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“I Give Therefore I Have: Charitable Donations and Subjective Wealth”

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Philanthropy implies wealth, and donations may thereby confer status – not just to others (“I am wealthy and therefore attractive!) but also, we suggest, to the self (“If I’m giving money away, I must be prosperous!”). We show that though donations decrease objective wealth, they ironically increase feelings of subjective wealth.

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SPECIAL SESSION

Psychological Aspects of Charitable Giving: Surprising New Insights About Benefactors, Beneficiaries, and the Giving Context

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EXTENDED ABSTRACTS

“Cheapened Altruism: Discounting Prosocial Behavior by Friends of Victims”

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Abundant research has investigated the factors and motivations causing charitable giving, but researchers have not explored folk psychological beliefs about its causes. This paper provides a first look at how people perceive charitable donors. The term charitable credit will refer to perceptions that a donor is a benevolent, charitable person whose prosocial behavior is driven by underlying altruistic qualities.

When are charitable donors given more or less credit for their donations? We believe that donors with a personal connection to the target cause, such as a relationship with a victim, are given less credit than donors without a personal connection because the personal connection cheapens the prosocial act. We theorize that even in the absence of potential material gain, these “friends of victims” are perceived as selfishly motivated and are thus given less credit for their donations. In other words, the perception of selfish motivation mediates the effect of a relationship with a victim on charitable credit. It follows that changing the perception of selfish motivation changes charitable credit and thus can moderate the effect of a relationship with a victim on charitable credit. That is, if friends of victims can undo the perceptions of selfish motivation, they can restore credit.

We propose two such moderators of the effect of relationship with a victim on charitable credit. First, giving to other unrelated charities makes the donation to the target cause indistinct, which should inhibit people from attributing the donation to selfish motivation. Second, stating an other-oriented reason for giving should also offset perceptions of selfish motivation.

Three studies support our theory. In all three, participants saw a profile of a donor to a leukemia charity who either lost a friend to the disease or who does not know any victims of the disease. Participants then rated the donor on four charitable traits and made three likelihood judgments about future charitable behaviors. These seven measures were averaged to form a composite charitable credit score.

In the first study, we confirm the basic hypothesis that when friends of victims donate to a charity that serves the cause that claimed their friend’s life, they are given less credit for the donation compared to donors who do not know any victims.

The next study investigates if this effect is moderated by whether the donor also supports other unrelated charities. We predicted that donating to other charities reduces the diagnosticity of friendship with a victim on the donor’s inherent charitable qualities because the donation to the same-misfortune charity is no longer distinctive; the relationship with a victim cannot account for the other charitable behavior. Additionally, we included a control condition in which participants received no information about the donor’s relationship with a victim, allowing us to investigate whether the lower credit granted to friends of victims results from a credit loss to friends of victims (attributional discounting), a credit boost to donors who do not know any victims (attributional augmenting), or both. Among donors who donated only to the leukemia

charity, friends of victims were given the least credit, and donors who do not know any victims were given the most. In the control condition, charitable credit fell between the other two conditions. Among donors who gave to multiple charities, however, there was no credit difference between friends of victims, donors who do not know any victims, and the control condition. This pattern supports our prediction that distinctiveness moderates charitable credit and demonstrates that both attributional discounting and augmenting contribute to friends of victims being given less credit than donors who do not know any victims.

The third study examines a different moderator based on the donor’s words, not actions. We expect that friends of victims who express an other-oriented motivation for donating restore the credit loss that results from their relationship with a victim. We also examine the mediating role of perceived selfish motivation. As in the previous studies, when donors did not provide a reason for donating, friends of victims were given less credit than donors who do not know any victims. When donors expressed an other-oriented reason for donating, however, this difference disappeared. In other words, expressing an other-oriented reason for donating moderates the effect of relationship with a victim on charitable credit. Measures of perceived selfish motivation followed the same pattern. A bootstrap confidence interval test confirmed that the moderating effect of an other-oriented reason on charitable credit acts indirectly through perceived selfish motivation.

To conclude, this research demonstrates that not all charitable actors are viewed as charitable, even when the donation presents no potential material gain. In particular, donors with a personal connection to a cause are given less charitable credit for their donations, for they are perceived as selfishly motivated. These donors can restore credit, however, by demonstrating other-oriented behavior and motivations.

