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**Distinguishing Non-Donors from Donors:
An Exploratory Study of the Determinants
of Charitable Giving in Canada**

Alice Michaud

A Thesis

in

The Department

of

Sociology

**Presented in Partial Fulfillment of the Requirements
for the Degree of Master of Arts at
Concordia University
Montreal, Quebec, Canada**

March 1993

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Abstract

Distinguishing Non-Donors from Donors: An Exploratory Study of the Determinants of Charitable Giving in Canada

Alice Michaud

This thesis seeks to identify those factors which can explain, and help predict charitable giving. To this end, the following steps were taken.

Using data obtained from a nationally representative survey of Canadian philanthropic attitudes and behavior, a contingency analysis was conducted of sixteen attitudinal variables, and the propensity to donate to charity. The findings indicate significant differences between the attitudes of non-donors and donors toward charitable giving, and nonprofit organizations.

Two models of the propensity to donate to charity were constructed using discriminant function analysis. The first model examined the capacity of demographic and socioeconomic variables to successfully distinguish non-donors from donors. Seven of the fifteen variables significantly differentiated the membership groups in the dependent variable, namely: household income, marital status, age, club membership, religious attendance, length of residence in the community, and ethnicity.

The second model incorporated the following factors: antecedent influences (demographic variables), the ability to contribute (household income), catalysts (being asked to

donate and awareness of tax incentives), potentially reinforcing behaviors (voluntarism and budgeting for donations), and attitudes towards nonprofit organizations and philanthropy. The best predictor of charitable giving is being asked to donate, followed by voluntarism, household income, and awareness of tax incentives respectively.

A comparison of the two models reveals that the second specification accounts for more variation in charitable giving, achieves greater overall separation of the non-donor and donor membership groups, and is most capable of predicting group membership.

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CHAPTER ONE

INTRODUCTION

Statement of the Research Problem

This thesis is exploratory in nature. Its primary objective is to develop a model of charitable giving which can explain, and help predict, the act of donating to a nonprofit organization.

To this end, contingency analysis will be used to examine the relationship between the propensity to donate to charity, and sixteen attitudinal variables taken from a nationally representative survey of Canadian philanthropic attitudes and behavior.

Using discriminant function analysis, two model specifications will be tested to determine whether they successfully distinguish non-donors from donors.

The first model specification consists of fifteen demographic and socioeconomic variables extracted from survey data. The purpose of this specification is to identify those antecedent and socioeconomic variables which have the greatest potential for explaining charitable giving.

The second model specification is based upon the findings of the previous analyses. It will incorporate the demographic, socioeconomic, and attitudinal measures previously identified as holding the most promise for explaining charitable giving. Also included in this specification are variables representing

possible stimulants of philanthropy, and behaviors potentially related to charitable giving.

Rationale

One impetus for this thesis has been the need for academic research on philanthropy and the nonprofit sector. It is a need which is readily apparent, and has been expressed in the literature.

Fisher (1986: 25) for example, laments the lack of scholarly research on philanthropy: "The nation's academic community has almost completely ignored philanthropy as a subject for scholarly inquiry." Hodgkinson (1989: 16) perceives the problem confronting the nonprofit sector to be a lack of research on its roles, functions and distinctive contributions to American society.

Payton (1990: 37) claims the "intellectual leaders of American society have yet to turn their attention to this subject." He also believes "empirical, historical, critical, analytical, and conceptual" research is "now either too little known or not yet published."

According to Magat (1991: 28), the first major attempt to systematically gather data and produce analyses of the nonprofit sector did not occur until 1973 when the United States Commission on Private Philanthropy and Public Needs (also known as the Filer Commission) was established.

Research on philanthropy and the nonprofit sector appears to be a more recent phenomenon in Canada, suggesting the need for research is even more pressing in Canada.

Anheier (1987) has completed an international inventory of nonprofit sector research, and concluded that many governments have a "policy of neglect" regarding philanthropic activity. He argues that the state not only initiates research on philanthropy, but determines the quantity and scope of subsequent research.

Relative to other countries of the world, the Canadian government may have taken an interest in the nonprofit sector at a later point in time. Watson (1985: 19) explains the Canadian government failed to take any real interest in philanthropy until 1971 when it ordered some preliminary statistical studies of the nonprofit sector.

Canada has few organizations dedicated to the study and promotion of philanthropy. Whereas the United States has benefited from such well endowed organizations such as the Foundation Center established in 1956, and the Independent Sector established in 1980, Canada has only two such organizations: the Canadian Centre for Philanthropy established in 1980, and the Institution for Donations and Public Affairs Research established in 1976.

Furthermore, unlike the United States, university research centers devoted to the study of the nonprofit sector have not yet been founded here in Canada. The first university

program devoted to the field of philanthropy was established in 1977 at Yale University (Hodgkinson, 1989: 3). There are currently twenty university research centers on philanthropy in the United States (Magat, 1991: 28). Of these, seven were established prior to 1985.

The need for research on philanthropy and the nonprofit sector is even more striking if one considers the following statistics.

As of July 1992, there were 67,100 registered charities in Canada.¹ It is estimated that the nonprofit sector creates over 200,000 paid positions annually.

There are approximately 848 charitable foundations in Canada, with assests valued at \$2.7 billion dollars, and annual disbursements valued at \$2.7 million dollars.²

Approximately 5.4 million Canadians reported making charitable donations in 1991. Their donations are estimated to total \$3.1 billion dollars. The Canadian Centre for Philanthropy estimates that private donations actually total closer to \$4.87 billion dollars for 1991, because not all charitable donations are claimed for tax purposes.³

¹ Canadian Centre for Philanthropy. 1992. The Effects of the Recession, A Poll of the Canadian Centre for Philanthropy Associates. Toronto: Canadian Centre for Philanthropy.

² York University, Faculty of Administrative Studies. 1992. Pamphlet entitled "Voluntary Sector and Management Program".

³ Nora McClintock, ed. Canadian Directory of Foundations, 9th ed. Toronto: Canadian Centre for Philanthropy.

⁴ Toronto Star, 6 January 1993, p. A3.

Approximately 3 million Canadians volunteer their time and services to nonprofit organizations annually. Their efforts are estimated to represent 200,000 "person years" of labour, valued at \$2 billion dollars. ⁵

In sum, these statistics illustrate that philanthropy is an important part of the Canadian social and economic fabric. As such, further inquiry into the philanthropic practices of Canadians is timely.

Empirical studies of philanthropy have traditionally been based on data obtained from the taxation returns of individuals. Later, government surveys of household or family expenditures were used. A relatively recent development is the survey of individual philanthropic activity.

There appear to have been four such surveys conducted in Canada: Data Laboratories Research Consultants survey (1977), Gallup Canada survey (1984), Decima - Centre for Philanthropy survey (1987), and a follow-up survey conducted by Decima Research for the Canadian Centre for Philanthropy in 1989.

This study is based on the 1987 Decima - Centre for Philanthropy survey, which is the most comprehensive study of Canadian philanthropic attitudes and behavior conducted to date. The Decima - Centre for Philanthropy survey offers several advantages over taxation data, and household expenditure surveys.

⁵ York University, Faculty of Administrative Studies. 1992. Pamphlet entitled "Voluntary Sector Management Program".

First, the survey data may provide a more accurate and less biased estimate of private charitable giving. Martin (1985: 138-139) explains that taxation data understate private donations because it reflects only those donations claimed for tax exemption. Reece (1979: 144) argues that analyses of charitable giving based on taxation data may be biased in favour of individuals with higher socioeconomic status.

Survey data should be viewed with the following in mind, however. White (1989: 65-66) believes individuals are habitually inaccurate in reporting and discussing their charity. Due to the proliferation in fund raising campaigns, respondents tend to be confused about how much they contribute, and whom they contribute to. Steinberg (1990: 492) has found self-reports of giving overstate charitable donations. Individuals who have contributed less than what they feel they should have, overstate their contributions out of guilt, or a desire to impress others.

Richardson (1985: 207-208) has found that aggregate data have most often been used to examine the relationship between economic variables and the variance in total giving. The difficulty with these analyses is that they rarely consider other variables because they are either unavailable for inclusion, or inaccurately measured.

Steinberg (1990: 493) describes this problem as "excluded variable bias". Exclusion of variables is only significant if the unmeasured variables are important determinants of giving,

or are correlated with any of the included variables. Without direct measurement, one can only speculate on the importance of those variables which have been excluded from analysis.

The use of survey data reduces the difficulties associated excluded variable bias because numerous variables are available for analysis along with those traditionally perceived to be determinants of charitable giving.

The survey also has the advantage of being relatively recent (1987), and of sufficient size to allow for more sophisticated statistical analysis.

Outline of Thesis

The first chapter serves as an introduction to the problem under research, and the rationale for the study.

The second chapter is a review of the literature concerning philanthropy and the nonprofit sector.

The third chapter is a contingency analysis of the propensity to donate, and sixteen attitudinal variables. Its purpose is to identify those attitudinal variables which have the greatest potential for distinguishing non-donors from donors.

The fourth chapter is a discriminant function analysis of fifteen demographic and socioeconomic variables. Given the limited nature of previous research in this area, the purpose of this chapter is twofold: to examine how useful demographic and socioeconomic variables are for explaining charitable giving, and to derive a subset of demographic and economic

variables which have the greatest potential for discriminating donors from non-donors to charity.

The fifth chapter is a discriminant function analysis of the demographic, socioeconomic and attitudinal variables previously identified as being most capable of explaining charitable giving. Variables representing possible stimulants of philanthropy, and behaviors related to the practice of charitable giving, will also be included in this second model.

The sixth and last chapter discusses the findings of the previous chapters in view of the literature, and identifies topics for further research.

CHAPTER TWO

REVIEW OF THE LITERATURE

The purpose of this chapter is to review the literature which is relevant to the research problem at hand. Hodgkinson (1989: 16) observes "there is no single theory that explains all philanthropic activity." Instead, there are a number of theories and approaches in various stages of development.

The first section of this chapter examines perhaps the oldest and most developed approach to charitable giving, the public good theory of philanthropy. The private good theory of philanthropy, outlined in the second section of this chapter, represents a critique of the former theory. The public choice theory of voluntary sector formation is one of the most recent theoretical approaches to philanthropy. It is discussed in the third section of this chapter.

Literature dealing with "sectoral relations", that is, the relations amongst the state, the for-profit sector and the nonprofit sector is examined in the fourth section of this chapter. This aspect of the literature review has been further divided into two parts: relations between the welfare state and the nonprofit sector, and relations between the for-profit and nonprofit sector.

Studies of elite philanthropy, illustrative of a distinct culture of philanthropy among the highly affluent, will be dealt with in the fifth section of this chapter.

Several aspects of the philanthropy literature have been excluded from consideration here. Research concerning nonprofit organizations' management, accounting, resource development, planning, and human resources have been omitted from this review. The rather voluminous literature on fund raising has likewise been excluded here. Similarly, material focusing on charitable foundations, corporate giving, and voluntarism has not been explored.

Canadian research has been used wherever possible, although American and British sources have been utilized where relevant. The reader should be made aware that the emphasis of this review is upon academic research.

Public Good Theory of Philanthropy

In his work Capitalism and Freedom (as cited by Sugden, 1983: 17), Milton Friedman acknowledges there will always be some element of poverty, even in the most prosperous of capitalist countries. Private charity is one solution to this poverty, although Friedman concedes it is not sufficient to meet all needs. His explanation for the inadequacy of private charity (Sugden, 1983: 17) serves well to introduce some of the components of the public good theory of philanthropy:

I am distressed by the sight of poverty; I am benefitted by its alleviation; but I am benefitted equally whether I or someone else pays for its alleviation; the benefits of other people's charity therefore partly accrue to me. To put it differently, we might all of us be willing to contribute to the relief of poverty, provided

everyone else did. We might not be willing to contribute the same amount without such assurance.

In this passage, Friedman describes what the economics literature terms a public good, the externality of poverty and the free rider problem, three concepts which have been incorporated in the public good theory of philanthropy.

The public good theory of philanthropy has been described as resting on three assumptions: the publicness assumption, the utility maximization assumption, and the assumption of Nash conjectures (Sugden 1982).

The publicness assumption essentially defines charity as a public good. A public good is a commodity consumed jointly by a group of people, providing each with utility of a material or emotional nature (Sugden, 1982: 17). Such goods have a number of characteristics which have consequences for the manner in which they may be produced and consumed.

Public goods are indivisible, meaning they cannot be efficiently allocated to specific individuals. This particular characteristic gives rise to three other properties: the nonrivalry of benefits or consumption, nonexcludability, and the lack of sovereignty in consumption (Wagner, 1991: 368).

Nonrivalry of consumption may be defined as the case in which an individual is able to consume one unit of a good without detracting from the consumption opportunities or benefits available to others from the same unit (Wagner, 1991: 363). As the consumption of one individual does not affect the

consumption of another (Wagner, 1991: 368) "it costs society nothing to admit an additional consumer."

Nonexcludeability refers to the fact that once public goods are produced, they become available for consumption by the whole community. Consumption cannot be restricted to the individuals who have produced or purchased a share of the public good (Stroebe and Frey, 1982: 123).

Lack of sovereignty in consumption refers to the fact that users cannot influence the properties or characteristics of a public good (Stroebe and Frey, 1982: 364).

Public goods also entail externalities, which Gassler (1990: 142) describes as an economic benefit or cost which is not reflected in market price. The effect of deriving personal satisfaction from an act of charity is called an altruistic externality, which Arrow (1972: 351) defines as "benefits and costs transmitted among individuals for which compensation in price terms is not and perhaps cannot be obtained."

These characteristics have the consequence of rendering the private or market provision of public goods inefficient.

The second assumption of the public good theory is that individuals will strive to maximize their personal utility. In essence, this assumption proposes that individual behavior is dictated by the desire to achieve the greatest personal material reward. Charity is a source of concern to the extent it detracts from personal consumption, and perhaps only a concern in the event it is underprovided by society.

The assumption of Nash conjectures or Nash equilibrium proposes that each person takes the contributions of others as a given when deciding whether or not contribute, and how much to contribute. Each person assumes the contributions of others will be independent of his or her own (Bergstrom, Blume and Varian, 1985: 26). In the case of the contributor, the charitable donation is determined by the effect a donor wishes to have on the public good in question. For a non-contributor, the assumption of Nash equilibrium means an individual will rationalize his behavior by believing that while he free rides, no one else will; or alternately, by believing that his free riding will not influence whether or not someone else will do the same.

These assumptions, no less than the properties of public goods themselves, explain the phenomenon of free riding, defined here as a case where public goods are underprovided by private charity. The extreme free-rider hypothesis contends few members of a population will contribute towards a public good, possibly to the point of threatening its production. A less extreme interpretation is that production of the public good will be suboptimal, below the actual demand for the good (Strobe and Frey, 1982: 123).

The free rider argument is based on the belief that in a large group, a rational individual will not voluntarily contribute to the provision of a public good. Each beneficiary of the public good is willing to contribute on the condition

that all the other beneficiaries will do likewise. Despite the widespread recognition that the public good would benefit society and should be produced (Stark, 1985: 326):

Each non-poor member of this benevolent community prefers that another non-poor member will engage in a transfer rather than himself. Not only is this member better off with such an arrangement than one whereby all engage in transfers, but he also considers himself worse off if none of the non-poor members makes transfers.

As an individual derives the maximum benefit by withholding his share of the good's cost (in this case, not donating to charity), while sharing in its rewards once produced, the free rider logic ordinarily precludes the success of the charity market (Bolnick, 1975: 198). Without some form of collective decision making and collective enforcement of the public goods contract, efficient levels of public goods are unlikely to be produced. The state is required to compel all members of the population to contribute towards the public good by imposing penalties on those who free ride.

Criticism of the public good theory has tended to focus upon the theory's assumptions concerning human nature, and the free rider hypothesis.

The laissez faire approach provides a foundation for the public good theory of philanthropy. According to Collard (1978: 51), Adam Smith's theory of the invisible hand "made it possible to construct a political economy without resorting to notions of sympathy or benevolence except insofar as these were a precondition for the institutional framework." The

essence of the laissez faire approach (Collard, 1978: 52) is that the interests of society are better served by the pursuit of individual interests than by the pursuit of collective goals: "By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it."

The tendency to perceive individuals as exclusively oriented toward self-maximization has led to the adoption of the what Stroebe and Frey (1982: 122) term "the model of 'selfish man'." This model of human nature has supported notions of utility and economic rationality which have been received critically, and are undergoing revision.

Part of this revision entails the recognition of man's social context. Bolnick (1975: 209) explains that the key to understanding economic "irrationality" may lie in placing the individual in a social context with non-economic motivations, and acknowledging non-maximizing decision mechanisms. Non-economic behavior need not be irrational behavior because (Bolnick, 1975: 221) "'social man' might rationally accept economic costs in order to maintain gratifying, consonant social relationships."

Sugden (1982: 349) is critical of the public good theory's failure to consider that individuals may act on moral principles rather than self-interest. Bergstrom, Blume and Varian (1985: 26) feel a fully satisfactory model of public

goods "should probably accommodate preferences of people who feel a 'warm glow' from having 'done their bit'."

Gassler (1987: 124) feels it is naive to think that economists believe all individuals to be selfish all the time. Similarly, Collard (1978: 35) argues it is incorrect to assume individuals will maximize their interests at all times, in all ventures: "The attempt to explain all co-operative behavior in terms of self-interest seems to put a heavy strain on that assumption." The critical point for Johnson (1982: 95) however, is "whether, at the margin, the individual prefers an increase in his neighbor's general welfare or consumption of a specific commodity to an increase in his own consumption."

At the heart of the criticism of the public good theory of philanthropy lies the free rider hypothesis. Its widespread support has prevented the charity market from being integrated into the traditional economic analytical framework (Johnson, 1982: 93). Moreover, the tendency to equate the free rider psychology with economic rationality (Johnson, 1982: 94-95) "has virtually blocked the development of a meaningful theory of charity."

The free rider principle, which owes its existence to both the properties of public goods and "laissez faire" assumptions about human nature, provides a normative argument for government intervention which has been received critically. Sugden (1982: 342) rejects the public good theory of philanthropy because it contends the free rider problem is

inherent in all transactions involving public goods, and can never be overcome.

If the extreme free rider hypothesis is set aside, then the level of public goods furnished by philanthropic activity cannot be judged to be inadequate on an a priori basis. Further, the state is no longer the sole means of securing "charitable" contributions of society. Sugden cautions (1983: 30): "If private philanthropy succeeds in supplying significant amounts of a public good, we should not automatically assume that the amounts are insufficient and that everyone would benefit from the replacement of private charity by public compulsion."

While Collard (1978: 35) opposes an extreme view of the free rider hypothesis, he is of the opinion the free rider problem highlights the improbability of voluntary co-operation. Johnson (1982: 97) is critical of the public good theory because it fails to explain two extreme situations. It cannot explain the situation in which everyone free rides: "But if each individual in the real world is such a rational man, how does one explain the billions of dollars of charitable contributions and millions of hours of time given for charitable purposes?" The second extreme is the case in which everyone contributes to the provision of the public good, and no one free rides.

Social psychologists have undertaken numerous studies in an attempt to empirically assess the free rider phenomenon.

Individuals have been found to act in a economically irrational manner, particularly in small groups capable of fostering acts of altruism (Bolnick, 1975: 210). Selectively applied social pressures are capable of inducing economically irrational behavior, but this depends upon close proximity and direct contact amongst group members.

In The Logic of Collective Action (1965) Mancur Olson examines the effect of several variables on free-riding (as cited by Stroebe and Frey, 1982: 131). A group member's willingness to contribute toward the provision of a public good is not solely a function of the size of the group of which he is a member. The effect of group size upon individual behavior is mediated by two additional variables, the noticeability of members' behavior and the perceived effectiveness of their behavior (Stroebe and Frey, 1982: 131).

Noticeability refers to whether or not an individual's actions, in this case his charitable contributions, can be monitored by other group members. Perceived effectiveness refers to two things: the members' perception of the difference his contribution makes to the total quantity of the public good produced, and the member's own benefit arising from an increase in the production of the public good (Stroebe and Frey, 1982: 131). When individuals perceive themselves to have significant control over the probability a public good will be produced, they may be less tempted to free ride.

In a small group, the actions of a particular member are easily accounted for, and the costs of deviant behavior are high and easily imposed. Due to a high degree of noticeability, each member's behavior serves as an example for the rest of the group. An individual must therefore consider the direct and indirect effects of his free riding on the probability that the public good will be produced (Stroebe and Frey, 1982: 134).

Given that one's free riding is only beneficial if others contribute and do not free ride, the individual may be discouraged from free riding by the potential modeling or demonstration effect generated by his behavior (Stroebe and Frey, 1982: 131). Behavior also influences the individual's status within the group to the extent that the member's actions are noticeable to the rest of the group, and to the extent to which the member identifies with the group. All of these factors militate against free riding.

In a large group, personal actions cannot be successfully monitored. For this reason, a group is unlikely to succeed in punishing free-riders who violate their responsibility for providing the public good in question. The behavior of one member is unlikely to influence the behavior of others in a large group for two reasons: each member has a low degree of noticeability (thereby reducing the likelihood of a modeling or demonstration effect), and the free riding of one individual is unlikely to result in a large increase in each

member's share of the cost of the public good (Stroebe and Frey, 1982: 132).

Allison, Messick and Samuelson (1985: 201) have found variables such as personal involvement, feelings of efficacy and previous contributions may not only influence whether or not an individual will contribute to a public good, but influence how much an individual is willing to contribute.

According to Morgan, Dye and Hybels (1979: 204), survey data suggest that a significant portion of philanthropic activity is motivated by normative concerns. One third of their respondents believe that people pay attention to what other people contribute to charity (Morgan et al., 1979: 203). Moreover, one third of their respondents reported feeling pressured to contribute more time or money than they really wanted to (Morgan et al., 1979: 200).

Many economists who concede that non-economic variables are important sources of motivation for contributing to a public good, believe the significance of social variables decreases as the size of the group increases. According to Bolnick (1975: 201), research has shown that "it is almost always necessary to reinforce philanthropy with coercion" in communities where the individual loses the sense of face-to-face contact with other members.

Morgan's (1978 as cited in Stroebe and Frey, 1982: 132-133) model of bystander intervention offers another explanation of free rider behavior. Individuals in a small

group are quite likely to intervene in an emergency situation because each bystander is likely to feel a strong sense of personal involvement. As the number of bystanders increases however, each bystander's sense of "felt" responsibility diminishes. This is due to the fact that the benefits of free riding tend to exceed the expected costs in large groups. The utility derived from helping however, is not affected by group size.

Webb and Eson (1988: 246) claim one of the key variables in determining the probability of helping behavior in a situation is the size of the potential donor population. The larger this population is, the lower is the sense of felt responsibility of each member to provide assistance. This is described as the social diffusion of responsibility. A large pool of potential helpers also means individuals are unlikely to exert full effort in rendering assistance, called "social loafing".

With these criticisms in mind, the following section will discuss the private good theory of philanthropy.

The Private Good Theory of Philanthropy

In many ways, the private good theory of philanthropy answers some of the criticisms of the public good theory. The point of departure for the private good theory of philanthropy is that an individual is not only concerned about the extent of charitable giving a whole, but is concerned with

how much he or she helps a charitable cause. As Sugden (1982: 28) explains, "an individual does, in fact, distinguish between his gifts and those of other people." Economists now recognize that individuals have preferences for the welfare of others as well as for their own consumption (Johnson, 1982: 95).

Wagner (1991: 360) claims that economists have only recently recognized alternatives to the classical pattern of exchange or one way transfer of goods: "After the discovery of the public good and one-way transfer, it took economists another twenty to thirty years to change their way of thinking about both goods and transactions." The classical theory of exchange assumes that uncoerced exchange will not occur unless each party derives some benefit from the transaction. This perceived benefit is utility (Wagner, 1991: 361).

The discovery of the grant, a special one-way transfer of goods first described by Boulding (1962 as cited by Wagner, 1991: 360) expanded the traditional notions of interaction and utility. In a grant relationship, an economic good is transferred from one party to another, and a "nonexchangeable" or intangible good is transferred in return (Wagner, 1991: 361). The motivation for and utility of this type of transaction is altruism or benevolence. In this way, personal utility assumes an emotional, as opposed to material form.

It is unclear whether "grants economics" is classified as a part of the private good theory of philanthropy. The grant

concept is worthy of mention here because it exemplifies the process and motivations implied by the private good approach.

Proponents of the private good theory of philanthropy recognize that "economic man" is simultaneously "social man" whose virtues, no less than self-interest, play a role in the operation of the economic system (Arrow, 1972: 345). Collard (1978: 4-5) terms this diversity of motives "enlightened self-interest". Webb and Eson (1988: 245) argue a considerable amount of charitable giving is motivated by feelings of social responsibility and reciprocity which counterbalance a tendency to act selfishly. The crucial point for Johnson (1982: 99) is that socially unacceptable traits may also culminate in equally beneficial action (Johnson, 1982: 99): "A society in which individuals do good deeds in order to increase their income, political power, obtain eternal salvation or to win the approval of their fellows cannot be adjudged to be undesirable on an a priori basis...."

Mount and Quirion (1988: 57) have identified thirteen possible motives for philanthropy derived from the literature, and from discussions with professional fund raisers. Their findings suggest that charitable giving is prompted by such values as altruism, belief in the cause, and sympathy as well as by such personal concerns such as pride and self-respect, the desire for immortality and tax advantages.

The private good theory of philanthropy also allows for individuals to act out of what is known as a Kantian motive.

Kant makes a distinction between inclination and moral duty as motives for giving (Obler, 1986b: 215). Inclinations refer to emotions, attitudes and habits. Moral rules are universal and objective, and apply impartially to all.

Kant believed all individuals have a moral duty to be beneficent, because to do otherwise is to violate a moral law. The human intellect compels the individual to respect moral laws for their own sake, because moral duty transcends attitudes, emotions and habit. What Kant terms inclinations do not absolve the individual from his or her responsibility to be beneficent. If the Kantian principle is accepted, it becomes possible to see how the free rider problem may be overcome (Obler, 1986b: 216).

Martin (1985: 103-104) has developed a donation model representative of a private goods approach to philanthropy. His model supports the hypothesis that individuals operate on an enlightened self-interested basis. The model consists of three distinct clusters of "enabling circumstances". The first set of factors determines the ability to give, a function of income, wealth and taxation policy. Charitable donations are not possible, it is hypothesized, unless the donor first possesses the capacity to give. However, the ability to donate is not sufficient to produce a donation (Martin, 1985: 104): "A positive donation decision requires an effective stimulant, a motivating influence to prompt action." Stimulants can be

segregated into two groups: level one and level two motivating influences.

There are six level one influences. They are intellectual and moral in nature: noblesse oblige, tradition, power, philosophy, freedom and altruism. Level two motivating influences refer to those factors which distinguish the individual from others, and shape interpersonal interaction. Martin (1985: 103-104) has identified seven level two influences: ethnicity, transaction, leverage, recognition, education, social mobility and social acceptance.

The consumer preference theory, utility interdependence theory, and the philanthropy marketplace approach contribute to the understanding of philanthropy as a private good.

Consumer Preference Theory of Philanthropy

The objective of the consumer preference theory of philanthropy is to explain why individuals prefer the private good of charity over the consumption of other goods. According to this approach, charitable donations are essentially the same as any other private good because they react negatively to price, and positively to income (Schwartz, 1970: 1289-1290).

As a private good, charitable giving is constrained by two factors: the ability to purchase, and competition with other expenditures for disposable income. After providing for

basic necessities, some quantity of the consumer's income remains. This income can either be saved and used at a later date, or it may be donated to a charitable cause. In this way, the welfare of others becomes a good (Webster, 1984: 34) which enters an individual's "utility function on equal basis with goods personally consumed." Consumers operate on a "self interested altruistic" basis when making decisions about their purchases (Webster, 1984: 34).

All things being equal, if an individual chooses one good over another, he or she has a preference for that good. If the individual does not choose one good over another, all things being equal, then he or she is indifferent, or equally satisfied with either good (Webster, 1984: 33). By making a charitable donation, the consumer has therefore stated a preference for a philanthropic good over other goods.

Utility Interdependence Theory of Philanthropy

According to this theory, a person's utility is a function of his or her own consumption, and the consumption of significant others (Reece, 1979: 142), taken to be the recipients of the charitable donation: "Individuals' preferences are defined over levels of consumption of unrelated persons as well as levels of their own consumption." The consumption of "others" has been broken down into two components: the level of consumption in the absence of the charitable donation, and the level of consumption which is afforded by the contribution.

If this theory is correct, philanthropic behavior is determined by what an individual donor consumes, and by what others, as recipients, consume. This implies not only that the two utilities are dependent upon one another, but that they are inversely related. As the donor's consumption increases, charitable donations decrease because disposable income has been used for purposes other than charity. In return, the consumption of recipients decreases because of reduced donations.

Reece (1979: 142) is critical of this conception because it implies the consumption of others is a luxury from the point of view of the donor. He is also critical of the claim that the amount of consumption foregone to make a charitable contribution possible is equal to the amount of consumption afforded by the contribution itself. This is not the case because of the tax deductibility of charitable donations.

The Philanthropy Marketplace

Wolpert and Reiner (1984) describe philanthropy as a market place consisting of suppliers or donors, and consumers or recipients. Donors have supply schedules for their contributions, determined by their targeting preferences and desired level of discretion over these preferences. Recipients have demand schedules determined not only by the goods and services they desire, but by the level of control they wish to have over them (Wolpert and Reiner, 1984: 201).

A donation is produced when the schedules of donors and recipients intersect. The donation reflects the dual targeting preferences of donor and recipient (Wolpert and Reiner, 1984: 201). The philanthropy market reaches equilibrium when the preferences and targeting objectives of donors and recipients are matched (Wolpert and Reiner, 1984: 202). When the preferences of donors and recipients are highly matched, the level of charitable donations is expected to be high. When donor and recipient preferences are in conflict, the level of charitable donations is expected to be low (Wolpert and Reiner, 1984: 207).

Donors and recipients are distributed along a continuum ranging from complete indifference to total discretion (Wolpert and Reiner, 1984: 201). Two extreme situations are possible, however. Donors having very strong targeting preferences may insist on total discretion over their gifts. Logically these donors seek out recipient organizations responsive to their preferences. However, some nonprofit organizations may be in the position to be dominant, expecting donors to subordinate their preferences to their agenda. These organizations seek out donors who would be responsive to this level of control (Wolpert and Reiner, 1984: 201).

Whether relations amongst donors and recipients tends towards the first extreme or the second depends on the local or regional context of the nonprofit sector in question. Where the level of donations is low, donor preferences will tend to

dominate. In regions where the level of donations is relatively high, recipient preferences will most likely dominate (Wolpert and Reiner, 1984: 206).

Donors and recipients may form collective bodies in order to promote their objectives, but these collectives exist alongside purely competitive components. The donor segment of the philanthropy market forms collusive components called forums, and the recipient segment of the market forms cooperatives called umbrella organizations (Wolpert and Reiner, 1984: 208).

The following section examines one of the most recent theories of philanthropy. Whereas the public good and private good theories of philanthropy provide a framework for analyzing individual acts of charity, the public choice theory provides a means for analyzing the very existence of nonprofit organizations.

Public Choice Theory of Philanthropy

In the words of Burton Weisbrod (1986: 21), the economist most closely associated with the public choice theory, the purpose of the public choice theory of philanthropy is to "examine the role of a voluntary 'nonprofit' sector in an economy with public and private (for-profit) sectors with collective-consumption and private consumption goods." The public choice theory seeks to identify those factors which can

account for the fact that some goods will be provided governmentally, some provided by the for-profit market, and others provided by the voluntary market (Weisbrod, 1986: 21). As such, the theory attempts to fill the gap between theories addressing the public sector and the for-profit sector (Weisbrod, 1986: 22).

The logic of the public choice theory may be outlined as follows. The provision of public goods entails a political process in which the state functions as a supplier, and consumers function as "demanders" of public goods. The demand and supply of collective consumption goods are predicated on rules or behavioral assumptions which determine, respectively, how the state will finance any given level of output for a specified good, and how voter demands will influence the level of government provision (Weisbrod, 1986: 23).

On the supply side, it is assumed that the state will supply "a quantity and quality of any commodity that is determined by a political voting process." The behavioral rule for the demand side is not so easily determined. If consumers are aware of how the government will allocate costs for public goods amongst the population, Weisbrod (1986: 24) explains "their utility functions will generate a set of demand functions for governmentally provided goods which, with the government supply decision rule, will determine the level of government provision." There is reason to question however, whether or not consumers are aware of "how the cost of any

increased government provision will be distributed among taxpayers."

The critical issue is whether or not the state will be able to produce an optimal level of a collective consumption good. In Weisbrod's (1986: 24) opinion, the government provision of public goods will be nonoptimal, exceeding what some voters expect, and falling short of what other voters demand. This can be attributed to a tax-pricing system (namely, marginal-benefit taxation) which "does not equate, for each voter, his or her marginal tax with the marginal benefit received from each collective-consumption good." As a consequence, the political process of determining a level of output for collective consumption goods (Weisbrod, 1986: 25) will dissatisfy some consumers "because they are receiving and paying for too much of the good, while others are dissatisfied because they are receiving too little."

The number of consumers who seek an adjustment in the level of government provision of collective consumption goods, as well as the degree of adjustment required, depends on two factors: the tax system, and the degree of demand homogeneity of the population (Weisbrod, 1986: 26). The latter is a function of "the similarity in income, wealth, religion, ethnic background, education level, and other characteristics influencing the demand for any collective consumption good." The greater the extent of demand homogeneity within the population, the less dissatisfaction with the politically

determined quantity and quality of output that is likely (Weisbrod, 1986: 26).

Consumers have two options to alleviate their dissatisfaction (Weisbrod, 1986: 26-27), namely resort to the for-profit market, and resort to the nonprofit market.

The prevailing view among economists is that the private market will produce suboptimal levels of collective goods (Weisbrod, 1986: 28). It is this belief which provides a rationale for state intervention in the provision of collective goods.

The for-profit market is successful in producing private goods because they are capable of responding effectively to consumers' individual preferences. Public or collective goods, by their very nature, offer consumers minimal control over their form, quality, utilization, or deployment (Weisbrod, 1986: 28). As the success of the for-profit sector hinges upon the ability to respond to consumer preferences, it is not an efficient means for producing public goods incapable of directly addressing consumer preferences.

Weisbrod (1986: 28) disputes the notion that the public and private markets "are alternate mechanisms for providing the same good." In his opinion, the for-profit sector is only capable of providing imperfect private good substitutes for collective consumption goods. Resort to the for-profit market as an alternate means for supplying public goods is likely to be unsuccessful for these reasons.

Consumers are likely to be left in non-optimal positions in both the for-profit and government markets as a consequence of the private and the public sectors' inefficiencies. For this reason, the nonprofit sector functions predominantly to supplement public sector production of collective consumption goods, and serves to provide an alternative to the imperfect substitutes produced by the market. Hence, Weisbrod's (1986: 30) description of charities as extragovernmental providers of collective consumption goods.

The relative size of the voluntary sector is a product of the heterogeneity of consumer demands. The extent to which the nonprofit sector produces collective goods (Weisbrod, 1986: 31) is a function of the extent to which the public sector "is able to satisfy the diverse demands of its constituents." That is, the activities of the nonprofit sector are inversely proportional to the demand homogeneity of the population.

Given free-rider behavior, nonprofit organizations are likely to encounter financial difficulties. However, as all alternatives available to dissatisfied or undersatisfied consumers involve inefficiencies, the nonprofit sector represents the "second best solution" to the inadequacies of public sector provision. Moreover, Weisbrod (1986: 35) claims that nonprofit organizations employ "coercive compulsive powers" to deter free riding just as governments do. These powers assume a social, as opposed to a legal or economic nature. Consumer awareness of the free-rider problem also

generates political pressure which compels the state to subsidize additional provision of collective goods through the nonprofit sector (Weisbrod, 1986: 36).

Weisbrod's approach to voluntary sector formation has been characterized as a "government failure" argument. This characterization not only implies that the public sector is first sought out as a means for providing collective consumption goods, but that subsequent adjustments reflect dissatisfaction with this initial response (Weisbrod, 1986: 30).

