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## 2 Sources of Private Domestic Philanthropy

We begin our estimates with the development of the materials on private domestic philanthropy. The data on and analysis of private domestic philanthropic *contributions* is presented in this chapter; the data on and analysis of *receipts* of private domestic philanthropy by the recipient institutions is presented in Chapter 3.<sup>1</sup>

### THE SIX SOURCES

The sources of data on giving to private institutions and to individuals within the area of the domestic economy, can be divided into six classes: (1) gifts to private institutions by living donors—a rather peculiar term used in several treatises on philanthropy; (2) charitable bequests to private institutions—made before death; (3) corporate gifts; (4) foundation income from endowment; (5) nonfoundation income from endowment; (6) person-to-person giving, which excludes classes 1 and 2.

The addition of person-to-person giving (excluding transfers within

<sup>1</sup> In these two chapters, we have included a summary of three special topics investigated at some length by Ralph L. Nelson. These are analyses of corporate giving, family giving, and religious giving. Nelson's study of corporate giving goes into certain questions in far more detail than provided in the present book.

the family) extends the concept of philanthropy into an area which might not seem proper from some points of view. As noted, we are using a broad concept of philanthropy in this study and have not hesitated to go beyond the types and kinds of data which are developed incident to the operations of the Internal Revenue Service under the federal income tax laws. If a person makes a gift to maintain, for example, a distant relative, friend, neighbor, or even a stranger in a nursing home or in a hospital, such a gift is regarded as person-to-person giving and therefore cannot be deducted. Changes in the federal income tax laws since the end of our period ease the burden of some of these types of "gifts," and more may be made in the future. But throughout the history of federal income tax legislation, the availability of deductions for gifts has been largely restricted to gifts to organizations certified by the Internal Revenue Service.

Hence the definition of philanthropy used in this study requires that special attention be given to transfer payments from one person to another outside the family which have, within the concept employed in this study, a definite place in philanthropic activity. The decision to include person-to-person giving outside the family—gifts for which there is no ordinary *quid pro quo*—has greatly complicated our statistical problems, but we believe that extending the concept of giving beyond the scope of giving to institutions brings the subject of philanthropy into a far more realistic setting.

## THE TABLES OF CHAPTER 2

An attempt has been made to eliminate as much detail as possible from the discussion and data because the basic objective is to highlight the changing role of philanthropy (using our broad concept) in the American economy, from 1929 to 1959. Accordingly, the data for the sources of private philanthropy have been condensed into basic Tables 2-1 through 2-5.

Table 2-5 presents the percentage distribution of the first five sources of philanthropic income in Table 2-1 (i.e., excluding person-to-person giving), grouped by five-year periods.

Some readers may find the grouped data in Table 2-5 useful in providing perspective before and after examining the detailed data in the

Table 2-1

*Sources of Private Domestic Philanthropy, 1929-59, Background Account*  
(millions of dollars)

Year	Gifts of Living Donors (1)	Charitable Bequests (2)	Corporate Gifts (3)	Foundation Income from Endowment (4)	Nonfoundation Income from Endowment (5)
1929	1,084	154	32	82	435
1930	969	223	35	94	414
1931	805	220	40	89	393
1932	751	191	31	70	372
1933	700	96	27	63	352
1934	790	146	27	66	376
1935	828	106	28	68	400
1936	985	128	30	80	424
1937	1,057	127	33	105	449
1938	1,001	200	27	87	450
1939	1,177	179	31	86	452
1940	1,254	143	38	96	461
1941	1,520	175	58	103	470
1942	1,944	155	98	109	473
1943	2,449	186	159	108	477
1944	2,567	202	234	142	524
1945	2,762	192	266	148	570
1946	3,088	186	214	155	560
1947	3,559	223	241	199	550
1948	3,898	296	239	225	580
1949	3,966	206	223	242	611
1950	4,359	274	252	277	663
1951	5,051	301	343	315	716
1952	5,521	328	399	323	794
1953	6,036	355	495	333	872
1954	6,216	398	314	341	950
1955	6,735	466	415	386	1,080
1956	7,317	534	418	407	1,100
1957	7,735	602	417	449	1,200
1958	8,078	669	395	450	1,200
1959	8,545	810	482	475	1,200
1929-59 <sup>a</sup>	102,747	8,471	6,041	6,173	19,568

(continued)

Table 2-1 (concluded)

