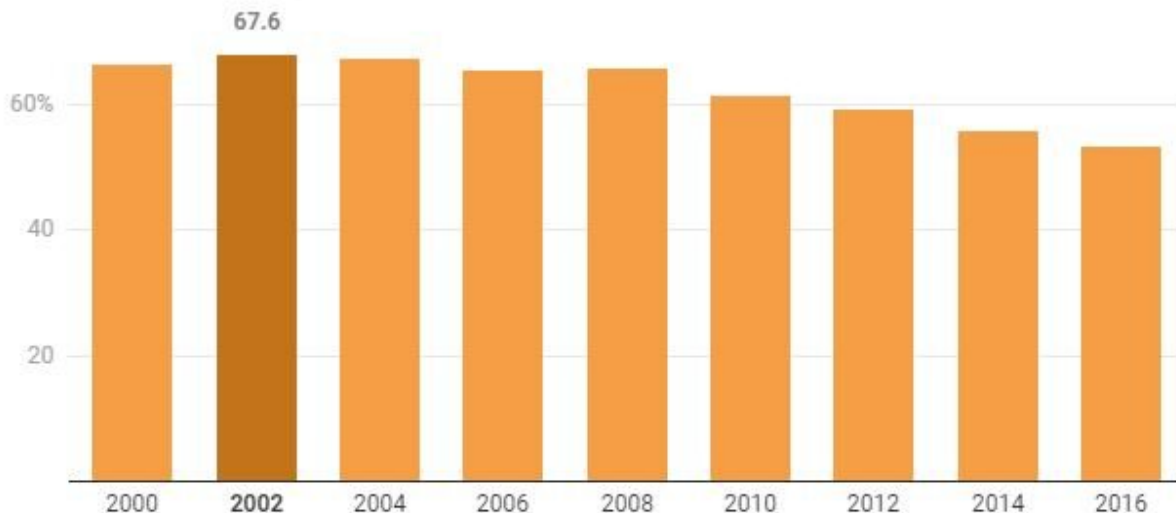


Massive charitable donations by the rich and famous are making the same big splash as always

May 7 2020, by Benjamin A. Priday

A decline in US giving

The share of Americans who give money to charity fell from about 67.6% in 2002 to 53.1% in 2016, the most recent year for which data is available.



Credit: Chart: The Conversation, CC-BY-ND Source: University of Michigan/IUPUI Lilly Family School of Philanthropy Panel Study

At least half of American families have been giving money to charity every year—but that fraction had been declining prior to the global pandemic.

We're living in a very different world now. [Millions are unemployed](#), the [needs of nonprofits are ballooning](#) and there are [constant appeals for donations](#) on [social media](#) and [television](#).

It's still unclear how [charitable giving](#) will change. But one thing is the same: Massive donations by the rich and famous are making the same big splash they always do.

Take, for example, the recent group of billionaires [who are donating to pandemic relief](#). The growing list of these high-profile givers includes established philanthropists like Microsoft co-founder [Bill Gates, who runs a big foundation along with his wife Melinda Gates](#), and Alibaba founder Jack Ma. It also includes people like [Jack Dorsey](#)—the internet entrepreneur who co-founded Twitter and founded Square, a mobile payments company, and is currently CEO of both companies.

Yet many people believe that the [rich are inherently less generous](#) – or that [they donate only to museums and art galleries](#), preferably at fancy galas.

