CHARITY AND COMPASSION

IN COLUMBUS, OHIO, at the start of the twenty-first century, the richest man in town lived a relentlessly paranoid life. Billionaire Leslie Wexner, a retail king, would not set foot off his massive estate — nearly fifty thousand square feet of living space — without his trusted bodyguards. And he wouldn't set foot into any local event that sought his presence until dogs had first had a chance to sniff the grounds for bombs.[1]

And what did the good people of Columbus feel about this peculiar behavior? No big deal, a lifelong local told *Worth* magazine. Down through the years, Wexner had been, "so charitable," on everything from education to medical research, that people essentially didn't care how he behaved. Wexner wasn't just the richest man in town, he was the most generous, too, "a wonderful plum for the city."[2]

Societies where great fortunes grow, the admirers of affluence have always argued, will regularly produce "plums" like Leslie Wexner, millionaires and billionaires eager to enrich their communities with an unending stream of philanthropic dollars. The greater the fortunes, the greater the philanthropy.

And who could dispute that?

Certainly not the zookeepers of San Diego. By century's end, Joan Kroc, the widow who inherited the original McDonald's fortune, had given her local zoo and assorted other good works nearly a quarter billion dollars.[3]

Certainly not literacy activists in Mississippi. Early in 2000, they had corralled the "largest private donation ever to promote literacy," a $100 million gift from former Netscape CEO James Barksdale and wife Sally.[4]

And certainly not the medical educators at UCLA. Movie magnate David Geffen awarded them $200 million in 2002, the biggest single gift ever made to an American medical school.[5]

Big fortunes, big gifts. In our contemporary United States, land of the world's most king-sized fortunes, nearly every community seems to be able to claim a plum or two.

Louisville, for instance, claims Owsley Brown Frazier, a billionaire who made his fortune off Jack Daniel's and Southern Comfort, then poured millions into local health care, museums, and education.[6]

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"The guy is just awesome," smiles a former mayor of Frazier's fair city, Jerry Abramson. "Louisville is a far better community because of his involvement."[7]

Want awesome? How about Warren Buffet, the world's second-richest man. Buffet has indicated that his massive fortune in equities will, after he and his wife pass on, all be given away.[8] Bill Gates, the world's richest man, has done Buffet one better. He has let it be known that most of his immense fortune, as much as 95 percent, will be given away *before* he dies.[9] The Bill and Melinda Gates Foundation, had already become, by 2002, the "wealthiest philanthropic organization in the world," annually spending more money fighting malaria and other world health problems than the government of the United States.[10] Gates has repeatedly described himself as just "a steward of his immense wealth" and has noted, just as frequently, "what a great privilege" it will be to meet his steward's responsibility and return that wealth "to society."[11]

In the meantime, of course, Gates and other awesomely affluent people will continue to accumulate. The more they amass, the more they will be able to give away, as Steve Kirsch, an aspiring Silicon Valley billionaire, explained to an inquiring reporter in 1999.

"It would be fun to be a billionaire," Kirsch acknowledged, but the ultimate benefit of amassing a billion, he quickly added, "would be the ability to pass more money on to charity."[12]

The more money people like Steve Kirsch have, people like Steve Kirsch hope we understand, the better off the rest of us will be.

AMERICANS TODAY, BY AND LARGE, have come to see great and generous philanthropy as something that just happens — naturally — whenever wealth concentrates. The wealthy make money. The wealthy, sooner or later, give that money away. So why get alarmed about great fortunes? Within every great fortune sits a cash cow for charity.

Our republic's earliest citizens, by contrast, found great fortunes distinctly alarming. Any concentrations of wealth left unchecked, they believed, would doom their young democracy to the same aristocratic decadence they had taken up arms against the British to reject. In the early 1800s, these widely held apprehensions about grand concentrations of wealth had prosperous men of commerce — and their fledgling fortunes — on the defensive. In New England, by the 1830s, grand new textile mills had generated "an embarrassment of riches" for Boston's wealthiest families, note two scholars of the era, Peter Hall and George Marcus. These wealthy families "became increasingly preoccupied" with justifying their good fortune. They needed, somehow, to square "the fact of possession" with America's "dominant egalitarian and democratic values."[13]

Boston's wealthy "Brahmins," to a significant degree, would succeed in their squaring effort, largely by filling their city with America's first great charitable works. The glorious institutions made possible by Brahmin philanthropy — the Massachusetts General Hospital for one — demonstrated clearly that the "generous rich" were exerting their influence "only for beneficent purposes," Harvard's Samuel Atkins Eliot would argue in 1845.[14] Great fortunes, their most devoted admirers pronounced, were making Boston a better place to live, work, and pray.