Total (cols. 1 through 5) (6)	Person-to- Person Giving (7)	Total Private Philanthropy (col. 6 plus col. 7) (8)	Total Private Foreign Philanthropy (net) (9)	Total Private Domestic Philanthropy (col. 8 minus col. 9) (10)
1,787	434	2,221	343	1,878
1,735	388	2,123	306	1,817
1,547	322	1,869	279	1,590
1,415	300	1,715	217	1,498
1,238	280	1,518	191	1,327
1,405	316	1,721	162	1,559
1,430	331	1,761	162	1,599
1,647	394	2,041	176	1,865
1,771	423	2,194	175	2,019
1,765	400	2,165	153	2,012
1,925	471	2,396	151	2,245
1,992	502	2,494	178	2,316
2,326	608	2,934	179	2,755
2,779	778	3,557	123	3,434
3,379	980	4,359	249	4,110
3,669	1,027	4,696	357	4,339
3,938	1,105	5,043	473	4,570
4,203	1,235	5,438	650	4,788
4,772	1,424	6,196	669	5,527
5,238	1,559	6,797	683	6,114
5,248	1,586	6,834	521	6,313
5,825	1,744	7,569	444	7,125
6,726	2,020	8,746	386	8,360
7,365	2,208	9,573	417	9,156
8,091	2,414	10,505	476	10,029
8,219	2,486	10,705	486	10,219
9,082	2,694	11,776	444	11,332
9,776	2,927	12,703	503	12,200
10,403	3,094	13,497	535	12,962
10,792	3,231	14,023	525	13,498
11,512	3,418	14,930	563	14,367
143,000	41,099	184,099	11,176	172,923

### Notes to Table 2-1

<sup>a</sup>These totals must be carefully interpreted. Since the data have not been deflated, the sum of the dollars, and to a somewhat smaller extent the percentages of GNP, are really weighted aggregates in which the weights are the various price levels prevailing in each year. This means that amounts and percentages for periods when price levels were high, get a bigger weight than they do in periods when price levels were lower.

#### Sources by Column Column 1

1929-54: C. Harry Kahn, *Personal Deductions in the Federal Income Tax*, NBER, 1960, p. 66.

1956, 1958: "The Coverage of Personal Contributions in the *Statistics of Income*, 1948-1958," Ralph L. Nelson, working memorandum.

1951, 1955, 1957: Interpolated by applying average ratio of gifts to estimated total adjusted gross income (AGI) for two adjoining years to estimated total AGI for given year. Total AGI includes that of returns on which contributions were reported, that of returns taking the standard deduction and that of nonfilers. It is arrived at by adjusting the Commerce Department's Personal Income series to a definitional basis co-extensive with that used for AGI.

1959: Estimated by applying 1958 ratio of gifts to estimated total AGI to 1959 estimated total AGI.

#### Column 2

1929-58: *Statistics of Income*, Treasury Department. Linear interpolation for 1951, 1952, 1955-57 (years for which data were not published).

1959: Extrapolation, assumed to be "reasonable."

#### Column 3

1929-35: *National Income*, 1954 ed., Department of Commerce, pp. 212-213.

1936-59: *Statistics of Income*, Treasury Department.

#### Column 4

Based on 1957 assets and year-of-organization data for 757 large and medium-size foundations presented in *The Foundation Directory*, p. xi, Table 1. The basic procedure involved a backward projection of foundation income from the year 1957, utilizing the above-mentioned table and stock and bond price and yield data.

1958, 1959: Extrapolations, assumed to be "reasonable."

#### Column 5

1929-56: Estimated using Andrews' 1949 and 1954 figures and applying ratio of Andrews to Biennial Survey of Higher Education endowment income for biennial survey years. Straight-line interpolation for intersurvey years. The total includes both cash income (estimated at 20 per cent) and imputed rents (80 per cent) of buildings and equipment received as gifts.

1957-59: Projection based on 1955 and 1956.

#### Column 7

40 per cent of col. 1. See text for basis.

#### Column 9

Table 4-1, col. 2.

Table 2-2

*Background National Account Aggregates, 1929-59*  
(millions of dollars)

Year	Gross National Product <sup>a</sup> (1)	Disposable Personal Income <sup>a</sup> (DPI) (2)	Gross Estates (3)	Corporate Net Income (CNI) (4)	Dividends and Interest Component of Personal Income Sector <sup>a</sup> (5)
1929	104,436	83,120	3,844	11,869	13,241
1930	91,105	74,374	4,109	4,649	12,439
1931	76,271	63,840	4,042	-487	11,011
1932	58,466	48,660	2,796	-3,511	9,140
1933	55,964	45,744	2,027	-639	8,268
1934	64,975	51,980	2,244	2,975	8,686
1935	72,502	58,322	2,435	5,423	8,755
1936	82,743	66,222	2,296	7,771	10,390
1937	90,780	71,000	2,768	7,830	10,597
1938	85,227	65,692	3,047	4,131	9,015
1939	91,095	70,444	2,746	7,178	9,597
1940	100,618	76,076	2,633	9,348	9,824
1941	125,822	92,982	2,778	16,675	10,291
1942	159,133	117,516	2,725	23,389	10,097
1943	192,513	133,547	2,627	28,126	10,282
1944	211,393	146,761	2,908	26,547	10,824
1945	213,558	150,355	3,437	21,345	11,559
1946	210,663	160,569	3,831	25,399	13,360
1947	234,289	170,113	4,224	31,615	14,733
1948	259,426	189,300	4,775	34,588	15,949
1949	258,054	189,654	4,993	28,387	16,916
1950	284,599	207,655	4,918	42,831	19,471
1951	328,975	227,481	5,505	43,800	20,274
1952	346,999	238,714	6,141	38,735	21,054
1953	365,385	252,474	6,776	39,751	22,592
1954	363,112	256,885	7,412	36,721	24,391
1955	397,469	274,448	7,467	47,949	26,985
1956	419,180	292,942	8,881	47,413	29,593
1957	442,769	308,791	10,294	45,073	32,219
1958	444,546	317,924	10,971	39,224	33,360
1959	482,704	337,145	11,648	47,630	37,141
1929-59 <sup>b</sup>	6,714,771	4,840,730	147,298	721,735	502,054

