

Americans Generous? Not Really

By Pablo Eisenberg

For many years we've been told that Americans are the most-generous people in the world. President Ronald Reagan said so as he called for more philanthropic giving to offset his federal budget cuts in social programs. Charity officials, political leaders, and journalists continue to repeat this assertion as an article of faith.

America's legacy of giving to charity is indeed impressive. In 2006, individuals, foundations, and corporations gave \$295-billion to charitable and religious organizations throughout the country and overseas.

As a result of the exponential increase in the country's wealth over the past few decades, however, it seems fair to ask whether Americans are really all that generous. At a time when the wealthiest Americans have achieved sharp gains in income, it is a distressing sign that the overall share of income going to charity has remained relatively unchanged at about 2 percent.

It is clear that much of the charitable giving by affluent Americans is not only about altruism but also about the chance to get a tax break.

Martin Feldstein, the noted Harvard economist and former chief economic adviser to President Reagan, estimated that about 25 percent of charitable donations are made because people want to deduct the donations on their income-tax returns.

Other economists have estimated that anywhere from 10 percent to 30 percent of charitable giving is the direct result of the desire to get a tax deduction. Moreover, a great deal of charitable money comes through bequests, as wealthy Americans seek to shield their estates from taxation.

That affluent people want tax breaks in exchange for their charitable gifts would be less disturbing if they were giving a bigger share of their money to people who were truly in need. Instead the wealthiest Americans give largely to institutions that benefit people like them — supporting the nation's elite colleges, museums, hospitals, symphonies, and other nonprofit organizations that are often out of reach of the nation's needy people.

As is clear from even a quick skim of *The Chronicle's* list of the 50 most-generous donors (see Page 7), the main beneficiaries of the wealthiest donors are colleges and universities and donors' own foundations. Organizations focused on serving needy people rarely receive multimillion-dollar gifts.

That has been the case in every year that the list has been published and has been confirmed by large-scale studies of wealthy people by Indiana University's Center on Philanthropy. And a study released last month by the Institute for Jewish & Community Research, in San Francisco, based on 8,000 large donations made from 2001 to 2003, shows that universities and colleges, medical organizations, and arts and cultural institutions are receiving a growing share of multimillion-dollar gifts.

While these elite institutions are drawing in millions of dollars every day, major newspapers across the country have been reporting that social-service groups are facing the most-difficult challenges raising money in years.

Food banks are desperately short of the money and groceries they need as more and more people seek aid. Homeless shelters are not raising enough money to provide adequate accommodations for the hundreds of thousands of homeless people in our country. Domestic-violence, rape-crisis, and day-care centers do not have the resources to meet the enormous demand for their services. Low-cost housing is in critically short supply. And many other services that are required by needy and working-class people are not available because nonprofit organizations face a shortage of donations.

The response to disasters like Hurricane Katrina and the tsunamis make it clear that Americans can be motivated to give to needy people. But it seems that Americans are more willing to respond to natural disasters than to do anything about the horrible conditions that are largely the results of negligent public policies. The squalid conditions facing black and other low-income residents in Alabama, Louisiana, and Mississippi before Katrina were met with indifference by both foundations and individual donors. If Americans were truly generous, they would not need an act of God to alert them to the inequities and injustices in the United States.

Plenty of other indicators suggest that Americans are becoming more greedy and less charitable in their habits — and that nonprofit groups are indulging these actions for fear of offending powerful people.

- More speakers at conferences organized by colleges, youth groups, and other nonprofit groups are demanding large fees for their speeches, a trend that one might expect at corporations but not at charitable institutions. Nonprofit institutions are disbursing these payments to people who for the most part are already well paid through their full-time jobs. Those expenditures should more appropriately be spent on essential nonprofit activities rather than on speaker fees.
- Well-known literary personalities and political figures like Arthur M. Schlesinger Jr., Alice Walker, Carl Bernstein, and Bob Woodward are increasingly selling their papers to libraries, museums, and archives, rather than donating them.
- Wealthy art donors and museums vociferously protested legislation that curbed the excesses of what is truly one of the greatest tax rip-offs of our time, called fractional giving, which permits them to get upfront tax deductions for giving a portion of an art object for occasional displays at a museums while keeping it at home most of the time. Legislative changes passed two years ago have curbed

- some of the abuses — and reduced the number of gifts made this way — but wealthy donors are still getting very generous breaks for fractional art donations, and they continue to urge Congress to return to the even more-generous system.
- A growing number of Americans are rushing to church- and nonprofit-sponsored thrift shops to donate their clothing, books, and other possessions, yet most of these goods are not in any condition to be used by others, so the only one who benefits is the donor, who gets a tax break.

It is not just the greed that fund raisers are indulging. Many philanthropists today are making large grants on the condition that college buildings, wings of museums, and other facilities are named after them, and fund raisers, thirsty for the money at whatever cost, are accommodating them. The trend is so pronounced that it makes one wonder how much big money would be donated without stroking the ego and longing for eternal recognition by wealthy donors.

If philanthropic generosity appears less robust than most observers believe, the other measure of how Americans care for one another — government spending on human and infrastructure needs — is even more deficient. The major indicator of generosity is the extent to which Americans are willing to pay taxes to sustain the country's vital services, including the social safety net, and provide needed assistance to the world's developing nations.

By that measure, Americans do not come out well; we are slowly pushing the country into the ranks of semideveloping countries. That almost 13 percent of the population — probably 25 percent by any reasonable definition of poverty — remains poor after all this time of economic growth is a reflection of a collective lack of generosity.

This is partly the result of a diminishing sense of community, the failure of political leadership to call for a more equitable tax system, and the unwillingness of people to sacrifice a small amount of their income and wealth for the public or common good.

During the past seven years of the Bush administration, Congress and the White House have been extraordinarily generous in terms of the tax breaks they have provided — but just to corporations and the very small minority of wealthy citizens who do not need any help.

Most of us — taxpayers, nonprofit and corporate leaders, and others — have been complicit in this development through indifference, poor leadership, and lack of courage. Particularly troubling is how silent nonprofit leaders have been on the issue of the estate tax. Ironically, at least 1,000 millionaires have led the fight against the repeal of the tax.

Americans are taxed at a lower rate than citizens in all but two other modern industrialized countries. But because of Americans' unwillingness to raise taxes, especially during the time of a costly and unnecessary war, the nation has not been able to adequately deal with many of its most pressing domestic problems. Only 50 percent of eligible children are able to participate in Head Start programs. Some 47 million people

still don't have health insurance. Federal spending cuts have undermined many productive social-service programs.

The United States has failed not only to show generosity in taking care of its own people, but also in taking responsibility for helping impoverished people around the world. The United States provides a smaller percentage of its gross national product for foreign assistance to developing countries than almost all other modern industrialized nations. America's contribution to the World Bank, which used to be the largest in the world, is now second behind Britain.

So, where is this great generosity that Americans like to brag about?

Some ideological die-hards believe that philanthropy is so strong that private giving can and should replace spending by the government to help needy people and meet other urgent national priorities.

But philanthropy never will have the resources to come close to filling any gap left by the retreat of federal and state governments. And, if the current pattern of giving by America's donors continues, fewer of those philanthropic dollars will go to those people most in need and to those organizations that serve them.

Until Americans begin to put their money — both their charitable contributions and their taxes — into efforts that focus on the nation's biggest needs, it is impossible to claim that we are the most-generous people in the world. It is time we begin to question what we have come to accept as a matter of faith.

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