



PHILANTHROPIC  
FOUNDATIONS  
IN CANADA

LANDSCAPES,  
INDIGENOUS  
PERSPECTIVES  
AND PATHWAYS  
TO CHANGE

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Social Sciences and Humanities  
Research Council of Canada

Conseil de recherches en  
sciences humaines du Canada

Canada

This research was supported by the Social Sciences and Humanities Research Council of Canada.

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Dedicated to our dear  
friend and colleague  
Jack Quarter  
1942–2019

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Part One  
Chapter One



# A contextual history of foundations in Canada

Sylvain A. Lefèvre and Peter R Elson



**P**hilanthropy in general speaks to the altruistic act of giving with thankfulness and the act of reciprocity and selfless generosity. Foundations, as part of the philanthropic ecosystem, are an institutionalized, state-recognized and supported public or private means to redistribute public goods. The history of foundations – from the Middle Ages, through the Age of Enlightenment, global colonialism, the industrial revolution and the modern age – is also the history of resource extraction, wealth creation and accumulation, and the subsequent private redistribution of public goods. What makes these private goods public in Canada is that the purpose of all charities (which all foundations are) must focus on one of four state-sanctioned “pillars of charity”. These four “pillars” are: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community in a way the law regards as charitable (Canada Revenue Agency, 2018). Our intention here is to briefly outline some of the historical influences on the nature of foundations in Europe and the USA, before turning our attention to Canada.

## Europe: The genesis of local and charitable foundations

In Europe, since the Middle Ages, religious foundations, especially those of certain monastic orders such as the Benedictines and Franciscans, collected bequests and donations, in kind or in cash, to establish asylums and hospitals for the poor, the homeless and the sick. These religious foundations were tolerated provided they remained local and had a charitable mandate. Their expansion, particularly through mortmain properties (which are inalienable possessions that are exempted from taxes and death duties), was seen as a potential threat by the political powers of the day. In France, for example, the holding of such resources by the Catholic Church generated a rivalry with a centralized state in the making. For these two reasons, foundations were ostracized by a state that saw itself as having a monopoly over public interest missions, and deliberately kept intermediary, community and religious bodies at bay.

In the 19th century, foundations regained a certain status primarily as secular foundations and with the aim of reconciling the expansion of a nation state with the diversification of interests of civil society (Anheier, 2001). In an age characterized by flourishing industry and commerce, and an emerging urban proletariat, foundations were formed by the new market elites in England, the Netherlands, Germany and Austria. Overall, foundations across Europe in the 19th century tended to have local and specific mandates and to remain at the municipal or parish level. This market elitism was fueled, in no small way, by imperial expansion, colonial dispossession of Indigenous peoples and resource exploitation around the world, including the USA and Canada.

Philanthropists and the foundations they created not only embody economic capital (e.g. Ford – car industry; Rockefeller – oil industry; and most recently Gates – computer technology) but also social capital. This relationship is synergistic. Branding of philanthropic foundation activities enhances reputation, prestige, and recognition, which are equally valuable to business interests (Morvaridi, 2015). While altruistically “giving back” is a noted motivation for establishing a foundation, it’s certainly not the only reason; others are the importance of establishing a positive legacy, an attempt at reparation, penance, and relief of guilt from engaging in exploitative capitalistic practices that are sometimes contrary to religious or moral norms (Whitaker, 1974). As we will see, the role foundations undertake continues to reflect not only the very corporate business strategies that generated wealth in the first place, but also the political context that shaped them, especially the role given to philanthropy by the State.



**Table 1 – Historical timeline**

Foundations as corporate polity					Rise of the mega-foundation
Foundations as problem solvers					Growth of private and community foundations
Foundations as corporate <i>noblesse oblige</i>				Industrial revolution fueled foundations	
Foundations as a mutual benefit			Emergence of secular foundations		
Foundations as institutionalized religion		Dominance of religious foundations			
	<b>Middle Ages</b>	<b>18th century</b>	<b>19th century</b>	<b>20th century</b>	<b>21st century</b>

## United States: The birth of modern foundations

Compared with Europe, the United States is often presented as a philanthropic paradise with regard to foundations, reflecting an other-than-government role and considerable public recognition. It should be noted, however, that what is now being denoted as a “foundation” has little to do with the religious and charitable heritage from medieval Europe; the foundation, as an institution, was reinvented in the United States at the end of the 19th century. In this case the foundation was built around a particular institutional form, the *trust*, which survives beyond its founder and is recognized as a distinct corporate entity by the legal, fiscal and political system (Zunz, 2012, p. 12, our translation).

