THE FORBES 400 AND THE GATES-BUFFETT GIVING PLEDGE

Kent Hickman[1], Mark Shrader[2], Danielle Xu[3], Dan Lawson[4]
[1,2,3] School of Business Administration, Gonzaga University
[4] Department of Finance, Indiana University of Pennsylvania

Abstract.   *Large disparities in the distribution of wealth across the world's population may contribute to political and societal instability. While public policy decisions regarding taxes and transfer payments could lead to more equal wealth distribution, they are controversial. This paper examines a voluntary initiative aimed at wealth redistribution, the Giving Pledge, developed by Warren Buffet and Bill and Melinda Gates. High wealth individuals signing the pledge commit to give at least half of their wealth to charity either over their lifetime or in their will. We attempt to identify personal characteristics of America's billionaires that influence their decision to sign the pledge. We find several factors that are related to the likelihood of giving, including the individual's net worth, the source of their wealth, their level of education, their notoriety and their political affiliation.*

Keywords: Philanthropy, Giving Pledge, Forbes 400, wealth redistribution

Introduction

> *The Giving Pledge is an effort to help address society's most pressing problems by inviting the world's wealthiest individuals and families to commit to giving more than half of their wealth to philanthropy or charitable causes either during their lifetime or in their will.* (The Giving Pledge, 2013).

The extremely rich are known to purchase islands, yachts, sports teams and collect art in their pursuit of happiness. From casual observation it appears that when one has *big* wealth, then one requires *big* initiatives to affect utility. This study's focus is on one such *big* initiative, the Giving Pledge (also known as the Gates-Buffett Pledge), which commits its signatories to donating at least half their wealth to charity. We attempt to uncover some of the personal characteristics of America's billionaires that influence their decisions to sign the pledge. Included among these characteristics are the source of the individual's wealth, their net worth, marital status, age, political leaning, their notoriety and whether they have children.   We find several factors that are related to the likelihood of pledging, including the individual's net worth, the source of their wealth, their level of education, their notoriety and their political affiliations.

Oxfam, the international charity focused on alleviating poverty, recently reported that the world's wealthiest 85 individuals own as much as the poorest 3.5 billion people on earth (Fuentes-Nieva, 2014), that's as much as half of the planet's entire population.   The report warns that global inequality of wealth may be a significant threat to the world's developed

democracies and therefore calls for governments to adopt policies aimed toward alleviating the problem and increasing opportunity for the poor. Among Oxfam's suggestions are a more progressive tax system, the elimination of tax-dodging schemes and an increased investment in health care and other public institutions. Somewhat ironically, the report was presented at the World Economic Forum's (WEF) annual get-together in Davos, Switzerland, where the elite wealthy meet to discuss economic issues, a venue where last year even "…the WEF warned that financial inequality threatened to undermine social stability and security on a 'global scale'" (Stout, 2014).

Attending the WEF were many billionaires whose names have appeared on the Forbes 400 annual ranking of the richest Americans. Among these super-rich individuals are some who have taken a novel step toward personally redistributing a majority of their own wealth by becoming signatories of the Giving Pledge, initiated by Warren Buffett and Bill and Melinda Gates.

When they sign the Pledge, individuals are committing to giving away staggering amounts of money. The "least wealthy" individual signer among those included in the 2012 Forbes 400 roster had an estimated net worth of $1.1 Billion, implying their charitable donations will eventually exceed $500 Million. The gift commitments go up from there all the way to America's richest man, Bill Gates, who by signing the Pledge promises to donate over $33 Billion. Given the magnitude of this wealth and the significant positive effects these giving decisions could have on multitudes of people, two obvious questions are: "What motivations underlie the choice to make the Pledge?" and "Are there systematic traits among those who sign which differ from those who choose not to sign the Pledge?"

Why Pledge?

As a vehicle for examining the Pledge decision, we utilize the 2012 Forbes 400 ranking of the wealthiest Americans (Forbes, 2013). While the Forbes list has been used empirically to examine the distribution of wealth amongst the very richest individuals (Klass et. al., 2006) and as a vehicle for examining changing pathways to wealth (Kaplan & Rauh, 2013), we focus on the curious behavior of the 63 (15.75%) of these billionaires who have signed the Pledge. By committing to give away at least half of their wealth during their lifetimes, or as part of their estates, these individuals are apparently gaining more utility by selectively giving money away than they expect to derive from any other use of this tremendous wealth. In fact, many, such as Mr. Buffett himself, actively make charitable contributions at the same time that they seek to increase their wealth, signaling the pleasure they gain from making money and also from giving it away (or perhaps making money *in order to* give it away).

