PHILANTHROPY AS A SELF-TAXATION MECHANISM WITH HAPPY OUTCOMES

Crafting a new public discourse

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1 Introduction

As philanthropy can only be properly understood from a multidisciplinary perspective, I ground this chapter in observations and literature from various fields, including semantics, philosophy, economics, sociology, political science, psychology, anthropology, and neuroscience. Tax policy is generally considered a classical means for promoting philanthropy, and scholars have long debated the extent of its efficiency and suitability in policymaking toolboxes (OECD, 2020b). In economics only, Bekkers and Wiepking (2011, p. 933) identified over 50 studies published since the 1970s that empirically investigated such notions as “price and income elasticity,” “crowding-out effects,” and so on. These technical terms are generally taken for granted by economists, and other scientists cannot access this complex literature. There is an important need for clarification, synthesis, and accessibility to allow cross-fertilization. Building on these premises, I formulate the chapter around this nexus of questions:

- Beyond tax policy, what additional levers can be used for fostering a resilient culture of philanthropy and sustainably “grow the giving pie” via nonmonetary incentives?
- How can we then redefine the common understanding of the philanthropy-taxation conundrum to craft a new public discourse that spurs long-term generosity?

To answer these questions, I introduce new concepts and I elucidate preexisting ones in order to propose a novel analytical framework that is easy to grasp for the broadest community of philanthropy scholars. Second, I examine the usefulness and efficacy of tax policies using this novel prism. Third, I explore multidimensional rewards of altruistic behavior and propose adopting a new paradigm to understand philanthropy through happiness lenses. Fourth, I lay the foundation of a roadmap to promote philanthropy with a refreshed narrative.

2 Defining a new conceptual framework

The suggested novel approach requires the definition of several key concepts. Certain are known in the literature, while others are new.

a Philanthropy: broad vs. narrow understanding

“Philanthropy” is derived from the ancient Greek word *philanthrōpía* (φιλανθρωπία), literally the “love of humankind” (Sulek, 2010b). To its broadest philosophical extent, the term may thus encompass notions such as being friendly to others or caring for the planet, behaving responsibly in all avenues of life, avoiding pollution, and so on.

The contemporary usage makes philanthropy equivalent to “voluntary action for the public good” (Payton & Moody, 2008) or “private means to public ends” (Sulek, 2010a). This essentially involves the gift of something not necessarily tangible (e.g., money, goods) but at least quantifiable (e.g., volunteered time, blood).

For simplicity – and although I do not plead for semantic restrictions – I adopt an even more restrictive definition of philanthropy in this chapter as tantamount to “monetary giving” (excluding in-kind donations). This is because taxation is most immediately related to economic values considered unquestionably measurable in financial terms. A restrictive definition is needed temporarily for demonstrating a case with greater clarity. The proposed approach can then be extended to other forms of generosity.

I will therefore use the terms “philanthropy,” “generosity,” and “giving” interchangeably, even though they are not absolute synonyms in the literature or in real life.

b Philanthropy: costly vs. costless

Economists have long surveyed what they call the “price of giving” (for instance, see Auten et al., 2002), defined as “the amount an individual must give for one dollar to accrue to the charitable activity itself” (Meer, 2014). Thus, it follows that the “tax-price of giving” is “the net cost to the taxpayer of a dollar of charitable giving” (Steinberg, 2021). From a semantic standpoint, “price” is ambiguous, as it can be synonym of “cost” and “valuable” at once. A “price” must be paid to purchase something; however, something desirable or precious can be said to have a “high price” to us (often in an emotional sense) or even to be “priceless.” For that reason, I prefer employing the term “cost,” which helps disambiguating and avoiding possible confusion in terminology.

If “philanthropy” is understood as “the gift of money,” this gift must be costly to the donating entity – whether an individual or a corporation. Indeed, the dictionary defines “gift” as “Something, the possession of which is transferred to another without the expectation or receipt of an equivalent” (OED, 2020). Considering this definition, we may ask this philosophical question: If the sum of money from someone’s pockets is repaid by other means (for instance, through a tax refund), does it still qualify literally as a “gift”? If the left hand takes back what the right hand has donated, where is the generosity? The notion of giving bears the implicit idea of incurring loss. In this vein, many wealthy philanthropists interviewed through a qualitative inquiry testified that a donation must cost you something to deserve being called “philanthropy” (Sellen, 2019). An extensive review of the literature also established that: “It is clear that giving money costs money” (Bekkers & Wiepking, 2011, p. 932).

In this chapter, I will not go as far as to establish a quality difference between the value of two equally costly gifts, depending on whether the donor is wealthy and taps into unnecessary surplus or if the donor has a modest background and shares a portion of vital resources¹. Nevertheless, religious traditions certainly discriminate between those two instances and attribute higher moral value to greater efforts made by poor people who give from their livelihood, as illustrated in the Christian Lesson of the Widow’s Mite (or the Widow’s Offering)².

This moral distinction is somewhat corroborated by some rich people who see philanthropy as the “right use of surplus wealth” (Lloyd & Breeze, 2013). Certain major donors openly admit that their own surplus giving is less admirable than that of more deprived donors:

There wasn’t one single thing that I ever denied myself from the moneys I gave. Ever. But I think that there are people that I’ve seen that have denied themselves the moneys they give. Now the amounts might be different and the size. Those people are doing a lot more. So to them it’s more meaningful.

(Schervish et al., 1994, p. 71)

To avoid subjective judgment, let us assume here that all gifts have the same moral value. However, the aforementioned philosophical premises lead us to introduce a fundamental distinction between two objective subcomponents of a gift: the part that is “costless” and the rest that is “costly.” Clearly, in the absence of tax incentives, the entirety of a gift is costly for the donor. However, in the presence of tax incentives, a more or less extensive portion of a gift may end up being “costless” to the donor, as this fraction will be paid back.

Equation 1 summarizes this subdivision of a monetary gift’s cost components:

$$\text{Gift} = \text{Costly portion of gift} + \text{Costless portion of gift} \quad (1)$$

Figure 17.1a illustrates this equation. Note that the respective sizes of the costless and costly components are arbitrary at this point.

c Philanthropy: nominal vs. real

Economists normally discuss nominal wages versus real wages (i.e., adjusted for inflation) when examining a salaried person’s income or to contrast nominal/real quantities such as gross

Figure 17.1a Cost components of a gift from the donor’s perspective

domestic products, growth rates, or interest rates. I propose that philanthropy scholars distinguish between nominal and real generosity.

In this case, the inflation rate would not be the contrasting factor. “Nominal generosity” would reflect the face monetary value of the gift made. In contrast, “real generosity” would denote the costly value of the gift, that is, the portion permanently coming out of the donor’s pocket. In the absence of tax incentives, nominal generosity equals real generosity. In the presence of a tax incentive scheme, the remaining portion of the nominal gift would be considered a “non-gift” insofar as the donor does not “give” this sum permanently (as it will be refunded through subsequent tax rebates).

This yields Equation 2:

$$\text{Nominal gift} = \text{Real gift} + \text{Non-gift} \quad (2)$$

Let us name the explanatory factors (or “causalities”) behind each subcomponent of monetary generosity. The “non-gift” component is the direct result of a tax incentive scheme. The “real gift” component is unrelated to mandatory taxation. However, as it results from an individual’s choice to voluntarily deprive oneself of a private resource oriented toward the public good, it has the same effect as a tax imposed from outside. Therefore, we can call it “self-taxation.” Objections may arise that philanthropy is voluntary, whereas taxation is coercive; thus, “self-taxation” would only be appealing to “masochistic” individuals. Democracies were historically built on the principle of “no taxation without consent.” In free countries, taxation ensues from a social contract made possible through elected representatives, whereby people agree that governments levy taxes for public purposes. Although “self-taxation” may sound like an oxymoron, I contend that it reflects the free will of citizens to voluntarily contribute to the public good. Without coercion, the donor’s resources are depleted, just as if donated amounts had been taxed.

