

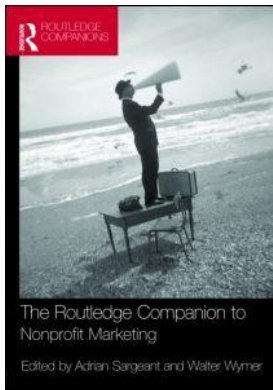
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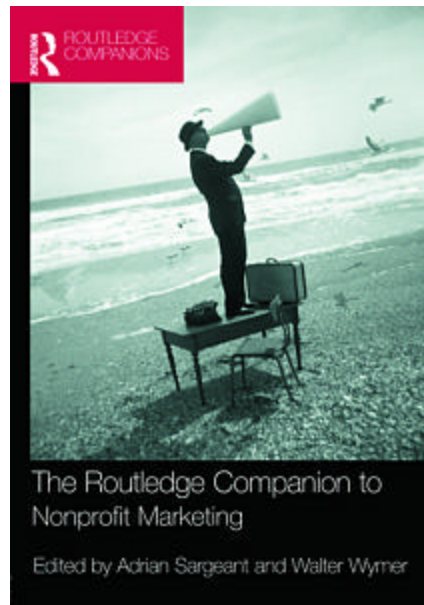
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Why the wealthy give

Factors which mobilize philanthropy among high net-worth individuals

Paul G. Schervish

Introduction

Why the wealthy give is both a commonplace and a distinctive matter. It is commonplace because the motives that generate philanthropic giving are for the most part what prompt people across the economic spectrum. Inquire of any individual, rich or poor, just why he/she gives and we will hear a similar array of factors that inspire his/her philanthropy, mainly identification or empathy with the fate of others, and gratitude for blessings in his/her life. There is, too, for all people the deep and reinforcing satisfaction that accompanies meeting directly the true needs of others.

Why the wealthy give is also a distinctive matter, for there are several factors that mobilize philanthropy, which are particular to those with substantial means. In particular are the motives of financial security, a desire to limit the amount of inheritance to heirs, and what I call hyperagency. The truly wealthy are those who are financially secure, having settled the economic problem of achieving indefinitely a desired standard of living for themselves and their heirs, and are now looking for an additional outlet for the productive use of their money. They, of course, provide substantial inheritances to their heirs, but have in mind a plan to allocate only an amount that will be a positive force in the life of their heirs, rather than the goal of simply transferring to heirs as much as possible. Hyperagency is the combination of psychological and material capacity to not just contribute to or support causes, but to relatively single-handedly produce new philanthropic organizations or new directions in existing ones.

There are, of course, many other motivations which are important, but I do not address them here. First there are tax incentives – which may, but not necessarily, affect wealth holders more, but advance giving by the non-wealthy, as well. There are also religious and spiritual obligations, family traditions, guilt and prestige to name just a few. Name any motivation and it will induce philanthropic giving by someone, somewhere, in some circumstance. A book by Theresa Lloyd, *Why Rich People Give* (2004) covers some of the same ground I review here and should also be useful for those interested in her focus on giving by wealth holders in the UK.

In the end, all giving is motivated by an array of factors, some of which we might consider nobler than others. But I have learned that it is rarely possible for people who do not intimately

know the hearts of others to draw hard conclusions about what compendium of motives are in play and which determine any gift. We may be able to criticize attitudes and behaviours. But when it comes to motives, it is far more difficult to discern from the outside whether any individual is imbued with nobler or baser ones. In order to avoid as much as possible the notion of motivation as an ultimate inner disposition which is either lofty or low, I will speak of motivations and motives in the sense of their Latin root, *movere* – to move. As such, motives are the *mobilizing forces* of purpose and aspiration that animate activity.

In this chapter I will address just some of the motivations that spawn philanthropic giving by wealth holders. Nevertheless, in my view, these are among what can be called the major motives of major donors (Schervish 1997). I begin by setting out the conceptual and theoretical context for understanding how motivations come into play as wealth holders allocate their resources to philanthropy in the light of their aspirations. I call this the moral biography of wealth. In the second section, I give an overview of the emerging new directions in philanthropy and discuss how this allows for emphasizing the positive and voluntary motivations revolving around the discovery rather than the outside imposition of responsibility for the care of others. In the third to eighth sections, I review both the key motivations which our years of research on this topic indicate are rather universal, such as identification, gratitude and strategic friendship, as well as those motivations which tend to be peculiar to wealth holders, such as financial security, limiting the amount of inheritances allocated to heirs, and hyperagency. I conclude by returning to the notion of moral biography in order to draw out the biographical and historical implications of the international turn towards philanthropy. Throughout the chapter, I draw heavily on my previous writing, in places incorporating only slightly revised sections of text (Schervish 1997, 2005; Schervish and Havens 1997, 2002, 2004; Schervish *et al.* 2001).

The moral biography of wealth

The context for discussing the motivations for charitable giving among wealth holders is what I call the moral biography of wealth (see Schervish 2006a). The term moral biography refers to the way that individuals conscientiously combine in daily life two elements: personal capacity and moral compass. Capacity is simply the set of resources we have at our disposal to accomplish our goals, and includes our financial assets, intellectual capital and physical talents. Moral compass is the array of purposes or aspirations to which we devote our capacity. Living a moral biography is something as simple as leading a good life and something as profound as following Aristotle's teaching that happiness comes from making wise decisions in our daily life. What creates a moral biography is not merely the existence of financial, intellectual, physical, creative or other personal capacities, but the presence of a moral compass which identifies and strives to accomplish the nobler aims of life for which finances – and one's other capacities – serve as instruments; that is, to combine prosperity and purpose in a spiritually fulfilling, culturally formative and socially consequential way.

