manufacturers of America. Medicare Part D will cost taxpayers more than $776 billion from 2006 to 2014—overpayments of hundreds of billions of dollars, because the pharmaceutical industry designed the legislation to prevent our government from fully negotiating drug prices.

The courts. The Supreme Court poses a significant hurdle to reform, as do some of the lower court rulings that have taken Citizens United to heart, like a federal appellate court decision called SpeechNow v. Federal Election Commission that eliminated contribution limits to independent political groups and, as a result, gave rise to super PACs. There is much discussion in the reform community right now about how to address the problem of the courts, with most attention currently being paid to efforts aimed at amending the Constitution as a means of reversing Citizens United.

Politics. Not only are the courts a barrier to reform legislation, the groups that benefit from the rigged system are, too. Many of them, like the Chamber of Commerce, which spent around $200 million in lobbying in 2010, are ready to mobilize at the drop of a hat to maintain the privileged access they have secured. Not that we should expect any significant legislation to make its way to a vote anytime soon. Despite the re-election of President Obama and the enthusiasm for reform by leaders like House Minority Leader Nancy Pelosi, the Democratic Party’s platform on reform is, as one moderate reform group described it, “fairly pro forma, and in all truth, disappointingly tepid.” And the Republican Party, led in the House by Speaker John Boehner, an outspoken opponent of reform, has withdrawn its previous support for even minor reforms, including a bill called the DISCLOSE Act, which would increase the transparency of campaign and lobbying money.

Enforcement. And what of existing campaign-finance laws? The entity charged with enforcing them, the Federal Election Commission, is, as University of California, Irvine law professor Richard Hasen has proclaimed, “as good as dead” because “the Republican commissioners have eviscerated campaign-finance law simply by resisting the enforcement of such laws.”

Unfortunately, that’s not the end of the bad news. The other piece to this puzzle is that the community that is supposed to fix the problem isn’t up to the task—not for lack of will but for lack of resources.

We can no longer afford to spend only $45 million fighting Big Money. We need more than a few hundred full-time employees spread among 25 organizations focusing on money in politics. What these groups share is an expectation that they’ll do very much with very little. As the head of one organization told us, “We struggle all the time with the psychology of scarcity, which is inherently an aversive way of thinking. It limits collaboration and your sense of what’s possible.” The philanthropists who for years have been footing the bill for reform understand the scarcity problem all too well. They continue to hope others will join the fight, but little changes. A report conducted in 2011 for the Funders’ Committee for Civic Participation, a consortium made up primarily of foundation executives, notes, “There are several funders poised to enter (or re-enter)
the field. Whether or not this new money actually enters the field is still up in the air—but the opportunity is there.”

Not only is the opportunity there—the necessity is there. Regardless of how active the existing organizations are, or how right their policies may be—and not all are—they simply can’t be expected to take on such a huge battle with such a small army.

Escalating reform funding from the current 0.01 percent of annual giving to 1 percent would, over time, create a new ecosystem in this country that would help level the playing fields, not just in Washington, but also in the state capitals and city halls, which are often like the Wild West when it comes to money in politics—featuring few restrictions and virtually no watchdogs.

Because of the high long-term return on investment that reform would provide, strategic foundations and individuals should consider an initial investment of at least 10 percent of their total giving. And democracy reform needs to become the primary focus of more philanthropies, undergirded by the theory that a highly functioning democracy results in a highly functional society.

Imagine, for example, what even a modest 5 percent shift in the federal budget would amount to—not an unlikely proposition after, let’s say, ten years of $3 billion annual investments in reform. Five percent would result in over $175 billion annually allocated to priorities that have demonstrated the strongest evidence of benefit to the public good, like early childhood education, public-health protections, and scientific research.

The money for such an investment in reform is out there. According to Giving USA, in 2011 charitable giving totaled $298 billion. Public-health groups received $25 billion; education received $39 billion; arts, culture, and humanities received $13 billion; and animal welfare and the environment received $8 billion.

There are 76,000 grant-making foundations in the United States that, collectively, gave an estimated $42 billion in 2011 and had total assets of more than $600 billion. Although foundations constitute only around 14 percent of annual giving—the bulk of giving, more than 70 percent, comes from individuals—they wield tremendous power in setting the public agenda and are uniquely positioned to tackle sprawling, complicated, long-term structural problems like the role of money in politics.

Of course, not every foundation or philanthropist in America has the ability to contribute to democracy reform. Those focused on supporting philharmonics or local animal shelters might not dare fund a cause that is perceived as too political. But those whose missions could benefit from more meritocratic public policies should now seriously consider joining the fight.

We recently spoke to the executive director of an environmental foundation, for instance, who suggested that such foundations, because they have so much to gain from a de-rigged system, should tithe 10 percent of their annual grant-making for reform. If they all did, it would amount to $300 million annually. If just one of the top environmental foundations announced such a tithing plan, it would be a galvanizing gesture for other funders.
Big Funding vs. Big Money

What if such a gesture, and dozens of others like it, started happening? What if substantial amounts of money began flowing into the fight for reform? What would investing in an annual $3 billion “democracy imperative” entail? We see eight ways in which new resources could make a huge difference.

