Increasing the rate of return on a gift challenge does little to boost giving

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A little encouragement makes a big difference in people's motivation to give to a charity, but upgrading the encouragement doesn't automatically boost giving, according to a University of Chicago study on the impact of matching gifts.

The authors of the study, John List, Professor of Economics at the University of Chicago, and Dean Karlan, Assistant Professor of Economics at Yale, also found that the donor's political environment had a big impact on their responses to political appeals.

In studying how people respond to matching gifts, the scholars discovered that whether the donation match was three dollars to one, two dollars to one, or one dollar to one, the rate and amount of giving was the same. The expectation that their donation would increase the total support to the organization was apparently enough to motivate donors, they found.

"Simply announcing the match money is available considerably increases the revenue per solicitation — by 19 percent," List said. "In addition, the match offer significantly increases the probability that an individual donates — by 22 percent."

Their study is reported in the paper, "Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment" published in the December issue of the *American Economic Review*. The study is part of an emerging field in economics that looks at the "demand," or asking side of fundraising. Most other work on fundraising has looked at the "supply side," which examines the impact, for instance, of tax changes on people's motivation to give.

Their work on matching gifts disputes many commonly held beliefs among professional fundraisers whose hunches about what motivates people to give has led them to think that increasing

the return on matches automatically increases giving.

List and Karlan were able to test that assumption with a field experiment conducted with the cooperation of a liberal non-profit organization that works on social and policy areas related to civil liberties. The group regularly sends out mailings requesting donations, and the two scholars were able to perform a field experiment with one of their mailings.

In their experiment, the organization sent a mailing to more than 50,000 people who had given to them in the past. A control group, making up about a third of the group, received a mailing with no offer of a match. The remainder was divided evenly into groups that received different matching offers, including one to one, two to one and three to one.

The mailing raised $13,566 from the control group, $10,431 from the one-to-one match, $10,439 from the two-to-one match, and $10,423 from the three-to-one match for a total of $45,860.

Because the group is politically oriented, the scholars also wanted to see if the political environment of the donors' communities had an impact on giving. The people who lived in states where George Bush had won the 2004 presidential election apparently felt a greater threat to civil liberty causes because they gave more in response to the match, the scholars found.

Regardless of their age, education, or income, donors in red states were much more sensitive to the match than those in blue states, the study showed. List noted that "much more work is necessary before we understand the exact mechanism at work in red and blue states, but the results of our study are consistent with other research in sociology, psychology, and economics that also shows people have a tendency to rally to support causes when they feel they are under

some threat."

Source: University of Chicago

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