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# The Growth of Private and Public Philanthropy

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## *Introduction*

OURS is the first century in which long life for the many was achieved. The fear of living on into old age, especially penniless old age, has been one of the dominant social factors in changing the role of philanthropy in the American economy.

Dying old is the greatest triumph of the twentieth century; and that implies that it is probably the greatest triumph in man's history. I prefer the phrase, "dying old," because it is more realistic as a description of that triumph than to say that people now live much longer. Moreover, it avoids the inference that a certain percentage of all deaths can be prevented. Also, dying old implies that the function of the physician is to change the age and the cause of death, that birth is still a death sentence indefinitely suspended, and that the physician's task is to suspend the sentence a little longer.

Let us briefly review some of the salient mortality facts of the

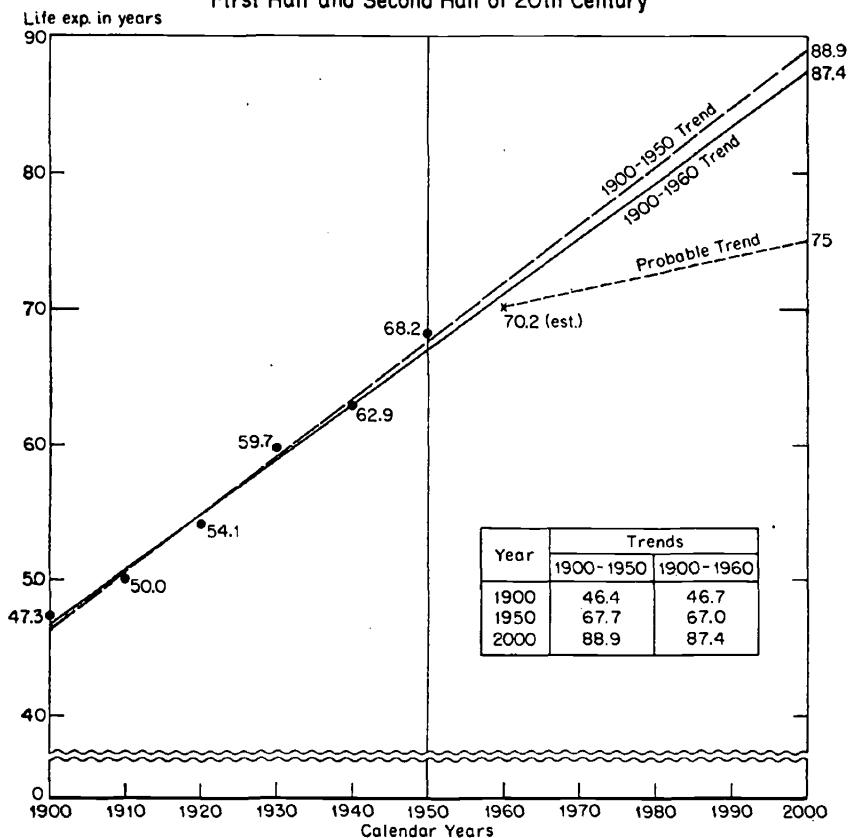
NOTE: This paper is a mid-term report on a three-year study of *The Changing Position of Philanthropy in the American Economy* by the National Bureau of Economic Research under a grant from the Russell Sage Foundation. All the figures are tentative and subject to change. [Reprinted from Eastern States Health Education Conference, *Voluntary Action and the State*, New York, 1961, by permission of the New York Academy of Medicine.]

The views expressed are solely those of the author.

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FIGURE 1

### Expectation of Life at Birth in the United States First Half and Second Half of 20th Century



twentieth century. First, the expectation of life at birth has increased from 47.3 years in 1900 to 68.2 years in 1950, a gain of about 21 years in half a century, or slightly more than an average of four years a decade. Elsewhere I have shown reasons for believing that the expectation of life at birth might climb to 75 years in the year 2000.

Figure 1 gives the decade figures for expectation of life at birth from 1900 through 1950 (and 1960) and an extrapolated straight line trend. It indicates a value for the calendar year of 2000 of about 89 years.

I do not think that high level will be attained. I have also shown a dotted "most probable" line to 75 years in 2000. During the 1950's

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the gain has been less than two years. Apparently the life tables for 1959 to 1961 will be published late in 1962 by the National Office of Vital Statistics, or early in 1963. It is reasonably clear now, without having all the deaths of 1961 at hand, that the gain shown by the new life tables will be less than two years above the high level of 68.2 attained in 1950. I hope this forecast will be heeded. It could prevent some red faces among certain boastful leaders of the medical profession and the drug industry.

