

Charitable Giving

Carnegie Mellon University

1

What Makes People Give?

By DAVID LEONHARDT MARCH 9, 2008

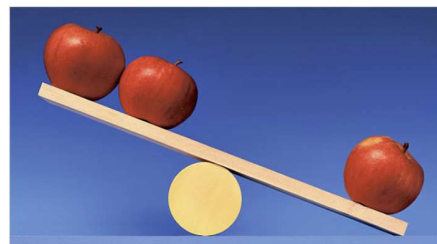


Illustration by BBG. Photograph by Katie dos Santos

2

MATCHING GRANT NOW IS THE TIME TO GIVE!

Troubled by the continued erosion of our constitutional rights, a concerned member has offered a matching grant [4 treatments: of \$25,000; of \$50,000; of \$100,000; blank] to encourage you to contribute to [redacted] at this time. To avoid losing the fight to defend our [redacted], this member has announced the following match: [3 treatments: \$1; \$2; \$3] for every dollar you give. So, for every [3 treatments: HPC*1.00; HPC*1.25; HPC*1.50] you give, [redacted] will actually receive [\$x]. Let's not lose this match—please give today!

Does Price Matter in Charitable Giving?
Evidence from a Large-Scale Natural Field Experiment

By DEAN KARLAN AND JOHN A. LIST*

3

TABLE 2A—MEAN RESPONSES
(Mean and standard errors)

Dollars raised conditional on giving					
			Match ratio		
	Control	Treatment	1:1	2:1	3:1
Implied price of \$1 of public good:	1.00	0.36	0.50	0.33	0.25
Panel A	(1)	(2)	(3)	(4)	(5)
Response rate	0.018 (0.004)	0.022 (0.004)	0.021 (0.004)	0.023 (0.004)	0.023 (0.004)
Dollars given, unconditional	0.813 (0.063)	0.967 (0.040)	0.937 (0.080)	1.026 (0.080)	0.938 (0.040)
Dollars given, conditional on giving	45.540 (2.397)	43.872 (1.549)	45.143 (3.099)	45.337 (2.725)	41.252 (2.222)
Dollars raised per letter, not including match	0.81	0.97	0.94	1.03	0.94
Dollars raised per letter, including match	0.81	2.90	1.87	3.08	3.75
Observations	16,687	33,396	11,133	11,134	11,129

4

Motives for giving

- Help the charity?
- Warm glow?

5

Perceived efficacy of donation

- Seed money increase donations by increasing confidence in organization & project success.
- Proximity to fundraising goal increases donations because success more likely and impact feels tangible.
- Matching funds
- Overhead aversion
 - donors want their money to go directly to mission

6

Social Approval

- Face-to-face solicitations more effective than phone solicitations.
- Conspicuous compassion: ribbons, NPR tote bags.
 - Signals that I gave
 - But also suggests others need to be rewarded to give
 - May indicate wasteful spending
- In a pledge drive, being told another caller donated \$300 increased contributions, but being told that someone donated \$1000 did not. Why?

7

Warm Glow

- Utility from seemingly selfless donations of time or money.
- Warm glow not proportional to the value of the donation.
- Test of impure altruism:
 - If a purely altruistic potential donor learns that another person is giving \$1 to a cause, how would that change their contribution?
 - This should lower donation by \$1 to keep charity revenue constant.
 - But little evidence of crowding-out and, some evidence of crowding-in.

8

Consequences of Warm Glow

- Positive consequences:
 - Giving not diminished by large gifts from others
 - Donors do not do rational analysis of how much a cause needs
- Negative consequences:
 - **Scope Insensitivity:** Less sensitivity to amount of donation because warm glow not linked to impact on beneficiary.
 - **Martyrdom Effect:** People derive more satisfaction from giving that requires sacrifice and effort (Olivola & Shafir, 2013).
 - The most efficient causes and neediest charities are not necessarily the ones that trigger the most affect and sympathy.

