CHAPTER 2

The Neoliberal Foundations of Fundraising, 1995–2008

Abstract This chapter identifies the policy changes, trends, and debates in the years 1995–2008 pivotal to understanding the neoliberal foundations of fundraising in Canada. Neoliberal policy restructured the relationship of government to the nonprofit and voluntary sector by making government funding scarce and conditional on winning short-term contracts. New representatives of the sector did not contest these changes but sought consensus-oriented partnerships with government. Resulting trends included intense competition between nonprofit organizations and growth in the size and number of major gifts, but fewer charitable donations from ordinary Canadians. To keep major gifts flowing and growing, fundraising bodies lobbied successfully for augmented income tax incentives for charitable donations primarily benefitting the wealthiest donors.

Keywords Nonprofit sector restructuring • Contract culture • Shadow state • Voluntary Sector Initiative • Charitable donation tax incentives

Canada's neoliberalization did not start in 1995, but that year was a triple landmark in its history. The year marked a radicalization and intensification of neoliberal fiscal policies to balance government budgets and reduce debt by cutting social spending. The year was also a formative moment for the Canadian nonprofit and voluntary sector when

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prominent nonprofit directors initiated the Voluntary Sector Roundtable. The year 1995 also signified a watershed for the fundraising profession with an announcement of the first in what would be a series of changes to the tax code for charitable donations. The tax incentives multiplied the number and size of major gifts to Canadian charitable organizations. These three areas of policy change established the demand for fundraisers, gave new status to this occupational group, particularly in large organizations, and gave rise to philanthropic pledges in the hundreds of thousands, millions, and even tens of millions of dollars from Canada's millionaires and billionaires.

Downloading, Core Funding Cuts, and Contract Culture

The first strongly neoliberal Canadian federal government was the Conservative government of Prime Minister Brian Mulroney, elected in 1984, which implemented a programme of trade liberalization, deregulation, privatization, reduced government spending, and contracting out of social programmes. However, the federal Liberal government of Prime Minister Jean Chretien, elected in 1993, pursued a more aggressive agenda of welfare state retrenchment. In 1995, Liberal Finance Minister Paul Martin announced expenditure cuts to every federal government department totalling $25.3 billion over three years. Included in the federal cuts announced in 1995 was $17 billion slashed from transfers to the provinces and territories. For nonprofit and voluntary sector organizations, the direct impact and ongoing ripple effects of these cuts were dramatic, as Peter Elson (2011) explained: "organizations across the spectrum of social policy, environmental, housing, seniors, sports, and arts organizations saw their core funding reduced, eliminated or replaced with [time-] limited fee-for-service contracts [to deliver programs]" (p. 103).

The federal budget cuts were enfolded in a programme of public sector restructuring through which the Liberal government replaced two provincial transfer programmes, Established Program Funding and the Canada Assistance Plan, with a single block transfer for health, education, and welfare called the Canada Health and Social Transfer (CHST). The CHST granted provinces more flexibility in service delivery by removing federal standards while reducing the amount of funding overall. Provinces were forced to undertake massive cuts to social programmes and to find savings through a combination of outsourcing and downloading services to municipalities.

Also, in 1995, compounding the federal retrenchment, Ontarians elected the government of Premier Mike Harris, whose radically neoliberal "Common Sense Revolution" featured cuts to education and healthcare budgets, public sector layoffs, municipal downloading, new "workfare" programmes, and a 21.6% cut to social assistance. The Harris government's neoliberal programme in Ontario followed the lead of Alberta's premier, Ralph Klein. Elected in 1993, Klein's government slashed the 1994 provincial operating budget by 20%, resulting in thousands of public sector layoffs and drastic programme spending cuts to health care, public and post-secondary education, and social services.

Governments' major cost-cutting strategy with nonprofit organizations already responsible for delivering programmes was to axe funding for core administration and introduce competitive bidding for contracts. From this point, most government funding would be delivered in the form of short-term contracts with tighter regulation and inflexible conditions that could change from year to year (Elson, 2011). Amounts would be insufficient to cover operating expenses. Staff time would need to be devoted to applying for contracts, documenting outcomes, and reporting on various metrics to meet new expectations of accountability. Organizations would often be required to secure sources of matching funds as a condition of government funding. Rachel Laforest (2011) summed up the emerging relationship of government to the nonprofit and voluntary sector this way:

> While the federal government was encouraging the participation of voluntary organizations in policy and service delivery on one hand, it was curtailing funding on the other. Core funding programs were subjected to massive cuts, and contracting became the funding instrument of choice. (p. 98)

Nonprofit organizations, faced with insufficient, insecure government funding and demands that they find additional funding streams, leapt into fundraising activities (Laforest, 2011, p. 38).