In the decades after the Civil War, the flacks for the fortunate would once again find themselves forced to resquare the "fact of possession" with America's egalitarian values. Giant new corporations were creating the greatest fortunes America had ever seen and, at the same time, convulsing the nation. Brahmin-style philanthropy — a hospital here, a museum there — now seemed inadequate, and the greatest fortune-founders of the Gilded Age, men like Andrew Carnegie and John D. Rockefeller, came to understand that simply giving more, Brahmin-style, would just not do. These men of enormous wealth needed, as scholars Peter Hall and George Marcus note, to "explain why 'men of affairs' like themselves should have come to control such vast resources." They needed "to legitimate that control as part of the natural scheme of things." To meet that goal, their philanthropy would have to do more than merely alleviate distress. Their philanthropy would "aim to identify and eradicate the causes of poverty, dependency, and ignorance." The mighty multimillionaires of the Gilded Age would not simply justify their wealth as a means of "service to the public." They would portray themselves "as servants of Progress — midwives, as it were, of the new industrial order."[15]

Andrew Carnegie, before his 1919 death, would devote an estimated $350 million of his personal fortune, about $7 billion in today's dollars, to serving "Progress."[16] His philanthropy would reshape America. His matching grants gave thousands of communities their first public libraries. His pension system, the first ever for college professors, "transformed" scholarship in the United States. His beneficence bankrolled organs for churches and "endowed an institute for peace, that elusive heaven on earth."[17]

"The man who dies rich," Carnegie had once noted, "dies disgraced."[18]

Carnegie would not die disgraced. America was impressed.

John D. Rockefeller did some impressing, too. He stepped back from his oil empire in 1897 and spent his last forty years giving away a fortune worth, in today's dollars, about $6 billion.[19] Rockefeller's dollars helped create America's national park system. He gave birth to Colonial Williamsburg and the University of Chicago. His Rockefeller Foundation, established in 1913, set out to do nothing less than "promote the well-being of mankind."[20] If that "well-being" could not, in the end, be assured, the fault — many Americans came to believe — was certainly not John D.'s. He had tried.

Three generations later, the flacks for America's newest men of fortune would proclaim a new golden age of giving. America could once again see grand-scale philanthropy, the flacks promised, if we as a nation cheered on the creation of Carnegie-sized fortunes. To inspire and enable more giving, more splendid good works, we needed merely to let the wealthy amass more wealth.

"Many people still think that commerce and charity are at opposite poles," Steve Forbes, the heir to one of America's greatest publishing fortunes, observed in 2001. "They are actually two sides of the same coin — the coin of serving others."[21]

The annual charitable giving numbers from America's top charity scorekeeper, the Center on Philanthropy at Indiana University, seemed to document this direct connection between commerce and compassion.[22] In the booming 1990s, Americans set new records for charitable giving year after year. In 1998, individual contributions to nonprofits in the United States jumped over 10 percent, to a record-busting $134.8 billion.[23] In 1999, donations by individuals climbed substantially once again, to $144 billion.[24]

"Clearly," announced Bruce Reed, a top White House executive, in 2000, "America is in a charity boom."[25]

The flacks for America's grand fortunes smiled. Their case had been made. In an America that let the wealthy be, the needy, not the greedy, were emerging as the biggest winners of them all! Or so they claimed.

THE WHITE HOUSE AND THE FLACKS FOR FORTUNES would only be wrong on two counts. At century's end, charities were not booming, and the truly needy were not winning.

