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## **ACORN Under The Microscope**

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*By Peter Dreier and John Atlas*

For 38 years, ACORN, the nation's most successful community organizing group, has been making headlines by mobilizing low-income Americans to fight for social justice, challenging powerful banks, corporations, and government officials around such issues as wages for the working poor, predatory lending and foreclosures, welfare reform, public education, affordable housing, and voting rights. But [the story about ACORN](#) in last Wednesday's New York Times is one headline that the group was hoping to avoid.

The right-wing blogosphere is abuzz over the article, which reported that an ACORN staff-person embezzled almost \$1 million from the organization's coffers eight years ago. (The aggregate budgets of ACORN and its affiliate organizations back then totaled about \$41.5 million). ACORN immediately established new internal controls to put the organization's financial house in order. But ACORN's founder and chief organizer, Wade Rathke, covered up the incident in order to protect the wrongdoer, his brother Dale, who at the time was the group's chief financial officer. Even worse, he kept his brother on the payroll until June 2, although he was long before removed from having any responsibility for the group's finances.

Only a handful of top ACORN staff knew about the scandal, and Rathke persuaded them to keep it quiet in order, he argued, to protect the group's reputation. The staff group obtained an enforceable restitution agreement so that the funds would be returned to ACORN. With the help of friends and family, his brother has now repaid all the stolen funds. But now that the scandal has surfaced, Wade Rathke has resigned, and his brother has been fired.

In the world of scandals, ACORN's missteps don't even register on the radar compared with the swindles perpetrated by top executives at Halliburton, Enron, WorldCom, Countrywide, and other major corporations who ripped off the government, stockholders, and consumers of billions of dollars. But progressive groups have to be squeaky clean. They must live by a higher standard, in part because they are constantly under scrutiny by powerful business and government officials and in part, because

they depend on the good will of funders (who typically get federal tax breaks for their donations) and low-income members (who sacrifice to pay ACORN dues).

The 59-year-old Rathke is a brilliant organizer and political strategist. He founded ACORN in Arkansas in 1970 and built it into an effective vehicle for mobilizing poor and working class people for economic justice and political reform. ACORN and its affiliates have an annual budget of over \$100 million, over 1,000 employees, and nearly 500,000 dues-paying families. In addition to chapters in 103 cities in 38 states, ACORN's family of organizations include two union locals, two non-profit southern-based radio stations (KNON and KABF), several publications (including the magazine Social Policy), a nonprofit group that builds affordable housing and provides homeownership counseling (ACORN Housing), a nonprofit law office, and a variety of other vehicles that supported its direct organizing and issue campaigns, such as the Financial Justice Center and the Living Wage Resource Center.

ACORN has won victories at the local, state and national levels that have improved living and working conditions for those who are usually left out of the corridors of power. Over the years, ACORN's success on a wide range of issues has depended on staking out progressive stances, mobilizing poor people, especially its dues-paying members, on issue campaigns, and enlisting allies among liberal funders, unions, faith groups, and politicians.

In the wake of the Times story, ACORN's leaders are working to keep its reputation among its allies and funders. But Rathke's misjudgment in covering up his brother's embezzlement has now provided ACORN's opponents with ammunition to attack the organization. Indeed, because it has been so successful for almost four decades, ACORN has accumulated many enemies -- including major business groups and conservative politicians that have done battle with the feisty activist group -- who would love to see the organization destroyed. In recent weeks, right-wing opponents have even tried to link Barack Obama to ACORN, which they invariably describe as a "radical" and "left-wing" group. (See [here](#), [here](#) and [here](#).)

With so many chapters, ACORN is making news every day in cities around the country. Even as the New York Times was reporting on the Rathke scandal, ACORN's organizing continued. That week, the Times itself wrote about ACORN's successful campaign to save 5,881 rental units of working class housing in Brooklyn. The Las Vegas Review-Journal and the Orlando Sentinel reported on ACORN's local voter registration drive. The Pittsburgh Post-Gazette recounted an ACORN demonstration at a local bank, with members blowing whistles and chanting "Criminal offenders, predatory lenders." The Dallas Morning News reported on ACORN's campaign to expand health insurance in Texas, while dozens of papers highlighted ACORN's key role in a new national coalition of unions, consumer and religious groups to fight for universal health care. The New Orleans Times-Picayune described ACORN's ongoing work to rebuild homes in the Lower 9th Ward neighborhood battered by Hurricane Katrina. The San Francisco Chronicle reported that Gov. Arnold Schwarzenegger signed a bill pushed by ACORN that will help desperate California homeowners avoid foreclosure. A Connecticut paper described ACORN's counseling program that helped homeowners save their houses, and local media in Tucson, Arizona reported ACORN's campaign to pressure local officials to adopt a law to prevent unfair lending practice.

