

How Will the Economy Affect Giving?

We can garner some answers by looking backward.

By Jim Radford



How do you feel about today's economy? As president of a fundraising firm, I'm asked questions about the economy and its impact on current fundraising plans almost every day. My answer is simple: You have a choice. You can panic, or you can be calm. I choose to be calm.

You can believe newspaper and TV hype claiming that "Politicians have crippled our economy" or "Everyone is hurting in these unprecedented times." Or, you can look at the facts:

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- Our markets haven't ceased to function.
- Our economy hasn't collapsed.
- Commerce still continues for all essential goods and services.
- Most Americans are still employed.
- Most nonprofit organizations are continuing their fundraising plans.

Are these really "unprecedented times"? In 2007, Americans donated more than \$306 billion to charity, despite uncertainty in the housing markets and the rising cost of oil. The worst one-year decline in inflation-adjusted philanthropy was in 1973-74 during the oil embargo. That decline was 5.4%. So, you might ask yourself, "If our

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fundraising campaign is off 5.4% this year, how bad will that be?"

History is our best guide during uncertain times. Whether it's the Great Depression, World War II, Vietnam, the '70s malaise, the 1987 recession, the bursting tech bubble, or more recent catastrophic events such as the September 11 terrorist attacks or the devastation of Hurricane Katrina, media mania would have you believe that current statistics are unprecedented and the gut-wrenching circumstances will go on endlessly.

Really? Consider this: In October 1974, the Dow Jones Industrial Average was at a 12-year low. Living costs were increasing at a compounded annual rate of 16.8%. In December 1974, the experts predicted "Gloomy Holidays — and the Worst Ahead." Despite the grim predictions, the S&P 500 Index soared 37.2% in 1975 and was up again 23.9% in 1976.

In a December 1984 *Time Magazine* cover story, "Banking Takes a Beating" detailed the fallout from bank deregulation. "Bankers now face their most strenuous survival since the Great Depression," wrote the authors. "Because of poor management, overzealous lending and some bad luck, commercial bank profits have been battered." As Mark Twain once observed, "History

does not repeat itself, but it does rhyme."

Then came "The Crash" on October 19, 1987. *Time Magazine's* cover story was titled "Panic Grips the Globe." On Black Monday, the Dow Jones Industrial Average plunged 22.6% in one day. Within days of the crash, however, the Dow had recovered almost half its losses. The year ended on a positive note, with an annual 2.3% return.

I understand that people are concerned. It's normal to feel anxiety during economic downturns and market turmoil. Emotional reactions to financial news, however, seldom lead to rational decisions. Usually, such reactions lead to imprudent actions.

The turbulence in our financial markets is real. I believe, though, that with every adversity comes new opportunity.

Philanthropist John Templeton, when asked about the economy, said, "No one should feel so conceited as to know the answer." So, while I don't know what the immediate economic future will bring, I do believe that now is the time for all of us to be calm, stick to our plans, craft creative fundraising strategies, and look to our missions with strengthened resolve. ■

Jim Radford is president of Holmes, Radford & Avalon, Inc. (314-771-1042, jradford@holmesradford.com, www.holmesradford.com), a fundraising firm headquartered in St. Louis.