This interpretation of the theory may not be correct however. The public sector is not likely to be the first to respond to consumer demands for collective goods because consumer preferences require time to develop, aggregate, and be effectively articulated. Despite the fact that a substantial minority of consumers desire a particular public good (Weisbrod, 1986: 34) "the political decision rule will at first determine a zero level of government provision, leading undersatisfied demanders to nongovernmental markets."

Furthermore, the voluntary sector provision of collective goods has historically preceded that of public sector provision. Ferris and Graddy (1989: 125) have found the provision of goods and services by nonprofit organizations often predates governmental provision. The government only becomes involved in the provision of collective goods at a later stage, when economic development has increased the

number of consumers demanding the public good in question (Weisbrod, 1986: 34). If this explanation is accepted, it becomes clear that the "government failure" label is inaccurate.

If nonprofit sector provision of collective consumption goods precedes governmental provision, it may be more appropriate to regard the public choice theory as a "market failure" approach to voluntary sector formation. Gassler (1987: 123) interprets the logic of Weisbrod's argument as follows:

The market fails to provide the efficient level of a good of a certain type, called a "collective good". In most cases people may vote to decide how much of the good will be provided by government. Those who think the government is providing too little then form a nonprofit enterprise to provide the rest.

According to James and Birdsall (1990: 441), classical welfare theory contends the proper economic role of government is to correct market failure by funding public goods and subsidizing those goods which generate externalities. As state corrections for market failure are assumed to produce their own inefficiencies (James and Birdsall, 1990: 441), the nonprofit sector is perceived as means for correcting market and government failure respectively.

In Schuppert's words (1991: 127) voluntary and nonprofit organizations are deemed to be the result of an "unholy alliance of market failure and state failure" in which the market compensates for state failure, and the state intercedes

upon market imperfections. Nonprofit organizations are thus seen to emerge in order to "compensate for the combined failure of both parties and provide those services offered by the state that are too bureaucratic and those offered by the market too expensive."

Several economists have called for a revision of economic theories (Lifset, 1989: 151) which perceive the nonprofit sector to be a "residual set of institutions arising as a result of the failure of either the market or the government to meet social needs." Salamon (1989: 44) takes issue with the view that the voluntary sector compensates "for market failure where government has yet to act" or is a "last line of defence in cases of market failure and government failure".

The public choice theory has been criticized for predicating the existence of voluntary organizations on the combined failure of the state and the market. Critics argue that this has had the consequence of resigning the nonprofit sector to a marginal and dependent role.

Such perceptions overlook the fact that the character of goods and services may be altered by public policy, making them more or less amenable to market provision, as needs be (Lifset, 1989: 151). Salamon and Kramer (1989 as cited by Wolch, 1990: 13) contend that although voluntary sector failure actually precipitated the welfare state, the sector has not been marginalized or displaced.

A second variant of the public choice paradigm, the contract failure approach of Hansmann (1980), similarly attributes formation of the nonprofit sector to market failure. However, market failure is perceived to be a consequence of imperfect information regarding the exchange process between consumer and firm, or imperfect information about the good exchanged. Lifset (1989: 144) summarizes the contract failure argument as follows:

Owing either to the circumstances under which the service is purchased or consumed, or to the nature of the service itself, consumers feel themselves incapable of accurately evaluating the quantity and quality of the service that a firm produces for them.

Market failure therefore arises because both parties involved in the exchange of a good or service have different information (Lifset, 1989: 145). Alternately, consumers lacking the information necessary to effectively evaluate complex goods and services may turn to the voluntary sector as alternative means of providing such goods (Wolch 1990).

The following section of this chapter will review the literature dealing with the "sectoral relations" approach to philanthropy. This entails closer analysis of the role of the nonprofit sector, and its relations with the other sectors in society.

Sectoral Relations

Gronbjerg (1987 as cited by Wolch, 1990: 13) first proposed the sectoral relations theory of philanthropy. As its name implies, the theory focuses upon the relations amongst the public, private and nonprofit sectors of society. The relationship between the welfare state and nonprofit sector is influenced by the activities of for-profit firms in particular service areas. In service areas where the private sector is weak, the public sector is either dependent upon the voluntary sector (public sector and nonprofit sector complementarity), or the public sector competes with the voluntary sector. In service areas where for-profit firms are strong, voluntary organizations must concede to the more dominant public and for-profit sectors (Wolch, 1990: 13).

Sectoral relations has recently emerged as an area of philanthropic research. Three of the issues explored in this literature are worthy of mention here: the true or real number of sectors in society, the most appropriate terminology for the nonprofit sector, and the extent to which the sectors are independent from one another.

Until the 1960's, theorists tended to perceive society as having two primary sectors - the public or governmental sector which relies on taxes to finance public goods, and the private or business sector which relies on the economic exchange of private goods (Horton Smith, 1991: 137). Eventually, the

nonprofit sector came to be recognized as a third, but predominantly residual, sector.

Schuppert (1991: 128) asks "whether it is sufficient to argue there are only three sectors." Efforts have been made to incorporate the household as a fourth sector of society. Gassler for example, (1990: 141) posits the following mutually exclusive and exhaustive list of "types of organizations": firms, governments, private nonprofit enterprises, and households.

The debate about the proper terminology for the nonprofit sector is significant because each term has different implications for its relations with the other sectors, and its role in society. Hodgkinson (1989: 4-5) believes the inability to agree on a name for the nonprofit sector "leads to various analytical conceptions of the sector as well as difficulty in responding to public policy issues dealing with definitions."

The terms "nongovernmental", "nonprofit" and "noncommercial" sector have in the past been rejected because of negative connotations, meaning they describe what the sector **is not** as opposed to what it **is** (Hodgkinson, 1989: 4-5). The term "voluntary" sector has been refuted because it focuses on voluntarism at the exclusion of philanthropic activity.

Schuppert (1991: 127) proposes the collective term "third sector" to signify those "organizations that do not quite fit into the two drawers labeled market and state." The terms

voluntary sector and nonprofit sector are deemed to be unacceptable collective terms because they refer to specific types of organizations (Scuppert, 1991: 127). Wolch (1990: 23) claims the terms third sector and voluntary sector are used synonymously to underscore the relation of the sector with the state and the market. The term "third" sector has however, been refuted because it implies that nonprofit organizations are residual in nature.

The term "independent sector" has been used largely as a compromise in the face criticisms of other terms. But it too has been criticized, primarily for failing to recognize the interdependent nature of nonprofit organizations (Hodgkinson, 1989: 4-5). This debate raises perhaps the most important and interesting aspect of this literature: the issue of how distinct or independent the sectors are from one another.

In the past, the various sectors of society were perceived to be completely distinct and independent. This perception is undergoing revision. Society has come to be perceived as consisting of a number of sectors which are not wholly autonomous, but rather, interdependent (Wolch, 1990: 25).

Van Til (1988: 133) rejects the belief that "corporate, governmental, voluntary and household activities are distinct in their purpose, activity and implications" because "this view of sectoral distinctiveness presupposes the presence of boundaries between the sectors." The interpenetration between

the public and private sectors (Van Til, 1988: 114) is so significant that the concept of sectoral distinctiveness "has ceased to be an operational way of understanding reality." Similarly, Wagner (1991: 367) cautions the three allocative mechanisms of market (exchange), government (transfer) and nonprofit sector (sharing) should not be regarded as distinct from one another, but as overlapping.

According to Estes (1989: 31) the sectors are undergoing role changes that "often exist in contradiction to perceptual and attitudinal beliefs about what each sector's proper role is." While the differences among sectors are not likely to disappear completely, they are likely to be minimized (Ferris and Graddy, 1989: 136). The critical issue for public policy then becomes at what expense the distinctions between each sector should be encouraged (Ferris and Graddy, 1989: 136).

Whereas neoclassical economic theory was concerned with whether the state or the market is best equipped to fulfill the needs of individuals, nonprofit and voluntary research (Gassler, 1990: 144) is concerned with "which sector - government, market or third - is best able to satisfy individual preferences by engaging in a given economic activity?"

In this connection, Pifer (1987: 125) argues there are two critical issues facing society today. The first issue is whether the needs of society are better met by the state or by private individuals. Societies are concerned with "whether

social welfare should, in the main, be a collective responsibility of the entire population, exercised through the institutions of government, or a private responsibility of the individual, the family, and private charity." The second issue is whether the free market has the ability to provide the goods and services society requires, making the goods and services provided by government redundant and unnecessary (Pifer, 1987: 128).

Anheier (1987: 163) has found the relationship between private charitable activity and the state to be one of the more prevalent themes in international research in the field of philanthropy. He attributes this interest to changes in political and economic tides which have "led to a reconsideration of the 'public' and the 'private'."

Hodgkinson (1989: 9-10) has described the nonprofit sector as undergoing a crisis of identity and legitimacy owing to the shift from a "collaborative model between nonprofits and government to a competitive model along all three sectors." Relations between the welfare state and the nonprofit sector have largely produced a crisis of identity for nonprofit organizations, while relations between the nonprofit sector and the for-profit sector have resulted in a crisis of legitimacy. Each of these relationships will be examined in turn.

The Nonprofit Sector and the Welfare State

Different theories and models of the welfare state furnish important insight into the possible forms the welfare state - nonprofit sector relationship can assume.

Richard Titmuss' book, The Gift Relationship: From Human Blood to Social Policy (1971), is an internationally comparative study of blood donorship and blood transfusion systems. His study provides an ideology for the welfare state of which he is an adamant supporter. Donating blood entails what Titmuss called a "gift relationship" between donor and recipient. Its presence provides an indication of the level of civility and altruism within a society (Johnson, 1982: 101).

Titmuss' basic thesis is that altruism is undermined by commercialism. In systems where blood donorship is completely voluntary, individuals have no recourse but to rely on the altruism or humanitarianism of others. The supply of blood has however, kept pace with demand. In a mixed or private system individuals have two options: they may rely on the altruism of others or they may purchase blood. Money comes to replace the social bond which underlies altruism with the consequence that the demand for blood is not satisfied (Singer, 1972: 315).

True acts of giving or altruism require, according to Titmuss, the following: the donor be under no compulsion to give; the donor not know the recipient of his gift; and the donor have no expectation of receiving a gift in exchange for his donation.

Titmuss is wary of personal giving, fearing it is most often motivated by concerns other than the welfare of the recipient. Personal giving may be used to subordinate recipients, and helps donors to perpetuate a system which makes contributions either possible or necessary (Obler, 1981: 23). Recipients may be saddled with the burden of having to reciprocate or show gratitude to their benefactors. When a gift is made with the expectation of reward or benefit, Titmuss argues the gift is part of an exchange process and is properly regarded as reciprocity as opposed to altruism.

For these reasons, Titmuss believes altruism is best fostered by the state. Some critics carefully point out that Titmuss ignores private philanthropy altogether, and note that philanthropy can and often does meet Titmuss' criteria for true acts of altruism (Obler, 1981: 48). Other critics take issue (Kramer, 1981: 276) with Titmuss' assumption that "only the state can administer a system of comprehensive personal social services that will be universal, equitable, accountable and available as a right." This perception consequently attributes the nonprofit sector with a subordinate and marginalized role.

This view stands at odds with that of laissez faire libertarians who prefer private charity to the welfare state because it does not compromise the freedom of the individual (Obler, 1981: 17-18). According to the laissez faire view, taxes used to finance the welfare state should not be

interpreted as voluntary sacrifices or benevolent gestures on the part of private individuals because they are obligatory payments coerced by the state. Titmuss fails to recognize the taxpayer is compelled to pay for the welfare state whether he votes to support it, or not (Sugden, 1983: 14). Individuals cannot "opt out" of the welfare state if they so desire. Proponents of this view also believe the welfare state actively discourages private charity.

The anarchist view shares the libertarian disdain for the state. Writers such as Kropotkin (1972) for example, argue human beings have a natural tendency to help one another. This help does not take the form of charity so much as it does mutual or reciprocal assistance among interdependent members of a community (Obler, 1981: 18). In the absence of a state, people create and sustain organic communities in which public needs are met through mutual aid and voluntary cooperatives. As the state matures, it undermines socially cooperative instincts. Coercive institutions come to replace those founded upon spontaneous cooperation. Cohesive, cooperative communities are gradually transformed into loose collections of atomized egoists (Obler, 1981: 18).

Anarchists differ from libertarians however, in their criticism of the economic market. They believe the market no less than the state undermines altruism and institutions based on cooperation (Ware, 1989: 3): "The introduction of market transactions depresses notions of community and interpersonal

reciprocity, and the more social practices become open to such transactions, the greater will be the pursuit of self-interest."

A more moderate anarchist view is that altruism and voluntary cooperation atrophy as the state assumes more responsibility for the provision of public goods. Over time, people come to depend on the state rather than looking to others for help. The obligation to help others in need is perceived to be satisfied with the payment of taxes. Individuals engage in fewer acts of charity, and there are fewer role models to encourage others to act charitably (Obler, 1981: 18).

Conservatives believe the state attenuates private charitable giving and undermines nonprofit organizations (Ware, 1989: 3). Milton Friedman (as cited in Sugden, 1983: 17) for example, believes private charity increases in areas where the state is not advanced or highly developed: "One of the major costs of the extension of governmental welfare activities has been the corresponding decline in private charitable activities."

Kramer (1981: 278) explains traditional conservatives and neoconservatives perceive two alternatives to the welfare state: reprivatization and empowerment. Both alternatives represent attempts to lessen the power of the state and decentralize the manner in which goods and services are provided (Kramer, 1981: 278).

Reprivatization would have the goods and services currently provided by the state to be transferred to the for-profit sector wherever possible. It is based on the rationale that the competition within the market not only forces firms to be efficient, but produces the best quality of good or service at the lowest price (Kramer, 1981: 278). Empowerment would place greater emphasis on voluntary and nonprofit organizations to meet the needs of individuals. Conservatives have traditionally perceived voluntary groups (Wolch, 1990: 5) to be the foundation of democracy, to be "encouraged in preference to expansion of an unresponsive state increasingly beyond popular control."

Obler (1986) discusses three models of the welfare state which have implications for private philanthropy: the social control model, the state charity model, and moral duty model.

The thesis of the social control model is that the welfare state is used to placate the exploited poor, and prevent them from opposing the status quo. The social control model appeals to bourgeois fears that without welfare, the poor will turn to violence in an effort to overthrow the existing social order (Obler, 1986b: 213). Proponents of this approach believe private charity is not sufficient to appease the lower classes and prevent rebellion.

The state charity model contends donors contribute because they are stimulated by a concern for the welfare of the poor and feelings of altruism, compassion, and

humanitarianism (Obler, 1986b: 213). This model attempts to promote concern for the needy amongst the more affluent members of the community by appealing to bourgeois compassion (Obler, 1986b: 213). The state is used as an intermediary device between donors and recipients. Government intervention is made possible through the collection of taxes (Obler, 1986a: 409). In order for this system to succeed, donors must be persuaded that relief is best provided by the state.

If the state is simply a device to transfer resources from donors to recipients, why do donors opt to use this device instead of giving privately and directly to recipients? Why does state assistance become a substitute for private philanthropic initiative? The reply to these questions, according to the state charity model, is that donors need government to engage in charity for them because they cannot provide the goods and services demanded by society efficiently.

Private voluntary transfers are efficient only in cases involving a single donor and a single recipient. In cases where there are many donors and recipients, contributions become public goods (Obler, 1986a: 411), "enjoyed by all those who care about the recipients' welfare whether or not they make a contribution to that welfare." The private market cannot deal effectively with public goods. Private donations initially raise recipients' incomes, and consequently induce those who have not yet contributed, to give less than they

would have if the initial donation had not been made. Overall, recipients receive less than they should given donors' individual preferences for an increase in recipient income (Obler, 1986a: 412).

Donors who are aware of this dilemma, and strive for greater efficiency, will seek government intervention. The state will utilize its coercive powers to compel free-riders to give their share. This intervention ensures the poor receive the goods and services they require, and satisfies altruists' preferences for the welfare of others (Obler, 1986a: 411).

The moral duty model is based on the assumption the state has a moral obligation to care for the poor. Donors are required to contribute because recipients have a natural right for assistance (Obler, 1986a: 422): "The obligation to help is based not on altruism but on a principle of right action, and it is this principle which binds donors to recipients." Donors are required to provide this assistance collectively, through a state charged with providing minimum standards of health, education and welfare (Obler, 1986a: 409).

The problem with private charity, according to the moral duty model, is that it offers help to the poor without granting them any rights. Private philanthropy denies the right of welfare while simultaneously making it possible. Most importantly (Obler, 1986b: 230), "what distinguishes it from the right to welfare is not only the amount and kind of aid

offered, but...how it allocates power to donors and recipients." Private charity permits donors to decide whether, how much, and to whom to give, leaving recipients powerless. In contrast, the welfare state gives recipients control over a share of donors' incomes (Obler, 1986b: 230).

Proponents of the moral duty model claim the welfare state offers recipients important advantages compared to private charity. Most significantly, the welfare state is deemed to be more dependable and stable than private charity, primarily because it is insulated from socioeconomic and cultural trends which could depress private charity. Public assistance also enables recipients to avoid the stigma and dependency private charity is believed to encourage. Recipients are not expected or pressured to display their gratitude for their "gift" as it is actually a socially recognized right (Obler, 1986a: 427).

The difficulty with the moral duty model is that the state not only discourages private charity, but "charitable giving" via state cannot offer donors personal discretion or personal reward. Taxpayers must make contributions towards the welfare of individuals they have no preference for or are not concerned about (Obler 1986a; 1986b). State redistribution cannot satisfy the preferences of all those who contribute (Obler, 1986a: 412).

The individual donor may also become discouraged because he or she is not likely to appreciate the instrumental value

of the particular contribution because it is such a small part of the collective effort needed to sustain relief. In Obler's (Obler, 1986a: 413) words, "state aid is not psychologically rewarding to donors."

The moral duty model also fails to stimulate public support for the welfare state because its rather powerful claims are not in tune with public sentiment. It incorrectly assumes social rights have acquired the same legitimacy as civil and political rights (Obler, 1986a: 428). The assumption is incorrect because people make a distinction between the deserving and undeserving poor. Taxpayers resent the claim they have an obligation to provide for the welfare of those they perceive to be undeserving (Obler, 1986b: 231).

Salamon (1989: 42) has argued that the relations between the welfare state and nonprofit sector may be viewed from two perspectives: conflict and partnership. The paradigm of conflict proposes there is an inherent conflict between the welfare state and the nonprofit sector in which the advance of one signals the corresponding decline of the other. To various extents, the theories and models of the welfare state outlined above posit a welfare state - nonprofit sector relationship ridden with conflict.

The paradigm of partnership contends welfare state and voluntary sector relations assume the form of "an elaborate network of partnership arrangements" (Salamon, 1989: 42). The alliance between the welfare state and nonprofit sector is

deemed to be an integral component of the welfare state system. Each of these perspectives will be examined in turn.

Paradigm of Conflict

Many democracies have witnessed a downward trend in charitable giving accompanied by the increased privatization of human services. It is not known whether these trends are temporary or permanent social phenomena. Pifer (1987: 128-129) partially attributes these trends to the ongoing debate over whether welfare is best fostered by the state or by individuals through private charity. Kramer (1981: 270) has come to the conclusion that "the future of the voluntary sector is indissolubly tied to the future of the welfare state, and both are increasingly perceived to be in crisis."

The "crowding out hypothesis" and the "negative model of public transfers and private charitable giving" represent two theoretical, and at times empirical, approaches to the conflict between the welfare state and the nonprofit sector. Both suggest the welfare state undermines the nonprofit sector and discourages private philanthropy.

The negative model proposes the advancement of the welfare state occurs at the expense of private philanthropy. Government provision of public goods pre-empts or suppresses the private provision of public goods (Bergstrom, Blume and Varian, 1985: 41). Webster (1984: 42) has found the crowding out hypothesis has received a great deal of attention because "many governments are now wishing to retreat from heavy budget

expenditures on items once considered private sector responsibilities."

The negative model has generated several hypotheses. The first and perhaps most significant hypothesis is that government spending has a substitution effect upon private donations (Abrams and Schitz, 1978: 31). Economists have considered this first hypothesis at some length. Underlying this assumption is the belief that governments and nonprofit organizations provide identical goods and services. For this reason, changes in the outputs of one sector necessarily produce changes in the outputs of the other. Government transfer payments may influence private charity selectively, however (Weisbrod, 1988: 104).

The second hypothesis is that government spending exerts an income effect on private contributions. Government spending reduces private charitable contributions because it is afforded by tax revenue which reduces the disposable income of tax payers. The income effect hypothesis is based on the assumption of "ultrarationality". Individuals, it is assumed, come to perceive the state as an extension of themselves in that it redistributes a portion of their income to those in need. Taxes may be perceived to be given in lieu of what would have otherwise been donated. Government welfare spending may in this way be perceived as a close substitute of private philanthropic giving (Webster, 1984: 42).

A third hypothesis implies that government spending and charitable giving are at times substitutes of one another, and compliments at others. The relation between government expenditures and private charitable donations may be described as a continuum with perfect substitution (and therefore complete crowding out) at one end, and perfect complementarity (complete independence and no crowding out) at the other.

The nature of this relationship may depend upon what "good" or service is involved, for example, health, welfare, education, culture or religion. Support for the perfect substitution and hence, complete crowding out of private charitable contributions (Weisbrod, 1988: 104) has come "from studies in which governmental spending included an aggregate of many kinds of programs, some of which may cause an increase and others a decrease, in private charitable giving." Weisbrod (1988) argues government spending should be modeled separately in order to assess what particular areas of government spending crowd out private philanthropic contributions.

Roberts (1984: 146) rejects the negative model on the grounds that as government assumes more responsibility for funding, it becomes more of an imperfect substitute for private charity because individual preferences become less efficiently articulated and implemented.

These hypotheses may be contrasted to what Abrams and Schitz (1978: 32) call the "better to give than receive" hypothesis. The utility of the contributor is considered to be

independent of the utility of the recipient because the contributor's utility is determined exclusively by the satisfaction or reward intrinsic to the act of giving itself. If this hypothesis is true, then government spending exerts no influence upon charitable giving.

Tullock (1971: 380) is critical of the view that redistribution within democracies will always lead to the transfers from the wealthy to the poor. As redistribution is made to organized groups in accordance with their political power, it is more often the case that transfers are made within the middle class, as opposed to transfers made from the wealthy to the poor (Tullock, 1971: 383). The poor do not fare very well as a political group (Tullock, 1971: 386): "It is clear that in most democracies the poor receive relatively minor transfers - in any realistic sense - from society, although not zero transfers."

A psychological explanation for this phenomenon is offered. Individuals must negotiate a tension between the desire to consume, and the desire to spend income on helping the poor. In Tullock's opinion, many individuals contribute very little to charity on the grounds they prefer the state to make "charitable" transfers to the poor. A person reduces the conflict between the desire to consume and the feeling that he or she should contribute to charity by voting charitably and acting selfishly (Tullock, 1971: 388): "If I am possessed both of selfish desires to spend my own money and a feeling that I

must be charitable, I am wise to vote charitably and act selfishly."

In so doing however, the individual greatly inflates the significance of his or her vote. This position (Tullock, 1971: 388), "provides a rationalization for 'ethical' behavior in urging government redistribution while actually making no sacrifice."

This theory of redistribution provides a compelling explanation for the negative model and crowding out hypothesis. It suggests that there is a very real discrepancy between people's attitudes towards charity and their behavior.

The empirical evidence for the crowding out hypothesis and negative model is far from conclusive. Some studies indicate government spending substantially reduces private charitable giving. Roberts (1984) has found large scale government welfare efforts have historically had the effect of reducing private philanthropic efforts. Warr (1982) has argued government spending results in a dollar for dollar reduction in private contributions. Brennan and Pincus (1983) have concluded small increases in public contributions are likely to displace equal amounts of private contributions.

Some researchers have argued government intervention actually initiates and stimulates private charity because it draws attention to need. Roberts (1984: 145) for example, has found a small but positive relationship between public transfers and private charitable contributions.

Most studies however, support a partial crowding out of private philanthropy. Bergstrom, Blume and Varian (1985: 43) claim a partial crowding out effect exists, meaning government spending acts as an imperfect substitute for individual charitable contributions. Abrams and Schitz (1978: 36) have found governmental social welfare transfers to attenuate private charity. They suggest the utilities of donors and recipients are interdependent, supporting a partial crowding out hypothesis.

Very little information could be found concerning the relationship between the Canadian welfare state and nonprofit sector. One chapter of Seymour Martin Lipset's work, Continental Divide: The Values and Institutions of the United States and Canada (1990), addresses the differences between Canadian and American approaches to the welfare state and nonprofit sector.

Lipset begins with the observation (1990: 136) that the state and nonprofit sector assume very different roles in each country. Whereas the United States is seeking to reduce the welfare state, Canada is intent on preserving it. This difference may be attributed to the manner in which Americans and Canadians perceive state intervention. Whereas Americans are highly distrustful of the state, Canadians in contrast, are more supportive of state activity. Lipset (1990: 140) comments: "Most of the research based on opinion polls, as well as political party programs documents that Canadians at

both the elite and the mass levels - particularly the former are more supportive of state intervention than Americans." Further, Canadians continued to support government intervention (Lipset, 1990: 142) during the economic upheavals of the 1980's, "a time when laissez-faire philosophy was prevailing in the rest of the Western World...."

However, Canadian approval of and satisfaction with the welfare state has had the consequence of preventing a strong tradition of private philanthropy to emerge. As Lipset (1990: 143) explains, the tradition of private philanthropy "is far more deeply embedded in the American psyche than in the Canadian." Yet, the strong American tradition of philanthropy is only partially a function of the rejection of state intervention. It is also a function of those values which have produced an individualistic philosophy more interested in the equality of opportunity than the equality of outcomes (Lipset, 1990: 149).

If Lipset's assertions are correct, reliance on the welfare state as the preferred means of meeting welfare needs may have the consequence of "crowding out" charitable donations to a greater extent than in Canada than in the United States.

Paradigm of Partnership

The relationship between the welfare state and nonprofit sector has historically assumed the form of public private partnerships (Wolch, 1990: 8) resulting mainly from the

"pragmatic advantages of voluntary group service provision." This "mixed economy of welfare" has served as an effective means of providing goods and services to the public (Wolch, 1990: 8).

Pifer (1987: 125) believes there is a strong link between government spending and the growth of the nonprofit sector: "Contrary to popular belief, the growth of government spending did not make the nongovernmental sector redundant or anachronistic but, in fact, stimulated its growth and led to the development of a broad partnership between the two."

The United States Commission on Private Philanthropy and Public Needs (1975: 89) acknowledged the state as a substantial source of funding nonprofit organizations and activities, noting it ranks "figuratively at least, as a very sizeable 'philanthropist' indeed." Members of the Commission were of the opinion that government had absorbed, and would continue to absorb, many philanthropic functions or services in the future. They based this conclusion on the perception that private charity is incapable of providing a minimum standard of living. The Depression, in the words of the Commission (1975: 92) "shattered the myth that private charity could tide the deserving poor over bad times." The state emerged as the logical means for providing this standard.

Since the time of the Commission's report, rather the reverse has occurred. The economic and welfare state crises of the late 1970's and 1980's stimulated the search for alternate

means of providing human services (Wolch, 1990: 3-4). In its desire to retreat from the heavy financial commitments entailed in welfare service provision, the state not only turned to the for-profit sector as a deliverer of welfare services, but retreated from its previous financial commitments to nonprofit organizations. Private citizens have been expected to compensate for this withdrawal by practicing philanthropy. The trends towards reprivatization and empowerment produced budget cutbacks which have culminated in what Pifer (1987: 29) calls the "dissolution of the public / private partnership as a mechanism to solve social problems."

The conceptualization of the nonprofit sector as an "independent" sector has assisted in this regard. Many donors anxiously embrace nonprofit organizations as a welcome alternative to further welfare state expansion. In this way, the "independent" spirit of the nonprofit sector functions as a stimulus for philanthropic activity. Yet, this view has also perpetuated the belief (Estes, 1989: 23) "that the nonprofit sector does not need government or is somehow unrelated to it." This belief belies the tradition of cooperation between the public and nonprofit sectors. It has justified the withdrawal of state support in the face of an inadequate philanthropic response to the change in this relationship. This would suggest that the trend towards empowerment has been largely unsuccessful.

It may perhaps be more accurate to propose that partnership between the welfare state and nonprofit sector has not been replaced by conflict so much as it coexists with it.

The dismantling and restructuring of the welfare state fundamentally transformed (Wolch, 1990: 41) "the institutional organization, operating norms, and external relations of the welfare state." One feature of these changes is what Wolch (1990, 3-4) terms the "shadow state", defined as a "para-state apparatus comprised of voluntary organizations....administered outside of traditional democratic politics." The shadow state performs welfare state functions in the place of government, although it is both subsidized and regulated by it (Wolch, 1990: 42).

Despite the fact the state may substitute for nonprofit production of goods and services, it has, and continues to be, a compliment to it in terms of financing (Lifset, 1989: 152). Statistics show that in the United States and Britain, the government is the single largest source of revenue for the nonprofit sector (Wolch, 1990: 28). Canadian data similarly indicate the government serves as the single largest "donor" to nonprofit organizations (Canadian Centre for Philanthropy 1990).

The state has increasingly opted to provide welfare goods and services indirectly by contracting nonprofit organizations to furnish human services in its place. The difficulty with this advent is that the tradition of partnership may give way

to a new tradition, that of dependence. In this connection, Ferris and Graddy (1989: 128) emphasize the potential for conflict between the source of nonprofit revenues and nonprofit objectives. As governments "farm out" welfare responsibilities to the nonprofit sector through a variety of subsidies, grants and contracts, there is a fear the independence of the sector is undermined.

One solution to the difficulties posed by changes in the nonprofit sector's relationship with the welfare state has been to pursue commercial activity. For-profit activity offers nonprofit organizations with a new source of potential revenue at the same time it offers new independence.

Taken together however, its relationship with the welfare state, and the foray into commercial activity, have given rise to a crisis of identity on the part of the nonprofit sector. It is no longer clear what the proper role of the nonprofit sector is. In order to stave off further erosion, Hodgkinson (1989: 7) claims nonprofit organizations must distinguish themselves from the public and for-profit sectors in terms of their objectives, and in terms of the type of goods or services they provide.

The following section will examine the relationship between the for-profit and nonprofit sectors.

The Nonprofit and For-Profit Sectors

The relationship between the for-profit and nonprofit sectors may also be viewed from the divergent perspectives of partnership and conflict.

Partnership

Corporate philanthropy signals the partnership which has developed between private firms and nonprofit organizations. The literature dealing with corporate philanthropy is voluminous, and in many ways, lies outside the scope of this paper. For this reason, only a brief synopsis of corporate philanthropy will be provided here.

Levy and Shatto (1979: 20) describe the debate over corporate philanthropy as follows:

One view is that the primary goal of business is maximizing profits, with any retreat from this role being irresponsible...A view contrary to conventional economics is that the corporation cannot be purely an economic institution, but rather, must reflect all of society's values.

Proponents of the first view, described as the classical or traditional business creed, consider corporate philanthropy to be economically irrational. Critics argue corporate philanthropy undermines the corporation's ability to function as an efficient provider of goods and services (Baumol, 1975: 45-46). They also oppose corporate philanthropy on the grounds that it uses income which rightfully belongs to the company's shareholders (Collard, 1978: 100-101). For these reasons,

proponents of this view believe philanthropy is properly undertaken by private citizens.

The second view has been described as the corporate social responsibility ideology. Its major impetus has been, in Bell's (1971: 7) opinion, the declining legitimacy and tolerance of the corporation:

A new feeling has begun to spread in the country, that corporate performance made the society uglier, dirtier, trashier, more polluted and noxious. The sense of identity between the self interest of the corporation and the public interest has been replaced by a sense of incongruence.

Votaw and Sethi (1973) explain that social responsibility does not require that the corporation neglect its primary economic function, but rather that the corporation expand its role: "larger and larger portions of society are coming to the view that the acute social and environmental problems of society cannot be solved unless the role of the corporation is expanded to include other than purely economic responsibilities."

The corporate social responsibility ideology has helped to stimulate and justify corporate philanthropy. Michalos (1986: 127) argues that both corporate leaders and the public have come not only to accept, but demand that the corporation engage in philanthropy:

The increasing number of requests received by corporations is an indicator that by and large private citizens accept this role for corporations. The increasing amount given by corporations is an indicator that by and large they continue to accept this role for themselves.

An American survey conducted by Public Opinion Incorporated (1982: 30) suggests there is considerable public support for corporate philanthropy: 63% of respondents were of the opinion that corporations should contribute to worthy causes, in contrast to 29% of respondents who were of the opinion businesses should not engage in philanthropy. A total of 40% of respondents indicated they would like to see an increase in corporate philanthropy, opposing to 18% of respondents who desired a decrease, and 29% of respondents who sustained current efforts.

In a report on the attitudes of individual Canadians towards corporate philanthropy, Decima Research (as cited by Arlett, 1988: 99) found that 8 out of 10 Canadians believe corporations have a responsibility to provide support to nonprofit organizations.

Results of a survey of 134 of Canada's largest corporations, and 228 of Canada's smaller corporations (companies with revenues between \$1 million and \$40 million dollars), suggest that corporations have accepted responsibility for supporting nonprofit organizations. Approximately 90% of the large and 75% of the small companies were of the opinion that corporations have somewhat of a responsibility to support charities, and subscribe to the view that it is somewhat important to encourage more companies to lend their support (Arlett, 1988: 101-102). Only 10% of the

companies surveyed take the ideological view that companies should not engage in philanthropy (Arlett, 1988: 104).

Positive attitudes towards corporate philanthropy are reflected in high rates of corporate philanthropic participation. The data show that 99% of the large companies, and 93% of the small companies surveyed reported making charitable contributions within the past fiscal year (Arlett, 1988: 105). This may in part be attributed to the frequency with which corporate donations are solicited. A total of 98% of the large and 87% of the small corporations surveyed report being asked to donate very often (Arlett, 1988: 105).

The Institute for Donations and Public Affairs Research (IDPAR) conducts an annual policy and attitude survey outlining corporate giving which dates back to 1971. These surveys show that Canadian corporate giving has increased from \$19.2 million dollars in 1971, to \$93.8 million dollars in 1987 (IDPAR 1987). According 1985 data, corporations are responsible for a total of 7% of the nongovernmental support nonprofit organizations receive annually (Arlett, 1988: 18).

Statistics describing corporate philanthropy underestimate the extent of philanthropic activity for several reasons. Not all donations are claimed for tax purposes. Many corporate donations are also classified as nonfinancial contributions, although they cost the company money. For example, Maxwell and Mason (1976: 35) found that 77 of the 85

companies surveyed provided time off for employees to serve in educational, health and cultural organizations.

Corporations may be motivated to donate by many of the same factors which prompt individuals to donate. Watson and Douglas (1985: 14) have concluded that a combination of self interest, and altruistic or humanitarian considerations prompt corporations to donate: "In company giving there is a straight forward humanitarian element that is not reducible to calculated advantage but analogous to disinterested personal charity."

According to a report by the Canadian Centre for Philanthropy (Arlett, 1988: 103) the most significant motives for engaging in corporate philanthropy are: the desire to improve the quality of life within the community, belief in a responsibility to help nonprofit organizations, belief in the importance of supporting charities, and the profitability of the company. Other reasons include a company tradition of giving, the desire to improve the company's image, the tax deductibility of charitable donations and lastly, expectations on the parts of clients, business associates and customers. The primary reason for not contributing is a low level of profitability (Arlett, 1988: 104).

Levy and Shatto (1979: 23) explain philanthropy is an expense which must compete with other corporate expenses "Contributions are a controllable corporate expense that may take preference over other discretionary business 'expense'

items." They have concluded that 76% of the variation in the level of corporate giving can be explained by changes in three factors: net income, net investment and advertising (Levy and Shatto, 1979: 23). The variable most highly correlated with corporate giving is advertising: over 50% of the variation in giving by industry can be explained by variations in advertising expenses.

Watson and Douglas (1985: 20) asked corporate executives to specify some of the factors which influenced their willingness to contribute, and the size of their gift. The three most important determinants of corporate philanthropic participation were the precedents set by the previous year's contributions, the desire to promote good corporate citizenship and community leadership, and the desire to match the contributions of corporations of similar size.