*Notes to Table 2-2*

## Sources by Column

## Column 1

1929-55: *U.S. Income and Output*, Department of Commerce, 1958, pp. 118-119.  
 1956-59: *Survey of Current Business*, July 1964, p. 8.

## Column 2

1929-55: *U.S. Income and Output*, Department of Commerce, 1958, pp. 144-145.  
 1956-59: *Survey of Current Business*, Department of Commerce, July 1964, p. 10.

## Column 3

1929-45, 1947-51, 1954, 1957: *Historical Statistics of the United States*, Department of Commerce, 1957, series Y-333 through Y-342, p. 717.  
 1946, 1952, 1953, 1956, 1958: Linear interpolations.  
 1959: *Statistics of Income, Fiduciary Gift and Estate Tax Returns Filed during Calendar 1959*, Treasury Department, Table 1, p. 57.

## Column 4

1929-59: *Statistics of Income, Corporate Income Tax Returns*, Treasury Department, respective years. Compiled net profit less net deficit of all reporting corporations. Includes income from tax exempt securities.

## Column 5

1929-55: *U.S. Income and Output*, Department of Commerce, 1958, pp. 144-145.  
 1956-59: *Survey of Current Business*, Department of Commerce, July 1964, p. 10.

<sup>a</sup>National account aggregates do not incorporate the latest OBE revisions (1965), which became available after these tables were completed. The revisions in percentages in this and following tables would be minor.

<sup>b</sup>See note a, Table 2-1.

basic Tables 2-1 and 2-3. In reviewing Table 2-5, the constant relationship of two to five between excluded person-to-person giving and gifts of living donors should be kept in mind (see Table 2-1, column 7).

## AGGREGATES FOR THIRTY-ONE YEARS

The estimated total amount of gifts from living donors for all the years 1929-1959 combined was \$102,747 million (Table 2-1). Charitable bequests accounted for only \$8,471 million during the period. Corporate gifts totaled \$6,041 million, foundation income from endowment \$6,173 million, and nonfoundation income from endowment \$19,568 million. Thus the subtotal for the entire thirty-one years from these five sources was \$143,000 million.



Table 2-3

*Sources of Private Domestic Philanthropy as a Percentage of Gross National Product, 1929-59*

Year	Gifts to Private Institutions										Total Private Domestic Philanthropy (col. 8 minus col. 9) (10)
	Living Donors (1)	Charitable Bequests (2)	Corporate Gifts (3)	Foundation Income from Endowment (4)	Nonfoundation Income from Endowment (5)	Total (col. 1 through col. 5) (6)	Person- to- Person Giving (7)	Total Private Philanthropy (col. 6 plus col. 7) (8)	Total Private Foreign Philanthropy (net) (9)	Total Private Domestic Philanthropy (col. 8 minus col. 9) (10)	
1929	1.038	.147	.031	.078	.417	1.711	.416	2.127	.328	1.798	
1930	1.064	.245	.038	.103	.454	1.904	.426	2.330	.336	1.994	
1931	1.056	.288	.052	.117	.515	2.028	.422	2.450	.366	2.085	
1932	1.284	.327	.053	.120	.636	2.420	.513	2.933	.371	2.562	
1933	1.251	.171	.048	.113	.629	2.212	.500	2.712	.341	2.371	
1934	1.216	.225	.041	.102	.579	2.163	.486	2.649	.249	2.399	
1935	1.142	.146	.038	.094	.552	1.972	.457	2.429	.223	2.205	
1936	1.191	.155	.036	.097	.512	1.991	.476	2.467	.213	2.254	
1937	1.164	.140	.036	.116	.495	1.951	.466	2.417	.193	2.224	
1938	1.174	.235	.032	.102	.528	2.071	.469	2.540	.180	2.361	
1939	1.292	.197	.034	.094	.496	2.113	.517	2.630	.166	2.464	

