

# BIBLICAL ECONOMICS TODAY

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## SUGAR DADDIES

by Gary North

There are few myths more dear to the hearts of pastors and directors of non-profit foundations than the myth of the sugar daddy. The sugar daddy is that most wonderful of all creatures: the man who puts his money where your mouth is. He is the man who has been successful in business, but who has become interested in your particular message or program. He then decides to devote his talents and resources to financing the program which you, as the founder or director, have devoted your life to. Here is the winning combination: the devoted life and the equally devoted checkbook.

What is wrong with this hope? Just about everything. I will list several basic problems: 1) money buys; 2) money can leave; 3) his supply of money can change; 4) earning isn't the same as giving; 5) limited counsel; 6) limited vision; 7) controversy is risky.

### Money Buys

Rich people buy things: cars, boats, businesses, opportunities, information, cooperative subordinates, wives, publicity, and awards. They may not succeed in buying all of these. Historically, they have a tough time buying and holding their offspring. But they are used to picking up a phone, telling a subordinate to "Get me...." and having it (or him) delivered that afternoon.

You aren't used to buying things on the scale that the rich man does. You're worried about budgeting personal expenditures. Those around you — if you can afford to have many people around you — are not used to anyone who buys and sells people's lives, since you are worried about the cost of replacing them if you should fire them. The rich man has few worries in this regard. Subordinates are usually interchangeable. The rich man gets used to thinking in these terms.

He is also used to thinking that his wealth can buy him safety, as long as he keeps it. "The rich man's wealth is his strong city, and as an high wall in his own conceit" (Prov. 18:11). He trusts his wealth, since it gives him his sense of safety. This is why wealth is a great temptation (Deut. 8:17). The poor man is more likely to know better than to trust his own wealth. He has so little to trust. His risk is different: the temptation to steal. Better to be a middle-class income earner: "...give me neither poverty nor riches; feed me with food convenient for me; Lest I be full, and deny thee, and say, Who is the LORD? or lest I be poor, and steal, and take the name of my God in vain" (Prov. 30:8b-9).

Middle-class people normally run non-profit foundations and churches. The law does not allow the head of a non-profit outfit to receive more than a managerial salary, nor can he be paid dividends, since there are no dividends. So the middle-

class director generally has little contact with the rich or the poor, and he tends not to understand either: the poor man who is a master of the hustle, and the rich man who is the buyer of men.

Thus, when a rich man begins to support a foundation, he has in the back of his mind the idea that he is buying the outfit, or at least a major share of it. When the late J. Howard Pew grew tired of the Foundation of Economic Education's support of a free-trade ideology — that is, a full commitment to the free market — which came into conflict with Mr. Pew's corporate self-interest, he stood up in a Board of Trustees meeting and read a prepared statement critical of free trade. He then left the room. The Board members pleaded with him, and he returned shortly thereafter. In this instance, he had no place left to go, institutionally speaking, that proclaimed the free market principles he generally (but not always) supported. FEE got him back.

Sadly, he surrounded himself with non-ideological men in management positions in the charitable institutions he founded, and as soon as he died, they reversed the donation policies of the several-hundred-million-dollar charitable organizations that he had funded. The "yes men" started saying no. So much for his posthumous influence, and the hundreds of millions he had amassed. He was the richest Presbyterian who ever lived, and one of the richest conservatives, yet there is hardly a trace of his efforts, except at his alma mater, Grove City College, in Grove City, Pennsylvania, which still hires conservative Presbyterian faculty members. Not much to show for the billion dollars he once controlled. He could not buy the hearts minds of his managers.

The fact is, men are difficult to buy, long term. But rich men seldom think long term. They think short term. They think about next year's corporate report, or next year's advertising campaign. They are suckers for the fast cure, the gimmick. Suckers attract hustlers and "yes men."

I once spoke briefly with a very, very rich man. I didn't know who he was. I knew he was wealthy: maybe worth half a million. I found out ten years later that he is worth half a billion. It made no difference. He wasn't worth ten cents to the conservative movement. "How are we going to win the country back to free enterprise?" he asked me. "Well, it will take millions and several generations," I replied. "But I want to know how to win it back in my lifetime," he said. "Then save your money," I said, "you're not going to see it." And he isn't. Naturally, he never contacted me again. He is a good mark for some hustler, however. Every rich man who believes in any nutty idea will be surrounded — almost literally — by hustlers.

