

Now Playing – The Wizard of TARP

By Dennis Walsh CPA

I have not used the HelpDesk updates as a forum for commentary on the current economic mess and promise to refrain from spilling my personal views. That said, the events of recent weeks in particular have caused me to speculate more on what the financial meltdown of 2008 will mean for philanthropy and those who endeavor in its delivery. Donors, beneficiaries, and agency personnel alike have felt the effect of investment reserves, endowment funds, and personal retirement plans shrinking by as much as 40% or more during the past year.

The implications of recent events will continue to unfold for the foreseeable future and it is still too early to know when the economy will turn. But as we approach the holiday season, if you should decide to spend some free time watching a movie, consider one of the great classics – The Wizard of Oz. It's closer to the present than you may think.

Since the time of "The Wonderful Wizard of Oz," the 1900 novel by L. Frank Baum upon which the movie is based, many have viewed the story as political allegory since most of its Caricatures were seen in editorial cartoons of the day. Baum himself never confirmed or denied that the book was anything other than a children's story, but the symbolism is generally viewed as too pervasive to be simply coincidental.

One of many interpretations over the decades was recently summarized by Raymond James financial analyst Jeffrey Saut in a memo to clients. Saut contends that the novel is about the economic and political commentary surrounding the debate over "sound money" that occurred in the late 1800s. The book followed unrest in U.S. agriculture due to the debate between gold, silver, and the dollar standard, writes Saut.

Dorothy represents traditional American values. The Scarecrow portrays the American farmer, while the Tin Man represents the workers, and the Cowardly Lion depicts William Jennings Bryan, the official standard bearer for the "silver movement" and the unsuccessful Democratic presidential candidate of 1896. In the original story Dorothy's slippers were made of silver, not ruby, implying that silver was the Populists' solution to the nation's economic woes.

The Yellow Brick Road was the gold standard, and Toto represented the Prohibitionists, who were an important part of the silverite coalition. The Wicked Witch of the West symbolizes President William McKinley and the Wizard is Mark Hanna, the chairman of the Republican Party who made promises that he could not keep (imagine that). "Oz" is thought to be the abbreviation for "ounce," although Baum claimed he took it from a file cabinet label marked "O – Z."

Others have suggested that the cyclone represented sweeping change and that the munchkins represented the “little people” of America.

As Saut writes, the turmoil following the “1873 Coinage Act,” the “Sherman Silver Purchase Act of 1890,” and the subsequent panic, and depression, of 1893 left the phrase “time for a change” swirling across the country as citizens struggled to correct the numerous wrong-footed plans/schemes that were so hastily conceived by the country’s then elected leaders. A current example is Treasury Secretary Hank Paulson’s recent abandonment of the Treasury’s plan/scheme to buy toxic assets under the original TARP (Troubled Asset Relief Plan) legislation in lieu of “capital injections.” As Saut further notes, the rules just changed in the middle of the game.

Of course, Author Baum isn’t available to comment on interpretations of the Wizard of Oz as it may relate to events of the day, either his or ours. But it makes me wonder what Wizard Hank Paulson has in store next. Is the tornado past? Will we ever find Emerald City? Do we really want to get back to Kansas?

I surely don’t know, but we can be certain that none of the TARP money will find its way directly into any of our member nonprofit coffers. Foundation and corporate grants are almost certain to be down substantially in months to come as the result of decreases in interest, dividends, and capital gains. While such investment losses at both foundation and agency levels may have serious implications for near term budgets, it is not time to despair and start thinking about burning the furniture.

History demonstrates that giving by individuals does not correlate so closely with economic prosperity. You may have read that Seattle based food bank Northwest Harvest, for example, has experienced a substantial increase in recent contributions, with reports of area employees foregoing holiday events to contribute to this worthy nonprofit.

This is not a time to hunker down but to get out front and be creative. Some agencies will be able to supplement lower portfolio income and decreased support from institutional sources by placing more emphasis on individuals and family foundations as revenue sources. New earned income opportunities may need to be explored. Programs involving fee based services and product sales tied to mission delivery (i.e. social enterprise) may be ripe for creation or enhancement.

Bottom line – be proactive, adapt, and don’t forget to watch *The Wizard of Oz*.

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