America's wealthiest had indeed become wealthier over the course of the boom years. America's charities had not. Americans, the *New York Times* reported at century's end, were actually giving "to all forms of philanthropy" at a less, not a more, generous rate.[26]

That conclusion came out of data collected in 1999 by the Independent Sector, a coalition of philanthropic organizations. *Total* giving may have been rising, the Independent Sector data documented, but giving *rates* were actually dropping. In 1998, for instance, American households contributed 2.1 percent of their incomes to charity. A decade earlier, by comparison, American households had given away to charities 2.5 percent of their incomes.[27] Giving, as a percentage of income, had actually been falling for years. In 1960, sociologist Robert Putnam pointed out, Americans donated to charity "about $1 for every $2" they spent on recreation. Americans, in 1997, gave away less than fifty cents for every $2 spent on leisure.[28]

How could the economy be booming and giving rates dropping? Those benefiting the most from the boom, observers started pointing out midway through the 1990s, just did not seem to be in a giving mood.

"The real problem," conservative columnist James Glassman charged in 1996, "lies squarely with the upper brackets."[29]

Between 1980 and 1991, a *Wall Street Journal* commentary had noted the year before, the incomes of people earning more than $1 million a year had soared by about 80 percent, after adjusting for inflation. Over these same years, the average charitable contributions out of the million-plus crowd dropped 57 percent.[30] Over twenty thousand households with incomes more than $500,000, sociologist Andrew Hacker added in a 1995 analysis, did not list a single charitable deduction on their tax returns.[31]

What were all these wealthy households waiting for? The hereafter? Apparently not.

"By one count," the *Economist* reported in 1998, "eight in ten Americans earning more than $1 million a year leave nothing to charity in their wills."[32]

Some observers blamed the high-tech new rich for the absence of generosity in deep-pocket circles. A 1999 survey, conducted by the Community Foundation of Silicon Valley, "found that 45 percent of the wealthiest contributors in the region give just $2,000 or less a year to charity" — and 6 percent "give nothing at all.[33]

One long-time local big giver, the seventy-six-year-old Leonard Ely, faulted Silicon Valley's young whippersnappers for this dismal philanthropic performance.

"They're all millionaires and billionaires by the time they're 30," Ely growled in an interview. "Look," he recalled one wealthy whippersnapper telling him, "I don't have my Ferrari and my place in Tahoe, and you're telling me I should give money away?"[34]

But Silicon Valley's young fortune-makers weren't the only fakers on the corporate scene come giving time. Mature, sober, respected captains of industry could be equally closefisted. Among these less than generous captains of industry: Dick Cheney, George W. Bush's choice for the nation's second-highest office. As a corporate executive in the 1990s, Cheney donated a microscopic 1.01 percent of his $20.7 million income to charity. Reporters revealed this embarrassing little fact during the 2000 Presidential campaign, and an angry Cheney immediately charged that the press numbers shortchanged his actual giving. His charitable contribution total should be adjusted, Cheney claimed, to include the $89,500 in speaking fees he had earmarked directly to charity and the $143,820 his company shelled out in contributions to match his personal giving. Reporters did the quick math. Adding these additional donations brought Cheney's giving rate up to all of 2.14 percent.[35]

Some mature, sober, respected captains of industry, to be sure, did not follow Cheney's parsimonious lead. In Los Angeles, the admirers of the awfully affluent could point proudly to their own local $6 billion man, the homebuilding and life insurance magnate, Eli Broad. In 1999, Broad put $100 million into education. In 2000, he upped his total charitable giving to over $137 million.[36]

"If he were emulated by other rich people," Jill Stewart, a local political columnist, wished out loud, "my God, we'd have a truly great society."[37]

But Eli Broad, as generous as his giving appeared, hardly deserved this sort of unabashed adulation. Even headline-grabbing donors like Eli Broad, truth be told, were giving "far less to charity than they should — or could."[38]

One wealthy man spent the twentieth century's last decade working tirelessly to get that message across. He failed.

CLAUDE ROSENBERG, IN THE 1990S, was a man on a mission. America's wealthiest families, he was convinced, could easily afford to give far more to charity than they were actually giving. Why weren't wealthy people giving more? No one who knew how wealth works, Rosenberg believed, had ever told the wealthy how much they could comfortably afford to give. He would.

