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In the 'Practitioners' Perspectives' on page 125 of Volume 2, issue 2 (November 2001), it was suggested that Linacre College, Oxford University, is wealthy, ancient and a former men's college. In fact the College has a modest endowment, is not quite 40 years old and has always been a mixed college.

Part 2: The Spiritual Side of the Supply Side

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Abstract

This two-part paper analyzes the emerging financial and social-psychological forces that are increasingly influential in shaping charitable giving, especially by wealth holders. By referring to the new physics of philanthropy, the authors' intention is to highlight through an appropriate metaphor how these forces constitute a set of vectors akin to what is meant by that term in physics. Such vectors are characterized by direction and magnitude. Although universally present, they converge on each individual wealth holder from different angles and with different intensities. For any particular individual, the vectors seldom, if ever, line up in a completely isomorphic way. By referring to the new physics of philanthropy, the authors emphasize the increasing importance of material wealth and the desire to be efficacious in the commonwealth as supply-side factors, that is, as vectors actually inclining wealth holders toward a more steadfast commitment to philanthropy. Part 1 integrated the new physics and the economic context of supply and demand for philanthropic funds. Specifically, the authors focused on what it means to speak about supply-side vectors and on the material side of the new supply-side physics of philanthropy. Part 2 explores the social-psychological aspects of the new
physics and spells out some implications for fund raising and public policy. The authors set out the main lines of the supply-side vectors in philanthropy, beginning with a description of the more familiar demand-side approach to charitable giving. Then they examine the material supply-side forces: looking at current patterns of charitable giving by wealth holders, the expanding environment of growth in wealth, and the amounts of charitable giving presaged by that growth. Next, they review the social-psychological vectors that are increasing the inclination of wealth holders toward charitable giving. They go on to suggest some implications of the supply-side analysis, looking at a donor-based methodology of discernment by which fund raisers can work with the supply-side vectors to advance allocations to charity, both quantitatively and qualitatively. Such a discernment approach raises certain challenges for representatives of charities and fund raisers, mainly to make different decisions and pursue different strategies in soliciting charitable contributions from wealth holders. Finally, the authors speculate about the implications of the supply-side approach for the reduction or repeal of the estate tax. They conclude with some observations on the spiritual horizon of wealth and philanthropy in the age of affluence.

Keywords:
donors, charity, demand side, supply side, fund raising, philanthropy

What is a friend?
A single soul dwelling in two bodies.

In Part 1 of this paper, the authors (1) introduced the distinction between studying charitable giving from the demand side as opposed to the supply side; (2) reviewed current patterns of inter vivos giving and charitable bequests; (3) summarized projections about the growth in wealth over the coming decades; (4) indicated some implications for growth in inter vivos giving and charitable bequests in light of those projections; and (5) discussed how, from a supply-side perspective, growth in wealth is a natural ally of charitable giving. The authors concluded with the statement that while growth in wealth disposes wealth holders toward charitable giving—and that it should be recognized as such a motivator—the question still remains just how to tap such financial potential in a way that draws on the inclination of wealth holders to find a path that combines their care for others with their own pursuit of happiness.

Part 2 of the paper presents an answer to that remaining question and suggests two implications of the authors’ ideas for fund raising. First, they differentiate between the demand-side and supply-side approaches for motivating wealth holders to make charitable contributions. The two approaches share the common goal of linking a supply of donor dollars to the demand of recipient needs. In fulfilling that goal, the demand-side approach not only emphasizes the demand of needs; it tends to be demanding in tone as well. In contrast, the supply-side approach tends to spur the allocation of dollars to fulfilling needs by drawing on the inclinations of donors to care about the issues and people with whom they identify and to effect change in the world around them. Second, the authors turn to the first implication of the supply-side approach, which is to approach donors as knowledgeable decision makers who are to be tutored.
through a process of personal discernment rather than instructed about how much to give and to whom. Third, the authors address the second implication of the supply-side perspective, and consider how even a relatively encompassing repeal of the estate tax will not necessarily generate a negative effect on charitable giving. Indeed, if the estate-tax repeal scheduled for full implementation in 2010 gives freer play to the motivations that incline donors to contribute, then the tax change may ultimately be a positive force for philanthropy. In the conclusion, the authors summarize their overall argument and discuss how it is situated within a larger material and cultural terrain, namely the dialectics of wealth and philanthropy in an age of affluence.

The Demand Side of Motivation and the Cajoling Model

The key vectors of the demand side of charitable giving include the prevailing strategies used by charity advocates to present needs, arouse a sense of obligation, offer psychological inducements, and otherwise animate the forces at their disposal to impress upon wealth holders their duty to supply charitable gifts. In general, the demand-side approach pursues either a gentler or an edgier version of a strategy designed to persuade wealth holders to do what they are presumed not to be inclined to do: namely, to part with a substantial portion of their money in order to devote it to charity. To be fair, this demand-side approach is only on occasion enunciated or exercised so severely; and it is seldom carried out without some complementary attention to a donor’s intent and inclination. Nonetheless, the organizing motif of most demand-side efforts is a mode of entreaty enunciated in efforts to cajole donors into making gifts. The demands of needs are presumed to be so numerous and important, and the willingness of donors to be so meager and hesitant, as to warrant an attitude, if not an actual fundraising practice, that enlists as its allies guilt, embarrassment, comparison, shaming, and imposed obligation. It is not a caricature to say that such an approach is akin to the street-crossing injunction of “stop, look, and listen” everyone heard growing up. As such, the authors refer to this approach as the cajoling or scolding model.

