

# Why Giving Matters

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It's an honor for me to be here at Brigham Young University, and it's a delight for me to be here in beautiful Provo. The last time I was here was in the fall of 2007. I have happy memories of my last visit, and I have great anticipation of my next. I'm always delighted to be here, and I can see why statistics show that Utahns are some of the happiest people in the United States. It's quite clear, just by looking around, why that would be so.

I'm going to talk to you today about something that you've probably given a lot of thought to: charity. But I want to talk about it in a way you maybe haven't thought about it: about how you can use it in your lives and in the lives of others. I want to talk to you about how charity can and should prominently figure in the lives of Christian people—but in a way that maybe hasn't quite occurred to you before. I want to start with a quote from the famous industrialist John D. Rockefeller from 1905.

Rockefeller was famously quoted in that year as saying, "God gave me my money" (in Reo Bennett, "How the Richest Man in the World Observes Christmas," *Woman's Home Companion*, December 1905, 14). Now, that's sort of troubling to Christian people. God *gave* him his money? Some have used the quote as evidence that John D. Rockefeller was a bad

man—that he believed he deserved to be rich when other people were poor. But that's not actually what he meant.

In 1906 Rockefeller went on to tell a newspaper reporter for the *New York American*: "I believe the power to make money is a gift from God . . . to be developed and used to the best of our ability for the good of mankind" (to William Hoster, quoted in Jules Abels, *The Rockefeller Billions: The Story of the World's Most Stupendous Fortune* [New York: Macmillan, 1965], 279–80).

What Rockefeller meant was this: He believed that he made money because he was charged with helping others with his money, and he honestly believed (as he wrote at other times) that if he stopped giving his money and giving it in the right way, then God would take his money away.

Now, that still might trouble you theologically that God would intervene in the direct finances of John D. Rockefeller, but you have to admit that it doesn't sound so weird at that point. John D. Rockefeller believed that he was

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rich because he gave so much, and throughout his life, before he was a rich man, he gave a lot. He was a charitable person.

A lot of entrepreneurs believe that one of the reasons that they're rich is because they give. Entrepreneurs in this country are some of its most charitable citizens. And I've always heard this, because for years I taught in a department of entrepreneurship, so I got to know the modern John D. Rockefellers who thought that they were rich partly because they gave. But, you know, I never believed it—never believed a word of it—because I was trained as an economist.

A lot of you have taken classes in economics. When you walk into your first class in economics, here's what the professor doesn't say: "You want to get rich? Give all your money away." That's not the advice you hear. It doesn't make sense. No, you have to have money first, and then you can give it away. That's what economists like me think. So I set out to test John D. Rockefeller's view that he was rich because he—and all the other entrepreneurs I talked to—gave. That way, the next time I heard somebody say that you could get rich by giving your money away, I was going to respond, "No, you're wrong. I have the data that say you have to have it before you can give it away."

Well, I'm going to tell you what I found, and in a nutshell what I found was that Rockefeller was right and I was wrong. I'm going to show you the evidence that proves how wrong I was and tell you how you can use this information in your life and how I'm using it in mine.

But first a little background on charitable giving in America: Americans give. Americans give a lot. In 2006 American citizens privately gave about \$300 billion away to charity. Now, \$300 billion—is that a lot, or is that a little? Who even knows these days? The president with the stroke of a pen could give away three times that to people who cannot pay their mortgages, for all we know. It's a crazy time out there, but to put it into perspective,

\$300 billion is more than the entire national income of Sweden. We give away to charity more than the whole country of Sweden makes in income. That's a lot of money. Seventy-five percent of America's families give every year. Fifty percent volunteer their time, and many Americans give in myriad other ways that are not captured in data.

At one point when I was teaching about this subject, I decided to figure out who in America is the most charitable. I compared states, and you are not going to be very surprised at what I found. The most charitable state in the United States, of course, is Utah, where people give approximately twice as much as the second leading state in charitable giving. So congratulations to you. I'm tempted to say that that should make Utahns proud. But I suppose that's not the right word. You should be pleased—and determined to keep it up.

