The Center on Philanthropy & Public Policy

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Patterns, Motivations, and Giving Strategies of the Wealthy

Paul G. Schervish

Research Paper - 5
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UNIVERSITY OF SOUTHERN CALIFORNIA

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ABOUT THE AUTHOR

Paul G. Schervish is Professor of Sociology and Director of the Center on Wealth and Philanthropy (CWP) at Boston College. He also serves regularly as a speaker and consultant on how to surface and analyze the moral biographies of wealth holders, on the motivations for charitable giving, on the demographic patterns of wealth and charitable giving, and on the spirituality of financial life. Schervish has published in the areas of philanthropy, the sociology of money, the sociology of wealth, labor markets, unemployment, biographical narrative, and the sociology of religion. He was recently named to the NonProfit Times' sixth annual "Power and Influence Top 50," a list which acknowledges movers and shakers in the non-profit world. He received a bachelor's degree in literature from the University of Detroit, a Masters in sociology from Northwestern University, a Masters of Divinity Degree from the Jesuit School of Theology at Berkeley, and a Ph.D. in Sociology from the University of Wisconsin, Madison.

For the foreseeable future, the quality of social and cultural life will more than at any other time in history be linked to growth in material life. Both publicly and personally, nationally and internationally, I expect that the leading intellectual, emotional, and behavioral issues of the day will revolve around the determinants, dilemmas, and dynamics of personal decision making in an age of affluence. This is not the first time in history that a confluence of material and cultural forces has produced a new terrain of obstacles and opportunities affecting everyone's lot. Every era offers a combination of newly fashioned material apertures and barriers for obtaining happiness. For instance, historian Simon Schama chronicles how seventeenth century Dutch society was among the first in history to be characterized not only by widespread affluence but by widespread moral anxiety about how to live with what Schama calls an "embarrassment of riches" (Schama 1988). What is new about the forthcoming epoch is that vast numbers of the world's population will reside not just within a sphere of affluence, but within a widespread, and growing, sphere of wealth. We will, especially in the United States, increasingly find ourselves carrying out our commercial, political, cultural, social, and spiritual lives within the context of a dramatically increased material standard of living. One manifestation of this new era of financial capacity will be substantial developments in the quantity and quality of philanthropy by wealth holders.

Andrew Carnegie (*Gospel of Wealth* 1962) distinguishes between those who are wealthy and those who enjoy economic competence. The wealthy are those whose financial security can withstand virtually all but the most devastating personal or economy-wide financial crises. The economically competent are those whose financial standing provides a generally worry free economic life but whose affluent standard of living remains vulnerable to unanticipated expenses or changes in personal financial fortunes, such as a long bout of unemployment. Even given Carnegie's heuristic framework, the working definitions of what constitutes wealth and economic competency are constantly being adjusted upward both in the public's perception and in the minds of wealth holders themselves. Let me suggest that the economically competent are today's upper affluent who possess a net worth approaching $1 million and extending to $3 million. This would include many professionals whose wealth is based on the value of their home and pension. The wealthy might be defined as those with current net worth above $3 million to $5 or $10 million, while the thoroughly wealthy are those with current net worth in active and passive investments in excess of $10 million, and growing.

In this paper I address three aspects of the relationship between wealth and philanthropy that can serve as foundations for understanding and influencing what I consider to be a forthcoming golden age of philanthropy: the large and exponential growth in wealth; the motivational array that inclines wealth holders to contribute to charity; and the array of strategies they use in carrying out their philanthropy.

The overarching philosophical and practical theme of this paper is that inclination sooner breeds generosity than coercion, and that wealth holders like everyone else are inclined toward, although not automatically effective in, allocating their wealth in order to produce happiness for themselves and others.

In the first section of the paper, I (A) summarize the findings of our research on the current patterns of charitable giving, (B) review our findings on the forthcoming wealth transfer that provide the stage for expanded choice among wealth holders, and (C) project the potential growth in charitable giving that could result from wealth holders continuing to include philanthropy as a major category in their allocative decision making. I also examine the current patterns of charitable giving by wealth holders and project the potential for expansion. In the second section, I present the array of motivations that inclines wealth holders toward devoting sizable portions of their wealth to philanthropy. In the third section, I set out the array of strategies among which wealth holders may choose to carry out their charitable giving. In the final section I discuss the implications of these findings for mobilizing the potential of wealth for a service of care.

I refer to today's wealth holders as modern Medici in order to evoke the historical comparison with that self-made medieval family that extended its self-expressive world building into the entire gamut of human endeavor from war to commerce, and from politics to the arts. Just as the unifying family trait of the wide-ranging Medici was nothing less than being producers rather than receivers of the world in which they dwelt, the class trait of modern wealth holders is what I call hyperagency--that admixture of self-confident disposition and material capacity to be founders of the world in which they reside, from businesses to government, and from personal homes to social philanthropy. That the modern Medici, like the medieval Medici, embody and express a psychological wherewithal of determined individuality and a material wherewithal of worldly principality is the underlying motif of what I have to say about the distinctive motives and strategies of charitable giving among today's wealth holders.

The findings and analyses I present throughout the paper are derived from research I have carried out with John J. Havens and others at the Boston College Social Welfare Research Institute. This research has been supported by the T. B. Murphy Foundation Charitable Trust, the W. K. Kellogg Foundation, and the Lilly Endowment, Inc.

I. Wherewithal and Charitable Giving

A. Current Patterns of Wealth and Philanthropy

For more than a decade we have been studying the role of financial resources (income and wealth) in generating charitable giving by individuals and the families. Although our research has raised more questions than it has resolved, we are modestly confident about several findings. First, excluding the very highest levels, families at every level of income and wealth are about equally generous. There are some who give little or nothing, and some who give amply. But as a group, the 95% of families with incomes under $125,000 all tend to contribute about the same proportion of their income to charitable causes, roughly 1.5% to 2%. On average the highest income families with income in excess of $1 million contribute 5% of their incomes to charitable causes and, as less than 1% of the population, contribute approximately 20% of all charitable dollars (Schervish and Havens 1998b, 1999).

Second, there is now evidence from a variety of surveys that average annual family giving may be as high as $1,050 as opposed to previous estimates of around $700 (Schervish and Havens 1998a).

Our third finding is, that at every income level, as Auten and Rudney first reported (1990), there is a small proportion of families that makes relatively large contributions to charitable causes, while the majority of families makes either more modest contributions or none at all. We discuss our confirmation of this finding at some length in a recent publication (Schervish and Havens 1998b) including the fact that as income rises, high giving is defined at higher levels. Our findings confirm the fact that in any given year relatively few families make extraordinarily high (multi-million dollar) charitable contributions and, while not demonstrating it, the findings are congruent with the assumption that these are probably different families from year to year.

Fourth, the small number of families at the highest end of the distributions of wealth or income contribute a dramatically high proportion of total annual charitable giving. In terms of wealth, families with net worth of $1 million or more made 46% of the total contributions to charitable organizations in 1994. Twenty-two percent came from families with at least $1 million in wealth and $1 million in income; such families contribute an average of $250,000 annually. The remaining 24% of all personal contributions came from the 3.1 million families with wealth in excess of $1 million but incomes below $1 million. In terms of income, the proportion of charitable dollars coming from the highest income families is also marked. We have summarized this highly skewed distribution of charitable giving by the 20/67 rule and, more starkly, by the 7/50, 4/40, and 1/33 distributions of annual giving. At this point we might add a 0.08/22 rule, denoting that within the 1% of highest-income families are the 0.08% of families with income of $1 million or more that contribute 22% of all the charitable dollars. (Schervish and Havens, 1999).

Fifth, charitable bequests from estates have been growing substantially faster than the growth in the value of estates. Although there is a negative correlation between wealth and percentage of wealth contributed in the form of *inter vivos* gifts, *there is a positive correlation between wealth and percentage of wealth going to charity in the form of charitable bequests* made from final estates (that is, in estates not passing to a surviving spouse). Our research indicates that for final estates recorded in 1997 with a value under $1 million, 4% is contributed to charity. As the value of estates goes up, the percentage going to charity also increases, with estates of $20 million or more bequeathing on average 49% of their value to charity, up from 41% in 1995. In addition, the proportion going to charity from all estates has been growing steadily between 1992 and 1997, the last year for which data are available. Over this five-year period the value of final estates increased 65% (a dramatic finding in itself) and the amount going to taxes rose a comparable 67%. However, the amount passed to heirs increased 57% while the amount bequeathed to charity grew 110%. Across all 1997 estates, 65% of their value went to heirs, 21% to taxes, and 14% to charity. But extremely significant for understanding charitable bequests by top wealth holders, is the fact that estates valued at $20 million or more actually allocate more of their total value to charity (49%) than to heirs (21%), with 30% going to taxes. As the value of the estate goes, the proportion going to heirs goes down and the proportion going to charity goes up. As a percentage of the value of total charitable bequests, the 0.04% of the final estates which are worth $20 million or more make 58% of the charitable bequests (Havens 1998).

B. The Forthcoming Wealth Transfer

On the basis of a recently developed Wealth Transfer Microsimulation Model (WTMM), we have produced estimates indicating that the forthcoming transfer of wealth will be many times higher than the almost universally cited 55-year figure of $10 trillion (Havens and Schervish, 1999). Our low-range best estimate is that over the 55-year period from 1998 to 2052 the wealth transfer will be $41 trillion, and may well reach double or triple that amount. Depending upon the assumptions introduced into the model (for instance, in regard to the current level of wealth, real growth in wealth, and savings rates) we estimate the wealth transfer will range from a lower level figure of $41 trillion, to a middle level figure of $73 trillion, to an upper level figure of $136 trillion. These estimates derive from what seems to be a first-of-its-kind microsimulation model of wealth accumulation and transfer. The new estimates update the frequently cited figure published in 1990 by Robert Avery and Michael Rendall (1993) indicating that over the 55-year period from 1990 to 2044, the value of estates in the United States passing from adults with children 50 years and older would be $10.4 trillion.

