

From Crisis to Opportunity: Moving Beyond Laissez Faire Philanthropy¹

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Canada's voluntary sector is under great stress. Protracted constitutional negotiations and continuing economic difficulties have put considerable pressure on the federal government to contain spending on, or devolve responsibility for, a range of human service programs embracing the broad categories of health, education, welfare, and culture. However, from a fiscal standpoint, devolving program responsibilities to lower levels of government only shifts the painful choices to provincial and local leaders. An alternative strategy is to rely more heavily on private donors (individuals, corporations and foundations) and providers to deliver services once administered by governments. Yet a steadily deteriorating economy and government cutbacks have caused requests for support to skyrocket and overwhelm donors, many of whom feel squeezed by the recession and the broader economic restructuring in train. For those who support, work in, and are served by the voluntary sector, these developments are ominous.

For many social activists and human service providers there has been a bright spot in the continuing constitutional struggle: the movement to entrench a social charter or covenant will probably succeed.² Indeed, even if the constitutional negotiations were to fail, it seems likely that there would be considerable pressure to adopt social charters in the resulting jurisdictions; however, this advance may well be symbolic. Charters simply set out principles and the obligations of governments to their citizens; they do not ensure that human service providers will receive, despite increasing demands, more support from the government nor do they delineate what responsibilities citizens, corporations and foundations should assume in this regard. Nevertheless, the public interest in, and the concerted drive to entrench, a social covenant in the constitution is an important affirmation of key social values. To adapt Peter Russell's terminology:³ will the voluntary sector be better off in "social charterland", able to capitalize on this impetus in order to cope with the challenges presented by a rapidly changing political and economic system?

The argument of this paper is that the voluntary and nonprofit sector in Canada is not well positioned to take up these challenges. Although there has been a sustained effort during the past few years by government, the voluntary sector, and academics to produce more research on giving and volunteering, almost all of this work has been directed to assisting efforts to increase giving and

volunteerism—there is a surprising lack of research delineating the real needs of Canadian society. Indeed, the voluntary sector is generally not well organized to undertake needs assessments, to set priorities, and to act in a strategic way with government and the private sector. This not only reflects a *laissez-faire* approach to giving among donors and charitable and voluntary organizations, but also the cumulative effect of government reluctance to regulate the entry of new charities so as to meet particular needs. This is not to single out Canada's voluntary sector as being uniquely weak—political scientists have noted that this is the hallmark of many Canadian policy sectors—but we must recognize that when sectors are poorly organized, it is far more difficult for them to respond to crises in a concerted fashion.

This paper argues that if the voluntary sector is to meet the challenge posed by the present crisis, if more responsibility is to devolve on the private and voluntary sectors, we must be realistic about their capacity to take up responsibilities for public goods and all those involved must find better ways to organize their efforts. A key premise is that, if more Canadians are aware of specific needs, and if the provision of human services and philanthropy is presented as not merely a matter of “noblesse oblige” but as an essential act for community building, people and organizations in the private sector are more likely to give. This paper calls on governments, private donors, and voluntary organizations who finance and deliver public goods to support systematic reviews of the “needs” of citizens and of how well government programs and private organizations are meeting those needs.

Given the complexity and diversity of public goods and the voluntary sector, and given the many kinds of community to which Canadians are attached, I argue that reviews should proceed on a sectoral basis in the areas of education, welfare, health, religion, culture, the environment, and research and development. Sectoral institutes ought to be established and given a mandate to provide forums for dialogue and debate, to undertake sectoral needs assessments, and to evaluate not only the appropriate niches for different kinds of public and private support for public goods—individual, corporate, and foundation giving and different levels of government—but also the comparative advantages of alternative organizational forms for delivering public goods. These ideas are sweeping—a new vision of the direction the voluntary sector should move. In the interim, it would be best for key stakeholders to proceed by sponsoring a series of exploratory sectoral research conferences to discuss the merits and feasibility of these ideas, and to determine how to begin creating the necessary institutions in an orderly and practical fashion.

Human Services and Philanthropy as Public Goods

Preparation of a Discussion Paper for a conference on “Private Support for Public Goods” naturally posed the question of how to produce a working

definition of the term “public goods”, particularly as the concept related to private giving and philanthropy.⁴ Building on Samuel Martin’s seminal works in this area,⁵ I used the concept of the “human services sector” as a point of departure. The sector is huge⁶ and breathtakingly diverse. For Martin, human services consisted of several broad categories: *education* (the full range of schooling that we receive as children and adults, whether in public or private institutions), *welfare* (those activities that assist the aged, the unemployed, the disabled, and the poor); *health* (which includes hospitals and the many institutions which train health professionals and sponsor medical and health care); *religion* (which includes the activities of thousands of local churches and ministries); and *culture* (which encompasses fine arts, athletic, and community organizations). Given the more recent public concern about the *environment* and the need for more *research and development* it seemed prudent and consistent to add these categories to the list since both have important implications for our collective well-being and our ability to cope as a society with future challenges.

The organizers of the conference invoked the concept of public goods because of their concern about the pressures on all governments to withdraw support for many public programs and the relatively poor record of private sector giving in Canada. The question is not whether to provide public goods, but rather to find the best ways to strike a balance between private and public support for, and the delivery of, those goods. However, there is clear potential for confusion because economists have assigned a particular meaning to the concept of “public goods”. Clarifying these different conceptions produces insights into problems with the literature on human services and philanthropy as well as the disposition and organization of the donor/NGO community. Accordingly, we shall review the conventional economic view and then introduce a new definition of public goods.

Economists tend to see goods and services as either private or public in nature. Private transactions are consummated in markets according to the respective parties’ willingness to buy and sell given their understanding of the current and future value of goods and services. According to economists, public goods are those goods—like defence, roads, and parks—that, once produced, can be consumed or enjoyed by more than one individual and quite possibly all citizens within a jurisdiction.⁷ However, economists argue that this very quality of collective enjoyment creates the potential for free-riding or shirking—there are incentives for citizens not to contribute funds to produce the good, since they will enjoy it in any event. If a sufficient number of citizens take this view, economists predict this will cause “market failure” and the public good in question will be under-produced. This creates a role for government: it can remedy matters by raising funds through taxation and then reallocating them to produce sufficient quantities of the public good.

Despite the logical quality of the argument, it is not surprising that the fuller meaning of “public goods” is overlooked in this model. Economics casts the provision of public goods by the government as a second-best remedy and not as a positive act of building community. It fails to direct adequate attention to the personal values, community norms, and meaning attached to providing public goods. Economics discourse is lean and sparse, fuelled by the ideas of individual preference and market transactions. It does not easily account for the common practice of people helping other people in a variety of ways—its logic even makes altruism suspect.⁸ Recently, Robert Bellah and his co-authors have argued that utilitarian/liberal values so permeate and colour our discourse that even the most committed individuals find it difficult to articulate why they get involved in community and collective activities.⁹ This was precisely why Martin invoked the phrase “human services”. It was an attempt to liberate us from the underlying utilitarian logic of the economists’ notion of public goods and to go beyond evaluating such goods only in terms of their dollar value. But if terms like “humanistic service” and “philanthropy” are widely used, and if the economists’ notion of public goods creates so many problems, what is to be gained by invoking the concept of public goods?

