

Why Do Rich People Give?**Beth Breeze, University of Kent**

Try asking the next three people you meet: “why do you think rich people give to charity?”, and it’s a safe bet that at least one or two will say something like: “they’re trying to avoid paying tax aren’t they?”

Tax reliefs on charitable donations do make the price of giving cheaper – if you don’t pay tax, it costs £1 to donate £1, whereas a lower-rate tax payer need only pay 80p for the charity to end up with £1, and a donation of the same size costs a higher rate tax payer just 60p. But in all cases the donor is still ‘down’ on the deal – tax reliefs reduce the price of giving but there’s no legal means of enriching yourself through philanthropy.

So why do so many of us jump to cynical conclusions about the motivations of donors?

One clue lies in the fact that the ‘dodgy donor’ label is exclusively applied to wealthier people. When ordinary people contribute to Comic Relief or set up a direct debit to a favoured cause, they can expect a positive reaction because generosity is generally viewed as a desirable trait. But once a few zeros are added onto the size of a donation, there’s a clear shift from ‘well done mate’ to ‘what’s your game?’ The reason for this shift in our perception of different types of donors, as well as broader questions about how, why and to what causes rich people give, has been the focus of my research for the past decade.

This article shares some of what I’ve learnt so far: it describes the key drivers of philanthropy, presents data on the attitudes of wealthy donors to charity tax breaks, and argues that popular misconceptions regarding the motives of rich donors are related to cultural attitudes in the UK regarding wealth, and displays of wealth.

But before diving into the data, it is worth noting how making a donation differs from paying tax, not least because in our mixed economy of welfare, the same institutions - such as hospitals, theatres and state schools – are in receipt of income from both donors and the public purse. The key difference from the point of view of the donor or the taxpayer is freedom. People have no choice about paying tax; they are told how much to pay, and they have no meaningful control over what it is spent on. In contrast, donating is a voluntary act. The freedom to distribute as much as one wants, to whatever one chooses, is what distinguishes giving from paying tax.

Donor control means that giving is supply-led, rather than demand-driven. My [research into how donors choose charities](#) shows that, despite popular beliefs that charitable giving should be directed primarily to the needy, donors choose causes with which they have a personal connection, that relate to their own life experiences, and that help people with whom they feel some affinity.

This finding applies to donors of all wealth levels, and helps explain why much giving can be characterized as the recycling of resources within groups (including class groups, interest groups and geographic groups), rather than donations travelling a long distance across social space, from those who have the greatest capacity to give, to those who are most in need of help. Philanthropy has a minimal impact on redistribution because it is largely taste-driven, not needs-driven.

I recently completed a ten year update of a study of very wealthy UK donors, which surveys and interviews people with a net wealth of around £10 million, often far more – and whose annual donations are around £300,000 – again, often much more (Breeze and Lloyd 2013). Within this sample we tested what is known about why people give, and find that rich donors give for very similar reasons to the rest of us: because they have a personal passion for, or connection to, a cause and derive immense satisfaction from doing something constructive to tackle a problem or make something better.

We also found that the availability of tax breaks is not viewed as a major driver of their giving decisions, but that is not to say they are unimportant. The existence of such reliefs signals that philanthropy is a socially approved act, supported by government and the general population, and it is also important because it makes donors' money go further. It is uncontroversial that 'getting more for less' is motivating: seeing a £600,000 gift become a 'million pound donation' is undeniably appealing, but no one I have interviewed believes this 'deal' was the driver behind their original decisions to give, as these quotes from interviewees show:

"Tax breaks do not make great philanthropists but they enable people to give more. Tax breaks are important but you need a philanthropic impulse as well. If you take away the tax incentive the amount of money going to charities would drop considerably."

"The fact is I would give anyway and I suppose it is the charities that get more money, because then [if there were no tax benefits] I would give the net amount that I think I can afford."

Widely-held assumptions that 'getting a tax break' is a key motivation for rich donors, who are then viewed in the same category as tax dodgers, were perceived as deeply offensive, and wrong on a number of levels, as explained by this interviewee:

"People dodging tax are not remotely connected to people giving money to charity. If you give £1 million to charity and you get £400,000 tax relief then you've 'lost' £600,000 of your own money... There's something magical about saying 'I'll give a million pounds' but it only costs £600,000. But at the end of the day, the end result is that £1 million has gone to charity."

