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Why Give Away your Wealth? An Analysis of the Billionaires' View*

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Abstract

We explore what motivates the philanthropic activity of extremely wealthy individuals and families. We focus on a recent large-scale philanthropic initiative by billionaires, the Giving Pledge, a commitment to donating half or more of one's wealth. We perform two pieces of analysis: first, we investigate what personal characteristics of billionaires are associated with becoming a pledger. Second, we undertake a textual analysis of the pledgers' letters describing their philanthropic outlook and classify their motivation into ten categories. We then correlate these motivational categories with various personal characteristics of the pledgers. The main insights obtained from our analysis is that pledgers are more likely to be self-made billionaires, and that their philanthropy is impact-driven.

Keywords: Giving Pledge, Charitable giving, Philanthropy, Motivation
JEL: D64, D71, H41

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1 Introduction

Philanthropic giving by the extremely wealthy is and has been historically an important phenomenon.¹ The philanthropic activities of extremely rich individuals, such as, Andrew Carnegie and John Rockefeller, have not only benefitted many people and causes but have also inspired new generations of philanthropists. Moreover, because of the well documented tendency in recent years for income to become more concentrated in the US and other countries (Alvaredo et al., 2013), one would expect that the charitable sector will become increasingly reliant on the contributions of those in the upper tail of the income distribution to sustain its activities. Despite their importance, not much is known about the motivations for giving of the extremely wealthy, largely due to the paucity of data, as typically surveys do not cover them.

This paper is an attempt to shed some light on the characteristics and motivations of the very rich philanthropists. We focus on a recent large-scale philanthropic initiative by billionaires, the Giving Pledge, which has received a lot of media attention because of the celebrity status of the founders and some of the contributors (e.g. Economist, 2012; Loomis, 2010). The Giving Pledge is a philanthropic venture launched in June 2010 by Warren Buffet and Bill and Melinda Gates that encourages billionaires, from the US initially and worldwide later, to donate at least half of their wealth in pursuit of charitable causes of the pledger's choice. As of May 2014, 127 families and individuals from 12 countries with an estimated net worth of \$600 billion have signed the Pledge.² There are a few unique features of the Giving Pledge that are worth stressing: first, the pledge is just a moral commitment and there is no legal obligation deriving from it; second, pledgers are invited to state publicly their motivations for taking the pledge. The publicness of the action indicates that the intention of those who started this initiative is for it to carry symbolic value and to act as an example and inspire others to follow. What is important about the Giving Pledge for our purposes is that pledgers have left written testimonies for what inspires their philanthropy. This fact offers us a unique window into the philanthropic motivations of the extremely rich.

In recent years, a large body of literature in economics and other social sciences has identified a set of factors that lie behind philanthropic behaviour (e.g. Andreoni, 2006; Vesterlund, 2006). These include altruism and warm glow (Andreoni, 1990; Ribar and Wilhelm, 2002; Tonin and Vlassopoulos, 2014), social recognition (Andreoni and Bernheim, 2009; Ariely et al, 2009), self-image (Tonin and Vlassopoulos, 2013) and others.³ But, being a special breed, billionaires may have separate reasons for giving not shared by the rest of society. For example, a billionaire has the

¹According to the Wealth-X and UBS Billionaire Census 2013, it is estimated that in the period 2011-13 billionaires have donated \$69 billion (pg. 24). By comparison, *Giving USA* estimates that total annual giving in the US in 2012 was \$316 billion.

²Giving Pledge press release available at http://givingpledge.org/press/PressRelease_5_9_2014.pdf

³This array of psychological factors are considered in addition to the standard factors studied by economists, such as income and the incentives that the tax system creates.

means to individually make a significant impact on an existing philanthropic cause or even carve a niche for a new one. Another distinct motivation for philanthropy, given the extreme level of wealth accumulated by this group of people, is that they may have reached the point where all material needs have already been satisfied and so further spending on themselves (or their family) may not add to their happiness (Kahneman and Deaton, 2010). In some cases it can even be argued that extreme wealth may have a negative effect on wellbeing, for instance because inheriting it might spoil their heirs. Feelings of moral obligation to share their wealth can also be particularly strong, in particular, if wealth is not just the outcome of hard work, but can also be attributed to other factors beyond an individual's control, being it sheer luck or some more spiritual blessing (Benabou and Tirole, 2006).