I therefore propose Equation 3:

$$\text{Nominal generosity} = \text{Voluntary self-taxation} + \text{Tax incentive scheme} \quad (3)$$

Equations 2 and 3 are summarized in Figure 17.1b, wherein the French tax scheme was used in reference. Individual donors can deduct 66% (up to 75% in some cases) of a charitable gift from

Figure 17.1b Splitting nominal gifts into real gifts and non-gifts

the amount owed in income tax.³ Thus, a monetary gift costs only one-third (or one-fourth) of its nominal value. Because every country has a different tax scheme for incentivizing philanthropy – and sometimes none – the respective sizes of the “real gift” and “non-gift” components will sensibly vary across tax systems. The needle can also move up or down depending on the specific fiscal situation of a donor (person or corporation) within a given country. This can be used to describe the tax advantages at a certain moment and evolve over time. Therefore, the proposed model offers potential universal applications.

d Philanthropy: conjunctural vs. structural

This section draws inspiration from economists’ analysis of the unemployment rate. This variable usually rises during recessions and decreases with economic growth. Public policies can influence the upward or downward trajectory of employment levels in the labor market. Empirical evidence shows that unemployment rates are bound by historical minima and maxima. These extremity levels vary across countries. The long-term trend is called “structural rate,” which means that unemployment seldom drops below that level under this labor market’s specific conditions. The variations in this rate above/below the bottom line are called “cyclical unemployment.” By definition, the “structural” value is relatively stable over time, whereas the “cyclical” part depends on circumstances and business cycles.⁴

Governments can influence conjunctural levels of unemployment by designing emergency plans in times of crisis; however, they cannot easily alter the structural bottom line. Only by modifying the labor market fundamental mechanics (e.g., suppressing/introducing requirements for minimal wages) can they obtain lasting consequences and get closer to the desired level.

Mutatis mutandis, this reasoning may apply to charitable donations with slight variations in semantics.⁵ I define “structural” philanthropy as the lowest average amount of charitable giving observed in an individual donor’s (person or corporation) history or recorded on a nation-wide scale over a significant period.⁶ I define “conjunctural” philanthropy as the amplitude of variation of this generosity level, from lowest to the highest thresholds.⁷ These concepts are not expressed in absolute currency values but in shares of wealth or income (at personal or national scopes).

This yields Equation 4:

$$\text{Total generosity} = \text{Structural giving} + \text{Conjunctural giving} \quad (4)$$

Figure 17.2 applies this subdivision to the total amount of giving as a percentage of the American GDP over the past 40 years.⁸

Figure 17.2 shows that “structural giving” in the United States never dropped below 1.6% of the GDP in nearly half a century. Conversely, the total amount of charitable donations in the country has never surpassed 2.2% of the global output over this lengthy period. Furthermore, we distinguish two subperiods. During the first 15 years (1979–1994), structural generosity was pegged at 1.6%, and higher levels evolved slightly above this floor. In addition, the corridor of annual variation of “conjunctural giving” was extremely narrow (0.1%–0.2%). Then, something occurred in the late 1990s that significantly altered the equilibria. Over the past 23 years (1997–2019), both structural and conjunctural levels have risen. Indeed, the floor has increased to 1.9% since 1997, while the rooftop reached 2.2% in 2017. The amplitudes of annual variations nearly doubled (0.3%). Explaining *why* the corridor was uplifted in the late 1990s is beyond our scope; however, I have noted a “threshold effect” between two relatively “homogenous

Figure 17.2 Structural and conjunctural giving in the United States, 1979–2019 (in current dollars)

Source: Data from GIVING USA 2020, Giving USA Foundation. Grey shades added by author, 2020

periods.” Whether upsurges of generosity in response to disasters are part of conjunctural or structural giving remains an open question (see Box 17.1).

Box 17.1 Does “disaster philanthropy” belong to conjunctural or structural giving?

The term “disaster philanthropy” explains the waves of spontaneous giving that generally occur in the wake of major catastrophes, whether human-induced (terrorism, accidents, economic crises, etc.) or natural (earthquakes, tsunamis, hurricanes, pandemics, etc.). This source of giving typically illustrates the conjunctural fraction of giving defined in our framework, with higher peaks than usual observed at both the household and national scales. Although this phenomenon theoretically relates to one-time events, the more frequent occurrence of calamities over recent years (over 30 cases recorded in 2017–2018 in the United States alone) may lead to the incorporation of this type of giving as a recurrent part of the “structural giving” component (Indiana University, 2019).

e Micro, meso, and macro levels of analysis

To conclude this conceptual framework section, recall that the pairs of concepts of “nominal/real” and “structural/conjunctural” philanthropy are applicable to individuals, households, corporations, or nations as a whole. However, they also work for specific groups of actors, categorized by gender, age, wealth bracket, religion, ethnicity, political opinions, professions, and

Table 17.1 Application of new concepts at various scales

<i>Scale of analysis</i>	<i>Realities observed</i>
Micro level	Single economic agents (individuals, households, corporations, etc.)
Meso level	Aggregated groups of agents (sector-wise/professional occupation/age/gender/wealth or income bracket/religion/ethnicity/political opinion, etc.)
Macro level	Country, economy or society as a whole, worldwide mapping

Source: Author, 2020

so on. Researchers could seek to observe evolutive levels of “Catholic Hispanic women’s real conjunctural philanthropy,” “Swiss plumbers’ nominal structural giving,” and so on.

Note that the “nominal/real” pair of concepts can either be applied to a specific point in time (such as a photograph) or over a period (like a film). On the contrary, the “structural/conjunctural” binomial tool can only be used longitudinally (like a film, to describe an evolution). Both pairs fit a variety of scales of analysis, as summarized in Table 17.1.

3 How does tax policy fit in this new framework?

Let us reconsider the potential role and justification of tax incentives through the novel lenses offered by our proposed conceptual framework. When governments ask themselves, “How can philanthropy be encouraged?”, they often ask, “How can *nominal* philanthropy be encouraged?” Commentators do the same. Indeed, debates surrounding philanthropy constantly revolve around a “nominal” level of charitable giving. So far, we have not witnessed in the literature or in political disputes (either by pros or cons of private giving) any such distinction between “nominal” and “real” philanthropy. Protagonists usually compare, appraise, or refute *nominal* figures of “how much is given” – or “how much is promised,” as most public announcements are pledges rather than actual payouts. Even the harshest critics who question the legitimacy of incentivizing big philanthropy (Giridharadas, 2018, among others) tend to overlook the technical aspects of how “costly” a gift is to its donor. Few authors have detailed the inequities inherent to the tax treatment of charitable giving at a micro scale (Reich, 2018). They do this to demonstrate that the incentives tend to benefit the wealthy more than modest households, and they suggest pertinent avenues to reform the system in a fair way. However, they do not draw full conclusions about the soundness of the tax policy applied to each of the subcomponents of a gift described previously. This is what this section attempts to cover.

a Sequencing the tax policy debate

According to our framework, the legitimate question of “How do we encourage philanthropy?” actually translates into “How do we encourage [the four subcomponents of] philanthropy?” Policymakers should thus envision how to address each pillar, as tax policy may have different effects on them. Table 17.2 summarizes the main foreseeable mechanisms for public tax officials.

b Combining the subcomponents of tax policy

In a real-life situation, governments are unlikely acting on each subcomponent separately, as all four elements are intertwined. However, public decision-makers can attempt to target one

