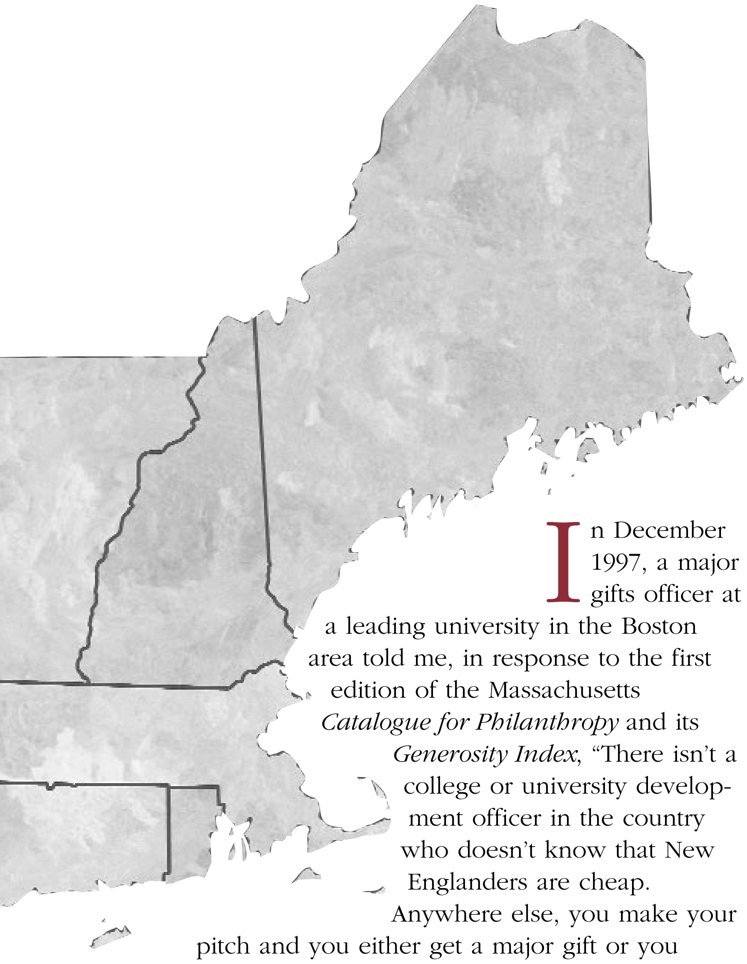
A New England Renaissance?

CHANGING THE REGION'S CULTURE OF PHILANTHROPY

George McCully



In December 1997, a major gifts officer at a leading university in the Boston area told me, in response to the first edition of the Massachusetts *Catalogue for Philanthropy* and its *Generosity Index*, "There isn't a college or university development officer in the country who doesn't know that New Englanders are cheap. Anywhere else, you make your pitch and you either get a major gift or you don't. Here in New England, if you're lucky, they'll give you a thousand bucks and think they've done their job. So you're onto something big, but it isn't going to change overnight; and I urge you to stick with it and not give up."

The *Catalogue* is a collaborative project of Massachusetts grantmakers, donors, fundraisers and charities established to promote charitable giving. The *Generosity Index* was conceived to help clarify the significance of annual federal data on itemized charitable deductions. Alone, the deductions, even when averaged, are meaningless, because levels of giving for an entire state or income group may vary for many different reasons—such as available income, investment assets, distribution of wealth and cost of living. Nor does it help to compare average deductions directly with average adjusted gross incomes, because only one in four taxpayers itemizes charitable deductions, and we don't know the incomes of either itemizers or non-itemizers. These gaps and fallacies have impeded strategizing in philanthropy.

Lacking any alternative, we decided to compare each state's and each income group's national rank in average adjusted gross income, or *having*, with its national rank in average deductions, or *giving*. This yields a plus or minus number—*plus* if the group is ranked higher in giving than having, *minus* if it is ranked lower in giving than having. The *Generosity Index,* in turn, is a ranking of those plus or minus numbers.

Named with a bit of irony and intended more for education than science, the *Generosity Index* has acquired a life of its own nationwide. But what does it tell us?