Anyone who caters to the rich will have to do just that:

cater. You will be a catering service. You will deliver the goods, or risk being cast aside. And the whims of the rich can change overnight.

### **Money Can Leave**

**By narrowing an institution's base of financial support, the director increases its vulnerability.** When you cater to one man, he knows you will expand operations to the level of his support. Then, if he cuts off this support, you have to cut back. Nobody likes to cut back. So men tend to bow to the latest wishes of the sugar daddy. Sugar daddies are not stupid. They know how institutions expand operations to meet current income. They buy subservience. Then they exercise power. They are buying what they want, and they know how to "enforce the contract." Men seldom get something for nothing. Businessmen know this, and they honor the principle in the short run.

When they die, however, they are no longer buyers, and those whose subservience they once purchased so inexpensively no longer perform as the rich man had naively imagined that they would. As always, **it is the rich man's short-term perspective that overcomes him**, even his understanding of the principle that you can't get something for nothing. When he is no longer around to control the expenditure of funds, his former subordinates are no longer subordinate, no longer "bought men." They bide their time until his death, and then they become men-buyers. In a multi-million dollar display of their new-found independence, they abandon the Founder's principles. Woe unto the charity that the Founder used to finance.

Another reason why foundation managers can never be secure when they are financed by a sugar daddy is this: other people dig for gold close to the mother lode. Managers will not have a secure hold on the rich man's mind. Other sellers of dreams and schemes will visit him continually. **The rich live in a world of almost continual hustles**, both charity hustles and business hustles. Everyone is pitching them constantly, and you will have to keep pitching, too. If you are spending time with programs, people, and principles, you will find it difficult to have enough time for pitching.

The rich want to be hyped up all the time. They want to know that their money is "working" for them. But there is no firm "bottom line" in non-profit programs, no 15% rate of return, no single performance standard. The more principled the program, and the more long-range the program, the more vulnerable it is to the outside hustler who guarantees — word of honor — that **his** program will bring in "a million more in '84, and every one a tither." **His** program will "win America to Jesus" (or free enterprise, or sobriety, or whatever) in three years. It will be "Explo-'83," then "Explo-'87," and on and on. **The charity hustlers slice the rich like salami: one piece at a time.** The rich can then be made to feel important all of the time. They get what they want — feelings of importance — and the hustlers get what they want, money.

### **His Supply of Money Can Change**

What if the man's business gets into trouble? You are dependent on him, and he runs out of excess funds. Remember, his wealth is his high wall. He will cut you off before he tears down his high wall. You, like a drug addict, get hooked. What happens to addicts when their "pusher" is arrested, or leaves the territory, or finds a better clientele? They get "withdrawal pains." So will your organization.

Also, what if your sugar daddy dies? That happened to J. Howard Pew. What happened to the religious and ideological organizations he had financed? Some disappeared. The

tabloid, *Christian Economics*, is one example. Its parent organization, The Christian Freedom Foundation, died. The conservative laymen's group in the Presbyterian Church, U.S.A., which he had bankrolled for years, quietly disappeared. It may still be alive technically, but Pew's great hope to "win back the Presbyterian Church" was doomed from the start: he didn't have that much money. A billion dollars, yes, but it would not have been enough if he had spent all of it on that hopeless cause. (Pew once approached one of the nation's leading Christian conservative scholars, then a Presbyterian. "I want you to work with me to win back the Presbyterian Church," he said. The answer: "But I don't want to spend my life winning back the Presbyterian Church. It's too far gone. I want to spend my time trying to win the world." Wrong answer. Pew never supported the man's ministry again, despite the fact that Pew agreed entirely with the man's theology and economics.) In the case of FEE, it had a broad base of support, so the loss did not hurt the organization. FEE's founder, Leonard Read, took care to see to it that no one corporation or foundation ever was a significant portion of FEE's donor base.

