

SPONSORSHIP AND CHARITY: THE ETHICAL ARGUMENTS

Antonio Argandoña

SPONSORSHIP AND CHARITY: THE ETHICAL ARGUMENTS*

Antonio Argandoña¹

Abstract

Philanthropy, donorship or sponsorship are frequent activities of corporations in response to demands of people in need, or associations or institutions devoted to various activities: welfare, research, education, arts, and sports, among others. The nature and character of these activities can change a lot in time and place, depending on a variety of circumstances.

Nevertheless, in recent years a new interest in the ethical foundations of philanthropy has developed as a result of economic, political and ideological changes in Western societies. Now that capitalism seems to have emerged as the winner in the systems' confrontation (although this victory is still subject to debate), it seems to be a good occasion to re-discuss the ethical issues that emerge around it.

For this reason, we need to discuss the different positions on the ethical foundations of philanthropy, donorship and sponsorship, ranging from those that deny its morality to those that base it on the exercise of personal freedom, or on some kind of personal participation for the sake of society or religious duty, etc.

* Paper presented to the Third European Conference on Business Ethics, Milano, 3-5 October 1990

¹ Professor, Financial Management, PricewaterhouseCoopers Chair of Finance, IESE

SPONSORSHIP AND CHARITY: THE ETHICAL ARGUMENTS

Introduction

Business firms receive frequent requests for donations and gifts from individuals or institutions of very different types. An artist looking for a sponsor, a local soccer team in financial difficulties, a community school planning to build new facilities or buy some computers; even unemployed workers or poor widows may apply to firms or wealthy individuals for financial help. When doing so, they are claiming either their supposed personal right to a part of the wealth of other individuals or institutions, or at least their right to call upon the sentiments or moral duties of wealth holders towards those in need.

From the donor's point of view, the desire to give is deeply rooted in many people, institutions and firms. Very frequently they organize their acts of charity or sponsorship so that they can be carried out with efficiency and order. Using these criteria, big firms and wealthy people sometimes create foundations and direct their gifts and help towards these institutions. Or they sponsor art exhibitions, sports teams, schools or community activities, sometimes as mere advertising or public relations campaigns, but frequently as simply an act of charity. People and institutions, rich or not-so-rich, give alms to occasional claimants when the need is felt; sometimes they have a specific budget for these activities, or allocate a certain percentage of their profits.

The ethical problems created by donations, charities and sponsorship are important, and have grown in recent years. The great foundations have impressive wealth and, therefore, great power.¹ Should somebody control this power? If the answer is in the affirmative, is the

¹ The total assets of the most important U.S. foundations in the year ending in 1988 were (in billions of U.S. dollars):

The Ford Foundation	5.0
W.K. Kellogg Foundation	3.2
John D. and Catherine T. MacArthur Foundation	2.8
The Pew Charitable Trusts	2.5
The Roben. Wood Johnson Foundation	2.1
Lilly Endowment Inc.	2.1
The Rockefeller Foundation	1.8
The Andrew W. Mellon Foundation	1.6
The Kresge Foundation	1.1

government entitled to do this? Or would it be better as a function of society - as private foundations are a means to decentralize and disperse the power of the State?

Are some donorships or sponsorships preferable to others? Is a Formula One car racing team sponsorship as proper as a program of teaching handicapped children? Should the donor be concerned with the results of the research he or she is financing? Is it relevant, from the ethical point of view, whether money be directed towards sponsoring an elitist sport, like polo, or a violent and dangerous one, like boxing? What if a cricket team my firm is sponsoring plays a tournament in South Africa or in Mainland China? Is there any general criterion for making a choice between different requests for help? Is it ethical that the donor receives the benefits of prestige of his or her charity? Is it suitable to donate just for advertising?

Even more basic questions arise. Do I have a duty to give alms or to help needy people? Why? How much money must I devote to this activity?

In this paper I will obviously not give an answer to all these questions. My purpose is only to discuss the most basic one: the ethical reasons for corporate sponsorship, donations and charity.

