



# Entrepreneurs' Engagement in Philanthropy

Wealth Taxation, Entrepreneurship, and Philanthropy

March 7, 2018

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

≠

## 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)

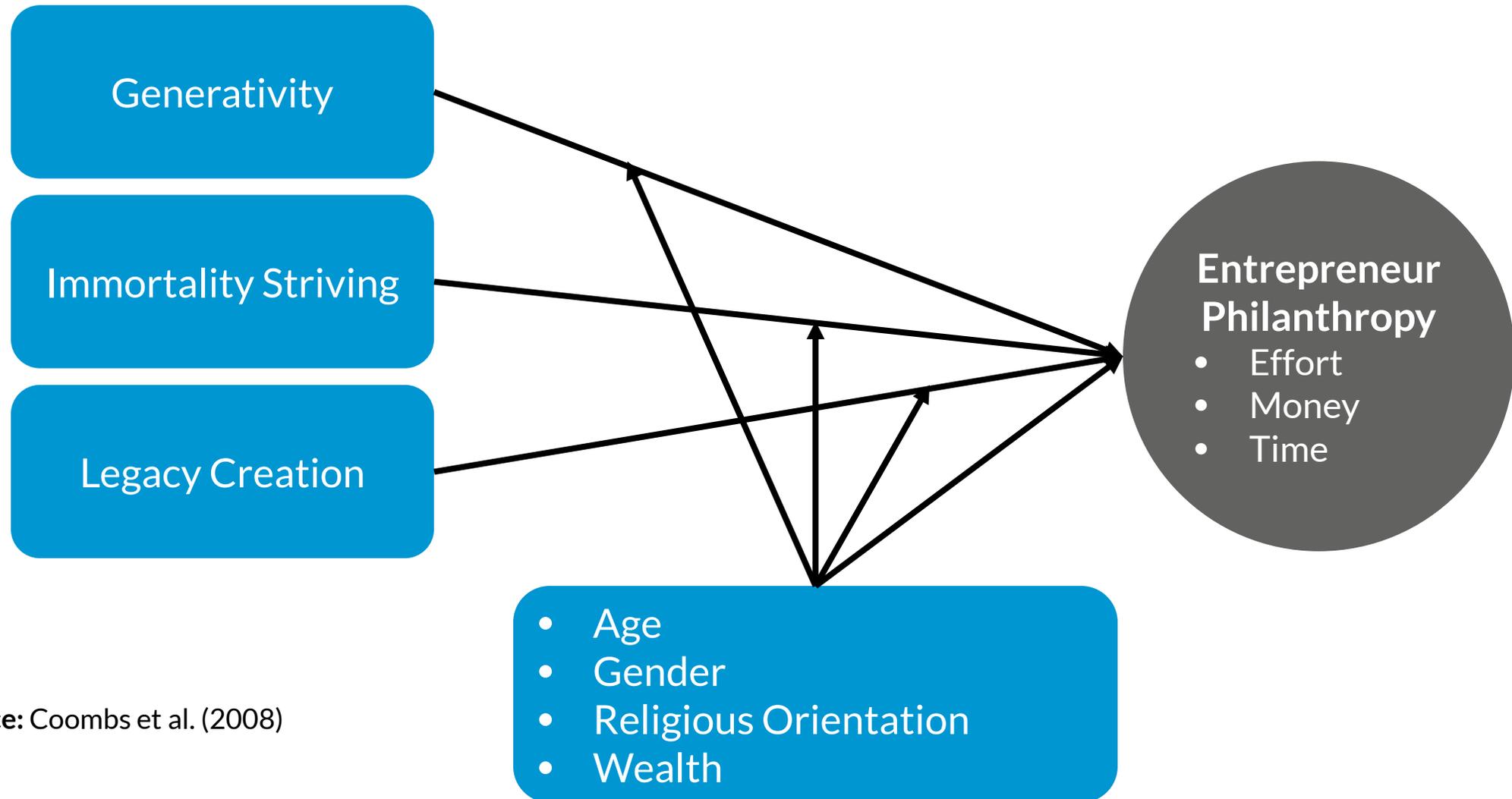
**Steinberg  
et al.  
(2002)**

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)



