

**NEW DIRECTIONS  
FOR  
PHILANTHROPIC  
FUNDRAISING**

Timothy L. Seiler  
*The Center on Philanthropy at Indiana University*

Cathlene Williams  
*Association of Fundraising Professionals*  
EDITORS

**UNDERSTANDING THE  
NEEDS OF DONORS  
THE SUPPLY SIDE OF CHARITABLE GIVING**

Eugene R. Tempel  
*The Center on Philanthropy at Indiana University*

Dwight F. Burlingame  
*The Center on Philanthropy at Indiana University*

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*Eugene R. Tempel, Dwight F. Burlingame (eds.)*  
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EDITORIAL CORRESPONDENCE should be sent to Timothy L. Seiler, The Center on Philanthropy, Indiana University, 550 West North Street, Suite 301, Indianapolis, IN 46202-3162, or to Cathlene Williams, Association of Fundraising Professionals, 1101 King Street, Suite 700, Alexandria, VA 22314.

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6. The wealth figure calculated by the SWRI was supported by Edward N. Wolff, an expert in wealth at New York University whose own estimate for 1999 was \$29.1 trillion (Johnston, 1999). Subsequent to our wealth transfer number, the Federal Reserve released new survey data for 1998. Based on these data, we estimate that personally held wealth amounted to \$30 trillion in 1998 instead of our earlier estimate of \$32 trillion. A Federal Reserve newsletter (Federal Reserve Bank of Dallas, 1999) cites private wealth holdings of \$36.8 trillion for 1998, 15 percent more than our previous estimate of \$32 trillion.

7. Giving by families who have nonnegative wealth and who gave at least \$500 annually in 1997 is 92.654 percent of total annual giving by all families in 1997. This percentage must be applied to total giving in order to derive unbiased estimates of giving by joint income and wealth categories.

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PAUL G. SCHERVISH is professor of sociology and director of the Social Welfare Research Institute at Boston College. During the 1999–2000 academic year, he served as distinguished visiting professor at the Center on Philanthropy at Indiana University.

*The spiritual dimension of the supply-side analysis of philanthropy is discussed, along with the implications for tax policy and fundraising that derive from the analysis.*

## 2

### The spiritual horizons of philanthropy: New directions for money and motives

*Paul G. Schervish*

IN CHAPTER ONE, I discussed the general difference between a demand-side and a supply-side analysis of philanthropy, the current patterns of charitable giving, estimates of the forthcoming wealth transfer, projections for charitable giving, and why we can expect a greater supply of financial resources for charity.

In this chapter, I discuss the spiritual aspect of the supply side and draw out implications for tax policy and fundraising that derive from the analysis in the two chapters. First, I differentiate the motivational models of the demand-side and supply-side approaches.

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I then elaborate several inclinations of wealth holders that dispose them to make substantial gifts to charity. I address the implications of the supply-side analysis for advancing a discernment approach to fundraising and for the repeal of the estate tax. I conclude by situating the discussion within the larger framework of wealth and philanthropy in an age of affluence.

Knowing that the supply-side vector of increased wealth is linked to an expanded preference for charity among wealth holders does not yet explain why this nexus occurs and how it can be galvanized. The translation of wherewithal into philanthropy depends on the social-psychological factors that induce wealth holders to shift their financial preferences from consumption, saving, investment, and heirs to philanthropy.

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### *Motivational models*

The motivational model of the demand side differs from that of the supply-side model.

#### *The scolding model*

The conventional approach used to motivate giving by wealth holders focuses on presenting organizational or community needs to the donor, arousing a sense of obligation, offering psychological inducements, and suggesting quantitative norms for how much donors should give. In general, the demand-side strategy is to persuade wealth holders to do what they are presumed not to be inclined to do: devote their money to charity. The demand-side approach 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 scold or cajole donors into making gifts. The demands of needs are presumed to be numerous and important enough, and the willingness of donors to be meager and hesitant enough, to warrant an attitude, if not an actual fundraising practice, that enlists as its allies guilt, embarrassment, comparison, shaming, and imposed obliga-

tion. The logic of this compulsion model explicitly or implicitly tells wealth holders: "You are not giving (1) enough, (2) to the right causes, (3) at the right time, (4) in the right way."