Until these estimates circulate and others have a chance to review and criticize the work, it is suggested that the focus be placed on the low-end estimate of $41 trillion (see Table 1). However, the middle level estimate of $73 trillion is not unreasonably high, nor the upper level estimate of $136 implausible: for example, the $73 trillion estimate assumes a maximum real growth rate of 3% for the next 55 years, and assumes that the value of assets held by individuals in 1998 was $32 trillion, which is 18% lower than the $39 trillion figure recently cited in *Worth* magazine (September 1999, p. 97) and lower than a recent Federal Reserve estimate of private wealth of $37.4 trillion. No simulation estimates are any better than the assumptions on which they are based, and we anticipate refining these estimates in the light of suggestions and criticism by others, therefore for the time being most credence should be given to the $41 trillion estimate.

Emphasizing the $41 trillion lower-level estimate with its 2% secular growth rate helps protect against potential charges of "irrational exuberance" arising from our not yet having modeled periodic recessions, a world economic crisis, or depression. Even the lower estimate of growth in wealth should serve to indicate the potential for substantial and even increasing levels of charitable, especially among those at the upper ends of wealth and income.

C. Projections of Charitable Giving

Inter vivos charitable giving. The findings reported above about the top-heavy distribution of charitable giving, when coupled to our projections for growth in wealth and income over the next twenty years, indicate that substantial amounts of charitable contributions will be made by the wealthy over that period, and explain why there is such growth in the charity procurement industry's efforts to target wealth holders. Even a modest 3% real growth in charitable giving over the next 20 years, would mean that annual giving by these highest income and wealth families (0.08% of families) would move from approximately $30 billion in 1998 (22% of the *Giving USA* estimate of $135 billion of 1998 individual giving [AAFRC 1999]) to approximately $53 billion by 2017 in 1998 dollars, or (assuming a 3% rate of inflation) $91 billion in 2017 dollars. This indicates that even without a substantial change in behavior toward more *inter vivos* charitable giving, and without including the additional families which will enter this group, families with at least $1 million in wealth and income in 1995 dollars will contribute approximately $800 billion over the next 20 years in 1998 dollars or $1.1 trillion in 2017 dollars. Broadening the relevant population to the 1.7% of the families with net worth of $1 million or more and annual income of $200,000 or more in 1995 dollars, the potential amount of charitable giving is even more dramatic. Again, without a change of behavior or adding families that will enter this category, this 1.7% of the population can be expected to move from contributing $52 billion in 1998 to $91 billion in 2017 in 1998 dollars or (assuming a 3% rate of inflation) $157 billion in 2017 dollars. Over the next twenty years, therefore, we can expect that this 1.7% of the population will contribute approximately $1.4 trillion in 1998 dollars or $1.9 trillion in 2017 dollars. If the real growth in annual giving by the wealthy increases by more than 3%, or the share of total charitable dollars contributed by them continues to increase even at a moderate pace, then the amounts just cited will turn out to be substantially greater. (For the population as a whole, Ann Kaplan (1999) estimates that if charitable giving grows over the next 25 years at the same pace as it did over any previous 25 year-period, *inter vivos* charitable giving will increase 650% reach $1.2 trillion a year. If charitable giving grows over the next two decades at the same real average rate of 8.5% as it did over the past 5 years, *inter vivos* giving will reach an annual total approaching $1.6 trillion).

Turning from *inter vivos* giving to bequests, the projections are equally propitious. One apparent empirical anomaly, we discovered in our research (Schervish and Havens 1999) is the negative correlation between wealth and *percentage of wealth* contributed in the form of annual giving. While the *percentage of income* contributed increases with wealth as well as with income, the *percentage of wealth* contributed rises with income but not with wealth. However the area of charitable giving which is positively related to wealth is, as I already described, charitable bequests. This fact not withstanding, the value of charitable bequests hover around 10% of annual *inter vivos* gifts by individuals. Because of the dramatic growth of wealth predicted by our WTSM, we project that in addition to annual *inter vivos* giving, and without any increase over the 1995 proportion of estates going to charity (something that has in fact occurred from 1995-1997), the projected 20-year level of bequests will be between $1.7 trillion and $2.7 trillion, while the projected 55-year level of bequests will be between $6 trillion and $25 trillion. Moreover, 75% of these amounts will come from the 3% of estates valued at $ 2 million or more. To get a feel for the growth, the foregoing means that bequests will grow from approximately $15 billion/year in 1998 to $57 billion/year ten years out, and to approximately $252 billion/year twenty years out so as to reach the 20-year total of $1.7 trillion (all in 1998$) (Havens and Schervish 1999).

In the light of these figures we can conclude that there is in fact a positive relationship between wealth and percentage of wealth contributed, once we transfer our attention to the bequest side of the ledger. Although in the immediate future the wealthy will continue to contribute more in annual giving than in bequests, near the end of the twenty-year window, yearly contributions from bequests by wealth holders will approach ever closer the amount of annual individual giving by wealth holders. Once again, we caution that all our estimates, in addition to being conservative, are not able to predict what behavioral changes may occur over the span of the next two decades. Our best guess is that annual giving will grow faster than our predicted 3% annual real growth and be more in line with Kaplan's 8.5% growth. We also have good reason to believe that over the next twenty years charitable bequests will approach the middle level estimate of $2.1 trillion rather than hover around our lower-level estimate of $1.7 trillion.

As fundraisers and financial professionals become even more successful in getting wealth-holders to execute planned-giving and estate-planning strategies, it may very well happen that some bequest giving will be pushed back into lifetime annual giving. This, of course, will result in higher than projected *inter vivos* giving and lower than projected charitable bequests. Regardless, the charitable giving by wealth holders is likely to increase over the next twenty years in excess of what we have estimated here.

II. Major Motives of Major Donors[1]

In what follows I explore that unique juncture where general charitable motivations intersect with the motivations that are particular to the distinctive financial capacities and social-psychological dispositions of the wealthy. First, I discuss the empowering class trait of the wealthy, which I call hyperagency. Second, I illustrate the mobilizing factors that we have found to be at the heart of the *identification* and *association* model of charitable giving. Although these factors apply in a general way to donors at all levels of income and wealth, I will draw on my intensive interviews with the wealthy to portray how the factors apply specifically to wealth holders. Third, I describe how the class trait of hyperagency leads wealth holders to an *inclination* to be producers rather than simply supporters of philanthropic projects. Fourth, I explore how the growing levels of wealth and the estate tax code, as modified by the 1986 Federal Tax Code revisions, have combined to become a unprecedented ally of philanthropy. With charitable contributions having become the principal alternative to paying an effective estate tax rate of 60%, no discussion of the determinants of major gifts can for now omit the operation of estate taxes in generating charitable giving. Finally, I indicate some practical implications for encouraging wealth holders to become major donors.

In view of the substantial growth in wealth and the corresponding potential growth in *inter vivos* contributions and charitable bequests, it behooves researchers and fundraisers alike to understand how to mobilize that potential and even to amplify it. To do so requires a shift in thinking. Up to now, with a few exceptions (e.g., Auten and Joulfaian 1996) the major empirical focus has been on annual giving. The conventional focus has been on the patterns, motivations, and fundraising implications of the relations among annual giving, income, discretionary income, income tax incentives, and percentage of income contributed. Over the past decade, however, wealth holders, fundraisers, and financial professionals have increasingly appreciated what the research community and media have only begun to apprehend. This is, that the 8-9% average real annual growth in wealth from 1987-1998 (Havens 1998), the tax changes introduced in the 1986 Tax Reform Act, and the impending inter-generational wealth transfer of trillions of dollars are leading to a sea change in the dynamics of charitable giving, one we predict will intensify in the years ahead. Accordingly, those of us studying and reporting on charitable giving need to complement our focus on the income dynamics of charitable giving with a corresponding focus on its wealth dynamics. We also need to complement our examination of the material patterns and trends with an exploration of the motivational matrices that currently mobilize charitable giving and can be drawn upon to advance it.

What are the motivating factors that animate an inclination toward charitable giving? The simple answer is the same factors that motivate any of us, rich or poor. Identify any motive that might inspire concern--from heartfelt empathy to self-promotion, from religious obligation to business networking, from passion to prestige, from political philosophy to tax incentives--and some millionaires (as well as some non-millionaires) will make it the cornerstone of their giving. The complex part about the charitable motivation of the wealthy is that those who hold great wealth and consciously direct it to social purposes invariably want to shape rather than merely support a charitable cause. Although everyone who makes a gift wants it to make a difference, those who make a big gift want it to make a big difference. This raises the question, then, about what distinctive additional or complementary mobilizing factors come into play when major donors make major gifts.

A. The Class Trait of Hyperagency: Determination and Dominion

A major finding of my research is that the distinctive class trait of wealth holders is their history-making capacity , what I call their "hyperagency." For sure, not every hyperagent is wealthy. Some financially undistinguished people make history by virtue of being profound, creative, or spiritual. But in the material realm, every wealth holder is at least potentially a hyperagent.

Hyperagency refers to the enhanced capacity of wealthy individuals to establish or control substantially the conditions under which they and others will 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 wealthy can circumscribe such constraints and, for good or for ill, create for themselves a world of 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 will live and work.

Whenever a respondent 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. At the extreme, it is the liberty from having to work in order to survive. In contrast, positive freedom refers to the capacity to accomplish desires in the face of constraints. In the material realm, such freedom is the ability to experience virtually every situation, from housing and vacations to education and work as opportunities for choice rather than conditions of compromise or deprivation. For instance, the fact that the wealthy do not *have* to work ironically results often enough in their *wanting* to work. Freed *from* the obligation to work, they are free *to* select and shape their work so that it becomes a source of satisfaction, self-actualization, and effective accomplishment. A West coast attorney expresses this Janus-faced attribute freedom by recounting how her wealth "smoothes out" the everyday toils of life and, as she says, to "set my own agenda".

To set one's own agenda, especially in those areas where it is usually set by others is the fundamental endowment of wealth. Wealth enables individuals to freely conceive of and choose among a wheel 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. Nevertheless, wealth-holders remain in many, if not in most, realms possessors of an inner determination and an outward dominion to fashion the world they and others will live and work.

