

# **Giving: The Next Generation – Parental Effects on Donations**

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## **Giving: The Next Generation - Parental Effects on Donations**

### **Abstract**

This paper provides a summary of what is known from social science research about the effects parents have on the donations of their children. It then goes on to summarize two on-going research projects. The first project provides estimates of the strength of the relationship between the charitable giving of parents and that of their adult children. The second provides estimates of the effect of inheritances on charitable donations. Both projects use data from the *Center on Philanthropy Panel Study* (COPPS); accordingly, the paper provides an introduction to these data. Finally, the paper draws implications for fundraisers from the two on-going projects, and suggests several other areas in which COPPS can generate knowledge to improve the practice of fundraising.

## **Giving: The Next Generation - Parental Effects on Donations**

### **1. Introduction**

At gatherings of philanthropic practitioners the question “How can parents most effectively encourage the development of their children’s philanthropic values?” is a sure-fire discussion starter. Most practitioners have formed opinions about this based on their family’s experience, the experiences of friends, and, perhaps, their professional experience providing advice to philanthropists who want to pass their values onto their children. Advice is also available from the many books on children and money (e.g., Gallo and Gallo 2002). During the December holidays, the *New York Times* runs features in which families describe how they are passing on philanthropic traditions to their children.

Attendees at this Symposium most likely are familiar with some or all of these sources of information. What may be less well-known is that social scientists also are interested in how helping behavior develops in children and, in particular, the role parents play in that development. Much of what is known about the development of children’s helping behavior comes from the developmental psychology literature. The first goal of this paper is to briefly review the results from that literature that are most relevant to philanthropic practitioners. These results are important, but also limited in that they deal with the helping and giving that children do in the years before they reach adulthood.

Philanthropic practitioners are, of course, ultimately interested in donations made during adulthood. However, much less is known about how parents affect the adulthood giving of their children because the data necessary to conduct nationally representative studies are extremely expensive to collect. There are two reasons for this: (1) data have to be collected from both parents and their adult children, and (2) a wide range of information must be collected.

The second goal of this paper is to introduce new data—the *Center on Philanthropy Panel Study* (COPPS)—which are advancing research on how parents affect the giving of their adult children. The expense of the first two years of data collection (2001 and 2003) in this project has been generously financed by The Atlantic Philanthropies. The data collection itself is a partnership between the Center on Philanthropy at Indiana University and the Survey Research Center at the University of Michigan.

The third and fourth goals of this paper are to briefly summarize the results from two research projects which use the COPPS data to investigate parental effects on children’s giving. The first—“The Intergenerational Transmission of Generosity”—estimates the relationship between the charitable giving of parents and their adult children. The results indicate that the association is strong. Moreover, the association is stronger for religious giving than for non-religious giving. The second project—“Inheritance and Charitable Donations”—asks whether donations are more strongly affected by income according to the source of that income. The main result is that non-inherited wealth has a stronger effect on donations than does inherited wealth.

Finally, we discuss the implications of these results for fundraisers. In addition, we describe how the COPPS data can be used to provide insight in several areas of central interest to fundraising.

## **2. Summary of Previous Research**

There is experimental evidence from developmental psychology that adults can increase the helping behavior of children through both modeling and verbal exhortations (see the reviews by Eisenberg and Fabes 1998 and Grusec 1991a). The ability of adult modelers to induce children’s

helping behavior is among the most robust experimental findings. Experimental findings concerning the effectiveness of types of verbal exhortations—authoritarian requirements (e.g., Israel and Brown 1979; cf. Perry, Bussey and Freiberg 1981); directive instructions (e.g., White and Burnam 1975 and Smith et al. 1983); and norm-based moral reasoning (e.g., see Bryan and Walbek 1970; Rushton 1975; cf. Eisenberg-Berg and Geisheker 1979)—are less uniform than the modeling results.

However, when verbal exhortations use other-oriented induction, most, though not all, experiments have found that they have a positive effect on children's donations (see, e.g., Dlugokinski and Firestone 1974, Grusec, Saas-Kortsak and Simutis 1978 and Eisenberg-Berg and Geisheker 1979; cf. Lipscomb, Bregman and McAllister 1983). Other-oriented induction involves reasoned explanations of why the child should help, where the reasons focus on the emotional state of the person being helped and how the help will benefit that person. A good example is "I really feel bad for people who don't have a home, and I want to do something that can make their lives a little easier" (Gallo and Gallo 2002, p. 173). Note that other-oriented induction provides children with direct instruction in the skill of perspective-taking and develops children's empathy with others. Furthermore, other-oriented induction may be even more effective within an overall context of authoritative parenting. In fact, authoritative parenting likely enhances many parental efforts to develop helping behavior in their children (it makes child internalization more likely, models caring in and of itself, facilitates reinforcement, and encourages children's competence and self-confidence; see Berk 2003, pp. 566-567).

