

The Incorporation of Philanthropy: Negotiating Tensions Between Capitalism and Altruism in Twentieth Century Canada

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Résumé de l'article

À travers l'étude du mécénat d'entreprise en période de concentration accrue de capitaux, cet article montre comment la transformation de l'attitude des milieux d'affaires face aux dons de bienfaisance reflète des transformations plus vastes du capitalisme et de l'organisation des entreprises ainsi que la migration ultérieure de ces structures et mentalités vers le secteur de la charité. Au cours d'une première étape, au tournant du siècle dernier, les pratiques de mécénat commencent à se structurer en fonction de modèles d'entreprise ou de modèles professionnels, les attentes voulant dorénavant que les oeuvres de bienfaisance soient à la fois bien gérées, responsables sur le plan financier et scientifiquement rigoureuses. Après la guerre, l'adoption de normes philanthropiques au sein du capitalisme accompagne l'expansion du pouvoir des entreprises. À cette époque, la logique de l'investissement s'intensifie et devient de plus en plus explicite. Des programmes de dons sont élaborés, de façon stratégique, pour leur aptitude à bénéficier aux entreprises et à la collectivité. De pratique discrétionnaire, le mécénat d'entreprise évolue dans le sens de la pratique attendue, servant par le fait même de témoignage visible de l'engagement du secteur des affaires à l'endroit de la responsabilité sociale.

The Incorporation of Philanthropy: Negotiating Tensions Between Capitalism and Altruism in Twentieth Century Canada

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Abstract

Exploring the intersection points of institutionalized philanthropy and the Canadian corporation in periods of rising capital concentration, this paper demonstrates how changes in business approaches to charitable donation mirror larger transformations in corporate capitalism and organization, and the subsequent migration of these structures and mentalities to the charitable sector. In the first phase, at the turn of the last century, philanthropic practices came to be structured along corporate/professional models, with a new insistence that charities be well managed, fiscally responsible, and scientific in approach. In the postwar period, the expansion of corporate power was accompanied by the incorporation of philanthropic norms within capitalism. During this period, the logic of investment intensified and became increasingly explicit. Programs of donations were developed strategically for their potential to benefit business as well as the community. Corporate philanthropy evolved from a discretionary to an expected practice, offering visible testimony of business commitment to social responsibility.

Résumé

À travers l'étude du mécénat d'entreprise en période de concentration accrue de capitaux, cet article montre comment la transformation de l'attitude des milieux d'affaires face aux dons de bienfaisance reflète des transformations plus vastes du capitalisme et de l'organisation des entreprises ainsi que la migration ultérieure de ces structures et mentalités vers le secteur de la charité. Au cours d'une première étape, au tournant du siècle dernier, les pratiques de mécénat commencent à se structurer en fonction de modèles d'entreprise ou de modèles professionnels, les attentes voulant dorénavant que les œuvres de bienfaisance soient à la fois bien gérées, responsables sur le plan financier et scientifiquement rigoureuses. Après la guerre, l'adoption de normes philanthropiques au sein du capitalisme accompagne l'expansion du pouvoir des entreprises. À cette époque, la logique de l'investissement s'intensifie et devient

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How is it that practices associated with the gift and the sacrifice, the possibility of honour in present and reward in the afterlife, became embedded in business organizations? In postwar Canada, corporate giving has come to play a major role in sustaining the non-profit sector, exerting influence disproportionate to the amounts involved. Corporate donations are highly visible, concentrated, and, because they are often regarded as a testimony to the worthiness of receiving organizations, can initiate a chain of giving that directs funds toward some causes to the neglect of others.

Giving has become part of what corporations do; however, it is neither obvious nor necessary for businesses to become involved in philanthropy. Indeed, objections to the philanthropic use of profits, rather than their reinvestment in the company or distribution to shareholders continue to be raised. Critics on the left perceive corporate giving as another means by which corporate power influences the social and political order. Critics on the right object that “the business of business is business”: profits belong to shareholders and are not managements’ to give. Social policy and cultural programming, both sides contend, should be left to elected governments and individual agents.

In spite of growing business and academic literature on corporate responsibility and the non-profit sector, very few studies focus specifically on corporate donations, particularly from a Canadian perspective. As Shirley Tillotson recently observed, the political priorities of welfare historians have emphasized programs of income assistance and wealth redistribution rather than the funding of social services.¹ The “main story” has been the rise of the state and the molding of citizens. The most thoughtful studies situate business support for programs of social reform, as well as those for education and culture, in this context.² Voluntary business giving, these scholars propose, may appeal to the ideal of community solidarity, but depends upon inequalities

1 Shirley Tillotson, *Contributing Citizens: Modern Charitable Fundraising and the Making of the Welfare State, 1920–66* (Vancouver: University of British Columbia Press, 2008), 15.

2 These include Jeffrey Brison, *Rockefeller, Carnegie, and Canada: American Philanthropy and the Arts and Letters in Canada* (Montréal and Kingston: McGill-Queen’s University Press, 2005); Alvin Finkel, *Business and Social Reform in the Thirties* (Toronto: James Lorimer, 1979); Tillotson, *Contributing Citizens*; Shirley Tillotson, “A New Taxpayer for a New State: Charitable Fundraising and the Origins of the Welfare State,” in *The Welfare State in Canada: Past, Present and Future*, eds. P. Bryden R. Blake, and J. F. Strain (Concord: Irwin, 1997); and Mariana Valverde, *The age of light, soap, and water: moral reform in English Canada, 1885–1925* (Toronto: University of Toronto Press, 2008).

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in the distribution of wealth and power, and is embraced as a bulwark against radical change. Canadian business historians, meanwhile, alternately celebrate corporate giving as altruism or regard benevolence as a strategy to avoid unionization.³

American non-profit historian Peter Dobkin Hall asserts that changes in corporate giving practices should not be seen as evolutionary, but as sets of activities that take specific form in time and place, shaped in response to external constraints and opportunities (such as changes in tax law), as well as the changing imperatives of managerial practice and the visions of leaders.⁴ By exploring the intersection points of organized philanthropy and the Canadian corporation in periods of rising capital concentration, this paper demonstrates how changes in business approaches to charitable donation mirror larger transformations in corporate capitalism and organization, and the subsequent migration of these structures and mentalities to the charitable sector.

In the first phase, at the turn of the last century, philanthropic practices came to be structured along corporate/professional models, with a new insistence that charities be well managed, fiscally responsible, and scientific in approach. A second phase, after World War II, saw philanthropic norms embedded within corporate capitalism. Donations programs were brought into the management structure with formal applications processes, administrative mechanisms, selection criteria, and a set funding cycle. Methods of giving broadened to include donations, sponsorships, gifts in kind, cause-related marketing, and organized employee volunteerism. The logic of investment became increasingly explicit, with programs strategically developed to contribute to company profits or offset public relations problems. Corporate philanthropy evolved from a discretionary to an expected practice, offering visible testimony of business commitment to social responsibility.

Stage One — incorporation: to give material form

The transformation of Canada's colonial economy at the turn of the last century is a well known story. Seeking to expand production, control costs, reduce competition, and steady prices, entrepreneurs invested in mechanization and adopted new management techniques. Small proprietary firms began to restruc-

3 See Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland and Stewart, 1987); H.M. Grant, "Solving the Labour Problem at Imperial Oil: Welfare Capitalism in the Canadian Petroleum Industry, 1919-1929," *Labour/Le Travail* 41 (1998); Margaret McCallum, "Corporate Welfarism in Canada, 1919-1939," *Canadian Historical Review* LXXI, no. 1 (1990); Bruce Scott, "A Place in the Sun: The Industrial Council at Massey-Harris, 1919-1929," *Labour/Le Travail* 1 (1976).

4 Peter Dobkin Hall, *Inventing the Nonprofit Sector and Other Essays on Philanthropy, Voluntarism, and Nonprofit Organizations* (Baltimore: John Hopkins University Press, 1992), 13ff.

ture themselves into large, market-dominating corporations through a series of expansions, mergers, and acquisitions. The pursuit of profit through the corporate form separated management from ownership, offering opportunities to increase capitalization and manage risk. The corporate structure, which vested responsibility in a hierarchy of offices rather than individual entrepreneurs, promised to increase the stability and extend the reach of each enterprise.

The shift from small-scale local and regionally oriented organizations to large-scale, national and increasingly formal organizations took place across the traditional boundaries of business, politics, and society. Indeed American economic historian Martin Sklar has urged us to see the rise of the corporation as a social movement rather than simply a change in business strategy, involving the complete system of social relations and corresponding institutions. New practices of philanthropy should be situated within these developments, responding to the values and concerns of rising business elites, middle class managers, and professionals whose interests were broadly aligned with the development of new organizations and bureaucracies.⁵

Forms of giving vary with forms of wealth, and insofar as philanthropy involves the giving of private wealth for public purposes, changes in the distribution of economic power change philanthropic practice.⁶ The corporate reconstruction of capital saturated all social forms; and the organization and purposes of voluntary and benevolent associations were affected by changes in economic organization no less than profit-oriented relationships. As a result, corporate philanthropy exists in a “region of ambiguity.”⁷ Unresolved tensions remain between understandings of business success as the just reward of personal character and moral choice, and those which associate excessive wealth with questionable motives and unbridled appetites.⁸ Although changes in philanthropy promised to reach across class rifts, as well as to forge a community among contributors, the effort to ameliorate distress, although real, was deliberately incomplete.⁹ The function of philanthropy was not to correct

5 This understanding draws upon Martin J. Sklar, *The corporate reconstruction of American capitalism, 1890–1916: the market, the law, and politics* (Cambridge: Cambridge University Press, 1988), and Alan Trachtenberg, *The Incorporation of America: culture and society in the gilded age* (New York: Hill and Wang, 1982).