If the intersection of capacity and purpose constitutes the general nature of a moral biography, carrying out social relations of care constitutes the moral sentiments and behaviours of that biography in practice. In our age of affluence, the major material capacity for choice takes the form of financial wherewithal, while purpose, or moral wherewithal, takes the form of an orientation to care. The notion of financial or material wherewithal is straightforward enough, and does not require further discussion here. The notion of care, however, is not so clear-cut and needs further elucidation.

Jesuit philosopher Jules Toner systematically formulates a notion of care grounded in a phenomenological analysis of *radical love*. Toner defines radical love as the affection by which a lover ‘affirms the beloved for the beloved’s self (as a radical end)’ (1968:183), as one that is to be unconditionally regarded as an end and never as a means. Going further, Toner says that care is the implemental or instrumental aspect of love; it is love in concrete practice. As such, for Toner, care is love directed at meeting the true needs of others.

Philanthropy is one of the primary ways that individuals pursue care. As such, philanthropy is also a central dimension of the moral compass, by which wealthy individuals allocate their financial resources for the care of others. In carrying out philanthropy, wealth holders carry out their moral biography imbued with substantial financial capacity. To explore the motivations of philanthropy, then, is to examine the motivations of care and, more broadly still, to examine some of the key motivations for living a moral biography.

Before turning to the motivations that generate a commitment to philanthropy as part of one’s moral biography, I review what I call the new physics of philanthropy as a second context for understanding just why the wealthy give.

The new physics of philanthropy

The distinctive trait of wealth holders in all eras is that they enjoy the fullest range of choice in determining and fulfilling who they want to become and what they want to do for themselves, their families and the world around them. Today, increasing numbers of individuals are approaching, achieving or even exceeding their financial goals with respect to the provision for their material needs, and doing so at younger and younger ages. A level of affluence which before this time was the province of a scattering of rulers, generals, merchants, financiers and industrialists has come to characterize large groups and even whole cultures. For the first time in history, the question of how to align broad material capacity of choice with spiritual capacity of character has been placed before so many of a nation’s people.

Today, many changes in capacity and purpose are taking place on the supply (or donor) side of philanthropy and on the demand (or beneficiary and fundraising) side. Taken together, the financial and personal factors we have uncovered in the course of research (Schervish and Herman 1988; Havens and Schervish 1999; Schervish and Havens 2001a, 2001b, 2002; Schervish *et al.* 2001) constitute what I call the new physics of philanthropy. The new physics entails an innovative way of thinking, feeling and acting in regard to philanthropy. In the new physics, wealth holders:

- | are becoming more numerous, have higher net worth at a younger age, and increasingly recognize their financial security;
- | seek out rather than resist greater charitable involvement;
- | approach their philanthropy with an entrepreneurial disposition;
- | move their giving towards *inter-vivos* involvements;
- | plan to limit the amount of inheritance for heirs;
- | understand that caring for the needs of others is a path to self-fulfilment;
- | make philanthropy a key and regular ingredient of the financial morality that they observe and impart to their children; and
- | view philanthropy as a way to achieve simultaneously the happiness of themselves and others.

When speaking about motivations for philanthropy by wealth holders, we are addressing more and more what motivates individuals to carry out the new physics of philanthropy as a moral biography.

Motives for philanthropy

The next question is just what motivations mobilize wealth holders to carry out the new physics of philanthropy and to make charitable giving an important dimension of a moral compass of care? What factors motivate high net-worth individuals to allocate substantial portion of their wealth to philanthropy rather than to other worthwhile endeavours? As stated, the motivations of identification, gratitude and strategic friendship, which are common to all who engage in philanthropy, join financial security, a desire to limit bequests to heirs and hyperagency as motivations which are distinctive to wealth holders. I discuss the motivation of identification most at length because it is the cornerstone of all care.

Identification

The key to care and philanthropy, as I have written elsewhere (e.g. Schervish *et al.* 1993), is not the absence of self that motivates charitable giving, but the presence of self-identification with others. This is what Thomas Aquinas teaches as the convergence of love of neighbour, love of self and love of God. In its civic expression, it is what de Tocqueville meant by 'self-interest properly understood' (1966) [1835]: 526), and what Harriet Martineau, a contemporary of Tocqueville who wrote six volumes on her travels in the USA, calls the 'spirit of fraternity'. Such a spirit of fraternity, she maintains, arises 'from the movers feeling it their own concern that any are depressed and endangered as they would themselves refuse to be' (1989 [1838]: 218).

Such empathetic identification animates the giving of wealth holders that I have interviewed over the years. In order to protect confidentiality, all names attributed to wealth holders are pseudonyms. For the same reason, references to their professions, businesses, organizational affiliations and philanthropic enterprises have been changed, but in a way that preserves the general character of their activities.

Washington industrialist Dean Ehrlich expresses this connection in personalistic terms as his and his wife's attraction to those causes 'we can be identified with in order to give part of ourselves to'. Recognizing the unity of self-development and community development has become the touchstone for Malcolm Hirsch's modest assessment of his giving which he characterizes as 'no big deal' and 'not particularly generous'. Rather, says the Tacoma environmental activist, 'giving was just a front for figuring out who I was'.