“I Give Therefore I Have: Charitable Donations and Subjective Wealth”

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Prosocial behavior is associated with a host of personal benefits. Helpers enjoy greater happiness (Dunn, Aknin and Norton 2008; Lyubomirsky, Tkach and Sheldon 2004); reduced mortality rates (Musick et al. 1999); less depression (Musick and Wilson 2003); better immune function (Post and Neimark 2007); and elevated dopamine levels (Bachner-Melman et al. 2005). Indeed, a longitudinal study of older adults (Brown et al. 2003), found that givers benefitted more than receivers. We suggest another important benefit of charitable behavior: Feelings of subjective wealth. How wealthy one feels is a function of objective and subjective inputs: current wealth level, income and expectations, gains and losses compared to a reference point, one’s position in a wealth distribution, and psychological traits and states. As such, subjective wealth is malleable and may not always move in the same direction as objective wealth; our studies show that charitable donations—which decrease objective wealth—can increase feelings of subjective wealth.

We propose that philanthropy may have an unintentional self-signaling effect—when we observe ourselves making charitable donations, we infer we must be prosperous. Indeed, in a pilot study, we explored a romantic domain and found that men and

women who spent more money on their Valentine reported feeling wealthier the next day, even holding monthly income and relationship satisfaction constant.

In Study 1, we tested the general relationship between giving and subjective wealth using a large national dataset. Some participants predicted how they would spend a hypothetical windfall, and others reported how they had actually spent real windfalls that year. For those who imagined receiving money, giving intentions were positively associated with subjective wealth. This association held up for those who had actually received extra money—feeling wealthy was associated with charitable giving, at all levels of wealth, and predicted donation behavior over and above the effects of income. These correlational data suggest that the feeling of subjective wealth may induce generosity, though the more intriguing interpretation, which we explore in our next studies, is whether causality also works in the reverse direction. In Study 2, we tested the impact of charitable giving on subjective wealth. Respondents were randomly assigned to one of five conditions; a control group (no donation) or one of four groups in a 2 (Real vs. Hypothetical) X 2 (Mandatory Donation vs. Self-Selection) between subjects design, in which some respondents donated \$1 to a national or local charity. We found that all donors felt wealthier than the control group, whether donation was real or hypothetical, and whether they chose to donate or were required to. These findings are consistent with recent fMRI experiments showing that the reward centers of the brain are activated by donating money to charity in a similar way as receiving money for personal use (Moll et al. 2006), even when giving is mandatory (Harbaugh et al. 2007).

Study 3 explores the mechanism behind this giving/wealth relationship. According to Luks (1988), volunteers report experiencing a “helper’s high” or physical sensation of calmness and warmth, associated with giving, with 43% of his sample reporting increased strength and energy. If, as we suggest, giving sends signals of resource abundance to the self, it follows that the boost in subjective wealth may be associated with strength or power. We measured feelings of power using the Sense of Power scale (Anderson and Galinsky 2006). Participants either received \$1 to donate, \$1 to spend on batteries, or no additional money. Givers reported feeling wealthier than spenders, and both felt wealthier than the control group. The group differences were fully mediated by feeling a sense of power, which affected the givers but not the spenders.

In sum, our current research shows that while decreasing objective wealth, giving money away can increase subjective wealth. We have gathered evidence in support of our self-signaling hypothesis, that we interpret charitable donations as signals of wealth and power, even when the donations are our own.

“One vs. Many: The Effect of Efficacy and Entitativity on Charitable Giving”

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Given the ongoing economic crisis, donating money is increasingly difficult. The popular press notes that donors are (a) demanding more transparency from charities, (b) voicing growing interest in increasing their “philanthropic returns,” and (c) seeking more efficient giving opportunities. An important factor for donors is their perceptions of whether they can help (Bendapudi, Singh, and Bendapudi 1996). Sometimes, making a small impact—helping “one” beneficiary—assures donors that they will make any impact at all. Because of this, people frequently donate to singular, identifiable victims vs. numerous statistical victims, and tactics employed by organizations such as Kiva (i.e., sponsor one specific microloan)

and Heifer International (i.e., buy one heifer, one trio of rabbits, one flock of chicks) are effective.

Clearly, in terms of providing large-scale aid, mass donations to “one” are not as effective as mass donations to “many,” and fundraising for one particular need is a less efficient use of advertising dollars than fundraising for large-scale needs. Still, a robust finding in the charity literature is that people prefer helping one vs. many beneficiaries, often because “one” is more tangible, concrete, and sympathy-provoking, whereas “many” blunt sympathy and caring (Jenni and Loewenstein 1997; Kogut and Ritov 2005a,b; Small and Loewenstein 2003). Still, just as numerous factors influence giving aside from purely altruistic ones, numerous factors also influence giving to one vs. many beneficiaries, aside from purely emotional ones (for a review, see Bendapudi et al., 1996). While specificity, tangibility, and the singularity of identified victims have received a significant amount of attention, with emotion as the underlying mechanism, we examine an alternative mechanism: efficacy.

