



# Hey look at me: The effect of giving circles on giving



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## ABSTRACT

We conduct a randomized field experiment with a Yale service club and find that the promise of public recognition increases giving. Some may claim that they give when offered public recognition in order to motivate others to give too, rather than for the more obvious expected private gain from increasing one's social standing. To tease apart these two theories, we also conduct a laboratory experiment with undergraduates. We find that patterns of giving are more consistent with a desire to improve social image than a purely altruistic desire to motivate others' contributions. We discuss the external validity of our lab findings for other settings.

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## 1. Introduction

Models from both economics and psychology suggest that individuals may be particularly concerned with the visibility of their actions to others in the context of pro-social behavior. Benabou and Tirole (2006) develop a model of pro-social behavior that focuses on social image as one of the principal motivations for giving publicly to charity. Charitable organizations understand individuals' desire to receive recognition for their generosity, and provide a plethora of opportunities for lasting social recognition such as printing donors' names in newsletters and renaming town civic centers in order to recognize large gifts.

Organizations commonly provide recognition in discreet giving circles. These giving circles provide social image benefits by conferring a distinct status to contributors for giving at different high levels. Veblen (1899) suggested that social comparisons are an important driver of individual behavior. Likewise, public giving may be an example of conspicuous consumption as suggested by Heffetz (2011). Theoretical models illustrate that fundraisers can increase donations both if donors get prestige when they donate (Harbaugh, 1998) and if donors are giving to send a signal about their "altruism" (Cartwright and

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Patel, 2013). These explanations all make the point, from different constructs, that some contributions to charity are also private consumption.

Limited empirical work exists on public recognition of donors from the field, with the exception of important empirical evidence from Harbaugh (1998), which analyzes observational data from a university that uses giving circles, and argues that individuals give strategically in order to enter a higher circle. From the laboratory, Linardi and McConnell (2011) find that individuals volunteer more when their volunteering is observable to others. Ariely et al. (2009) present evidence that individuals exert more effort in generating gifts for charity when their work is publicly observable. Soetevent (2011) finds that individuals give more when their donations are provided in cash and therefore more visible to others. In addition, Lacetera and Macis (2010) show that individuals are more likely to donate blood when they receive publicly announced awards. Finally Li and Riyanto (2009) find support from a lab experiment for Harbaugh (1998)'s model of prestige in giving circles.

However, the anticipation of a public announcement of one's gift may generate greater donations for two reasons: by providing donors with social image benefits, as just discussed, but also by offering donors the opportunity to encourage others to give in the future. In simpler terms, the first reason is akin to donors saying "Hey look at me, aren't I generous!" and the second is akin to donors saying "Hey look at me, follow my lead."

The second reason, giving publicly in order to encourage others to give, could occur through one of at least two mechanisms, either because the gift provides a quality signal to others or because the gift influences the gifts of others through mimicry or social influence. For the quality mechanism, Vesterlund (2003) provides a theoretical model in which individuals may give more to a charity if contributions are publicly announced and the charity's quality is publicly unknown but privately known by the lead donor. Indeed, evidence from a field experiment conducted by Roundeau and List (2008) suggests that challenge gifts, unconditional gifts intended to motivate other to give, are highly effective at increasing contributions. Similarly, Potters et al. (2005) find larger donations in public goods games when gifts are announced sequentially and the quality of public goods is unknown. The second mechanism is through peer persuasion (DeMarzo et al., 2003), where a donor effectively persuades others to mimic their contribution. If there is conformity in behavior around giving (Bernheim, 1994), individuals might correctly assume that their gift would have some influence even if all agents were perfectly informed about the quality of the charity. Here we provide evidence from a randomized field experiment to test whether promising social recognition for a donation increases the willingness to donate. We then differentiate between the two broad motivations, simple social image rewards versus the aspiration to influence others' choices, in a controlled laboratory setting. We do not test separately the quality signal versus persuasion or conformity mechanism.

We conducted a field experiment with a telephone fundraising campaign targeting 4168 prior donors to Dwight Hall, a service organization at Yale University that solicits support from alumni independently of Yale University's core alumni fundraising appeals. Prior to the experiment, Dwight Hall had instituted a giving circles framework whereby individuals who give above specific thresholds are listed in a public newsletter in three circles. We randomly assigned some individuals to a treatment where they were told about the practice of publishing names in the newsletters. Within that group, we randomized which level of giving was mentioned. We find that mentioning the newsletter increases the probability of giving, and this result is both economically and statistically significant. The sub-treatment on the amount of the threshold did not lead to statistically significant differential giving amounts. Individuals appeared to respond to the potential for public recognition, but not in a strategic way.

Teasing apart the two reasons explained above (social status versus desire to motivate others to give) is difficult in a field experiment. We considered an approach in the field, such as finding an event (rather than a cause or specific charity) for which to fundraise and then randomizing whether a promise of public recognition is announced before the event (to stimulate more giving) or after the event (to appeal only to one's desire for social recognition). However, since most events are repeated, or at a minimum part of a larger cause, we were not convinced such a design would satisfactorily tease apart these theories. We thus decided to turn to a lab experiment, where the separation between rounds of giving is more distinct and more plausible. The laboratory is not meant to perfectly mimic the field but instead allows us to compare two different types of public giving motives in a controlled setting. Our experimental design is related to work by Reinstein and Riener (2012) who find mixed evidence in the lab for reputation seeking and some evidence for signaling to others.

In a laboratory setting with undergraduates, we set up a three-round experiment with individuals making decisions to keep \$5 or donate all or part of it to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Individuals' decisions in the second round are written on the board for the entire room to see. In an influence treatment, everyone is told that the names will be written on the board after a second period and before a third period while in a social image treatment, everyone is told that the names will be written on the board after the third period, at the end of the experiment. If subjects are partly motivated by a desire to influence others, we would expect to see higher gift amounts in the influence treatment. However we find no statistically significant difference between giving in the two treatments. The evidence thus suggests that the additional opportunity to influence others does not motivate individuals to increase their gifts. This evidence points toward social image rather than a desire to influence others as the more significant motivation for charitable giving. This is not dispositive evidence, however, both because of arguably large standard errors (and thus assessing whether the result should or should not be considered a precise null), as well as questions regarding the contextual elements of the lab and translating results on other-regarding preferences to the outside world.

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