

Effective Giving Behavior

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Summary accompanying the doctoral thesis

Effective Giving Behavior

How Pledges, Fairness, and Information Influence Charity Choices

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Dissertation overview

In my dissertation, I analyze the giving behavior and survey responses of 2,160 U.S. donors, collected through four online studies that featured joint and single evaluation tasks. The participants were recruited from Prolific, as the platform's screening mechanism allows for matching the subject pool with the demographic characteristics of the U.S. donor population, which gives the immense amount of \$375 billion yearly, as illustrated in Figure 3. To achieve this, we screened for U.S. residents aged 30 and older who had donated at least \$100 in the previous calendar year. This resulted in a sample in which the average participant reported yearly donations of more than \$2,000, driven by a significant portion of large donors (giving more than \$1,000 annually) and very large donors (giving more than \$5,000 annually).

Chapter 2 investigates the reasons for donors' charity choices in a joint-evaluation donation experiment. In this chapter, my co-authors and I address the preference-based explanation for ineffective giving in settings where donors evaluate multiple charities at the same time. We propose that fairness motivations largely explain this behavior, even if charities help the same recipients and differences in cost-effectiveness are large. We observed 567 participants in an incentivized donation task that allowed them to donate to two education charities working in Kenya. 36.1% of donors chose to split their donations equally between the two, despite a 100-fold difference in cost-effectiveness. Open-ended responses revealed that fairness considerations drive this 50-50 allocation, even with substantial cost-effectiveness differences and a shared recipient group. Distrust in the information does not account for this outcome. Our results suggest that fairness is deeply embedded in donation behavior, making it challenging for highly effective charities to secure full donations based purely on effectiveness.

Chapter 3 explores the mixed evidence in the literature regarding whether and when information about a charity's effectiveness influences donation decisions. The chapter begins with a comprehensive literature review, summarizing the current state of research on the belief-based explanation for ineffective giving and offering potential explanations for the inconclusive findings. Moreover, my co-authors and I present new evidence from an incentivized donation experiment involving 1,593 participants who made three separate single evaluation decisions, with the cost-effectiveness information varying between each decision. Three results stand out: (1) Charities with positive effectiveness ratings receive significantly

more donations than unrated charities or those with other forms of quality ratings. (2) Donors vastly overestimate the cost-effectiveness of charity interventions, but they simultaneously underestimate the effectiveness gap between an average and a top-performing charity. (3) Cost-effectiveness only increases donations to highly cost-effective charities when it aligns with or surpasses donors' preconceived expectations. Consequently, presenting relative cost-effectiveness information results in higher donations than presenting absolute cost-effectiveness because relative cost-effectiveness exceeds donors' expectations. These results help reconcile some of the mixed evidence on the effects of providing cost-effectiveness information in the literature and provide practical insights for fundraisers.

Chapter 4 examines whether charities can benefit from asking donors to make pledges rather than seeking immediate contributions, particularly for organizations known for their high cost-effectiveness. Through an incentivized donation experiment involving 1,174 donors, we explore how pledges influence donor generosity, charity selection, and the consideration of cost-effectiveness information. Our findings show that pledges significantly increase donors' contributions to cost-effective charities in the following week. By creating a reference value for future donation amounts, pledges simplify the decision-making process, enabling donors to focus more on evaluating the cost-effectiveness of charitable options. Consequently, individuals in the pledge group allocate a larger share of their donations to more cost-effective charities compared to those in the control group without a pledge option. These results suggest that offering pledges as part of fundraising strategies can increase donations to highly effective charities.

Results summary

My thesis provides significant insights into donor behavior and the factors influencing charitable giving, particularly in relation to what motives and impedes effective giving, the role of cost-effectiveness information, and the use of giving pledges. Chapter 2 investigates the reasons for donors' charity choices in a joint-evaluation donation experiment. Despite abundant data on highly impactful charitable projects, donors often do not allocate funds to the most cost-effective interventions. In this chapter, my co-authors and I propose that fairness motivations largely explain this behavior. We observed 567 participants in an incentivized donation task that allowed them to donate to two education charities working in Kenya. 36.1% of donors chose to split their donations equally between the two, despite a 100-fold difference in cost-effectiveness.

