



An Exceptional Nation

American Philanthropy is Different Because America Is Different

By Alexander C. Karp, Gary A. Tobin, and Aryeh K. Weinberg

Is it a coincidence one of the world's freest, most entrepreneurial, and most religious nations is also the world's most philanthropic nation? Americans donate like no other people, whether you look at total donations, per capita giving, size of gifts, or types of giving. And as our wealth increases, so does our generosity.

Two writers for England's *Economist* magazine just wrote a book about America's differences from the rest of the world, and one important difference they note is the way Americans give. After noting that we give far larger proportions of our income to charity, they write, "Crucially, Americans much prefer to give away their money themselves, rather than let their government do it.... This tradition of philanthropy encouraged America to tackle its social problems without building a European-style welfare state, and to embrace modernity without abandoning its traditions of voluntarism, decentralization and experiment."

Similarly, American philanthropist Daniel Rose observed last year that the French "are bemused to learn that American private charitable contributions this year will exceed \$200 billion, equal to about 10 percent of the total federal budget; that some 70 percent of U.S. households make charitable cash contributions; and that over half of all U.S. adults will volunteer an estimated 20 billion hours in charitable activities." Nor, Rose adds, are the French alone in their astonishment: "A recent German study reports that on a per capita basis, American citizens contribute to charity nearly seven times as much as their German counterparts and that about six times as many Americans as Germans do volunteer work."

In short, American philanthropy is extraordinary by any world standard, and the reason is that America herself is exceptional. Indeed, the term "American exceptionalism" was coined as far back as the 1830s, when the French political scientist Alexis de Tocqueville visited our young nation. He and others have recognized that America is not simply an outgrowth of European culture but a unique entity born of the desire for freedom and economic opportunity, the very same ideals that lead refugees to flock here today.

America is deeply rooted in traditions of personal freedom, entrepreneurship, and democratic institutions that protect individual rights. We maintain a strong belief in the free market and the rule of law, placing primary importance on the freedom to act rather than the need to restrain. We respect the individual and encourage decentralization in business, military, and government in order to allow individuals the maximum freedom to act. We are also an optimistic people, believing in possibility and progress and confident that individuals can make a difference in all spheres of life.

Religiosity is deeply embedded in our common life and within most Americans, which makes this land significantly more religious than its industrialized counterparts. Collectively, Americans hold an overwhelming belief in God, with 90 percent affirming God's existence.

We believe that these distinctive qualities—freedom, religiosity, entrepreneurship, and generosity—are mutually reinforcing in America, and that the unusual combination explains why philanthropy is perhaps the most exceptional thing about this exceptional land.

Religion, Individualism, and Wealth in America

American religiosity and individualism, naturally intertwined, create the foundation of American exceptionalism. The first Americans left the Old World to escape religious persecution and to seek economic opportunity. The New World developed a new way of life that would be deeply religious and also fiercely individualistic, with an unprecedented devotion to entrepreneurship. America offered the opportunity to better oneself. In this way, American religion and entrepreneurship began a deviation from the European norm that continues to this day.

Unlike the experience of most industrialized nations, American religiosity has remained strong as the country has modernized. Harvard political scientist Samuel Huntington has commented on the way "overwhelming majorities of Americans affirm religious beliefs." For instance, asked whether they believed in God, 92 percent said yes. Another set of polls found 57 to 65 percent say religion is very important in their lives, with an additional 23 to 27 percent say it is fairly important. Large proportions of Americans also appear to practice their religion. In recent years, about two-thirds have claimed membership in a church or synagogue. About 40 percent have said they attended a church or synagogue in the previous week; about 60 percent have said they prayed one or more times a day, with a further 20 percent saying they prayed once or more a week.

In much of the world, unfortunately, high levels of religiosity conflict with the development of secular institutions, but in America, our deep religious beliefs go hand in hand with flourishing secular institutions. America has developed a civic culture that successfully integrates religious principles while keeping religious institutions and government separate. Our religiosity does not supercede individual choice; rather, our individualism ensures and reinforces the practice of religion. Although we are firmly committed to the principle that we should not establish a state religion, our government is not free from religion and God-either in language or ritual. Our currency invokes God's name, and our Declaration of Independence insists that our unalienable rights are gifts of our "Creator." Freedom, in other words, is to be secured by our civic structures because it is a moral mandate from God.