During the American industrial revolution, the unparalleled creation of wealth – compared to other continents – together with the pace of wealth accumulation within one generation – did not take place without raising significant challenges. This growth was accompanied by a strong rise in inequalities,<sup>1</sup> dispossession of traditional native territories, and the emergence of an urban

<sup>1</sup> The wealthiest percentile of the population owned approximately 30% of assets in the United States in 1860; it owned more than 45% in 1910 (Piketty, 2013, p. 555).

proletariat, often living under deplorable conditions. The image of these captains of industry, dubbed “robber barons”, cast a dark shadow on the foundations they created. These entrepreneurs – such as Cornelius Vanderbilt, John Rockefeller and Andrew Carnegie – made fortunes during the second industrial revolution (steel, oil, mining, automotive, railway, finance) using methods severely condemned by the press, unions and government. The press, for example, penned articles by “muckrakers” against Standard Oil of Rockefeller;<sup>2</sup> trade unions protested against appalling working conditions and repressive violence; and the government changed corporations under antitrust laws.

The foundation thus became a “problem-solving machine”. Problems invariably change with time, though, and these changing problems forced the foundation to adapt, for example by changing the allocation of its funds, the type of projects funded, or the terms of its support, rather than insisting on the strict adherence to the mandate of its founder (Anheier & Hammack, 2013). This institutional innovation was the result of a political and legal compromise in relation to a number of complex issues in the early 20th century in the United States. American foundations can be described as “a hybrid capitalist creation, at the intersection of philanthropy and state: not being subject to taxes insofar as its profits are reinvested in the common good, it nevertheless operates under the same principles as businesses” (Zunz, 2012, p. 12, our translation).

In this regard, Andrew Carnegie’s essay *The Gospel of Wealth*, written in 1889, was like a bible for American founders such as Rockefeller and Mellon. Carnegie, “the richest man in the world” at the time, was the founder of one of the first American foundations in 1911. He affirmed his responsibility to give back to society a part of what he had gained, but did so using the same business principles with which he had made his fortune in steel. In other words, philanthropy was no longer seen as a gift but as an investment.

Whereas traditional charity bore the hallmarks of being altruistic and gratuitous, organized philanthropy was now managed with the rigour and method of a capitalist enterprise. At the turn of the century, the captains of industry who created their own foundations – Russell Sage (1907), Rockefeller (1913) and, later, Kellogg (1930) and Ford (1936) – shared common motives and ambitions in this regard. First, their activities no longer addressed only the poorest, but the whole of humanity, or, to use a then fashionable phrase, “the progress of mankind”. Second, their aim was to reform society without going through government bodies. Third, this reform was to be undertaken through an alliance with like-minded reformist networks and the support of a science that promised to solve social issues with technological means. Their mantra was not to deal with the consequences of social problems, but with their roots, *through* entrepreneurial and scientific approaches (Sealander, 2003). This philosophy may have funded the eugenics-related research, but it also led to the construction of public institutions.

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<sup>2</sup> Reverend Washington Gladden, figurehead of the Social Gospel movement in the United States, in 1905 censured churches and universities that accepted “tainted money” from Rockefeller, declaring such money to have been acquired by unethical and monopolistic practices.

This explains the flourishing of libraries, museums, hospitals and universities (such as those created by Johns Hopkins in Baltimore, Ezra Cornell in Ithaca, Leland Stanford in Palo Alto, Rockefeller in Chicago, and Vanderbilt in Nashville, for example) that were funded by foundations in the early 20th century, new institutions that produced and disseminated knowledge (O'Connor, 2001).

The First World War changed public opinion about the “robber barons”, insofar as their fortunes contributed to the war effort and relief abroad. In the United States, philanthropy in its elitist form (large foundations) and in its more common form (small donations) became an expression of patriotism (Zunz, 2012). A second change was the institutionalization of foundations, within which the founders gradually had to give way (if they hadn't already passed away) to professional management, fund allocation committees, and program officers who ensured a liaison with the funded organizations.

Similarly, during the Second World War and the Cold War, American foundations operating abroad identified closely with the political, cultural, diplomatic and economic objectives of their government – from the “Green Revolution” financed by the Rockefeller Foundation, to the recruitment of intellectuals from Western Europe by the Ford Foundation – and were soon blamed for breaking the limits of their mandate and “playing politics”. During McCarthyism in the 1950s, for example, the Carnegie Endowment was accused of being infiltrated by communists; and, during the civil rights riots of the 1960s, the Ford Foundation was accused of supporting unruly social movements (O'Connor, 2011).

