



The National Geographic: How to Be Non-Profit and Get Rich

by Lila Locksley

In the shaky world of the magazine business, longstanding financial prosperity is the rarest of commodities; it's only natural that those few who achieve it should swell with pride. So if officials of the *National Geographic* occasionally overstep the bounds of modesty, it's perfectly understandable. As Melville Bell Grosvenor, the magazine's editor-in-chief, points out, "kings and queens, astronauts and renowned scientists" are among its subscribers, and its headquarters is a "dramatically handsome" building in downtown Washington, "ten stories of classic simplicity gleaming with the

pale beauty of marble," flanked by a "magnolia shaded parking lot." These are rare and awesome achievements.

The National Geographic Society, which publishes the magazine, is a hugely successful corporation. In 1975 its receipts were \$137.5 million and its net worth \$80.5 million and rising. The magazine's circulation is 9.5 million, fourth largest in America. The society produces books, movies, television shows, globes, and maps, as well as sponsoring exploration and research around the world. It has a diversified investment portfolio worth more than \$60 million. In 1975, its income exceeded its expenditures by \$9 million (although, as we'll see, the

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Society doesn't call this figure its profit).

As if to celebrate its success, the National Geographic functions in princely fashion. At its headquarters building, white-jacketed waiters serve multi-course luncheons to Society officials in two private dining rooms. It is the only organization in downtown Washington with private surface parking provided free to its employees. Salaries and employee benefits are generous, especially at the top. In 1975 the Society's president, Dr. Melvin Payne, made \$128,095; Melville Grosvenor made \$59,520; his son, editor Gilbert Grosvenor, \$85,373; and Society vice president and secretary Robert E. Doyle, \$81,909. The magazine's associate editor makes \$67,080; its senior assistant editor, \$60,244; and its illustrations editor, \$54,763. In addition to its downtown property, the Society owns a 150-acre tract in Gaithersburg, Maryland, on which stands a 400,000-square-foot Membership Building that overlooks an 11-acre lake and houses 1,000 employees. For an organization that started as a tiny band of geography hobbyists less than a century ago, the National Geographic Society has done very well.

But this is more than a heartening tale of free enterprise. The National Geographic is a non-profit organization, and as a result it gets a number of important breaks from the government that amount to an indirect subsidy from the taxpayers. The Society's high style of living is not only made possible by the government—because of the way non-profit rules work, it is actually encouraged by the government. The luster of the National Geographic's success dims a little when you realize that the rest of us are paying for it.

Impoverished Do-Gooders

Most people have only a hazy notion of what non-profit organizations are and what kind of breaks

they get—the conventional wisdom seems to be that they're all made up of impoverished do-gooders who need some help from the government in order to continue their humanitarian work. Sometimes that is the case, but far from always. The truth is that under the law, non-profit organizations need not be non-profit or worthy, and that often they are neither.

The theory behind government non-profit laws is a reasonable one: that certain kinds of organizations are of great social good but usually fall through the cracks of the free market system. Nobody wants all altruistic activity to flow from the government itself, so it's a good idea for the government to help along such organizations while allowing them to maintain their independence. In pursuit of that worthy goal, the government drew up a list of safe, reasonable organizations that deserved this protection—ones involved in charitable, religious, scientific, educational, or literary work—and constructed a system to help them.

Non-profit organizations don't have to pay income taxes or property taxes; they can send mail at reduced rates; and people who give them money can deduct those donations from their taxable income. In return, non-profits are forbidden to distribute earnings to shareholders, the assumption being that if nobody *gets* any profits, there must not be any.

Of course, none of these rules and regulations confront the possibility that there might be some non-profit organizations that take in far more money than they spend, like the National Geographic. These organizations work hard to eat up their net income by artificially raising their overhead—hence the high salaries, the dining rooms, the free parking, the gleaming building, the generous investment portfolio. In a corporation that isn't protected by non-profit laws, these perquisites might be protested by stockholders as unnecessary, but because the Geographic is non-profit

it doesn't have to report any financial information to the members of the National Geographic Society, who fund it. The Geographic's members know far less about where their money goes than do the stockholders of most corporations.

Still, profitable non-profits continue to get all the tax breaks their poorer sisters receive. On its downtown property, the Geographic would be paying about \$300,000 a year in property tax (and property tax in downtown Washington is artificially low because assessments have not gone up along with property values) if it weren't exempt. The tax on the Maryland property would be about the same. In a city like Washington, which is full of non-profit institutions, the property-tax exemption contributes mightily to the low quality of schools and other services.