In addition to modeling and verbal encouragement, there is evidence that the reinforcement of helping behavior through dispositional praise (i.e., attributing the child's helpfulness to his or her

helpful disposition) produces long term effects and even promotes additional types of helping behavior besides that which was initially praised (see, e.g., Gelfand et al. 1975, Grusec, Kuczynski, Rushton and Simutus 1978, Grusec and Redler 1980, Eisenberg et al. 1987, Mills and Grusec 1989).

Are there other things that parents can do? Parents can encourage helping behavior by providing their children with opportunities to help (Eisenberg 1990). In addition, it may be that chore assignment indirectly encourages broader helping behavior. For instance, Grusec, Goodnow and Cohen (1996) find evidence that older children (aged 12-14) who are expected to do chores which benefit the entire family, as opposed to just themselves, are more frequent spontaneous helpers, not only in spontaneous situations similar to their chores, but in more general situations of helping family members. See Eisenberg and Fabes (1998, p. 720) for a review of additional evidence.

Finally, the development of philanthropic behavior hinges on children's own experiences of being the recipient of care. There is evidence that empathy as well as prosocial behavior can appear as early as between ages one and two (Zahn-Waxler, Radke-Yarrow, Wagner and Chapman 1992) and that it is positively correlated with mothers' warmth, sensitivity, and responsiveness (Zahn-Waxler, Radke-Yarrow and King 1979). Moreover, parental care and warmth likely continue to influence the development of helping behavior throughout childhood and adolescence. Indeed, Chase-Lansdale, Wakschlag and Brooks-Gunn (1995) regard this as a central requirement for the development of caring in children because, they argue, children learn how to care by being the recipient of care. This point also emerges strongly in Wuthnow's (1995) study of teenage volunteers. In addition, social learning theory (Bandura 1977) applied to parental

modeling of helping suggests that children will more readily adopt the model if they have a close, warm attachment to the parent-modelers.

The implications of this research for parents wanting to develop the philanthropic behavior of their children are obvious and sensible. However, some very important questions remain unanswered. First, most of these research findings have been produced in experiments involving children and adult interveners (not the children's parents). However successful role modeling and these other techniques are in the laboratory, they may not be widely practiced in the home (Grusec 1991b). Second, we do not know whether these techniques produce effects which last into the adult lives of children. Third, the experimental results cannot be used to infer the strength of parental effects in helping behaviors that interest fundraisers and policy-makers, such as charitable giving. Even in matters where we may be convinced that these effects are strong—such as the effect of experiencing care oneself on subsequent helping behavior—the strength of the effects has not been quantified.

The reason these questions remain unanswered is that there is a paucity of data with which to perform the desired analysis. Nevertheless, several data sets exist which have allowed researchers a glimpse into the strength of parental effects on children's helping behavior. First, Hodgkinson and Weitzman (1996) found that among those who "saw someone in [their] family help others," 73.6 percent were currently making charitable contributions; in contrast, the probability of making a contribution was only 50 percent among those not recalling seeing family members help others. Second, there are several papers finding parental effects on their children's volunteering. Janoski and Wilson (1995) found that parental volunteering performed after their children had reached adulthood is associated with both their children's current and future volunteering. Bekkers

(2003) finds a positive association between adult children's volunteering and their recollections of their parents' volunteering during the teenage years. Also, Lichter, Shanahan and Gardner (2002) found some evidence that growing up in a female-headed household or in poverty has adverse effects on certain types of teenage volunteering (although, interestingly, time spent in poverty had a significantly positive effect on adolescent boys' church-related volunteering). Third, there is evidence that parental role modeling affects adult children's willingness to help elderly parents (Cox and Stark 1996; Ribar and Wilhelm 2003). Finally, Deb, Okten and Osili (2002) have found evidence from Indonesia that gifts to community organizations made by parents and adult children are correlated.

Parents may also influence their children's giving through the money they provide to them, especially inheritances. We will review some background literature related to this topic in Section 5, but it suffices at present to note that up to now data limitations have stood in the way of a thorough analysis of the effect of inheritance on charitable giving.