The logic of this compulsion model can be stated negatively or positively. In its negative manifestation, the scolding model explicitly or implicitly tells wealth holders:
1. "You are not giving enough,
2. to the right causes,
3. at the right time,
4. in the right way."

In its positive epiphany, this cajoling model declares to donors:
1. "You ought to give this amount,
2. to these causes,
3. at this time,
4. and in this manner."

The authors recognize that this model is not without religious, philosophical, and cultural foundations and that it has its share of highly motivated and dedicated advocates, for whom it has a proven track record. It also has a noble side revolving around the pragmatic hope that it is a path of service to bring the needs of others into the purview of donors and to petition their financial assistance. Still, when pursued in isolation from supply-side considerations, the obligation model can fall into assaulting emotions, undercutting liberty, attenuating inspiration, and eliciting only grudging compliance. Clearly, not every potential donor will be troubled by the cajoling model. But research indicates that most self-determined wealth holders will readily recognize and resist it. When they do balk, charitable giving is nothing more than "paying a utility bill," as one wealth holder interviewed, Brendan Dwyer, put it.² (The interviewees quoted in this paper were participants in the Study on Wealth and Philanthropy conducted by the Social Welfare Research Institute between 1985 and 1987. In the interest of participant confidentiality, all identifying information—names, places and businesses—have been changed.) In other words, giving is a task which must be moved out of the way in order that the donor can move on to more important and engaging enterprises. The demand-side approach obtains a gift, but it doesn't create a giver.

The Supply-Side of Motivation and the Inclination Model
When either the demand side or the supply side of motivation is overemphasized the physics of philanthropy is emotionally and practically truncated. However, up to now in many prominent quarters, it has been the demand-side motivational matrix that has dominated the moral topography of philanthropy and created the imbalance.

Finding the philosophically soundest and practically most effective motivational approach has always been crucial for any important voluntary enterprise. But today, because of the exponential increment in wealth described in Part I, it is more crucial than ever that the full potential of such material capacity be realized. Only when the positive conditions provided by growth in the supply of wealth are bolstered and guided by an increment in the supply of certain social-psychological dispositions will wealth holders ultimately be motivated to dedicate themselves and their wherewithal to philanthropy.

There are several specific dispositions or vectors that, when coupled to growth in wealth, motivate wealth holders to be more charitably inclined. Taken together such dispositions converge in what is called the inclination model of charitable giving. This approach is the obverse of the cajoling model. In contrast to the injunction of "stop, look and listen," the inclination model emphasizes the dictum of "taste and see." Instead of instructing, scolding, or even flattering, the inclination
model invites self-reflection in the hope of unleashing liberty and inspiration. Rather than imposing obligation from the outside, this method elicits a sense of responsibility through a process of personal discernment. In place of the four commands of the demand-side approach, it provokes four questions for reflection and decision:

1. “Is there something you want to do with your wealth?
2. That fulfills the needs of others?
3. That you can do more efficiently and more effectively than government or commercial enterprise?
4. And that expands your personal happiness by enabling you to express your gratitude and actualize your identification with the fate of others?”

Notice that the foregoing questions do not ignore the demand side of needs. According to Jules Toner’s definition of care as the implemental or instrumental aspect of love, it is the meeting of needs which is the essence of care. At the heart of the inclination model is the question of how to motivate—rather than to deny—the relationship of care. From the point of view of the inclination model, a more profound and more effective way to generate charitable giving is to evoke and work through individual motivations and inclinations rather than to impose them externally. The supply-side inclinations of hyperagency, identification, association, tax aversion, death, and gratitude, to be discussed below, are potent forces of the inclination model. While these vectors cannot guarantee that the quantity and quality of charitable giving will increase, they do increase the probability that those outcomes will occur. Individually these six vectors dispose wealth holders to charitable giving, and as a group they constitute a self-validating and self-reinforcing path to deeper charitable commitment. The more frequently and thoroughly these vectors are activated in the life of wealth holders, the more wealth holders will pursue, rather than resist, the responsibilities of financial care.

Hyperagency: World Building and Self-construction in Accumulation and Allocation
The first supply-side social-psychological vector that animates an inclination toward charitable giving is hyperagency. A major finding of research over the past fifteen years has been that the really distinctive class trait of wealth holders is their history-making capacity, what the authors call their “hyperagency.” Certainly, not every hyperagent is wealthy; some people who lack great financial resources make history by virtue of being profound thinkers, creative actors, or spiritual souls. 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 substantially control the conditions under which they and others 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 transcend such constraints and, for good or for ill, create for themselves a world of their own design. As everyday agents, most people strive to find the best possible place to live or the best 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 wealth holders are asked to identify the most important attribute of wealth, their answer is invariably the same: freedom. Such freedom is both a negative release from constraint and a positive capacity to secure what they desire. Negative freedom refers to the loosening or negation of constraints, especially from the immediate pressures surrounding the stable provision of material well-being, or, at the extreme, it means the liberty from having to work in order to survive. In contrast, positive freedom refers to the capacity of the hyperagent to accomplish desired goals 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. A West-coast attorney expresses this Janus-faced attribute of freedom by recounting how her wealth “smoothes out” the everyday toils of life and, as she says, enables her to “set my own agenda.” To set one’s own agenda, especially in those areas where it is usually dictated by others, is the fundamental positive endowment of wealth. Wealth enables individuals to freely conceive of and choose from a wheel of alternatives.

