

GLOBAL INVESTING

Modern Medici give the lie to rapacious corporate life



**ELIZABETH BAILEY
CASH ON THE COUCH**

US philanthropy is thriving, says recent research. More interesting than the dollar amounts is what has been laid bare about the motivation behind projected largesse

At a time when the morality of US business appears to be at a cyclical low, it is refreshing to note that some entrepreneurs are still more interested in giving back some of what they've made than scheming to get even more. The richest 5 per cent of households – those with adjusted gross incomes of \$140,000 and more – accounted for 40 per cent of the \$161bn given away last year by individuals.

That figure refers to "inter-vivos giving"; that is, charitable spending by those still alive to sign the cheque. Charitable bequests by the wealthy are also generous: the top 2 per cent of estates with assets of \$5m or more added up to more than 65 per cent of the \$15bn left behind in 1999.

Such generosity is made possible by the accumulation of wealth in the post-war period. And the serious giving has only just begun. Paul Schervish, director of Boston College's Social Welfare Research Institute, and his colleague, John Havens, have developed a wealth simulation model which predicts that about \$40,000bn will change hands from 1998 to 2052. This wealth transfer, they calculate, will produce \$6,000bn in charitable bequests – as well as more than \$18,000bn in annual individual giving over the next half century.

Schervish has spent much of his

energy over the past decade figuring out how much money will be given away by those who have benefited from the fat years. But, even more interesting than the dollar amounts, is what he has discovered about the motivation behind the projected largesse.

Entrepreneurs who have provided creative solutions in their business lives are likely to want to solve problems in their charitable roles as well, Schervish has found. For these men – and some women – giving is not so much about getting a seat on the board of the Metropolitan Museum, or even being able to gaze at the family name etched in marble over the doorway of the local hospital or university. Entrepreneurs aim to bring about social change.

Entrepreneurial giving by the group that boosted the US economy during the past two decades usually has two aspects: identifying a demand (or need) greater than the supply to satisfy it; and the desire to affect the rate of return on investment by direct participation.

The desire of wealthy people to shape the world around them is not new, of course. The Carnegies, Rockefellers and Mellons all tried to influence the course of US history by directing their money towards a perceived social need. The Medici family wrote the book on how wealth can influence society. But the new philanthropists, whom Schervish



also calls the Modern Medici, are richer, younger, and more numerous than in other historical periods. If there is a prince among the Modern Medici, it has to be Bill Gates, founder of Microsoft. By focusing much of his giving on vaccinations, Gates has identified a product for which there is more demand than supply. By establishing his own foundation, Gates controls the way in which that demand is satisfied.

As in his business career, Gates aims to change the fortunes of people and whole nations, notes Schervish. Psychologically speaking, the entrepreneurial donors of today have great expectations – as well as the financial capacity to satisfy those dreams. In Schervish's words, "they aim to affect the present and transform the future". In his studies of the wealthy and their patterns of giving, the Boston

sociologist has identified three primary motivations: an inclination to identify with the needs of others; gratitude for the luck and the breaks that allowed achievement to lead to success; and a desire to respond to the needs of other people directly – not through the government or the market.

Entrepreneurs like control. Otherwise they would have used their talents for business by rising through the ranks of a major corporation. Some members of the Modern Medici came of age during the counter-cultural movements of the 1960s. Others bear the imprint of the neo-conservatism of the 1980s. Both groups are leery of government solutions to social problems.

There is evidence that giving, even among the wealthiest, depends more on emotions than on tax breaks. In a recent study published by Schervish and Havens, of 112 people with a median net worth of \$35m, more than 90 per cent of respondents said finding a new cause about which they were passionate would elevate their giving. Only 22 per cent of respondents were likely to increase giving on the basis of tax benefits. The Modern Medici may be guilty of a certain hubris. And their recipes for social change have yet to be tested. But giving money away has to be healthier than cooking the books.
cash.couch@verizon.net