The prospect for the second half of this century is very, very different from the phenomenal and unique accomplishments of the first half of the century. Expectation of life at birth in 1950 could have been 75 years, instead of the 68.2, if there had been no deaths among persons under 53 years of age during 1949-1951. I don't want to quote an excess of statistics, but merely to leave the impression that when one studies philanthropy—which for the present we will define as “love of mankind”—during the past three decades, the imprint of the lengthening of life has been very great on that area of our economy. The impact on philanthropy of new health progress during the second half of our century should be far less than it was during the first half.

There are two other vital statistics to which I need to call your attention. The first is that the older half of the people dying in 1900 had lived at least 30 years, whereas the older half of the people dying in 1959 had lived at least 68.7 years. The other fact coming out of these statistics is that in 1900 about 24 per cent of all eligible voters, that is of all adults, were over 49 years of age; almost 38.5 per cent of the eligible voters in 1960 had lived at least half a century. These two facts reflect changes in birth rates and immigration in addition to mortality reductions.

### *A New Fear*

I cannot end this introduction without bringing in some philosophical inferences which I think play a role in philanthropy, that is, love of mankind nurtured by religious teaching. One might ask why the modern child should fear God. A funeral sermon for a man of 69 (the median age of death in 1959) engenders gratitude, not fear—gratitude that God had allowed your late friend to complete his working lifetime, see his children attain middle age, and enjoy his grandchildren. Death at 30 years of age in 1900, the median age of death then, was a very different experience for the survivors. As the proverb has it, “The fear of God is the beginning of wisdom.” But why should a

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child today fear God when he has been released from the fears that you and I knew as children? Why should the fear of death not be lessened when there is at least a possibility that a man with a test tube or a microscope tomorrow, or next week, or next month, will remove or greatly modify one of the important causes of death today and postpone our own death a few years? Small wonder that the Pilgrims at Plymouth feared God, for half of them died of disease during that first awful winter. Further pursuit of these speculations would carry me far beyond my main purpose. Merely let me say that dying old, by the process of eliminating the fear of early death from disease, has had, and will have, a tremendous influence on the spiritual development of the younger generations and those to follow. Let me hasten to note that medical and health progress can never be too rapid for me and my family. But I leave the further development of this point to the clergy of all faiths, with the suggestion that the most lasting result of dying old may be found in the realm of the human spirit. I am sure that the effects on the propensity to give are several.

I should like to conclude these introductory remarks with a question and a statistical observation. Is it reasonable to assume that the fear of living on into old age, indeed into penniless old age, has taken the place, so far as the study of philanthropy is concerned, of the fear of dying young at the turn of the century? Consider also the slowing down in the lengthening of life from 21 years in the first half to a notable increase of 7 years in the second half of our century.

### *Orphans*

The reductions in mortality have materially reduced the probability that a newborn baby will lose one or both parents through death before the baby attains eighteen years of age. This is a rather complicated actuarial computation from mortality tables which I shall not try to deal with here. The reduction in the probability of becoming an orphan (single orphan or double orphan) has been very materially reduced; for babies born to young parents, by almost three fourths. The exact number of dollars that have been made unnecessary for the support of private and public philanthropic endeavors to take care of orphans cannot be precisely determined, but it is one of the brighter pictures in the field of philanthropy which reductions in mortality have produced.

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### *Our Concept of Philanthropy*

The word philanthropy literally means "love of mankind." The starting point of this study of philanthropy must be a realization that love of mankind is the dominant idea of philanthropy. Although this doesn't help to circumscribe or indicate the limits of our investigation, I would say that anyone who makes a study of philanthropy dare not forget that this is the subject he is studying.

One always hesitates to try to define a concept as one can define a term. But one can describe a concept. At the present time I would say that what I mean by philanthropy is this: *giving money away to persons and institutions outside the family without a definite or immediate quid pro quo, for purposes traditionally considered philanthropic.* If we were in a position to measure philanthropy completely I would look for numbers which measure all types of transfer payments without a *quid pro quo*, excluding "transfers" between members of the family. The term, family, might well be used in the sense that it is used by the United States Bureau of Labor Statistics, the Office of Business Economics, and the Bureau of the Census to mean persons who are living together. But we shall never be able to pick up all the numbers that are needed to describe this ideal concept of philanthropy. I would like, for example, to include funds given by an uncle to a nephew or a niece for college tuition or for the expenses of attending college; but that is not possible.

