Life As A Lab

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1. A bit about me
2. Facts about the charitable market
3. Some field experiments
4. Wrap-up

An Economist who asks WHY:

- Why do people discriminate?
- Why do women earn less than men?
- Why do inner-city schools continue to struggle?

- Why do people give to charitable causes?

How do I answer these questions?

Field Experiments

Have you

- Used Turbotax in the past 3 years?

- Flown United Airlines in the past few years?

- Given to Smile Train in the past five years?

- Voted in either of the past two Presidential elections?
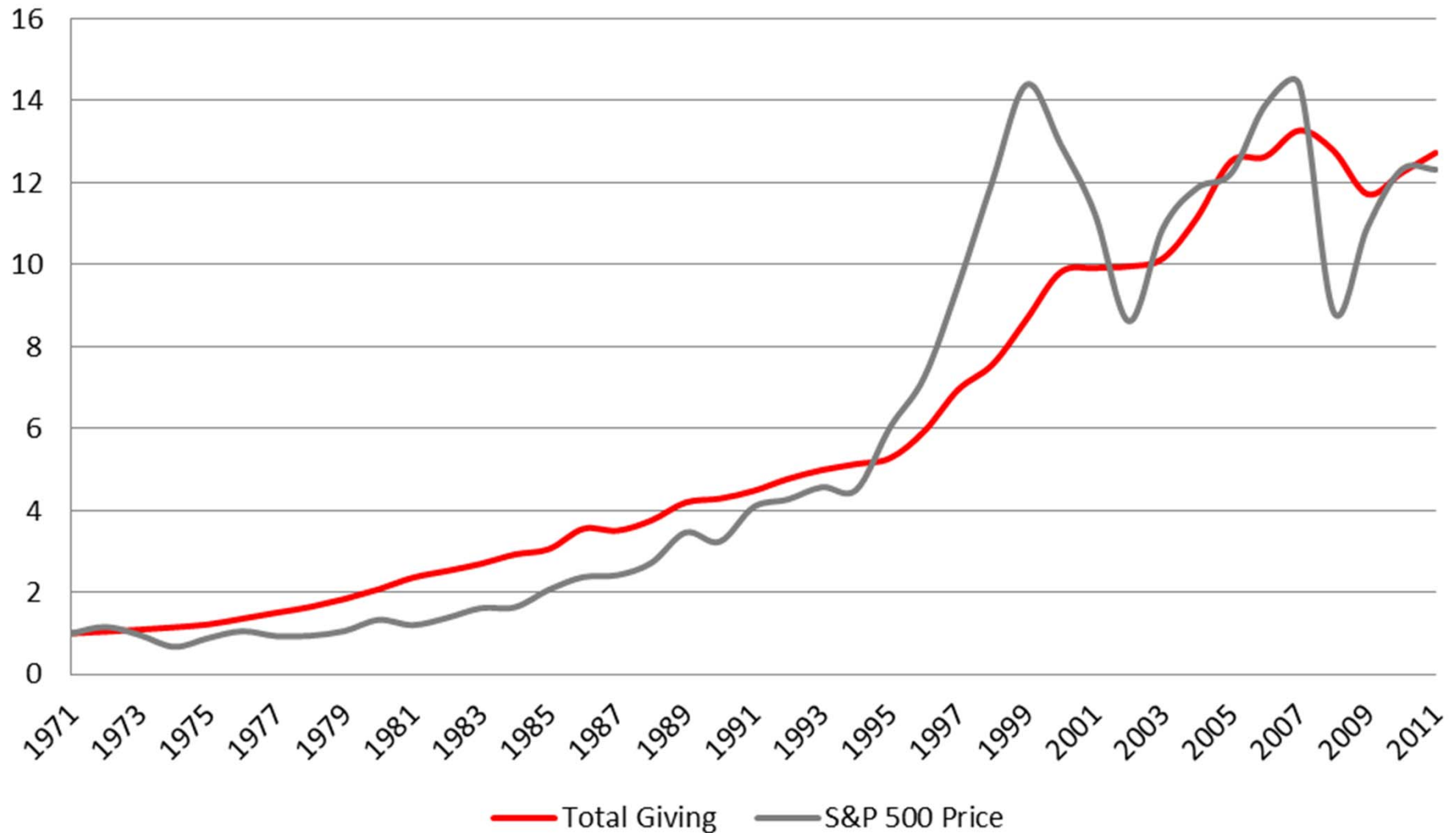
- Used search engines for retail purposes?