The presence of a corporate donations policy and donations staff also influence the extent of corporate involvement in philanthropy (Arlett, 1988: 108): "Those companies of any size having the administrative procedures in place for corporate giving donate much more than those which are not so prepared."

Martin (1985: 226) explains that corporate philanthropy was initially an expression of the values, philosophy and preferences of the founder. Over time, the corporate philanthropy decision making process has changed dramatically.

Contributions committees now make the decisions which were once made by the owner or head of a corporation.

Michalos (1986: 141) has found that donation policies tend to be influenced by precedents which provide cues for the size of the gift, the control to be exercised over the gift, and the target of the gift. These donation policies may in turn be traced to a historical pattern of giving based on an unwritten policy.

These changes may have had the consequence of rendering corporate donation decisions more conservative in nature. Martin (1985: 225) has gathered data showing that corporate philanthropic participation and generosity may be inversely proportional to the size of a donations committee.

Conflict

Due to the decline in government support in the late 1970's, nonprofit organizations were compelled to search for alternate sources of funding (Bennet and DiLorenzo, 1989: 51). Commercial activity emerged as one means of compensating for this loss. Lifset (1989: 155) asserts that "as an empirical matter, withdrawal of government funding has stimulated nonprofit commercial activity."

This shift in nonprofit activity has meant that charitable organizations have entered into direct competition with for-profit firms. Critics of nonprofit commercial activity claim this activity is unfair.

The unjust nature of this competition centers on the ability of nonprofit organizations to engage in profit making endeavors while receiving differential treatment. Nonprofit organizations, it is assumed, function on the basis of different values than the other sectors of society (Horton Smith, 1991: 146). As charities are perceived to be exclusively motivated by the achievement of unselfish ends, their pursuits are deemed not only to have great merit, but are deemed worthy of a special status (Horton Smith, 1991: 146).

Bennet and DiLorenzo (1989: 57) observe that nonprofit and for-profit firms are "engaged in identical commercial activities [and] operate in different tax, regulatory, and subsidy environments." Critics argue that nonprofit organizations have been able to maintain the privileges associated with a "charitable" status while simultaneously engaging in profit making activities. As Lifset (1989: 140) explains, nonprofit organizations seek out "cash cows" to offset ever diminishing state support at the same time they strive to maintain their "sacred cow status" in order to "preserve the donative support they receive from the public and the tax exemptions they receive from government."

The privileges accorded to nonprofit organizations reduce their operating costs (Bennet and DiLorenzo, 1989: 52), while increasing those of their for-profit competitors who "must pay higher taxes and postal rates to offset the nonprofit

subsidies." Philanthropic organizations also benefit from a favorable bias resulting from what Bennet and DiLorenzo (1989: 52) describe as their "pro bono publico" or "good for the public" image. Critics contend that few organizations are "charitable" in the strictest sense, although all nonprofit organizations enjoy this type of "halo effect".

Due to the nature of their commercial activities, nonprofit organizations compete disproportionately with firms in the small business sector (Bennet and DiLorenzo, 1989: 55). This sentiment was expressed in the United States Small Business Administration's report Unfair Competition (1984 as cited by Estes, 1989: 28). As a consequence, critics claim small business has been forced to swallow a disproportional share of the cost of the welfare state (Lifset, 1989: 163).

Considerable attention has been paid to the potential consequences of nonprofit commercial activity. In terms of consequences for the market, critics claim unfair competition with for-profit firms has driven many small businesses from the marketplace, caused many small firms to struggle for survival, and slowed the rate of growth for small enterprise (Bennet and DiLorenzo, 1989: 57).

This negative impact upon the small business sector has the potential to permeate the larger economy. As the primary source of new employment in the United States since the mid-1970's (Bennet and diLorenzo, 1989: 56), unfair competition with the small business sector "reduces job growth and

employment opportunities in the for-profit, taxpaying sector." Moreover, as a critical source of employment for new entrants to the work force and unskilled workers, commercial nonprofit activity has placed a "disproportionately heavy burden on new entrants to the work force for whom these jobs often represent the only alternative to poverty."

From the perspective of the nonprofit sector, nonprofit commercial activity is a source of concern for several reasons. Ferris and Graddy (1989: 127) have concluded that the diversification of nonprofit revenues has been one cause of the fading distinctions amongst the nonprofit, and the public and private sectors. It is also feared that commercial activity will result the integration of the nonprofit sector into the market. Salamon (1989: 54) believes continued commercial activity or entrepreneurism will result in "greater integration of the voluntary sector into the market economy."

These possibilities raise the concern that nonprofit organizations will not only abandon their orientation and mission, but abandon their traditional means of achieving their objectives. Hodgkinson (1989: 10) claims that as nonprofit organizations began to charge fees for their services, and pursued commercial activities, their behavior shifted to resemble a market orientation. Salamon (1989: 54) theorizes that nonprofit commercial activity has had the consequence of integrating "market mechanics" into the daily activities of nonprofit organizations.

These newly recognized shifts in nonprofit activity are distrusted within the nonprofit sector (Kramer, 1981: 279) "because of the assumption of an irreconcilable conflict between social service provision and the profit motive."

Entrepreneurism is also a source of concern because it may pose a threat to the very foundation of the nonprofit sector. According to Bennet and DiLorenzo (1989: 57), intensified competition between the for-profit and nonprofit sectors, no less than the increasing criticism of nonprofit commercial activity, may "weaken the traditional rationale for nonprofit tax-exempt status."

It is precisely the weakening of this rationale which signals both a crisis of legitimacy (Estes, 1989: 23) and a crisis of public confidence (Hodgkinson, 1989: 10) for the nonprofit sector. The more nonprofit organizational behavior comes to resemble that of private firms, the more pressure the state is under to re-examine the privileges accorded to them. To the extent that nonprofit commercial activity is accepted as an unfair form of competition for private firms, the legitimacy of charities is challenged. To the extent that commercial activity is perceived to be the focus of the nonprofit sector, the confidence of the public is undermined.

The following section will examine the behavior, attitudes and motives of elite philanthropists.

Elite Philanthropy

One important aspect of the literature surveyed for this study concerns a distinct culture of philanthropy practiced by the most affluent members of North American society. Based on 140 interviews with millionaire philanthropists, Odendahl (1990: 4-5) was able to analyze the culture of philanthropy "manifest in the common behavior and manners, economic status, and sociocultural institutions, as well as in the shared attitudes, ideas, perceptions, tastes and values" of the charitable wealthy she describes as "conspicuous contributors as opposed to conspicuous consumers."

On the basis of her findings, Odendahl (1990: 8) has concluded that elite philanthropists have a vision of the world they wish to promote. Distrustful of government and opposed to the welfare state, they engage in philanthropy (Odendahl, 1990: 45) because of "a notion that private charity can counteract or balance economic and state power."

In a study consisting of 100 interviews with wealthy philanthropists, Boris (1987: 239) has found that "virtually every major philosophical current is reflected in the motives of donors." The motives for elite philanthropic activity can be traced to religious doctrine and religious heritage, belief in and tradition of civic responsibility, egoism, progressivism and scientific problem solving (Boris, 1987: 241-242).

Despite the diversity of motives, there is a dominant theme. While the affluent believe in and support democratic institutions and capitalism, they distrust government and fear that big government could lead to the loss of liberty and socialism (Boris, 1987: 239). Wealthy philanthropists perceive themselves to be the defenders and natural leaders of democracy, and perceive philanthropy to be its cornerstone (Boris, 1987: 241). Charitable donations were also preferred over paying a larger proportion of income to government in the form of taxes, primarily because charitable donations offer donors complete control over how much of their wealth is used to render assistance, as well as control over who or what receives this assistance (Boris, 1987: 241).

Schervish and Herman (1987) based their study on 140 interviews with individuals whose net worth is in excess of one million dollars. Their study (1987: 216, 225) explored the "logics of philanthropy" which "represent an ordering of motivations, resources, and goals", and refer to "the various ways wealthy individuals insert themselves into the world through their philanthropic efforts." There are nine logics of philanthropy: entrepreneurial, programmatic, productive, consumption, managerial, derivative, therapeutic, noblesse oblige, and catalytic.

The entrepreneurial philanthropist strives to develop new ideas for philanthropic practice and initiates projects in undeveloped, or underdeveloped philanthropic terrain

(Schervish and Herman, 1987: 226). The programmatic philanthropist is driven by the desire to fulfill a unified social agenda. As such, a number of philanthropic activities are carefully chosen and strategically united in order to achieve a single social purpose (Schervish and Herman, 1987: 227). In the case of the productive philanthropist, philanthropy becomes his or her business activity (Schervish and Herman, 1987: 227-228).

Consumption philanthropy emphasizes the personal utility of a particular philanthropic good. This type of philanthropist is interested in protecting those goods or services which might be needed in future (Schervish and Herman, 1987: 228). The managerial philanthropist seeks to improve the effectiveness and efficiency of a philanthropic enterprise. The focus of this particular philanthropist is not a specific good, but the process whereby this good is produced (Schervish and Herman, 1987: 229).

The derivative philanthropist (Schervish and Herman, 1987: 228) uses his or her philanthropic activities as a means for achieving goals outside the philanthropic world: "The teleologic focus is the strategic practice of philanthropic involvement, not as an end in itself, but as a means of fulfilling the responsibilities of one's position in the larger social structure." Donors engage in this type of philanthropy because of expectations associated with their

occupation, or their class and gender (Schervish and Herman, 1987: 230).

Therapeutic philanthropy is most often practiced by young, progressive and affluent individuals in an attempt to promote social change. This type of philanthropy (Schervish and Herman, 1987: 231) involves "a tripartite practice of empowerment of others, purgation of guilt, and psychological growth." Catalytic philanthropists attempt to garner public support and mobilize others on behalf of a cause with the intention of stimulating long term ideological commitment to the cause he or she is committed to (Schervish and Herman, 1987: 233).

The above findings clearly illustrate that philanthropic activity gives the wealthy a sense of identity and meaning. This is particularly true for the women of the upper class.

The philanthropic activities of wealthy women represent an important means of facilitating the occupational and sociocultural advancement of their husbands and families (Odendahl, 1990: 117). Wealthy women strive for advancement in the philanthropic hierarchy (Odendahl, 1990: 117) "a task which requires years and very old money, or a lot of it, for a woman to make it to the top of the philanthropic hierarchy."

Despite the fact that women outnumber men in philanthropic and voluntary organizations, Ostrander (1987: 452) has discovered a division of labor within charitable institutions which accords men more power, though not

necessarily more importance, than women. Men manage the fiscal, legal and political aspects of philanthropy (Ostrander, 1987: 455) which "dominate the organization.... [and] set its direction, define its goals, and limit its activities." Women assume responsibility for the social aspect of philanthropy, managing the programs and services of the philanthropic organization. They interact with its consumers, audiences and clients, and most significantly, maintain philanthropic exchange networks (Ostrander, 1987: 455).

While female subjects are highly aware of their subordination to the men of their class, they are unlikely to challenge class or patriarchal structures. Ostrander (1987: 459) offers two possible explanations for this: the fact that upper class men have power which is very difficult to challenge, and the fact the women derive benefits or privileges from the power of these men.

Philanthropic activity has enabled wealthy women to uphold their traditional responsibilities in the home while allowing them to engage in useful and satisfying work outside the home. Paradoxically, women of the upper class have thus used their philanthropic work to uphold a traditional gender position while extending their roles (Ostrander, 1987: 456).

A significant aspect of the research dealing with elite philanthropy concerns the motives for forming private charitable foundations. In a survey of 435 founders of philanthropic foundations in the United States, Boris (1987)

asked respondents to rate their motives for forming a philanthropic foundation on a five point scale ranging from "no influence" to "strong influence" from a list of twenty possible motives. Using factor analysis, six primary motives for forming a foundation were found.

The first factor, labeled altruistic sentiments, includes a concern for the welfare of others, religious heritage, family tradition of charitable activity and a belief in social responsibility. These sentiments represent the classic values embodied in the American religious heritage and tradition of civic stewardship (Boris, 1987: 240).

The second factor consists of those ideological and issue oriented concerns which reflect donors' beliefs. The third factor pertains to the instrumental motives associated with the foundation as a vehicle for charitable giving. For example, the foundation offers elite philanthropists attractive tax incentives, a systematic manner of organizing charitable work, insulation from the recipients of assistance and the opportunity to extend contributions beyond the life of the benefactor (Boris, 1987:240).

The fourth factor is comprised of social and psychological motives for forming a foundation, such as making a memorial to a particular member of the family or personal satisfaction (Boris, 1987: 240). Commitment to the community in which the elite philanthropist resides is the fifth factor for forming a foundation. The last factor is peer pressure

imposed by philanthropist's reference groups (Boris, 1987: 240).

Elite philanthropy has been viewed critically for the following reasons. Most significantly, elite philanthropic activity is criticized on the grounds that it is used as a justification for and legitimation of class privilege (Karl and Katz, 1987: 14). Philanthropic resources are used to provide limited redressment of distributional inequality, rather than used to reform the system which makes this redressment necessary.

Upper class status is maintained by philanthropic activity (Odendahl, 1990: 4): "Although private wealth is the basis of the hegemony of this group, philanthropy is essential to the maintenance and perpetuation of the upper class in the United States." Alternately, Ostrander (1987: 454) argues that elite philanthropy has served a conserving function: "It has contributed to reproducing existing institutions especially class structure-occasionally reforming them but rarely to altering them fundamentally in structure and organization." Elite philanthropy has also preserved the subordinate position of women in the class patriarchy (Ostrander, 1987: 458).

Elite philanthropists perceive themselves as worthy or deserving of their special status (Odendahl, 1990: 16) and do not question this: "If anything, the philanthropic elite congratulate themselves for their civic leadership, viewing their voluntary work as promoting decency, morality, and the

general quality of life." It is not unusual for the philanthropic elite to claim their wealth is proof of their superior abilities and skills which in turn justify the impact they have on public policy (Odendahl, 1990: 46).

This status depends however, on the elite maintaining a posture of noblesse oblige. One of the most important social explanations for philanthropy (Odendahl, 1990: 454) is in fact the sense of social responsibility: "Wealthy people are seen by themselves and others as having a civic obligation to the society which has granted them privilege."

Elite philanthropy has also been criticized for the impact it has had on the provision of human services, for it has reduced the extent to which basic human services are provided on a democratic basis (Odendahl, 1990: 3). Decision making in the arts, education, health and welfare sectors is diverted from public representatives to a private power elite with little accountability to or scrutiny by the general public and elected officials (Odendahl, 1990: 9). While the middle class produces the cultural or intellectual goods and provides the services offered by charitable institutions, the philanthropic elite set the policy of these institutions (Odendahl, 1990: 10). In this connection, Ostrander (1987: 459) has found that the majority of the elite philanthropists interviewed were opposed to opening nonprofit organizations to individuals outside the upper class.

A related criticism is that elite philanthropists support organizations which overwhelmingly serve the wealthy, unlike the middle class which supports organizations promoting pluralism and decentralization of power (Odendahl, 1990: 17). Due to the lack of funding, organizations supported by the middle class have limited potential for acquiring power and influencing government policy (Odendahl, 1990: 17).

Philanthropic activity also confers direct and indirect advantages upon elite benefactors. In terms of direct benefits, Odendahl (1990: 67) observes that "at the individual level, the families of those who participate in philanthropy receive an excellent private education and high-quality health care, and have greater opportunities to partake in high-culture leisure activities." Indirectly, elite philanthropy serves to maintain those institutions which benefit the upper class as a whole.

Chapter Summary

The purpose of this chapter has been to review the literature dealing with philanthropy and nonprofit organizations. It has reviewed the five following areas of the literature: the public good theory of philanthropy, the private good theory of philanthropy, the public choice theory of voluntary sector formation, the sectoral relations approach to philanthropy, and elite philanthropy.

The public good theory of philanthropy rests upon assumptions of human nature which have been viewed critically. One of the most notable criticisms is that human behavior is not simply the result of the crude calculation of material benefit. Boulding's (1962) concept of the grant shows that it is not only possible, but perhaps quite commonplace for individuals to freely exchange a material good in return for a nonmaterial benefit. As an individual must negotiate social and economic considerations, what appears to be economically irrational behavior might actually be socially rational behavior.

The properties of public goods combine with classical economic interpretations of exchange and utility to produce a compelling explanation for the free rider phenomenon.

If the criticisms of the theory's assumptions are accepted, the extreme free rider hypothesis cannot be supported. The free rider logic is inherent in transactions involving public goods to the extent that the very nature of public goods offers powerful incentives to free ride. However, social psychological studies have identified several factors which militate against the tendency to free ride.

It may perhaps be most appropriate to adopt Collard's (1978) approach to the free rider hypothesis, which is that the free rider hypothesis emphasizes the improbability of spontaneous cooperation in the production of collective goods.

Although the public good theory is capable of explaining the failure to engage in philanthropy, a successful theory of philanthropy must be able to account for the many individuals who do contribute to charity.

In many ways, the private good theory answers many of the criticisms of the public good theory. It incorporates such values as altruism, humanitarianism and beneficence into the traditional economic framework by proposing that individuals act out of "enlightened self-interest". In so doing, it offers a more productive means of understanding donor behavior.

Representative of the private good approach are two additional theories of philanthropy: the consumer preference and utility interdependence theories. Although they are less developed than the other theories presented in this chapter, they are significant because they underscore the difference in perceiving philanthropy to be a private as opposed to public good.

The consumer preference theory equates making a charitable donation with the act of making a purchase. This represents a potentially useful analogy. Recent marketing strategies of nonprofit organizations suggest that charities have found it more profitable to market their cause primarily as a private good or benefit, as opposed to public good or social benefit. The increasing tendency of nonprofit organizations to engage in commercial activities may have stimulated this shift.

The consumer preference theory does not appear to be sufficiently developed to explain why consumers prefer to purchase a philanthropic good instead of purchasing some other private good, or why a consumer would prefer one particular philanthropic good over another. It also fails to offer an explanation for how, when or where a consumer acquires these preferences. These issues remain for further research.

The utility interdependence theory of philanthropy proposes an individual's utility is not only a function of what he or she consumes, but a function of what others consume. In this way, the theory recognizes that donors derive benefits from their contributions, and have feelings about whether or not others are similarly able to enjoy goods and services.

The philanthropic marketplace approach of Wolpert and Reiner (1984) offers a dynamic means of examining donor behavior. Contrary to other frameworks, the marketplace approach considers donor - recipient interaction. In this way, the marketplace approach underscores the importance of making some provision for the influence nonprofit organizations exert on the potential donor population.

This approach also makes allowance for two previously unrecognized factors: the ability of donors and recipients to act in a competitive as well as collective fashion amongst themselves, and regional variation in philanthropic relationships. Moreover, the philanthropy marketplace approach

permits nonprofit organizations to assume a dominant, independent position vis-a-vis its donative or client population.

The public choice theory represents one of the newest approaches to the study of philanthropy. Unlike the previous theories, its focus is not philanthropic goods, but rather, the nonprofit or voluntary sector.

The role of the voluntary sector is twofold: to function as an extragovernmental supplier of collective consumption goods, and to function as an alternative to the imperfect substitutes produced by the for-profit sector. Thus, the the voluntary sector compliments government provision of goods and services, and competes with private sector provision.

This interpretation of nonprofit activity is not unlike the description furnished by the sectoral relations approach to philanthropy. Critics dispute the public choice description of voluntary sector formation because it rests on a government or market failure argument which accords nonprofit organizations with a residual or marginal role at best.

Weisbrod (1986) and Salamon (1989) dispute this contention, claiming the public choice framework actually rests upon a voluntary sector failure argument, outlined as follows. Consumers are lead to the public and private sectors because the voluntary sector is not capable of efficiently producing collective goods. The failure of the public and

private sectors in turn generates a demand for nonprofit goods and services.

Regardless of which sector initially experiences failure however, this interpretation still attributes the voluntary sector with a residual and dependent role. The immense scope of the nonprofit sector signals the importance of developing a theory of voluntary sector formation which will consider factors intrinsic to the sector itself.

The sectoral relations literature represents perhaps the most recent approach to philanthropy. On the whole, this approach asks two very important and timely questions: which sector is best equipped to satisfy individual preferences for particular goods and services?; are the needs for human welfare services best met by the welfare state, the private sector, or the nonprofit sector?

The sectoral relations literature can be further broken down into two components: the study of welfare state and nonprofit sector relations, and the study of for-profit and nonprofit sector relations.

Kramer (1981) has proposed that relations between the welfare state and nonprofit sector can be viewed from the perspective of conflict, and the perspective of partnership.

Most of the literature consulted for this study describes the welfare state and nonprofit sector relationship as entailing much conflict. To various extents, the traditional political theories of the welfare state outlined in this

chapter maintain that the advance of the welfare state necessarily requires the retreat of private charity.

Implicit in each of the models of the welfare state presented by Obler (1986a; 1986b; 1981) is the argument that philanthropy is either unable to meet the needs of society, or fulfills human welfare services in some undesirable way. To the extent these rationales have been adopted and accepted by both state and the society, individuals have been implicitly discouraged from assuming personal responsibility for supporting nonprofit organizations.

The negative model of government transfers and crowding out hypothesis have provided an empirical, and at times theoretical, assessment of the welfare state - nonprofit sector relationship. The findings of these studies are not conclusive. Some studies have shown welfare expenditures have completely attenuated private charity, while others have shown they have only partially attenuated philanthropy. On the whole, it seems safe to conclude that government welfare spending exerts some influence over private charity.

Little attention seems to have been paid to the perceptions, expectations and attitudes of the potential donor population in this regard. It is not at all clear how individuals perceive their role and the roles of the state and nonprofit sector. To what extent do individuals embrace the various ideologies and models of the welfare state? Or more significantly, to what extent do they reflect current

attitudes? Do individuals in fact believe that welfare expenditures function as a substitute for private charitable contributions? Do individuals believe they have a responsibility to contribute to charity over and above what they pay in taxes to support the welfare state? Is Tullock (1971) correct in proposing that individuals reconcile their social conscience to act selfishly by voting charitably?

Answers to these questions may require a change in methodology. One possibility is to use survey data to evaluate the negative model in place of expenditure or taxation data. This would permit more accurate empirical analysis of individual philanthropic behavior, and furnish much needed insight into the attitudes of potential donors. Modeling charitable donations separately by type of nonprofit organization could also prove useful because the ability of the sectors to compliment or substitute for one another may depend upon the particular good or service in question. Another possibility is qualitative research, which offers great latitude in assessing potential donor behavior and attitudes.

There is considerable evidence showing the welfare state and voluntary sector have traditionally supported and complimented one another. Recent economic crises may have undermined their partnership, although it has not been subverted completely. Contemporary research supports Wolch's (1990) concept of the nonprofit sector as a "shadow state".

The welfare state has not only retreated from some of its responsibilities but has prevented further expansion because the nonprofit sector has served as a ready alternative.

Of relatively recent interest is the relationship between the nonprofit and for-profit sector. It too may be viewed from the perspectives of partnership and conflict.

The conflict between the for-profit and nonprofit sectors is largely the result of nonprofit organizations undertaking commercial activities, and consequently entering into direct competition with the for-profit sector. The impetus for this activity has been a reduction in government funding.

Criticism of nonprofit commercial activity centers on its unjust nature. Due to their philanthropic status, charities are able to engage in commercial activity while avoiding many of its associated costs and responsibilities. Within the nonprofit sector, the trend toward entrepreneurism has raised concerns that the "profit motive" is undermining the day to day operation of charities, as well as their overall mission.

The phenomenon of corporate philanthropy attests to the fact that the relationship between the private and nonprofit sectors may assume the form of a partnership. There is some evidence to suggest that corporations are expected to engage in philanthropy as part of socially responsible behavior and good corporate citizenship. Moreover, survey data suggest that corporations have come to expect this participation of themselves.

It remains for future research to determine whether perceptions of unfair commercial activity will adversely affect corporate willingness to engage in philanthropy.

In sum, conflict with the public and the private sectors have sparked a crisis for the nonprofit sector. As a "shadow state" and "entrepreneur", the nonprofit sector is experiencing a crisis of identity. Charities must struggle to find a niche for themselves while their traditional role or mission, and autonomy have eroded. Until this niche can be found, the legitimacy of nonprofit organizations is also likely to be challenged.

The studies dealing with elite philanthropy represent a distinctly social and cultural interpretation of charitable giving. To its credit, this literature analyses the relatively unexplored interpersonal, gender and class relationships entailed in philanthropy. Most significantly, these studies point to a distinct and unique "culture" of philanthropy which exerts considerable influence on many of the goods and services produced by the nonprofit sector.

Another noteworthy aspect of this literature is the use of qualitative research methods to gather data rich in scope and detail. Due to this methodology, new insight into the philanthropic objectives, attitudes, motives and behavior of the elite is offered.

The purpose of the following chapters is to develop a model capable of explaining, and ultimately predicting,

private charitable giving. Linking the research problem to the theoretical approaches described here represents somewhat of a challenge, as the theories do not directly address the issue at hand. However, several aspects of the literature highlighted in this chapter have helped to shape the analyses conducted in the subsequent chapters.

Comparison of the public and private good theories of philanthropy suggests that it may be more productive to approach the research problem from a private good perspective. Therefore, the assumption underlying this analysis is that individuals operate from an enlightened or altruistic self-interested basis. That is, potential donors are assumed to be influenced and motivated by social and economic factors.

Martin's (1985) donation model has served as a point of departure for the model specifications developed in Chapters Four and Five. The model has provided a rationale for the selection of some of the variables included in the analyses, and in so doing, has provided a means of conceptualizing these variables.

The philanthropy marketplace approach of Wolpert and Reiner (1984) characterizes philanthropy as involving relationships between donors and nonprofit organizations. This suggests that in trying to explain donor behavior, it is important to consider the actions of nonprofit organizations wherever possible.

The sectoral relations and elite philanthropy literature imply that individuals' attitudes towards charitable giving and nonprofit organizations are an important determinant of philanthropic behavior.

The following chapter will examine the relationship between the propensity to donate and sixteen attitudinal variables taken from a nationally representative survey of Canadian philanthropy. The findings of this exercise will then be used in Chapter Five whose objective is to construct a model of the propensity to donate to charity using demographic, socioeconomic, behavioral and attitudinal measures.

CHAPTER THREE

ATTITUDES TOWARDS CHARITABLE GIVING AND NONPROFIT ORGANIZATIONS

Very little is known about the attitudes of the potential donor population towards charitable giving and nonprofit organizations. To rectify this shortcoming, the following chapter will explore the relationship between the propensity to donate to charity, and sixteen attitudinal variables extracted from a nationally representative survey of Canadian philanthropic attitudes and behavior.

Several attitudinal variables measure respondents' attitudes towards the standards, practices and management of nonprofit organizations. Others address respondents' beliefs about private and public responsibility for funding charities. Attitudes towards the importance of charitable giving, and the contribution of philanthropic organizations to the community will also be examined.

Data

The data used in this thesis were obtained from a survey conducted by Decima Research for the Canadian Centre for Philanthropy between October 15 and 31, 1987. The survey was conducted by means of telephone interviews, and resulted in an unweighted sample size of 2149 cases. As weighting information was not available for this study, all analyses are based on the unweighted sample. Further information about the survey is provided in Appendix One: Data.

Method of Analysis

The method of analysis used in this chapter is contingency analysis. This technique enables the researcher to examine whether an independent variable partially determines a dependent variable, usually an attitude of interest (Babbie, 1989: 378). Agresti and Finlay (1986: 198) describe the contingency table as one of the most useful tools for the bivariate analysis of nominal or ordinal data.

The contingency table depicts the joint outcomes of two variables. As such, it provides a means for determining whether two variables are in fact related (Bohrnstedt and Knoke, 1982: 93). Moreover, the crosstabulation of two variables permits a pattern of covariation to emerge (Bohrnstedt and Knoke, 1982: 95). For categorical variables, covariation means that the presence or absence of a certain attribute on one variable is partially dependent upon the category into which the member is classified on the other variable (Agresti and Finlay, 1986: 198).

In order to determine whether a bivariate relationship exists between two variables, a test of statistical independence is conducted. If two categorical variables are statistically independent, the population conditional distribution on one variable is identical for each level of the other variable. If two variables are statistically dependent, their conditional distributions are not identical (Agresti and Finlay, 1986: 202). Statistical independence

suggests sampling or randomization variability could have produced the observed relationship in the data (Wright, 1979: 125).

The Chi Square test of independence is based on a comparison between the observed cell frequencies of a joint contingency table, with the frequencies that would be expected if the null hypothesis of no relationship were in fact true (Bohrnstedt and Knoke, 1982: 203). In order to reject the null hypothesis, the computed value of the Chi Square must exceed the critical value defined by the Chi Square probability distribution, degrees of freedom and desired level of significance (Bohrnstedt and Knoke, 1982: 110).

The Chi Square test of statistical independence assumes that the cases used in the analysis have come from a random or stratified random sample and are measured on a nominal scale. These assumptions have been satisfied by the survey's sampling procedure and variable measurement. For 2 by 2 tables, the test assumes an expected frequency of at least 5 cases in each cell. For larger tables, the test assumes an expected frequency of at least 5 cases in 75% of the cells, and at least one case in the remaining cells (Agresti and Finlay 1986, 209). In the event cell frequencies do not meet the assumptions underlying the Chi Square test of statistical independence, the statistical package used for this study issues a warning.

Variable Measurement

Independent Variable: Charity

The variable CHARITY was computed from the two following items:

ITEM 1: DONATIONS TO NON-RELIGIOUS CHARITIES

"Which of the following categories does the total amount you gave over the last year fall into?"

- 1 - UNDER \$24
- 2 - \$25-\$49
- 3 - \$50-\$74
- 4 - \$75-\$99
- 5 - \$100-\$199
- 6 - \$200-\$299
- 7 - \$300 OR MORE
- 8 - NONE

ITEM 2: DONATIONS TO RELIGIOUS CHARITIES

"In the last year, have you given any money to any religious organization?"

- 1 - YES
- 2 - NO
- 3 - NO OPINION

The two items were recoded as follows. For the first item, NON-RELIGIOUS DONATIONS, respondents who contributed (response categories 1 through 7) were classified as DONORS. Respondents who did not contribute, were classified as NON DONORS. For the second item, RELIGIOUS DONATIONS, respondents who answered YES were classified as DONORS, while those respondents who answered NO were classified as NON-DONORS. Each item was coded as follows:

- 0 - NON DONORS
- 1 - DONORS
- 99 - MISSING VALUES

There are 22 missing cases for the first item (non-religious donations), and 7 missing cases for the second (religious donations).

The two items were combined to form the independent variable CHARITY. Individuals who reported not having contributed to a non-religious and religious charity were classified as NON DONORS. Those who reported having made a contribution to either type of nonprofit organization, or both types of nonprofit organizations, were classified as DONORS. The independent variable CHARITY has the following frequency distribution (Table 1). All cases with missing values on the independent and/or dependent variable will be excluded from the analysis.

TABLE 1
FREQUENCY DISTRIBUTION OF
VARIABLE CHARITY

VALUE LABEL	VALUE	FREQUENCY	PERCENT
NON-DONORS	0	216	10.1%
DONORS	1	1904	88.6%
MISSING	- 99	29	1.3%
		<hr/>	<hr/>
		2149	100.0%

$$\chi^2 = 18.06386 \quad df = 1 \quad p < .001$$

Perception of Nonprofit Management

Respondents' perceptions of nonprofit management were measured by their level of agreement with the following item: "Charities and nonprofit organizations are run by disorganized amateurs."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

1	-	-5	TOTALLY DISAGREE
2	-	-4	
3	-	-3	
4	-	-2	
5	-	-1	
6	-	0	DEPENDS
7	-	+1	
8	-	+2	
9	-	+3	
10	-	+4	
11	-	+5	TOTALLY AGREE
12	-		NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

Given that agreement with the statement represents a negative view of philanthropic organizations, the item was recoded to assign a higher value to a positive view (disagreement):

1	-	AGREE
2	-	UNDECIDED
3	-	DISAGREE
- 99	-	MISSING

In a national survey of the philanthropic attitudes of Canadians, Gallup (1984: 35) discovered that on the whole, Canadians' perceptions of nonprofit management are positive. This orientation is consistent by type of donor, in all regions of Canada. This finding notwithstanding, a greater percentage of non-donors are expected to agree with this statement than donors. It is reasonable to suppose that individuals who have not made a charitable contribution are more inclined to perceive the management of nonprofit organizations to be disorganized and incompetent than those who have made a contribution.

Efficiency of Nonprofit Organizations

Respondents were asked if they thought about the efficiency of a nonprofit organization prior to making a donation: "Would you say how well run a charitable or nonprofit organization is something you always, often, sometimes, or hardly ever think about when making a decision about whether or not to give to an organization?" The item was originally coded as follows:

- 1 - HARDLY
- 2 - SOMETIMES
- 3 - OFTEN
- 4 - ALWAYS
- 5 - NO OPINION

Considering that "always" thinking of how well run a nonprofit organization is, is indicative of a certain distrust or skepticism of charitable organizations, the item was recoded as follows:

- 1 - ALWAYS
- 2 - OFTEN
- 3 - SOMETIMES
- 4 - HARDLY
- 99 - MISSING VALUES

No opinion responses were classified as missing values and given a score of -99.

It is hypothesized that the efficiency of nonprofit organizations is a more salient concern for non-donors than donors. Non-donors are likely to be more inclined to question how well run nonprofit organizations are, presumably because they have doubts about it.

Nonprofit Spending

Respondents were asked to assess the spending habits of nonprofit organizations:

Some people say too much of the money that is donated to charitable and nonprofit organizations goes toward operating expenses such as rent, printing, salaries, and advertising rather than going to the cause itself. Other people say that every organization has operating expenses and that charitable and nonprofit organizations generally keep these expenses as low as they can. Thinking of these two points of view, which one reflects your own?

Responses were originally coded as follows:

- 1 - TOO MUCH GOES TO OPERATING EXPENSES
- 2 - EXPENSES ARE KEPT AS LOW AS POSSIBLE
- 3 - NO OPINION

As this coding scheme was deemed to be satisfactory, the item was not recoded except to categorize no opinion responses as missing values given a score of -99.

In a nationally representative survey of American philanthropic attitudes and behavior, Morgan, Dye and Hybels (1979: 200-201) note that one third of their respondents expressed a desire to have more information about the administrative and fund raising costs of nonprofit organizations. Respondents were particularly interested in knowing the proportion of their donation which actually goes towards supporting the nonprofit organization's cause. A vast majority of respondents believed nonprofit organizations should be required by law to reveal their costs. Overall, the researchers found respondents to have unrealistically low estimates of acceptable administrative and fund raising costs.

Gallup Canada (1984: 33) found that on average, respondents believe 29% of contributed funds is an acceptable amount to spend on operating expenses. Approximately 25% of the respondents, or one in four Canadians, feel 6%-10% is an acceptable percentage of funds spend on expenses. This survey also revealed that the more involved the donor is, the smaller the percentage towards expenses is deemed acceptable. The variation in responses, combined with the fact that 15% of

respondents were unable to provide an estimate of acceptable expenditures, suggests this is an area in which most Canadians are not knowledgeable. Approximately 20% of respondents believe that nonprofit organizations are no better or no worse than other enterprises in controlling expenses (Gallup Canada, 1984: 35).

Weisbrod (1988: 98) concedes the literature has not generally found a statistically significant relationship between the cost of donations, known as the fund raising percentage, and the level of charitable donations. This finding has been interpreted to mean that donors do not care about the fund raising percentage or the price of additional donations.

However, Weisbrod (1988: 97) cites the solicitation strategies of nonprofit organizations as proof that individuals do care to have this information. Charities would not emphasize how low their fund raising expenditures and administrative costs are if people did not care about such things. Moreover, there would not be widespread legislation imposing a ceiling on the amount of revenue which can be used for this purpose, or requires disclosure of the amount of revenue spent on fund raising (Weisbrod, 1988: 98).

Fund raising expenditures are hypothesized to have two effects on charitable donations, one positive and one negative. The positive effect is known as a "promotional effect". Fund raising requires advertising and solicitation to

increase public awareness of, and interest in the nonprofit organization. These activities produce an increase in revenue. In so doing however, the nonprofit organization incurs two costs: a direct cost associated with advertising and solicitation, and an indirect cost equal to the amount of donations foregone because donors reject what they perceive to be an unacceptable fund raising percentage. It is Weisbrod's belief (1988: 98) the two effects cancel each other out: any potential increase in revenue generated by promotional activities is offset by the decline in contributions due to donors' rejection of their cost.