Given the strength of identification as the wellspring of charitable giving, it is not surprising that donors contribute the greatest bulk of their charitable dollars to causes from whose services the donors directly benefit. It is not by coincidence that schools, health and arts organizations, and especially churches attract so much giving. For it is here that donors, because they are also recipients, most identify with the individuals – namely themselves, their families and people much like them – whose needs are being met by the contributions. Although, describing this form of giving as *consumption philanthropy* (Schervish 2000) may seem to discount its value, my intention is just the opposite. Within the identification model, consumption philanthropy is an honourable prototype of motivation to be emulated rather than a regrettable stereotype to be eschewed. Consumption philanthropy mobilizes charitable giving so formidably because it is here that identification between donor and recipient is strongest.

The question for generating generosity is how to expand those very same sentiments of identification to human beings in wider fields of space and time. That is, to extend the sentiments of family feeling to the realms of fellow feeling. This is the key to adoption philanthropy (see Schervish 1992) where donors support individuals on the basis of a feeling of surrogate kinship. Again, it is not by coincidence that the golden rule entreats us to love our neighbour as ourselves.

‘I listen and I go where I’m needed’, says New York philanthropist, Laura Madison. ‘The only thing I’m interested in in the world is the health of humanity. To be human is to be a spiritual person as well as a physical, mental, emotional person. This means to really relate to other human beings all over the world – whoever they are, wherever they are’, she explains, highlighting how she extends her identification beyond her immediate sphere. Her goal is ‘making a oneness in every way that’s there but isn’t seen by most people – healing the earth, healing the rifts between people, all that sort of thing: that’s what I’m really interested in. And wherever I see any chance or see that I’m supposed to be doing something about it, that’s what I’m interested in.’

While for Madison, the sentiments of identification derive from her perception of being needed, for Chicagoan Nancy Shaw they derive from her humanistic rendition of the golden rule that she ‘professes’ as her only religion. ‘I feel that you have a certain debt to society, and if you are comfortable, you pay it. And this is my way of doing it. I treat people as I would like to be treated. And that’s as close to a religion as I can get.’

New York philanthropist Janet Arnold traces her empathy for the least advantaged to her childhood when she and her siblings ‘were exposed to a wide variety of people and taught by both our parents the dignity of the human being’. ‘I think that was the foundation of my attitudes’, she explains. The people who worked for her parents were always treated well. When she was young, her father took her along on his Latin American travels where her father would ‘go into the villages and talk to the people: He loved going into the villages. He was wonderful with these people. He used to take us on trips. He worked in Latin America, and because of that, we were exposed to people who were not wealthy. We didn’t move in a very narrow circle the way most people of wealth do, but a much wider circle through travel and because of my father’s constantly reaching out to the people. And all of us, my brothers and sisters and I, worked in Latin America in summer jobs.’

Arnold also spent years living among the poor and disguising her wealth on the east side of Detroit: ‘I loved being there and I loved working with those people. I guess I discovered that I had a very abiding belief in the potential of human beings, and that was something I wanted to affirm in my philanthropic work’, she recalls. To this day, Arnold grounds her substantial philanthropic efforts on these formative experiences and has come to direct all of her endeavours to ‘enabling people to grow and to achieve their potential’. Again, being put face to face with those in need becomes the occasion for developing the necessary knowledge and desire for her to initiate small beginnings. ‘There are people who do small entrepreneurial things in their neighborhoods and they could use help’, she explains. ‘To make their lives somehow successful in its own terms seems to me to be very important. You know, having better schools for children so that the children who grow up in Detroit or in Harlem, so their lives won’t be circumscribed because they can’t read.’

Identification also turns out to be the school of care for Boston condominium builder Walter Adams, who purposefully guides his charitable giving by the maxim that ‘charity begins at home’. He is grateful to his Alma Mater for making him conscientious, and to his employees for making him prosperous. So he directs his wealth to improving their fortunes. His major conventional charity is Boston College. But even closer to home and more worthy of Adams’s

attention are his workers, especially those at the lower end of the pay scale. He tells how instead of giving \$100,000 to the United Way, he prefers to allocate the sum in order 'to help some of [my] people who are in the lower end. Give them a bonus, I mean, or take \$100,000 and hire a couple of truly non-employables.'

Taking a gift with gratitude

The motivation of identification is complemented by a particularly strong sense of gratitude for unmerited advantages or, as some say, 'blessings' in reaching financial success. Over the course of two decades, my colleagues and I have interviewed over 250 individuals from across the economic spectrum about their motivations for care. A virtually universal disposition which we encountered is the propensity that many summarize by the simple yet heartfelt phrase 'to give back'. It turns out, however, that upon probing we unearth an impetus that is even more vital than this salutary phrase suggests. Invariably, beneath the desire to give back is a sense of gratitude, and behind that gratitude is an appreciation of blessing, grace, gift, luck or fortune. Gratitude is an active, mobilizing sentiment; a discerning encounter with blessing animates a response of care for others.

Theologian Robert Ochs remarked in a lecture years ago that there are three ways to take a gift. It may be taken for granted, taken with guilt or taken with gratitude. We find that one of the most positively formative dispositions of philanthropic consciousness and conscience involves taking the gifts of fortune with gratitude. Those who take their gifts with gratitude approach the world with a more emotionally abundant, secure and gracious disposition. They recognize their material and personal capacities as dependent on the providence of God, people or circumstances. And they discern from experience more than from tenet that because so much has been given to them, so much can be given by them.