It is ironic that discussions of humanistic services and philanthropy have much in common with market analysis and liberal thinking. Such discussions tend to see these activities as one-to-one exchanges between donors and claimants, perhaps mediated by a service provider.¹⁰ This leads to some interesting parallels. First, most observers would no doubt see a parallel between the under-provision of public goods identified by economists and the under-provision of human services and philanthropy. However, I would argue that the latter failure has little to do with “market failure” due to the non-excludability of consumption and the consequent free-riding of citizens, but rather is due to inadequate information and perhaps an unreceptive culture—citizens are unaware of needs and the role they can play in meeting them, and of the interrelationships in and among the communities of which they are members. Second, the larger public or community benefit that obtains, as distinct from the fact that personal needs have been met and the satisfaction that comes from giving or volunteering, tends to be downplayed. This is an important oversight because recent studies have indicated that giving is motivated less by tax advantages than by notions of individual and corporate responsibility to larger communities, however defined.¹¹

Conceiving of voluntary and philanthropic activities as “public” goods helps to make them more visible and highlights an essential insight: *that giving and voluntary activity by individuals, corporations, and foundations is not only for the good of others, but more generally, for the good of the larger communities of which the donors are a part.* In describing how the United Way of Greater

Toronto reached out to various ethnic communities, Joseph Wong observed that:

... enhancement of voluntarism in the community and the recruitment and advancement of leaders from all groups contributes to an integrated and more harmonious society and thus a better functioning democracy. Participation in social activities brings members of minority communities into the broader society and gives them a sense of belonging, pride, personal empowerment, and citizenship. In short, the community is a better place for all its members to live because of it.¹²

The quotation serves to illustrate that, while community is a fundamental concept, it is also a complex one. As citizens, we identify with an assortment of communities: linguistic, ethnic, religious, gender-related, occupational, local, regional, provincial, national, and even international, to name only the most obvious. We have already identified several broad policy sectors that can also be construed as “communities of concern”. All of these communities intersect and overlap in a variety of ways, making it very difficult to pin down what the most appropriated locus of community is for dealing with public goods.

The challenge of reaching out to, and building community, whether directly or indirectly, is fundamental to giving and volunteer activity. I believe that the prevalence of mediating institutions and the emergence of a rights-oriented political culture in Canada has corroded community-building efforts. One way to move the voluntary sector out of crisis (and, I might add, begin rebuilding the country) is by identifying the appropriate “community” for providing certain public goods and reaching certain social goals. By introducing an alternative notion of public goods, my intention is not to persuade others to relinquish familiar concepts like human services, volunteerism, and philanthropy—this would only result in conceptual confusion. Rather, it is to remind readers that philanthropy and the support of human services are critical elements for building community within any society or jurisdiction, and to underscore the fact that these activities are responsibilities of both government and society. Accordingly, for the balance of this essay, the term “public goods” is used primarily as a literary device to describe and expand our understanding of these activities.

The Limits of Private Support

For years now, a common complaint of the private sector has been that government is inefficient and ineffective as a provider of many public goods, the implication being that such goods could be more efficiently and effectively provided by the private sector. Given the fiscal pressures confronting Canadian governments, and a consensus that most public goods are worthy of support, the rhetoric of the private sector is now being tested and there is great interest

on the part of governments and the public in alternative ways to organize the financing and delivery of public goods, through the privatization of public enterprise and the contracting-out of services not only to for-profit firms but also to community groups. There is also a growing expectation that, where possible, the private sector should search for solutions to particular problems within its networks before seeking public funds. However, despite these trends, there are limits to private support. This section considers the sources and magnitude of private support and its potential to assume a larger share of the responsibility for public goods.

What constitutes private support? On the one hand, there is the private support most commonly associated with charitable giving and philanthropy, i.e., the donation of financial resources by individuals, corporations, and foundations.¹³ In 1985, close to \$3.5 billion worth of charitable donations were made by individuals, corporations, and foundations in Canada. On the other hand, there is voluntary action—individuals donating time and effort to worthy causes. Voluntarism often occurs under the aegis of employers in the private and public sectors, so the policies of employers towards volunteerism are important. Before taking a brief look at what is known about private support in Canada, it will be useful to put the extent of private support in perspective by considering how much of the public goods sector it finances. Despite the growth in support for public goods in Canada over a long time, Samuel Martin has shown that private giving has steadily decreased. According to his calculations, while private support accounted for 49 per cent of all funding of public goods in 1937 (including direct payments for services like tuition or health care), this fell to less than 12 per cent by 1978. When combined with Martin's estimate that humanistic services accounted for roughly one-third of Canada's GNP in 1984 (\$430 billion) these figures call into serious question the capacity of private giving to absorb responsibility for public goods.¹⁴

According to a study commissioned by The Canadian Centre for Philanthropy, individuals account for 88 per cent of all charitable giving in Canada. The vast majority of the respondents had very positive images of charities; they believed that charities make positive contributions to the community; they believed that it is important to support charitable organizations; and they believed that charities are underfunded. Perhaps more importantly, those surveyed did not think that increased charitable giving should be a substitute for lower government spending on public goods. Nevertheless, Canadians are not impressive givers. As the study's authors observe bluntly: "There is complacency towards giving—68% of those surveyed believe that Canadians are very or somewhat generous and 73% felt that Canadians are more generous than Americans. The record shows that Canadians are substantially less generous than in the past and Americans are three times more generous."¹⁵ The more revealing, and

perhaps startling, figure was that 70 per cent of the total dollar amount of Canadian charitable donations went to religious organizations.¹⁶

Corporations are a second source of giving. According to The Canadian Centre for Philanthropy, corporations accounted for seven per cent of all charitable donations in Canada in 1985, with Statistics Canada data indicating that the total amount given in 1986 was \$327 million.¹⁷

How do Canadian corporations give? Survey data indicate that most corporations have formal donations procedures and budgets.¹⁸ Many corporations reported “in-kind” donations such as equipment, loan of employees, services, and advertising space to charitable organizations. One third of the larger corporations had matching gift programs which matched the gifts of employees.¹⁹ Corporations are also important sources for volunteer assistance. Employees are more likely to give and volunteer if their employers encourage volunteering.²⁰ In 1986, the Conference Board of Canada surveyed 926 organizations and found that 72 per cent of the corporations had employees involved in community-wide activities (mainly United Way), that 69 per cent of corporations encouraged this activity, and that 33 per cent had “loaned” employees for such activities (although this figure included support of the activities of professional associations).²¹ But much of this support is passive. One study indicated only 41 per cent of corporations surveyed had programs and procedures for encouraging volunteerism,²² while the Conference Board of Canada reported that 85 per cent did not act as clearinghouses for information about volunteerism²³ and produced another interesting observation: although most corporations saw voluntary activity as an asset when they were making hiring decisions, such activities were not factors when they were considering employees for promotion.²⁴

Allan Arlett, former president and CEO of The Canadian Centre for Philanthropy, has reported a decline in donations from corporations²⁵ and linked this to important shifts in their external environments such as free trade and increased international competition, mergers and takeovers, technological change, a changing society, and increasing government regulation.²⁶ The Institute for Donations and Public Affairs Research (IDPAR) has noted an increasing number of requests and the use of increasingly aggressive and sophisticated tactics by claimant groups and also reports that corporations have grown increasingly weary of surveys and requests for information from outside groups. The IDPAR survey indicates that members believe the increase is due to a changing society, declining government support for programs, duplication of services, and increased visibility of corporations. The increase in requests poses an administrative and strategic problem for corporations. The response has been to allocate more resources to donation administration and to develop strategies to focus donations on either a sectoral or rotational basis. Not surprisingly then, Arlett reported that corporations sought more information

on needs and have expressed concern about the performance and quality of management of charitable organizations.