Individuality: psychological determination. The hyperagency of wealth holders is contingent upon a constellation of emotional, intellectual, and moral dispositions that provide great expectations, the confidence about one's ability to pursue them, and the responsibility to accomplish them. To be world builders in the spheres of business, consumption, and philanthropy, wealth holders need to learn repertoires of knowledge and sentiment. These orientations of psychological empowerment I term *individuality*. Individuality revolves around the perception of one's self as a minor demigod who has at least in some local sphere burst the bonds of normal agency in constructing the environment. In a world where most individuals are limited to carving out the best possible niche in an organizational scheme designed by others, the wealthy are able to conceive and create a world tailored to their specification. One Detroit importer demonstrates the essence of individuality with her combination of determined purpose and uninhibited imagination. "I'm a winner, and I believe in winning in life. And I set my own goals," she explains. "And I'm a dreamer--I think that's one of the big assets that I have, my imagination. You are what you think about. You are what you believe."

Principality: the temporal and spatial dominion. The worldly domain in and through which the wealthy "deal with substantive issues," is their *principality*. If individuality revolves around psychological empowerment, principality revolves around temporal and spatial empowerment. If individuality is self-construction, principality is world-building.

Temporal empowerment is the longitudinal dimension of principality. It is the ability to influence significant stretches of the past and future, and to make concrete arrangements to extend one's control over the present. This shows up in the familiar penchant of wealth holders to perpetuate their family legacy by arranging for the inter-generational transfer of wealth through trusts and other intra-family mechanisms of inheritance. But in addition to extending family and opportunity over time, temporal empowerment provides the capacity to shape the future. "I have a need for ongoing things," a New York businesswoman explains. "I want the business to go on. I want to build something that doesn't die when I die." Scanning the temporal horizon, the wealthy articulate a range of possible trajectories for practices in different spheres of activity. They project possible futures not only for themselves and their families, but for the businesses and organizations to which they are tied.

Spatial empowerment is the geographical counterpart of temporal empowerment. It marks the territorial boundaries of principality. Spatial empowerment refers to both the vertical power exercised within a sphere and horizontal power exercised across spheres of institutional life. In the exercise of spatial power, the wealth holders direct and coordinate the monetary and human resources of organizations as material extensions of their will and as physical incarnations of their presence. "The company was built around me," reports one entrepreneur, and "everybody in the United States thinks about this company as me personally." For her part, the Detroit importer already mentioned above expresses the essence of spatial principality by describing her plans for global expansion by saying, "Give me Mexico, that's what I want!"

The hyperagency of wealth holders, as manifested in their individuality and principality, does not automatically bring happiness or determine one set of choices rather than another. But what hyperagency always brings is an expanded range of material choice that opens an expanded range of spiritual questions for themselves and others. According to Aristotle the prominent desire of individuals is happiness; and happiness derives from wise choices. My years of conducting intensive interviews with people across the economic spectrum on various aspects of the daily dilemmas of work, family, and finances confirm this quest for happiness. What makes wealth holders distinctive is that more than any other group, they are characterized by freedom of choice. The primary attribute of wealth and the most prominent class trait of the wealthy is an elevated freedom of choice in and about their personal lives and their public dealings. Such freedom of choice does not guarantee that wealth holders make wise choices and generate happiness. It does guarantee that in the material realm they have a broad horizon of choice, that their choices have the capacity to fashion the choices of others, that they harbor the potential for making wise choices that will advance their happiness and the happiness of others.

B. Major Motives: Identification and Association

The key determinant for improving the probability that wealth holders will answer in a positive way the deeper spiritual questions of worldly hyperagency is the extent to which they identify the fate of others as linked to their own. The school of care is identification, the school of identification is association. I have summarized what my colleagues and I have found to be the major mobilizing factors that generate charitable giving in several publications (Schervish 1995, Schervish 1997). Taken together these mobilizing factors compose what I have called the identification model of charitable giving. We published our first empirical test of the theory (Schervish and Havens 1997a) based on an analysis of the 1992 Survey of Giving and Volunteering and have subsequently confirmed it using new and independent data from the 1997 General Social Survey (Havens, Coutsouksis, and Schervish 1998). Our findings are that the level of contributions depends on the frequency and intensity of participation, volunteering, and being asked to contribute. Our findings also indicate that larger gifts can be generated from those already making substantial gifts. Taken together, our general conclusion is that charitable giving derives from forging an associational and psychological connection between donors and recipients (Ostrander and Schervish 1990).

Here I illustrate the identification theory by returning to the data from which I originally generated the theory. This first effort to ascertain the determinants of charitable giving constituting the identification model was an analysis of intensive interviews with 130 millionaires in the Study on Wealth and Philanthropy.[2] During the course of these interviews, we obtained information both about the modes of empowerment discussed in the previous section, and about the factors that motivate giving among millionaires. What we learned provided the basis for inductively mapping a constellation of seven variable-sets that were positively related to charitable giving. These seven sets of variables are listed and briefly described in Figure 1.[3] I will illustrate in detail only four of these variable sets--and even then I will tend to concentrate on one specific aspect of each set. In this section, I discuss frameworks of consciousness as *identification*, and communities of participation as *association*. In the next section, I will examine the desire to make a difference and tax incentives as motivational factors.

Figure 1
Determinants of Charitable Giving

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(1) *Communities of participation*: groups and organizations in which one participates.
(2) *Frameworks of consciousness*: beliefs, goals, and orientations that shape the values and priorities that determine people's activities.
(3) *Invitation to participate*: requests by persons or organizations to directly participate in philanthropy.
(4) *Discretionary resources*: the quantitative and psychological wherewithal of time and money that can be mobilized for philanthropic purposes.
(5) *Models and experiences from one's youth*: the people or experiences from one's youth which serve as positive exemplars for one's adult engagements.
(6) *Urgency and effectiveness*: a desire to make a difference; a sense of how necessary and/or useful charitable assistance will be in the face of people's needs.
(7) *Demographic characteristics*: the geographic, organizational, and individual circumstances of one's self, family, and community that affect one's philanthropic commitment.
(8) *Intrinsic and extrinsic rewards*: the array of positive experiences and outcomes (including taxation) of one's current engagement that draws one deeper into a philanthropic identity.

Identification: the unity of love of neighbor and love of self. The social-psychological dispositions referred to in Figure 1 as frameworks of consciousness range from religious and political aspirations, on the one hand, to guilt and the desire for control, on the other. But the most formative, durable, and effective framework of consciousness--and the eventual outcome of guilt, duty, and other motives--is captured by the notion of identification. As one entrepreneur explained, identifying with a cause is the criterion he uses to determine the causes to which his major contributions go. For instance, the fact that he "can fully identify" with the one-on-one drug rehabilitation program started by a local judge led him to support the program with a series of major gifts. "I feel like I'm involved and a participant and I feel I can identify with the project, and I've learned enough about it to have some feeling that it's worth doing."

The key to care and philanthropy, as I have written elsewhere (e.g., Schervish, 1993, Schervish and Havens, 1997a), 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 neighbor, love of self, and love of God. In its civic expression, it is what Tocqueville meant by “self-interest properly understood,” and what one Washington respondent expresses in very personal 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 another interviewee’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.”

In this way the inspiration for charitable giving and care in general is a function of the social-psychological processes of personal identification. It is for this reason that I have found 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* (see below) may seem to discount its value, my intention is just the opposite. Within the identification model, consumption philanthropy is an honorable 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 neighbor as ourselves.

*Association: The School of Identification***.** The disposition of identification does not grow in isolation. The school of identification is the constellation of communities and organizations in which donors learn about the needs of the people with whom the donors come to identify. Among our most consistent findings from over a decade of research is that the greatest portion of giving and volunteering takes place in one’s own community and church, and helps support activities from which the donor is directly associated. This means that the basis for higher giving and volunteering is in large part a function of the mix and intensity of the network of formal and informal associations both within and beyond one’s local community. Over the course of our research, it has become increasingly clear that differences in levels of giving of time and money are due to more than differences in income, wealth, religion, gender, and race. When it comes to philanthropy it is less a matter of financial capital or even moral capital in the form of some kind of intrinsic faculty of generosity. What matters most is one’s abundance of *associational capital* in the form of social networks, invitation, and identification.

For instance, a 53 year-old Chicago hotel supplier became ever more serious about volunteering his time and money to the Association of Jewish Community Centers as he came to associate with the clients of the centers. “It was unbelievable what I learned about the numbers of people in this community literally whose life depended on that agency," he says. "I mean [they would have suffered gravely] if they didn't get the subvention so their kids could go to camps, or their kids could be in day care centers, or some of their older people could be taken care of in the elderly homes and got meals. I mean, their whole life depended on this institution." Indeed, it meant so much to him that he was able to see "where children have gone on from very humble beginnings to becoming major contributors not only to themselves but back to the community," that he eventually served two terms as president of the association.

One New York philanthropist 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." Upon returning from Latin America, she 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 her endeavors to "enabling people to grow and to achieve their potential." Again, it is her associational relations that put her face to face with those in need and are the occasions for developing the necessary knowledge and desire for her major efforts 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."

Association also turns out to be the training ground of identification for a Boston condominium builder 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 his 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."

Ultimately there is nothing mysterious or extraordinary about the centrality of association in determining the amount and kinds of charitable engagements. "All giving is local," is an accurate portrayal of how charitable activity gets mobilized in and around the formal and informal social relations incorporating one. Such incorporation may be direct, as occurs in and around one's church and university, or one's children's school or sports team. Incorporation may also be more indirect, for instance, when the medical or mental illness suffered by a family member induces support for medical research to cure that illness. Association is even more indirect, but equally powerful, when the inspiration for contributions of time and money arrives through the media, as often occurs when news of famines and natural disasters attract our care.

Indeed, our own research (Schervish and Havens, 1997a) and that of others (e.g., Jackson, Bachmeier, Wood, and Craft, 1995) indicate that among all the variables listed in Figure 1, the strongest immediate determinant of charitable giving is the level of formal and informal engagement.

C. Great Expectations to Make a Major Difference

The definition of wealth holders as hyperagents with personal determination and institutional dominion directly applies to their activity in the realm of philanthropy. When coupled to the dynamics of identification and association, self-construction and world building do not stop at the doors to their homes or their businesses. They extend to all 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 fulfillment of their desires.

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, explains an especially reflective 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 actively affect 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 endeavors.