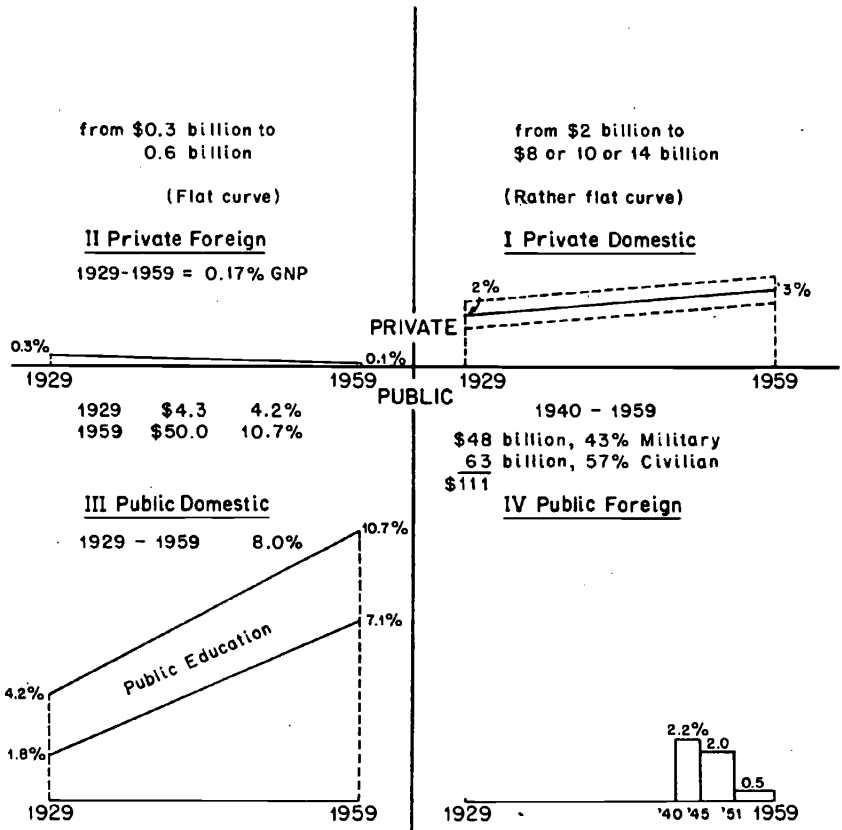
### *Organization*

Thus philanthropy involves a transfer payment without an immediate and definite *quid pro quo*, that is, no commodity or service is given in exchange. In a period of change attention should be given to activities traditionally considered to have been philanthropic. But perhaps the best way to describe the term philanthropy, as we are trying to use it in this three-year study is to describe the major divisions or parts of philanthropy.

In so doing, I shall shift back and forth from calendar to fiscal years. In general, we are covering the 31 years, 1929 through 1959; and expressing the trends in terms of Gross National Product (GNP). The straight "trend" lines shown on Figure 2 are not true trend lines but merely straight lines connecting the values for the first year and the terminal year of the period. The data on the diagram are prelim-

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FIGURE 2



## THE FOUR QUADRANTS OF PHILANTHROPY

(Preliminary Data)

Quadrants I and III will be stressed; II and IV will be given briefer treatment.

- I. Giving by individuals and corporations to institutions and individuals.
- II. Personal and institutional remittances abroad.
- III. Social welfare expenditures, etc.
- IV. Civilian aid.

	Maximum % of GNP	
	1929	1959
Q I	2—	3—
Q II	0.3	0.1
Q III	4.2	10.7
Q IV	—	0.3

(Final figure, say  $\frac{1}{10}$  of GNP)

“During this last half-century, American organizations—voluntary and governmental—have provided the margins of food, medicines, and clothing which saved the lives of 1,400,000,000 human beings, mostly women and children, who otherwise would have perished.”—Herbert Hoover in *An American Epic*.

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inary. Most of the figures are maximums or limits to guide us in our daily research.

Quadrants I and II are private philanthropy, domestic and foreign; Quadrants III and IV, below the horizontal line, are public philanthropy, domestic and foreign. Our "House of Philanthropy" will have four rooms. This diagram presents the fourfold organization of our study. I will describe briefly what we are finding about the extent of philanthropy. I shall express these billions of dollars mostly as percentages of GNP, i.e., the grand total of all commodities and services produced during the year. Unfortunately it does not include, for example, the housekeeping work of housewives as they are not paid wages. In general, we have selected the last three decades as the period for study although there are some years for which we either have no data or for which there should be no data. In this period GNP rose from 104 billion dollars in 1929 to 482 billion dollars in 1959.

### *Private Domestic Philanthropy*

In 1959 the total giving for the items covered in Quadrant I, Private Domestic Philanthropy, was something *more* than 8 billion dollars. (The highest estimate we now have in our worksheets for institutions is 11 billion dollars.) Person-to-person giving is not recorded in the *Statistics of Income* because you cannot deduct it in computing your taxable income. Including the person-to-person giving—perhaps two-fifths of estimated giving by living donors—might produce a final grand total of 14 billion dollars in 1959. My comments on breakdowns of Quadrant I must be based largely on giving to institutions which can be deducted from income subject to personal income tax; nor can I go into detail about our figures for the additional item, person-to-person giving.