Table 17.2 Possible usages of tax policy in our novel framework

Subcomponents of philanthropy	Conceivable effects of tax policy on each subcomponent of philanthropy
Conjunctural part	<p>Principle: Tax policy can predictably be effective in inducing greater conjunctural philanthropy by offering temporary high benefits to donors in response to exogenous shocks (e.g., economic recession, natural disaster, etc.).</p> <p>Illustration: In France, influential voices (including former Minister Aillagon, who passed the 2003 Act on <i>mécénat</i>) publicly asked to raise the rate of deductibility from 66% to 75% for gifts in response to the 2019 Notre Dame fire incident. Facing strong public criticism from the Yellow Vests movement, the government paid no heed to these calls. Again, in 2020, a multitude advocated the same shift to compensate for the losses faced by charitable organizations in the wake of the coronavirus crisis. This time, the law-makers relented.¹</p> <p>Analysis: Such measures can only be temporary and moderate. They bear the risk of creating a form of “reliance on exceptionality” and removing the exceptions might become difficult once the non-profits begin to rely upon them. In that way, what was initially intended to be temporary becomes permanent. Conversely, deciding to remove the exceptions may create instability in the tax system and thwart donors’ expectations, especially among major donors who engage in multi-year planned giving. This may also negatively affect the “learning curve” of all donors – small or big, current or prospective – who then face an ever-changing set of rules.</p>
Structural part	<p>Principle: Tax policy is intuitively suitable for structural philanthropy, provided that the tax scheme remains steady over long enough periods of time to generate a learning effect among donors, keen awareness among policy-makers, and longitudinal data for researchers to demonstrate the policy’s impact.</p> <p>Illustration: In France, tax incentives introduced in 2007 to deduct some charitable giving from the wealth tax² failed to create a lasting behavioral change among wealthy taxpayers. When the tax base was reduced³ in 2017, giving by these households eroded instantly and proportionally, from 52,000 to 20,000 households in FY. 2018 (Bazin et al., 2019, p. 16 ff.). This was a real catastrophe for major gifts fundraising campaigns in France: giving from that source collapsed from €270 million to €112 million (–60%). A decade of implementation of this scheme was obviously not sufficient to induce a lasting change in “structural” giving by the rich. Only 14% of wealthy French households deduct a gift from the wealth tax (Bazin et al., 2019), contrasting sharply with the 91% of the wealthy who give in the United States (Indiana University, 2016), where the culture of philanthropy is more pervasive. So far, France has not succeeded in replicating this culture through the sole use of tax incentives to encourage giving by the rich.</p> <p>Analysis: Given that structural philanthropy is defined as the floor below which the generosity levels never drop, raising that floor <i>sustainably</i> should be one of the objectives of tax incentives. Ideally, tax policies should be supplemented with an easing of philanthropic activities. Domestic tax policy constitutes only one of the five pillars of the enabling environment for philanthropy (Indiana University, 2018), along with cross-border tax policy, administrative regulations, governance and relations with government, and socio-cultural traditions related to giving. The fundamental parameters of the philanthropy sector must be altered by a diverse set of instruments (including but not limited to tax policy) so as to durably shift structural giving upward.</p>
Non-gift part	<p>Principle: Equations 2 (Nominal gift = Real gift + Non-gift) and 3 (Nominal generosity = Voluntary self-taxation + Tax incentive scheme) provide self-evident guiding principles to manage the “non-gift” part of a gift through incentives. Our conceptual framework indicates that tax policy has, <i>by definition</i>, a direct and</p>

(Continued)

Table 17.2 (Continued)

Subcomponents of philanthropy	Conceivable effects of tax policy on each subcomponent of philanthropy
Real part	<p data-bbox="365 291 1137 408">powerful effect on “nominal philanthropy” insofar as one of its subcomponents originates exclusively from a tax scheme. However, in this respect, it is futile to expect an upsurge in giving through the <i>non-gift</i> part of a nominal gift, because it is caused by a pure transfer of public resources to refund private donors.</p> <p data-bbox="346 412 1142 728">Illustration: France introduced more generous percentages of deductibility of gifts from the income tax in 2003. In subsequent years, nominal giving rose in the same proportion as tax-incentive increase, which made experts infer that the apparent rise of generosity was only reflecting in more tax subsidies (Malet, 2005). In retrospect, the new incentives generated extremely moderate elasticity of the total value of gifts and tended to spur mostly the bigger ones (Fack & Landais, 2010). Our conceptual framework would have helped put this reality in plain light and perhaps adjust policies and reframe public debates in France accordingly. In the United States, econometrists have established that high-income taxpayers are particularly responsive to modifying their contributions swiftly after a tax-scheme change and even adjust their gifts in anticipation of projected reforms (Bakija & Heim, 2011).</p> <p data-bbox="346 731 1129 901">Analysis: Seeking to grow nominal philanthropy without growing real philanthropy means that only the “non-gift” part of a gift will be shifted. By focusing on this subcomponent only, tax policy may artificially boost philanthropy. This mechanism, by definition, will work instantly (because it is directly and fully correlated to the tax scheme), but it will bring only a delusional satisfaction to policy-makers and fuel an illusory bubble of apparent giving – indeed, entirely nurtured by public transfers.</p> <p data-bbox="346 905 1102 1075">Principle: As “real” philanthropy is defined as the residual portion of a gift that is 100% costly to the donor, it cannot be directly affected by tax policy. However, it may be affected indirectly, because tax schemes can draw new donors to philanthropic endeavors and provide them a taste of it, thereby costing them something (the “real” fraction), whereas some of these newcomers would never have practiced philanthropy in the absence of incentives.</p> <p data-bbox="346 1079 1152 1395">Illustration: France’s introduction of generous tax breaks on the wealth tax in 2007 had a mixed impact (see previously) but spurred a new class of vocational philanthropists – at least for one decade. My interviews revealed that this wealth tax was so highly despised among rich people that several of them found the charitable scheme extremely attractive, because it allowed them “ earmark/reallocate” to their preferred causes money that otherwise would have been “confiscated” by the State (Sellen, 2019). The “real,” costly part incurred without refund was then assimilable to a “premium” disbursement they accepted to avoid paying the rest to the Treasury. It should, however, be noted that various types of French philanthropists co-exist and have different attitudes toward this wealth tax (Duvoux, 2021), which may influence real generosity levels from each of these profiles (see developments in the following about “perceived costs” of giving).</p> <p data-bbox="346 1398 1139 1513">Analysis: By using tax schemes judiciously, policy-makers can expect spillover effects on “real” giving. However, tax policy might not be the most direct or obvious option to straightforwardly enhance “real” generosity, which, by definition, remains unresponsive to tax reforms.</p>

Source: Author, 2020

- 1 The Amending Finance Law (April 2020) temporarily raised to €1,000 (up from €552) the amount subject to a 75% tax refund when donations benefited “people in need” (including care and treatment).
- 2 The “TEPA” law n°2007–1223, enacted on August 21, 2007, allows one to deduct 75% of the gift value from the wealth tax, up to a ceiling of €50,000.
- 3 The former “*impôt de solidarité sur la fortune*” (ISF) became “*impôt sur la fortune immobilière*” (IFI). Stocks and private equity shares were removed from the tax base, which now essentially comprises real-estate assets.

of them in particular. Furthermore, understanding these various elements and their relative mechanics can only be beneficial in improving the soundness of tax policies.

To this end, our conceptual framework offers a new set of tools for policymaking. In Figure 17.3a, I design an entirely fictitious scenario and describe the underlying mechanics at work, drawing conclusions substantially different from the initial appearances.

Scenario: In fiscal year one (FY1), donors are presented with an incentive worth one-third (33%) of their gifts. Then, an economic crisis occurs, shrinking the overall level of giving in FY2 because the recession hits household income. The government decides to increase tax incentives to support the nonprofit sector and its unparalleled capacity to create social value in difficult times. Reform A doubles the deductibility of charitable donations to two-thirds of their value (66%). The new legislation is immediately implemented in FY3, while the economy bounces back to generate new growth. Due to economic recovery, FY4 sees more charitable giving within a stabilized framework. In this favorable context, the government then determines that greatly generous tax breaks are no longer justified and slightly reduces the advantage by allowing the deductibility of only half of donations (50%) through Reform B. The economic boom continues through FY5–FY6 in the presence of these new incentives.

Purpose: This scenario is hypothetical. It is intended to illustrate the mechanics at work according to our proposed framework, in contrast to the usual way of thinking about philanthropy and tax policy.