1940	1.246	.142	.038	.096	.458	1.980	.499	2.479	.177	2.302
1941	1.208	.139	.046	.082	.374	1.849	.483	2.332	.142	2.190
1942	1.222	.097	.062	.068	.297	1.746	.489	2.235	.077	2.158
1943	1.272	.097	.082	.056	.248	1.755	.509	2.264	.129	2.135
1944	1.214	.095	.111	.067	.248	1.735	.486	2.221	.169	2.052
1945	1.293	.090	.125	.069	.267	1.844	.517	2.361	.221	2.140
1946	1.466	.088	.102	.073	.266	1.995	.586	2.581	.309	2.273
1947	1.519	.095	.103	.085	.235	2.037	.608	2.645	.286	2.359
1948	1.502	.114	.092	.087	.224	2.019	.601	2.620	.263	2.357
1949	1.537	.080	.086	.094	.237	2.034	.614	2.648	.202	2.446
1950	1.532	.096	.089	.097	.233	2.047	.613	2.660	.156	2.504
1951	1.535	.092	.104	.096	.218	2.045	.614	2.659	.117	2.541
1952	1.591	.095	.115	.093	.229	2.123	.636	2.759	.120	2.639
1953	1.652	.097	.135	.091	.239	2.214	.661	2.875	.130	2.745
1954	1.712	.109	.086	.094	.262	2.263	.685	2.948	.134	2.814
1955	1.695	.117	.104	.097	.272	2.285	.678	2.963	.112	2.851
1956	1.746	.127	.100	.097	.262	2.332	.698	3.030	.120	2.910
1957	1.747	.136	.094	.101	.271	2.349	.699	3.048	.121	2.927
1958	1.817	.150	.089	.101	.270	2.427	.727	3.154	.118	3.036
1959	1.770	.168	.100	.098	.249	2.385	.708	3.093	.117	2.976
1929-59 <sup>a</sup>	1.530	.126	.090	.092	.292	2.130	.612	2.742	.166	2.575

Source: Tables 2-1 and 2-2.

<sup>a</sup>See note a, Table 2-1.

Table 2-4

*Relation of Selected Components of Private Domestic Philanthropy  
to Relevant National Account Aggregates, 1929-59*

Year	Gifts of Living Donors as Per Cent of Disposable Personal Income (1)	Charitable Bequests as Per Cent of Gross Estates (2)	Corporate Gifts as Per Cent of Corporate Net Income (3)	Income from Endowment as Per Cent of Dividends and Interest Component of Personal Income Sector	
				Foundation (4)	Nonfoundation (excluding imputed rents) <sup>a</sup> (5)
1929	1.304	4.006	.270	.619	.657
1930	1.303	5.427	.753	.756	.666
1931	1.261	5.443	-8.214	.808	.714
1932	1.543	6.831	-.883	.766	.814
1933	1.530	4.736	-4.225	.762	.851
1934	1.520	6.506	.908	.760	.866
1935	1.420	4.353	.516	.777	.914
1936	1.488	5.575	.386	.770	.816
1937	1.489	4.588	.421	.991	.847
1938	1.524	6.564	.654	.965	.998
1939	1.671	6.519	.432	.896	.942
1940	1.648	5.431	.407	.977	.939
1941	1.635	6.299	.348	1.001	.913
1942	1.654	5.688	.419	1.080	.937
1943	1.834	7.080	.565	1.050	.928
1944	1.749	6.946	.881	1.312	.968
1945	1.837	5.586	1.246	1.280	.986
1946	1.923	4.855	.843	1.160	.838
1947	2.092	5.279	.762	1.351	.747
1948	2.059	6.199	.691	1.411	.727
1949	2.091	4.126	.786	1.431	.722
1950	2.099	5.571	.588	1.423	.681
1951	2.220	5.468	.783	1.554	.706
1952	2.313	5.341	1.030	1.534	.754
1953	2.391	5.239	1.245	1.474	.772
1954	2.420	5.370	.855	1.398	.779
1955	2.454	6.241	.866	1.430	.800
1956	2.498	6.013	.882	1.375	.743
1957	2.505	5.848	.925	1.394	.745
1958	2.541	6.098	1.007	1.349	.719
1959	2.534	6.954	1.012	1.279	.646
1929-59 <sup>b</sup>	2.123	5.751	.837	1.230	.780

<sup>a</sup>Imputed rents estimated as 80 per cent of nonfoundation income from endowment.

<sup>b</sup>See note a, Table 2-1.

Source: Tables 2-1 and 2-2.

The amount of person-to-person giving, as indicated by the scanty data available on support payments, suggests that this item was possibly 40 per cent of the gifts of living donors.<sup>2</sup> If this estimate is correct, the thirty-one-year total for person-to-person giving was \$41,099 million. When this item is added to the subtotal of \$143,000 million for the five sources, the grand total becomes \$184,099 million. These enormous sums constituted 2.7 per cent of GNP for the period (Table 2-3).