Of this sum of over 8 billion dollars, approximately three quarters was derived from individuals, and the balance from corporations, charitable bequests, endowments, and foundations. On the other hand, the functional distribution of private domestic philanthropy (Figure 2) was probably somewhat as follows: religion accounted for about half, welfare perhaps one sixth, and education, health and a variety of purposes accounted for the balance. For 1929, the beginning of our period, we are experiencing a good deal of difficulty in establishing an anchor. If I may pass over some difficult problems we have not yet solved, let me say that the figure was around 2 billion dollars in 1929, a year in which GNP was 104 billion dollars. In the sense



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that I suppose most people use the term "philanthropy," we are talking about a change from 2 billion dollars in 1929 to something more than 8 billion, perhaps 14 billion dollars in 1959. The amount of religious giving in 1929 was near three quarters of the total whereas now it is probably nearer one half.

The over-all observation about the first quadrant is that, as a proportion of GNP, there has not been very much change. We could fit all of our estimates into this band (on the diagram) slightly above and below 2 per cent in 1929 and 3 per cent in 1959. The predominant characteristic of the final trend line of Quadrant I will be rather flat. In other words, the philanthropic propensities of the American people as expressed in these common forms of private philanthropy—giving by individuals, corporations and business firms, charitable bequests and foundations for private domestic philanthropy—have little more than kept pace with GNP. Certainly we do not find in the first quadrant any very definite evidence that, in relation to GNP, the American people, despite their increasing affluence during these three decades, have become more philanthropically minded; or, to use a much earlier term, that the propensity to give has increased very much.<sup>1</sup>

### *Private Foreign Philanthropy*

Now let me pass on to the second quadrant of the diagram (Figure 2); it, also, is private but it deals with giving specifically to persons and institutions in other countries. The grand total of philanthropy in Quadrant II is by far the smallest of the four quadrants. I shall not discuss some interesting fluctuations above and below the general level of one sixth of one per cent of GNP during the three decades.<sup>2</sup> (We have fitted a straight line trend to this period and found a negative slope value of 0.007 per cent.) Our conclusion, as far as this presentation is concerned, is that Quadrant II is rather steady and there has been a slight downward trend in the relationship to GNP. We plan to single out one of the agencies which may be typical of the several dozen agencies working in this area and describe it in some

<sup>1</sup> The use of other, smaller national aggregates for one or two of the quadrants, but not for the totals, will be discussed in our final report.

<sup>2</sup> The funds for Quadrant II originate in and are part of the total giving recorded in Quadrant I. Hence the amounts for Quadrant II are excluded from grand totals—of the other three quadrants only. The second quadrant is essential for the "where to" analysis.

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detail. At the present time, I am leaning towards CARE as the agency. We shall describe rather briefly how CARE raises funds, how it manages fund-raising programs, the amounts that it gives and to what countries, and its procedures in giving in kind—giving surplus commodities rather than giving cash—to the needy peoples of various sections of the world.

I am interested especially in Quadrant II because we decided earlier in this study that we could not confine our attention to gifts from the people of the United States to other people and institutions in the United States, i.e., that we could not possibly confine our study to the national boundaries of the United States and give a clear-cut picture of the changing position of philanthropy in the American economy—the precise description of our three-year study project. Rather, it seemed clear that we would have to go beyond the boundaries of the United States in order to try to encompass the functioning of philanthropy in this dark corner of economic knowledge, and that the international aspects of philanthropy would have to be presented if we were to make any contribution to our system of national accounts.

### *Total Private Philanthropy*

We close this part of our discussion with the observation that private philanthropy, considering domestic and foreign together (Figure 2, Quadrants I and II), has increased in the thirty-one years of the study perhaps a little faster than GNP. Certainly, so far as this diagram is concerned, we can say that above the line, despite the tremendous increase in all measures of economic growth—in national income, in personal income per capita, disposable income per capita, disposable income in terms of constant prices or other measures—and despite the fact that we have had an enormous improvement in the well-being of the American people in their standard of living, we fail to find *a marked increase in the propensity to give* which one might associate with the rising standard of living; an increasing propensity, I should have said, to give money away without a direct or immediate *quid pro quo* to traditional philanthropic endeavors. So we pass from the first and second quadrants into the third quadrant—from the bedroom and the kitchen to the large living room and the utility room of our “House of Philanthropy.”

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### *Public Philanthropy*

In passing from the field of private philanthropy, both domestic and foreign, into the field of public (governmental) philanthropy, domestic and foreign, it might be worthwhile to stop a moment and consider again our concept. When I first started working on this three-year research project I read, of course, the National Bureau publications in this field. The first is a small volume by W. I. King, *Trends in Philanthropy*, published in 1928. It is a study of philanthropy in New Haven, Connecticut, 1900–1925. Dr. King listed seven *public* agencies of New Haven and West Haven in addition to the private agencies. Treatises on philanthropy in the 1920's considered both the local private and the local public agencies in trying to get a picture of the expenditures on philanthropy. In fact, we find in the literature published in the late 1920's frequent mention of both public and private philanthropy. I dare say that when most people use the term philanthropy today without a qualifying adjective they probably have private philanthropy in mind. I doubt that they did in the 1920's. The terms private and public have appeared in the literature often enough to warrant the use of both types in our present study.

