

Counting apples

Measuring philanthropy is difficult, but two things are clear. Private giving is small in all rich countries, relative to state spending. And American generosity outstrips that of most other countries, especially in money terms, and particularly if gifts to religious bodies are included.

One of the most ambitious attempts to measure the size of charity is that of a team led by Lester Salamon of Johns Hopkins University, which has examined 36 countries around the world for a new book[*]. Excluding donations to religious congregations (an important point where America is concerned), giving varied in developed countries in the second half of the 1990s from around 1% of GDP in the United States (and 1.3% in Israel, where much generosity comes from abroad) to less than 0.1% in Italy, where cash donations account for the same proportion of GDP as they do in India (see chart 2 on next page).

But such figures are generally dwarfed by what the state spends on social welfare, and international differences in social spending vastly outweigh those in private generosity. For instance, in America, spending on social welfare accounts for 18% of GDP; in Britain, 28%. That gap dwarfs the gap of four-tenths of 1% of GDP in non-religious charitable donations.

Of course, money is not everything. Mr Salamon's work, which will form the basis for new United Nations guidelines on national accounts, allowing countries for the first time to compare philanthropy and volunteering, finds that gifts of money are generally less important than gifts of time. Around 60% of private giving takes the form of volunteering, the value of which he measures by ascribing to it the average wage of a community worker. Volunteering turns out to be particularly high in the Netherlands, Sweden and other Scandinavian countries, as well as in a few developing countries. In America, the balance between gifts of time and of cash is more equal (if those to religious bodies are excluded) than in most of Europe.

As for religion, it is a powerful force for generosity. Most religions encourage giving, often setting a benchmark (10% is the goal of Christians, Jews and Sikhs alike). For Muslims, the Zakat or charity tax is the fourth pillar of Islam, as important as prayer, fasting or pilgrimage.

In America, religion accounts for a staggering (to non-Americans) share of donations: 62%, according to Indiana University's Centre on Philanthropy Panel Study (COPPS), which looks at what a cross-section of individuals do over a period of time, rather than at what some donors put on their tax returns. Every income group gives more to religious causes

than to non-religious. On adjusted figures, says Richard Steinberg, of Indiana University-Purdue University Indianapolis, the poorest fifth of the population gives an average of \$234 a year to religion and \$85 to other causes; and black people give \$924 to religion, compared with \$439 to non-religious causes.

In Europe, giving to religion is almost certainly lower, although not always as low as some believe. In Germany, for example, a "voluntary" church tax collects an astonishing ! 8.5 billion (\$9.9 billion) a year. In Britain, a recent study of charity trends by the Charities Aid Foundation, a non-profit body, found that 10% of income given to the 500 largest charities went to faith-based organisations.

America's religious enthusiasm partly explains its relative generosity. Quite a lot of research confirms that religious folk are more generous overall than non-believers. Indeed, COPPS figures suggest that people who profess a religion are more likely to make a gift and to make a larger gift than people who say they have no religion. The difference is particularly striking for Jews. Intriguingly, other work suggests that Jews whose faith fades give less than those who remain believers. What's in it for me?

Why do people give money and time? On the face of it, the idea of working to earn money, only to give it away is an odd one. Economists, typically baffled by selflessness, have tended to hunt for hidden self-interest in apparent altruism. One recent study[T] found the reverse: people gave more willingly if they could cloak their altruism in apparent self-interest. When asked to give to a highly worthy cause (to help emotionally disturbed children), the donation rate trebled if donors were offered a product in exchange for their gift. But when asked to give to a mildly worthy cause (helping a team to buy sports equipment), the offer of a present made no difference. No wonder that wise charities work hard to find ways to reward donors.

Increasingly, some governments wonder whether to try to bolster philanthropy. Even before George Bush senior sang the praises of "a thousand points of light", Americans have never had any doubt. Many argue that community organisations and volunteering strengthen society. But, where public provision of social services is the norm, as in most of continental Europe, governments have been more ambivalent, seeing private provision as a sign of state failure. In America, says Felicity von Peter, who organised a workshop on giving for the Bertelsmann Foundation, donors believe that they can spend money more effectively than the state. In Europe, they are more likely to see private philanthropy as complementary to state action.

have a bigger impact on the wealthy, who are particularly tax-sensitive, than on ordinary mortals. The charities that attract the wealthy, such as universities and opera houses, have more to gain from tax incentives than those the poor favour, such as churches.