Rosenberg expected the rich would listen. He was, after all, no crackpot. Over four decades, Rosenberg had forged an admirable reputation in investing circles. He had built up, at J. Barth & Co., the largest regional investment research operation in America. He had authored five books on finance, including one classic, *Stock Market Primer*, that went on to sell over half a million copies. He had founded two successful investment companies. One eventually managed over $60 billion in assets.[39]

These business triumphs had, naturally enough, generated a substantial personal fortune for Rosenberg, a fortune he went on to share generously with his family foundation. By century's end, the Rosenberg family foundation had amassed $32 million in assets.[40]

With this exemplary background, Claude Rosenberg felt he could speak about fortunes and philanthropy with as much credibility as anyone. And the frustrated Rosenberg had plenty to say. Over the years, to help his favorite charities solicit contributions, Rosenberg had often approached acquaintances with substantial fortunes. He had expected suitably substantial checks. These checks didn't come.

"I was disappointed, even angry, that people I knew were giving little compared to their estimated wealth," Rosenberg would later note.[41]

Wealthy people, Rosenberg eventually concluded, were basing their giving decisions on their annual income, not on the combination of that income and their already accumulated wealth.[42] If the wealthy took this wealth into account, not just their incomes, they would realize that they could afford to contribute far more to charitable causes.[43]

In fact, Rosenberg's calculations revealed, if America's most fortunate took their already accumulated wealth into account, they could increase their annual giving enormously and still end up each year richer than when they started.

Just how enormously? In 1991, the over fifty thousand Americans who made over $1 million for the year contributed, on average, a modest $87,000 a year to charity. These wealthy Americans, Rosenberg's data showed, could have upped their contributions to charity by ten times and still ended the year with more wealth to their names than when the year opened.[44] And if all these wealthy families had, in 1991, boosted their giving tenfold, America's charities would have received an astonishing $40 billion more in charitable contributions than they actually did![45]

Rosenberg explained all this, patiently and clearly, in a 1994 book, *Wealthy and Wise: How You and America Can Get the Most Out of Your Giving*. A few years later, in 1998, he would found an advocacy and research organization, the NewTithing Group, to spread the book's message. This new group would quickly pick up a host of celebrity endorsements, with notables from mutual fund wizard Peter Lynch to former President Jimmy Carter saluting the effort.[46]

"Our main point is that generosity has been based too much on income," Rosenberg would point out at every opportunity. "With capital for many people being so much larger than income, there is enormous untapped capacity to give."[47]

Rosenberg did everything he could, as the 1990s moved along, to help affluent families better understand their "untapped capacity." His NewTithing Web site would even offer a charitable capacity calculator.[48] Wealthy families, the calculator exercises demonstrated, could live normally, in the lifestyle to which they had become accustomed, and still, at the same time, significantly increase their giving.

Rosenberg would also appeal, throughout his tireless outreach efforts, to the hopes and dreams of his target audiences.

"I am trying to convince people, especially wealthy people, that it is very much in their interest to give away much more and to create a society where they can live safer, happier, better lives," Rosenberg told one reporter. "They just need to change how they think about how much they can afford to give."[49]

And if the wealthy didn't do that rethinking, Rosenberg warned, then darker days would surely be ahead.

"America's lopsided distribution of resources could one day result in heavier taxation of the wealthy," he cautioned. "And in difficult economic times, growing inequality could lead to more frequent threats of violence and even destruction of property aimed at the affluent."[50]

By the end of the 1990s, no single individual could have possibly done more than Claude Rosenberg to convince affluent Americans to up their charitable contributions. His ideas had been featured in the *Wall Street Journal* and a host of other major publications. He had delivered speeches coast to coast. He had even pushed his cause out into cyberspace.

The wealthy, for their part, didn't push back. They simply, as a group, ignored Rosenberg's message. Almost completely.

In the 2000 tax year, according to data NewTithing released in 2002, Americans as a whole gave about $150 billion to charity. They could have actually afforded to give, without losing any net worth, more than twice that amount, $320 billion in all.

The bulk of that extra $170 billion that could have been given — but wasn't — should have been given by America's wealthiest households, those households making at least $1 million for the year. These households each gave, on average, only $122,940 to charity in 2000.[51] They could have given nearly ten times that amount, $1,031,000 to be exact, and still not lost a cent off their net worth.