The other general thought that has to be placed either before or after this discussion of the third and fourth quadrants (Figure 2) is that we can give money away without any immediate *quid pro quo* through agencies of government. Admittedly, private philanthropy is more voluntary. Yet I do not think there is anything voluntary about a gift of a corporation, say to an educational institution, from the standpoint of the shareholder. His opinion and consent are not asked about how much should be given and to whom. Of course, he can sell his shares of stock if he is not satisfied with the amounts the corporation gives or the amount that it gives for a particular purpose. Moreover, there is a considerable volume of discussion that we have encountered on whether or not it is proper for corporations to give when they are organized for the purpose of making profits for their shareholders.

In the ultimate sense we make purely voluntary decisions in relatively few cases of giving to the support of activities traditionally considered philanthropic. You can pass by the blind man or you can drop a coin in his tin cup. I presume this is one particular form of giving in which there is a very real degree of voluntarism. But many other gifts that we make involve some degree of pressure and a variety of con-

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siderations. Perhaps an examination of some of the forms of giving that we have called public philanthropy may bring this question into focus. At least, I hope at this stage that you do not close your mind to the possibility of giving money away through the processes of government itself. This applies particularly to types of activities that have been traditionally considered philanthropic. One would expect to find these types of government activities classified and compiled under social welfare expenditures. The boundaries of Quadrant III, Public Domestic Philanthropy, and the boundaries of social welfare expenditures are not the same. Social welfare expenditures would have been classified in other ways, e.g., state and local, if we were studying the first three decades of the twentieth century instead of the second three decades. Indeed, for an earlier period when there were not so many persons acting as individuals or as private or public officials giving away so much money to so many persons at home and abroad for so many purposes, our present concept of philanthropy might be too broad.

### *The Merriam Compilations*

For our purposes, I shall first use the annual compilations of social welfare expenditures by Mrs. Ida C. Merriam, published in the *Social Security Bulletin* as Quadrant III (Figure 2). Later on, I shall discuss some additions and subtractions required to fit them into Quadrant III. Please note that the Merriam data are compilations of social welfare expenditures under public programs by fiscal years. As I have done in Quadrants I and II, I shall continue to stress what I think will be the *maximum* numbers that we shall use as our estimates in the study. In a number of instances, I am sure that our final totals will be lower. We cannot call attention here to every important item in her master table.

In the fiscal year of 1928-1929, according to Mrs. Merriam, 4.2 per cent of GNP of 101.6 billion dollars was devoted to her selected group of social welfare expenditures under public programs. If we were to remove from Mrs. Merriam's total the amount spent on public education—mostly nonfederal expenditures—the Quadrant III proportion of GNP would drop from 4.2 per cent to 1.8 per cent. The matter of inclusion or exclusion of expenditures for public education in Quadrant III takes on considerable importance. Her total for the fiscal year 1958-1959 is 10.7 per cent of GNP. In other words, using her grand totals *without modification* as coextensive with Quadrant III, we note

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a sharp upward rise, a steeply sloping upward curve if we just connect our points for 1929 and 1959—as shown in Figure 2. One observation is that in Quadrant III we are not contending with a flat curve but with a sharply rising curve. In her grand totals the proportion of GNP in 1959 was about 2.5 times the level of 1929, 10.7 per cent and 4.2 per cent. The exclusion of one of her major items, public expenditures for education, from Quadrant III indicates a three-fold increase from 1.8 per cent of GNP in 1929 to 7.1 per cent in 1959 for the subtotal; the curve for this subtotal (excluding only the large item for public education) is actually somewhat steeper. At this time I obviously cannot comment on the variations, the peaks, and valleys in the curve for her totals during the three decades; you can all well imagine that the amount spent on public aid (now Old Age Assistance, Aid to Dependent Children, etc.) was a peak portion of GNP in the Great Depression in the early 1930's. Reference now to data for specific years would be only a diversion from my presentation.

### *Old Age Assistance*

One item, Old Age Assistance under the Social Security Act of 1935, has grown considerably; aid to the blind and to dependent children has also grown considerably since 1936. For many decades before the 1930's charitable support for these groups was provided by a variety of local private and local public agencies. We plan no adjustments in the Merriam totals for public assistance, as the concept coincides with our concept of Public Domestic Philanthropy. The poorhouse was, of course, already on its way out before the Social Security Act was passed in 1935. That act and the amendments thereto have produced most of the growth in Quadrant III; and most of the sharp upward trend that we do not observe in Quadrant II or Quadrant I.