First, it suggests that we have no national culture of charitable giving. If all Americans were equally generous in giving in relation to having, they would have equal scores on the *Index*; if they gave consistently in relation primarily to their incomes, that equal score would be zero—that is, there would be no difference between their ranks in having and in giving. But in fact, there is a wide variation—an 85-point spread—between the highest and lowest scores.

Second, our charitable giving evidently is not related to income at all. The average state has a 20-point disparity between its ranks in having and giving.

Third, the relation between giving and income levels is strongly regional as illustrated by a map published in the August 1999 issue of *Governing* magazine. Using the 1997 generosity data, the national magazine color-coded 10-state groups: the top 10, second 10, third and so on. The map reveals clearly that contiguous states tend to share similar levels of generosity. Most generous are the Bible Belt and Utah, where generally low ranks in income combine with very high ranks in giving, encouraged by evangelical Protestant tithing and a strong sense of community. Next comes the great internal mass of the country—strongly Protestant, warmly communitarian and generous. Then comes the relatively wealthy northern Pacific Coast. And finally at the very bottom are the relatively wealthy, urban, secular, sophisticated states including New England, two Midwestern states (Minnesota and Wisconsin), two Middle-Atlantic states (Maryland and New Jersey) and Colorado.

The charts on page 33 profile each New England state's generosity for the state as a whole and among the top three income groups (which give the most) for the years 1991 through 1997. One purpose of the *Generosity Index* was to let lower-income states off the hook, so Vermont and Maine, which rank low in giving but also have low incomes, rise into line with the rest of the country. The other four states—Rhode Island, Connecticut, New Hampshire and Massachusetts—have consistently high average incomes and low average deductions, and therefore, low generosity. For the period as a whole, they ranked 47th, 48th, 49th and 50th, respectively. These numbers suggest a strongly distinctive New England regional identity in charitable giving as it relates to income.

Though more clearly documented than before, the story of New England's lagging generosity was not really news even when the *Catalogue* first published the *Index* in 1997. A year earlier, Tufts historian John Schneider wrote in CONNECTION of New England's "elusive philanthropic dollar." Schneider cited three previous articles in the *Chronicle of Philanthropy*, the sector's national newspaper, showing that New Englanders, and Bostonians in particular, give less of their relatively high incomes to charity. *The New England Nonprofit Quarterly* had also analyzed the *Chronicle* data and asked: "Just how much is it coincidence that basically every state in New England hit the bottom rung on donations? Is there a regional factor? A regional component to the solution?"

