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Philanthropic marginal analysis

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Quad 136

Philanthropic Marginal Analysis

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Philanthropic Marginal Analysis



Louis Johnston

For economists, good policy and personal choices are almost always about marginal analysis. What is the impact, on the margin, of a change in an economic variable? How will costs and benefits be affected by a change in policy or a change in behavior? If Saint John's raises tuition by 3.5% how will this affect the retention rate, how will this affect the yield on this year's applications and what will happen to our tuition revenue?

My colleague, Louis Johnston, the Joseph P. Farry Professor of Economics, reminded me of the importance of this in one of his recent [blog posts](#). In a thoughtful obituary about the life of St. Cloud philanthropist William Clemens, Louis notes the generosity of Bill and his wife Virginia, but makes the further point that the impact of their giving was especially significant because of the choices they made.

While the Clemens family has given Saint John's University and the College of Saint Benedict millions of dollars, these generous gifts appear to pale in comparison to the donations in the hundreds of millions of dollars given recently to Stanford and Harvard. But Louis reminds his readers, using marginal analysis, that the Clemens family may very well have been more impactful donors than Stanford's and Harvard's benefactors because the marginal benefit of a \$4M gift to an institution that has an endowment of \$100M might well be larger than a \$200M gift to an institution with an endowment of \$20B.

As Louis nicely puts it:

It's clear to me that the marginal benefit of a \$1-\$5 million dollar gift to a small institution is far greater than the \$395-\$400 million dollars received by Stanford, Harvard, or even a large gift to schools such as [Carleton College](#) (\$783 million) or [Macalester College](#) (\$754 million). Bill Clemens knew this.

This philanthropic marginal analysis is very important for our donors to remember, especially our young alumni, who have occasionally told me, "My contribution is so small at this point in my life, it doesn't really help Saint John's."

Every gift matters to us, and the impact of any gift is made more significant by the relatively intimate scale of our educational

enterprise. One does not have to be a billionaire to have a powerful impact on the educational mission of Saint John's University and the College of Saint Benedict .

By [Michael Hemesath](#) | April 12th, 2016 | Categories: [Alumni](#), [Economics](#), [Higher Education](#) | [0 Comments](#)

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).