Overall, the 20th century was characterized by an oscillation between support for, and disapproval of, tax exemptions for foundations, alternating between a virtuous incentive and an exorbitant expense and loss of tax revenue. This oscillation was essentially determined by economic conditions, problems of state budgets, and a political debate about the legitimacy of philanthropic foundations.

In line with these concerns, in the 1960s and 1970s American foundations engaged in a period of questioning and role reflection. The Patman Commission in 1963 condemned the lack of transparency of foundations, and the political influence and tax privileges they enjoyed. It also identified a number of financial abuses and serious cases of maladministration among foundations (Riecker, 1964). The pressure was so strong that Congress considered ordering all foundations to spend their funds within the next forty years, and then to cease operations. Although this recourse was rejected, a strict regulation on foundations was enacted that required minimum expenditures of 6% of the endowment each year and which prohibited the owning of more than 20% of a company, among other stipulations (see *Tax Reform Act of 1969*).

## Canada: From American and British influence to the development of its own approach to philanthropy

There are strong similarities in the genesis of the American and Canadian foundations. In many cases it is not always possible to identify whether a given feature resulted from the influence of American foundations on Canadian foundations or vice versa; both, after all, emerged under similar structural and economic conditions and, in both countries, the *British Charitable Trust Act* (1853) served as the first legal guideline. In Canada, as in England, the definition of charity was determined by the judicial interpretation given to the *Pensel* case (1891). There are four legitimate purposes to an organization's establishment for it to be recognized as a charity, and to obtain the related fiscal and legal recognition: poverty relief, advancement of education, advancement of religion, and other activities beneficial to the community. Despite interpretative and legal wrangling, and calls for change (Chan, 2007), these are still the same criteria used by the Canada Revenue Agency to determine charitable purposes.<sup>3</sup>

In addition, the chronologies, founder profiles, and charitable purposes supported in Canada have striking similarities to those of American foundations. For example, the first Canadian foundation, the Massey Foundation, was established in 1918. The Masseys, a Methodist Protestant family that was both Canadian and American, had made its fortune in agricultural equipment manufacturing. Its Foundation, in which the family members sat, and still sit as trustees, financed the creation of a number of cultural and educational institutions in Toronto (Hart House Theatre, Massey Hall, Massey College at the University of Toronto). Vincent Massey, who quickly took lead of the foundation, was strongly influenced by George E Vincent, his mother's half-brother and none other than the president of the Rockefeller Foundation in the United States (Fong, 2008, p. 514).

Studying the evolution of the legal and fiscal frameworks for foundations in Canada and the United States, Iryna Kryvoruchko (2013) also identified many similarities. With little state interference in both Canada and the United States, a form of trust was initially used to create foundations. These foundations were created by wealthy entrepreneurs who had made their fortune rapidly during the industrial revolution, as a means of sheltering their wealth. Over time, the state developed a twofold position with regard to foundations. First, it wanted to avoid the situation in which a financial power takes root that is exempt from any public obligations or temporal limitations; to prevent this, the federal governments instituted laws requiring foundations to transfer a share of their annual profits to the government. Second, at certain times,

<sup>3</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/guidance-017-general-requirements-charitable-registration.html>

especially during the two world wars, the state implemented tax incentives allowing it to benefit from the philanthropic resources of foundations.

When comparing more precisely the chronology of transformations in the legal and fiscal framework with regard to these philanthropic issues, Canada was often found to copy and tag along after its southern neighbour. For example, the first tax deductions to encourage philanthropy emerged during the First World War.<sup>4</sup> In the United States, tax deductions for donations from individuals to foundations were first granted in 1917, and tax exemptions for foundations followed in 1921. In Canada, approved registered charitable institutions were exempt from taxes from 1917. Charitable donations, of up to 10% of one's income, were first rendered deductible from taxes for individuals and businesses in 1932. The regulation on foundations followed a similar course. After the Second World War, foundations had to register with the fiscal authority (1943 in the United States and 1967 in Canada) and comply with the *Tax Reform Act* (1969 in the United States and 1977 in Canada), which requires them to make annual transfer payments of a portion of their capital. Starting with the 1980s, the level of that disbursement was gradually lowered.<sup>5</sup>

