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The Stubborn 2% Giving Rate

Even as more fundraisers seek donations, Americans don't dig deeper

By Suzanne Perry

Americans gave $316.2-billion to charity last year, according to "Giving USA," the annual survey of philanthropy that was released this week. And in a statistic that offers no surprises, that represented 2 percent of the country's gross domestic product, the same as in 2011.

In fact, giving as a share of GDP has rarely strayed far from 2 percent over the past four decades—despite the huge growth in the number of charities and fundraisers and periodic crusades to encourage greater giving.

While the figure climbed to a high of 2.3 percent in 2000, for the last several years it has rested at less than the 2.1 percent recorded in 1971, according to "Giving USA" data.

That has left some philanthropic experts scratching their heads about what it would take to move the dial significantly.

"We're stuck," says John List, a professor of economics who heads the University of Chicago's Science of Philanthropy Initiative.

While overall giving has mushroomed since the 1970s, he says, it has been driven primarily by growing incomes, not by donors deciding to give a "larger share of wallet."

"There's a lot of money on the charity sidelines, and the charitable community needs to build a better mousetrap," he says.

Donations from individuals—almost $229-billion last year, or 72 percent of the total—generally hover at around 2 percent of disposable income, with occasional blips up or down, according to the Giving USA Foundation, which helps compile the annual philanthropy report. And efforts to increase that percentage have had little success.

3-Percent Solution

Not everyone agrees that the GDP share is an important giving indicator.

Paul Schervish, director of the Center on Wealth and Philanthropy at Boston College, says the statistic reflects only contributions that are channeled through 501(c)(3) nonprofits, so it doesn't capture "charity" that people offer informally—for example, the billions of dollars that immigrants send home to their families—or donations that people make to other kinds of organizations such as political groups that they believe will help improve society.

"This notion that the philanthropic sector is the most moral and most important thing you can do with your money is a fraud," he says.

Still, many advocates have tried over the years to get people to donate more—on the grounds that the money could help solve pressing social problems.

Adam Meyerson, president of the Philanthropy Roundtable, an association of foundations and wealthy donors, wants to push giving to 3 percent of GDP, partly to provide philanthropic alternatives to failed or distressed government programs. A "3-percent solution," as he calls it, would have added almost $158-billion to the charitable pot last year.

The extra money could help offer fresh thinking on ways to help poor families, improve schools, and rescue ailing major state universities, he says.

Peter Singer, a professor of bioethics at Princeton University says he doesn't "see anything in nature or psychology embedded in the 2-percent figure." His group, the Life You Save, has developed an online calculator to help people decide how much to give, a percentage that increases along with income. "It's not going to be easy to be significantly different, but it could be."

Mr. Singer argues that the wealthy, who provide the biggest share of charitable contributions, have an ethical obligation to step up their giving and can do so while still leading extremely comfortable lives.

In a 2006 *New York Times* article, he calculated that the top 10 percent of American households could provide $404-billion a year alone by donating from 10 percent to a third of their incomes—enough to make a big dent in global poverty. (Mr. Singer says he is not interested in increasing donations to opera houses or museums.)

Of course, given the slow recovery from the recession, the timing is not ideal for campaigns to get people to open their pocketbooks wider. Mr. Schervish says research he helped conduct found that the economic downturn has already robbed charities of an estimated $320-billion that they would have received from 2007 to 2011 if giving had kept pace with the previous four years.

Failed Efforts

But even in the best of times, organized efforts to get people to give more have sputtered.

Independent Sector, a coalition of charities and foundations, led a sustained campaign in the late 1980s and early 1990s to get everyone to increase their donations. Known as Give Five, it placed magazine, radio, and television ads urging Americans to donate 5 percent of their gross incomes to charity—up from the average of about 2 percent that its surveys showed individuals were giving then.

The effort attracted millions of dollars in foundation money and spawned dozens of local efforts around the country. The Advertising Council adopted the campaign, soliciting free services from ad agencies. It had a logo (a circle with a small 5-percent wedge highlighted) and slogans like "Give Five: What You Get Back Is Immeasurable."

But it didn’t work.

“There were a few blips where it went up a little bit, but there was never any real measurable, strong increase,” says John Thomas, who was vice president for communications at Independent Sector at the time. One problem, he suspects: Giving is a “very personal thing,” and some people didn’t like being told how much they should give.

In 1998, Claude Rosenberg, founder of a capital-management company, started the NewTithing Group, a charity that aimed to get affluent people to figure out how much they could afford to give by looking at their total wealth, not just their income.

After analyzing 2003 tax records, his group concluded that if households with adjusted gross incomes of $200,000 to $500,000 had donated the same proportion of their investment assets as less affluent taxpayers, charities would have reaped an additional $25-billion.

It also calculated that Americans could donate $150-billion more a year if they took the time to approach giving scientifically instead of in a “piecemeal” and “haphazard” way, taking into account factors like tax benefits, inflation, and financial needs. It created an Internet calculator called PrudentPal to help them do so.

But when Mr. Rosenberg died in 2008, his group died with him.

'Preaching to the Choir’

Mr. Rosenberg’s philosophy influenced the founders of the One Percent Club, an effort started by corporate leaders and Joe Selvaggio, an antipoverty activist, in Minnesota in 1997. It aimed to get wealthy people to donate annually 1 percent of their net assets or 5 percent of their income, whichever was larger.

But while that effort had a promising start, once boasting 1,000 members, it has now lost steam and been folded into a program of the Minneapolis Foundation that promotes effective giving by young professionals.