The last decade of the century seems to be a good time to discuss this subject. The oil crisis and recession of the 1970s and early 1980s reduced firms' profits and, consequently, the amount of resources available for donorship. Simultaneously, the demand for help increased; as the State budget showed big deficits, welfare priorities changed, and more people were in need. And, at the same time, the leftist criticism of business got stronger. Charity was challenged as a paternalistic, bourgeois attitude, and as a cover-up for the fundamental faults of the capitalistic system; it was argued that the solution should be a drastic social and political reform instead. In this case, private philanthropy would be deleted, and its task attributed to the State.

But toward the end of the 1980s, the economic, social, ideological and political scene greatly changed. Business is once again an honorable task, and money flows once again to charity and philanthropy organizations. The role of the State is being revised or, at least, challenged; private initiatives are again well valued, and the social responsibility of business is now widely recognized - but it is also increasingly challenged, for reasons other than those prevalent before, like the protection of the environment, the defense of human rights, or a new sensitivity to justice. But, weren't the 1970s proof the superiority of the capitalistic system? Is not efficiency the rule of the triumphant market? If so, is there any role for corporate philanthropy?

("Philanthropy, meet controversy", *The Economist*, January 13, 1990, pp. 43-44). Big foundations are mainly an American phenomenon; there are also important ones in other countries (Nuffield in Great Britain, Nobel in Sweden, Aga Kahn in the Islamic world, Gulbenkian in Portugal, etc.), but they are neither as rich and influential, nor as numerous as in the United States.

Forms of Business Philanthropy and Charity

Our subject is a fuzzy one because of the variety of situations we are talking about. And I will not try to define it further. I will refer then to charity, philanthropy, donorship or sponsorship² as voluntary activities of a firm (or person) involving the spending or consumption of money or other resources (including the time of their owners, managers and/or employees), whose goal is helping other people or institutions (usually non-profit) in their financial needs, or social, cultural, artistic, sporting or charitable activities - i.e., activities that have an important non-market component. They can render this help directly or through foundations, associations or other intermediate institutions, but never directly linked to the business of the firm - and, therefore, with no clear direct profitability for it.

The basic features of our subject are: (1) its voluntary character (as opposed to taxation or social security contributions); (2) its goal (helping needy people or charitable, social, non-profit organizations), and (3) its lack of a direct link to the business and profit of the firm. This last point may be difficult to assess: neither advertising campaigns, nor the contribution to the employers' associations are included in our subject, but some forms of sponsorship should be included (especially when there is no proportional relationship between expenditure and its economic result), because the difference between advertising-sponsorship and philanthropy is vague.

From the point of view of neoclassical economics, if the marginal cost of a sponsorship project is equal to its (expected) marginal income, we are in the presence of pure advertising; but if marginal cost is greater than marginal income, we are faced with at least some sponsorship. Nevertheless, this criterion is far from certain, as it applies only in (long- run) equilibrium, in the context of pure profit maximization, without any kind of non-pecuniary costs and incomes, etc. At any rate, sponsorship is (or may be) a mixture of profit-oriented advertising and non-profit making philanthropy, so that our comments regarding the ethical foundations of philanthropy may be applied to sponsorship, at least in part.

Philanthropy is a very old human activity, both as *inter vivos* gifts, alms or donations, or as *mortis causa* bequests or legacies, and also as a personal, family, group, firm or public task.³ In the beginning, its goal was mainly to address specific needs (charity), a much needed activity in poor underdeveloped societies, which has been encouraged by all religions. Alms or funds were provided very early on in history for the medical care of the sick, the shelter of pilgrims, and the ransom of captives, attending to the poor or the religious community. In the Middle Ages, the Church provided for the foundation of universities, and in the Renaissance, wealthy citizens sponsored artists. The modern forms of private, institutionalized and organized philanthropy,

² *The New Webster's Dictionary* defines *charity* as "almsgiving; the private or public relief of the poor; a charitable act or work; a charitable bequest, foundation, or institution," among other meanings. *Donation* is "The act of giving or bestowing; that which is graciously given; a grant; a gift." *Philanthropy* is "Love of mankind, esp. as shown in practical efforts to promote well-being by donating to needy causes; such benevolent activity or a particular instance of it." A *gift* is defined as "That which is bestowed without charge; a present; a donation," among other meanings. The word *sponsor* applies to "One who binds himself to answer for another; one who is responsible for another's default; a firm which finances the broadcasting of a television or radio program and receives in return the advertisement of its service or product," this last meaning being also applicable to other activities, like sport teams or tournaments, art exhibitions, and many others.

