Social distance and quality ratings in charity choice☆

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ABSTRACT

We conduct a laboratory experiment to examine how third-party ratings impact charity choice and donative behavior, particularly in regards to preferences for local charities. Subjects are given a menu of ten charities, with a mix of local and non-local organizations included. We vary whether third-party ratings are displayed on this menu. Subjects perform an effort task to earn money and can choose to donate to their selected charity. We find evidence that subjects' choice of charity is impacted by third-party evaluations but, somewhat surprisingly, there are no obvious preferences for local charities. These third-party assessments have some impact on the percent of earnings that subjects allocate to their selected charity; local charities also accrue more donations, though these results are imprecise.

1. Introduction

It is a commonly-held belief that individuals prefer to give to local charities, much as "buy local" movements have become increasingly common. For example, Kentucky, among other states, has a day dedicated fundraising for local charities. Kentucky Gives Day raised over $440,000 in one day for local charities in 2014 (Stacy, 2014). With numerous charities, many with closely-related missions, it is unsurprising that donors turn to third-party ratings, such as Charity Watch and Charity Navigator, as a shortcut to select charities. Yet a recent survey found that only 35% of donors do any research before giving (Hope Consulting, 2010); donors may use a charity's prominence as a heuristic for its quality, but this approach may be in conflict with preferences for more local charities (DellaVigna et al., 2012; Meer, 2014), which are likely to be less well-known.

We conduct an experiment in which we vary the information about charities and ask subjects to choose a charity to which they may donate. Subjects are presented with a menu of charities with both local and non-local charities serving the same causes; in some treatments, third-party ratings are presented.[1] To our surprise, we find that subjects do not exhibit strong preferences for local charities. Third-party evaluations of the charities tend to have an impact on the selection of a charity; there is some impact on donative behavior, but since the choice of charity depends on the rating, it is difficult to ascribe a causal interpretation to these results.

2. Literature review

Social identity theory, which is formalized in economics by Akerlof (1997) and Akerlof and Kranton (2000), suggests that individuals will treat in-group members more generously than others. Chen and Li (2009) provide an extensive review of the early literature. In recent work, Agrawal et al. (2013) show that social distance may not be as large of a concern in internet crowdfunding, finding that the average donor is roughly 3000 miles from the artist to which she donates. In a similar vein, Meer and Rigbi (2013) find that lenders of micro-loans are impacted on the margin by the transaction costs of language translation, but not location of the borrower; though Meer (2014) shows that donors who live in the same area as a teacher requesting funds at DonorsChoose.org are less sensitive to the price of giving, suggesting a preference

[1] Throughout the paper, we use "non-local" and "national" interchangeably.

Table 1
Charities Used.

Charity	Location	Type	SECC	Charity navigator
Special Olympics	Non-Local	Special Needs	Yes	Yes
Camp for All	Local	Special Needs	Yes	Yes
Humane Society of America	Non-Local	Animal	No	Yes
Brazos Animal Shelter	Local	Animal	No	No
Save the Children	Non-Local	Children	Yes	Yes
Scotty's House	Local	Children	Yes	No
Doctors without Borders	Non-Local	Health	Yes	Yes
Health for All	Local	Health	Yes	No
Feeding America	Non-Local	Food Security	No	Yes
Brazos Valley Food Bank	Local	Food Security	Yes	Yes

for local projects. And in an experiment with door-to-door solicitation of charitable gifts, DellaVigna et al. (2012) find that there are preferences for less-distant recipients of philanthropy. In a complementary paper in this special issue, Al-Ubaydli and Yeomans use a field experiment on volunteer tax preparers and their clients to examine the identifiability effect. They find that the volunteers are more likely to make an additional donation with a single recipient, but the clients are less likely to do so. Their study suggests that this effect is context-specific and perhaps more fragile than previously thought.

