

America's Looming Philanthropic Revolution

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Following is a summary of comments shared by Paul G. Schervish at the GenSpring Family Offices 2007 Family Symposium, October 30, 2007, Philadelphia, Pennsylvania.

As the director of the Center on Wealth and Philanthropy at Boston College, Paul G. Schervish has been researching charitable giving, wealth, spirituality, and philanthropy for more than two decades. Much of Paul's research focuses on charitable giving and volunteering; the Center focuses more broadly on the forms, trends, and motives surrounding the meaning and practice of care in our contemporary age of affluence.

To provide some historical perspective, Paul offered highlights from an essay published in 1930 by John Maynard Keynes, the well-known British economist revered as one of the fathers of macroeconomics. In writing about the economic possibilities for his grandchildren, Keynes predicted that, by the next hundred years, for whole groups of people, whole classes of people, the economic problem of scarcity will have been solved. There will be whole groups and classes from which the issues of how to accumulate more wealth will no longer be, and the primary question will shift to how to use wealth as an instrument.

According to Keynes, if economic acquisition and the growth of wealth is not the real permanent problem of the human race, then something else must be the driver. Keynes felt that this "something else" is a new code of morals, a new way of life, and a new spirituality by which people will attend to their wealth as an instrument for deeper purposes. Keynes stated that this new code of morals would involve living "wisely and agreeably and

well" with the wealth that technology and compound interest have won for us. To Keynes, part of that living wisely, agreeably, and well is how to maintain economic purposefulness for one's neighbor; how to continue to try to use wealth as an instrument to advance one's neighbor when it ceases to be economically purposive for one's self.

With Keynes' observations as a historical backdrop and using data from current and previous research projects, Paul shared his insights into the patterns and motivations of charitable giving and addressed the philanthropic revolution on the horizon. He framed his comments in the context of the "4 Ms" of wealth:

- Money
- Meaning
- Motives
- Moral Biography

Money

From 1950 to the present, a timeframe that includes nine recessions, the real annual rate of growth in wealth has been greater than 3.3 percent. In 2001, there were approximately 7,000 households with wealth greater than \$100 million. In 2004, the number of high worth households had grown to an estimated 10,000 households.

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There are now close to 11,000 households with net worth in excess of 100 million. There are 115,000 households with a net worth greater than \$25 million.¹ What once belonged to an isolated class of industrialists, lords, and nobles now belongs to whole groups and classes of people as a result of earnings and inheritances.

Paul suggested that this exponential growth of wealth has created the need for a new code of morals that has yet to be discovered but is necessary to ensure that current and future generations live wisely, agreeably, and well in conjunction with wealth.

From Paul's perspective, establishing an understanding of the meaning of giving, one's motives for giving, and how one's moral biography influences their giving provides a pathway to greater meaning and fulfillment for wealthy families.

Meaning

According to Paul, there is an ever-increasing emphasis on the unity of life, the ability to create a world of joy and comfort in harmony with our fellow human beings and the planet we inhabit. This sense of unity, of belonging to and making better the world in which we live, gives meaning to our philanthropic efforts. As an example, Paul referenced the meaning of the name of the city of Philadelphia. Literally translated, Philadelphia means "the city of" and "brotherly love." Compare this with the term philanthropy, which we translate to mean "the love of human kind." What happened to the brotherly aspect?

Paul asserts that "philea," the root of philanthropy is a special form of love: what Aristotle refers to as friendship love of mutual nourishment.

To rebut the notion that formal philanthropy may not be the greatest thing one can do in life, Paul suggested that we look at philanthropic activity prior to the introduction of tax deductions. After all, tax-deductible contributions to an IRS-defined nonprofit sector have been in existence for barely a half-century. What was the good that people were doing with their lives before there was so much wealth? What were people doing with their lives before they became wealth holders? Was any of that activity less meaningful because there was no financial benefit?

We were raised in an era where there was a sense that wealth was limited. It wasn't growing. The wealth that somebody had was necessarily exploited from somebody else. In terms of giving, it was a distributional ethic rather than a productive ethic.

From Paul's perspective, however, a change has arisen over the last fifty years. We are now concerned about social issues and their systemic causes. We are aware of the financial costs of attending to the problems, and we have the resources to address them. More importantly, we have the will to focus on these issues, and we are eliminating the technical and organizational roadblocks that have stood in our way in the past. For the first time in history, we are at the point where we can create material solutions for the great needs on our planet.

¹ Center on Wealth and Philanthropy at Boston College, with John J. Havens. "New Findings and Trends on the Relationship of Wealth and Income, and Philanthropy." Presentation to the 2006 annual meeting of the Association for Research on Nonprofit Organizations and Voluntary Action. Chicago. November 16, 2006.

As a direct result of this heightened awareness, philanthropy today is no longer simply distributional. The benefits of philanthropy in today's society work to produce a new way of living, a new code of morals, and a new reality of world community never before seen in history. This represents a more fundamental, deeper vocation than simple charitable giving. We are finally in a position to help create a civilization that thrives and makes the most of living.