### **3. The *Center on Philanthropy Panel Study***

Deeper study of parental effects on children's helping behavior is part of a new generation of philanthropic research that can be conducted using the *Center on Philanthropy Panel Study* (COPPS). COPPS is part of a larger data collection project—the *Panel Study of Income Dynamics* (PSID). In contrast to an annual series of cross-sectional surveys in which a different random sample of respondents is selected for each year's survey, a panel study selects a random sample in the first year and then reinterviews those same respondents year after year. The reason for doing this is that the use of panel data provide a firmer foundation upon which one can infer

causal relationships from statistical results.

Since its initial interview year in 1968, the PSID has become the nation's longest running, nationally representative, social science panel survey. Although the major focus of data collection is economic and demographic, there are health, social, and psychological indicators as well. The PSID has been used in over 2,000 scientific studies and is the only social science project to make the National Science Foundation's "nifty fifty" list of the 50 projects that have had important effects on everyday life.

In 2001 COPPS added a series of questions on giving and volunteering to the PSID's rich database. The detailed questions are reproduced in Appendix A (also, they can be obtained at [http://www.isr.umich.edu/src/psid/cai\\_doc/2001\\_Interview\\_Year/Section\\_T\\_\\_\\_\\_Philanthropy.htm](http://www.isr.umich.edu/src/psid/cai_doc/2001_Interview_Year/Section_T____Philanthropy.htm)). In brief, the questions ask about amounts given for several charitable purposes (religious, combined funds, basic needs (poverty relief), health, education, youth and family services, the arts, neighborhoods, the environment, international aid). There are also questions about volunteering. Both series are being expanded for the 2003 wave.

While there are other notable datasets on giving and volunteering, there are several advantages to having COPPS be part of a larger panel study. First, the use of panel data has become the minimal standard for studying causal relationships across social science disciplines (by tracking how household giving and volunteering changes when policies or family circumstances change). Second, COPPS will enable the study of giving and volunteering over the life course (panel data follow the same households over time, tracing out their entire life histories). Third, COPPS permits intergenerational analysis of giving and volunteering (the PSID continues to interview children after they leave their households of origin). Fourth, COPPS allows the analysis of

giving and volunteering with a broad range of high quality contextual data, such as income, wealth, work hours, wages, health, family structure and demographic data (such data are typically unavailable in surveys of giving and volunteering; in the PSID they stretch back 33 years). Finally, with a sample of 7,406 households, COPPS is the largest survey of giving and volunteering in the United States by more than a factor of two (this imparts higher precision to the estimates).

An analysis of the first wave of COPPS indicates that they are the highest quality giving data collected since the National Study of Philanthropy (NSP) in 1974 (the NSP was fielded under the auspices of the Filer Commission). The three indicators of this quality are (Wilhelm 2003): (i) a high survey response rate, (ii) a dramatically lower occurrence of item non-response to the questions about amounts given, and (iii) being close to the NSP and income tax data at the 90<sup>th</sup> percentile of giving (i.e., because the NSP oversampled high income households it arguably has the most accurate survey estimates of giving at the high end; likewise income tax data is thought to be very accurate at the high end).

Table 1 provides a summary of the giving data in COPPS. The first column contains the nationally representative portion of the survey (there is a low-income oversample which we do not use in this paper). The remaining columns break the nationally representative sample into three cohorts: pre-war (born 1945 or earlier), baby boom (born 1946-1964), and generation X (born 1965 and after). The respective age categories in 2001 are 56 and older, 37-55, and 36 and younger. The first row reports that 69 percent of households give more than \$25. The percentages decline when moving from the older to younger cohorts: 79 percent of the pre-war cohort gives more than \$25, as does 73 percent of the baby boom and 53 percent of generation X.

The amounts given shown in row 2 (these averages include the zero givers) and row 3

(which includes only those giving positive amounts—“conditional” gifts) display a similar pattern. For example, the average amount given by pre-war donors is similar to the average amount given by baby boom donors (\$2,232 versus \$2,181), and these amounts are much larger than the average given by generation X donors (\$1,048). Median gifts (displayed in square brackets underneath the averages) follow this pattern as well. The “typical” pre-war donor gives \$1,060, which is just a little higher than the amount given by the typical baby boom donor (\$900). The typical generation X donor gives much less (\$400).