Open-ended responses revealed that fairness considerations drive this 50-50 allocation, even with substantial cost-effectiveness differences and a shared recipient group. Distrust in the information does not account for this outcome. Our results suggest that fairness is deeply embedded in donation behavior, making it challenging for highly effective charities to secure full donations based purely on effectiveness. Consequently, Chapter 2 contributes to the literature on fairness preferences (Andreoni & Bernheim, 2009; Fehr & Schmidt, 1999, 2000) and to the literature on effective giving by demonstrating that fairness concerns can be a major obstacle to maximizing charitable impact, alongside other factors such as warm glow and subjective preferences (Andreoni, 1990; Berman et al., 2018; Breeze, 2013; Null, 2011).

Chapter 3 addressed the mixed evidence on whether and when information about charity effectiveness influences donation decisions. We present new evidence showing that donors

reward charities with positive effectiveness ratings more than unrated charities or those with other forms of quality ratings. Moreover, we find that additional numerical cost-effectiveness information can complement the effect of an effectiveness rating. However, such figures only increase donations when they align with or surpass donors' preconceived expectations. Furthermore, we confirm previous research by demonstrating that donors typically underestimate the effectiveness gap between an average and a top-performing charity while simultaneously vastly overestimating charities' absolute cost-effectiveness (Caviola et al., 2014, 2020; Wiblin, 2017). Finally, presenting relative cost-effectiveness information results in higher donations than presenting absolute cost-effectiveness.

Our results thereby help reconcile some of the mixed evidence on the role of cost-effectiveness information in the literature and build towards a consensus. We propose that many previous studies that presented realistic cost-effectiveness information found a negative or null effect because the figures did not meet participants' expectations of "good cost-effectiveness," particularly in settings where donors had to evaluate this information without further context (e.g., Karlan & Wood, 2017; Metzger & Günther, 2019; Null, 2011). We posit that cost-effectiveness information is more likely to influence donation decisions when donors are aware of the substantial differences in cost-effectiveness between charities.

However, our treatment effect is conditional on (1) the presence of charity ratings guiding the evaluation of cost-effectiveness, (2) the exceptional quality of charities' effectiveness presented in our study, and (3) donors' prior beliefs about cost-effectiveness. In sum, these special characteristics of our design likely explain why previous studies found different results. In particular, our findings suggest that cost-effectiveness information has minimal or no effect when it fails to meet donors' expectations and therefore, highlight the importance of eliciting and controlling for prior beliefs in donation experiments.

Chapter 3's findings have significant implications for charities and fundraisers. While we recommend all charities to highlight their positive ratings, we expect charities with exceptional cost-effectiveness to benefit the most if evaluators like GiveWell certify the quality of their impact.¹ However, organizations should only disclose quantitative metrics if they anticipate that most donors will react positively to these figures. Moreover, our results underscore the potential of relative cost-effectiveness comparisons for leading charities—a strategy very few charities currently use. Implementing such comparisons can raise donor awareness of existing disparities in cost-effectiveness and stimulate competition among charities, ultimately improving overall cost-effectiveness and transparency (Arvidson & Lyon, 2014; Pritchett, 2002). However, while this strategy may increase the efficiency of charitable interventions and attract more funds to highly effective programs, its impact on overall generosity remains uncertain. Additionally, there is a risk of triggering an "emotional backlash" when charities compare their effectiveness with others, as previous findings indicate that a substantial share of donors perceive such comparison as a taboo (Caviola et al., 2020). This may explain why relative cost-effectiveness comparisons are primarily used by meta-charities for advertisement.

¹ GiveWell's top-listed charities are likely to experience an additional effect on their donation revenue, as previous studies show that small, lesser-known charities profit more from reputation gains associated with positive ratings (Adena et al., 2019; Yörük, 2016).

Chapter 4 shifted the focus to the complexity of donation decisions and their impact on donor behavior. This chapter explored whether providing donors with the option to pledge a donation amount can lead to increased donation rates and more effective charity choices. An online experiment was conducted with a sample of 1,174 US active donors. All participants had to evaluate two charities jointly. The treatment group was asked whether they were willing to pledge a certain amount of money before making this decision. A week later, both groups received information about the effectiveness of the charities, and the participants made a donation decision.

The results show that introducing the option to pledge a donation one week in advance of the final decision increases contributions to the more cost-effective charity by 37.3%. This result can be broken down into two components: (1) a *change in charity choice*, resulting in an 8.3 percentage point increase from 62.4% to 70.7% in the share of donations directed to the more cost-effective charity, and (2) an *overall increase of donations* by 21.2%, primarily driven by new donors motivated by the pledge option. This increase is driven by higher donation rates rather than larger donation amounts. Additional analyses reveal that the trend toward donating to the more effective charity is driven by goal-directed attention. This is demonstrated by the fact that individuals who made a pledge and managed to fulfill it were more likely to correctly answer control questions regarding the previously provided cost-effectiveness information.