Clearly this approach has its share of highly motivated and dedicated advocates for whom it is a duty to bring the needs of others into the purview of donors and to ask for 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. The demand-side approach may obtain a gift, but it seldom creates a giver.

#### *The inclination model*

Because of the exponential increment in wealth that I described in Chapter One, it is crucial that philosophically sound and practically effective fundraising approaches be implemented. There are several specific dispositions that, when coupled to growth in wealth, motivate wealth holders to be charitably inclined. Taken together such dispositions converge in what I call the *inclination model* of charitable giving.

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 sanctions of the demand-side approach, it proffers four questions for discernment and decision: "Is there something (1) 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 commerce; and (4) that expresses your gratitude, brings you satisfaction, and actualizes your identification with the fate of others?"

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#### *Inclinations toward philanthropy*

The inclination model does not ignore the issue of financial responsibility. According to Toner's definition of care (1968) as

the implemental or instrumental aspect of love, the meeting of needs 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 such as hyperagency, identification, association, and gratitude. The more thoroughly these forces become activated in the life of wealth holders, the more that wealth holders will pursue rather than resist the responsibilities of financial care.

### *Hyperagency*

The first supply-side social-psychological disposition that animates an inclination toward charitable giving is hyperagency, 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 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.

When coupled to the dynamics of identification with the needs of others, self-construction and world building do not stop at the thresholds of their homes or their businesses; they extend throughout all the wealth holder's involvements, including, for those who choose them, politics, community, religion, and philanthropy (Schervish, 1997). When applied to the realm of philanthropy, hyperagency means that wealth holders, when they choose to do so, can provide enough philanthropic input to make a difference in the realm of allocation just as they did in the realm of accumulation. For example, the ultimate exercise of hyperagency occurs with the founding of a private or working foundation or with the provi-

sion of enough largesse to establish a novel direction within an existing organization, such as a clinic, endowed chair, or hospital wing. 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 produce rather than simply join in the support of a charitable enterprise or one of its specific initiatives. Wealth holders not only have the resources for producing charitable outcomes; they are disposed to do so. Clearly, it is possible for charity advocates to mobilize this hyperagency by enlisting the scolding model. But it is more frequently and intensely activated by the inclination model that directly invites wealth holders to function as creators or architects of philanthropic initiatives.

### *Identification*

The second social-psychological vector that inclines wealth holders to translate their growing wealth willingly into an expanded charitable output is identification with the fate of others. The key to care and philanthropy is not the absence of self but the presence of self-identification with others (Schervish, 1993; Schervish and Havens, 1997). Personal identification is the prototypical inspiration for charitable giving and care in general. The question for generating generosity is how to expand those very familiar sentiments of identification to include those who are relationally, spatially, and temporally more distant, that is, to a circle of human beings beyond one's kin—those who live in wider fields of space and time. Wealth holders, along with all others who engage in philanthropy, are inclined toward such identification. They do not so much need to have identification imposed on them as to have it find its expression.

### *Association*

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—that is, the constellation of formal

and informal communities of participation in which donors learn about people in need and come to identify with them as being like themselves. 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 on us. We are exposed to reality at every moment and so are eternally and infinitely exposed to the needs of others.

Over the course of my 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, what matters most is one's abundance of associational capital in the form of social networks, invitation, and identification. As a supply-side force, 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.

### *Gratitude*

In addition to identification, association, and hyperagency, additional inclinations make wealth holders' allocation of a substantial portion of the growth in wealth to philanthropy not only a possibility but a probability. One of these is the inclination of gratitude. 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 (course lecture, Bellarmine School of Theology, North Aurora, Illinois, 1969). The worldly vocation of wealth holders is embedded in the insight that they have been given much in their ascent to prosperity. For those wealth holders who are most inclined to charitable giving, I have found that taking their fortune with gratitude is the single most decisive aspect that forms their philanthropic conscience and consciousness (Schervish, 1990). They recognize that their wealth and abilities are in large part unearned gifts and that despite their worldly capacities, they are human beings who abide within a gracious dispensation. This realization in turn induces the obverse insight that those who are less fortunate are not solely responsible for their plight either and are

deserving of a leg up. Religion is a potent but not the exclusive path to a more caring life of wealth engendered by gratitude. 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.