9

Martyrdom effect

After completing residency, William opened a private practice in Los Angeles and earns a salary of \$700,000. Every year, he donates \$50,000 to Doctors Without Borders — an amount that saves 500 lives a year.

After completing residency, Theodore joined Doctors Without Borders and earns a salary of \$23,000. Through his work with the organization, he saves 200 lives a year.

Who is leading a more admirable life?

92%

Who is doing more to improve the welfare of others?

60%

(Olivola & Shafir, 2013)

10



Available online at www.sciencedirect.com
ScienceDirect
 Organizational Behavior and Human Decision Processes 102 (2007) 143–153
www.elsevier.com/locate/jobdp

ORGANIZATIONAL
BEHAVIOR
AND HUMAN
DECISION PROCESSES

Sympathy and callousness: The impact of deliberative thought on donations to identifiable and statistical victims

Deborah A. Small ^{a,*}, George Loewenstein ^b, Paul Slovic ^c

^a University of Pennsylvania, 780 Jon M. Huntsman Hall, Philadelphia, PA 19104-6340, USA
^b Department of Social & Decision Sciences, Carnegie Mellon University, 200 Porter Hall, Pittsburgh, PA 15213, USA
^c Decision Research, 1201 Oak Street, Suite 200, Eugene, OR 97401, USA

Received 7 July 2005
 Available online 3 March 2006



11

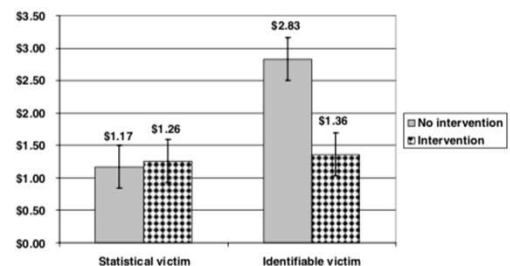
12

Identifiable Victim Effect

- Emotional (vs. analytical) reaction to specific (vs. abstract) individuals:
 - Identifiable victim → system 1 (affective)
 - Statistical victim → system 2 (deliberative)
- Prompting deliberative thinking should change
 - Evaluation of identifiable victim
 - But not of statistical victim
- Debias IVE by encouraging analytical thinking & suppressing affective response
- Increases callousness toward identifiable victims but does not increase generosity toward abstract ones.

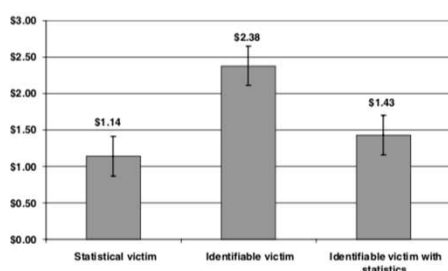
13

Tell Ss @ IVE



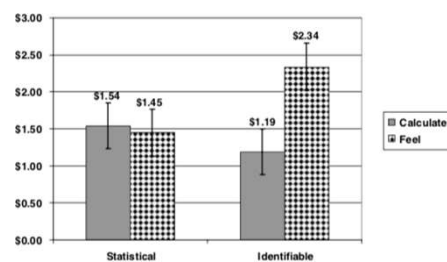
14

Identifiable Victim with Statistics



15

Prime Analytic Thought Calculate vs use feelings



16

What else causes IVE?

- Vividness: more details about victim → more sympathy
- Certainty:
 - Identifiable victims = certain
 - Statistical victims = probabilistic
- Proportionality (the denominator effect):
 - more sensitive to proportions than absolute numbers
 - A disease that kills 100 out of 200 vs 100 in the US
 - IVE = saving 1 out of 1

17

Promoting Charitable Giving

- Make donation seem efficient
 - Matching grant, but no more than 1:1
 - Proximity to goal
 - Overhead aversion
- Signal generosity to others
- Enhance warm glow
- Tangibility of outcome
 - Close connection between action and outcome
 - Personal experience with charity mission
- Use identifiable beneficiary

18