6 On this theme, see Merle Curti, “The History of American Philanthropy as a Field of Research,” *American Historical Review* 62, no. 2 (January 1957): 354–5.

7 Trachtenberg, 80–1.

8 For example, see John Reade, “Half a Century’s Progress,” *The Canadian Magazine* XVI, no. 3 (January 1901): 324.

9 Donileen Loseke, “‘The Whole Spirit of Modern Philanthropy’: The Construction of the Idea of Charity, 1912–1992,” *Social Problems* 44, no. 4 (November 1997): 436; Scott Shershow, *The Work and The Gift* (Chicago: University of Chicago Press, 2005), 130ff. On the importance of philanthropy as a source of intra-class cohesion, see Francine Ostrower, *Why the Wealthy Give: The Culture of Elite Philanthropy* (Princeton: Princeton University Press, 1997).

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concentrations of wealth and reduce inequality, but rather offered another way to structure it.

There was an undeniable aspect of agency to the restructuring of capital in these years, but to call the men who initiated these changes “millionaires,” “captains of industry,” and “leaders of finance” is also to say something about the structure of wealth creation. They were not aristocrats, farmers, or merchants. Their position was due less to birth or privilege than to their ability to amass surplus wealth in the management of business ventures.¹⁰ They were millionaires, but millionaires in a particular economy, conducting daily business through a growing network of managers, accountants, and business officers. Canada’s most successful financiers and industrialists profited by their ability to mobilize, organize, and incorporate, and these skills began to matter more than thrift, self-reliance, and diligence.¹¹

Defending “the place and function in society of men of great wealth” in 1899, one of Canada’s pre-eminent political economists aligned the rise of the millionaire with the public interest. In a widely read essay, Queen’s University professor Adam Shortt described the corporation as the “economic triumph of man over nature,” able to secure the supply of an increasing number of wants with a decreasing proportion of human effort.¹² The corporate form and the pattern of trust and monopoly that followed, he asserted, whether deliberate or not, were inherently philanthropic, reducing wasteful competition, increasing productivity, and raising standards of living. Shortt’s interpretation was not unique. The productivity increases obtained by large-scale industry and corporate organization were acknowledged and celebrated by many observers at the turn of the century, including social reformers as well as industrial elites.¹³

If some saw the rise of the corporation itself as a benevolent force in Canadian life, others could point to a number of direct links between business power and philanthropy. Most obviously, wealthy businessmen were moving into leadership positions in the community. The corporate business model began to saturate the organizations of civil society, with new leaders transfer-

10 There were between 48 and 60 millionaires in Canada in 1910. Presidents of banking, insurance, and railway companies earned in the range of \$25,000 per year. Directorships and shareholdings at early stages of company development of peers helped to build personal wealth. The absence of taxes for most of this period helped to build wealth rapidly. Bliss, 345. 11 Trachtenberg, 81.

12 Adam Shortt, “In Defense of Millionaires,” *Canadian Magazine* (1899) in *Canadian Political Thought*, ed. H.D. Forbes (Toronto: Oxford University Press, 1987), 170. The article was also discussed in *The Montreal Gazette* (30 September 1899).

13 For example, many addresses to the 1914 Social Service Council Congress made favourable references to the efficiency and productivity of modern industry. See especially Rev. J.W. Aikens, “Jesus Christ and Industry,” *Social Service Council of Canada, Social Service Congress, Ottawa, 1914: Report of addresses and proceedings* (Toronto: The Social Service Council of Canada, 1914), 42–5.

ring their knowledge and expertise, as well as their wealth, to organized philanthropic endeavors. In time, corporations also began to donate money directly to philanthropic causes.

Philanthropy by leaders of finance and industry

Reorganizing the capital structure of business offered several advantages to Canadian entrepreneurs, increasing the liquidity of their wealth, providing income in the form of salary and dividends, and freeing their time from routine concerns, whether on the shop floor or in the front office. As individuals, these men continued to practice traditional modes of charity, giving spontaneously when asked and weekly to the church; however, new patterns of giving were also appearing. Business leaders began to give, not simply as wealthy men, but as wealthy men who represented corporate interests. The many philanthropies of Edmund Walker, general manager and later president of the Bank of Commerce, were recognized as helping “to create a new relationship between the banking profession and the community at large.”¹⁴ Walker’s involvements, which included founding of and leadership positions in the Toronto Board of Trade and the Canadian Bankers’ Association, The Toronto University (chairman of the board), the Royal Ontario Museum, the Art Museum of Toronto, the National Gallery of Art in Ottawa, and memberships in the National Battlefields Commission and the Champlain Society, enabled him to “zealously promote the legitimate interests” of the bank in a variety of social settings. Walker skillfully leveraged the opportunities and connections he made with the Bank of Commerce to raise money for cultural causes he was committed to, and used the network of contacts forged in building these associations and institutions to the benefit of the bank.¹⁵

Walker was unique in his ability to integrate business and philanthropy, and bring old and new money together in the support of common causes; however, the reciprocal relationship between the corporate form and philanthropy was not. Historian Thomas Adams suggests in *Buying Respectability* that aspiring elites were driven by their desire to transform economic capital into social capital.¹⁶ Although insufficient to gain social recognition, business success allowed for philanthropic endeavors that would support claims to social leadership. Adams does not pursue the point; this effort, however, implies a business-like understanding of respectability as something which could be

14 Victor Ross, *A History of the Canadian Bank of Commerce* (Toronto: Oxford University Press, 1922), 101–2.

15 Thomas Adams, *Buying Respectability: Philanthropy and Urban Society in Transnational Perspective, 1840s to 1930s* (Bloomington: Indiana University Press, 2009), 23–6, 113–16.

16 *Ibid.*, 81, 116, 120–1. Adams observes that turn of the century Toronto was different than New York, with too few old money elites to organize and finance the building of civic institutions without financial infusions from social newcomers, 113.

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acquired in a commercial transaction. Incorporation created the opportunity to operate business on vast scale and amass great wealth; philanthropy offered a vehicle for newly wealthy industrialists and entrepreneurs to convert economic standing to social standing. Adams' analysis is somewhat reductive, minimizing other factors including feelings of religious obligation; however, many of the names prominent in philanthropy during this period were those associated with the transformation of the Canadian economy, building fortunes from investments in banking, manufacturing, and the retail trade. Regardless of motivation, they rose from the middle class, often with little formal education, approaching philanthropy with the same methods and attitudes that had made them successful in business.

Industrialist Joseph Flavelle is representative. Although known for his personal "out of pocket" generosity, Flavelle's donations were also guided by series of informal rules modeled on business practice. When considering gifts to the church, for example, he made distinctions between the operating funds needed to conduct regular church business (which he believed should come from the congregation) and funds for special projects such as missions and building campaigns, which might rightly be considered the responsibility of the wealthy.¹⁷ Like many of his peers, he preferred dollar matching the contributions of congregations to outright donations as a means to avoid creating dependency. Supported by an administrative structure, heads of corporations were often generous donors of time as well as money. In spite of his many business interests, Flavelle taught Sunday school, assuming the role of principal and arranging professional development programmes for teachers in what was regarded as the best organized Sunday school in the denomination. Flavelle also took on leadership roles in fund-raising for the Toronto General Hospital and the University of Toronto, marshalling the resources of his business colleagues for important civic causes. Although these campaigns concentrated primarily on personal donations, small contributions arrived from the companies with which Flavelle was involved. Later campaigns, particularly the 1918 effort to reduce the Toronto General Hospital deficit, saw increased corporate contributions.

The event that highlighted Flavelle's evolving experience with corporate philanthropy, however, was not his success but his failure to recognize changing public expectations during World War I. While Flavelle quietly made generous donations to patriotic causes from his personal income, he believed that the profits legitimately earned by business should be retained and reinvested in new plants and equipment to sustain the economy in the postwar era. During the war the William Davies Company, a meat-packing conglomerate of

17 Flavelle remains Canada's best researched millionaire. The details come from Michael Bliss, *A Canadian Millionaire* (Toronto: University of Toronto Press, 1992), 89, 90, 161, 448-9, 356-60.

which Flavelle was president and principle shareholder, insisted on business as usual, and business was very good. Public outrage at high profits might have been offset by patriotic gestures, but in the absence of any direct corporate giving from the company he led, Flavelle was vilified as a profiteer.

At a time when state power was limited, municipalities depended upon business leaders to finance and rally support for many community initiatives. Uncomfortable with a haphazard approach, business donors preferred their philanthropy to be business-like, systematic, and broad-reaching. They did not see philanthropy as a profit-sacrificing venture, but generally understood the growth of civil society, their personal accumulation of social capital, and the growth of business as interrelated.

Philanthropy as Group Action

As businessmen assumed leadership positions in the community, the hallmarks of the corporate form (hierarchical structures of management, centralization and departmentalization, horizontal and vertical expansion, improved planning and co-ordination, expanded capitalization) were transferred to Canada's museums, orchestras, hospitals, and universities, as well as agencies of social reform.