Analysis: Most analyses on the effect of fiscal incentives on charitable giving examine only nominal levels of gifts, either at the micro (e.g., a household or a company), meso (a group formed via certain criteria), or macro scale (e.g., a country). Applying our framework to a case study such as this one allows us to differentiate “conjunctural nominal” from “structural nominal” levels of gifts over time (see double-lined curves in Figure 17.3a). Based on the notion of “real giving” introduced previously, we can further distinguish “conjunctural real” from “structural real” levels (see single-lined curves in Figure 17.3a). The visual discrepancies between these four curves completely modify the assessment that decision-makers would make by observing the exact same situation from an outside perspective.

Figure 17.3a Mechanics of tax policy within our novel framework over time

Interpretations:

- The recession scenario imagined in FY1–FY2 translates into a temporary drop in giving (both nominal and real), a phenomenon that is often observed when the economy falters (Rooney & Bergdoll, 2020). Interestingly, Reform A doubles the government’s efforts to support charitable giving. This leads to the stabilization of gifts, nominally speaking, in FY2–FY3, which means that donors gave the same face value and recipient organizations received the same annual budget. However, since the cost to donors was cut by 50%, “real generosity” was halved along the way. From a regulator’s perspective, it can be correctly said that the reform succeeded in maintaining the same level of necessary funding for the nonprofit sector. However, this steadiness occurred only by transferring public funds to private beneficiaries – not by maintaining people’s real generosity, which basically fell.
- Economic growth between FY3 and FY4 generated twice more, both nominal and real (in an unchanged fiscal environment, the growth in giving is homothetic). Note that while FY4’s nominal giving has returned to the FY1 original peak level, FY4’s real giving is only equivalent to FY2’s lower level. Thus, public policy did meet its objective of restoring pre-crisis nominal giving; but, this is at a significant differential cost to state vaults (an additional 33% of gift value). However, the necessity to protect the national ecosystem of nonprofits may still be considered politically worthwhile at this price.
- Past the crisis, when the government evaluates that such a high incentive may no longer be legitimate, it resolves to pass Reform B, reducing the level of public support to 50% – which remains more than the initial 33% guaranteed during the first period. By examining only the nominal trend in giving (FY4–FY5), observers may primarily conclude that the reform had a negative impact on charitable behavior. However, even though donors have indeed adjusted their nominal giving downwards, their generosity actually remains steady in real terms during those two years; the visible drop is only the result of decreased public money transfers. Note also that this real generosity level in FY5 is exactly similar to that in FY2; however, nominal giving is higher due to tax incentives.
- Finally, continuous economic growth combined with a favorable tax treatment of gifts makes donors more comfortable to return to higher generosity levels in FY6. At that point, nominal giving is back at its all-time high. Real gifts have risen more effectively than those of FY4 (although the incentive is lower) but remain inferior to those of FY1 (despite a higher incentive).

As shown by these simulations, the proposed framework offers a completely new operational toolbox. If assumptions are refined and adapted to match local situations, these fundamental mechanics open a practical and straightforward way to assess public policy. At this point of reasoning, the key takeaway of this graph is yet to be considered.

c Centering policy efforts on “core philanthropy”

While tax policy is designed to primarily affect nominal levels – both structural and conjunctural – and to some extent “conjunctural real” giving, it is unhelpful to alter “structural real” generosity (see arguments developed in Table 17.2). In Figure 17.3a, this “structural real” is the lowest record of generosity, or the floor under which giving never drops. Figure 17.3b highlights this fundamental stripe, which I call “core philanthropy.”

“Core philanthropy” is generosity that is entirely costly to the donor. It may be costless (like in France) or costly to the Treasury (like in the United Kingdom through the Gift Aid system,

Figure 17.3b Focusing on the fundamental basis of generosity

Source: Author, 2020

whereby the government matches 25% of private giving). “Core philanthropy” existed before tax incentives were created and would certainly survive a total removal of those, as its essence is based on other types of motives completely unrelated to taxation.

Historical examples and contemporary empirical evidence demonstrate the undeniable existence of “core philanthropy.” When Henry Dunant and a group of Genevan citizens created the International Committee of the Red-Cross (ICRC) in the 19th century, they established the basis for what has since become the world’s largest humanitarian movement. Although the ICRC leveraged government collaborations early on, tax incentives did not exist at its foundational stages, and “core philanthropy” was arguably its primary source of funding. In the 20th century, when the Abbé Pierre called on French radio for an insurrection of generosity (*insurrection de la bonté*) during the terribly cold winter of 1954, millions of people responded instantly by sending an overwhelming flood of money and in-kind gifts. Sweden did not offer income tax incentives for charitable gifts until 2012; however, Swedish households traditionally supported charities long before this reform, which allows only modest tax incentives (OECD, 2020b, p. 86). Australia, for her part, does not incentivize giving to religious organizations, although they receive the lion’s share of the country’s total giving. These are only four examples taken from different epochs or contexts, showing that people did not wait for tax incentives to express their “core philanthropy.”

Contemporary empirical evidence suggests that American high net-worth individuals⁹ (HNWIs) would either maintain (48.3% in 2013) or moderately decrease (41.7% in 2013) their giving if income tax deductions were removed. I call “complete core philanthropy” the unchanged giving and “incomplete core philanthropy” the portion that would only be subject to slight changes (see Figure 17.4). Donors planning on increasing their giving are negligible (less than 2%). Those planning to significantly decrease their giving (8.7% in 2013) reveal the extent of the tax scheme’s incidence on a minority, contrasting with relatively unalterable giving levels by the majority. Note that survey statements may differ from the respondents’ actual deeds, partly due to a “social desirability” response bias.

To conclude this section, “core philanthropy” constitutes the fundamental brick upon which public authorities should seek to build policies designed to enduringly spur philanthropic growth at zero (or limited) cost to government. An upward shift in this ultimate building block of altruism (see plain grey arrows in Figure 17.3b) can raise the whole

Figure 17.4 Change in giving by HNWIIs if income-tax deductions for donations were eliminated: 2005, 2009, 2013, and 2015 (%)

Source: Data from Indiana University, 2006, 2010, 2014, 2016 Bank of America U.S. Trust Study of High Net Worth Philanthropy. Labels added by author, 2020

philanthropic tide in a country and allow tax policy to fully play its role in leveraging both conjunctural and nominal levels by riding on the crest of this wave.

4 Other ways to encourage real generosity

The previous section determined that tax policy is a necessary but insufficient tool for fostering philanthropy. It can prime the pump by providing a taste for generosity to donors who otherwise would not have donated. It can multiply pre-existing real giving by all donors into higher levels of nominal gifts. However, it cannot create a real-giving upsurge *ex nihilo*. Therefore, we ought to seek game-changing tools to boost this fundamental layer of generosity.

a Levers to stimulate “core philanthropy”

Figure 17.3b depicts “core philanthropy” as the lowest constant stripe of real giving in a nation or an individual’s history. Thus, it is a synonym of “structural real giving,” with a value inferior or equal to “conjunctural real giving.” If taxation is decorrelated to core philanthropy, what are the other influencing factors?

The literature on donor motivations is extensive, and hundreds of publications have been condensed by several studies or meta-analyses (Bekkers & Wiepking, 2011; Lloyd & Breeze, 2013; Konrath & Handy, 2018). Table 17.3 summarizes the main factors identified to donate identified in these scholarly works. Note that the concepts of “mechanisms” and “motives” do not exactly match.