The final source of private giving is foundations. There are now close to 850 Canadian foundations.²⁷ Foundations donated \$166 million in 1985 (just under five per cent of total giving), with considerably less emphasis on support for religious activities than is the case with individual giving.²⁸ By 1988, foundations donations had risen to \$269 million.²⁹

Canadian foundations are loosely organized and highly autonomous. Although there is an Association for Canadian Foundations (ACF), this organization only tends to become active when members stand to be affected by changes in tax law or in the regulatory regime. Otherwise, the ACF is not a vehicle for the exchange of ideas or co-ordination of activities. Like corporations, foundations have been under pressure to respond to increasing demands. Nathan Gilbert, Executive Administrator of the Laidlaw Foundation, has observed that the “donations of Canadian foundations have not been keeping pace with the almost exponential increase in the financial requirements of Canadian charitable organizations.”³⁰ This has forced directors and staff to clarify their priorities and to request more information from organizations seeking support. Foundations have also hired more professional staff and developed more formal procedures for evaluating proposals, thereby reducing the informality of donations decisions.³¹

Coupled with our knowledge that private support for public goods in Canada is considerably less than such support in the United States,³² a study of these figures should warn us not to develop overly optimistic expectations about the extent to which private support can or will assume a greater portion of the burden of financing public goods. Thus, while we may all agree on the need for increased private giving, it is important to have in mind the *limits* of private support. There is a subtle and unintended optimism that grows out of efforts like the IMAGINE Campaign (“if all individuals and corporations contributed their ‘one per cent’ many social problems would be solved”), one that feeds into the conservative notion that the private sector, if mobilized, could supplant public sector financing and delivery of human services.³³ Given the magnitude of the need in the public goods sector, this is clearly an unrealistic expectation and brings us to the theme of selective private support. A key task is to determine which niches can be most effectively and efficiently filled by private citizens, corporations and foundations as a complement to government supply of public goods.

To evaluate potential “giving” niches seriously one must have a good understanding of the “needs” environment. It is by thinking seriously about niches that one can develop an alternative perspective on the organization and implicit

public philosophy associated with voluntary and philanthropic activity, as well as how those activities have been studied and regulated.

Recent research that has produced new Canadian data on philanthropy and voluntary action has concentrated almost exclusively on the supply side of the equation, i.e., how and why Canadians give.³⁴ As a result we know very little about the demand side, i.e., the distribution of needs within and across sectors, whether or not giving is meeting an objective need for public goods in Canada, or what is the underlying demand for public goods. Consider this: IDPAR has reported that in 1989 \$2.1 billion worth of funding was requested. A survey of 900 charities by The Canadian Centre for Philanthropy indicated that each required roughly 45 more volunteers.³⁵ To date, we do not have a good understanding about whether these needs have been met. This gap in knowledge is doubly important because recent survey research argues that the willingness of Canadians to give in order “to help the community” is “very strongly linked to perceptions of worsening social problems”.³⁶

Private sector donors and those who seek to expand the pool of donors have adopted, in effect, a *laissez-faire* approach to encouraging giving. First, efforts to increase fund raising and induce behavioural change take great pains to focus on the means rather than the giving ends, i.e., the idea is to encourage more giving and voluntary activity, not to judge whether certain causes or activities are socially more worthwhile than others. David Baker argues that an “unfortunate aspect of charitable giving is that it often 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.”³⁷ A *laissez-faire* environment also means that charities and other worthwhile causes must expend considerable energy in competition with each other as they make their cases to donors in order to secure funding—there are few other sources of information about the needs that are ostensibly to be met. Given their limited resources, Baker argues that many charities may not do a good job of supplying pertinent information to donors:

While freedom to spend money without government interference may have its advantages, particularly where the objectives of the charity and government conflict, it is also worrisome. Few charities give the public the kind of information necessary to evaluate their operations properly ... 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.³⁸

The result is that much giving proceeds according to idiosyncratic preferences and limited interpretations of need, ignoring the larger social picture.

While it may seem entirely reasonable to link giving to either personal or corporate objectives, a myopic stance when determining giving priorities may result in corporations and foundations not obtaining full value for their dona-

tions. As Alan Broadbent has stated, “It is the responsibility of a foundation to have some assurance that the money it is spending is contributing positively to society”.³⁹ The same could be said of other donors. It would also be reasonable to consider the opportunity cost of supporting some activities at the expense of others. At the very least, the virtues and the drawbacks of a laissez-faire approach have to be scrutinized. We need mechanisms to determine the true potential for increasing support from the private sector and the comparative advantage of the private sector in supporting certain public goods while bearing in mind the limits of private support.

How Governments Encourage Private Support

Many representatives from the voluntary sector and the private sector would lay the blame for many of the pressures and trends cited above squarely at the doorstep of Canadian governments. But governments have their own pressures: they must contend with ballooning deficits, increasing resistance to higher taxation, and global competition affecting many sectors of the economy. So, when we consider what role governments should play in the provision of public goods, we should bear in mind that most are in the midst of re-evaluating their roles.⁴⁰ Moreover, while previous sections of this paper have indicated that governments bear the most responsibility for providing public goods, another pressing question is what the appropriate leadership role should be for government in those sectors where it no longer has a monopoly on expertise or even control. In light of these developments we need to investigate how Canadian governments (primarily the federal government) seek to encourage *private* support of public goods and how well this encouragement ensures more effective and coherent giving.

To increase private donations and voluntary activity the two key instruments of government policy are taxation and regulation. The federal government encourages charitable giving by means of tax expenditures and by providing tax breaks to individuals and corporations making donations to registered charities. In 1987, the government introduced a two-stage tax credit for charitable donations.⁴¹ This was part of a broader effort to reform the tax system which sought to place greater emphasis on credits instead of deductions. In addition, the government has partially exempted charitable organizations from the Goods and Services Tax. While the GST certainly constituted an increase in tax burden, it must be put in perspective: charities maintain a favoured status in the tax system which constitutes government support.

