

How various economic scenarios affect giving in the United States

Resilient Philanthropy

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“The sky is falling!” bemoans Chicken Little in the fable about the confused fowl that creates hysteria among her friends in the mistaken belief that

Table 1: WHAT THE DATA TELL US, 1980–2007

Year	Dow Jones Average	Percent Change	S&P 500 Index	Percent Change	Total Contributions (\$Billions)	Percent Change
1980	964				48.63	
1981	875	-9%			55.28	14%
1982	1,047	20%			59.11	7%
1983	1,259	20%			63.21	7%
1984	1,212	-4%			68.58	8%
1985	1,547	28%			71.69	5%
1986	1,896	23%			83.25	16%
1987	1,939	2%			82.21	-1%
1988	2,169	12%			88.04	7%
1989	2,753	27%	353.403		98.43	12%
1990	2,634	-4%	330.22	-7%	101.37	3%
1991	3,169	20%	417.099	26%	105.01	4%
1992	3,301	4%	435.711	4%	110.37	5%
1993	3,754	14%	466.454	7%	116.54	6%
1994	3,834	2%	459.266	-2%	119.18	2%
1995	5,117	33%	615.913	34%	124.01	4%
1996	6,448	26%	740.737	20%	138.55	12%
1997	7,908	23%	970.43	31%	153.77	11%
1998	9,181	16%	1,229.23	27%	172.13	12%
1999	10,878	18%	1,463.46	19%	190.79	11%
2000	10,787	-1%	1,320.28	-10%	228.25	20%
2001	10,021	-7%	1,148.08	-13%	238.46	4%
2002	8,342	-17%	879.819	-23%	240.92	1%
2003	10,454	25%	1,111.92	26%	240.72	0%
2004	10,783	3%	1,211.92	9%	245.22	2%
2005	10,717	-1%	1,248.29	3%	260.28	6%
2006	12,463	16%	1,418.30	14%	295.06	13%
2007	13,265	6%	1,468.37	4%	306.39	4%

Sources: Dow Jones (www.dowjones.com), S&P 500 (www.standardandpoors.com) and Giving USA (www.givingusa.org)
 Highlighted areas indicate years of recession

George Schill/imagos.com

Giving and the Economy

catastrophe is near at hand. Similarly, ongoing news about the declining stock market and teetering economy has created an uneasy feeling of foreboding and dread. Fear not. The stock market may indeed be falling, but luckily the sky is not, as a study of historical data proves.

Conventional wisdom would suggest

that when the stock market declines, philanthropy follows suit. If the stock market drops 10 percent one year compared to the previous year, you might reasonably surmise that philanthropy also would decrease at an equal—or greater—rate. Does this really happen?

A look at 27 years of data, from 1980 to 2007 (see Table 1), shows the

percentage change from year to year of three common and generally accepted indices: the Dow Jones Industrial Average, the S&P 500 Index (which began in 1989) and the annual *Giving USA*, a report published by the Giving USA Foundation™ in Glenview, Ill., and researched and written by The Center on Philanthropy at Indi-

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Table 2: Percentage Change in Dow Jones Average, S&P 500 Index, and Total Giving from Year to Year, 1980–2007