As shown in Table 17.3, avoiding taxation, or utilizing favorable tax breaks (depending on which side of the coin – negative or positive – the donor considers), count among many other factors in predicting or explaining charitable behavior. They are not necessarily the most prevalent ones triggering charity. Regarding major donors, Rooney and Osili (2016, p. 190) note

Table 17.3 Various underlying factors that explain giving

Main studies	Identified mechanisms and motives to donate
Bekkers and Wiepking (2011)	(a) Awareness of need, (b) solicitation, (c) costs and benefits, (d) altruism, (e) reputation, (f) psychological benefits, (g) values, (h) efficacy
Lloyd and Breeze (2013) <i>Note: this study is centered on major donors</i>	(a) Belief in a cause; (b) acting as a catalyst for change; (c) achieving self-actualization; (d) feeling a sense of duty and responsibility to share wealth; (e) enjoying the relationships that develop with the charity leadership, fellow donors, and beneficiaries; (f) belief that philanthropy is the rightful use of surplus money; (g) clarity on the complementary roles of government and philanthropy; (h) belief that philanthropy is a good parenting tool; (i) appreciating the public recognition that comes with being philanthropic; (j) having their own lives enriched by philanthropy
Konrath and Handy (2018, p. 359 ff)	(a) Trust, (b) altruism, (c) social ties, (d) tax, (e) egoism, (f) constraints

that “while the potential for tax benefits does influence the decision to give, the specific cause or organization is a more important factor.” These authors report (p. 195) that “more wealthy people (34 percent) value tax benefits than respondents in the general population (11 percent) (HNW Inc., 2000).”

Even though richer families appear three times more sensitive to tax incentives than ordinary households, those figures clearly indicate that most citizens (from two-thirds to nine-tenths) declare their giving is not predominantly determined by tax schemes.

Consequently, if one wants to improve real philanthropy, the plethora of other non-monetary factors will be of the utmost importance in nurturing generosity. Some of them relate to social benefits (reputation, socializing, recognition, etc.), while others relate to psychological benefits (pleasure, joy of giving, opportunities to learn, guilt avoidance, etc.). These motives are either inner or outer oriented. Most of the time, they bring positive immaterial rewards to donors. However, there could be some adverse noneconomic consequences of displaying charitable behavior (see Box 17.2).

Box 17.2 Notable exceptions: When major giving may arouse public resentment

In France, public opinion rarely praises the good deeds of philanthropists and rather shows contempt or jealousy, according to the perception of wealthy interviewees (Sellen, 2019), who, therefore, generally give *quietly*¹⁰. Consequently, major donors often conceal their best actions (i.e., surrendering part of their “social benefits” of giving) in order to avoid the inconvenience of public resentment (i.e., reducing the negative side-effects of giving).

In their comprehensive review of literature, Bekkers and Wiepking (2011) focus on material costs and benefits, which are defined as “tangible consequences that are associated with a monetary value” (p. 932). I attempt to broaden this definition by encompassing immaterial rewards as well as a cost/benefit analysis of giving. This approach may seem akin to *rational choice theory* (Amadae, 2017), which has prompted skepticism. While it is not possible to provide further

technical details here, we can still operate within a methodological individualism paradigm as long as we remain mindful of the probable framing effects on decisions (Tversky & Kahneman, 1986) and of the cognitive biases and *bounded rationality* of agents who seek to optimize utility under constraints (Gigerenzer & Selten, 2002).

b Embracing externalities to apprehend “perceived costs” of giving

Facing such a complex situation involving numerous factors of a diverse nature, economists would simplify and discriminate between a financial cost (or “price”; see previously) on the one hand and a set of psychological/social benefits on the other (known as “warm glow”). They would label the intangible gains “positive externalities” and the immaterial downsides “negative externalities.” They would then seek to quantify and “internalize” externalities into a single utility function. Box 17.3 describes open avenues and persistent disagreements among economists to explain charitable behavior.

Box 17.3 Disagreements among economists about giving rationales

The economics literature offers several contradictory explanations for charitable giving. If *Homo economicus* is supposedly rational and selfish, why would s/he disburse resources without compensation? As predictions of neo-classical theory and empirical observations did not match, scholars proposed a variety of possible explanations. A few claim that the theory is inaccurate because individuals are neither completely rational (Kahneman & Tversky, 1979) nor completely selfish (Fontaine, 2007). They advocate, instead, for a renewed theory moving from *Homo economicus* to *Homo sapiens* (Thaler, 2000). Another stream of research justifies the mainstream theoretical framework by incorporating rewards into utility functions, which can then be logically maximized by rational economic agents. This yielded the notion of “impure altruism” (Andreoni, 1989, 1990). Various forms of recompense have been imagined: the satisfaction of contributing to a public good (Sugden, 1982, 1983), the reputation and pleasure derived from giving (Harbaugh, 1998a, 1998b), the thrill of “making a difference” in the world (Duncan, 2004), and so on. These explanations have different outcomes in terms of donor competition and cooperation. Whereas the “public good” model generates more happiness when everyone contributes (and, conversely, less contentment when some behave as “free riders”), the differential impact model follows an adverse correlation, with more joy derived from being the sole funder (someone who makes a relatively bigger difference to a cause when other contributors back off). The private consumption model and the prestige model rely on intrinsic or prestige motives, respectively, and, consequently, donors either derive contentment proportionate to their own giving – and irrespective of others’ contributions – or they play a zero-sum game with co-contributors in their quest for “status.”

The common denominator of several models is self-satisfaction, which is generally dubbed *warm glow*. As this notion remains arguably shallow and ambiguous (Tieffenbach, 2019), economists admit that “the warm-glow hypothesis provides a direction for research rather than an answer to the puzzle of why people give” and call for “more specific models of individual and social motivations” (Andreoni et al., 2017).

Another shared characteristic is that tax policy is unlikely to significantly affect donor behavior according to each model’s predictions. All of them try to explain “real/costly giving” from a utilitarian or hedonic perspective, setting aside key moral dimensions (Ugazio, 2019).

By somewhat adapting the economics methodology, let us compare the “actual price” and the “perceived expense” of a “real gift” in a donor’s mind. The latter price is equal to the former plus all immaterial rewards and minus all immaterial costs. I propose Equation 5:

$$\text{PRC} = \text{ARC} - (\mu + \psi + \sigma + \pi) + \varepsilon \quad (5)$$

where PRC stands for “perceived real cost” by the donor, ARC represents the “actual real cost” (monetary disbursement, net of tax rebates) to the donor, μ is the value of all material benefits or counterparts received in exchange for the gift, ψ is the sum of all positive psychological rewards, σ is the sum of all positive social rewards, and ε is the sum of all negative immaterial side effects incurred by the donor. Although underestimated and controversial, π characterizes the power relationships and dependencies gifting ineluctably creates (Mauß, 1954). The concept of *warm glow* (see Box 17.3) is often regarded in economics as a “black box”; here, it is proxied by the sum of immaterial rewards ($\psi + \sigma + \pi$).

A prior study introduced the notion of “perceived costs of giving” from a different standpoint. “Cost perception” on the supply side of giving is interpreted as the “ability to give” and pertain to donors’ feelings of relative financial (in)security and more or less careful attitude toward money (Wiepking & Breeze, 2012). Integrating this approach could surely enrich our model in further developments; however, for simplicity, let us assume all donors feel equally capable of donating. This allows us to focus on rewarding mechanics.

According to our framework, to increase “core philanthropy” (a.k.a. “real structural giving”), policies must seek to persuade donors that the “actual real cost” (ARC) they seem to incur financially is dwarfed by the multifaceted rewards they will get in return. The more a donor becomes aware of these bonuses, the lower the “perceived real cost” (PRC). In extreme cases, PRC could become so low and so completely outbalanced by rewards in the donors’ minds that the very notion of “cost” may wholly disappear. Moreover, donors will end up seeing mostly the “benefits.” A number of qualitative enquiries attest to the validity of this statement, notably among major donors who have reflected long enough on their philanthropic endeavors to fully reap their immaterial benefits. One of these donors explains:

I think, basically, when people give, they give for themselves. But I think that they get more out of it down the line than what they think they’ll get out of it.