The regulation of charitable organizations is closely related to the needs of Canadian tax authorities. To qualify for a tax credit, taxpayers must produce the tax receipts from the registered charitable organizations to which they have made donations. Charities, in order to provide such receipts, must apply for tax status as charitable organizations and be registered with the Charitable and

Nonprofit Sector section of Revenue Canada. A distinction is made between two kinds of charities—those which deliver services (charitable organizations) and those which donate funds to charitable organizations (charitable foundations). Each must abide by different rules for disbursement of its revenues.⁴² One important change made by the government in 1977 was to require all charitable organizations to disclose basic information about their total receipts and disbursements. At present they must also provide details about their sources of revenue, expenditures, liabilities and debts, and the donations and grants made during the previous year. If charities fail to meet disbursement requirements then they can lose their charitable status and be held liable for tax on their revenues. However, most of the regulatory activity has focused on ensuring that new applicants meet the criteria for status as charitable organizations and there is no provision for any assessment of whether there is a pressing need for the proposed charitable activity.⁴³

The role of Canadian governments in encouraging private support for public goods has not been confined to tax expenditures and regulation. Many departments at all levels of government directly support the activities of charitable and nonprofit organizations with subsidies and grants to cover research, operating expenses, and in some cases, nonpartisan advocacy. Indeed, sometimes nonprofit or charitable organizations must be established for a group to be eligible to receive funding support. Moreover, the federal government, through the Secretary of State's Voluntary Action Directorate, has nurtured organizations and research which seek to strengthen the charitable, voluntary, and nonprofit sectors.⁴⁴ It has acted as a catalyst within the government, encouraging Revenue Canada and Statistics Canada to produce, or make available, better data on the charitable sector. It was also instrumental in the creation of the National Advisory Council on Volunteerism in 1974, and since that time has supported its growth into the Coalition National of Voluntary Organizations with a membership of approximately 150. This approach has contributed to considerably greater knowledge about donation behaviour and perhaps to improved giving, but it has not led to a better understanding of how well all of this activity meets pressing societal needs. The Department does, however, offer support to organizations undertaking specific projects and these grants are consequently more targeted. The Department of the Secretary of State, and its stepchild, the Department of Multiculturalism and Citizenship, not only provide grants to over 3000 organizations but have also encouraged the formation of organizations which foster citizenship and improve the participation of under-represented groups in Canadian society.⁴⁵

However, the government now believes that many groups have become overly reliant on government for their core funding (and, no doubt, there is some chagrin that government has been sponsoring its own critics). The argument is that, since many of these organizations have been in existence for many years,

they should have been able to secure other sources of financial support. While withdrawing its support for operating expenses of, for example, native and womens' groups, the federal government now wants to provide funding to these groups through grants for specific projects.⁴⁶ The problem with the shift from operating subsidies to project grants is that elected and appointed officials may unduly shape the agenda of the organizations undertaking the projects. (That, of course, may be the point of the exercise.) Since it is unrealistic to believe that other sources will move into the void, there is a strong case to be made for governments to continue providing operating subsidies to underwrite the maintenance of organizational infrastructure while relying instead on private donors to sponsor special projects. This would ensure that fickle private agendas are unlikely to lead to the demise of useful charities, and that the financial risk and responsibility of funding projects are more widely spread.

The attitude of Canadian governments towards philanthropy is mixed. On the one hand, current taxation and regulatory regimes encourage any kind of charitable activity within very broad parameters, i.e., they support the overall laissez-faire tendency in the voluntary sector. There is a loose link between encouraging giving and directing, as far as is possible, funding and the creation of new charities to address real societal need. There is no restriction, based on an assessment of societal needs, on the kind of activity that should be undertaken. On the other hand, all governments use subsidies to influence a significant percentage of nonprofit and charitable organizations. This policy instrument can be used to encourage and direct activity towards real needs, but it can also be manipulated to achieve political ends. However, when governments are viewed in aggregate, there has not been a wholesale abrogation of responsibility for public goods, despite shifts in the way the federal government supports charitable groups and widespread retrenchment at all levels of government. Indeed, it seems governments have *not* been persuaded, when considering the full range of public goods, that private donors and providers can assume substantially more responsibility. The question for elected and appointed officials remains: how can governments be assured that a more heterogeneous set of players will effectively allocate and deliver public goods?

Articulating Needs: Organization of the Voluntary Sector

A deteriorating economy and resistance to higher taxation have meant that there are increasingly fewer private and public sector resources to support an increasing number of causes and organizations. The economic environment which has wreaked so much havoc on the corporate and government sectors is also having a profound impact on voluntary organizations. Jacquelyn (Wolf) Scott has described the current environment of the voluntary sector as "turbulent"⁴⁷ and a "sector in crisis."⁴⁸ She observed that members of the Coalition of National Voluntary Organizations (NVO) are worried about: inadequate and unstable sources of funding; diversion of too much energy towards seeking

funds; less receptive attitudes on the part of governments and the public; and broad shifts in the economic environment.⁴⁹ As noted earlier, these developments point to increasing pressure on individual, corporate, and foundation donors. If all causes seem important, how will private donors choose? How will they know if the need they are addressing is really pressing?

This problem, of course, is not new. An important motivation for the creation of the Community Chest (now United Way of Canada/Centraide) in the 1930s was to reduce the complexity of interaction between donors and claimants as well as to reduce proliferating appeals and provide the benefit of economies of scale. IDPAR pursues more or less the same ends for its members by providing a clearinghouse for information about the major capital campaigns of hospitals and universities. However, it is important to emphasize that IDPAR does not rank or indicate needs priorities⁵⁰ and the problem of matching the needs of various groups to those willing to support worthy causes has increased in scale and urgency as economic pressures have mounted.

United Way/Centraide both collects and distributes funds among many different organizations. With organizations in 120 Canadian communities United Way/Centraide has an understanding of local needs unequalled outside religious groups. However, it is a very decentralized organization with a complicated set of structures and methods for addressing national and regional responsibilities. Research is often undertaken at the local level in co-operation with local planning councils.⁵¹ The problem with these arrangements is that the data and research findings are not readily available to individuals, corporations, and foundations not involved in United Way/Centraide efforts.

The other potential source of leadership and information about needs would appear to be the Coalition of National Voluntary Organizations (NVO). Formed in 1974, NVO is comprised of 150 of Canada's leading voluntary organizations. In many ways, however, NVO encapsulates the larger voluntary sector's problems. Until recently, it had little organizational capacity and autonomy, operating with virtually no staff and making decisions on a consensual basis. Nevertheless it was able to mount an effective lobbying effort to have federal tax policy on charitable donations changed from deductions (including a standard deduction) to the present system of tax credits.⁵² NVO has recently sought to be more of a force in the charitable sector and to establish stronger links with the federal government. Accordingly, it has started to institutionalize by securing charitable status, appointing a formal board of directors, and working to develop a strategic orientation and a research capacity.⁵³ Wolf reports that members are willing to reorganize to overcome their difficulties. The most favoured strategies were to increase NVO's lobbying efforts to governments, to develop a higher public profile by getting involved in public education about the importance of the charitable sector, and to improve NVO's internal organization.⁵⁴ Nevertheless those interviewed were

unwilling to submit to binding policies or actions supported by a stronger NVO and were not willing to devote more than a very small portion, if any, of their budgets, to supporting an enhanced role for the organization.⁵⁵ To this author's knowledge, the organization has never attempted systematically to canvass its members about their particular funding needs and then to set out priorities and strategic plans for each sector. To plan and set priorities is to make choices, and perhaps this is too much to expect of any affinity organization with broad and diverse membership.