The characterization of wealth holders as hyperagents with personal determination and institutional dominion applies equally to their role in the realm of philanthropy. When coupled to the dynamics of identification with the needs of others, self-construction and world building do not stop at the thresholds to their homes or their businesses, but extend throughout all their involvements, including, for those who choose them, 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 can directly effect the fulfillment of their desires.

Hyperagency, when applied to the realm of philanthropy, does not mean that the wealthy always and everywhere conceive of or indeed achieve major innovative interventions. However, it does mean that they tend to think more about doing so, and to partake more often in bringing them about. As philanthropic hyperagents, wealth holders are akin to entrepreneurs and venture capitalists in the commercial world. As Brendan Dwyer, one of this study’s interviewees, explains, entrepreneurs are investors who have two special 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 participating in their business enterprise. Correspondingly, venture capitalists are investors who bolster the capacity for others to be entrepreneurs. Parallel to these business roles, wealth holders are often entrepreneurs and venture capital investors in philanthropic endeavors. When they choose to do so, they can provide enough philanthropic input to “make a difference” in the realm of allocation, just as they did in the realm of accumulation.

Another way to describe the distinctive capacity of wealth holders is to speak of
them as producers rather than simply as sustainers of philanthropic enterprises. In common parlance people often differentiate between those who make large and small contributions, but it is more useful to employ the functional distinction between philanthropic producers and supporters. Every philanthropic enterprise appeals for resources in order to accomplish its objectives. Most individuals respond to these appeals in the same way individual consumers respond to advertisements touting commercial products. That is, even when a consumer responds positively to an appeal, that consumer rarely makes a sufficiently large enough purchase to affect the viability of the company. Usually it is only from the cumulative effect of a multitude of purchasing decisions by a relatively large segment of customers that a company, or one of its product lines, thrives or falters. The same is true in philanthropy. For the most part, it takes the cumulative contributions of many donors to sustain a charity. But things are different when wealth holders function as hyperagents. In that case they individually contribute a sufficiently large donation to actually produce, rather than simply join in the support of, a charitable enterprise or one of its specific initiatives. One experienced philanthropist interviewed explains how the supply-side vector of hyperagency triggers this production of charitable outputs: “Because we have a large amount of money to put in,” she explains, “we have an opportunity to really make a difference if we see something that a large amount of money could do more for than a small amount of money could.” For example, the ultimate exercise of hyperagency occurs with the founding of a private or operating foundation, or with the provision of enough largesse to establish a novel direction within an existing organization, such as a clinic, research institute, or hospital wing.

However it is expressed, hyperagency is a formidable supply-side vector, both in direction and magnitude. It disposes wealth holders to voluntarily expand the sphere of effectiveness made possible by their wealth. Wealth holders not only have the resources for producing charitable outcomes, but the social-psychological disposition of hyperagency inclines them to do so. Clearly it is possible for charity advocates to mobilize this hyperagency by enlisting the cajoling model. But it is more intensely and sustainably activated by the inclination model that directly invites wealth holders to function as creators or architects of the philanthropic initiatives through which they hope to make a difference.

Identification: The Unity of Love of Neighbor and Love of Self
The second social-psychological vector that inclines wealth holders to willingly translate their growing wealth into an expanded charitable output is identification with the fate of others. The key to care and philanthropy, as the authors have written elsewhere, is not the absence of self but the presence of self-identification with others.5 This is what Thomas Aquinas teaches as the unity of love of neighbor and love of self in friendship.6 In its civic expression, it is what Tocqueville meant by “self-interest properly understood” and “enlightened self-love.”7 In the words of a Washington attorney interviewed, the unity of self-regard and regard for others means that he and his wife allocate their charitable

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dollars "to the cause we can be identified with so as to give part of ourselves."

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."

For the authors, personal identification is the prototypical inspiration for charitable giving and care in general. The authors have found that donors contribute the greatest bulk of their charitable dollars to causes from whose services they or those close to them directly benefit, for instance, schools, health and arts organizations, and especially churches. Their identification with those who benefit from the contributions—namely themselves, their families, and people they view as being like themselves—is therefore also self-identification. Although describing this form of giving as consumption philanthropy may seem to diminish its value, the intention is just the opposite.9 Within the identification model, consumption philanthropy is an honorable prototype of motivation, which should be emulated rather than eschewed as a myopic form of egocentrism. Consumption philanthropy mobilizes charitable giving so formidably because it forges most tightly the identification between donor and recipient. It is here that care is first and most forcefully unleashed, in large part because it is here that it is so readily given.