Theoretically, this seems consistent with the concept of interdependence among different individuals' utility functions as first suggested by Hochman and Rogers (1969). In giving money to charity, individuals lose utility as a result of their reduction in wealth but gain a larger amount of utility from their philanthropy. The net positive utility is a result of the divergent marginal utility of the involved parties, as the marginal utility of a dollar is certainly higher for the charity recipient than for the billionaire. The billionaire's utility function then would seem to be dependent, to some extent, on the utility of the poorer charitable recipients.

One way to gain an understanding about why individuals sign the Pledge would be to "ask them." Since the Pledge includes a letter from most signatories in which they comment on

their reasons for pledging, it is possible to look for commonality among the motivations as the wealthy themselves have stated them.

One problem with this approach is that it does not offer any insight into the shared reasons why some do *not* pledge, and a second challenge is the difficulty in measuring the significance of any perceived patterns.   Never-the-less, there are insights to be gained from words of those who have made the commitment.   The Giving Pledge website (2013) posts letters from most signatories commenting on their decisions to pledge. A perusal of the 59 letters submitted (of the 63 who signed the Pledge) uncovers some common themes.

Exhibit One

Motivation of Pledgers in Their Own Words

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
					"My wealth has come from a combination of living in America, some lucky genes, and compound interest…I won what I call the ovarian lottery."
					"The reaction of my family and me to our extraordinary good fortune is not guilt, but rather gratitude."
					"The dollars these people drop into a collection plate or give to the United Way mean forgone movies…or other personal pleasures. In contrast, my family and I will give up nothing we need or want by fulfilling this 99% pledge"
Warren Buffett	X				
					"We have been blessed with good fortune beyond our wildest expectations…just as these gifts are great, so we feel a responsibility to use them well."
					"Our animating principle is that all lives have equal value"
Bill & Melinda Gates					"we hope to pass this example on to our children"
	X	X		X	
					"I suppose that I arrived at my charitable commitment largely thought guilt."
					"…my good fortune was not due to superior personal character or initiative as it was too dumb luck."
	X	X			"I was morally duty bound to help those left behind by the accident of birth."
George B. Kaiser					
					"Making a difference in people's lives…is perhaps the most satisfying thing you'll ever do"
					"…leave a legacy people will remember"
Michael Bloomberg			X	X	"…by giving, we inspire others to give of themselves, whether their money or their time."

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
David Rubinstein	X		X	X	"through more luck than skill" "I enjoy seeing the benefits" "it is my hope that it will inspire"
Henry & Susan Samueli	X	X		X	"our lives have been extraordinarily blessed"
Jonathon Nelson				X	"encourage others to give"
Glenn Dubin		X		X	
T. Boone Pickens			X		"…I enjoy making money, and I enjoy giving it away. I like making money more, but giving it away is a close second" "I'm not a big fan of inherited wealth. It generally does more harm than good."
Jean & Steve Case		X		X	"to whom much is given, much is expected"
Michele Chan & Patrick Soon-Shiong	X				"Growing up in South Africa during the time of apartheid, we had direct experience of inequality, including disparities in health and access to good care…we see similar disparities on our doorstep in Los Angeles…we will work to erode and eliminate disparities in health care."
Kenneth Langone	X				
Harold & Sue Ann Hamm	X	X		X	"responsibilities come with success" "a strong obligation to lead by example"
Arthur M. Blank	X	X			"the gap between rich and poor is growing"
Tom & Cindy Secunda	X	X		X	

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
					"we may not be able to affect human suffering on a grand scale, but it will be fun trying"
					"My choice was to [either] ruin my son's life by giving him money or giving 90% to charity. Not much of a choice."
Manoj Bhargava			X		
Dan & Jennifer Gilbert	X				"If wealth is all passed on to another generation, its benefits are often greatly underutilized as those who inherit the wealth view their mission as one of maintaining it"
			X		
					"It's made my life fuller. To make quarterly profits is one thing but changing just one life is so much better"
Bernard Marcus			X		
Julian H. Robertson			X		"Philanthropy was part of our lives that we both enjoyed greatly."
Nicolas Berggruen	X				"Everyone is dealt a group of cards at birth…I have been blessed…"
					"I've had the opportunity to get to know a number of people who were what I would say "cursed" with very large inheritances. While some have done good things with their inheritances, many have lost all incentive to accomplish anything on their own, and as a result, have had much less fulfilling lives."
Jeff Greene	X				
					"I have had an extraordinarily fortunate life"
Al Ueltschi	X				"…never seen a hearse pulling a u-haul trailer…"
Walter Scott			X		"We enjoy seeing the fruits of our philanthropic efforts"
Ted Turner				X	"I was putting rich people on notice that I would be calling on them to be more generous"
Rich & Nancy Kinder				X	"Our goal is to encourage those in similar positions to do the same"
Pierce & Pam Omidyar		X			"responsibility we felt for being good stewards of that wealth"
Harold Simmons		X		X	"I hope that other who have benefited from this country as I have join [The Pledge]"