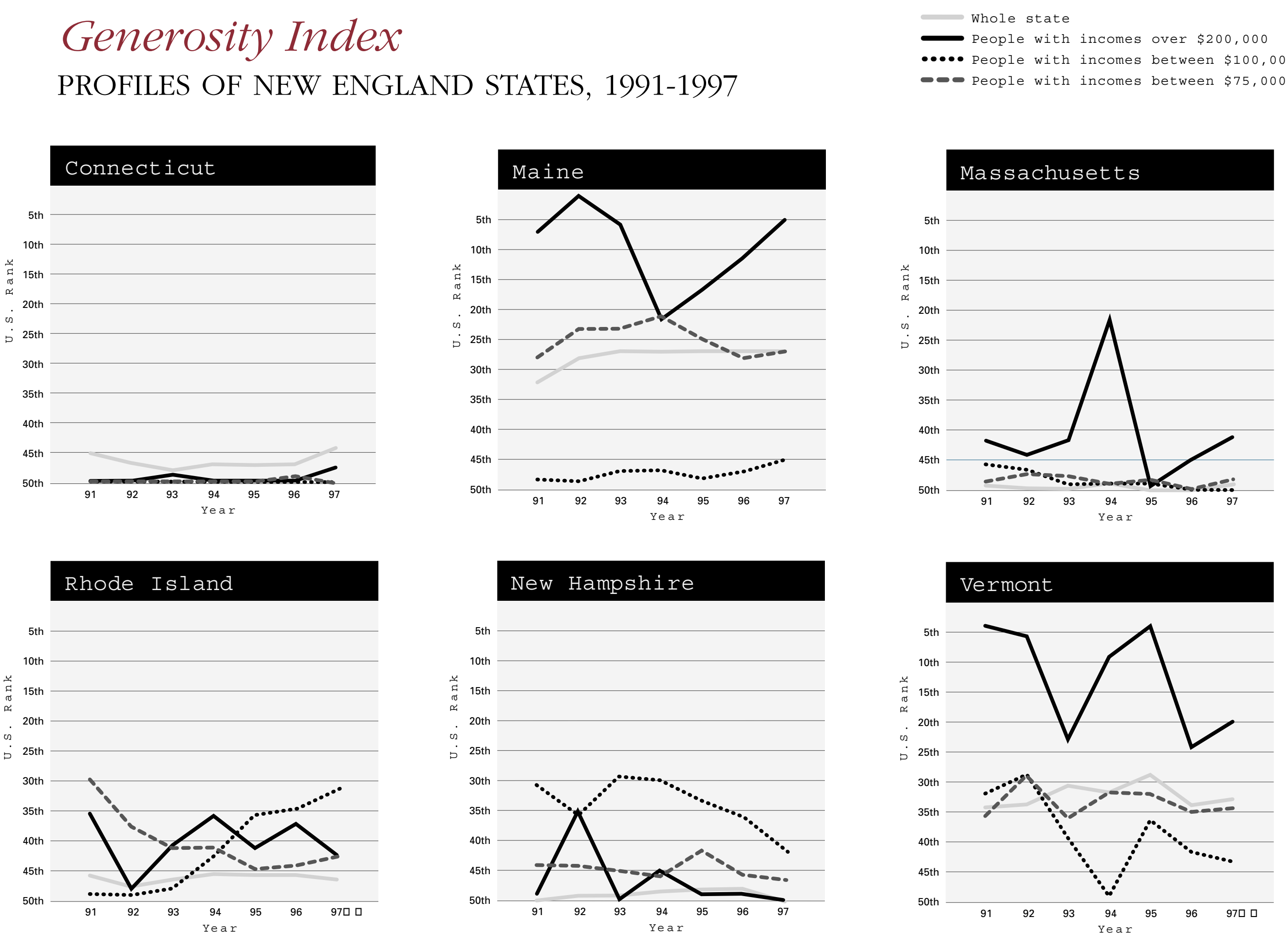
That article caught the attention of the Ellis L. Phillips Foundation, a small family foundation established in New York in 1930, now headquartered in Boston. The foundation's trustees asked what they might do to help ameliorate this situation, and came up with the *Catalogue for Philanthropy*, now in its third year. In 1997, during prime fundraising season, the *Catalogue* was mailed to more than 300,000 affluent households and professional offices in Massachusetts, to publicize the region's low levels of charitable giving and to showcase the philanthropic sector by profiling 100 of the best small-to-mid-size charities that the public never hears about.

Predictably, the Internal Revenue Service (IRS) data and attendant state rankings at first were greeted with denial: *They are misleading. Even if true, they are insignificant—we give in other ways, such as by volunteering. We pay taxes instead. Cost of living forces us to give less. We have a disproportionate number of Catholics (the lowest-giving religious group). We are better-educated and therefore do not respond so gullibly to the telemarketing and direct-mail appeals that drive charitable giving elsewhere. We Yankees are thrifty and individualistic, and what's wrong with that?*

Gradually, however, the weight of evidence (more than 821 million tax returns from 1991 to 1997) has produced consensus on two points: 1) New England and Massachusetts lag behind the rest of the country in

Generosity Index

PROFILES OF NEW ENGLAND STATES, 1991-1997



Americans could triple their giving without adversely affecting their lifestyles.

charitable giving in relation to income, and 2) we can well afford to give more.