The distinctive class trait of the wealthy in philanthropy is the ability to bring into being, rather than just supporting, 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 the strategy of the respondent who talked previously about the impact of her work in Latin America and Detroit. She contributes to many causes, particularly “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 endeavor. 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 sizable enough gift to actually shape the agenda of a charity or nonprofit institution. In this instance, the contributor may be termed a direct producer or architect. Such direct production, of course, cuts two ways, and so it is always important to discern the conditions under which philanthropic hyperagency produces care rather than control (see Schervish forthcoming).

One experienced philanthropist I interviewed 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 within an existing organization a novel direction, 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 the charitable giving of the respondent I quoted about the nature of entrepreneurship. "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 program, 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?"

D. The Inclinations of Taxes, Death, and Gratitude

Taken together, the exponential growth of wealth, the disposition to identify with others, and the orientation of hyperagency unite to mold a relatively powerful incentive for wealth holders to allocate large sums to philanthropy. Coupled to this inclination to make a difference in a major way is the opportunity to do so. Not only do major donors have the inclination to fashion society, they also have, as we have seen, the material wherewithal and tax incentives to do so.

The notion that philanthropy is indispensable for innovation in the provision of material goods and services for people in need, and for the promotion of cultural, social, and human capital for all members of society is neither new nor controversial. What is new, is the remarkable burgeoning in the material and the inclinations to allocate this wealth to philanthropy. In addition to identification, association, and hyperagency, there are additional inclinations which make allocation by wealth holders of a substantial portion of the growth in wealth to philanthropy not only a possibility but a probability.

Taxes. Perhaps the strongest material incentive for channeling this burgeoning major wealth to major gifts revolves around making positive use of the current estate tax laws. Much research has explored the effect of marginal income tax rates and other factors on the level of charitable giving from *income*, most recently a report prepared for the Council on Foundations and Independent Sector by Price Waterhouse (1997) confirming the positive effect of the charitable deduction on the amount of income given by individuals. However, we are only now beginning to recognize the implications of the growth in wealth for charitable giving from *wealth*. As I have said, one of the emerging determinants of substantial giving from *wealth* among the upper income earners and wealth holders is the estate tax environment instituted by the 1986 changes in the Federal tax code. Something that is now patently obvious to financial planners, tax accountants, and increasing numbers of wealthy individuals (especially small business holders) is that the 1986 tax code has dramatically increased the incentives of wealthy individuals to make substantial contributions to charity in lieu of paying an effective minimum wealth tax of at least 60% (see Murphy and Schervish, 1995). It is crucial to learn how current estate tax laws influence wealth holders to choose to dedicate their wealth (both while alive and at their death) to charity rather than government. As experienced financial planners such as Richard Haas, Scott Fithian, and Stuart Miller all insist, the only significant tax shelter for the very wealthy is philanthropy. Therefore, informing the affluent and wealthy about the practical tax advantages of the estate tax codes and about corresponding financial planning strategies that highlight charitable giving is one increasingly crucial and productive task.

Gratitude. The worldly vocation of wealth holders becomes embedded through the insight that they have, as one respondent in the Study on Wealth and Philanthropy put it, "been given a lot." Theologian Robert Ochs has remarked that there are three ways to take a gift: it may be taken for granted, taken with guilt, or taken with gratitude. For those wealth holders who are most inclined to charitable giving, taking their fortune with gratitude is the single most crucial aspect of their consciousness. They recognize that their wealth and abilities are unearned gifts--that despite their worldly capacities they are not demigods determining their own and others' fates, but beings who are themselves humbly abiding within a gracious dispensation.

Religion is a potent, but not the exclusive path to a more caring life of wealth engendered by gratitude. No matter how it develops or is enunciated, the recognition of a life graced by unearned opportunities, unachieved benefits, and ultimate contingency is at the core of the inherent transformative capacity of wealth to induce charitable giving.

Death. There appear to be two main (and often overlapping) phases of personal and financial orientation. The first is a building and accumulating phase in which the wealth holder's most important concern is to accumulate wealth from an entrepreneurial or executive position and from additional investments. During this first phase there is a sense of psychological empowerment in which great expectations are coupled to a forceful confidence that these expectations are worthy and able to be fulfilled.

The second phase occurs as the result of leaving or slowing down one's entrepreneurial or executive work, and turning toward discovering how to make a difference in new ways or in ways previously pursued with less attention. The horizon turns to viewing accomplishments in the light of death--but not in a passive or resigned manner. Psychological empowerment at this stage means that expectations, aspirations, and the resources to accomplish them are directed toward advancing for oneself and leaving for others a personal legacy of significance--a large part of which involves the appropriate handling of financial resources. In this second stage, there is usually an initial and sometimes a persistent period of confusion, doubt, and uncertainty about how best to leave a legacy of monetary value and spiritual virtue. If the first phase of empowerment revolves around pursuing a set of interests and concerns that are relatively straightforward, the second phase revolves around discovering or deepening the quality of one's pursuits.

III. Strategies of Giving[4]

In this final section of this pedagogical overview I turn to what my research has indicated as the strategies wealth holders use in carrying out their charitable giving. I conceptualize the philanthropy of the wealth holders as *strategies* in order to emphasize that each type of philanthropic activity is an articulated unity of meaning and practice that expresses how the wealthy think about and become involved in philanthropy. As a self-reflective strategy, the philanthropy of the wealthy is in every important sense a *mode of consciousness* and *mode of engagement*. In the course of my research I located thirteen such social logics or strategies ordering the philanthropy of the respondents. Each logic of philanthropy constitutes the manner in which wealthy individuals construct a course of action in relation to where they have been, where they wish to go, and how they wish to be involved. Each is a distinct way the wealthy conceive of and use their time and money to address the needs of others.

A. Philanthropy as Strategy

Due to problems with the notion of altruism which I have described elsewhere, I suggest approaching philanthropy and other so-called pro-social behavior as part of a larger framework of subjective consciousness rather than as an issue of the presence or absence of altruism. It is a matter of setting out etiology and teleology--the background forces, goals and purposes that mobilize behavior in a certain direction. In this way, the cultural consciousness surrounding philanthropy is part of a *philanthropic strategy*.

A philanthropic strategy is an internally coherent approach to philanthropy in which meanings and practices are combined in the pursuit of an identifiable set of goals. By focusing on philanthropic strategies we are able to characterize philanthropic relations not just by degrees of donor altruism, the size of gifts, or the specific cause or purpose of a gift. As important as each of these topics may be, neither really helps us comprehend the *mode of participation* of givers or recipients in the philanthropic relation. To speak of strategies of philanthropy as modes of consciousness and modes of engagement, is to highlight the different ways people actually come to think about and carry out philanthropy and, hence, the way they construct their moral identity.

As a social logic, each mode of philanthropy varies according to:

(1) the *complex goal* or teleology composed of the array of intended outcomes for the philanthropist, the cause supported, and society in general;
(2) the *strategic meaning* or consciousness constituting one's understanding of the way the world works, the way it ought to be, and the way to transform it; and
(3) the *strategic practice* that sets in motion a causal trajectory to execute the strategic consciousness and achieve the intended goal.

The first element is the complex *goal* or *teleology*. Each strategy is distinguished by an integrated set of goals by which givers and grant seekers work not just to accomplish a concrete purpose but do so in a specific manner. Each complex goal is an array of ends simultaneously combining forms of involvement by donors, outcomes for recipients, outcomes for any organization being supported, and the involvement of other individuals. In accomplishing such complex purposes each strategy is distinguished by a mode of consciousness and a mode of engagement. By a mode of *philanthropic consciousness* I mean the combination of personal sentiments and social perspectives shaping what needs to be done, how it is to be accomplished, and what its meaning is to individuals. By a mode of *philanthropic engagement* I mean the kinds of personal involvements of time and effort which donors carry out consistently with their complex goal and the strategic consciousness.

B. Thirteen Strategies

In the course of the research, my colleagues and I uncovered thirteen strategies of philanthropy. These are summarized in Chart 1. I do not claim that this is an exhaustive list or the only way to categorize types of philanthropy (for instance, see Prince and File, 1994). We found that most respondents engage in a number of strategies even though it is usually the case that one particular logic tends to dominate an individual's approach to philanthropy. Therefore, even though the thirteen strategies primarily characterize modes of *philanthropy*, it is possible to speak about types of *philanthropists* as well. For instance, those who practice, say, adoptive philanthropy can be referred to as adoptive philanthropists when engaged in carrying out aspects of the adoptive strategy. But even when speaking of someone as an adoptive philanthropist, we must remember that that individual may at the same time also be a contributory, consumption, and entrepreneurial *philanthropist*.

Figure 2
Philanthropic Strategies Practiced by Wealth Holders

Personal Engagement Strategies: direct personal contact and exchange of information between donors and beneficiaries with priority given to recipient needs:

1. *Consumption*: donors materially benefit from the organizations to which they contribute
2. *Empowerment*: donors seek simultaneously to enhance their own sense of self-empowerment and to give over some active organizational control to beneficiaries
3. *Adoption*: donors attend personally to recipient needs in an ongoing and multifaceted relationship
4. *Productive*: above-market business relations with employees, suppliers, or consumers are viewed as philanthropy

Mediated Engagement Strategies: contact between donors and recipients is mediated by organizations or other individuals though knowledge and concern for recipient needs may be high:

1. *Contributory*: donor gives to a cause with no direct contact with recipient
2. *Brokering*: donors solicit other key donors in their own network
3. *Catalytic*: organizers donate time to mobilize large number of other donors in a mass appeal

Donor-Oriented Strategies: donors governed and mobilized by their own circumstances rather than by those of recipients:

1. *Exchange*: giving propelled by mutual obligation within a network of donors
2. *Pro Bono*: giving based on obligations associated with job expectations.
3. *Empowerment*: philanthropy grows out of decision to designate part of family money for social involvement

Business Strategies: donors focus on using or improving the organizational resources of philanthropy:

1. *Managerial*: efforts focused around improving organizational effectiveness of philanthropic groups
2. *Investment*: philanthropy as raising and applying economic and human capital to achieve discernible outcomes
3. *Entrepreneurial*: hands-on efforts to apply innovative approaches to fulfilling needs

We also found that wealthy philanthropists often pursue a variety of strategies simultaneously and change that mix over time. One consequential expression of empowerment is the ability of the wealthy to take up whatever complement of strategies they deem most necessary or appealing. It is not just that the wealthy can choose to do something about a wide range of concerns. They can do so by choosing from among a wide array of approaches or modes of engagement. Once again, philanthropy, like other practices among the wealthy, is a domain in which self-expression and world-construction occur in a mutually enriching manner.

