

**“The Critical Path”**  
**Address to the Annual Meeting of Members,**  
**Chicago Historical Society,**  
**By Gary T. Johnson, President**  
**November 19, 2008**

I thank our Vice Chair, Sharon Gist Gilliam, for her kind introduction.

I welcome you all to the annual meeting of members of the Chicago History Museum. For the first time in our history, the number of members last month achieved the milestone of 10,000 members. The support that we are receiving is very encouraging, and we thank you all.

On occasions such as this, you expect to hear a happy report about successful activities during the year that closed and a preview of what lies ahead. We will get to that in a moment, because we are very excited about what we are planning. But we also know that since we were here a year ago, the world has changed, so let's begin there.

As the recession sets in and markets plunge, commentators speak of two crises. One is the crisis in the "real economy" and the other is the "financial crisis." Both, no doubt, will affect education and the arts.

Let me touch on the real economy first, where spending power is what matters.

We are looking for signs of trouble here at the Chicago History Museum, such as a drop in attendance, but we don't see a downturn yet. On the contrary! Our total attendance in October 2007 was 14,703, and our total attendance in October 2008 was 24,148. This is a tribute to our members, and a tribute to our professional staff and volunteers. The excitement keeps building here, even after our grand reopening.

So far, so good, but we can only assume that the recession will catch up with us, as it will with all non-profits, sooner or later. That's why we need to be very cautious about new spending.

The other kind of crisis, the financial crisis, is the one that is hitting non-profits the hardest. There is no uncertainty about that at all.

There are a lot of people these days who aren't even opening their pension statements. If you're not planning to retire any time soon, maybe you can get away with that kind of denial. If, however, you are a retiree, then denial is not an option. The non-profit sector is like that group because, in various ways, investment earnings support our activities.

You can see that most clearly in the case of colleges and museums with endowments. We typically allocate endowment funds each year to support operations, based on a formula approved by our trustees. Typically, that formula is in the 5% range. As investment values went *up* in recent years, so, too, did the subsidy for operations. That meant that a stronger ability to serve our communities. Now investment values have gone *down*, and the non-profit capacity for service will decline, as well.

Something equally important to understand is that investment losses are a disaster even for non-profits that do *not* have endowments. Let me explain.

Non-profits in the United States draw heavy support from the private wealth that has accumulated in large institutional foundations, such as the MacArthur Foundation, and in smaller family foundations. Many of these generous foundations have a focus on education and the arts. Needless to say, the foundations' investments also have taken a nose-dive.

According to the *Chronicle of Philanthropy*<sup>1</sup>, at the beginning of 2008, more than \$468.2-billion was held in endowments at 253 of the nation's largest charities and foundations. During the first ten months of 2008, the estimated market loss for a typical endowment has been 25%. Applying the 5% spending formula, that means that almost \$6 billion will disappear from annual grantmaking from these 253 foundations alone. And of course, there are many other smaller foundations, and their grants will go down, too.

Let's pause for a moment. \$6 billion will be lost each year in support for non-profits, unless and until the markets recover.

Can government make up the difference? Absolutely not. Government support has been trending downward over the years, no matter which party is

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<sup>1</sup> DiMento, Maria and Ben Gose, "Jitters Amid Strong Returns." *Chronicle of Philanthropy*. July 24, 2008, posted at <http://philanthropy.com/free/articles/v20/i19/19000601.htm#endowment>

in office. In any event, the scale of government support is less than you may guess. One of the major sources of government support is the National Endowment for the Humanities. Its FY 2009 budget request is \$144 million. Think about that: \$144 million versus the \$6 billion lost because of investment losses from 253 foundations alone.

You can see that we are all in this together – non-profits, foundations and government. All are looking at cutbacks, yet all must find a way forward.

A recent conversation with two civic leaders, I believe, points the way.

Cleopatra Alexander is the Executive Director of the Albert Pick Jr. Fund, and her husband, James Alexander, advises non-profits. Here is what they said: "In the current environment, foundations only will fund projects that are on *the critical path* of an organization's mission. If an idea is *not* on the critical path, don't bring it to us; but if it *is* on the critical path, then don't be shy."

That certainly focused my attention! The "critical path" certainly is the way forward for us here at the Chicago History Museum. Even though we did not know what the economy would throw at us, I submit that our plans meet that test. What's on schedule?

- **The Lincoln Bicentennial.** We have a full year of activities planned, and I am happy to announce that the Gettysburg Address, written in Lincoln's own hand, will be on display here at our museum for a month next year. This is a once-in-a-lifetime opportunity to see the Gettysburg Address in Chicago.
- **American History.** Our new gallery will open in 2010, and we will welcome American history back into our museum.
- **Collections.** We have a number of projects under way for collection care and access. You know how terrific our collection is, so this is great news for visitors and scholars, alike.

So on top of our the exciting schedule of programs and special exhibitions that you have become accustomed to here at your museum, these three major initiatives are on the critical path for your museum over the next two years.

What about *beyond* the next two years?

We already are hard at work putting an exhibition schedule in place for 2011 and beyond. A planning group is considering our needs over a long time horizon. The sparks are flying, and we won't be shy in asking for support.

In moving ahead in difficult times, we all might consider the example of our sixteenth president, who, by the way, was an honorary member of the Chicago Historical Society.

The Civil War engaged Lincoln each and every day, yet he found a way to achieve his vision for a post-war America.

- He knew that the gains of the Emancipation Proclamation could be lost, so he supported and won the 13th Amendment, which abolished slavery once and for all.
- He also knew that economic opportunity was the way forward. He signed into law the Homestead Act, the Land Grant Colleges Act, and the act that made possible the trans-continental railroad. How's that for not being shy!

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A while back, I used to get a mixed reaction when I suggested in some of my speeches that today's era is the most interesting of all in Chicago's history. People aren't laughing any more.

- Maybe a Chicago Olympics is not just a dream.
- Chicago continues to rank in various listings of global cities.
- We continue to be the city where sociologists write about the challenges involved in different kinds of people living together.
- We haven't solved all of our problems, of course ... but nobody else can say "this is the hometown of the President-elect."

And *that* certainly is good news for the museum that tells the story of Chicago. Thank you.