In an empirical study, Weisbrod (1988: 98) discovered total charitable contributions to be negatively correlated with the fund raising percentage, defined as "the price of purchasing or providing an additional dollar's worth of an organization's outputs." This finding suggests that a significant proportion of the donor population chooses to contribute less to "higher priced" nonprofit organizations.

Based on these findings, it is hypothesized that individuals who have not made any charitable contributions are more inclined to believe that nonprofit organizations spend too much of their revenue on operating expenses as opposed to their "cause". Individuals who have made a donation are probably less inclined to believe this is the case, and more confident that nonprofit organizations manage their resources responsibly.

Intensity of Fund Raising Solicitations

The extent to which the intensity of fund raising influenced the desire to contribute was measured with the following item: "There seem to be so many organizations seeking donations for one cause or another, I sometimes don't feel like giving to any."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. Responses were originally coded as follows:

1	-	-5	TOTALLY DISAGREE
2	-	-4	
3	-	-3	
4	-	-2	
5	-	-1	
6	-	0	DEPENDS
7	-	+1	
8	-	+2	
9	-	+3	
10	-	+4	
11	-	+5	TOTALLY AGREE
12	-		NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

Given that agreement with the statement represents a negative view of philanthropic organizations, the item was recoded to assign a higher value to a positive response (disagreement):

- 1 - AGREE
- 2 - UNDECIDED
- 3 - DISAGREE
- 99 - MISSING

It is hypothesized that non-donors are more likely to concur with this statement than donors for the following reason. Non-donors may resent the constant pressure to fulfill the social or moral obligations which charitable solicitations represent. Repeated solicitations place the non-donor in a position where he frequently has to justify what could be regarded as socially unacceptable behavior. The non-donor's negative reaction to fund raising solicitations may also be intensified or reinforced by an already unfavorable perception of nonprofit organizations.

Having previously donated, and thus, having already fulfilled their social responsibility, donors may be frustrated or annoyed by further demands to lend support. However, it is hypothesized that the donor possesses a more positive orientation towards philanthropy and charities which compensates for the tendency to react negatively to frequent fund raising solicitations.

Monitoring of Charitable and Nonprofit Organizations

Respondents were asked whether or not they felt nonprofit organizations were sufficiently monitored:

Some people say that the way charities and other nonprofit organizations spend the money they receive should be more closely monitored by an outside agency. Other people say that these organizations are already monitored enough and more monitoring is not required. Thinking of these two points of view, which one best reflects your own?"

Responses were originally coded as follows:

- 1 - MORE MONITORING IS REQUIRED
- 2 - SUFFICIENTLY MONITORED
- 3 - NO OPINION

No changes were made to the original coding scheme with the exception of the no opinion category which was recoded into a missing values category given a value of -99.

It is hypothesized that most respondents will express the opinion that the present monitoring of charities is not sufficient. However, non-donors are expected to be more inclined to report that more monitoring is required than donors. Presumably non-donors are more skeptical of the manner in which charities raise and allocate funds. Having less faith in the financial practices of charities, non-donors may have a greater tendency to believe that they should be more closely monitored.

Honesty and Ethical Standards of Charities

Respondents' attitudes towards the honesty and ethical standards of philanthropic organizations was measured with the following item: "How would you rate the honesty and ethical

standards of nonprofit organizations? Would you rate their honesty and ethical standards as very high, high, average, or low?" Responses were originally coded as follows:

- 0 - MISSING
- 1 - LOW
- 2 - AVERAGE
- 3 - HIGH
- 4 - VERY HIGH

The variable was not recoded with the exception of the missing values category which was given a score of -99.

The philanthropic participation of donors may in part be a result of the trust they place in the honesty and ethical standards of charities. This possibility suggests that donors are significantly more likely than non-donors to describe the honesty and ethical standards of charities as above average. The failure to contribute may signify the average or below average rating non-donors accord philanthropic organizations.

Contribution to the Community

The extent to which respondents perceived nonprofit organizations to make a contribution to the community was measured with the following item: "And would you say that charities and nonprofit organizations generally make a very positive, somewhat positive, or not at all positive contribution to the community?" Responses were originally coded as follows:

- 0 - MISSING
- 1 - NOT POSITIVE
- 2 - SOMEWHAT POSITIVE
- 3 - VERY POSITIVE

The variable was recoded to assign missing values a score of -99.

Individuals who have not made a donation are more likely to perceive nonprofit organizations as not making a positive contribution to the community. Donors are more likely to feel that philanthropic organizations make a very positive contribution to the community.

Responsibility for Funding Nonprofit Organizations

Respondents were asked to identify who was most responsible for funding philanthropic organizations: "To the best of your knowledge, which of the following is most responsible for providing most of the funds to charitable and nonprofit organizations: government, businesses, foundations or the general public?" Responses were originally coded as follows:

- 1 - GOVERNMENT
- 2 - BUSINESSES
- 3 - FOUNDATIONS
- 4 - GENERAL PUBLIC
- 5 - NO OPINION

The variable was recoded to classify no opinion responses as missing values given a score of -99.

According to Yankelovich, Skelly and White (as Cited by White, 1989: 68) eight out of ten Americans believe individuals are responsible for contributing what they can to charity. While respondents to the 1986 British Family Expenditure Survey believed helping the less fortunate was important, they also believed the state had the primary

responsibility for doing so (Saxon-Harrold, 1989: 120). This attitude was most characteristic of respondents belonging to the upper income and occupational groups, precisely the social strata with the greatest capacity to give. In a survey of Canadian philanthropy, Gallup Canada (1984: 25) discovered that four out of five Canadians feel they are supporting nonprofit organizations, more than government or the private sector. Totalling all responses, 64% of respondents mentioned some level of government support for nonprofit organizations.

What is of particular interest here is the proportion of donors and non-donors who attribute primary responsibility for supporting philanthropic organizations to sectors other than the general public. While the majority of respondents are expected to attribute primary responsibility to the general public, a greater proportion of non-donors are expected to perceive government, business and foundations as having the primary responsibility for supporting nonprofit organizations. The rationale here is that non-donors are likely to be less inclined to perceive themselves and other members of the public as having the primary responsibility for funding charities because this view is more consistent with their behavior.

Preferred Responsibility for Funding Nonprofit Organizations

Respondents were asked to indicate who should be most responsible for funding philanthropic organizations: "And from your point of view, who should be most responsible for

providing funds to charitable and nonprofit organizations: government, businesses, foundations or the general public?" Responses were originally coded as follows:

- 1 - GOVERNMENT
- 2 - BUSINESSES
- 3 - FOUNDATIONS
- 4 - GENERAL PUBLIC
- 5 - NO OPINION

The no opinion category was recoded as missing values and given a score of -99.

In a survey conducted by Gallup Canada (1984: 27), the vast majority of respondents were of the opinion that currently, private individuals are primarily responsible for supporting nonprofit organizations. However, 50% of those interviewed believed that government **should be** primarily responsible for maintaining philanthropic organizations. Only 20% of those surveyed believed this leading role should be played by individuals (Gallup Canada, 1984: 27). As the amount of donations increased, the donor's sense of of personal responsibility for funding charities increased (Gallup Canada, 1984: 29).

As in the case of perceived responsibility for funding nonprofit organizations, non-donors are hypothesized to be more inclined to attribute this responsibility to members of society other than themselves. For this reason, non-donors are expected to ascribe government, businesses and foundations with the primary responsibility for funding philanthropic organizations rather than the general public.

Nonprofit Services as a Substitute for Government Responsibilities

The extent to which respondents believe the goods and services provided by nonprofit organizations should be a substitute for those provided by government was measured with the following item: "The work that charitable and nonprofit organizations do should not be a substitute for government's responsibility to provide services for the public."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were

recoded into a missing values category and given a value of -99.

As agreement with the statement represents a favorable view of nonprofit organizations, the categories were coded to assign an unfavorable response (disagreement) a lower value:

- 1 - DISAGREE
- 2 - UNDECIDED
- 3 - AGREE
- 99 - MISSING

This item measures the extent to which respondents support the coexistence of the welfare state and private charity. Previous research suggests government spending in the areas of health, education and welfare may "crowd out" or attenuate private charity. Gallup Canada (1984: 32) found that 32% of Canadians who donated to charity in the past year claimed they were prepared to contribute more money if their donations were matched by grants from government.

The majority of donors and non-donors are expected to concur with this statement, based on the premise that most people are inclined to perceive philanthropic organizations to produce desirable goods and services, complimenting those produced by the public sector. It is hypothesized however, that non-donors are more likely to perceive of these goods and services as substitutes, rather than compliments of one another.

Charitable Giving Versus Relying on Government

The extent to which respondents believe charitable giving to be important in order to lessen dependence on government was measured with the following item: "I believe that if Canadians would give more money to charitable and nonprofit organizations, then we wouldn't have to rely on government as much to do things."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were

recoded into a missing values category and given a value of -99.

As agreement with the item is indicative of a positive attitude toward philanthropy, the categories were coded to assign a negative response (disagreement) a lower value:

- 1 - DISAGREE
- 2 - UNDECIDED
- 3 - AGREE
- 99 - MISSING

This item assesses whether or not respondents favor private charity over government provision of services. It is hypothesized that non-donors will tend to disagree with this statement. Non-donors are likely to prefer government provision of services to increased private charity because the latter would impose additional responsibilities upon them. Donors are perhaps more likely to perceive an increase in private charity to be a desirable occurrence because of a willingness to accept personal responsibility for providing beneficial goods and services.

Feeling Obligated to Donate

The extent to which respondents feel obliged to make charitable contributions was measured with the following item: "Sometimes, even though I really don't want to give a donation, I feel obliged to."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the

subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

1	-	-5	TOTALLY DISAGREE
2	-	-4	
3	-	-3	
4	-	-2	
5	-	-1	
6	-	0	DEPENDS
7	-	+1	
8	-	+2	
9	-	+3	
10	-	+4	
11	-	+5	TOTALLY AGREE
12	-		NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

This item measures the extent to which respondents feel personally responsible for supporting philanthropic activities, despite any possible negative perceptions or feelings of "not wanting" to donate. For this reason, disagreement is interpreted as a negative view of philanthropy and assigned a lower value than agreement:

1	-	DISAGREE
2	-	UNDECIDED
3	-	AGREE
-99	-	MISSING

Non-donors are not likely to feel obliged to donate. This is particularly true in circumstances where they have no desire to lend their support. Donors in contrast, are more likely to feel compelled to donate regardless of whether they wish to do so, or not.

Giving Motivated by Future Need

The extent to which respondents believed charitable giving to be important because of future needs was measured with the following item: "It's important to give to the community because you never know when you might need help yourself."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as

DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

Given that agreement with the statement is indicative of a positive orientation towards charitable giving, the categories were coded to assign a lower value to a negative response (disagreement):

- 1 - DISAGREE
- 2 - UNDECIDED
- 3 - AGREE
- 99 - MISSING

Donors, it is hypothesized, are more likely to believe it is important to contribute to charity as an investment or "down payment" on their own personal future needs than non-donors.

Importance of Supporting Charities

Respondents' beliefs about the importance of supporting nonprofit organizations was measured with the following item: "Overall, do you think it is very important, somewhat important, or not important that Canadians support the charities and nonprofit organizations of their choice?" Responses were originally coded as follows:

- 0 - MISSING
- 1 - NOT IMPORTANT
- 2 - SOMEWHAT IMPORTANT
- 3 - VERY IMPORTANT

The coding scheme was deemed satisfactory with the exception of the "missing" category which was recoded and given a value of -99.

Donors are considerably more likely to believe that it is important for Canadians to support the charities and nonprofit organizations of their choice, than non-donors. Support of philanthropic organizations is not expected to be a very salient issue for those who have not made a donation.

Need for Increased Generosity

Respondents were asked to indicate their level agreement with the following item: "If more people were generous with their time and money, we could meet a lot more of our community's needs."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement, while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

As agreement with the item is indicative of a positive attitude toward philanthropy, the categories were coded to assign a lower value to a negative attitude (disagreement):

- 1 - DISAGREE
- 2 - UNDECIDED
- 3 - AGREE
- 99 - MISSING

It is hypothesized that donors are more likely to agree with the statement than non-donors. It is not unreasonable to suppose that donors may have been partially motivated by the desire to help meet a perceived need. These individuals are likely to regard increased philanthropic participation as a means of solving many of the community's problems. In contrast, non-donors are less likely to perceive of nonprofit organizations, and by extension philanthropy, as a means of addressing the community's needs.

Importance of Charitable Giving to the Community

The extent to which respondents believe charitable giving to be important was measured with the following item: "Giving

back to the community through donations to charitable and other nonprofit organizations is one of the most important things you can do."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The eleven point scale was collapsed into three categories. Ratings between -5 and -1 were classified as DISAGREEMENT with the statement while ratings between +1 and +5 were classified as AGREEMENT. Ratings of 0 were classified as UNDECIDED, meaning the respondent neither agreed or disagreed with the statement. No opinion responses were recoded into a missing values category and given a value of -99.

Given that agreement with the statement is indicative of a positive orientation towards nonprofit activity, the item

was coded to assign a lower value to a negative orientation (disagreement):

- 1 - DISAGREE
- 2 - UNDECIDED
- 3 - AGREE
- 99 - MISSING

It is hypothesized that donors are more likely to agree with the statement than non-donors. It is not unreasonable to suppose that non-donors are far less inclined than donors to regard philanthropy as one of the most important things they could do.

The hypotheses for each of the sixteen contingency analyses are summarized below:

Non-donors are more likely than donors to perceive managers of nonprofit organizations to be disorganized and incompetent.

Non-donors are more likely than donors to frequently question how efficient and well managed nonprofit organizations are.

Non-donors are more likely than donors to believe that philanthropic organizations spend too much of their revenue on operating expenses.

Non-donors are more likely than donors to report that frequent requests to contribute have a negative impact on their desire to contribute.

Non-donors are more likely than donors to indicate that nonprofit organizations require more monitoring.

Non-donors are expected to give charities a lower rating of their honesty and ethical standards than donors.

Non-donors are more likely than donors to perceive nonprofit organizations as not making a positive contribution to the community.

Non-donors are more likely to attribute primary responsibility for supporting the nonprofit sector to the general public than donors.

Non-donors are more likely than donors to perceive the charitable sector as a substitute for the state.

Non-donors are more likely than donors to believe that an increase in private charity to lessen dependence upon the state is not desirable.

Non-donors are less likely than donors to feel obliged to donate.

Non-donors are less likely than donors to be motivated to give in anticipation of their own future need of nonprofit services.

Non-donors are less likely than donors to perceive supporting charities as important.

Non-donors are less likely to perceive a need for increased generosity than donors.

Non-donors are less likely than donors to feel charitable giving is an important means of serving the community.

Findings

Sixteen attitudinal variables were crosstabulated with the independent variable charity (Table 2). Seven of the sixteen Chi Square tests of statistical independence were not significant, meaning the null hypothesis of statistical independence could not be rejected. The following variables were subsequently dropped from further analysis: perception of nonprofit management, monitoring of charitable and nonprofit organizations, preferred responsibility for funding nonprofit organizations, charitable giving versus relying on government, feeling obliged to donate, giving motivated by future need, and need for increased generosity.

TABLE 2
ATTITUDINAL VARIABLES CROSSTABULATED WITH
INDEPENDENT VARIABLE CHARITY

Perception of Nonprofit Management
Efficiency of Nonprofit Organizations
Nonprofit Spending
Intensity of Fund Raising Solicitations
Monitoring of Charitable and Nonprofit Organizations
Honesty and Ethical Standards of Charities
Contribution to the Community
Responsibility for Funding Nonprofit Organizations
Preferred Responsibility for Funding Nonprofit Organizations
Nonprofit Services as a Substitute for Government Responsibilities
Charitable Giving Versus Relying on Government
Feeling Obligated to Donate
Giving Motivated by Future Need
Importance of Supporting Charities
Need for Increased Generosity
Importance of Charitable Giving to the Community

Efficiency of Nonprofit Organizations

The crosstabulation of the dependent variable EFFICIENCY OF NONPROFIT ORGANIZATIONS with the independent variable

CHARITY illustrates that nonprofit organizational efficiency is a more salient issue for donors than it is for non-donors (Table 3).

TABLE 3
ATTITUDES OF DONORS AND NON-DONORS TOWARD
EFFICIENCY OF NONPROFIT ORGANIZATIONS

"Would you say how well run a charitable or nonprofit organization is something you always, often, sometimes, or hardly ever think about when making a decision about whether or not to give to an organization?"		
	NON-DONORS	DONORS
Always	18.1%	27.8%
Often	19.1%	26.3%
Sometimes	34.4%	27.8%
Hardly	28.4%	18.0%
	100.0%	100.0%
	(n=215)	(n=1901)

$$\chi^2 = 24.44291 \quad df = 3 \quad p < .01$$

Whereas 5 out of 10 donors report they "always" or "often" question charities' efficiency, 5 out of 10 non-donors report they "sometimes" or "hardly" think about how efficient charitable organizations are.

This contingency analysis shows that 18.1% of non-donors report they always think about how efficient philanthropic

organizations are, compared to 27.8% of donors. One fifth of non-donors (19.1%) say they often consider organizational efficiency, as opposed to one quarter of all donors (26.3%). Some 28.4% of non-donors indicated they hardly thought about efficiency, in contrast to 18% of donors.

Although the efficiency of nonprofit organizations appears to be a more salient concern for donors overall, it is noteworthy that the majority of non-donors (34.4%) report they occasionally contemplate how well run a charity is.

These findings contradict the hypothesis that non-donors are more likely to think about the efficiency of nonprofit organizations than donors. This hypothesis was based on the rationale that the decision of non-donors not to make a charitable donation is partially based on doubts about how effective and well managed charities are in general. Instead, this analysis suggests the reverse: that donors are particularly preoccupied with nonprofit organizational efficiency.

The explanation for this finding may lie in the fact that the non-donor is not affected by the efficiency of a charitable organization. Donors are affected however, because organizational efficiency determines how well spent, and consequently, how effectively the donation will be utilized. As donors probably receive more demands to contribute than they can meet, they are presumably interested in maximizing the return on their donation.

Nonprofit Spending

The crosstabulation of the dependent variable NONPROFIT SPENDING with the independent variable CHARITY shows the majority of respondents (59.7% of donors and 51.6% of non-donors) believe nonprofit organizations keep their expenses as low as possible (Table 4). Sizeable minorities of donors (40.3%) and non-donors (48.4%) believe philanthropic organizations utilize too many of their resources to cover expenses.

Although non-donors appear to be evenly split in their opinion (with 3.2% separating the two response categories), donors are quite unevenly divided in their opinion (with 19.4% separating the two response categories).

These findings support the hypothesis that non-donors are more likely than donors to believe that charitable organizations spend too much of their revenue on operating expenses. As expected, most donors are of the opinion that charities strive to keep their expenses to a minimum.

TABLE 4
ATTITUDES OF DONORS AND NON-DONORS
TOWARD NONPROFIT SPENDING

"Some people say too much of the money that is donated to charitable and nonprofit organizations goes toward operating expenses such as rent, printing, salaries, and advertising rather than going to the cause itself. Other people say that every organization has operating expenses and that charitable and nonprofit organizations generally keep their expenses as low as possible. Thinking of these two points of view, which one reflects your own?"

	NON-DONORS	DONORS
Too much spent on expenses	48.4%	40.3%
Expenses as low as possible	51.6%	59.7%
	100.0%	100.0%
	(n=215)	(n=1882)

$$\chi^2 = 5.15382 \quad df = 1 \quad p < .05$$

Intensity of Fund Raising Solicitations

The crosstabulation of the variable INTENSITY OF FUND RAISING SOLICITATIONS with the variable CHARITY supports the hypothesis that non-donors are more likely than donors to report that frequent fund raising solicitations have a negative impact upon their desire to donate (Table 5).

Donors were hypothesized to have a more positive overall orientation towards philanthropy and nonprofit organizations,

which would in turn compensate for a negative reaction to frequent charitable appeals.

TABLE 5

**ATTITUDES OF DONORS AND NON-DONORS TOWARD
THE INTENSITY OF FUND RAISING SOLICITATIONS**

"There seem to be so many organizations seeking donations for one cause or another, I sometimes don't feel like giving to any."		
	NON-DONORS	DONORS
Agree	64.2%	51.1%
Depends	7.4%	9.4%
Disagree	28.4%	39.5%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=215)	(n=1882)

$$\chi^2 = 13.31899 \quad df = 2 \quad p < .01$$

As predicted, frequent fund raising solicitations have particularly dampened the desire of non-donors to contribute in the future. For example, 64.2% of non-donors were in agreement with the item, in contrast to 51.1% of donors. Fewer non-donors (28.4%) disagreed with the statement than donors (39.5%). The non-donor's desire to contribute to charity may have been adversely affected by frequent fund raising

solicitations because they oblige the non-donor to rationalize and justify socially undesirable behavior.

It should be noted that the competitive climate of fund raising has had some impact upon the donor population as well. Most donors reported feeling less inclined to donate because of frequent solicitations. Having already contributed and fulfilled their social responsibility, donors may be irritated by additional charitable appeals because they place what are perceived to be unfair demands and unwelcome pressures upon them.

Honesty and Ethical Standards of Charities

The crosstabulation of the dependent variable HONESTY AND ETHICAL STANDARDS OF CHARITIES with the variable CHARITY illustrates that the differences between donor and non-donor ratings of the honesty and ethical standards of charities are marked (Table 6).

More non-donors (10.3%) are of the opinion that charities have a low level of honesty and ethical standards, than donors (5.3%). Significant percentages of donors accord charities with either high (38.2%), or very high (12.5%) ethical standards. In comparison, 26.2% of non-donors describe the honesty and ethical standards of charities as high, and 5.1% describe them as very high.

Although the majority of donors (50.7%) are of the opinion that the honesty and ethical standards of charities

are above average, a substantial minority describe them as average. The majority of non-donors (58.4%) in contrast, are of the opinion that the honesty and ethical standards of charities are average. Approximately one third of non-donors (31.3%) describe these standards as above average.

TABLE 6

**ATTITUDES OF DONORS AND NON-DONORS TOWARD THE
HONESTY AND ETHICAL STANDARDS OF CHARITIES**

"How would you rate the honesty and ethical standards of nonprofit organizations? Would you rate their honesty and ethical standards as very high, high, average, or low?"

	NON-DONORS	DONORS
Low	10.3%	5.3%
Average	58.4%	44.0%
High	26.2%	38.2%
Very High	5.1%	12.5%
	100.0%	100.0%
	(n=215)	(n=1883)

$$\chi^2 = 33.53146 \quad df = 3 \quad p < .0$$

The overall pattern of covariation supports the hypothesis that non-donors are more likely to give charities an average or below average rating than donors.

Contribution to the Community

The crosstabulation of the dependent variable CONTRIBUTION TO THE COMMUNITY with the variable CHARITY indicates there are significant differences between the attitudes of non-donors and donors towards the contribution of nonprofit organizations to the community (Table 7).

TABLE 7

**ATTITUDES OF DONORS AND NON-DONORS TOWARD CHARITIES'
CONTRIBUTION TO THE COMMUNITY**

<p>"And would you say that charities and nonprofit organizations generally make a very positive, somewhat positive, not too positive or not at all positive contribution to the community?"</p>		
	NON-DONORS	DONORS
<hr/>		
Not Positive	17.1%	6.4%
Somewhat Positive	60.2%	56.6%
Positive	22.7%	37.0%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=215)	(n=1893)

$$\chi^2 = 41.50133 \quad df = 2 \quad p < .0$$

Whereas 17.1% of non-donors report that nonprofit organizations do not make a positive contribution to the community, only 6.4% of donors are of the same opinion.

More than one third of donors (37.0%) contend charities make a very positive contribution to the community, in contrast to one fifth (22.7%) of non-donors.

This contingency analysis supports the hypothesis that non-donors are more likely than donors to perceive nonprofit organizations as not making a positive contribution to the community. Differences between the attitudes of donors and non-donors in this regard are perhaps more pronounced than anticipated.

It is noteworthy that more than one in every two donors (56.6%) and non-donors (60.2%) are of the opinion that charities make a somewhat positive contribution to the community. In this way, the role of nonprofit organizations in the community receives only moderate or qualified support, for the majority of respondents believe nonprofit organizations make a somewhat positive contribution to the community.

Responsibility for Funding Nonprofit Organizations

The crosstabulation of the dependent variable RESPONSIBILITY FOR FUNDING NONPROFIT ORGANIZATIONS with the variable CHARITY shows that the majority of both donors (53.2%) and non-donors (43.7%) consider the general public to be the most responsible for funding nonprofit organizations (Table 8). In terms of attributing the state with primary responsibility for funding philanthropic enterprises, the perceptions of donors and non-donors are closely matched:

12.7% of donors and 12.6% of non-donors claim the government is primarily responsible for funding nonprofit organizations. Slightly higher percentages of non-donors attribute primary responsibility for funding the nonprofit sector to business and foundations.

TABLE 8

**ATTITUDES OF DONORS AND NON-DONORS TOWARD
RESPONSIBILITY FOR FUNDING NONPROFIT ORGANIZATIONS**

"To the best of your knowledge, which of the following is most responsible for providing most of the funds to charitable and nonprofit organizations?"

	NON-DONORS	DONORS
Government	12.6%	12.7%
Business	27.4%	21.7%
Foundations	16.3%	12.4%
Public	43.7%	53.2%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=215)	(n=1881)

$$\chi^2 = 8.42292 \quad df = 3 \quad p < .05$$

The discrepancy between donor and non-donor attitudes may be interpreted as differences in the extent to which each group accepts personal responsibility for funding charitable

organizations. As such, the findings of this contingency analysis support the hypothesis that non-donors are less inclined than donors to attribute primary responsibility for funding the nonprofit sector to the general public. As they have not made a charitable donation, non-donors may be reluctant to believe they are supposed to do so as part of the group most responsible for nonprofit funding.

It is interesting to note that for both membership groups, government financing was perceived to be an alternative to public support by a small minority. The private sector and charitable foundations were perceived as alternatives to public support for non-donors particularly.

Nonprofit Services as a Substitute for Government Responsibilities.

The crosstabulation of the dependent variable NONPROFIT SERVICES AS A SUBSTITUTE FOR GOVERNMENT RESPONSIBILITIES with the variable CHARITY makes it readily apparent that the overwhelming majority of donors (78.9%) and non-donors (71.8%) disagree with the complementarity of welfare state and nonprofit sector services (Table 9). More than two thirds of the respondents in each membership group are of the opinion that the work of charitable organizations should be a substitute for the services provided by the government.

TABLE 9

**ATTITUDES OF DONORS AND NON-DONORS TOWARD NONPROFIT
SERVICES AS SUBSTITUTE FOR GOVERNMENT RESPONSIBILITIES**

**"The work that charitable and nonprofit organizations do
should not be a substitute for government's
responsibility to provide services for the public."**

	NON-DONORS	DONORS
Disagree	71.8%	78.9%
Depends	9.9%	6.1%
Agree	18.3%	15.0%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=213)	(n=1895)

$$\chi^2 = 6.81799 \quad df = 2 \quad p < .05$$

The differences between the responses of donors and non-donors are modest: 7.1% more donors than non-donors feel the services provided by charities and government **should be** substitutes for one another (disagree with the statement), and 3.3% more non-donors feel these services **should not be** substitutes (agree with the statement).

These findings fail to confirm the hypothesis that the majority of donors and non-donors would concur with the statement. It was rationalized that overall, respondents would perceive the activities of nonprofit organizations to be a

necessary compliment to the foundation established by the welfare state. This response was also expected because it was rationalized that the majority of respondents would desire to maintain the current output of goods and services.

In contrast to the hypothesis, it is evident most respondents believe the work performed by nonprofit organizations should substitute for the work performed by the state. Whereas non-donors were expected to be most inclined to advocate the substitution of the public and nonprofit sectors, more donors actually provided this response.

The meaning of this finding is not clear. Only a minority of respondents support the concept of complementarity, the notion that two sectors provide dissimilar goods and services to the public. Rather than interpreting these findings to mean that most people reject the government provision of goods and services, they may be interpreted to mean that respondents reject personal responsibility for supporting two sectors. In other words, the majority of respondents may be unhappy about being socially compelled to make charitable donations, and legally compelled to pay taxes to support the state. This interpretation would explain why the percentage indicating substitution of state and nonprofit services is higher among donors. Having paid taxes and made charitable donations, donors feel this "double burden" more than non-donors who have only fulfilled part of their social responsibility.

Importance of Supporting Charities

The crosstabulation of the dependent variable IMPORTANCE OF SUPPORTING CHARITIES with the variable CHARITY shows that 9.3% of non-donors responded that giving to charity is unimportant, in contrast to only 2.9% of donors (Table 10).

TABLE 10

ATTITUDES OF DONORS AND NON-DONORS TOWARD IMPORTANCE OF SUPPORTING CHARITIES

<p>"Overall, do you think it is very important, somewhat important, not too important, or not at all important that Canadians support the charities and nonprofit organizations of their choice?"</p>		
	NON-DONORS	DONORS
Not Important	9.3%	2.9%
Somewhat Important	47.2%	38.3%
Important	43.5%	58.8%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=216)	(n=1901)

$$\chi^2 = 33.35283 \quad df = 2 \quad p < .0$$

Whereas the majority of non-donors (47.2%) regard giving to one's charities of choice as somewhat important, a sizeable minority (43.5%) regard charitable giving to be an important activity. Approximately 6 in 10 donors (58.8%) feel that supporting one's charities of choice is very important.

Slightly more than one third (38.3%) of donors are of the opinion that philanthropy is somewhat important.

In sum, these findings support the hypothesis that non donors are less likely than donors to feel that giving to charity is important. Non-donors exhibited a greater tendency to perceive of philanthropy as unimportant, and less of a tendency to regard charitable giving as important.

Importance of Charitable Giving to the Community

The crosstabulation of the dependent variable IMPORTANCE OF CHARITABLE GIVING TO THE COMMUNITY with the variable CHARITY illustrates that the overwhelming proportion of respondents are of the opinion that charitable donations are one of the most important means of supporting the community (Table 11). Donors are more inclined to hold this opinion than non-donors (81.0% versus 71.0% respectively). Non-donors are also more inclined to disagree with the item than donors, (20.6% versus 11% respectively).

This analysis reinforces the hypothesis that donors are more likely to believe that charitable giving is one of the most important means of assisting the community. Differences between the two membership groups in this regard are modest. Overall, respondents approve of investing in their communities through their financial support of charitable organizations.

TABLE 11**ATTITUDES OF DONORS AND NON-DONORS TOWARD IMPORTANCE
OF CHARITABLE GIVING TO COMMUNITY**

"Giving back to the community through donations to charitable and other nonprofit organizations is one of the most important things you can do."

	NON-DONORS	DONORS
Disagree	20.6%	11.0%
Depends	8.4%	8.0%
Agree	71.0%	81.0%
	<hr/>	<hr/>
	100.0%	100.0%
	(n=214)	(n=1895)

$$\chi^2 = 17.21090 \quad df = 2 \quad p < .01$$

Chapter Summary

Sixteen attitudinal variables were crosstabulated with the propensity to donate to charity. The findings of the nine significant contingency analyses are summarized below and can be used to assemble a rudimentary attitudinal profile of donors and non-donors.

Donors are particularly concerned with the efficiency of nonprofit organizations, conceivably because donors have a vested interest in how well run a philanthropic organization is.

The majority of donors and non-donors believe nonprofit organizations keep their expenses as low as possible. While the responses of non-donors are evenly split on this issue, the responses of donors are skewed in favor of charitable organizations. Presumably donors would not choose to make a donation if they believed that their donation would not be used effectively.

The desire to participate in charitable giving appears to have been dampened by an intense or competitive climate of fund raising. Non-donors are particularly annoyed with repeated solicitations, presumably because they serve to emphasize the failure to comply with social or moral expectations. Donors, having already done their part, may be irritated because they resent pressure to participate further.

Donors are more likely to give charities and nonprofit organizations a high or very high rating of their honesty and ethical standards. Non-donors are more likely to give a low rating. However, the majority of both donors and non-donors give nonprofit organizations an average rating in terms of honesty and ethical standards.

Significantly more non-donors feel that charities and nonprofit organizations do not make a positive contribution to the community, and significantly more donors feel they make a very positive contribution to the community. Overall, the majority of both donors and non-donors are of the opinion that

charities and nonprofit organizations generally make a somewhat positive contribution to the community.

Most donors and non-donors attribute primary responsibility for funding the nonprofit sector to the general public. On the whole, neither group perceives the state as alternative to public responsibility for the nonprofit sector. This suggests that the majority of people surveyed accept responsibility for supporting the nonprofit sector through private philanthropy. The donor and non-donor membership groups differed in the extent to which they perceived businesses and foundations to be primarily responsible for supporting the non-profit sector.

The overwhelming majority of respondents expressed the opinion that the services of nonprofit organizations should be a substitute for those provided by the state. More donors are of this opinion than non-donors. Does this finding imply respondents are unwilling to engage in philanthropy while they finance the welfare state through personal tax?

Given evidence to the effect that charitable giving is deemed to be a relatively important act, as well as a positive means of serving the community, can the desire to substitute government services for nonprofit services be interpreted to mean most respondents reject the welfare state in favor of private philanthropy? This may be the case for donors who, despite feeling a "double burden" and a belief in sectoral substitution, contributed to charity. Non-donors' approval of

sectoral substitution may actually signify a rejection of a "double burden", and explain the failure to engage in philanthropy. Non-donors believe they should either have to pay taxes, or donate to charity.

While the majority of donors say it is very important for Canadians to support the charities of their choice, the majority of non-donors say it is somewhat important. Non-donors have a greater tendency to say that it is unimportant. Overall, a small minority expressed the opinion that supporting one's charities of choice is not important.

A substantial majority of donors and non-donors responded that giving to the community through charitable donations is one of the most important things a person can do. Non-donors were less inclined to concur with the statement than donors.

Despite the differences between the attitudes of donors and non-donors, the results of this chapter signify generally positive attitudes towards philanthropy and nonprofit organizations. For the majority of respondents however, the desire to make a charitable contribution has been dampened by an intense or competitive climate of fund raising. There also appears to be some concern with how well charities are managed. A significant proportion of those surveyed reported frequently thinking about how well managed charitable organizations are.

This concern may be due in part to the frequency of solicitations. As people are limited in the number of demands

they can meet, they are logically interested in supporting only those organizations which will utilize their donations effectively.

In sum, the contingency analyses conducted in this chapter suggest that respondents' philanthropic attitudes are congruent with their behavior. Non-donors tend to hold less favorable attitudes towards nonprofit organizations and charitable giving than donors. In this way, the philanthropic behavior of the potential donor population may in part be a function of how nonprofit organizations are perceived. For these reasons, some effort should be made to incorporate these attitudes and perceptions in explanations or models of private philanthropy.

Which attitudes have the greatest potential for explaining and predicting charitable giving? Based on the level of statistical significance associated with the Chi Square test of statistical independence, and the pattern of covariation between the variables, the following five attitudinal variables appear to hold the most promise for distinguishing donors from non-donors: attitude towards the intensity of fund raising solicitations, ratings of the honesty and ethical standards of charities, perception of nonprofit organizations' contribution to the community, attitude towards the importance of supporting nonprofit organizations, and belief in charitable donations as one of the most important ways to give to the community.

These attitudinal variables will be retained for further analysis in Chapter Five, which is a discriminant function analysis of demographic, socioeconomic, behavioral and attitudinal variables to predict charitable giving. The task of the following chapter is identify which demographic and socioeconomic variables are most capable of predicting donor status.

CHAPTER FOUR

DEMOGRAPHIC AND SOCIOECONOMIC DETERMINANTS OF CHARITABLE GIVING

There is some evidence to suggest that demographic variables have limited potential for explaining charitable giving. For example, Yankelovich, Skelly and White (1983 as cited by White, 1989: 69) have concluded that demographic variables are generally poor predictors of philanthropic behavior. Krebs (1970: 286) has found that demographic variables are not generally useful in identifying the antecedents of altruistic behavior.

