

Hey Look at Me: The Effect of Giving Circles on Giving[◇]

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Abstract

We examine how charitable contributions respond to public recognition. With a service club at Yale University that raises funds from alumni, we conducted a natural field experiment to test the theory that public recognition leads to higher giving. We find that individuals are more likely to contribute when offered public recognition in a newsletter for giving. Furthermore, when informed that donors will be separated into different giving circles based on amount given, individuals are more likely to make a donation at the higher level.

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Motivation and Existing Literature

Reputation

A combination of theoretical models and empirical evidence suggests that visibility and social recognition may play an important role in encouraging charitable contributions. Benabou and Tirole (2006) develop a model of prosocial behavior that focuses on reputation effects as one of the principal motivations for giving to charity. In Benabou and Tirole's model, individuals receive utility from giving in three ways. They receive utility from giving, whether in the form of a "warm glow" as in Andreoni (1989) or because they have pure altruistic preferences. They may also receive a direct benefit from any material rewards offered for giving such as a free gift. Lastly they receive a reputation payoff that depends on how others' perceive their behavior. Thus, Benabou and Tirole's model would predict that as charitable giving becomes more socially visible, individuals will be more likely to contribute as contribution yields greater social image benefits. This has been supported empirically by laboratory evidence: Andreoni and Bernheim (2006) present laboratory evidence consistent with a theoretical model in which individuals share equally with partners in experimental games because of a desire to appear fair. In further laboratory evidence, Linardi and McConnell (2009) find that the amount of time individuals are willing to volunteer is cut in half when subjects are able to provide their peers with a convenient excuse for not volunteering.

Social Comparison

Field evidence suggests that social comparisons influence charitable contributions. Croson and Shang (2006) study the effect of providing individuals with information about the contribution of others. They find that informing potential donors about a large donation made by the previous donor (in a phone banking fundraising program) is highly effective in increasing donations. However, their results suggest that the size of the contribution made by the previous donor cannot overreach individuals' beliefs about representative donors or it will depress giving: donors informed that previous individuals had given \$1000 were less likely to make a donation.

Relative Status

The combination of evidence that reputation matters and that subjects are sensitive to social comparisons has important implications for the common fundraising practice of establishing "giving circles." Giving circles offer social image benefits from the

public recognition of giving. This may trigger image seeking motivations: “Hey look at me, look how generous I am.”

Not only do they provide social image benefits, giving circles confer a distinct status to contributors at different levels by giving them a title. For example, the organization we partnered with recognizes “Patrons” who give at least \$1000, “Benefactors” who give at least \$500 and “Friends” who give at least \$100. Giving circles make social comparisons salient and may therefore provide an opportunity for conspicuous consumption as suggested by Veblen for other consumption goods (1899).

Signaling

An alternative motivation for donors who give in the presence of giving circles could be: “Hey look at me, follow my lead.” Giving circles could be a way for individuals to signal to their peers the importance of giving to this cause now. Vesterlund (2003) presents laboratory evidence that supports a theory in which prior donations may increase the willingness to give if they provide a signal about the quality of the charitable cause.

Experimental Design

We conducted a natural field experiment in collaboration with Dwight Hall, a service club at Yale University, as part of their annual phonathon campaign. The campaign took place over the course of eight months from October 2007 to May 2008 and was staffed by a rotating group of volunteers from student groups on campus. The sample frame consisted of all alumni in Dwight Hall’s alumni database of prior donors who had a valid phone number and had not already made a donation between January 2007 and October 2007, a total of 4,168 individuals.

Volunteers made calls one to two times a week in the evening. As many as three attempts were made to reach potential donors. The call began by informing donors that the purpose of the annual campaign is to raise funds to support the many Dwight Hall groups. This was followed by a request for a gift, at which point we applied treatments which differed in the amount of information they provided about the recognition that donors would receive in the newsletter.

Potential donors were randomly assigned into the following four treatments with equal probability:

- **Control:** We are hoping you will continue your support to Dwight Hall with a gift of \$100.

- **100 circle:** We are hoping you will continue your support to Dwight Hall with a gift of \$100. With a donation of at least \$100, you will become a member of our Friend donor circle. Friends will be listed by name in the Dwight Hall Fall 2008 newsletter.
- **500 circle:** We are hoping you will continue your support to Dwight Hall with a gift of \$100. With a donation of at least \$500, you will become a member of our Benefactor donor circle. Benefactors will be listed by name in the Dwight Hall Fall 2008 newsletter.
- **100 circle and 500 circle:** We are hoping you will continue your support to Dwight Hall with a gift of \$100. With a donation of at least \$100, you will become a member of our Friends donor circle. With a donation of at least \$500, you will become a member of our Benefactor donor circle. Both Friends and Benefactors will be listed by name in the Dwight Hall Fall 2008 newsletter.

Results

Table 1 presents the results of OLS regressions on the total of individual contributions, the probability of making any donation, the probability of donating at least \$100 and the probability of donating at least \$500.¹ In panel 1, we consider the effect of any information about donors names being published in the newsletter with the variable *newsletter*. In panel 2, we analyze the effect of each individual treatment: *100 circle*, *500 circle* and *100 circle and 500 circle*, with the control group as a comparison.

In our analysis we exclude two outlier observations that are above \$5,000.² While donors could opt to make their donations anonymously, less than 1% of donors opted to donate anonymously.³ They are included in our analysis even though they do not receive social image recognition.⁴

¹Probit estimates for the probability of making a donation, the probability of donating at least \$100 and the probability of donating at least \$500 are included in the appendix

²One donation from the control group was \$14,300 and one donation from the 100 and 500 circle treatment group was \$10,000.

