Should we give to more than one charity?

0) Definitions

Economists and Philosophers use same words for different things. Suggest we use:

Utility: Subjective preferences
Value: External moral value
Pure Altruism: Subjective preferences = External moral value
Arrow-Pratt risk aversion / economic risk aversion / risk aversion over goods: justified by the diminishing marginal utility of a particular good. Consistent with maximising expected utility (MEU).
True risk aversion / risk aversion over utilities: using a risk-weighted function to weigh utility in different states. Inconsistent with MEU.

1) Simple case

Bill is a 'pure altruist'. He's trying to do the most good he can with his one-off donation of $1000.

Bill is deciding whether to donate to:

- Malaria charity
    - Subjective credences: 50% chance of extending 2 lives, 50% chance of no effect
- Animal charity
    - 50% chance of improving 100 animal lives, 50% chance of no effect
- $500 to each

Bill's moral values (in expectation given moral uncertainty):

- U(extend 1 human life) = 1.1 > U(improve 100 animal lives) =1 (illustrative)
- Additive separability of i) probabilistic states ii) human lives iii) animal lives
- Assume linear returns from both charities

State / Action matrix:

States: **Actions**	**Neither charity effective (25%)**	**Only Animal charity effective (25%)**	**Only Malaria charity effective (25%)**	**Both charities effective (25%)**	**EU**
$1,000 to Malaria charity	No effect **0**	No effect **0**	Extend 2 human lives **2.2**	Extend 2 human lives **2.2**	**1.1**
$500 to each	No effect **0**	Improve 100 animal lives **1**	Extend 1 human life **1.1**	Extend 1 human life; Improve 100 animal lives **2.1**	**1.05**

$1,000 to Animal charity	No effect **0**	Improve 200 animal lives **2**	No effect **0**	Improve 200 animal lives **2**	**1**

No reason to diversify. If one charity is better than another in expectation for first $500, also better for second $500.

Disanalogy with finance. Diminishing marginal utility over money. No diminishing marginal moral value over lives saved.

2) Is MEU rationally required?

Most say yes (consistent with VnM / Savage axioms of rationality). Descriptively, most people do not MEU (most notably Allais paradox experiments)

Alternatives to MEU:

- Descriptive - prospect theory (Kahneman & Tversky 1979), Rank dependent expected utility (Quiggin, 1993)
- Normative - Risk-weighted expected utility (Buchak, 2013)

Gamble: $\{x_2$ if E, x_1 if ~E$\}$
MEU: $V = p(E)u(x_2) + (1-p(E))u(x_1)$
REU: $V = r(p(E))u(x_2) + (1 – r(p(E))u(x_1)$

“On EU theory, to be risk averse is to have a concave utility function. On a theory like mine, to be risk averse is to have a convex risk function.” (Buchak 2013)

Implications of Buchak’s decision theory:

- There may be more than one way of aggregating states so as to achieve the means to one’s ends.
- Attitude to risk is just another subjective preference. There is no right answer to r()
- MEU is not a requirement of rationality

Claim: Even if risk aversion is permitted for self-interested preferences, it is not permitted for altruistic preferences. In the simple case, there is no reason to donate to multiple charities

State / Action / Beneficiary matrix

Actions	States: / Beneficiaries	Neither effective (25%)	Only Animal (25%)	Only Malaria (25%)	Both effective (25%)
Malaria	Person 1	0	0	1.1	1.1
	Person 2	0	0	1.1	1.1
	Animals 1-100	0	0	0	0
	Total	0	0	2.2	2.2
Malaria	Person 1	0	0	1.1	1.1
	Person 2	0	1.1	0	1.1
	Animals 1-100	0	0	0	0
	Total	0	1.1	1.1	2.2
Hedge	Person 1	0	0	1.1	1.1
	Person 2	0	0	0	0
	Animals 1-100	0	1	0	1
	Total	0	1	1.1	2.1

P1) Malaria is as good as *Malaria* (or better on ex post egalitarian grounds)

P2) *Malaria* is better than Hedge

C) Malaria is better than Hedge

3) There are a lot of reasons the simple case might not hold

Empirical:

- Change your mind based on new information / change in values
- Perfect indifference
- Diminishing marginal returns (large donors / small charities)
- Signalling to other donors (talking about a lot of charities)
- 'No effect' of current donations might reduce future desire to give
- Perfectly efficient market for philanthropy - marginal returns identical across all giving opportunities.

For larger donors / researchers

- Signalling to organisation (buying access and information)
- Personal investment can be motivational for research
- Option value. Building grantmaking capacity in multiple areas to change your mind.
- Indirect effects of donation. "Transformative funder"

Philosophical

- Incomparability
- Evidential decision theory: quasi-coordination problems
- Diminishing marginal moral value (e.g. discharging special obligations)
- Diminishing marginal warm fuzzies (not purely altruistic)

Additional costs of donating to multiple charities

- Administrative costs (less important for non-small donations)
- Gaining sufficient expertise in cause area to identify a good charity
- Lock in