### *Alternative Semantics*

There are other semantic choices that can be made here. Some might prefer to think of Old Age Assistance provided through the Social Security Act, a federal-state program, as a substitute for philanthropy, or as a social device for making this particular form of private philanthropy largely unnecessary. That seems inherently awkward to me for the term supplement, or substitute, for private philanthropy doesn't seem to give us elbow room to answer the questions with which we are charged in this study: What has been the changing position of

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philanthropy in the American economy since 1929? It seems much easier to be very careful to use the terms "private philanthropy" and "public philanthropy" so that the distinction will be clear to the reader. Public philanthropy involves a flow of funds to areas traditionally considered philanthropic but directed through the process of government, through the election of our representatives, through their decisions to approve certain types and kinds of legislation, and through the opportunity to vote again for these same representatives who, on the whole, support the legislation wanted by citizens. In our free society we exercise our wills and we make our choices, thereby directing the changing position of philanthropy in the American economy. We give direction as voters and as citizens. We direct the flow of funds as individuals through our personal choices and through our private institutions into philanthropic endeavors. We approve transfer payments, for example, from the Young to the Old. By various routes we give money away without a specific *quid pro quo*; hence the four quadrants. If we were studying philanthropy in a closed society or in a communistic society, we would probably use a different concept.

### *Our Period of Study*

The particular period of time that we have under observation demands a very broad, comprehensive concept of philanthropy, of giving our money away without an immediate *quid pro quo*, through private agencies, through private institutions with all manner of pressure being brought to bear on individuals; and the pressures on business units and corporations to give to this, that, and the other worthy cause; and through government. (Again, philanthropy is not circumscribed by the boundaries of the United States.) There are collective decisions that we make as citizens; for example, we vote school bonds to expand the educational facilities of a community long after our own children have grown up and passed beyond the school ages. I could discuss this question of voluntarism and compulsion in private and public philanthropy for a long time, and perhaps add very little. One friendly critic has urged me to exclude religious giving because the giver has a *quid pro quo*, i.e., he is seeking admission by St. Peter at the "pearly gates." He admitted, however, that the *quid pro quo* was neither definite nor immediate.

In summarizing about Quadrant III, I want to say that we have had a very sharp upward trend during these three decades in the propor-

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tion of GNP going to social welfare expenditure which, for the moment and for the moment only, I am accepting as a very rough first approximation of the types and forms of government expenditures which will go into this quadrant. Mrs. Merriam includes another huge item, veterans' welfare expenditures. I am inclined arbitrarily to set some fraction, say one third, of these welfare expenditures to be removed from Quadrant III, and to classify that annual amount under the aftercosts of war, not under philanthropy, however broadly defined.

### *Old Age, Survivors and Disability Insurance*

We pass on to the item which is designed some day to take the place of the temporary Old Age Assistance program. I am referring now to Old Age, Survivors, and Disability Insurance (OASDI). This program involves puzzling questions for a student of philanthropy. It is my view that an examination of the record, particularly of the actuarial aspects of the record, will demonstrate that retired persons receiving Old Age and Survivors Insurance benefits are receiving sums of money which are at least 95 per cent "public charity," or transfer payments from the young to the old. In 1950 the percentage was slightly lower; possibly 94 per cent was "public charity." These old age pensions have not been prepaid. People have been blanketed into the program. All social security taxpayers collectively are paying only 42 per cent of what you would call the normal cost of the system; the children and the unborn must pay the deficit. In my opinion, the Social Security tax rate should be lower for young workers than for older employees. The value of the lifetime taxes of a young man just entering the system *plus* the value of his employers' taxes equals approximately 180 per cent of the value of the lifetime benefits under existing law. A further rise from 180 to 200 per cent would indicate trouble ahead.

### *Adjustments in Welfare Payments*

The point I am trying to make here is that I am not quarreling with Mrs. Merriam's totals or compilations or what she does include or exclude. I am only saying our final totals for Quadrant III will not be as high under our more restricted definitions. Note that her grand total for fiscal 1958-1959 is 50 billion dollars or 10.7 per cent of GNP. I shall, for example, reduce her OASDI expenditure totals by 5 per cent, more or less, because that small proportion is not a transfer pay-

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ment from the young to the old; it has been "prepaid"; it is not "public charity." For example, the entry in Quadrant III for OASDI for 1958-1959 would be 9.1 billion dollars, 5 per cent less than the 9.6 billion dollars in Mrs. Merriam's table. (For calendar 1959, the 10.3 billion dollars would be reduced 5 per cent to 9.8 billion dollars.) Nevertheless, it would still be the *largest amount* in any of the four quadrants. This is a major point in our study—the largest piece of furniture, the grand piano, if you please, in the largest room (the living room) in our "House of Philanthropy." Some may prefer to call this largest current item in philanthropy, broadly defined, a transfer payment from the rich and poor Young to the rich and poor Old. The term, "95 per cent public charity," may seem too strong, particularly to professional persons with no interest in actuarial matters. Nomenclature is always a problem in research.