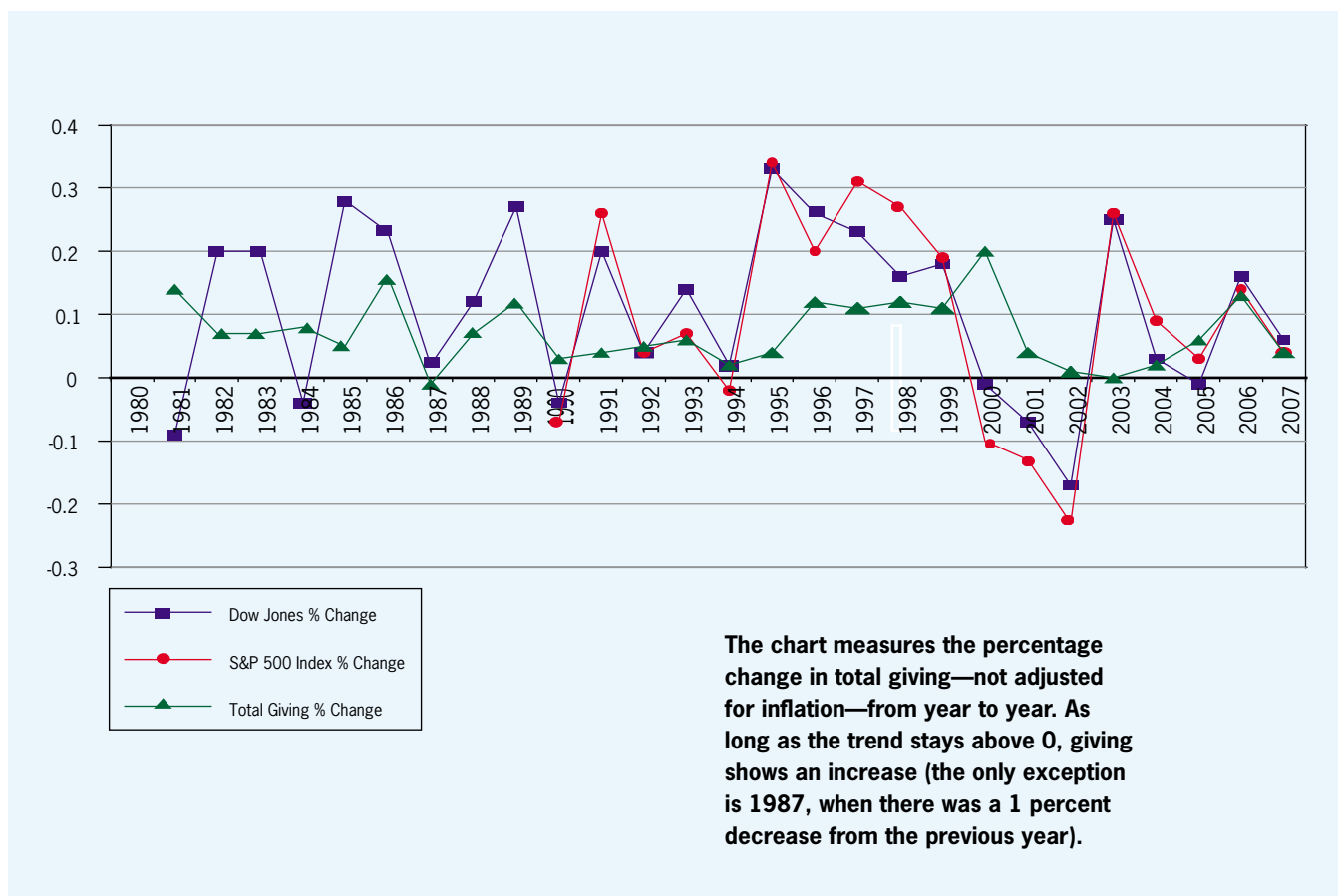


Table 3: CRISES AND AMERICAN GIVING

			PERCENTAGE CHANGE IN STOCK MARKET			PERCENTAGE CHANGE	
			Day before to day after	After 30 days	After 365 days	Real GDP	Total giving
EVENTS OF WAR							
The fall of France		May-40					
	Year before	1939				8.1%	20.2%
	Year of	1940	-2.2%	-24.5%	-20.9%	8.5%	46.8%
	Year after	1941				17.1%	36.3%
Pearl Harbor		Dec-41					
	Year before	1940				8.5%	46.8%
	Year of	1941	-3.5%	-3.0%	-0.7%	17.1%	36.3%
	Year after	1942				18.4%	46.0%
Korean War		Jun-50					
	Year before	1949				-0.6%	1.3%
	Year of	1950	-4.7%	-8.9%	9.8%	8.7%	10.1%
	Year after	1951				7.6%	15.0%
Cuban Missile Crisis		Aug-62					
	Year before	1961				2.3%	5.8%
	Year of	1962	-0.6%	-6.1%	16.9%	6.0%	1.2%
	Year after	1963				4.3%	11.0%
U.S. bombs Cambodia		May-70					
	Year before	1969				3.0%	9.6%
	Year of	1970	-0.5%	-3.7%	26.5%	0.2%	1.8%
	Year after	1971				3.3%	11.4%
Gulf War		Jan-91					
	Year before	1990				1.8%	3.0%
	Year of	1991	6.3%	17.7%	30.7%	-0.5%	3.6%
	Year after	1992				3.0%	5.1%
ACTS OF TERRORISM							
World Trade Center bombing		Feb-93					
	Year before	1992				3.0%	5.1%
	Year of	1993	-0.5%	1.9%	13.0%	2.7%	5.6%
	Year after	1994				4.0%	2.3%
Oklahoma City bombing		Apr-95					
	Year before	1994				4.0%	2.3%
	Year of	1995	1.2%	3.9%	32.5%	2.7%	4.1%
	Year after	1996				3.6%	11.7%
POLITICAL CRISES							
JFK assassination		Nov-63					
	Year before	1962				6.0%	1.2%
	Year of	1963	1.5%	3.8%	20.4%	4.3%	11.0%
	Year after	1964				5.8%	3.5%
Nixon resigns		Aug-74					
	Year before	1973				5.8%	4.7%
	Year of	1974	-1.3%	-15.8%	6.6%	-0.6%	5.0%
	Year after	1975				-0.4%	6.3%
ECONOMIC CRISES							
Arab oil embargo		Oct-73					
	Year before	1972				5.4%	4.3%
	Year of	1973	0.1%	-10.9%	-30.9%	5.8%	4.7%
	Year after	1974				-0.6%	5.0%
Hunt silver crisis		Feb-80					
	Year before	1979				3.2%	11.8%
	Year of	1980	-1.1%	-12.7%	3.1%	-0.2%	12.8%
	Year after	1981				2.5%	13.7%
Financial panic of 1987		Oct-87					
	Year before	1986				3.4%	16.1%
	Year of	1987	-18.1%	-15.6%	-4.9%	3.4%	-1.3%
	Year after	1988				4.2%	7.1%