While the voluntary sector has been comfortable with a *laissez-faire* approach, it has not been able to deal effectively with the increased demands of its clients and a tighter fiscal environment. Governments have also been reluctant to develop a guiding sectoral vision. Political scientists who study the structure and dynamics of policy communities would term this a "pressure pluralist" network with little capacity to respond to the long-term challenges confronting the sector, i.e., neither government nor various societal actors are well-organized or co-ordinated; they tend to worry about their own immediate survival; and they have little capacity to produce a plan or a vision of where their sector should be going or for sector-wide thinking about the financing and delivery of public goods. Such a network structure does not present problems when the economies and politics of a sector are stable, but it does present grave difficulties during a time of sustained crisis when innovation becomes essential.⁵⁶ Nevertheless it is worth noting that Wolf observed that NVO members were willing to consider, at least in principle, increased "sector-wide" action.⁵⁷ This is consistent with the conclusion of political scientists that crisis often motivates such networks to become better organized.

From Crisis to Opportunity: A Sectoral Approach

As economic turbulence buffets our country, governments are cutting or reducing staff and programs and the private sector is undergoing considerable restructuring. Canada itself is in the midst of being rethought and reconfigured. We face the prospect of having to lower our expectations and our standard of living and change our practices. Like the other sectors, the voluntary sector must begin to position itself to thrive in a different environment. As David Baker has observed:

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 becomes 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 served?⁵⁸

To be fair, changing the criteria for boards and staff is simply one way of responding to emerging realities. We have already argued that adopting a social charter will not solve these problems—it will not deal with the organizational weakness of a laissez-faire, pressure pluralist network. All signs indicate that a greater degree of co-ordination and collaboration will be necessary and, even though charitable and voluntary organizations have evinced little interest in doing so, it is essential that their attitudes start changing immediately.

Seeking to develop a more effective type of organizational response, I find two points of departure, each with its own problem to overcome. First, we need to create organizations with the capacity to identify societal needs and to evaluate how well charities, government and other organizations are providing public goods. As John Gregory has noted, “many Canadians have felt a need for some kind of central clearinghouse of information, or a screening agency, to sort out the genuine from the fake and the well-run from the inefficient, and to make this information available to the public.”⁵⁹ David Baker concurs, observing that “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”.⁶⁰ There are pitfalls. Gregory has expressed his concern that the Charities Review Board of Toronto’s Better Business Bureau, though a step in the right direction, is not providing impeccable information on charities.⁶¹ Indeed, Gregory also argues that “the charities field becomes simply too confusing for people to keep track of. Potential donors—and not just individual donors—and volunteers do not know who is doing what, and how well.”⁶² How are we to overcome the reality that it is next to impossible to track well over 60,000 charitable organizations and the full range of public goods delivered by governments?

The second consideration is that, in my view, a successful drive to increase private support for public goods is impossible unless supported by a strong sense of community. One problem is that we have come to expect that public goods will be supplied by an “impersonal” system. This militates against developing a stronger sense of community and greater support for public goods, since donors and taxpayers rarely see their contributions at work. Indeed, although we have come to expect that the “system” will take care of us, unless we receive direct benefits from it, we begin to doubt its efficacy and merits. Many of us call for reductions in government and lower taxation while insisting that our governments retain programs providing what we regard as “essential” public goods. This sort of illogical thinking will not solve the crisis. If we want to bypass or supplement government in order to provide public goods and engender community, then we need to begin developing a culture that supports such activity and generates the wealth to do so.

In my view the only way to deal effectively with the current crisis is to view it as an opportunity to do things differently, no matter what pain is involved or

the extent of the departure from current practices. It would be most productive for voluntary sector representatives to begin thinking about these issues in terms of the broad public goods sectors delineated at the outset of this paper: education, health, religion, welfare, culture, the environment, and research and development. One broad sector such as education could then be identified and assessment of needs throughout the sector could be made. At the same time, it would be necessary to develop an inventory of the roles and competencies of individuals, corporations, foundations, governments, and voluntary organizations in the sector.⁶³ With this information it would be possible to determine what kind of activities are best undertaken by different organizations, and what sort of charitable giving is best designed to fill critical gaps.

This approach is being widely touted in the political science literature. In their efforts to understand complex policy sectors, political scientists have determined, first, that it is no longer productive to examine the behaviour and influence of different policy actors in isolation from the larger policy communities of which they are a part, and second, that it is not useful to generalize across different policy sectors because their issues, organization, and character may differ markedly.⁶⁴ In other words, certain patterns in public goods provision that are appropriate for one sector may not work in another.

How does this sectoral approach address productively the problems of cultivating community and embracing diversity in extant communities? Richard Scott and John Meyer have shown how to analyze local communities in the context of a complex modern organizational society, with all its horizontal and vertical linkages exacerbated in federal systems like those of Canada and the United States.⁶⁵ For the purposes of analysis, they believe that it is best to identify broad “societal” sectors, similar to those identified above, which include all of the relevant interrelationships between actors engaged in similar kinds of activities. The implication is that it is then possible to work down to the different communities which comprise the sector at the national, provincial, regional, and local levels,⁶⁶ and then branch out to consider the interrelationships between government, voluntary, and private sector actors at each level, as well as the smaller divisions into religious, ethnic, and professional communities. While acknowledging the current and potential niches of different actors with respect to the provision of public goods in the latter, the analysis of this capacity must always be situated within the larger sectoral context.

To encourage this process, we need to establish permanent forums where continuing research and ideas can be exchanged by all stakeholders in the voluntary sector. This requires more than simply organizing regular conferences: we need to create several independent research organizations that will focus on different sectors. These “sectoral institutes” would have two functions: one would be to undertake the sectoral needs assessments and the other would be to evaluate the performance of organizations that deliver public

goods. Indeed, if a sector is too large and complex, it may be better to establish separate institutes for each function. Depending on the sector, the institutes would receive funding from some combination of government, foundation, and corporate support. Some members of the voluntary sector may fear that adopting a sectoral perspective implies relinquishing a commitment to the voluntary sector, but that is not the goal. Indeed, one critical locus for learning should be across sectors through traditional voluntary networks, to compare what works and does not work in different sectors.

Some might argue that these monitoring and needs-assessment functions should be taken up by existing organizations like The Canadian Centre for Philanthropy or the United Way/Centraide. However, it is important to bear in mind the recent experience of Pollution Probe when it attempted to work with Loblaws to identify products that were environmentally friendly. Many in the environmental movement felt that it was inappropriate for Pollution Probe to work co-operatively with organizations it had previously criticized, that there was potential for conflict-of-interest situations to arise, and that Pollution Probe might be co-opted by Loblaws or other companies. In the end, following the resignation of the director of Pollution Probe, a separate organizational entity was established to undertake this review function. The lesson for charities and the voluntary sector is that it would be inappropriate for organizations devoted to either increasing giving or allocating funds to take up these new responsibilities. Rather, new and independent organizations should be established, whose only tasks would be to evaluate needs and performance.