The findings of this chapter contribute to the literature on decision frictions and rational inattention by demonstrating that goal-directed attention can be activated through pledging a target amount, which influences charity choice and generosity (e.g., Bordalo et al., 2016; Gabaix, 2014). Moreover, it lends support to the “model of social motives for giving” (Andreoni & Serra-Garcia, 2021a) by showing how pledges can increase generosity overall (Andreoni & Serra-Garcia, 2021a, 2021b; Cotterill et al., 2013; Fosgaard & Soetevent, 2022).

As giving pledges exist in various forms, such as charitable bequests in wills or public declarations to donate a specific percentage of one's wealth or income, these findings have implications for practitioners. For example, some fundraising platforms, like “The Giving Pledge,” already rely entirely on pledges without asking donors to decide on the charities that will benefit at the moment of the pledge and demonstrate impressive success in raising money from the world's wealthiest individuals.² Additionally, this study underscores how giving pledges can help donors plan both the amount and timing of their contributions over an extended period—a factor that may have been overlooked by practitioners and previous studies. It also contextualizes the findings of Chapter 4. While relative cost-effectiveness is a powerful piece of information to illustrate how a donor's impact depends on their choice of charity, it has little to no effect if donors are not paying attention to cost-effectiveness information because they are preoccupied with deciding how much to give.

² “The Giving Pledge” stands out as a prominent example of an organization that actively promotes the concept of pledges. This initiative specifically aims to engage the world's wealthiest individuals and families, encouraging them to commit the majority of their wealth to philanthropy. Prominent figures such as Warren Buffet, Bill Gates, Mark Zuckerberg, Elon Musk, and numerous others are among the signatories (<https://givingpledge.org/>).

Impact paragraph

In my dissertation, I explore the giving behavior of private donors in using evidence-based charitable giving to make substantial welfare improvements and to work towards fulfilling the global sustainability goals. In 2023, private households in the U.S. alone gave \$375 billion, which is almost twice the amount of the official development assistance (ODA) provided by the OECD. This highlights the immense potential this group of private donors has to be the primary funding source for improving global health, alleviating extreme poverty, and addressing other major humanitarian goals. However, currently, the majority of donations are directed towards other causes, such as religious giving, contributions to one's alma mater, or political party.

Our studies provide evidence describing the motives of donors when choosing charities in light of scientific charity evaluation, the role that such information and charity rates have, and which are the ideal circumstances to make such decisions. This is particularly important given the considerable variation in cost-effectiveness within the same charitable cause, often differing by a factor of 100 or even a thousand.

Chapter 2 investigates why donors often choose charities based on fairness considerations rather than cost-effectiveness, despite abundant data on the impact of various interventions. In an incentivized online experiment with 567 active U.S. donors evaluating two charities focused on improving education in Kenya—where one charity is 100 times more cost-effective than the other—36.1% of donors split their donations equally. Open-ended responses revealed that fairness, rather than distrust of effectiveness data, drives this 50-50 allocation, even when both charities serve the same recipient group. These findings suggest that fairness is a deeply ingrained motivator in donation behavior, making it challenging for highly effective charities to secure full donations based solely on their impact.

This has important implications for practitioners. The fact that over one-third of donors prioritize fairness over impact means that cost-effective charities may need to adopt distinct fundraising strategies depending on whether donors are motivated by fairness or impact. For example, highlighting relative effectiveness is a critical strategy for informing impact-oriented donors, leading to larger contributions to effective charities. However, fairness-oriented donors might respond better to bundling strategies that allow them to support both the most effective and popular charities. Research by Caviola and Greene (2023) showed that offering donors the option to split their contributions 50-50 between a highly effective charity and their favorite charity reduced exclusive donations to the favorite from 82% to 46%. This suggests that leveraging, rather than opposing, donors' fairness motivations could increase overall giving to effective charities. Thus, to enhance effective giving, fundraisers should focus on balancing these two motivations, using strategies that appeal to both impact-driven and fairness-driven donors.