These are not of course the full set of motivations that may spur giving of the wealthy. One can think also of self-serving reasons. For instance, philanthropic giving in the US and elsewhere is associated with preferential tax treatment and some of the giving by the rich may be at least partly driven by such concerns (Auten et al., 2000). There may also be reputational/social recognition benefits of giving that are unique to this group, like the desire to leave a lasting legacy. Also, one gains a certain social status and opportunities to enter prestigious social networks from being a recognisable philanthropist, which may also have positive spillover effects on the main professional activity. Such types of private returns may also drive some of the observed philanthropic activity of the wealthy. Some of these motivations are indeed mentioned in the pledge letters, but whether the letters fully reflect their true relevance is of course questionable. What we can analyse is what billionaires mention in their public letters as motivating their philanthropic activity. Given the importance of this specific group of people for the promotion of charitable causes and the paucity of data available, we believe this is an important aspect to analyse.

We perform two pieces of analysis: first, we investigate what personal characteristics of billionaires are good predictors for becoming a Pledger. Second, we undertake a textual analysis of the pledgers' letters and classify the expressed motivations for giving into ten categories. We then correlate these motivations with various personal characteristics of the pledgers. The key insight obtained from our analysis is that pledgers are more likely to be self-made billionaires, and that their philanthropy is impact-driven.

Previous attempts to understand the philanthropic motivations of the rich and the extremely-rich involve primarily case studies, interviews and a few small surveys (Ostrower, 1997; Schervish, 2007; Page et al., 2011; Harvey et al., 2011; Center on Philanthropy, 2012; Acs, 2013). With regards to the Giving Pledge specifically we are aware of only one study in economics that analyses Giving Pledge signatories (Coupe and Monteiro, 2013). In particular, their focus is entirely on whether the nature of an individual's wealth - self-made or inherited - matters for the decision to

take the Pledge. They draw data on the characteristics of billionaires from the Forbes' Billionaire list. Consistent with our results they find that self-made billionaires are significantly more likely to take the Giving Pledge after controlling for various factors.

The rest of the paper is organised as follows. The next section provides more details about the Giving Pledge. Section 3 analyses the likelihood of becoming a pledger, while section 4 investigates pledgers' motivations. The last section concludes.

2 What is the Giving Pledge

The Giving Pledge is a movement that encourages the wealthiest people in the world to commit to giving more than half their wealth to philanthropic causes during their life, or at the time of their death. The Pledge, the brainchild of Warren Buffett and Bill and Melinda Gates, was launched in June 2010. The motivation behind the Pledge was twofold. The first was to encourage billionaire philanthropists to be an inspiration for giving by serving as role models to other billionaires. The second objective was to create a group of Pledgers to serve as a forum for the dissemination of best practice among philanthropists (Giving Pledge, 2014). The Pledge does not influence where these philanthropic efforts are to be directed, merely that the individual, or family, concerned make the public commitment to give more than half of their wealth away. It started by focusing on billionaires based in the United States, but following interest from outside the USA, in 2013 the Pledge expanded to include billionaires from all over the world.

The launch of the Pledge coincided with the aftermath of the 2008/9 economic downturn. The impact of the downturn was felt by philanthropic organisations, with donations falling by 3.6 % in America in 2009 (Banjo, 2010). The Pledge started out with a group of 40 individuals and families in August 2010 and by the end of that year it had grown to 57. In 2011 the group expanded to 60 pledgers while it ended 2012 with 81. 2013 saw the addition of pledgers from outside the United States and resulted in the largest annual growth, with the group of pledgers numbering 122 by December 2013 and including 12 new countries. The latest figure for 2014 puts the group's size at 127 pledgers.⁴

While the general response of the media has been supportive of the Pledge, it is not without its critics. Concerns have been raised about whether the initiative is sufficiently addressing the urgent needs of today, due to the fact that many of the pledgers are putting their money into foundations that may not disburse the funds for many years. Others are concerned that it might just be a public-relations exercise (Lewis, 2014). This concern is fed by the fact that there has been no effort to identify the actual benefit of the money that is being spent and there is no follow up to confirm

⁴These figures are drawn from the Giving Pledge website at <http://givingpledge.org>

whether the pledgers are keeping their word. Moreover, the number of pledgers is still less than a tenth of the total of the world’s billionaires (Lewis, 2014). In next section we will explore the decision to become a pledger.

3 Who becomes a Pledger

In this section, we assess which personal characteristics of billionaires impact the likelihood of joining the Giving Pledge. To this end, we use the Hurun Global Rich List, a list of US dollar billionaires worldwide compiled by the Hurun Report, a Chinese publishing group.⁵ The list provides information about the net worth of an individual, his or her age, gender, country and city of residence, name of the company and industry. It also provides information about the source of wealth, indicating whether the billionaire is self-made or inherited his or her wealth.