Many readers are likely to argue that a sectoral approach is too “rationalistic”, smacking of the planning mentality of the late 1960s and early 1970s and perhaps serving to stifle the freedom to take up new or unpopular causes that can make philanthropy an important vehicle for social innovation. These are important considerations. It is essential to strike a balance between providing direction and encouraging innovation. Co-ordination need not occur only through state direction but can also be achieved by means of continuing dialogue and the exchange of information.⁶⁷ It would undoubtedly be counter-productive to assault directly the laissez-faire culture of the voluntary sector; however, sectoral frameworks would provide more information to individuals, corporations, and foundations who, though not bound to stay within the frameworks, would nevertheless have considerable incentive to fill the critical gaps which have been identified. Information about larger social needs, when combined with moral suasion and a genuine desire to do the most good, should be a powerful inducement to change giving patterns.

Concluding Remarks: Next Steps

The laissez-faire approach to private support of public goods is not serving Canada well. The previous section sets out a vision of how the voluntary sector

could reorganize itself to address its challenges along sectoral lines. But it is not realistic to presume that the leadership and appropriate institutions could be quickly put in place. I would like to suggest that the best way to begin would be for key actors—such as the Secretary of State Canada, the Coalition of National Voluntary Organizations, The Canadian Centre for Philanthropy, IDPAR, the Canadian Association of Foundations, and the United Way/Centraide—to sponsor jointly a series of modest research conferences to begin exploring these ideas and workable institutional arrangements. It would be best to limit the conferences to particular sectors, thereby increasing the probability that informed discussions and concrete proposals would emerge. Given the breadth of the proposed exercise, it might be advisable first to proceed with pilot projects in only one or two sectors on an experimental basis. This would reduce the costs of change and allow the more broadly based sponsors to focus their energies and ensure success.

While many observers have stressed the theme of crisis in the voluntary sector, the very constitutional and economic uncertainties causing the crisis are also providing great possibilities for change. Canadians have positive attitudes towards charities and giving.⁶⁸ Survey data show that individuals and corporations alike do not equate increased charitable giving with reduced government support for public goods.⁶⁹ We are, therefore, not involved in a zero-sum exercise. As a society, regardless of our national track record or even whether Canada remains intact, we have an extraordinary opportunity to set out on a new path, finding new ways to build community and to improve our levels of support for public goods.

FOOTNOTES

1. Research support for this paper came from the Institute for Research on Public Policy and the Secretary of State Canada. The views contained in this paper do not reflect in any way those of the Institute for Research on Public Policy or the Secretary of State. I would like to thank Allan Arlett, John Gregory, Barry Kaplan, Steven Rosell, and Jacquelyn (Wolf) Scott for their support and comments. I would also like to thank those who agreed to interviews when the initial research was undertaken.
2. Government of Ontario. Ministry of Intergovernmental Affairs. *A Canadian Social Charter: Making Our Shared Values Stronger* (Toronto: September, 1991).
3. See P.H. Russell, "The First Three Years in Charterland", *Canadian Public Administration* #28, No.3, pp.367-96.
4. In June 1989, the Institute for Research on Public Policy and the Public Policy Forum sponsored a conference on how to strengthen policy research organizations and thereby improve the policy process. Calls for increased private sector funding were met with a plea by one participant to recognize that corporations were already inundated with requests from hundreds of worthy causes. This led to a spirited debate on the state of individual, corporate, and foundation philanthropy in Canada. With the support of the Secretary of State Canada, IRPP organized a second conference on "Private Support for Public Goods" on October 18-19, 1990 at the Guildwood Inn in Scarborough, Ontario.

(Key recommendations were reported in E.A. Lindquist, "Agenda for Change," (1991), 10 *Philanthrop.* No.4, pp.49-50.) I produced a background paper for the roundtable and this article is a complete reworking of that paper—it is now a far more personal reflection and polemic, treats several themes that were only implicit, and leaves out details that should be familiar to readers of *The Philanthropist*. The views contained in this article are my own and should not be construed as those of participants at either roundtable.

5. See S.A. Martin, *An Essential Grace: Funding Canada's Health Care, Education, Welfare, Religion and Culture* (Toronto: McClelland and Stewart, 1984), and *Financing Humanistic Service* (Toronto: McClelland and Stewart, 1975).
6. *Ibid.* Martin estimated that public goods or humanistic services accounted for roughly *one third* of Canada's GNP in 1984. This figure encompasses both vast government expenditures and private charitable activity. These estimates are coarse, but they do provide a good sense of the importance of human services in our society. Another indicator is the number of charitable organizations, since they deliver a substantial portion of public goods. In January 1992, Revenue Canada reported that there were over 66,000 registered charitable organizations. There has been a steady increase in the number of charities—about 2000 per year. A study from the Secretary of State's Voluntary Action Directorate suggests that there are as many nonprofit organizations as charitable organizations, with many of the former also heavily involved in the provision of public goods. Moreover, it has been estimated that in 1980 when there were 40,000 charities, they collectively received over \$5.8 billion in funding, equivalent to about 11 per cent of federal government revenues. See D.P. Ross, *Some Financial and Economic Dimensions of Registered Charities and Volunteer Activity in Canada* (Ottawa: Secretary of State, January 1983).
7. See J.F. Due and A.F. Friedlander on "Pure Public Goods" in *Government Finance: Economics of the Public Sector*, Sixth Ed. (Homewood, Ill., Irwin, 1977), pp.22-55. There is also an intermediate set of goods, commonly called "quasi-public or club goods", which individuals and organizations cannot consume unless they contribute to their production. See T. Sandler and J.T. Tschirhart, "The Economic Theory of Clubs: An Evaluative Survey", *Journal of Economic Literature* 18 (1980), pp.1481-1521.
8. For one attempt, see G.S. Becker, "Altruism, Egoism, and Genetic Fitness: Economics and Sociobiology" in *The Economic Approach to Human Behavior* (Chicago: University of Chicago Press, 1976), pp.282-294.
9. R.N. Bellah, R. Madsen, W.M. Sullivan, A. Swidler, and S. Tipton, *Habits of the Heart: Individualism and Commitment in American Life* (Berkeley: University of California Press, 1985).
10. See M. Ignatieff, *The Needs of Strangers: An Essay on Privacy, Solidarity, and the Politics of Being Human* (Markham: Viking Penguin, 1987).
11. Much of the evidence for this statement is indirect. Many taxpayers state that tax considerations are *not* an important factor in donation decisions because they are not aware of the benefits. A large proportion of individual giving and voluntary activity is related to religious causes (75%) and it is reasonable to associate this with community-building. When individuals were asked why they volunteered, almost all the respondents said they wanted, first, to help others, and second, to help make their communities a better place. With respect to corporate giving, a Decima survey showed that the vast majority of corporate leaders (over 90%) believed that companies have a responsibility to give and should be encouraged to do so. See A. Arlett, P. Bell, and R.W. Thompson, *Canada Gives: Trends and Attitudes Towards Charitable Giving and Voluntarism* (Toronto: The Canadian Centre for Philanthropy, 1988). The precise motivations for corporate giving are not