### OTHER NATIONAL AGGREGATES

The consolidated items from the quadrants will be compared with GNP in Chapter 10, despite the well-recognized shortcomings of GNP as a measure of the totality of economic activity. However, some items may seem more directly related to smaller national aggregates; for example, disposable personal income, which totaled \$4,841 billion during the thirty-one-year period as compared with \$6,715 billion for GNP (columns 2 and 1 of Table 2-2). Hence, in Table 2-4, we make such comparisons. Gifts of living donors comprise 2.1 per cent of disposable personal income and only 1.5 per cent of gross national product for the entire period. (Both trends are irregularly upward; the business cycle implications have not been examined.) Charitable bequests are shown as 5.7 per cent of gross estates (Table 2-4) and only 0.1 per cent of GNP (Table 2-3). Corporate gifts are shown as 0.8 per cent of corporate net income (Table 2-4), but as only 0.1 per cent of GNP (Table

<sup>2</sup> Our ratio of two-fifths of the amount given by living donors is based primarily on general observation of family giving patterns and many small samples in the field of philanthropy. We are encouraged, however, by the information gathered in the several Bureau of Labor Statistics Consumer Expenditures Surveys (1936, 1950, and 1960-61). It is true that our concept of person-to-person giving and of gifts of living donors, on which the two-fifths estimates rest, are not identical in composition to any BLS items (largely because BLS data are intentionally selective, sampling only middle-income families in cities). Even the BLS term, "support payments," had to be modified in estimating the ratio (two-fifths) between person-to-person giving and gifts of living donors; for example, alimony was eliminated from support payments. Nevertheless, the ratios of several relatively comparable Survey items indicate that our 40 per cent estimate of person-to-person giving relative to giving by living donors to institutions is not too wide of the mark, and that in all likelihood the ratio is rising over time. The estimates of gifts of living donors involved a more systematic procedure but the relative accuracy of the two estimates is, of course, not known. The 40 per cent figure should be checked at some time by a separate investigation.

Table 2-5

*Percentage Distribution of Sources of Income of Private Domestic Philanthropic Institutions by Five-Year Periods, 1929-59*

Year	Gifts to Private Institutions			Foundation Income from Endowment (4)	Nonfoundation Income from Endowment (5)	Total (cols. 1 through 5) (6)
	Gifts of Living Donors (1)	Charitable Bequests (2)	Corporate Gifts (3)			
1929	60.7	8.6	1.8	4.6	24.3	100.0
1930-34	54.7	11.9	2.2	5.2	26.0	100.0
1935-39	59.1	8.7	1.7	5.0	25.5	100.0
1940-44	68.8	6.1	4.1	3.9	17.0	100.0
1945-49	73.8	4.7	5.1	4.1	12.2	100.0
1950-54	75.0	4.6	5.0	4.3	11.0	100.0
1955-59	74.5	6.0	4.1	4.2	11.2	100.0
1929-59	71.9	5.9	4.2	4.3	13.7	100.0

Note: Detail may not add to total because of rounding.

Source: Table 2-1.

2-3). Foundation income and nonfoundation income from endowment have been shown as percentages of the dividends and interest component of the personal income sector as well as percentages of GNP. Only in Table 2-4 do we make these comparisons with smaller universes than GNP. Further attention to these relationships would probably prove more confusing than helpful.

#### AMOUNTS GIVEN AND AMOUNTS RECEIVED

The data described in Chapter 3 indicate that recipient institutions may be grouped in six classes; religious organizations, parochial schools, higher education, secular health, secular welfare, and miscellaneous.

Other students of philanthropy have found that estimates of amounts

given usually exceed the estimates of amounts received. This study considers the universe of private domestic philanthropy to be the amounts given rather than the amounts received; that is, in the consolidation of the data from the four quadrants developed in Chapter 10, the "where from" data described in this chapter rather than the "where to" data described in Chapter 3 will be used. Such a procedure seems to be necessary in a study that deals primarily with the changing role of philanthropy in the American economy. Moreover, greater accuracy is on the side of this course because most of the data are by-products of federal income taxes. How much income tax a person pays and for what purposes he can obtain reductions in the amount of income subject to tax are obviously matters of importance to the Treasury of the United States. Hence, one would expect the accounts to be much clearer on the matter of data (derived after many adjustments) from tax returns than from rather crude estimates of income derived by institutions which are for the most part not subject to tax.

#### GIFTS OF LIVING DONORS: DERIVATION OF ESTIMATES

The estimates of the amounts given by living donors are derived from federal income tax returns as recorded in *Statistics of Income*. The amounts consist, for the most part, of gifts which are deductible from income subject to federal income taxes.