Just as important as tax incentives, though, may be public attitudes to philanthropy. They differ vastly between Europe and the United States. But they affect the behaviour of both donors and recipients.

On a continent where being very rich still carries faint implications of impropriety, many Europeans feel uneasy with the idea of competing to demonstrate public generosity. That has all sorts of implications. For instance, Britain's donors, argues Lord Joffe, often do not know how much they should give. In a recent debate in the House of Lords, he argued for a benchmark, though perhaps not one as high as the biblical tithe, to give the wealthy some idea of what was appropriate. He described a meeting at which people were asked to raise their hands if they gave more than 1% of their incomes to charity. Hardly any did. But after the meeting, many apparently raised the amount they donated.

Even more important is the attitude of would-be beneficiaries. Because they are generally new to the game, Europeans tend to be embarrassed about fund-raising. For example, few of Europe's impoverished universities employ professional fund-raisers. Top American universities typically employ hundreds. At least two of Britain's best university fund-raisers, at the London School of Economics and at Bristol University, are American imports.

Because they do not understand fund-raising, Europeans do it badly. Bertelsmann's Ms von Peter has a string of horror stories about European recipients. In one ghastly case, a would-be donor (with an instantly recognisable name) rang a charity to ask whether he could visit. He was told firmly that he could not, but he was welcome to send a cheque. The new foundation

Such behaviour may change as donors alter. On both sides of the Atlantic, a striking new development has been the rise in the number of philanthropic foundations (see chart 3 on previous page). Moreover, whereas foundations in the past tended to be established in bequests, these foundations are often set up by the living.

In the United States, says Eugene Tempel, director of the Centre on Philanthropy at Indiana University, there has been "an explosion" of new private foundations: their numbers are up from about 22,000 in the early 1980s to 65,000 today. Many of the newcomers were founded in the

mid-1990s with dotcom money, and many of the founders are younger than in the past.

Something similar is happening in parts of Europe, says Helmut Anheier, at the University of California, Los Angeles, where he is doing a study of philanthropic foundations. There are few in France, Austria or Belgium, he reports, but they are booming in Italy, where they are a relatively new phenomenon. Often, setting up a foundation starts as a way to preserve control of a family business and to avoid taxes and death duties.

Another study, by the Bertelsmann Foundation, reveals that 200 foundations a year were being created in Germany in the early 1990s; now, the birth rate is between 800 and 900 a year. The phenomenon, reports Karsten Timmer, who ran the study, is the result of 60 years of peace, a rare event in Germany over the past millennium. With the retirement of the founders of the post-war businesses that built the German miracle, "the transfer of wealth is extraordinary in Germany today," he says. Moreover, half the founders he surveyed are actively involved in their foundations, which have become for many their second career.

The result both in America and in parts of Europe is a more directed and more engaged approach to philanthropy. The new wealthy want to make sure their money is properly used, and so want to be involved in its expenditure. Bill Gates argues that you have to work just as hard at giving away your money as you do at making it.

This calls for a different approach by those who run foundations. A few years ago, there was much talk of "venture philanthropy": the idea that

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1997. Even more striking, the 0.22% of families with incomes of \$1m or more contribute about 13% of charitable dollars. And the concentration in bequests is also astonishing: the 0.4% of estates worth \$20m or more account for 58% of the value of all bequests.

Interestingly, as the size of estates rises, the proportion going to heirs shrinks and the share left to charity increases. The estates of \$20m and more left an average of 49% of their value to charity and 21% to heirs, the rest going in taxes. Could it be that today's rich think that inheriting too much money may harm their children?

[T]"Committing altruism under the cloak of self-interest: the exchange fiction." Dale Miller, John Holmes and Melvin Lerner, *Journal of Experimental Social Psychology*, Vol 38 (2002)