



Regulation EC: Uniting Wealth and Purpose for a New Era of Charitable Giving



Regulation EC (equity with charity) is a groundbreaking approach to philanthropy that merges financial investment with charitable giving. Regulation EC revolutionizes the intersection of finance and philanthropy, using the market mechanism of price discovery to enable investors to compete for priority access to investment opportunities based on their commitment to charitable giving.

By leveraging market dynamics, this innovative model maximizes the impact of donations, aligning investor priorities with social good. The result? Companies gain loyal, socially responsible investors, nonprofits receive ample, reliable support as equity owners earning dividends, and society as a whole benefits from a more sustainable world characterized by decency, dignity and human flourishing.

A New Vision for Impact Investing

In a world where the divide between profit and purpose often leaves social causes underfunded, Regulation EC offers a revolutionary solution that frees nonprofits from the ever-changing whims of donors which ravage the industry and make many nonprofits unsustainable as donations appear and dry up with the trends of the day.

- **Maximized Impact:** Regulation EC leverages competition to boost charitable contributions.
- **Aligned Goals:** Investors grow wealth while advancing social good.
- **Reliable Funding Model:** By making charities partial owners of sustainable businesses we stabilize funding for the nonprofit industry.
- **Win-Win:** Companies gain loyal investors, nonprofits receive more support, and society benefits.

KEY TAKEAWAYS

This innovative model empowers investors to drive social change while achieving financial success, creating a seamless integration of wealth-building and philanthropy. It's time to rethink how we invest in the future—Regulation EC is the key to unlocking that potential.

The Challenge: Traditional Giving Falls Short

Despite growing interest in socially responsible investing, charitable giving remains disconnected from the financial markets. With \$499.3 billion donated in 2022, the impact is significant, but far from sufficient. The existing system fails to fully engage investor generosity and does not harness the power of market forces to maximize charitable contributions. This inefficiency leaves critical social issues underfunded and nonprofits unsure of future funding even when donations are high, missing opportunities to make a lasting impact.

Imagine if, instead of relying on unpredictable donations, nonprofits were partial owners of financially sustainable businesses and received regular disbursements such as dividends just like any shareholder.

Combining Investment Access with Charitable Giving

In a world where profit and purpose often seem at odds, leaving many social causes underfunded, Regulation EC offers a groundbreaking solution that redefines the relationship between wealth and philanthropy. This innovative model empowers investors to drive significant social change while simultaneously achieving financial success. It does so by creating a system where charitable giving is not an afterthought but a core component of the investment process.

Here's how it works: Investors who participate in opportunities offered under Regulation EC compete not just by the amount of money they are willing to invest, but by the percentage of their returns or shares they commit to donating to a designated charity. The higher the percentage of commitment, the higher their priority in securing shares or investment opportunities of any limited funding round.

This turns the traditional investment model on its head, where the power of the market is harnessed to reveal the maximum donation investors are willing to make. Instead of donating after the fact, investors integrate their charitable intentions into the very foundation of their financial strategy. Reg EC also encourages companies to have low or no minimum investment amounts so they can access a larger investor base, opening up investment to smaller independent investors, thereby increasing opportunities across the board for all.



This competition-driven approach uses the principles of price discovery—normally reserved for determining the value of financial assets—to determine the value of charitable contributions. It means that every investor, every dollar, and every share is aligned with a purpose greater than profit alone. Companies benefit from attracting investors who are not only interested in financial returns but are also deeply committed to the

company's social mission. This creates a loyal, engaged shareholder base that is driven by both economic and philanthropic motivations.

For investors, Regulation EC offers a unique blend of financial and social returns. They are not just building their wealth; they are also actively contributing to causes they care about, all within a single, streamlined process. This alignment of wealth-building and philanthropy ensures that social causes receive the funding they need to thrive, driven by the very mechanisms that fuel economic growth.

Exploring New Frontiers in Philanthropy: Policy Options

1. **Maintain the Status Quo:** Stick with conventional charitable models that keep investments and donations separate, offering no stability to nonprofits who must deal with a donor base that gives and withdraws funding depending on what cause is trendy to fund at any given time.
2. **Fixed-Amount Giving:** Open investment opportunities to smaller investors who are too small to reach accreditation status, who pledge a fixed amount donation to a designated nonprofit, offering predictability but missing the potential of dynamic, market-driven contributions.
3. **Adopt Regulation EC:** Embrace a dynamic, competitive model where investors pledge a portion of their returns or shares to charity to receive priority investment. Shares are allocated based on the highest percentage committed regardless of an investor's accreditation status, opening up opportunities to smaller independent investors, utilizing the market mechanism of price discovery to maximize donations, and aligning financial success with social impact to unlock the full potential of philanthropy.

Making It Happen: Turning Vision into Reality

1. **Regulatory Collaboration:** Work with financial regulators to establish a robust legal framework for Regulation EC that meets the needs of all stakeholders.
2. **Pilot Initiatives:** Launch pilot programs with forward-thinking companies and nonprofits to refine the model and showcase its effectiveness.
3. **Educate and Engage:** Develop targeted campaigns to inform and inspire investors about the unique opportunities and benefits of Regulation EC.
4. **Ongoing Assessment:** Implement continuous monitoring and evaluation to ensure the model's success and adapt as needed for maximum impact.



Why Regulation EC Leads the Way

Regulation EC is more than just a new model for charitable giving—it's a powerful embodiment of capitalism at its finest. At its core, charity is a capitalist institution, born from the wealth creation that capitalism drives.

But beyond being the engine of wealth, charity represents the ultimate voluntarist solution to social challenges, free from government compulsion. It's a way for individuals to directly impact society, addressing needs through an individual's own moral volition and generosity rather than being compelled by mandates.

Regulation EC amplifies this philosophy by creating a competitive environment where charitable commitments drive investment opportunities. This isn't just about maximizing impact—it's about empowering individuals to take ownership of social change. By aligning financial success with philanthropic intent, Regulation EC harnesses the dynamic forces of the market to fuel both economic growth and social progress.

This model has the potential to do more than just address immediate needs; it's a step toward a future where capitalism, through charity, could diminish the need for government intervention in every area of life except those essential functions requiring use of force like policing and defense.

By turning philanthropy into an engaging and competitive process, utilizing the market mechanism of price discovery, Regulation EC not only maximizes donations but also charts a path for capitalism to fulfill its highest promise: a society where freedom, prosperity, and voluntary compassion are the cornerstones of progress.

Closing the Gap: Invest in Change, Reap the Rewards

Regulation EC is more than just a new policy—it's a bold movement toward a future where every investment builds American wealth and drives the kind of positive change that reflects our nation's highest ideals. By aligning financial returns with charitable commitments, we can create a powerful market that champions social good, redefining what it means to invest and give in this great country.

This approach not only fortifies America's economy but also ensures a brighter, more equitable future for all Americans, safeguarding the promise of our nation and laying the foundation for enduring prosperity and shared success.



References

Giving USA. (2023). Giving USA 2023: The annual report on philanthropy for the year 2022. Giving USA Foundation. Retrieved from <https://givingusa.org>

Learn more at www.galinsky2024.us/issue/financial-regulation

Contact Information: For more information, please contact: outreach@galinsky2024.us