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### *Implications for fundraising and estate tax policy*

The growth in wealth in conjunction with the desire of wealth holders to make a difference and to identify with others in their needs constitutes an important positive aspect of the horizons of philanthropy. There are implications as well for fundraising and estate tax policy.

### *Implications for a donor-centered strategy of fundraising*

For fundraisers concerned with advancing charitable giving, there is a verdant opportunity to help crystallize the philanthropic identity of wealth holders. The supply-side analysis implies that the role of fundraisers and financial advisers is not so much to create as to discover the philanthropic impulses of wealth holders. Rather than pursuing a set of strategies to get wealth holders to do what charity advocates want them to do, financial and philanthropic professionals should pursue 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 is more akin to a marketing than to an old-fashioned 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 what they need. In the case of a philanthropic vocation, what wealth holders repeatedly indicate is that their greatest need is to forge a moral vocation for themselves and their heirs in and around their financial fortune.

Nowhere else more than with the question of how much wealth holders ought to contribute to philanthropy do the scolding and inclination models differ. Many individuals and groups are challenging wealth holders to contribute a predetermined percentage of their wealth to charity. Our own research and anecdotal observation indicate that such externally declared dictates are materially unproductive. Those who impose such mandates fail to understand that substantial 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. In Chapter Three of this issue, Murphy argues that "wealth and income are 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, it is the primary independent variable in determining the amount of financial resources potentially available for charitable giving.

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 systematic planning process that

helps guide them. Fithian (2000), 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 and make decisions about those resources and expenditures in the light of their values. Fithian's method is thoroughly inductive rather than deductive. The approach is to conduct a series of financial and personal interviews with wealth holders that result in the formulation of an alterable but specific (1) conservatively estimated resource stream, (2) liberally estimated expense stream (including gifts and inheritances for heirs), and (3) self-reflective values stream that Fithian calls the *Family Planning Philosophy*. With these in hand, wealth holders are in a position to know a self-determined minimal amount of financial resources they plan to devote for self, spouse, and family, as well as a 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.

This approach 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 typically seek out an architect who will design a house based on their desires. In this instance, a process of detailed discovery must precede the drafting of any blueprints, just as the blueprints must precede construction. For wealth holders—and really with all of us—devoted philanthropic commitments emerge from decisions that are freely self-chosen and connected to what is considered important. Practically, this means that in work with potential donors, archaeology must go before architecture and artifact. If major gifts are to be garnered from major donors imbued with hyperagency, it is necessary to treat them to the same respectful decision-making process we would desire for ourselves. This means helping donors to excavate their biographical history, their contemporary prospects and purposes, and their anxieties and aspirations for the future. Far more attention and time need to be

devoted to interpreting who donors are and who they want to be rather than interjecting who we think they are and who they ought to be. It means that we enable wealth holders to uncover and carry out in freedom the wise choices that fulfill their needs 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 regarding both their material capacities and moral cares ends up producing something deeper than simply a more lucrative fundraising strategy, although it is certainly that. It is also a way for fundraisers and charity advocates to realize a more satisfying and effective vocation for themselves. 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 contributing to the evolution of the culture of financial care in an age of affluence.

#### *Implications for estate tax repeal*

The second implication of the emergence of a new physics of philanthropy is that the customary relation or the conventionally conceived relation between estate taxes and charitable giving may no longer obtain, and this needs to be taken into account as estate tax repeal progresses. I consider that the increasingly ascendant supply-side forces inclining donors toward charitable giving, coupled to a fuller use of the discernment strategy of fundraising, 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.