The question for generating generosity is how to expand those very familiar and familial sentiments of identification so as to include those who are relationally, spatially, and temporally more distant, that is, to a circle of human beings beyond one's kin and who live in wider fields of space and time. In other words, how can the sentiments of family feeling be extended to the realms of fellow feeling? This is the essence of what is called adoption philanthropy—that philanthropic approach whereby donors support individuals because of a sentiment of surrogate kinship so fortuitously captured in the injunction to love our neighbor as ourselves.10

Association: The School of Identification

The disposition of identification does not grow in isolation. Identification with the needs of others arises from a nexus of contact with them. If the school of generosity is identification, the school of identification is association. By association the authors mean the constellation of formal and informal communities of participation in which donors learn about people in need, and come to identify with them. Just as people are inclined to act on their identification with others, they are inclined to be in contact with others.

People are curious and seek out sites of learning—both within and outside themselves. At the same time, the world thrusts itself upon them. People are exposed to reality at every moment and so are eternally and infinitely exposed to the needs of others. Among the most consistent findings from over a decade and a half of research is that the greatest portion of giving and volunteering takes place in a donor's own community and church, and helps support activities with 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 within and beyond the local community. Over the course of this 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, differences are not so much a matter of financial capital or even moral capital in the form of some kind of intrinsic faculty of generosity; rather, what matters most is one’s abundance of associational capital in the form of social networks, invitation, and identification. As a supply-side vector, the desire for and exposure to association in communities of participation inclines wealth holders toward identification, which, in turn, inclines them toward creating a greater supply of charitable dollars.

However, the implications are only now beginning to be recognized of the growth in wealth for charitable giving from wealth. 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. It is now patently obvious to financial planners, to tax accountants, and to increasing numbers of wealthy individuals (especially small business holders) 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 percent. Experienced financial planners such as Richard Haas and Scott Fithian insist that the most significant tax shelter for the very wealthy is philanthropy. Although it is undeniable that current estate tax laws influence some wealth holders to dedicate their wealth (both while alive and at their death) to charity rather than government, tax incentives may in fact be fading in importance as a motivation for charitable giving. As will be discussed later, the introduction of the supply-side approach as integral to fund raising and to financial planning strategies increases the probability that charitable giving will be pursued as a personally fulfilling and socially productive decision, independent of tax benefits.

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. The worldly vocation of wealth holders is embedded in the insight that they have, as one respondent in our Study on Wealth and Philanthropy put it, “been given a lot.”
For those wealth holders who are most inclined to charitable giving, Schervish has found that taking their fortune with gratitude is the single most decisive aspect that forms their philanthropic conscience and consciousness. They recognize that their wealth and abilities are unearned gifts and that despite their worldly capacities they are not demigods determining their own and others' fates, but human beings, who themselves humbly abide within a gracious dispensation.17

Religion is a potent, but not the exclusive, path to a more caring life of wealth engendered by gratitude. The recognition of gratitude just as readily marks the experience of those who are not explicitly religious. No matter how the realization of blessing develops or is enunciated, the recognition of a life graced by unearned opportunities, unachieved benefits, and ultimate contingency is at the core of what inclines wealth holders to consign their wealth for charitable purposes.18

There appear to be two main (and often overlapping) phases of personal and financial orientation in the life of the individual. The first is the phase of accumulation during which the most important concern is to accrue wealth from business and investments. During this phase there is a sense of psychological empowerment in which great expectations are coupled to a forceful confidence that these expectations are both worthy and achievable. 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 life's 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 persistent period of confusion, doubt, and uncertainty about how best to leave a legacy of monetary value and spiritual virtue. It is a period of posing questions and searching out answers about the meaning of life at a new stage of life. If the first phase of empowerment revolves around pursuing a set of interests and concerns that are largely advanced by working in and around the dictates of the product, labor, and financial markets, the second phase revolves around discovering or deepening the quality of one’s pursuits within the equally complex topography of allocation for self and spouse, heirs, taxes, and philanthropy.

The Cultural and Spiritual Horizon of Wealth

To this point in this two-part essay, the authors have reviewed the supply-side vectors associated with the material capacities and psychological dispositions of wealth holders. Several specific vectors have been discussed, including how the growth in wealth in conjunction with the estate tax codes, the inclination of the wealthy to make a difference, and the tendency to identify with others in their needs, together constitute important positive vectors of the new “physics of philanthropy.” As powerful as these forces may be individually, as a group they
constitute what is called the cultural or spiritual horizon of wealth. In a provocative 1930 essay, entitled “Economic Possibilities for Our Grandchildren,” John Maynard Keynes 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 . . . 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.

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 the spiritual horizon of wealth. This means drawing on the supply-side vectors examined here, joining them to the demand-side vectors of need and requesting assistance to fashion a philanthropic vocation for Keynes’s grandchildren now coming of financial age.

Next this paper will discuss two implications for those concerned with enlisting the supply-side vectors to advance the quantity and quality of charitable output: (1) a new discernment strategy designed to engage and work with wealth holders in regard to their philanthropy, and (2) the potential for a repeal or substantial reduction in the estate tax to engender rather than deter charitable giving. The authors submit that instituting these two changes will increase the probability that the fruits of the new physics of philanthropy will be harvested earlier and more abundantly.