For instance, in our High-Tech Donors study (Schervish *et al.* 2001), we found that most participants do not credit their wealth solely to their own efforts and skills. They understand that at various points in their careers there was always risk of failure. Thus, some credit their wealth at least in part to luck and good fortune, or if they are religiously inclined, to God's will or God's blessing. Such experience of blessing and gratitude further animates them to seek ways to help individuals and causes with which they identify.

The dynamics of gift and gratitude leading to care for others is precisely what David Hendricks describes as motivating his concern for the vocation of education as a 'noble thing'. 'The other piece of it', he continues, moving from identification to gratitude:

is I personally got so much out of my education. It has enriched me beyond measure. Not only the practical aspects of it, for instance in my career, [but also] to have a sense of irony, and to build an intellectual richness in life that for me has just meant so much as a gift: The gift of knowledge you might say – the gift of how to think, how to write, how to communicate, how to analyse, as well as the gift of all the touchstones that an education gives you – the building of commonality in a community. You know, if everybody has read Shakespeare, there's a commonality that comes out of that which makes for better life. I do believe in having touchstones – that communities have points of reference that are rich and deep which can be commonly held and therefore allow people to not feel alone and to have confidence in the like-mindedness of their fellows.

This motivation of gratitude is at the heart of what I call the spiritual secret of wealth. Those who are prosperous invariably recognize that their success derives

from a confluence of effort,

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merit and dedication, on the one hand, and of luck, blessings and breaks, on the other. Those who are self-reflective come to the conclusion that if their fortune was not due completely to their own efforts, then the misfortune of others cannot be due in all cases to their lack of effort. This softens the heart and places wealth holders and those in need into a common human family where positive, thoughtful intercessions for the benefit of others are an appropriate way to bring increased advantage to them.

In a perceptive way, this brings us back full circle to identification. Those who experience such blessing and gratitude also formulate the moral logic by which a spiritual experience of blessing engenders a pragmatic practice of care. The most consequential corollary of apprehending one's life as imbued with gift is the generative recognition that just as my fortune is not due entirely to my own merit, others' misfortune may not be completely attributable to their own failure. Such an insight forges identification between donors and recipients as the offspring of a common heritage of unmerited positive and negative fortune, and as the source of a common destiny. Those who have been dealt a friendly hand care for those who have been dealt an inauspicious one. Blessing breeds gratitude and gratitude breeds identification and, again, identification breeds generosity. There is one other mobilizing factor that affects all givers – namely, the satisfaction of directly caring for others. I will discuss this factor below as the motivation that leads those who are financially secure to focus on philanthropy rather than other productive uses for their wealth.

Financial security

In addition to identification and gratitude, which motivate all givers including the wealthy, key mobilizing forces that lead major wealth holders to make major gifts include the mobilizing factors of financial security, a desire to limit the amount of bequests to heirs, and the worldconstructing disposition of hyperagency.

Financial security is the self-perceived ability, despite general financial downturns, to provide a desired standard for oneself and one's family. Our research has offered some suggestive empirical evidence which indicates a positive relation between financial wealth and both *intervivos* giving and charitable bequests. For every category of high net worth, controlling for income, those who understand themselves as financially secure contribute a higher percentage of their wealth, a higher percentage of their income and a higher dollar amount to charity. For the non-wealthy, those who express economic confidence in the future, controlling for income, contribute a higher dollar amount and a higher percentage of income to charity (Schervish and Havens 2004). But what is the inner nexus by which financial security leads to greater charitable giving? What is the decision-making logic whereby those who are financially secure tend to allocate their wealth to charity to a greater extent than those who are not financially secure?

Murphy (2001), an actuary, business owner and wealth holder, has conceptualized the formal or informal reckoning that wealth holders make to determine how much of the quantity of resources to donate to charity. The process is one in which wealth holders determine a stream of resources; a stream of expenditures for self, family and investment; and a stream of truly discretionary resources which is the positive difference (if any) between the stream of resources and the stream of expenditures:

Given the generally accepted assumption that one provides first for oneself and one's family and does so at some level of lifestyle, philanthropy enters into the decision-making process [in a more formidable manner] when the difference between the expected level

of income, current and future, and expected level of expense, current and future, to maintain and enhance one's standard of living is substantial and relatively permanent as measured by the subjectively determined criteria of the decision maker . . . The extent to which this difference (discretionary income) between income and expense is positive quantifies the financial resources available for philanthropic activities. The extent to which this difference is perceived as permanent strengthens the case for allocating some of the resources for philanthropy. The extent to which the difference is positive, permanent and growing in magnitude enhances the philanthropic allocation.

(34-5)

This decision-making scenario described by Murphy regarding the meaning of financial security and how it translates into charitable transfers reflects what we have repeatedly heard wealth holders describe in their intensive interviews. Reviewing in some detail the transition from accumulation to charitable allocation by 45-year-old David Hendricks confirms Murphy's analysis and demonstrates how and why we believe a substantial behavioural sea-change is taking place in the decision-making dynamics of the very wealthy in regard to charitable involvement. Hendricks, a now cashed-out equity partner of a venture capital firm, is typical and articulate about the way that he has defined financial security, calculated its amount, and has come to devote his redundant resources and intellectual capital to charity. Hendricks defines financial security as:

basically having a very, very low chance that you will go broke even if you don't have a job, given an acceptable lifestyle. I have a computer model that I built that reaches out to when we're [he and his wife] ninety years old that factors in inflation and that plays out all this growth stuff and what the random fluctuations of the stock market could possibly be. And it lays out a thousand versions of the way the world might play out and in only one time out of a thousand will we go broke given the lifestyle that we've chosen. And that's financial independence.

