



## Does fundraising create new giving?☆



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### ABSTRACT

Despite an extensive literature on the impacts of a variety of charitable fundraising techniques, little is known about whether these activities increase overall giving or merely cause donors to substitute away from other causes. Using detailed data from [DonorsChoose.org](http://DonorsChoose.org), an online platform linking teachers with prospective donors, I examine the extent to which matching grants for donations to certain requests affect giving to others. Eligibility for matches is determined in entirety by observable attributes of the request, providing an exogenous source of variation in incentives to donate between charities. I find that, while matches increase giving to eligible requests, they do not appear to crowd out giving to similar ones, either contemporaneously or over time.

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### 1. Introduction

Despite the increased focus on the science of philanthropy in recent years (see [Andreoni and A.A. Payne \(2013\)](#) for an overview), charitable giving has remained fairly stable at around two percent of GDP in the United States ([Perry, 2013](#)). Given the vast literature on the efficacy of solicitation in general and of specific fundraising approaches on a charity's own donations, this observation raises the question of whether fundraising activities by a charity increase overall giving or merely crowds out some other part of an individual's altruism budget. The answer is of great importance to the theoretical and empirical literature on altruism and policy questions like the impact of tax preferences for charitable giving.

However, the prerequisites for a full answer to this question are daunting. To begin, a thorough accounting of the altruism budget requires data on all formal giving to both individual charities and potentially altruistic non-charity causes (such as campaigns to elect politicians who support policies that the donor believes have public goods aspects); all informal and casual giving (such as donations on

the street or to door-to-door solicitors); intrafamily transfers motivated by altruism ([Browning and Chiappori, 1998](#)); volunteering ([Brown et al., 2013](#)); donations of blood or organs ([Kessler and Roth, 2012](#); [Lacetera, Macis, and Slonim, 2012](#)); and willingness to pay more for charity-linked goods ([Elfenbein and McManus, 2010](#)), *inter alia*. One would then perturb donations to, say, an individual charity, either through random assignment or a natural experiment (to avoid the endogeneity inherent in charities' decisions to engage in fundraising activities) and monitor the effect within and across each form of giving over time – including bequests at the end of life. Such an exercise would allow one to fully assess whether increases in giving to one cause expand the total philanthropic budget or shift giving from one cause to another.

This approach is, to put it mildly, impractical. Yet, as an approximation, extremely detailed data on closely-related charities with exogenously-given incentives to donate to certain ones could, at least, answer the question within that context. [DonorsChoose.org](http://DonorsChoose.org), an online platform that allows public school teachers to raise funds for projects, is well-suited for this approach. Donations to some projects posted on the site are matched by [DonorsChoose.org](http://DonorsChoose.org)'s partners, usually foundations or corporations. Importantly, matches are made exclusively on the basis of observable characteristics of the project – there is no scope to include or exclude a specific project if it does not meet the criteria specified by the match. For example, a match may be given to all mathematics-related projects in a particular state. Both projects already existing on the site and those posted afterwards receive the match; funds are dispensed when projects reach their goals, and the offer continues until the funds provided by the partner are exhausted.

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I create a daily panel of [DonorsChoose.org](#) projects, comprising nearly 30 million observations on 350,000 projects. In specifications with project and day fixed effects, I document that, in line with the previous literature, matching grants increase giving to that charity. I then examine how the presence of similar projects with (and without) matches affects giving, both cross-sectionally on a given day, and over time. The identifying assumption is that there are no shocks to giving to a particular project on a particular day that are correlated with its likelihood of receiving a match; as described more fully in Section 3, the structure of the matching process at [DonorsChoose.org](#) is such that this type of correlation is unlikely. While it is certainly possible – and perhaps probable – that teachers increase their personal fundraising efforts in response to being matched, that is a mechanism by which charities may raise more funds in the presence of a matching grant. If matches crowd in givers who would not have otherwise made a donation, this is part of the outcome rather than a source of bias.

I find no evidence that giving to a particular charity is reduced by the presence of inducements to give to others; most of the estimates are, in fact, positive and precisely-estimated, but quite small. This finding is robust to different definitions of the similarity of projects and alternative specifications. Restrictions on the types of donations considered (such as including only those who give to multiple schools) provide suggestive evidence that the results are not, in fact, being driven by increased teacher effort when matched. Finally, I aggregate the data to a daily time series and show that overall giving to [DonorsChoose.org](#) by non-partner donors increases when more projects are matched.

Of course, I cannot state whether the total amount given by donors to all possible causes increases (especially over long time horizons). However, the strong similarity of projects at [DonorsChoose.org](#) suggests that crowd-out from additional fundraising activities, in the form of matching, would be particularly high in this context. Finding little to no substitution of giving is an important piece of evidence on the economics of altruism and philanthropy, as well as an encouraging sign for fundraising professionals. In Section 2, I discuss the previous literature on solicitation, matching grants, and crowd-out of giving to related charities; in Section 3, I provide more details on the [DonorsChoose.org](#) data and describe the econometric approach. The results are presented in Section 4, and Section 5 concludes.