Despite the parallel timelines, foundations in Canada remained relatively weaker than those of the United States.<sup>6</sup> For example, in the United States, the between-war period gave rise to many powerful foundations (including the Ford Foundation in 1936), whereas only two foundations were created in Canada in the three decades following the establishment of the Massey Foundation: the Winnipeg Foundation and the McConnell Foundation. The Winnipeg Foundation (1921) was the first community foundation in Canada and was created with an initial endowment of \$100,000 Canadian dollars from William Forbes Alloway. The amazing journey of this veterinarian-cum-trader-banker-investor, and one of the first millionaires of Winnipeg, is reminiscent of the profiles of the American robber barons, if the practicing of controversial business methods, the building of a notable status (seat in the Winnipeg City Council, governor of the Winnipeg General Hospital) and the creation of a sustainable philanthropic institution are anything to go by (Hanlon, 2003). Nearly a century later, the Community Foundation of Winnipeg

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4 It was also the First World War that saw the introduction, in several European countries, of the first laws on income tax and on tax deductions for philanthropic donations. Both types of law had the same objective: to finance, first, the war effort and then the reconstruction. The first law, however, established the pillars of the welfare state, both as financial resources to invest and as a redistributive tool by progressive taxation; the second law laid the basis for philanthropic solicitation ... and the associated lost tax gain!

5 For a political-economic analysis of the context and the motivations for these policy decisions in Canada, see Charbonneau, 2012.

6 Although we cannot focus here on the many factors that explain the differences in the paths taken by the United States and Canada on these issues, one point is worth emphasizing: in Canada, a major share of the domestic capital – one quarter in the early 20th century – is owned by foreign (in particular, British) investors, while this share has never exceeded 5% in the United States (Piketty 2013, p. 247).

is still a very large organization that, through its housing of 2,700 capitalized funds, allocated \$411 million Canadian dollars to more than 900 charities for the year 2018.<sup>7</sup>

The McConnell Foundation was created in 1937 following the donation of J W McConnell. The biography of this person also mirrors that of some of the American “robber barons”. McConnell was revered by some as the self-made man who started with nothing and became one of the richest Canadians, making a fortune in multiple sectors (mining, insurance, transport, sugar refinery, finance), and distributing it massively, anonymously or through his foundation, to the point of being considered one of the greatest philanthropists in 20th-century Canada. He was also a devout Protestant, from the Methodist Church, as was the Massey family, to whom he was close. But he was also criticized by some who “reviled [him] as the symbol of English oppression of French Canada, an anti-Semite, an unbending big business Tory, an exploiter of the working class, and enemy of academic and press freedom” (Fong, 2008). The diverging analyses of his personality aside, he stood out for having achieved significant positions of power within the Canadian elite, in addition to his dominance in the economic sector. McConnell enjoyed close ties to prime ministers: Mackenzie King at the federal level, and both Taschereau and Duplessis at the provincial level (*ibid.*).

These connections were both cross-border and mutually beneficial. Mackenzie King was close friends with both John W McConnell and John D Rockefeller. Mackenzie King also worked at the Rockefeller Foundation from 1914 to 1918, as head of the new Department of Industrial Relations, and advised Rockefeller following the fatal Ludlow Massacre of 1914. He was also approached to head the management of the Carnegie Foundation in 1918 (he declined) before he went on to become Canada’s tenth Prime Minister in 1921.

McConnell was publisher and owner of the *Montreal Star* newspaper, governor (for thirty years) of McGill University and of the Royal Victoria Hospital, and he demonstrated his patriotism by making generous donations during the two world wars. Modelled after the three pillars (health, education and arts) of the US-American foundations which inspired him,<sup>8</sup> McConnell’s foundation financed McGill University, the Montreal Neurological Institute, the Salvation Army, the United Church, the YMCAs, the Old Brewery Mission, the Royal Victoria Hospital and the Montreal General Hospital. Today, the McConnell Foundation remains very important in the Canadian philanthropic landscape, not only because of the amount of funding it allocates, but also because of its role as guide and steward for various pan-Canadian projects and charitable sector issues (Brodhead, 2011; Pearson, 2007).

This brief portrait of Canadian foundations reveals a sector which is gradually asserting its independence from the economic, political and religious domains from which it originates,

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<sup>7</sup> [https://www.wpgfdn.org/Portals/0/Uploads/Documents/Publications/WpgFdn\\_2018\\_Annual\\_Report\\_Summary.pdf](https://www.wpgfdn.org/Portals/0/Uploads/Documents/Publications/WpgFdn_2018_Annual_Report_Summary.pdf)

<sup>8</sup> His two main inspirations were the Rockefeller Foundation and the Millbank Foundation (Fong, 2008, pp 515–16).

yet to which it nevertheless maintains a preferential relationship. For example, in the Massey family, whose foundation did so much for the arts and culture in Toronto, one of the founder's grandsons, Vincent, became the first governor general born in Canada (1952–59). Vincent Massey also occupied other important positions, including chairmanships of the Arts and Letters Club (1920–21), and of the Royal Commission on National Development in the Arts, Letters and Sciences of Canada (1949–51), called the Massey Commission. The latter advocated funding of cultural activities by the federal government and thus gave rise to the establishment of public institutions such as the National Library of Canada (now Library and Archives Canada) and the Canada Council for the Arts.