The legitimacy of our secular institutions builds upon a direct relationship to our religious traditions. Robert Bellah, a sociologist at Berkeley, writes in his now famous essay "Civil Religion in America":

In American political theory, sovereignty rests, of course, with the people, but implicitly, and often explicitly, the ultimate sovereignty has been attributed to God. ...The will of the people is not itself the criterion of right and wrong. There is a higher criterion in terms of which this will can be judged; it is possible that the people may be wrong. The President's obligation extends to the higher criterion.

In sum, the Constitution and the President draw their moral authority from an affirmation of a religious moral order that binds all of us, whether or not some Americans reject the idea of an Almighty.

Philanthropy-a Tangible Expression of American Exceptionalism

A uniquely American respect for success lies at the heart of American philanthropy. It allows for wealth to be accumulated without excessive criticism and suspicion, while at the same time placing a moral obligation on the shoulders of the wealthy to reinvest in their society. This American approach to wealth is deeply ingrained in our culture. Even those who do not consider themselves "religious" have absorbed these values.

A number of Americans have been blessed with an ability to create wealth. All Americans are blessed that most of those wealth-creators believe they have a duty to give back. Andrew Carnegie famously declared, "The man who dies rich dies disgraced." John D. Rockefeller concurred, "The good Lord gave me the money, and how could I withhold it?" In other words, both the creation of wealth and its use are moral endeavors governed by moral rules-much like the civil religious structures that ultimately govern our political order.

In America, that obligation is religious-a duty to God or higher being-and a fundamental tenet of our Judeo-Christian beliefs. The obligation is also civic: a duty to the community, a norm of being a good citizen. These beliefs are themselves embedded in a rich Judeo-Christian tradition of giving. Jewish law put forward the need to tithe and take care of those in need, especially if one could help them become self-reliant. Charity was considered righteousness, an obligation. These tenets became established in Christian thought as well, and took new life in American civic culture.

Because American principles derive from a Judeo-Christian heritage, American society has provided opportunities for Jews to become exceptional examples of American exceptionalism. They have prospered in a free and open society, beneficiaries of protection from religious persecution and a great success story of American meritocracy. They have responded as one might expect to a society that has been so nurturing by giving back at levels that far exceed the 6 million (2.5 percent) of the American population that Jews compose. Thankful to both God and country, Jews have become a cornerstone of American philanthropy, a case study of a system that successfully builds upon itself. When people ask why the Jewish people in America are such good philanthropists, the answer is simple. While building on Jewish traditions of giving, they have wholeheartedly embraced American values. They have become exceptional Americans.

While the vast majority of gifts in America are to religious institutions, especially to local churches, synagogues, or mosques, our research shows that "mega-giving"-that is, gifts over \$10 million-is disproportionately secular. The common strain, however, is that in both areas of giving Americans are extraordinarily generous.

The virtues of American philanthropy

American philanthropy is anchored in three particularly American virtues: (1) individual choice, (2) entrepreneurial spirit, and (3) an appreciation for the limits of government.

Individual Choice. Individuals, and the groups they form voluntarily, have a moral responsibility to contribute to and improve society. Charity is a choice, and where and how one gives are up to each individual, but that one should give is deeply ingrained in our culture.

By contrast, the many interviews with the wealthy we have conducted abroad reveal that most Europeans do not feel a similar obligation to give. European philanthropists truly do not understand why they ought to give at the level of generosity that is thought appropriate by American standards. One foreign philanthropist asked us, "Why should I give a lot of money? This is not the responsibility of a private citizen."

Americans, on the other hand, see their individual success as built with the support of American ideals and institutions. Giving something back becomes an commitment to help others as one was helped. True, some Americans may succeed and not look back, but most philanthropists never forget where they came from. Most grew up poor or working class and do not abandon the memories of their parents and grandparents. Instead of saying, "I made it; tough luck for you," the vast majority of American philanthropists have told us that this great country helped "make me what I am," and "I want to help this great community help others." American exceptionalism is supported, not by blood or aristocracy, but by achievement, good will, and thankfulness.

An essential American quality, then, is the belief that an individual can make a difference. Americans possess unsinkable optimism and hope. They spend so much time and money attempting to make America a better place because they have a strong sense of a better future. Improvement and progress are part of the American ideal-moving forward always. One has to believe not only in the ability of the individual but also that the future is ours to mold. This is the essence of entrepreneurial energy.