An Archeology of Discernment: Implications for a Donor-centered Strategy of Fund Raising

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 is called spirituality in the age of affluence. To the extent that wealth holders—and the growing population of highly affluent individuals—desire to search out their philanthropic vocation, there is a verdant opportunity for fund raisers to assist them in determining the socially beneficial charitable projects through which they may forge their moral identity. The authors suggest an approach that guides wealth holders through a process of discernment by which they inductively decide how much to allocate to charity as an integral part of making broader financial decisions regarding themselves and their families. This discernment approach emphasizes the philosophical and practical mutual benefit that accrues to donors and philanthropic beneficiaries by locating the point of convergence between the donor’s need for effectiveness and significance and the prospects of those in need. As such, the discernment approach is more akin to a marketing than to a sales strategy. The goal of a sales strategy is to get consumers to do what the seller wants them to do. In contrast,
the goal of a marketing approach is to provide the opportunity for consumers to choose to do what they are in need of doing. In the case of a philanthropic vocation, the need is to forge a moral identity in and around financial fortune.

Whether the current or projected patterns of charitable giving by the financially well-to-do evince generosity in either a quantitative or moral sense is a matter for personal judgment. The authors do claim, however, that their research on the motivations for charitable giving suggests that in order to amplify charitable giving fund raisers must deal more directly with the social-psychological factors that incline donors to expand how much of their financial resources they will contribute to charity. This brings one to the recurrent debate surrounding the issue of wealth and philanthropy, namely how to determine the amount of personal resources available for charitable giving. There are many individuals and groups currently challenging wealth holders to contribute a predetermined percentage of their wealth to charity. The authors' own research and anecdotal observation indicate that such externally declared dictates, while well-intentioned, are materially unproductive. Those who impose such mandates fail to understand that substantial and sustained charitable giving derives not from meeting general demand-side injunctions, but from self-ordained evaluations by donors of their level of discretionary resources in the light of their composite values and purposes.

Thomas B. Murphy, 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 streams.

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

In addition to clarifying how wealth holders need to conceive of their financial resources in order to view them as
available for charity, it is necessary for there to be a symmetric 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.23

Before philanthropy will play a meaningful role in the estate and financial plans of most affluent families 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.24

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 Financial Philosophy.”25 With this information 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. The authors believe that the difficulty in disentangling the separate effects of wealth and income on charitable giving may not be due to a failure of empirical data or research skill but to the fact that the wealthiest families themselves may not yet comprehend how cognitively to translate their material affluence into the more generative category of discretionary planning resources available for charitable purposes.

The approach just described is analogous to the decision making involved in building a house. There are, of course, instances where a builder offers only one or a limited number of architectural designs to prospective buyers. But people who intend to allocate large sums to building a house will seek out an architect who will design a house based on the buyers’ desires. In this instance the plan is clear: a process of detailed discovery must precede the drafting of any blueprints, just as the blueprints must precede construction. For wealth holders—indeed, for everyone—devoted philanthropic commitments emerge from decisions that are made with liberty and inspiration. Practically, this means that when working with potential donors, archeology must precede architecture and artifact. If major gifts are to be garnered from major donors imbued with hyperagency, it is necessary to treat donors to the same respectful decision-making process everyone would desire for themselves. This means helping donors excavate their biographical history, their contemporary prospects and purposes, and their anxieties and aspirations for the future. It also means that far more attention and time need to be devoted to interpreting who donors are and who they want to be, rather than interjecting who one thinks they are. It means that wealth holders will
be enabled to uncover and carry out in freedom the wise choices that fulfill their aspiration for effectiveness and significance in their own lives as the condition of possibility for receiving the monetary sums that advance the effectiveness and significance of others.

Tutoring wealth holders in this method of discernment respecting both their material capacities and moral cares ends up producing something deeper than just a more lucrative fund-raising strategy—although it is certainly that. It is also a way for fund raisers and charity advocates to realize a more satisfying and effective vocation for themselves. For in pursuing a methodology endowed with an understanding of, and confidence in, the unfolding of the material and spiritual supply-side vectors, charity advocates will find themselves actively contributing to the evolution of the culture of financial care in an age of affluence.

A Boon for Philanthropy?: The Implication of Estate Tax Repeal for Charitable Giving

The second implication of the emergence of a new physics of philanthropy is that the customary relation, or conventionally conceived relation, between estate taxes and charitable giving may no longer obtain. It is the authors' belief that the increasingly ascendant supply-side vectors inclining donors toward charitable giving, coupled to a fuller use of the discernment strategy of fund raising discussed above, will make it possible that even a relatively encompassing repeal of the estate tax will not negatively affect charitable giving, and may even prove to be a boon for philanthropy.

President George W. Bush's legislation passed this year (2001) which phases out the estate tax, raising the exemption to $1 million and reducing the tax rate to 45 percent by 2009, with an eventual repeal in 2010 but reinstatement thereafter, has been viewed by both proponents and opponents of repeal as a victory for their side. But regardless, the sunset provision on the current law means that the merits of repeal and the threats or benefits for charitable giving will once again be debated well before 2011.

