

# **PHILANTHROPY**

## **Why it makes societies work – some insights from research**

Stockholm Philanthropy Symposium

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# The renaissance of philanthropy

## The Giving Pledge

## What is it – how to define it?

## Is it important from a societal view?

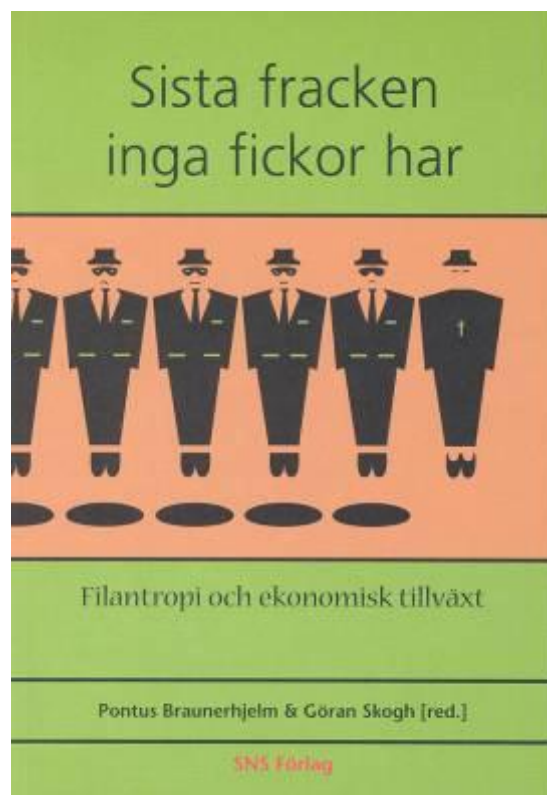
Acs, Z. & Braunerhjelm, P., 2005. The EntrepreneurshipPhilanthropy Nexus:  
Implication for internationalization, *Management International Review*

Acs, Z., 2012, *The Philanthropist Hero: Completing the circle of prosperity*,  
Princeton University Press

Falck, O., Fritsch, M. & Heblich, S., 2011, The Phantom of the Opera: Cultural Amenities,  
Human Capital and Regional Economic Growth, *Labour Economics*.

# Sista fracken inga fickor har

The coffin ("wooden tail-coat" in colloquial Swedish) does not have any pockets.





## Definition

- **Love of mankind**
- **Building opportunity – private sector way of producing collective goods**
- **Differs from charity – giving to ease needs but not changing opportunities/structures**



## Is it important?

- **Builds societal values, taking part in a society's development**
- **Legitimizes capitalism and the market economy**
- **Influences entrepreneurship and growth**

## Background

- **Globalization, mobile tax bases and institutional competition**
- **Welfare state – continuously increasing demand for publicly financed services**
- **Taxes 40-50% of GDP**
- **Wealth creation becomes important**
- **Many countries have a philanthropic history/tradition**

## Effects of philanthropy

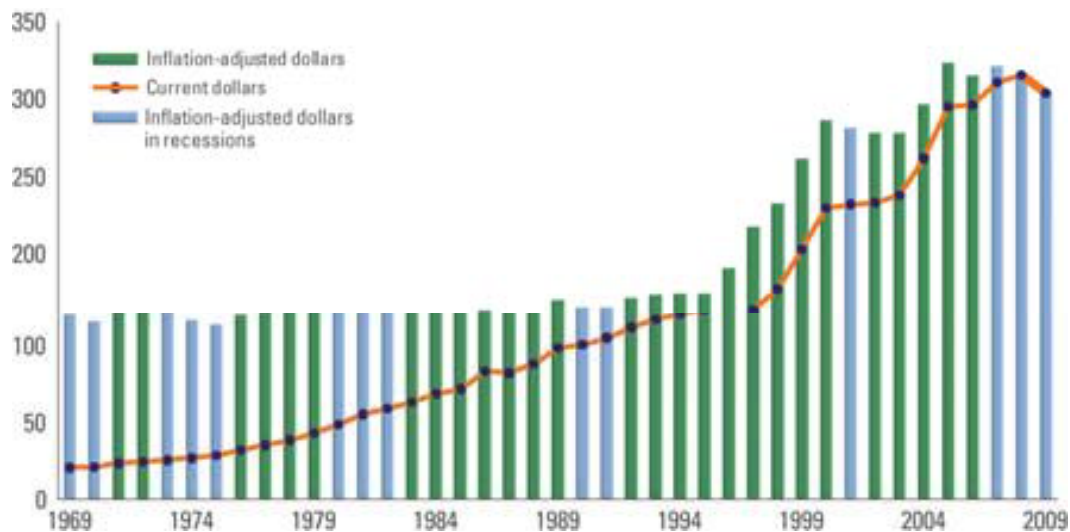
- Donations that target culture – build attractive environments, amenities, positively influencing growth
- Donations that target schools, research institutes and universities – positively influencing growth
- Volume – in the US 2-3% of GDP, cf venture capital 0,7-1% of GDP
- Philanthropy – societal venture capital