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
Eli & Edithe Broad	X	X	X		"after running two Fortune 500 companies, we're having more fun….than ever"
					"…blessed with extraordinary wealth have an opportunity, some would say a responsibility – we consider it a privilege – to give back"
					"While I have worked hard, I had more than my share of good luck."
Leon G. Cooperman	X				"It is written in the Talmud that 'a man's worth is measured not by what he earns but rather by what he gives away"
					"Carnegie said "He who dies rich, dies disgraced."
					Quotes Pirkei Avot, "If I care only for myself, what am I? If not now, when?"
Lynn Schusterman		X			"giving back was a core value"
David & Barbara Green		X			"coming from a family of preachers, the idea of giving back has been part of my life as long as I can remember"
John, Susan and John Michael Sobrato	X				"…hard work and luck resulting from being in the right place at the right time"
John Paul DeJoria	X		X		"giving back is a joy and a practice I want my family to continue"
					"I feel lucky to have been able to pursue my dreams"
Jeff Skoll	X	X			Quotes Conrad Hilton, "it is the duty of successful people to give back to the society from which their wealth was derived"
					"we are deeply indebted to our community…we consider it our responsibility to ensure the same opportunities for others"
					"we are blessed"

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
John & Laura Arnold	X	X			
Jim & Marilyn Simons	X		X		"We are very fortunate to be in this position, and we find the execution of our philanthropic work to be both challenging and deeply satisfying."
Sidney Kimmel		X			"I learned as a young boy that sharing with others is the right thing to do"
Dustin Moskovitz	X				"I've earned financial capital beyond my wildest expectations."
George Mitchell	X				"As I've been blessed with good fortunes for decades and lived the American Dream…"
Michael Moritz and Harriet Heyman		X			"…our wealth – like all fortunes – rests so heavily on the intelligence, work, and contributions of others, it seems only right that we voluntarily give most of it to causes that help improve the lives of people we do not know.
Peter Lewis			X		"Philanthropy should be fun, otherwise it will not be sustainable" "I am truly one of the lucky ones." "…it is just THE RIGHT THING TO DO [caps]"
Jorge Perez	X	X			"…make a better and more fair world" "…I have long believed that charitable giving is a personal an private matter…Warren Buffett personally asked me to write this letter because he said I would be 'setting and example' and 'influencing others' to give. I hope he's right."
Larry Ellison				X	
Paul Allen			X		"…I am happy to add my name…" "I have been fortunate…and with that wealth comes responsibility – those who have benefitted the most from our economic system have a responsibility to give back to society in some meaningful way."
Carl Icahn	X	X			

Name of Pledger	Blessed /Luck	Give Back/ Respons'lity	Enjoy	To Inspire	Selected Quotes
Ronald Perelman			X		"…giving now and seeing the benefits first hand can be the single most rewarding thing any of us can do"
David &Barbara Green	X		X		"…generosity will result in thanksgiving from God" from quote 2 Corinthians
John & Laura Arnold	X	X			"We look upon our financial position with a mix of disbelief and humility" "We consider it our responsibility to ensure the same opportunities for others" "We were lucky…"
Ray & Barbara Dalio	X	X			"…believe deeply in opportunity, so much so that we feel that not contributing is tantamount to helping to perpetuate an injustice."
Harold Simmons		X		X	"I hope others who have benefitted from this country as I have will join"

In Exhibit One, we chronicle the themes that we believe provide a representative snapshot of the most common thoughts of those committing to give away a collective sum exceeding $100 billion dollars. Along with the selected quotes, we have placed our interpretations of the motives alluded to by the Pledgers into four categories. The Exhibit's first column is labeled, "Blessed/Luck," the second column is labeled, "Give Back/Responsibility," the third column, "Enjoyment" and the fourth is labeled "To Inspire." The four categories are not exhaustive since some letters mentioned unique motivations (e.g., George Kaiser cites "…arriving at my charitable commitment largely through guilt"), nor are they mutually exclusive as many cite several factors that influenced their decision to pledge. Our categorizations are admittedly somewhat subjective because many letters do not explicitly mention, for example, "luck" or "giving back." To help ensure as much objectivity as possible, three of the authors read the letters and independently categorized the motives; then subsequent discussions of categorizations led to agreement on the classifications where there was not initial consensus of opinion. Of the 59 letters, 50 are included in Exhibit One because several did not offer a motivation that fit into one of the four categories if they offered any motivation at all. Among the comments, 28 were categorized as pledgers saying they have been blessed or were lucky; 22 cite giving back to society or a feeling of responsibility; 15 refer to the enjoyment or fun derived from making charitable contributions; and 14 express hope that their giving will serve as an example or serve as an inspiration for others to give as well.