I distribute the thirteen strategies into four groupings. The first three groupings are based on my theoretical definition of philanthropy as a social relation. The fourth grouping consists in three strategies by which donors approach philanthropy through a business perspective.

Personal Engagement Strategies. In the first category are four strategies with *direct personal contact* between givers and recipients. In each of these personal engagement strategies, donors attend immediately and directly to the needs of recipients, often through direct contact with the beneficiaries. The relational aspects of philanthropy are most explicit. Donors seek to know the beneficiaries, have their support known by the beneficiaries, and in some cases set up procedures whereby beneficiaries help determine how contributions are used.

<u>Consumption Philanthropy.</u> The strategy of consumption philanthropy is characterized by a framework of strategic meaning that emphasizes the utility of a particular philanthropic product or outcome for the individual contributors themselves. The specific capacity as well as the strategic practice of the consumption logic are predominantly oriented around the production of a philanthropic good or service that the givers or their families have already used or will consume either in the present or at some point in the future. In general, consumption philanthropy involves contributions of time and money to existing organizations and institutions. The role played by consumption philanthropists can either be as supporters or producers. They become producers to the degree that they make sizable enough contributions to affect the viability of the organization or become actively involved in the management or administration of the organization to which they contribute.

This logic is exemplified by the respondent who gives to and patronizes the museum which houses artifacts he owns, the music-patron who gives only to organizations whose concerts he can attend, or the frequently cited practice of giving to one's church, synagogue, or schools. These examples also point to the fact that cultural, educational, and religious institutions are the principal philanthropic beneficiaries of consumption philanthropy.

In terms of philanthropy and charitable giving as a whole, consumption philanthropy is by no means limited to the inherited wealthy. In fact, when one considers that most charitable giving is to religious institutions that produce goods and services directly consumed by the donors, it is not unreasonable to claim that the consumption logic is probably the most pervasive and dominant logic of philanthropy in the population as a whole.

<u>Empowerment Philanthropy.</u> In the empowerment logic, the self-development and empowerment of the wealthy become an explicit part of their philanthropic efforts to empower

others. They construct an organizational structure to link philanthropic efforts on behalf of others to personal efforts on behalf of themselves.

This logic is often practiced in conjunction with the missionary logic. It is almost exclusively found among a younger generation of inherited wealthy who are actively engaged in progressive politics and alternative "social change" philanthropies. Many such wealthy individuals have often had a difficult time with the dissonance produced by the conflict between their egalitarian politics and their privileged position in the class structure. As a broad strategy to resolve the contradictions between their social values and their possession of wealth, empowerment philanthropy entails a three-dimensional teleology of empowerment and self-development.

The first dimension involves the practice of directly funding organizations and activities that are committed to fostering progressive, if not radical, social change. Almost all of the wealthy who engage in empowerment philanthropy articulate a keen sense that their privilege and power has been historically built upon the subordination and deprivation of others. Consequently, the goal of funding social change efforts is to empower subordinate groups in society by providing them with material resources that have been institutionally denied to them. One woman who is heavily involved in empowerment philanthropy explicitly ties the origins of her philanthropic practice to her rejection of exploitative class relations.

By using their wealth to transform the social structure of privilege and empower those "on whose backs their wealth was made," empowerment philanthropists begin to assuage some of the guilt and stress associated with being wealthy in the first place.

The second dimension involves an explicit strategic practice of collective therapy. An integral part of producing social empowerment for others is the production of resources of empowerment for themselves. They establish support groups, retreats, and the like, that directly address the problematic issues of self-esteem, identity, and psychological dissonance that afflict many of the inherited wealthy. The philanthropic organization itself is made to provide a "nurturing" atmosphere within which they can develop an empowered relation to their wealth in the company of peers. One philanthropist from Seattle spoke quite specifically about the personal benefits of her participation in such organizationally-based therapy:

> Here was a whole new dimension of acknowledging we had money, and talking about it in terms of relationships, how it makes one feel about oneself, its impact on children. . . . It was an education. You know the thing about being a member [of such a philanthropic organization] is that you have left that barrier, that taboo on talking about money. You are ready to deal with the money head-on. You are making a statement by being there.

The third and final dimension of the strategic practice of empowerment philanthropy involves the role of the wealthy in the philanthropic production process itself. Empowerment philanthropists are sensitive to the power dynamics of the social relations of philanthropy, both among donors and between donors and recipients. In response, they democratically structure the organizations built around the principles of empowerment philanthropy. Donors occupy positions as collective and cooperative producers with equal power rather than as individual proprietors whose degree of influence is based on the magnitude of their contributions. In addition, there is also an attempt to extend the democratic and egalitarian impulse to include the recipients themselves in decision making. Once again, this produces a therapeutic benefit for the philanthropists because it grants them one more avenue for resolving the tension between their politics and their privilege.

Adoption Philanthropy. The dominant characteristic of this logic is a direct and unmediated relation between philanthropists and the individual or collective beneficiaries of their assistance. Although many logics are structured around a strong affective orientation of the philanthropist towards a particular organization, cause, or issue, adoptive philanthropy is unique in the immediacy of the link between donor and recipient.

The strategic consciousness of the adoption logic focuses on the specific needs of concrete individuals rather than large-scale or abstract causes. What characterizes the strategic consciousness of an adoptive philanthropist is a sensitivity to the needs and problems of specific people for whom they have personal concern. In this sense, it is possible to understand adoptive philanthropy as a *philanthropy of the ordinary* aimed at making a discernible contribution to solving problems precisely as they occur in the everyday lives of individuals. The strategic concern with the mundane, everyday reality of those in need is articulated quite nicely by one woman:

> I can't enjoy myself unless other people are enjoying themselves and can meet their car payments and so on . . . I have a peculiar compulsion to be my brother's keeper in a very small sphere. All I can do is be as nice as I can within my own small sphere of influence.

Adoptive philanthropists look to "make a difference" in people's lives, but do not wish to do so through the mediation of organizations that may separate them from those they wish to help. They want to directly address needs and problems as experienced and defined by the recipients. The pleasures of adoptive philanthropy come, according to our respondents, not from devoting themselves to a grand cause or worthwhile institution, but from being efficacious in altering a small but important aspect of a beneficiary's life. To wit, explains one such giver, "I prefer small, personal, individualized gifts that really do something directive: like somebody who needs a computer."

Like all ideal adoptive relations, adoption in philanthropy is guided by a desire to provide an environment of sustenance, enablement, and often guidance. As one person told us, the philanthropist endeavors to give "human beings the opportunity to be human." The logic of adoptive philanthropy is informed by a desire to *enable* recipients to enhance their individuality on their own terms rather than to change their lives by imposing a regime of reformation. The theme of nurturing is something that occurs repeatedly in the discourse of adoptive philanthropists.

Representative examples of adoptive philanthropy practiced by various respondents include buying Stradivarius violins and loaning them to promising young musicians; financing professional tennis lessons for and personally counseling a talented young athlete from a poor neighborhood who otherwise would not be able to pursue the sport as a possible career; establishing a rural retreat for women writers; and sponsoring a class of poor urban school children by providing them with educational counseling throughout high school, paying for their college education, and giving them access to cultural activities outside that of their neighborhood. In all of these cases the philanthropist not only gives money but is personally present and responsive to the recipients on a regular basis. We find that in the practice of adoptive philanthropy the philanthropist often exhibits a level of personal involvement with the individual recipients that exceeds that shown by any other logic.

Productive Philanthropy. The strategic meaning of the productive logic defines business endeavors as being philanthropic. In the productive logic of philanthropy, business and philanthropic activity intersect to the point where they are conceived as being one and the same. As a result, holding a producer position in business by definition entails holding a producer position in philanthropy. There are three different ways in which our respondents conceive of their businesses as being philanthropic in their own right.

In the first type of productive philanthropy, business ***qua*** business is broadly considered to be a philanthropic activity because of its central role in a capitalist society in providing opportunity and material well-being for citizens. One entrepreneur argued that his business, and any other business for that matter, was philanthropic because it was providing jobs and income for a number of people, fulfilling a demand for specific goods in the marketplace, and enhancing the quality of social life in general. As he told us,

> I think you do a hell of a lot of charity when you create a good business enterprise. That's the best damn charity you can do for anybody. Let them earn for themselves, and treat them right. Let them be a part of what you are doing. Teach them that they can make money instead of being dependent.

The second way business activity becomes presented as productive philanthropy has to do with the character of a firm's goods and services. One respondent claimed that the business for which he is a high-ranking executive is philanthropic because its product, religious books and literature, is spiritually and socially uplifting. He rejects the

> bifurcation that says [conventional philanthropic activity] is a ministry and this [the firm itself] isn't. Now it wouldn't be as easy for me to work myself as hard as I do for Exxon as it is for [my company], because in my company there is an exciting overlap of some of the missions of our company with my overall mission for my life in the world, and that, no doubt, is what makes this work appealing.

A third approach to productive philanthropy highlights the strategic conduct of the firm towards its employees. According to the owner, there is something unique about the social relations within the firm that render it philanthropic. From the perspective of one high-tech entrepreneur, his company is a form of productive philanthropy because it is a "people-oriented company." The firm's work environment is shaped so as to "influence my people's lives in a positive manner, both individually and collectively." The firm's assets are mobilized in such a way as to maximize employment security, facilitate employee participation in decision-making, and enhance worker loyalty and commitment through profit-sharing.

It may be argued that our attempt to delineate such a "productive" or business-located approach to philanthropy is a mistaken and misguided enterprise since it blurs the widely accepted institutional and sectoral distinctions between commerce as a for-profit activity of accumulation and philanthropy as a non-profit activity of re-distribution. In response to such an objection we reiterate our point that what is distinctive about philanthropy is not its institutional or sectoral location, but its supply-led relations of production and the types of normative signals to which it attends and by which it is governed. From this perspective, the logic of productive philanthropy is no less "philanthropic," and perhaps even more so, than the more commonly accepted philanthropy of the consumption logic where giving is directly self-oriented due to the fact that donors are the consumers of the benefits produced by their gifts.

