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

Spelman’s Historic \$100 Million Gift

Atlanta’s **Spelman College*** received what is believed to be the largest-ever single donation to a historically Black college or university from **Ronda Stryker** and her husband **William Johnston**. Stryker has been a Spelman trustee since 1997.

Spelman said that it would use \$75 million to endow scholarships. The rest of the money will be used for other purposes, including developing an academic focus on public policy and democracy and improving student housing, a sore point in recent years among Spelman students.

“It’s a transformational gift to any institution, period,” trustee **Lovette Russell** said. *Fortune*, 1-18

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UNCF \$100 Million Gift

The **United Negro College Fund** received a donation of \$100 million from the Lilly Endowment Inc. That gift will go toward a pooled endowment for the 37 historically Black colleges and universities that form UNCF’s membership with the goal of boosting the schools’ long-term financial stability. The fund is trying to raise \$370 million for a shared endowment.

This \$100 million grant is the largest unrestricted private grant UNCF has ever received. UNCF has decided to deploy it to the capital campaign’s objective of building a pooled endowment fund that will increase the endowments at UNCF’s 37 member institutions by \$10 million each. UNCF is currently conducting a \$1 billion capital campaign.

MetroAtlantaCEO, 1-22

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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 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

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 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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