Source: Coombs et al. (2008)

# Three Major Trends in Entrepreneurship



New Demographics  
of Entrepreneurship



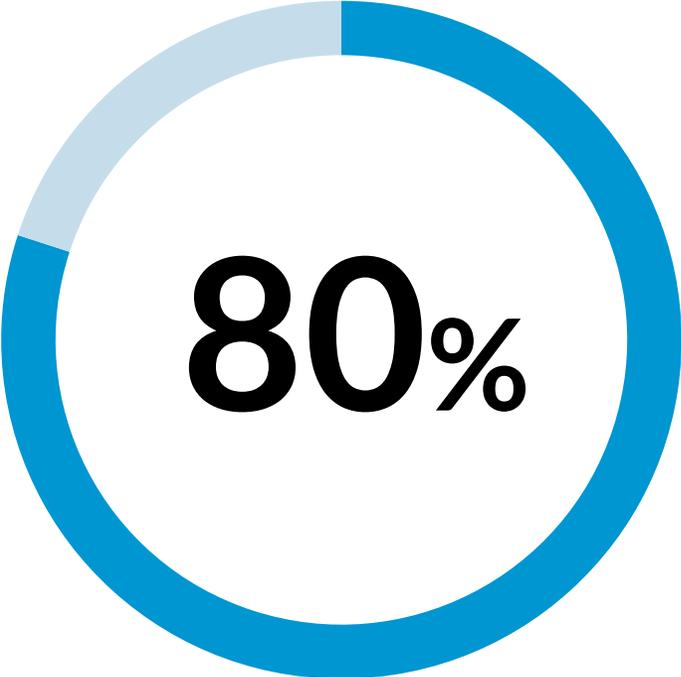
New Map of  
Entrepreneurship



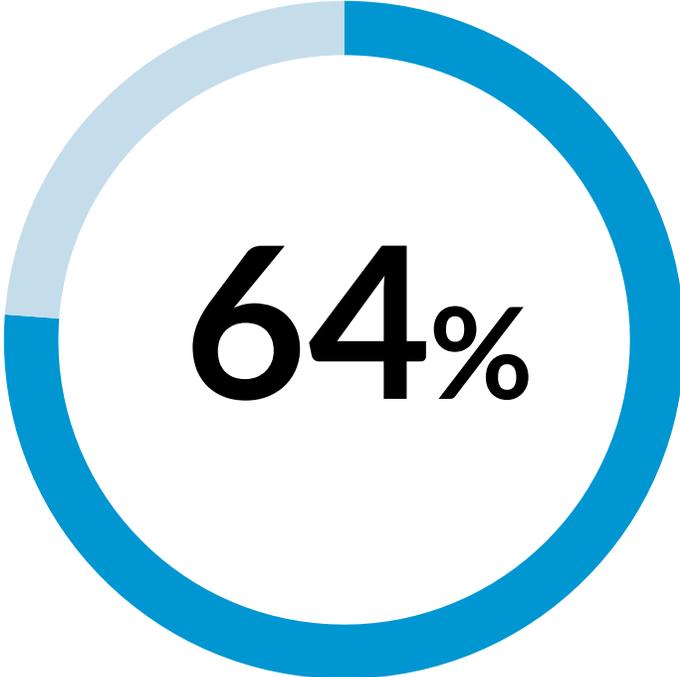