He goes on to explain that as a mathematician and computer programmer, and as one who is exceptionally risk averse when it comes to long-term financial independence, he constructed an elaborate model that:

randomly simulates the way the stock market will play out over the years, using history as a guide for what numbers you should put in there. And the question for me was, do you have enough squirreled away so that basically we can maintain the lifestyle that we've chosen through our old age and have a very low probability of having either inflation or a lack of appreciation in the stock market make us go broke?

For Hendricks, the amount designed for financial security is a present-value resource stream of \$6 million, net of prospective taxes, net of inflation and net of potential negative stock-market shocks. Hendricks makes it clear that a serious pursuit of philanthropy would have only been pursuing a 'romantic' rather than a 'pragmatic' ideal had he not first achieved financial independence:

You need wealth to actually act on that ideal because, I'm sorry, I enjoy so much the lifestyle you can achieve with wealth. The pragmatist in me, like the squirrel, says, 'save

your chestnuts' and the sooner you get that done, the sooner you can rise up a Maslovian level and do the other things. And beware trying to rise up the Maslovian level before you are ready to do it. Be very, very sure that you are ready to do it because it is tough to turn back.

It is instructive that even with financial security in hand the transition to a sharper focus on philanthropy is not an automatic step either for Hendricks or for his financial peers. Financial security leads to philanthropy only in combination with other motivational vectors. This array of motivations for Hendricks and his peers includes identification, gratitude, the prospect of entrepreneurial effectiveness and the desire to limit bequests to heirs. For Hendricks, the identification with the needs of schoolchildren striving to get ahead as he did in his youth and his gratitude for the advantages of his own education parallel what I gleaned from other wealth holders whom I quoted when discussing identification and gratitude.

Limiting transfers to heirs

For the high net-worth individuals, the allocation of wealth to heirs is regularly limited by considerations such as the potentially negative effects of large inheritances on children; and allocations to philanthropy are more frequently occurring via a family foundation or through the involvement of the wealth holder and heirs in philanthropy, as a good way to resolve the moral dilemmas that surround the best use of excess wealth.

In the *Wealth With Responsibility* study (Deutsche Bank 2000), 112 respondents worth \$5 million or more were asked about the effect of the estate tax on their allocation of wealth between charitable bequests and heirs. The distribution of responses indicated that if taxes were eliminated as a consideration, wealth holders would give more to charity rather than giving all the tax savings to heirs. For example, when asked how they expected to and how they would like to allocate their estates to heirs, taxes and charity, on average the respondents *expected* 47 per cent of assets from their estates to go to heirs, 37 per cent to go to taxes and 16 per cent to go to charities. Their *desired* allocation, however, was to see 64 per cent of their assets go to heirs and 26 per cent to charity, with taxes unsurprisingly trailing a distant third priority at 9 per cent (unspecified other purposes made up the remaining 1 per cent). In other words, in their ideal scenario, their 76 per cent reduction in taxes would result in a 63 per cent increase in bequests to charity. This study also showed that the desire to reallocate money from taxes to charity is even stronger at the upper levels of wealth: respondents with a net worth at or above \$50 million envisioned an even greater shift to charity than those with a net worth below that amount.

Additional evidence for this trend in the USA is provided by the estate filings data provided by the Internal Revenue Service (IRS) each year. We adjust the tables provided by the IRS to approximate final estates, the states for which there is no surviving spouse and from which most distributions to non-spousal heirs, charity and taxes are made. We find (for instance, Schervish and Havens 2006) that:

- 1 As the value of the estate goes up, a larger portion of the estate goes to charity, with estates valued at \$20 million or more bequeathing 40 per cent of their value to charity.
- 2 As the value of the estate increases, a smaller portion of the estate flows to heirs, with estates valued at \$20 million or more bequeathing just 30 per cent to heirs.
- 3 As the value of the estate increases, a larger portion of the estate is allocated to taxes, with

the exception of the estates valued at \$20 million or more, which reduce their tax bill with substantially larger charitable bequests.

For our considerations here, the major point of the previous findings is that those who are financially secure do not maximize the total amount they could transfer to heirs. They limit such bequests to heirs to an amount they deem appropriate and instead make substantial gifts to charity through charitable bequests from their estates.

Some personal evidence is provided by high-tech entrepreneur Greg Yancey. He speaks for the majority of those that we interviewed in citing his fear that the burden of wealth would overwhelm his children. He plans to limit the financial resources he will transfer to his heirs because he views an overly abundant inheritance as an extravagance, if not a downright injury. Although he is just 35 years old and has four children under the age of eight, he is already concerned about ensuring their financial virtue. Yancey grew up fending for himself with several small entrepreneurial ventures and struck it rich when a larger firm bought his Connections To company that developed software to link stored data. The fact that his children will grow up affluent is 'a bitch', something that is 'really scary' and 'haunts' him. Recalling his own upbringing, 'you had to make your own way ... There wasn't some rich uncle somewhere who would keep bailing you out of university or anything like that. There's decisions you make and consequences to each one of them and that's really frightening.' Turning to his kids, he wonders aloud how he should eventually talk to them about 'all the challenges that wealth is going to bring to them'. Although he is 'damn well going to' teach his kids how to handle wealth responsibly, he remains clearer about the difficulties than the solutions tied to such training. Educating the children about wealth is 'really a difficult area for us to think about and we are only a year into this and we certainly don't have the answers there yet'. One thing Yancey does know is that he 'just can't see anything beneficial' from simply transferring all of his wealth to his kids. That would turn out to be 'just mostly downside for them, more complexities'. At the same time, Yancey has begun to think that involving his kids in philanthropy offers some 'practical' potential for teaching his kids how to handle their wealth:

I think the Social Venture Partners Fund [my wife and I founded] is a good example. If we build this thing right our kids are going to grow up knowing us as people that took our own unique gifts and got back involved in the community. Not someone that just kind of got a wing of the music college named after them for a couple million dollars or something easy like that. But that we rolled up our sleeves and took our unique gifts and tried to build something where something didn't exist.

Neither the survey nor ethnographic evidence just presented *proves* that financial security changes the decision-making dynamics for those who have solved 'the economic problem' for themselves and their families. However, the foregoing statistical and interview evidence does indicate that the allocation of wealth between family and philanthropy may take on a different character for the financially secure, one that does not depend primarily upon estatetax avoidance, but depends more upon a logic that inclines the very wealthy to view philanthropy as both a positive alternative to bequeathing wealth to heirs and a way to combine philanthropy with the transmission of financial morality through the creation of foundations and philanthropic trusts that will involve the next generation.

The satisfactions of philia

Even with financial security and a disposition to limit the inheritance to heirs, the question remains, just why philanthropy is such an attractive venue for allocating wealth instead of, say, to more investments. Why is philanthropy such an appealing outlet for allocation of wealth? The beginning to the answer is found in Aristotle's discussion of *philia*.

For Aristotle, the essence of philanthropy is to be found in friendship love or *philia*, which in turn is the basis for community. *Philia* is first encountered in the family where family members learn to love others as they love themselves. Friends become 'a sort of other selves' (2002: VIII.12). A person is 'related to a friend as he is to himself (since the friend is another self)' (IX.4). The upshot is that 'Every sort of friendship, then, is in a community'. It extends beyond the family to companions, fellow citizens, and so forth, wherever the relationship is extended towards 'something good and superior' (VIII.12). It is for this reason that I have now come to refer to philanthropy as strategic friendship, and strategic friendship as the foundation of civil society, or what I call the moral citizenship of care (see Schervish and Havens 2002).

In commercial and political relations, the goal to achieve 'something good and superior' may be actively present. But it is subordinated to market relations wherein the provision of goods and services to meet the needs of others occurs only to the extent that others voice their needs through dollars for purchases, in the commercial realm, and campaign contributions and votes in the political realm.

In the philanthropic realm of strategic friendship and the moral citizenship of care, the telos of the moral biography is oriented directly to the well-being of the other as a friend (even at a distance). A friend, says Aristotle, is 'someone who wishes for and does good things ... for the sake of the other person, or who wants the friend to be and to live for the friend's own sake' (2002: XI.4). The moral vision that directs philanthropy is the recognition that 'life is difficult for one who is alone', and that 'a human being is meant for a city and is such a nature as to live with others', that 'it is necessary for a happy person to have friends' because happiness is an activity that requires contact with others. The content of that contact is the mutual benefit of friendship which when extended to broader horizons of kinship, time and space, makes strangers into friends. 'A friend, who is another self', says Aristotle, 'supplies what someone is incapable of supplying by himself' and, conversely, 'the excellent person will need people for him to benefit' (2002: IX. 9).

Returning to David Hendricks, we hear him enunciating the attraction of direct care for others through a strategic friendship of care extended into the community. What Aristotle refers to as the attraction of *philia*, Hendricks talks about as becoming engaged in a noncommercial relationship that enables him to 'do something that is unambiguously socially positive':

I've always kind of rolled my eyes a little bit when I hear about do-gooders because I have this image in my mind – not grounded at all on any experience – they will be lightweight type of stuff, full of petty politics. So I've always steered away from the world of philanthropy or non-profit and pooh-poohed it somewhat. But there is a side of me that says that maybe I can tune in a little bit more and do something that is unambiguously socially positive and see how that feels. I would like to see how that feels and if I find myself getting up in the morning very excited about how I am spending my time, if indeed I do find something that is unambiguously socially positive. This is something that struck me really very profoundly: those simple pleasures of being a contributor and being able to map how those contributions fit into the larger scheme of things. Kind of the social

welfare, if you will.

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The moral compass of a moral biography, then, is one that is inherently communal and attends directly, and not just through the market, to the needs of others. Such a moral biography is the building block of the moral citizenship of care, that array of intersecting relationships of care by which individuals respond to the needs of others, not through commercial or political markets, but directly because of the tie of *philia*, or friendship love, that one wishes to carry out effectively and strategically.

Individuals who are financially secure and those who are not both have an inclination towards extending the mutual nourishment to others directly. They are inclined and find it fulfilling to participate in the direct care of others by creating and carrying out a relationship of *philia*. Those with great resources have the fullest ability in the financial realm to extend the satisfactions of *philia*, first found in the family, to others distanced from them in time, space and kinship. When discretionary resources are available for the non-wealthy, the attractive aspiration of *philia* induces choices to care for others rather than provide some increased consumption for themselves. For the financially secure, who have no need to reduce desired consumption and have the fullest choice to do what is naturally rewarding, the benefits of *philia* extending the friendship of mutual nourishment outward enter as a gratifying world-building impetus.