Efficacy has been defined as the conviction that a person can successfully execute a behavior to produce a desired outcome (Bandura 1983). We propose that, over and above emotion, efficacy can significantly impact charitable giving. There are different forms of efficacy (e.g., self efficacy: “I can make a difference;” cause efficacy: “UNICEF can make a difference;” program efficacy: “this initiative can make a difference;” beneficiary efficacy: “the beneficiary can be helped”) and thus there are various ways to increase perceptions of efficacy. Our studies focus specifically on self- and cause-efficacy. Through four studies, we examine the role of efficacy to understand (a) how one can increase giving to many and (b) situations in which it may hurt vs. help to focus on one vs. many. We then examine the role of entitativity (i.e., beneficiary cohesiveness, Campbell 1958) to demonstrate (a) how perceiving a collection of targets as an entity may or may not be beneficial and (b) that this relationship hinges on perceived efficacy.

Study 1a and b test whether people donate more to one vs. many, regardless of whether “one” refers to a singular beneficiary (i.e., one child) or a singular collection of beneficiaries (i.e., one village of many). As predicted, participants in study 1a donated more to one child vs. many children; we replicated this effect in study 1b for one village vs. many villages. We suggest that perceived efficacy generally tends to be low in giving contexts. By focusing on one manageable segment, benefactors have a stronger perceived ability to help. These perceptions in turn influence willingness to donate, over and above the influence of emotion. Thus, we replicated previous findings that people tend to donate more to one vs. many (Kogut and Ritov 2005a,b; Small and Loewenstein 2003; Burson et al., under review), and extend them by (a) demonstrating the robustness of the effect for a singular collection of beneficiaries and (b) suggesting efficacy as the underlying mechanism.

Study 2 tests whether increasing perceived efficacy boosts charitable giving to many relative to one. We hypothesized that providing feasibility, or “how to,” information in a charitable appeal would influence the achievability of “making a difference,” and would thereby increase giving to many vs. when no feasibility information was provided. Indeed, we observed a significant interaction between number of beneficiaries (one vs. many) and appeal focus (control vs. feasibility information) such that participants who did vs. did not receive feasibility information donated more toward many beneficiaries. Emotions measures were also collected but did not have a systematic influence on donations.

Study 3 uses a 3 x 2 between-subjects design which crosses a beneficiary scope (one vs. many vs. one of many) manipulation with an efficacy (higher vs. lower) manipulation. Including three beneficiary scope conditions allowed us to test efficacy as the mechanism

underlying giving behavior to both a singular beneficiary (i.e., one child) and also a singular collection of beneficiaries (i.e., one village of many). As predicted, donation intentions toward one vs. many beneficiaries depended on whether efficacy was perceived as being higher vs. lower. Specifically, when efficacy was lower vs. higher, people preferred to donate to one (i.e., one child and one village of many children) vs. many. However, when efficacy was higher, participants donated more to many vs. one. We collected several other intentions measures (e.g., volunteering, joining a Facebook group, starting a club) and replicated the same patterns.

In study 4 (in progress), we manipulate beneficiary entitativity (i.e., cohesiveness) to examine how it impacts donations to one vs. many beneficiaries. Our preliminary results indicate that people give systematically more to a homogenous group of individuals, and that the mechanism underlying this result is perceived efficacy.

In summary, this work identifies ways of boosting giving to many, primarily by increasing perceived efficacy. We propose that: (a) generally, focusing on “one” (i.e., a singular beneficiary or a singular collection of beneficiaries) is an effective strategy to boost charitable giving, but (b) this is only effective when perceived efficacy is low; (c) when perceived efficacy is high, it is more effective to focus on many. Finally, since the effect of entitativity on giving is mediated by perceived efficacy, there may be instances in which perceiving many as a singular collection might hurt vs. help. In addition to its theoretical contributions, this work provides several practical implications, as there are numerous circumstances in which it is neither appropriate nor feasible to focus on “one.”