Movements of social reform during the first phase of corporate capitalism have already received attention from Canadian historians. Charity in pre-industrial society has been seen, at least by comparison, as relatively spontaneous, unorganized, and rooted in the obligations of religion and community. Advocates of a modernized philanthropy called for charity to be put on a business-like basis, which they believed would ultimately be successful in removing the causes of poverty. In the past, the giver of charity was not overly concerned if his "gift" was used wisely. The modern philanthropist saw donations as something closer to investments, and sought a return on donations in the form of moral improvement.¹⁸

Convinced that the unsupervised distribution of alms would create dependency, a movement to organize charities appeared in the late nineteenth and early twentieth centuries. Initially, Associated Charities and Charity Organization Societies emphasized "friendly visiting" of the poor by volunteers who would investigate and register each case in order to protect the wealthy from fraud and the needy from pauperization. Personal contact with a positive moral influence was regarded as more important than the distribution of funds.

In the decade after the turn of the century, charity organization entered a

18 On the distinction between charity as gift and philanthropy as investment, see Mariana Valverde, "Moral Capital," *Canadian Journal of Law and Sociology* 9, no. 1. (1994): 221ff; and Alan Kidd, "Philanthropy and the 'social history paradigm'," *Social History* 21, no. 2 (May 1996): 187-8.

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second phase, with businessmen leading city-wide coalitions of charity reform in Winnipeg, Montreal, Toronto, Ottawa, Calgary, Regina, and Vancouver.¹⁹ Business inspired reformers, including women as well as men, promised a progressive approach: social services would be efficient, centralized, and scientific in the use of professional paid staff and the case-work method.²⁰ The plethora of agencies operating within each community would become associated, and each association would be overseen by a committee of businessmen in the public interest.

One of the principle mechanisms of the Charity Association movement involved issuing cards of endorsement to agencies judged worthy of support. In order to receive an endorsement, an agency was required to register with the central association, to raise funds in an approved manner, to keep proper financial records, and hold regular board meetings. The frequently stated objective was to create a “better business bureau” of social services that would monitor and guarantee the financial viability and honesty of member charities, and coordinate programs on a city-wide basis to prevent duplication and overlap. Giving money was not enough; expenditures had to be managed to be morally useful. Because it was difficult to measure the success of the charitable process (that is, to know if characters were truly reformed and pauperism avoided), philanthropists devoted their attention to procedural concerns. Distinctions once drawn between the deserving and undeserving poor were now applied to agencies.²¹

While some scholars have identified conflict between the service delivery and fund-raising aspects of philanthropies, the corporate form had considerable cross-class appeal.²² Generally, the organizational reforms initiated by businessmen were well received within the social service community, which had also begun to equate progress with professionalization, organization, specialization, and effi-

19 On Associated Charities in Winnipeg, see J.S. Woodsworth, *My Neighbour* (Toronto: Missionary Society of the Methodist Church, 1911), 280ff. For Toronto, see J.A. Turnbull, “What does Associated Charities mean and what is its object?” in *Saving the Canadian City: the first phase 1880–1920*, ed. Paul Rutherford (Toronto: University of Toronto Press, 1974), 120–2.

20 Middle- and upper-class women were equally business-like in their approaches to organizing, financing, and managing philanthropy, and just as dedicated to increased efficiency through improved management. See Peter Baskerville, *A Silent Revolution? Gender and Wealth in English Canada, 1860–1930* (Montréal and Kingston: McGill-Queen’s University Press, 2008), 258ff. On the role of women in promoting the establishment of Associated Charities throughout Canada, see Rosa Shaw, *Proud Heritage: A History of the National Council of Women of Canada* (Toronto: Ryerson Press, 1957), 96–9.

21 The deserving poor were family oriented, willing to work, and dreamt of achieving independence through hard work and right living. The problems they faced were generally not of their own making. The deserving charity was efficient, centrally organized, and professionally staffed, maintained a careful accounting of cases and expenditures. Loseke, 432.

22 Trachtenberg, 23. Gale Willis, however, emphasizes the competing interests of female case-workers and male fund-raisers. Gale Willis, *A Marriage of Convenience: Business and Social Work in Toronto, 1918–1957* (Toronto: University of Toronto Press, 1995).

ciency. As the emphasis on skill and technique grew, the status of well-meaning volunteers became ambiguous and the need for stable sources of funds more pressing. Social work became increasingly agency oriented, a corporate activity rather than an individual practice. Professionalization created dependency and successful capital campaigns created an ongoing need for operating funds.²³

There has been a tendency to study philanthropy directed at social reform separately from efforts directed at the building up of cultural institutions. But all of the philanthropic projects of business elites, whether in the realm of culture, health care, social, or municipal reform, followed a strikingly similar pattern of organizational innovation, with business leaders regulating the flow of funds by making compliance with a business model the criteria for funding.

Consider developments in the realm of culture. Before the turn of the century, cultural experiences — both high and low — took place for the most part in localized and relatively intimate settings. The roles of producer and consumer were fluid rather than fixed and generally did not involve the exchange of money. After the turn of the century, culture was increasingly reconstructed within the realm of commodity relations. While amateur efforts certainly did not disappear, they lost their central role in the making of culture.²⁴ Working class Canadians and urban elites both shifted away from amateur entertainments; however, during the time when popular culture was being commercialized, elite culture was professionalized and institutionalized fol-

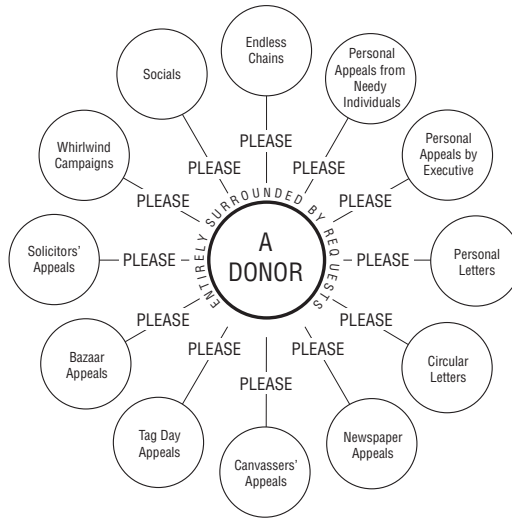
23 Wills, 137; Roy Lubove, *The Professional Altruist: The Emergence of Social Work as a Career, 1880–1930* (Cambridge: Harvard University Press, 1965).

Philanthropy and capitalism were also directly linked in projects of housing reform initiated by industrialists Herbert Ames (in Montreal) and G. Frank Beers (in Toronto). Following the model pioneered in Britain, philanthropic businessmen devised co-partnership ventures which had private investors subscribing to shares in housing development companies that would rent well-designed units to working-class tenants. The rents would cover the operating costs and pay shareholders a small dividend, in the range of five percent, and therefore attractive only to philanthropists. At the time, capitalists investing in housing projects generally expected a profit of around twenty-five percent. These schemes were inherently conservative, relying upon the inequalities of wealth characteristic of monopoly capitalism to solve the very social problems it has fostered, not by raising workers' wages, but by the voluntary and case-by-case modification of profits. However, Ames, Beers and others who promoted the so-called "Philanthropy and Five Percent" model believed that it provided entrepreneurs with the "hope of a fair return," and therefore offered a feasible solution to housing reform. Herbert Brown Ames, *The City Below the Hill* (1897), (Toronto: University of Toronto Press, 1972), 112. On the Toronto experience see Sean Purdy, "'This is not a company; it is a cause': class, gender and the Toronto Housing Company, 1912-1920." *Urban History Review* 21, no. 2 (1993) and Thomas Adam, "Philanthropic Landmarks: The Toronto Trail from a Comparative Perspective, 1870s to the 1930s," *Urban History Review* 30, no. 1 (Oct 2001). On Montreal, see Melanie Methot, "Herbert Brown Ames: political Reformer and enforcer." *Urban History Review* 31, no. 2 (Spring 2003). Also see Adams, *Buying Respectability*, 80ff.

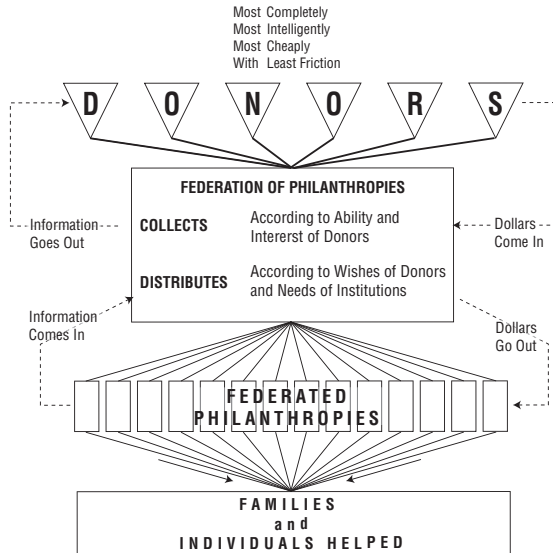
24 Maria Tippett, *Making Culture: English Canadian Institutions and the Arts before the Massey Commission* (Toronto: University of Toronto Press, 1990), 186.