In order for ultra high net worth individuals and families to experience the deeper meaning of philanthropic giving, their charitable actions must have meaning. Paul shared that, for us to truly appreciate the greater meaning of giving, we must first understand our true motives for giving and how our moral biography influences that giving.

Motives

Our reasons for philanthropic giving are varied. Paul referred back to the Latin *movere* (to move) and said that motives are the mobilizing factors (desires, etc.) that incline people to act.

But what gives meaning to motives for philanthropic giving? Most of us want to “make a difference” or work toward resolving issues that have personally impacted us or affected us in some way. Paul linked this motivation to the Aristotelian dictum, “avoid evil and do good.” But Paul pointed out that we are still trying to figure out what this actually means in terms of living wisely, agreeably, and

well. Paul asked the blunt question: What is the spirituality of mass affluence and mass wealth?

To help us begin to answer this question, Paul related the importance of understanding the true meaning of financial security. He defined financial security as having enough wealth to provide the desired standard of living for yourselves and your heirs indefinitely, despite any major downturns in the economy that may occur.

Once we have solved the economic question for ourselves and our heirs, something changes. We have the fullest freedom possible to do what we want in terms of our giving. Our motives can be pure, as we are no longer motivated by tax deductions or external perceptions. We can now examine how we will use wealth as a tool to find a deeper purpose rather than acquiring more wealth or living a more luxurious lifestyle. Paul asserted that we cannot go unencumbered through this explorative process to uncover our true motives for charitable giving.

Moral Biography

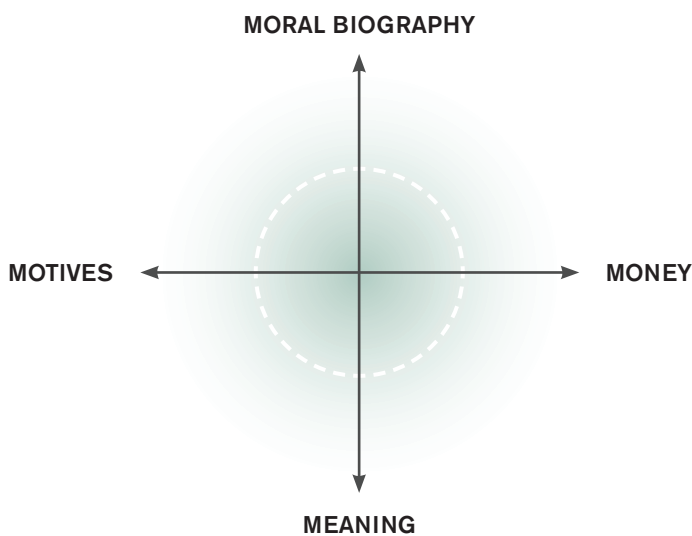
Paul shared that motives are closely aligned to an individual's moral biography. But what is a moral biography? Simply put, it is a combination of capacity, moral compass (see figure 1), and moral purpose. Our capacities are the areas where we exhibit great talent and aptitude. For example, your capacity could be in managing wealth, intellectual capacity, personality, or individual talent. Your daughter's capacity, by comparison, could be her

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professional connections. The important fact is that all of our capacities are latent. They are not active until we make them so through purpose, value, ideal, aspiration, and desire. In terms of wealth, a moral biography is one in which there is exceptional capacity in the financial realm.

Figure 1: Moral Compass



To fully embrace our moral biography of wealth, we must have an exceptional understanding of self, our aspirations, our purposes, and our duties. These are the factors that will help us discover our true, unrestricted philanthropic motives. To Paul, this represents the fundamental question of moral biography for the very wealthy. What happens to our aspirations when we are unburdened from financial security and tax concerns? As Paul said, we are finally in a position to act. Now we have to figure out, from a moral perspective, how to do it.

Something kicks in once we have gone through the psychological process of figuring out what we truly want for others. As we figure this out, we are also determining our moral biography of wealth, which will help us resolve once and for all how to live wisely, agreeably and well, both now and for future generations. As we begin to figure out what we truly want for others, we in turn figure out what we truly desire for ourselves.

The discovery of our moral biography will result in other realms of spiritual nourishment in addition to formal philanthropy. Formal philanthropy is just one expression of our financial moral biography.

In closing, Paul reiterated that exploring our motives and moral biography represents the first step in answering the question of how we will use wealth to obtain a deeper purpose of life. As Aristotle said, those we approach with “philea,” the friendship and love of mutual nourishment, these people represent another self. They are ourselves in another body. We are on the verge of truly living that experience. This is the new physics of philanthropy, but it’s also the new physics of wealth counseling. Perhaps most importantly, though, it is the new physics of wealth and spirituality that you are discovering every day. The best news of all is that each step you take brings you closer and closer to reaching the ultimate goal of, as Keynes said, “living wisely and agreeably and well.”

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