



February 8, 2024



Please Can We Stop the Giving by Percent of GDP Nonsense!

by David H. King
President

For about a decade, I've been hearing people lament that charitable giving was only 2% of the US Gross Domestic Product (GDP) and espouse a desire to see that percentage increase. I've long argued that it is a near mathematical impossibility when you consider that the denominator in that equation (GDP) is 50,000 times larger than the numerator (total giving). GDP in 2022 was \$25 trillion—that is 25 with 12 zeros after it. Giving was \$499 million - that is 499 with 6 zeros after it. I was not a math major, but even I know that when you divide a number by another number that is 50,000 times larger, you can't really move the percentage higher unless you have either 1) a massive increase in the numerator (Giving in this case) or 2) a massive decrease in the denominator (GDP). And, by the way, a massive decrease in GDP probably would not increase the percentage because it would mean that the world economy was collapsing.

Why do I bring this up now? Well, I was recently on the website of a company (which I'm not going to name because I'm about to declare them a ship of fools) that has the following statement on their website:

"Our vision is to increase giving from 2% of US GDP to 3% by 2033—a number that hasn't changed significantly in the last 50 years. It's an incredibly ambitious goal, and we're committed to meeting it by using our technology, innovation, and leadership to increase trust in the entire social good ecosystem."

To say that is an "ambitious goal" is like calling the surface of the Sun warm. I thought I'd take a look at what it would take to get giving to three percent of GDP by 2033—their stated goal. Now, bear with me for a minute here because I'm about to go all mathematical on you.

Fact: Over the last 30 years, GDP has increased by an average of 2.46% per year. (I used 30 years because it helps to reduce the impact of Covid, and it represents a time span in which we had Presidents and Congress controlled by both Democrats and Republicans.)

Also, Fact: Over that same time period, giving has increased by an average of 2.8% per year.

Also, Fact: The inflation-adjusted growth rate of giving went down in 2022 and has gone down

in 11 of the last 30 years (that's one out of every three years, by the way).

Therefore, the following would need to happen to increase giving to 3% of GDP, assuming GDP grows at its historical average going forward.

To accomplish this in 10 years (by a 2033 goal), with average growth in GDP, giving would have to increase at a rate of 6.9% per year starting in 2023 and continue at that rate every year. As stated above, the inflation-adjusted rate is 2.8% annually. So, the growth rate of giving would have to increase by 246% from its historic average right now and stay that way for ten years. For some perspective on that, in the last 30 years giving has only increased by 6.9% or more eight times—and the last time was 2012—but the growth rate has gone negative 11 years over that period. In addition, only 1 time in the last 30 years has giving growth rate increased for 5 consecutive years (1996-2000). So, we would need a historically unprecedented increase in giving that was sustained for a historically unprecedented number of consecutive years.

I know what you're thinking, "Well, David, this is a big goal, so maybe it will take more than 10 years, and we won't need that kind of unprecedented sustained growth". Ok, that occurred to me too, so I looked at a longer time horizon.

To reach 3% of GDP in 20 years (by 2043), would require giving to grow by 4.6% annually for 20 consecutive years—a 166% increase of the historical average growth rate. Giving has only exceeded a 4.6% growth rate twelve times in the past 30 years. So again, asking for a 166% increase in the annual growth rate starting now and sustained over several consecutive years that has never even remotely been approached.

Want to go longer? Ok, I've got time on my hands and a better-than-average competency in Microsoft Excel. To reach 3% of GDP in 30 years (by 2053), would require giving to grow by 3.93% annually for 30 consecutive years—a 140% increase over the historical average growth rate. But, alas, the growth rate of giving has only exceeded 3.93% twelve times (same as the 20-year scenario) in the past 30 years. So, again, unprecedented, sustained, consecutive increases in giving over 30 years.

Look, I'm all for aspirational goals and taking on a challenge, but this is teaching pigs to fly territory. Increasing the amount that is donated to not-for-profit organizations is a great goal. I'm all for it. I'm in! But chasing a goal that is all but mathematically impossible in the real world seems like something only a masochist would attempt. So please, for the love of all things good (and our sanity), can we come up with a target that is not just flat-out absurd?