National Scene

But we needn't think the rest of the country is doing so well. *Giving USA* reports that U.S. charitable giving has stood below 2 percent of gross domestic product and well below 2 percent of personal income for decades. The Newtithing Group in San Francisco has estimated that Americans could triple their giving without noticeably affecting their lifestyles. Why should we be satisfied that only one in four taxpayers itemizes charitable deductions or that only one in five estates worth over $1 million makes any charitable bequests at all? Philanthropy aside, this is not even good money management. The truth is that not only do we lack a national culture of philanthropy, but most Americans give at unjustifiably low levels and too often in response to superficial—and not infrequently fraudulent—manipulations by direct mail and telemarketing. There is plenty of room for improvement.

The major responsibility for this anemia in giving belongs to the philanthropic community itself. While it is true that the sector has been professionalized during these decades—and that internally perhaps has never worked better—we have done a poor job of teaching philanthropy.

One symptom of this is that almost no one knows what "philanthropy" means, and when it is explained, the general impression is negative. While preparing the first *Catalogue*, we asked people how they might respond to receiving such a publication in the mail. Everyone we asked said they would wonder if it was legitimate.

But this is philanthropy, I said.

Exactly. What do we know about philanthropy? Junk mail, junk telephone calls, annual editorials advising readers to 'Give, but give wisely' and stories of prosecutors chasing scoundrels.

Why the disconnect? First, a structural reason: more than 92 percent of charities have budgets below $2 million, and so are virtually invisible to the public. They cannot afford junk mail and telemarketing, and only a few of them can even afford professional fundraisers. The media pay them little attention. Second, a pedagogical reason: you can't teach or promote anything using negative and imprecise vocabulary, which is what we have tried to do in the case of philanthropy. If we describe philanthropy as giving to others in need through "nonprofit" organizations, is it any wonder people don't find it compelling?

Philanthropy Reconsidered

The truth is much more persuasive than that. The word *philanthropy* (from the Latin and Greek *philanthropia*: love of humankind, benevolence; combining *philos*, friendly, kind, and *anthropos*, human) entered common English usage in the 17th century as a synonym for "humanity" and "beneficence." Philanthropy became a characteristic ideal of the 18th-century Enlightenment and naturally took hold in America where a new nation was being built based on "private initiatives for public good, focusing on quality of life"—the *Catalogue's* locution, combining the two most conventional definitions used today.

Perhaps because historians of philanthropy have focused on its products as conventionally conceived—primarily social services—they have established that philanthropy flourished in early America, but missed the point of its importance to the nation's development. By focusing instead on the fundamental impulse behind philanthropy—*voluntary civic responsibility*—we can see it in a new light that not only explains the historic flowering but suggests a more significant future.

When the early settlers in America discovered that here, as nowhere else in the world, people could freely build whatever kind of society they wanted, they felt a tremendous exhilaration and set themselves enthusiastically to work. Voluntary associations for civic purposes endlessly multiplied, as de Tocqueville famously noticed. American philanthropy was a new way of life and an essential component of the developing American character.

In fact, most local problem-solving in America has been philanthropic. The essence of philanthropy may be summed up in the phrase: if something needs doing, do it. This applied to everything from barn-raising to the creation in 1636 of the first American private corporation—Harvard College—to train clergy for the Massachusetts Bay Colony. The American Revolution itself was essentially philanthropic. Sam Adams' appeal that "associations and combinations be everywhere set up," Paul Revere's ride, the Minutemen, the Revolutionary Army—all involved volunteers whose activities were funded by private donations. The Declaration of Independence was supremely philanthropic—purporting to do good for all humankind in a cause to which the founding fathers pledged as volunteers "our lives, our fortunes, and our sacred honor." The flowering of American literature in New England in the early 19th century—with Emerson, Hawthorne, Thoreau, Melville, Poe and Whitman—was philanthropic in the sense that it addressed public issues for the greater good of the nation. All of American religion, private education and secular reform movements—from anti-slavery through environmentalism—have been philanthropic. In short, America's quality of life is owed to philanthropy, which is why the low level of philanthropic giving is a serious public issue.

National Remedies

Today, America's global, high-tech economy, its unprecedented bull market, its concentration of great wealth in a few hands, and the allegedly unprecedented intergenerational transfer of wealth (estimated near $20 trillion over the next several decades) have combined to arouse a new interest in "promoting philanthropy."