Suddenly nonprofits were in competition for scarce and shifting pots of government funding and for private donations. With strained resources, they were also called upon to respond to increased social needs. As Rebecca Warnett (2004) explained, the search for new sources of funding brought about organizational metamorphoses as nonprofits shifted their orientation from "mission" to "market":

> Prior to the 1990s, many charities relied heavily on government contributions, and most did not have to concern themselves with raising operational

> funding. Cutbacks changed all this when the government moved to support initiatives that were 'project minded.' Therefore, the sector, once motivated by a sense of mission, is now market driven by a financial need to do well. (pp. 37–8)

The fiscal crisis of the 1990s drove governments to seek to reduce budget deficits and provided the rationale for the new regime of competitive contract funding.[1] Significantly, as Peter Elson (2011) underscores, the contract culture of the nonprofit sector was not reversed in subsequent periods of economic growth and fiscal surplus, and the changed character of the nonprofit sector starting in 1995 took on permanence (p. 89).

The Voluntary Sector Roundtable

Attempts to define the nonprofit and voluntary sector, often shortened to "the sector," are complicated by the wide range of forms nonprofit organizations take. Common associations, such as being dependent on voluntarism and donations or providing charitable services, are neither universal to all nonprofit organizations nor exclusive to nonprofits alone (Hall, 1992). Definitions that position the nonprofit sector as intermediate to the state and market are also confounded by the hybridity of some organizations that share features with business or government (Frumkin, 2016). What nonprofit organizations do share, according to Hall (1992), is "their concrete historical association with a particular institutional culture, a configuration of values, resources, organizational technologies, legal infrastructure, and styles of leadership." This institutional culture emerged in the course of political struggle, "struggle over the power of the institutions that set the public's moral and perceptual agendas" (Hall, 1992, p. 2). The year 1995 turned out to be pivotal in terms of the way that political leadership came to be organized, which would shape and define the institutional culture of the Canadian nonprofit sector henceforth.

The Canadian state and nonprofit and voluntary sector organizations have always had an interdependent relationship involving substantial state funding, regulation, and political collaboration (Valverde, 1995). However, until the 1990s, the nonprofit sector lacked a strong collective identity, a national umbrella body, and representational leadership that could coordinate political responses and advocate on behalf of the sector. According to Laforest (2011), prior to the mid-1990s, "voluntary organizations did not even recognize themselves as belonging to a larger community called the 'voluntary sector'" (p. 29). Heads of the major charities communicated with governments individually about the concerns of their own organizations. In 1995, in response to the federal government's programme review and announced budget cuts, the leaders of 12 national nonprofit organizations convened the Voluntary Sector Roundtable (VSR) to set a common agenda. Laforest (2011) called this gathering a turning point because it was the first time that organizational leaders identified themselves as representing shared interests belonging to what they chose to call the "voluntary sector" (p. 51). The VSR legitimized the nonprofit and voluntary sector as a political constituency, not an aggregation of organizations (Laforest, 2011, p. 3).

The Voluntary Sector Roundtable was an informal, open coalition that came together to discuss strategic responses, common interests, and ways to provide a voice for the nonprofit and voluntary sector in legislative and regulatory decisions of government. The VSR set the stage for the Voluntary Sector Initiative (VSI), launched by the federal government in 2000. Given a budget of $95 million over five years, the VSI attempted to bring civil servants into conversation with sector representatives about the roles and relationship of government and nonprofit and voluntary organizations in Canada's welfare state. With the election of the Conservative government of Stephen Harper in 2006, the VSI was discontinued and another round of deep cuts ensued, especially to the arts and culture sector. By this point, however, the political work to position the nonprofit and voluntary sector as a partner with government had been accomplished.