New Nature of  
Entrepreneurship

# Demographics

# Current Demographics of Entrepreneurs

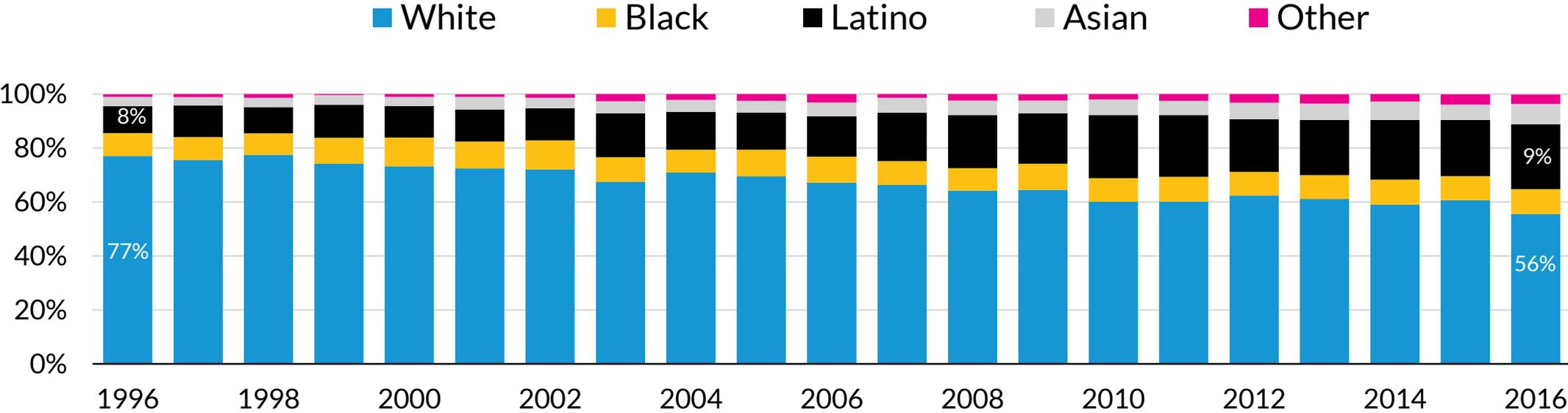


White



Male

# Composition of Entrepreneurs

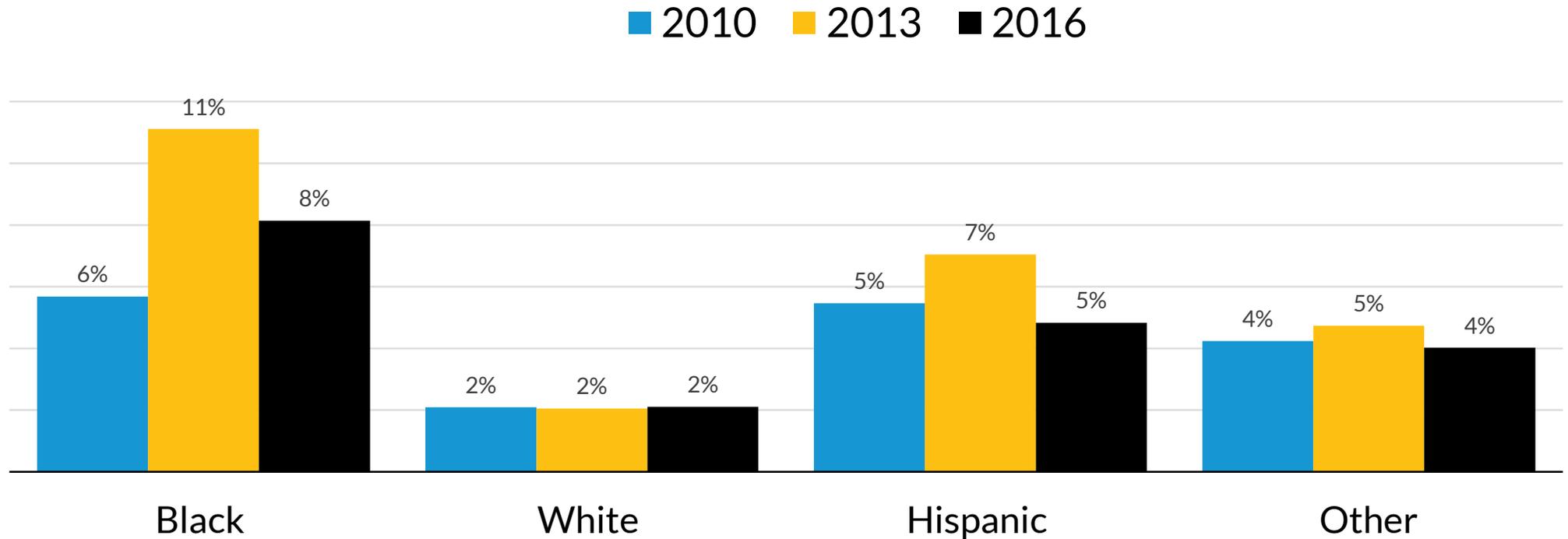