The wealth advisement community and some philanthropic foundations and charities are, both for business reasons and a genuine concern for charitable giving, disinclined to see value in a repeal, since the tax and the incentive of tax minimization are, understandably, seen as positive catalysts for charitable giving. Until recently, the authors shared this view, and have tax incentives as one of the positive supply-side vectors included above. Of late, however, a number of considerations relevant to the discussion have led them to entertain the opposite conclusion. A review of these considerations might lead to a more enlightened debate and keep the dire predictions about a repeal's devastating effect on philanthropy from being uncritically accepted. Indeed, to the extent that financial advisors and charity advocates begin to expose wealth holders to the discernment strategy of financial decision making, these advisors and advocates will be involved in helping to create a new psychological and cultural environment in which the removal of estate tax "incentives" turns from having a modest negative short-term effect to producing a substantial positive longer term effect.

First, the trends in charitable bequests over the last decade which were cited in
Table 1: Changes in value and allocation of estates net of fees and spousal deduction — All estates

<table>
<thead>
<tr>
<th>($ billions)</th>
<th>Value</th>
<th>Bequests to charity</th>
<th>Taxes</th>
<th>Bequests to heirs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>$62.5</td>
<td>$6.8</td>
<td>$13.2</td>
<td>$42.6</td>
</tr>
<tr>
<td>1995</td>
<td>$73.0</td>
<td>$8.7</td>
<td>$15.6</td>
<td>$48.7</td>
</tr>
<tr>
<td>1997</td>
<td>$103.1</td>
<td>$14.3</td>
<td>$22.0</td>
<td>$66.8</td>
</tr>
<tr>
<td>%Δ1992-95</td>
<td>16.61%</td>
<td>27.94%</td>
<td>18.18%</td>
<td>14.32%</td>
</tr>
<tr>
<td>%Δ1995-97</td>
<td>41.23%</td>
<td>64.37%</td>
<td>41.03%</td>
<td>37.17%</td>
</tr>
<tr>
<td>%Δ1992-97</td>
<td>64.70%</td>
<td>110.29%</td>
<td>66.67%</td>
<td>56.81%</td>
</tr>
<tr>
<td>Std 92-95</td>
<td>1.00</td>
<td>1.68</td>
<td>1.09</td>
<td>0.86</td>
</tr>
<tr>
<td>Std 95-97</td>
<td>1.00</td>
<td>1.56</td>
<td>0.99</td>
<td>0.90</td>
</tr>
<tr>
<td>Std 92-97</td>
<td>1.00</td>
<td>1.70</td>
<td>1.03</td>
<td>0.88</td>
</tr>
</tbody>
</table>


Part 1 indicate that wealth holders are already shifting bequests from heirs to charity. As shown in Table 1, from 1992-7, the value of all estates net of fees and spousal deduction grew by 65 percent, the value of estate tax revenue was up by 67 percent, bequests to heirs increased by 57 percent—however, the greatest increase was in charitable bequests, which grew most at 110 percent. Furthermore, those with net estates valued at $20 million or more (Table 2) are increasingly devoting an even greater proportion of their value to charitable bequests and a lower proportion not just to taxes but to heirs as well. For these estates the value increased 135 percent, tax payments grew 82 percent, while bequests to heirs grew only 75

Table 2: Changes in value and allocation of estates net of fees and spousal deduction
Estates of $20 million or more

<table>
<thead>
<tr>
<th>($ billions)</th>
<th>Value</th>
<th>Bequests to charity</th>
<th>Taxes</th>
<th>Bequests to heirs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>$7.2</td>
<td>$2.4</td>
<td>$2.8</td>
<td>$2.0</td>
</tr>
<tr>
<td>1995</td>
<td>$8.4</td>
<td>$3.4</td>
<td>$2.9</td>
<td>$2.0</td>
</tr>
<tr>
<td>1997</td>
<td>$16.9</td>
<td>$8.3</td>
<td>$5.1</td>
<td>$3.5</td>
</tr>
<tr>
<td>%Δ1992-95</td>
<td>16.67%</td>
<td>41.67%</td>
<td>3.57%</td>
<td>0.00%</td>
</tr>
<tr>
<td>%Δ1995-97</td>
<td>101.19%</td>
<td>144.12%</td>
<td>75.86%</td>
<td>75.00%</td>
</tr>
<tr>
<td>%Δ1992-97</td>
<td>134.72%</td>
<td>245.83%</td>
<td>82.14%</td>
<td>75.00%</td>
</tr>
<tr>
<td>Std 92-95</td>
<td>1.00</td>
<td>2.50</td>
<td>0.021</td>
<td>0.00</td>
</tr>
<tr>
<td>Std 95-97</td>
<td>1.00</td>
<td>1.42</td>
<td>0.75</td>
<td>0.74</td>
</tr>
<tr>
<td>Std 92-97</td>
<td>1.00</td>
<td>1.82</td>
<td>0.61</td>
<td>0.56</td>
</tr>
</tbody>
</table>

percent. During this period, however, bequests to charity went up 246 percent. Another way to look at this trend is to note the growing proportion of net estates of $20 million or more going to charity. In 1992 these estates allocated 34 percent of their value to charitable bequests; while in 1995, it had increased to 41 percent and in 1997 to 49 percent. There are complex forces behind these trends, and they do not prove that charitable giving will increase upon the repeal of the estate tax. Nevertheless, they do suggest that the reduction and eventual repeal of the tax will not necessarily impoverish charities.