To return to Hall's (1992) argument that the nonprofit sector is defined by an institutional culture that emerges in political struggle, the formation of the VSR was a defining moment. As Laforest (2011) notes, participation in the VSR was open to nonprofit leaders, but it was the heads of "large, well-established, mainstream national voluntary and charitable organizations" who dominated the agenda (p. 54). These leaders eschewed oppositional politics in favour of what they saw as "tremendous opportunities to transform their political standing by shifting their language to focus on partnership and collaboration" (p. 54). Their priority in the short and intermediate term was not advocacy for restored core funding or against the emerging contract regime. Rather, "a strategic decision was made from the start not to act confrontationally, but to portray the sector as a responsible partner capable of engaging Canadians" (Laforest, 2011,

p. 55). The significance of the VSR, then, was its role in renegotiating a relationship of the state and nonprofit sector on neoliberal terms, which is to say, in a depoliticized way, accommodating to public sector restructuring and retrenchment, and giving primacy to reputational issues.

Tax Incentives for Philanthropy

Along with the cuts to core funding, the 1995 federal budget announced the first in what would become a series of amendments to Canada's Income Tax Act to expand incentives for philanthropy. These changes in charitable tax policy signalled the government's expectation that nonprofit organizations would mitigate the impact of cutbacks through fundraising. Commenting on the 1996 Budget Plan, Elson (2011) noted, "The message was clear: from now on the voluntary sector would have to rely on the market and donors, not government, for financial support" (p. 106). Of the more than 20 new charitable donations tax incentives the Department of Finance introduced between 1996 and 2009, two types of changes have defined Canada's tax policy on charitable giving and have set a course for nonprofit and voluntary sector fundraising (Burrows, 2009, p. 4).

The first change of major significance that came into effect in 1996 applied to the annual limit on donations that qualify for the charitable income tax credit. The federal tax credit for charitable donations above $200 was based on the top marginal tax rate no matter the tax filer's income, but a ceiling was placed on how much may be claimed for the credit.[2] In 1996, the limit on allowable donations was raised from 20 to 50% of the donor's net income. In 1997, this contribution limit was raised again, this time to 75% of net income or 100% of net income for the year of, or preceding, the taxpayer's death.

The second way the federal government began to change the tax code was to encourage donations of certain appreciated assets, specifically, publicly traded securities (shares, bonds, stock options, mutual fund units), culturally significant properties, and ecologically sensitive land. Prior to 1997, when publicly traded securities (and other eligible assets) were donated to a registered charity the capital gains tax was applied.[3] This meant, for the purpose of tax calculations, the donor was deemed to have sold that donated asset for its fair market value. As the inclusion rate at the time was 75%, the donor was required to add 75% of the realized value of the asset to their taxable income, and to pay tax on that amount at their marginal income tax rate.

In 1997, the capital gains tax on charitable donations of publicly traded securities was temporarily halved. This measure was made permanent in 2001. In 2000, the Liberal government under Jean Chretien reduced Canada's inclusion rate for taxing capital gains from 75 to 67%, and later the same year dropped the rate to 50%. When applied to charitable donations, this lowered federal rate meant that donors of publicly traded securities were required to declare as taxable income only half of 50%, or 25%, of the realized value of their donated asset. These donors of capital assets were always also able to claim the charitable tax credit calculated on the full value of the donation. For such donations, the charitable tax credit more than offset the capital gains tax.

In 2006, Stephen Harper's Conservative government followed a pattern set by the Liberals shortly following the 1995 cuts. The 2006 federal budget cut $1 billion of funding to the nonprofit sector. In conjunction with this cut, the government announced another expansion of the charitable tax credit. This time the capital gains tax was completely eliminated on gifts of appreciated publicly traded securities and selected other types of capital property (Elson, 2011, p. 109).

Together these changes have made Canada's tax policy the most favourable of any industrialized countries towards individuals who wish to offset income taxes through charitable gifts, especially those able to donate financial assets (Burrows, 2009, p. 4; Standing Committee on Finance, 2013, p. 9). For cash gifts above a threshold of $200, donors received a charitable tax credit of between 40 and 57% of the value of the gift, depending on province (as provincial and federal credits are combined). The tax credit for gifts of publicly traded securities typically amounted to 60 to 67% of the value of the donation taking into consideration the avoidance of capital gains tax (Standing Committee on Finance, 2013).