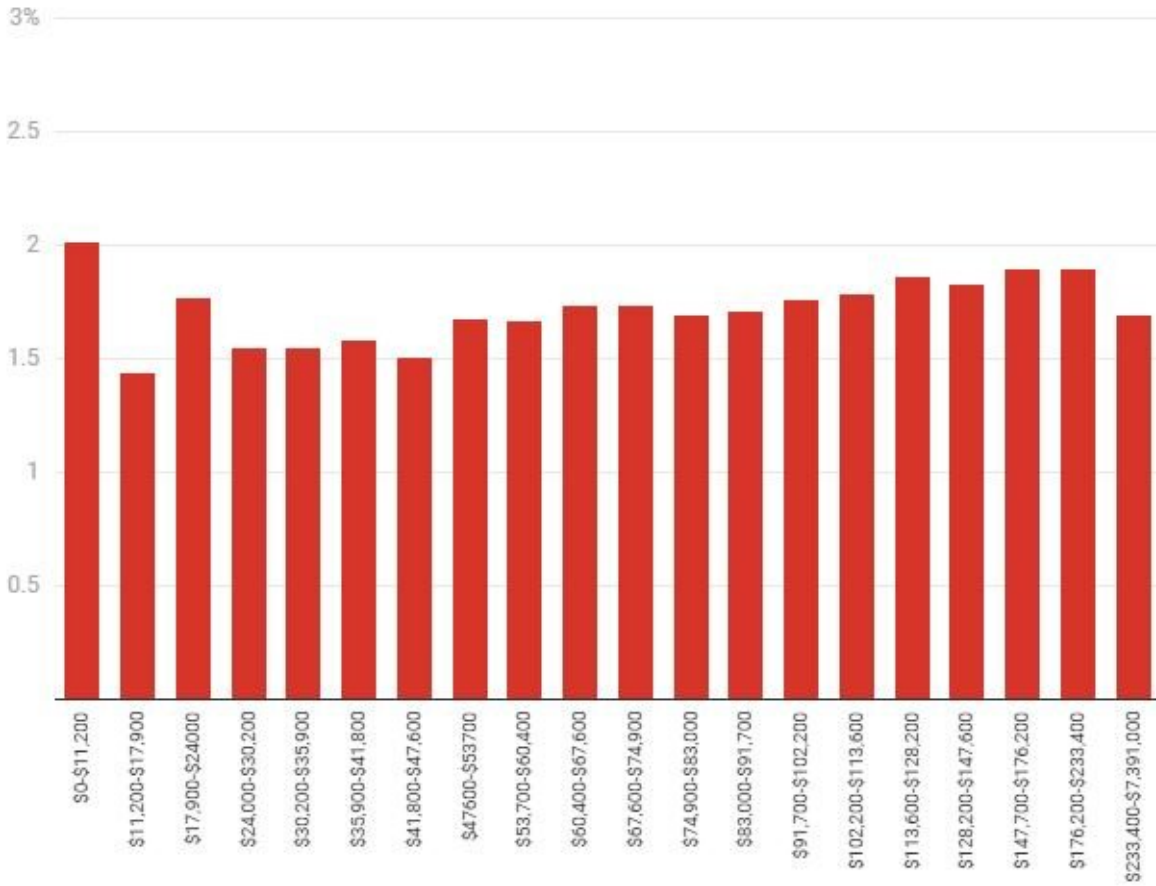
This notion of the [selfish rich](#) conjures up images of [Scrooge McDuck swimming in his room of gold](#).

But are the rich really stingier than the rest of us?

I'm an economist who [studies charitable giving](#). To find out, I teamed up with [Jonathan Meer](#), a leading scholar of these issues.

Share of income Americans donate to charity

The average amount of their income that most Americans give to charity is about the same, regardless of what they earn.



Percentages reflect an average of the data collected every other year between 2000 and 2016, the most recent year for which it's available. Credit: Chart: The Conversation, CC-BY-ND Source: University of Michigan/IUPUI Lilly Family School of Philanthropy Panel Study

What gives?

Reliable data on charitable giving is hard to come by.

Much of it comes from tax returns for people deducting their charitable donations from their reported income, but [the vast majority of Americans](#) don't itemize their tax returns and can't take advantage of that tax break. This is especially true for [low-income people](#), but the number of itemizing, middle-class taxpayers is also [decreasing sharply](#) since the enactment of the sweeping tax reforms passed in 2017.

There's also an [outlier problem](#) – some people who don't earn much money actually are rich. Despite having ample stocks and retirement savings and actually having plenty of money to give away, they are technically [low-income](#) for tax purposes. This complication makes the average giving for truly poor Americans look much bigger than it really is.

We addressed these problems and more using income, wealth and charitable giving data from the University of Michigan's [Panel Study of Income Dynamics](#) and the Lilly Family School of Philanthropy's [Philanthropy Panel Study](#). This comprehensive data encompasses how everyone gives, not just people who itemize on their [tax returns](#).