Socioeconomic variables, particularly income, have been most favorably regarded as potential determinants of philanthropic behavior. Empirical assessment of the relationship between charitable giving, and behavioral or attitudinal measures is a recent phenomenon.

The purpose of this chapter is to empirically assess how useful demographic and socioeconomic variables are for explaining and predicting charitable giving. Given that previous research cannot provide a sound rationale for selecting a subset of these variables for further analysis, it also seems prudent to identify which demographic and socioeconomic variables have the greatest potential for explaining the propensity to donate to charity.

Using fifteen demographic and socioeconomic variables taken from the Decima - Canadian Centre for Philanthropy Survey (1987), a discriminant function analysis will be

conducted to select a subset of these variables with the greatest potential for distinguishing non-donors from donors. The results of this analysis will in turn be used to construct a second model specification, consisting of the most promising demographic and socioeconomic variables, and behavioral and attitudinal measures to be introduced in Chapter Five.

Model Specification

1. Female Gender

Men and women have historically experienced different levels and types of involvement with nonprofit organizations (Canadian Centre for Philanthropy, 1990: 118). Consequently, there are significant differences between the philanthropic attitudes and behaviors of the sexes. For example, fewer women claim charitable donations for tax purposes than men. This has been attributed to the fact that men tend to have higher annual incomes than women. The percentage of both men and women claiming charitable donations for tax purposes increases with annual income (Deeg, 1984: 9).

Data from Canadian Family Expenditure Surveys reveal charitable giving is related to the gender of the head of the household. The frequency with which households contribute to religious charities is only slightly higher when the household is headed by a male as opposed to a female (Kitchen, 1986b: 46).

The level of charitable contributions is higher in every region of Canada for households headed by a male (Kitchen, 1986a: 17). One possible explanation for this finding is that households headed by females tend to be dependent on a single income, further compounding the fact that women tend to have lower incomes than men. Females are however, more generous donors. Charitable giving absorbs a larger proportion of household income in households headed by a female (Kitchen, 1986a: 18).

In the United States, White (1984: 39) has found that the number of men and women claiming charitable donations for tax purposes increased substantially between 1974 and 1980. The number of male donors increased by 40%, while the number of female donors increased by 67.6% during this same period. The increase in female donors has been attributed to the entry of women into the paid labor force, for during this time the female taxpaying population increased by 55.4% (White, 1984: 39).

However, Saxon-Harrold (1989: 115) is of the opinion that "less than 1% of the variation in giving is explained by the sex of the donor." British data show however, that a larger proportion of men contributed nothing to charity. Further, when men contributed to charity, they tended to contribute less than women.

On the basis of previous research, it is hypothesized that females are less likely to donate to charity than males,

primarily because of a reduced ability to contribute. Women tend to earn lower levels of income than men, and households headed by women tend to be dependent upon a single income.

2. Younger Versus Older Age

Empirical evidence suggests age exerts an influence on the incidence of charitable giving, the size of gifts, and donors' generosity. Older Canadians for example, are more likely to mention donating money to charity than younger Canadians (Canadian Centre for Philanthropy, 1990: 118).

Gallup Canada (1984: 43) discovered that while the incidence of donating is stable among Canadians 25 years and over, the amount donated per capita increases steadily with age. According to Martin (1985: 176-177), the amount donors contribute to charity increases until the age of 55 years when it begins to decline due to a reduction in the ability to give.

Kitchen (1986a: 17) believes generosity increases with age: "As the age of the head of the household increases a continuously higher percentage of income is absorbed by charitable giving." This finding has been confirmed by Martin (1985: 176-177) who gathered data showing that the proportion of income contributed to charity increases with the donor's age.

White (1989: 70) has identified age as critical determinant of charitable giving for it influences donors' generosity as well as their targeting preferences. As

Americans age, they become more generous, and direct more of their total donations to religious charities.

There are two competing hypotheses regarding the relationship between age and the propensity to donate to charity. The conventional view maintains the propensity to give increases dramatically with age (Auten and Rudney, 1990: 80) because of a generational effect: "Historical experiences of certain cultural, social and economic environments, and events affect the giving of individuals throughout their lifetimes." The generational hypothesis argues the proclivity to donate increases directly with age.

A competing view is that the relationship between age and charitable giving is not linear and direct, but rather curvilinear in nature because of an income effect determined by the donor's stage in the lifecycle. The earning capacities of individuals and families are presumed to increase with age until retirement. As younger and older segments of society tend to earn lower levels of income, they have fewer resources with which to donate to charity. This in turn diminishes their propensity to give.

According to the lifecycle hypothesis therefore, one would expect to find that individuals between the ages of 30 to 55 years donate to charity at a significantly higher rate than individuals under 30 years, or over 55 years of age. British data would appear to support the lifecycle hypothesis for individuals under 25 years of age and over 65 years of age

do not give, or give very little to charity (Saxon-Harold, 1989: 115).

In contrast, Kitchen (1986b: 43) has found that as the age of the head of the household increases, the proportion of families contributing to religious charities increases for every region in Canada. More importantly, Kitchen (1986a) questions the assumption that individuals in the middle age brackets have the greatest propensity to give because of a capacity to earn high levels of income. The superior earning potential of these individuals may be offset by increased expenditures (Kitchen, 1986a: 13) associated with marriage and raising a family: "Charitable donations are more likely to be made by those who are no longer incurring the expense of raising a family or acquiring consumer durables."

It is not yet clear whether the relationship between age and charitable giving is a product of a generational or lifecycle effect. Support for both hypotheses has been found, leading some researchers to conclude that age exerts both a generational and a lifecycle effect.

Tobin and Rimor (1988: 429) for example, have found age to be curvilinearly related to giving. While they attribute this primarily to income levels and the lifecycle, they feel attitudinal data "indicate that lifecycle alone does not account for differences by age group or generation." Morgan, Dye and Hybels (1979: 163-164) have not ascertained why charitable giving increases with age, even when controlling

for income and education. The authors have not ruled out the possibility of a generational effect although they acknowledge the fact that as donors age, their assets and income increase as their financial responsibilities decrease.

Based on these findings, it is hypothesized that the propensity to donate increases with age because of possible generational, lifecycle and income effects. The generational and lifecycle hypotheses concur that youths are the least likely to donate, presumably because of their limited capacity to earn income. In addition, youths may not have been exposed to circumstances or had life experiences which would encourage charitable giving.

Donors are most likely to be found amongst older individuals. Although their income may fall below that of "middle aged" individuals, they are likely to have fewer financial demands competing with charity for disposable income. Older individuals are also the most likely to have experiences and attitudes which reflect positively upon charity, stimulating a high participation rate despite a reduction in income.

The solicitation strategies of charitable institutions should also be considered here. It is quite possible that nonprofit organizations target potential donors in proportion to age. Fund raising efforts may be focused upon older individuals at the expense of youths, because it is assumed they have a much greater capacity to make a donation. As they

may be solicited more frequently than youths, older individuals may be more inclined to contribute.

3. French Ethnicity

The importance of ethnicity in predicting charitable giving has been underscored in the few existing empirical studies of private philanthropy. Its importance is also implied in findings pertaining to mother tongue and region of residence.

The data unambiguously show French Canadians to have the poorest philanthropic performance of the three ethnic groups in Canada (the groups being English, French and Other). Households where the mother tongue of the head of the household is French, are the least likely to donate, make the smallest donations and are the least generous (Kitchen, 1986a: 9). This holds true for religious and non-religious charities alike, for every region in Canada (Kitchen, 1986b: 46).

When the data are examined by region, the pattern of private philanthropy in Quebec diverges markedly from the national pattern. In the words of a report prepared by the Canadian Centre for Philanthropy (1990: 128), "Quebec continues to be a significantly different donating and volunteering environment from the rest of the country." Quebec residents are less likely to donate, and more likely to donate small amounts than Canadians who reside outside the province (Canadian Centre for Philanthropy, 1990: 119). Gallup

Canada (1984: 43) reports the incidence of donating to a nonprofit organization is lowest in the province of Quebec.

These findings have been attributed to the relatively unsophisticated nature of Quebec's philanthropic and voluntary infrastructure (Martin, 1985: 166). Through its long history of dominating the humanistic services sector, the Roman Catholic Church may have discouraged the development of the nonprofit sector, and by extension, a tradition of private philanthropy. Contemporary explanations of Quebec's divergent pattern of charitable giving concentrate on residents' values and attitudes towards philanthropy (Canadian Centre for Philanthropy, 1990: 128).

Preliminary research shows individuals with an ethnic background other than English or French have the best philanthropic performance. For Canada as a whole, 52% of the families where the mother tongue of the head of the household was other than English or French contributed to charity in 1982. In contrast, 46% of English and 40% of French households who contributed to charity in the same year (Kitchen, 1986b: 46). The highest average level of giving is associated with heads of households with a mother tongue other than English or French (Kitchen, 1986a: 17).

Martin (1975: 110) in contrast, hypothesizes that "other" ethnic groups have the poorest philanthropic performance. He argues that immigrants tend to come from countries with a highly developed welfare state which has delayed the

development of a philanthropic infrastructure which could facilitate the evolution of a widespread tradition of private charity. Individuals familiar with such systems of welfare provision are expected to have very little interest in or sympathy for private charity.

Kettle (1990: 26-27) argues practitioners in the nonprofit sector are fearful of the effect of immigration upon the charitable sector. The pervasive belief is that "many immigrants come from societies where charitable actions are centered on the religious or family group rather than on society as a whole or social organizations." The longer immigrants remain in the country however, the more likely they are to become citizens. New arrivals, argues Kettle (1990: 27), "will want to emulate the surrounding community in order to do well." This desire will prompt immigrants to participate in philanthropy.

Alternately, the desire of "other" ethnic groups to maintain culture, preserve heritage, and promote group identity may act as a powerful stimulus for charitable giving. Members of "Other" ethnic groups may also be motivated to give by the realization that their interests or goals lie outside mainstream Canadian society and thus, are unlikely to receive government funding and widespread public support.

Past research indicates that French Canadians have the poorest philanthropic performance of all three ethnic groups considered here, regardless of how this performance is

assessed. It is thus hypothesized in this thesis that French Canadians are least likely to donate to charity. Further research is necessary to determine why this is likely to be the case.

It is difficult to determine whether members of English or "Other" ethnic groups are likely to have the best philanthropic performance. Whereas the latter may be more highly motivated to donate, the former are likely to possess the greatest capacity to contribute based on earning potential or income.

4. Single Marital Status

There is little information available concerning the effect of marital status on philanthropic behavior. Previous studies have attempted to examine the relationship between a respondent's lifecycle and charitable giving, where lifecycle provides a composite measure of age, marital status and the presence of children. While Richardson (1985: 223) recognizes that life stage is a determinant of giving patterns, he suggests such a variable actually measures other factors: "But life stage really reflects both maturation and the development of new ties, dependencies and obligations."

Considering the exploratory nature of this study, it seems prudent to consider the variables age, marital status and the presence of children separately.

Marital status has been explored as a potential determinant of philanthropic behavior because it has been

interpreted as a sign of residential stability, a factor which presumably facilitates the development of strong ties to the community. Tobin and Rimor (1988: 429) note that individuals who have resided in the same community for a lengthy period of time tend to be married with children, factors positively correlated with philanthropy. Married and cohabitating couples are also perceived to be financially stable, meaning they have the ability to make a donation.

If this is indeed the case, couples may not only be more aware of the needs of the charitable organizations in their community, but more willing to respond to them than single, and separated, divorced and widowed individuals.

Will non-donors be found predominantly among single individuals, or those who are separated, divorced and widowed? Single individuals may have more financial resources at their disposal, and as such, possess a capacity to donate superior to those who are separated, divorced and widowed. With the exception perhaps of widows and widowers, single individuals may also have fewer expenses to compete with charitable giving than separated and divorced respondents.

However, the mobility of single individuals is expected to militate against the development of community awareness and belonging. It is not unreasonable to propose that people are not likely to support those organizations and services with which they are not familiar, and have little or no attachment. Despite the probability that single individuals are more able

to make a charitable donation than separated, divorced and widowed individuals, they may be less motivated to do so. For this reason, single individuals are hypothesized to be the least likely to make a charitable donation.

5. Not Having Children at Home

The literature makes few references to the effect of having children on philanthropic performance. According to Gallup Canada (1984: 48) respondents who did not have children tended not to contribute to charity.

Childless individuals may be less likely to donate than parents for several reasons. Parents may feel charitable giving is an important activity in that support of particular organizations or causes promotes the long term welfare of their children. Parents may feel it is incumbent upon them to support these nonprofit organizations in the event their children should require their services at some point in the future. This provides parents with a rather powerful incentive for engaging in philanthropy.

Nonprofit organizations representing or serving children may also be counted amongst the most emotionally appealing charities. One would expect their campaigns to have most profound effect on people with children.

Parents may also be more likely to donate than childless individuals because their children act as ties to nonprofit organizations. It is not unusual for children to be involved in some community or nonprofit activity. Often these

organizations must engage in local fund raising to finance their activities. If these organizations are to meet their objectives, it is incumbent upon parents to participate.

These possibilities suggest that individuals who do not have children living in the home with them are less likely to make a charitable donation than individuals who do.

6. No Religious Affiliation

Religious affiliation has been selected as a potential discriminating variable for it has been shown to significantly influence philanthropic behavior. Previous research has focused upon the differences between Catholics and Protestants, and to a lesser extent, differences between those who have a religious affiliation, and those who do not.

Marts comments (1953: 76): "If we ask, then, why do men give, the best answer is that much of the motivation, probably ninety per cent of it, comes from religion - as taught and inspired by our churches and put into action...by their members and adherents." Carson (1989: 455) argues the church may assume a vital role in legitimizing the requests of charitable organizations for its congregants. Saxon-Harrold (1989: 120) claims that while there is no one overriding reason why individuals contribute to charity, religious beliefs do play a part in motivating the decision to donate.

Hodgkinson (1990: 102) contends that many American families acquire their first introduction to social responsibility and voluntary service through participation in

a religious congregation. Although a direct causal relationship cannot be established between religious affiliation and charitable giving (Hodgkinson, 1990: 112), survey data "suggest that what is learned in religious institutions seems to have an influence on giving and volunteering generally."

Individuals who report having no religious affiliation are less likely to donate to charity, to contribute smaller amounts, and contribute less generously than those who report having a religious affiliation (Carson, 1989: 455). In a national survey of giving and volunteering in the United States, it was discovered that 80% of those who belonged to a religious congregation contributed to charity. This noticeably exceeds the rate of 55% on behalf of those who did not belong a religious congregation (Hodgkinson, 1990: 102). Members also tend to be multiple donors, and are more generous (Hodgkinson, 1990: 103).

Carson (1989: 456) has determined that the amount Protestants and Catholics report contributing to charity differs substantially, although the percentage of each denomination reporting no contributions is essentially the same. Protestants contribute substantially higher amounts than Catholics, suggesting that Protestants are either more willing to donate, or are more affluent than Catholics.

Yankelovich, Skelly and White (1983 as cited by White, 1989: 69) discovered that as a proportion of household income,

Protestants contribute twice as much as Catholics despite the fact that Catholics were found to have a slightly higher average level of household income. Protestants are also more likely than Catholics to target their church for donations (White, 1989: 69).

The differences between the philanthropic behavior of Protestants and Catholics has been largely attributed to data showing Protestants to be generally more affluent, and thus more able to contribute to charity, than Catholics. A more accepted explanation however, attributes the difference to the practice of tithing and the notable emphasis Protestant church leaders place on charitable giving (Carson, 1989: 453).

Of all religious denominations, Jewish individuals may have the greatest propensity to donate. Tobin and Rimor (1988: 430) observe that three out of four Jewish households contributes to a Jewish philanthropy. Their most interesting finding is that those who contributed to a Jewish charity were more likely to contribute to a non-Jewish philanthropy as well.

Based on these findings, it seems reasonable to expect respondents reporting no religious affiliation will be less inclined to make a charitable contribution than those who report having a religious affiliation. This hypothesis is based primarily on the premise that religious affiliation acts as a stimulus which reinforces the desirability and importance of charitable giving.

7 - 8. Low Religiosity and Low Religious Attendance

Religiosity and religious attendance have been specified as two of the most promising predictors of philanthropic behavior. Carson (1989: 453) has concluded that religiosity and frequency of church attendance are important determinants of whether or not an individual will contribute to charity.

The proportion of survey respondents who donate to charity and volunteer has been shown to increase by frequency of church attendance. Hodgkinson (1990: 108) for example, has examined data showing that 83% of the households reporting weekly church attendance also reported giving to charity, in contrast to 60% of the households reporting they never attended church. This holds true for religious and non-religious charities, leading Hodgkinson (1990: 109) to conclude that "active involvement in religious organizations leads to active involvement in other charitable activity."

Tobin and Rimor (1988: 422) have found a stronger sense of religious identity increases philanthropic participation both in terms of giving time and giving money to Jewish philanthropies. Yankelovich, Skelly and White (1983 as cited by White, 1989: 69) claim the most important predictor of who gives in the United States is the frequency of attendance at church.

Generosity has been shown to be linearly and strongly correlated with religiosity (Martin, 1985: 192-193). Canadian families with strong religious ties have proven to be the most

generous givers to religious and non-religious charities alike, in both absolute and relative terms (Martin, 1985: 192-193). British studies have found a weaker correlation between charitable giving and religiosity than Canadian and American studies (Saxon-Harrold, 1989: 117).

Yinon and Sharon (1985: 727) conducted an experiment to examine the relationship between helping behavior and religiosity. Religious respondents proved to be more generous than secular respondents (1985: 732). Moreover, the responses of religious respondents to solicitations for help were not determined by the degree of religious similarity with solicitors. Religious respondents were equally generous toward solicitors regardless of their religiosity. Only non-religious respondents were influenced by the degree of similarity with solicitors.

In contrast, Hunsberger and Platnow (1986: 526) failed to find a distinct relationship between religious orthodoxy and behavioral intentions to volunteer for charitable organizations. Respondents with a high level of religiosity were, by their own reports, active in volunteer or charitable contexts related to their religion. The philanthropic attitudes and behavior of religious respondents did not generalize to nonreligious contexts however (Hunsberger and Platnow, 1986: 521). This suggests that while religiosity fails to influence philanthropic intentions, it exerts some influence over philanthropic targeting preferences.

Giving to charity and religiosity are hypothesized to be directly related. Respondents who do not perceive themselves to be religious are less likely to donate to charity than those who perceive themselves to be highly religious. Presumably the more an individual ascribes to religious doctrine, the more he or she would ascribe to its teachings on charity. More importantly, the more an individual identifies with religious doctrine, the more he or she may strive to align their behavior with their religious beliefs.

Attendance of religious services is hypothesized to be directly related with the tendency to donate. Respondents who never or rarely attend religious services are less likely to contribute to charity than those who attend frequently. Those who attend religious services on a regular basis are likely to identify closely with religious principles which foster favorable attitudes towards charitable giving. It is also important to consider that frequent religious attendance may be associated with a high level of fund raising solicitations, and considerable social pressure to participate in charitable activities.

Although the literature has demonstrated that both religiosity and religious attendance are important determinants of the inclination to give, it is hypothesized that religious attendance is a more significant or powerful predictor than religiosity for the following reason. Religious attendance not only provides a measure of how important

respondents perceive religious beliefs to be to their daily lives, but provides a measure of the extent to which actual behavior conforms to religious beliefs. In this way, it provides some indication of whether or not individuals act on, or practice the precepts they deem to be important. Religious attendance may thus gauge the extent to which attitudes conducive to charitable giving may translate into donation behavior.

Religious attendance may also be a more accurate predictor of the propensity to donate in the sense that respondents may have found it more difficult to assess the intensity of their religious conviction, as opposed to the frequency with which they attend religious services. Hunsberger and Platnow (1986: 518) for instance, report studies finding positive but weak correlations between religious involvement and helping behavior have employed self reported ratings of religiosity.

9. Low Level of Educational Attainment

A survey conducted by Gallup Canada (1984: 43) shows that the amount donated to charity per capita increases with the education level of the individual. With the exception of families in the Atlantic region of Canada, families where the head of the household has a university degree contribute more to charity than families where the head has a different level of education (Kitchen, 1986a: 13).

When charitable donations by level of education are calculated as a percentage of gross family income, a U shaped pattern of giving emerges (Kitchen, 1986a: 17). Families where the head of the household has either had eight years or less of education, or has acquired a university degree, generally contribute larger proportions of their incomes to charity than families where the head of the household has another level of education. This pattern is most evident in Quebec, the Prairies Provinces and British Columbia (Kitchen, 1986a: 17).

Charitable giving is hypothesized to increase with educational attainment. Individuals with little formal education may be less inclined to donate than those with a great deal of formal education because they may be less aware of the nonprofit sector, and have a less developed sense of social responsibility. Nonprofit organizations may also be predisposed to targeting individuals with many years of schooling for two reasons. Fund raisers may assume the highly educated are the most able to give because of the effect education has on income. They may also assume that the highly educated have a more favorable disposition towards philanthropy.

10. Not Being Employed Full Time,

Canadian Family Expenditure Surveys have shown the participation rate of families contributing to religious charities exceeds fifty percent in the case of three occupations: farming, fishing and forestry; teachers; and the

unemployed and retired (Kitchen, 1986b: 50). The average level of contributions to religious causes varies across occupational groups to a greater extent than the participation rate.

Deeg (1984: 9) has analyzed data indicating that families where the head of the household was either unemployed or retired contributed the largest proportion of household income to charity. British Family Expenditure Surveys have shown, in contrast, that families where the head of the household was either unemployed, or employed in unskilled manual occupations were the least likely to contribute, or to contribute very little to charity (Saxon-Harrold, 1989: 155).

Despite preliminary evidence to the contrary, it is hypothesized that individuals who are not employed on a full time basis are less likely to participate in philanthropy than individuals who are, for the following reasons.

There is some evidence to suggest that the work place has become an important milieu for philanthropy. It is not unusual for major fund raising drives, such as the annual United Way Campaign, to unfold in the work place. Employers may facilitate charitable giving by offering services such as a payroll deduction plan. Philanthropy may have also become an integral aspect of certain occupations. Professionals may discover that philanthropy and voluntarism are a significant part of their corporate culture, as well as an important component of their career advancement.

In sum, individuals who are employed on a full time basis are more likely to have been exposed to a climate conducive to charitable giving, than those who are not. Considering these individuals are also more likely to have the financial means to contribute, it does not seem unreasonable to expect that they will have a greater tendency to participate in philanthropy than those who are not employed on a full time basis.

11. Low Level of Household Income

Household income is a potentially important addition to the model for it not only provides a measure of the ability to contribute, but provides some indication of social class. Previous research suggests that the philanthropic attitudes and practices of individuals are dictated by social class in several important respects. Traditionally measures of income have been regarded as critical determinants of charitable giving. However, Richardson (1985: 218) has concluded that while income does exert influence on giving potential and giving volume, "it appears not to be the most important factor determining how much a person gives."

In both Canada and the United States, the donations of lower income families account for a larger proportion of all charitable donations (Martin, 1985: 144). Using data from two national surveys of private philanthropy in the United States, Morgan, Dye and Hybels (1979: 160) have found that more than half of all monies contributed to charity come from households

with annual incomes between \$10,000 and \$30,000. Although upper income households contribute larger sums to charity than lower income households, they comprise a small proportion of all households in Canada and the United States. Hence, lower income groups are responsible for a larger share of all charitable donations (Martin, 1985: 144).

For every region in Canada, charitable donations increase as family expenditure increases. Families with a larger propensity to consume, have a greater propensity to contribute (Kitchen, 1986a: 28). For Canada as a whole, charitable donations as a percentage of all family expenditures assumes a U shaped pattern (Kitchen, 1986a: 9) where: "the rate at which contributions are made is relatively high at low income levels, then declines rather consistently as income increases until the range surrounding the median income level is reached. Here the rate is fairly constant." The rate at which contributions are made rises noticeably only in the \$100,000 and over income range (Kitchen, 1986a: 9).

Based on a survey of Canadian philanthropic behavior and attitudes (Canadian Centre for Philanthropy, 1990: 119), it would appear the relationship between income level and giving is direct: the higher the income level, the more likely the respondent was to report having donated money to a nonprofit organization. This has been attributed to attitudinal differences between income groups.

Higher income groups are presumed to perceive charitable donations as a personal responsibility. Lower income groups are presumed to be more sensitive to the needs of the nonprofit sector. Charitable giving tends to be regarded as less of a personal responsibility because lower income groups do not perceive themselves as having the financial means to donate (Canadian Centre for Philanthropy, 1990: 119).

British data show that as personal and household income increases, the donor participation rate and generosity also increases. Respondents with lower overall incomes tended to not to contribute, or to contribute small amounts (Saxon-Harrold, 1989: 116).

The ability to give, as measured by income, has increased over time. Despite this fact, the amount donated to charitable causes has decreased in both absolute and relative terms (Martin, 1985: 158). Although average disposable family income more than doubled between 1969 and 1976, charitable donations increased by only 25 percent during this time (Deeg, 1984: 9). One explanation of this trend is that while the real pool of funds available for donations has not decreased, the perceived pool of income available for donations has. Donation decisions may in fact be based on this perceived pool of discretionary income.

Charitable donations are considered to be discretionary expenses, which must compete with other personal expenditures for disposable income. Martin (1985: 105) argues that

donations have to compete with expenditures which may "have become more satisfying, more necessary, to families and individuals than gifts to humanistic institutions."

Yankelovich, Skelly and White (1983 as cited by White, 1989: 68) note that perceptions of what constitutes basic necessities have changed noticeably over time. Goods and services once considered luxuries have come to be regarded as necessities. Despite an improved ability to give over time, the discovery of new or other "necessities" has effectively reduced the amount of disposable income which can be used for discretionary expenditures such as charitable donations.

Trends in charitable giving based on taxation data from 1970 to 1980 suggest that in difficult economic times, income plays a greater part in determining donor participation rates than in relatively prosperous periods. In good economic times, variables other than income may play a greater part in determining philanthropic behavior (Deeg, 1984: 7).

Using panel data over a five year period, Auten and Rudney (1990: 74) have found a great deal of variability in the distribution of charitable giving **within income classes**. Some of the variation observed in individual years evens out in giving over time however (Auten and Rudney, 1990: 75). Distributions are most unequal in the highest income groups. The reputation of the wealthy for generosity is largely the result of exceptional generosity on the part of a minority of

high income donors rather than widespread generosity among the wealthy (Auten and Rudney, 1990: 77).

Morgan, Dye and Hybels (1979: 161-162) have also noted significant variability in the giving of various income classes in the United States: "When we ignore income levels and look at small and large givers, we find a substantial fraction of the aggregate giving comes from households that are serious but not very large givers." The inequality evident in the amounts people contribute is "compounded by the inequality in amounts given by people with similar incomes."

A significant degree of variability is also evident in the charitable giving of **individuals over time**. Among high income donors, regular or habitual giving is not the standard behavior. Auten and Rudney (1990: 83) emphasize the highly discretionary nature of charitable donations on the part of wealthy donors who must consider a variety of factors when deciding how much to donate. These factors include planned giving over time, family and institutional obligations, and plans for the disposition of wealth at death. Some of the variability in giving (Auten and Rudney, 1990: 99) may be due to "either carefully planned and periodic large gifts or unplanned responses to fund-raising appeals."

It has been suggested (Bromley, 1987: 16) that for wealthy individuals, charitable giving competes with "wealth holding". The upper class views its wealth as consisting of three parts: the capital or principle sum which is a sacred

trust to be passed on to the next generation; the interest on the capital or principle which is used to support the family's standard of living; and charitable funds (Schervish and Herman, 1987: 231). The upper class places a formally demarcated limit on the amount of money which can be used to pursue philanthropic objectives as the primary purpose of money is to extend the family over time (Schervish and Herman, 1987: 232).

Decima Research conducted a study entitled "The Affluent Canadian" in 1987, based on in-depth personal interviews with the top eight percent of wealthy Canadians. The findings of this study are noteworthy. A total of 58% of the subjects preferred to keep their wealth intact for their families and future generations. This stands opposed to 22% of respondents who intended to make substantial charitable gifts during the course of their lifetimes, and 19% who planned to make charitable contributions after their deaths (Decima Research 1988 as cited by Bromley, 1987: 17). This data may confirm the belief that for wealthy individuals, charitable giving competes less with consumption than with wealth holding itself.

This research suggests that household income is a significant determinant of an individual's ability and willingness to make a charitable donation, although its salience may depend on the state of the economy. The

relationship between household income and the tendency to donate is hypothesized to be a direct one for several reasons.

Individuals with low levels of income are less likely to donate than individuals with high levels of income because they may not have the capacity to do so after satisfying their most basic needs. High income households are not only capable of providing for the household's basic needs, but are capable of satisfying the desire for "luxuries" and the desire to do a good deed. Individuals who earn relatively high levels of income have different motives for engaging in philanthropy, and experience different pressures to participate, than individuals who earn relatively low levels of income. For example, the affluent may engage in practices such as long term financial planning presumed to be highly conducive to charitable giving.

12. High Level of Financial Worry

Only one reference to financial security was found in the literature surveyed for the present study. British Family Expenditure Survey respondents were asked two questions about their present financial situation: whether they had enough, a small amount, or a large amount left after they have paid for the basic necessities, and how much they worried about having enough money in the future. These answers were combined into a single measure of perceived economic situation (Saxon-Harrold, 1989: 116). Respondents who perceived their economic situation to be good tended to donate, and donate more

generously, than those respondents who perceived their economic situation to be poor.

Perceived economic situation is expected to influence whether or not an individual will donate. Individuals reporting a great deal of financial worry are less likely to donate than individuals with little financial worry. Whereas these individuals may find the idea of charitable giving appealing, and may appear to have the ability to do so based on an objective measure such as income, they are not likely to do so if they anticipate difficulty in meeting the primary needs of their household.

13. Residence in a Small Community

Canadian families residing in rural communities contribute to religious and non-religious charities more frequently than families residing in larger, more urban communities (Kitchen, 1986a: 25). The average size of contributions is higher for families living in rural areas, although families in urban areas with a population under 30,000 proved to be the most generous contributors (Kitchen, 1986a: 25). The amount donated per capita is the greatest in towns with populations between 30,000 and 100,000, and least in cities of 500,000 or more (Gallup Canada, 1984: 43).

Martin (1985: 87) has observed the philanthropic performance of rural families to be superior to their urban counterparts. It is his thesis that individuals residing in rural areas "saw little reason, and were given little

incentive, to expand their notion of community involvement." Local philanthropic organizations had to be established to meet the needs of the rural community. In order for these local agencies to be successful, a sound philanthropic tradition had to be established

Based on an American survey, Morgan, Dye and Hybels (1979: 221) have concluded that people who live in areas with many poor families, few high income households and low government expenditures per capita, contribute more than those who live in areas with relatively fewer poor families, relatively more high income households and where government expenditures per capita are higher. Living on a farm is associated with larger current giving, while living in a small town is associated with below average giving (Morgan, Dye and Hybels, 1979: 220). However, the researchers are convinced that individuals are not influenced by the type of community in which they currently reside, but rather by the type of community they were exposed to while growing up.

Despite these findings, it is hypothesized that residents of small rural areas are less likely to donate to charity than residents of suburban and metropolitan areas for the following reasons.

In comparison with their urban counterparts, rural residents may be the most aware of the need to donate, and possess the strongest ties to the community. Rural communities are generally much less affluent than their suburban or

metropolitan neighbors, and are characterized by less developed infrastructures. Funding for community projects may not be as readily available for rural communities. These factors may act as a catalyst for charitable giving. If community needs are to be met, it is incumbent upon all members of the community to participate. The cost of opting out is very high for both the community and the resident.

The potential for philanthropic activity is however, constrained by a number of factors. A low population density necessarily limits the breadth, scope and scale of any nonprofit activity. Costs associated with charitable projects or goals are likely to be substantial, probably exceeding what any individual community member could or would be willing to donate. Rural communities are unlikely to have a philanthropic infrastructure which could initiate and execute any coordinated action. Charity may be focused upon helping the extended family and friends, as opposed to formal support of nonprofit organizations.

Residents of suburban and metropolitan communities are hypothesized to be more likely to donate to charity than residents of rural areas. It is somewhat more difficult to evaluate the philanthropic potential of suburban and metropolitan communities.

In metropolitan areas the potential donor's sense of social responsibility is greatly diffused, and the cost of non-participation is minimal. The probability of attracting

financial support from a variety of sources is quite good. Taken together, these factors may have the consequence of increasing the temptation to "free ride" and not donate.

Metropolitan areas are also likely to have the most highly developed and sophisticated philanthropic infrastructure of all three types of communities. Although the potential donor is exposed to a wide variety of charitable causes, intense fund raising could have a negative impact upon the potential donor who is both tired of being solicited, and frustrated by not being able to keep up with demand.

Suburban communities in contrast, are capable of fostering a sense of belonging and social responsibility on the part of their residents. They are small enough to make the returns on charitable giving more immediate and perhaps more rewarding. Individuals may be less inclined to opt out or free ride for these reasons. Suburban communities are likely to have a philanthropic infrastructure sufficiently developed that it offers potential donors an attractive array of charitable organizations to choose from, but not so advanced that intense fund raising will have a discouraging effect.

Length of Residence in the Community

Tobin and Rimor (1988: 429) have found the length of residency within the community is positively associated with giving to Jewish philanthropies. Mobility is negatively correlated with supporting Jewish charitable causes.

Despite the lack of previous research to suggest that length of residence in the community influences philanthropic behavior, it is hypothesized that residential stability is a potential determinant of philanthropic behavior. Highly mobile individuals are less likely to donate to charity than individuals who have resided in the same community for many years. The longer an individual lives in a community the more likely he or she is to have developed a sense of belonging and responsibility. These factors may stimulate the desire to support the organizations serving the local community.

15. Not Becoming a Member of a Club

Club membership is a potentially useful variable for explaining donation behavior. Richardson (1985: 224) believes a strong sense of community not only increases involvement in community activities, but heightens awareness of specific needs within it: "A logical conclusion is that individuals with a strong sense of community are more likely than others to care about and feel responsible for helping those in need." His study illustrated that large donors tended to describe themselves as involved in community affairs, and highly involved in social activities.

Based on this suggestive evidence, it is hypothesized that individuals who do not belong to a club are less likely to donate than individuals who do. Club members are likely to experience some pressure to support their organization financially, and participate in its fund raising activities.

Club membership may also serve as an indication of community attachment and involvement. It is reasonable to assume that those individuals who are in some way attached to, and involved in their communities are more highly motivated to donate to charity than those who are not.

Hypotheses pertaining to the fifteen demographic and socioeconomic variables specified above are summarized below:

Females are less likely to donate than males.

Younger individuals are less likely to donate than older individuals.

French Canadians are less likely to donate than individuals whose ethnicity is "English" or "Other".

Single individuals are less likely to donate than individuals who are married or cohabitating.

Individuals who do not have children living at home are less likely to donate than those who do.

Individuals who do not have a religious affiliation are less likely to donate than individuals who do.

Individuals who self report a low level of religiosity are less likely to donate than individuals who self report having a high level of religiosity.

Individuals who never or rarely attend religious services are less likely to donate than those who attend religious services frequently.

Individuals with a low level of educational attainment are less likely to donate than individuals with a high level of educational attainment.

Individuals who are not employed on a full time basis are less likely to donate than those who are employed on a full time basis.

Individuals who have a low level of household income are less likely to donate than individuals with a high level of household income.

Individuals with a high level of financial worry are less likely to donate than individuals with a low level of financial worry.

Individuals who reside in small, rural communities are less likely to donate than individuals who reside in suburban or metropolitan communities.

Individuals who have not resided in the same community for any length of time are less likely to donate than those who are not mobile and have resided in the same area for a considerable amount of time.

Individuals who do not become members of a club are less likely to donate than those who do.

Variable Measurement

1. Dependent Variable: Charity

The dependent variable CHARITY was computed from the two following items:

ITEM 1: DONATIONS TO NON-RELIGIOUS CHARITIES

"Which of the following categories does the total amount you gave over the last year fall into?"

- 1 - UNDER \$24
- 2 - \$25-\$49
- 3 - \$50-\$74
- 4 - \$75-\$99
- 5 - \$100-\$199
- 6 - \$200-\$299
- 7 - \$300 OR MORE
- 8 - NONE

ITEM 2: DONATIONS TO RELIGIOUS CHARITIES

"In the last year, have you given any money to any religious organization?"