On the other hand, I would express agreement with Mrs. Merriam in excluding a very important form of transfer payment that is being made and has been made for years starting with the Agricultural Adjustment Administration (AAA) for farmers. The payments to farmers were made under a changing system of production and price controls. While I grant that in the hands of the farmer these payments are welcome and can be used by the recipient more freely than some other types of welfare payment, I nevertheless could not see fit to include such payments in Public Domestic Philanthropy. In trying to draw the line on which expenditures of government shall be included under Public Domestic Philanthropy in Quadrant III we should be constrained by consideration of the fact that this changing farm program is primarily associated with our system of production. It was originated and has been continued as a program to control and to stimulate, particularly in time of war, the output of agricultural products. So I agree with Mrs. Merriam on the exclusion of farm aid.

We may, however, want to add expenditures (and facilities) for recreation. It seems to me that the provision for recreation for the public in Yosemite National Park or Yellowstone National Park and the consumption of the beauty of those places is quite as real as the utilities (the pleasures of consumption) enjoyed by the use of the knife, the fork, and the spoon. Our totals for Quadrant III, I repeat, are going to be lower than the totals one would obtain by merely taking the carefully developed annual estimates of Mrs. Merriam as they are published annually in the *Social Security Bulletin* and saying that these are coextensive with Quadrant III in our study of philanthropy. I appreciate that there is always an advantage in choosing a



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concept coextensive with some regularly published set of estimates which presumably will be regularly published in the future. But I don't think I should spend more time in going further into this subject of which social welfare expenditures should be included in Quadrant III, and which should be excluded. We have problems of semantics in Quadrant III, as well as in the other three quadrants. I cannot hope that every student will agree with us in every decision made to conform to our broad concept of philanthropy used in this three-year study of the changing position of philanthropy in the American economy during the past three decades.

### *Foreign Aid*

We now turn to Quadrant IV (Figure 2), designated Public Foreign Philanthropy. Although some large numbers are involved in this quadrant, we should probably give it the least attention because we do not think it is within the scope of our study to follow foreign aid through to the country receiving it as to the manner in which the funds were actually spent on health, sanitation, transportation, communication, or education. We shall not investigate the manner in which each recipient country has used our foreign aid. Moreover, in this study of the changing position of philanthropy in the American economy we do not intend to attempt any essays on foreign aid or related aspects of international payments or international finance.

### *Between the Wars*

As we enter Quadrant IV, we have to make some sharp compromises with the chronological pattern in Quadrants I, II and III for which I have been trying to give you some very quick estimates and some numbers for the period 1929-1959. The amount of public foreign aid between World War I and World War II, as I recall, was reported in one bulletin as a grand total of only 69 million dollars. You may recall the types and kinds of aid that have been given in cases of national disaster. We wish that we could go back before 1929 to World War I to get our bearings, to review the mixture of public and private philanthropy in the aid program directed by Herbert Hoover in Belgium. Foreign aid, 1914-1919, was a matter of borrowing, first from the people of the United States through private transactions which probably would not appear in any event in our totals, and second, by interallied loans which before and after the armistice totaled about 10 or 11 bil-

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lion dollars. If we were to go through the 1920's in this study, we would, I suppose, be required to carry these accounts showing how the interallied debts were increased for nonpayment of interest and principal, the negotiations with Russia, negotiations over reparations with Germany and all of the complications of the Dawes plan, the Young plan, etc., leading up to the Hoover Moratorium of 1931. Despite our reluctant decision to say very little about World War I and the gap between World War I and 1940, I think it is worth noting that in some official compilations these interallied debts are still considered as obligations due the United States.

At this point, we shall modify the chronological pattern in this report. In Quadrant IV, for all practical purposes, we are talking not about 1929-1959, but about 1941-1959. During those two decades the grand total of foreign aid was divided roughly as follows: \$48 billion military and \$63 billion civilian, a total of \$111 billion (Figure 2). That is a large sum of money. Our immediate interest is in the over-all division between military aid and civilian aid. The approximate breakdown here is 43 per cent military aid and 57 per cent civilian aid. Let us consider first a few broad questions about the cumulated aggregates.

### *Military Versus Civilian Aid*

Was all of this expenditure of 111 billion dollars beyond the pale of philanthropy? Was it merely an aspect of national policy? Was military or civilian foreign aid (or both) during this troublesome period of 20 years giving money away without an immediate or definite *quid pro quo*? Was military foreign aid merely a substitute for spending the same amount on our own military establishment? Can one separate the military from the civilian? Admittedly, that separation is very difficult to make from the record itself; but I must not dwell on that point. Rather, from the standpoint of our broad concept of philanthropy (public and private), could one claim that the military aid was different from the civilian? Did not the billions of dollars put into military aid for any one country, any section of the world, provide funds by which the governments of those countries were able to improve the civilian economy in the sense that, if the support for the military establishment came from the United States, so many dollars, so to speak, were released for civilian use? I might say that this attitude—which I call indivisibility of military and civilian expenditures—is held by one

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of the persons in the United States Department of Commerce upon whom we have leaned rather heavily for data.