Citing good luck is consistent with Warren Buffett's well-known assertion that he won the "*ovarian lottery*"; his self-acknowledged good fortune includes having been born a white male in the USA during the 20th century. George Kaiser continued Buffett's theme, stating that "…*my good fortune was not due to superior personal character or initiative as it was dumb luck….to be born in an advanced society with caring parents*." Among many feeling blessed and sensing a responsibility to their community, Eli and Edythe Broad sum up what many others pledging apparently felt: "*Those who have been blessed with extraordinary wealth have an opportunity, some would say a responsibility – we consider it a privilege-to give back to their communities, be they local, national or global*." Larry Ellison, while believing that giving is "private matter," decided to make his pledge public in hopes that "…*I would be 'setting an example' and 'influencing others' to give.*"

The comments section of Exhibit One provides some revealing statements. Some pledgers distrust the wisdom of the alternative to pledging: preserving the wealth for future generations of their families. Quoting Dan and Jennifer Gilbert's Pledge Letter, "*….If that wealth is all passed on to another generation its benefits are often underutilized as those who inherit the wealth view their mission as one of maintaining it. The better path is one that allows wealth to be activated as a force to make the world a better place…*" Jeff Greene is more pointed, "*I've had the opportunity to get to know a number of people who I would say were "cursed" with very large inheritances. While some have done good things with their inheritances, many have lost all incentive to accomplish anything on their own, and as a result, have had much less fulfilling lives.*" Although pledgers have chosen to restrict bequests to family members, it should be kept in mind that even a legacy equal to 1% of the least wealthy individual's net worth on Forbes' list would amount to $11 Million, so it's unlikely that many of the pledgers' heirs will end up destitute as a result of the Giving Pledge.

Modeling the Pledge Decision

There are clearly different motivations cited by those signing the pledge, yet little is revealed about non-pledgers and their thinking. Additionally, it is possible that what is said in the public forum may be influenced by concerns with how one's words will be perceived. In order to gain another perspective that gives consideration to both pledgers and non-pledgers, and that is based on objective and publicly-available metrics, we identified factors to test for their influence on the decision. Exhibit Two lists factors that we hypothesize could influence the pledge versus not-pledge decision. Rationales for why they may offer predictive power, as well as their expected influence, are included in columns two and three of the exhibit.

Exhibit Two

Variables and their Expected Influence on the Pledge Decision

Variable	Expected Marginal Effect	Rationale
Net Worth	(+)	As one becomes wealthier, diminishing marginal utility implies that giving away half one's wealth, for example, has less cost in terms of utility. According to Warren Buffett, "…*I will give up nothing we need or want by fulfilling this 99% pledge*." [see Exhibit One]
Age	(+)	One risk of giving away wealth, or pledging to give away wealth, is that adverse economic events may intervene. As one gets older, this risk is decreased. Al Ueltschi states, "…*I have never seen a hearse pulling a u-haul trailer*." According to Leon Cooperman who quotes Carnegie, "*He who dies rich, dies disgraced.*" [see Exhibit One].
Number of Children	(+/-)	With heirs, one may feel a sense of obligation to future generations. On the other hand, some givers expressed the opposite inclination. T. Boone Pickens says, "*I am not a big fan of inherited wealth. It generally does more harm that good*." Manoj Bhargava wrote, "*My choice was to [either] ruin my sons life by giving him money or giving 90% to charity. Not much of a choice.*" [see Exhibit One].
Married	(-)	One may feel a sense of responsibility to one's spouse, and risk aversion may tend to add weight to the decision not to pledge.
Female	(-)	Females may be more risk averse [see Byrnes et. al., 1999] so they could be more reluctant to commit to giving away a substantial part of their wealth.
		Compared to inherited wealth, there may be a weaker feeling of obligation to perpetuate the family legacy of wealth. In the words of Dan and Jennifer Gilbert,

Variable	Expected Marginal Effect	Rationale
Self-Made Wealth	(+)	*"…often…those who inherit the wealth view their mission as one of maintaining it."* [see Exhibit One].
Notoriety	(+)	Those in the public eye may feel a greater sense pressure to give since many are motivated by guilt, a feeling of good luck, and a sense of responsibility. Sidney Kimmel wrote, *"I learned as a young boy that sharing with others is the right thing to do."* [see Exhibit One].
Education	(+)	A broader world view may be gained through education, enhancing the feeling of relative good fortune, gratitude for opportunity, and of responsibility to share with the less fortunate.
Democrat Support	(+)	Compared to Republicans, Democrats tend to favor programs like universal health care, Social Security, and Head Start. It seems likely, therefore, that Democrats would tend to be more prone to redistribute their wealth and find egalitarianism a motivator. Well-known Democratic supporters, Bill and Melinda Gates, wrote that *"All lives have equal value,"* in keeping with the spirit of the Party's initiatives. [see Exhibit One]. Finally, the Giving Pledge was initiated by Buffett and Gates, both Democrats.
Support Both Parties	(-)	Contributing to both parties appears consistent with an attempt to ensure favor with whichever party comes to power, a strategy more in keeping with self-interested than with altruistic behavior.