- 1 - YES
- 2 - NO
- 3 - NO OPINION

The items were recoded as follows. For the first item, NON-RELIGIOUS DONATIONS, respondents who contributed (response categories 1 through 7) were classified as DONORS. Respondents who did not contribute were classified as NON-DONORS. For the second item, RELIGIOUS DONATIONS, respondents who answered YES were classified as DONORS, while those respondents who answered NO were classified as NON-DONORS. Each item was coded as follows:

0 - NON DONORS
1 - DONORS
-99 - MISSING VALUES

The two items were combined to form the dependent variable CHARITY. A total of 216 unweighted cases belong to the non-donor group, and a total of 1904 unweighted cases belong to the donor group. There are 22 missing cases for the first item (donations to non-religious charities), and 7 cases missing for the second (donations to religious charities).

2. Gender

Respondents' gender was recorded by observation, and coded as follows:

1 - MALE
2 - FEMALE

As the variable is measured on a nominal scale, two dummy variables representing each response category were created. Dummy variables are coded 1 to indicate the presence of an attribute, and coded 0 in its absence:

MALE
0 - Female
1 - Male

FEMALE
0 - Male
1 - Female

To avoid the problem of redundancy or singularity, only $k-1$ dummy variables will be presented for entry into the model, where k refers to the number of response categories. In this case, one of the two dummy variables can be presented for entry as an independent variable. The dummy variable not presented for entry is known as the reference category. The reference category for this variable is MALE.

3. Age

The variable age was measured using the following item: "What is your age please?" Responses were originally coded as follows:

0 - MISSING
1 - 18-24 YEARS
2 - 25-29 YEARS
3 - 30-34 YEARS
4 - 35-39 YEARS
5 - 40-49 YEARS
6 - 50-59 YEARS
7 - 60 YEARS OR OLDER

The variable was recoded so that missing values received a value of -99. Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the statistical analysis.

4. Ethnicity

Ethnicity was measured with the use of the following item: "In addition to being Canadian, what is your main ancestry or ethnic group, that is, what country did you or your ancestors come from?" The item was originally coded as follows:

- 0 - MISSING
- 1 - BRITISH
- 2 - IRELAND
- 3 - FRENCH/FRENCH CANADIAN
- 4 - MEDITERRANEAN
- 5 - NORTHERN EUROPEAN
- 6 - EASTERN EUROPEAN
- 7 - OTHER

The variable was recoded into three categories. The response categories BRITISH and IRISH were combined to form the category ENGLISH. The category FRENCH/FRENCH CANADIAN remained intact. The four remaining categories were collapsed into a single category to represent OTHER ethnic groups. Missing values were assigned the value of -99.

As the variable is measured on a nominal scale, three dummy variables representing each response category were created:

ENGLISH ETHNICITY (ENGLISH)
 0 - all other ethnic groups
 1 - English

FRENCH ETHNICITY (FRENCH)
 0 - all other ethnic groups
 1 - French

OTHER ETHNIC GROUPS (OTHERETH)*
 0 - English, French ethnic groups
 1 - Other ethnic groups

*reference category

5. Marital Status

Marital status was measured with the use of the following item: "Are you single, married or living common law, widowed, separated or divorced?" The item was originally coded as follows:

- 0 - MISSING
- 1 - SINGLE
- 2 - MARRIED OR COMMON LAW
- 3 - WIDOWED, SEPARATED OR DIVORCED

The variable was recoded to give the missing values a value of -99.

As the variable is measured on a nominal scale, three dummy variables were created:

SINGLE MARITAL STATUS (SINGLE)
 0 - all other marital statuses
 1 - single

MARRIED/COMMON LAW (MARCOM)*
 0 - all other marital statuses
 1 - married or cohabitating

SEPARATED, DIVORCED, WIDOWED MARITAL STATUS
 (OTHERMAR)
 0 - single, married/cohabitating
 1 - other marital status

*reference category

6. Children at Home

The number of children respondents had living with them in the home was measured with the following item: "How many children do you have living in the home with you?" The variable was originally recoded as follows:

- 0 - MISSING
- 1 - NONE
- 2 - ONE
- 3 - TWO
- 4 - THREE OR MORE

The variable was recoded to reflect the number of children the respondent had living at home:

- 0 - NO CHILDREN
- 1 - ONE CHILD
- 2 - TWO CHILDREN
- 3 - THREE OR MORE CHILDREN
- 99 - MISSING VALUES

Missing values were assigned a value of -99. Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the statistical analysis.

7. Religion

Religious denomination or affiliation was measured with the use of the following item: "What is your religious affiliation?" The variable RELIGION was originally coded as follows:

- 0 - MISSING
- 1 - ROMAN CATHOLIC
- 2 - PROTESTANT
- 3 - NONE
- 4 - OTHER

The variable was recoded to assign missing values a score of - 99.

As the variable is measured on a nominal scale, four dummy variables were created to represent each response category:

NO RELIGIOUS AFFILIATION (NOREL)

0 - Catholic, Protestant, Other

1 - No religious affiliation

CATHOLIC (CATHOLIC)

0 - all other religious denominations

1 - Catholic

PROTESTANT (PROTEST)

0 - all other religious denominations

1 - Protestant

OTHER RELIGIOUS DENOMINATIONS (OTHEREL)*

0 - all other religious denominations

1 - Other religious denominations

*reference category

8. Religiosity

Religiosity was measured with the following item: "Would you describe yourself as very religious, somewhat religious, not too religious, or not at all religious?" The variable religiosity was recoded as follows:

1 - NOT AT ALL RELIGIOUS

2 - NOT TOO RELIGIOUS

3 - SOMEWHAT RELIGIOUS

4 - VERY RELIGIOUS

5 - NO OPINION

The NO OPINION category was recoded to into a missing values category and given a score of -99.

The variable was recoded into three categories. The categories NO AT ALL RELIGIOUS and NOT TOO RELIGIOUS were combined into a low religiosity category. The categories SOMEWHAT RELIGIOUS and VERY RELIGIOUS remained intact.

As the variable is measured on an ordinal scale, three dummy variables were created to represent each response category:

NOT TOO RELIGIOUS (LOWREL)

0 - all other levels of religiosity

1 - not too religious

SOMEWHAT RELIGIOUS (SOMEREL)

0 - all other levels of religiosity

1 - somewhat religious

VERY RELIGIOUS (VERYREL)*

0 - not too religious and somewhat religious

1 - very religious

*reference category

9. Religious Attendance

Religious attendance was measured with the following item: "How often do you attend services at church/ synagogue/ temple?" The variable was originally coded as follows:

0 - MISSING

1 - NEVER

2 - SPECIAL OCCASIONS

3 - LESS THAN ONCE A MONTH

4 - ONCE TO THREE TIMES PER MONTH

5 - ONCE A WEEK

6 - MORE THAN ONCE A WEEK

7 - REFUSE TO ANSWER

The variable was recoded to combine the categories MISSING and REFUSE TO ANSWER into a MISSING VALUES category assigned a value of -99. The categories NEVER, SPECIAL OCCASIONS and LESS THAN ONCE A MONTH were recoded into one category, LOW ATTENDANCE. The category ONCE TO THREE TIMES PER MONTH remained intact, and taken to represent MEDIUM ATTENDANCE. The categories ONCE A WEEK and MORE THAN ONCE A

WEEK were combined to form the third category, labelled HIGH ATTENDANCE.

As the variable is measured on an ordinal scale, three dummy variables were created to represent each response category:

LOW ATTENDANCE (LOWATT)
0 - all other frequencies of attendance
1 - low attendance

MEDIUM ATTENDANCE (MEDATT)
0 - all other frequencies of attendance
1 - medium attendance

HIGH ATTENDANCE (HIGHATT)*
0 - low attendance, medium attendance
1 - high attendance

*reference category

10. Education

Education is measured with the following item: "What is the highest level of schooling you have completed?" The variable was originally coded as follows:

0 - MISSING
1 - SOME HIGH SCHOOL
2 - GRADUATED HIGH SCHOOL
3 - VOCATIONAL, TECHNICAL, COLLEGE, CEGEP
4 - SOME UNIVERSITY/AT SCHOOL
5 - GRADUATED UNIVERSITY

The variable was recoded as to give missing values a score of -99. Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the statistical analysis.

11. Employment Status

Employment status was measured with the following item:
 "Could you tell me which of the following categories best describes your present situation?" The variable was originally coded as follows:

- 0 - MISSING
- 1 - EMPLOYED ON A FULL TIME BASIS
- 2 - EMPLOYED ON A PART TIME BASIS
- 3 - NOT EMPLOYED BUT ACTIVELY SEEKING FULL TIME WORK
- 4 - NOT EMPLOYED AND GAVE UP LOOKING FOR WORK SINCE CAN'T FIND JOB
- 5 - HOMEMAKER
- 6 - FULL TIME STUDENT
- 7 - NOT EMPLOYED AT ALL, NOT SEEKING WORK, NOT A HOMEMAKER

The variable was recoded to assign missing a score of -99. The category EMPLOYED ON A FULL TIME BASIS remained intact. The remaining categories were collapsed into a single category to represent all respondents who were NOT EMPLOYED ON A FULL TIME BASIS.

As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

- NOT EMPLOYED FULL TIME (NOTFULL)
- 0 - employed full time
 - 1 - not employed full time (unemployed, student/homemaker, employed part time)

- EMPLOYED FULL TIME (FULLTIME)*
- 0 - not employed full time (unemployed, student/homemaker, employed part time)
 - 1 - employed full time

*reference category

12. Household Income

Household income was measured using the following item:
"Which of the following income groups includes your annual household income?" The variable was originally coded as follows:

- 0 - MISSING VALUES
- 1 - LESS THAN \$9,999
- 2 - \$10,000-\$19,999
- 3 - \$20,000-\$29,999
- 4 - \$30,000-\$39,999
- 5 - \$40,000-\$49,999
- 6 - \$50,000 AND OVER

The variable was recoded to assign missing values a score of -99. Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the statistical analysis.

13. Financial Worry

Financial worry was measured using the following item:
"Overall, would you say that you worry a lot, somewhat, not too much, or not at all about having enough money to meet the needs of yourself and your family?" The variable was originally coded as follows:

- 1 - NOT AT ALL
- 2 - NOT TOO MUCH
- 3 - SOMEWHAT
- 4 - A LOT
- 5 - NO OPINION

The variable was recoded into three categories representing a LOW, MEDIUM and HIGH level of worry about meeting financial needs. The categories NOT AT ALL WORRIED and NOT TOO MUCH were combined to represent LOW WORRY. The third

category SOMEWHAT was labelled MEDIUM WORRY. The category A LOT was taken to represent HIGH WORRY. Missing values were assigned a value of -99.

As the variable is measured on an ordinal scale, three dummy variables were created to represent each response category:

LOW LEVEL OF FINANCIAL WORRY (LOWORRY)*
 0 - all other levels of financial worry
 1 - low level of financial worry

MEDIUM LEVEL OF FINANCIAL WORRY (MEDWORRY)
 0 - all other levels of financial worry
 1 - medium level of financial worry

HIGH LEVEL OF FINANCIAL WORRY (HIWORRY)
 0 - low and medium level of financial worry
 1 - high level of financial worry

*reference category

14. Community Size

The information was obtained via the sampling procedure. The variable was originally coded as follows:

1 - 1,000,000 AND OVER
 2 - 100,000 TO 999,999
 3 - 10,000 TO 99,999
 4 - UNDER 10,000 RURAL

The variable was recoded as follows:

1 - UNDER 10,000 RURAL
 2 - 10,000 TO 99,999
 3 - 100,000 TO 999,999
 4 - 1,000,000 AND OVER

Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the statistical analysis.

15. Length of Residence in the Community

Length of residence in the community was measured with the following item: " How long have you lived in the city or community in which you presently reside?" The variable was originally coded as follows:

- 0 - MISSING
- 1 - LESS THAN ONE YEAR
- 2 - 1 TO 2 YEARS
- 3 - 3 TO 5 YEARS
- 4 - 6 TO 9 YEARS
- 5 - 10 TO 14 YEARS
- 6 - 15 OR MORE YEARS

The variable was recoded to assign missing values a score of - 99. Although the coding of this variable produced an ordinal scale, it is treated as an interval scale in the staistical analysis.

16. Club Membership

Club membership was measured with the following item: "Are you a member of any kind of organization, club, or society **aside from a trade union or religious organization?**" The variable was originally coded as follows:

- 0 - MISSING
- 1 - YES
- 2 - NO

Missing values were assigned a score of - 99. As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

- NOT A MEMBER OF A CLUB (NOMEMBER)
- 0 - member of a club
- 1 - not a member of a club

A MEMBER OF A CLUB (MEMBER)*

0 - not a member of a club

1- a member of a club

*reference category

Method Of Analysis

The method of analysis for Chapters Four and Five is linear discriminant function analysis. It is a statistical technique in which the dependent variable is qualitative or categorical in nature, and acts as a grouping factor placing each individual or object in the sample into one of several a priori defined groups (Dillon and Goldstein, 1984: 360).

The independent or discriminating variables measure characteristics on which the groups in the dependent variable are expected to differ. They are weighted and combined in such a fashion that the groups in the dependent variable are forced to be as statistically distinct as possible (Klecka, 1984: 435). The goal of discriminant analysis is therefore to construct a linear composite of the independent variables which maximizes the sum of squared differences (the variance) **between groups**, and consequently minimizes the variance **within groups** (Dillon and Goldstein, 1984: 365).

These combinations of independent variables are known as discriminant functions. The number of possible discriminant functions is equal to the number of groups in the dependent variable minus one, or equal to the number of predictor

variables, whichever is smaller (Tabachnick and Fidell, 1983: 295).

Kleinbaum and Kupper (1978: 418) explain the discriminant analysis problem can be viewed as one of distinguishing between two populations on the basis of their discriminant scores. The discriminant score indicates the number of standard deviations a case is away from the mean for all cases in its group on a particular discriminant function. It is computed by multiplying each discriminating variable by its corresponding coefficient and summing the products. If there is more than one discriminant function, each case will have a separate score for each function (Klecka, 1984: 443).

Once the discriminant functions have been derived, two research objectives can be pursued: analysis and classification. During the analysis stage, the researcher examines each discriminant function to determine its significance and its ability to differentiate among the groups in the dependent variable. The contribution of each independent or predictor variable in each function is also assessed (Klecka, 1984: 436). The classification stage enables the researcher to check the adequacy of the discriminant function. It measures the extent to which one can predict group membership on the basis of the information provided by the discriminating variables alone.

There are three commonly used methods for discriminant function analysis: a direct method, a hierarchical or

sequential method, and a stepwise method. The stepwise method has been selected for the present study.

A stepwise procedure is useful in circumstances where the researcher has more independent variables than necessary to achieve satisfactory discrimination (Klecka, 1984: 436). Dillon and Goldstein (1984: 375) believe that "when many predictor variables are available, the common practice is to allow some stepwise selection procedure to determine which variables should enter into the discriminant function." Tabachnick and Fidell (1983: 313) describe the stepwise procedure as a means of using statistical criteria to determine the independent variables' order of entry in the equation when the researcher has no a priori reason for imposing such an order.

The stepwise method offers the researcher (Kleinbaum and Kupper, 1978: 431) the advantage of examining "the importance both of variables which have been included, and which are candidates for inclusion in the discriminant function." Klecka (1984: 447) comments that "by sequentially selecting the 'next best' discriminator at each step, a reduced set of variables will be found which is almost as good as, and sometimes better than, the full set." The procedure results in an optimal as opposed to maximal set of variables being selected, because not every possible subset of independent variables is considered (Klecka, 1984: 448).

Stepwise entry of independent variables also protects against redundancy. A variable which may have appeared to be important at an early stage of the stepwise process may lose its discriminatory power and become superfluous at a later stage because the information it contains is provided by one or more of the variables already in the equation (Klecka, 1984: 448). Dillon and Goldstein (1984: 375) note that "if variables are forced to enter the equation, their redundancy with variables previously entered could go unnoticed."

In order to determine the best single discriminating variable from the available set of independent variables the researcher must choose a selection criterion or stepping method (Klecka, 1984: 436). Different stepping methods will make the groups in the dependent variable maximally different according to different statistical criteria (Tabachnick and Fidell, 1983: 317). Each criterion emphasizes a different aspect of separation. For this reason Klecka (1984: 447) advises the researcher to select the same stepping method and the same statistical criterion for evaluating the discriminant function.

The stepping method for the present study is Rao's V , a generalized distance measure which attains its largest value when the greatest overall separation of groups is achieved. When there are a large number of cases, the change in V has a Chi Square distribution with one degree of freedom so that it

can be tested for statistical significance (Klecka, 1984: 448).

One of the most common criticisms of stepwise procedures is that they employ liberal levels of significance, ranging from $p < .10$ to $p < .25$, as opposed to conventional levels such as $p < .001$, $p < .01$, and $p < .05$. Dillon and Goldstein (1984: 376) note conventional levels seem to terminate the stepwise procedure prematurely. They also increase the risk of including most of the variables named on a variable list in the discriminant function, whether they contribute to discrimination, or not.

In order to reduce the risk of including superfluous variables in the model, a more conservative significance level of $p < .05$ will be employed for this analysis.

Evaluation of Assumptions

The success of a discriminant function analysis depends in part on satisfying the following assumptions: the multivariate normality of the independent or discriminating variables, the homogeneity of the variance-covariance matrix, and linearity. The data were examined in order to determine whether violation of these assumptions was likely. No evidence was produced to indicate that the analysis would be compromised. The evaluation of assumptions is discussed in greater detail in Appendix Two: Evaluation of Assumptions.

Findings

Analysis Stage

A stepwise discriminant function analysis was conducted using fifteen demographic and socioeconomic variables to predict charitable giving (Table 12). The stepping criteria was the largest increase in Rao's V, a generalized distance measure which attains its largest value with the greatest overall separation of the membership groups in the dependent variable. The membership groups are donors and non-donors to charity.

The discriminant function analysis is based on a total 1583 unweighted cases, with 140 cases belonging to the non-donor group, and 1443 cases belonging to the donor group. Of the original 2149 unweighted cases in the sample, 29 cases were deleted because of missing values on the dependent variable, and 537 cases were deleted because they had missing values on at least one discriminating variable.

Of the fifteen demographic and socioeconomic variables presented as predictors of charitable giving, seven variables were found to significantly differentiate non-donors from donors (Table 13).

Contrary to the expectations and hypotheses outlined previously, the variables gender, children at home, religion, religiosity, employment status, education, financial worry and community size failed to significantly discriminate between

the two membership groups in the dependent variable. These variables were subsequently dropped from further analysis.

TABLE 12

**DEMOGRAPHIC AND SOCIOECONOMIC VARIABLES PRESENTED
AS PREDICTORS OF CHARITABLE GIVING**

GENDER - Male*, Female

AGE

ETHNICITY - English, French, Other*

MARITAL STATUS - Single, Married/Cohabiting*,
Separated/Widowed/Divorced

CHILDREN AT HOME

RELIGION - No Religious Affiliation, Catholic,
Protestant, Other*

RELIGIOSITY - Low Religiosity, Somewhat Religious,
Very Religious*

RELIGIOUS ATTENDANCE - Low Attendance, Medium
Attendance, High Attendance*

EDUCATION

EMPLOYMENT STATUS - Not Employed on a Full Time
Basis, Employed on a Full
Time Basis*

HOUSEHOLD INCOME

FINANCIAL WORRY - Low Level of Financial Worry*,
Medium Level of Financial Worry,
High Level of Financial Worry

COMMUNITY SIZE

LENGTH OF RESIDENCE IN THE COMMUNITY

CLUB MEMBERSHIP - Not a Member of a Club,
Member of a Club*

The variables entered the discriminant function in the following order: household income, low religious attendance, age, no club membership, single marital status, length of residence in the community, and French ethnicity.

TABLE 13
DEMOGRAPHIC AND SOCIOECONOMIC VARIABLES ENTERED AS
PREDICTORS OF CHARITABLE GIVING
MODEL SPECIFICATION I

STEP	ENTERED	WILK'S LAMBDA	RAO'S V	CHANGE IN V	SIG
1	HHINCOME	.975	40.352	40.352	.000
2	LOWATT	.961	63.331	22.979	.000
3	AGE	.951	82.121	18.789	.000
4	NOMEMBER	.945	91.567	9.447	.002
5	SINGLE	.941	98.384	6.816	.009
6	LENGTH	.938	105.060	6.676	.010
7	FRENCH	.935	109.927	4.867	.027

The first six entries produced a highly significant ($p < .01$) change in the stepping criteria, Rao's V. The last variable to enter the function, French ethnicity, produced a change in Rao's V significant at $p < .05$.

One indication of the importance of a discriminating variable is the absolute magnitude of the standardized discriminant function coefficient, whose interpretation is

analogous to the interpretation of beta weights in multiple regression (Tabachnick and Fidell, 1983: 297).

Discriminant function coefficients are constructed as linear combinations of the differences between the variable means in the dependent variable's groups (Kleinbaum and Kupper, 1978: 418). The values of these coefficients are chosen to provide maximum discrimination between populations, meaning the variation of the discriminant function scores **between** the groups is much greater than the variation in the discriminant scores **within** the groups (Kleinbaum and Kupper, 1978: 417). Discriminant function coefficients may be unstandardized or standardized.

The standardized discriminant coefficient has a large magnitude if the average discriminant score in the first membership group is significantly different from the average discriminant score in the second group (Kleinbaum and Kupper, 1978: 417). The sign of a standardized discriminant coefficient indicates whether the independent variable is making a positive or negative contribution to the model. In this way, the standardized discriminant coefficient represents the relative contribution of each independent variable to the discriminant function.

The standardized discriminant function coefficients indicate that household income makes the largest relative contribution to the model, and is therefore the strongest

predictor of charitable giving of all the discriminating variables (Table 14).

TABLE 14
STANDARDIZED DISCRIMINANT FUNCTION COEFFICIENTS
FOR VARIABLES PREDICTING CHARITABLE GIVING
MODEL SPECIFICATION I

VARIABLE	STANDARDIZED COEFFICIENT (FUNCTION 1)
HOUSEHOLD INCOME	0.58
LOW RELIGIOUS ATTENDANCE	- 0.40
NO CLUB MEMBERSHIP	- 0.31
SINGLE MARITAL STATUS	- 0.30
LENGTH OF RESIDENCE	0.27
FRENCH ETHNICITY	0.21
AGE	0.17

With the exception of household income, religious attendance and club membership appear to make significantly larger contributions to discrimination than the other predictor variables. Of the seven predictor variables, age makes the smallest relative contribution, and is least capable of discriminating between donors from non-donors. Three of the seven predictors of charitable giving make a negative contribution to the model: namely low religious attendance, no club membership, and single marital status.

Discriminant loadings are useful in interpreting discriminant functions because they are less subject to the instability caused by the intercorrelations amongst predictor variables than standardized discriminant weights (Dillon and Goldstein, 1984: 373). The loading matrix is found by multiplying the pooled within-group correlation matrix by the matrix of standardized discriminant function coefficients (Tabachnick and Fidell, 1983: 320).

A discriminant loading gives the simple correlation of a variable with a discriminant function, reflecting the common variance among the predictor variables in the model (Dillon and Goldstein, 1984: 372). Caution is required in interpreting these loadings for they are full correlations. The loadings of each variable could be substantially lower if correlations with other discriminating variables were partialled out (Tabachnick and Fidell, 1983: 321).

By convention, correlations which exceed .30 (equal to 9% of variance) are eligible for interpretation while those below are not (Tabachnick and Fidell, 1983: 321). However, the loading matrix is dependent upon the size and the homogeneity of the sample. If the sample is quite homogeneous with respect to a predictor, it may be appropriate to lower this criterion (Tabachnick and Fidell, 1983: 321).

The loading matrix (Table 15) reveals that all of the independent variables, with the exception of French Ethnicity, have a discriminant loading in excess of .30. Household income

has the largest correlation with charitable giving, followed by single marital status and age. French ethnicity has the smallest correlation with the groups in the dependent variable.

TABLE 15

**POOLED WITHIN GROUPS CORRELATIONS BETWEEN DISCRIMINATING
VARIABLES AND CANONICAL DISCRIMINANT FUNCTION
(LOADING MATRIX)
MODEL SPECIFICATION I**

VARIABLE	DISCRIMINANT LOADINGS (FUNCTION 1)
HOUSEHOLD INCOME	0.61
SINGLE MARITAL STATUS	-0.50
AGE	0.43
NO CLUB MEMBERSHIP	-0.41
LOW RELIGIOUS ATTENDANCE	-0.40
LENGTH OF RESIDENCE	0.38
FRENCH ETHNICITY	0.17

In contrast to the standardized discriminant coefficients, the variables marital status, age and club membership contribute more to the discrimination of the donor and non-donor membership groups than the variable religious attendance.

Group means measure the average scores of donor and non-donor membership groups on a particular predictor variable.

The comparison of group means permits the evaluation of the hypotheses, as well as the derivation of a profile of the donor and non-donor membership groups based on the variables in the discriminant function (Table 16).

TABLE 16
GROUP MEANS FOR VARIABLES PREDICTING CHARITABLE GIVING
MODEL SPECIFICATION I

VARIABLE	GROUP MEANS		T-TEST
	NON-DONORS	DONORS	
HOUSEHOLD INCOME	2.800	3.699	3.630
LOW RELIGIOUS ATTENDANCE	0.771	0.589	0.605
AGE	3.071	3.862	3.792
NO CLUB MEMBERSHIP	0.871	0.702	0.717
SINGLE MARITAL STATUS	0.450	0.245	0.263
LENGTH OF RESIDENCE	3.193	3.734	0.687
FRENCH ETHNICITY	0.121	0.182	0.177

Comparison of the group means on the predictor household income reveals that non-donors have a lower level of annual household income (mean score 2.80) than donors (mean score 3.69). This supports the hypothesis that individuals with relatively low levels of income are less likely to donate than those who have a relatively high level of income.

A greater proportion of non-donors (77.1%) report a low level of religious attendance than donors (58.9%), confirming

the hypothesis that individuals who never or rarely attend religious services are less likely to engage in philanthropy than those who frequently attend religious services.

As the mean score of non-donors on the predictor age is 3.07, and the mean score of donors is 3.86, one may conclude that the incidence of charitable giving increases with age.

Club membership may indeed have a positive effect upon charitable giving for fewer donors (70.2%) report they do not belong to a club than non-donors (87.1%).

The group means on the predictor marital status show that 45.0% of non-donors are single, in contrast to 24.5% of donors. This reinforces the hypothesis that single individuals are less likely to donate than individuals with another marital status.

Length of residence in the community may exert a positive influence on charitable giving for non-donors have a lower mean score on this predictor (3.19) than donors (3.73).

Contrary to the findings of previous research and the hypothesis outlined previously, individuals reporting French ethnicity are more likely to be donors (18.2%), than non-donors (12.1%).

The number of possible discriminant functions is equal to the number of groups in the dependent variable minus one, or the number of predictor variables, whichever is smaller. As the dependent variable charity consists of two membership

groups, a single discriminant function was computed (Table 17).

TABLE 17
CANONICAL DISCRIMINANT FUNCTION
MODEL SPECIFICATION I

EIGENVALUE	CANONICAL CORRELATION	WILK'S LAMBDA	CHI SQUARE	DF	SIG
0.069	0.255	0.935	106.04	7	0.000

Wilks' Lambda determines the significance of a discriminant function. It is an inverse measure of the discriminatory power in the original variables not yet removed by the discriminant function (Klecka, 1984: 442-443). The larger its value, the less discriminatory power is present in the model. The measure can be transformed into a Chi Square test statistic which tests for the statistical significance of the discriminating information not already accounted for by the earlier functions (Klecka, 1984: 442-443).

In this case, Wilks' lambda is equal to 0.935 with a computed Chi Square of 106.04 and 7 degrees of freedom, significant at $p < .0$.

The importance of a discriminant function can be assessed by examining the eigenvalues and canonical correlations computed for the function, which indicate the relative ability

of each computed discriminant function to separate the groups in the dependent variable (Klecka, 1984: 440).

The eigenvalue measures the relative proportion of predictive or between group variability that is contributed by its associated discriminant function (Tabachnick and Fidell, 1979: 536). This analysis produced an eigenvalue equal to 0.069.

The canonical correlation is a measure of association between the discriminating or predictor variables, and the groups in the dependent variable. It measures how closely the discriminant function and the group variable are related (Klecka, 1984: 442). As such, the canonical correlation is a measure of the function's ability to discriminate among the membership groups. In this case, the canonical correlation is equal to 0.255.

When the canonical correlation is squared, it can be interpreted as the proportion of variance shared between the dependent or grouping variable and the discriminating variables (Tabachnick and Fidell, 1983: 297). For the present study, the canonical correlation squared is equal to .065. Thus, the seven predictor variables composing the discriminant function account for 6.5% of the variation in the dependent variable, charitable giving.

The mean value of a group's discriminant scores on a particular discriminant function is called a group centroid (Dillon and Goldstein, 1984: 366-367). A centroid is computed

by averaging the discriminant scores for cases within a particular group on a discriminant function. Group centroids summarize the group locations in the reduced space defined by the discriminant functions (Klecka, 1984: 440).

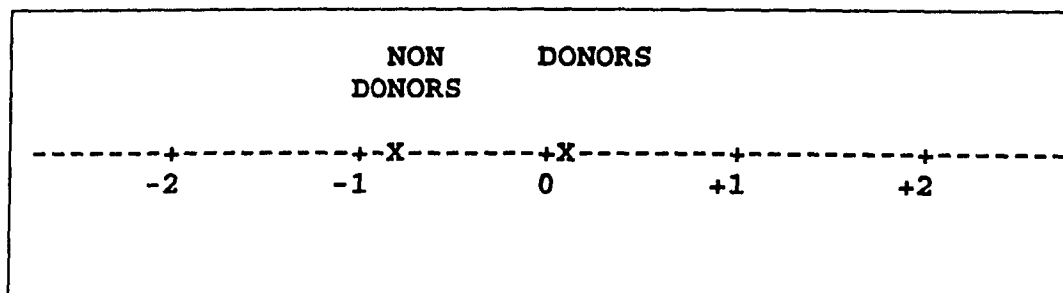
The centroids of each group can be compared, giving some indication of how far apart the groups are from one another along a particular discriminant function or dimension (Table 18).

TABLE 18
CANONICAL DISCRIMINANT FUNCTION EVALUATED
AT GROUP MEANS (GROUP CENTROIDS)
MODEL SPECIFICATION I

GROUP	CENTROID (FUNCTION 1)
NON-DONORS	-0.85
DONORS	0.08

The centroid for the non-donor group is equal to - 0.85, and the centroid for the donor group is equal to 0.08. These figures indicate that the discriminant function does indeed distinguish the two membership groups in the dependent variable.

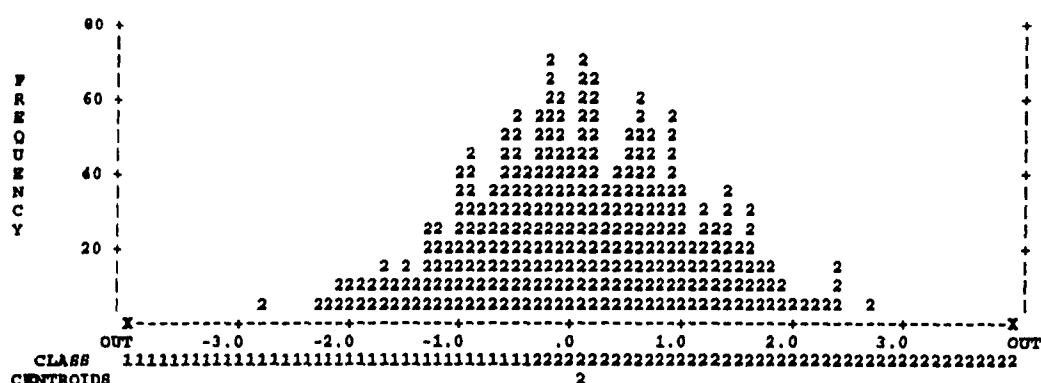
The group centroids have been plotted in order to provide the reader with a visual representation of how the discriminant function separates the non-donor group from the donor group (FIGURE 1).

FIGURE 1**PLOT OF GROUP CENTROIDS
MODEL SPECIFICATION I**

The discriminant scores of each membership group may also be plotted, providing an illustration of how dispersed the cases in each group are (FIGURES 2 AND 3). Klecka (1984: 444) explains that plots of discriminant scores enable one to assess the extent to which the group centroids are separated, and the groups in the dependent variable overlap.

FIGURE 3

**HISTOGRAM OF DISCRIMINANT FUNCTION SCORE
DONOR GROUP
MODEL SPECIFICATION I**



Classification Stage

Analysis of the discriminant function is followed by the classification of the cases sampled. Classification is the process whereby the likely group membership of each case is identified on the basis of the information provided by the discriminating variables (Klecka, 1984: 445).

The ability to classify observations correctly into their constituent groups is an important performance measure governing the success or failure of a discriminant analysis (Dillon and Goldstein, 1984: 363). The purpose of classifying cases (Klecka, 1984: 445-446) is to determine how effective the discriminating variables are: "By classifying the cases

used to derive the functions in the first place, and comparing predicted group membership with actual group membership, one can empirically measure the success in discrimination by observing the proportion of correct classifications."

If classification is to be useful, the percent of cases correctly classified must be substantially higher than the percent of cases expected to be correct by chance alone (Tabachnick and Fidell, 1979: 544). If a large proportion of misclassifications occur, then the independent variables selected are poor discriminators.

The misclassification or error rate refers to the probability of assigning a case to the wrong population (Kleinbaum and Kupper, 1978: 426). It underestimates the true rate because the classification function itself has been determined using the two samples in question (Kleinbaum and Kupper, 1978: 426).

Ideally, the researcher is able to derive a discriminant function using a fraction of the total cases sampled so that the remaining cases, or "holdout sample", can be used as a test of the model during classification. Tabachnick and Fidell (1983: 296-297) explain that a cross-validation sample can be used to assess the adequacy of a discriminant function derived from cases with known group membership. If the discriminant function is adequate, the classification results obtained using the sample with unknown group membership will be similar to the classification results based on known group membership.

Unfortunately, the size of the non-donor membership group was not sufficient to permit this procedure here.

In cases where only one discriminant function has been computed, or where only the first in a series of discriminant functions proves significant, the single discriminant function provides sufficient information to classify cases. This is due to the fact (Dillon and Goldstein, 1984: 364) that discriminant analysis derives the linear combination of predictor variables which both maximally distinguishes groups in the dependent variable, and minimizes misclassification: "By maximizing the between-group variance as opposed to the within-groups variance, discriminant analysis ensures misclassification rates are smaller than can obtained with any other linear combination of independent variables."

In order to classify a case in a particular group, the researcher must specify a critical score or cutoff point so that a case is assigned to one group if its score exceeds this cutoff point, and to the other group if it does not (Kleinbaum and Kupper, 1978: 427). This is called a classification rule.

Under the assumption of multivariate normality, classification scores can be converted into probabilities of group membership (Klecka, 1984: 445). The rule of assigning a case to the group with the highest score is the equivalent to assigning the case to the group for which it has the greatest probability of membership. Once the classification score has been determined, it can be transformed into an a posteriori

probability that gives the likelihood of the individual or object belonging to each of the groups (Dillon and Goldstein, 1984: 361).

The default classification rule assumes sample sizes are equal, meaning the probability of a case belonging to one group is equal to the probability of it belonging to the other. An optimal classification rule must consider the prior probabilities of group membership, group size, and the cost of misclassifying cases into the wrong group (Dillon and Goldstein, 1984: 371). Tabachnick and Fidell (1983: 300) explain it is desirable to adjust the classification rule when the researcher has a prior knowledge of group membership probabilities, when the groups are of grossly disparate sizes, or when the costs of misclassification are high.

Kleinbaum and Kupper (1978: 427) believe it is wise to use a classification rule which reflects the relative sizes of the samples. If the difference in group sizes is ignored, the use of an unweighted cutoff point will produce perfect classification in the largest group, but substantial misclassification in the smallest. This may be attributed to the fact that an unweighted or symmetrical classification rule places the cut-point score closer to the centroid of the larger group when the optimal cut-point score is actually closer to the centroid of the smallest group (Dillon and Goldstein, 1984: 370).