³ For a brief history of philanthropy see Ross (1968) and Andrews (1968).

with open aims and active fund-raising is very recent⁴ although there were many examples of specific, organized charities in history, mainly under the patronage of churches. Specifically, the involvement of business firms in charitable initiatives seems to be an American phenomenon dating back to the end of the XIX century.

The increasing role of the State in charity is also a recent trend, and a developing one. Nevertheless, in recent years this role has been seriously challenged. First, because of the conflict between limited public revenues and the increasing demand on them, which has forced the State to leave many of those demands to private initiatives. Second, because of the increasing resistance to the growth of the public sector for ideological and practical reasons. And third, because civil society increasingly claims the right to take a chief role in the solution of many problems - the so called *emergence* of civil society.⁵ For this reason, many private initiatives remain in individualistic and capitalistic countries - and an increasing number of foundations are currently being created in eastern European countries.⁶ Those initiatives contribute positively to the structuring of a plural multi-headed society in which a number of intermediate groups take care of poor relief, art sponsorship, social development, etc., in a spontaneous - but not unchallenged - division of work.

The Ethical Foundations of Philanthropy

In this section I will discuss several of the ethical foundations proposed for the phenomenon of corporate philanthropy, sponsorship or charity. I will not review the arguments according to the different ethical schools, but rather will group them in accordance to their similarities or effects.

1. Firms should not engage in philanthropic activities

There are several variants of this argument. Perhaps the best known one is Milton Friedman's thesis *that there is no social responsibility for business other than to make profits* (Friedman, 1962, Ch. 8). Therefore, either philanthropy is an efficient way of making profits, or the responsible manager should turn it down. In fact, Friedman argues that to encourage any social responsibility for business other than making profits and obeying the law, is, in fact, a social wrong.

This is not the place to discuss this much debated thesis again. Nevertheless, I would like to make several comments on it.

1) Social responsibility is a very broad concept: in a sense, *all ethical behavior in business is a form of social responsibility*. However, Friedman puts special emphasis on such extra- or even anti-market responsibilities as the voluntary control of prices and wages, fighting inflation, or the voluntary restraint of exports, etc. I agree that, in perfect competition, a firm cannot do this

⁴ This form of an open-aims foundation, with great freedom of action and directed to as broad a goal as "the promotion of the welfare of mankind" seems to be the idea of Andrew Carnegie (1962).

⁵ This is more an American than a European phenomenon, but increasing everywhere.

⁶ There are interesting data on foundations in different countries in Stone (1989), Welling (1989), Joseph (1989), and Hondius (1989).

task: it has neither the means nor the incentives to do it. But firms have many other responsibilities, whether they are big or small, even in competitive environments. There is the need to treat the employees as human beings, creating an atmosphere of co-operation and personal development, and so forth. Friedman would argue that these are pure market behaviors with no place for other considerations; but this only means that his list of human motivations is too limited.

2) Friedman also argues that, if we give managers special social responsibility, we will give them a power they are not entitled to have. He argues that they cannot know what their responsibility is, and that they, as mere private citizens selected by the owners of the firm, who are also private citizens, are not qualified to decide what is in the best social interest.

Friedman shows an individualistic approach here, completely separating private from public affairs. The first would be the exclusive task of individuals, either alone or in association, with no role for the State in this field. Conversely, public affairs would be only public, and no private person or association would be entitled to manage them.