Entrepreneurial Spirit. Americans embrace capitalism and entrepreneurialism and reward success. We hold dear the idea of promoting opportunity, bettering one's self and family. The American dream of prosperity through achievement is designed to be shared by all. We shape our philanthropy to help those in need, but also to educate, train, and encourage people to help themselves.

For both recipients and donors, the flexibility of American philanthropy and the strong belief in individual ability has opened a vast new range of formerly unthinkable possibilities for making a difference. Countless Americans have seized upon this opportunity to create tens of thousands of nonprofit organizations which are the charitable expressions of American entrepreneurialism and, in their teeming numbers, a stark example of exceptional charitable entrepreneurship.

Bill and Melinda Gates, for example, have personally led the drive to fund research and initiatives focused on global epidemics. In 2001 alone, the Bill and Melinda Gates Foundation donated just under \$55 million in mega-gifts to fight AIDS, primarily in Africa. Additionally, the Gates Foundation has donated another \$124 million to other global health issues. The idea of such a large, complex enterprise being led by the private philanthropic sector with little or no aid from the government is virtually unthinkable in other countries.

Our interviews with European philanthropists confirmed that the standard of giving for major philanthropists in Europe is significantly lower than in the United States. One of Germany's leading philanthropists, with a net worth of over 300 million Euros (about 360 million U.S. dollars), told us that he gives the initiative he holds most dear an annual contribution of 10,000 Euros (about 12,000 U.S. dollars). While no form of individual generosity should be minimized, in America this philanthropist would not be seen as either prominent or generous.

Limits of Government. In Europe, government is responsible for the kinds of support that are often left in America to a partnership between philanthropists and the public sector. European philanthropists tend to see nothing wrong with the notion that helping individuals should be almost exclusively the duty of government, whereas most Americans, and especially philanthropists, strongly endorse the role of private donations in caring for the needy. Numerous European philanthropists, when asked about the way their American counterparts address human needs, protested: "But that is the function of the government."

In America, our philanthropic system is thoroughly entwined with our devotion to democracy on the one hand and our beliefs in limits on government on the other. We recognize the need for government to take the lead where defense, the judicial system, and general governance are concerned. But as Francie Ostrower found when she conducted a series of interviews with major philanthropists, American donors don't think that means they have no responsibility toward their

fellow citizens:

It would be hard to find a set of issues that elicit such uniform and impassioned comments as those concerning government and philanthropy. For instance, donors emphatically rejected a hypothetical proposal that would eliminate the tax incentive for giving, and have government use the increased revenue to support the types of cultural and welfare activities that have benefited from philanthropy. Virtually everyone (90.4 percent) expressed opposition, adding such comments as, "I'd absolutely hate that," "that would be awful," "I think it would be sad," and "that's socialism." One woman exclaimed, "If I wanted to live that way, I'd move to Sweden!"

These donors aren't opposed to helping the needy; they just don't think that providing such help is entirely the government's responsibility, and they don't believe government is very effective. As one philanthropist put it to Ostrower, "Between the red tape and all the rest of it...it just goes through too many people, too many committees, too many-too many everything! And when it does, it's not too great. I'm against it." Still another observed that when government administers a program, "You have to wait so long to get anything done, that nothing ever gets done."

This American skepticism about big, centralized government, and the resulting belief in the value of decentralization, is borne out in our giving. Following the attacks of September 11, Americans did not wait for the government to begin providing aid to victims. Individual Americans donated "a record \$1.4 billion to 240 separate terror related nonprofits. In just ten weeks, 60 percent of American adults contributed something, regardless of income," Newsweek reported. New groups such as the September 11th Foundation were quickly created and existing ones such as the Red Cross set up special funds. Americans did not see disaster relief as solely the government's task. They felt a personal responsibility to aid the victims and acted on it. Nothing comparable occurred in Spain after Madrid was attacked.

Many institutions that, in other advanced countries, are almost exclusively government funded, such as hospitals and colleges, are routinely dependent upon the private sector in America. Health in America receives only 41 percent of its revenues from the government, compared to 80 percent in France, 91 percent in the Netherlands, 94 percent in Germany, and 81 percent in Belgium. Americans donate over \$13.5 billion compared to under \$2.5 billion in France and under \$275 million in the Netherlands (0 percent of health-sector revenue comes from philanthropic dollars in Germany).

Rather than tax and distribute, Americans prefer to achieve and give. We do not deny the government any role in education, health, or care for the elderly, but we are unwilling to turn these areas over wholesale to the public sector. Our democratic intentions reflect the majority's will to handle as many of society's needs as possible through our generosity, while recognizing the appropriate role of government as well.