For exploratory purposes, three separate classification procedures were employed. Cases were first classified on the basis of equal group size, or equal probability of membership (Table 19).

TABLE 19
CLASSIFICATION BASED ON EQUAL PROBABILITY OF MEMBERSHIP
MODEL SPECIFICATION I

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP NON-DONORS	MEMBERSHIP DONORS
GROUP NON-DONORS	143	70.6% (n=101)	29.4% (n=42)
GROUP DONORS	1461	32.2% (n=470)	67.8% (n=991)
	1604		
GROUPED CASES CORRECTLY CLASSIFIED: 68.08%			

According to this rule, a total of 1604 unweighted cases were classified with 143 cases belonging to the non-donor group, and 1461 cases belonging to the donor group. Of the 2149 unweighted cases in the original sample, 29 cases were deleted because of missing values on the dependent variable charity, and a further 516 cases were deleted because they had missing values on at least one discriminating variable.

Overall, 68.1% of the 1604 unweighted cases were correctly classified. This initial procedure was able to

correctly classify 70.6% of the non-donors, and 67.8% of the donors. The overall and group classification rates exceed the rate of 50% expected by chance alone.

Given the marked discrepancy in group size, it seemed appropriate to adjust the default classification rule according to group size (Table 20).

TABLE 20
CLASSIFICATION BASED ON GROUP SIZE
MODEL SPECIFICATION I

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP MEMBERSHIP	
		NON-DONORS	DONORS
GROUP NON-DONORS	143	0.0% (n=0)	100.0% (n=143)
GROUP DONORS	1461	0.0% (n=0)	100.0% (n=1461)
	1604		
GROUPED CASES CORRECTLY CLASSIFIED: 91.08%			

According to this rule, 1604 unweighted cases were classified, with 143 cases belonging to the non-donor group, and 1461 belonging to the donor group. Of the 2149 unweighted cases in the original sample, 29 cases were deleted because of missing values on the dependent variable charity. A further 516 cases were deleted because they had missing values on at least one discriminating variable.

Using a classification rule based on group size, 91.1% of the cases were correctly classified. However, closer inspection of the classification table immediately reveals that this procedure is far from satisfactory. Although the percentage of donors correctly classified is a remarkable 100.0%, the percentage of non-donors correctly classified is 0.0%! Gains in the overall prediction rate are thus made at the expense of the non-donor prediction rate. For this reason, classification based on group size is not deemed to be a satisfactory improvement upon the default classification procedure.

The third classification procedure employs the default classification rule based on a random sample of donors drawn to more closely balance the two membership groups in size (Table 21).

From the original sample of 2149 unweighted cases, 29 cases were deleted because of missing values on the dependent variable. A random sample of 10% of all donors was then drawn. A total of 404 unweighted cases were processed, with 96 cases being subsequently deleted for missing values on at least one discriminating variable. This procedure produced two approximately equal membership groups: non-donors with 162 cases, and donors with 146 unweighted cases.

TABLE 21
CLASSIFICATION BASED ON A RANDOM SAMPLE OF
DONORS FOR EQUAL GROUP SIZE
MODEL SPECIFICATION I

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP MEMBERSHIP	
		NON-DONORS	DONORS
GROUP NON-DONORS	162	69.8% (n=113)	30.2% (n=49)
GROUP DONORS	146	28.1% (n=41)	71.9% (n=105)
	308		
GROUPED CASES CORRECTLY CLASSIFIED: 70.78%			

Using this procedure, the overall classification rate is 70.8%, representing a 2.7% improvement over the first classification scheme. The procedure was able to correctly classify 69.8% of the non-donors, and 71.9% of the donors.

Comparison of the first and third classification procedures indicates there is a slight improvement in the group classification rates when the default rule is applied to equally sized membership groups.

The default rule applied to **unequally sized** groups was able to correctly classify 70.6% of the non-donors, whereas the rule applied to **equally sized** groups was able to correctly classify 69.8% of the non-donors. The difference between these results is negligible.

The first classification procedure was able to correctly classify 67.8% of the donors, in contrast to the third procedure which was able to correctly classify 71.9% of donors. This represents a 4.1% improvement in the percent of donors who are assigned to their true membership group.

Chapter Summary

The purpose of this chapter has been to identify the demographic and socioeconomic variables which are most capable of discriminating non-donors from donors to nonprofit organizations.

A linear discriminant function analysis was conducted using fifteen demographic and socioeconomic variables taken from a nationally representative survey of Canadian philanthropic attitudes and practices. Seven of the fifteen variables presented for entry as predictors of charitable giving significantly differentiated the two groups in the dependent variable: household income, low religious attendance, age, no club membership, single marital status, length of residence in the community, and French ethnicity.

Using the standardized discriminant function coefficients, the predictor variables are ranked in terms of their predictive power as follows: household income, low religious attendance, no club membership, single marital status, length of residence in the community, French ethnicity and age.

The discriminant loading matrix suggests an alternate ranking: household income, single marital status, age, no club membership, low religious attendance, length of residence in the community and French ethnicity.

Analyses of group means on the seven predictor variables confirmed the hypotheses outlined previously with the exception of French ethnicity.

Three separate classification procedures were employed for exploratory purposes. Cases were first classified according to the default classification rule specifying equal group size and thus, equal probability of membership. Utilizing this procedure, the discriminant function was able to correctly classify 68.1% of the cases overall, a rate which exceeds the rate of 50% expected by chance alone.

The classification rule was then adjusted for group size. Using this classification procedure, the discriminant function was able to correctly classify an impressive 91.1% of the cases. However, gains in the overall classification rate were achieved at the expense of grossly misclassifying the non-donor group. This procedure therefore represents a far from satisfactory adjustment of the default classification rule.

A third classification procedure employed the default classification rule on two equally sized membership groups. A random sample of donors was drawn to balance the groups in terms of size. This procedure resulted in an overall

classification rate of 70.8%, representing a 2.7% improvement over the first classification procedure.

One of the objectives of this chapter was to assess how effective demographic and socioeconomic variables are in distinguishing non-donors from donors to charity. Only seven of the fifteen variables presented as potential discriminators were selected for inclusion in the discriminant function. It seems unlikely that low tolerance levels, related to problems of multicollinearity or singularity, are responsible for this outcome.

The standardized discriminant function coefficients and loading matrix clearly indicate that household income is the most powerful predictor of charitable giving, reinforcing the somewhat prevalent belief that socioeconomic variables are most capable of explaining philanthropic behavior.

The effectiveness of demographic and socioeconomic variables can perhaps only be assessed if they are examined in concert with behavioral and attitudinal measures. In such a situation, they would be forced to "compete" with other variables for inclusion in the discriminant function or model.

The results of the classification phase, while exceeding the outcomes expected by chance alone, certainly leave room for improvement. Similarly, the canonical correlation squared indicates the function is only able to account for 6.5% of the variation in charitable giving.

Improvement in this first model specification appears to require the inclusion of additional variables in the model. Building upon the model developed here, a second model specification will be constructed in Chapter Five. In addition to introducing potential behavioral determinants of charitable giving into the model, it will employ several of the attitudinal measures examined in Chapter Three.

CHAPTER FIVE

PHILANTHROPIC CATALYSTS AND REINFORCING BEHAVIORS

A satisfactory model of charitable giving should not only consider the conventional demographic and socioeconomic determinants of philanthropy, but other relatively unexplored factors which conceivably influence charitable giving. This contention is based primarily on Martin's (1985: 103-104) donation model.

As explained in Chapter Two, Martin's donation model describes charitable giving as a function of three distinct clusters of enabling circumstances. The first cluster determines the individual's ability to contribute. Philanthropy is not possible unless the individual first possesses the financial means to contribute.

The ability to contribute, however, is not sufficient to produce a donation. A positive donation decision requires that the individual be motivated or stimulated to give in some way. The second and third clusters of enabling circumstances consist of factors which influence and motivate the potential donor.

The purpose of this chapter is to develop a model of charitable giving which not only takes the individual's ability to donate into account, but considers some of the factors which potentially influence or motivate the donation decision.

Building upon the findings of Chapters Three and Four, this second model specification will incorporate the following factors:

- 1) antecedent and socioeconomic determinants of the potential donor's ability and willingness to participate in philanthropy;
- 2) possible catalysts or stimulants of philanthropy, such as being asked to contribute, and awareness of tax incentives for charitable giving;
- 3) potentially related or reinforcing behaviors, such as voluntarism, and budgeting for charitable contributions;
- 4) attitudinal measures reflecting respondents' attitudes towards charitable giving and nonprofit organizations.

This model specification differs from Martin's (1985: 103-104) donation model in the following respect. Martin's donation model not only identifies determinants of charitable giving, but specifies their relationship. Some determinants are specified as a precondition of others, and each group of determinants has a different level of priority.

Due to the exploratory nature of the study, no such order or level of importance was imposed on any of the potential determinants specified above. Furthermore, the variables have not been grouped together other than conceptually. Methodologically speaking, each variable is distinct, and competes with all the other variables for inclusion in the model.

Model Specification

Based on the findings of Chapter Four, the following antecedent or demographic variables will be presented for entry as predictors of charitable giving: Age, French Ethnicity, Single Marital Status, Low Religious Attendance, and Not Becoming a Member of a Club. The socioeconomic variable Household Income will be included as a measure of respondents' ability to contribute. The reader is referred to Chapter Four for a discussion of related literature and the development of hypotheses.

1. Being Asked to Make a Charitable Contribution

Data clearly show a link between being asked to contribute, and making a donation. The amount respondents report donating to charities is strongly linked to the number of charitable appeals recalled (Canadian Centre for Philanthropy, 1990: 123).

One of the most frequently cited reasons for failing to make a charitable contribution is not having been asked to do so (Webb and Eson, 1988: 246). In a national survey of Canadians (Gallup Canada, 1984: 58), 8% of respondents claimed they had donated because they had been asked to do so. Almost one third (31%) of the non-donors cited not having been being asked to give as the primary reason for not donating. Not having been asked to contribute was the second most frequent reason for not having donated, behind the lack of money (Gallup Canada, 1984: 58). British Family Expenditure survey

data show that 75% of respondents donated to charity only when they were asked to do so (Saxon-Harrold, 1989: 114).

The request to donate may be a significant determinant of philanthropic behavior for two reasons. People tend to have limited awareness of charities and nonprofit organizations. As a consequence, philanthropy occupies a very limited share of the potential donor's consciousness. Whereas Americans appear to have a high level of awareness of the nonprofit sector (White, 1989: 69), Canadian awareness (Canadian Centre for Philanthropy, 1990: 128) is quite low: "Giving is a form of behavior involving limited forethought and is reactive rather than proactive."

Charitable giving also assumes a low priority for most Canadians. Survey questions probing what respondents would do with windfall earnings for example, reveal that philanthropy is rarely mentioned as a means of spending unexpected revenue - even when multiple responses are permitted (Canadian Centre for Philanthropy, 1990: 118).

Based on the above findings, it is hypothesized that individuals who have not been asked to make a contribution are less likely to donate than those who have. Although the evidence is not substantive enough to propose that being asked to donate is a precondition for charitable giving, it clearly suggests that a request to donate is a significant stimulus. This is probably due to the limited awareness of nonprofit

organizations, and the low priority philanthropy assumes in everyday life.

2. Awareness of Tax Incentives

According to Auten and Rudney (1990: 79) there is a consensus in the literature that "the reduced price of giving", a consequence of the tax deductibility of charitable donations, has a strong positive effect on the amount of giving. The researchers claim this incentive effect is so strong that "the increase in charitable giving is greater than the loss of revenue to the government due to the deduction."

Steinberg (1990: 488) explains that tax policy affects giving for two reasons. Taxes have a negative effect on the level of donations because they reduce the amount of money potential donors have at their disposal for all types of expenditures, including charitable donations. The tax deductibility of donations also stimulates private philanthropy because it reduces the price of donating.

Tax deductibility is viewed as a highly efficient means of stimulating charitable giving, particularly among high income individuals (Auten and Rudney, 1990: 78). This view is often translated into the belief that charitable giving is "tax driven".

Speaking primarily of substantive philanthropists, Bromley (1987: 18) is critical of the hypothesis that the decision to engage in philanthropy is motivated by the desire

to acquire tax savings. He offers three examples to refute the hypothesis that philanthropy is primarily "tax driven".

Many donors make substantial contributions to organizations that are not registered as charities because they feel they are worthy of their support despite their "nontax-exempt" status. Moreover, donors do not claim all of their donations on their income tax. Government policy can also encourage or discourage citizens to be tax driven. Canada's tax credit system for example, may have the consequence (Bromley, 1987: 13) of creating a tax motivated environment for philanthropy in that "small donors stop giving to worthy causes simply because the law does not recognize them as 'charitable'."

In order for taxation policy to effect private charitable giving, people must first have some awareness of how giving affects their taxes (Morgan, Dye and Hybels, 1979: 175). Results of one American survey show the level of tax sophistication among survey respondents is quite low (Morgan et al., 1979: 184). Most respondents have very little knowledge of their marginal tax rate, and only one fifth of respondents gave correct answers to questions dealing with taxation.

However, as the income of respondents increased, the proportion of correct answers increased. This is most likely due to the fact that upper income respondents have greater incentive to be knowledgeable about taxation policy (Morgan et

al., 1979: 177). As respondents' income increases, the use of professional assistance to complete tax returns similarly increased. Tax specialists are best equipped, and are highly motivated to point out the tax advantages of philanthropy to their clients. Even amongst high income earners however, the use of professional advice to complete tax returns was quite low (Morgan et al., 1979: 175).

Gallup Canada (1984: 79) discovered that 54% of those surveyed were unaware of tax incentives for charitable giving. Awareness of tax incentives varied considerably by age, religion, region, education and income. Individuals who were aware of tax incentives for philanthropy donated more than twice as much as those who were not aware of such incentives (Gallup Canada, 1984: 43).

In a 1989 survey of Canadian philanthropic attitudes, 53% of respondents had some awareness of the tax incentives for charitable giving (Canadian Centre for Philanthropy, 1990: 122). More than one third (37%) of respondents did not believe charitable donations were tax deductible, and 10% of respondents were unable to determine whether or not charitable donations are tax deductible. Awareness of tax incentives was highest amongst highly educated and affluent respondents (Canadian Centre for Philanthropy, 1990: 122).

Morgan, Dye and Hybels (1979: 179) found respondents were reluctant to admit the tax deductibility of charitable donations influenced their behavior. Donors specified numerous

reasons for making a charitable contribution, but rarely mentioned the desire to reduce taxable income. Tax deductibility was viewed as an incidental or secondary consideration. Respondents, particularly high income earners, were less reluctant to view others as being tax motivated (Morgan et al., 1979: 179).

These findings suggest that the awareness of tax incentives influences philanthropic behavior. The tax deductibility of charitable donations provides potential donors with a concrete incentive for becoming "de facto" donors. Although the desire to acquire tax savings may not be the primary motive for charitable giving, it is hypothesized that individuals who have knowledge of this additional benefit are more likely to give to charity than those who do not.

3. Volunteering for a Nonprofit Organization

Tobin and Rimor (1988: 445) argue that philanthropic behavior may be reinforcing: "Those who tend to give, tend to give in multiple outlets, while those who are non-givers tend to be non-givers in all outlets." Mount and Quirion (1989: 62) suggest donating behavior is affected by a donor's philanthropic history: "The likelihood a person will donate to a particular cause is linked to his or her support of other causes." O'Connor (1985: 189) has concluded that "more than attitudes in isolation, actual previous behavior can be a powerful determinant of altruistic giving or behavior."

Survey data clearly show volunteering is related to giving to charitable organizations (Carson 1990; Morgan et al, 1979). The Canadian Centre for Philanthropy (1990: 121) has found a strong relationship between donating money to a nonprofit organization, and volunteering time. Gallup Canada (1984: 100) produced data showing that only 10% of those respondents who performed volunteer work did not contribute to charity. Almost three quarters (71%) of those who performed volunteer work did not consider this service to be a substitute for a financial contribution (Gallup Canada, 1984: 100).

In sum, the data strongly suggest that having performed volunteer work increases the likelihood of making a financial contribution to a nonprofit organization. It is therefore hypothesized that individuals who have not volunteered will be significantly less inclined to donate than those who have.

4. Budgeting for Charitable Donations

Data show that very few people plan charitable giving in a comprehensive manner. The data gathered by Morgan, Dye and Hybels (1979: 200) indicates that high income respondents plan their charitable contributions, while lower income respondents give spontaneously: "Higher income people (and large givers) have a conscious plan for their charitable contributions, while other people seem to take each request as it comes and act on it according to their opinion of its merits."

Although the practice of planning for charitable giving is more prevalent among large donors, Richardson (1985: 222) has found that even these individuals have difficulty in articulating a comprehensive scheme for giving.

According to Gallup Canada (1984: 59) only 12% of Canadians surveyed report budgeting for their charitable contributions. The incidence of budgeting for donations increases with the amount donated annually, suggesting that "those who donate larger amounts are much more organized in their approach to giving than those who give lesser amounts." Similarly, a 1989 survey of Canadian giving conducted by the Canadian Centre for Philanthropy (1990: 122-123) shows that only 12% of respondents report budgeting for charitable donations, an activity concentrated amongst large givers.

The incidence of planning and budgeting for charitable contributions may be higher in Great Britain. Saxon-Harrold (1989: 114) reports that 25% of British Family Expenditure Survey respondents plan charitable giving in advance.

This evidence suggests that individuals who do not budget for charitable contributions are less likely to donate than those who do, for the following reason. Budgeting for charitable donations is one indication of the extent to which respondents plan their giving in advance. Planning for philanthropy, by extension, requires not only that the planner possess a minimum awareness of the nonprofit sector, but that charitable giving be somewhat formally recognized as a

priority. Most importantly, budgeting for charitable contributions represents a behavioral intention to engage in philanthropy.

There is relatively little information available concerning the relationship between attitudes and philanthropic behavior. Where possible, reference has been made to literature which could guide the construction of the following hypotheses. Where this was not possible, reference is made to the contingency analyses conducted in Chapter Three.

5. Attitude Toward the Intensity of Fund Raising Solicitations

Based on the results of the contingency analysis conducted in Chapter Three, it is hypothesized that individuals who have a negative reaction to the intensity of fund raising solicitations are less likely to contribute than individuals who have a more positive reaction. That is, individuals who report feeling less inclined to donate because of the frequency with which they are approached, are less likely to actually make a donation than those whose reaction to charitable solicitations is not so adverse.

6. Attitude Toward the Honesty and Ethical Standards of Charities

Gallup Canada (1984: 39) has gathered data which illustrates that Canadians' perceptions of nonprofit ethical

standards are positive in that they closely parallel those toward churches. Donors also give charities and nonprofit organizations higher ratings of their honesty and ethical standards than non-donors. Confidence in philanthropic enterprises also increases with the amount donated (Gallup Canada, 1984: 39).

Based on this evidence, and the findings of Chapter Three, it is hypothesized that individuals who describe charities as having a low or average level of honesty and ethical standards are less likely to donate than individuals who confer a high or very high level of honesty and ethical standards upon charities.

7. Attitude Toward Nonprofit Organizations' Contribution to the Community

The contingency analysis conducted in Chapter Three indicates there is a significant difference between the attitudes of donors and non-donors towards the contribution of nonprofit organizations to the community. Based on this analysis, it is hypothesized that individuals who perceive of nonprofit organizations as not making a positive contribution to the community are less likely to engage in philanthropy than individuals who perceive of nonprofit organizations as making a very positive contribution to the community.

8. Attitude Toward the Importance of Supporting Charities

The findings of Chapter Three suggest that attitude toward the importance of supporting charities may be an

important determinant of charitable giving. Individuals who are of the opinion that it is not important for Canadians to support their charities of choice are hypothesized to be less likely to donate than individuals who believe it is very important.

9. Attitude Toward the Importance of Charitable Giving to the Community

The contingency analysis conducted in Chapter Three reveals a notable discrepancy between the attitudes of donors and non-donors towards the importance of charitable giving to the community. Non-donors were less inclined to regard charitable giving as one of the most important means of serving the community, than donors. On the basis of this finding, it is hypothesized that individuals who do not consider philanthropy to be one of the most important means of assisting the community are less likely to donate than those who do.

Hypotheses for the variables in this second model specification are summarized below:

Younger individuals are less likely to donate than older individuals.

French Canadians are less likely to donate than individuals whose ethnicity is English or "Other".

Single individuals are less likely to donate than individuals who are married or cohabitating.

Individuals who never or rarely attend religious services are less likely to donate than those who attend services frequently.

Individuals who have not resided in the same community for any length of time are less likely to donate than individuals who have resided in the same community for a long period of time.

Individuals who do not become a member of a club are less likely to donate than those who do.

Individuals with a low level of household income are less likely to donate than those with a high level of household income.

Individuals who have not been asked to give are less likely to donate than individuals who have been asked.

Individuals who are not aware of any tax incentives for charitable giving are less likely to donate than those who are aware of tax incentives.

Individuals who have not volunteered their time or services to a nonprofit organization are less likely to donate than those who have.

Individuals who do not budget for charitable donations are less likely to donate than those who do.

Individuals who have a negative attitude toward the intensity of fund raising solicitations are less likely to donate than those who have a positive attitude.

Individuals who give charities a low or average rating of their honesty and ethical standards are less likely to donate than those who give charities a high or very high rating.

Individuals who have a negative attitude toward the role of nonprofit organizations in the community are less likely to donate than those who have a positive attitude.

Individuals who believe it is not important for Canadians to support their charities of choice are less likely to donate than individuals who believe it is very important.

Individuals who feel charitable giving is not one of the most important means of assisting the community are less likely to donate than those who feel charitable giving is one of the most important means of helping the community.

Variable Measurement

Measurement of the variables Charity, Age, Ethnicity, Marital Status, Religious Attendance, Length of Residence in the Community, Club Membership and Household Income is discussed in Chapter Four, and will not be replicated here. Measurement of the remaining variables is discussed below.

1. Being Asked to Give

Having been asked to contribute to charity was measured with the following item: "Have you been asked to donate money to a charitable or a nonprofit organization in the past year?" Responses were originally coded as follows:

- 1 - YES
- 2 - NO
- 3 - NO OPINION

The variable was recoded to classify no opinion responses as missing values, given a score of -99.

As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

NOT ASKED TO DONATE (NOTASKED)
 0 - asked to donate
 1 - not asked to donate

ASKED TO DONATE (ASKED)*
 0 - not asked to donate
 1 - asked to donate

*reference category

2. Awareness of Tax Incentives

Awareness of tax incentives was measured with the following item: "Are you aware of any tax incentives for

individual Canadians to make donations to charitable and nonprofit organizations?" The variable was originally coded as follows:

- 1 - NO
- 2 - YES
- 3 - NO OPINION

The variable was recoded to assign the NO OPINION category a score of -99 for missing values.

As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

- NO AWARENESS OF TAX INCENTIVES (NOTAX)
- 0 - awareness of tax incentives
- 1 - no awareness of tax incentives

- AWARENESS OF TAX INCENTIVES (TAX)*
- 0 - no awareness of tax incentives
- 1 - awareness of tax incentives

*reference category

3. Voluntarism

Whether or not respondents have volunteered for a nonprofit organization was measured with the following item: "Have you ever carried out any volunteer work for a charitable, religious or community type organization?" Responses were originally coded as follows:

- 1 - YES
- 2 - NO
- 3 - NO OPINION

The no opinion category was recoded to assign missing values a score of -99.

As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

HAVE NOT VOLUNTEERED (NOTVOL)

- 0 - have volunteered
- 1 - have not volunteered

HAVE VOLUNTEERED (HAVEVOL) *

- 0 - have not volunteered
- 1 - have volunteered

* reference category

4. Budgeting for Charitable Donations

Whether or not respondents budgeted for charitable giving was measured with the following item: "Do you budget a specific amount to give to charitable and nonprofit organizations over the course of a year, or do you have no fixed amount to donate?" Responses were originally coded as follows:

- 1 - BUDGET A SPECIFIC AMOUNT TO DONATE
- 2 - DO NOT BUDGET A SPECIFIC AMOUNT TO DONATE
- 3 - NO OPINION

The item was recoded to include NO OPINION responses in the missing values category, assigned the value of -99.

As the variable is measured on a nominal scale, two dummy variables were created to represent each response category:

DO NOT BUDGET SPECIFIC AMOUNT TO DONATE (NOTFIXED)

- 0 - specific amount to donate
- 1 - no specific amount to donate

BUDGET SPECIFIC AMOUNT TO DONATE (FIXED) *

- 0 - no specific amount to donate
- 1 - specific amount to donate

*reference category

5. Attitude Toward the Intensity of Fund Raising Solicitations

The extent to which the intensity of fund raising solicitations influenced the desire to contribute was measured with the following item: "There seem to be so many organizations seeking donations for one cause or another, I sometimes don't feel like giving to any."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

- 1 - -5 TOTALLY DISAGREE
- 2 - -4
- 3 - -3
- 4 - -2
- 5 - -1
- 6 - 0 DEPENDS
- 7 - +1
- 8 - +2
- 9 - +3
- 10 - +4
- 11 - +5 TOTALLY AGREE
- 12 - NO OPINION

The variable was recoded as follows. The category NO OPINION was classified as missing values and given a score of -99.

As total agreement with the item signals a negative attitude toward philanthropy, the scale was recoded to assign a higher value to a positive attitude (disagreement):

- 1 - TOTALLY AGREE
- 2 -
- 3 -
- 4 -
- 5 -
- 6 - UNDECIDED
- 7 -
- 8 -
- 9 -
- 10 -
- 11 - TOTALLY DISAGREE
- 99 - MISSING VALUES

The value label "DEPENDS" was also changed to "UNDECIDED".

6. Attitude Toward the Honesty and Ethical Standards of Charities

Respondents' attitudes towards the honesty and ethical standards of philanthropic organizations was measured with the following item: "How would you rate the honesty and ethical standards of nonprofit organizations? Would you rate their honesty and ethical standards as very high, high, average, or low?" Responses were originally coded as follows:

- 0 - MISSING
- 1 - LOW
- 2 - AVERAGE
- 3 - HIGH
- 4 - VERY HIGH

The missing values were recoded and assigned a value of -99.

As the variable is measured on an ordinal scale, four dummy variables were created to represent each response category:

- LOW LEVEL HONESTY AND ETHICS (LOWETHIC)
- 0 - average, high and very high levels of honesty and ethics
- 1 - low level of honesty and ethics

AVERAGE LEVEL OF HONESTY AND ETHICS (AVETHIC)

0 - low, high and very high levels of honesty and ethics

1 - average level of honesty and ethics

HIGH LEVEL OF HONESTY AND ETHICS (HIGHETH)

0 - low, average and very high levels of honesty and ethics

1 - high level of honesty and ethics

VERY HIGH LEVEL OF HONESTY AND ETHICS (VHIGHETH)*

0 - low, average and high levels of honesty and ethics

1 - very high level of honesty and ethics

* reference category

7. Attitude Toward Nonprofit Organizations' Contribution to the Community

The extent to which respondents perceived nonprofit organizations to make a positive contribution to the community was measured with the following item: "And would you say that charities and nonprofit organizations generally make a very positive, somewhat positive, or not at all positive contribution to the community?" The responses were originally coded as follows:

- 0 - MISSING
- 1 - NOT POSITIVE
- 2 - SOMEWHAT POSITIVE
- 3 - VERY POSITIVE

The variable was recoded to assign missing values a score of -99.

As the variable is measured on an ordinal scale, three dummy variables were created to represent each response category:

NOT POSITIVE CONTRIBUTION TO COMMUNITY (NOTPOS)

- 0 - somewhat positive and very positive contribution to the community
- 1 - not positive contribution to the community

SOMEWHAT POSITIVE CONTRIBUTION TO THE COMMUNITY (SOMEPOS)

- 0 - not positive and very positive contribution to the community
- 1 - somewhat positive contribution to the community

VERY POSITIVE CONTRIBUTION TO THE COMMUNITY (VERYPOS)*

- 0 - not positive and somewhat positive contribution to the community
- 1 - very positive contribution to the community

* reference category

8. Attitude Toward the Importance of Supporting Charities

Respondents' perceptions of the importance of supporting profit organizations was measured with the following item: "Overall, do you think it is very important, somewhat important, or not important that Canadians support the charities and nonprofit organizations of their choice?" Responses were originally coded as follows:

- 0 - MISSING
- 1 - NOT IMPORTANT
- 2 - SOMEWHAT IMPORTANT
- 3 - VERY IMPORTANT

The category missing was recoded and assigned a value of -99.

As the variable is measured on an ordinal scale, three dummy variables were created to represent each response category:

NOT IMPORTANT TO SUPPORT CHARITIES CHOICE (NOTIMP)

- 0 - somewhat important and very important that Canadians support charities of choice
- 1 - not important that Canadians support charities of choice

SOMEWHAT IMPORTANT TO SUPPORT CHARITIES CHOICE (SOMIMP)

- 0 - not important and very important that Canadians support charities of choice
- 1 - somewhat important that Canadians support charities of choice

VERY IMPORTANT TO SUPPORT CHARITIES OF CHOICE (VERYIMP)*

- 0 - not important and somewhat important that Canadians support charities of choice
- 1 - very important that Canadians support charities of choice

* reference category

9. Attitude Toward the Importance of Charitable Giving to the Community

Respondents' attitude towards charitable giving as one of the most important means of assisting the community was measured with the following item: "Giving back to the community through donations to charitable and other nonprofit organizations is one of the most important things you can do."

Subjects were initially instructed to tell the interviewer how he or she personally feels about the statement by giving a number between -5 and +5, where -5 means the subject totally disagrees with the statement, and +5 means the subject totally agrees. The responses were originally coded as follows:

1	-	-5	TOTALLY DISAGREE
2	-	-4	
3	-	-3	
4	-	-2	
5	-	-1	
6	-	0	DEPENDS
7	-	+1	
8	-	+2	
9	-	+3	
10	-	+4	
11	-	+5	TOTALLY AGREE
12	-		NO OPINION

The NO OPINION category was recoded as missing values, assigned the value of -99. As agreement with the item reflects a positive attitude toward nonprofit organizations, and is coded such that it receives a higher score than a negative attitude (disagreement), no further transformations were deemed necessary with the exception of changing the value label "DEPENDS" to "UNDECIDED".

Evaluation of Assumptions

In order to determine whether the data satisfied the assumptions of discriminant function analysis, several tests were conducted. The results suggest that failure to meet these assumptions is not likely to compromise this analysis. The reader is referred to Appendix Two: Evaluation of Assumptions for further information.

Findings

Analysis Stage

A stepwise discriminant function analysis was conducted using sixteen variables to predict charitable giving (Table 22). Predictor variables were selected on the basis of the

stepping criteria Rao's V. The membership groups in the dependent variable are non-donors and donors to charity.

TABLE 22

**VARIABLES PRESENTED AS PREDICTORS OF CHARITABLE GIVING
MODEL SPECIFICATION II**

AGE

ETHNICITY - French, English, Other*

MARITAL STATUS - Single, Married/Cohabiting,
Separated/Divorced/Widowed

RELIGIOUS ATTENDANCE - Low, Medium, High*

LENGTH OF RESIDENCE IN THE COMMUNITY

CLUB MEMBERSHIP - Not a Member, Member*

HOUSEHOLD INCOME

ASKED TO DONATE - Not Asked, Asked*

AWARENESS OF TAX INCENTIVES - Not Aware, Aware*

VOLUNTARISM - Have Not Volunteered, Have Volunteered*

BUDGETING FOR DONATIONS - No Fixed Amount, Fixed Amount*

ATTITUDE TOWARD THE INTENSITY OF FUND RAISING
SOLICITATIONS

ATTITUDE TOWARD THE HONESTY AND ETHICAL STANDARDS OF
CHARITIES

ATTITUDE TOWARD NONPROFIT ORGANIZATIONS' CONTRIBUTION TO
THE COMMUNITY

ATTITUDE TOWARD THE IMPORTANCE OF SUPPORTING CHARITIES

ATTITUDE TOWARD THE IMPORTANCE OF CHARITABLE GIVING TO
THE COMMUNITY

The analysis is based on a total of 1560 unweighted cases, with 140 cases belonging to the non-donor group, and 1420 cases belonging to the donor group. Of the original 2149 unweighted cases in the sample, 29 cases were deleted because of missing values on the dependent variable, and 560 cases were deleted because they had missing values on at least one discriminating variable.

Of the sixteen variables presented as discriminating variables, twelve variables were found to significantly distinguish non-donors from donors (Table 23). The twelve predictor variables entered the discriminant function in the following order: not having been asked to contribute to charity, not having volunteered for a nonprofit organization, attitude towards the importance of supporting charities, household income, French ethnicity, length of residence in the community, low religious attendance, attitude toward nonprofit organizations' contribution to the community, not budgeting for charitable donations, attitude toward the importance of charitable giving to the community, not being aware of tax incentives for charitable giving, and lastly, single marital status.

Contrary to the hypotheses outlined previously, the variables age, club membership, attitude toward the intensity of fund raising solicitations, and attitude toward the honesty and ethical standards of charities failed to significantly

discriminate non-donors from donors. These variables were subsequently omitted from further analysis.

TABLE 23
VARIABLES ENTERED AS PREDICTORS OF CHARITABLE GIVING
MODEL SPECIFICATION II

STEP	ENTERED	WILK'S LAMBDA	RAO'S V	CHANGE IN V	SIG
1	NOTASKED	.896	180.102	180.102	.000
2	NOVOL	.875	222.989	42.888	.000
3	NOTIMP	.867	238.171	15.182	.001
4	HHINCOME	.860	252.768	14.597	.001
5	FRENCH	.853	269.321	16.552	.000
6	LENGTH	.846	284.405	15.083	.001
7	LOWATT	.841	294.097	9.692	.020
8	NOTPOS	.837	302.453	8.356	.004
9	NOTFIXED	.835	308.514	6.062	.014
10	MOSTIMP	.832	313.556	5.041	.025
11	NOTAX	.830	318.691	5.135	.023
12	SINGLE	.828	323.376	4.685	.030

The change in the selection criterion Rao's V was highly significant for the first six steps of the process as each variable produced a change in V significant at the $p < .001$ level. The seventh and eight steps continued to produce highly significant changes in the stepping criterion at the $p < .01$

level. For the remaining four steps, modestly significant changes in V were produced at the $p < .05$ level.

The size and magnitude of the standardized discriminant function coefficients permit an assessment of the relative contribution of each variable to the discriminant function (Table 24).

TABLE 24
STANDARDIZED DISCRIMINANT FUNCTION COEFFICIENTS FOR
VARIABLES PREDICTING CHARITABLE GIVING
MODEL SPECIFICATION II

VARIABLE	STANDARDIZED COEFFICIENT (FUNCTION 1)
NOTASKED	0.65
NOVOL	0.31
FRENCH	- 0.24
LENGTH	- 0.20
HHINCOME	- 0.20
NOTIMP	0.18
NOTPOS	0.15
NOTAX	0.14
LOWATT	0.13
NOTFIXED	0.12
SINGLE	0.12
MOSTIMP	- 0.12

The variable not having been asked to donate to charity makes the largest relative contribution to the model, followed by the variables not having volunteered for a nonprofit organization, and French ethnicity respectively.

The smallest relative contributions to discrimination are made by the variables not budgeting for charitable donations, single marital status, and attitude toward the importance of charitable giving to the community.

Four variables make a negative contribution to the model, namely: the variables French ethnicity, length of residence in the community, household income, and attitude toward the importance of charitable giving to the community.

Discriminant loadings provide another indication of the contribution of the predictor variables to discrimination (Table 25). According to the discriminant loadings, the variable not having been asked to donate is the best predictor of charitable giving, followed respectively by the variables not having volunteered for a nonprofit organization, household income, and no awareness of tax incentives for charitable giving.

The weakest predictors of charitable giving are respectively, the variables length of residence in the community, attitude toward the importance of supporting charities, attitude toward the importance of charitable giving to the community, and French ethnicity.

