Does fundraising create new giving?☆

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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, 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 entirely 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, 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'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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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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