

American Mega-Giving: A Comparison to Global Disaster Relief

Gary A. Tobin, Alex C. Karp & Aryeh K. Weinberg
Institute for Jewish & Community Research, 2005

America: The Land of Philanthropists

Americans at all social and economic levels are philanthropists. Every day, every year, Americans donate hundreds of billions of dollars to hundreds of thousands of charities and causes. Individual citizens generously support churches, schools, and other organizations that help the hungry and sick. America's wealthy are a vital part of this philanthropic system, sometimes leading the way, sometimes carving out specific areas of giving, but always giving away, by comparison to all other peoples, vast sums of their wealth to better society, improve the quality of life, and help those in need.

The American System

America's philanthropic system is the most developed in the world. It circulates over \$200 billion dollars¹ a year in charitable giving, supporting over 1 million non-profits in the U.S. alone.² Americans, more than any other people in the world, maintain control over how their monies are used by donating it themselves rather than delegating this responsibility to the federal government. Every year, one can expect Americans to give gifts large and small to support the constant needs of everyday life and to respond to crisis as well.

However, philanthropy in America is not simply a function of our wealth. Rather, our wealth is a function of the basic American principles of individual freedom, moral responsibility, and decentralization that also guide our philanthropy. The American belief is that the collective outcome of individual choice is superior to that of a more systematic centralized and governmental approach. While individuals do make mistakes, the flexibility and freedom of the American system encourages a level of entrepreneurship and personal imperative unmatched by any other nation. The very same freedoms and institutions that allow Americans to maintain control over their giving are also the basis of American success and philanthropy.

The American system is decidedly decentralized, which creates the need for effective monitoring to ensure the many non-profits receiving gifts use them appropriately. Accountability is, therefore, essential to the American philanthropic system. Due diligence affords donors confidence in the system and validates their belief

¹ The Center on Philanthropy at Indiana University, *Giving USA 2002: The Annual Report on Philanthropy* (New York: AAFRC, 2002).

² "Number of Charities Grows 74% in Just over a Decade," *Independent Sector*: www.independentsector.org/media/InBriefPR.html.

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that they are actually improving society. When scandals arise, donors reevaluate their giving and question the actual benefit derived from their charity. Financial scandals that have plagued global efforts, including the oil for food scandal of the United Nations and the bloated personal bank accounts of the likes of Yasser Arafat, create great skepticism and caution among donors who want to know that the monies they give will actually go for the intended purposes when they donate internationally. This is particularly pertinent in light of the massive giving to tsunami relief efforts outside of America. Organizations operating in countries such as Indonesia are subject to corruption that may prohibit funds going to aid tsunami victims. Americans are generous but not foolish. They will open their hearts and wallets, but not to bureaucrats, thieves, racketeers, and certainly not terrorists, which is an additional concern.

Americans Give More Than All Others

In 2003, the latest year for which conclusive aggregate data are available, Americans gave \$241 billion³ to charitable causes. In comparison, the European country with the greatest tradition of giving, Britain, reportedly gave £7.1 billion in 2003, or approximately \$14 billion⁴. Even after adjusting for population differences, British giving – unmatched in the European Union – constitutes less than one third of American philanthropy. On average, giving from 1995-2000 for France follows with just over \$4 billion, \$20 billion adjusted for population, and then Germany with approximately 3.5 billion, \$12.25 billion adjusted for population.⁵ America far outpaces its Western counterparts that have the capability to give much more than they currently do. Of course, in many of these countries, educational, health, and welfare systems are more government funded than in the United States.

Mega-Gifts Are a Vital Part of American Philanthropy

Mega-gifts (defined as those charitable donations exceeding \$1 million) play a critically important role in the American philanthropic system and, increasingly, around the world. Nearly \$13 billion in mega-gifts were recorded in the year 2001, with

³ The Center on Philanthropy at Indiana University, *Giving USA 2004: The Annual Report on Philanthropy* (New York: AAFRC, 2004).

⁴ "Charitable Giving in the UK 1995-2003," *The National Council for Voluntary Organizations*: www.ncvo-vol.org.uk/asp/search/ncvo/main.aspx?siteID=1&slID=8&subSID=73&documentID=2348.

⁵ Lester Salamon, *Global Civil Society: Dimensions of the Nonprofit Sector, Volume Two* (Baltimore: Johns Hopkins University Press, 2004).

