

Viewpoint

Rethinking Charity: What Do We Owe Each Other?

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The way in which we decide what qualifies as a charitable purpose deserves to be considered in the context of broader public policy rather than be confined, as it often is, to merely technical debates about the application of ancient definitions of charitable purpose to new situations. The numerous tax subsidies available to charities would by themselves justify this wider focus, as society as a whole bears the financial consequences of choices about who is taxed. Considerations of status, prestige, and the general judgment about “worthiness” that attach to charities also push one in the same direction. It is therefore time to examine the appropriateness of continuing subsidies to some organizations now identified as “charitable” and simultaneously to question why the subsidy is denied to other types of organization.

The principal rules governing what objectives are considered charitable date back 100 years, in many cases. The scale and role of government then were significantly different from what they are today. In particular, government participation in areas identified as “charitable” was negligible. To encourage activity in those areas without assuming direct responsibility, governments chose to provide legal benefits, including tax subsidies.

It is worth noting that once an organization’s objectives are held to be charitable, then it enjoys the legal status and the tax advantages that go with the status with very little if any further scrutiny of how it organizes or conducts itself in achieving its objectives. Such regulation as exists is more theoretical than real.

Yet government activities in most of the traditional “charitable” sectors have grown astronomically and now dwarf those of private charities. (The notable exception is religion, a complex area outside the scope of this article.) And in any case, many, if not most, charities now receive the largest part of their funds from government, although the need to solicit other donations persists.

It is increasingly obvious that charitable organizations are pursuing in increasing numbers a very limited pot of funds. The United States, which tends to spend less public money than Canada on activities that could be characterized as charitable, appears to generate a higher level of private charitable giving. The inverse relationship between public spending and charitable giving was noted when President Reagan cut government support to a number of sectors, and donations increased markedly, though they fell far short of making up the deficiency. In Canada, where conventional wisdom holds that governments are relatively more generous than those in our neighbour to the south, the level of charitable giving is significantly lower. Indeed, appeals to business to increase its generosity have sometimes been met by suggestions that government spending could be cut as a consequence.

In short, more are pursuing less, in both public and private funds, with competition for funds intensifying and the cost of fund raising increasing. Such a situation reduces the efficiency of the charitable sector and distracts it from its charitable purposes. For example, fund-raising ability beomes the major factor in determining the composition of the boards and senior staff of charitable organizations. Is this the best way to ensure that charitable purposes are achieved?

Even at the best of times, charitable fund raising is a remarkably inefficient mechanism through which to supply funds for public purposes. Taxation beats it hands down every time. Do the advantages afforded to charities encourage inefficient use of the energies of the undeniably devoted people working for them?

While freedom to spend money without government interference may have its advantages, particularly where the objectives of the charity and the government conflict, it is also worrisome. Few charities give the public the kind of information necessary to evaluate their operations properly. Other than the United Way, the Trillium Foundation and a few public funders, such as the arts councils, there exist few organizations with the mandate to examine the efficiency and effectiveness of charities. Allocation of resources is based on a visceral response to a vaguely defined need, or a new fund-raising gambit, rather than on the basis of hard information. Government is as a rule better informed and more accountable than traditional charities.

This is not to suggest that government intervention can, or should, replace private charity entirely. The altruism reflected in a donation of food or volunteer time to a food bank has a place in our society as long as we fail to develop a more dignified answer to poverty. The information

gathered by food banks has been invaluable in developing these answers, and the voice of those who have led by example through their efforts in the food banks is regarded as credible and authoritative. What is most impressive, however, is how food bank operators demand to be put out of business rather than build empires to perpetuate their existence. Government action may replace the need for food banks, but it cannot replace the spirit demonstrated by their supporters. Our world is a better place for their generosity and involvement.

Unfortunately, not all charitable donations are made in the spirit of altruism. As a consequence, the relentless pursuit of funds may often confront a charity with a dilemma. Acceptance of certain types of funding may compromise the organization's goals or demean the individual recipient. Examples are not hard to come by: sponsorship of amateur athletics by tobacco or beer companies, or the display of disabled children as objects of pity in telethons.