Quality metrics may also influence the behavior of potential donors. Previous work shows that consumers respond to ratings and reputation (or lack thereof) of sellers (e.g., Reinstein and Snyder (2005); Jin and Sorensen (2006); Luca (2011); Varkevisser et al. (2012); Brown et al. (2012); 2013a)). For charities in particular, Chhaochhari and Ghosh (2008) find that charities with the highest ratings received sixteen percent more charitable donations than those with the lowest ratings. Similarly, Gordon et al. (2009) find that increases in the number of stars awarded by Charity Navigator leads to an increase contributions to the charity. Using a regression discontinuity design, Yoruk (2013) illustrates that the impact on donor contributions of an additional star in Charity Navigator's rating system is a function of charity size and current rating; for small charities, a one star increase from two to three or three to four stars leads to a roughly twenty-eight percent increase in the amount of donations received by the charity. Conversely, Grant (2010) finds that donors over-rate charities and that, once rated, donors decrease their giving — especially for lower rated charities. Szper and Prakash (2011) use charities within Washington state and find no relationship between charity ratings and contributions from donors. Yet the difficulty with much of this research is that the ratings information is not necessarily seen by the prospective donors, and it is not randomly assigned to the individual.[2] Given the laboratory setting, our study ensures both that subjects are aware of the ratings and that there is variation within a charity in its rating.

3. Design and procedures

The experiment consisted of subjects choosing one of ten charities from a menu and then performing an effort task for 75 minutes. The work done during the effort task could — at the subjects' discretion — benefit their chosen charity. The way the subjects' efforts could benefit their chosen charity depended on the treatment. A subject had the opportunity to give money,

time, or both to their chosen charity (further detail is provided in Section 3.2). The differential effects of these methods of giving on donative behavior is the focus of another paper, Brown et al. (2013b), which illustrates that subjects exhibit strong preferences for donations of time, even when donations of money have far greater returns for the recipient charity.

The focus of this paper is how the presentation of information affected the initial choice of one of the ten charities in the experiment. As described in Section 3.1, charities were either categorized by location or type and information about one of two third party ratings could be disclosed. Thus, one could classify this experiment as a 3×2 design: [no information, SECC, CharityNavigator] $\times$ [location, type].[3]

3.1. Charity selection

At the beginning of the experiment, subjects were informed they would have to select one charity from a menu of ten charities which included descriptions.[4] The ten charities are listed in Table 1. Charities were randomly sorted on the screen into one of two different menu styles, organized either by location (local vs. national) or by type of charity (e.g. food security, special needs, etc.). The order of the relevant categories was randomized, as was the order of charities within each category. This random sorting was done to help assuage any concerns of anchoring effects from specific menus. An example menu can be seen in Fig. 1. The description of the charities activities is taken directly from the charities' homepages with minor changes.[5] Subjects were given up to four minutes to review the options available to them and select their charity. Each subject knew that her choice was finalized once selected and understood that selection of a charity did not require

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[3] If we separate by donative method, this becomes a $3 \times 2 \times 3$ design, [no information, SECC, CharityNavigator] $\times$ [location, type] $\times$ [money, time, money & time]. However, we pool all observations on donative method because these treatments does not have an effect on charity choice. A chi-squared of charity choice by treatment shows that there is no significant relationship between the two ($p = 0.62$). Regardless, we include controls for treatment in our regression analysis.

[4] There are tradeoffs to the number of charities used in any experiment. A high number of total charities increases the likelihood a subject will find a charity that he/she wishes to contribute. However, too high a number may cause choice overload (Iyengar and Kamenica, 2010), meaning the choice of the subject is not his/her preferred charity. We chose ten charities here because we identified five distinct types of charities that had a both a local example operating in the Brazos Valley — the seven-county area around College Station, Texas — and an unrelated, national counterpart. We do not believe choice overload is an issue in this design, because these ten charities were categorized for subjects; surveys after the experiment showed subjects preferred the charity they chose; and few if any subjects took more than two minutes (of four possible) in making their decision.

[5] We removed pronouns which might be considered loaded language so that all descriptions were neutral.

Fig. 1. Sample Charity Selection Menu by Location, No Quality Information.

compulsory contribution to it. After all subjects selected a charity, the experiment would proceed.