The procedures which have been followed in developing the estimates of gifts of living donors for the entire thirty-one years are based upon a study by C. Harry Kahn.<sup>3</sup>

#### KAHN'S METHOD

Quite apart from the data compiled in *Statistics of Income*, Kahn had to make allowances for individuals who did not file federal income tax returns but contributed in the aggregate considerable amounts to private domestic philanthropic institutions. In addition, estimates had to be made for persons who did file personal income tax returns but did not itemize their deductions because they preferred to take the standard de-

<sup>3</sup> *Personal Deductions in the Federal Income Tax*, Princeton University Press for National Bureau of Economic Research, 1960.

duction. Kahn's estimates, therefore, have two important sources of error no matter how carefully the estimates are prepared.

Kahn describes his procedure in the following terms (pp. 227-229):

. . . This is the sum of reported contributions and an estimate of contributions by persons who did not file a tax return or who chose the standard deduction.

From 1924 to 1940, the estimates of unreported contributions are for those who did not file tax returns. They were computed by attributing a contribution rate to the income not covered on tax returns. We adhered throughout to the adjusted gross income concept. From total AGI we subtracted all AGI reported on tax returns as well as the amount of AGI unexplained. The difference is assumed to be the estimated AGI of nonfilers.

Since the nonfilers are those not required to file tax returns, we imputed to them a contribution rate (ratio of contributions to AGI) equal to that reported for each given year on the tax returns of the income group into which most of the nonfilers might be expected to fall. To be on the conservative side in this hypothetical estimate, all the unexplained amount was allocated to tax return filers in proportion to their income, and the "reported" rate imputed to nonfilers was calculated with this broader income base, that is, it was lowered correspondingly. The income groups in which nonfilers were assumed to fall, in each period, and the contribution rates assigned to them, are shown below:

<i>Year</i>	<i>Income Groups<sup>a</sup> (\$000's)</i>	<i>Contribution Rates for Nonfilers (per cent)</i>
1924	0-3	1.5
1925-1931	0-5	1.3-1.5
1932-1939	0-3	1.8-2.1
1940-1943	0-2	2.1
1944-1954	0-2	1.7-2.0

<sup>a</sup> Net income groups until 1943; AGI groups thereafter. The contribution rates shown above were multiplied by the estimated AGI of nonfilers to obtain the estimates of unreported contributions for 1924-1940.

From 1941 on, estimated contributions not reported on tax returns also include estimates for persons filing returns with standard deductions. For the years 1941-1943, when the standard deduction could be taken only on returns with less than \$3,000 gross income, the ratio of contributions to income on returns for 1940 in the 0 to \$3,000 group was used to estimate contributions for that income group. . . . In 1944 the standard deduction

became available for all tax returns, and it was therefore necessary to impute contribution rates to returns in all income groups, although the relative frequency of returns with standard deduction was greatest for low income returns. An estimate of contributions for all tax returns in 1944 was obtained by applying to 1944 reported income the estimated 1943 ratio of contributions to reported income. From this figure the reported contributions on returns with itemized deductions were subtracted, and the residual taken as the contributions that would have been reported on short-form returns if none had used the standard deduction. A contribution rate of 1.5 per cent for returns with standard deductions was thus obtained for 1944.

We used this rate for all standard deduction returns from 1944 to 1947. Since we received this ratio by assuming no change in the over-all reported contributions rate between 1943 and 1944, we may have established the level of contributions "reporting" for the years after 1944 somewhat too low. In 1948 the standard deduction was once more liberalized by a rise in its ceiling per return from \$500 to \$1,000 for almost all taxpayers. The resulting shift of some taxpayers from itemized deductions to the standard allowance, required an adjustment in the contributions rate on standard deduction returns, as estimated for 1944-1947. Accordingly, the amount of income shifted from the long-form to the short-form returns category was estimated, and to that amount of income we assigned the average contributions rate prevailing in 1947 on returns with itemized deductions. Thus the new estimated rate for contributions on standard deduction returns, 1948-1954, became 1.66 per cent.

To make the procedures outlined above somewhat more concrete, the figures below show for one year, 1952, how the estimate was obtained (in millions):

Estimated contributions of nonfilers:

1. Total AGI	\$240,645
2. Minus: AGI reported on all returns	216,030
3. Minus: Amount unexplained	22,147
4. Equals: AGI of nonfilers	2,468
5. Line 4 $\times$ 0.019 (adjusted contributions rate of 0 to \$2,000 AGI group on taxable returns)	47

Estimated contributions of those filing returns  
with standard deduction:

6. AGI on returns with standard deductions	141,647
7. Line 6 $\times$ 0.0166	2,358
8. Itemized contributions	3,116

Hypothetical estimate of total contributions, line 5 + line 7 + line 8	5,521
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## OUR USE OF KAHN'S METHODS

Since Kahn's study did not cover the years beyond 1954, we computed the estimates for 1956 and 1958 from a detailed examination of the coverage of personal contributions in *Statistics of Income* for 1948-58. The period was marked by large increases in the reporting of deductions on income tax returns, changes having a direct and important effect on the coverage of personal contributions. The number of tax returns on which contributions were itemized rose from 7.8 million in 1948 to almost 20 million in 1958, and the amount of contributions deducted rose from \$1.9 billion to \$5.7 billion. Whereas in 1948 about one return in seven contained an itemized deduction for contributions, by 1958 this had risen to about one in three.

