Inside Philanthropy

Who's Funding What, and Why

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To Reduce Inequality, a Foundation Looks to Shift Both Policy and the Larger Narrative

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Last week, I wrote a long piece about why foundations haven't made much headway against economic inequality. The gist was that even as more funders have come into the equity space, they haven't invested enough in efforts to influence the range of public policies and power arrangements that govern economic life—areas like workers' rights, fiscal policy, and regulation of Wall Street. Instead, many have placed their bets on education and workforce or community development—only to watch many of these efforts bulldozed aside by larger economic forces.

Yet, as I noted in my piece, there are some foundations that *have* focused resources on the all-important arena of political economy. The Ford Foundation is one of them, as we've often reported. The Sandler Foundation is another. And even though this is a medium-size grantmaker—it gave away $65 million last year—it's played a critical role in helping scale organizations that work on issues like fiscal policy and financial oversight. As importantly, the foundation has pursued a concerted strategy to change the narrative around inequality.

More on that strategy in a moment. But first, a quick refresher on Sandler philanthropy, which I've written about before.

Herb Sandler and his wife Marion made a fortune in the savings and loan business over four decades before selling out to Wachovia in 2006. They became billionaires and ramped up their philanthropy. Sandler Foundation grants have gone to an array of institutions, quite a few that it helped create, including the American Asthma Foundation and ProPublica, the investigative journalism outfit. But what makes this foundation most unique, especially one overseen by living donors (Marion died in 2012), is how much money it's channeled into public policy organizations that work on equity issues. Herb Sandler—who grew up on New York's Lower East Side—has described to me his motives for this giving in simple terms: "The world is an incredibly unfair place. I can't stand powerful people taking advantage of vulnerable people."

The Sandlers catalyzed and bankrolled the Center for American Progress, which was founded in 2005 and quickly became the flagship progressive think tank in Washington. And they also financed the creation of the Center for Responsible Lending, the preeminent policy shop fighting predatory and deceptive lending practices.

In addition, the Sandler Foundation has long been a major backer of the Center on Budget and Policy Priorities (CBPP)—the top Beltway think tank that sticks up for low-income Americans in fiscal and budgetary fights. Related to that, the foundation supports the State Priorities Partnership (SPP), a network of 42 state policy groups that is coordinated by CBPP and works on budgetary and other issues that affect poorer households. Steve Daetz, the executive director of the Sandler Foundation, told me that last year that the foundation offered increased support for CBPP and SPP with a challenge grant of $3 million a year over 5 years, in addition to its base of $2 million in annual support. This could make Sandler the largest single backer of work on state fiscal and budgetary policy.

All told, the foundation has now made $850 million in grants, with most of that money flowing since 2006. Like many other funders alarmed by Donald Trump's rise, it's expanded its giving since the 2016 election. While much of this new funding has gone to existing grantees like CBPP, the foundation has also made grants to secure U.S. democracy, including helping launch Democracy Forward, which "scrutinizes executive branch activity across policy areas, challenges unlawful actions through litigation, and educates the public about improper government activity."

Meanwhile, the Sandler Foundation's belief in more economic fairness has remained a powerful constant in its grantmaking. And in recent years, it has invested in a unique effort to change the broader narrative around inequality. In 2013, the foundation financed the creation of the Washington Center for Equitable Growth, a research and grantmaking organization that I wrote about a few years ago. The idea for the center emerged from John Podesta, who was the founding CEO of the Center for American Progress, and is led by the economist Heather Boushey.

As Steve Daetz explained, “Podesta suggested that we look more carefully at the connections between inequality and growth, especially with a growing body of research suggesting that rising inequality may harm economic growth.” Daetz said that many policymakers on both sides of the aisle, as well as many economists, tend to accept that “there is an inevitable tradeoff between growth and inequality (despite contrary evidence), and as long as that perception persists, it is difficult to advance policies to reduce economic inequality.”

During the Obama years, the president himself had challenged this perception, arguing that inequality had undermined growth by hollowing out the middle class, a group that needed spending power to drive strong consumer demand. (Henry Ford had famously made a similar point a century earlier, when he raised pay at his auto plants to $5 a day.) A more equitable vision of “middle-out” economics, the argument went, would both spur growth and lift all boats.

But as Heather Boushey explained to me in 2015, a lot of homework was required to investigate this vision. The new center, she said, was set up to “build out the base of academic research that explores middle-out economics.” Headquartered in Washington, the idea was also that the center could bridge the worlds of academics and policy wonks. The goal would be to “integrate this work into the policy process and knit it into a larger picture of the economy.”

In a recent interview, Boushey told me that the center has come quite a ways, with a budget this year of $6 million (half of that comes from the Sandler Foundation.) The center has now made over 100 grants totaling more than $2 million to scholars studying a wide range of issues related to inequality, including labor policy, antitrust, taxes, trade policy, and more. One of its more ambitious projects right now is to develop a way to incorporate measures of economic inequality into existing calculations of GDP. Current indicators of growth do not offer much insight into who benefits when the GDP rises. Equitable Growth is working to address that challenge by elevating the work of Emmanuel Saez, Gabriel Zucman, Thomas Piketty, and others on how to incorporate measures of economic inequality into existing calculations of GDP. Equitable Growth is also conducting its own in-house analysis based on these newly available data sets and working to get these ideas into policymaking debates.

The center's work remains at an early stage. Conservative foundations like Olin spent decades supporting academics and scholars aligned with the Chicago School of Economics. Creating a new body of academic scholarship that challenges free market orthodoxies will also take time.

Looking to the long game may be the only way for equity-minded funders to keep up their spirits these days. Many experts believe that the policies Republicans are pursuing in Washington, starting with the recently passed tax bill, are likely to exacerbate inequality.