A central question in this paper concerns how individuals may react to third-party assessments of the charities. Therefore, during the charity selection process, some subjects were given information detailing which charities were approved to be a member of the State Employee Charitable Campaign of Texas and, separately, which charities received a three or four star rating from Charity-Navigator.[6]

3.1.1. Baseline — no 3rd party ratings

In this treatment, subjects viewed the standard charity menu depicted in Fig. 1. The instructions and menu do not mention information about third party metrics or ratings. This information serves as a baseline for charity selection and donation behavior.

3.1.2. Charity navigator ratings

In this treatment, subjects see a menu like that in Fig. 2. Charities in our choice set either had an excellent (four star) or good (three star) rating or were unrated. Only the presence of a positive rating was revealed. The statement describing the charities' objectives were unchanged, and subjects were informed that all charities rated by Charity Navigator were evaluated on Financial Health and Accountability and Transparency.

3.1.3. State employee charitable campaign membership

Similar to the Charity Navigator treatment, the State Employee Charitable Campaign (SECC) information treatment informed subjects which charities were approved members of this campaign. As

with the Charity Navigator treatment, subjects were informed the criteria by which charities were approved by the SECC.[7]

3.2. Effort task and payment schedule

The effort task began after all subjects had selected their charity. Subjects had 75 minutes to move as many "sliders" from one position on the screen to a specific randomized target (see Fig. 3) as they could.[8]

Subjects moved their slider markers along the line to a randomly generated target number (an integer in the set [1, 99]), with the slider beginning at the far left at the point corresponding to 0. In Fig. 3, the target position is located at 73 and the subject's current position is at 63. Once the subjects aligned their markers, they were credited between 3 and 4 cents and were able to move to another slider.

Subjects saw thirty sliders (ten rows of three) on the screen and could complete the sliders in any order; once all thirty sliders were finished, the page reset with thirty more sliders and newly randomized target numbers for each slider. This process repeated throughout the experiment until the time expired, with no upper bound on the amount of money subjects could earn. Subjects had the option to browse the internet at any point and could go back-and-forth as they chose. An earnings summary and the time

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[6] An "ideal" experiment would randomly generate both positive and negative ratings for each subject and local and non-local categories for each charity, providing much more variation. However, this would constitute deception; we use information from multiple agencies to generate the differences that identify the effect of ratings, but it is not possible to identify both individual charity effects and location effects.

[7] These requirements for approval are:

- They are recognized by the IRS as 501(c)(3) nonprofit organizations and registered with the Secretary of State.
- They are audited (or reviewed) annually by an accountant in accordance with generally-accepted auditing standards.
- They provide direct or indirect health and human services.
- They spend no more than 25% of funds raised on administration and fund raising unless they qualify for an exception due to special circumstances.
- They meet other requirements per the application.

[8] This task was developed by Gill and Prowse (2012).

Please choose a charity for donation. You must select only one.

	National and International Charities		SECC
☐	Humane Society of America	The lead disaster relief agency for animals, providing direct care for thousands of animals at sanctuaries and rescue facilities, wildlife rehabilitation centers, and mobile veterinary clinics.	No
☐	Save the Children	The leading independent organization creating real and lasting change for children in need in the United States and around the world, focusing on: economic opportunities, education, emergencies, protection, health, hunger and malnutrition, and U.S. literacy and nutrition.	Yes
☐	Doctors Without Borders	An international medical humanitarian organization that provides aid in nearly 60 countries to people whose survival is threatened by violence, neglect, or catastrophe, primarily due to armed conflict, epidemics, malnutrition, exclusion from health care, or natural disasters.	Yes
☐	Special Olympics	Provides year-round sports training and athletic competition in a variety of Olympic-type sports for individuals eight years of age and older with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympic athletes and the community.	Yes
☐	Feeding America	The nation's leading domestic hunger-relief charity, secures and distributes more than two billion pounds of donated food and grocery products annually.	No
	Local Charities		
☐	Camp for All	A unique camping and retreat facility that works to provide life changing programs for children and adults with challenging illnesses and special needs.	Yes
☐	Brazos Valley Food Bank	Strives to alleviate hunger in the Brazos Valley by distributing food and educational resources to neighbors in need through a network of hunger relief organizations.	Yes
☐	Brazos Animal Shelter	The Brazos Animal Shelter provides humane shelter and care for stray and unwanted animals. Varied services are designed to promote responsible pet ownership and to enhance the quality of life for the people and animals in our community.	No
☐	Health for All	Provides free doctor visits, pharmaceuticals, specialist exams, lab tests, X-rays, chronic disease management education and counseling services to low income patients in the Brazos Valley who do not have health insurance and do not qualify for government programs such as Medicaid, Medicare or County Indigent funds.	Yes
☐	Scotty's House: Child Advocacy Center of the Brazos Valley	Facilitating a multidiscipline team approach to the prevention, intervention, investigation, prosecution, and treatment of child abuse through forensic interviews, medical exams, counseling and case coordination.	Yes