Second, with the repeal of the estate tax, the very wealthy—facing only two avenues for wealth disposition instead of three—are likely to continue to devote increasing portions of their estates to charity. In the Bankers Trust Private Banking, Wealth With Responsibility Study 2000, for which the authors were contracted to help collect and analyze the data, 112 wealth holders with assets at or above $5 million were asked to chart both their expected and desired allocation of their estates to heirs, taxes, and charity. On average, the respondents expected 47 percent of assets from their estates to go to heirs, 37 percent to go to taxes, and 16 percent to go to charitable organizations and causes. Their desired allocation, however, was to see 64 percent of their assets go to heirs and 26 percent to charity, with taxes unsurprisingly trailing a distant third priority at 9 percent (unspecified other purposes made up the remaining 1 percent). In other words, if those respondents get their wish, their 76 percent reduction in taxes would result in a 63 percent increase in bequests to charity. The survey also showed that the desire to reallocate money from taxes to charity is even stronger at the upper levels of wealth: respondents with a net worth at or above $50 million envisioned an even greater shift to charity than those with a net worth below that amount.

Third, an estate-tax repeal may make it more likely that, free from all the unproductive economic activity that surrounds estate tax minimization and avoidance, the rate of economic growth might increase. Economists Aldona and Robbins have been reported to estimate that a repeal of the estate tax would increase the GDP by $1 trillion over the next decade, resulting in the creation of nearly 275,000 jobs. This growth could be extremely beneficial to charitable causes. Specifically, the wealth projections cited in Part 1 indicate the substantial potential for growth in charitable giving arising from an increase in the rate of growth in wealth. It may be recalled that the most conservative estimate projected that with a 2 percent growth rate in the economy, $41 trillion in total transfers, and $6 trillion in charitable bequests will occur over the next 55 years. But an increase in economic growth to the high-end projection of 4 percent over the same period would result in a projected $136 trillion in transfers and $25 trillion in charitable bequests.

Finally, a repeal of the estate tax may be the basis for a new era of spiritual depth in philanthropy—revolving in part around making the voluntary act of charity truly voluntary, rather than a financial strategy. Here the authors arrive again at the social-psychological dynamics of liberty, inclination, inspiration, and identification, which they described as the spiritual side of the supply side. Certainly, a repeal will change the terrain of fund raising and charitable giving. And there may very well
be in some quarters and among some wealth holders a temporary decrease in charitable bequests. But the personal and cultural work that will come into play, for instance an increased reliance on the discernment model of fund raising, is good work and will offer the opportunity to create for charitable giving more abundant financial and more meaningful spiritual consequences. Growth in wealth and the lifting of a tax will not automatically lead to greater charitable giving. But if, as the authors believe, the repeal of the estate tax leads to greater national and personal economic growth, and generates a reinvigorated sense of abundance, voluntary choice, and care, then there is reason to believe that the trends cited will continue, perhaps even flourish, as tax considerations fade. Instead of resisting the repeal of the estate tax, charities and fund raisers might do better to contemplate how to become effective in a new environment, one in which contributions can flow to them—via a far less circuitous and expensive route—from donors with deeper pockets and fuller hearts.

**Conclusion**

"Why should not we begin to reap the spiritual fruits from our material conquests?"  

That aspect of the demand-side approach that stresses how philanthropy is indispensable for support of and 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 not in dispute here. However, the authors do quarrel with those charity advocates and financial planners who limit their arsenal of motivational strategies to the demand side. By undervaluing and underutilizing the supply-side inclinations of wealth holders, those who stick too exclusively to the demand-side approach fail to take advantage of the remarkable burgeoning in the material capacity and spiritual willingness of wealth holders to allocate a substantial portion of their burgeoning wealth to philanthropy. Taken together, the exponential growth of wealth, the disposition to identify with others, and the orientation of hyperagency unite to mold a relatively powerful set of supply-side incentives for wealth holders to allocate large sums to philanthropy. Such incentives, when treated as allies rather than adversaries, will provide a firmer ethical and practical foundation for garnering substantial contributions from those with substantial wealth.

Perhaps the supply-side vector that charities most dread and resist is that of hyperagency. Charities are apprehensive, with good reason, that self-determined wealth holders, in the name of donor intent, will wield too heavy a hand in imposing what they want done, when they want it done, and how. But such proper alertness becomes shortsighted when charities fail to recognize the positive side of hyperagency. When donors are invited rather than scolded into a philanthropic vocation, they become more personally and financially engaged. When wealth holders are approached through the inclination model, their desire to make a difference, to identify with the fate of others, and to feel connected to the causes they deem important, are more likely to be in the service of care than in the service of control.