Table One records the summary statistics for the variables that correspond to the factors included in Exhibit Two. Panel A of Table One lists the means of the continuous variables for the entire sample of 400 as well as subsamples broken down into the pledging and the non-pledging groups. A t-test for the difference between the subgroup means was conducted and significant differences noted in the fifth column. Panel B records the number of individuals belonging to each subgroup for the binary variables, again for the entire sample and also broken down into pledgers and non-pledgers. Significant differences between the proportions are noted in the fifth column of the table, with all of these variables showing significant differences between Pledge and No Pledge proportions. Unless otherwise noted, variable values were derived from information contained in the 2012 Forbes list and supplemented with Wikipedia (2014) biographical information.[1] Net Worth is coded in billions of dollars, Age is given in years, a notoriety metric and the number of children completes the continuous variables. Notoriety is a proxy used to capture the notoriety or public-profile of the individual(s) included in the Forbes list. It is calculated by counting the number of bibliographic citations in the subject's Wikipedia entry. As an example, Mr. Buffett's Wikipedia entry had over 170 citations listed, while some individuals had no Wiki entry and therefore had a Notoriety value of zero. Female is coded as 1 if the donor cited by Forbes is a female (and coded zero if a male or both a female and a male are cited by Forbes). Married is coded as 1 if the individual appearing in Forbes' list is married. Self-Made equals 1 if, according to Forbes, the bulk of the individual's wealth was created and not inherited. Education is broken down into three categories: No College, Some College, and

College Degree. When Some College is coded as 1, it indicates the individual attended college but no degree was awarded. College Degree equals 1 if any degree - from a bachelor to a graduate degree was earned. If both are zero, then the individual apparently did not attend college according to the referenced sources.

Table One

Summary Statistics

Table One provides the summary statistics for the variables that correspond to the factors included in Exhibit Two. Panel A of Table One lists the means of the continuous variables for the entire sample of 400 as well as subsamples broken down into the pledging and the non-pledging groups. A t-test for the difference between the subgroup means was conducted and significant differences noted in the fifth column. Panel B records the number of individuals belonging to each subgroup for the binary variables, again for the entire sample and also broken down into pledgers and non-pledgers. Significant differences between the proportions are noted in the fifth column of the tables. Net Worth is coded in billions of dollars, Age is given in years, Notoriety is measured as the number of bibliographic citations in the subject's Wikipedia entry. Female is coded as 1 if the donor cited by Forbes is a female (and coded zero if a male or both a female and a male are cited by Forbes). Married is coded as 1 if the individual appearing in Forbes' list is married. Self-Made equals 1 if, according to Forbes, the bulk of the individual's wealth was created and not inherited. Education is broken down into three categories: No College, Some College, and College Degree. When Some College is coded as 1, it indicates the individual attended college but no degree was awarded. College Degree equals 1 if any degree - from a bachelor to a graduate degree was earned.***, ** and * denote significance at 1, 5 and 10 percent level, respectively. The data is from Forbes 2012 (Link here?).

Panel A: Continuous Variables (Means)

Variable	Total Sample	Pledge = 1	Pledge = 0	Difference
Net Worth (billions)	4.24	6.52	3.81	2.71*
Age	66.14	66.57	66.05	0.52
Number of Children	3	3.05	2.98	0.07
Notoriety	21	36	18	18***
N	400	63	337	

Panel B: Binary Variables

Variable	Total Sample	Pledge = 1		Pledge = 0		Differences
Male	354	62	(17.51%)	292	(82.49%)	-230***
Female	46	1	(2.17%)	45	(97.83%)	-44***
Married	318	48	(15.09%)	270	(84.91%)	-222***
Unmarried	82	15	(18.29%)	67	(81.71%	-52***
Self Made Wealth	277	57	(20.58%)	220	(79.42%)	-163***
Inherited	123	6	(4.88%)	117	(95.12%)	-111***
No College	53	3	(5.66%)	50	(94.34%)	-47***
Some College	34	11	(32.35%)	23	(67.65%)	-12***
College Degree	313	49	(15.65%)	264	(84.35%)	-215***
Republican Support	175	24	(13.71%)	151	(86.29%)	-127***
Democrat Support	69	23	(33.33%)	46	(66.67%)	-23***
No Contribution	156	16	(10.26%)	140	(89.71%)	-124**

Republican and Democratic Support variables indicate those listed by Forbes who made a contribution in their name(s) to either a Republican or the Democratic candidate (Obama) in the 2012 Presidential Election. The ten individuals who contributed to both a Republican candidate and to Obama were coded as neither a Republican nor a Democrat and were included among the group of non-contributors who were coded "0". Political contributions were found at the OpenSecrets website (2014).