We are ALL lab rats now

Some facts about the charitable sector

Dollars Donated vs S&P Value Over Time
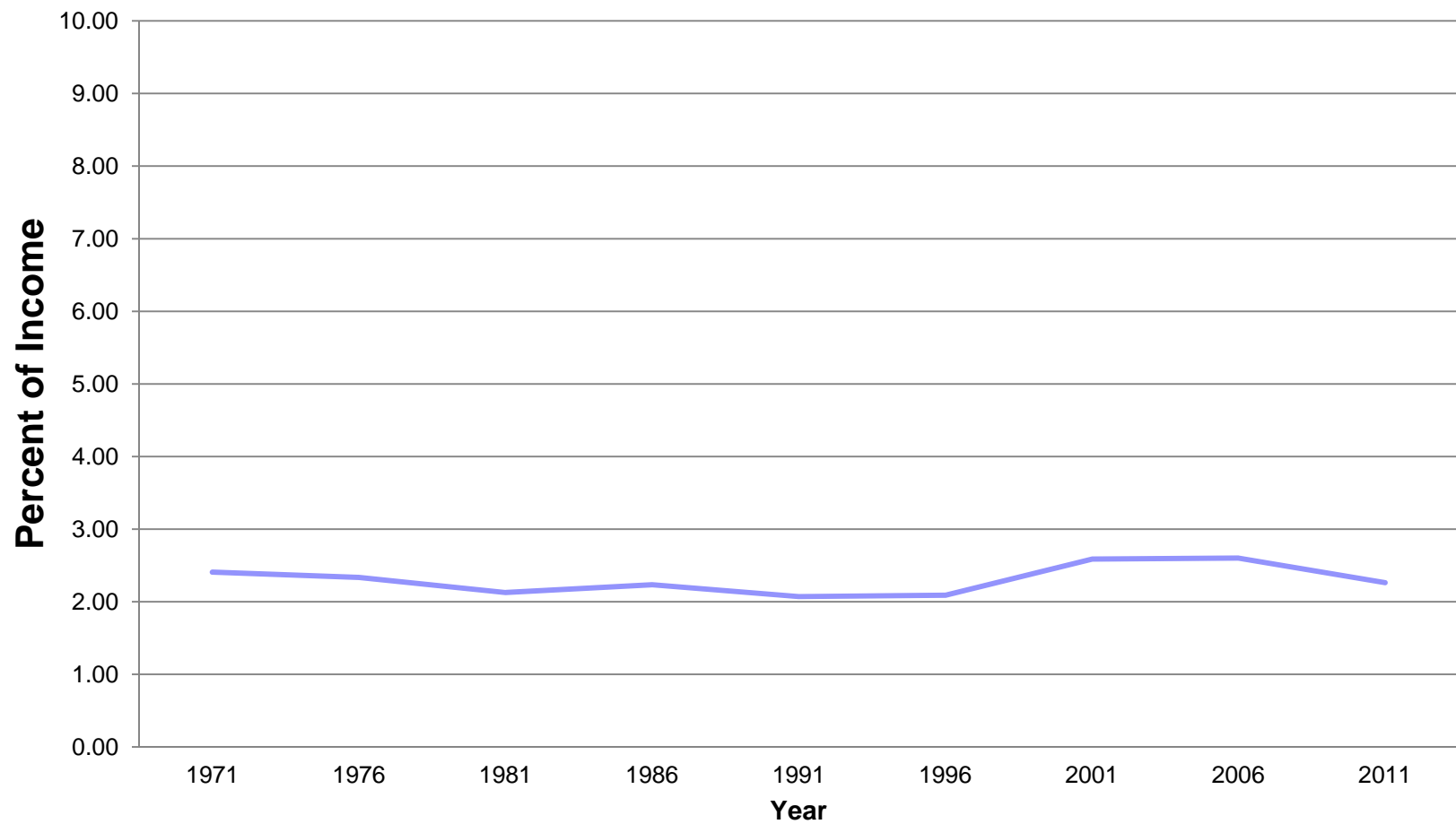## (Indexed to 1971)