Source: Giving USA Foundation™

What Do Crises Mean for Giving?

After the terrorist attacks on Sept. 11, 2001, at the request of the AAFRC Trust for Philanthropy (now the Giving USA Foundation™), The Center on Philanthropy at Indiana University examined what happened to the economy and to giving in the years surrounding 13 major events of terrorism, war (or war-like acts) and political or economic crises. These include the World War II fall of France, Pearl Harbor, the Korean War, the Cuban Missile Crisis, the U.S. bombing of Cambodia, the Gulf War, the bombings of the World Trade Center (1993) and Oklahoma City, the assassination of President Kennedy, the resignation of President Nixon, the Arab oil embargo, the Hunt silver crisis and the 1987 financial panic ("Black Monday").

Historical View

Table 3 summarizes how philanthropy has weathered various crises during the past few decades.

Stock market activity: The stock market dropped conspicuously immediately (within 30 days) following most of the major crises evaluated. The exceptions are President Kennedy's assassination, the Gulf War, the bombing of the World Trade Center (1993) and the Oklahoma City bombing.

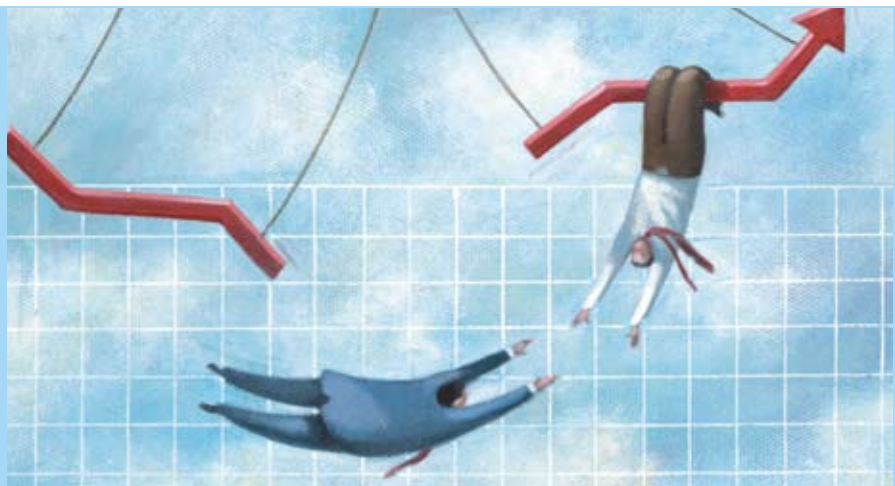
Within one year of the date of the event, the market had recovered (within 1 percent) or more than recovered its value in all but three cases (the fall of France, the Arab oil embargo and the financial panic of 1987).

