

Global Annual Charity At Ten Percent Of Global GDP

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Abstract:

Giving What We Can pledge is a movement that seeks to commit individuals to give 10% of their income to charity. While well intentioned, this is not realistic, since most ordinary middle class, people, let alone poor people will find it impossible to donate 10% of their income to charity. However while individually 10% of income in charity may be impossible, it is possible to achieve a global annual charity at 10% of GDP. However more realistic is the giving pledge created by Bill Gates, Warren Buffet and Melinda Gates that expects ultra-high net worth people to give majority of their wealth to charity. That is possible. Now if you add that and expect middle class to donate more and corporates to donate more, it is possible to achieve global annual charity at ten percent of global gdp.

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I. Introduction

Governments are not the genre of institutions that provide welfare by providing subsidised education, healthcare, food, even housing. There are many NGO – Non Governmental Organisations – that engage in social work. NGOs are active in environment, orphanages, disability, children, education, healthcare, sanitation, water, trafficking, mental health, women etc etc etc. In fact it is very easy to overestimate what governments can do and underestimate what NGO – Non Governmental Organisations can do. Indeed there are almost 10 million NGOs in the world.

Now obviously any welfare activity, which means it cannot charge recipients for its service, has to have a source of income. Governments can rely on taxation. NGOs – Non Governmental Organisations – have to rely on charity. Now taxation is mandatory and charity is not. Yet NGOs manage to collect up to 1 trillion dollars in charity every year which is nearly 1% of global gdp.

Clearly these NGOs are doing yeoman service to humanity. Can these NGOs scale to 10 times their size? Can NGOs raise 10 trillion dollars every year which would be 10% of global gdp. It seems impossible. And it is certainly extremely difficult. But is it possible? This paper explores this idea.

II. Non-Governmental Organisations

Here are some statistics about NGO sector:

1. There are 10 million NGOs in World
2. The number of people donating to NGOs increased from 1.2 billion to 1.4 billion.
3. One of 10 employees in the USA works in the NGO sector. There are almost 1.5 million NGOs in the USA and NGOs contribute 5.3% to USA GDP.
4. Almost 12 million Americans work in the NGO sector in the USA on a full time basis.
5. Around 60 million Americans volunteer a total of 7 billion hours to the NGO sector and that is about 180 billion dollars. That would almost amount to 4 million full time employees.
6. Thus the number of employees for the NGO sector in the USA at 16 million is comparable to the number of employees in the USA in government jobs at 21 million.
7. India has 3.3 million NGOs and that is almost 1 Ngo for 500 people
8. There are 600,000 employees in NGO sector in Australia and they make up 8% of workforce.
9. 85% of Canadians donate to NGOs and that is almost 10 billion dollars.
10. The NGO sector in Kenya has 300,000 full time employees and 80% are under the age of 24.
11. 3/4 of employees in the NGO sector are women but leadership is held by men.
12. There are 130,000 nonprofit foundations in Europe and these donate around 53 billion Euros per year.

Of course, the government has a known source of funding and that is taxation, apart from public sector profits and payment for services. Essentially the biggest source of revenue for the government is Taxation. Similarly, obviously the biggest source of charity for NGOs is Charity.

In the USA the total charity is around 500 billion dollars and that is 2% of GDP. The total charity of Europe dollars and that is around 100 billion dollars. Japan's charity levels are also very low at 10 billion dollars.

India's charity levels are increasing and retail giving is at 2 billion dollars. So total giving around the world could be little less than 1 trillion dollars, that is 1% of global GDP.

III. Donation is better than Taxation

The author has published a paper in which he argues that donation is better than taxation. There are three reasons why donation is better than taxation.

- a. There is corruption and waste. Now governmental waste can be described as legal corruption. This legal corruption can take form of palatial houses of politicians or vast army of government servants. It seems that democracy has taken off where monarchy left. Apart from legal corruption, there is illegal corruption which may be estimated at 5% of GDP according to United Nations and World Economic Forum. Added to that is legal corruption of 5% of GDP. Thus both add to almost 10% of GDP.
- b. The second problem with taxation is that politicians get to decide how to spend people's money. Now politicians are often less educated, more criminal and certainly corrupt compared to ordinary people. Why should such a bunch of people decide how to spend other people's money. In donation people themselves decide how to spend their own money. This represents transition of democracy from representation to participation.
- c. Finally, in democracy politicians are representatives of people and representatives of people are only as good as people themselves. Hence unless people become more socially responsible it is very difficult to get good politicians. The only way for people to show more social responsibility is through donation. This will transfer their concern to ensure better politicians.