That point of cultural passage is being reached that Keynes envisioned was
commencing in his day, would be gaining momentum about now, and which would
come to fruition over the next three
decades: “the greatest change which has
ever occurred in the material environment
of life for human beings in the
aggregate.”31 This transformation in
material wherewithal in turn opens a path
to spiritual wherewithal. “When the
accumulation of wealth is no longer of
high social importance, there will be great
changes in the code of morals,” writes
Keynes. “We shall be able to rid ourselves
of many of the pseudo-moral principles . . .
by which we have exalted some of the
most distasteful of human qualities into
the position of the highest virtues.”32 This
new dispensation of material wherewithal
will confront each human being for the
first time with “his real, his permanent
problem—how to use his freedom from
pressing economic cares, how to occupy
the leisure which science and compound
interest will have won for him, to live
wisely and agreeably and well.”33 At this
fortunate juncture, the realm of choice
and, hence the potential for financial
virtue, will expand considerably. The
purposiveness previously devoted rather
exclusively to the betterment of oneself
can be devoted to care of others. Human
nature is not miraculously transformed,
but it is opened to deeper attainment. In
the era of financial security and in the
lives of the financially secure, “the nature
of one’s duty to one’s neighbor is
changed,” says Keynes. “For it will remain
reasonable to be economically purposive
for others after it has ceased to be
reasonable for oneself.”34

Aristotle argues that the prominent and
proper desire of human beings is
happiness; and that in practical life
happiness derives from wise choices.35 The
authors’ years of conducting intensive
interviews with individuals across the
economic spectrum on various aspects of
the daily dilemmas of work, family, and
finances confirm this quest for happiness
as well as people’s ability to discern what
prompts and prevents it.36 What makes
wealth holders distinctive is that more
than any other group they are
characterized by freedom of choice. As has
been said, 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 life and their
public dealings. Such freedom of choice
does not guarantee that wealth holders
will 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 effective venues of
care, and that they harbor the potential
for making wise choices that will advance
their happiness and the happiness of
others. The supply-side analysis offered
here suggests that the need is not to
admonish so much as invite others to put
behind them the spiritual confinements of
the “economic problem” and assume the
prayers, works, joys, and sufferings of “the
permanent problem of the human race,”
namely, “to reap the spiritual fruits from
our material conquests.”37

This paper has elaborated 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 toward 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 a bronze if not a silver age of philanthropy. To the extent wealth holders begin to complement an orientation based on accumulating wealth, with one based on disposing of that wealth in accordance with their values and goals, they will be the progenitors of a golden age of philanthropy.

Those that hope that wealth holders will, in addition to whatever public contribution is made by their taxes and business efforts, play an increasingly important role in attending to the needs of others, nationally and globally, are themselves at a vocational crossroads. For they must come to decide how to motivate others to decide: by employing the cajoling model or the inclination model. Even here the choice is not whether people in need should enter one’s horizons and attract one’s devotion; neither model disputes that. The choice concerns which approach is morally and practically more conducive to advancing financial virtue in this emerging era of wherewithal and beneficence. As more people broach the boundaries of material scarcity, they become capable of ever-freer decisions about the disposition of their wealth. As these individuals become more imbued with choice, those who make wise choices about allocating their material resources will walk a path of ampler philanthropic effectiveness and happiness. As such, the new physics of philanthropy coincides with a new physics of wealth, a new physics of financial care, and a new physics of fund raising.

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32. Ibid.

33. Ibid.

34. Ibid.

35. Aristotle (1908), op. cit., bk. 10, chs. 6-8.


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practitioners: Happily for both camps, Paul Schervish and John J. Havens have ventured into this void. Their latest work, "The New Physics of Philanthropy: The Supply-Side Vectors of Charitable Giving," is a powerful and highly constructive bridge.

For the scholarly community, Schervish and Havens offer their ongoing, steady social science approach. This particular article provides some critically important conclusions based on many years of investigative research. Their observations are grounded in hard data, numerous empirical studies, and solid theory. This important study calls on prior multivariate analyses as well as Thomas Aquinas, de Tocqueville, and John Maynard Keynes. It is doubly refreshing to have philosophy mixed with physics and even archeology as reference points.

For the practitioner, the findings are even more important. Clearly, concisely, the authors articulate what practitioners claim to know but don't express. There is an important change in the world of philanthropy. Instead of "demand-side" fund raising, where we ask the capable wealthy to satisfy our institutional needs, the focus has changed. Compellingly, the authors reveal and advocate for "supply-side" fund raising, enabling the donors to satisfy their needs through our organizations. The reality is argued convincingly. Supply-side donors are more satisfied, more motivated, and far better prospects for the future. Quotes and comments from donors illuminate the point even more. The thought, the evidence, and the language add mightily to hard knowledge.

In addition to this overarching and valuable analysis, the authors also venture into an area many fear to tread—predicting the effects of a repeal of the estate tax. It takes a dose of atypical scholarly humility to reverse a previous held conclusion based on further data and analysis. But this is exactly what our academic investigators do. And they do it persuasively. This article becomes all the more important as a counter to the doomsayers. One would hope that this article would be an influence in the shaping of public policy dealing with the estate tax. How can one not be intrigued with the provocative thought raised by a reference to economists who claim that the repeal of the estate tax might create 275,000 jobs?

Repeated reference to the "wealsh advisement community" and the perspective of commercial financial planners do not add much. Yet this article is a gem. It affirms and uplifts the flowering of philanthropy in recent times. The concluding spiritual perspective is a delightful surprise. We are asked to help our prospects reach "financial virtue." Far from being mushy, the arguments are logical and strong. If we heed the findings of these two first-rate researchers, we are told that we might help the donors with "deeper pockets and fuller hearts." The authors claim that we are entering at least the "bronze if not the silver age" of philanthropy, setting a course for the Golden Age. After reading this extraordinary, high quality and important work, I am convinced.

Scott G. Nicholls
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