But there is another way of looking at the problem. Of course, there are private issues which are the responsibility of private citizens, alone or in association; and there are public affairs that have to be dealt with in the public sector - like taxation, defense and the administration of justice -, even when there is a liberal, individualistic approach. But there are also many private activities which have social consequences, in which individuals should exercise their social responsibilities - and the State will always be unable to act as a total umbrella for them. And there are also many forms of social activities that a citizen, alone or in association with other citizens, may and ought to do, as a part of his or her social responsibility. *Giving the managers personal and social responsibility is not putting into their hands all of the public interest, but merely recognizing their part in the social good of the community.*

The confusion between the social responsibility of the individual or the firm, and the public responsibility of the State is a consequence of an incomplete conception of man. It also gives rise to an erroneous conception of the State. The individualist limit the role of the State to providing a minimum of public services: defense, justice, foreign affairs, etc. (Gray, 1986). On the other side of the spectrum, the collectivistic State monopolizes the common good and obstructs any social initiative by citizens, firms and other social groups. A more balanced conception of man and society offers a different division of functions; individuals, alone or in association, are responsible for their own personal good, but also for co-operating for the good of their associations and of society as a whole. And the State should not promote a part of the common good, but should foster, stimulate and carry out individual initiatives in *everything* necessary for the social good (Finnis, 1986).

3) Nevertheless, it is difficult for me to understand why Milton Friedman, as a defendant not only of the free market but also of free society, can deny a role to business managers in the tasks of this society other than purely as managers. The reason may be not his conception of man, limited as it is, but his thesis that everybody is entitled to exercise social responsibilities in the form of charity and philanthropy, except the managers of firms, since they are not the owners of its capital. This leads us to our next argument: *charity should be the responsibility of the shareholders, not of the managers.* (This means that Friedman accepts the social responsibility, but places it with the individuals as owners of the firm, i.e., with the stockholders.)

The argument is valid if the firm does not have a personality different from that of its owners. However, if we understand the firm as a community of persons, not just as a contract between the owners of the capital and the owners of other resources, then there is a place for responsibility on the part of the firm which is *different* from that of its stockholders. Nonetheless, it would take us too far from this theme to enter into a discussion about the ethical and legal personality of the firm.

In spite of this, charity and philanthropy may also be appropriate activities for the firm if there is *an explicit or tacit consent that managers are the administrators of those activities*. There are frequent examples of these:

- 1) In several family businesses, a foundation channels the funds towards philanthropic activities.
- 2) There may be economies of scale in managing philanthropy.
- 3) The charity initiatives of the owners may have consequences for the firm (for instance, positively or negatively affecting its name or prestige), etc.

Nonetheless, there is another ethical argument for managers assuming at least several of the tasks of the capital owners. Whatever the social responsibilities of capitalists are, we have witnessed very important changes in the way the owners of capital assume them or decline them. The development and spread of financial markets, their speculative dimension, the increasing role of collective investment, the boom in mergers and acquisitions, and the search for balanced portfolios without consideration as to their specific composition, are several of the causes underlying the changes in the traditional relationship between ownership and control.⁷ This is a good reason to give a special role to the firms - *i.e.*, to their managers - in philanthropic decisions. Nevertheless, Friedman's caveat on the rights of the owners has to be borne in mind more than before, as the traditional relationship between the watchful capitalist and the docile manager may no longer be valid.

Let's return to our main argument and to other variations of it besides Friedman's. One of them considers that *business philanthropy is something from the past*, when poverty and need were the common state of the majority of people. The differences in wealth were then so enormous that it was impossible to deny a duty to help. However, in our opulent society, where the State takes charge of those in need this would not be so clear cut (Jordan, 1959).

This argument is based on a narrow definition of need and poverty, and is applicable only in the world's wealthiest countries - and even in these countries, it is easy to find many situations of need. Moreover, if we accept that there is some responsibility on the part of the individual and firm to the common good, then there is also a role for private charity. And what about the sponsorship of arts, culture, science, sports, etc., that cannot be provided by the welfare State?

