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## Upfront

### **The U-Shaped Giving Profile Explained: Most Americans give roughly the same percentage of their incomes**

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# The U-Shaped Giving Profile Explained

*Most Americans give roughly the same percentage of their incomes*

When scholars of philanthropy plot Americans' incomes against their charitable contributions, many discover a U lurking in their data (see the solid line on the graph below). The arms of the U show that low- and high-income Americans give a greater percentage of their incomes to charity, and the trough of the U shows that middle-income Americans donate a lower percentage. "When people see this U-shaped giving profile, they say that low-income and high-income people are generous, but middle-income people are stingy," says Russell N. James III, a professor in the College of Family and Consumer Sciences at the University of Georgia.

But the story isn't so simple, report James and co-author Deanna L. Sharpe, a professor in the department of personal financial planning at

the University of Missouri-Columbia, in the June 2007 *Nonprofit and Voluntary Sector Quarterly*. Using data from the U.S. Department of Labor's Consumer Expenditure Survey (CES) for the years 1998 to 2001, they find that the U reflects the actions of a small minority of Americans who tithe – that is, who donate 10 percent or more of their after-tax income to charity – rather than the stereotypical patterns of low-, middle-, or high-income Americans. When the researchers remove tithers from their analyses, they find that people at different income levels give roughly the same percentage of their income to charity (see the broken line on the graph below).

In James and Sharpe's study, only about 5 percent of the 16,442 households contribute 10 percent or more

of their incomes to charities.

Although lower-income households are less likely to participate in charitable giving, they are more likely to tithe. James estimates that roughly 40 percent of the low-income tithers are people who belong to sect-like religious groups – "that is, small, exclusive, ascetic groups without a complex bureaucracy and that reject or ignore secular society and dominant churches," he says. "These groups tend to be populated by more people with low income," and who tend to give a higher proportion of their income to the church.

But another 40 percent of low-income tithers are not poor, says James. Instead, they are retirees who, although earning little income, have banked substantial assets, which lead them to give more than their income would indicate. "The blinding flash of the obvious here is that assets are very important in determining giving."

"Poor and rich isn't about income; poor and rich is about wealth," observes Paul Schervish, director of the Center on Wealth and Philanthropy at Boston College. He also notes that because the rich are less likely to donate cash, the CES data (which reflect only cash donations) obscure the fact that "40 to 45 percent of the charitable giving in this country takes place among the upper 5 percent of Americans [in terms of income]."

James agrees: "The U-shaped function is interesting sociologically, but the bulk of the giving still comes from high-income, high-asset individuals."

–Alana Conner

Tithers Drive the U