In 1998, a National Initiative to Promote Philanthropy was launched by a group of leading foundations (Ford, Kellogg, Packard, Kauffman and others) investing up to $10 million over three years in national, regional, state and municipal projects to increase "organized philanthropy."

A critically important initiative in the donor education movement is the Newtithing Group, which has proposed that for high net-worth individuals and families, total investment assets—not annual income—should be the reference point in calculating how much one can afford to give each year to philanthropy. Claude Rosenberg, the retired investment manager who heads the Newtithing Group, calculates that an average taxpayer with income over $1 million has $21 million in investment assets and could easily afford to contribute that *entire* income to philanthropy with no sacrifice in lifestyle. The Newtithing Website (newtithing.org) features a "Calculator" into which people can plug their own numbers and come out with their affordable contributions under the Newtithing strategy. Newtithing estimates that Americans can afford to give roughly three times as much as they do currently, and that a $1.2 million annual contribution would actually cost only $760,000 if the donor took full advantage of the tax laws—in particular, transfer of appreciated securities, allowable up to 30 percent of adjusted gross income with full deductibility at the appreciated price and no capital gains tax.

Other national initiatives are being discussed. Both the *Catalogue* and a panelist at the White House Conference on Philanthropy have proposed designating Thanksgiving or the day after as National Philanthropy Day. Just as in the 20th century, almost everyone telephoned their mother on Mothers Day, in the 21st century, families might log onto the Internet on Thanksgiving weekend to make their annual charitable contributions. Others have recommended the regular inclusion of a brief overview of the state of philanthropy and the philanthropic sector nationally in the President's State of the Union Message and similar inclusions in every governor's state of the state address.

To teach what philanthropy is about, the *Catalogue* has proposed creating an annual publication, prospectively entitled *The Statistics of Income for Philanthropy*, which would feature relevant IRS data and present various analyses of those numbers such as the *Generosity Index* and Newtithing's *Affordability Index*.

New England Remedies

Many aspects of philanthropy are alive and well in New England. The region's well-developed "benefit sector" regularly generates models that are adapted nationwide. New England has unusually high percentages of volunteers and itemizers of charitable deductions, and the region's economy is strong.

But top income groups in the four lowest-ranking New England states can well afford to give more. This represents a great opportunity for the six-state region—indeed, one might simply invert the *Generosity Index* and call it the "Opportunity Index," indicating relative capacity to increase investment in quality of life through philanthropy.

How should we promote philanthropy? New England's philanthropic infrastructure is mainly organized along state lines, rather than *regionally.* Four of our six states have large statewide community foundations (Massachusetts has 13, Connecticut 19). Private foundations have statewide associations in Massachusetts, Connecticut and Maine. Five states have associations of charities (Massachusetts has several local groups). Fundraisers have statewide organizations in Massachusetts, Connecticut and Rhode Island. There are no donor associations. There are active state associations of attorneys, accountants, investment managers and other financial advisors, but no such regional groups.

Regionally, several institutions do or can provide significant support for promoting philanthropy. *The New England Nonprofit Quarterly* could be a powerful voice for the cause, but has yet to make that commitment. The New England Governors' Conference has been alert and hospitable to the philanthropic challenges and opportu-

Affordability Index

NEW ENGLAND STATES, 1997 (FOR TAXPAYERS WITH ADJUSTED GROSS INCOME OVER $200,000)

	Number of Tax Returns	Itemized Charitable Deductions Average	Affordable	Difference	Total $ Difference	% of Affordable	U.S. Rank of Fulfillment %
Maine	5,059	$18,600	$63,850	$45,250	$0.23 billion	29.1	15th
Rhode Island	5,764	$17,194	$65,005	$47,811	$0.28 billion	26.5	22nd
Massachusetts	61,926	$18,374	$71,064	$52,690	$3.26 billion	25.9	25th
Connecticut	47,192	$17,103	$86,830	$69,727	$3.29 billion	19.7	39th
Vermont	2,893	$16,331	$95,855	$79,524	$0.23 billion	17.0	44th
New Hampshire	8,373	$12,458	$80,644	$68,186	$0.57 billion	5.4	47th
					$7.86 billion		

Source: Newtithing Group.