[Ok]

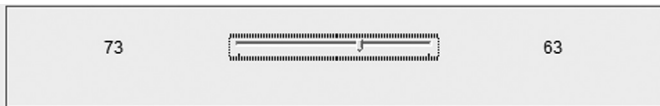**Fig. 2.** Sample Charity Selection Menu by Location, Quality Information.

Fig. 3. An Example Slider.

remaining were displayed at the top of the screen, and subjects were given a verbal notification both when two minutes and thirty seconds remained.

Within this framework, subjects were provided with different methods of donation. As the experiment was between-subjects, an individual subjects only encountered one of these methods. In some treatments, subjects earned money for moving sliders and then had the option to give some of these earnings to charity. Specifically, they would enter an amount of money into a box and click a button. Their earnings would then be reduced by that amount. Subjects might see this box only at the end of their 75 minutes task, or continually throughout the task. In the former case, they could only make one donation; in the latter case, they could make donations as often or as little as they liked.

In another treatment, subjects clicked a button to indicate whether when they completed a slider their earnings would accrue for themselves or for charity. Once the button was clicked all earnings would accrue in that account. However, subjects could click the button as often as they liked, switching back-and-forth between earning money for themselves or their chosen charity.

In the last treatment, a subject's 75-minute effort task would be identical to the time treatment. However, once the task was over, subjects got a second opportunity to donate. This time they could donate money from any of their remaining earnings in a way similar to the money treatments.

At the end of the experiment, all subjects were paid individually and discretely in cash to avoid any social stigma from their earnings and donation selection. Subjects were presented two en-velopes; one envelope was unlabeled and contained their personal earnings while the second was labeled with the charity's name. If a subject chose to give anything—either through a time or money donation — to charity, the second envelope would contain that amount of money. Each subject was asked to confirm that these amounts were correct and sign a form stating that they wished to contribute their charity total to the charity whose name was on the envelope. The experimenter then collected the charitable envelope from the subject, taped it shut, and placed the envelope in a box labeled donations. Subjects were informed that all donations would be made within 90 days and were given contact information for the experimenter making the donation. Donation totals for each charity were calculated, and a donation in that amount was given to each charity at the conclusion of the sessions.

3.3. Experimental procedures

All experiments took place at the Economic Science Laboratory in the Department of Economics at Texas A&M University. 414 undergraduates were recruited from econdollars.tamu.edu, an ORSEE (Greiner, 2004) website database. A total of 27 experimental sessions took place during February 2012 through August 2013.

On average, subjects earned $28.10, with no significant differences across treatments. The subjects kept 85.9% of their earnings, providing their chosen charity with $3.97. They also received a $5 payment that they could not give to charity during the experimental session, meaning the average subject left a two-hour experimental session with $29.13 in cash. Summary statistics are presented below in Table 2.

4. Results

4.1. Charity selection

In Figs. 4 and 5, we show the charities chosen by subjects and the position on the menu of the chosen charity, respectively.

Table 2
Summary Statistics.

	N	414
	Earnings	28.10
		(8.05)
	Percent Making Donation	62.56
	Dollars Donated Conditional on Giving	$6.34
		(7.16)
	Female	0.48
	Texan	0.85
Race	White	0.65
	Black	0.04
	Asian	0.11
	Hispanic	0.15
	Other/Multiple	0.05
Class	Freshmen	0.04
	Sophomore	0.18
	Junior	0.28
	Senior	0.45
	Grad Student	0.05

Fig. 4. Distribution of Charities Chosen.