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estimated billions more that fall under the radar of available data sources.⁶ This number represents just over 6% of the \$200+ billion given by Americans in 2001, but wields significantly more influence than the percentage alone.⁷ The attention paid to large gifts and efforts made to woo them by development offices across the nation lend significant weight to the impact mega-givers have on American philanthropy.

It is no wonder mega-givers are so coveted. Year in and year out, America's top donors give away enormous sums. In 2001 alone, a single donor, James Stowers, exceeded \$1 billion in mega-gifts, while the Packard Foundation donated over \$700 million, the Lilly Endowment over \$600 million. In some cases, mega-givers are able to open up and lead entirely new areas of philanthropy through massive giving drives, encouraging social awareness and action in potentially underrepresented areas of philanthropy. Bill and Melinda Gates donated over \$350 million in funding for research on disease in Africa since 2000, which has been followed by a multi-billion dollar aid package pledged by President George Bush.⁸

The Mega-Mega-Gifts

While the overall amount given by individual Americans is staggering, it is not only the totals that are impressive. The sheer size of many single American mega-gifts is hard to grasp for those unfamiliar, and even many of those who are familiar, with the American philanthropic system. Gifts of \$10 million or more, of which there are over 200 recorded in 2001, constitute only 8% of the total mega-gifts for this year. However, this 8% represents 63% of the total dollars given in mega-gifts, a percentage justified by the amazing sums donated at the top tiers of American philanthropy. In 2001, according to the Institute for Jewish & Community Research study, there were 58 gifts between \$20 and \$50 million, 9 between \$50 and \$100 million, 15 between \$100 and \$500 million and one gift exceeding \$1 billion. And there is nothing unique about 2001 in American giving, even considering the effect of 9/11. From 1995-2000, there were 52 gifts exceeding \$100

⁶ Dr. Gary A. Tobin, Dr. Alexander C Karp and Aryeh Weinberg. *Mega-gifts in American Philanthropy, Volume II: 2001*. Institute for Jewish & Community Research. To be published 2005.

⁷ The Center on Philanthropy at Indiana University, *Giving USA 2002: The Annual Report on Philanthropy* (New York: AAFRC, 2002).

⁸ Dr. Gary A. Tobin, Dr. Alexander C Karp and Aryeh Weinberg. *Mega-gifts in American Philanthropy, Volume I: 1995-2000*. Institute for Jewish & Community Research and Dr. Gary A. Tobin, Dr. Alexander C Karp and Aryeh Weinberg. *Mega-gifts in American Philanthropy, Volume III: 2002-2003*. Institute for Jewish & Community Research. To be published 2006.

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million and two billion dollar gifts. Data being collected for 2002 and 2003 show similar patterns. Given these sums and the powerful effect such gifts have on not only American society, but on global society as well, a thorough understanding of mega-giving and mega-givers is an important part of understanding American philanthropy on the whole.

2001 Mega-Gifts by Size of Gift				
Gift Size	Gift Amounts	% of Total \$	Number of Gifts	% of Total Gifts
\$1M < \$2M	\$1,585,919,201	12.72%	1,301	56.86%
\$2M < \$5M	\$1,784,879,524	14.31%	633	27.18%
\$5M < \$10M	\$1,246,667,278	10.00%	202	8.67%
\$10M < \$20M	\$1,340,645,647	10.75%	110	4.72%
\$20M < \$50M	\$1,565,185,532	12.55%	58	2.49%
\$50M < \$100M	\$522,435,311	4.19%	9	0.39%
\$100M < \$500M	\$3,309,317,170	26.54%	15	0.64%
\$1Billion+	\$1,114,000,000	8.93%	1	0.04%
Total	\$12,469,049,663	100.00%	2,329	100.00%

The Importance of Mega-Gifts and Mega-Givers

While only a small part of the world's philanthropy, mega-gifts resonate far beyond their proportion of philanthropy. Throughout the history of philanthropy, mega-gifts were the flagship gifts, starting new institutions and initiatives for the betterment of humankind. Their donors were the standard bearers who gave others the leadership to follow the very dreams that philanthropy in its purest represents.

Mega-givers are not only America's most generous individuals; they are also America's most successful. They represent the American dream, fortunes made by many self-made entrepreneurs who have taken full advantage of the opportunities America presents. By publicly giving large amounts of their wealth, they continually reinforce the importance of "giving back to the community that nurtured them." Mega-givers set a strong example for the general population, openly showing their appreciation for American society and making clear that their success is intertwined with that of America as a whole. The lesson is not lost on Americans, who view philanthropy as part and parcel of full participation in the American way of life and the expression of vital moral choices.

