

Kyung Hee Global Collaborative Summer 2020

The Economics of Philanthropy

Faculty: Femida Handy, PhD

University of Pennsylvania

E-Mail: fhandy@upenn.edu

Teaching Assistant: **E-Mail:**

What is philanthropy? Why are economists interested in non-market behavior that seemingly goes against the grain of self-interest utility maximizing behaviors, that is the assumption of many of their market models? If philanthropy is defined as benevolent behavior, the free giving of time and money to benefit others, usually in the form of charitable gifts, how do economists explain such behaviors. Philanthropic giving accounts for a important fraction of income many countries, and is often promoted and incentivized through government tax policy. This course will discuss the seemingly incongruous rational behavior by examining the motives, causes, and influences of philanthropic behavior. What does government policy, often promoted through the deduction on income taxes or grants to charities, impact philanthropy in the economy.

This course will provide students with an economics perspective to philanthropy : the giving of time and money. We explore theoretical and practical framework to understand why individuals across the world either donate money or time or both. Students will consider the what economic incentives co-exist with social, cultural and religious norms that support philanthropy and their role in a historical context leading up to the present day, for different national contexts.

In addition, we will explore the role of government policies of taxes and subsidies, corporate philanthropy and private philanthropy that promotes the charitable sector which largely relies on these inputs.

Questions that will motivate our learning will include:

- What are the economic motives for engaging in philanthropy for rational agents who maximize their own utility while constrained by a budget.
- How is the free-riding problem solved?
- What is the role of social information?
- What are the motives for unpaid volunteering?
- Does what we count as philanthropy matter?
- Why are different nations more or less philanthropic?

Before concluding the course, we will look at several topics including but not limited to:

- Free riding (Should I donate? Should I volunteer?);
- Motives to give (Why do individuals give? Instrumental or altruistic?);
- Benefits of Philanthropy (Does giving benefit the recipient or donor? Rich or Poor?);
- Costs of Philanthropy (Do the tax incentives cost the general public)
- Religious influences on philanthropy (What do the major religions say about generosity? Why do they promote philanthropy?);
- Corporate Philanthropy (What is the role of social enterprise in corporate philanthropy? Who pays, who benefits?);
- Giving of time (What are the motives for volunteering? Should there be a tax incentive for giving of time like money?);
- Fundraising (Should fundraising be professionalized? How to resolve the principal-agent problem?)

Books:

- Weipking, P. & Handy, F., (Eds) (2015) *The Palgrave Handbook on Global Philanthropy*. London, UK: Palgrave Macmillan (specific chapters)

Optional Readings

- Raymond, S. U. (2004). *The future of philanthropy: Economics, ethics, and management*. John Wiley & Son

Readings: (For class discussion by students in groups of 2) – Grade 50%

[Class presentation: Power point – 15-20 minutes followed by a class discussion 10-15 minutes- Distribute main points and summary of reading to all students prior to presentation](#)

Konrath, S., & Handy, F. (2018). The Development and Validation of the Motives to Donate Scale. *Nonprofit and Voluntary Sector Quarterly*, 47(2), 347-375.

Handy, F. (2000). How we beg: The analysis of direct mail appeals. *Nonprofit and Voluntary Sector Quarterly*, 29(3), 439-454.

Neumayr, M., & Handy, F. (2019). Charitable Giving: What Influences Donors' Choice Among Different Causes? *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 30(4), 783-799.

Russell, A*, Nyame-Mensah, A*, De Wit., A*, & Handy, F. (2019) Volunteering and Wellbeing Among Ageing Adults: A Longitudinal Analysis *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 30(1): 115-128.

Hustinx, L., Handy, F., Cnaan, R. A., Brudney, J. L., Pessi, A. B., & Yamauchi, N. (2010). Social and cultural origins of motivations to volunteer: A comparison of university students in six countries. *International Sociology*, 25(3), 349-382.

Croson, R., Handy, F., & Shang, J. (2009). Keeping up with the Joneses: The relationship of perceived descriptive social norms, social information, and charitable giving. *Nonprofit Management and Leadership*, 19(4), 467-489.

Plewes, B. (2008). Global philanthropy and international cooperation: A guide to trends and issues. *Canadian Council for International Cooperation*, pdf, 1.

Farwell, M., Shier, M. & Handy, F. (2019). Explaining Trust in Canadian Charities: The influence of public perceptions of accountability, transparency, and familiarity and institutional trust. *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 30(4), 768-782

Collins, Marylyn. "Global corporate philanthropy—marketing beyond the call of duty?." *European Journal of Marketing* 27, no. 2 (1993): 46-58.

Wiepking, Pamala, and Beth Breeze. "Feeling poor, acting stingy: The effect of money perceptions on charitable giving." *International Journal of Nonprofit and Voluntary Sector Marketing* 17, no. 1 (2012): 13-24.

Unit 1: (Week 1): Introduction and The Individual

- (1) Introduction to philanthropy
- (2) Motivations for Giving and Volunteering: Reasons why individuals donate time and money.
- (3) Benefits of Giving and Volunteering
- (4) How philanthropic motives are conditioned by cultural, religious and social norms, and how they differ from country to country.
- (5) Philanthropy and developments in fundraising.

Unit 2 (Week 2) Organization and Country Context

Presentation on Assignment 2 Start in the Second Week!

- (1) The Organization: What type of organizations promotes philanthropy: Nonprofits and foundations
- (2) The Country context: Are people in one country more generous than others? Why?

(3) Country-specific differences in governmental, fiscal and legal policies for philanthropic actors and organizations that influences philanthropy

(4) International giving: Giving across borders and remittances

Assignment 1: What does philanthropy mean to you? Choose a country and summarize its philanthropic activity and factors that facilitate giving (approximately 1000 words)

Unit 3 (Week 3) Contextual factors facilitating philanthropy

- (1) Historical and social origins of the voluntary sector and its impact on philanthropy
- (2) Fiscal policies and tax regimes impacting philanthropy
- (3) Fundraising culture: Different countries, different organization of fund-raising regimes

Assignments/Grading:

1. Assignment 1: (30%)
2. Assignment 2: Group Assignment and presentation (50%)
3. Class Participation (20%)