Fig. 5. Location of Charities Picked on Menu.

Fig. 5 indicates that subjects appear to have gone through the entire list before selecting. Almost exactly half of charities selected across all information treatments were local (48.7%).

Table 3 displays the results of an OLS regression where the dependent variable is a binary variable equaling one if the chosen charity is a local one (results are similar when using a probit model); we pool the two information treatments (results are similar if they are entered separately). Only the type of charity has

Table 3
Local Charity Choice.

		Coefficient	Standard error
Charity type	Animal	0.285***	0.086
	Children	0.087	0.085
	Health	−0.086	0.083
	Food Security	0.317***	0.088
Class	Sophomore	0.010	0.143
	Junior	0.005	0.139
	Senior	−0.018	0.137
	Grad Student	−0.080	0.170
Race	African-American	0.071	0.156
	Hispanic	0.038	0.104
	White	0.050	0.084
	Other/Multiple	−0.045	0.124
	Female	0.018	0.052
	Texan	0.008	0.073
	Econ/Business Major	−0.039	0.054
	Works for Pay	0.032	0.050
	Volunteers Regularly	−0.003	0.053

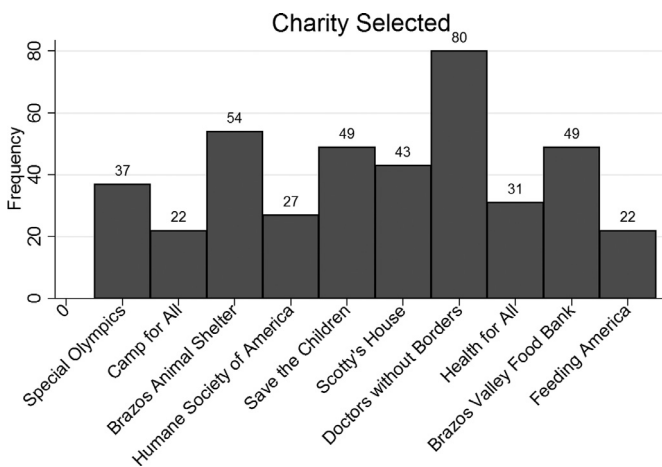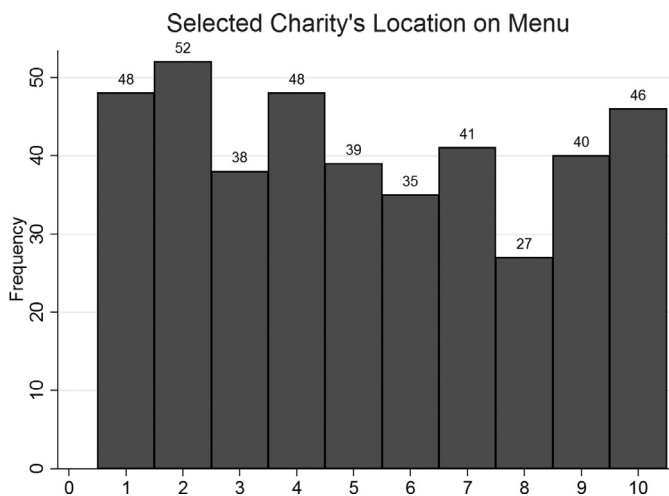*$p < .05$, **$p < .01$, ***$p < .001$. Also included: treatment indicators; N = 393.

a statistically significant influence on subjects' choice of the local charity; none of the other categories have any individually or jointly significant variables. Surprisingly, a subject being from the state of Texas does not influence her to select a local charity, with a coefficient that is both small and statistically insignificant.[9]

To gauge the impact of quality information and, in particular, how it interacts with the choice of charity, we create a panel in which each observation is an individual's decision of whether or not to select a particular charity; thus, each subject has ten observations, one for each charity. The dependent variable is an indicator that equals one when that charity is selected by the subject. Each observation also includes the quality information seen by that subject regarding that charity, as well as the charity's type, which controls for overall preferences for a particular mission. We include individual subject fixed effects in an OLS regression, which subsume the treatment that the subject faced, as well as any other factors that are invariant within a subject, such as individuals' general preferences for a charity type and knowledge of charity quality.[10]

Column (1) of Table 4 shows the effects of a charity being positively rated, as well as whether it is a local charity. Note that if subjects are choosing charities at random, each charity has a 10% chance of being chosen. Therefore, the effect of a positive rating is quite large at 3.4 percentage points; it is statistically significant at $p = 0.008$.[11] However, there is no "local charity" effect — that indicator is small and statistically insignificant. We next include an

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[9] Twenty-one observations are lost due to ambiguous survey responses about where the subjects lived. Omitting the Texas variable and including these 21 observations does not significantly alter the results.