Hyperagency: the capacity and great expectations to be world-builders

In one of his more famous statements, Marx argued that while people do indeed make their own history, they are not able to choose the conditions under which they do so. Although Marx was referring to collective action, the same dictum holds for individual actors as well. However, the capacity to ‘make history’ is not equally distributed. Some, including wealth holders, make more history than others. I call this history-making capacity of individuals ‘hyperagency’. For sure, not every hyperagent is wealthy. Some financially common folk make history by virtue of being profound, creative or spiritual. But in the material realm, every wealth holder is at least potentially a hyperagent, and all of those who start businesses or set directions in philanthropy certainly are.

The desire to make a difference in philanthropy is one outlet for exercising the entrepreneurial disposition of hyperagency. Coupled with the motives of identification, gratitude, financial security, the desire to limit inheritances to successors and the attractive call of *philia*, the ability to exercise hyperagency and change the world becomes an especially strong motivation for philanthropy.

Hyperagency refers to the enhanced capacity of wealthy individuals to establish or control substantially the conditions under which they and others will work and live. For most individuals, agency is limited to choosing among and acting within the constraints of those situations in which they find themselves. As monarchs of agency, the wealth holders can circumscribe such constraints and, for good or for ill, create parts of the world according to their own design. As everyday agents, most of us strive to *find* the best possible place to live or job to hold within a given field of possibilities. As hyperagents, the wealthy – when they choose to do so – can *found* a broad array of the field of possibilities within which they and others will live and work.

Whenever someone we interview is asked to identify the most important attribute of wealth, the answer is invariably the same: *freedom*. Such freedom is both a negative release *from* constraint and a positive capacity *to* secure desire. Negative freedom refers to the loosening or negation of constraints, especially from the immediate pressures surrounding the stable provision of material well-being.

West-coast Attorney Rebecca Austin who is also independently wealthy expresses this duality of freedom in her assessment of how wealth ‘smoothes out’ the everyday toils of life and enables her to set her ‘own agenda’:

Everything is easier when you have money. It’s a shame because it’s such a hard thing to get. It is the one item that smoothes out what everyone is struggling for: security, good health, fitness, good relationships, taking care of your children. Work choices are easier. Life is easier. You can do anything you want. You can take a vacation whenever and wherever you want. And even though I have a job, it’s the kind of job that I can get there when I want to get there, because I want to be there rather than having to be there. The reason I work at [the public interest firm] Citizen Law is that I can integrate my life. It allows me to focus on issues and do things that can become all encompassing in terms of things that I care about. I don’t work on anything I don’t care about. I don’t take assignments from anybody else. I set my own agenda.

To set one’s own agenda, especially where others usually set it, is the fundamental endowment of wealth. Wealth enables individuals to conceive freely of and choose among a constellation of alternatives. It would, of course, be foolish to assert that the possession of wealth dissolves all the fetters of time, health and social constraint. The wealthy do indeed face constraints and rightly feel bounded in certain ways by obligation and responsibility. They have concerns with the continued and expanded accumulation of wealth, the organizational pressures of business, strategies of investment, the generational reproduction of family wealth, the preservation of a congenial political and economic climate, and the moral and social responsibilities of philanthropy. Such concerns do indeed demand their time, money and consciousness. As Norman Stryker, a Houston-born heir to an oil fortune, says, being granted an inheritance is a surprisingly alien burden. Without quotidian necessity to shape his life, he is forced to ‘carve out every goddamn day’. Still, we find that even those who first flounder about with an inheritance overcome the obstacles and eventually learn the advantages of carving out rather than receiving their daily round.

The definition of wealth holders as hyperagents with personal determination and institutional dominion directly applies to their activity in the realm of philanthropy. Selfconstruction and world-building do not stop at the doors to their homes or their businesses. It extends to all of their involvements including, for those who choose, politics, community, religion and philanthropy. The wealthy are by dint of personality no more egoistically myopic or socially responsible than anyone else. Great expectations and grand aspirations occupy people across the financial spectrum. What is different for wealth holders is that they can legitimately be more confident about actualizing their expectations and aspirations because they are able to directly effect the fulfilment of their desires. It’s a matter of realizing ‘how much a little money can make a difference’, as Californian Francis Toppler puts it.

Hyperagency in philanthropy does not mean that the wealthy always and everywhere conceive or achieve major innovative interventions. It means they tend to think more about doing so, and to partake more in bringing them about. Entrepreneurs, said respondent Brendan Dwyer, are investors who have two characteristics. First, they have a creative idea. They discern an area of output for which demand outstrips supply. Second, entrepreneurs are investors who affect actively the rate of return on their investment by directly commanding production. Correspondingly, venture capitalists are investors who bolster the capacity for others to be entrepreneurs. In business, wealth is an output. In philanthropy, wealth is an input. As such, wealth holders are the entrepreneurs and venture capitalists of

philanthropic endeavours.