³24 out of 1,466 donations were made anonymously.

⁴The conclusions from analysis remain robust same if we consider only donations made non-anonymously. Likewise we see no difference in likelihood of giving anonymously between the control group and the treatment groups receiving information about the newsletter. These results are available from the authors on request.

Table 1: OLS Analysis of Giving

Variable	Panel 1			Panel 2				
	Contribution	Gave any amount	Gave at least 100	Gave at least 500	Contribution	Gave any amount	Gave at least 100	Gave at least 500
Newsletter	9.26*** (2.335)	0.028** (0.012)	0.019** (0.009)	0.006** (0.003)	6.45** (3.206)	0.013 (0.014)	0.006 (0.010)	0.005 (0.004)
100 Circle					11.16*** (3.695)	0.040*** (0.015)	0.027** (0.011)	0.005 (0.004)
500 Circle					10.19*** (3.350)	0.034** (0.015)	0.024** (0.011)	0.007* (0.004)
100 Circle and 500 Circle					11.33*** (1.522)	0.11*** (0.010)	0.56*** (0.007)	0.004** (0.003)
Intercept					4166 (1.522)	4166	4166	4166
N	4166	4166	4166	4166	4166	4166	4166	4166
R ²	0.002	0.001	0.001	0.001	0.002	0.002	0.002	0.001

Robust standard errors in parentheses.

Baseline is subjects in control treatment (with 100 ask).

Individuals who do not make a contribution are included with a value of 0 for their contribution.

2 individuals with contributions over \$5,000 are excluded.

*** Significant at 1%, ** Significant at 5%, * Significant at 10%

Hypothesis 1: Informing individuals that certain contributions will be publicly recognized increases the likelihood of making a donation.

We find that informing individuals that contributions equal to or greater than the ask amount will be published in the newsletter makes individuals more likely to make a contribution. The effect of any information about donors names being published in the newsletter is to increase total donations (a value of zero is given to individuals who do not make a donation) from \$11 to \$20 (a \$6 increase for the \$100 circle only and between a \$11 and \$10 increase for the \$500 circle only and the \$100 and \$500 circle treatments, respectively). Providing subjects with any information about the recognition of names in the newsletter increases the likelihood of making a donation by 2.8%. Informing subjects only that contributions above \$100 will be recognized in the newsletter does not increase the likelihood of donating in a statistically significant way. However, in the two treatments with information about the giving circle at the higher amount of \$500, individuals are between 3.1% and 3.9% more likely to make a contribution (with t statistics of 2.15 and 2.68).⁵

Hypothesis 2: Individuals will be more likely to make a contribution above a certain level when informed that contributions above that level will be given distinct recognition.

We estimate that informing individuals that contributions above the ask amount will be acknowledged in the newspaper makes individuals 1.9% more likely to make a contribution greater than or equal to the ask amount of \$100. While subjects who are informed only of a giving circle for those who give at the \$100 ask are not statistically significantly more likely to make a contribution at that level, subjects in treatments who are informed that special status will be conferred upon contributions of at least \$500 are between 2.6 and 2.9% more likely to make a contribution at the level of the ask (\$100) (with t statistics of 2.38 and 2.16).

Informing subjects that names will be published in the newsletter increases the likelihood of making a donation of at least \$500 by 0.6%. Subjects who are informed of two different thresholds (both a \$100 circle and a \$500 circle), are 0.7% more likely to make a contribution at the higher level of \$500 (with a t statistic of 1.89). Subjects who are informed only about one circle for contributions above either \$500

⁵Note that we do not have statistical power to distinguish differences between the treatments in our analysis.

or \$100 are not statistically significantly more likely to make a contribution at that level.

Conclusion

We present evidence from a field experiment which supports the hypothesis that individual contributions to charity can be encouraged by providing public recognition. Our evidence also supports the idea that social comparison matters in public recognition: individuals are more likely to give at a higher level when they are informed that gifts at different levels will be distinguished in giving circles with different titles.

While the evidence from this field experiment suggests that individuals do respond to social recognition and that differentiating individual gifts makes individuals more likely to give higher amounts, there is an alternative explanation in which individuals are not purely status seeking. Gifts motivated by giving circles may also reflect an altruistic desire to generate interest in the charity and encourage contributions from peers. We leave this question for future research.

APPENDIX

Table 2: Probit Analysis of Giving

Variable	Panel 1			Panel 2		
	Gave any amount	Gave at least 100	Gave at least 500	Gave any amount	Gave at least 100	Gave at least 500
Newsletter	0.028** (0.012)	0.019** (0.009)	0.006* (0.003)			
100 Circle				0.014 (0.016)	0.007 (0.012)	0.008 (0.006)
500 Circle				0.042*** (0.017)	0.029** (0.013)	0.008 (0.006)
100 Circle and 500 Circle				0.034** (0.016)	0.026** (0.013)	0.010* (0.007)
N	4166	4166	4166	4166	4166	4166
Pseudo R^2	0.002	0.003	0.002	0.004	0.008	0.009

Robust standard errors in parentheses.

Baseline is subjects in control treatment (with 100 ask).

Individuals who do not make a contribution are included with a value of 0 for their contribution.

Estimates represent marginal effects.

2 individuals with contributions over \$5,000 are excluded.

*** Significant at 1%, ** Significant at 5%, * Significant at 10%

References

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