

Charitable Giving and Inflation

After an economic downturn, does charitable giving typically keep up with increases in inflation? According to recent research by the Giving USA Foundation™ (www.givinginstitute.org), giving slows slightly during recessions. In the five recessions since the recession between 1973 and 1975, giving fell an average of 1.3 percent adjusted for inflation. In nonrecession years from 1966 through 2006, giving has increased an inflation-adjusted average of 4.3 percent. (Both of these calculations adjust for inflation using the Consumer Price Index and match figures reported in Giving USA 2007.)

In two economic slumps, in 1973 and again in 2001, donations failed to keep pace with the growth in inflation for three years straight. Giving also declined after the 1987 stock market collapse. (Scholars now attribute most of the 1987 decline to prepayment of gifts in 1986, when donors gave early to take advantage of deductions that were restricted when new tax laws took effect in 1987.)

The table below shows the rates of change, adjusted for inflation, for total giving, the Standard & Poor's 500 stock market index and gross domestic product (GDP) for the year preceding, years of and the year following a recession

year for the five most-recent recessions, according to information dated Jan. 7, 2008, and published by the National Bureau of Economic Indicators (www.nber.com): 1973–1975, 1980, 1981–1982, 1990–1991 and 2001. The table also covers 1987, when the stock market fell more than 18 percent in a few days. That market decline, however, is not thought to be the most important factor for the drop in giving that year.

Adjusted for inflation, giving dropped in 1973 through 1975 and in 2001. Giving rose between 1980 and 1982 and stayed relatively flat during the 1990–1991 recession, after falling from the prior year (1989).

While overall giving typically slows down during a recession, not all types of recipients of charitable gifts show the same trends. Underlying shifts in the nature of charitable giving—such as increases or decreases in visible need as seen during disasters, awareness of government funding for a purpose (such as healthcare) or increased fundraising efforts among a large number of charities—can all have an impact larger than the impact of the overall economy.

CHANGES IN GIVING, THE STOCK MARKET AND GDP IN YEARS OF, BEFORE AND AFTER ECONOMIC RECESSIONS, 1972–2002

Rates of change, adjusted for inflation*

<u>Year</u>	<u>Total Giving</u>	<u>S&P 500</u>	<u>GDP</u>	
1972	1.0%	12.1%	6.5%	
1973	-1.4%	-22.2%	5.1%	Recession of 1973–1975
1974	-5.4%	-36.7%	-2.3%	Recession of 1973–1975
1975	-2.7%	20.5%	0.1%	Recession of 1973–1975
1976	5.5%	12.7%	5.4%	
1979	0.4%	0.9%	0.3%	
1980	-0.6%	10.8%	-4.1%	Recession of 1980
1981	3.0%	-18.2%	1.7%	Recession of 1981–1982
1982	0.7%	8.1%	-2.0%	Recession of 1981–1982
1983	3.6%	13.6%	5.3%	
1986	14.0%	12.5%	3.8%	Tax law change prompted pre-payment in 1986
1987	-4.7%	-1.6%	2.5%	Stock market and early payment issue
1988	2.9%	7.9%	3.4%	
1989	6.5%	21.4%	2.5%	
1990	-3.0%	-11.3%	0.4%	Recession of 1990–1991
1991	0.2%	21.2%	-0.9%	Recession of 1990–1991
1992	3.4%	1.4%	2.6%	
2000	9.6%	-13.1%	2.5%	
2001	-2.2%	-15.4%	0.3%	Recession + stock market fall in September + disaster giving
2002	-1.4%	-24.6%	1.8%	

*Adjusted for Inflation using the Consumer Price Index, 2006 = 100

Source: Giving USA Foundation™