In all, households that made over $1 million in 2000 could have that year afforded to give over $128 billion more to charity than they actually did.[52] In 1991, by comparison, the superwealthy could only have easily afforded to give $40 billion more than they did.

So what had Claude Rosenberg's valiant campaign accomplished? Wealthy Americans, after years of exposure to NewTithing proselytizing, were most probably wiser about their wealth. But they were not the least bit more generous.

CLAUDE ROSENBERG AND HIS FELLOW RESEARCHERS at the NewTithing Group, in the course of their work, pumped out a steady stream of data that reinforced their main thesis, that wealthy Americans could painlessly afford to significantly increase their charitable giving. But NewTithing's data also documented another, equally important reality. Wealthy people, the data showed, are less generous with their dollars than low- and middle-income Americans — and the wealthier families become, the less they give, as a share of their income and wealth.

In 2000, for instance, average households at each income level below $100,000 contributed, according to NewTithing's calculations, every dollar they could comfortably afford to give. They, in effect, "maxed out" on their charitable contributions, as measured against the NewTithing standard.

America's more affluent households did not come anywhere close to maxing out. Those households that earned between $100,000 and $200,000 in 2000, for instance, gave to charity only 70 percent of what they could have comfortably afforded to give.

But these households making between $100,000 and $200,000 were veritable Mother Theresas compared to families higher up on America's economic ladder. In 2000, households making between $200,000 and $500,000 a year gave away to charity just 36 percent of what they could comfortably have afforded — and those that reported income between $500,000 and $1 million gave a mere 21 percent.

And what about the top, those families earning over $1 million a year? Households at this loftiest level gave away only 12 percent of what they could have given without crimping their lifestyle or shrinking their net worth.[53]

In these numbers, a profound lesson: The more wealth concentrates, the fewer the dollars that make their way to good causes.

Over recent years, other researchers have documented the same dynamic. One 1996 study, commissioned by Independent Sector, found that Americans earning less than $10,000 a year in 1995 gave a higher proportion of their pretax incomes to charity than households earning more than $100,000, by a 4.3 percent to 3.4 percent margin.[54] About the same time, British researchers compared the charitable giving rates of the nation's five hundred richest donors with the giving rates of modest suburban families. The suburbanites gave at a rate "three times higher" than England's wealthiest donors.[55]

In 2003, new research would dramatically deepen our understanding of exactly who gives what. The researchers behind this new work, published by the *Chronicle of Philanthropy*, had sifted through itemized tax returns filed for 1997, the only year with tax data then available by zip code. From these returns, the researchers computed "discretionary income" totals, by subtracting household expenses for housing, food, and taxes from total incomes. The researchers then calculated, for taxpayers who had earned at least $50,000, charitable giving as a percentage of discretionary income.

The result? In state after state, county after county, taxpayers in wealthy communities gave less of their income to charities than taxpayers in poorer communities.

In the Washington, D.C. metro area, residents of Fairfax County, the nation's most affluent county, gave 6.3 percent of their discretionary income to charity. Residents of Prince George's County, the least wealthy of Washington's large jurisdictions, gave 16.7 percent of their discretionary incomes to charitable groups.[56]

In California, Marin County residents claimed more discretionary income than residents from any other major local jurisdiction. But the county, the *Chronicle of Philanthropy* found, ranked next to last in share of income devoted to charity. Marin County residents gave away only 6.5 percent of their discretionary incomes.[57] California's most generous spot? That appeared to be Solano County, where local residents donated 12.4 percent of their discretionary incomes to charity. These Solano County residents had fewer discretionary dollars than the residents of any other county in California.[58]

In Texas, residents of the state's most affluent jurisdiction, Collin County, outside Dallas, donated 6.5 percent of their discretionary incomes to charity. Only one jurisdiction in Texas donated at a stingier rate. Residents of the much poorer Johnson County donated nearly twice as much, 12.5 percent, as their wealthy Collin County brethren.[59]

Numbers like these tell us a great deal about out of whose pockets charitable contributions come. But they don't tell us where charitable contributions go — and that's information we need to know, in the final analysis, before we can make any reasonable judgment about the importance of the charitable contributions that wealthy people make.

