

Nonprofits in Economic Development (The National View)

Lee Huang 08 December 2014

A long time ago, when I was an undergrad in college (this was before Al Gore had invented the Internet), things were simpler. For-profit entities existed to make money, governments existed to regulate the playing field and nonprofit entities existed to do good wherever for-profits wouldn't and governments didn't serve. Each sector did its thing, and people knew which sector they wanted to work in.

Indeed, when I graduated from college, my fellow Wharton classmates headed into the for-profit sector, my public service friends got government jobs and my bleeding heart friends sought out nonprofit opportunities. Excuse me for being confused, for wanting to play a little in each sector. There must be things to do that involve the overlap of multiple sectors.

It turns out I wasn't alone. The last 20+ years have seen **a significant blurring of roles between the for-profit, public and nonprofit sectors**. It turns out that no matter how much you were into a particular sector, your work kept bumping into the other two. Real solutions

demand coordination across sectors, and there are now some great blueprints to follow, of people and organizations and movements that have represented the intersection of multiple sectors in advancing great social innovations.

Today's young idealists now insist on careers and pursuits that blur the traditional roles of the for-profit, public and nonprofit sectors. This has pushed each sector in healthy ways, to adapt and cooperate and innovate and grow. For-profit entities are taking a hard look at the totality of their practices, grasping that they must be socially responsible in order to win the next generation of talent and customers and avoid the crippling effects of negative publicity. Meanwhile, governments are discovering and using the levers they have to effect social change, in the form of taxes and incentives and regulations to bend private actors towards socially responsible behavior.

But in many ways, it is **the not-for-profit sector that has seen the most interesting evolution**. A sector that once contained many people who regarded the work of business as greedy and the work of government as evil now see the work of both business and government as necessary for producing meaningful social change. This is leading some nonprofits to forge interesting partnerships with business and government, and others to directly do the work normally associated with business or government.

We'll get to some of these examples in a minute. For now, think about this shift in this way. Once, the message to donors was straightforward: give us money, because we do things that help people in need. What it was that nonprofits did depended on the organization - sheltered the homeless, built playgrounds, ran after-school programs - but the 'ask' was always the same. And the reasoning behind the ask always appealed to people who wanted to help others.

Nowadays, the message is different. For starters, many nonprofits don't even have 'donors' anymore; they call them 'partners' or 'investors.' This semantic nuance belies a fundamental shift in nonprofit work. It's no longer a transfer of benefit from one group that has resources to another group that gains from the nonprofit's work. Rather, it's **a strategic pooling of resources for the greater good**. Sure, there are focused recipients of the programming. But there are also other, broader bases of beneficiaries: entire communities, regional economies, government budgets and sometimes the whole of the environment.

Nonprofits have adjusted their messaging because today we understand that the power of the sector lies not just in changed lives, households and communities, but also in the very real positive spillovers that result when we build affordable housing, protect open space or help a family towards economic self-sufficiency. Positive examples of

innovative not-for-profit work abound in Philadelphia, but consider also these three examples from other parts of the U.S.:

1. Before the Bayh-Dole Act of 1980, intellectual property produced by universities that used federal funds belonged to the federal government. Bayh-Dole gave universities the opportunity to own the IP, and as a result, **universities have formed technology transfer offices** to monetize the innovations produced by their researchers through licensing and forming start-ups. This has given rise to aggressive promotion on the part of universities to position themselves as innovation hubs, to attract the next generation of rock star researcher entrepreneurs. So Stanford in Silicon Valley and MIT in Cambridge are the two titans in this world, but you're now seeing innovation campuses in places like Greenville, Lincoln and Wichita as well.
2. In the burgeoning field of environmental economics, you're seeing nonprofit advocacy groups doing hard-core statistical research to quantify **the ecological services rendered by protected green space**. Nature is no longer to be preserved because the tree-huggers want it to be so, but because it offers real value for municipalities and citizens. Earth Economics, based in Washington State, conducts science-based economic analyses so that debates about preserve vs. develop can be informed by hard

numbers, not just by compelling stories.

3. The work of Open House Chicago reflects a new awareness of **the role of arts and culture in building vibrant communities and stimulating local economies**. Open House Chicago is designed to get people circulating throughout Chicago and connect them to the history, culture and aesthetics represented by the historic structures that can be found in every neighborhood. This has yielded rich data on numbers of trips and increases in peoplesâ€™ awareness of neighborhood jewels. It has also generated over \$5 million in economic impact originating from spending associated with Open House Chicago participants.

Nonprofit organizations throughout the U.S. have an important role to play in economic development. Not only is the sector a large one in terms of direct employment and operating budget, but it spearheads activities; building affordable housing, incubating small businesses, maintaining great public spaces, transforming individuals from public subsidy recipients to wage-earners, keeping households out of foreclosure; that have incredible spillover effects beyond the direct beneficiaries of their work. And our communities, our labor markets and our local tax bases are the better for it.