Using Presidential election contributions to gauge political leanings may be an imperfect indicator of preferences because some individuals may contribute via means other than direct, personal giving (e.g., though PACs), and some may support advocacy groups (e.g., the Sierra Club) in lieu of direct financial support for a candidate. However, we believe that by making publicly-transparent contributions to Presidential candidates, these 246 individuals made a strong statement regarding their commitment. The validity of our coding is reinforced by comparing our categorization with the findings of Burris (2000) who found those included in an earlier Forbes list tended to support Republicans. Note that in Table One, over twice as many of the extremely-wealthy in the 2012 Forbes list donated to a Republican candidate than donated to President Obama's re-election campaign (176 versus 70) – a figure similar to Burris' estimates from the late 1990's of about 30% supporting Democrats and around 70% Republicans, adding validity to our measure.

Significant differences in Table One tend to bear-out some of the expectations chronicled in Exhibit Two. The Pledge group includes people who are richer on average than the Non-Pledgers. Females have much greater representation among the Non-Pledgers while Self-Made individuals appear to be four times as likely to commit to the Pledge as those whose wealth was

largely inherited (20.6% versus 4.9%). Among Obama contributors there appears to be a greater propensity to pledge (32.9%) in comparison to those who donated to a Republican candidate (13.6%), conforming to expectations. Of the Forbes 400, 53 are reported as having no college-level education; and of these, only 3 (5.7%) joined the Giving Pledge. This proportion is significantly different than the 32.4% who pledged among those who attended some college and the 15.7% pledging of those who earned a university degree. Pledging was nearly as common among married couples as among the unmarried, 15.1% and 18.3% pledging, respectively. Taken together with the nearly identical numbers of children between Pledge and Non-Pledge groups reported in Panel A, these combined results are inconsistent with the argument that having heirs leads to a reluctance to sign the pledge.

Table Two

Correlation Matrix

This table provides Pearson correlations between 400 Individuals' pledge choices and their personal attributes. Pledge takes a value of 1 if an individual signs the Buffett Pledge, and 0 otherwise. The personal attributes include individual's net worth in billions, their ages, and dummy variables to indicate if they have children (yes=1), their marriage status (married =1), gender (female =1), and the sources of their wealth (self-made=1), their education (some college =1 if they had college experience but no degree awarded and college =1 with any level of college degrees). Republican and Democratic Support variables indicate those listed by Forbes who made a contribution in their name(s) to either a Republican or the Democratic candidate (Obama) in the 2012 Presidential Election. Notoriety is measured as the number of bibliographic citations in the subject's Wikipedia entry. ***, ** and * denote significance at 1, 5 and 10 percent level, respectively. The data is from Forbes 2012 (Link here?).

	Pledge	Net_Worth	Age	Children	Married	Female	Self_Made	SomeCollege	College	Republican	Democrat	Notoriety
Pledge	1.00											
Net_Worth	0.16	1.00										
Age	0.02	0.02	1.00									
Children	-0.02	0.03	0.23	1.00								
Married	-0.04	-0.05	-0.09	0.22	1.00							
Female	-0.13	0.02	-0.01	-0.05	-0.24	1.00						
Self_Made	0.20	-0.07	0.03	-0.01	0.13	-0.41	1.00					
Some College	0.14	0.15	0.05	-0.09	-0.09	-0.05	0.05	1.00				
College	0.00	-0.06	-0.10	0.16	0.12	-0.06	-0.01	-0.58	1.00			
Republican	-0.05	0.00	0.15	0.08	0.14	-0.13	0.05	-0.03	0.05	1.00		
Democrat	0.22	0.10	-0.10	-0.05	-0.10	-0.04	0.06	0.00	0.08	-0.40	1.00	
Notoriety	0.22	0.38	-0.08	-0.05	-0.07	-0.10	0.20	0.09	0.03	-0.02	0.18	1.00

Before modeling the pledge decision with regression, there are likely some correlations within the data that could impact the analysis. For example, Age and Net Worth may be correlated as well as Children and Married. To help uncover potential statistical issues, correlations were calculated for the independent variables and are reported in Table Two. As expected, several pairs of variables appear to be closely related. Net Worth and Notoriety (+0.38), Self-Made and Female (-0.41), College and Some College (-0.58), and Democrat and Republican (-0.50) have the highest correlations, which may bear on the regression analysis. The relatively high correlation between the continuous variables, Net Worth and Notoriety, led to the development of Notoriety Residuals, which are the residuals from an OLS regression of Notoriety on Net Worth. Thus, Notoriety Residuals can be thought of as the level of Notoriety that is "unexplained" by a subject's wealth. The other potentially problematic correlations are between binary variables and the effects of any potential multicollinearity problems are assessed by estimating and observing several alternative regression models.