There are thousands of nonprofit groups around the country that help the poor. Some provide charity and social services. Others advocate on their behalf. And some organize the poor to fight for themselves. But in the community organizing world, ACORN stands almost alone as a national force, with its local chapters, dues-paying members and an ability to wage and win major reforms at the neighborhood, city, state and national level. ACORN organizers have taught tens of thousands of low-income Americans how David can sometimes defeat Goliath.

Since its founding, ACORN has mobilized poor and working class people to pressure governments, corporations, hospitals, and other institutions to clean up vacant lots and turn them into parks, put up stop signs to prevent children from getting killed, improve public schools, help families buy an affordable home and prevent foreclosures, and provide access to health care. It has registered millions of voters. In New Orleans, ACORN, more than any other grassroots organization, has saved the Lower Ninth Ward from extinction.

ACORN has played a leading role in building the "living wage" movement, working with unions, faith-based groups, and other community and civil rights organizations to help lift the working poor out of poverty. There are now more than 150 cities and counties with these ordinances, despite the opposition of the local and national business groups. These laws set a minimum wage -- one to five dollars an hour higher than the federal threshold -- for businesses that receive city contracts, tax abatements or subsidies. In Chicago, for example, ACORN had to overcome Mayor Richard Daley's opposition to pass a living-wage law that now applies to firms that receive \$50,000 or more in city subsidies.

ACORN's Financial Justice Center has negotiated settlements with several large private corporations -- including Citi-group, Household Finance and H&R Block -- that had a history of discrimination or predatory lending. The settlements resulted in borrowers saving several billion dollars a year and benefiting from \$636 million in one-time payouts. ACORN sponsors several magnet schools in New York. It has provided leadership and organizing power for New York's Working Families Party, which has played a key role in the city's progressive politics.

ACORN's story is remarkable because the organization has succeeded and flourished in the most conservative of times, in the face of intractable odds, at a time when America's poor was largely invisible.

But ACORN has hardly been invisible, especially to powerful groups that have clashed with its grassroots activists. Not surprisingly, ACORN has been subjected to vicious attacks from business lobbyists, conservative politicians, and right-wing media.

During the late 1980s and early 1990s, ACORN endured years of an expensive and time-consuming federal grand jury investigation instigated by President George H. W. Bush's Department of Labor, alleging that ACORN was "too close" to a progressive labor union -- SEIU's Local 100 -- that was its partner in organizing the working poor. The DOL dropped the case a year into the Clinton administration.

The current Bush administration has sought to harass and smear ACORN with accusations of voter fraud. Bush's Attorney General Alberto Gonzales was forced to quit last year because he fired several U.S. Attorneys for failing to go after nonprofit groups registering voters in low-income areas for alleged voter fraud. One of those U.S. Attorneys, David Iglesias, was wrongfully fired because he failed to indict ACORN members for voter fraud. As he recounts in his new book, *In Justice*, Iglesias did not find sufficient evidence that ACORN committed voter fraud.

In Seattle last year, the King County Prosecutor's office filed charges against seven part-time ACORN canvassers, who were paid eight dollars per hour to register voters, but who instead submitted false registrations. King County Prosecuting Attorney Dan Satterberg did not charge ACORN with any wrong-doing. According to Satterberg, ACORN did not attempt to influence the outcome of any election and none of the phony registrations led to illegal voting. ACORN nevertheless agreed to improve its training and procedures for detecting and reporting fraud among its canvassers.