Now, given this, one often asks, How do Americans compare in charitable giving with people around the world? There's a perception out there, if you listen to politicians, that we're stingy. Jimmy Carter, the former president of the United States, said in a relatively recent speech that Americans are indifferent to the suffering of the poor around the world: "The problem lies among the people of the U.S. It's a different world from ours. And we don't really care about what happens to them" (16th Annual Nobel Peace Prize Forum, 21 February 2004, St. Olaf College, Northfield, Minnesota).

The data say that President Carter is wrong. If we look at how much money Americans give per capita compared to citizens in other countries of the world, we will find that the average American citizen gives away three-and-a-half times as much money each year as the average French citizen, seven times as much as the average German, and 14 times as much as the average Italian.

Now, as an economist I want to know whether or not that's because we are richer. However, when you correct for income

differences and tax differences and all the things that make the United States a different country, you find that the gap doesn't close. This is an authentic difference in culture—once again something I do believe we can be quite pleased with. The questions, then, are why does it matter and which is pushing and which is pulling? Is the fact that we're, generally speaking, a richer country the reason that we give so much, as I'd always thought? Or is what John D. Rockefeller would have said true: that the fact that we give so much is one of the secrets to our success?

That's what I set out to show. I set out to show that Rockefeller was wrong: that you have to have the money before you give it away, that we all need to go to work, and that we need tax policy that puts plenty of money in our pockets—then we'll help each other. That's what I intended to show.

The way I set out to show that was by gathering data on 30,000 American families from all over the country. Actually, colleagues at Harvard University collected the data in the year 2000. Working from coast to coast, they collected the data from 41 communities big and small and towns north and south. Salt Lake City was one of the communities we looked at. We also looked at Washington, D.C., and Seattle, Washington (my hometown)—lots of places were in there. Thirty thousand families were asked questions about how much they gave, what they gave to, how much money they made, their education, their family life, and everything in between. It was the most comprehensive look at people's service behavior and their charitable giving that we've ever had before, and I eagerly anticipated these data because I was going to show what I'd always thought. This was going to give me a statistical way to show that you have to have the money first.

So I charted it up and did the statistical analysis. I worked for months with my computer in my darkened office to get my conclusion. The

conclusion was, sure enough, that when people get richer, they tend to give more money away. But I also came up with the following counterintuitive finding: When people give more money away, they tend to prosper.

Specifically, here's what I found. If you have two families that are exactly identical—in other words, same religion, same race, same number of kids, same town, same level of education, and everything's the same—except that one family gives a hundred dollars more to charity than the second family, then the giving family will earn on average \$375 more in income than the nongiving family—and that's statistically attributable to the gift.

Now, when I got this I was perplexed. I was really confused because it didn't go with my theory. In psychology this is what we call cognitive dissonance—two competing ideas in conflict with each other. On the one hand I had the theory that I'd always worked under. On the other hand I had data that completely contradicted the theory. So I did what college professors always do in this case: I got rid of the data. I said, "That can't be right. I've obviously messed something up." I got new software. I looked for new data. I recrunched the numbers. I kept coming up with the same thing.

I ran the numbers again, and I looked at volunteering. I found the same thing: People who volunteer do better financially. I ran the numbers on blood contributions and blood donations. Think about that—giving blood. You're not going to get richer if you give blood, are you? Well, yes, you are.

I figured it couldn't be right, so I ignored the findings. I didn't publish them. I let them roll around in my head for a long time. And I thought, you know, I've got a better way to test this—I'm going to look at the whole United States. I wanted to see how charitable giving had changed over a 50-year period and compare it to how income had changed. Then I could see which was statistically pushing and which was pulling.