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A DONOR BEFORE FEDERATION



A PLAN BY WHICH THE DONORS' DOLLARS MAY SATISFY THE COMMUNITY'S NEEDS



Facsimile of Producing Philanthropy

These illustrations appeared in a pamphlet promoting the advantages of planned giving. Before charities are associated, a donor is besieged on all sides by requests for money. After federation, donations flow efficiently. Toronto Bureau of Municipal Research, 1917. Credit: The Thomas Fisher Rare Book Library, University of Toronto.

lowing the corporate model. Although most Canadians embraced the opportunities presented by the market to the extent that they were able to do so, elites reacted negatively to the commercialization of culture, repressing or refusing to acknowledge similar shifts in the organization of their own practices. Profit was regarded as inconsistent with the higher goals of beauty, truth, high morals, community service, and spiritual fulfillment. At the same time, the production and consumption of high culture required funds to support the construction and operation of permanent venues, to assemble collections of art and instruments, and to pay professional managers and performers.²⁵

The creation of the Art Museum of Toronto offers a case in point. Here was a cultural institution open to the public, but managed by paid professionals and governed closely by a board of directors. The museum founders, virtually all leading businessmen, circulated a prospectus in support of the application for incorporation. Donors subscribed as shareholders and were issued different classes of shares in accordance with the size of their contribution.²⁶ The model of the non-profit seeking membership corporation offered several advantages to urban elites as they sought to build institutions of high culture.²⁷ It was familiar and successful. The structure of control by directorate facilitated the development of intra-class bonds. By vesting control in a limited and self-perpetuating group, the corporate form was ideally suited to collaborative fund-raising, distributing the costs and risks associated with meeting the capital requirements of universities, museums, concert houses, and permanent collections. A privately funded corporation was also insulated from market pressures and political interference. Fund-raising campaigns, structured as collaborative or collective group efforts, offered an arena to build and to test social relations outside of formal relations of business, building bonds of reciprocity rather than competition, reinforcing ties within the “inter-locking directorate” that distinguished community elites.²⁸ Recognizing the obligations of reciprocity, business leaders honoured one another’s power with donations to each other’s causes. Collaborative efforts to raise money were not new, but previously had been carried out in a leisurely manner with minimal

25 On the professionalization of museum collecting, see Adams, 27.

26 *Toronto Daily Star* (4 February 1901).

27 Paul DiMaggio, “Cultural Entrepreneurship in Nineteenth-Century Boston” in *Rethinking Popular Culture*, eds. Chandra Mukerji and Michael Schudson (Berkeley: University of California Press, 1981), 381ff.

28 Joseph Flavelle began his fund-raising efforts for the Toronto General Hospital by singling out five prominent businessmen for large donations to establish a basis for similar future gifts. He later repaid the social obligation with reciprocal donations to the projects of his peers. Bliss, *A Canadian Millionaire*, 160, 462. Valverde examines philanthropy as a tool of inter-class social control, but largely ignores equally important intra-class pressures. On this theme, see Ostrower. Adams explains that the Toronto project combined approaches previously used in New York and Leipzig, 23–8.

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planning and publicity.²⁹ Fund-raising was now conducted on a larger and more visible scale.

The projects of business elites, whether in high culture, health care, social or municipal reform, private clubs, athletic associations, and literary societies followed a strikingly similar pattern of organizational innovation. Building the institutions of civil society helped to build cultural and social distinctions, setting a “moral agenda” supportive of economic development.³⁰ Philanthropic institutions and fund-raising processes provided additional sites for class formation. New wealth was linked to institutions with cultural prestige to secure status and gain recognition.³¹ The publication of names of donors and committee members in the annual reports of charitable societies and the role of the press in building the reputations of benevolent donors was crucial for status building.³² In this way, philanthropy helped to organize social distance, reinforcing inter-class distinctions and strengthening intra-class cohesion, reproducing the class relations of corporate capitalism.

Boards weighted with representatives from business, women as well as men, set the expectations and operating standards during their formative period. The pressures exerted were both direct (a commitment to hierarchal organization, professional management, an insistence on record- and bookkeeping to demonstrate effectiveness and fiscal responsibility) and indirect. Less directly, the economic success of Canadian enterprise during these boom years in itself encouraged professional administrators to see the business model as the ideal form of administrative organization.³³ Beyond the board level, donor expectations for standardized reporting, including the requirements imposed by government on agencies appealing for public support, such as wartime charities during World War I, were a growing factor in shaping the structure of philanthropy.

29 Aileen Ross, “Organized Philanthropy in an Urban Community,” *Canadian Journal of Economics and Political Science* 18, no. 4 (November 1953): 475.

30 Valverde, *Age of Light, Soap and Water*, 29ff.

31 Adams, 17.

32 Kidd, 189.

33 The ideals of industrial management, including efficiency, specialization, hierarchical organization, and measures of effectiveness, were also decisive influences in the reform of government administration during this period. See J. E. Hodgetts, *et al.*, *The Biography of an Institution, the Civil Service Commission of Canada, 1908–1967* (Montréal and Kingston: McGill-Queen’s University Press, 1972), 65–6, 71; J.E. Hodgetts, “Implicit values in the administration of public affairs,” in *Canadian Public Administration: Discipline and Profession*, ed. Kenneth Kernaghan (Toronto: Butterworths, 1983), 30; and “A Farwell Contribution from Griffenhagen and Associates Limited” in *The Civilian*, Canadian Civil Service Staff Publication (February 1921), 69, cited by V. Seymour Wilson, “The Influence of Organizational Theory in Canadian Public Administration,” in *Canadian Public Administration*, 106–7.

Corporate Giving

In addition to businessmen giving as businessmen, there is evidence of corporations beginning to give as corporations. The Bank of Commerce was an early leader in field. The bank's first donations date from 1891, when the directors authorized a contribution of \$2,000 to the Amateur Athletic Association of Toronto, to be followed with an annual subscription of \$500 a year for five years, on condition that the bank's Toronto staff be entitled to free use of the privileges of the association. That same year, \$200 was set aside to endow a scholarship in Economic and Political Science at the University of Toronto, cash prizes were offered for papers contributed by Bank of Commerce staff to the *Journal of the Canadian Bankers Association*, and a pension plan was established for bank employees.³⁴

Initially, most corporations followed this model, giving to causes that had the potential to be of direct benefit to employees, but which were none the less voluntary and benevolent in intent. Philanthropy in areas of social reform, health care, and culture has been described by theorists as investments that sought a return in moral capital. Interestingly, efforts to stimulate moral character in the unemployed were echoed in corporate donations that were frequently described as investments in the morale of employees. Contributions made by the Bank of Commerce to build an "esprit de corps" among white collar workers were echoed by industrial concerns hosting company picnics and summer excursions.³⁵ It was understood that philanthropic gestures could build loyalty and encourage a more positive attitude toward workplace discipline in the office as well as the factory floor.

Corporate giving expanded from these limited beginnings, with donations at the discretion of the owner, to support of causes with a broader national or philanthropic character perceived to involve considerations of public service. World War I marked a watershed for corporate donations in Canada. At the Bank of Commerce, for example, the policy was to extend the use of its facilities to all legitimate funds and projects related to the war effort. Public subscriptions for a number of patriotic campaigns were accepted at bank branches and remitted to the Toronto head office free of charge. The bank also sold War Savings Bonds and thrift stamps and participated in campaigns for Victory Loans, encouraging customers to withdraw their deposits from the bank and redirect them to government coffers. Bank employees were encouraged to take family vacations working on farms. Branch managers represented the government, calling farmers into the branch to encourage farm modernization.

34 Victor Ross, *History of the Canadian Bank of Commerce*, 118–20.

35 On the Bank of Commerce, see Ross, 119. On examples of summer excursions hosted by companies for employees, see *Toronto Daily Star* (13 July 1901 and 22 July 1901); *Globe and Mail* (17 August 1903).

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Cash prizes were offered at autumn fairs to stimulate the development of animal husbandry skills. The board also voted donations to various war funds, the Canadian Patriotic Fund received a total of \$200,000, the Canadian Red Cross Society \$5,000, the Belgian Relief Fund \$2,500.³⁶ The University Overseas Hospital's various YMCA funds, the Halifax Relief fund, Catholic Army Huts, and the Italian-Canadian Soldiers' Aid of Canada fund all received contributions. In addition to direct donations, the Royal Bank established a "Pay Day" fund to supply the Red Cross with bandages during the war. Staff contributed to the fund with deductions from their pay cheques and additional food and clothing was collected by local branches.³⁷

Wartime gifts established a pattern of corporate giving during a period of rapid growth in capitalization and organizational complexity, accompanied by high and often controversial profits. The presence of patriotic charities reinforced trends in corporate giving by providing causes of unquestionable merit, patriotic in purpose, and stringently regulated by government.³⁸ Corporations gave for reasons of patriotism; they recognized, however, that good will was created through philanthropy. The relationship, of course, worked both ways: during the war organized charities saw the usefulness of corporations as a source of funds.³⁹

The transition from proprietary to corporate organization entailed a broadening of authority in both ownership and management that allowed for the carry over of personal values to companies at the board level. In some companies, particularly those that continued to be privately owned or dominated by a single owner,

36 Victor Ross, *A History of the Canadian Bank of Commerce*, 339–40, 349, 354–8, 369–70.

37 Noted in a memo from Gordon Rabchuk, Senior Archivist, Royal Bank of Canada, to the author. December 10, 2009.

38 Rulings in corporate and tax law have played a critical role in shaping corporate philanthropy in the United States. Indeed, Mark Sharfman convincingly argues that the legal process was one of principle vehicles in legitimizing and therefore encouraging corporate giving in America. This did not happen in Canada. It has been suggested that the lack of litigation here implies a general acceptance of corporate giving; however, the absence of a comparable body of law is puzzling. To the extent that philanthropy has been the subject of law in Canada, most of the efforts to "police the deduction" have been directed towards the regulation of charities. By comparison, American lawmakers have emphasized the regulation of corporations, both to protect shareholders and to limit the power of corporations to influence politics. In Canada, then, the emphasis has been on questions of entitlement; in America, on the power of the donor. On America, see Mark Sharfman, "Changing Institutional Roles: The Evolution of Corporate Philanthropy, 1883–1953," *Business and Society* 33, no. 3 (December 1994). On Canada, see Bella Martin, "The Validity of Corporate Gifts," *The Philanthropist* (1987), and Ontario Law Reform Commission, "Supervision of Charities by Revenue Canada: A Brief History" in *Report on the Law of Charities*, Vol. 1, 1996.