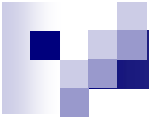
Legend: Total Giving — S&P 500 Price

The Experts

- "Charity is the most vibrant and growing sector in our economy today"

- "The apple basket of charity is growing exponentially, the problem is getting the right basket under the tree"
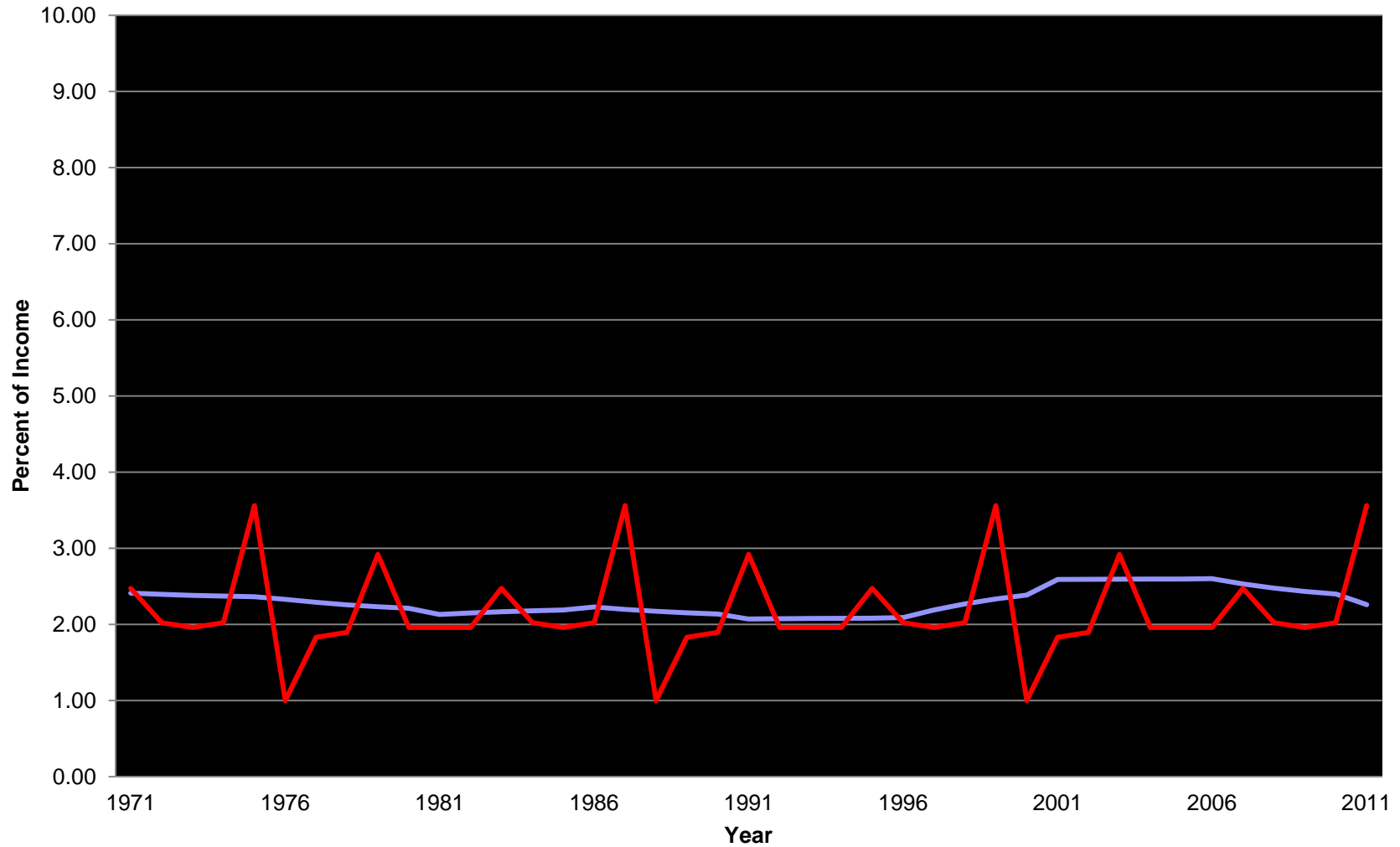
Total Giving as a Percent of Income