Mediated Engagement Strategies. In each of the three mediated engagement strategies, the contact between donors and recipients is mediated by organizations or other individuals. This of course does not mean that donors pursuing these strategies are any less knowledgeable or concerned about the recipients. But in each of these strategies the amount of time and effort devoted to directed contact is reduced. Instead of direct contact, there are often individuals or organizations who present the needs of recipients to donors and who receive and distribute donations to needy causes and individuals. Although mediated engagement may for some be a way of keeping their philanthropy perfunctory, for others the advantage is that they can contribute to important concerns without having to expend time in contact with ultimate beneficiaries. Thus while the behavioral aspects of mediated engagement are often less complex, aspects of strategic consciousness may remain painstaking as donors discern what causes are important and how much to give. Indeed as we move from contributory to brokering to catalytic philanthropy, the commitment of donors’ efforts tends to increase beyond writing checks. It can extend to mobilizing others on behalf of psychologically heartfelt but geographically distant causes such as medical care for Nicaragua and assistance for Russian Jews immigrating to Israel.

<u>Contributory Philanthropy.</u> The contributory logic, like the consumption logic, is one of the few approaches to philanthropy that is probably as pervasive among the non-wealthy as it is among the wealthy. The strategic practice and consciousness of this logic are characterized not by the philanthropist's emotional distance from the recipient cause or organization but by a general lack of direct personal involvement in them. Although contributors display or express varying degrees of affinity to the purposes and goals of the recipient organization, they show no desire to directly involve themselves with it as anything more than financial supporters. Thus, in contributory philanthropy there is little or no personal involvement either in the production process or with the beneficiaries of a philanthropic enterprise.

The impetus for engaging in contributory philanthropy can range from a vague sense of obligation or responsibility to a stronger identification and empathy with the cause being supported. The former orientation is exemplified by one respondent who places his contributory efforts in the "nuisance area" of his philanthropy. He remarks that such nuisance contributions are rooted in "a reflex action with no thought whatsoever. . . . I do it because it's just an obligation, like a utility bill you have to pay." The latter orientation is exemplified by one individual who contributes significantly to various Jesuit institutions simply because, as he said, "I've always loved the Jesuits, so I give to either the Society of Jesus or its different branches." Thus, although the position assumed is always that of a distanced supporter, the affective ties to beneficiaries may be quite strong.

In some cases, the contributory logic is consciously pursued by the wealthy as a means of shielding themselves from the pressure of direct solicitation or to hide their identity as being wealthy. Thus, trusts and foundations may serve to insulate the donor from direct and active engagement by operating as intermediaries, "funneling funds" to donees. Conversely, however, when linked with the value of privacy, the contributory strategy may help the donor feel more comfortable in giving. For instance, one married couple contributes anonymously because they "enjoy thoroughly being able to see things happen that we are responsible for and close to without anybody knowing it. That is the greatest pleasure, to do something and see people enjoy it without the embarrassment or the dissatisfaction that would come from having them grateful to you."

<u>Brokering Philanthropy.</u> The brokering logic is one of the more pervasive logics found among individuals in our sample and is also central to the sustenance of most philanthropic undertakings. As its name implies, brokering philanthropy centers around efforts to engage both the time and money of other potential contributors. In this sense, brokering philanthropists are selling the opportunity to invest one's resources and self in a particular organization.

The respondents who engage in this logic tend to occupy producer positions in a particular organization, primarily as fund raisers. The strategic practice of brokering takes place within an elite network of producers and sustainers in a philanthropic community. Their strategic consciousness is characterized by a high level of commitment to the organizations in which they are involved, often to the point of endeavoring to further their causes with a missionary-like zeal. This strong identification with the goals of certain organizations leads them to mobilize other wealthy individuals, not only to contribute to these organizations but to be involved in them as well. Thus, the teleology of the brokering philanthropist ideally envisions the mobilization of individuals who potentially will be producers as well as supporters.

The complex teleology of the brokering logic combines two important goals of the philanthropist. First, the manifest goal of brokering is to mobilize the interest and consciousness of peers so that they will become givers. Second, it is through the process of mobilizing others to support their chosen cause that brokering philanthropists demonstrate and affirm their own devotion to a philanthropic cause. Even though brokering philanthropists themselves usually donate significant amounts of money to the organizations for which they broker, it is their mobilization of other donors that most powerfully engages and fulfills their sense of mission. As one individual told us, "I felt that if it was important enough for me to give that kind of money, then it was important enough for me to talk to other people about it and mobilize them too."

The dominant goal of brokering philanthropy is not so much to directly meet social needs as to maintain the organization's ability to do so. Thus, a further goal of brokering philanthropists is to create other brokers who will be committed to the cause over a long period of time. Not surprisingly, being so actively involved in and devoted to the financial well-being and viability of a particular philanthropic organization often results in recruitment to the upper echelon of that organization's managers and directors.

Catalytic Philanthropy. The logic of catalytic philanthropy revolves around efforts to mobilize the affective engagement of third parties on behalf of a cause rather than simply around obtaining contributions of time or money to achieve specific organizational or social tasks. There are three dimensions to this mobilization.

First, the teleological focus of mobilization is not just other wealthy philanthropists but a broader popular base as well. In the respect that catalytic philanthropy also strives to elicit the active participation of others, it is similar to brokering philanthropy. The two forms differ, however, in that brokering philanthropy engages in the *horizontal* mobilization of other wealthy individuals whereas catalytic philanthropy adds the *vertical* mobilization of the non-wealthy.

Second, the strategic consciousness ordering catalytic philanthropy dictates that this vertical mobilization be characterized by a certain affective or ideological quality. Here philanthropists seek to rally the participation of others by communicating to them the same special urgency or enthusiasm that provides their own inspiration. In this view, philanthropy is a political or ethical vocation aimed at eliciting an equally ethical engagement of a broad constituency.

Third, the strategic practice of catalytic philanthropy revolves around mobilizing this constituency in the form of a social movement. For instance, one respondent pursues the goal of forestalling military intervention in Central America, not by seeking direct access to foreign policy decision makers, but by mobilizing a broad constituency who will then pressure the targeted officials through public opinion, voting, and other forms of political expression.

Because catalytic philanthropists are personally engaged in making direct appeals to a large audience, the most important asset available to them is directly related to their public status. Catalytic philanthropists, to be effective, must hold a prominent position not primarily within a family, corporation, or a philanthropic organization, but in the public sphere. Because of their capacity to command and mobilize attention, we find that catalytic philanthropy is practiced largely by public celebrities including entertainment stars, sports figures, and various other media luminaries. The role and responsibility of public figures in providing a focal point for efforts at social mobilization is expressed incisively by a well-known actor who devotes to favored causes a considerable amount of his social capital as a public figure :

> My opinions, which are no better or no worse than anyone else's, and certainly perhaps no better informed, will get heard and provoke or provide controversy. Though it's incumbent upon me to educate myself to the best of my ability, to speak knowledgeably on whatever I wish to speak out on, I know that it will get attention and be heard, as opposed to a bunch of people--the vast majority--who

> won't. That's why people seek us out. When the athlete, the politician, the performer, are identified with a cause, people will come to it. People will come to it. People will listen.

Donor-Oriented Strategies. The three donor-oriented strategies share the common trait that donors become engaged in these approaches because of conditions and expectations in their lives rather than in the lives of the recipients. For instance, some law firms require that their attorneys do a certain amount of pro-bono work in their communities as a condition of employment. This does not mean that the cause or level of dedication is determined by the firm, only that donors are at first primarily attentive, not to the pull of recipient needs, but to the push of donor interests and obligations derived from family, business, or social relationships. For this reason, I also refer to this category of strategies as *pro-bono* philanthropy. As such, dedication to specific causes may be deep but such commitments are not the key to what mobilizes philanthropy in the first place. A donor's strategic consciousness is focused on learning and recognizing the expectations of one's position in relation to peers rather than in relation to those outside of one's personal circles. Strategic practice thus becomes responding to the expectations derived from one's social position and getting others in one's social purview to do the same.

<u>Exchange Philanthropy.</u> The logic of exchange philanthropy pertains more to the relationship between philanthropists than to the relationship between philanthropists and recipients. The essence of the exchange logic is rather nicely summarized by one respondent who said, "It's simply a game of you rub my back and I'll rub yours." The strategic practice of this logic basically involves a fairly cohesive network of philanthropists and donors in a particular region or community who are frequently called upon to contribute to one another's causes or organizations. These networks are sustained and reproduced by a continual process of a reciprocal exchange of donations. In any given exchange, one group of people who occupy producer positions (primarily as managers and fund raisers) in a particular philanthropy will call upon a similarly placed group of people in other philanthropies. Those who are called upon to contribute time or money accede to the request not primarily because of any affective involvement or identification with the recipient organization. Instead they are induced to give because they expect that those who ask them for contributions will, in turn, become fair game for their own fund raising efforts. As one woman baldly sets forth the logic of exchange philanthropy:

> Yes, there is a network of people who draw on you. In other words you look down the list [of a fund raising event] and see who is on the [fund raising] committee. And you say, "Uh-oh, he's on the committee. I better do something. He did something for me last time." I do it because there are a number of people on the committee [and] every time I ask them for something they come through. It doesn't matter what it is.

Thus, exchange philanthropy is an accounting game of accumulating credits and debits between philanthropists. As our respondents testify, it is not the most exciting, creative, or rewarding aspect of their philanthropy. Despite the sometimes harsh criticism of exchange philanthropy voiced by those engaged in it, their continued participation in it reveals how central it is to the maintenance of philanthropic networks and the success of their fund raising efforts.

Pro-bono Philanthropy. The teleological focus of pro-bono philanthropy treats philanthropic involvement, not as a value in itself, but as a means of fulfilling the responsibilities toward philanthropy that accrue to individuals by virtue of their membership in a particular community or corporation. The strategic practice and consciousness of pro-bono philanthropy emerge largely from an imperative residing *outside* of philanthropy rather than from an obligation rooted in the desire to produce particular philanthropic outcomes. We have seen this logic manifested in three ways.