TABLE 25

**POOLED WITHIN GROUPS CORRELATION BETWEEN DISCRIMINATING
VARIABLES AND CANONICAL DISCRIMINANT FUNCTION
(LOADING MATRIX)
MODEL SPECIFICATION II**

VARIABLE	DISCRIMINANT LOADINGS (FUNCTION 1)
NOTASKED	0.75
NOVOL	0.45
HHINCOME	- 0.34
NOTAX	0.29
NOTPOS	0.29
SINGLE	0.28
NOTFIXED	0.24
LOWATT	0.23
LENGTH	- 0.22
NOTIMP	0.21
MOSTIMP	- 0.18
FRENCH	- 0.11

Group means measure the average discriminant scores of the non-donor and donor membership groups on a particular predictor variable (Table 26). These averages may be compared, permitting the evaluation of the hypotheses outlined previously.

TABLE 26**GROUP MEANS FOR VARIABLES PREDICTING CHARITABLE GIVING
MODEL SPECIFICATION II**

GROUP MEANS			
VARIABLE	NON DONORS	DONORS	T O T A L
NOTASKED	0.436	0.080	0.112
NOVOL	0.700	0.357	0.388
HHINCOME	2.843	3.706	3.628
NOTAX	0.721	0.489	0.510
NOTPOS	0.178	0.061	0.072
SINGLE	0.443	0.248	0.266
NOTFIXED	0.957	0.813	0.826
LOWATT	0.771	0.589	0.606
LENGTH	3.207	3.736	3.688
MOSTIMP	7.664	8.415	8.348
NOTIMP	0.086	0.027	0.032

The hypotheses pertaining to the antecedent or demographic variables were all supported, with the exception of the variable French ethnicity.

Concerning the variable marital status, it was hypothesized that single individuals are less likely to donate than individuals who are married or cohabitating, and

individuals who separated, divorced or widowed. This hypothesis was supported for 44.3% of all non-donors reported a single marital status, in notable contrast to 24.8% of all donors.

Comparison of the group means for the variable low religious attendance supports the hypothesis that individuals who never or rarely attend religious services are less likely to donate than those who attend frequently. A total of 77.1% of non-donors report they never or rarely attend religious services, in comparison to 58.9% of donors who report they never or rarely attend religious services.

As hypothesized, individuals who have resided in the same community for a relatively short length of time are less likely to donate than individuals who have resided in the community for a relatively long period of time. Comparison of the group means on the predictor length of residence in the community reveals that on average, donors (mean score 3.74) have resided within the same community for a longer period of time than non-donors (mean score 3.21).

Based on considerable empirical evidence, it was hypothesized that individuals reporting French ethnicity would be less likely to engage in philanthropy than individuals whose ethnicity is "English" or "Other". This hypothesis was not supported, for comparison of the group means on the predictor French ethnicity shows that 18.2% of donors are of French ethnicity, as opposed to 11.4% of non-donors.

Non-donors have a significantly lower level of household income (mean score 2.84) than donors (mean score 3.70). This reinforces the hypothesis that individuals with a lower level of household income are less likely to donate than those with a higher level of household income.

Two variables were included in the model specification on the grounds that they were possible catalysts of charitable giving. They are namely, having been asked to donate and awareness of tax incentives for charitable giving. Large discrepancies between the means for the non-donor and donor groups emerged on these two variables.

The group means for the predictor not having been asked to donate confirm the hypothesis that individuals who have not been asked to donate are less likely to contribute than individuals who have been asked. Whereas 43.6% of non-donors had not been asked to give, only 8.0% of the donors had not been solicited for donations.

Almost three quarters of the non-donors (72.1%) were unaware of tax incentives for charitable giving, in contrast to half of the donors (48.9%). As such, the group means for the predictor variable awareness of tax incentives support the hypothesis that individuals who are unaware of tax incentives for charitable giving are less likely to donate than individuals who are aware of such incentives.

The variables voluntarism and budgeting for charitable donations were included in this model specification because

they were taken to represent behaviors not only related to, but conducive to the practice of philanthropy.

Analysis of the group means for the predictor variable voluntarism shows that 70.0% of non-donors have not volunteered for a nonprofit organization, in stark contrast to 35.7% of donors. These results are in keeping with the hypothesis that individuals who have not volunteered their time and services to a nonprofit organization are less likely to donate than those who have volunteered.

As hypothesized, comparison of the group means on the predictor variable not budgeting for charitable donations indicate that individuals who do not plan their charitable giving in advance are less likely to donate than those who do. A total of 95.7% of the non-donors do not budget for charitable donations, in contrast to 81.3% of donors.

Support was also found for the hypothesis of the three attitudinal variables selected for entry as predictors of charitable giving.

Individuals who have a negative attitude toward the contribution of nonprofit organizations to the community were hypothesized to be less likely to donate to charity than individuals who have a positive attitude. According to the group means on this predictor variable, 17.8% of non-donors are of the opinion that nonprofit organizations do not make a positive contribution to the community, in contrast to only 6.1% of donors.

Individuals who have an unfavorable attitude toward the importance of charitable giving to the community were hypothesized to be less likely to donate than individuals who have a favorable attitude. Analysis of the group means on this predictor variable support this hypothesis, for non-donors have a less favorable attitude (means score 7.66) than donors (mean score 8.41).

Non-donors proved to be more inclined than donors to feel that it is not important for Canadians to support their charities of choice. The group means on the predictor variable attitude toward the importance of supporting charities show that 8.6% of non-donors believe it is not important to support charities, in contrast to .7% of donors.

As the dependent variable CHARITY consists of two membership groups, the twelve discriminating variables yielded one highly statistically significant discriminant function (Table 27).

TABLE 27
CANONICAL DISCRIMINANT FUNCTION
MODEL SPECIFICATION II

EIGENVALUE	CANONICAL CORRELATION	WILK'S LAMBDA	CHI SQUARE	DF	SIG
0.207	0.414	0.828	292.71	12	.000

Wilk's Lambda is an inverse measure of the discriminatory power in the original variables not yet removed by the discriminant function. This model specification produced a Wilk's Lambda equal to 0.828.

Wilk's Lambda can be transformed into a Chi Square test statistic. In this case, the computed Chi Square is equal to 292.71 with 12 degrees of freedom, and a level of significance of $p < .0$.

The eigenvalue measures the relative proportion of predictive or between group variability that is contributed by its associated discriminant function. This analysis produced an eigenvalue equal to 0.207. The canonical correlation, equal to 0.414, is a measure of association between the discriminating variables and the groups in the dependent variable.

According to the canonical correlation squared, 17.2% of the variance between the non-donor and donor membership groups is shared with the twelve predictor variables composing the discriminant function. Stated another way, 17.2% of the variation in charitable giving is explained by the computed discriminant function.

The mean value of a group's scores on a particular discriminant function is known as a group centroid. When compared, they give some indication of how far apart the groups are from one another along a particular function or dimension (Table 28).

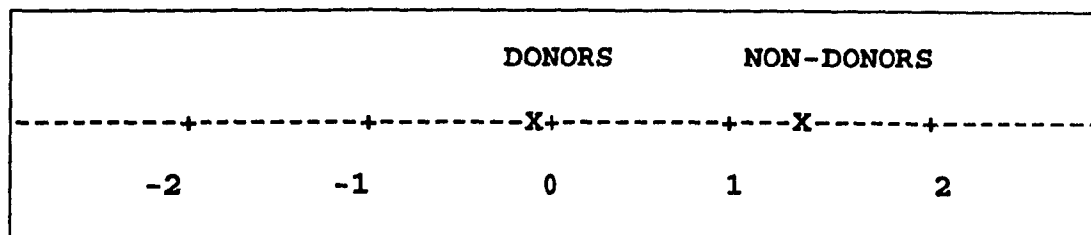
The centroid for the non-donor group is equal to 1.45, and the centroid for the donor group is - .014. It is readily apparent that the discriminant function is indeed capable of separating or distinguishing the two membership groups in the dependent variable.

TABLE 28
CANONICAL DISCRIMINANT FUNCTION EVALUATED
AT GROUP MEANS (GROUP CENTROIDS)
MODEL SPECIFICATION II

GROUP	CENTROID (FUNCTION 1)
NON-DONORS	1.45
DONORS	-0.14

The centroids of each group may be plotted, providing a visual representation of how distinct the donor and non-donor groups are (Figure 4).

FIGURE 4
PLOT OF GROUP CENTROIDS
MODEL SPECIFICATION II



The discriminant scores of the non-donor and donor groups may also be plotted, illustrating how the case scores are dispersed about their mean or group centroid (Figures 5 and 6).

FIGURE 5

HISTOGRAM OF DISCRIMINANT SCORES FOR NON-DONORS
CANONICAL DISCRIMINANT FUNCTION 1

MODEL SPECIFICATION II

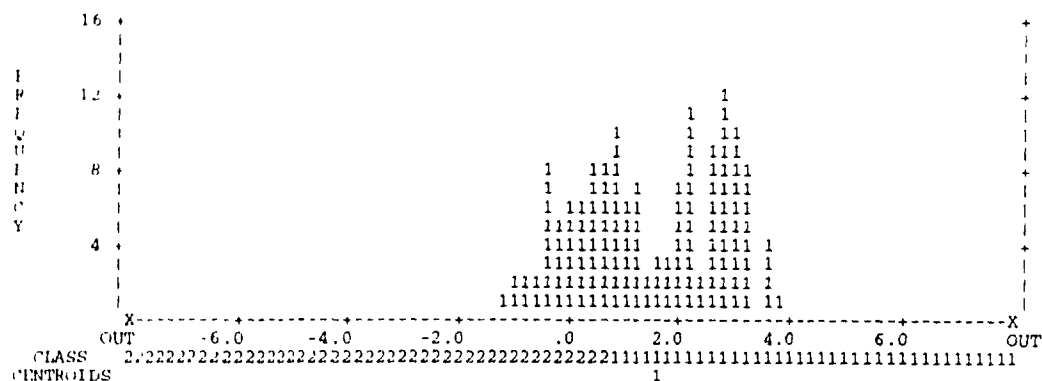


TABLE 29**CLASSIFICATION BASED ON EQUAL PROBABILITY OF MEMBERSHIP
MODEL SPECIFICATION II**

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP MEMBERSHIP	
		NON-DONORS	DONORS
GF JP NON-DONORS	143	67.8% (n=97)	32.2% (n=46)
GROUP DONORS	1447	14.3% (n=207)	85.7% (n=1240)
	1590		
GROUPED CASES CORRECTLY CLASSIFIED: 84.09%			

Overall, 84.1% of the cases were correctly classified. Breaking this rate down by group, the default procedure was able to correctly classify 67.8% of the non-donors, and 85.7% of the donors. The overall and group classification rates exceed the rate of 50% which is expected by chance alone.

Given the large discrepancy in the size of the two membership groups, the classification rule was adjusted for group size (Table 30). According to this rule a total of 1590 cases were classified, with 143 cases belonging to the non-donor group and 1447 cases belonging to the donor group. Of the 2149 unweighted cases in the original sample, 29 cases were deleted because of missing values on the dependent

variable. A further 530 cases were deleted because of missing values on at least one discriminating variable.

TABLE 30
CLASSIFICATION BASED ON GROUP SIZE
MODEL SPECIFICATION II

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP NON-DONORS	MEMBERSHIP DONORS
GROUP NON-DONORS	143	39.2% (n=56)	60.8% (n=87)
GROUP DONORS	1447	5.1% (n=74)	94.9% (n=1373)
	1590		

GROUPED CASES CORRECTLY CLASSIFIED: 89.87%

This second procedure was able to correctly classify 89.9% of the cases overall. Although 94.9% of the donors were correctly classified, only 39.2% of the non-donors were correctly classified. Due to the substantial misclassification of the non-donor group, adjustment of the classification rule for group size is not deemed to be a satisfactory alternative to the default classification rule.

The third classification procedure is based on the default classification procedure, but is applied to a random

sample of donors drawn to more closely balance the non-donor and donor membership groups in size (Table 31).

From an original sample of 2149 unweighted cases, 29 cases were deleted because of missing values on the dependent variable. A random sample of 10% of all donors was then drawn. A total of 404 cases were processed, with 30 cases being subsequently deleted because of missing values on at least one discriminating variable. This procedure resulted in two approximately equal membership groups: non-donors with 199 cases, and donors with 175 cases.

TABLE 31

**CLASSIFICATION BASED ON A RANDOM SAMPLE OF
DONORS FOR EQUAL GROUP SIZE
MODEL SPECIFICATION II**

ACTUAL GROUP	NUMBER OF CASES	PREDICTED GROUP MEMBERSHIP	
		NON-DONORS	DONORS
GROUP NON-DONORS	199	75.9% (n=151)	24.1% (n = 4 8)
GROUP DONORS	175	21.7% (n=38)	78.3% (n=137)
	374		
GROUPED CASES CORRECTLY CLASSIFIED: 77.01%			

Utilizing this classification procedure, an overall classification rate of 77.0% was achieved. A total of 75.9% of non-donors were correctly classified, while a total of 78.3% of the donors were correctly classified.

These results show that when the default classification rule is applied to groups of approximately equal size achieved through the drawing of a random sample of donors, there is a 7.1% decrease in the overall classification rate from the initial classification procedure. Comparison of the results for the first and third classification procedures show that although the percentage of non-donors correctly classified increases by 8.1% from the first procedure, the percentage of donors correctly classified decreases by 7.4%.

Chapter Summary

The purpose of this chapter has been to examine a group of demographic, socioeconomic, behavioral and attitudinal variables to determine whether they are statistically capable of distinguishing non-donors from donors. In the process, it has attempted to identify the factors most capable of explaining, and ultimately predicting, charitable giving.

Seven demographic and socioeconomic variables were included in this second model specification, based on the findings of the discriminant analysis conducted in Chapter Four. The five attitudinal variables presented for entry as predictors of charitable giving were selected on the basis of

the contingency analyses conducted in Chapter Three. The remaining variables were included in this second specification on the basis previous research which strongly suggested they facilitated, stimulated or reinforced philanthropic behavior in some way.

Of the sixteen variables presented for entry as predictors of charitable giving, twelve were found to significantly differentiate the two membership groups in the dependent variable.

It may be argued that the discriminant loading matrix represents a ranking of the variables' relative importance which appears to be more consistent with previous empirical findings, than that produced by the standardized discriminant function coefficients. For example, the variables household income and awareness of tax incentives, are ranked third and fourth in terms of their discriminant loadings, but fifth and eight respectively, in terms of their discriminant function coefficients. These particular variables have generally been accorded with greater explanatory or predictive power than is suggested by the discriminant function coefficients.

Analysis of the discriminant loadings and standardized coefficients suggest that the variables religious attendance and budgeting for charitable donations may have less explanatory power than was originally anticipated. For example, low religious attendance is ranked ninth in terms of its standardized discriminant coefficient, and eight in terms

of its discriminant loading. Not budgeting for charitable donations is ranked tenth in terms of its standardized discriminant coefficient, and seventh in terms of its discriminant loading.

The two variables which offer the most proficient means of explaining and predicting charitable giving are the variables being asked to donate, and volunteering for a nonprofit organization. According to both the discriminant loadings and the standardized discriminant coefficients, these two particular variables are unquestionably the most capable of distinguishing non-donors from donors.

This finding implies that philanthropic participation is primarily a function the stimulants or catalysts which motivate the potential donor, and the potential donor's own previous behavior or philanthropic history. Although the contribution of household income to the model cannot be overlooked, the the significance of philanthropic catalysts and philanthropic history is pronounced.

In this way, the analysis supports Martin's (1985: 1976) thesis that philanthropy not only requires that the potential donor first possess the means to donate, but that he or she be exposed to factors capable of stimulating and reinforcing this behavior

Furthermore, the results of this analysis affirm two important tenets of previous empirical research. The performance of the variable having been asked to donate

supports the rather pervasive belief that philanthropy is a reactive, as opposed to proactive activity. This may be attributed to a limited awareness of the nonprofit sector, and the low level of priority philanthropy assumes culturally, as well as individually.

The role of the variable having volunteered for a nonprofit organization in the model further validates the hypothesis that philanthropic behavior is mutually reinforcing. It also implies that previous behavior is a highly significant determinant of future behavior.

It is worth noting that of the three attitudinal variables which successfully contributed to discrimination, two probe respondents' perceptions of the relationship between nonprofit organizations and the community. As the variables length of residence in the community, marital status and religious attendance (to the extent that marital status and religious attendance act as a proxy for community attachment) were also included in the model, it may be argued that the potential donor's sense of belonging in the community is an important catalyst of his or her philanthropic participation.

Analyses of the group means on the twelve predictor variables confirmed the hypotheses delineated previously with the exception of French ethnicity. Contrary to the findings of previous research, individuals reporting French ethnicity tended to be donors rather than non-donors.

Do the results of this analysis support the hypothesis that factors such as catalysts, potentially related behaviors and attitudes further our understanding, and ability to predict charitable giving? The answer to this question requires the comparison of the two discriminant functions, as well as their capacities to classify cases into their true membership groups.

As the first model specification, based solely on demographic and socioeconomic variables, produced a higher computed Wilk's Lambda than the second, it may be regarded as having less discriminatory power than the second model specification.

Comparison of the eigenvalues indicates that the second model specification is able to account for a significantly greater proportion of the predictive variability than the first. A comparison of the canonical correlations indicates that the second discriminant function is also more closely related to the dependent variable, charitable giving, than the first.

The initial model specification is able to account for only 6.5% of the variation in charitable giving. In rather sharp contrast, the second model specification is able to account for 17.2% of the variation in charitable giving.

Comparison of the group means or centroids indicate that the second model specification achieves greater overall

separation of the non-donor and donor membership groups than the first.

Based on these statistics, the second model specification must be regarded as a meaningful improvement over the first. Comparison of the classification results for each discriminant function permits further evaluation of the two models.

Cases were first classified according to the default classification rule which assumes equal size between the membership groups in the dependent variable, or alternately, equal probability of membership.

Using this initial procedure, the second model specification was able to correctly classify 84.1% of the cases overall (Table 29). This rate not only exceeds the rate of 50% expected by chance alone, but represents a notable improvement over the first model specification which was able to correctly classify 68.1% of the cases overall, using the same procedure (Table 19).

The increase in the overall classification rate from the first to the second model specification appears to have occurred because of a 17.9% increase in the percentage of donors who are correctly classified. The difference between the percentages of non-donors correctly classified is negligible.

The classification rule was then adjusted for group size. Using this classification procedure, the second discriminant function was able to correctly classify 89.9% of the cases

overall (Table 30), whereas the first was able to correctly classify an impressive 91.1% of the cases (Table 20).

However, gains in the overall classification rate for both model specifications occurred at the expense of the classification rate for the non-donor group. For example, using the first discriminant function to classify cases, 0.0% of the non-donors were correctly classified while 100.0% of the donors were correctly categorized (Table 20)!

The misclassification rate was not so severe when the second model specification was used to classify cases: 60.8% of the non-donors and 5.1% of the donors were incorrectly classified (Table 30). As this second procedure grossly misclassified the non-donor group for both model specifications, classification based on group size cannot be regarded as a satisfactory procedure.

A third classification procedure once again employed the default rule, but on two equally sized groups. A random sample was drawn of the largest group, the donors, to more closely balance the two groups in terms of size. The first model specification achieved an overall classification rate of 70.8% (Table 21), in contrast to the second which produced an overall classification rate of 77.0% (Table 31).

The results obtained during the classification stage of the discriminant analysis therefore illustrate that the second model specification is most capable of predicting group membership.

In closing, comparison of the two discriminant analyses highlights the superiority of the second model specification over the first. Therefore, the addition of relatively unexplored variables such as philanthropic catalysts, potentially related behaviors and attitudes must be viewed as a significant improvement upon the initial model specification.

It remains to determine which classification procedure is most appropriate and satisfactory. As noted previously, the second classification scheme cannot be regarded as a sound means of assigning group membership because it produces a high rate of misclassification for the non-donor group.

If the major goal of the classification stage is to achieve a high overall classification rate, the first procedure should be preferred over the third. The default procedure achieves a higher overall rate of classification because it is more adept at classifying members of the largest membership group, that of donors.

If, however, the goal of classification is to maximize the proportion of both groups which are correctly classified (and thus, balance the group misclassification or error rates), then the third classification procedure should be preferred over the first.

The following, and last chapter will summarize the findings of this study.

CHAPTER SIX

CONCLUSION

Philanthropy is a vital part of Canadian society. Each year millions of Canadians donate money, and volunteer their services to the thousands of registered charities in Canada. Despite this fact, the study of philanthropy is a relatively recent phenomenon. The need to acquire a greater understanding of this highly significant, yet understudied aspect of our society has served as the primary impetus for this study.

The primary objective of this thesis has been to identify those factors which are most capable of explaining, and predicting private charitable giving. The following steps were taken to this end.

The second chapter of this thesis explored the literature dealing with philanthropy and nonprofit organizations. There is no one theory which explains all philanthropic activity. Instead, there are a number of theories, at various stages of development, addressing different aspects of philanthropy.

Five theoretical approaches to philanthropy were examined, namely: the public good theory of philanthropy, the private good theory of philanthropy, the public choice theory of voluntary sector formation, the sectoral relations approach to philanthropy, and studies of elite philanthropy. These theoretical frameworks approach philanthropy as a commodity, as a mechanism for providing certain goods or services, and

lastly, as an institution shaping social interaction, predominantly between the social classes.

No literature could be found to speak to the question of whether philanthropy is properly a public good, or a private good. Although the private good theory holds the most promise for explaining philanthropic behavior, the vast array of philanthropic goods and services raises the possibility that "publicness" and "privateness" for lack of better terms, depends upon what specific philanthropic good is at issue.

Moreover, the stark differences in perceiving of philanthropy as a private, as opposed to public good, suggest it is important to distinguish amongst philanthropic goods and services where possible. In future, it may prove useful to model philanthropic behavior separately by type of recipient. For example, philanthropic behavior could be modeled according to whether it involves goods and services in the areas of health, welfare, education, or culture.

The public choice theory signals the need to develop concepts and theories capable of capturing the diverse activities of the nonprofit sector. The time has come to try and explain the existence of the philanthropic sector in terms of factors other than market and state failure.

Given the provocative sectoral relations literature, it seems important to incorporate variables measuring individuals' perceptions of their responsibilities, and the responsibilities of the public, private and nonprofit sectors,

in future study. It remains to determine how changes in these roles will affect the nonprofit sector, and by extension, private philanthropy. Are researchers correct in asserting that nonprofit organizations are undergoing crises of identity and legitimacy? Will these crises adversely affect public confidence in the mission and activities of charities?

Looking at the literature as a whole, there is little evidence to suggest that links have been forged between the various theoretical approaches and empirical research, with the possible exceptions of the negative model of government transfers, and studies of elite philanthropy.

It may be worthwhile to seek connections between theoretical interpretations of philanthropy, and empirical studies describing philanthropic attitudes and behavior. Currently, it is somewhat of a challenge to relate the economic, political and social context of philanthropy to studies of actual philanthropic behavior.

In recent years, researchers in the field of philanthropy have ventured away from government taxation data and household expenditure surveys as the primary source of data for empirical study. Surveys of philanthropic attitudes and behavior have emerged as a relatively new source of information about private philanthropy. Their most notable attribute is that they provide a wealth of information about the potential donor population. In so doing, they offer the

researcher considerable latitude in selecting variables for analysis.

The literature dealing with elite philanthropy suggests that qualitative methodologies hold great promise for the study of private philanthropy. These studies capture subtle details about potential donors' philanthropic attitudes and behavior unlikely to be gleaned elsewhere.

Perhaps most significantly, this review of the literature signifies the need for distinctly Canadian research. Most of the literature highlighted in this review has been drawn from American and British sources. Any inferences drawn from this literature must be made cautiously for this reason.

The third chapter of this thesis explored the attitudes of donors and non-donors towards charitable giving and nonprofit organizations for two reasons: to obtain a better understanding of how the potential donor population perceives philanthropy and nonprofit organizations; and to identify those attitudinal measures which seem to have the greatest capacity to influence donation behavior.

Using data from a nationally representative survey of Canadian philanthropic attitudes and behavior, sixteen attitudinal variables were crosstabulated with the propensity to donate to charity. Nine of the contingency analyses proved to be statistically significant, illustrating meaningful differences between the attitudes of donors and non-donors.

Briefly, non-donors are less likely to hold favorable perceptions of the activities and role of nonprofit organizations, less inclined to accept personal responsibility for supporting charities, more likely to react negatively to frequent requests to donate, and have a greater tendency to feel charitable giving is unimportant.

The results of the contingency analyses suggest that on the whole, Canadians hold generally positive attitudes towards philanthropy and charitable organizations. Most significantly, these findings indicate that philanthropic behavior is generally congruent with attitudes towards philanthropy and nonprofit organizations.

The fourth chapter of this study consisted of a discriminant function analysis of fifteen demographic and socioeconomic variables to distinguish donors from non-donors. The purpose of this model was twofold: to determine how successfully demographic and socioeconomic variables can explain charitable giving, and to select a subset of variables for further analysis.

Of the fifteen variables presented for entry as predictors of charitable giving, seven successfully distinguished the non-donor and donor membership groups in the dependent variable. They are namely: household income, marital status, age, club membership, religious attendance, length of residence in the community, and ethnicity. The most powerful demographic and socioeconomic determinants of charitable

giving are the variables household income, and single marital status respectively. The least powerful determinants are length of residence in the community, and French ethnicity.

This initial discriminant function was able to achieve modest separation of the non-donor and donor membership groups, and explains 6.5% of the variation in charitable giving. Using the default classification procedure, the discriminant function was able to correctly classify 68.1% of the cases into their true membership groups.

The second model specification, developed in Chapter Five, is based on the analyses conducted in previous chapters. This model incorporated the following elements: antecedent influences (demographic variables), a measure of the ability to donate (household income), possible catalysts (being asked to donate and awareness of tax incentives), potentially related or reinforcing behaviors (voluntarism and budgeting for donations), and attitudes towards philanthropy and nonprofit organizations.

Of the sixteen variables presented as predictors of charitable giving, twelve successfully distinguished the donors from non-donors: being asked to donate, voluntarism, household income, awareness of tax incentives, attitude toward nonprofit organizations' contribution to the community, marital status, budgeting for charitable donations, religious attendance, length of residence in the community, attitude toward the importance of supporting charities, attitude toward

the importance of charitable giving to the community, and ethnicity.

The four most important determinants of charitable giving are, respectively: being asked to donate, voluntarism, household income, and awareness of tax incentives for charitable giving. The four weakest predictors of charitable giving are the variables length of residence in the community, attitude towards the importance of charitable giving to the community, attitude towards the importance of charitable giving to the community, and ethnicity.

This second model represents a substantial improvement over the first. In addition to achieving greater overall separation between the non-donor and donor membership groups, this second specification explains 17.2% of the variance in charitable giving. Its superiority is also reflected in the fact that the discriminant function was able to correctly classify 83.9% of the cases in the sample into their true membership groups using the default classification procedure.

The results of this study indicate that demographic and attitudinal variables clearly influence philanthropic behavior. In particular, these variables are highly suggestive of a link between the potential donor's sense of community, and his or her philanthropic behavior.

The importance of possessing the financial means to donate should be underscored. However, possessing the ability to donate, and a favorable disposition towards charitable

giving is not sufficient to explain donation behavior. Two additional factors play critical roles in determining whether or not an individual chooses to donate: stimulants or catalysts of philanthropy, and related or reinforcing behaviors.

The performance of the variable being asked to donate suggests that philanthropy is primarily reactive in nature. Although an individual may possess both the means and the favorable disposition to engage in charitable giving, he or she must be prompted to donate. One explanation for this finding is that philanthropy assumes such a limited share of our consciousness, and assumes such a low level of priority, that the potential donor must be reminded, encouraged or pressured participate. This represents an interesting hypothesis for further research.

The performance of the variable having volunteered for a nonprofit organization suggests that previous philanthropic behavior may be an important determinant of future philanthropic involvement. Rather than competing with one another, the findings of this study imply that philanthropic commitments reinforce one another.

As this study has been exploratory in nature, its results must be interpreted with caution. Further research is required to confirm the findings of this study.

APPENDIX ONE

DATA

The Decima - Canadian Centre for Philanthropy survey (1987) was conducted by means of telephone interviews. Each questionnaire was composed of 135 items, and took approximately 40 minutes to complete. Weekday interviewing was conducted between 5:30 p.m. and 10:00 p.m., while weekend interviewing was conducted between 10:00 a.m. and 5:00 p.m. (Decima Research 1988).

A multi-stage sampling technique was used to gather the data for this survey. Respondents had to be Canadian residents age 18 years or more. Males and females were preselected prior to interviewing, to ensure that male and female respondents were selected in the same proportion as in the general population (Decima Research 1988).

The sampling procedure used for this survey is based upon the link between the geographic location of individual telephone exchanges and the enumeration areas defined by Statistics Canada.

According to Decima Research (1988), telephone companies divide their service regions into smaller areas which are defined by the switching center serving them. The geographic boundaries of each area can be mapped and compared to census data. In this way, the population figures for each area can be determined, as can the number of respondents to be surveyed. Individual telephone numbers were selected using a

computerized random number generation program employing random start, and fixed interval methods (Decima Research 1988).

Given this procedure, the sample is only representative of Canadians who have direct dialing telephone service. Thus, the sampling procedure automatically excludes Canadians accessible only by a telephone servicing a large number of people (such as senior citizen homes, hospitals and Indian reserves), Canadians having only radio-telephone service, and Canadians having no telephone service at all (Decima Research 1988).

APPENDIX TWO

Evaluation of Assumptions

The variables presented as predictors of charitable giving in model specification one (Chapter Four), and model specification two (Chapter Five) were examined to determine whether they satisfied the assumptions of linear discriminant function analysis.

One of the most important assumptions of multivariate statistical analysis is the multivariate normality of the independent or discriminating variables. In order for variables to be multivariate normal, they must be independently or randomly sampled from a population of scores. The sampling distribution of a combination of predictor variables must also be normally distributed.

If a set of variables has a multivariate normal distribution, each variable in the set has a univariate normal distribution. The reverse is not necessarily true. However, the probability of having a multivariate normal distribution is greatly increased if the variables are univariate normally distributed (Tabachnick and Fidell, 1983: 79).

Nonnormal or skewed distributions present difficulties to multivariate techniques. The performance of the linear discriminant function in nonnormal situations can be very misleading (Dillon and Goldstein, 1984: 381). If multivariate normality is violated, significance tests and estimated classification error rates may be biased. Nonnormal

distributions appear to have the least pronounced effect on the discriminant function in cases where each variable is bounded above and below, rather than having an infinite range (Dillon and Goldstein, 1984: 381).

Discriminant function analysis is highly sensitive to the inclusion of outliers (Tabachnick and Fidell, 1979: 511). As outliers have such extreme values, they unduly influence the size of the correlation coefficient, the average value for a group and the variability of score within a group (Tabachnick and Fidell, 1983: 72-73).

In order to determine whether the assumption of multivariate normality was satisfied, frequency distributions, histograms and univariate statistics were examined for the variables composing each model specification.

It is readily apparent that the dependent or grouping variable charity is quite skewed, for of 88.6% of the total cases in the sample belong to the donor group. Unequal group size does not pose a problem however, because discriminant function analysis is essentially a one-way analysis of variance (Tabachnick and Fidell, 1983: 299).

Seven of the independent variables in the first model specification were noticeably skewed, namely: children at home, religion, religious attendance, employment status, length of residence in the community, community size, and club membership. Similarly, seven of the variables in the second model specification were moderately skewed: religious

attendance, length of residence in the community, club membership, budgeting for charitable donations, having been asked to donate to charity, attitude towards the importance of supporting charities, and attitude towards charitable giving as one of the most important things one can do.

Discriminant analysis is robust to failures of normality if violation is caused by skewness rather than outliers (Tabachnick and Fidell, 1983: 300). Each variable was checked for outliers. None were found.

According to Tabachnick and Fidell (1983: 300), the robustness of statistical procedures need not be worrisome with large samples. The greater the difference between groups in sample size, the larger the overall sample size necessary to assure robustness. As a conservative estimate, robustness can be expected within 20 cases in the smallest group if there are only a few predictors (Tabachnick and Fidell, 1983: 300).

Given the overall sample size is quite large, and the size of the non-donor membership group sufficiently outnumbers the independent variables presented in specifications one and two, failure of multivariate normality seems unlikely. As such, it is not expected to pose a threat to this analysis.

A second important assumption of discriminant analysis is that the variance-covariance matrix of the independent variables in each of the groups of the dependent variable are the same (Dillon and Goldstein, 1984: 362). This assumption is known as the homogeneity of the variance-covariance matrix.

When the variance-covariance matrix is heterogenous, the groups in the dependent variable tend to be unequally dispersed. Consequently, the significance test for the differences between the group means, and the classification rule are adversely affected (Dillon and Goldstein, 1984: 363).

A test for the homogeneity of the variance-covariance matrix should be conducted when the sizes of the groups in the dependent variable are unequal and small, and when classification is an important objective (Tabachnick and Fidell, 1983: 379). One such test is Box M's test.

As Box M's test is highly sensitive, results can be disregarded if sample sizes are equal. If sample sizes are unequal, and Box M's test is significant at $p < .001$, robustness is not guaranteed (Tabachnick and Fidell 1983: 379). In this event, the variance-covariance matrix for each group in the dependent variable needs to be examined. If cells with larger samples produce equal, or larger variances and covariances than cells with smaller samples, robustness need not be worrisome (Tabachnick and Fidell, 1983: 379).

For the first model specification, Box M's test is significant at $p < .001$. As the results of this test are significant, and the two groups in the dependent variable are unequal in size, the variance-covariance matrices for each group were examined. On the whole, cells with larger samples produced equal, or larger variances and covariances than cells with smaller samples.

For the second model specification, Box M's test is significant at $p < .000$. Given the results of the test are significant, and the two groups in the dependent variable are unequal in size, the variance-covariance matrices for each group were examined. Cells with larger samples generally produced equal, or larger variances and covariances than cells with smaller samples.

In the case of both model specifications, inspection of the variance-covariance matrices suggested violation of this assumption was unlikely to pose a threat to either analysis.

Linearity is an important assumption for multivariate statistics because they are based on a general linear model, and tend to be sensitive only to the linear component of the relationship between the variables (Tabachnick and Fidell, 1983: 80). Violation of this assumption poses less of a threat to the analysis in that it leads to reduced power, rather than an increase in Type I error - rejecting the null hypothesis when it is in fact true (Tabachnick and Fidell, 1983: 301). The power of the discriminant function is reduced because the linear combinations of the independent variables fail to maximize the separation of the groups in the dependent variable, and the covariates do not maximize the adjustment for error (Tabachnick and Fidell, 1983: 379).

Testing for linearity was simplified by the fact that the dependent variable is dichotomous, and many of the variables presented for entry as predictors of charitable

giving had to be transformed into a series of dummy variables. Consequently, relationships between the dependent and discriminating variables are linear in nature.

Multicollinearity can be defined as a case where two variables in a matrix are perfectly or nearly perfectly correlated, and exhibit a similar pattern of correlation with the other variables (Tabachnick and Fidell, 1983: 82). Singularity can be described as a situation in which one score is a linear combination of others. Both multicollinearity and singularity reduce the discriminatory power of the discriminant function.

Although stepwise discriminant function analysis guards against multicollinearity and singularity by testing a variable's tolerance at every step of the analysis, Pearson correlation matrices for the variables composing the first and second model specification were produced. Inspection of the two matrices revealed no threat to this analysis.

Careful thought should be given to the number of variables included in an analysis. Tabachnick and Fidell (1983: 17) suggest obtaining the best solution with the fewest variables as possible. The continuous addition of variables in the analysis usually results in a marginal improvement from the initial specification. Moreover, the overall power of the analysis diminishes because this improvement does not compensate for the cost (in degrees of freedom) of including more variables (Tabachnick and Fidell, 1983: 17).

At an extreme, so many variables may be included in the model relative to the sample size that the model provides an artificially good fit to the sample, but does not generalize to the population. This condition is known as overfitting.

According to Tabachnick and Fidell (1979: 511) the sample size of the smallest group in the dependent variable should exceed the number of predictor variables because "overfitting occurs with all forms of discriminant if the number of cases does not notably exceed the number of predictors in the smallest group." As the size of the smallest membership group clearly exceeds the number of variables presented for entry as discriminating variables in model specifications one and two, overfitting does not appear to be a concern for either analysis.

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