A third point of view argues that *donorship is always a kind of greed, pride and superiority*. Nielsen (1972, p. 311) cites John Steinbeck: "Perhaps the most overrated virtue in our list of shoddy virtues is that of giving. Giving builds up the ego of the giver, makes him superior and higher and larger than the receiver. Nearly always, giving is a selfish pleasure, and in many cases is a downright destructive and evil thing. One has only to remember some of the wolfish

⁷ A vivid description of these changes is provided in "Punters or Proprietors? A Survey of Capitalism", *The Economist*, May 5, 1990.

financiers who spend two thirds of their lives clawing a fortune out of the guts of society and the latter third pushing it back. It is not enough to suppose that their philanthropy is a kind of frightened restitution, or that their natures change when they have enough. Such a nature never has enough and natures do not change that readily. I think that the impulse is the same in both cases. For giving can bring the same sense of superiority as getting does, and philanthropy may be another kind of spiritual avarice.”⁸

No doubt this description may be real in many cases. But to attribute these sentiments and attitudes to every donor would be plainly wrong. Moreover, giving is a good thing, and is compatible with man’s nature. The personal goals and circumstances of the donors may change the morality but not the general abstract value of their personal actions.

Sometimes, critics of corporate philanthropy and foundations argue that they have a *strong political bias* - either to the left or to the right, according to the position of the contender. Finally, philanthropy - especially in the form of foundations - may be used to exercise power in politics, or to influence public opinion, to promote social change, etc. The previous comments on the virtue or vice of giving would be applicable here.

2. A special ethical foundation for corporate philanthropy is not necessary

Some experts argue that sponsorship or donorship forms a *part of the ordinary business of the firm*, so that general ethical business reasoning would be applicable to them. This would be the case where philanthropy is a kind of public relations or advertising endeavor, as is probably the case in many sponsorship activities. Nevertheless, there are also many instances of donations without any specific reward in terms of the economic goals of the firm. This means that the ethical support for such activities has to be sought someplace else.⁹

Other people think that philanthropy is just *an exercise of personal freedom* in the use of wealth and, therefore, a specific ethical foundation is not needed. This may be an additional argument, and probably a strong one, when defending private donorship from the interference of the State. However, since responsibility is the necessary companion of freedom, *the particular freedom to use wealth means also a particular responsibility*, as Andrews point out (Andrews, 1967, p. 6). We have to examine, then, if business firms have responsibilities which are different from those attributed to individuals - due to their power, their capacity, the separation between ownership and management, etc.

3. Philanthropy is a means of returning to society whatever the firm has received from it

When Friedman argues that business does not have any social responsibility, he recognizes an exception: the case of monopoly, oligopoly, or any kind of imperfect competition. This is because if the firm has a control over prices, it has the opportunity of making extra profits by limiting supply. In this case it might be justifiable to exercise donorship to return to the society at least a part of these profits.

⁸ Quoted in Cutlip (1965), pp. 526-527.

⁹ A variant of the previous argument is the case of foundations created by the owner of a firm to retain its control.

In general, firms - and also individuals - may have a *duty of justice to return to society the rents, quasi-rents, external economies, etc., they receive*, whose quantity and origin are usually unknown. For example, the high productivity of workers due to the achievement of publically financed education may give extra profits to the firms. Nevertheless, several caveats need to be made about this. First, these extra profits are usually transitory, because the workers, the owners of other factors, or the taxman captures them in the long term. (The exception to this are rents directly attributed to the firm or to the owners of capital.) Second, there are also diseconomies or social costs charged to the firm, to be deducted from that duty. Third, the exact amount of these external benefits is unknown, as is also their origin and nature. And fourth, there are many ways of returning these extra profits to society, and donorship is just one of them. In spite of this, the argument of returning to the society its unpaid benefits is a strong one as an ethical foundation of philanthropy.

4. Philanthropy as participation in social good

I advanced this argument when discussing Friedman's. In many traditions, like the Greek, Roman, and Judaeo-Christian, man is not an isolated individual; he is part of a social framework. There is, therefore, a strong link among men which creates a *social responsibility for each person towards other persons and towards society itself*. This does not mean that a person should sacrifice his or her freedom and self-realization for the sake of others, but that his or her freedom and self-realization should be accomplished along with other people. Contributing to the good of the society is then *not an external imposition* - the price we should pay for living in society, as in contractualist theories - *but a part of our own self-realization*, something I should do for my enlightened personal interest. This has a lot of implications in the field of ethics, and is also a foundation for donorship and charity.