However people donate very less compared to the money they pay in taxes.

Nation	Tax to GDP Ratio (%)	Donation to GDP Ratio (%)
United States	27.1	1.44
New Zealand	32.0	0.79
Canada	32.3	0.77
United Kingdom	33.3	0.54
South Korea	27.8	0.50
Singapore	14.1	0.39
India	18.08	0.37
Russia	24.2	0.34
Italy	42.4	0.30
Netherlands	38.8	0.30
Australia	27.8	0.23
Ireland	22.8	0.22
Germany	37.5	0.17
Sweden	44	0.16
Austria	41.8	0.14
Finland	43.3	0.13
Japan	30.6	0.12
France	46.2	0.11
Norway	38.2	0.11
Switzerland	28.5	0.09
Spain	33.7	0.05
Czech Republic	34.9	0.04
China	17.5	0.03
Mexico	16.2	0.03
Source : Wikipedia		

Now clearly in most nations on average people pay just 1/100 the in charity as much as they pay in tax. Charity is fairly uncommon except in USA, UK, New Zealand, Canada and South Korea.

IV. Giving Pledges

There are several giving pledges that seek to improve the giving of the world.

Firstly there is Give What You Can pledge that we have discussed earlier. Now this idea is that everybody should donate to charity 10% of the income.

The founders of the pledge believe that it is reasonable to expect people to donate 10% of income especially since Judaism and Christianity expects everyone to donate 10% of their income.

Now the proof of the pudding is in eating. This pledge has managed to get around 7500 people to sign to it. This is nothing in a world of 7.5 billion people.

Clearly this isn't working.

Now the other pledge of Bill Gates, Melinda Gates and Warren Buffet expect millionaires and billionaires to donate majority of their wealth. Around 240 people have signed. This is less than 1% of the relevant population.

This too is not working.

The 1% pledge says that corporates give 1% of their staff time, profit, equity and product to charities. This seems more realistic than 10% of income or majority of wealth. However this too has very few takers and has managed to garner around billion dollars, which is a pittance.

This too is not working in a big way.

V. Here is more realistic giving

Remember what we started with. We said that we need to collect 10% of global gdp as charity. Now global gdp is 100 trillion dollars. So we need to collect 10 trillion dollars in charity.

Let us start with the richest people of world. The world has 500 trillion dollars of which almost 200 trillion dollars is with richest 1-2% of population.

Now if these people donate 2.5% of their wealth every year then we can get 5 trillion dollars.

If rich people can donate 2.5% of wealth, ordinary people can donate let us say 0.33% of their wealth on average every year. That will add another 1 trillion dollars.

Now remember the global gdp is 100 trillion dollars. That means if we add everybody's income it adds up to 100 trillion. So if every individual on average donates 2% , some people lot more and some people less, then we can collect 2 trillion dollars.

Finally the turnover of all bus of world put together may be around 75 trillion dollars. So businesses could donate around 2 trillion dollars.

This after adding everything up we can collect almost 10 trillion dollars effortlessly.

And this is practical. Unlike Gates and Buffet pledge of donating everything, our pledge asks rich people to donate just 2.5%, which is possible and desirable.

Again unlike GiveWhatYouCan pledge of donating 10% of income we are asking everybody to donate just 2% on an average, which is realistic.

Finally corporates can surely donate 2% of their revenues when everybody is donating so much.

Thus it is possible to collect 10 trillion dollars in charity every year and thus take global charity to 10% of global gdp.

VI. Conclusion

It is possible to collect 10 trillion dollars or 10% of global gdp as charity every year.

But it is difficult. And it will take long time – at least 20-30 years or more.

But if we seed this idea, things will start changing.

The best part is this giving is realistic. Now the pledge of 10% of income is unrealistic except for professionals. The Gates and Buffet pledge is unrealistic since it expects rich people to donate everything. Finally even the 1% corporate pledge is unrealistic since it expects corporates to give 1% of products, time, equity and profits. Now how can corporates give away 1% of equity every year.

But this is realistic. It is possible for rich people to donate 2.5% of wealth every year. It is equally possible for everyone on average to give 2% of income and it is certainly possible for corporates to donate 2% of their revenue.

But it will take time, very long time.

This will take 20 to 30 years and lot of efforts from corporate leaders, politicians, economists, civil society leaders and media.

But if we make best effort it is possible for humanity to increase global charity every year to 10% of global gdp after 20 to 30 years or more.

References

- [1]. Prabhakar Deshpande, Donation Is Better Than Taxation: Transition Of Democracy From Representation To Participation, IOSR Journal Of Economics And Finance, Volume 14, Issue 2