An average taxpayer with income over $1 million has $21 million in investment assets and could easily afford to contribute that entire income to philanthropy with no sacrifice in lifestyle.

nities, and at their meeting next year will consider the role of public officials and governmental instruments in promoting "private initiatives for the public good focusing on quality of life." The New England Board of Higher Education, through CONNECTION and its strategically significant readership, has played a vital role in raising these issues for public discussion. Two national institutions successfully promoting philanthropy originated in New England: The Philanthropic Initiative, launched in Boston by Peter Karoff in 1989 to counsel potential donors of high net worth, and the Fidelity Charitable Gift Fund, which has in a short time become a major conduit of philanthropic funds. In addition, the *Catalogue for Philanthropy* is being replicated across the country.

The National Initiative directed two of its first 13 grants to New England—$300,000 to the *Connecticut Giving Project* and $300,000 to *Giving New England (GNE)*, which serves the other five states. Both grants are being supplemented by local funders.

The goal of *Giving New England* is nothing less than to change the regional culture of philanthropy—to raise giving to levels that correspond to the region's relative wealth. *GNE* over the next three years will help establish systems in each of the five states to promote philanthropy in perpetuity. Each state will have a task force to support collaborations among the various constituencies in philanthropy—donors, advisors, foundations, corporations, charities, fundraisers, journalists, scholars and even people needing help. A *GNE* Website (givingnewengland.org) will provide regional support to the state-based programs as a toolkit of philanthropic information and resources.

We already see evidence that philanthropy can indeed be promoted. After six years in which Massachusetts placed 50th four times and 49th twice on the *Generosity Index*, the Commonwealth moved up to 48th place in 1997. This is largely attributable to the top income group of 60,000 taxpayers, whose income rose by 5.5 percent and whose charitable giving rose by 19 percent. If we ask what happened in Massachusetts in 1997 that did not happen in New Jersey (49th) or New Hampshire (50th), one factor has to be that from September on, there was media discussion of Massachusetts giving, generated by the publication of the *Catalogue's Generosity Index*. It is possible that the difference was made by about 11,000 taxpayers who moved into the top group that year, having been leading donors in the second group (whose numbers stayed the same or declined slightly). If so, then these young, newly affluent people—many of them, high-tech entrepreneurs—are more generous than their predecessors in that top group, in which case New England philanthropy has a very bright future.

Make a Difference

Given that private investment in civil society is an American tradition, today's interest in "making the difference" through voluntary investments in quality of life signifies the rebirth of an impulse that helped mold this country. New England once exercised national leadership through philanthropy. We have the capacity to do it again.

Our fellow Americans annually prove that New Englanders, who have more to give, can well afford to give more—because those others, with less, do regularly give more and do not suffer from it. If New England were to raise its level of giving to the U.S. averages for our income groups, we would invest an additional $1.3 billion annually in quality of life. That would amount to having a new $26 billion foundation—the largest in the country—in New England.

New England's task is to use philanthropy to translate its economic gains into quality of life gains. Foundations can help by dedicating a small percentage of their annual grantmaking to support for "enlarging the pie" through *Giving New England* and related efforts in each state. It is in the interest of all educational institutions—universities, colleges and schools, libraries, arts councils, public forums of any kind and the media—to add the teaching of philanthropy to their various programs. Fundraisers can reposition themselves as advisors in philanthropy generally and not just advocates for their own institutions. A rising tide lifts all boats; we want to raise the tide.

New England may be entering another great period in its history. The region now enjoys unprecedented prosperity and a nationally distinguished philanthropic community. If we invest our surplus wealth in quality of life, we could create a "New England Renaissance," restoring this region to the kind of national leadership for which our ancestors are famous. Maybe then others would take interest in what we are doing today, rather than only in what our predecessors did—philanthropically, in fact—centuries ago.

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