[10] A natural inclination is to use a standard multinomial logit or probit. However, these models are generally used when regressors do not vary across possible alternatives or when these alternatives are not observed. In our case, the alternatives — namely, the charities — have different possible ratings and are fully observed. As such, an alternative-specific multinomial choice model is appropriate, such as an alternative-specific multinomial probit; for more on this point, see Cameron and Trivedi (2005), Chapter 15. We apply an OLS version of those models, used for tractability and ease of interpretation; the effects are unchanged when using the alternative-specific conditional logit or the alternative-specific multinomial probit.

[11] Since the quality indicators are not truly randomly assigned, it is possible that better-known charities are more highly rated and that the effects seen in Table 4 reflect, in essence, a "brand" effect rather than a true effect of ratings. Including controls for the actual charity makes it impossible to examine location effects. However, when we examine the effects of ratings including charity effects, the coefficient is positive and relatively large at 0.021, similar in magnitude to those in Table 4, but is significant only at $p = 0.15$. The small amount of variation within each charity is the likely driver of this relative lack of precision.

Table 4
Charity Choice.

	(1)	(2)	(3)
Rated charity	0.0343**	0.0231*	0.0258
	(0.0130)	(0.0124)	(0.0174)
Local charity	0.0017	0.0146	0.0172
	(0.0101)	(0.0100)	(0.0162)
Rated*local charity	.	.	−0.0050
	.	.	(0.0230)
Charity experience	.	0.1691***	0.1629***
	.	(0.0108)	(0.0109)
N	4140	4140	4140
adj. R^2	0.005	0.048	0.049

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Each regression includes subject fixed effects (which subsume treatment effects) and the charity's type. Standard errors clustered at the subject level are in parentheses.

Table 5
Percent Donated.

	Probit Prob(Donation)	OLS Log Amount Given	Marginal effect Mean Donation
Rated charity	0.0882	0.0724	0.0641
	(0.0867)	(0.0510)	(0.0397)
Local charity	0.0865	0.0414	0.0448
	(0.0600)	(0.0361)	(0.0276)
N	414	259	414
adj. R^2	0.139	0.112	–

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Each regression includes treatment and charity type (e.g., animal, special needs) effects. Standard errors are in parentheses.

indicator for whether the subject had experience with that particular charity.[12] The effect of experience with the charity is large and significant and reduces the size of the rating effect to 0.023 (s.e. = 0.012), which is still statistically significant at $p = 0.063$. This indicator controls in part for the general prominence of the charity; to the extent that this is correlated with its rating, including the experience variable yields a more accurate estimate of ratings.

Finally, in Column (3), we add an interaction between charity rating and local charity to determine if preferences for a local charity are revealed when that charity is positively rated. This interaction is quite small and statistically insignificant, suggesting that the addition of ratings do not reveal preferences for local charities. The overall marginal effect of charity rating in this specification is 0.023 (s.e. = 0.012), significant at p = 0.060; the overall marginal effect for a local charity is 0.015 (s.e. = 0.010).[13]

4.2. Donative behavior

Understanding which charity a subject selects is only part of understanding the relationship between social distance, third-party information, and donor behavior. As illustrated above, third-party quality information does affect charity choice, while social distance does not; however, they may affect contribution behavior differently. It is important to note that charity choice is endogenous in this framework. An "ideal" experiment might randomly assign the charities to each subject (along with ratings) and then investigate the effects of rating and location on giving. We recognize that charity choice is endogenous and that these results may reflect the behavior of the *type* of individual who selects a highly-rated or local charity. For example, someone who is someone selecting an unrated charity may actually be very familiar with its quality and therefore inclined to donate more regardless.[14] Investigating these effects, with the appropriate caveats, is still instructive.

