Public Recognition and Fundraising in the United States

Researchers:

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Sector(s): Political Economy and Governance

Location: New Haven, Connecticut, United States of America

Sample: 4,168 prior donors and 94 university students

Outcome of interest: Charitable giving

Intervention type: Nudges and reminders

AEA RCT registration number: AEARCTR-0000111

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Research Papers: Hey Look at Me: The Effect of Giving Circles on Giving

Partner organization(s): Dwight Hall at Yale University, Yale University

Americans gave nearly US$300 billion to charities in 2011, and about 73 percent of that came from individual donors. Researchers used two randomized evaluations to identify whether the motive for giving in public can be primarily linked to a desire for prestige (the “image” effect) or a hope that a public gift will influence others (the “signal” effect). They found that a desire to improve social image largely explained why public recognition of contributions to charitable organizations increased individual donations in the United States.

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Americans gave nearly US$300 billion to charities in 2011, and about 73 percent of that came from individual donors.[1] While charitable organizations often rely on outside donations to finance their mission, there is minimal evidence on the relative effectiveness of alternative fundraising schemes aimed at attracting donors. Motivated by the belief that individuals desire public recognition for their generosity, charitable organizations provide a plethora of opportunities for lasting social recognition such as printing donors' names in newsletters and renaming buildings in order to recognize large gifts. Public announcements of gifts could influence giving behavior in two ways: by providing social image benefits and by offering the opportunity to encourage others to give. There is little research that explores the relative importance of these two effects.

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Many charitable organizations provide recognition in the form of “giving circles,” which publish the names of donors who contributed over a specified threshold. Often, organizations publish multiple lists, denoting successively higher monetary amounts. These giving circles not only provide social image benefits, but also confer a distinct status to contributors at different levels by giving them a title. For instance, Dwight Hall, a service organization at Yale University, regularly publishes the names of donors who give more than US$100 dollars sorted in three distinct circles in the annual newsletter sent to alumni. The “Friends" circle includes any gift above US$100 and below US$500, the “Benefactor" circle includes gifts of at least US$500 but less than

US$1,000, and the “Patrons" circle includes any gift of US$1,000 or more.

A man gives away food supplies in the United States.

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Testing the image effect: First, researchers conducted a randomized evaluation with Dwight Hall to test the impact of a promise of public recognition on charitable giving. The evaluation was conducted as part of their annual phone-a-thon campaign, soliciting financial contributions from the group’s alumni who had donated in previous years. Each phone call began with an explanation of the campaign’s purpose, and concluded with a request for a gift of US$100. Individuals were randomly assigned into one of four groups:

1. *100 Circle Intervention:* Individuals were notified that those who donate at least US$100 will become members of the Friend donor circle and have their names published in the Dwight Hall newsletter.
2. *500 Circle Intervention:* Individuals were notified that those who donate at least US$500 will become members of the Benefactor donor circle and have their names published in the newsletter.
3. *100 Circle and 500 Circle Intervention*: Individuals were notified that those who donate at least US$100 will become members of the Friends donor circle, those who donate at least US$500 will become members of the Benefactor donor circle, and the names of all donor circle members will be published in the newsletter.

4. *Comparison:* Individuals received no additional information about giving circles.

Image effect vs. Signal effect: The results from the randomized evaluation did not answer whether donors give more when they know their gift could be public because of concern for their social image or because they believe they could positively influence the donations of others. To answer this question, researchers conducted a lab experiment during nineteen group sessions that incorporated elements of the randomized evaluation (individuals made donations to a real charity) while varying the timing of when individual gift amounts are revealed to the other session participants. To establish a baseline of each individual's behaviors without the opportunity for public recognition, all participants began by deciding how to divide US$5 between themselves and the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Participants were then divided into two groups.

- *Imaging Intervention*: Individuals made two more rounds of decisions on how to allocate the US$5. This group was told that at the end of the third round, all participants' names and donation amounts would be written on the board.
- *Signaling Intervention*: Individuals also completed two more rounds, and were told that each person's name and donation amount would be written on the board after the second round but before the third.

The opportunities for image seeking are identical across the two interventions. However, in the "signaling" intervention, individuals have an additional motive: their gifts could influence the gifts of others in later rounds, allowing the researchers to measure the strength of the signaling motivation. In addition to the data on donations from the simulation, researchers also collected information on personality traits associated with leadership skills and their relationships with other participants.

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Impact of the image effect: Of the 4,168 individuals targeted, 13 percent made a donation and the average gift size was US$186. Across all three intervention groups, mentioning the possibility of publishing names in a newsletter increased the probability that an individual made a donation of any amount by 2.7 percentage points. Mentioning name recognition in a newsletter increases the possibility an individual will donate at least US$100 by 1.8 percentage points and the probability an individual will donate at least US$500 by 0.5 percentage points.

Image effect vs. signal effect: In the lab experiment, the average gift was slightly higher in round two, when people's donations were going to be published for the group to see. Subjects in the signaling intervention gave US$0.13 more in the second round than those in the image intervention (although the increase was not statistically significant).

Researchers found that individuals did not give significantly more in the final (unpublicized) round when gifts from the second round of giving were publicly announced. Individuals gave a wider variety of gift sizes, both larger and smaller, in round three when gifts in round two were revealed. This suggests that providing information from peer giving stimulates individual giving in different directions, and results in a wider range of donation amounts among the group.

The promise of social recognition by charities to donors works because people see it as a way to increase their own status, and not because individuals see it as an opportunity to influence others. These results seem to justify the common fundraising practice of publicly recognizing donors, and also provide evidence that social status, and not pure altruism, is an important driver of charitable giving.

Karlan, Dean, and Margaret A. McConnell. 2014. "Hey Look at Me: The Effect of Giving Circles on Giving." Journal of Economic Behavior & Organization, Forthcoming.

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1. Hall, Holly. "Charitable Donations Barely Grew Last Year, 'Giving USA' Finds." The Chronicle of Higher Education, 19 June 2012. Accessed 26 November 2012. https://www.chronicle.com/article/Charitable-Donations-Barely/132375/