Industry on Life Support

Why?

Little is known about why this is happening

Fundraisers have relied more on anecdotes than science (and scientists have not provided necessary advice)

Think About Match Rates

Dove (p. 15, 2000) tells us:

> "obviously, a 1:1 match—every dollar that the donor gives is matched by another dollar—is more appealing than a 1:2 challenge…..and a richer challenge (2:1) greatly adds to the match's attractiveness."
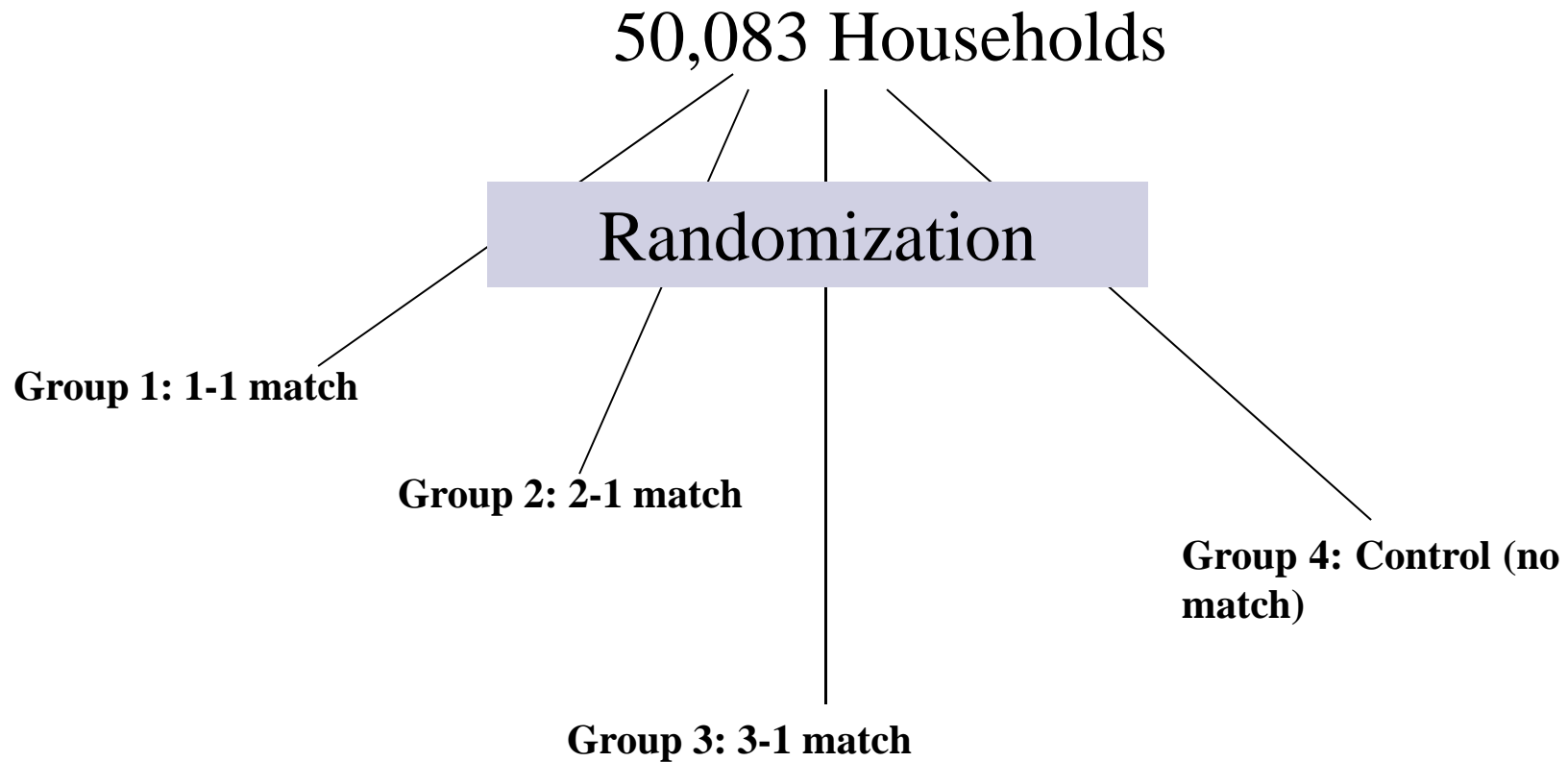
2 for 1 deals are good!