Source: Kauffman Index

URBAN INSTITUTE

# Implications for Philanthropy

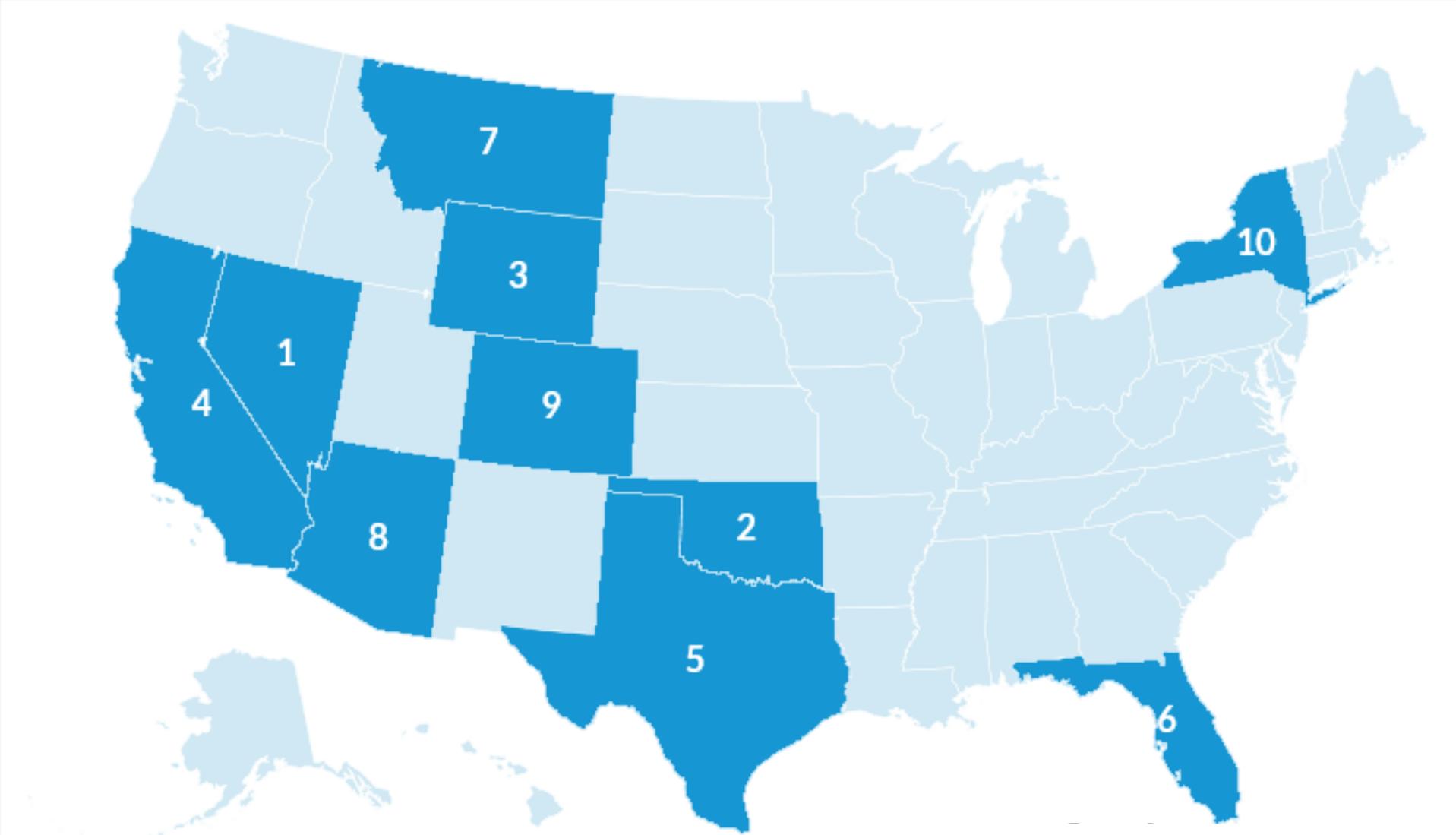
## Charitable Giving as a Share of Median Family Wealth, 2010-16