Sometimes, the foundations were directly involved in the structuring of a public service, as was the case, for example, with the Rockefeller Foundation, which, in line with its commitment to support education in the medical field in Canada, from the 1920s financed the leading Canadian universities, such as McGill University, to launch a medical school (Fedunski, 2005).

Foundations, having to support designated grantees (i.e. other registered charities), are a significant source of financial support for community organizations and the third sector, particularly in areas where there is mission alignment. The complementary role that foundations play in this regard is most often influenced by the chronic shortage of full-service government funding and the absence of viable private market activity. For example, when there was a period of generous Welfare State growth, core funding and experimental programming in the 1960s, philanthropic support to social agencies was seen as less crucial. Since the mid-1990s, however, with the onset of budget cuts and short-term contract funding, support from foundations has become very valuable for community organizations (Elson, 2011). Foundations have thus become one of the few sources of genuine social sector program and policy research and development.

In the context of the current public funding paradigm, built on the principles of New Public Management and the subsequent increase in competitive, short-term contract funding (Smith & Lipsky, 1993), foundations find themselves again assuming the role of alternative fundraiser. In the 1990s, a group of national organizations, the Voluntary Sector Roundtable, formed and met to reflect on the relationship of the voluntary sector with the federal government, particularly on funding issues and best practices. This roundtable was chaired by former New Democratic Party leader Ed Broadbent and funded, not by the government, but by major foundations, including the McConnell Foundation (Elson, 2007). Foundations have also taken the lead in advocating for the most recent dramatic change to the *Income Tax Act*, namely eliminating any constraints on non-partisan political activities and, as profiled in Chapter 9, in speaking out against government austerity programs.

Before discussing these more recent transformations of the role of foundations, we present an overview of the foundation sector in Quebec, which differs from the one previously outlined for the rest of Canada.

## Quebec: A philanthropic history that beats to a different rhythm

In many ways, the evolution of Quebec philanthropy is the exact opposite of what was observed for the rest of Canada. On the one hand, Quebec is hardly a model for philanthropy, the average donation in Quebec in 2013 being less than half (C\$213) of the rest of Canada (C\$437) (Devlin & Zhao, 2017). The volunteer rate, likewise, is lower in Quebec (32% against 44%), as is the average number of volunteer hours provided annually (123 against 154, 2013 figures). On the other hand, the province is home to the McConnell Foundation, for decades the largest private foundation in Canada, and to the Lucie and André Chagnon Foundation, one of the best endowed and most active foundations today.

Quebec has stronger mechanisms fostering social solidarity than the rest of Canada. For example, 40% of all cooperatives in Canada are in Quebec, although the province has less than a quarter of the country's inhabitants.<sup>9</sup> Moreover, the level of public spending, as a percentage of the GDP, especially on social programs, is greater here than in the rest of Canada, and is borne by a higher tax rate. Finally, the rate of unionization in Quebec is the second highest in Canada, with a rate of 36.3% in 2011 against 29.7% in the rest of Canada. We can conclude that Quebec has a weaker level of philanthropic engagement than the rest of Canada, yet at the same time its low-income brackets and structural income inequality are also less pronounced (Lefèvre *et al.*, 2011, pp. 117–49).

This situation results from the unique history of this province within Canada and from its features. These features tend to solicit a number of simplistic conclusions, be it with regard to language (i.e. the drawback of French in trade between Canada and the United States), the weight of the Catholic Church (compared with Protestantism) or the centrality and verticality of the state, perceived as a legacy of French Jacobinism.

When the Industrial Revolution was in full swing and the first foundations were being set up in North America, Quebec was moving to a different rhythm. There were, certainly, social patrons and bourgeois philanthropists, who generally associated themselves with the hygienist movement. And there was a strong mutualist movement that provided members with services that were covered by neither the market nor the state (e.g. financial compensation in the case of disability, pensions to widows and orphans) by pooling resources and establishing mutual support networks. In the early 20th century, more than one in three men were members of such fraternal benefit societies in major Quebec cities (Petitclerc, 2008, p. 400).

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<sup>9</sup> The definition of “third sector”, as used in Canada, excludes social economy organizations (including cooperatives and mutuals), an essential component in the Quebec economy.