The mailing breaks are of great value to the National Geographic because magazines do a lot of mailing in the course of soliciting and serving subscribers. In 1976, the magazine spent about \$3 million on third-class mailings—\$6 million less than if it had paid the regular rate for third class. It spent almost as much on second-class mailing, and saved about \$2.5 million. These savings, of course, constitute a crucial business advantage over for-profit magazines because magazines' circulations depend largely on how many solicitations they can send out.

The Cousteaus and the Goodalls

That the Geographic could be so plainly profitable and still qualify for a government program most people imagine helps idealistic chronic money-losers certainly points to one flaw in that program. But there's also another important flaw in the non-profit regulations: not only do they not guarantee non-profitability, they also don't guarantee that the causes they help are worthy of public support.

In the case of the Geographic, the Jacques Cousteaus and Jane Goodalls

who get research grants are only a minor part of the Society's operations—in 1975 they got \$2.6 million, about three per cent of the Society's gross revenues. Mainly, what the government is subsidizing is an expensively operated magazine, put out for the entertainment of an affluent readership and filled with innocuous articles on faraway places—something that, it seems, the readers ought to pay for themselves without any help from the non-reading public.

Reasonable people might conceivably argue about the Geographic's contribution to the public good, but there are some organizations under the non-profit umbrella that aren't even debatable. For example, most of the New York City nursing homes whose nefarious activities were exposed over the last couple of years were non-profit organizations that paid enormous salaries to cover their excess of income over expenditures. And at the same time, the government excludes from non-profit benefits any organization that endorses legislation or candidates for office, whether or not it's profitable or worthy. (Because we don't want to obey this rule, *The Washington Monthly* is a for-profit organization, as is Common Cause—although certainly neither organization was formed with profit in mind.)

Because non-profit organizations are among the great respectable, established institutions in America, they are wreathed in a permanent aura of integrity and never get the skeptical attention they so richly deserve. Can't the government stop subsidizing worthy organizations once they're clearly able to stand on their own two feet economically? Is it possible to weed out the not-so-worthies from non-profit protection? Are there organizations that need and deserve the encouragement government gives non-profits but aren't getting it because of flaws in the rules? No doubt these are questions that have complex answers, but the trouble is that nobody is even asking them. ■



Roxie Munro

Where to Eat in Washington

by Jill Merrill

Since so many of our readers have work that brings them to Washington, we have decided to start a regular feature that will give them practical information to help make their stay a pleasant one, information about where to stay and where to eat. Whether you're on a tight budget or a generous expense account, we'll try to guide you to the right places. Last month's subject was where to stay, this month's, where to eat. They will continue to alternate each month.

Restaurants listed here are all located in the center of the city along—or near—the Connecticut Avenue corridor, beginning at K Street and ending in Upper Northwest above Rock Creek Park. They are all northwest of the White House. Restaurants in other parts of the city will be covered in future issues. The places we recommend most highly are indicated by an asterisk.

Arabian Nights, 2915 Connecticut Ave., 232-6684. Good Middle Eastern (mostly Iraqi) food, spiced more interestingly than at most restaurants of this sort. Altogether a good bargain in simple surroundings. Moderate.

Astor, 1813 M St., 331-7994. Although it's noisy and crowded (especially at lunch), the Astor has maintained a loyal clientele—for good reason. The large Greek salad at \$1.45 and the Moussaka for \$1.95 at either lunch or dinner are quite good. Mixed drinks are only 75 cents. Prices are higher (\$4.50-\$6.95, drinks \$2) upstairs at night

where the belly dancer performs every evening after 8:30.

Burger Chef, 1216 18th St. Self-service salad bar, but not much else, distinguishes it from the other fast-food places listed here. Cheap.

Caffe Italiano, 3516 Connecticut Ave., 966-2172. No credit cards. This is neither more nor less than the name implies: good, hearty Italian fare, complete with red-checked tablecloths, for a top price of \$4.25.

***Calvert Cafe**, 1967 Calvert St., 232-5431. Across Rock Creek Park from the Shoreham Hotel, this is a good value. The food is entirely Middle Eastern and the most expensive item on the menu is \$4.25. Couscous and kifta are good; whole lamb stuffed with pine nuts is excellent but must be ordered two days in advance.

***Cantina d'Italia**, 1214-A 18th St., 659-1830. A fine Northern Italian restaurant right off Connecticut Ave. Unpretentious on the outside (one has to walk downstairs into a black hole), but the food is superb most of the time. The freshly made pastas are excellent and rich; the striped bass with a delicate sauce—either hot or cold—is another delight. Its popularity, which is partially responsible for the harried service, is well-deserved. The menu is extensive: a bit too ambitious for the critic, a bit overwhelming for the initiate, but never dull. Expensive.