### **Earning Isn't the Same as Giving**

The late Ben Rogge once told me that his most important job as an advisor to a certain multimillionaire was to keep the man from doing more harm with his money than good. "He is a genius at making money, but he wants every project to show a profit. That isn't the way a non-profit organization works. He has never learned how to give it away." The man was the most arrogant, opinionated nincompoop I have ever met — a long-winded blabbermouth who thought he was a scholarly giant. He would bring in scholars to sit around a table and listen to his incoherent 4-hour monologues. Rogge used to draw crossword puzzles on napkins during these marathon sessions. As the wife of a far less wealthy man once remarked to me, "That man is a jerk." She saw it, but his ideological camp-followers, with or without Ph.D's, would never admit it. And the irony is this: very few of them ever got the fat grants they had hoped for. **He understood the scholars who surrounded him.** He bought their attendance at his monologues, paid them a few hundred dollars (if anything), and tossed them aside.

Nobody trains a rich man in how to give away his money. The charity hustlers have raised the art of extraction from the rich to a science, but principled people never seem to get the hang of it. They never quite understand what he is buying — and he is **buying**. Immortality. Yes men. The feeling of being indispensable. He knows how to buy; he seldom knows how to give.

There is a certain mass-evangelism para-church organization that has, for a generation, promised donors (especially multimillionaire donors) the conversion of millions of people to Christ. They have poured hundreds of millions of dollars into the organization, which dutifully reports, for example, that 80% of the people of Nicaragua were given the gospel in 1979, and 85% of them responded. Of course, the following year, the country fell to the Sandinistas — an odd event for a nation in which, by then, supposedly two-thirds of the people were Bible-believing Christians. Somehow, the organization's millions of converts have zero influence in America, Korea, or Latin America. I propose this motto for its letterhead: **Converting millions, absorbing billions.** It is almost impossible to pitch any fundamentalist who is worth over \$10 million who won't give this response: "I'm sorry, but I've already committed [ ] million to [The Organization]." The Organization has, for a generation, absorbed the funds and

dreams of the richest Christian fundamentalists in America, yet our society has nothing visible to show for it — a Christ-serving university, a commitment to a different view of civil government, a greater commitment to free enterprise, a deeper commitment to anti-Communism, a more conservative Congress, a lower divorce rate, fewer abortions. Why not? Simple: the “converts” are still humanists in their thinking. Yet “the Founder” is a closet conservative — aren’t they always? — who abhors humanism. **He just doesn’t abhor humanist society enough to preach about it explicitly, or train his army of evangelists to organize against it.** Too controversial, you know. Just preach Jesus, and Him crucified — **a culturally crucified savior.** The Founder knows his “marks” — rich businessmen — and just what kind of religion his businessmen supporters want to hear: a zero-commitment (beyond the fat check) religion. He sells; they buy.

The Reformation started when Martin Luther grew sick of John Tetzel’s program to sell indulgences. Luther’s followers used to chant, in protest, “When a coin into the coffer clings, a soul from purgatory springs.” The new Protestant version is about the same: “When into the coffer floats a check, a businessman need not again stick out his neck.” Just sign on the dotted line. They sign. No one has taught them how to give — how to investigate an organization, evaluate its success, and then finance it without crippling it and without making it fat. They are nevertheless responsible, whether taught how to give or not.

### Limited Counsel

“Where no counsel is, the people fall: but in a multitude of counsellors there is safety” (Prov. 11:14). The same is true of churches and ministries of all kinds. But the rich man exercises a kind of unspoken veto power. “Clear it with Mr. Megabucks,” is the director’s mental reservation. Or worse, “Clear it with Mr. Megabucks’ hustling assistant in charge of further donations.” Mr. Megabucks needs screening, since everyone sees him as an uncapped oil well. So he hires himself a “professional screener.” **Show me a screener who is committed to principle, and who is also competent at judging the performance of non-profit programs, and who is not looking for kick-backs, and I’ll show you a miracle.** Add that he reads books, cover to cover, and you have just ruled out all known screeners.

When an organization’s donor base is large, no one person can make or break it. Thus, the director can consult many people for advice, and take the best advice he gets. He is not tied to one man, or that man’s surrogate, the screener, to determine what is best for the organization.

