U.S. Philanthropy: Trends in Giving and the Impact on Society

This chapter describes developments in charitable giving in the United States over the last forty years, the period for which statistical data is available. This analysis includes changes in the magnitude of giving, the sources of philanthropic dollars, and the causes to which charitable giving is directed. The proportion of giving from individuals, corporations, foundations, and bequests are presented in aggregate form. Breaking down this data further, the demographic and financial characteristics of individual donors are considered. In particular, although individual contributions remain the largest component of total giving, it is shown that private citizens engaged in philanthropy do not give to religious causes to the same degree as in the past. Donations made by corporations have become a promotional tool, and this change represents a reorientation of business giving. Foundation grants have risen in importance, and the data suggests this trend will continue.

The mechanisms by which donations are solicited and collected have changed considerably in the past half-century. The advent of Fair Trade will be discussed below. Despite its presence in churches, coffeehouses, and health food stores—devotees of these products are often confused about how alternative trade works. Benefit corporations face even more daunting problems in reaching consumers. Each benefit corporation devises its own mix of targeted causes (environment, sustainability, labor, etc.), and then works to draw in buyers who share the same vision. Working in favor of benefit corporations is the fact that many potential customers have been conditioned to understand giving-by-buying through their experiences with Fair Trade and other social market enterprises. Social
impact investing might face the biggest challenge in the philanthropic sector because it seeks social change through financial channels, a model that few participants are likely to have encountered previously. Although there is considerable excitement about the potential of social impact investing as a vehicle for ethical finance, the accumulated assets in impact funds remain negligible in terms of total investment assets.

Corporate giving, which once was viewed as commensurate with individual philanthropy and foundation giving, is now largely regarded as a promotional tool. A consumer who consciously patronizes a business with an active giving program knows that a small percentage of the purchase price is going to a cause. So, for example, if that individual buys goods from a firm that is running a matching-donation program to support a local hospital, it is not always clear if the sale is motivated by a general support for such giving (i.e., rewarding corporate social responsibility) or if the consumer is more focused on seeing that particular hospital receive aid (i.e., indirect philanthropy). Unraveling this motivation is important to corporate strategizing because firms have other have means of projecting an ethical image (e.g., pronouncements of labor-friendly practices) and therefore must weigh the relative advantages of their giving programs.

1. Trends in Giving: What the Numbers Show

From 1990 to 2012, total charitable contributions in the United States rose from $98.5 billion to $316.2 billion, an increase of over 220 percent. During the same period, giving increased over 37 percent in real terms. Giving on a per capita basis also rose markedly (from $393.8 to $1,007.3) in 1990 dollars, as per person annual contributions went from $302 in 1990 to $439 in 2012. Although the growth in giving was steady over most of this period, the 2008 economic downturn caused an observable drop in donations, particularly those made by individuals. By 2010, individual donations had returned to their prerecession levels, yet bequests, which fell dramatically in 2009, did not return to their 2007 level until 2012.

Table 2.1 lays out the numbers for giving, by source, from 1990 to 2012. Individual donations remained by far the largest component of contributions, but they nevertheless declined in importance.

Both corporate contributions and giving through bequests remained remarkably stable proportionate to total giving. Foundation grants were the only form of giving that rose in importance (from 7.34 percent to 14.46 percent of total contributions). Table 2.2 provides a breakdown of the destination of giving during this same period.