Source: Calculations from Survey Consumer Finances.  
Note: Percentage are rounded to the nearest whole number.

# Geography

# Top States for Entrepreneurship



Source: Kauffman Index

# The Emergence of the Urban Entrepreneur

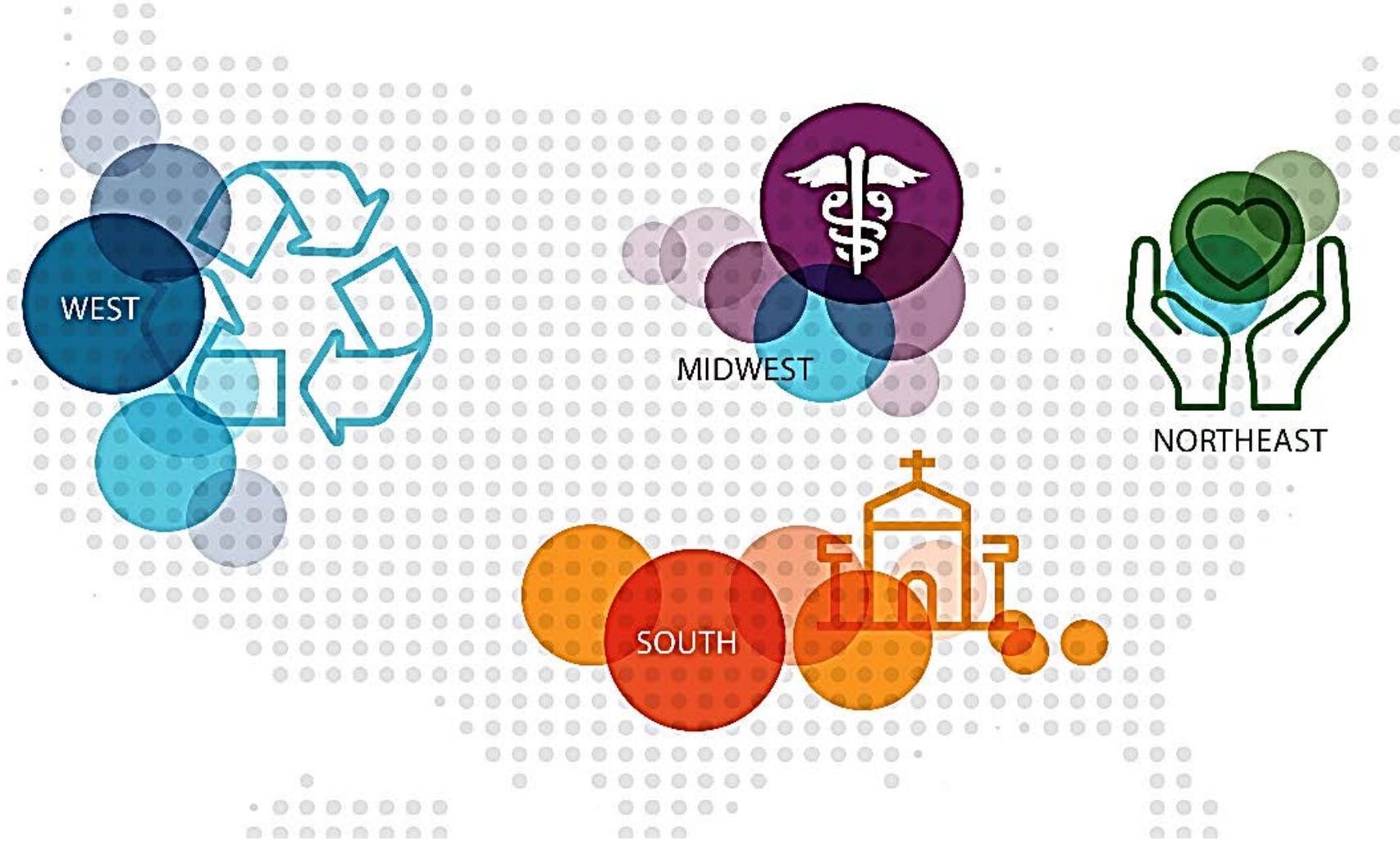
How the Growth of Cities and  
the Sharing Economy Are Driving  
a New Breed of Innovators