The ideal of mutual support values the collective and not the individual, and the egalitarian rather than the paternalistic compassion of elites. The mutualist movement, which began in the 1910s, was subsequently supplanted by the rise of trade unionism, the slow emergence of social welfare programs and the commodification of insurance services. Yet, another collective practice took shape at the time with the development of savings and credit cooperatives, starting with the creation in 1900 of the first credit union by Alphonse Desjardins, whose history is well known.

At the end of the First World War, the economic crisis and the Spanish flu hit hard in Quebec, prompting the provincial government to implement the *Public Assistance Act* (1921). With this pioneering Act, the government and municipalities were required to finance two-thirds of the support to the sick, poor senior citizens, babies and orphans cared for and placed in hospitals, hospices and orphanages. In fact, this measure served primarily to compensate for the lack of structured philanthropy in the French Catholic setting, at a time when the Jewish and Protestant communities had already organized their own charities in Montreal (Ferretti, 2013).

When the great economic crisis of 1929 had exhausted this new social model, the municipalities set up direct distribution systems (donations of food, clothing and household heating fuel) to mitigate the poverty created by endemic unemployment. Such systems were conceived of as auxiliary measures only, however, with the state and municipalities assuming that this responsibility essentially lay with the Church and the family. Then, in the 1930s and 1940s the first social programs were gradually implemented by the federal and Quebec governments, including old age pensions, allowances for needy mothers, unemployment insurance, family allowances, and other types of support. But it was especially after the Second World War that the welfare state developed a strong structure at the federal level, with the implementation of the Marsh Report, discussed earlier, and the establishment of a public and collective social security system. Yet here as well Quebec took a different route.

Back in power, Maurice Duplessis (1944–59) fought at the province-wide level against the strengthening of the welfare state, which he saw as a precursor of socialism and ultimately communism. In particular, he sealed an alliance with the Catholic Church and the dioceses, thereby strengthening the power of the latter. In that context, the religious institutions, becoming ever larger, began taking charge of multiple mandates in the field of health, education and even entertainment. Conventional philanthropy was stymied through incessant collections organized at the level of the dioceses as well as in the cities through fraternal benefit organizations such as the Chevaliers de Colomb, the Richelieu and the Voyageurs du commerce (*ibid.*). During this post-war period, while in the United States and Europe solidarity and social policies were increasingly regulated by government policies and fiscal measures, older forms of local, charitable and religious philanthropy thus still dominated in Quebec.

This period of time was rather slow for foundations elsewhere in Canada,<sup>10</sup> but Québec engaged in the creation of very large foundations such as the Bronfman Family Foundation (1952), the J Armand Bombardier Foundation (1965), the R Howard Webster Foundation (1967) and the Macdonald Stewart Foundation (1967). The largest foundation of the time, the McConnell Foundation, for its part, benefited from a very close relationship between its founder and Maurice Duplessis, who dubbed the former ‘Big Heart’. James W McConnell provided strong support for the Premier in his fight against the ‘specter of communism’, which was seen to threaten Canada (Fong, 2008, pp. 400–10). Through his foundation, or through direct donations, he funded a number of initiatives in Trois-Rivières (home city of Duplessis), which included the reconstruction of a damaged bridge, support to a Carmelite monastery and the near-complete financing of a recreational centre (Mrg-St-Arnaud Pavilion).

The new wind that blew in with the Quiet Revolution in the 1960s thus marked the decline of a certain form of philanthropy in Québec. With the establishment of the Ministry of Social Affairs (1966) and the pension plan (1964), family allowance plan (1967), health insurance (1970) and *Act Respecting Health Services and Social Services* (1971), Québec became a welfare state in only a few years. In addition, with the creation of the CEGEPs (collèges d’enseignement général et professionnel) and the network of University of Québec universities (1969), the dioceses lost ground in the field of education as well. The sudden secularization accompanying this political and cultural transformation had powerful effects.

The decline of religiosity in Québec goes a long way to explaining its bad “philanthropic results” compared with the rest of Canada (Devlin & Zhao, 2017), but the history of Québec philanthropy has always been at variance with that of the rest of Canada. For example, in the decades following the Second World War, religion played a central role in Québec, while the welfare state was developing in the other provinces. And today, when the Catholic religion has lost its institutional power and its following in Québec, the Church and state appear to be more politically connected in the rest of Canada and in the United States, especially among particular segments of the Protestant faith.