39 Ross argues that corporate donations to the Patriotic Fund were crucial in building the idea that philanthropic activity could serve as a means to establish good relations with the public. Aileen Ross, "Organized Philanthropy in an Urban Community," 477.

for example Eaton's or Massey-Harris, the line between private benevolence and company giving continued to be loosely drawn. In other cases, businesses began to develop an increasingly sophisticated sense of themselves as distinctive corporate entities, including a growing awareness of their role in society.⁴⁰

Stage Two — incorporation: to unite or include within something already formed

In the immediate postwar years, Canadian companies, facing new taxes and expectations, negotiating new relations with employees and governments, struggled to determine the appropriate charitable response to rising demands for charitable gifts.⁴¹ "Are Your Charitable Gifts Above Average?" asked the *Financial Post* in 1949.⁴² Corporate giving, it reported, now made up 13 percent of the total charitable giving in Canada, with small companies giving slightly more than the large companies as a percentage of pre-tax profits.⁴³ George Black, president of Canadian Breweries Ltd., warned in a widely publicized address, "[B]usiness and its good intentions are being strangled by demands for money and manpower.⁴⁴ In the fiscal year ending October 31, 1951, Canadian Breweries and its affiliated companies had made 1,411 separate donations totaling \$200,000. An average of five requests were received every business day. A full-time office worker was required to administer corporate giving, and time was spent by executives evaluating appeals which now often included requests to canvass employees in the workplace. Like his pre-war predecessors, Black proposed that the "business of raising money" would be conducted more efficiently through a centralized fund-raising organization. He, like many other executives, called for the creation of a central board under the federal government to confirm the worthiness of the organizations requesting funding.

40 For a very interesting and parallel examination of the connection between entrepreneurial success and philanthropy in Japan during this same period, see Mark Fruin, "From Philanthropy to Paternalism in the Noda Soy Sauce Industry: Pre-Corporate and Corporate Charity in Japan." *Business History Review* 56, no. 2 (1982).

41 Several theorists suggest that the most distinctive feature of modern philanthropy is not the professionalization and organization of the delivery of services, but the development of practices of solicitation unprecedented in their degree of explicitness and legitimacy. Agencies no longer wait for gifts to be given, but organize their efforts to compel donors to "yield up" the sums demanded. On the shift from giving to "gift-extraction" see John Seeley, *Community Chest: A Case Study in Philanthropy* (Toronto: University of Toronto Press, 1957), 5; and Ilana Silber, "Modern Philanthropy: Reassessing the Viability of a Maussian Perspective," in *Marcel Mauss: A Centenary Tribute*, eds. Wendy James and N.J. Allen (New York: Berghahn Books, 1998), 145.

42 *Financial Post* (4 June 1949).

43 Gordon and Svanhuit Josie, *Charitable Donations in Canada* (Ottawa: Canadian Welfare Council, 1949).

44 *Globe and Mail* (1 December 1951); *Financial Post* (8 December 1951); *Canadian Business* (January 1954).

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Rapid increases in solicitation were a frequent theme in the press. The *Financial Post* revisited the issue in 1953, describing the president of “company X”, normally a man of swift, decisive action, as flummoxed by the “perennial” and “growing problem” of good works. This representative executive was acutely conscious of his corporate responsibilities and opportunities, but uncertain how to adjudicate between the increase number of worthy causes. How much should be given, and who should decide? What was the impact of turning down requests?⁴⁵

After an initial period of uncertainty came the postwar boom. Rapid growth financed by stock offerings and foreign investment shifted corporate control from leading stockholders to professional management, often with MBAs, brought in from outside the company. Similar changes were happening in the organization of Canada’s voluntary associations. The number of Community Chests expanded from five, before 1930, to 47 by 1949.⁴⁶ Almost half of Canada’s largest national voluntary organizations had been founded since 1930.⁴⁷

One of the responses to proliferating requests for support came in the form of a succession of special studies, most funded by leading Canadian companies, all eager to determine the norms of corporate contributions. The most prominent of these studies was *Corporate Giving in Canada* (1953), commissioned by a self-appointed council of business leaders and funded by donations from 105 Canadian businesses.⁴⁸ Collectively, the net income of the 878 corporations involved in the study had increased by 110 percent in the period 1946 to 1951. Their combined charitable contributions had increased by 160 percent. Approximately 1.9 percent of declared profits were donated for charitable purposes. Patterns of giving were shifting dramatically away from religious organizations and modestly away from Community Chests and universities, and toward the construction of hospitals. In two out of three companies, decisions were still made by a sole individual, usually the president or a top official. The higher the amounts involved, the higher the deciding authority. Four of five companies now listed donations as a budget item, but giving decisions ranged from haphazard to organized. Some companies gave a fixed amount, some a percentage of pre-tax profits, some calculated contributions on a per employee basis. Some contributed only to the major appeals, others acknowledged that the personal views of corporation executives were a factor in decision-making, others pointed to the actions of their competitors or the

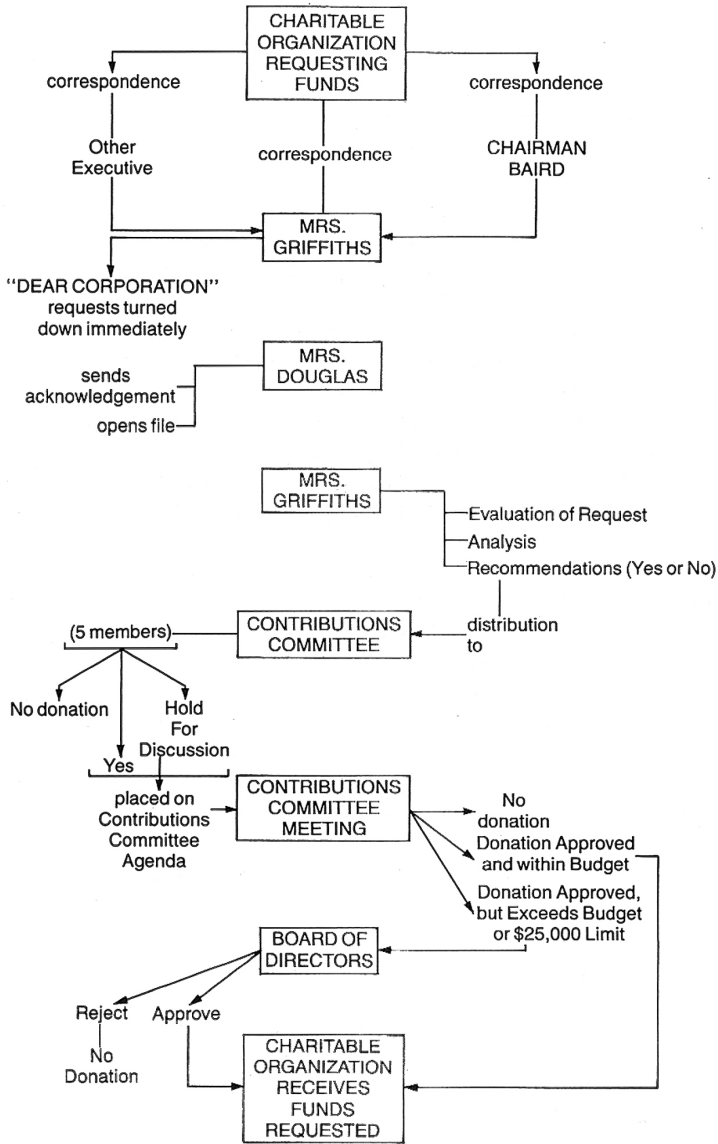
45 *Financial Post* (7 November 1953).

46 Albert Shea, ed., *Corporate Giving in Canada* (Toronto: Clarke, Irwin & Co, 1953), 128; Tillotson, “A New Taxpayer for a New State,” 142.

47 See also John Morgan, “Social Welfare Needs of a Changing Society: The New Canada.” *The Social Service Review* 28, no. 4 (December 1954): 407.

48 Shea, 48ff.

THE CORPORATE DONATION PROCESS FLOW



Bringing Philanthropy into the Corporate Structure

In the post-war period structured donations programs with formal policies, administrative mechanisms and a set funding cycle embed philanthropic norms within corporate capitalism. The corporate donations flow at Inco, circa 1981. Courtesy of ValeInco.

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pressure exerted by customers. Most giving was determined by a single individual, but corporations with a number of branches frequently had a small budget for local branches to administer.

While there was “no single yardstick” to determine corporate giving or to measure the worthiness of recipient agencies, businesses with a policy were seen to have an advantage in handling new requests. Albert Shea included statements of the giving policies devised by six different companies to serve as guides and inspiration.⁴⁹ These were largely procedural in nature, detailing how requests were to be handled, specifying who had the authority to approve donations, setting out rules for record-keeping, which letters to send if a request was refused, and which letters to send if a request approved. These procedures seldom included follow up on how money was spent, or to confirm the effectiveness of donations. In the pre-war period, philanthropy had been reshaped by the involvement of corporate leaders; in the immediate post-war period corporations brought philanthropic giving into their business models.