Beyond generosity to individual donors, Canada's incentive system was "unique in the world," according to Malcolm Burrows (2009, p. 6), because of how the charitable tax credit embedded social policy. The changed rules were exclusively oriented towards high-income Canadians, those with the prospect of making large gifts relative to their incomes, as well as those who could donate capital assets. Ordinary donors making average gifts were not able to benefit in any way from the overhauled rules. More significantly, the degree to which the new rules offset income taxes of high-income donors indicated a shift in the philosophy of how social priorities would be funded, as Burrows (2009) explained:

> The increased contribution limits implicitly signaled that charitable giving is no longer a supplementary public benefit activity of lesser importance than direct government programs [funded by taxes]. … For the first time, registered charities are considered to be as valid and as important a deliverer of public benefits as government. (p. 6)

These new incentives for exceptional gifts had their intended effect of stimulating elite philanthropy. In the decade prior to 1995, the inflation-adjusted value of tax-receipted donations reported to Revenue Canada was relatively steady until 1996 when it jumped by 11.7% over the 1995 level (Duff, 2001, p. 423). In the years that followed, the new tax incentives were responsible for "prompting unprecedented large gifts and increasing overall giving by 140%, from $3.6 billion in 1995 to $8.65 billion in 2007" (Burrows, 2009, p. 5). From 1997 to the time of the financial crisis of 2008 the value of donated shares alone was approximately $3 billion (Burrows, 2009, p. 11).

To summarize, three policy developments all occurred around 1995 and combined to create a growing demand for fundraisers. First, government cuts to core funding of nonprofit organizations produced a sector expected to compete for contracts, diversify revenues, and deliver more with less. Second, the Voluntary Sector Roundtable came to represent a sector seeking political respectability and partnership rather than contestation on behalf of struggling subsectors. Third, new charitable tax incentives were introduced to encourage more wealthy Canadians to make major philanthropic gifts, especially consisting of publicly traded securities.

Interviewed in 2008, Heather, a hospital foundation president with 19 years' experience, told me, "Every organization under the sun is fundraising—every social service organization that used to have sufficient funding." Similarly, Lynn, the director of a health charity with 14 years' experience, explained, "There's more organizations that want to fundraise, and there's more people coming into fundraising, but there's still not enough [fundraisers], and there's not enough people with experience."

The remainder of this chapter extends this overview of the neoliberal context of fundraising in Canada in 1995 through 2008 by examining the most significant changes fundraisers have witnessed over their careers by their own accounts. The two trends that the fundraisers in this study commonly identified were, first, the increased competition among charities, not just for donors but also for experienced fundraising staff, and second, the growth in the magnitude and frequency of major gifts along with the declining number of "ordinary" donors. Exploring these trends will set the stage for subsequent chapters by identifying fundraising as both a growth industry in a neoliberal policy era and an expert occupation enmeshed in neoliberal rationality.

Fundraising Trends: "Competition for the Donor Dollar"

Early in the interviews, I asked fundraisers to identify the most significant changes in the fundraising landscape they had witnessed during their career. A seasoned executive with an international fundraising consultancy, Samantha, summed up one of the two most common sets of responses:

> The most important change? I would say the competitiveness is like it's never been before. There's so much competition for the donor dollar. (Samantha)

And Ruby, a veteran fundraiser of 20 years, who also held a senior leadership position for national consulting firm, elaborated on how the growing competition among charities applied to competition for fundraising personnel as well as donors:

> I think [we are seeing] growth in the number of charities and fund development growing as a business because so many charities who used to get government funding 10 years ago now no longer get it, so they've had to turn to fundraising to offset the financial loss. And so, you've got more charities, more organizations who need more fundraisers because they are no longer getting the government funding they used to have. Put those together. Even though more people are going into fundraising, it's still not enough to meet those two driving factors. (Ruby)

Several participants commented on the demand for fundraisers leading to high rates of turnover. A survey of members of the Association of Fundraising Professionals found that Canadian fundraisers were staying at one job for 3.8 years on average (Healey et al., 2010, p. 13), but the rate of job switching in certain specialties and ranks alarmed the fundraisers I interviewed. Vivian, who had worked at three international nongovernmental organizations over 24 years, argued: "The variety of the causes and the sheer size of the sector has grown tremendously, and with that, the competition for experienced fundraisers has become desperate and dire."

Lynn, cited earlier, called the turnover in the industry “insane,” adding: “Every organization is poaching each other … so the people with experience will get poached by one organization or another.” A senior executive of a boutique consulting firm, Sherry, underscored the seriousness of the problem by observing that, “the headhunters themselves are worried about what’s going on!”