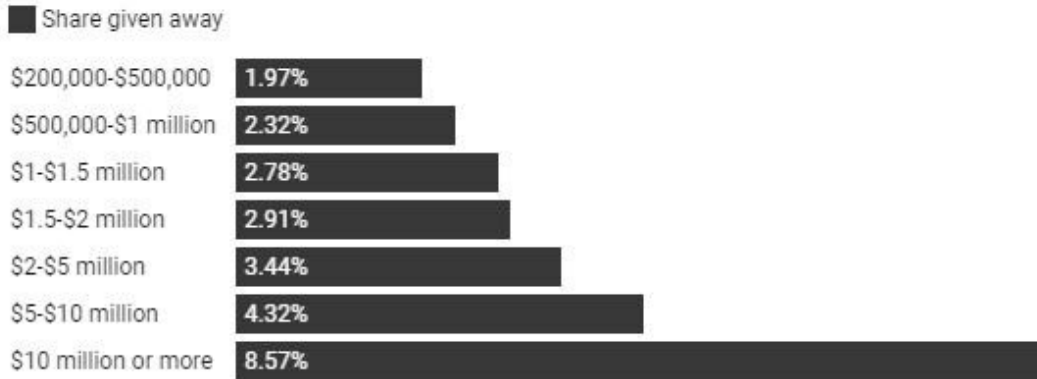
That means we aren't talking about the Jack Dorseys and Bill Gateses of the world—or even garden-variety millionaires. [Ultra-wealthy donors are significant](#), of course, but that wasn't our focus.

The generosity of rich folks

We first tried to see if people with more money were more generous. There are many ways to define generosity, so we pick three outcomes to analyze: the likelihood of donating, the amount given and the proportion of income going to charity.

How much the rich give to charity, as a share of their income

IRS data indicate that among the people in the U.S. earning the most income, the share of what they give to charity grows in tandem with what they earn annually.



Data is from the 2016 tax year. Credit: Chart: The Conversation, CC-BY-ND
 Source: IRS Statistics of Income tables

Unsurprisingly, people earning [higher incomes](#) and with more wealth give more money away. Maybe a bit more surprising is that the likelihood of donating anything at all increases with income and wealth. For example, someone making US\$400,000 per year is 27 percentage points more likely to donate to charity that year than someone making \$17,000, even after controlling for factors like age, race, religion and employment.

The most [popularly cited measure](#) of generosity is the proportion of a family's income that is donated. This is where the rich appear to be the most stingy. But this notion turns out to be incorrect: After limiting the distorting effect of the outliers, the share of income people give away is essentially flat across income levels.

Families give between about 1.4% and 2% of their income on average.

We also looked into how much of their income families who earn a lot of money give away—something that this original pool of data doesn't cover. Using the 2016 Internal Revenue Service [Statistics of Income tables](#), we found people making \$2 million a year or more tend to give an even larger share of their incomes away.

For example, a family making \$600,000 a year donates an average of about 2.3% of their income to charity. Families making \$4 million give an average of 3.4% away. These numbers reinforce our findings that the super rich aren't less charitable than everyone else.

