**Opposition to Cost-Benefit Analysis (CBA) in Charitable Giving and/or subjectivity > objectivity for prosocial decision-making**

**Description/Definition**

People are less likely to engage in cost-benefit analyses for prosocial behaviors such as charitable giving than for self-oriented market decisions such as investing or consuming.

**EG Relevance**

Effective Giving is predicated on conducting CBA for programs and organizations. To the extent that people are uncomfortable with CBA in the charitable domain, they will be uncomfortable with giving effectively.

**Theory (broader umbrella, mechanisms, related concepts → established theories that this plugs into)**

This CBA discomfort brings together several overlapping theoretical frameworks:

* Fiske’s Relational Theory (1992; also see Aggarwal, 2004), which proposes four basic types of social relationships: communal sharing, authority ranking, equality matching, and market pricing. For more here, see Heyman & Ariely, 2004 on social vs economic markets.
* Taboo Tradeoffs & Protected Values: to the extent that CBA requires making taboo tradeoffs that clash with protected values, people may be reticent to engage in CBA for prosocial purposes.
* Distorted Altruists as the existing dominant view (contrast) c.f., Loewenstein & Small, 2007; Slovic, 2007 -- people care about welfare maximization, **but without clear information to make comparisons**, they rely on their feelings to guide choice (Loewenstein & Small, 2007; Slovic, 2007). Berman et al 2018 build on this.

NB: we distinguish CBA opposition from the inability to conduct CBA. The former is treated here while the latter involves a series of quantitative biases discussed later.

**Evidence**

**People don’t engage in CBA even though they want to…**When it comes to selecting a charity, a study through the Money for Good ([2015](http://www.cambercollective.com/moneyforgood/)) project looked at whether charity performance dictates how people make their giving decisions. Sure enough, when asked, 85 percent of donors said they care about the effectiveness of the charities they support. However, only 21 percent of those respondents admitted to actually researching organizational performance, and more remarkably, just 3 percent donated based on the relative performance of multiple nonprofits.

**On social vs economic markets, or when prosocial behaviors move into the economic realm…** [Evidence that there are switches between market and social norms]

Gneezy and Rustichini (2000a) documented the ironic outcome that emerged when the owners of a childcare center instituted fines for parents who were late to pick up their children. Lateness actually increased when fines were instituted; while most parents had made a good faith effort to arrive on time when not doing so was rude to the owners of the center, the institution of fines made showing up late an economic matter, with parents simply calculating the costs and benefits of tardiness. Most troubling, when the owners discontinued the fines, parents did not revert to their earlier behavior, suggesting that when social markets are made economic, it may be difficult to change them back.

**People work harder for no money than for low pay** (Gneezy & Rustichini, 2000b). People are willing to engage in effort such as helping others or doing favors for them for social reasons; once money is introduced, however, people engage in cost-benefit analysis, and small amounts of money are not sufficient to incentivize them to do the work they were willing to do for free for more altruistic reasons.

**Mixed markets – where both social and economic incentives are present – look like economic markets**, as though the mere whiff of monetary incentives corrupts social motivations (Heyman & Ariely, 2004).

In the standard model of labor supply individuals trade their time and energy in return for monetary rewards .(More formally, they choose the mix of leisure and consumption that maximizes their utility function subject to a budget constraint whose slope is their after-tax wage, and subject to a time constraint.) **Building on Fiske’s relational theory (1992), Heyman & Ariely (2004) propose that there are two types of markets that determine relationships between effort and payment: monetary and social.** They found that monetary markets are highly sensitive to the magnitude of compensation, whereas social markets are not. Taken together, evidence from three experiments support these ideas. Their results also demonstrates that mixed markets (markets that include aspects of both social and monetary markets) more closely resemble monetary than social markets.

**People don’t engage in CBA because they view charity as relatively subjective decision** (Berman et al, 2018, c.f., Goodwin & Darley, 2008; Spiller & Belogolova, 2017), and they’re less likely to conduct CBA for charitable giving decisions than for financial investment decisions (Berman et al, 2018). People often feel justified to discount welfare-maximization concerns in order to choose in accordance with their personal preferences. Moreover, people were less likely to engage in CBA when making a charity decision than when making a financial investment decision. Across several studies, Berman et al (2018), provide evidence for this:

* the results of Study 1 suggest that, relative to many personal decisions, individuals view charity as being relatively subjective.
* Study 2 showed that individuals prioritize emotional connection over welfare maximization when comparing charity options.
* Study 3 examined choice processes and found that people are more likely to override welfare maximization when choosing a charity than when choosing a financial investment.
* Studies 4 and 5 found that individuals are less likely to license themselves (Study 4) and others (Study 5) to select an ineffective option when a decision maker assumes a position of responsibility – this suggests a novel mechanism for reducing CBA aversion (e.g., elicit responsibility in charitable donations)

It’s not just that people are ‘distorted altruists’ – that they care about welfare maximization, but without clear information to make comparisons, they rely on their feelings to guide choice (Loewenstein & Small, 2007; Slovic, 2007). It’s that they can care more about their own subjective preferences than they may about welfare maximization such that even with the relevant welfare-maximization information, people still prioritize emotional connection.

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Looked into these from David:

On rarely seeking out effectiveness information and are reticent to purchase it…

Null (2011) found that most (60%) of people were not willing to give up a small portion of endowed money in order to learn cost-effectiveness information about matching. Interestingly, these people who did not purchase the information forfeited matching funds that ranged between 30-150% of the value of their unmatched gifts. The median donor gave up matching funds exactly equal to the value of her unmatched gift: “a truly staggering sum” (Null, 2011). It’s possible that subjects “simply [did] not care about the potential to substitute into the charity with the highest matching rate,” driven perhaps by both risk aversion and warm glow. It may also be due to simple misunderstanding or fatigue (in an incentivized elicitation, she found some evidence of incomplete comprehension).

People are less interested in information about cost-effectiveness than they are in information about recipients…Metzger and Gunther (2015) found that only than 18.5% of people were willing to purchase information about effectiveness (e.g., aid impact) while 28% were willing to purchase information about administrative costs (e.g., overhead), and 41% were willing to purchase information about the recipients (e.g., individual beneficiaries). The difference between effectiveness and recipients was significant.