As fundraisers’ comments illustrate, this pervasive competition was an outcome of the nonprofit sector restructuring that escalated around 1995. However, many fundraisers also evaluated the changing nonprofit sector through a neoliberal rationality that sees competition as positive. Neoliberal thought constructs an opposition between “unaffordable” government and “efficient” markets, and argues for organizing social life along a market model involving competition (Miller & Rose, 2008, p. 80). Applying the general precept that more competition is a good thing, some fundraisers rationalized the changes that created competition.

Welfare state analysis of this period affirms fundraisers’ observations that competition—not fiscal constraint, decentralizing services, or other objectives—was the overwhelming outcome of nonprofit sector restructuring. For example, Jennifer Wolch (1990) famously pointed out that an earlier round of contracting-out services to nonprofit organizations in the United States did not reduce the fiscal or administrative size of the state but grew what she has termed the “shadow state,” which she defined as:

> a para-state apparatus comprised of voluntary organizations … administered outside of traditional democratic politics. It is charged with major collective service responsibilities previously shouldered by the public sector. Yet it remains within the purview of state control. (p. 4; see also Mitchell, 2001)

For Evans et al. (2005, p. 1), the nonprofit sector’s reconstruction as a para-state apparatus presented a paradox of “centralized decentralization.” While decentralizing service delivery did not substantially change the state’s welfare functions, it did intensify the relationship of nonprofit organizations to the state. Ultimately, neoliberal restructuring was less about shrinking government or practicing fiscal restraint than enacting a new political logic that “has shifted from entitlement to obligation” (Hartman, 2005, p. 61). In other words, nonprofit organizations and other social entities would be required to prove they deserve to exist by dominating in competitive fields.

Many fundraisers disclosed that competition among nonprofit organizations for regular donors and wealthy prospects, for government contracts, and for experienced staff marked their careers with uncertainty, stress, and burnout. Even so, my study participants generally accepted competition, and some celebrated it. For example, Carolyn, who moved into positions of increased responsibility through her career working for a social service agency, national health charity, children's charity, and university-based medical research institute, interpreted the growth in the number of charitable organizations as a signalling the maturity of "free market philanthropy":

> More charities [means], I don't even think more competition, but more choice. A growth in choice of charities. … It's about choice and competition and that makes us all better. Isn't that how it works? Free market philanthropy! If you're not good, people aren't going to choose you and all the better. You'll disappear. You won't get funds. If you're good, [voice trails off]. That's competition. That's a positive thing. (Carolyn)

More competition among nonprofit and voluntary sector organizations, as Carolyn explained, created quasi-markets for charitable donations and larger philanthropic gifts. Governments continued to financially support nonprofit organizations by granting contracts and subsidizing charitable donations with the tax credit. However, introducing competition fundamentally altered the process of determining which organizations and activities would receive state support. Those decisions would be removed from the traditional political sphere and made to appear as though donors sifted winners from losers in a marketplace of charities.

Fundraising Trends: "Fewer People Giving More Money"

The second significant change fundraisers observed in their careers was the increased size of the largest donations. Five members of this study held the position of Vice President or Director of Major Gifts for their organization. Several others solicited major gifts for capital campaigns or had mixed portfolios that included major gift fundraising. One of the Directors of Major Gifts, Nicole, put it simply: "Every year the major gifts get bigger."

In fact, whatever the fundraisers' current specialization or assignment, the growth of major gift fundraising arose as a topic of every interview because this trend was so relevant to their work and careers. "People have huge expectations for major gifts," explained Vivian, adding that the revenue growth was inflating fundraising targets across the board and creating "immense" pressure on fundraisers.

> We have unrealistic expectations as a sector, so what's happened in the last few years is that all of us have decided to double our income. … [She quickly names six large charities with the declared goal of doubling fundraised revenue.] We've all decided that doubling is possible because we've all had lots of growth in the last little while, but the donor base on a macro level does not exist. It's not sustainable. (Vivian)