I examined the average family between 1954 and 2004 and found (adjusted for inflation) a 150-percent increase in real purchasing power. This is great news. This is actually an amazing thing worldwide. You simply don't see growth like this in real purchasing power in already rich countries. It's an incredible achievement that the United States has undertaken. This is a testament to prosperity that comes from productivity and hard work and dedication. This is a good thing.

Charitable giving also increased over the same period per family on average by 190 percent. And this is an even better story because what this says is that we're getting more prosperous in this country, but we're getting even more generous over time. I'm pleased with this result. It tells me once again that what Jimmy Carter said about this country is not right. We're not a stingy country. Could we be more generous? Of course we could. But we're not getting stingier.

Here's the real question: Which is pushing and which is pulling? Is income driving up donations or are donations driving up income or what? And the answer, once again, is both. You find that when our country gets richer, people do give more away. And as we give more away, that translates into better economic growth for this country.

Statistically what we find is that if we were to increase our private charitable donations by just 1 percent, which is about \$2 billion a year—\$2 billion a year from people like you and me writing checks for our favorite causes: our churches and our favorite charities—if we just did that, that would translate into a gross domestic product of about 39 billion new dollars. That's a great multiplier.

Now, \$39 billion by today's stakes is nothing. The president pulls \$39 billion from behind the cushions of the couch at the White House. It's laundry money. It's three months in Iraq. It's 5 percent of the stimulus package. It's nothing. But it's a great multiplier. If I can take

your \$2 billion in charity and turn it into \$39 billion, then suddenly charitable giving is not just a great investment for you. It's also a patriotic act for our country because it translates into jobs and growth and opportunity and tax revenues and all the stuff that we really like.

The more I ran the numbers, the more I kept getting this crazy result. I kept getting the same thing over and over and over. Rockefeller was right, but I still refused to believe it. So in desperation I finally went to a colleague who specialized in the psychology of charitable giving, and I said, "I'm getting this result I can't understand. It doesn't make sense. It's like the hand of God or something on the economy, and I can't believe it's true."

And the first thing he asked was, "Why don't you believe it's true? You're a Christian, aren't you?"

This shook me a bit, but just for a second. "Yeah, but I'm a social scientist," I shot back. "We're not supposed to believe those things. I need a more earthbound explanation."

"Well, I'll give you one," he said. "We've known this for 30 years in the psychology profession."

And I said, "Well, tell me, tell me."

He said, "We haven't just been talking about money. You economists—you worry about money all the time, and money is boring. We worry about something that people really care about—the currency by which we really spend our days—and that's happiness. We've known for 30 years that people who give get happier as a result. Can you use that?"

And I said, "Oh, yeah." Because I know from teaching at a business school that the best way to run a successful business is to hire happy people. That's really where the action is. Some of you know that too. If you want to have a productive business and if you want to be a productive person, work on your happiness. Happy people show up for work more, they work longer hours, they work more joyfully, and they're happier with every aspect of their

productive lives. Happiness is the secret to success, and if that's true, I've got the answer. Charity brings happiness, happiness brings success, and now I'm onto something.

It turns out that the data on happiness and charitable giving are beyond dispute. People who give to charity are 43 percent more likely than people who don't give to say they're very happy people. People who give blood are twice as likely to say they're very happy people as people who don't give blood. People who volunteer are happier. The list goes on. You simply can't find any kind of service that won't make you happier.

Laboratory experiments using human subjects find that when people are asked to give to other people, it elevates their mood. Furthermore, if you increase your level of charitable giving, you can permanently alter your level of what psychologists call positive effect—which is to say, being in a good mood. You can be a happier person that way. It's the secret, basically. The real question is not whether that's true; the question is why that's true.

There's a very interesting set of studies that tell us why it is that giving will make you into a happy person. The first has to do with how it changes your brain. I'm going to explain that in a minute. The second is what it does to how other people treat you. Let me explain. The first is that the wiring of our brains is conducive to charitable giving, and it works something like this. In the late 1980s there was a famous study of charitable giving that looked at how people reacted with respect to the endorphins that they experienced. Endorphins are neurochemicals that make you feel a sort of euphoria. If you like to run marathons, it's probably because afterward you feel really good—you feel sort of high in a way. Psychologists came forth with studies that showed that when people volunteer to help other people, they get what they call "the helper's high." Volunteering actually gives people a mild sense of euphoria.