Another long-lasting consequence of the Quiet Revolution, with repercussions on the decreasing role of foundations even today, was the institutionalization of strong relations between the government of Québec and the community sector (Laforest, 2011). In the context of increasing government involvement in the domains of health care, social services and education in the 1960s,

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<sup>10</sup> This is obviously the case in Europe, where the welfare state is stronger, but also in the United States, where the Second World War led to a considerable strengthening of the federal government. The amounts which the United States now injects into health care, social services and scientific research render the influence of foundations much smaller. For example, in 1938, the federal government invested \$42 million dollars in scientific and technological research. With the approach of war in 1940, that amount rose to \$770 million. This situation was summarized by a foundation director in 1949: “We collect \$3 million for research against cancer, and then we read that the government proposes to allocate \$30 million to the same cause; it’s very discouraging” (Zunz, 2012, p. 191).

a number of community networks and projects were coopted. This led to the creation of the local community service centres (CLSCs, centres locaux de services communautaires) in the 1970s, the early childhood centres (CPEs, centres pour la petite enfance) in the 1990s, and the *Act to Combat Poverty and Social Exclusion (Loi visant à lutter contre la pauvreté et l'exclusion sociale)* in 2002 (Dufour, 2004). The creation of a secretariat for independent community action and social initiatives in 1995, the SACAIS (Secrétariat à l'action communautaire autonome et aux initiatives sociales), also illustrates this dynamic.

When observing today's funding structure of community organizations in Quebec, we note the prominence of provincial funding, the very low level of federal funding, and the provision, even if this is a downward trend, of mission-based funding rather than service agreements or funding on a per-project basis. In Quebec, charitable revenues are almost 75% funded by public funds, while philanthropy (both individual and by foundations) accounts for 4% (Gagné & Martineau, 2017).

In contrast, the federal government has significantly withdrawn from its core funding commitments, engaging, if at all, in financing on the basis of a project or service agreements (Phillips *et al.*, 2010), a trend that many community networks denounce and fear. This funding configuration in Quebec helps to explain the unique contribution of the Chagnon Foundation in Quebec. The Chagnon Foundation, created in 2000 with a then-unrivalled endowment, chose to establish an unusual, so-called public-philanthropic, partnership between the Quebec government and the foundation in order to implement large-scale projects (Lefèvre & Berthiaume, 2017) (see also Chapter 9).

## Rise of the mega-foundation

As noted by Anheier and Leat (2013), there were never so many foundations in the world, endowed with so much capital, as at the beginning of the 21st century. The figures Anheier and Leat give for the year 2010 indicate orders of a striking magnitude. In the United States, some 75,500 foundations together own assets of \$565 billion US dollars. The increase in the number of foundations was considerable over the last three decades. For example, nearly half of the US-American foundations active in 2004 did not exist before 1989<sup>11</sup> (Prewitt, 2007, p. 20).

In Canada, much of the increase in total assets has been driven by a significant number of new foundations founded since 2002. Today, nearly 10,000 foundations hold assets of more than

<sup>11</sup> Moreover, compared to other more fragile types of NPOs experiencing a very strong revival, and with the incessant new creations and dissolutions, it can be assumed that foundations, by their very structure, are less prone to disappear. This is only an assumption, however, since we do not have statistics on these dissolutions, or about the distinctions between active organizations and dormant organizations.

\$69.7 billion Canadian dollars. Here as well, the increase is striking. In 1992, 5,400 public and private foundations gave \$1 billion Canadian dollars to other organizations. In 2008, 9,300 public and private foundations gave \$3 billion Canadian dollars. By comparison, in 2015, 10,743 public and private foundations gave \$5.6 billion Canadian dollars and, in 2017, grants by private and public foundations amounted to \$6.7 billion (Philanthropic Foundations Canada, 2016, 2019).

Just over a fifth of current top assets foundations (32 of 150) fall into the mega-foundation category (i.e. assets in excess of \$100 million). Collectively, they account for 41% of total assets currently held by the top asset foundations (Imagine Canada & Philanthropic Foundations Canada, 2014). In 2000, for example, the Lucie and André Chagnon Foundation was the richest in Canada, with assets of \$1.4 billion. In 2014, there were six foundations in Canada with assets in excess of \$500 million (*ibid.*). In 2018, the foundation with the largest asset base was the MasterCard Foundation, with assets of more than \$23.7 billion.