Philanthropy as Seen Through the Prism of Givers

We can examine the American difference in philanthropy through a number of lenses-how much Americans give away compared to other western societies, what we give to, our vast system of nonprofits, and so on. All are useful. We can also learn about American exceptionalism in philanthropy from the philanthropists themselves. Over the past few years we have interviewed hundreds of major philanthropists throughout the United States. Their words tell a vivid story.

American philanthropists will often say that they owe their wealth to good luck. They never dismiss the role of hard work, dedication, and entrepreneurial skill, but they also know that many people work as hard as they do, take risks, and have great ideas. Business people who are philanthropists recognize that they were at the "right place at the right time." While some would call it luck, others call it fate or providence. Most successful Americans see in their life paths an intersection of individualism and faith. They believe in both one's own abilities and in a power beyond the individual. As a result, most philanthropists are both proud and humble, and profoundly grateful for their economic well-being.

In addition to individual ability and providence, the opportunity and support found in American society play a key role in wealth-creation and explain why philanthropists often say, "I want to give something back." American exceptionalism embodies the desire to nurture the society that gives all of us a chance to better ourselves. Almost all those who make it in American society understand that the class of their birth did not hold them back and that the religion they practiced did not close off opportunities.

It is also common to hear philanthropists say they "want to make a difference." They want to improve the quality of life, help an institution fulfill its mission, or fundamentally change a person, a group, or even society as a whole. Embedded in the desire to make a difference is the belief that one individual can make a difference. What the philanthropist does matters. The same spirit that drives entrepreneurialism-the expansive sense of possibility-characterizes the beliefs of many philanthropists.

Democracy teaches that any citizen can become a leader and each individual vote matters in the choice of our leaders.

And just as individual choice and actions matter in our political system, so they do also in our philanthropy. Any person can make a difference through existing programs and institutions, or, if a new need is seen, by creating a new program or institution.

The real world in which philanthropy happens is, of course, imperfect. Individual choice means just that. Our research demonstrates, for example, that some large gifts go to private universities which already enjoy huge endowments, while the vast majority of students attend public institutions. Some areas of need may be under-funded by philanthropists, because there is not always a perfect match between the donor's giving choice and societal needs.

But cynics are wrong to contend that people only give to receive recognition-to have their name on a building or a program-or to make themselves look good or feel better. Other misguided explanations of American giving include business reasons, social status reasons, and so on. Maybe these motivations apply to a few people most of the time and to more people some of the time, but these are not the reasons most people give, most of the time.

Above all, critics credit tax incentives for giving, but our philanthropic tradition long pre-dates tax incentives. Those incentives did not create our philanthropic impulses. Rather, we created the tax incentives to support our commitment to philanthropy. Daniel Rose agrees: "Gifts are deductible because Americans contribute and because our government, which regards the charitable world as its partner, wants to encourage private charitable giving." He adds that federal income taxes only became legal when the Constitution was amended in 1913 to permit them, and they only became "substantial" in 1935 when that year's Federal Tax Act passed. By that point, for example, Harvard already enjoyed a multimillion-dollar endowment.

Room to Grow

The system of American philanthropy and American philanthropists are unlike any in the world. Here, giving is a civic responsibility, embedded in a set of religious values grounded in a Judeo-Christian culture. American philanthropy includes ten of millions of contributors and a vast network of organizations dedicated to the improvement of American life. Philanthropy touches every aspect of our lives - education, health, the environment and public affairs.

In the spirit of American exceptionalism, we believe that the system, as good as it is, can always do better. How do philanthropists ensure that their contributions are used most efficiently? How can we avoid funding duplicative projects? How can we ensure that society's needs and philanthropists' choices of donations fit together? How can individual Americans support government efforts to provide security in times of great threat?

As Americans strive to be better citizens, entrepreneurs, and parents, we also want to be the best philanthropists possible. We demand from ourselves that we be exceptional philanthropists: creative, knowledgeable, deliberate, thoughtful, and effective. Fortunately, with the spirit of democracy and freedom we enjoy in this land, we expect can be that tomorrow's giving can surpass even yesterday's exceptional good works.

Alexander C. Karp, Gary A. Tobin, and Aryeh K. Weinberg are, respectively, senior research associate, president, and research associate at the Institute for Jewish and Community Research, and authors of *Mega-Gifts in American Philanthropy: General and Jewish Giving Patterns Between 1995-2000*.