Over the period, the adjusted gross income (AGI) reported on returns which itemized deductions became a larger part of the total for the country. That is, the income of nonfilers and of persons taking the standard deduction—income from which unreported contributions were made—became a smaller part of the total. The AGI against which deductions were not specifically offset declined, from 76 per cent of total AGI in 1948 to 53 per cent in 1958. Also the percentage of returns that itemized deductions but omitted contributions declined. Both developments indicate that reported contributions accounted for an increasing share of total expenditures.

This trend toward increasing coverage was well established between 1948 and 1954, when Kahn's series ends. Over this six-year period reported contributions increased from less than one-half to five-eighths of estimated total contributions. Despite the large decrease in the number of persons not reporting contributions, and in their share of total AGI, the percentage of estimated unreported contributions to the corresponding estimate of AGI remained quite constant, at about 1.44.

This, of course, is not unexpected. Kahn applied a giving rate of 1.66 per cent to the AGI of returns with the standard deduction and 1.9 per cent of the AGI of nonfilers. He also deducted an "unexplained" amount of AGI, which represents, in the main, the underreporting of taxable income. This deduction, in effect, produces a lower base than the one used here to which to relate unreported contributions. Unless there was a large shift in the relative sizes of nonfiler, standard deduc-

tion, and "unexplained" AGI, the aggregate unreported rate should remain relatively constant.

To estimate unreported contributions for 1956 and 1958, the rate of 1.44 per cent was applied to the AGI not included on returns with itemized deductions. The estimate was then added to the reported contributions for these years to arrive at an over-all total. This produced a value for living donors' gifts of \$7,317 million in 1956 and \$8,078 million in 1958 (column 1 of Table 2-1). Also, by 1958, contributions reported on tax returns had risen to 70.5 per cent of total contributions.

The above analysis probably understates, by a small amount, the growth in the coverage of reported contributions. One aspect of this growth did not enter the calculations, namely, the increase from eighty-eight to ninety-six in the number of returns with itemized contributions as a percentage of returns having itemized deductions of any kind. This surely reflects an increased reporting of contributions; however, time and data precluded an attempt to estimate its contribution to the increased coverage.

### CHARITABLE BEQUESTS

The data presented in column 2 of Table 2-1 were taken directly from the *Statistics of Income for Estate Tax Returns*. They therefore do not include the charitable bequests from estates too small to be required to file a return. The exclusion of such data is unlikely to substantially affect the total. The *Statistics of Income* did not contain tabulations of charitable bequests for 1951, 1952, 1955, 1956, and 1957. The values for these years are linear interpolations between 1950 and 1953 and between 1954 and 1958.

### CORPORATE GIFTS

The data on corporate giving through 1935 were taken from Department of Commerce, *National Income*, 1954 ed., Table 36. For the period 1936 through 1958 they were taken directly from the *Statistics of In-*

come *Corporation Income Tax Returns*. The preliminary report for the corporate *Statistics of Income* was used for 1959.

Despite the presence of such direct and consistent data on corporate giving, one would have to say that it is understated in the published sources in two ways. First, many expenditures made by corporations that clearly add to the betterment of the community are charged in some manner or another to the costs of doing business.<sup>4</sup> In this category are such items as the lending or donating of company equipment. Second, considerable expenditure of company resources goes toward released time of executives and employees for charitable causes. Among the more outstanding examples of this are the executive leadership positions in community chest drives. (If this paid time equaled about 0.3 per cent of the total compensation of employees of corporations, it would exceed the amount of corporate gifts.)

#### FOUNDATION INCOME FROM ENDOWMENT

The first step in estimating foundation income from endowment was to develop a cumulated series of the amounts of assets of foundations. This was possible because F. Emerson Andrews had assembled a reasonably complete list of the medium and larger foundations (assets of \$1 million or more in 1957) by year of organization.<sup>5</sup> Knowing the foundations in existence for each year, it was possible to produce an estimate of their income since 1929.