(Schervish *et al.*, 1994, p. 70)

Technically speaking, maximizing ψ can be achieved in many ways, for instance, by counseling and coaching donors individually or by allowing them to reflect upon their feelings and self-satisfaction through academic studies. Likewise, maximizing σ can be attained by celebrating philanthropists in society at large; through prizes, plaques, or medals of recognition; or by creating circles where they could share experiences among peers. Such marks of acknowledgment and select group membership are coveted by major donors, for whom philanthropy signifies accession to an elite status (Ostrower, 1995) or acquisition of “symbolic power” (Dean, 2020). Giving circles provide a similar type of mutual appreciation among donors in the general population (Eikenberry, 2009). Anonymous donors forgo σ but retain other rewards. Cynical donors may knowingly expect π , while others ignore it. Seeking to maximize μ might be foolish, as Bekkers and Wiepking (2011, p. 935) warn:

There is a danger in offering material benefits for charitable contributions. When people receive material benefits for helpfulness, they tend to undermine self-attributions

of helpfulness, which reduces the effect of prosocial self-attributions on future helpfulness. Fringe benefits change the decision into an exchange (do I get value for money?).

Minimizing ϵ could be realized by teaching philanthropy in schools,¹¹ countering popular misunderstandings, or mainstreaming philanthropy in the media via more vivid reports or attractive educational shows.¹²

These actions could be partly funded by the state, meaning that they still bear the cost of public money. But this expenditure may be worthwhile, considering that the use of public funding through tax incentives is unlikely *per se* to lift “core philanthropy.” The key point is that, unlike tax instruments, other tools available to reduce PRC are not state monopolies. Banks, wealth advisors, family offices, consultants, academia, nonprofits, media outlets, and many intermediaries can join the state’s efforts in a sector-wide coalition to strengthen philanthropy.

Although the donor’s financial cost is worth only the “real value” of a gift, the donor’s intangible rewards derive from the full “nominal value” of donations. Suppose a donor gives \$500, but this gift only costs him/her \$200 in real terms due to tax breaks. Suppose charity dedicates recognition plaques for gifts above \$300. The donor can earn this level of appreciation only thanks to the tax scheme. Recipient organizations would find it awkward to express gratitude only at the level of the “real cost” that donors incur. This means that public policies can indirectly award more social advantages to donors. Tax schemes are responsible for greater recognition. This is a key aspect, albeit often neglected, to remember when assessing usefulness.

To conclude this section, offsetting the (rare) intangible costs and magnifying the (frequent) psychological/social rewards associated with giving would be a relatively inexpensive method to use public funding while arousing collective action in support of national philanthropic policies.

c Cultivating the “joy of giving”

Hank Rosso, founder of the Fund Raising School at Indiana University in 1974, used to say that: “Fundraising is the gentle art of teaching people the joy of giving” (2016, p. 5). Over the past 50 years, research has established many connections between charitable giving or altruistic behavior and higher levels of wellbeing or life satisfaction. Bekkers and Wiepking (2011, pp. 938–939) provided a snapshot of key studies about the “joy of giving.” The most comprehensive review of literature to date on this topic was conducted by Konrath (2016), comprising dozens of studies in psychology, sociology, neurosciences, economics, medicine, anthropology, and so on. By collecting this broad range of experiments, surveys, and empirical analyses, Konrath reveals a wide array of non-monetary benefits derived from acting altruistically. The key findings are as follows:

- Volunteering “causes people to have higher self-esteem and feel less depressed” (p. 13). Volunteering mitigates the psychological effects of aging (p. 16). Volunteering gives enjoyable feelings of “time affluence,” even though the time volunteers spend on others is not used for themselves (p. 15).
- Spending money on others generates greater contentment than spending it on oneself. This holds true “regardless of the amount of money spent” (p. 13) and “even in relatively poor countries” (p. 22). Just remembering those good deeds creates “mood boosting effects,” and such positive feelings subsequently stir more altruism, following a self-reinforcing loop (p. 13).
- Giving also helps cope with “post-traumatic stress disorder or social anxiety” (p. 15). Giving generally “enriches people’s relationships, both in quantity and quality” (p. 16).

- In most cultures across the world, both volunteering time and donating money are associated with higher wellbeing (p. 18).
- Most importantly, donor awareness of the potentially beneficial effects of giving “does not diminish the psychological rewards.” Such consciousness is also found to stimulate altruism (p. 14).
- Being generous is found to have direct positive consequences on health and longevity (pp. 16–17). In neuroscience experiments, the fact that reward centers of a donor’s brain react similarly when giving and receiving money suggests that “physiological effects mirror psychological effects” (p. 16).
- Ultimately, “giving increases givers’ sense of meaning and purpose in life” (p. 21).

The universality of these results appears to be consistent across cultures, countries, and generations. We must now envision how the “joy of giving” can be encompassed in a broader narrative, one that echoes and likely fulfills the donor’s most intimate life aspirations.

d Happiness as a new paradigm

“Happiness” is commonly defined as “The state of pleasurable contentment of mind; deep pleasure in or contentment with one’s circumstances” (OED, 2020). It has been pursued by the human race for centuries. It is both an individual quest and collective ambition. Political regimes of all sorts have attempted using “happiness” as a goal or a justification for pursuing their policies – with unequal wisdom and sometimes dreadful results. Countless philosophers have addressed this essential notion, which remains quite mysterious. Baruch Spinoza (1632–1677) is recognized as one of the most prominent thinkers of happiness in modern times. In his magnum opus, *Ethics*, he stated, “The desire to live a good or happy life, of acting well, etc., is itself the very essence of man” (Spinoza et al., 2020, Proposition No. 21).

From today’s scientific perspective, “happiness” is not understood as fully equivalent to “joy.” Although much overlap can be found between these notions, “happiness” tends to have a much broader meaning. A leading pioneer in this emerging field, Veenhoven (2006, p. 7) defines “overall happiness” as “satisfaction with one’s life-as-whole”. It includes two major components: a *hedonic level* reflecting the “balance of pleasant and unpleasant affect” and a *cognitive dimension* based on the “perceived realization of wants” (see Figure 17.5).

Figure 17.5 Defining happiness and its components

Source: Veenhoven, 2006, p. 7. Reproduced with permission

In his landmark contribution on the *Moral Biography of Wealth*, Schervish (2006) does explicitly refer to the notion of happiness in philanthropy. Drawing from Aristotle's ancient Greek concepts of *genesis* ("the set of metaphysical, social, and personal conditions within which agency transpires," i.e., "the conditions we receive") and *telesis* ("the destiny of outcomes toward which we aspire," i.e., "the consequences we strive to create"), he explains how philanthropy can serve an "agency moral biography" (pp. 482–483) defined as *capacity* combined with *moral compass*. Schervish concludes his demonstration by reckoning the necessity to "fulfill donors' desires simultaneously to increase their own happiness and the happiness of others" (p. 491). However, the notion of happiness appears to be a rather subordinate idea, used incidentally to support and illustrate his central paradigmatic description of "agency moral biography."

By connecting Veenhoven's clinical description of happiness with Schervish's holistic understanding of donors' ability to become change-makers, I propose to observe philanthropy through happiness lenses.

A preliminary exploration conducted in France from this angle yielded interesting results (Sellen, 2019). I initiated this study after reading Warren Buffett's letter of commitment to the Giving Pledge wherein he openly stated that he "*couldn't be happier* with that decision" [emphasis added] to "gradually give all of [his] Berkshire Hathaway stock to philanthropic foundations" (2010). Back then, French billionaires were invited to join the pledge; however, none had responded favorably.¹³ I pondered the reasons for this monolithic rejection. A working hypothesis quickly emerged that issues of wellbeing (or lack thereof) regarding wealth and its public use could be at stake among the wealthy in France, where both conspicuous enrichment and ostentatious philanthropy are criticized in public opinion. Encountering high and ultra-high net-worth individuals (HNWIs and UHNWIs) through more than 30 in-depth one-on-one interviews revealed that "happiness" not only offered a key angle to explain attitudes towards philanthropy. They showed that "happiness" could also serve as a pivotal concept to explain many related issues, such as the respective roles of government and the nonprofit sector, the scope of individual freedom and responsibility, the legitimacy of taxation, the extent of national solidarity, and so on.