Another unfortunate aspect of charitable giving is that it often both comes from the country's economic elite—not in itself a cause for concern—and goes to activities that benefit, exclusively or primarily, members of this elite. Thus we grant charitable status, and the tax subsidy that goes with it, to private schools, prestige health clubs and presenters of gala artistic events.

It is of equal concern that charities which exist to serve elite groups make demands on the public purse directly as well as through tax relief. Elite demand for costly and prestigious items such as high-tech medical devices, a ballet-opera house and a domed stadium lead to high-energy capital fundraising drives to which governments are pressed to contribute. The net result is to distort the public agenda to accommodate the demands of the elite group members who invariably dominate the boards of charities of this type.

At the same time as we allow these elite interests to drive the public agenda, fueled by the tax subsidy but not limited to it, much harsher treatment is accorded to the "political" activities of charities, particularly those that seek to advance the interests of members of disadvantaged groups in society.

The pursuit of equality of opportunity was not a priority of governments when the current definition of charity was established. This is not surprising, considering the restricted voting lists and the lack of educational and political opportunities available to much of the population

until comparatively recent times. Racial intolerance overtly denied many people of their opportunity to influence public policy.

It is true today, however, in many countries, that charitable or non-profit organizations play an important role in empowering members of disadvantaged groups. When the private sector and the public sector have failed to achieve equality for a particular group, and may have contributed to it in the first place, “empowerment” offers an important remedy. Biased in favour of the majority, both marketplace and democratic politics tend to entrench dominant groups. Affirmative action seeks to afford disadvantaged groups equality of opportunity, i.e. to make the market truly available to all and to make government more responsive to every sector of society. In short, inclusion of the excluded is an important and positive social goal.

In recent years some restrictions on “political” activity have been relaxed. In my view, not even full charitable status for advocacy groups would go far enough. A tax credit comparable in size to the present political tax credit should be available to such groups. The subsidy should be large—comparable to that for political donations—because low-income people need more incentive to participate where they have traditionally been unwelcome, and a common effect of a social or physical disadvantage is most obviously a low income. A credit equivalent to the one for party contributions is also desirable because affirmative action improves the democratic process at least as directly as does the action of traditional political parties. At present, the political tax credit is limited to \$500. This is appropriate for advocacy tax credits as well, for many of the same reasons.

I would restrict the credit to contributions to underwrite the costs of advocacy services and to organizations that have a majority of target group members among their directors. The “target groups” may be refocussed from time to time, but for now would include, for some or all purposes, women, native people, members of other visible minorities and disabled people. The credit would be available only for non-partisan political activity. In short, the differences from the present law would be the range of activities permitted and the size of the credit.

Although government is arguably more effective than private initiative for many of the traditional charitable activities, this is not the case for empowering the disadvantaged. The redistributive effect of government programs has been negligible except at the extremes of the income spectrum. Long-term solutions cannot be based on handouts. In order

to supplement the subsistence role of government, I suggest that we redistribute opportunity.

I do not mean to adopt a neo-conservative abandonment of public responsibility for the disadvantaged, which often uses similar language. Instead I seek the best way of asserting the public responsibility to get members of disadvantaged groups into the power elite, not as exceptions but as representatives.

Where does all this take us? As a result of the increasing difficulty and cost of fund raising, the distortions of charitable priorities that they cause, and the equal distortions of social priorities created by defining charities to allow elite self-service but to exclude effective advocacy for the disadvantaged, both public energies and public funds are being misdirected.

We need to review just why we bestow privileges on particular sets of social organizations. Such a review should take into account the role of government, the cost-effectiveness of private and public initiative, and the always limited amount of public funding available, directly or through tax subsidies, for public purposes. Such a review should, I suggest, result in a reorientation of what qualifies as a charity, in order that scarce social resources be better allocated to improve the lot of those who need it most.