Chapter 3 addresses the mixed evidence in the literature regarding the impact of charity effectiveness information on donation decisions. The chapter begins by summarizing existing research on effective giving and analyzing why previous studies have produced inconsistent results. To contribute new evidence, my co-authors and I conducted an incentivized online experiment involving 1,593 active U.S. donors. Three key findings emerge: (1) charities with positive effectiveness ratings receive significantly more donations compared to unrated

charities or those with alternative quality ratings; (2) donors tend to overestimate the cost-effectiveness of charitable interventions but underestimate the difference between an average and a top-performing charity; and (3) cost-effectiveness information only increases donations to highly effective charities when it matches or exceeds donors' preconceived expectations. As a result, presenting relative cost-effectiveness data leads to higher donations compared to presenting absolute metrics, as the relative figures often exceed donor expectations. These findings help resolve the conflicting evidence on the role of effectiveness information in donation decisions and offer actionable insights for fundraisers.

The practical implications of these results are significant for charities and fundraisers. We recommend that all charities highlight positive ratings, but charities with exceptional cost-effectiveness will benefit most if their impact is certified by respected evaluators like GiveWell. However, it is crucial for organizations to only disclose quantitative metrics if they anticipate a positive reaction from donors, as numbers can sometimes have a negative effect if they fall short of donor expectations. Furthermore, our findings emphasize the potential of relative cost-effectiveness comparisons—an underutilized strategy in the sector. Implementing these comparisons can enhance donor awareness of disparities in effectiveness, stimulate competition among charities, and improve overall cost-effectiveness and transparency. Future research should examine whether greater awareness of these differences increases donors' demand for relative cost-effectiveness information in settings where individuals actively choose to acquire such data. This strategy could reshape how charities present their impact and how donors allocate their funds, ultimately leading to more effective philanthropic outcomes.

Chapter 4 investigates whether asking donors to make pledges instead of seeking immediate contributions can benefit highly effective charities. Through an incentivized online experiment with 1,174 U.S. donors, we examine how pledges affect donor generosity, charity selection, and attention to cost-effectiveness information. Our findings reveal that pledges significantly boost contributions to cost-effective charities in the following week. By establishing a reference point for future donations, pledges simplify the decision-making process and allow donors to focus more on evaluating the impact of different charitable options. Consequently, donors in the pledge group allocate a larger share of their donations to more cost-effective charities compared to those in the control group. These results suggest that incorporating pledges into fundraising strategies can substantially increase donations to highly effective charities.

The practical implications of these findings are significant for both charities and philanthropic advisors. First, highly effective charities and meta-charities that focus on impact should consider integrating planned giving options, such as donation dashboards and donor-advised funds, into their websites. These tools can facilitate pledges and enhance donor engagement over time. Additionally, our results offer insights for philanthropy advisors: scheduling two sessions with donors—one to define the donation amount and another to review different options alongside scientific evaluations—can lead to better-informed and more impactful giving decisions. Furthermore, this approach increases donor satisfaction, as prior studies have shown that the emotional rewards of giving are greater when donors can see the positive impact of their contributions. Overall, offering pledges as part of fundraising strategies has the potential to significantly boost both generosity and the efficiency of charitable giving, creating a win-win scenario for donors and highly effective organizations.

During my participation in the Science in Philanthropy Initiative Conference and various events and conferences for practitioners, several representatives from charitable organizations approached my co-authors and me, seeking advice on how to implement our research findings. To date, we can highlight that organizations such as Doneer Effectief, Ayuda Efectiva, Effektiv Spenden, and the 10% Club have already adapted their practices and web presence in direct response to our findings and recommendations. I, therefore, hope my dissertation advances the understanding of how donors make charitable decisions, particularly in the context of fairness, cost-effectiveness, and the use of pledges. Across three experimental chapters, our research aims to provide insights into why donors often prioritize fairness over impact (Chapter 2), how cost-effectiveness information influences donation behavior (Chapter 3), and the potential for pledges to increase generosity towards highly effective charities (Chapter 4).

Moreover, this research emphasizes the importance of strategic fundraising approaches, suggesting that charities should tailor their messaging to different donor types. For instance, highlighting relative effectiveness can increase donations from impact-oriented donors, while bundling strategies that balance popular and effective charities may better engage fairness-oriented donors. Additionally, incorporating pledge options into fundraising platforms can lead to higher donations and increased attention to cost-effectiveness, ultimately enhancing the impact of charitable giving.

Overall, this dissertation can contribute to both the academic literature on effective giving and the practical strategies that charities and fundraisers can adopt to maximize donor engagement and welfare-improving contributions. By bridging the gap between donor motivations and effective giving, it offers a roadmap for increasing both the volume and impact of charitable donations.