Despite these and other manufactured charges of voter fraud against ACORN, its enemies still repeat them as if they were true. The stories remain as propaganda fodder for Republican bloggers and conservative media. Last Tuesday, a Wall Street Journal editorial repeated the voter-fraud canard, while warning that a the Democrat-sponsored bill to rescue families facing foreclosure, which includes funds for homeownership counseling, could provide money to ACORN, "the left-wing activist outfit that was infamous for its bare-knuckle politics." Journal columnist John Fund has been a persistent ACORN critic. Last April, he wrote that "Acorn's efforts to register voters have been scandal-prone." On Saturday (July 12), Fund portrayed ACORN as one of Obama's "liberal shock troops," labeling the group, "the granddaddy of activist groups," and repeating the accusation that ACORN has a "history of vote fraud scandals."

After the Times story surfaced last week, the Consumer Rights League -- a front group sponsored by the predatory payday lending industry -- issued a statement, reported by Fox News, attacking ACORN for "rampant voter registration fraud." Last week, too, the Employment Policies Institute, a well-endowed business-sponsored group that has battled ACORN for years on living wage laws around the country, issued a statement: "This is just one more page in ACORN's corrupt history, which already includes election fraud investigations in at least a dozen states."

Business groups and right-wing groups invented the ACORN voter-fraud "scandals." But the current Rathke scandal is a self-inflicted wound. Many of ACORN's national board members and staff are furious at Rathke. They believe that once his brother's embezzlement was discovered, he should have reported it to law enforcement agencies and explained the matter to ACORN's board.

Nearly every organization of ACORN's size and stature goes through growing pains. Created to promote grassroots organizing, as ACORN expanded, it had to learn how to manage its finances so that its members' dues, its funders' grants, its employees' salaries, and its suppliers' contracts were all accounted for. Moreover, any group as big as ACORN will have disgruntled employees and members, and ACORN has had its share. It also has critics on the Left, some of whom are jealous of ACORN's success and others of whom disagree with ACORN's tactics or its willingness to forge compromises in order to win victories for its members.

One former organizer wrote on his blog, "conservatives and others are going to use this as an opportunity to bash ACORN -- and by extension, every social justice-minded nonprofit in the country." He correctly observed that, "the conservatives are going after [ACORN] for the wrong reasons. Working for social justice for low-income families is a noble pursuit and should be celebrated. Fraud has nothing to do with ACORN's mission. This didn't happen because of ACORN's mission -- it happened because of the greed of Dale Rathke and the unconscionable acts of a few organization insiders. This is a people problem, not a mission problem. Do not be confused."

The embezzlement happened almost 8 years ago. It was bound to surface sooner or later. It leaked out at a time when ACORN is not only involved in its usual grassroots organizing work, but also engaged, during this historic political season, in nonpartisan voter registration drives in low-income areas around the country.

ACORN's success over the years has been the result of its pragmatism, including its ability to learn from its mistakes. ACORN's board recently voted to oust Rathke as lead organizer and to reconstitute the group's leadership structure. To oversee this effort, it appointed Bertha Lewis -- the tough, smart, indefatigable African-American community activist, who is executive director of ACORN's New York chapter -- as the interim director of the national organization. The widely respected Lewis, a 17-year ACORN veteran, has helped to make the New York chapter a powerhouse in the city's politics. She also has a reputation for fighting for more transparency and accountability within ACORN.

Rathke is reluctant to leave, and wants to continue his ties to some of ACORN's affiliate groups. Some of ACORN's top leaders and staff -- and the bulk of ACORN's key funders -- want Rathke to sever all connections with the organization. Indeed, for several years, a group of ACORN's veteran staff and elected leaders have bridled at Rathke's efforts to consolidate power within the organization. They see the current scandal as an opportunity to strengthen the organization by giving more autonomy to ACORN's state leaders.

Rathke's remarkable organizing work for almost 40 years will now have to be judged against this tragic example of poor judgment. ACORN will survive and continue to do the hard work of providing a voice for America's poor. Foundations and other funders, understandably upset by this episode, have already indicated their willingness to continue to support ACORN, but with more scrutiny over its finances. And powerful business groups and their right-wing political allies will continue to attack ACORN, not because of an eight-year-old scandal, but because of ACORN's success at winning victories for the poor and helping change the nation's political climate, laying the groundwork for a more humane and fair society.

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