In the first instance the impetus for philanthropic involvement comes either from heeding a firm-wide ideology of community responsibility or from following the more-or-less explicit requirements set down by a firm as the basis for promotion. In most cases both pressures are present. As one member of a prominent accounting firm stated, not only does his firm set aside about five percent of its earnings for philanthropy, but each partner is also expected to be involved in some leadership role in the philanthropic community:

> We really believe as a business philosophy that we have an obligation to give back to the community. . . . [W]e also believe that if the partners and some of the others here do it . . . it's tremendous for their personal development . . . [and] states something about us in the community that's good for our business. . . . I think what it states too . . . is that [our firm] and its partners are people who are anxious to be involved and if they are involved, they will make a difference.

A second example of the pro-bono logic of philanthropy is found among what is probably a dying breed of women of inherited wealth whose adult vocation is volunteer work in traditional areas of philanthropy (e.g., social services, cultural and artistic institutions, and so forth). Work in the business world was a route implicitly or explicitly denied to them. Instead they were expected by virtue of being women of their class to make a career out of charitable duties--so much so that the work of philanthropy often becomes a primary source of self-identity, efficacy, and empowerment in their lives. Such pro-bono involvement often leads to much resentment, prodding one woman to comment on the volunteer career she and many of her "sisters" were forced to choose: "I couldn't have an executive job in the late 1940s. We had the ability and the drive, so where were we to go? We began doing organization work because there we were the executives." Despite this woman's experience as a philanthropic executive, it is in the daily practice of this kind of derivational philanthropy that the traditional sexual division of labor in philanthropic organizations is most evident. Although women may occupy a variety of positions within charitable organizations, they remain largely excluded from the ownership or managerial positions where they could exercise effective control over the overall mobilization of assets and the purposes to which they are applied. As one respondent critically put it, she and her friends were forced to form a "network of good little Indians" who recruit other volunteers, organize fund raisers, and plan events for purposes decided by the "real" board, as opposed to the "women's board."

A third arena in which the pro-bono logic is played out encompasses that of public figures, such as entertainers, athletes, business celebrities, or politicians. Such individuals are often placed in a position that makes philanthropy mandatory. For example, simply being a public figure is the source of philanthropic community involvement for many athletes. As one such athlete told us, his philanthropic activity is rooted in the belief that

> I sincerely think that I owe more than just the average person, that I have to keep my nose cleaner. . . . because kids watch you play and dream that maybe one day they will be in the major leagues. And if you can set an example for those kids, that's something positive you can give back for having the talent that the Lord gave you.

Empowerment Philanthropy. The term empowerment often refers to the attitude of dutiful responsibility held by the wealthy in their charity toward the less fortunate. However, as a social logic empowerment philanthropy is not a configuration of attitudes about the relation of rich and poor, but a strategic understanding of money as a resource reconstituting the family lineage from generation to generation.

Because of its focus on the interrelation between family and money, the empowerment logic is found primarily among the inherited wealthy. Money, according to numerous inherited respondents, is a trust in a profound spiritual sense as well as a legal sense. From childhood, many inherited learn that the money passed on to them has a three-fold character: the inherited pool of capital or principal that is to generate income and wealth but is not to be consumed, a portion of the "income" that can be used for living expenses, and a portion of the income from the principal or from a special trust or foundation that is to be spent for charitable purposes. In practice this means that empowerment philanthropists tend to limit the level of their financial commitments to that residual amount that does not imperil their family's economic lineage. But if the specific sum they contribute is residual, engaging in philanthropy is not. Here we part company with those who use the concept of empowerment in its more derogatory connotation. As we have just seen, along with learning the meaning of money as a family trust, the inherited understand their money as an unearned fortune of birth, and therefore a responsibility or social trust as well. Thus while the amount of money devoted to charity tends to be limited, the obligation to do something is universal.

Business Strategies. The final category of strategies contains three approaches by which donors focus on administering or improving the organizational resources of a philanthropic institution. The term *business* denotes the objective to introduce into the daily routines of a charitable organization a variety of principles and approaches found to work well in the for-profit sector. While *managerial* philanthropy concentrates on moving the philanthropic organization toward an efficient accomplishment of its goals, *investment* philanthropy focuses on the importance of raising and spending funds under the discipline of the principles of investment and demonstrable returns on investment. For its part, *entrepreneurial* philanthropy is a strategy that combines aspects of managerial and investment logics in a hands-on, creative philanthropic venture run by donors themselves. While managerial philanthropy focuses on organizational capital, investment philanthropy on financial capital, entrepreneurial philanthropy focuses on intellectual capital.

Managerial Philanthropy. The essence of the managerial logic of philanthropy is a strategic consciousness and teleology that places preeminent value on enhancing the rationality and efficiency of a particular philanthropic production process. The philanthropist's position of involvement is as a producer, involving a strategic practice oriented around rationally managing the mobilization of a philanthropic organization's assets in order to produce an outcome in the most effective way possible. Accordingly, the teleological focus of attention is not the product itself, but the *process* by which it is produced. Although it is possible to make contributions of money in order to aid in rationalization, managerial philanthropists predominantly contribute their skills as managers in or managerial consultants to the organization. As one manager defines his role, "I like to think that I bring a certain degree of common sense to these deliberations."

The strategic practice of managerial philanthropy recapitulates the standards and criteria for running an efficient business enterprise in the realm of philanthropy. Indeed, most of the individuals in our sample, whom we have identified as having a managerial logic, are also entrepreneurs, executives, or managers in the business sector.

A prime example of the managerial logic of philanthropy is one individual who is a top corporate executive for one of the largest corporations in the world. Because he is mainly involved in what he calls corporate "missionary work"--what we describe above as productive philanthropy--he sees the necessity of organizing philanthropic endeavors as if they were a "business proposition." The particular organizations with which he is involved range from summer camps for underprivileged youths to Third World housing projects. Nevertheless, in each of these activities, he endeavors to give people who wish to do good for others the opportunity to be effective by giving them effective organization. As he says, "you have to spot and select the people that . . . want to do something for other people. They are usually pretty ineffective in what they are supposed to be doing but they can be damned effective if you channel them right, if you make them do what they are supposed to do." The key to such "channeling" is "competent organization," which the managerialist strives to contribute.

Investment (Venture) Philanthropy. At the core of the investment logic's strategic consciousness is the belief that philanthropy is not the *giving* of time and money but its *investment*. The investment philanthropist fills producer positions by scanning the philanthropic terrain in search of possible sites for the investment of their human and monetary capital in "partnership" with the recipient organization. As one respondent insists, philanthropy is a business-like venture and should be run as a business-like venture:

> I have always used the term "venture capital" with grantees. I do not use the word "give." I believe it is a pejorative put-down term and I hate it. And wherever I go, I try to convince people that they too should not use that word. They should speak in terms of a "joint venture" with the grantee in order to cause something to take place. They are partners. They are risk takers together in a joint, hopefully positive, undertaking whatever it is, whether it's a liberal cause or a conservative

> one. . . . As far as I'm concerned [philanthropy is] a constructive business-like undertaking. We do not have to deal with profit but we do have to deal with positive cash flow. . . . We do try and invest our money in organizations that are going to have a positive bottom line at the end of the fiscal year. And we are going to hold them accountable for their performance. And we are trying to accomplish some kind of measurable goal together.

Although the strategic consciousness of investment philanthropy emphasizes criteria of organizational efficiency and fiscal responsibility, its strategic practice is not intended merely to impose a business model of production and accounting upon the non-profit sector. Rather, it is also intended to reflect and encourage a different set of relations between philanthropist and recipient. As the same individual we quoted above said, "we try to do [philanthropy] in such a way that de-emphasizes the source of the money and de-emphasizes the difference in the financial relationship between the partners."

There are three aspects of the strategic practice of investment philanthropy that attempt to meet this goal. First, the practice of a philanthropic joint venture involves the pooling of resources of several different donors. This requires that specific individuals be willing to give up a certain degree of control over how their money is going to be used. Second, the investment of resources in any particular undertaking is done with the intention of *enabling* the grantee to pursue certain goals which are already part of his/her agenda, rather than arbitrarily specifying what the recipient will do with the funds by imposing a foreign agenda. Finally, the practice of the investment logic entails what one respondent calls the transformation of the donor from a "contributor" to a "stakeholder." This means that grantees are responsible for actively involving donors in the operation of the organization and for encouraging donors to invest their time, energy, and intellect as well as their money in the endeavor. In these ways a dynamic process of reciprocal "gifting" between donor and donee is established, thus making any philanthropic endeavor a more viable and sustainable enterprise.

Investment philanthropists tend to exhibit a critical stance towards the way most philanthropy is organized and conducted. They seek to encourage and support innovative transformations especially in regard to applying a business and investment logic to the conduct of philanthropy.

<u>Entrepreneurial Philanthropy.</u> Just as the catalytic and innovative influence of entrepreneurship has become increasingly important in business practice, so too has an entrepreneurial logic in philanthropic practice. The strategic consciousness associated with the entrepreneurial logic is akin to the strategic consciousness that characterizes the business entrepreneur.

Although many of the respondents in our sample who demonstrate the logic of entrepreneurial philanthropy are indeed entrepreneurs or business people by occupation, it is not necessary to be a business entrepreneur to be a philanthropic entrepreneur. What *is* necessary, is a framework of strategic meaning that emphasizes creativity and innovation in the way a philanthropy is organized or in the way it approaches a problem. The strategic consciousness of innovation and creativity central to this logic is captured by one respondent who observed that "private philanthropy is the perfect example of competition. You could take imaginative, innovative plans to the government and wait years to see them tried out. So I see that private philanthropy has somewhat the same role that the innovative, high-technology venture-capital sector has in the economy." Thus, the teleology of entrepreneurial philanthropy is not simply to further the pursuit of established philanthropic goals and priorities, but to establish new ones as well.

The strategic practice of the entrepreneurial logic involves an active, hands-on engagement of the individual as a producer in the philanthropic production process. Although the extent to which an individual is committed on a daily basis to a particular project varies, the entrepreneurial philanthropist will always exercise effective control at least over the major purposes to which the productive assets of the organization are being dedicated.