Philanthropy may be, in fact, one means - but not the only one - to contribute to the social good. This is very far from an egalitarian society, where the State intervenes in every facet of life, and very different also from the policies that free-market economists criticize. If I am fortunate enough to have been born in a Western society in the 20th century, and to enjoy a high standard of living due to no personal merit, I may think that I should put at least a part of my wealth and/or income to the service of society and needy individuals. I may do this in different ways - and surely not through taxation, nationalization or other forms of State intervention. For example, I may invest my assets in a way that creates wealth, employment and opportunities for other people, while retaining control over my wealth and receiving the returns on my investment so that I may guarantee my family's income.

One obvious way of putting my wealth into the service of other people and society is through charity, philanthropy or donorship. For example, I may give part of my spare income to occasional alms, as every religion teaches, or make regular contributions to charities, or create a foundation to manage my wealth with a philanthropic goal.

This argument seems to me a strong moral foundation for corporate and personal donorship. This is *one* way in which the owners of the firm - and also the managers, on behalf of the owners and of the other stakeholders - may contribute to the social good, helping people in need, sponsoring arts, culture, sports and other social events, promoting research and education, supporting community initiatives, etc. It is *not the only* contribution of the firm to the social good, because the very production of goods and services useful for the society, the creation of meaningful jobs, the promotion of its employees, the production of value added, obedience to the law, etc., are other forms of exercise of social responsibility.

If every individual and society - business firms included - has a multiform responsibility towards the social good, *they have to be entitled to select the specific ways* they will contribute to it.¹⁰ Individuals and firms may help schools, universities, sports or arts, but they cannot build up the national army, organize the Department of Foreign Affairs, or administer justice.¹¹ These are tasks of the State which have a special but different part to play in the same social good.

There are other arguments that add to the previous ones. For example, private philanthropy may contribute *to reducing the role and intervention of the State, safeguarding free initiative, maintaining the spirit of volunteerism, etc.* These arguments do not provide new justifications for the ethical foundation of donorship, but they do add to the concern for the withdrawal of private initiative whenever State intervention grows.

5. Religious motivation

Every religion, from the old Egyptian and Brahmanism to Mahommedianism, from Judaism and Confucianism to Christianity, has specific commandments on charity and almsgiving, not only as external behavior, but as a sincere personal attitude. The religious motivation is paramount for many individuals - and accordingly for firms. Nevertheless, from our point of view, the religious motivation simply adds a new - and very important - dimension to the rational ethical foundations previously discussed.

6. Philanthropy and taxation

Several studies on donorship conclude that an important percentage of the money that business devotes to philanthropy and foundations is explained by the fiscal benefits given to them.¹² Does this mean that the real foundation of philanthropy is just a loophole in the tax law?

From the ethical point of view, this argument is related to those commented on before. If firms have the duty - and the right - to contribute to the social good through donorship, and if in so doing *they alleviate the duties of the State*, it seems ethically sound to give them certain fiscal advantages.¹³

Once this is accepted, several ethical problems remain, related to the just treatment of donorship in fiscal law. The level of tax credits or tax deductions has to be proportional to the

¹⁰ The fact that individuals and managers are entitled to care for the social good does not mean that it would not be recommendable to ask for the services of experts when organizing charities or when deciding to whom and how to give help.

¹¹ Although these forms of private contribution to the duties of the State were frequent in the past, as when Roman patricians equipped boats for the Empire, or the nobility lent their armies to the King in the Medieval Age.

¹² Nielsen (1972) contains references to many of these studies.

¹³ The private foundations have clear advantages over the government in many cases. They may be more dynamic, flexible and innovative; they may be ahead on social needs, warn about new problems, be selective in their goals, take provocative and even conflictive decisions without being partidistic; they may bring business experience and management to environments outside the market; they may have long term plans and budgets, further away from the public budget or from the election calendar, etc. These reasons explain the increasing number of public sector foundations, even in communist countries.

contribution of donorship to the social good (but, how can this be measured?); it has to be fair for the different donors as well as for the different uses of money; it has to be compatible with the freedom of the donor, but has also to defend the interests of society (are they the interests of government?) and the right to control; and it has to prevent the use of donorship as a means of tax evasion.