Together with the arrival of huge donations, fundraisers were seeing a parallel trend: declining numbers of regular donors from year to year. The percentage of Canadians who claimed the charitable tax credit steadily declined from approximately 30% of tax filers in the early 1990s to 24% in 2007 and 21% in 2015 (KCI Philanthropy, 2017). Some of this drop may have been the result of spouses starting to combine charitable donation receipts, but another measure of broad-based giving, survey data on self-reported donations from the Canadian Survey of Giving, Volunteering, and Participating, corroborated the downward trend seen in the income tax data (KCI Philanthropy, 2017). Additionally, the number of Canadians who contributed to their own registered retirement savings programme (RRSP) declined at the same rate as charitable giving, which suggests a common cause: creeping financial stress of middle and low-income households (KCI Philanthropy, 2017). Putting the growth in major gifts together with the drop-in overall rates of donating, Sherry attributed both trends to the changing distribution of wealth in Canadian society: "I think we're seeing it [wealth inequality] in terms of fewer people giving more money and we're seeing the big mega gifts coming from that top 10 percent."

The growing concentration of wealth at the top is a pre-condition for major gifts, but the six- to eight-figure donations that began in the mid-1990s would not have happened were it not for the new income tax incentives. To verify the impact of the changed tax rules, David Duff (2001) analysed Revenue Canada data on tax filers in six income classes who claimed the charitable tax credit in the years 1995 and 1996, before and after the contribution limits were raised enabling large gifts to offset income taxes, an incentive that is useful only for high-income tax filers.

Duff's analysis showed that Canadians who earned $100,000–$250,000 increased their share of charitable donations compared to other income groups by almost 1% over the previous year, while tax filers in the top group earning over $250,000 increased their share of donations by almost 3%. As early as 1996, then, "increases in the maximum donations that can be claimed in a taxation year, [had] altered the distribution of charitable donations claimed by income class, significantly increasing the percentage of charitable donations claimed by the highest income groups" (Duff, 2001, p. 423). Accordingly, fundraisers spoke of the changed rules for the tax credit as another significant change in their careers.

In light of this pattern of more fundraised revenue coming from fewer donors, my interview participants explained that the most effective strategy for many organizations was to prioritize major gift solicitation. For example, Jacob, who had worked for two universities and a social services charity over his 19-year career, explained how a "90–10 rule" now guides his efforts:

> You work really, really hard, and you get like $100 on average from 40,000 people, and that's wonderful. That's one program. You could put the same amount of effort in and be getting the same amount of money from 20 people, and there are only so many of those people. (Jacob)

But for Andrew, who entered fundraising in mid-career and had devoted 16 years to directing a large fundraising staff at a single institution, the more-from-fewer trends meant shifting his fundraising strategy to a new extreme:

> When you look at the numbers, it's not the 80–20 rule anymore. It's probably the 95–5 percent rule. In other words, 95% of our money is coming from 5% of the people who give. (Andrew)

Major gifts fundraising approaches were spreading across more types of fundraising organizations, as Joan attested. In her 22-year career, Joan had fundraised for Indigenous and environmental organizations and a hospital foundation before becoming the director of a mid-sized social services charity.

> You have to concentrate on, where is your greater return going to be? So, if you concentrate on five people that are going to give you $5,000, you're going to get $25,000. Or do you spend the same amount of time where there's potential to get a million dollars? (Joan)

Thus, competition to lower fundraising costs per dollar donated drove the emphasis on major gifts fundraising as this approach was the most administratively efficient.

The growth of major gifts was causing fundraisers to rethink the donor pyramid model. The pyramid is a metaphor for the distribution of an organization's supporters according to the size of their gifts. A large number of first-time and occasional donors who give small amounts comprise the base. Donors who give larger amounts and tend to be regular givers make up the next tier, and a select group of generous "angels" appears at the apex. Conventional fundraising thinking had been that fundraisers should work to move people up the pyramid by engaging their interest in the organization, encouraging them to become monthly or annual donors, and then making personal appeals to solicit extraordinary pledges and bequests from the most committed donors. But the emerging wisdom was that the 5% of donors who generate 95% of revenues were unlike donors lower on the pyramid. They might never have been annual givers, their motives might differ, and they might require years of concerted cultivation and negotiation, which was the work of dedicated major gifts staff in large organizations. Consequently, as Jacob observed, "all the big charities are all competing for those people at the top who have the power and the wealth and the influence and, presumably, the desire [to give]."