# GIVING USA

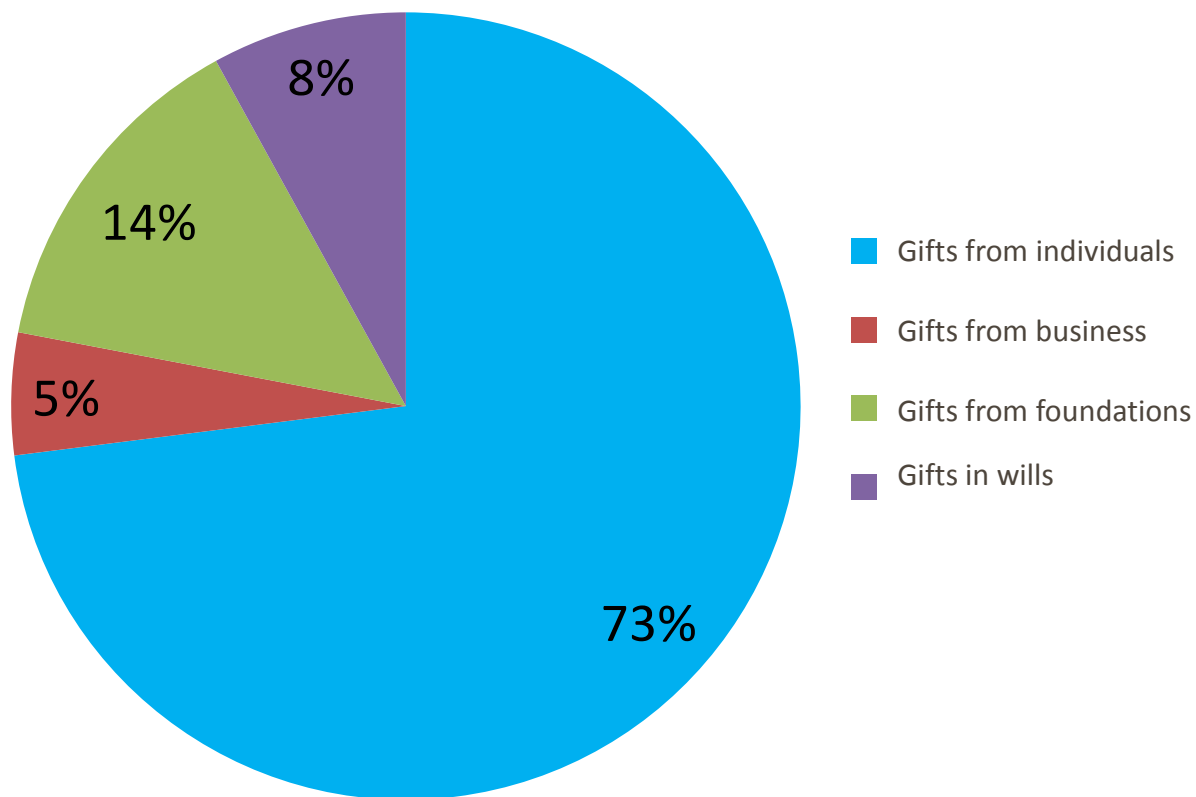
Total, 1969-2009 (billion US\$)

35% to religious purposes, 15% to research/education





## Donations in the US 2010, 290 billion US\$ (2 % of GDP)





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# Culture, donations and growth

**Exploit a quasi-natural experiment in history:  
Competition of rulers for prestige in fragmented  
Germany in the baroque era.**

**Indicator for culture: Stand-alone opera houses built  
before 1800.**

**These opera houses were built to meet the demand of  
the increasingly decadent court and not of subjects.**

**The existence of an opera house was not necessarily an  
indication for local economic prosperity. In fact, local  
princes ran into enormous debt to maintain the court.**

*The Phantom of the Opera: Cultural Amenities, Human Capital and  
Regional Economic Growth*



## Culture, donations and growth

- New opera houses positively influence growth
- Mechanism: Opera houses attract individuals with higher education
- Opera house – a proxy for culture more generally
- Strong effect on growth levels – rarely considered in policies



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# Donations to build knowledge

## **Positive growth effects (Acs & Braunerhjelm 2005):**

- Adding resources
- Increased variety in the "research portfolio"
- Funding research closer to the commercialization stage
- "Entrepreneurial" universities - Stanford
- Entrepreneurially driven virtuous cycles

**Comparative study Sweden and the US (Stanford University, Cincinnati University, Case Western Reserve University, Stockholm University, Karolinska Institute, Royal Institute of Technology, Gothenburg University, Chalmers University of Technology, Stockholm School of Economics)**

**Regression analysis**

## Policy conclusions

- **Conditions for and acceptance of wealth creation**
- **Societal prestige**
- **Taxes**
- **The social contract – norms, goes back to (at least) The Gospel of Wealth (Carnegie)**
- **The welfare state vs. the more market based state**
- **The private sector way of providing a collective good**

## Policy conclusions

- The social contract:
- "...uniquely qualified to initiate thought and action, experiment with new and untried ventures, dissent from prevailing attitudes, and act quickly and flexibly"  
(Department of Treasury, 1965)
- Contrasts to a more sceptical and even suspicious attitude in many other countries



## Policy conclusions

Time to rewrite the social contract in traditional welfare states in order to encourage philanthropy!!