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The distinctive class trait of the wealthy in philanthropy is the ability to bring into being and not just support particular charitable projects. Hyperagency in the field of philanthropy assigns financial resources to fabricating major outcomes. When exercising this capacity, wealth holders are *producers* rather than supporters of philanthropy, underwriters rather than just contributors. Finding neglected social niches where needs are great and resources scarce is precisely Janet Arnold's craft. 'I am involved in human rights and I tend to be more involved with the American Indian, at this particular time, than I am with other minorities', says the third-generation guardian of a Detroit fortune. She contributes to many other causes, but her 'main focus is on the American Indian' and other 'unpopular' issues. 'I gravitate to areas that have need and have no access to support', she says, because it is especially there 'I feel like I can make a difference'.

In common parlance we regularly speak of large and small contributors. Distinguishing between producers and supporters of philanthropy is a more functional distinction. Each philanthropic enterprise pursues resources in order to produce outcomes in response to social needs and interests. Most individuals respond to appeals for contributions in a manner parallel to how a consumer responds to the products or services of a business. That is, they are consumers or supporters rather than creators or architects of the enterprise whose goods and services they wish to receive. Only as a group acting formally or informally in concert, can consumers and contributors determine the fate of a charitable endeavour. Because it is the accumulated support of many individuals, rather than of any particular single individual, that determines the existence and direction of a venture, each separate individual is at most a joint or collateral producer.

It is a different story altogether, however, when a wealthy contributor provides a sizeable enough gift to actually start a new philanthropic direction or shape the agenda of a charity. In this instance, the contributor may be termed a direct producer or architect. Such direct production, of course, is Janus faced, and so it is always important to discern the conditions under which philanthropic hyperagency produces care rather than control (see Schervish 2006b).

Laura Madison clearly appreciates the productive potential of her charitable giving. 'Because I have a large amount of money to put in,' she explains, 'I have an opportunity to really make a difference if I see something that a large amount of money could do more for than a small amount of money could.' The extreme case of direct production is the personal founding of an original philanthropic organization or project. Such hyperagency gets exercised formally through the creation of a private or working foundation, or through the contribution of enough resources to establish a novel direction within an existing organization, such as a clinic, endowed chair or hospital wing. Less formally, individuals of means can directly produce philanthropic outcomes by 'adopting' specific individuals (including family members), organizations or causes that they assist in a sufficiently large manner as to 'make a difference'.

It is precisely the possibility and practice of 'making a difference' that undergirds the determination and dominion of hyperagency that marks Brendan Dwyer's charitable giving. 'Whatever success I've got, and whatever I've learned, and whatever I get my satisfaction from come from being able to make a difference,' says Dwyer. 'That's what makes me happy. When I've felt I've made a difference in a beneficial way.' Establishing a personal foundation as one vehicle for his charitable giving is only a small part of his institution-shaping philanthropy. He also contributes substantially enough to be considered a producer of the work of two university-based research institutes, a metro Detroit prison rehabilitation programme, an inner-city charter school and an inner-city church-based community organization. In the end, Dwyer counsels, there are two fairly straightforward questions that, if answered in the affirmative, mark

the path of inclination that leads to philanthropy: ‘Is there something valuable you want to do that needs to be done in society? And can you do it better than Uncle Sam?’

Conclusion

In his 1930 essay, ‘Economic possibilities for our grandchildren’, John Maynard Keynes wrote about the growth in financial wealth and its implications for the growth in moral wealth. According to Keynes, ‘The *economic problem* [of scarcity] may be solved, or at least within sight of solution, within a hundred years. This means that the economic problem is not – if we look into the future – *the permanent problem of the human race*’ (1930 [1933]: 366, italics in the original). ‘I look forward,’ he continues, ‘to the greatest change which has ever occurred in the material environment of life for human beings in the aggregate . . . Indeed, it has already begun. The course of affairs will simply be that there will be ever larger and larger classes and groups of people from whom problems of economic necessity have been practically removed’ (372). The consequence of lifting economic necessity will be that ‘for the first time since his creation man will be faced with his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably and well’ (367).

It is Keynes’s aspiration that ‘[t]he love of money as a possession – as distinguished from the love of money as a means to the enjoyments and realities of life – will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease’ (369).

Even when individuals are in the accumulation phase of their life, acquiring wealth is seldom the ultimate end of life. But it is usually a high-priority intermediate end. When individuals reach a level of subjectively defined financial security, there is the potential for a shift in moral purpose and values whereby the accumulation of wealth ceases to be an end and becomes more fully a means to achieve other ends. Such ends may be retirement, providing an inheritance, pursuing a hobby or enjoying more leisure. But Keynes singles out one specific prospect, namely, a change in ‘the nature of one’s duty to one’s neighbour. For it will remain reasonable to be economically purposive for others after it has ceased to be reasonable for oneself’ (372).

The shift of wealth from an end to a means, then, is arguably the most significant transformation of capacity and character for individuals who have solved or are close to solving the economic problem. In other words, the cultural context is ultimately a personal and moral context in which generous and innovative allocation becomes a way of life. Increasing numbers of wealth holders and at an earlier age are seeking to understand the creative moral purpose and not just the quantitative prospects of their wealth. In essence, they are capable of asking and seeking answers about how to deploy their wealth as a tool to achieve the deeper purposes of life when achieving a higher standard of living or acquiring more wealth ceases to be of high importance. They face the question about how to live and impart to their children a moral biography of wealth while, at the same time, expanding the quality and quantity of care for the moral biography of others. Clarifying and drawing on the motivations that mobilize the allocation of wealth for philanthropy will help individuals make care simultaneously for neighbour and self a path to greater happiness, which I define as the confluence of effectiveness and significance.

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