Independent advisors are also more apt to give honest advice if they know that they will not be overruled because Mr. Megabucks’ screener has decided to veto the program. **No one wants to labor in the shadow of a sugar daddy.** No one wants his best ideas overruled by an uninformed ignoramus who has somehow gained Mr. Megabucks’ confidence — the rich man’s confidence man.

### Limited Vision

How much vision can one man have? More important, how much vision can a man geared to deals, profit-and-loss sheets, and the day-to-day operations of a business have concerning society in general, or a 50-year educational program? After all, these are the suicidal people who send their sons and daughters to Stanford, Harvard, and Yale to be indoctrinated by those who hate business, Christianity, and wealthy people

Two decades ago, a multimillionaire libertarian businessman complained endlessly about two things: the drift of his alma mater, Princeton University, into the socialist swamp, and the drift of the Presbyterian Church into the same swamp. When he died, he left half his money to Princeton, and the other half to the Presbyterian Church. This is so familiar in free market circles that only the size of his legacy made his case unique.

The capital of men of limited vision seldom winds up under the control of men with vision. Men with vision say things like, “I’m not interested in trying to win back the Presbyterian Church.” Men of such vision are ignored. They are more concerned with trying to win the world, but winning the world will take far longer than the rich man’s lifetime. He is not interested. North’s rule concerning vision is as follows: above a million dollars, a man’s length of vision is inverse to his wealth: **the more money he has, the shorter his vision.**

As far as I know, only one person worth over a million dollars has ever made a donation to the ICE of more than \$100. This is to be expected. If I know a man is wealthy, I will go out of my way to avoid pitching him about the work of the ICE. If he likes the materials, fine; he can send in a check. But I have made a rule: **the materials must sell the ICE’s program, not me.** My time is too valuable to spend hours trying to “sell” a rich man on anything. He is too great a risk. Besides, he is not going to pay.

If I ran very short-term programs, then I might try. Short-term programs interest the rich. The trouble is, everyone is selling short-term programs. These require vast infusions of capital to make them pay. The ICE is more interested in expending minimal sums in getting books written that can help provide guidelines for positive economic change over centuries, if necessary. The ICE believes that the principle of **long-term compound growth** is the best. Get a small, steady growth rate and continue it over centuries, rather than a fast-return, high-risk growth goal that will produce nothing if it fails to produce everything.

### Controversy is Risky

In the mid-1970’s, a “multi-level sales” soap and household goods company bought a major radio network for a reputed \$18 million, cash. In 1981, I was riding in a car in the Washington, D.C. area with a friend, a free market economist who holds a Ph.D. We were listening to a music station, when the news came on. The newsmen was interviewing one of the most politically liberal men in the U. S. Senate for his opinion on some recent development. My friend remarked to me, “The most consistently liberal source of news on the radio is this station.” It was the local affiliate of the network owned by the soap firm.

Why don’t the self-proclaimed conservative Christians who own that soap company and the network clean house, from top to bottom? Why don’t they use it to sponsor conservative commentators? For that matter, why don’t they use their in-house magazine and their mailing list to inform their massive army of soap sellers about the principles — and not just the sales potential — of the free market? There is some minimal free market educational activity at national headquarters, but nothing in comparison to the army at their disposal or the audience available to the network. Why should their network’s money continue to finance the enemy? What you understand readily is a mystery to the corporate directors.

Businessmen are not looking for ideological fights. They are not interested in getting involved in battles with the Federal Communications Commission over the so-called “fairness doctrine.” Fair enough; then why did they buy the network?

Why make capital investments that finance the enemy? If conservatism is so controversial that it might in some way retard the sale of soap, then why own the network? Why not just use the money for advertising to sell more soap? It makes no sense. Maybe the network makes a profit. But who needs it if it does? Life is too short. All the audiocassette tapes in the world favoring free enterprise and the American way are wasted (except, perhaps, as a way to sell soap) if corporate money is being used to finance the enemy's newsmen. **These businessmen are suicidal.**

Businessmen have been, for over a century. The Harvard economist, Joseph Schumpeter, commented on this aspect of the business community as early as 1942, in his classic book, *Capitalism, Socialism and Democracy*. "A genius in the business office may be, and often is, utterly unable outside it to say boo to a goose — both in the drawing room and on the platform. Knowing this he wants to be left alone and to leave politics alone" (p. 138). Even the ones who are willing to go into politics are usually unable to stick to their free enterprise rhetoric once the campaign gets rolling, and anti-market voters must be won over.