A Debate About Tax Policy for Philanthropy

This overview of trends in the field of nonprofit fundraising and philanthropy: competition for donor dollars and more-from-fewer points to a fundamental social policy debate centred on the charitable tax credit. Two Canadian tax law experts who have participated publicly in this debate, Jack Mintz and Neil Brooks, represent the opposed positions. Mintz is an economist and professor at the University of Calgary business and law schools. Brooks is a lawyer and emeritus professor at Osgoode Hall Law School, York University. Both point out that the charitable tax incentive is a form of tax expenditure, what Matthew Bishop calls, "a kind of outsourced form of public spending" (Bishop, 2013, p. 488). Tax expenditures lower government revenues to promote favoured activities, in this case, charitable donations. The size of the charitable tax credit varies by province because provincial credits are added to federal credits. It also depends on the donor's income tax bracket and whether the gift is made up of capital assets, but for most major gifts, the donors' charitable tax credit amounts to well over half the value of the gift and as much as two-thirds. For example, a gift of a million dollars would cost the donor less than $500,000, and cost governments more than $500,000 in foregone tax revenue.

In a National Post column, Jack Mintz argued for this government subsidy of philanthropy as a policy to generate competition among charities:

> The combined charitable tax credit and capital gains exemption now make up a substantial share of donation costs [to governments]. If governments are paying most of the costs, a taxpayer might wonder why governments don't just fund charities directly. But it would be unwise to create a system where politics decide which charities get funded. A system where charities compete for our gifts better ensures funds go to the worthiest causes. (Mintz, 2016)

Brooks (2001), writing shortly after the tax incentive for donated securities was enhanced for a third time, presented a retort to this line of argument. He countered that the tax expenditure for large philanthropic donations only appears to sideline politics. Incentivizing philanthropy is fundamentally political in the way it favours the decision-making power and priorities of a small strata of the wealthiest members of society. Brooks wrote:

> This debate over enriching the tax credit for charitable contributions is not about "whether Canadians should be allowed to keep more of their hard-earned income" or about "encouraging altruism." It is about the meaning of citizenship and about concepts of social rights, equality and entitlement. Also, ultimately, it is a debate about who will exercise power in Canadian society. (Brooks, 2001, p. 477)

Most fundraisers in my study who had thought about this debate were on side with Jack Mintz. They also supported their representative bodies, such as the Canadian Association of Fundraising Professionals, in lobbying for stronger tax incentives. For example, Frances, the President of a community foundation who had also fundraised for health care, social services, and post-secondary education during her 25-year career, would advise prospective major donors of their opportunity to exercise power directly through their philanthropy:

> The other thing that I say is you're going to be supporting the sector one way or the other. Either you're going to be doing it through tax or you're going to be doing it through making your own donation. By making your own donation, you can decide which part of the society you want to help. And through tax, you probably have less control over that. So personally, I say give it through philanthropy. (Frances)

Frances illustrated how fundraisers' competitive work to facilitate elite philanthropy contributed to making charitable worthiness a matter for rich people to define. How fundraisers responded to warnings such as Brooks' (2001) about the threats of philanthropy to concepts of citizenship, social rights, equality, and entitlement sheds light on how neoliberalism works as a governing rationality, which I will explore in the chapters that follow.

Notes

1. For analysis of the origins of state fiscal crises and national government responses, I recommend the work of economic sociologist Fred L. Block. Focusing on the United States, Block described how an aggressive programme of government deficit-reduction through social spending cuts eclipsed other viable policy options for addressing the root problem of unregulated flows of capital across national borders (see Block, 1996).
2. After the federal government raised the top marginal income tax rate in 2016, the charitable income tax credit was based on a three-tier assessment. As before, the first $200 of a tax filer's donations received a 15% credit (the first tier). Gifts above $200 received a tax credit valued at 29% of donations exceeding $200 (the second tier). Some donors qualified for a combination of 29% and 33% (the third tier) when their annual income was above $200,000, putting them in the new top tax bracket.
3. The capital gains tax is a tax on the realized value (gains) when an investment asset, such as shares in mutual funds or a rental property, is sold. A certain percentage of those gains, called the "inclusion rate," is added to taxable income. In the mid-1990s, the inclusion rate for capital gains was 75% of the realized value of the sold asset. When the inclusion rate was 75%, for example, this meant the taxpayer who sold a capital asset was taxed on their annual income plus 75% of the capital gain from that sale. The tax rate was the marginal tax rate for the taxpayer's income level. In the year 2000, the capital gain inclusion rate was reduced from 75% to 66.33% and reduced again to 50% that same year.

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