The list contains 1867 entries. Given that the pledge has aimed until recently only at recruiting American billionaires, we select from the list those with US residence, leaving us with 481 entries. In most cases, these entries represent individuals. There are however cases in which an entry is a name followed by the expression “*and family*” (e.g. “Laurene Powell Job and family”) and cases in which an entry is a couple (e.g. “Tom and Judy Love”). In the former case, personal data like gender and age refer to the individual (i.e. Laurene Powell’s Job in the previous example), while in the latter case to both members of the couple.

In the population we study, the average (and median) age is 67, with the youngest billionaire, Evan Spiegel of Snapchat, aged 23, and the oldest, David Rockefeller Sr of Standard Oil, aged 99. Notice that age is missing for 8 entries, mostly involving couples, while two different ages are provided for an entry involving a couple. As a result, the final sample we use in the analysis is of 472. Out of these 472 entries, only 52 (11%) are females, while the remaining are males. The average net worth is \$4.6 billions (median 2.5), with the largest, at \$68bn, held by Bill Gates of Microsoft, while the lowest is, by definition, \$1bn. Concerning the origin of wealth, 72% of entries are classified as self-made, while for the remaining 28% wealth is inherited.

We matched this list of billionaires with the list of pledgers using personal names and, out of 472, we found that 76 (16%) signed the pledge. As mentioned earlier, in 2013, when we conducted the analysis, the Giving Pledge had 122 signatories and, out of these, 88 were US residents. The discrepancy with the 76 pledgers found in the list of billionaires is due to the fact that four of the pledgers are deceased and that many pledgers are no longer billionaires, in many cases because they have already given away most of their wealth.

⁵For more information, see www.hurun.net

3.1 Regression Analysis

Using the matched data described above, we can investigate which among the personal characteristics of billionaires in our dataset - wealth (both in USD and in terms of its origin), age and gender - are good predictors of the decision to join the pledge. What to expect in terms of sign of the effect of these factors is not a priori clear. For instance, having more resources, wealthier people may be more likely to give away money and thus sign the pledge, but, given that the pledge requires to give away at least half of accumulated wealth, it is more “expensive” for wealthier people to join, so the overall effect is unclear.

In Table 1 we report some regression results. For ease of interpretation, we use OLS regressions. We first look at the impact of each of the four explanatory variables on the likelihood of joining the pledge separately. Being a self-made billionaire (column 1) and being richer (column 4) increase the probability of pledging. In particular, the probability increases by 19 percentage points for self made billionaires, while it increases by 7 percentage points for every \$10bn of extra wealth. Age (column 3) does not appear to have an impact, while being a female (column 2) has a negative effect. In column 5 we report the results of the multivariate regression in which we include all the explanatory variables. The coefficients for being self made and for net worth are very similar as in the univariate regressions, however, there is no gender effect. This is because females are significantly more likely than males to have inherited their wealth rather than being self made, thus, if the dummy for self-made is omitted, gender picks up part of its effect. Finally, in column (6) we replace net worth with a series of dummies indicating the quartile of the wealth distribution to which each billionaire belongs. The coefficient for the richest among billionaires, i.e. those belonging to the fourth quartile in the wealth distribution, is positive and large, thus indicating that they are more likely to sign the pledge, but it is not statistically significant at conventional levels (p-value: 0.13).

Thus, all in all, we find evidence that self-made billionaires are more likely to join the pledge, while there is some indication that the richer among billionaires are also more likely to join. To understand the result on wealth, it should be noted that signing the Giving Pledge in itself has a direct impact on wealth. Indeed, as mentioned, some of the pledgers are not anymore billionaires as they have given away most of their considerable wealth. If pledging is positively correlated with giving away a vast proportion of wealth during someone’s lifetime, then this would induce a negative bias between the likelihood of pledging and wealth.