Rows 4-6 and 7-9 display the same information for religious giving and non-religious giving, respectively. Respondents were instructed to report as religious donations gifts made specifically for “religious purposes or spiritual development, for example to a church, synagogue, mosque, TV or radio ministry.” Non-religious giving is everything else—donations to combined funds (e.g., United Way, Catholic Charities, United Jewish Appeal, etc.), to help people with basic needs, for health care purposes, for educational purposes, to youth and family services, for improving neighborhoods, to the arts, for the environment, for international aid, and open-ended purposes the respondent could mention. These were reported separately, but are combined together in the present paper. Although, it must be kept in mind that these latter purposes are “non-religious” in the sense that their primary purpose is not worship or spiritual development, in many cases they are likely to be religiously motivated.

For the most part, patterns across cohorts in religious and non-religious giving match those already seen in total giving: similar percentages and averages of the pre-war and baby boom cohorts and lower percentages and averages for generation X. One difference is that the percentage of the baby boom giving to religion is somewhat lower than that of the pre-war cohort

(51 versus 62 percent), though they are closer together than the generation X percentage (31 percent). Another interesting observation is that within the younger two cohorts, fewer people give to religion than give to non-religious purposes (51 versus 63 percent for the baby boom and 31 versus 43 percent for generation X). These percentages are similar for the pre-war cohort (62 and 65 percent).

Of course, one should not leap from these figures to the conclusion that generation X is less “generous” than preceding cohorts because these cohorts differ in many ways that we have not taken into account. Rows 10 and 11 list the income and wealth (not including home equity) for the three cohorts. Currently in their peak earning years, the baby boom has the highest average income (\$86,850), followed by the pre-war cohort (\$60,493) and generation X (\$51,664). Average wealth is the highest within the pre-war cohort; it is seven times higher than average wealth in generation X. Clearly, one reason giving is higher in the pre-war and baby boom cohorts is that they have much greater economic resources than does generation X.

Nevertheless, knowing that younger people give at lower levels raises the question, What influences their giving? The next two sections take up this question, first looking at the effects of parental giving and then considering the effects of received inheritances.

#### **4. How Strong is the Link Between Parent and Child Giving?**

This section draws on results from our paper with Eleanor Brown and Patrick Rooney---“The Intergenerational Transmission of Generosity”---in which we estimate the strength of the relationship between the giving of parents and their adult children. Half of the the group of adult children in COPPS whose parents are still alive and participating in the survey are baby boomers

and half are generation X.

To take a simple approach to determining the strength of the association between the giving of parents and their children, we split the adult children into two groups. The first group are those children whose parents are not currently giving. The percentage who give among this group of children is 47 percent, essentially a coin toss. The percentage who give among the second group—those children whose parents are currently giving—is 71 percent. Interestingly, these percentages are very similar to those Hodgkinson and Weitzman (1996) found based on respondent recall of family members helping others.

It is easier to compare the philanthropic characteristics of these two groups of adult children by focusing on the difference between them. For example, compared to children whose parents are not giving, children whose parents are currently giving are 24 percentage points more likely to be donors themselves (71 - 47). The difference is presented in the first row and first column of Table 2.

How much of this difference is due to links through other characteristics parents and children have in common, such as income and wealth? The second column in Table 2 answers this question by presenting the difference after using multiple regression techniques to control for a wide range of other characteristics of children. Among these characteristics are many that are simply unavailable in other philanthropic datasets. Even after controlling for all of these characteristics, children whose parents give are themselves 9 percentage points more likely to give. Here's how to interpret that number. Take two children who have the same wealth now and same income over the last five years; who are of the same age, race, and ethnicity; who have the same marital, health, and employment status; who have the same number of children living at home; who have the same

education and religious affiliation; and who live in the same kind of area (big city or not; in the southern U.S. or not). Suppose further that one of these two children's parents does not give to charity, but the other's parents do. The latter child is 9 percentage points more likely to give to charity.

What have we learned? Of that 24 percentage point difference obtained from a simple comparison of two groups of children, about two-thirds of it is explained by other characteristics of children that are related to characteristics of their parents besides whether their parents give. Is the remaining 9 percentage points a big difference? Yes. One way to see this is to compare it to an appropriate base, such as the probability of giving among the children, which is 47 or 71 percent (depending upon whether the parent gives). Another way is to ask, How much of an increase in children's income would it take to increase the probability of their giving by 9 percentage points? It would take a doubling of children's income in each of the five preceding years to generate a 9 percentage point increase in the probability of giving. Thus, 9 percentage points is a big effect.

The rest of the table disaggregates giving into religious and non-religious purposes. Row 2 shows that children whose parents give toward religious purposes are 22 percent points more likely to give to religious purposes than are children whose parents are not givers to religion. Controlling for other characteristics, this difference falls to 11 percentage points. For children's giving toward non-religious purposes, the differences are 21 and 11 percentage points, respectively. Hence, the parent-child giving relationship is similar for religious and non-religious giving, as far as whether or not children give is concerned.