So far, I have been speaking about somewhat ideological business leaders. These men are rare. Few businessmen understand the market in general — its benefits, its legal and moral foundations, and its responsibilities. They want freedom for all their suppliers to compete for their money, and little freedom for competitors to compete against them. Most businessmen cannot recognize anti-capitalist ideas unless they are virtually stamped, "Made in the USSR." As Schumpeter said, "the bourgeoisie, besides educating its own enemies, allows itself in turn to be educated by them. It absorbs the slogans of current radicalism and seems quite willing to undergo a process of conversion to a creed hostile to its very existence. Haltingly and grudgingly it concedes in part the implications of that creed. This would be most astonishing and indeed very hard to explain were it not for the fact that the typical bourgeois is rapidly losing faith in his own creed" (p. 161).

This loss of faith is creating a social disaster in our day. The businessmen cannot offer a moral case for their own existence. "They talk and plead — or hire people to do it for them; they snatch at every chance of compromise; they are ever ready to give in; they never put up a fight under the flag of their own ideals and interests. . . . The only explanation for the meekness we observe is that the bourgeois order no longer makes any sense to the bourgeoisie itself and that, when all is said and nothing is done, it does not really care" (p. 161). We are witnessing the ideological suicide of an entire class. They have lost both their faith in, and their understanding of, the principles of economic freedom.

### Conclusion

How, then, can any program of social reconstruction work that relies heavily on sugar daddies who have made their money by competing successfully in today's government-controlled, rigged, bureaucratic, not very free market? We

have to be reasonable. Such a program will not be launched by the rich as a class.

There may be a few **wealthy mavericks** who see what is at stake and are wise enough to finance programs that offer hope rather than hype. Not many, but a few. These people can do more good by introducing their rich friends to these programs than by writing large checks by themselves. They travel in the circles of the rich. Fund-raisers seldom do. Thus, a personal introduction and endorsement from one of "their own class" can be very important to some struggling organization. But even here, there are limits. Rich people who are ideologically motivated are regarded as a bit peculiar, since ideology threatens the compromising corporation executives who are looking for ways to **avoid** confrontation. Their financial peers may not respect their judgment. Since there is no "bottom line" — no profit-and-loss statement — in non-profit projects, the rich prefer to do the safe thing: donate to their alma maters, medical research, orphanages, and assorted community funds. Such donations "win friends and influence people" — to buy their products, or at least to leave them alone politically.

The goal of any sensible ideological or controversial organization should be to **broaden the base of support**. Better a thousand people giving \$10 a year than one person giving \$10,000. Better the support of a hundred small family businesses that have a personal stake in the long-term future of the enterprise — several generations — than the support of a few large corporations, whose directors are not looking much beyond their retirement in ten years.

It has been a mistake for conservative organizations, especially Christian ones, to concentrate so much of their effort in gaining access to men of wealth. The story of the rich young ruler should warn us. It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God (Matt. 19:24).

Nevertheless, "with God all things are possible" (Matt. 19:26), even rich men becoming useful to the kingdom. If a rich man does show interest in a project, then there is nothing wrong in sitting down with him to see if there is some aspect of it that he would like to help finance and also to provide an introduction to others who would be interested in financing it. But no self-conscious effort to hustle rich people is biblical. It caters to their worst assumptions, such as the indispensability of their money. People who make this assumption do not show good judgment. **People without good judgment should not be permitted (let alone encouraged) to gain financial leverage over any non-profit organization**, for such an organization is not restrained by consumers within a framework of a free, competitive market. Without the "bottom line" of monetary profit and loss, the rich man's poor judgment becomes much more dangerous than it is in a profit-seeking organization, where consumers can veto his foolishness. **People with poor judgment and lots of money are a menace to society**. Better to let them keep their money and reinvest it in their businesses; it is safer there.

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