When interviewed, business leaders advanced a number of justifications for corporate giving. The availability of tax deductions was noted, but not discussed as a significant motivator. Instead, executives emphasized increased pressure to give from the growing number of agencies, from customers, and by the perceived need to keep up with donations made by competitors. The nation’s Community Chests also played a role, successfully placing the need for donations to support local causes on the business agenda.⁵⁰ With both the giving and receiving institutions becoming increasingly national in reach and dependent upon professional managers, direct contact between those allocating funds and those in need was less frequent. Community Chests filled the gap, providing a recognized, professional vehicle for giving, free of fraud and favoritism, guaranteed to meet genuine needs. On the national level, businesses found themselves pressured to fund the expansion of educational institutions and expected to fill the funding gaps left by American foundations as they redirected their donations away from Canada and towards under-developed nations as part of the Cold War effort to build new alliances.⁵¹

Not all pressures were external. Within the business sector, the power to control a large flow of wealth was seen to carry important, if vaguely expressed, social responsibilities beyond the obligations to shareholders and

49 Ibid., 4, 12–3, 28–35.

50 On the role of business in the development of federated financing organizations, including Community Chests and The United Way, see Gale Wills, *A Marriage of Convenience: Business and Social Work in Toronto, 1918–1957* (Toronto: University of Toronto Press, 1995), and Tillotson.

51 “Corporate Giving to University Education,” *Canadian Business* (June 1954); “That knock at our door will be the universities looking for guess what ...,” *Financial Post* (7 November 1962); “Big U.S. Fund Money Pulling Out of Canada,” *Financial Post* (22 April 1961).

employees.⁵² As one executive pragmatically explained, his company used to keep giving to a minimum, but “has now reached a stature where it is expected to make charitable donations on a reasonable scale, and it is logical that this should be done.”⁵³ Or, as another noted in a statement that alluded to the values of a much earlier generation of entrepreneurs:

As I see it, there is no such thing as a “self-made man” for the obvious reason that everybody’s earning or profits are derived in some way or another from the community at large It is therefore, only reasonable that some part of those profits should be devoted to purposes or objects that are designed to advance the interests of the community ... the better and stronger the community becomes, the better will be the business of every competent member of it.⁵⁴

Businessmen also saw voluntary giving as an opportunity to forestall the growth of the state and the inevitable rise in taxation required to support big government. “In the long run,” explained the Chair of the Company Contributions Committee of the Community Chests and Councils of Canada, “our choice isn’t whether we support these services or not. The choice is, shall we do it voluntarily and keep them locally controlled, or shall we abdicate the responsibility to the government and pay a tax.”⁵⁵

In the immediate postwar period, corporate giving was driven by an increasingly complex mix of motives. While corporate leaders touted voluntary giving as the “bulwark of free enterprise” and the embodiment of the democratic ideal, they also recognized the value of contributions for business purposes. Philanthropy in the community helped to offset the de-personalization of corporate expansion and foreign ownership. At the upper levels, the involvement of senior executives in local campaigns was regarded as good for a firm’s reputation. But participation also had a value within the business, providing opportunities for promising young men to gain experience and display their executive abilities. Fund-raising drives for the Community Chest, one observer reported, had now superseded the church as an adjunct to the business career.⁵⁶

52 Morgan, 407; see also “Policies for Corporate Giving,” *Business Quarterly* XXVI, no. 4, (Winter 1961): 247.

53 Shea, 34.

54 *Ibid.*, 65.

55 “Do Canadian Companies Give Enough?” *Industrial Canada* (September 1957): 63.

56 Aileen Ross, “Philanthropic Activity and the Business Career,” *Social Forces* 32, no. 3 (March 1954): 280. In a series of studies on “Wellsville,” a pseudonym for anglo-Montréal, Ross described the increasingly symbiotic relationship between organized philanthropy and corporate Canada. Professional organizers, for example, employed a variety of tactics to increase corporate donations: exploiting rivalries between firms to secure larger commitments, ensuring requests were made by important customers, and researching the net profits and payrolls of public companies to set quotas for corporate donations. Aileen Ross, “The Social Control of Philanthropy,” *American Journal of Sociology* 58, no. 5 (March 1953): 457–8.

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Not every businessman agreed, but as more and more companies participated, more were expected to participate.

In 1951, only five percent of Canadian businesses had formal committees to administer charitable giving; by 1963, over half had formed committees. Seventy-nine percent of the 224 companies surveyed in a study of company contributions had donations budgets.⁵⁷ Some shareholders resisted, but most recognized the need “to get along with the public.”⁵⁸ Although corporate giving made little direct contribution to profits, it was seen to enhance the reputation of business in society, promoting a sense of respectability and good will.⁵⁹

Business Faces New Challenges

A decade later, the respectability and good will that had been proudly cultivated by business was challenged by changing social circumstances and attitudes. The criticism directed at business was intense and wide-ranging. Groups demanding action included consumers, anti-pollution activists, youth, minority and ethnic groups, and a host of government agencies responding to voter con-

57 John Watson and Monteath Douglas, *Company Contributions in Canada* (Montréal: National Industrial Conference Board, 1963); *Canadian Business* (October 1963): 34, 37. While most corporate leaders cooperated, not all were comfortable with the transformation of philanthropy. In 1952 Charles Burton, president of Simpson's department stores, objected that the professionalization of social services offered the opportunity “for buying off one's obligations to one's under-privileged fellow mortals by merely contributing money But it is one thing to learn of social problems in annual reports by professional workers, and another thing entirely to learn of these problems by personal contact and individual services. Young men coming forward now in the business life of our community are allowed the privilege of serving on campaign committees to raise annually large sums of money for social services lumped together in a sort of incorporation. It is very businesslike. But ... [a]s future leaders of our industrial and political life, they should ... meet not as members of fund-raising campaign teams but as interested members of social organizations ... the raising or making of money is of secondary importance to the doing of work, whether in a business such as a great department store, or in social service.” Cited in Samuel Martin, *Financing Humanistic Service* (Toronto: McClelland and Stewart, 1975), 53–4.

58 *Marketing*, (2 April 1965).

59 Shirley Tillotson has identified an intriguingly similar pattern of activity in organized labour at this time. Both corporate and union leaders identified welfare work as a project with considerable public relations value and the potential to mobilize members/employees. While welfare work was not central to the labour movement, it was a new and distinctive addition. The efforts of both labour and management to support active volunteerism and charitable fundraising offers a new perspective on the postwar consensus, with both groups embracing the language of shared community and engaging in efforts essentially supplementary to the welfare state in their pursuit of good public opinion. It was also the case that representatives of both groups could be found sharing the same platform to protest the rapid and uncoordinated explosion in charitable services and fundraising appeals. *Financial Post*, December 8, 1951. Shirley Tillotson, “When Our Membership Awakens”: Welfare Work and Canadian Union Activism, 1950-1965.” *Labour / Le Travail*, Vol. 40 (Fall, 1997).

cerns. Although satisfied with its own performance, business was placed on the defensive by the rapid shift in expectations. A period of relative introspection followed, with business reconsidering its relationship to society. *The Canadian Banker*, for example, invited a panel of experts to explore the idea of corporate citizenship. Emphasizing the problem of rapid change, the journal concluded:

It is abundantly clear that the responsibilities demanded by society cannot be discharged simply by the usual program, such as donations to summer camps for children, or by sponsorship of public concerts or hockey or ski teams The relationships now demanded are with specific segments of society to help solve specific problems. The operating words are "working relationships" rather than "charitable donations."⁶⁰

Arguing that the strength of business lay in practical problem solving, the authors called upon business to accept the need for change and manage the process rather than defend the status quo. "Being a member of 'The Disease of the Month Club' through donations was no longer enough," instead business needed to build bridges and reach out to discontented groups.⁶¹

The shift in expectations was the subject of a 1971 symposium organized by the Conference Board, an independent business research organization, which brought senior executives together to discuss "Effectiveness and Innovation in Corporate Giving." Those present recognized that giving programs could be deployed as part of the response to anti-business, anti-growth sentiment if they were willing to take on more controversial projects. Several speakers noted with frustration that involvement in good works related to their company's core business were criticized as self-serving, while commitments to worthy but unrelated projects were dismissed as token. Unwilling to accept "the indictment that we disregard the health, welfare, and life-style improvement needs of our fellow citizens," corporations sought "contribution concepts" that would earn the "public recognition we believe we deserve."⁶² Participants described initiatives that aimed to limit pollution, improve conservation, tackle drug rehabilitation, and respond to a wide range of special interest groups, including the special needs of seniors, disabled Canadians, and students. Overall, there was a shift away from "bricks and mortar" toward "people-oriented" projects that would relieve distress and enrich the quality of life, in part due to increases in government contributions in education and health care.

60 "Business recognizes its social role," *The Canadian Banker* 79, no. 4 (July/August 1972): 15.

61 Ibid.

62 Donald Carlson, Vice-President, Ford Motor Company of Canada, in *Effectiveness and Innovation in Corporate Giving. Proceedings of the Working Conference on Company Contributions, Held on Toronto, September 30 and October 1, 1971* (Ottawa: Conference Board of Canada, 1972), 22.

