

Millionaires are more generous in 'communal' interactions than 'strategic' exchanges

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Credit: George Hodan/public domain

(Phys.org)—The current economic climate of massive inequality coupled with a global trend toward painful austerity in government spending has fostered a renaissance of philanthropic giving that is unprecedented in history. It is likely that for at least the next 30 years, philanthropic giving by high net-worth individuals (HNWIs) and their

foundations will be the biggest driver of social change around the world.

A symbiotic industry of philanthropic and service foundations has arisen, along with a class of savvy fundraisers who know how to appeal to HNWI's to raise money for a broad spectrum of causes that includes public health, poverty, hunger relief, disease research, climate change, hard science research, and education at all levels. As philanthropy becomes a greater economic force, it has become increasingly important to understand the psychology of HNWI's in contexts of generosity. A group of economics researchers in the Netherlands has conducted a study of the giving behavior of individuals with at least €1 million in the bank. They have published their results in the *Proceedings of the National Academy of Sciences*.

The researchers conducted a pair of experiments. The first is called the "dictator game," which entails prompting a millionaire participant to propose how to allocate €100 between herself and a recipient. The proposals of the millionaires were then implemented under differing conditions: In one set of experiments, the millionaire proposer was informed that the recipient was another millionaire; in another set, the millionaire proposer was informed that the recipient was a low-income individual.

The researchers found that when matched with low-income recipients, the millionaires gave an average 71.4 percent of the money. A very large percentage of the millionaire participants, 45.6 percent, gave low-income recipients the entire sum. It is unsurprising that they were significantly less generous when told that the recipient was another millionaire. Interestingly, the millionaires matched with low-income participants gave away significantly more money than any other cohort in literature.

The second game is called the "[ultimatum game](#)." In this experiment, the

recipient of the millionaire's largesse has to approve the proposal; if they do not approve, both players receive zero. This adds two contextual influences to the millionaire's behavior not present in the first game. The first is an "exchange force," which puts millionaires into a psychological exchange mode that is known to reduce generosity.

The second is a "strategic force," driven by the risk that low offers could be rejected. Thus, the strategic force and the exchange force are in opposition in the context of the ultimatum game. As in the dictator game, the millionaires in the second experiment were more generous with low-income individuals than with other HNWI's. And once again, they proposed greater amounts than the researchers found elsewhere in the literature.

However, in this experiment, proposals to low-income individuals in the ultimatum game consisted of lower amounts than the proposals in the dictator game, with millionaires offering an average of 63.9 percent of the money. "Thus, the exchange force outweighs the strategic force in a setting with large differences in wealth among participants," the researchers write.

More information: "Giving behavior of millionaires." *PNAS* 2015 ; published ahead of print August 10, 2015, [DOI: 10.1073/pnas.1507949112](https://doi.org/10.1073/pnas.1507949112)

Abstract

This paper studies conditions influencing the generosity of wealthy people. We conduct incentivized experiments with individuals who have at least €1 million in their bank account. The results show that millionaires are more generous toward low-income individuals in a giving situation when the other participant has no power, than in a strategic setting, where the other participant can punish unfair behavior. Moreover, the level of giving by millionaires is higher than in any other

previous study. Our findings have important implications for charities and financial institutions that deal with wealthy individuals.

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