Table 1: Who becomes a pledger

	(1)	(2)	(3)	(4)	(5)	(6)
selfmade	0.190*** [0.026]				0.186*** [0.026]	0.183*** [0.026]
female		-0.138*** [0.033]			-0.041 [0.034]	-0.039 [0.033]
age			0.001 [0.001]		0.001 [0.001]	0.000 [0.001]
net worth (USD bn)				0.007*** [0.003]	0.008*** [0.002]	
net worth 2q						0.000 [0.046]
net worth 3q						0.004 [0.046]
net worth 4q						0.077 [0.051]
Constant	0.023* [0.013]	0.176*** [0.019]	0.127 [0.088]	0.127*** [0.020]	-0.042 [0.082]	-0.021 [0.087]
Observations	472	472	472	472	472	472
R-squared	0.054	0.014	0.000	0.02	0.079	0.063

Dependent variable: Pledge (=1 if Yes). OLS regression.

"net worth xq" are dummy variables indicating whether net worth is in x quartile.

Robust standard errors in brackets. *** [**] (*) denote significance at 1, [5], (10) % level.

4 What motivates the Pledgers

We now turn to the analysis of the motivation for taking the Giving Pledge. In this section, we consider all pledgers, regardless of their country of residence. Below, we first discuss how we compile the data on the motivation of the pledgers, then provide some descriptives and analysis.

4.1 Data

The information we have on the pledgers includes basic demographics (age, gender, marital status, country of residence, ethnicity, education, number of children, religion, political views), plus information on net worth, industry and source of wealth (self made or inherited), whether a charitable foundation has been established and whether the spouse is involved in the foundation. These data

have been provided by Wealth-X, a consultancy firm specialized in ultra high net worth individuals⁶, but for several categories we have many missing values.

We combine this information with a textual analysis of pledge letters. Note that not all pledgers have written a letter yet. In particular, out of 122 pledgers, we have a letter for 96 (79%) of them. For each letter, we classified each sentence into a list of categories to be discussed below. In particular, we conducted two independent classifications, one by one of the authors, the other by a research assistant. In this paper, we consider all sentences that were categorized consistently in both classifications.

In total we used 10 categories. These are meant to capture the main possible motivations behind giving by billionaires outlined in the introduction. Below we provide a list that includes the name of the category, a short description, and an example of a sentence belonging to it.

1. *No Need* - Mention the fact that even after giving away wealth, resources are enough to cover needs. “The approach of my wife, Susie, and I to philanthropy is very simple. We do not believe that spending any more money on ourselves or our family would add anything to our happiness.”
2. *No Inheritance* - Mention of disbelief in inherited wealth, of pernicious effects of being wealthy, or desire not to spoil children. “My choice was to ruin my son’s life by giving him money or giving 90+% to charity. Not much of a choice.”
3. *Warm glow* - Mention that giving brings joy or gives meaning to life, talk about passion for giving. “Over the years, the emotional and psychological returns I have earned from charitable giving have been enormous. The more I do for others, the happier I am.”
4. *Impact* - Mention that giving is meant to address an issue or produce some change. “As a philanthropist, I’ve also had the opportunity to see the impact private donations can have in other countries - and just how far each dollar can go. For instance, with private funding, we can prevent tens of millions of premature deaths caused by tobacco-related diseases and traffic accidents - just two areas where my foundation has been active.”
5. *Legacy* - Mention importance of leaving a bequest or legacy or of name being remembered. “Giving also allows you to leave a legacy that many others will remember. Rockefeller, Carnegie, Frick, Vanderbilt, Stanford, Duke - we remember them more for the long-term effects of their philanthropy than for the companies they founded, or for their descendants.”
6. *Received Example* - Mention that giving has been influenced by role models or experiences of others giving. “My earliest memories include my father’s exhortations about how important

⁶For more information, see www.wealthx.com

it is to give back. These early teachings were ingrained in me, and a portion of the first dollars I earned, I gave away.”

7. *Provide Example* - Mention that giving or pledging is done to encourage others to do the same. “We hope to extend this legacy of giving not only within our family, but also to all of society.”
8. *Values* - Mention moral values or responsibility to give back. “We are pleased to lend our names and philanthropic commitment to The Giving Pledge campaign. We have been extraordinarily blessed in life, and like the others who are participating in this effort, believe very strongly in giving back to the country, communities and causes that have been vital to shaping our lives and success.”
9. *Luck* - Recognize the role of good luck/fortune in generating wealth. “My wealth has come from a combination of living in America, some lucky genes, and compound interest. Both my children and I won what I call the ovarian lottery.”
10. *Blessing* - Mention that wealth is a blessing or explicitly mention god, religion or afterlife. “Coming from a relatively poor family and without the benefit of a formal tertiary education, I have been blessed with material success beyond my wildest imagination. Yes, I have worked hard and smart, but there are many who undoubtedly have worked harder and who are far smarter than I and yet have not achieved the same level of material success. My success could not have been possible without divine blessings.”