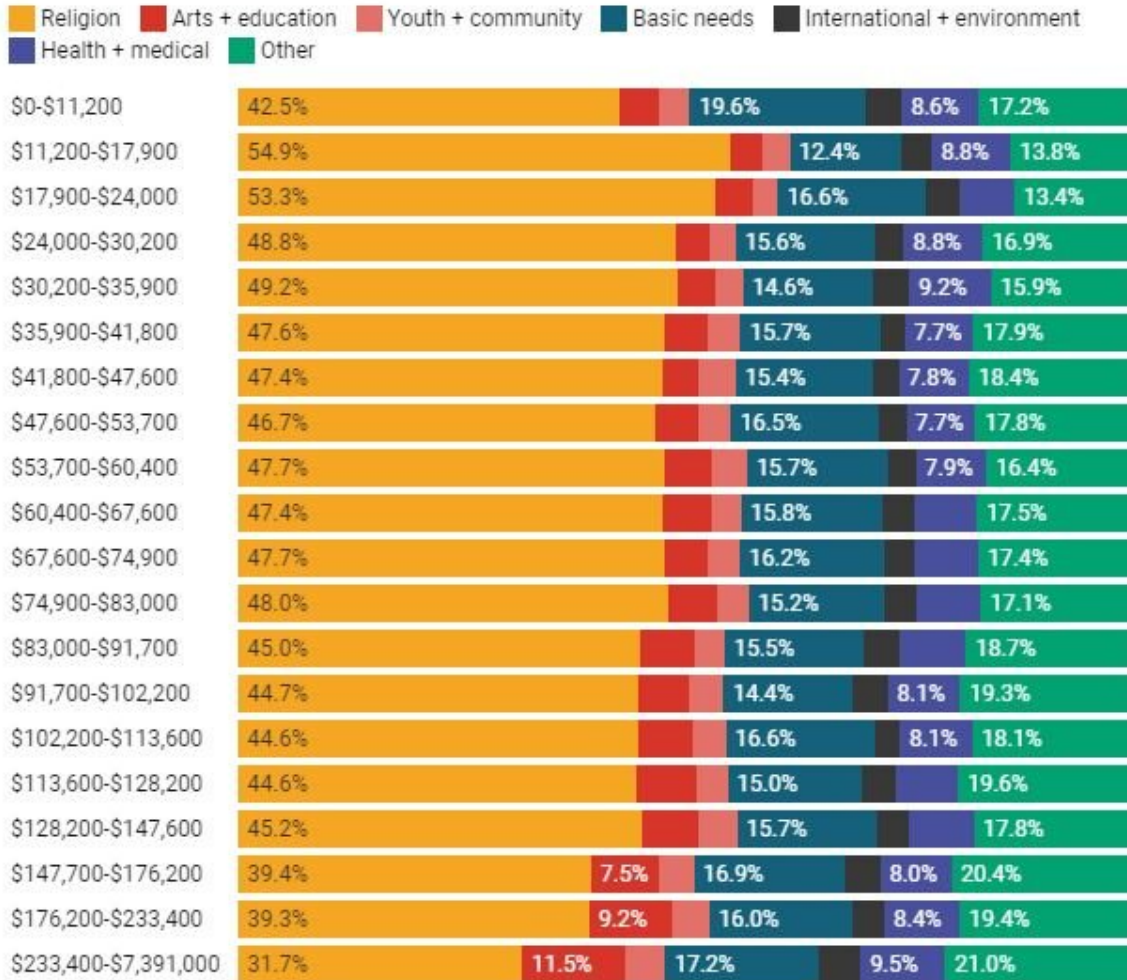
Taken together, this is quite different than what [other economists](#) have found before—findings that have generated [a lot of media coverage](#).

To be sure, [people also care about](#) the share of wealth—as opposed to the share of income—donated. But it's hard to analyze: Wealth is largely held by a smaller number of people and is [notoriously difficult to value](#) or get data on for the super-rich.

And of course, very wealthy people can and at least sometimes do set up charities and donations to ultimately benefit themselves, which would not be generous. [Stories about this behavior](#) surely exist. But because they are difficult, if not impossible, to show with the data available, I don't believe it makes sense to make generalizations about those concerns.

Share of giving to different kinds of causes

Richer Americans tend to give fewer of their charitable dollars to religious causes but religion is still by far what they support the most.



Percentages reflect an average of the data collected every other year between 2000 and 2016, the most recent year for which it's available. Credit: Chart: The Conversation, CC-BY-ND Source: University of Michigan/IUPUI Lilly Family School of Philanthropy Panel Study

Clearing things up

Another commonly held belief is that even when the rich do give money, they give it to their [kid's private school](#), a [museum or an art gallery](#), or their [alma mater](#). Poor people, conventional wisdom suggests, give to houses of worship, especially churches, and basic-needs charities like shelters and food banks.

This belief, we determined, also turns out to be flawed.

People with incomes in the bottom 25% give about half of all their donations to churches, synagogues, mosques and the like, compared to affluent Americans, who give 35%-45%.

Low-income Americans, that is, make giving for religious purposes a higher priority than those who earn big incomes. And those high-income families do give proportionally more to the arts and education than everyone else.

However, even the families from the main pool of data we studied who had the highest incomes give almost three times more to houses of worship than to arts and education nonprofits. That means that if a household earning \$300,000 donated \$5,000, on average about \$1,600 of that might support a church, and just \$575 would go to something like a nonprofit art gallery or their kid's private school, with the rest going to other types of charities.

At least in terms of the share of their [income](#) that they give away, we have found that the rich are at least as generous as the poor.

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