The assets of these foundations were in 1957 values and thus it was necessary to convert them into current-year values to serve as a basis for the estimate of current-year income. To do this, the assets were first divided into their equity and debt components, using fragmentary evidence on the portfolio composition of several large foundations. To the equity and debt values for 1957, stock and bond price indexes were applied to produce an equity and debt value for 1956. This linking backward was successively performed to produce the respective values for

<sup>4</sup> One authority on corporate giving compiled for the author a list of 100 types of corporate assistance which usually showed up in the corporate accounts as business expense. Efforts designed to sample accounting practices in the United States in this regard proved fruitless.

<sup>5</sup> Russell Sage Foundation, *The Foundation Directory*, New York, 1960.

each preceding year. In addition, the values of the assets of foundations organized in each succeeding year were subtracted from the total to adjust for the emergence of new foundations. In this way a current-year value figure for the foundations in existence in any given year was developed.

To compute the endowment income from these values, the current market values of the equity and debt components were multiplied respectively by the dividend and interest yield for the year. These two components of income were then added together to produce the total of estimated endowment income for the year. This is the series presented in column 4 of Table 2-1.

The above method is necessarily very crude and does not specifically deal with some important trends which would affect the series. First, it assumes a constant portfolio investment policy over this period; i.e., that foundation treasurers put the same proportions of new and re-invested funds into equity and debt at the beginning of the period as they did at the end. Casual observation suggests that there was, in fact, a trend toward investment in equities. The magnitude of this bias, however, is not at all clear. Second, it does not take into account the foundations that were liquidated over this period. This would tend to cause an understatement of foundation income in the earlier years relative to the later years. The bias toward an understatement of income in the earlier years probably also exists from the assumption of a constant debt-equity investment policy. A third bias might arise from the exclusion of small foundations from this calculation, although its direction is not apparent. There is simply no way of knowing whether the share of total foundation income received by foundations with assets below \$1 million in 1957 has increased or decreased over the period.

A more precise estimate of the time pattern of foundation income is possible, and some exploration of this has been undertaken. One may obtain direct evidence on the income of the largest foundations from their annual reports. For a number of foundations it is possible to develop continuous series back through 1929. In recent years the ten or fifteen largest foundations have accounted for more than half of foundation assets and income, and complete annual financial reports are available for this large group in most cases. A more reliable series might thus be developed by combining the direct evidence of the large foundations with the kind of imputation procedure described above for the re-

mainder. In addition, to take explicit account of the liquidation of foundations, some adjustment, based upon whatever empirical evidence is available, can be performed.

### NONFOUNDATION INCOME FROM ENDOWMENT

This series represents an estimate of the income received by what might be called operating, as distinguished from financial, philanthropic institutions; that is, colleges and universities, churches, hospitals, museums, libraries, etc., which hold both endowment assets and tangible assets. The series includes both income from the securities and other assets in which endowment is invested, and also the value of the services provided by the tangible assets, that is, an imputed rent from these assets.

The procedure followed was first to find a reliable estimate for some year and then to link this estimate to a series which describes one component of this income. Estimates for total income were given by F. Emerson Andrews for the years 1949 and 1954. To develop estimates for earlier years, the ratio of Andrews' total figure for 1949 was applied to the series on higher educational endowment income for the biennial survey years preceding 1949. For intersurvey years a simple linear interpolation was made. Between 1949 and 1954 a simple linear interpolation of Andrews' beginning and ending values was made. The biennial survey endowment income for 1956 was used for that year and a cautious extrapolation was made beyond 1956.

The reasons for not developing direct estimates by major type of institution are several. First, endowment income data for hospitals and churches are largely nonexistent, and endowment income probably accounts for only a small fraction of their income from capital (less than 5 per cent of all church income in the 1936 Religious Census). Second, comprehensive estimates of the values of tangible assets for all of the major institutions do not exist after 1948, the year Rude's series ends.<sup>6</sup> Thereafter there is nothing on which to base imputation of rent. Third, the construction of such tangible-asset data would be a long and laborious task.

As presented, movements in the series before 1959 are the same,

<sup>6</sup> Robert Rude, "Assets of Private Nonprofit Institutions in the United States, 1890-1948," unpublished study, National Bureau of Economic Research, 1959.

relatively, as movements in the endowment income of higher education. There are, however, several reasons for believing that, were a directly estimated series available, its time picture would not be the same. First, the trends in the cumulation of tangible assets have probably been different for higher education, churches, and hospitals, so that the trend in imputed rents for the three categories have not been the same. Second, the ratio of financial to tangible assets among the three institutions is not the same, nor is it likely that trends in the ratio have been. How important these variations are in causing the time picture to depart from the crude estimate cannot be determined. It is felt that the estimate provides at least some notion of the order of magnitude of this component of philanthropic income.

#### A BRIEF SUMMARY

These comments on methods and sources of the data shown in Table 2-1 are designed to explain them, and inform the reader of the problems confronted and our attempts to solve them. Philanthropy is not a market-place type of economic activity. Hence many needed records are missing. The author expects, however, that these are a reasonably good set of data.