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As Robert Hurlbut, President of General Foods, Canada, explained, “Meaningful corporate giving is a legitimate method of demonstrating to the public and the government that we are effective successful business organizations, that we have a social conscience, and are aware of our responsibility to help.”⁶³ “What do we want to get in return for our donation?” asked the representative from Shell Canada. “The answer,” he concluded, “is ‘recognition’ for, without recognition; there is no opportunity to influence. Our discovery was that we wanted to influence public opinion, and from that discovery there flowed backwards consideration of the ways and means by which our donations might be used, not only to support meritorious causes but to influence opinion.”⁶⁴

There was a shared vision, but not unanimity. Speakers were concerned about social unrest, urban decay, rapid change, drop-outs and alienation, but there were also numerous references to the conservative American economist Milton Freidman, who had recently argued that “the business of business was business” and not social programs. Corporations, Freidman objected, and many agreed, were becoming involved in areas where they had little expertise and which should in any case be left to government or private individuals. The response of most Canadian corporations, however, was not to stop giving, but to give more strategically, justifying decisions in terms of business benefits.⁶⁵

The first large-scale academic study of corporate giving appeared at this time, and expanded rapidly into an investigation of the full field of what was becoming known as the not-for-profit sector.⁶⁶ Samuel Martin, a business professor at the University of Western Ontario, developed a “humanistic matrix” of inputs (funds) and outputs (causes) to examine the growing number of institutions united by the common objective of bettering society through the offering of health, education, welfare, or cultural services. The presence of an activist state, which delivered some of its services by funding private organizations, had helped to grow, rather than shrink, the field of philanthropic endeavor. By 1969, over 22 percent of Canada’s Gross National Product

63 Ibid., 2.

64 Warren Birt, Manager-Personnel, Shell Canada, Ibid., 36–7.

65 In 1967, most of the companies interviewed by the Conference Board of Canada reported no change in their giving policies. By 1971, 29 of 174 companies reported that they had altered their policies within the previous two years, and 38 others indicated they planned to alter their policies within the next year. Many indicated their intentions to shift their contributions from capital funds drives to new and “non-traditional” alternatives. Richard Hopkinson, *Company Contributions in Canada, 1967* (Montréal: National Industrial Conference Board, 1969); William Terry, *Company Contributions, 1971* (Ottawa: The Conference Board in Canada, 1972).

66 Martin insisted that corporate giving could only be understood in reference to the roles and responsibilities of federal, provincial, municipal governments and individual Canadians. Half of the funds for his study were provided by John Labatt Ltd. Additional major donors included The Ford Motor Company of Canada, The Steel Company of Canada, and The Corporate Associates of the School of Business Administration of the University of Western Ontario. Martin, *Financing Humanistic Service*, 10.

was devoted to the provision of what Martin referred to as the “humanistic” services. This sector was for the most part organized on the corporate model: funded by government, by donations from business and individuals, from user fees and services charges; employing thousands of paid workers; business-like in the organization of its services, but not-profit distributing.

Martin’s study revealed that corporate donations constituted less than twenty percent of the total funding of this sector, but assumed a greater importance than either absolute or relative size would indicate.⁶⁷ Corporate donations had a disproportionate impact because they were larger and generally more visible than the mean individual donation. They also tended to be concentrated, directed towards the largest, organized causes. The ability to secure corporate funding was seen as akin to an endorsement and was seen to carry the prestige and assistance not only of the corporation itself, but also of some of its most respected leaders.⁶⁸

Canada’s largest corporations sought to increase the visibility of their social performance. Donations in the larger companies were determined by committee or by one or more dedicated professionals, often attached to the public relations division. Although business donations continued to be “results oriented,” the horizons of giving continued to expand. As Suncor explained in its 1981 *Annual Report*, the company’s growing commitment to social responsibility meant that it would continue to “do what an oil company usually does in the course of its business but with sensitivity to the impact on others” and it would seek to “identify, investigate and attempt to meet social needs which may be unrelated to company operations but reflect the responsibilities of corporate citizenship.”⁶⁹ Meeting the first objective involved the preparation of environmental impact studies, the prevention and cleaning up of oil spills, and efforts to restore land and conserve water at Suncor sites. The second objective involved the company’s philanthropic efforts, which ranged from financing a documentary to increase awareness of the challenges faced by disabled persons to support for regional science fairs. Going forward, Suncor proposed to concentrate on the special problems of the elderly, effective coaching for young athletes, and support for cultural organizations. Suncor’s statement was presented in a Canadian business text as a model of businesses’ systematic approach to social issues.

Since the 1960s, Canadian business had sought to answer its critics in the context of a generally strong economy. This changed in the 1980s as inflation rose and competition increased on a global scale. Mid-decade efforts to tame

67 Ibid., 70.

68 Martin, *Financing Humanistic Service*, 70.

69 *Suncor Annual Report*, 1981, 48–9, reproduced in Robert Sexty, *Issues in Canadian Business*, 2nd ed. (Scarborough: Prentice-Hall, 1983), 431. Large corporations were developing broad policies acknowledging their responsibility to society; but even companies operating on a smaller scale were also advised that contributions had become an important part of modern business life and should be approached systematically. See “How to form your company’s contributions policy,” *Canadian Business* (August 1973): 48–50.

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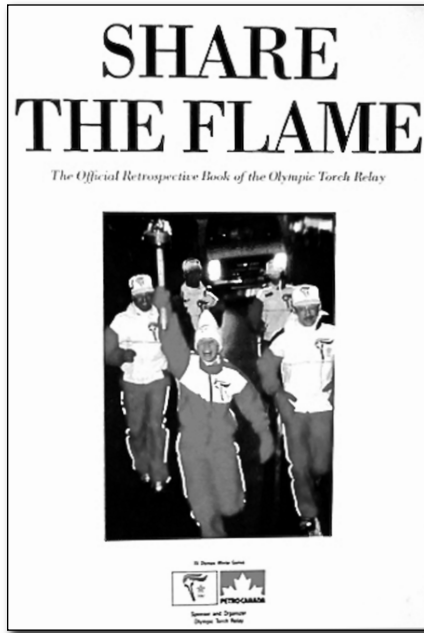
inflation resulted in significant tax increases. Challenged to become “lean and mean,” businesses cut back, job losses mounted, and corporate donations declined. Companies sought to mitigate the erosion of financial contributions with gifts-in-kind and by encouraging employees and pensioners to take an active role as volunteers (described by some as the “outsourcing of philanthropy”). Although the amount of corporate giving had risen steadily in dollar terms, giving as a percentage of pretax profits had begun to erode.⁷⁰

The 1980s were also a time when two seemingly inconsistent developments began to reshape corporate giving. The first trend was the emergence of cause- or event-related marketing programs that sought to link corporate fund-raising for the benefit of worthy causes directly with the purchase of the firm’s products or services. While corporate sponsorship of special events was not new, these programs were explicitly designed to increase sales and enhance brand image by forging a close working relationship between company and cause.

In many cases, the initiative for these programs came not from the corporate philanthropy budget, but from the marketing, promotions, or advertising divisions. These programs were vulnerable to critics who accused businesses of choosing causes according to their marketing potential. Detractors noted that spending on the advertising of good deeds tended to equal or exceed expenditures on the social welfare aspect of these projects and were, furthermore, tax deductible: the marketing programs of corporate Canada were being subsidized by taxpayers. Some suggested that voluntary organizations were altering their program objectives to attract funding. Concerns were also raised that the consumers of goods and services marketed in conjunction with good causes might come to believe that they had discharged their philanthropic responsibilities, even though the contributions going to the core project was often quite minimal.⁷¹

70 In the postwar decade, the recording of tax deductions makes it possible to chart the steady rise in corporate donations. In aggregate numbers, donations rose from \$1 million in 1946 to \$368 million in 1987. Increases were not steady, but tracked the business cycle, rising and falling in line with corporate profits. Calculated as a percentage of the combined pre-tax profits of all Canadian companies, donations had begun to erode: first rising from .86 percent in 1946 to reach a high of 1.5 percent in 1956, but then declining to .52 percent in the mid seventies, and rising only slightly in the difficult economy of the eighties. Labour intensive industries tended to give more than capital intensive industries. The nature of ownership also made a difference: widely held companies were significantly more generous than those with a limited share distribution. Samuel Martin, *An Essential Grace: Funding Canada's Health Care, Education, Welfare, Religion and Culture* (Toronto: McClelland and Stewart, 1985), 226-7, 231. Victor Murray and Phelps Bell, “Making Corporate Donations Decisions,” *The Philanthropist* 9, no. 1 (1990): 47, 62.

71 Excellent overviews of this form of philanthropy are Samantha King, “An All-Consuming Cause: Breast Cancer, Corporate Philanthropy and the Market For Generosity,” *Social Text* 69 19, no. 4 (Winter 2001); P. Varadarajan and A. Menon, “Cause-Related Marketing: A Co-alignment of Marketing Strategy and Corporate Philanthropy,” *Journal of Marketing* 52, no. 3 (July 1988). Also useful is Gregory Baylin, Peggy Cunningham, and Pamela Cushing, “Cause-Related Marketing: Ethical Practice or Exploitive Procedure?” *The Philanthropist* 12, no. 2 (1994).



Doing Good by Looking Good

In 1988, Petro-Canada sponsored the Olympic Torch Relay, subsequently using the proceeds of Torch Relay glasses to create a scholarship fund. The success of the program boosted Petro-Canada's popularity with the Canadian public, strategically leveraging its giving for the mutual benefit of the both cause and bottom line. Illustration used with the permission of Whitecap Publishing.