## 2. Previous literature

The literature on charitable giving highlights the importance of solicitation ([Andreoni et al., 2011](#); [Meer and Rosen, 2011](#); [DellaVigna et al., 2012](#)). The key result is that giving is rare without fundraising. Charities often look to spur donations through various inducements, like providing gifts ([Falk, 2007](#); [Alpizar et al., 2008](#); [Eckel et al., 2015](#)), recognition and prestige ([Harbaugh, 1998](#)), and, very commonly, matching grants ([Eckel and Grossman, 2008](#); [Karlan and List, 2007](#); [Huck et al., 2015](#)). In general, the existence of a match increases the likelihood of receiving a donation, though not on the size of the donation, and the rate of the match appears to have little impact. Yet while the charity with a match benefits, research on whether this giving crowds out donations to other charities is limited.

Theoretical models, primarily on the optimal regulation of charities, depend heavily on this issue. For example, [Rose-Ackerman's \(1982\)](#) findings on the regulation of fundraising depends on the degree to which donors “recognize that high levels of fundraising may be translated into higher donations from others,” understanding that they “benefit little if fundraising simply shifts funds between charities that they find ideologically attractive.” Similarly, [Aldashev and Verdier \(2010\)](#), developing a model of nongovernmental organizations, note that “the crucial question is how effective fundraising efforts are in attracting new donors,” and that this is ultimately an empirical issue.

Laboratory experiments, offering the advantages of a controlled environment, can be used to examine the degree of crowd-out from additional choices or more intense solicitation for certain charities. Motivated by the seemingly-overwhelming number of projects on crowdfunding sites, [Corazzini et al. \(2015\)](#) design an experiment with multiple threshold public goods and show that increasing the number of competitors can decrease total contributions and the likelihood that any option reaches its goal. [Krieg and Samek \(2016\)](#), in a similar experiment with simultaneous public goods games, find that reducing the price of giving in one game increases giving to the untreated game, for an overall increase in total contributions. Using non-pecuniary incentives (like recognition) results in more crowd-out of giving to the untreated game. [Harwell et al. \(2015\)](#) give subjects a menu of charities to which they can donate, and examine within-subjects differences in giving after participants are shown a video promoting one of those charities. They find substantial shifting of donations to the targeted charity, but no impact on overall contributions. Finally, recent work by [Filiz-Ozbay and Uler \(2016\)](#) directly examine competition in the lab using differential rebate rates across charities; they also find a shift in donations towards the incentivized charity, but also those overall giving increases. Taken together, this recent literature suggests that results are dependent on context.

Field experiments have found mixed evidence as well. [Meier \(2007\)](#) shows that while donors who are randomly assigned to the offer of a match for their gift initially donate more, their giving rate falls after the match is removed. Ultimately, giving is lower in the long run for the treated group, highlighting the importance of examining effects beyond the initial period of an intervention. Conversely, [Landry et al. \(2010\)](#) find that donors initially attracted by a lottery (as opposed to a standard voluntary contribution mechanism) give more in future solicitations, without the offer of an incentive, and [Bekkers \(2015\)](#) finds that those offered a match do not give less in response to a natural disaster months later. In a somewhat different context, [Lacetera, Macis, and Slonim \(2012\)](#) find that economic incentives to give blood substantially increases donations. However, turnout is reduced at nearby and later drives, negating nearly half of the higher participation in response to the incentives and demonstrating the importance of accounting for spillover effects.

Papers using observational data find similarly divergent results. [Cairns and Slonim \(2011\)](#) examine the effects of multiple collections at Catholic Masses, finding that about a fifth of the second collection is cannibalized from the first. [Diepen et al. \(2009\)](#) combine the databases of three large charities in the Netherlands, finding that a charity's own mailings reduce revenue from subsequent solicitations, but mailings from competitor charities increase overall giving in the short run, with no long-run impacts. [Meer \(2014\)](#), also using data from [DonorsChoose.org](#), finds that higher administrative costs for competitors, set in a plausibly exogenous manner, results in greater contributions to a given project, suggesting some degree of substitution in giving.

Using the Panel Study of Income Dynamics's charitable giving supplement, [Brown et al. \(2012\)](#) find that donations during 2004 had a positive association with giving to help victims of the December 2004 tsunami, and that giving to tsunami-related causes had a positive impact upon giving in the 2006 calendar year. They conclude that “there is no evidence in the analysis that giving to an unplanned natural disaster diverts future expenditure away from other types of giving.” [Reinstein \(2010\)](#), also using the PSID, documents a similarly positive relationship between giving to different types of charities. After controlling for individual fixed effects (which would account for time-invariant altruistic preferences), though, he finds negative correlations between giving to certain categories, suggesting evidence of substitution. More to the point, the panel nature of the PSID offers many advantages, but the two year gap between waves, the self-reported, retrospective nature of the

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