I think that's an interesting study, but it doesn't help me explain prosperity. The helper's high doesn't get me there, and the reason is this. When I was in high school I went to school with a lot of kids who specialized in getting high. And it turns out that that was not a secret to success. Now that I'm 44 years old and keeping in touch with a couple of people from high school, I can assure you that the pathway they took was not the one to great prosperity. So it's interesting that you get this helper's high, but it doesn't help us explain all this worldly prosperity that I keep finding in my data.

Later studies of the brain came up with a more compelling explanation. These studies showed that when people give, it lowers their levels of stress. This is really important to understand in prosperity because one thing that we know is that people who do their jobs with less stress tend to be more productive and more successful than those who perform it with more stress. You'll find throughout your lives that if you can find ways to relax, you will profit from this level of relaxation. Studies have shown that charitable giving will objectively lower the stress levels that people feel in their everyday lives.

There is one famous study from the Duke Medical School in 1996. It's a study that I love because it's so strange. Senior citizens were asked in an experiment to give massages to infants, to little babies—which is a funny thing. It just goes to show you that in the university community you can get tenure for doing anything. Of these senior citizens, half of them gave massages to infants and the other half didn't. The researchers monitored the stress hormones in the senior citizens' brains to see what happened.

There are three stress hormones, for your information. (This is the kind of thing that, when you're like me and write books for a living, you find out about.) What are the three stress hormones? They're called cortisol,

epinephrine, and norepinephrine. When somebody cuts you off in traffic or insults you or you get a D on an exam or something like that, those chemicals are lighting up your brain like a Christmas tree, and you're unhappy as a result because you're stressed out. What you want to do is go through life with less cortisol, epinephrine, and norepinephrine in your day-to-day life. And what they found in the study of the senior citizens was that those who gave the massages to the babies cut their stress hormones in half. Big finding! Their interpretation was that this is great advice for people who want to be more effective, and this tells us something about why people who give a lot as part of their regular lifestyles are going to be more successful.

The second set of studies has to do not with what happens in your brain when you give but with what happens in other people's brains when you give. A study from the University of Kent in southern England was dedicated to figuring out how people see others who are givers. There is an experiment called a cooperation game in which people are gathered in a large room, given a little bit of money, and asked to contribute to a common fund. Then the researchers look in the common fund, double it, and pass it out equally among the participants. If you think about that game, the best thing for everybody to do is to put in all of their money and have it doubled. But if you're crafty, what you want to do is hold back all your money when everybody else puts in theirs and don't cooperate. That way you get your own money *and* a chunk of everybody else's. That's the idea. And, as the experiment showed, there is always a proportion of people who opt to do so.

Now, researchers have been studying this kind of thing for years. What made it interesting when the University of Kent studied it was this. There was a second phase in which people in the game who had witnessed each other cooperating in giving to each other were

asked to break up into teams and elect leaders. What they found was that in 82 percent of the cases, the leaders who were elected were the biggest givers from the first phase.

Their conclusion, a conclusion that has been verified in subsequent experiments, is that when people see strangers giving charitably, they recognize a leadership quality in those strangers. If people witness you as a giver, they will see a leader. Servant leadership is no joke, and it's a secret to success, whether you're looking for success or not. When people see you giving and cooperating and serving others, they will see in you a leader, or a future leader, and they cannot help but help you.

There are many other studies that show that givers have better health and that givers are better citizens. It goes on and on. The bottom line is this: Givers are healthier, happier, and richer in this country—and probably around the world. It gives us stronger communities; indeed, it gives us a more prosperous nation.