Although extremely abundant literature on "money and happiness," on the one hand, and on "money and giving," on the other hand (both streams comprising thousands of articles), exists, as do a growing number of publications on the "joy of giving," little research has been conducted at the intersection of the three ideas of wealth, happiness, and philanthropy. To summarize the qualitative findings around this nexus, I connected the tips of the triangular relationship depicted in Figure 17.6.

If, according to Spinoza, nearly all people search for happiness, and considering that everyone possesses some sharable wealth (usually defined by professional fundraisers as "time, treasure, or talent"), why doesn't everybody engage in philanthropic endeavors?

Answering this question goes beyond the scope of this study. However, I offer a clue derived from the testimonials heard through many interviews. Perhaps not everybody has had the chance to cross paths with philanthropy in their lifetime. One needs to be initiated in some ways to engage in philanthropy. It may be a childhood education, a one-time life event, an inspirational encounter, or something else, but something/someone has to give a prospective donor a taste for generosity before this person begins practicing it as a regular activity and, for some, going as far as to adopt altruism as a definite lifestyle.

This entry point is best illustrated by stories of successful business leaders who were converted into major donors after peers took them under their wings to start taking on adequate community engagement (Schervish et al., 1994, pp. 68–69, "Philanthropic initiation"). However, does not need to be a millionaire to begin looking for other goals in life aside

Figure 17.6 Triangular relationship between wealth, philanthropy, and happiness

Source: Sellen, 2019, p. 274

from amassing wealth. Indeed, it has been calculated that beyond an annual income of USD 75,000, ordinary people's happiness would not significantly increase with more wealth but rather be determined by factors such as relationships, leisure activities, and self-fulfillment (Kahneman & Deaton, 2010). Essentially, once basic needs are covered and financial security is assured, people find wellbeing in values other than money. These empirical results recall Maslow's "hierarchy of needs," a schematic pyramid dominated by a supreme desire for "self-actualization" (Maslow, 1954), although academically, this theory remains heavily contested. Sound policies may remedy the lack of awareness about the "feel-good" aspects of giving and palliating the lack of attractive opportunities that deter people from engaging in charitable behavior.

e Why happiness transcends warm glow

Since Andreoni (1990) established the *impure altruism* model, economists dissociate *altruistic* motives (outcome-oriented) from *warm glow* (action-oriented). However, philosophers have identified a core ambiguity whereby donors need to employ self-deception to persuade themselves that they are driven by pure altruism to enjoy the expected warm glow. This is called the "Valmont effect" (Elster, 2011). Conversely, behaving like a genuinely pure altruist does not preclude unanticipated pleasant rewards. It follows that the *pure altruism/warm glow* dichotomy may exist only in theory. In practice, all donors are *impure altruists* (having mixed motives) to various degrees. Neuroscience reveals evidence for both warm glow and more pure motivations, linking them with activity in the reward network of the brain, but finds that these motivations vary between people (Cutler & Campbell-Meiklejohn, 2019; Cutler, 2021). Psychology also recognizes this intertwined reality: wellbeing is derived both from prosocial behavior itself (warm glow) *and* from witnessing its positive impact (pure

altruism) along a seemingly unified continuum. Thus, the “joy of giving” concept already goes far beyond the admittedly limitative scope of “warm glow.” The paradigm of “happiness” currently developed by social scientists offers even more powerful avenues: it encompasses multidimensional factors (emotional, social, cognitive, ethical, aspirational, etc.), resulting in a holistic assessment of an individual’s “life-as-whole” (Veenhoven, 2006, see Figure 17.5). Therefore, investigating happiness may help apprehend donor motivations and self-fulfillment more comprehensively in future research.

5 Roadmap for a new narrative on philanthropy

In light of the freshly acquired knowledge on happiness and wellbeing, what are the elements of a renewed approach to the philanthropy–taxation conundrum?

Changing the law or the administrative set of rules regulating nonprofits is not indispensable. Tax schemes may even remain identical. Essentially, novelty lies in framing things differently. Changing people’s perceptions over the long run implies modifying the collective mindset, and the technique is a matter of narrative rather than tax pressure. Traveling along this novel route entails five steps.

a Transforming outlooks

The first step towards forging a novel approach is to change the way we look at the problem. The conceptual framework proposed previously offers a straightforward and workable method for policymakers to decide on the optimal level of tax incentives they deem legitimate in a given country. For citizens, understanding the scheme through these lenses will be easy. Citizens are all at once voters (i.e., constituents of decision-makers in a democracy), taxpayers (i.e., ultimate funders of tax incentives), and potential donors (i.e., beneficiaries of tax breaks), so their understanding and approval of the scheme is essential for its proper functioning. The adoption of new intellectual tools to address taxation in philanthropy (“nominal/real,” “conjunctural/structural giving,” “core philanthropy,” “perceived cost of giving,” etc.) will allow everyone to test their relevance and adjust their use.

b Taking happiness seriously

Second, policymakers must fully recognize and grasp the potential of “happiness” as a new paradigm sought after by citizens. A British poll determined that 85% of citizens agreed with this statement: “a government’s prime aim should be to achieve the greatest happiness of the people, not the greatest wealth” (BBC, 2006, cited by Veenhoven, 2017, p. 1).

From 1975–2015, Bhutanese authorities officially computed an index of “Gross National Happiness.” Recently, several countries have established indicators measuring citizens’ wellbeing in real time. Some made audacious moves toward assessing the performance and soundness of public policy on these grounds. Even the United Nations takes happiness seriously: a major conference on this topic was held at its headquarters in 2012 (Royal Government of Bhutan, 2012), and the General Assembly subsequently decided¹⁴ to celebrate the “International Day of Happiness” annually on March 20. The related *World Happiness Report* is updated annually (Helliwell et al., 2020). Since 2011, the OECD multi-country project *Better Life Index*¹⁵ has offered a practical toolbox to measure citizens’ wellbeing through 11 dimensions that can be blended and weighted at will (OECD, 2020a).

c Promoting philanthropy differently

Policymakers should remember three key ingredients of Konrath's literature review on the joy of giving: cultivating the memory of good deeds, repeating small actions frequently, and raising awareness about the feel-good consequences. However, philanthropists should not be too self oriented (Konrath, 2016, p. 18) to fully reap these benefits. The goal is to leverage altruism to build greater resilience.

Repeated giving interactions are like deposits into a resilience bank account with compound interest. All of the potential explanations of why giving is associated with better health have something in common: they help people to deal with unanticipated negative life events and stressors.

(ibid., p. 21)

In short, government should recommend as part of public health policies that citizens take a daily dose of "vitamin G" (*ibid.*, p. 22–23). Policymakers should also be mindful of the timing of roll-out policies, since this factor may affect giving (Bekkers & Wiepking, 2011, p. 934).

d Measuring achievements

Measuring social progress is a growing issue. It is beyond this chapter's scope to address the methodological and epistemological controversies surrounding this idea. I only recommend that the happiness of donors be assessed scientifically (Veenhoven, 2017), as well as the happiness of "beneficiaries" or "end-users" (sometimes called "partners in philanthropy" to reflect equal footing) who are all too often forgotten, even in the nascent impact-investing industry whose distinctive identity rests on end-user's satisfaction (Karim, 2020).

By using the "positive social science" approach advocated by Thin (2014), scholars may observe and seriously consider subjectively assessed wellbeing (i.e., self-reported by respondents in surveys). Indeed, people's perceptions of their own feelings matter at least as much as the investigator's opinion.

e Embarking the ecosystem on a new journey

Numerous potential implications exist for non-governmental decision-makers. Private bankers and wealth managers could incorporate the wellbeing dimension as a full component of their philanthropic advisory services. Nonprofit executives and fundraisers could appeal more explicitly to donors and beneficiaries' shared joy and wellbeing when developing cases for supporting and managing their fundraising campaigns. Academics could elaborate on compelling case studies and include the happiness dimension in their teachings to sensitize next-generation leaders. Every player in the philanthropic ecosystem could contribute to reenchant giving along these lines.

f From a negative to a positive approach: reenchanting giving

The perceived "price" of philanthropy is shown to be subject to a framing effect. Despite a lack of evidence on how people respond to framing, we already know that presenting incentives as matches rather than rebates generates more giving (Bekkers & Wiepking, 2011, p. 948).