In sum, and despite widespread public and media misconceptions to the contrary, tax reliefs are valued by rich donors primarily because they are of such value to the recipient charities, and because they enhance the satisfaction inherent in being philanthropic.

Tax breaks for charitable contributions hit the headlines in 2012 when the coalition government proposed in that year's Budget a limit (of £50,000 or 25% of income, whichever was higher) on the amount of charity tax relief that could be claimed, reversing the policy in place for over a decade of allowing the return of all tax paid on income given away as charitable donations. The resulting furore [united donors and recipient charities in a campaign](#) that was ultimately successful in seeing the proposal dropped ten weeks later.

Whilst the dust will no doubt settle on this incident, there are some useful enduring lessons, not least that rich donors are not 'in it' for the tax, but that tax is a useful tool for motivating bigger gifts and for ensuring philanthropists are receiving consistent messages from government that their actions are welcomed. As one of our interviewees, who had been angered by the proposal, noted:

"[Tax breaks] are part of signalling what the social norms should be, that's why it matters. [The tax cap proposal] was the wrong signal to give at a time when you're saying there needs to be more philanthropy."

The timing of this affair was indeed interesting. Given the current austerity measures being implemented by the government, despite protestations that philanthropy is not viewed as a replacement for public funding, ministers such as the-then Culture Secretary Jeremy Hunt have suggested that private giving can ['help create long-term financial sustainability'](#) for charitable organisations. Likewise, the prime minister David Cameron, in explicating his Big Society' agenda which includes a central role for private giving, has asked: ["if there are facilities that the state cannot afford to keep open, shouldn't we be trying to encourage communities to come forward and help them?"](#)

The use of the word 'communities' rather than 'donors' or 'philanthropists' in the prime minister's speech, is telling. There are occasions when members of a community club together to support a facility, but individual donors are the mainstay of voluntary income ([NCVO/CAF 2012](#)) and make the most donations worth £1 million pound or more ([Breeze 2012](#)), hence the need to invest in major donor fundraising efforts is viewed as key to growing UK philanthropy ([Sargeant and Shang 2011:12](#)).

So why avoid mentioning donors, and why be especially coy about noting the role that rich donors can – and do – play in funding good causes?

The problem lies in the fact of the donors' wealth, rather than whether they use it for good or ill. The existence, extent and impact of the new British 'super-rich' has

highlighted the habits and lifestyles of the wealthy, their disproportionate earnings, their luxurious consumption patterns and their allegedly minimal efforts to make a contribution to society (Lansley 2006; Dorling, Rigby et al. 2007; Orton and Rowlingson 2007; Toynbee and Walker 2008). The suggestion that there is a 'problem of riches' and a new category of the 'undeserving rich' reflects the strong opinions about the behaviour and morals of wealthy people, including philanthropists, which are now frequently held and expressed in the public domain.

The suggestion that philanthropy can be a solution to the 'problem of riches', as set out in the concept of '[philanthrocapitalism](#)' (Bishop & Green 2008), has some resonance with the wealthy, as illustrated in the idea that philanthropy helps donors to create a moral biography of wealth ([Schervish 2006](#)). Yet this study refers to philanthropists in the US, and many of its implications have yet to travel across the Atlantic.

In conclusion, the suggestion that the capitalist ethos is now severely lacking in public affirmation implies there is now newly fertile territory for philanthropy in the UK, because it offers a public demonstration of 'good spending' and may be extrapolated to denote a 'good life'. My work argues that contemporary UK philanthropy is therefore not just a financial transaction, it is about much more than money. In particular, it has transformative potential for donors, contributing to their identity work and their pursuit of modern standards of success.

Public representations of philanthropy, and public opinion about related issues such as the legitimacy of charity tax reliefs, are incoherent and contradictory because we are not comfortable about wealth making, we are unsure what status to give the wealthy and therefore we do not know how to characterise or assess the desirability of wealth-giving. This results in the current complex and confusing character of philanthropy in contemporary UK society.

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[Beth Breeze](#) is Director of the Centre for Philanthropy, at the University of Kent's School of Social Policy, Sociology and Social Research. Current projects include: a 3 year Leverhulme Early Career Fellowship to study the personal and social skills of fundraisers; ongoing updates of the annual Million Pound Donor Report, funded by Coutts Bank; and a study of giving circles and collaborative giving in the UK.