The question for me now is this: Who gives the most? And who's getting all this benefit—wonderful benefit—for themselves and for their communities? Well, I told you before: people from Utah. But that doesn't get me far enough, because if you move across the border from Idaho you are not suddenly going to start coughing up to charity. You're just not going to do it.

There is something else going on, and you know what it is. It's practicing faith. The number-one characteristic of those who give in this country is that they practice a faith. Of people who practice their faith regularly—which is to say, they attend worship services every week—91 percent give to charity each year. Of people who don't attend every week, 66 percent do. This translates into millions and millions of people who are healthier, happier, and more prosperous than their neighbors, and it charts back to a lot of their religious experiences.

There are two ways to explain this link between God and giving. Explanation number

one: You're better people. That's not a very Christian explanation. Explanation number two: You've been given a special gift—the gift of giving. Now I'm going to ask you to take a pretty sophisticated understanding here of charitable giving. As Christian people we are taught that giving is important to help others. I'm telling you that the data say giving helps you, so if you want to help others, don't just give to them—think about what you can do today to help somebody else to give. The main beneficiary of a charitable gift is the giver him- or herself.

Let me summarize that. What do the data tell me as a Christian man? They tell me that I am the big beneficiary of my own giving, that people similar to me who take their faith seriously are the beneficiaries because we tend to give a lot. We've been taught to do what is right, and we are reaping the reward. So how can we, given this fact, reinterpret the scriptures about charitable giving? How can we take it to the next level?

Consider Mosiah 4:21:

*And now, if God, who has created you, on whom you are dependent for your lives and for all that ye have and are, doth grant unto you whatsoever ye ask that is right, in faith, believing that ye shall receive, O then, how ye ought to impart of the substance that ye have one to another.*

The traditional interpretation of this passage, which is similar to passages in any sacred text, is basically this: "Give more to other people. You have so much; give more." Take it to the next level. Take it to the source of the prosperity. You have been given the gift of giving. Help others by giving them the gift of giving.

How are you going to do that? How are you going to help somebody to give more today? There are a lot of ways to do it. Let me tell you how you've done it for me.

Let me tell you a quick story about a briefcase. I know it's a weird subject for a story, but

it's actually a magic briefcase. It's my magic Brigham Young University briefcase. I visited here in the fall of 2007 for the first time—I'd never been here before. My friend Gary Cornia, who is the dean of the business school, gave me a beautiful briefcase that said "Brigham Young University" on it. I took it home and put it away because I already had a briefcase, and I didn't think about it.

About a month later my briefcase broke, and I was complaining to my wife, and I said, "The handle's broken. It's very inconvenient."

And she said, "What about that BYU briefcase you brought home? Why don't you carry that?"

And I said, "Oh. Okay. That's a good idea."

So I took all my stuff and put it in the BYU briefcase, and I started carrying it around.

At the time, my research assistant at Syracuse University, Nick Bailey (he's here—he actually works at BYU now), noticed, and he said, "You're carrying a BYU briefcase."

I said, "Yeah, it's great. It's an Italian briefcase. It's very nice."

I travel a lot, and one of the funny things I noticed is that when you are out in public carrying a briefcase that says something on it, the first thing people you don't know do is read the briefcase and then look at you. It occurred to me that people were thinking, "He's a Mormon guy." And that's actually sort of false religious advertising because I'm a Roman Catholic. I take my faith seriously, but no matter how seriously I take my faith, technically that still doesn't make me a Mormon.

So I was walking around saying, basically, "I'm a Mormon," and the funny thing is that it was changing my personality. And the reason it was changing my personality was because I was mortified by the idea that somebody would say, "You know, I was in the airport, and I saw this Mormon guy, and he was being a real jerk." I wanted to live up to someone else's reputation, and it was making me into a better person. It was a magic briefcase.