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Giving data (left) are for the entire calendar year in which the event occurred. The analysis shows changes in the stock market and in giving using current values (not adjusted for inflation). Real (inflation-adjusted) GDP is used in order to show recession years, in which GDP growth is negative.

Source: The Center on Philanthropy at Indiana University

Data sources:
 Stock market change: Dow Jones Industrial Average, daily values
 Gross Domestic Product change: Bureau of Economic Analysis in a file released March 2001
 Total Giving: Giving USA annual editions and historical records from *Statistics of Income*, Internal Revenue Service



Acts of war: For three of the six acts of war examined—the fall of France in WWII, the Korean War and the Gulf War—giving in the year in which the event occurred grew faster than it had during the prior year. For the other three acts of war examined—Pearl Harbor, the Cuban Missile Crisis and the beginning of the U.S. bombing of Cambodia—giving in the year of the event increased more slowly than it did the prior year.

In the year following the acts of war examined, the rate of growth in giving increased more than it had in the year of the act of war, except for the fall of France. Growth in giving rose faster in the years after acts of war than it did in the years prior to acts of war, except for Pearl Harbor, when giving in 1942 rose at a rate very close to the rate of growth for 1940. From 1939 to 1942, when two of the examined events of war occurred, giving increased almost 200 percent.

Acts of terrorism: In the two acts of terrorism examined, in the year in which the event occurred the rate of growth in giving increased over the prior year. The rate of growth in giving slowed in the year after the 1993 World Trade Center bombing and increased in the year after the Oklahoma City bombing.

Political crises: In the political crises examined, in the year in which the event occurred the rate of growth in giving grew more than it had during the prior year. In the year after President Kennedy's assassination, the rate of growth in giving decreased compared to the year of the event. In the year following President Nixon's resignation, the rate of growth in giving increased compared to the year of the event.

Economic crises: For the economic cri-

ses examined, the rate of growth in giving in the year of the event increased in the year of the Arab oil embargo and in the year of the Hunt silver crisis, but decreased in the year of the 1987 financial panic. In the year following each of these economic crises, the rate of growth in giving exceeded that of the year of the event.

Total Giving

The total amount of giving in the United States has increased every year but one (1987) for the past 40 years, including through wars, recessions and other crises. While the rate of growth has varied from year to year, each year Americans have given more than the previous year.

For the year in which an examined event occurred, *rates of growth* in giving were mixed, increasing in some years, decreasing in others.

However, in the calendar year after an event, giving grew at a greater rate than it did during the year of the event. This was true in all but three cases: the year after the fall of France, President Kennedy's assassination and the 1993 World Trade Center bombing. Furthermore, in the calendar year after an event, giving grew at a faster rate than it had during the calendar year before the event, with three exceptions: the year after the World Trade Center bombing, the year after the October 1987 financial panic and the year after Pearl Harbor, when giving in 1942 rose at a rate very close to the rate of growth for 1940. Given that Pearl Harbor occurred very late in 1941, the figures for 1942 may better reflect giving in the aftermath of that event.

For more information, visit www.philanthropy.iupui.edu/News/2001/nr-CrisisGiving.aspx

ana University. In this table, the years highlighted indicate those in which the U.S. economy was in recession.

The percentage change of these indices from year to year was mapped. While the Dow Jones Industrial Average and S&P 500 Index clearly mirror each other, the *Giving USA* data (not adjusted for inflation) show a different trend. In particular, there are some surprising findings:

- Changes in total philanthropy are not directly correlated to changes in the stock market. Total philanthropy appears to weather storms in the stock market with great resiliency and less dramatic fluctuation.
- There has been only one year in the past 27 in which philanthropy has dropped from one year to the next (1987), and it was only a modest drop. Otherwise, philanthropy has increased from one year to the next, even during years in which the market has dropped (see Table 2).
- Even during the worst decline in the stock market (in 2002, when the Dow Jones Average decreased 17 percent and the S&P 500 Index dropped 23 percent), philanthropy increased by 1 percent.

What does this all mean? Philanthropy remains strong and resilient during declining economic periods. While it is clear that a strong stock market provides donors with a greater ease and sense of confidence in making gifts to nonprofit organizations, the opposite is not true. Down markets do not always foretell decreased philanthropy. [®]



Does charitable giving keep up with increases in inflation? Visit www.afpnet.org/publications/advancing_philanthropy, click on the September/October issue and read "Charitable Giving and Inflation" in PDF format.



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