This list is not exhaustive, in that other motivations are mentioned in the letters. For instance, one pledger mentions that giving is good for business⁷ and several underline in their letters the benefits of signing the Giving Pledge, as a way “to share lessons, perspectives and best practices” or even the social aspect of it.⁸ We believe, however, that the 10 categories above capture the most important motivations for giving mentioned in the letters. Also, some of the sentences belong to more than one category. For instance, the sentence “Making a difference in people’s lives - and seeing it with your own eyes - is perhaps the most satisfying thing you’ll ever do. If you want to fully enjoy life - give” belongs to two categories, “*Warm Glow*” and “*Impact*”.

⁷“While my motivations for giving are not driven by a profit motive, I am quite sure that I have earned financial returns from giving money away. Not directly by any means, but rather as a result of the people I have met, the ideas I have been exposed to, and the experiences I have had as a result of giving money away.”

⁸“When we began giving we were looking to receive nothing in return - but we have seen an important and unexpected “fringe benefit.” We have come to know a number of wonderful people we would not otherwise have met. It happens when you go in this direction: you meet interesting and inspiring people who are out there trying to make this a better world. These are some of the best people you will ever know. We look forward to meeting more such people in the Giving Pledge group.”

4.2 Who are the Pledgers

We start by providing a quick overview of who the pledgers are. Only about half of the pledges for which we have a letter are made on behalf of an individual (in 50 out of 96 cases), with the remaining half being split between pledges done on behalf of a couple (35 cases) or a family (11 cases). In these latter cases, the demographic data refer just to one person, usually the person who had the primary role in wealth accumulation.

The average age among pledgers is 69 years (median 70). The oldest pledger is also the oldest American billionaire according to the list analysed in the previous section, David Rockefeller Sr, while the youngest are Mark Zuckerberg and Dustin Moskovitz, aged 30 and both with their fortune related to Facebook. Only 4 pledgers are female, even if, as mentioned above, in many cases the pledge is done on behalf of a couple or a whole family. Melinda Gates, for instance, is one of the initial promoters of the pledge, but she is not considered as it is her husband, Bill Gates, who accumulated wealth through Microsoft. In terms of wealth, the average is \$4.6bn, with the highest net worth pledger being also the richest US billionaire according to the list analysed in the previous section, Bill Gates, while the lowest is Charles Francis Feeney, whose net worth, after giving away most of his fortune, is estimated at \$5 million and thus does not appear in the list of billionaires. In terms of the origin of wealth, the data source used here distinguishes between self made (101 out of the 116 for which we have data, 87%), inherited (8 cases, 7%) and a combination of the two (7 cases, 6%).

In terms of the commitment made through the pledge, one quarter of the letters contain a specific reference. In just one case an absolute amount is specified (\$1 bn), while the others provide an indication in terms of the share of the fortune to be given away. In most cases, the committed amount is at least 90% of the estate, with several cases involving the entire wealth. In terms of the timing of the donation, in three quarters of the cases this is mentioned, with the vast majority indicating that donations will take place during their lifetime and not only after death. Finally, in the majority of cases, the pledge letter mentions the specific causes to which donations will be directed and the existence of a foundation to manage these philanthropic activities.

4.3 Motivations for Philanthropy

To summarize the relative importance of the different types of motivation discussed above, in Figure 1 we display the fraction of pledgers that have mentioned each of the motivational categories in their letter. What we see is that “impact” features in 80% of the cases and is by far the most popular category. The next most popular category is “values” with 40% of pledgers invoking this motivation followed by “warm glow”, which is mentioned in 35% of the cases. The rest of the

categories appear in less than one-third of the letters.

To go beyond a simple mention and gain some insight as to the weight pledgers put on each category in their letters, in Figure 2 we plot the average share of classified text belonging to each category. In particular, for each letter we sum the number of characters devoted to each of the ten categories and then divide for the number of characters devoted to any of these categories in the letter. We then take the average across individuals. In this way we give equal weight to each letter, regardless of its total length. The sum across the ten categories is then, by construction, 1. Notice that for two of the letters we could not classify any part of the text in any of the ten categories and, therefore, they are not considered in this section.⁹

