Entrepreneurs’ Engagement in Philanthropy

Wealth Taxation, Entrepreneurship, and Philanthropy

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Like entrepreneurship, philanthropy is key to American social and cultural development and it is also a major driver of the American economy.
Entrepreneurship and Philanthropy

Carnegie (1889)

**Gospel of Wealth** - rather than bequeathing their fortunes to heirs or making grants by will, the wealthy should administer their wealth as a public trust during their lives.

Chernow (1999)

Philanthropy remains part of an implicit *social contract* that excess wealth be returned to society.
Focus on Philanthropy, **NOT** Charity

Charity
Giving time and money to support others

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Philanthropy
A more strategic and systemic approach toward giving money
Research Questions

- What differentiates the behaviors and practices of the entrepreneur from the larger world of the wealthy?

- What are the implications of the changing trends in entrepreneurship on philanthropy?
General Antecedents of Philanthropy

**Demographics**
- Age
- Religion
- Wealth

**Psychological**
- Egoistic
- Altruistic

**Monetary**
- Tax Avoidance
Specific Attributes of Entrepreneurs (1)

Steinberg et al. (2002)
Non-inherited wealth has a substantially positive effect on charitable giving – larger than that of inherited wealth, earned income, or transfer income.

Avery (1994)
Donors have a greater propensity - up to six times greater - to give from earned wealth than from inherited wealth.
Specific Attributes of Entrepreneurs (2)

- Generativity
- Immortality Striving
- Legacy Creation

Entrepreneur Philanthropy
- Effort
- Money
- Time

- Age
- Gender
- Religious Orientation
- Wealth

Source: Coombs et al. (2008)
Three Major Trends in Entrepreneurship

New Demographics of Entrepreneurship

New Map of Entrepreneurship

New Nature of Entrepreneurship
Demographics
Current Demographics of Entrepreneurs

- 80% White
- 64% Male
Composition of Entrepreneurs

Source: Kauffman Index
Implications for Philanthropy

Charitable Giving as a Share of Median Family Wealth, 2010-16

Source: Calculations from Survey Consumer Finances.
Note: Percentage are rounded to the nearest whole number.
Geography
Top States for Entrepreneurship

Source: Kauffman Index
A new class of entrepreneur that is embedded in their place. They tap into what their cities have to offer so they can collaborate and innovate in their community.
Implications for Philanthropy

Source: Fidelity Charitable 2017
New Nature
New companies are able to reach massive scale in revenue without having to scale up employment.

Independent entrepreneurs value the flexibility to have the time and resources to engage in social change while making a living.
Generational Differences in Giving

Source: US Trust 2017