We have a number of choices here, perhaps none of them clean-cut. First, we could exclude Quadrant IV entirely and say that foreign aid in no way manifested the philanthropic propensities of the American people. I think that our study would be rather bitterly criticized if we were to say that none of this 111 billion dollars represented a philanthropic type of activity or intent on the part of the American people. Does it matter where the starving people were located or where they were living, within or outside the United States? Or that philanthropy is not involved if the United States government helps starving people during a war? I am not quite sure that we Americans have to shoulder the entire responsibility for the war and for the aftermath of the war. Certainly, to many people, we seemed to be giving away large sums of money.

### *Exclusion of Military Aid*

For these and other reasons, I have tentatively decided to exclude from our Quadrant IV those expenditures for foreign aid which could be classified as military—43 per cent of the 111 billion dollars. This really is quite a hazardous line to draw when we know numerous instances of military supplies shipped to foreign countries which found their way into civilian uses, such as food for the military and gasoline for military equipment. Sometimes this diversion was a result of a very definite policy which had been established. We should not quarrel too much with Congressional semantics in placing military or civilian labels on these several programs. In Quadrant IV, I now plan to limit foreign aid to the 57 per cent labeled civilian aid, leaving the amounts spent for military aid during the nineteen years to be charged to some other sector of the national accounts such as the cost of aiding allies during and after wars. One suggestion made to us in this connection was that a reasonable division would be to exclude from Quadrant IV both the military and the civilian foreign aid during the war years, 1941–1945, and then to include both the military and civilian aid since the close of World War II. But this all-or-none treatment by war and postwar periods also seems to us less consistent with our pursuit of the changing position of philanthropy in the American economy than does the exclusion each year of military expenditures from Public Foreign Philanthropy so that what is counted in Quadrant IV is the sum of 63 billion dollars, the amount spent for civilian aid since 1941.

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Obviously, trend lines from 1941 to 1959 have no special meaning. In 1959 civilian aid was 1.6 billion dollars or 0.34 per cent of GNP. In Figure 2, three short horizontal lines are shown in Quadrant IV: 2.2 per cent of GNP for 1941-45, 2.0 per cent for 1945-1951, and 0.5 per cent for 1951-1959. The three divisions of the postwar period and the three horizontal bars must suffice at this time.

For reasons stated and unstated, I am rather reluctant to present here a combined total of all four quadrants. But I will do so with two reservations: first, that our final numbers will be smaller in Quadrant III, and, second, that there may be some errors in computations which need to be corrected. So here is my over-all summary *at this time*. It is *not* the summary of our findings. I reserve the right to change every figure in this "mid-term" report.

### *Summary*

1. During the 31 years covered by this study GNP was 6,700 billion dollars and the amount involved in philanthropy, using our broad definition, was probably of the order of 600 to 700 billion dollars.

2. Since the end of the 1920's the position of philanthropy—private and public, domestic and foreign—in the American economy has increased from *not more* than 7 per cent of GNP to *not more* than 15 per cent of GNP (see legend, Figure 2). The position of philanthropy in the American economy relative to GNP has approximately doubled in the last three decades. My best guess about our *final* figures is that philanthropy, private plus public, now accounts for at least one tenth (10 per cent) of GNP. *It did not in 1929.*

3. Let us break this thumbnail summary into quadrants. I am saying that the first quadrant today is about 3 per cent of GNP whereas at the end of the 1920's it was about 2 per cent. The second quadrant was 0.3 per cent in 1929 and 0.1 per cent in 1959.<sup>3</sup> For Public Domestic Philanthropy, using the social welfare compilations of Mrs. Merriam without any changes, the increase has been from 4.2 per cent of GNP to 10.7 per cent; as already noted, our total for Quadrant III will be less than 10.7 per cent. The fourth quadrant, Public Foreign Philanthropy, which was zero in 1929, is now of the order of one third of one per cent. Whatever the *final* percentages reported in our study may be, the grand total will not be below one tenth of GNP in 1959.

<sup>3</sup> See footnote 2.

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Two very general observations based upon these provisional and unrefined data can be presented now as highly tentative answers to the question which we were assigned to investigate. First, if one examines the changing position of private philanthropy and limits himself to private philanthropy, one must conclude that the position of private philanthropy in terms of GNP had not materially changed since the end of the 1920's. Private philanthropy trends *understate* the generosity of our nation. Second, if one adds public philanthropy, as we have tried to sketch it here, one would say that the total of private and public philanthropy had increased considerably. *The economy now tithes*. The scriptural one tenth has been attained by a generous people! As stated in my preamble, the fear of outliving one's income has been one of the major conditioning forces.