

When it Comes to Generosity, Lists are Deceiving

By Rick Cohen

End-of-year BusinessWeek list lauds 50 most generous philanthropists; deeper digging suggests murky motivations and reveals they give less of their income and assets than their lower income peers.

Feel-good stories about charitable generosity abound during the holiday season, including tabulations of the altruistic behavior of the nation's wealthiest business titans. This year, as in the recent past, Bill and Melinda Gates top the list of the nation's most munificent benefactors for the nonprofit sector and people in need, having pledged over \$10 billion of their massive wealth to charity between 2000 and 2004.

Other well-known names on the list of "the 50 most generous philanthropists" published annually by BusinessWeek include finance wizard Warren Buffett (number 3), Microsoft's co-founder Paul Allen (9), eBay's Jeffrey Skoll (16) and Pierre and Pam Omidyar (18), Big Apple Mayor Michael Bloomberg (13), Home Depot cofounders Bernard Marcus (14) and Arthur Blank (35), and television's Oprah Winfrey (40).

While the willingness of these magnates to part with some of their discretionary capital ostensibly for the benefit of society merits praise, a little perspective is in order.

There's no debate that the charitable giving of the super wealthy dwarfs the assets, not just the charitable donations, of the rest of the U.S. population. The wealthiest 6.5 percent of Americans account for approximately half of all charitable giving. Households with incomes over \$1 million account for more than 20 percent of individual charitable donations.

However, the wealthy are not quite as generous as their control of the nation's assets. The top 1 percent of the nation control 41 percent of household wealth, but generate only 33 percent of charitable donations. This shouldn't be a surprise. NewTithing's Claude Rosenberg has been making this case for years, this past year pointing out that charitable giving would have jumped by \$41.6 billion if tax filers earning between \$200,000 and \$10,000,000 contributed as generously as their lower income peers.

If the wealthy are somewhat less charitable than their wealth might indicate, who are the

wealth-disproportionate charitable givers? The data indicates that working people, the nation's middle class are generous beyond their asset wealth, giving to charity frequently without the incentive of tax deductions—because so many of them are nonitemizers on their federal taxes.

A report from the President's Council of Economic Advisors four years ago revealed that the bottom quintile of households with a positive net worth gives 6 percent of income and 13 percent of wealth toward charity annually. The other four-fifths of the population hovers around the 1 percent mark against both measures. In the past decade, working people have been economically squeezed by rising out-of-pocket health costs, depressed real wages, escalating college tuition and fees, and an array of other pressures, but they give to charity. Even when the big donors and endowed foundations shrunk their giving in the wake of the post 9/11 stock market downturn, middle class givers stepped up to the plate.

The BusinessWeek list omits the sad truth that many of the wealthy could use a healthy dose of benevolence. For example, for the ultra-wealthy estates subject to the estate tax, nearly 4 out of 5 leave nothing to charity. Despite conservative political contentions that the rich give to charity simply because of altruistic motivations, research from the Urban Institutes suggests that the permanent repeal of the estate tax, a conservative political flashpoint, will result in a loss of as much as 37 percent of charitable bequests and another 12 percent of annual charitable giving.

While the amazing wealth of people like Bill Gates and Peter Allen probably makes the question of taxes irrelevant as a motivating factor behind their giving, for most of the wealthy, tax incentives—the ability to take donations off of taxable income, the ability to make tax-free charitable bequests—are undeniably important. For that reason, it is noteworthy that BusinessWeek list residents such as Warren Buffett and George Soros are vocal opponents of the Bush Administration's estate tax repeal agenda, recognizing the importance of tax incentives even to the ultra-wealthy. Remember that no less than Bill Gates, Sr. is a national leader in the effort to save the estate tax.

The motivations of the nation's top givers are a

mix of factors, the first being tax benefits. Surveys of wealthy givers indicate that the respondents ascribe their giving to selfless philanthropic urges, but believe that their friends and peers are more motivated by tax concerns. Pretty obvious that they ascribe to their friends and peers the tax motivations that factor into their charitable calculations.