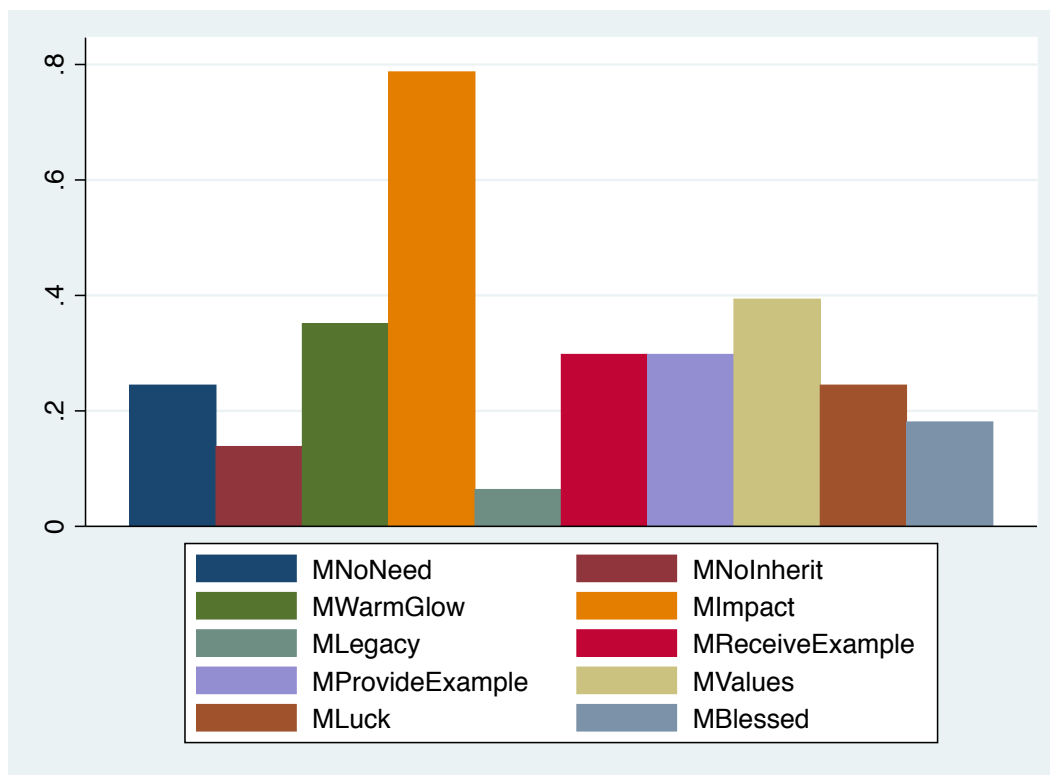


Figure 1: Fraction of pledgers mentioning each motivational category

In Figure 2 one can see that at 43%, the category “Impact” is clearly dominant, at a far distance from the second, “Values”, at 12%. Perhaps not surprisingly, when writing about their motivation for giving large amounts of money to charity, billionaires talk mostly about what kind of changes they want to achieve. It is also of interest that the joy of giving and the recognition that luck has played a role in the accumulation of wealth are also quite important, both at 8%. The desire to leave a legacy is instead rather marginal, but this may be due to the fact its mention may appear to be too self-serving.

⁹One letter, by John and Ginger Sall, is a brief matter-of-fact statement about joining the pledge. The other letter, by Paul Singer, mainly concerns the role of government vs. private initiative.