Conclusions and Final Comments

The previous discussion brings me to the conclusion that there are several sound ethical foundations for philanthropy and sponsorship. The main arguments are related: (1) to the freedom of firms to assign a part of their profits to social goals, carrying out their consequent responsibility¹⁴; (2) to the duty of individuals and firms to co-operate for the social good, and (3) to the obligation of returning to society the received net external economies and rents (and also the uncompetitive profits). Moreover, such reasons may help solve many other ethical questions related to this activity; for example, which criteria to follow in deciding the amount to be devoted to these tasks, in identifying the beneficiaries, and in establishing the ways of putting it into practice.

Let me conclude this article with several additional comments. First, *philanthropy cannot be a way of cleaning up illegal or immoral money*. In some cases, it may be a way to amend past unjust profits, but returning to society the money made with unethical means as a normal business practice is just ethical nonsense.

Second, *it is possible to receive something in exchange for charity* - a title, a name in the list of donors, an advertisement, etc. This may affect the personal merit - and motivations - of the donor, and may even change the nature of the action - from a donation to just a commercial operation. However, it does not change the ethical foundations of donorship.

It is also ethical to charge a price for at least some of the goods or services (books, art exhibitions, concerts, etc.) which the foundation sells to the public, provided there is no unjust competition to the tax-paying firms.

Third, philanthropy has frequently been a *waste of resources*. Many foundations end up being self-perpetuating, complacent, inefficient institutions that lose their nerve and their social function. There is also a long history of unethical behavior surrounding philanthropy.¹⁵ Sometimes these foundations have been used for political or social influence, or to mask plain business by exploiting their tax advantages. They have also been charged with paternalism, or with a wrong choice of goals or means. But these failures do not justify either the ethical opposition to sponsorship or political interference with it. Giving is a good thing, although it may be dirty, as every human activity may be. The role of business ethics is to help corporate donorship retain its virtues in every circumstance.

¹⁴ The Spanish Constitution of 1978 recognizes "the right to found for goals of general interest in accordance with the law" (art. 34.1), as derived from the right to property. Cfr. Yuste and del Campo (1989).

¹⁵ A brief summary of such history in Nielsen (1972), chapter 1.

References

- Andrews, F. E. (ed.) (1967), "Twenty Viewpoints", New York, Russell Sage Foundation.
- Andrews, F. E. (1968), "Foundations," International Encyclopaedia of Social Sciences, London, Macmillan.
- Carnegie, A. (1962), "The Gospel of Wealth, and Other Timely Essay," Cambridge, Ma., Belknap Press (the articles were written in 1886-1892).
- Cutlip, S. M. (1965), "Fund-Raising in the United States: Its Role in America's Philanthropy," New Brunswick, Rutgers University Press.
- Finnis, J. (1986), "Natural Law and Natural Rights," Oxford, Clarendon Press.
- Friedman, M. (1962), "Capitalism and Freedom," Chicago, University of Chicago Press.
- Gray, J. (1986), "Public goods and the limits of liberty," a paper presented to the General Meeting of the Mont Pelerin Society, St. Vincent, Italy.
- Hondius, F. W. (1989), "La ley sobre fundaciones en Europa y su tratamiento fiscal," Situación, 4.
- Jordan, W. K. (1959), "Philanthropy in England, 1480-1660: A Study of the Changing Patterns of English Social Aspirations," London, Allen and Unwin.
- Joseph, J. (1989), "Modalidades y alcance de las fundaciones en Estados Unidos," Situación, 4.
- Nielsen, W. A. (1972), "The Big Foundations," New York, Columbia University Press.
- Ross, A. D. (1968), "Philanthropy," International Encyclopaedia of Social Sciences, London, Macmillan.
- Stone, S. (1989), "Las fundaciones en Occidente," Situación, 4.
- The Economist* (1990), "Philanthropy, meet controversy," January 13, pp. 43-44. "Punters or Proprietors? A Survey of Capitalism," May 5.
- Welling, W. H. (1989), "Modalidades y alcance de las fundaciones en Europa," Situación, 4.
- Yuste, J. L., and J. A. del Campo (1989), "Apuntes históricos sobre fundaciones en España," Situación, 4.