Of these mega-foundations, the Mastercard Foundation stands out. Founded in 2006 by MasterCard International, the MasterCard Foundation has assets in excess of \$20 billion Canadian dollars and an endowment of more than \$23 trillion, almost 25% of all philanthropic capital of Canadian foundations. The assets of the foundation are comprised of MasterCard shares and, while the foundation is autonomous from a governance perspective, relations between the parent company and the foundation are synchronous from the point of view of philanthropic foci, philosophy and how and where resources are mobilized. For example, the self-declared mission of the foundation is to “tackle the youth employment challenge in Africa” for the next decade. To fulfil its mission, the Foundation focuses on advancing financial inclusion and education to economically disadvantaged young people in developing countries to improve their lives (MasterCard Foundation, 2017). In other words, MasterCard is bringing the gospel of capitalism to developing countries and profiling its benefits to those who aspire to improve their lives. To date, the focus of the MasterCard Foundation has been on Africa, although other regions, including charities in Canada, have also benefited from their funding.

The primary strategy of MasterCard is to generate new consumers and thus increase the volume of transactions, the source of MasterCard’s wealth. Thus, there is a clear supposition between the firm’s strategic interests and the Foundation’s mission, which is manifested in the structure of its programs. Its programs focus on creating markets for education, employment, finance and agriculture, sectors which experience high transaction volume.

Yet the vast majority of foundations today in Canada today still reflect their historical legacy: religious foundations, those that are a tool of *noblesse oblige*, the economic elite, foundations designed to solve problems by supporting or complementing state priorities, and place-based community foundations (see Table 1, page 16). But what increases the size and reach of global philanthropic capital, mirroring the size and reach of global capitalism, is the foundation as a distinct corporate polity.

We wish to emphasize, or re-emphasize, one point: despite their growth, philanthropic foundations today have less influence than they did a century ago, at least in rich Western countries. Their financial spread has increased, but not as rapidly as that of the portions of the state budgets allocated to social services, education and health care, or the purchasing power of citizens for these services. In the US-American context, David Hammack (2011) describes this phenomenon as follows:

→ This lesser influence of the foundations went hand in hand with the growth of the state, and also that of incomes. Before the Second World War, the federal government spent about 3% of the country's gross domestic product on various aspects of health care, education and welfare. In 1950, that number had jumped to 8% and has remained at over 12% since the 1960s. Meanwhile, the GDP per capita was progressing even faster, doubling between 1939 and the early 1960s, and then doubling again in the early 1990s. And, the richer people get, they more they spend on services. As their incomes rose, Americans spent much more on health care, education and family services. Foundations, too, have continued to grow, but at a much slower rate, and the proportion of money they give away, as grants, rose only from about 0.1% of the GDP in 1944 to just over 0.2% in the early 2000s.<sup>12</sup>

**Hammack, 2011, our translation**

The golden age of the foundations in the early 20th century took place in a context in which the welfare state was either very weak (Europe) or nearly non-existent (North America). In these environments, the first major foundations were not merely providing financial support to other organizations or initiating projects. They built, often from scratch, real institutions: libraries, universities, public baths, museums, hospitals (Anheier & Hammack, 2013, pp. 43–74). They did this mainly in the countries in which they were based, but sometimes abroad, as in the case of the American foundations that were active in Canada and Europe (Tournès, 2010).

Paradoxically, it was the loss of this relative power that required foundations to reinvent themselves after the Second World War. Foundations today are transitioning from the role of institution builder to one of a catalyst that aggregates, with a precise vision, the strengths of

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<sup>12</sup> In Quebec, private and public foundations have distributed about \$685 million Canadian dollars to charities in 2010. For a comparison of scale, the Quebec government invests \$29 billion Canadian dollars in the domains of social needs and health care; \$15 billion in education, leisure and sports; \$4 billion in employment and social security; and \$2.4 billion in families and seniors, for a total amount exceeding \$50 billion in 2011–12 (Government of Quebec, 2012, p. 12).

other actors (e.g. governments, social movements, community and business). While there is reason to argue that the emergence of the mega-foundation skews the overall picture of the work of foundations, there are two features that are as old as foundations themselves. First, there is an on-going synergistic relationship between the instruments of wealth creation and their foundation by-product, which is disposed to act in the underlying best interests of their asset creators. Second, the institutionalization of foundations can, with the arrival of professionalized staff and bureaucratization, lead to a focus on internal predictability on the one hand and a push for external systemic change on the other.

At a time of growing social inequality and ecological urgency, these two features have the potential to create either powerful conflicts or complementary dynamics within and between foundations.

## Three key takeaways

1

The history of foundations provides a contextual landscape that both defines and constrains their role in society.

2

Foundations are a mirror of tensions that exist between capitalist ideologies, individual benefit and the public good.

3

Foundations will continue to reinvent themselves in relation to the context in which they are formed and operate.

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