Match Test

- National liberal non-profit in the United States, political & socially oriented work
- Sends letters regularly to prior donors (and acquisition mailers)

- Anonymous donor with matching funds and desire to know how best to stir up further funding
- 50,083 letters sent following natural approach

The Field Experiment

50,083 Households

Randomization

Group 1: 1-1 match

Group 2: 2-1 match

Group 4: Control (no match)

Group 3: 3-1 match

Results

Group 4 (control) versus other 3 groups:

**19% more money raised per letter
in the matching treatments**

The effect occurs entirely because of response rates:

- **Response rate was 22% higher in matching treatments**

Results

What About Match Rates?

No additional dollars raised from higher match ratios:

3-1, 2-1, and 1-1 bring in the same amount!

How Can Behavioral Economics Help Fundraisers?

Smile Train Example

Smile Train Example

"Give Now and We Will Never Bother You Again"

Over several years we have touched more than 4,000,000 people in a mail solicitation saying:

"Make one gift now and we'll never ask for another donation again if you check this box."

Once and Done

In our very first experiment, once and done raised:

- More money: $60,134 vs. $20,651

- 34% of people check box

- Many more people gave in the future and they gave much more ($51,864 vs. $34,865)

- In the typical drive, gifts are about 100% higher initially, and future streams are roughly similar across once and done and control

My new project:

SPI is a research and outreach project that will use evidence-based research and partnerships with the charitable community to explore the motivations behind giving.

Check out our website: www.spihub.org

We Have Only Touched the Tip of the Iceberg

- Why do people vote?
  - ☐ Our work suggests that a strong reason why people go to the polls is so they can tell others they voted

- Why do women earn less money than men?
  - ☐ Our work suggests preferences for competition and the willingness to ask are important determinants

- Why do inner city schools continue to underperform?
  - ☐ One key is the parental component of the production function

"**All** you need in this life is ignorance and confidence; then success is sure." ~ *Mark Twain*

- The public education system in the US began to take shape in the last half of the 19th century

- The fact that we now know so little about the education production function is troubling

- We must understand that schools are not just about teaching children. They are about teaching ourselves what works and why

- Laboratories of Innovation: schools around the world need to be constantly running experiments to determine what works and why

Thank You!