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American Philanthropy and the Tsunami Relief Drive

The evidence of American generosity presented here is particularly pertinent at this time. The debate that has ensued over American generosity following the recent Southeast Asian tsunami relief efforts has highlighted a fundamental difference between Americans and the rest of the world regarding the faith that Americans place in individual choice and the resulting moral vision as expressed through philanthropy.

After the realization of the enormity of the tsunami disaster, Americans did not wait for their government to begin sending aid. By the time leading nations began pledging their aid, individual Americans, foundations, and companies had already donated more than \$200 million in private contributions to the relief effort. This was followed by a \$350 million⁹ aid package pledged by the American government in addition to the \$6 million a day and growing expended by American military relief operations.¹⁰ The sharing of responsibility between the public and private realm is quintessentially American. Individual Americans, three of ten in total, were able to express their desire to help through their philanthropy, and the government followed the people's lead.¹¹

While certainly many individuals in other nations found ways to give privately, most looked to their government to provide the necessary aid. However, planned budgets, bureaucracy, and politics often restrict governments. They cannot always respond to developing events as quickly as the people might like or the situation might require. When the relief money seemed to be coming in too slowly, Jan Egeland, the current United Nations emergency relief coordinator and former head of the Norwegian Red Cross, spoke of western nations as "stingy."¹² He claimed that while individuals were willing to give more to the victims, politicians were unwilling to raise taxes in order to boost the amounts of aid. Mr. Egeland was likely correct in his analysis as it concerns typical welfare states, but, certainly not America. Americans were already giving.

⁹ "Private U.S. Aid for Tsunami Tops \$200M," (The Associated Press, January 5, 2005).

¹⁰ "Pentagon Spending \$6 Million a Day on Tsunami Mission," (Associated Press, January 6, 2005).

¹¹ Bill Lester, "AP Poll: 3 in U.S. Give to Tsunami Aid," (Associated Press, January 7, 2005).

¹² Bill Sammon, "U.N. official slams U.S. as 'stingy' over aid," (The Washington Times, December 28, 2004).

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The governments of numerous states did eventually respond and in record amounts. Germany pledged \$668 million, Australia \$760 and Japan \$500 million.¹³ On the surface, it seems that these countries were able to respond on par with the American system. But for Americans, responding to a crisis is not unusual. Millions of Americans respond to the everyday crises of life all the time.

Americans Give at Emergency Levels All the Time

The outpouring of support for tsunami victims from countries, individuals, and companies across the globe is certainly noteworthy and commendable. However, while some countries make major donations in times of international crisis, American philanthropists do so year in, year out to a wide variety of institutions and causes. Our study of mega-gifts in American philanthropy from 1995-2000 showed at least 17 gifts above \$200 million to organizations as diverse as the United Negro College Fund (\$1 billion), the Global Fund for Children's Vaccines (\$750 million), Massachusetts Institute of Technology (\$350 million), The National Gallery of Art (\$300 million) and the American Red Cross (\$200 million). Our current study of mega-gifts in 2001 (as well as ongoing research for 2002-2003) shows similar patterns, with the Stowers Institute for Medical Research receiving a \$1.1 billion gift, Stanford University \$400 million, the Nuclear Threat Initiative \$250 million and Central European University \$250 million. In fact, it is not uncommon for an individual American philanthropist or foundation to be more generous in their giving in a random year than any one of the countries that has pledged funds to relief efforts, or even many countries combined.

The need to give, among Americans, may fluctuate surrounding events such as 9/11 and the recent tsunami, however, barring such circumstances, Americans do not stop giving. After the tsunami is out of the news, Americans will continue to contribute. In contrast, the record aid packages pledged by countries such as Germany and Australia are one-time efforts, made in the face of obvious and cataclysmic suffering. The infrequency of the actions taken by these governments raises some questions: What will such countries do if another disaster strikes tomorrow? Will they be able to provide similar aid after having made such large commitments? And, how will these governments, with set budgets and domestic responsibilities, fulfill their commitments without raising taxes? It is not clear yet that all the aid promised will be delivered.

¹³ "Tsunami aid effort nears four billion dollars ahead of key conference," (TurkishPress.com, January 5, 2005).

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Some of these questions are already being answered. Aid from Germany and Australia, for example, includes large amounts of debt forgiveness and convertible loans. Again, any aid is to be commended: however, such aid provides little relief on the ground where money and supplies are in immediate need. The entire world, except America, was forced into emergency mobilization in order to deal with the disaster. Americans saw the same carnage and felt the same emotions as others around the world, and reacted in the same way Americans do every year to support everyday needs.