First: Scale up. Existing reform groups need to be brought up to scale so they are more capable of getting reform laws passed, and defending and watchdogging the enforcement of the laws once they are on the books. Additionally, some new groups will eventually need to be formed. Of the total $45 million spent on reform, only three of the primary two-dozen national reform groups have budgets that exceed $3 million, and none exceed $10 million. Most groups hover in the $1.5 million range. The largest reform organizations should instead be deploying $50-75 million annually. That’s what it takes to achieve brand-name national nonprofit group status in this country, and the resulting clout and power to get things done. The ACLU spends around $100 million annually, the Sierra Club spends $50 million, and the National Rifle Association spends $300 million. Also, there is little reform infrastructure at the state level, despite the fact that many states are larger than many countries. Each state needs its own ecosystem of reform and watchdog organizations that connect to the national scene but are intensely focused on state capitals and city halls.

Second: Scale out. Larger existing reform groups alone won’t be enough. The coalition for reform needs to broaden out beyond the existing—mostly progressive—organizations. There are more than one million nonprofit groups in America, and the thousands of them whose work is either directly or indirectly influenced by the Big Money blockages in Washington and the state capitals need to join the 25 groups that are currently working on the cause and see reform as part of what it will take for them to achieve their goals. Some national organizations, like the NAACP and the Sierra Club, are recognizing the imperative of democracy reform and are starting to get involved. A strategic paper commissioned by the Piper Fund, which has been investing in reform efforts for years, lays out an impressive vision of what it would take to engage a broader swath of social-justice and environmental groups in the fight to clean up Washington. Reform will not replace their agendas; but they should realize it must be part of their agendas. Pro-reform CEOs need to bring new energy into the fight, so that reform isn’t seen as anti-business but, rather, anti-cronyism. Republicans and Tea Party members need to join the phalanx, too, whether out of their desire to reduce corruption or to end wasteful spending.

Third: Reward collaboration. Philanthropists and foundations can encourage the single-cause organizations they support to collaborate on reform. Foundations can develop this more interdependent theory of change: Leveling the playing field for democracy will create a fairer hearing for evidence-based arguments for improvements in public education, health, environment, and economic development. Furthermore, funders should host dialogues with their grantees on how to strategically engage on the issue (without being partisan).

Fourth: Teach democracy. As former Republican Representative Jim Leach said in a speech last October while reflecting on the pernicious effects of Citizens United: “In America, process is our most important product. Our founders recognized human frailty and thus went to great lengths to
attempt to erect a system that would be democratic rather than aristocratic or oligarchic. Individuals could be expected to make mistakes but the political system was to be above reproach, capable of evolving in ever-fairer, more equalitarian ways.” Law schools and public-policy schools could begin incorporating units about how to take care of that “product” and include anti-corruption work in their curricula, so that improving the functioning of the republic becomes a core focus for future lawyers and government officials.

Fifth: Strengthen the right to reform. The nascent legal sector that exists to protect and defend current campaign-finance reform laws needs to rapidly expand, and needs to be given the resources to seed creative pro-reform legal theories that can, down the road, provide alternative legal precedents to Citizens United. Reform’s foes have spent millions of dollars and decades supporting legal strategies that undermine existing laws and regulations. Currently, pro-reform legal centers—like the Brennan Center at New York University or the Campaign Legal Center—barely have enough money to play defense, let alone offense.

Sixth: Champion good behavior. Politicians of both parties need to begin to run successfully as reformers—as next-generation Teddy Roosevelts—and receive financial support from donors inside and outside of their parties to do so. Foundations cannot and should not fund politicians’ campaigns. But they can commission innovative research that will help leaders more effectively make the case for reform. They can educate the public with that research. And they can, when appropriate, reward retired politicians who are dedicated to strengthening democracy with university fellowships and prestigious posts at think tanks to help inspire the next generation and educate the public about the challenges of governing. Individual philanthropists should directly support politicians and groups that organize for legislative reforms, and help develop the political power necessary to pass new money-in-politics laws.

Seventh: Advance provocative research. There should be a vibrant debate about the negative economic consequences of legalized corruption in the United States, broken down by sector—public health, education, the environment, the economy. We should develop a clearer sense of how reducing corruption will most likely benefit us and our families.

And finally: More thinking like this, about the role of philanthropy in tackling the problem of money in politics, needs to be done. This is an initial sketch, but much more work is required to develop a truly robust and detailed vision of an expanded fight for reform. The groups that work on reform every day hardly have the time or energy to step back and do such thinking. But it’s the kind of 30,000-foot analysis that needs to be done.

Taken together, these recommendations would help create a better immune system for democracy—one that would have the potential to allow reformers both to enact much tougher campaign-finance and lobbying laws and to defend and enforce those laws once they’re enacted. Doing so would, in the long run, make it harder for the banks and other well-financed special interests to, as Senator Durbin said, “own the place.”
At the heart of such work are not just concrete public-policy outcomes like cleaner air and saner financial regulations. At the heart is a basic idea of freedom, perhaps best articulated by Teddy Roosevelt in 1910 in his famous “New Nationalism” speech:

At many stages in the advance of humanity, this conflict between the men who possess more than they have earned and the men who have earned more than they possess is the central condition of progress. In our day it appears as the struggle of freemen to gain and hold the right of self-government as against the special interests, who twist the methods of free government into machinery for defeating the popular will.


Just as it was 100 years ago, fighting tooth and nail for reform is, once again, the central condition of our progress. We need to make it crystal clear who owns the place.

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