Table 3 shifts the focus to the relationship between the amounts parents give and the amounts their children give by answering the following question: If we consider two parents one of

whom gives 33 percent more to charity than the other, how much more does the child of the first parent give relative to the child of the second parent? The 33 percent difference among parents is approximately the difference in going from the median donor to the donor at the 60<sup>th</sup> percentile—\$1,250 to \$1,700). If we do not control for other characteristics of children, the answer is that the first child gives 10 percent more than the second (row 1 and column 1 of the table). Moving across the first row, if we compare two children who are alike in all of the characteristics previously mentioned, but still differ in that the first parent gives 33 percent more than the second, the first child gives five percent more. As was the case with the incidence of giving, about half of the correlation between the giving of parents and children is due to other characteristics of children that are influenced by their parents.

Is the “five percent more” a big amount or a small amount? Again, one way to get a sense of the magnitude is to ask, How much of an increase in the child’s income would be necessary to increase giving by five percent? As seen in column 3, it would take a six percent increase in income sustained over five years to increase children’s giving by the same amount as the 33 percent increase in parental giving.

Rows 2 and 3 show similar calculations for religious giving and non-religious giving, respectively. A 33 percent increase in parents’ religious giving is associated with a nine percent increase in their children’s religious giving (controlling for other characteristics of children). This is the same increase that is associated with an 11 percent increase in children’s income over a five-year period. A 33 percent increase in parents’ non-religious giving is associated with a three percent increase in their children’s non-religious giving, and this is equivalent to a two percent increase in children’s incomes. Hence, regarding donated amounts, the relationship between the

religious giving of parents and children is much stronger than the relationship between their non-religious giving.

Before moving on to the effects of inheritance on charitable giving we close this section with a qualification about how to interpret the intergenerational relationships in giving that we have just reported. It is tempting to say that these relationships are causal, but we cannot claim that they are. The reason is that despite the extensive range of characteristics COPPS allows us to control for, there may be others which we have not measured that affect both parental giving and children's giving.

## **5. What is the Effect of Inheritance on Giving?**

Economists generally assume that household behavior depends on household income and household wealth, without reference to the manner in which these resources have been acquired. It doesn't matter whether income comes from labor or capital, whether it is earned or transferred, or whether it represents current earnings or pension payments. In a second paper---"Inheritance and Charitable Donations"---we, Eleanor Brown and Patrick Rooney examine whether charitable giving is consistent with this view. In particular we ask, Are donors as generous with inherited wealth as they are with other kinds of wealth and income?

While the relationship between the source of income and decisions about consumption is intrinsically interesting, a deeper understanding of the determinants of charitable giving is particularly germane to an assessment of the future health of the nonprofit sector and its role as an alternative to government for providing public goods. Havens and Schervish (1999) estimate that over the next 55 years there will be an enormous transfer of wealth from one generation to the next. Depending

upon the assumed real growth rate of the economy, they project that the transfer will range from \$41 trillion to \$136 trillion. Most of this sum will be transferred to heirs, but a small fraction amounting to an enormous sum will be left to charity – between \$6 trillion and \$25 trillion dollars. However, heirs are donors too. As Avery (1994, p. 5) puts it, “the economic impact of these bequests will hinge on whether the behavior of those who receive the money is different from those who give it.” Regardless of estate taxation, the bulk of the wealth will be transferred to heirs and so what matters is whether inherited wealth is donated to a greater or lesser extent than earned income.

### Background and Previous Research

There are several reasons why various sources of purchasing power may have different effects on donations. Some of these are consistent with traditional economic thinking (for example, some sources of income are more variable or unexpected than others, and some sources of income have different tax consequences than others), but behavioral studies suggest a variety of additional reasons. The ways in which various sources of purchasing power are viewed by the recipients and socio-cultural forces may also matter. Those who inherit wealth may feel that the income is theirs to spend on their own well-being. Alternatively, they may feel entrusted as stewards to devote that wealth to public purposes or to the family dynasty. Inheritors may feel guilty or embarrassed if they live off inherited wealth, fearful that their moral character will be denigrated by friends and associates.