In Table 5, we present the results on the percent of earnings given. 62.6% of subjects make a donation. Conditional on donating, the mean percent of earnings donated is 23.0% (the unconditional median is 3.7% and the conditional median is 15.5%). Each specification includes controls for the treatment, both in terms of whether quality information is provided and the method of donation as described in Section 3 and Brown et al. (2013b). We employ a two-part hurdle model (Meer, 2011; Huck and Rasul, 2011) in which the decision of whether or not to give is modeled with a probit. Column (1) of Table 5 shows the marginal effects from this specification, including controls for the treatment and charity type. Neither the rating of the chosen charity nor whether it is local is statistically significant, though the effects are fairly large for each variable — nearly nine percentage points on a baseline of about 63%. Turning to Column (2), we examine the effects on the percent donated conditional on making a donation, using OLS on the observations with positive giving. Again, the effects are statistically insignificant but fairly large, with the coefficient on charity rating increasing the percentage given by about one-quarter relative to the baseline.

Given these results, it is straightforward to compute the marginal effects on the unconditional percent given, which we show in Column (3). The combination of the effects from the extensive and intensive margins yields an overall effect of choosing a rated charity of 6.4 percentage points on percent given, statistically significant at p = 0.106.[15] Choosing a local charity increases the percent given by 4.5 percentage points, statistically significant at p = 0.101.[16]

Overall, we take these results as suggestive that charity ratings increase donative behavior, though we are cautious in our interpretation.

5. Discussion

Selecting a charity can be a difficult decision; there are numerous charities which provide similar services. In our laboratory experiment, subjects choose from a list of ten charities knowing that they will have the option to donate some of their earnings to this charity. In this selection stage, we vary the information about the charities. Specifically, we have a baseline where there are no third-party assessments of the charities and treatments where these quality metrics are freely given.

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[12] Subjects were asked after the experiment if they had no knowledge of the charity; had heard of it but were unfamiliar with it; were very familiar but had never donated or volunteered; or had donated to or volunteered for that charity. The indicator equals one if subjects were very familiar or had donated to the charity. Results using the full set of categories are similar, with greater familiarity exerting a stronger effect on choice.

[13] Separately, an interaction for rating with the experience dummy is small at −0.007 and statistically insignificant.

[14] One approach to investigate this issue is to include the indicator for experience with the charity, described above. Somewhat surprisingly, this variable is small and statistically insignificant. More importantly, the magnitudes of the "rated" and "local" variables are effectively unchanged, suggesting that unobserved preferences for a charity through experience are unlikely to be driving our results.

[15] As discussed in Section 4.1, it is not possible to include charity effects and examine the effect of location. However, in specifications similar to those in Table 5, but including a full set of charity effects and excluding the indicator for local charity, the general pattern of results is similar. Some precision is lost, though. Controlling for the actual charity selected may come closer to the causal impact of ratings, since the identification is arising from whether the subject was randomly assigned to receive rating information or not; however, their choice of charity may still be affected by these ratings.

[16] Similar to Table 4, we also test specifications that include the experience indicator, as well as an interaction between rated charity and local charity, being careful to account for the nonlinearity of the model. In each case, the results are similar: both charity rating and local charity have large effects. The interaction term is imprecisely estimated, but positive.

Our results suggest that these ratings matter in selecting a charity. While ratings seem to increase giving, the effects are less precise and, since the choice of charity is endogenous, difficult to interpret causally. Yet the results are suggestive that ratings at least somewhat increase donative behavior conditional on selecting a particular charity. We also examine whether subjects have a preference for local charities. We find no strong preferences for local charities over non-local ones, and these preferences are not affected by ratings. This result provides evidence against the explanation that individuals prefer local charities but give nationally because those charities are more reputable.

A related question regarding social distance that has yet to be assessed concerns the distinction between local provision of goods and local providers of goods. Would donors rather give to an institution based non-locally but which provided services in the area instead of a local charity run by members of the community that helped those outside the community? Our future work will focus on this question.

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