Boyd Cohen, PhD, with Pablo Muñoz, PhD

## Urban Entrepreneur

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



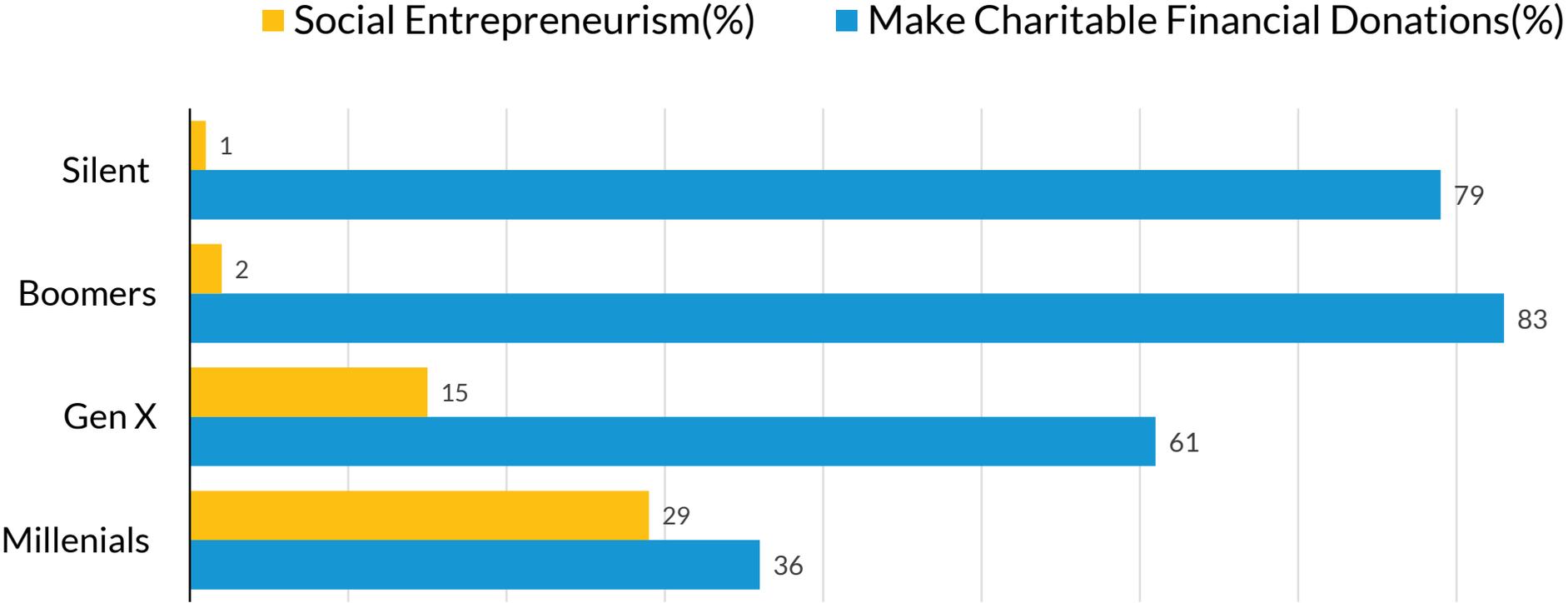
Source: Fidelity Charitable 2017

# 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



URBAN INSTITUTE

Source: US Trust 2017