A second motivation is clearly a sense among some people of giving back to the society that allowed them to generate their huge wealth. The BusinessWeek list appears to be a register largely of entrepreneurs, people who actually made the money they are now giving away. Studies suggest that entrepreneurs are more charitably generous than inheritors. According to one report, for every \$1,000 of entrepreneurial wealth, \$4.56 goes to charity; for every \$1,000 of inherited wealth, only \$0.76 goes to charity. This may help explain the estate tax advocacy of someone like Buffett, knowing that inheritors do not quite see their societal obligations in the same light as the original earners.

A third motivation of wealthy donors is clearly self-interest. Wealthy donors typically devote a significant portion of their philanthropy to sustain the arts and cultural, medical, and educational institutions that they typically patronize. For the most part, charitable giving by the wealthy is for the most part hardly a redistribution mechanism in the U.S. economy, but rather sustains existing economic and societal relationships. As one observer of this phenomenon noted a decade ago, for the wealthy, charity truly does begin at home.

For many, their philanthropy occurs through private foundations they establish and run or otherwise control through family members and trustees. Although the donations to the foundations count in the specific calendar year, foundations are required to spend a minimum of 5 percent of their assets a year, and nearly all spend no more than that 5 percent. The result is that some of the multi-million dollar philanthropic donations made by the BusinessWeek top 50 sit in tax-exempt endowments as opposed to reaching nonprofits through immediate distributions.

A fuller picture of the distribution of disposable wealth by the nation's business magnates includes not simply their direct charitable giving and their investments in their family foundations. For many of the BusinessWeek moguls, they also control the charitable giving of their corporations' philanthropic wings, often distributing charity with more explicit business self-interest than their more selfless-looking personal or familial donations. In addition, of course, many of these people are major donors to politicians, political parties, and political action committees (PACs) themselves and through their corporate offices. The combination of personal philantro-

py, corporate philanthropy, and political contributions constitute a murkier picture and more complex picture of some of these tycoons than their gimlet-eyed holiday season charitable hagiographies.

Take, for instance, Tom Monaghan's giving, based on his Domino's Pizza and Detroit Tigers wealth. Monaghan gives predominantly to strictly Catholic religious causes through his Ave Maria Foundation and others, including supporting Ave Maria College whose law school faculty includes Judge Robert Bork, failed Supreme Court nominee, currently also a fellow at the conservative Hudson Institute and Hoover Institution. Monaghan's personal and corporate philanthropy have been major supporters of groups actively opposed to women's reproductive rights. Remember one of Monaghan's major charitable endeavors, the construction of the world's largest free-standing crucifix, 25-stories tall, on the Ave Maria College campus, which fortunately for Ypsilanti zoning officials rejected, and Monaghan and his college decamped from Michigan in favor of Naples, Florida.

Qwest's Phillip Anshutz is another of the major donors on the BusinessWeek list, with a peculiar brand of philanthropy. Part of his philanthropic giving in 2003 was a \$4.4 million contribution he was compelled to make as part of a settlement he reached with New York's Attorney General Elliot Spitzer. The penalty stemmed from Spitzer's litigation against Anshutz for his profiteering with Qwest stock against the interests of his own employees. As Qwest stock plunged in six months from \$64 to \$1.95, Anshutz sold 6.1 million shares for a profit of \$241 million while Qwest employees with their retirement plans invested in Qwest lost substantial portions of their nesteggs. Anshutz's behavior prompted Forbes to describe him as the greediest executive in America. Anshutz's philanthropy also has a major political content, with major emphasis on the "family values" agenda of the Republican Party, including James Dobson's Focus on the Family.

The mainstream press generates many stories of holiday season charitable endeavors, some of which are clearly heartfelt efforts by affluent entrepreneurs and celebrities to respond to the needs of their fellow citizens. Taken as a whole, the philanthropy of the nation's wealthiest givers, through their checkbooks, their foundations, and their corporations, plus their non-tax exempt giving to their favorite politicians constitutes a mosaic of personal and political priorities that more frequently than not contribute little to this nation's societal equity. ○