A more complete picture of the pledge decision is provided by probit[2] regression results reported in Table Three. The dependent variable, Pledge, is coded 1 if the individual signs the Giving Pledge and zero, otherwise. Regressors include three continuous variables, Net Worth, Age and Notoriety, and seven binary variables: Child which is equal to one if the individual has at least one child; Married; Self-Made Wealth which equals one when Forbes categorizes the primary source of wealth as being self-made rather than inherited; Some College equaling 1 if college was attended but no degree was earned; College Degree equaling 1 if either an undergraduate or a graduate degree was awarded; and the two Presidential election support variables, Republican and Democrat. Note that the two political variables are not continuous because election laws restrict direct individual contributions to a level that is trivial to these billionaires; in fact, most contributions are for the maximum amount ($5,000 per individual, $2,500 each for the primary and general election campaigns). Consequently, we view these publicly-reported personal contributions as a gesture displaying commitment to the candidate and party affiliation so the binary coding seems appropriate.

Table Three

Buffett Pledge Decision and Personal Attributes

This table reports the Probit regression results of 400 Individuals' pledge choices on their characteristics. The dependent variable takes a value of 1 if an individual signs the Buffett Pledge, and 0 otherwise. The control variables include their net worth in billions, their ages, and dummy variables to indicate if they have children (yes=1), their marriage status (married =1), gender (female =1), and the sources of their wealth (self-made=1), their education (some college =1 if they had college experience but no degree awarded and college =1 with any level of college degrees). Republican and Democratic Support variables indicate those listed by Forbes who made a contribution in their name(s) to either a Republican or the Democratic candidate (Obama) in the 2012 Presidential Election. Notoriety Residuals are the residuals from an OLS regression of Notoriety on Net Worth, where notoriety is measured as the number of bibliographic citations in the subject's Wikipedia entry. ***, ** and * denote significance at 1, 5 and 10 percent level, respectively. The data is from Forbes 2012 (Link here?).

	Model 1		Model 2	
	Estimate	P-value	Estimate	P-value
Intercept	-3.305***	<.0001	-2.610***	<.0001
Net Worth	0.074***	0.000	0.076***	<.0001
Age	0.008	0.289		
Children	-0.049	0.865		
Married	-0.115	0.610		
Female	-0.684	0.200		
Self Made Wealth	0.666***	0.009	0.738***	0.002
Some College	0.873**	0.028	0.505*	0.054
College Degree	0.432	0.187		
Republican Support	0.071	0.725		
Democrat Support	0.669***	0.003	0.635***	0.001
Notoriety	0.285***		0.284***	0.001
Log Likelihood	-142		-145	
Pseudo R^2	0.185		0.168	
N	400		400	

The first column, Model 1, includes all the variables. Those that are significant, correspond to expectations. Net Worth, Self Made Wealth, Democrat Support, and Notoriety are all signed positively and are significant at the 1% level. Some College has a positive effect and is significant at the 5% level.

Consistent with expectations, more wealth has a positive influence on pledging. This conforms to diminishing marginal utility of wealth that theorizes, for example, that giving away half one's wealth has less impact on one's utility as wealth increases; in other words, the utility-based-cost of giving is lower. The result is also consistent with risk aversion. Committing to donate half one's wealth leaves a larger residual estate as wealth increases, consequently there is less risk that intervening financial misfortune will leave one's heirs "strapped"; it is also less likely that the promise of the pledge will be reconsidered and not fulfilled. A final possibility is that wealthier individuals are subject to more attention from the promoters of the Giving Pledge.[3] Perhaps the wealthiest of the wealthy are most likely to be invited to Giving Pledge dinners, receive personal calls from Mr. Buffett or from the Gates, who may be effective marketers of the pledge.