“Giving Against the Odds: When Highlighting Tempting Alternatives Increases Willingness to Donate”

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Charitable giving is a large and important industry. Nearly 70% of all Americans gave to charity in 2006, creating a total of over a trillion dollars in revenue received by non-profits (Grabstats 2010). Despite the pro-social and personal benefits of charitable giving (Anik et al. 2009), the current economic crisis has caused many to reconsider making such donations. Thus the question of how to motivate charitable giving may be more relevant now than ever before. Prior research has identified certain factors that increase consumers’ willingness to donate, such as one’s information processing style (Liu and Aaker 2008; Reed, Aquino and Levy 2007) or mood (Hibbert et al. 2007; Small and Verrochi 2009). However, much of this work has focused on examining how such manipulations affect giving by influencing consumers’ perceived relationship to the cause. In contrast, we propose that highlighting alternative ways to spend one’s money can ironically increase consumers’ willingness to donate by enhancing the self-signal the donation provides (Dhar and Werternbroch 2010).

For example, imagine a consumer who is asked to make a small donation to the UNICEF. Prior to his decision, he sees a note which calls his attention to other ways his money could be used (e.g., purchasing a new hit song off of iTunes). How will his exposure to this alternative affect his likelihood of making the donation, in comparison to someone who did not see the note? As stated, we argue that making certain opportunities salient may be one way to increase charitable donations. While Frederick and colleagues (2009) have documented countless examples how salient opportunity costs generally reduce consumers’ overall likelihood of purchase, other research suggests that bringing to mind certain opportunities may increase the self-signaling utility associated with an available option (here, the option to donate). Specifically, research

by Dhar and Werternbroch (2010) demonstrates that the self-signal one derives from any given choice is context dependent and can be affected by the non-chosen options available in the choice set. For example, these authors find that the over-all utility associated with a virtuous choice (e.g., a healthy apple) increases when that option is presented in a choice set where vices (e.g., tasty chocolates) are also available. Based on these findings we argue that simply making a hedonic opportunity salient in the context of a donation choice can increase the over-all utility consumers associate with the act of donating, specifically because the act of donating will send a more positive self-signal thereby increasing the utility from donating.

These hypotheses are tested in a series of lab and field experiments. In the two lab experiments, participants read a charity appeal asking them to make a donation (Experiment 1a: \$50 to UNICEF; Experiment 1b: \$75 to Hurricane Katrina Victims). Before reporting their willingness to donate to the charity, respondents in the hedonic opportunity salient conditions were reminded that for the same amount of money, they could indulge themselves with a hedonic reward (Experiment 1a: a silver Tiffany bookmark; Experiment 1b: a massage at a spa). Finally, all participants indicated their interest in making the donation (scale: 1—not at all interested to 9—very interested). The results supported our prediction. In both experiments, participants were more interested in donating when the hedonic opportunity was made salient as compared to the control condition (Experiment 1a: $M_{\text{salient}}=7.0, M_{\text{control}}=5.9, p=.04$; Experiment 1b: $M_{\text{salient}}=6.9, M_{\text{control}}=3.6, p=.001$).

The next two experiments test for these effects in actual choice scenarios where consumers were able to donate real money. Further, Experiment 2 was designed to rule out an alternate account for the observed results by showing that the pattern is specific to hedonic alternatives (as opposed to all alternatives). The self-signaling account implies an increase in utility only when indulgent options are rejected, since the positive self-signal results from denying oneself the hedonic (but not utilitarian) alternate opportunity. In Experiment 2 we manipulate if a hedonic versus a utilitarian alternative is made salient and compare their effects on donation to a control condition. Supporting our prediction, we observe the presence of a hedonic alternate substantially increased actual donation rates over the control condition ($P_{\text{hedonic salient}}=88\%, P_{\text{control}}=47\%, p=.01$). Further, as predicted, the utilitarian opportunity reduced donation rates as compared to the hedonic opportunity ($P_{\text{utilitarian salient}}=57\%, p=.03$) and approximated that of the control condition ($p>.5$). The final field experiment tests for convergent support for this phenomenon by investigating if the observed effect on monetary donations replicates when consumers are asked to donate their time. Participants received a charity appeal via email asking them to consider donating two hours of their time to help their local UNICEF chapter. The dependent measure was participants’ choice to donate their time. For half of the participants, prior to the donation question, a hedonic opportunity was made salient (“Remember, it takes two hours of your time to watch the Season Finale of MTV’s The Jersey Shore”). The results supported our prediction and the findings thus far. When the hedonic opportunity was made salient a significantly greater percentage of participants agreed to donate their time ($P_{\text{salient}}=32.1\%, P_{\text{control}}=11.8\%, p=.023$).

This research achieves several goals: we identify a subtle and practical means to increase charitable donation rates. Further, we extend what is currently known about opportunity costs and demonstrate when making such opportunities salient can actually increase spending. Our ongoing experiments are presently testing for self-signaling as the mechanism underlying these effects.