- clear, but depending on the firm, local community or industry practices may be influential. See V. Murray and P. Bell, "Making Corporate Donations Decisions", (1990), 9 *Philanthrop.* No.1, pp.43-64. The analysis of a recent survey concluded that "Although Canadians generally don't seem to link together perceptions of social problems and quality of social programs, it is clear that many want to help the community". See "Appendix E: IMAGINE Survey" in The Canadian Centre for Philanthropy, *Law, Tax and Charities: The Legislative and Regulatory Environment for Charitable Non-profit Organizations* (Toronto: The Canadian Centre for Philanthropy, 1990), p.124.
12. J. Wong, "Philanthropy and The 'New Canada': The Response of the United Way of Greater Toronto", (1991), 10 *Philanthrop.* No.1, p.21.
 13. Individuals and corporations also donate equipment, furniture, clothing, etc., to charities and other causes—donations which are usually not reported.
 14. See Martin, *An Essential Grace*, *supra*, footnote 5. The 1984 GNP figures were obtained from Table C-1 in W.I. Gillespie, *Tax, Borrow and Spend: Financing Federal Spending in Canada, 1867-1990* (Ottawa: Carleton University Press, 1991), p.283.
 15. *Canada Gives*, *supra*, footnote 11.
 16. Department of the Secretary of State, Voluntary Action Directorate, *Donations To Registered Charities: Revenue Canada Taxation Data for 1986* (Ottawa: Secretary of State, March 1989). While a Decima survey indicates that just under half of all Canadians gave to religious organizations in 1987, religious organizations receive more than three times the support of other causes. (See *Canada Gives*, *supra*, footnote 11, p.83.)
 17. See *Canada Gives*, *supra*, footnote 11. Interestingly, the Institute for Donations and Public Affairs Research (IDPAR) reports that roughly one third of corporate donations are accounted for by the 180 corporations it surveys, and in turn, that its "top ten" corporations accounted for \$33 in donations in 1987. If the total contributions of all Canadian corporations is indeed \$327 million, this suggests that the top 10 Canadian corporations are shouldering the responsibility for 10% of total corporate giving. See Institute for Donations and Public Affairs Research, *Report of the President for 1989* (Montreal: Institute for Donations and Public Affairs Research, 1989); *Corporate Giving in Canada 1988: Policies and Practices* (Montreal: Institute for Donations and Public Affairs Research, 1989); and *Corporate Giving in Canada, 1988 Tables and Commentary* (Montreal: Institute for Donations and Public Affairs Research, 1989).
 18. From a survey of senior executives of 134 large and 228 small corporations conducted for The Canadian Centre for Philanthropy in the fall of 1987. See *Canada Gives*, *supra*, footnote 11, p.105. IDPAR's annual report on corporate giving shows that its members donated in the following proportions; health and welfare (42%); education (27%); culture (14%); civic causes (7%); national athletic organizations (2%). Unlike individual givers, corporations rarely give to religious causes. Across all sectors, capital grants account for almost 29% of corporate donations. IDPAR figures have remained stable over the years. See *Corporate Giving in Canada, 1988*, *supra*, footnote 17.
 19. *Canada Gives*, *supra*, footnote 11.
 20. See "Appendix E: IMAGINE Survey", *supra*, footnote 11, p.122.
 21. See K.D. Hart, *Employee Volunteerism: Employee Practices and Policies* (Ottawa: Conference Board of Canada, 1986). IDPAR reports that 41% of its members had a formal or informal policy of encouraging volunteerism in 1988 (the equivalent number for 1987 was 15%). See *Corporate Giving in Canada, 1988*, *supra*, footnote 17. The Canadian

- Centre for Philanthropy reports that 84% of big companies are supportive of voluntarism. See *Canada Gives*, *supra*, footnote 11, p.113.
22. *Ibid.*, *Canada Gives*.
 23. *Ibid.*, *Employee Volunteerism*, p.5.
 24. *Ibid.*, pp.6-7.
 25. Arlett reported a drop from 1% in 1960 to 0.5% of pretax profits in 1987 and that corporate donations have dropped 40% in real terms, although support for volunteerism (84%) remained high. See A. Arlett (1989), "Public Awareness of Programs for Philanthropy", 8 *Philanthrop.* No.1, pp.3-30.
 26. See A. Arlett, "Corporate Giving: Why Non-Profits Are Vulnerable", (1989), 8 *Philanthrop.* No.4, pp.3-16.
 27. See A. Arlett, "Profile of Canadian Foundations" in The Canadian Centre for Philanthropy, *Canadian Directory to Foundations, Ninth Edition, 1991* (Toronto: The Canadian Centre for Philanthropy, 1991), pp.iv-xv. The overwhelming majority of Canadian foundations (90%) are family foundations and they include 43 of the largest 50 foundations. Additionally, there are 29 community foundations, 21 corporate foundations, 10 special interest foundations, and four government foundations.
 28. See *Canada Gives, 1988, supra*, footnote 11, p.43.
 29. *Supra*, footnote 27.
 30. N. Gilbert, "Social Investing: Using Capital to Promote Foundation Goals", (1989), 8 *Philanthrop.* No.2, p.32.
 31. B. Wilson, "The Shifting Sands in Foundation Philanthropy", (1991), 10 *Philanthrop.* No.4, pp.35-41.
 32. *Canada Gives, supra*, footnote 11.
 33. The purpose of the IMAGINE Campaign, an initiative of The Canadian Centre for Philanthropy, is "to encourage the giving of time and money by Canadian individuals and corporations to charitable causes through a national public awareness campaign". Launched in 1988, it has specific goals of increasing the personal donations of Canadians to 1% of personal income by 1993 (up from .77% in 1985) and increasing the corporate donations of Canadian companies to 1% of profits before tax. The strategy is to use different types of advertising to reach both individuals and corporate leaders, and also to have the leaders of "caring corporations" approach other corporate leaders on a selective basis. Funding to support the five-year program (\$9.5 million) has come from corporations, foundations, charitable and nonprofit organizations, as well as federal and provincial governments. (*Supra*, footnote 25.)
 34. Good examples include the article by V. Murray and P. Bell, "Making Corporate Decisions", (1990), 9 *Philanthrop.* No.1, pp.43-64; and the *Canada Gives* study which reported the results of three different research efforts. The Canadian Centre for Philanthropy has also produced successive editions of the *Directory to Foundations* and the *Donor's Guide*, and guides to the legislative and regulatory framework. Much of this research was commissioned to inform the marketing strategy behind the IMAGINE Campaign.
 35. See *Corporate Giving in Canada, 1989, supra*, footnote 17.
 36. "Appendix E: IMAGINE Survey", *supra*, footnote 11, pp.124-25.