Sociologist Francie Ostrower conducted extensive interviews with ninety-eight wealthy donors from the New York City area, finding support for these conjectures. She concludes (1995, p. 170) that :

“Some donors distinguished between the freedom one has to use inherited wealth as opposed to earned wealth. One person said that someone who earns money is “much more free to do whatever he or she wants,” but “money inherited should stay in the family.” Another said she would have “no business” leaving all her money to charity, because it was her husband’s money and he expected it to go to their children. One donor felt that “if it came from someone else, you kind of owe it to that person to think about what they would have liked you to do with it.” These comments also indicate that for some donors, inheritors’ wealth is not viewed as being theirs in the same way as wealth that is earned. ... [M]oney assumes meanings for these donors that go beyond the economic.”

Religion provides a powerful set of beliefs and social constraints that encourage giving and define what is to be given. For example, many religions emphasize tithing – the giving of one tenth part of one’s income – but vary in their description of what is to count as income for this purpose. If, for example, earned income is to be tithed, but not profits from the sale of a house, different kinds of income would affect giving differently.

Another reason source of income might matter is that an inheritance typically arrives as one large lump sum, rather than a continuing flow of resources. A large gift or inheritance may attract the attention of prospect researchers, professional fundraisers who specialize in locating candidate donors on whom special efforts should be targeted. The “ask” is a major determinant of contributions. Lump sum income may become particularly important for those donors that are motivated by status competitions such as those provided by “giving clubs” (where donations exceeding some threshold confer special recognition on the giver) or naming opportunities. Auten and Rudney’s (2000) analysis of a five-year panel of donors revealed that many donors, particularly the richest ones, make large gifts irregularly rather than smaller gifts every year. They point out that (p. 91):

“Giving a large sum of money once every five years may provide a donor more recognition and influence with the recipient institution than giving the same amount

each year over the five years. This consideration would suggest that only the wealthy would make large enough gifts for it to matter.”

The only previous examination of the research question at hand was conducted by Avery and Rendall (reported in Avery 1994). They predicted that:

“Since [inheritors] have not anticipated this inheritance – and therefore haven’t earmarked it for savings or a college fund – it is a windfall, and philanthropy is one of the interests people pursue with windfalls.”

Their findings were just the opposite (p. 29):

“[T]he average person would give \$4.56 to charity each year for every \$1,000 in non-inherited wealth, but only \$0.76 out of inherited wealth. Thus, an increase in inheritance may not create a new generation of philanthropists. Indeed, it is the original creators of wealth who appear to be the most giving.”

### Results from COPPS

The analysis in “Inheritance and Charitable Donations” estimates the effect of inheritance on donations, and, in addition, considers the effects of other sources of purchasing power such as labor earnings, transfer income (e.g., social security, welfare, etc.), and non-inherited wealth. As in the previous section, COPPS data are used—the advantage of COPPS for this analysis is that, because it is a part of the PSID, its giving data can be linked to very high quality measures of an exhaustive array of economic resources. Also, like Section 4, we use multiple regression methods so that we can compare the effects on charitable giving of different inheritances received by otherwise similar persons.

Before summarizing the results it is important to raise two points. First, wealth and inheritances are reported as a total amount available at a point in time, whereas earned income and

transfers are reported as a rate of increase during the year. The two are simply measured on different scales, in the way miles traveled at a point in time differs from miles per hour. To deal with this, we measure the rate at which wealth or inheritances could earn interest each year, and so generate a flow in the same scale as income and transfers. For example, if the interest rate were 10 percent per year, then a \$10,000 stock of wealth would generate a \$1,000 flow of interest income, and we would compare the effect of \$10,000 of wealth with the effect of \$1,000 of income to see if the two sources have differing effects on giving.

Second, these results are more preliminary than in Section 4, and therefore could look very different in the final version of the full paper. There are many reasons for this, but one is that we used preliminary releases of the data for this version, comparing giving in 2000 with income from 1998 and wealth from 1999. Further, our measure of inheritances received includes only “large gifts or inheritances of money or property worth \$10,000 or more” during the five years preceding the 1999 wave. Hence, some of the wealth labeled as “non-inherited” in this preliminary version may represent the proceeds generated from wealth inherited more than five years ago; in on-going work we are separating out wealth inherited in the more distant past. For all these reasons, readers should keep in mind that our conclusions might change in later versions of our paper.

Table 4 presents our preliminary results. The number in each cell is the predicted effect of a \$1,000 increase in a flow of income from that source on giving. For instance, column 1 compares two people who are identical except that the first has received a larger recent inheritance than the second—large enough to generate \$1,000 more per year in interest. The first person is estimated to give \$253 more than the second. In contrast, if the first person had enough additional non-inherited wealth to generate \$1,000 in annual income from that wealth, it is estimated that s/he

would give \$810 more per year (row 2). There is enough precision in these estimates that we can be quite confident in the conclusion that non-inherited wealth has a much larger effect on giving than inherited wealth.

