Heterogeneous Spillovers in Unconditional Cash Transfers

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Some predictions

1. What is the experience of philantropy over a menu of charitable causes?
   - Donate to several causes even with relatively small amounts.
   - So what determines choice of causes? Effectiveness? Warm glow? Errors?
   - Which model of altruism can generate observed behavior?

2. What *should* people do according to "effective altruists"?
   - Donate to the organization you think is most effective at solving the cause you care most about.

3. What do we *expect* people to do?
   - Even with uncertainty, pure altruists wouldn't diversify because
   - Reasonable to think that marginal benefit of your donation doesn't diminish *that* much.
   - There are fixed costs to increasing diversity

4. Why is this important? EA folks believe that giving potential donors information about effectiveness will result in better use of aid.

5. Let's consider extensions: warm glow preferences, people hate poverty *and* like dogs, donor coordination, updating beliefs, other heuristics

Motivation

- Private giving represents is a major source of social transfers to the poor
- Shortage of models that explain how people allocate across a menu of charitable causes
- Relatedly, how does uncertainty regarding effectiveness affect allocation?
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- Welfare evalauation of private charity vs. public provision depends on the underlying model of choice
- Effective altruists call for a purely consequentialist type of giving
- To this end, the growth of meta-charities that compare organizations on the basis of effectiveness
- Pinning down the right model of choice is therefore important

Overview

Testing alternative theories of philantropic choice on one dimension: an information shock

- Something

Literature

- Much of the literature has focused on allocation between self and others and motivations thereof
- **null_warm_2011** looks at allocation across various matching rates (prices) and identifies between warm glow and risk aversion
- **caviola_evaluability_2014** examines the “evaluability bias” with joint evaluation of charities
- Some work on this (Exley, Small, Brock, Krawczyk, Karlan, Null)
- Lots of advocacy (Singer, McAskill, Baron, etc.)
- GiveWell’s own evaluations of “money moved”
- Goal: synthesize a model to be able to rationalize these obsevations

Some buzz on the subject

- Landsburg: https://web.archive.org/web/20110201203530/http://www.slate.com/id/2034/
- Hoskin: https://www.givingwhatwecan.org/post/2013/11/should-you-only-donate-to-one-charity/
- Harford: https://slate.com/culture/2006/10/the-economic-case-against-charity.html
- EA: https://concepts.effectivealtruism.org/concepts/philanthropic-diversification/
- Donor coordination: https://claviger.net/concept-for-donor-coordination.html, https://blog.givewell.org/2014/12/02/donor-coordination-and-the-givers-dilemma/
- 80K: https://80000hours.org/2016/02/the-value-of-coordination/, https://80000hours.org/articles/coordination/
- Ben Kuhn: https://www.benkuhn.net/how-many-causes

Competing explanations

Broad themes: Consequentialist vs. procedural, preferences vs. environment, strategic vs. unilateral

1. Pure altruists hedging uncertainty over distributional outcomes
2. Impure altruists obtain utility from additional charities
3. Equality concerns for charities
4. Overestimate curvature of the social welfare function or impact of donation
5. Rule utilitarianism/donor coordination: extrapolate best donation to all and infer diminishing marginal returns
6. Rule utilitarianism/donor coordination: free-rider problem reintroduced with kinks due to funding targets
7. Donor coordination: want to be donor of last resort/non-fungibilities
8. Staggered entry of causes/NGOs and the presence of transition costs -> differences between long run and short run philantropy
9. New information and the presence of transaction costs
10. Errors, salience, heuristics, narrow bracketing etc.
11. Incommensurability

Public goods game

- Is this even the right exercise to model things like redistribution?
- Maybe it's good enough–redistribution is a consequence of public goods
- Is it strategic or can we imagine a continuum of donors? Clearly no

Implications for behavior and welfare

What behaviors can we predict under each model? Welfare implications?

- Information update: no effect on impure altruists, concentrating effect on EU maximizers, diversification if donor coordination strategic game! Are we back to free riding? No just diversification
- Telling people how pivotal they are can result in lower donations (this is not the case under pure altruism)
- Neutrality:
- Optimal information policy of NGOs
- NGO incentives to increase/decrease funding gaps
- Should charities give not just snapshots of marginal benefit but the global marginal benefit?
- Do the effects go away when you can coordinate? -> donor coordination problem

Empirical strategy

- Expand VCM games to include multiple public goods with risky, non-linear technologies
- Concave technologies vs. funding caps and targets
- Lab contributions using actual charities
- Exploit Good Ventures policy changes to test https://blog.givewell.org/2014/12/02/donor-coordination-and-the-givers-dilemma/
- PSID has amount donated to different causes
- Lab can control for motives and targets and just focus on uncertainty
- IRS itemizations: https://nccs.urban.org/, https://www.urban.org/research/publication/profiles-individual-charitable-contributions-state-2013

Notes

- Check handbook chapter on underdiversification

Duplicate Observations

```
. count
  7,845

. duplicates report survey_id

Duplicates in terms of survey_id

--------------------------------------
   copies | observations       surplus
----------+---------------------------
        1 |         7811             0
        2 |           34            17
--------------------------------------

. duplicates list survey_id

Duplicates in terms of survey_id

  +---------------------------------+
  | group:   obs:         survey_id |
  |---------------------------------|
  |      1    534   601010202004027 |
  |      1    535   601010202004027 |
  |      2    697   601010204009011 |
  |      2    698   601010204009011 |
  |      3   1888   601030203004030 |
  |      3   1894   601030203004030 |
```

Math

$$y_i = \beta_0 + \beta_1 S_v + \beta_2 D_i^{\text{Abs.}} + \beta_3 S_v \times D_i^{\text{Abs.}} + \varepsilon_i$$

References

Scratch

Diversification Why diversify? Risk aversion and warm glow giving Extending Null/Karlan with information intervention and multiple choices Price of giving might not be the same as effectiveness Null, Exley, Niehaus: no demand for information
Joint vs separate evaluation of charities Motivation: People think charity evaluation should just impact distribution but can also affect net donations (except for knife edge case) Outcomes: gross amount donated, spread, convergence Treatments: between vs. within subject charities, risk and certainty, information prepost, private vs. public Theory: Effect of salience (more distributional behavior in joint groups), BT preferences Fisman, Null do this but doesn't document the degree of bias (assuming independence) Over which attribute? Price/quality, effectiveness/visibility But what if there are alternative mechanisms? Add arm where dominated charity not framed by effectiveness Add arms where deviation from reference increases Add arms where number of dominated charities increase Need to control for confusion? Does this mean no GARP? ie done already? It means non-separability Provide per unit cost from GiveWell data
X Do effectiveness elasticities mirror price elasticities? (utility over money received vs. final outcome) Are they the same thing? In the lab effectively, but not in the field where