Petro-Canada's involvement in the 1988 Winter Olympics offers an interesting case in point. The company organized and sponsored an 18,000 kilometre, 88-day Olympic Torch Relay, which saw some 7,000 torch bearers carrying the Olympic flame through every province and territory on the way to the Calgary Winter Olympics. The event marked a turning point in the acceptance of the Petro-Canada brand. The relay was integrated with a commemorative glassware promotion, and an extensive print and broadcast campaign inviting Canadians to "Share the Flame" by dropping off applications to carry the torch at Petro-Canada stations. More than 50 million Torch Relay glasses were sold through Petro-Canada retail sites. The proceeds from the glassware campaign were used to establish the Petro-Canada Olympic Torch Scholarship Fund. Since that time, over \$6 million in scholarships have been awarded to more than 2,000 non-carded athletes and coaches, making this program one of the largest sources of such private funding in Canada. The Olympic

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flame run was so popular that the oil company was reported to be earning \$1.15 million a month in additional after-tax profit, and had secured, at least temporarily, an additional two percent share of Canada's retail gasoline market.⁷²

A well-chosen program, like Petro-Canada's sponsorship of the torch run, offered an opportunity in partnership that could act as an expression of a collective "personal" identity able to distinguish a business from its competitors for the benefit of employees as well as the public.⁷³ The potential for profit was linked to the visibility of the philanthropic relationship: consumers must buy the product to build sales and acknowledge the sponsorship to build good will. The logic of investment became explicit and the ability of donations to contribute to company profits acknowledged outright. As the Continental Bank of Canada noted in its 1984 *Annual Report*, "Applying the same discipline to the management of the corporate gift that is applied to other forms of spending is now producing a measurable benefit to the donor as well as the recipient."⁷⁴ The strategic benefits of this form of philanthropy were captured in the commonly used phrase "doing well by doing good." Performing philanthropy had become a way of being entrepreneurial.⁷⁵

The first response to intense economic pressures was to position giving as a profit-seeking strategy. The second response was to segregate the donations programs through the creation of charitable foundations. Although charitable donations had long been tax deductible, companies did not, for the most part, regard the tax benefit as a significant motivator. However, as taxes rose and business became increasingly competitive, the opportunity to manage giving to minimize the tax burden and reduce pressure on annual earnings became increasingly attractive. Establishing a foundation created a strong public presence, allowing companies to demonstrate their support for social causes and end lingering suspicions that donations programs were largely managerial perks. They offered charities more stable funding in the face of government cut-backs and provided the opportunity for companies to build long-term philanthropic agendas. Cause-related programs and foundations were seen as useful tools by companies facing declining customer loyalty, loss of brand domination and a significant image problem in a difficult economy.

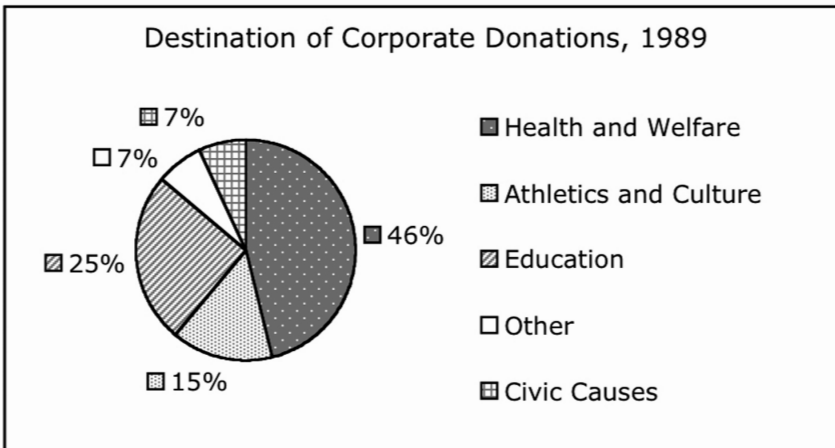
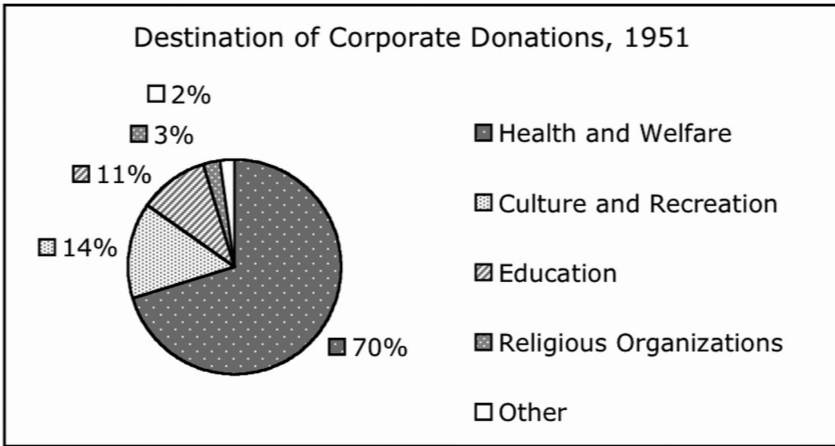
A final step marking the integration of philanthropy was a 1988 initiative

72 "Petro-Canada's Olympic Triumph," *Marketing* (8 June 1987).

73 Silber, 142-4. On the range of charity-business partnerships with Canadian examples, see Raymond Dart, "Charity and Business, Charities in Business, Business in Charities," *The Philanthropist* 18, no. 3 (2004).

74 Allan Arlett, "Corporate Giving: Why Non-Profits Are Vulnerable," *The Philanthropist* 8, no. 4 (1989): 8.

75 Christina Garsten, "Market Missions: Negotiating Bottom Line and Social Responsibility," in *Exploring Cultural Processes in the Global Marketplace*, eds., Christina Garsten and Monica Lindh de Montoya (New York: Palgrave, 2004), 81.



Destinations

The largest recipient of corporate giving continues to be health and welfare, despite the expansion in government commitments to this sector. While donations to education rose, corporations no longer give statistically significant amounts to religious organizations. Source: Data for 1951, Albert Shea ed., Corporate Giving in Canada (Toronto: Clarke, Irwin & Co, 1953), 56. Data for 1989 Ontario Law Reform Commission, "Supervision of Charities by Revenue Canada: A Brief History" in Report on the Law of Charities, Vol. 1, 1996, 121.

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of the Canadian Centre for Philanthropy designed to formalize corporate giving standards. The IMAGINE program was devised by the centre (which was itself registered as a charity in 1981 to promote charitable giving) with the aim of persuading every corporation in Canada to adopt a policy of giving one percent of pre-tax profits, and to encourage employee donations through payroll deductions, organized voluntarism and matching donations.⁷⁶ Allan Arlett, the President and Chief Executive Officer of the centre, explained that the one percent figure (to be based on the average of the three preceding years, excluding non-recurring items and foreign operations) was chosen as an “attainable target,” already met by one out of every seven of Canada’s larger corporations in 1986. The challenge was to make this target normative.

From a business perspective, the IMAGINE program offered a number of advantages. At the most basic level, a set goal could help to stabilize contributions in the face of escalating demand. More usefully, the program would grant corporations meeting the one percent standard the right to use the phrase “a caring company,” a registered designation of the IMAGINE program. Recognition from an independent agency, much like strategic philanthropy, was a relatively inexpensive and socially acceptable form of advertising. The rituals of recognition, including the presentation of various awards and certificates at an annual banquet, would demonstrate to public that business was performing its social responsibilities.

The program, Arlett explained, would give credit to “those who deserve it, and a message to the undeserving that they are increasingly out-of-step in not contributing their fair share.”⁷⁷ In the course of a century, the distinction between the deserving and undeserving had migrated from individuals in need of charity, to organizations distributing charity, to the corporations deemed able to provide the funds.

Conclusions: Paradoxes of Corporate Philanthropy

The development of corporate giving presents a series of paradoxes. Philanthropy promises to transcend the limits of political and social inequity, to relieve pain, and promote democracy. In practice, however, philanthropy reproduces and helps to stabilize hierarchies of economic power on both an individual and an organizational basis. Corporate gifts can be perceived as evidence of social responsibility; however, generations of business leaders acknowledge the difficulty in measuring the results of investments in benevolence. The voluntary nature of corporate philanthropy evokes the ideal of

76 Arlett, 15–6.

77 A 1986 Decima research poll showed that eight out of ten Canadians believed corporations had a responsibility to provide financial support to charities and non-profit organizations, with half of this group viewing it as a “major” corporate responsibility. Arlett, 7.

community; however, the decision to give or withhold funds ultimately remains with the corporation, enhancing the power of business.

Corporate philanthropy is not an alternative to capitalism, but an aspect of the same organized structure of economic domination. The discourses of modern philanthropy reflect the values of corporate capitalism, privileging efficiency, accountability and organization, as well as competition and market share. The reconstruction of philanthropy and the emergence of a non-profit sector parallel changes in the organization of corporate capital and duplicate donor commitments to economy of corporate capitalism.

It is perhaps most useful to understand corporate philanthropy not as a gift or act of charity, but as the visible complement to Adam Smith's "invisible hand." It was not, Smith observed, the benevolence of the butcher that put dinner on the table, but the unplanned and unintended consequences of self-interest, organizing markets for the social good. In the practice of corporate philanthropy, the increasingly public performance of morality differently blurs the line between interest and disinterest so that it is in the interest of corporate donors to appear disinterested. In practice, the corporation strives to project the absence of self-interest; but in imagining the common good, the corporation sees its reflection and donates accordingly.

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