The effects of non-inherited and recently inherited wealth appear implausibly large until one remembers that we are not looking at a \$1,000 difference in wealth, but rather, an difference in wealth sufficient to generate a \$1,000 per year difference in interest. Put another way, \$1,000 additional non-inherited wealth (rather than \$1,000 of income per year generated by that wealth) is estimated to generate \$16 of additional giving per year, and a \$1,000 higher recent inheritance (rather than an inheritance difference large enough to generate a \$1,000 difference in annual incomes) is estimated to generate about \$5 per year in additional giving.

The numbers are different, but a similar pattern of larger donations out of non-inherited wealth is also seen in religious giving, giving to combined funds, and donations to meet basic needs. The effects of recently inherited and non-inherited wealth are much closer in their effects on giving for health purposes, educational purposes, and “other” purposes (a category which lumps together donations for youth and family services, improving neighborhoods, the arts, the environment, international aid, and the open-ended responses).

Similar, though far less dramatic, results are obtained from an alternative approach reported in the full paper. Another reason that these results are preliminary is that we are doing more work to determine which approach produces more persuasive evidence.

Keeping the preliminary nature of this research in mind, if the results are taken at face value they paint a potentially dire portrait for the future of donative nonprofits (those that derive most of their revenues from donations, as opposed to commercial activities or government contracts).

People now possessing wealth are giving out of a mixture of non-inherited and long-ago inherited wealth. Upon their passing away, their children will receive this mixture as a recent inheritance. Using our preliminary results, the children will be about 3.2 times less generous with the money they receive than were their parents prior to death, and so annual giving would fall each year of the transfer process, all else held constant. Retention of estate taxation with a deduction for charitable bequests would help counteract this decline; permanent repeal would accentuate it. Even at face value, the picture is less dire if our alternative estimates reported in the full paper are used, for here heirs are only slightly less generous with inherited wealth than their benefactors were. The picture also becomes less dire if the children become more generous when their recently inherited wealth becomes long-ago inherited wealth.

## **6. Using COPPS to Advance the Practice of Fundraising**

The two projects just described have obvious implications for fundraising. First, the adult children of current donors are likely to be good prospects. This is especially true for donors toward religious purposes. Second, the donations derived from cultivating recent heirs are not likely to be as large as donations from those whose wealth has a greater share originating in their own efforts. This is especially true for donors toward religious purposes, combined funds, and basic needs.

Obviously, there is much more to learn from COPPS about patterns of giving. In the remainder of this section we speculate on how the results from future studies could be used to improve the practice of fundraising. We suggest that there are potential uses in the areas of targeting solicitation efforts, predicting the effect of changes in the economy or public policy on giving, benchmarking the success of campaigns, and persuading donors that their gifts will not

endanger their financial health over the life cycle. Unlike internal studies using proprietary data on the success of individual campaigns, these studies will produce evidence derived from the experience of multiple campaigns that can be shared with the fundraising community.

### Targeting

Campaign efforts are expensive. Donor markets are often segmented, and every effort should be made to direct efforts towards those segments of the market most likely to respond positively. Existing studies tell us a lot about patterns of giving across donors at a point in time. We know that on average, those with higher income, wealth, levels of education, and age give more than others. However, for example, we do not know whether this generosity is due to higher levels of income, or due to some hidden trait that makes the donor both earn more and give more. Thus, we do not know to what extent someone whose own income goes up will give more. Consequently, we do not know for sure that those whose income suddenly increases are good prospects for new solicitation efforts. Studies using COPPS will allow us to follow individual donors as these factors change while their hidden traits remain constant, and so learn the real indicators of generosity.

In addition, COPPS will reveal the characteristics of donors who give regularly, year after year. This understanding can be used to direct prospecting efforts toward those who will respond not just once, but many times in the future. Further, COPPS can be used to determine the lifetime value of gifts made by donors having different characteristics.

COPPS will also allow us to study the history of giving to each of the surveyed causes and learn more about the likely success of mailing lists derived from giving to other causes. For instance, if those who give to, say, the arts for the first time in one year are more likely to give

toward educational purposes two years later, but no more likely to give toward religious purposes two years later, mailing lists of new donors to the arts will be a good purchase for those prospecting for new education donors and a poor purchase for those prospecting for new donors toward religious purposes.