Wealthy people, for instance, might do a better job targeting their contributions to the truly needy than average donors. If this were the case, then America's concentrated wealth would still be cause for celebration, even if less affluent Americans donate more of their incomes to charity than wealthy people do. But this is not the case. America's wealthy, as a group, aren't just less generous than average Americans. America's wealthy are also less likely, with the donations they do make, to help needy people.

"It's a mistake to believe that the wealthy are contributing mainly to causes that help the poor," as Teresa Odendahl, the director of the National Network of Grantmakers, told *American Benefactor* magazine in 1997. "The majority of their money goes to their churches, their universities and schools, and to the arts — these are nonprofit organizations that serve them."[60]

Slate, the online magazine, helped drive home the same conclusion after the magazine started compiling annual lists of America's biggest donors. The listings helped show "that when wealthy Americans give, they tend to give to universities, medical research centers, and cultural institutions — not organizations to help the poor."[61] On one annual *Slate* biggest donor list, not a single top donor "gave money to provide for social-welfare services, such as homeless shelters."[62]

Wealthy people typically devote their charitable energies to the good causes that make them feel most at home. At the end of 1998, for instance, Eckhard Pfeiffer, the CEO of Texas-based Compaq Computer, sat on the boards of four nonprofits: the Houston Symphony, the M. D. Anderson Cancer Center in Houston, Southern Methodist University, and the Greater Houston Partnership, that city's leading advocate for the business community. Pfeiffer had personally taken in pay and stock options worth $192.5 million the previous year. His company, that same year, made charitable contributions that totaled all of $4.2 million.[63]

Pfeiffer by no means stood alone. His fellow elite CEOs, in the boom years of the 1990s, exhibited the same philanthropic priorities and proclivities.

"These guys cut the wages, cut the health benefits, raid the pension funds, eliminate the jobs and pocket all the profits," thundered *New York Observer* columnist Nicholas Von Hoffman. "They share nothing, they give nothing away except to the cancer clinics they go to, the colleges they send their kids to and the business schools they get their junior henchpersons from. The museums they do favor have been turned into annexes where they throw their private parties."[64]

BY THE END OF THE 1990S, two decades of unshared prosperity had left America's wealth concentrated in the pockets of men like Eckhard Pfeiffer. These same years had left the United States less, not more, charitably inclined to those who needed charity the most.[65]

In 1998, out of all the dollars donated to nonprofits, fewer than one in ten, only 9.2 percent, went to groups dedicated to providing basic human services, according to Indiana University's Center on Philanthropy. In 1970, by comparison, Americans gave to human service charities at a rate more than 50 percent higher.[66]

Why the difference? Americans, back in 1970, lived in a society where wealth had not yet concentrated in prodigious piles. Middle-income people controlled a much greater share of the nation's assets and income in 1970 than in 1998, and America's charitable giving patterns in 1970 reflected this greater middle-income influence. By century's end, with wealth considerably more concentrated, America's most fortunate had come to set the philanthropic tone. Our nation's increasing insensitivity reflected their dominance.

Back in 1931, after the Roaring Twenties, another time of unshared prosperity, America's wealthy also set our nation's philanthropic tone. In that year, with the Great Depression well under way, the governor of Pennsylvania came before Andrew Mellon, the then U.S. secretary of the treasury and, in his own right, one of the nation's richest men. The governor had a desperate request. Would Secretary Mellon, he asked, be willing to make a $1 million *personal* loan to help Pennsylvania meet its "welfare needs"?

Secretary Mellon, the history books tell us, never did make that personal loan to Pennsylvania. But he did proudly show the good governor his latest art purchase, a grand master painting that had set Mellon back $1.7 million.[67] Secretary Mellon, in one of the greatest philanthropic gestures in American history, would later donate that painting and the rest of his magnificent art collection to the nation. The National Gallery of Art, in Washington, D.C., today testifies to his generosity.

So maybe we shouldn't get so cross with the wealthy. At giving time, they might not dig down as deep in their pockets as the rest of us. And their philanthropy might not show much in the way of compassion for the less fortunate. But wealthy people sure do appreciate the finer things in life. Without their commitment to the arts, and the fortunes they invest in art, where would our culture be?

Where indeed.