



October 8, 2008

Charitable Giving Might Not Melt Down, Philanthropy Scholar Predicts

Even with the steep stock-market drops of the past week, a prominent wealth researcher at Boston College says philanthropy may not suffer a financial meltdown as dire as some fund raisers fear.

Extrapolating from data on charitable giving in the last recession, John J. Havens, a researcher at Boston College's Center on Wealth and Philanthropy, told a conference of fund raisers that it may be a year before the troubled economy begins to take a toll on the sums charities collect.

More important, he said unless national incomes drop sharply, the decline in giving won't last long, and won't be significant.

The current crisis is similar to the conditions nearly a decade ago, said Mr. Havens, at a conference on "The Supply and Demand of Philanthropy in the 21st Century," sponsored Boston College's Center on Wealth and Philanthropy, the Association of Fundraising Professionals, and the Eaton Vance Investment Council.

In the last recession, said Mr. Havens, the United States began to see a decline in net wealth in 1999, even before the burst of the dot-com bubble precipitated the 2000 stock-market crash. The downward growth in wealth continued for three years, with aggregate household wealth declining by 15 to 20 percent from 1999 to 2002 — the largest and deepest downturn in wealth since the 1930s.

Those variations in net worth, however, did not directly correlate with changes in philanthropic giving, Mr. Havens said.

Average household contributions did not begin to fall until 2000, and they did not drop as much as households' net worth did. From 1999 to 2002, household donations decreased by 10 percent, while their net worths dropped by as much as 20 percent. Moreover, said Mr. Havens, once net wealth began to grow again in 2002, donations also rebounded.

The net wealth of households began to decline in the fourth quarter of 2007, said Mr. Havens. Based on the previous recession, Mr. Havens predicted a lag of up to a year before donations decline — in part because most high-net worth donors plan their charitable contributions a year in advance — and the decline in aggregate donations may not be significant.

But Mr. Havens' prediction, he warned, assumed there would be no big drops in income. If household incomes decline sharply, the impact on giving would probably be more severe and prolonged, said Mr. Havens. However, he added, household income levels have historically tended to remain more stable than net wealth.

— [Paula Wasley](#)