37. D. Baker, "Rethinking Charity: What Do We Owe Each Other?", (1991), 10 *Philanthrop.* No.1, p.35.
38. *Ibid.*, p.34.
39. A. Broadbent, "The Accountability of Foundations", (1990), 9 *Philanthrop.* No.1, p.33.
40. The best known effort has been launched by the federal government. See *Public Service 2000: The Renewal of the Public Service of Canada* (Ottawa: Supply and Services, 1990). Similar efforts are now underway in many provincial and municipal governments.
41. Taxpayers now receive a tax credit of 17% of the first \$250 of donations and 29% on further donations until a threshold of 20% of taxable income is reached. [For a critical look at the tax credit system see Mark Hughes, "Unmasking the Two-Tier Tax Credit System", (1988), 8 *Philanthrop.* No.2, pp.16-31.]
42. In 1976 foundations were required to disburse 90% of net income while charitable organizations had to disburse 80% of gifts received during the previous year. The federal government tried to tighten the disbursement requirements for foundations to increase the flow of giving, to reduce tax avoidance between charities, and to prevent self-dealing through charities as part of its broad, ill-fated attempt at tax reform in November 1981. After some fierce lobbying by the Association for Canadian Foundations and The Canadian Centre for Philanthropy, the disbursement requirement for foundations was set at 4.5% of invested capital per year.
43. Aside from the random sampling techniques used to monitor all Canadian tax-paying entities (not just charitable organizations), Revenue Canada essentially adopts a reactive stance in tracking the activities of charitable organizations: Department officials undertake audits only if a complaint has been received or a flagrant violation such as the use of funds openly to support a political party is observed. Otherwise, little attention is focused on whether or not charitable organizations behave in a manner consistent with their stated objectives. Given the number of charitable organizations in Canada, and the limited resources of Revenue Canada, this seems a reasonable strategy.
44. The Directorate has underwritten numerous research efforts outside the government—it is difficult to read a study which explores voluntary action or charitable giving that has not received some support from the Secretary of State. The Department has sponsored activities like the conference on "Managing Voluntary Organizations: An Agenda for the Future" at York University and generously provided a grant for the IMAGINE Campaign, run under the auspices of The Canadian Centre for Philanthropy. It also provided substantial seed money to support the first phase of the Centre's new research plan for the 1990s, for which it has received a \$100,000 grant from the Secretary of State to hire a full-time research director and launch the program—on the understanding that the remaining funding be raised from other sources.
45. See S.D. Phillips, "How Ottawa Blends: Shifting Government Relationships with Interest Groups" in F. Abele (ed.), *How Ottawa Spends: The Politics of Fragmentation, 1991-92* (Ottawa: Carleton University Press, 1991), p.199.
46. *Ibid.*, pp.193-227.
47. See J.T. (Wolf) Scott, *Voluntary Sector in Crisis: Canada's Changing Public Philosophy of the State and Its Impact on Voluntary, Charitable Organizations*, (unpublished dissertation, Graduate School of Public Affairs, University of Colorado, 1992), p.241 (4th draft).
48. J.T. Wolf, "Issues, Priorities and Structure of the Canadian Voluntary Sector", (1991), 10 *Philanthrop.* No.1, p.13.

49. *Ibid.*, pp.8-9.
50. The Institute for Donations and Public Affairs Research (IDPAR) was established in Montreal in 1976 to provide members with data on the patterns in giving by Canadian corporations, to check the charitable status of organizations for members, and to conduct research on a selective basis in response to requests of members. It produces an annual listing, in co-operation with the Canadian Hospital Association and the Association of Universities and Colleges of Canada, of all the major hospital and university fund-raising campaigns anticipated during the next year. Since this research is underwritten by IDPAR members, the information is not available to the public.
51. The important exception to this rule is the fact that the national office handles issues involving federal government policies. To perform this function the national office, following consultation with members, will make representations on behalf of all.
52. This began as a grassroots campaign organized by NVO to change the *Income Tax Act* so that lower-income taxpayers would have the same incentives and receive the same tax rewards for their donations (when they gave the same amount) as higher-income donors. The campaign was eventually successful. The federal government first eliminated the standard deduction in 1983 and later introduced a two-stage tax credit in 1987.
53. NVO recently sponsored three studies: one focuses on improving the bilingual capacities of voluntary organizations; another examines the U.S. experience with check-off provisions and different administrative arrangements; the third involves monitoring the implementation and impact of the Goods and Services Tax on voluntary organizations.
54. *Supra*, footnote 48, pp.11-13.
55. *Ibid.*, p.12.
56. See M.M. Atkinson and W.D. Coleman, *The State, Business, and Industrial Change in Canada* (Toronto: University of Toronto Press, 1989); and E.A. Lindquist, "Public Managers and Policy Communities: Learning to meet New Challenges", *Canadian Public Administration* 35, No.2 (Summer 1992), forthcoming. J.T. (Wolf) Scott has attempted to apply this literature to the voluntary sector, but arrives at different conclusions. See "Conclusions and Implications" in *Voluntary Sector in Crisis*, *supra*, footnote 47, pp.310-312, and 334.
57. *Supra*, footnote 48, pp.11-12.
58. D. Baker, "Rethinking Charity: What do We Owe Each Other?", (1991), 10 *Philanthrop.*, No.1, p.35.
59. J.D. Gregory, "Evaluating Charities: The Better Business Bureau", (1991), 10 *Philanthrop.*, No.3, p.25.
60. *Supra*, footnote 58, p.34.
61. *Supra*, footnote 59, pp.25-28.
62. *Ibid.*, p.25.
63. Gunnar Folke Schuppert has made a similar argument, although not in a sectoral context. See "State, Market, Third Sector: Problems of Organizational Choice in the Delivery of Public Services", *The Nonprofit and Voluntary Sector Quarterly* 20, No.2 (Summer 1991), pp.123-136.
64. See Atkinson and Coleman, and Lindquist, *supra*, footnote 56, and W.D. Coleman and G. Skogstad (eds.), *Policy Communities and Public Policy in Canada: A Structural Approach* (Mississauga: Copp Clark Pitman, 1990).

65. See W.R. Scott and J.W. Meyer, "The Organization of Societal Sectors: Propositions and Early Evidence" in W.W. Powell and P.J. Dimaggio (eds.), *The New Institutionalism in Organizational Analysis* (Chicago: University of Chicago Press, 1991), pp.63-82.
66. Indeed, in some sectors, it may make far more sense to proceed with institutions at the provincial or regional level.
67. See D. Chishom. *Coordination Without Hierarchy: Informal Structures in Multi-organizational Systems* (Berkeley: University of California Press, 1989).
68. It was recently reported that more Canadians in 1989 (45%) than in 1987 (38%) believe "a new, more caring generation [is] emerging." See "Appendix E: IMAGINE Survey", *supra*, footnote 11, p.125.
69. See "Canada Gives", *supra*, footnote 11, p.71.