Finally, COPPS allows us to study the effect of many factors not included in other available surveys. For example, there is extensive detail on the history of the various components of wealth and income. There are measures of expenditures on housing, automobiles, and other components of household consumption. Hence, COPPS can be used to ask whether these components are correlated with charitable giving. Moreover, there are data which allow us to determine whether those who take higher financial risks are more or less likely to donate, and whether those recovering from bankruptcy are good prospects.

### Predicting

How does a local disaster affect local giving to various causes? How do changes in state laws regarding the regulation, accountability, and taxation of organizations affect giving in that state? Currently, the only way to learn the answer is to live through such a change. However, the COPPS sample is large enough that we can obtain reliable information at the state level for many states. To the extent this information is transferable, we can improve our ability to predict giving outcomes. For example, from learning how donors to each cause and in each income class react to, say, an earthquake in California or a scandal involving nonprofit hospitals in New York, we may be able to predict how donors in other states will react to similar changes, and to do so at the time the change first occurs.

## Benchmarking

How do your donors compare with donors to other charities serving related purposes? Is the difference due to differences in the income, wealth, and other characteristics of your donor pool or to problems or successes in your campaign? COPPS data provide generalizable information on average giving for donor pools with the characteristics of your campaign and those of comparison campaigns. From the history of giving, you can benchmark whether your donors are upgrading the annual gifts at rates comparable to other campaigns, after adjusting for differences in donor pools.

## Persuasion

Rosenberg (1994) point out that the chief barrier to increased giving by the wealthy is unwarranted fear of financial misfortune. Donors are afraid that too much giving will deplete their wealth. He also argues that this fear is excessive, and that most donors could give far more without endangering their ability to enjoy retirement and pass on wealth to their heirs. COPPS can be used to generate more evidence to persuade donors that their fear is excessive because it can illustrate how the wealth of real donors changed over the lifetime following major gifts. The data are not ideal for this purpose, as COPPS has a representative sample including only a few wealthy donors, but this may suffice to assuage donor anxiety.

**Table 1. COPPS Summary Statistics by Cohort.**

Variable	All respondents	Pre-war	Baby boom	Generation X
Total giving				
Incidence	.69	.79	.75	.53
Amount	1,297 [300]	1,736 [600]	1,623 [500]	540 [30]
Amount, if donor	1,914 [750]	2,232 [1,060]	2,181 [900]	1,048 [400]
Religious giving				
Incidence	.47	.62	.51	.31
Amount	799 [0]	1,132 [290]	963 [25]	337 [0]
Amount, if donor	1,715 [700]	1,854 [1,000]	1,901 [900]	1,103 [300]
Non-religious giving				
Incidence	.57	.65	.63	.43
Amount	498 [52]	604 [101]	660 [125]	204 [0]
Amount, if donor	875 [320]	935 [350]	1,051 [400]	469 [200]
Family income	69,013 [50,413]	60,493 [37,800]	86,850 [67,408]	51,664 [43,000]
Wealth	176,305 [24,000]	306,400 [92,700]	203,772 [34,750]	43,687 [5,500]
Age	46	69	46	29
Number of observations	4,883	1,178	2,112	1,593

Note: Medians are in square brackets.

**Table 2. Additional Probability of Children's Giving  
if Their Parents Currently Give.**

Parent gives toward the indicated charitable purpose	Additional percentage points in the probability that children give toward the same charitable purpose as do their parents.	
	Not controlling for other child characteristics	Controlling for other child characteristics
Any purpose	24	9
Religious purposes	22	11
Nonreligious purposes	21	11

**Table 3. Percentage Increase in the Amount Children Give  
if Their Parents Give Thirty-three Percent More.**

Parent gives 33 percent more toward the indicated charitable purpose	Not controlling for other child characteristics	Controlling for other child characteristics	
	Percentage increase in the amount child gives toward the same charitable purpose	Percentage increase in the amount child gives toward the same charitable purpose	Percentage increase in 5 year income necessary to increase giving by the same amount
Any purpose	10	5	6
Religious purposes	13	9	11
Nonreligious purposes	6	3	2

**Table 4. Effect of \$1,000 Additional Dollars Per Year from Various Sources on Charitable Giving.**

\$1,000 additional per year from the indicated source	Total giving	Religious giving	Non-religious giving				
			Combined funds	Basic needs	Health	Education	Other
Recent inheritance	253	93	11	8	4	4	6
Non-inherited wealth	810	341	26	24	4	6	10

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**Appendix A:**

**The 2001 *Center on Philanthropy Panel Study*  
Questionnaire**

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