The American philanthropic system is always in place to respond to crises, both sudden and ongoing, and Americans consistently give to causes outside the United States. Globally, Americans regularly give enormous sums, having donated over a billion dollars in mega-gifts to international causes in 2001, which is only a fraction of the total 2001 international giving figure. Compared to any other people, Americans never stop giving at emergency levels and to causes all over the world. Moreover, in crisis situations, the American system allows maximum flexibility to meet needs. For example, President George Bush recently extended the 2004 cut-off date for Americans to claim tax exemptions on their charitable giving in order encourage giving to tsunami victims.

As of Saturday, January 8th, Americans have privately donated over \$330 million, on pace to exceed the government's aid package. Add this to the running military bill, which has reached \$72 million, and American contributions top three quarters of a billion dollars.¹⁴ With private philanthropy expected to continue to grow and military aid continuing, the final tally of American aid will likely top at least a billion dollars. One billion dollars equals or exceeds any other nation's response to the tsunami disaster, yet is less than 10% percent of American mega-giving and less than 1% of total giving.

Is Questioning American Generosity the Right Question?

Certainly, it is difficult to question American generosity when so many individual Americans make regular charitable gifts of such magnitude that they exceed even the unprecedented giving to the recent tsunami relief efforts by governments that represent tens or even hundreds of millions of citizens. Yet many continue to do so.

A study by Lester Salamon of Johns Hopkins University argues that Americans are less philanthropic than the citizens of other nations, particularly those of welfare

¹⁴ "Private U.S. donations to tsunami victims at \$337 million," (khaleejtimes.com, January 8, 2005).

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states.¹⁵ However, his work is based on two fundamental methodological flaws. First, the analysis excludes American giving to religious institutions because comparable data from Europe are not available. This eliminates the single largest area of American philanthropy. Two, this study attempts to put a dollar value to volunteer time, which, as he points out, boosts European “giving” significantly. In real dollars, however, including religious giving, Americans are by far the biggest givers.

The Real Question: Where Do the Mega-gifts Go?

The American philanthropic system is not perfect. Disproportionate numbers of mega-gifts go to higher education, especially gifts of \$10 million or more. Higher education receives 63% of all gifts of \$10 million or more, with the large majority of them going to private institutions that already enjoy enormous endowments. Meanwhile over 80% of college students attend public universities.

It is fair to ask whether colleges and universities need American philanthropy more than the hungry and homeless, or the victims of natural or manmade disasters, tsunami and war. The 20 largest university endowments total over \$80 billion, nearly all of them at private elite institutions. This \$80 billion is more than the combined Gross Domestic Product of the 72 poorest nations in the world. One can pose hard moral and ethical questions about how and where mega-gifts are made.

We, as Americans, can discuss and debate how we give our money away and why. It may be that America’s wealthiest individuals and foundations will decide to give more money away, not choosing between current recipient institutions such as colleges and universities and the human need of tsunami proportions. Or they may alter their giving to reflect human needs. We may applaud or question their moral choices, but the American system of philanthropy is rooted in individual choice, faith, and moral conviction. If the contributions to higher education become (or if they already have) out of proportion to need, or if other needs are truly more compelling, it is likely that a more ethical equilibrium will be reached.

Methodology

The data are excerpted from *Mega-gifts in American Philanthropy, Volume I: 1995-2000*, *Mega-gifts in American Philanthropy, Volume II: 2001*, as well as ongoing research for

¹⁵ Lester Salamon, *Global Civil Society: Dimensions of the Nonprofit Sector, Volume Two* (Baltimore: Johns Hopkins University Press, 2004).

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2003 and 2004. The full 2001 study will be available in Spring 2005. The study is part of the ongoing research of the Institute for Jewish & Community Research about major donors, foundations, and the nature of American Philanthropy.

The 2001 study sampled over 2300 gifts of \$1 million or more made by individual donors, foundations and corporations totaling almost \$13 billion. Our sources for collecting gift information include IRS form 990s, *The Chronicle of Philanthropy*, *The Chronicle of Higher Education*, *Indiana University Center on Philanthropy*, *Philanthropy News Digest* and other relevant media. We expect that additional billions of dollars were given in mega-gifts outside our sample, and under the radar screen of comparable methodologies to track them. Some donations are quiet, some remain anonymous, and some are made by individuals to religious institutions such as churches and synagogues, which are often not publicly announced.