Our results show that Self-Made individuals are much more likely to pledge than those whose wealth is inherited. This result appears consistent with those who inherited their wealth viewing their responsibility as that of caretakers of wealth for future generations; in a sense, they may view being "blessed" or "lucky" in a much different way than the same feelings expressed by those who pledged and were cited in Exhibit One. Those who have inherited wealth may feel grateful to their ancestors for their good fortune, in a sense "owing" it to future generations to maintain the family legacy, whereas the self-made rich may be more likely to acknowledge a feeling of good fortune at being a part our economic system and a sense of "debt" to the society

ACRN Journal of Finance and Risk Perspectives
Vol. 4, Issue 1, February 2015, p. xx-xx
ISSN 2305-7394

in general, a sense of guilt, or as what they see as an ethical responsibility to those who have been less fortunate – all feelings expressed in the pledge letters quoted in Exhibit One.

Notoriety is associated with a greater likelihood of pledging. Perhaps being in the public's eye leads to a sense that one's decisions are being scrutinized. This may create a feeling of social pressure to sign the pledge in order to avoid appearing stingy or miserly.

Those who supported President Obama's re-election campaign exhibited a greater likelihood of pledging, consistent with having a common perspective to those of Pledge founders Mr. Buffett and Mr. and Mrs. Gates, who are well-known Democratic supporters. Although not reported in the regressions, those who donated to *both* Democratic and Republican campaigns tended not to pledge, which is what we expect if these actions are viewed as being a self-serving political strategy of "donating to everyone" and not a signal of commitment. Of the ten who gave to both parties' candidates, only one signed the pledge. This proportion of signatories (10%) is virtually the same as the 15 who signed the pledge among the 146 individuals who did not directly give to a Presidential candidate (also unreported).

Neither Child nor Married are significant, although they are both signed negatively as expected. Thus, the robustness of the non-effects first noted in Table One is reinforced. If there is a reluctance to commit because of concern for the economic security of one's heirs, this effect is apparently not strong enough to be statistically significant. Republican shows neither significance nor the expected sign, while Age, Female and College Degree have low levels of significance (p-values of .29, .20 and .19, respectively) and are all signed as expected.

Model 2, reported in the second column of Table Three, drops all insignificant variables from the regression, leaving the results nearly unchanged. These results alleviate our concerns regarding multicollinearity problems since none of the variables that are included in Model 2 show significant correlations yet all the factors found to be important in the original model remain significant in the reduced regression.

Conclusion

We have investigated the motivations and characteristics of those wealthiest of Americans who have signed the Giving Pledge, committing themselves to donate at least half of their net worth to charity. Our results generally confirm that signers of the Pledge have a sense of good fortune, have typically made their money rather than inherited it, lean toward the Democratic Party in their political outlook, are better educated, and are more likely to be among the wealthiest of this elite group.   Future research could replicate and extend this study, looking at the Forbes Global list to investigate if cultural differences affect the likelihood of Pledging.

Notes

1. Twenty-five individuals from the Forbes list were randomly selected and their educational attainment, marital status and number of children were checked with sources other than Wikipedia. No differences were found.

2. Probit regression is required as the dependent variable Pledge is binary.

3. The authors have attempted to contact the Giving Pledge organization asking if all individuals on the Forbes 400 list have been contacted regarding the pledge. To date, we have received no reply.

References

Burris, V. (2000). The Myth of Old Money Liberalism: The Politics of the Forbes 400 Richest Americans. Social Problems, 47,3, 360-378.

Byrnes, J., D.C. Miller and W.D. Schafer (1999). Gender Differences in Risk-Taking: a Meta-analysis. Psychological Bulletin, 125, 367-383.

Forbes (2013). Forbes 400 Richest Americans. Retrieved July 2013 from http://www.forbes.com/forbes-400/list/.

Fuentes-Nieva, R. (2014). Working for the Few: Political Capture and Economic Inequality. Oxfam International, retrieved January 2014 from http://www.oxfam.org/sites/www.oxfam.org/files/bp-working-for-few-political-capture-economic-inequality-200114-en.pdf.

Hochman, H.M. and J.D Rogers (1969). Pareto Optimal Redistribution. The American Economic Review, 59, 4, 542-557.

Kaplan, S.N. and J.D. Rauh (2013). Family, Education and Sources of Wealth Among the Richest Americans. American Economic Review P&P, 103,3, 158-162.

Klass, O.S., O. Biham, M. Levy, O. Malcai and S. Solomon (2006). The Forbes 400 and Pareto Wealth Distribution. Economics Letters, 90, 290-295.

Open Secrets (2014). Top Contributors, retrieved January 2014 from http://opensecrets.org/pres12/.

Stout, D. (2014). "One Stat to Destroy Your Faith in Humanity: The World's Richest People Own as Much as the 3.5 Billion Poorest. Time.com, retrieved January 24, 2014, from http://business.time.com/2014/01/20/.

The Giving Pledge (2013). What is the Giving Pledge? Retrieved December 2013 from http://givingpledge.org.

Wikipedia (2014). Retrieved January, 2014 from http://www.wikipedia.org