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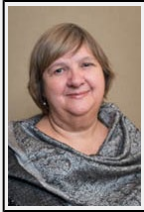
We are excited to announce that Alexander Haas has joined Collegium, a diverse group of companies focused exclusively on serving the needs of nonprofit organizations. Access to our Collegium partner companies will allow us to provide our clients with a broad array of services, including marketing, branding, growth planning, and fundraising-focused executive search. These are services that will help us provide our clients with an expanded set of tools they need for success today and in the future.

We will continue as Alexander Haas, we will continue to work from our Atlanta office, our entire consulting and support staff team will continue the great work we are known for, and David King will continue as President of Alexander Haas.

[Go here for the press release.](#)

19 Years and Counting

Sandra Kidd is celebrating 19 years at Alexander Haas, and we couldn't be more grateful for the expertise and results she brings to the Firm and her clients. A Senior Partner, she's noted for her work on campaign planning and management, working with Boards and campaign leadership committees, and major and planned giving consultation. While her consulting clients are sector-wide, cultural institutions are her passion.



Before joining the Firm, Sandra served as Director of Museum Advancement at the High Museum of Art*, where she headed the membership and development program and coordinated the High's \$130 million expansion campaign, which topped its capital goal and received a lead gift of \$15 million, at that time the largest gift in its history.

Sandra has been both a speaker and participant at AAM and SEMC meetings, and, as a volunteer, serves on her local historical society board. The most rewarding part of her consulting career, she says, is the chance to work with donors and volunteers who are so generous with their money and their time.

**Alumni Client Partner*

Bits & Bytes

Nina Yoshida Nelsen, co-founder of the Asian Opera Alliance, has been appointed artistic director at the Boston Lyric Opera. She has worked at the opera as an artistic adviser since 2021. *COP, 2-2*

Lois Kirschenbaum, who died in 2021 at age 88, made plans to donate gifts of \$215,000 each to several prestigious New York City arts institutions, including the New York City Opera, American Ballet Theater, Carnegie Hall, George and Nora London Foundation for Singers, and the Public Theater. Kirschenbaum, who reportedly lived a frugal lifestyle, was an avid viewer of the Metropolitan Opera, always watching from the standing-room area, and a fixture at the stage door of each show, making friends with several performers. *NYP, 1-18*

Amy Barmeier Dru left \$2 million to Ballet Arizona for endowment. The bequest will increase the dance company's endowment by more than 30%. Over time, the money will help to support the creation of new works and live music accompaniment, as well as expand the ballet troupe's education and community programs. *COP, 1-17*

Schwab DAFs \$6.1 billion in 2023

Schwab Charitable reported that it facilitated grants totaling \$6.1 billion to charities in 2023—a 31% year-over-year increase—the first time Schwab donors awarded more than \$6 billion during a 12-month period.

In all, Schwab donors supported over 127,000 charities through more than one million grants—an 11% increase in the

Gates 2024 Letter: Give More & Give Faster

In the Bill & Melinda Gates Foundation's annual letter, CEO Mark Suzman called on billionaires to give more of their wealth—and faster—to combat global inequality. The letter highlighted late philanthropist Chuck Feeney, a Giving Pledge signatory who died in October, who gave away \$8 billion during his life. Suzman's letter emphasized the need for more billionaires to make commitments

number of grants to charities compared to 2022. Grants include more than \$124 million to charities recommended by the Center for Disaster Philanthropy (CDP) to assist those affected by natural and humanitarian crises. In addition, 69% of existing donors in 2023 awarded a grant to an organization they had not previously supported, and 87% of donors made grants within their home state. *NPD, 1-25*

like those of the Giving Pledge and to give money while they're still alive.

For its part, the foundation aims to spend down its endowment after the deaths of **Bill and Melinda French Gates** as well as increase its spending now. It recently announced a 2024 budget of \$8.6 billion, its largest budget to date, and Suzman added that the foundation board committed to increasing its annual payout to \$9 billion by 2026. *PND, 1-26*

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