Opinion: Why we resist treating charities like investments

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Emotions and personal connections outweigh concerns over which charities do the most good

Should you treat your charitable decisions like your financial decisions?

To philosopher Peter Singer and those endorsing the “effective altruism” movement, the answer is yes. They argue that people could do more good if they approached their charitable decisions like they do their investments: donate to organizations that provide the greatest expected value.

For example, in the United States, it costs over $40,000 to train a single seeing-eye dog for the blind. However, it is estimated that you can save a child’s life by donating to the charity Against Malaria for under $4,000. If people aimed to maximize the return on their donation like they aim to maximize the return on their investments, then donating to Against Malaria provides a far better deal and will end up doing more good.

Yet our research finds that people don’t treat charity decisions like investments. Rather, people tend to donate based on the emotions evoked by a cause, and the personal connections they feel toward a cause.
strong emotions. But statistical victims—those far away and out of sight—don’t evoke the
same emotions and levels of support. If instead of concentrating so much on identifiable
victims, people supported the thousands of statistical victims around the world, they
would likely save many more lives.

One potential solution is to give people information about which charities have the
greatest impact. While impact is often difficult to assess, organizations such as
GiveWell.org are beginning to crunch the numbers and identify charities that are
particularly effective at helping others. The hope is that by informing the public about the
true impact charities have, people will increasingly donate to the ones that do the most
good for each dollar donated.

**In a study, 73% said they would choose the investment option that maximized value. But
only 56% said they would donate to the charity that maximized value.**

Will this work? There is some reason to believe so. On the one hand, no one wants their
charitable donations to go to waste, and effectiveness information could help people
avoid low-impact charities.

On the other hand, “going with the numbers” may not align with the causes people are
drawn to support, and those causes are often what motivates people to give in the first
place.

For instance, many feel a deep commitment towards their local community. Yet
eliminating suffering in the developing world is often much cheaper and can help many
more people for the same price.

Recently, we have conducted a number of studies that compare how people make
charitable decisions to how they make investment decisions. For investment decisions,
we reasoned that people will want to maximize their returns, and will rely on expected
value information to guide their choices. In one study, when we asked people which one of
two investments they would choose—and provided information about the expected value
of each option—73% said they would choose the option that maximized value.

However, when we presented five different charities alongside expected-value
information for each charity, merely 56% said they would donate to the option that
maximized value.

When we ask participants how they think they should donate to charity, they respond
that it is matter of personal taste rather than one of objective truth. That is, people
believe that donating to charity is like choosing which restaurant to visit or selecting a
piece of art for your home.

In another study, we had people imagine they were donating to a medical center, and
provided effectiveness information about different departments. Only 28% said they
would donate to the department where their donation could have largest impact. In
contrast, when we had people imagine they were the president of the medical center and
needed to allocate the center’s resources, this jumped to 41%. In a position of
responsibility, people are more likely to consider effectiveness information, choosing the
option that does the greatest good.

But when it’s their own money, they choose the ones they personally prefer.
providing impact information to the public will likely only have a limited effect on where people donate. Getting people to donate to more effective causes may require more than just providing information, and instead may involve changing the way in which people think about charity altogether.

However, not all hope is lost. Even if people believe that their personal feelings should guide their donation decisions, it may still be possible to nudge them to choose options that are more effective at helping others. In our studies, we find that people are more likely to select a highly effective option when selecting among causes that are of the same type (such as three different charities that support the blind) than of different types (such as one that supports the blind, one that supports children’s health, and one that supports water provision).

This suggests that many donors are less tied to a specific organization than an underlying cause. Once they identify a cause that is personal to them, they are more likely to utilize expected value information to choose between organizations that support that cause.

Consistent with this notion, Dean Karlan, an economist and founder of Innovations for Poverty Action, argues that we should encourage people to choose a cause with their heart but an organization with their mind. In this sense, establishing a compromise between people’s feelings and the numbers may provide a middle ground.

This strategy recognizes that people feel attached to causes, and that severing this attachment can be counterproductive. But people also recognize a good deal when they see it.

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