Entrepreneurial philanthropists tend to enter into small-scale projects, not simply to ensure effective control or engagement. They do so as well in order to make their contributions all the more effective, since it is in small organizations with relatively narrow goals that individual contributions can be so leveraged as to make the greatest impact. "So much about philanthropy," remarks the entrepreneurial founder of one such organization, "is having to accept that you're a very small fish in a very large ocean and that you can do very little. But if you work with people creatively and you work to empower each other, there is a return on that which is much greater than any financial exchange." Bureaucracy, overhead, and fund-raising costs are kept to a minimum to ensure the most efficient translation of human and monetary capital into practical result.

IV. Conclusion: Philanthropy in the Age of Affluence

Many wealthy and affluent individuals (especially among professionals and first-generation entrepreneurs) have not adequately been called upon to chart their resources for philanthropy. For the most part, the philanthropic community has not initiated effective strategies to persuade the financially well-off to make philanthropy the positive cornerstone for the innovative and efficient production of valuable social outcomes. There are many reasons for this. In addition to not realizing their level of discretionary wealth (see e.g., Rosenberg 1994 and Havens 1996a, 1996b) and the positive implications of the current estate tax code, another serious obstacle is that potential major donors simply do not appreciate fully enough how effective charitable organizations are in generating valuable outcomes. As I said, one direction is to encourage fundraisers to become educated and to educate their donors about the new social conditions of wealth and estate planning. But equally important is making donors cognizant of the effectiveness of their contributions. We believe this can best be achieved by incorporating donors into the associational relations which occur in and around charitable organizations. This is clearly congruent with our findings on participation and identification which show the strategic importance of (1) involving donors in increasingly more engaging and rewarding participatory activities; (2) closely listening to what donors say about their areas of interest and welcoming them to contribute to such areas; and (3) bringing donors into relations of identification with the ultimate beneficiaries of their gifts.

The foregoing essay reviewed the material dominion and psychological determination of wealth holders. It has also discussed how growth in wealth in conjunction with the estate tax codes, and the inclination of the wealthy to make a difference are all positive vectors in the "physics of philanthropy." But as powerful as the forces may be, it is the expansion of the spiritual potential for philanthropy that may prove to be the most significant factor. In a provocative 1930 essay entitled "Economic Possibilities for Our Grandchildren" John Maynard Keynes (1933, p. 366) predicted that material wealth has the potential for releasing spiritual wealth. "The *economic problem* [of scarcity] may be solved, or at least within sight of solution, within a hundred years," Keynes wrote. "When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. . . . [such that] the 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" (pp. 369-370).

For those concerned with understanding the spiritual potential in the new "code of morals" and mobilizing it in the service of philanthropy, much needs to be learned about harnessing what I call *spirituality in the age of affluence*. One strategy is to help fashion a philanthropic vocation for Keynes's grandchildren now coming of financial age. To the extent that the affluent and wealth holders desire to search out their philanthropic vocation, there is a verdant opportunity to assist them in determining the socially beneficial charitable projects through which they may forge their moral identity.

Whether the current or projected patterns of charitable giving by the financially well-to-do evince generosity, is a matter for personal moral judgment. We do claim, however, that our research on the motivations for charitable giving suggest the need to deal more directly with the social-psychological factors by which individuals determine how much of their financial resources they can contribute to charity. One recurrent debate surrounding the issue of wealth and philanthropy is how to determine the amount of one's resources available for charitable giving. There are many individuals and groups currently challenging wealth holders to contribute specific portions of their wealth to charity. Our own research and anecdotal information indicate that such externally declared dictates, while well-intentioned, are materially unproductive because they fail to understand that *substantial* charitable giving derives not from meeting general mandates but from self-ordained evaluations of one's level of discretionary resources in the light of one's composite values and purposes. Thomas B. Murphy (Schervish, et al. 1998), an actuary and business owner, has sought to conceptualize the usually implicit combination of financial and psychological reckoning that he and other wealth holders go through in determining how much of their resources to donate to charity. The first step is to translate wealth and income into a common denominator. Murphy argues that "wealth and income are essentially different faces of the same underlying reality." If wealth holders are going to contribute more than nominal amounts to charity, they need to perceive their income and assets as together constituting a quantifiable financial resource stream. The second step is to understand the relationship between this financial resource stream and one's current and future expense stream. "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 when the difference between the expected level of income and expected level of expense 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. Whether this difference, as a multiple of income, is 0.5, 1, 2, or 10, I believe that this difference is the primary independent variable in determining the amount of financial resources potentially available for charitable giving" (Schervish, et al. 1998 1).

In addition to clarifying how wealth holders need to conceive their financial resources in order to view them as available for charity, it is necessary for there to be a planning process that helps guide them in doing so. Scott Fithian, a certified financial planner, has developed what he calls a values-based financial planning process through which wealth holders come to define for themselves a working estimate of their resource and expense streams. "Before philanthropy will play a meaningful role in the estate and financial plans of most affluent families," he writes, "they must first identify available philanthropic resources. This is accomplished by applying a natural hierarchy of planning objectives. First, individuals or couples must determine and quantify what is required for lifetime financial independence. Next, they must define an appropriate family legacy (inheritance). Only after these two key objectives have been quantified, will their social capital legacy (gift or tax) emerge as a strategic component of the planning process." Fithian's method is to conduct a series of financial and personal interviews with wealth holders which result in the formulation of an alterable but specific (1) conservatively estimated resource stream, (2) a liberally estimated expense stream (including gifts and inheritances for heirs), and (3) a self-reflective values stream which Fithian calls the "Family Planning Philosophy." With these in hand, wealth holders are in a position to know the minimal amount of planning resources they could devote to charity and to set forth consciously the biographical experiences and moral aspirations that will lead them to apply their wealth to the welfare of others. It turns out that the difficulty in disentangling the separate effects of wealth and income on charitable giving may not be due to a failure of empirical fortitude but to the fact that the wealthiest families themselves may not yet apprehend how cognitively to translate their material affluence into the more generative category of discretionary planning resources available for charitable purposes.

In future writings we will elaborate in further details about our new estimates of the forthcoming wealth transfer; the amount expected to be directed to charity; the social-psychological inclinations that motivate charitable giving; and the methodology for discovering the self-determined resource, expense, and value streams that animate rather than mandate wealth holders to the voluntary allocation of financial resources to the well-being of others. In the meantime, it is important to note that the material wealth and charitable practices of wealth holders which are now in place, even without an increased charitable disposition, presage an extraordinary golden horizon for philanthropy. To the extent that they begin to complement an orientation based on accumulating wealth, with one based on disposing of that wealth in accordance with their values and goals, wealth holders will, in addition to whatever public contribution is made by their taxes and business efforts, play an increasingly important role in setting and funding the public agenda. Given their vast amount of wealth, it is the nature of their values and goals, which will, in the aggregate, be an important *part* of what will fashion the world in which our children and grandchildren--and those other souls with whom we identify.

Notes

[1] The material in this section is taken from Schervish 1997 and republished here by kind permission of ....

[2] I base the analysis largely on the findings from the Study on Wealth and Philanthropy. This multi-year research project funded by the T. B. Murphy Foundation focused on the meaning and practice of money among individuals with a net worth of $1 million or more who have earned or inherited their wealth. During the course of the research, we conducted 130 intensive interviews with individuals spread over eleven metropolitan areas of the United States. See Schervish and Herman (1988) for details on the sample and methodology of the Study on Wealth and Philanthropy.

[3] See Schervish and Havens (1997) for a fuller description of these sets of variables.

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Table 1
Lower Level Estimates

All dollar values are in millions of $1998

Panel 1 1998-2017	Neg or Zero	$1 to $.9M	$1M to $4.9M	$5M to $9.9M	$10M to $19.9M	$20M or more	Total
Number of Estates	1,262,390	22,722,962	1,555,521	160,121	68,774	57,807	25,827,575
Value of Estates	($13,143)	$3,936,733	$3,180,366	$1,110,709	$941,217	$2,468,303	$11,624,185
Estate Fees	$358	$148,014	$128,913	$49,124	$43,133	$86,086	$455,628
Estate Taxes	$0	$38,837	$683,920	$429,723	$405,119	$841,901	$2,399,500
Bequest to Charity	$0	$199,798	$256,819	$154,769	$151,229	$958,242	$1,720,857
Bequest to Heirs	$0	$3,550,084	$2,110,714	$477,093	$341,736	$582,073	$7,061,700

Panel 2 1998-2052	Neg or Zero	$1 to $.9M	$1M to $4.9M	$5M to $9.9M	$10M to $19.9M	$20M or more	Total
Number of Estates	4,981,782	76,593,322	5,325,055	495,067	240,750	203,336	87,839,311
Value of Estates	($50,856)	$13,933,317	$11,361,859	$3,338,664	$3,334,276	$8,687,635	$40,604,894
Estate Fees	$784	$523,820	$464,098	$147,692	$153,640	$302,147	$1,592,182
Estate Taxes	$0	$270,524	$2,521,800	$1,289,458	$1,445,628	$2,956,108	$8,483,517
Bequest to Charity	$0	$717,542	$924,960	$463,626	$526,158	$3,389,897	$6,022,182
Bequest to Heirs	$0	$12,421,430	$7,451,001	$1,437,888	$1,208,851	$2,039,483	$24,558,653

[1] The analysis presented below incorporates material previously published as by Schervish, Paul G. as "Major Donors, Major Motives: The People and Purposes Behind Major Gifts," in *New Directions for Philanthropic Fundraising: Developing Major Gifts* 16 (Summer 1997): 85-112.. It has been republished here, with some slight alterations, by kind permission of Dwight F. Burlingame and James M. Hodge.

[2] I base the analysis largely on the findings from the Study on Wealth and Philanthropy. This multi-year research project funded by the T. B. Murphy Foundation focused on the meaning and practice of money among individuals with a net worth of $1 million or more who have earned or inherited their wealth. During the course of the research, we conducted 130 intensive interviews with individuals spread over eleven metropolitan areas of the United States. See Schervish and Herman (1988) for details on the sample and methodology of the Study on Wealth and Philanthropy.

[3] See Schervish and Havens (1997a) for a fuller description of these sets of variables.

[4] The material presented below is part of a forthcoming book titled *The Modern Medici: Strategies of Philanthropy Among the Wealthy* to be published by Jossey-Bass.