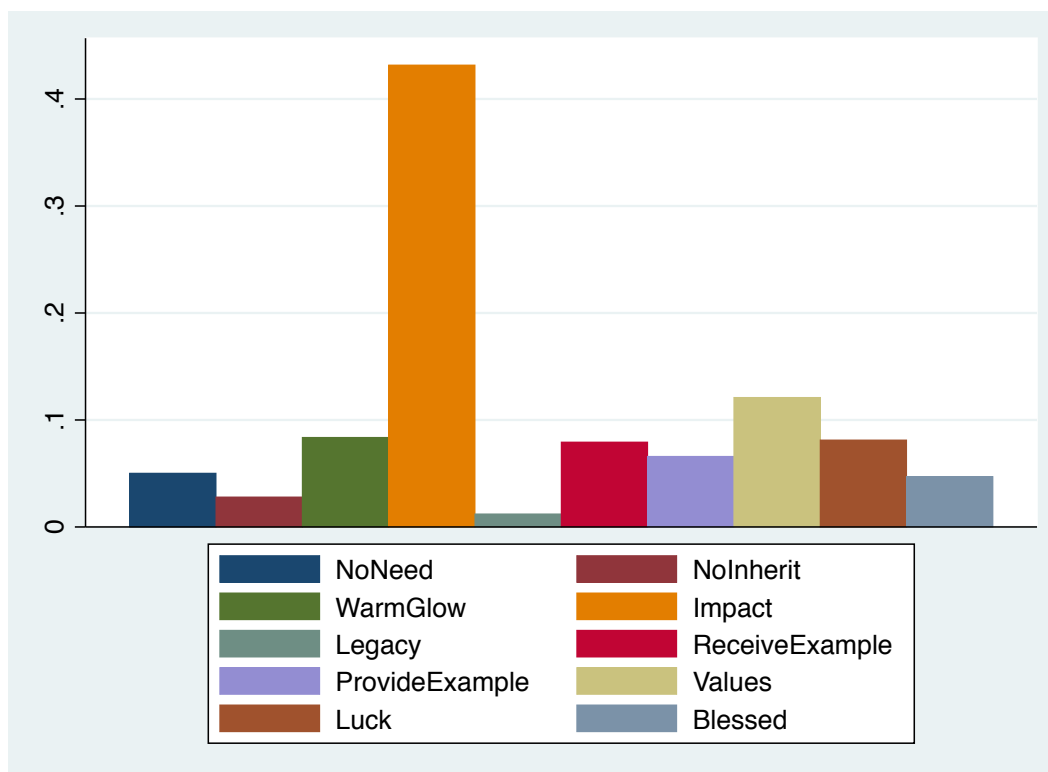


Figure 2: Motivational Shares

In line with what we did in the previous section, we investigate here whether characteristics like the origin and amount of wealth and age have an impact on the stated motivations for giving. Given the small number of women among pledgers, we cannot investigate the role of gender. We include in the self-made category only those classified as self-made, thus excluding those whose wealth is partly inherited, partly self-made.

Table 2 investigates whether mentioning in the letter motivation belonging to one of the ten categories outlined above is related to these variables. Again, for ease of interpretation, we estimate OLS regressions. What emerges is that being self made is associated with a higher likelihood of mentioning the desire not to leave (a very large) inheritance and the fact that luck has played a role in generating wealth as motivations for giving. This seems reasonable, as people who inherited wealth are probably less likely to see this as an issue for the next generation and, possibly, also less likely to experience first hand the importance of luck in accumulating great fortunes (unless, of course, one considers “the ovarian lottery”, as Warren Buffett does in his pledge letter). Age is related to a lower likelihood of mentioning values and to a higher likelihood of mentioning the joy of giving, albeit, in this case, the coefficient is only marginally significant. Finally, higher net worth individuals are more likely to mention impact and less likely to mention the desire not to leave inheritance. Again, it seems reasonable that the focus on impact increases with the ability to

have one, i.e. with wealth.

Table 2: Mentioning Motivations

Dependent var.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	no need	no inherit	warm glow	impact	legacy	receive ex.	provide ex.	values	luck	blessed
selfmade	0.058 [0.123]	0.161*** [0.045]	0.048 [0.147]	-0.161 [0.104]	-0.032 [0.083]	-0.22 [0.157]	0.132 [0.124]	-0.181 [0.157]	0.223** [0.105]	-0.102 [0.135]
age	-0.001 [0.004]	-0.002 [0.003]	0.007* [0.003]	0.000 [0.003]	-0.001 [0.002]	0.001 [0.004]	-0.004 [0.003]	-0.009** [0.004]	0.005 [0.003]	-0.003 [0.003]
net worth (USD bn)	0.002 [0.005]	-0.004** [0.002]	0.005 [0.004]	0.004** [0.002]	0.001 [0.002]	0.000 [0.005]	0.001 [0.004]	-0.001 [0.004]	0.000 [0.004]	0.003 [0.004]
Constant	0.246 [0.300]	0.145 [0.211]	-0.205 [0.281]	0.878*** [0.293]	0.177 [0.172]	0.425 [0.325]	0.463* [0.273]	1.191*** [0.320]	-0.285 [0.266]	0.474 [0.288]
Observations	92	92	92	92	92	92	92	92	92	92
R-squared	0.008	0.044	0.049	0.027	0.009	0.028	0.026	0.068	0.044	0.025

Dependent variables: =1 if mentioned. OLS regression.

Robust standard errors in brackets. *** [**] [*] denote significance at 1, [5], (10) % level.