The wealth advisement community and some philanthropic foundations and charities are, for both business reasons and a genuine concern for charitable giving, disinclined to see value in repeal, because the tax and the incentive of tax minimization are understandably seen as positive catalysts for charitable giving. Until recently, I shared this view and cited tax incentives as one of the positive supply-side forces impelling charitable giving. Of late,

however, a number of considerations relevant to the discussion have led me to entertain the opposite conclusion. A review of these considerations might lead to a more enlightened debate and keep the dire predictions about repeal's devastating effect on philanthropy from being uncritically accepted.

First, the trends in charitable bequests over the past decade that I reviewed in Chapter One indicate that wealth holders are already shifting bequests from heirs to charity. From 1992 through 1997, the value of all final estates (those for which there is no surviving spouse) grew by 65 percent, the value of estate tax revenue was up by 67 percent, and bequests to heirs increased by 57 percent; however, the greatest increase was in charitable bequests, which grew at 110 percent. Even more starkly, for those with final estates valued at \$20 million or more, the value increased 135 percent and tax payments grew 82 percent; bequests to heirs grew only 75 percent, while bequests to charity went up 246 percent. Another way to look at this trend is to note the growing proportion of final estates of \$20 million or more going to charity. In 1992, these estates allocated 34 percent of their value to charitable bequests; 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 with the repeal of the estate tax. Nonetheless, 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 *Wealth with Responsibility Study/2000* (Bankers Trust Private Banking, 2000), 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, estate tax repeal may make it more likely that the rate of economic growth might increase once all the unproductive economic activity that surrounds estate tax minimization and avoidance is no longer needed. Economists Aldona and Gary Robbins have been reported to estimate that a repeal of the estate tax would increase the gross domestic product by \$1 trillion over the next decade, resulting in the creation of nearly 275,000 jobs (Bray, 2000). This growth could be extremely beneficial to charitable causes. Specifically, the wealth projections cited in Chapter One indicate a substantial potential for growth in charitable giving arising from an increase in the rate of growth in wealth. Recall 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 fifty-five years. An increase in economic growth to our 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, the repeal of the estate tax may be the basis for a new era of spiritual depth in philanthropy—one that revolves in part around making the voluntary act of charity truly voluntary rather than a financial strategy. Here we arrive again at the social-psychological dynamics of liberty, inspiration, identification, and hyperagency—that is, the spiritual side of the supply side. Growth in wealth and the lifting of a tax will not automatically lead to greater charitable giving. But if, as I 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 here will continue,

perhaps even flourish, as tax considerations fade. Instead of disagreeing with the repeal of the estate tax, charities and fundraisers might do better to contemplate how to become effective in a new environment in which contributions can flow to them—through a far less circuitous and expensive route—from donors with deeper pockets and fuller hearts.

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### *Conclusion*

I do not dispute that aspect of the demand-side approach that stresses how philanthropy is indispensable for serving people in need. However, by undervaluing and underusing 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 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.

We are arriving at that point of cultural passage that Keynes (1933) envisioned was commencing in his day, would be gaining momentum about now, and 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” (p. 372). This transformation in material wherewithal 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 the 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” (p. 369). 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" (p. 365). Human nature is not repealed but rather 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 neighbour is changed," says Keynes. "For it will remain reasonable to be economically purposive for others after it has ceased to be reasonable for oneself" (p. 372).

Aristotle (1908) argues that the prominent and proper desire of human beings is happiness and that in practical life, happiness derives from wise choices. 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 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, 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 we do not need to admonish so much as invite others to put behind them the spiritual confinements of the "economic problem" and take up "the permanent problem of the human race" (Keynes, 1933, p. 366): "to reap the spiritual fruits from our material conquests" (p. 354).

Those who hope that wealth holders will play an increasingly important role in attending to the needs of others, nationally and globally, are themselves at a vocational crossroads. They must determine whether the cajoling or inclination model 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 walking a path of ampler financial care and happiness. The new horizons of philanthropy coincide with the new horizons of wealth, the new horizons of financial care, and the new horizons of fundraising.

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PAUL G. SCHERVISH is professor of sociology and director of the Social Welfare Research Institute at Boston College. During the 1999–2000 academic year, he served as distinguished visiting professor at the Center on Philanthropy at Indiana University.