“It didn’t seem to make a radical difference in people’s giving,” says Tom Lowe, retired chairman of Lyman Lumber Company, and a founding member of the club.

“A lot of people were interested in what we were doing, thought it was a good idea, and signed up,” he says. But most were already big givers, he adds, so it was “preaching to the choir.”

Mr. Selvaggio, who has buttonholed many wealthy people in the course of a long nonprofit career, says they often give top priority to themselves and their families, sometimes worrying unreasonably that the money will run out if they or their children get sick.

“Man does just what he has to do,” he says, a philosophy he attributes to St. Thomas Aquinas.

Tim Stone, who headed the NewTithing Group, says those kinds of fears have been heightened by the “boom and bust” economic cycles of the last two decades and the rising costs of health care and college tuition.

Some advocates cite promising developments, however, like the effort of Warren Buffet and Bill and Melinda Gates to recruit billionaires to pledge to give away half of their fortunes. Mr. Singer says he was encouraged to learn in a *Washington Post* article that some young people are adopting his philosophy of “effective altruism” and working at high-paying jobs so they can contribute more to charity.

And Mr. Selvaggio hasn't given up. Now working with a charity he founded in Minneapolis to provide grants to low-income people, he has just developed a workbook that he is selling for $5 to nonprofits to distribute to potential donors. It asks people to contribute "a meaningful portion of your nest egg" and offers an exercise designed to help them determine how much and where to give.

Appealing to Values

But there's a glass-half-full element to the giving picture. After all, by keeping pace with GDP, which has more than tripled in real terms since 1970, donors have helped fuel the enormous growth of the charitable world.

Mr. Meyerson notes that Americans give more as a percentage of GDP than their counterparts in many other major industrial countries.

While giving regularly hovered below 2 percent of GDP in the 1970s and 1980s, he adds, it has rested at 2 percent or above since the late 1990s.

He says more favorable tax treatment for charitable gifts could help push that higher, but it's also important to "capture the philanthropic imagination of the American people."

"Churches and other houses of worship and colleges and universities have done a very good job of this," he says. "They appeal to Americans' highest values and aspirations, not their guilt."

Penelope Burk, a veteran fund-raising consultant and author of the book *Donor-Centered Leadership,* offers a more concrete solution.

Bequests accounted for $23.4-billion of giving in 2012. But, she says, that number could be greatly multiplied if fundraisers tapped everyone who is willing to leave money to charity when they die—something they are failing to do.

In surveys her company conducts of tens of thousands of donors, 9 to 10 percent of people say they have put bequests in their wills, but more than 30 percent say they would definitely do it or take it under serious consideration if asked.

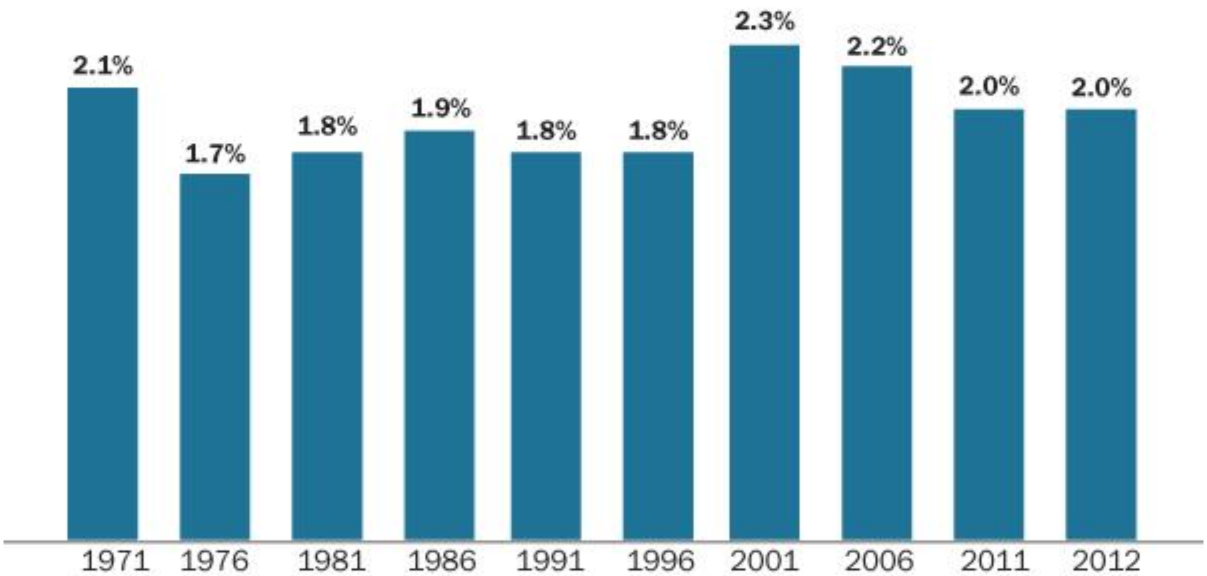
"We're right in the midst of the perfect age demographic for baby boomers putting planned gifts in their wills," she says. "This is it right now, and we're about to miss it."

Mr. List says in one way it's surprising that the giving percentage hasn't fallen, given how much less innovative nonprofits are than the for-profit world, with companies like Amazon, Apple, and Google.

"Think of the goods and services invented on the private side," he says. "It's dramatic compared to what we've seen in the charitable sector. If you look at it that way, we're really lucky that we receive the same budget share.

"Usually in a sector that's not very innovative, they end up dying. That's an economic fact."

Giving's Share of the Gross Domestic Product



SOURCE: "Giving USA"

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