Table 3 considers also the intensive margin, as the dependent variable in each regression is the share of classified text belonging to a given category. It confirms that self made individuals write more, in relative terms, about the desire not to leave an inheritance and about the role of luck as motivations. They also write more about the desire to provide an example. Age is associated with less talk about values, while net worth with less talk about the desire not to pass over excessive wealth to the next generation.¹⁰

5 Concluding Remarks

In this paper, we have looked at what motivates billionaires to join the Giving Pledge making a public commitment to give away at least half of their wealth. Our analysis indicates that an important consideration for the decision to pledge is the impact that the philanthropic activities will have. In fact, a business-like attitude is often used in the pledge letters when pledgers describe their approach to philanthropy. To give a few examples, Eli and Edythe Broad state “[w]e view our grants as investments, and we expect a return- in the form of improved student achievement for our education reform work [...]”, Charles F. Feeney writes “[w]hile my approach to philanthropy has surely developed and matured through experience, fundamental guides for me have always been the same methods of working and values that served me well in my business career” and, finally,

¹⁰Using a Tobit instead of an OLS regression broadly confirms these results. Being self made has a significant positive impact on “no inherit”, while the effect on “provide example” and “luck” is positive but insignificant (in the latter case with a p-value of 0.12). Age is negatively associated with value, but also with “no inheritance”, and positively associated with “warm glow”. Net worth is negatively associated with “no inheritance”.

Table 3: Intensity of Motivations

Dependent var.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	no need	no inherit	warm glow	impact	legacy	receive ex.	provide ex.	values	luck	blessed
selfmade	0.02 [0.023]	0.032*** [0.012]	0.04 [0.033]	-0.12 [0.093]	-0.011 [0.018]	-0.074 [0.058]	0.047** [0.019]	-0.046 [0.062]	0.097*** [0.036]	0.015 [0.036]
age	0.000 [0.001]	0.000 [0.001]	0.002 [0.001]	0.000 [0.003]	0.000 [0.001]	0.001 [0.001]	-0.001 [0.001]	-0.003** [0.002]	0.002 [0.002]	0.000 [0.001]
net worth (USD bn)	0.002 [0.002]	-0.001** [0.000]	0.000 [0.001]	0.000 [0.002]	0.000 [0.000]	-0.001 [0.001]	0.002 [0.003]	-0.001 [0.001]	0.000 [0.001]	-0.001 [0.001]
Constant	0.011 [0.069]	0.028 [0.056]	-0.072 [0.090]	0.568** [0.226]	0.055 [0.040]	0.064 [0.119]	0.097 [0.067]	0.399*** [0.144]	-0.165 [0.137]	0.016 [0.079]
Observations	92	92	92	92	92	92	92	92	92	92
R-squared	0.064	0.021	0.031	0.017	0.022	0.044	0.053	0.047	0.039	0.007

Dependent variables: share of category. OLS regression.

Robust standard errors in brackets. *** [**] [*] denote significance at 1, [5], (10) % level.

Bernard Marcus states “I must say that just because we were involved with charity we didn’t lose our fundamental business acumen. Our staff insists on outcomes for every grant we make.” From the point of view of a fundraiser, this would then suggest that an essential tool when approaching this type of potential donors is a detailed “business plan”, clearly pointing out the objectives of the philanthropic activity and the necessary means to achieve them.

What also emerges from our analysis is that self-made billionaires are more likely to sign the Giving Pledge. They also motivate their choice somewhat differently compared to heirs of great fortunes. This finding raises some interesting questions regarding the future of philanthropic initiatives by the super-wealthy. Recently, there has been a great debate, sparked by the publication of Thomas Piketty’s book “Capital in the Twenty-First Century” (2014), about rising wealth concentration and the return to a “Gilded Age” of patrimonial capitalism, where wealth is passed over from generation to generation. As Paul Krugman wrote in a NYT opinion piece, “[s]o far, the rise of America’s 1 percent has mainly been driven by executive salaries and bonuses rather than income from investments, let alone inherited wealth”, but “[Piketty] makes a powerful case that we’re on the way back to “patrimonial capitalism” in which the commanding heights of the economy are dominated not just by wealth, but also by inherited wealth, in which birth matters more than effort and talent.” If this is indeed the case and if signing the Giving Pledge, as it seems reasonable, can be considered an indication of increased willingness to donate to charitable causes, then we might expect a decline in donations from the very wealthy, as the current generation of self-made billionaire entrepreneurs is slowly replaced by their heirs. Of course, an initiative like the Giving Pledge, with its focus on giving away accumulated wealth, may counteract such a tendency. Whether it will be successful in persuading more and more of the extremely rich to follow this path

remains on open question.

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