Following the same logic, we must abandon the claim that tax incentives reduce the price of giving, as it taints philanthropy in the donor's mind. For some donors who see their inherited wealth as a "social stigma," philanthropy is a "story of *purgation*," a method of proving to themselves that they deserve their inherited wealth (Schervish et al., 1994, Chapter 5, "Expunging the Guilt of Unmerited Wealth", pp. 111–125). Insisting repeatedly on the lesser cost of giving can only be discouraging – if not insulting – to them. Thus, the concept of "voluntary self-taxation" brings forth a practical way for dignifying the wealth these heirs received at birth by encouraging them to employ these extra resources in virtuous and honorable endeavors.

Likewise, Carnegie's moral commandment to his fellow tycoons still resonates today as an imperious instruction to give away the bulk of one's wealth before passing away: "The man who dies thus rich dies disgraced" (Carnegie, 1889). In fact, very few other moguls heeded his unfriendly advice to the letter. Born in 1930, Chuck Feeney is currently one of the rare billionaires who lost this prosperous status because of excessive giving (over \$8 billion). He displays serenity and splendid contentment, and in his own words: "I see little reason to delay giving when so much good can be achieved through supporting worthwhile causes. Besides, it's a lot more fun to give while you live than give while you're dead" (Bertoni, 2020). However, his astonishing example symbolizes an exception rather than a rule amidst the ultra-wealthy. Even signatories of the *Giving Pledge*, who freely committed to donating at least half of their wealth during their lifetime or at death have not successfully managed to keep the promise so far (Schmitz et al., 2021). Furthermore, this initiative struggled to gather almost 10% of the world's billionaires, despite the extraordinary momentum for global philanthropy. After the original wonder effect, shortcomings tended to spur more reproaches than admiration (Hill, 2020). Perhaps the proposed narrative centered on happiness – not self-centered pleasure but dynamics of shared joy among donors and beneficiaries – could provide a more durable impetus to this type of pledge and circumvent otherwise inescapable criticism by mitigating the breach of public trust caused by mogul philanthropists who blur the lines between business and charity (Dean & Brakman Reiser, 2021).

Beyond compassionate reactions to tragedies, fear of social backlash, guilt avoidance, narcissistic pleasure, or quest for prestige, humankind remains collectively lacking an overarching set of positive reasons to inspire enthusiastic giving. Embracing the happiness paradigm would offer such an opportunity.

6 Concluding remarks

a On the conceptual framework

To the best of our knowledge, the proposed distinctions between "nominal/real" philanthropy or between "conjunctural/structural" giving and the concepts of "core philanthropy" and "voluntary self-taxation" have not been put forward in the literature in those terms. I advocate that these concepts be tested, challenged, refined, enriched (e.g., by incorporating factors like inequality), and potentially adopted as commonplace by the academic community to describe more precisely the realities debated in philanthropy research from an interdisciplinary perspective.

In society at large, aggregated levels of individual and corporate donations make up a total level of generosity. However, again, statistical reports on charitable giving rarely (if ever) present the share of those donations that are really "costly" to donors and the portion considered "costless" to them. Therefore, from a philosophical standpoint, it is difficult to determine the exact levels of a person's overall generosity or a people's charity at the country level.

b On policy implications

This new toolbox will assist policymakers in describing the issues at stake when it comes to tax policy and to adjust fiscal levers to stimulate philanthropy in a given country. Not all policymakers have embedded philanthropy in their strategic goals. Those who do must clearly state their objectives and priorities (e.g., boosting donations vs multiplying donors). Policymakers should also be aware that “growing the giving pie” is no panacea: consider issues of absorptive capacity (can nonprofits use all additional resources?) and of effectiveness (do nonprofits need more money or other forms of support?).

Aside from these caveats, our framework suggests that public authorities wanting to develop philanthropy should not seek to artificially raise “nominal” or “conjunctural” philanthropy. These measures have limited long-term impact and fail to create lasting generous behaviors. Evidence shows that stable incentives applied to a reduced tax base lead to an immediate melt-down of gifts (e.g., the 2017 wealth tax reform in France). Instead, governments should aim to create vibrant ecosystems encouraging a deeper shift in “real” and “structural” philanthropy. This can be done by using levers such as education, sensitization, advocacy, case studies, applied research, professional training, and so on. Forging a culture of philanthropy depends on many factors other than a fiscal year’s planning horizon.

c On happiness as a new paradigm

To elicit greater altruism among potential donors, who supposedly maximize their utility function even in the presence of bounded rationality and unselfishness, promoting awareness about the positive externalities derived from such behavior appears necessary. A large body of research on the “joy of giving,” combined with recent qualitative research on subjective wellbeing, has explored how donors found themselves with greater happiness along their philanthropic journey. Focusing on this fruitful lever can improve the “real/structural” or “core” component of giving (which exogenous tax incentives barely affect) and eventually trigger persistently higher generosity levels derived from donors’ perceived satisfaction.

Refreshed narratives and discursive engagements are vital to rally hearts and minds toward the greater good. Beyond the likelihood of materially increasing donations, the happiness paradigm offers powerful ways to achieve a conceptual “reenchantment” of the act of giving.

Notes

The author is grateful for valuable comments by Fiona Martin, Hans Schmitz, and one anonymous referee.

- 1 Bazin et al. (2019, p. 9) put forward the interesting notion of “giving effort” (“*effort de don*”), which represents the ratio between average gift and average income (per tax bracket). However, this idea differs from the conceptual framework hereby developed, as it does not consider tax effects on the “price” of gifts.
- 2 This story is narrated in the Synoptic Gospels (Luke 21:1–4; Mark 12:41–44).
- 3 Deductibility is allowed within a threshold of 20% of their taxable income (French tax code, art. 200).
- 4 A third type of unemployment, called “frictional,” denotes people moving or voluntarily changing occupations.
- 5 I call conjunctural only the upper part of the differential curve, while “conjunctural unemployment” fluctuates above/below the long-term structural trend.
- 6 “Significant” here means long enough to observe *threshold effects* that sustainably modify average giving levels.
- 7 Auten et al. (2002, p. 371) mention that donors may opportunistically take advantage of “unusually high transitory tax rates.” They distinguish between “transitory” and “persistent price of giving.” However, these concepts are not synonymous with “cyclical” or “conjunctural” generosity, which designate the amounts effectively donated.

- 8 Giving USA 2020's data spans giving by individuals (including bequests), foundations, and corporations.
- 9 HNWI's are individuals or households whose net wealth is at least US\$1 million in investable assets (excluding their main residency) or whose annual income is at least US\$200,000 for two consecutive years.
- 10 The philosophy according to which "the good does not make any noise, the noise does not make any good" is a widespread common trait among France's major donors.
- 11 Examples could be the innovative programs "L'Ecole de la Philanthropie" and "Le Cercle des Petits Philanthropes" in France.
- 12 French examples include the program "Philanthropia" broadcast on Radio Notre-Dame [<https://radio-notredame.net/emissions/philanthropia/>] or the newspaper "Sens & Finances" initiated by the Fondation d'Auteuil [<http://sens-et-finance.apprentis-auteuil.org/>].
- 13 This is still the case as of September 2021, over a decade later.
- 14 U.N. resolution 66/281 of 12 July 2012. <https://undocs.org/A/RES/66/281>
- 15 See: <https://www.oecd.org/statistics/better-life-initiative.htm> and <http://www.oecdbetterlifeindex.org/>

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