So what's the implication of this story? Well, obviously it might just be that I'm trying to get a new briefcase right now. (Maybe the greatest kind of evangelization that the LDS Church could undertake would be to buy 300 million briefcases and give them out to all Americans.) But the bigger point here is that carrying the briefcase was actually making my life better. I was happier; things were going really well for me as I was carrying that briefcase. And the reason is that the service for which Mormons have become justifiably famous was infecting my life. It was making me better as a person. It was helping *me*. And I thank you for that.

So how else (besides accidentally buying somebody a briefcase) can you help other people give more today? First, you can help to dispel some myths about charitable giving.

Myth number one: Giving makes us poorer. You hear this all the time. This is what the economist like me thinks. It's wrong; you have to fight thinking that way. And there are arguments that say the way it works is not just the hand of God—at least not directly the hand of God. Instead, maybe it's the hand of God through our neurochemistry, having to do with the structure of our brains. But there are good explanations for why this is not true.

Myth number two: People are naturally selfish. I hear this constantly: "They are not going to give. People are just selfish." People are selfish, it's true, but they're not naturally selfish; people are unnaturally selfish. When we are our best selves, when we are in equilibrium, when we are where we're supposed to be cognitively, neurochemically, and spiritually, then we are giving people.

Myth number three: Giving is a luxury. It's not. It's a necessity—the first 10 percent, not the last 10 percent. And the reason is that if we want to be better, we have to give.

Myth number four: This is not a public policy lecture, but I'm a public policy professional, so I'm going to make one public policy point here today. You will hear in the

coming days and weeks and months that if our country were doing what it should be doing for people in need, then we wouldn't need private giving, that the government would be taking care of people who need it, and that we would not need you to step in to provide needs. Having looked at the data, I am here to tell you today that the day the government takes over for you in your private charity is the day we get poorer, unhappier, and unhealthier. The process starts right now on the day the government crowds us out. We must demand to take our place as givers and to support our communities of need and people who need the services that we can provide.

Second, how else can we help others give more? Well, by teaching. We're teachers. I'm a teacher. You're a teacher. We're leaders in our communities. Everything we do demonstrates what we believe. People mimic those who are successful, happy, and well adjusted. You've heard many times throughout your training in church and in school that you're never really alone. Somebody is always watching you. You're always creating an example, and, as such, you're a teacher. What you do today people will see. Make sure that it's clear that you're a charitable giver—and they will emulate you.

And third, how can we bring our creativity to bear more in our families, in our churches? How can we create a curriculum where giving is a core competency? We're very good at teaching reading and writing—well, we're not that good at that either, but in theory we're pretty good at teaching reading and writing. We're not very good at taking teaching giving seriously, yet this is a core competency for successful citizenship and a happy life. We need to be better about teaching this.

What I charge you with today is what I charge myself with, which is to discover more creative solutions to working these concepts into our everyday lives. You can tell this has changed my life a lot. I hope you can tell that

it really has. When I was working on this research four years ago, I came home with a chapter from a book that showed these data analyses, and my wife read it. She reads everything I write. She tells me pretty honestly when it's not so good. She read the chapter and said, "I think this is really something. I think we can use this."

"Yeah, we should give more," I answered. "We should write bigger checks. We should take this seriously."

She said, "No, no, no. I think we should do something bigger. I think we should adopt a baby."

And I said, "Sweetheart, it's only a book.

But I had no argument. We had to do it. And we did it. It was the best thing we ever did. And that changed our lives even more.

As for your money being cheerfully refunded, I can't guarantee that, but I promise

you that this stuff really works. It works—if you want—because of God in heaven, or it works—if you want—because of your neurochemistry, but it really works, and I leave you with that and one more thought.

As an American citizen and as a person with great delight to be here at BYU and living in this great country, one of the things that I've learned as a result of my research is that I'm a happy prosperous person because I live in a country with people who serve. Because you give to your churches and the causes that you care about here in Utah, I have a richer, happier, and healthier life even though I live in Washington, D.C. So for all that you do between your student life and your giving and your missions and everything else that characterizes your life of service that helps me so much, my last words to you are thank you.