

Authors

Dean Karlan
Northwestern University

**The effect of effectiveness:
Donor response to aid effectiveness in a direct mail fundraising experiment¹**

Dean Karlan
Yale University
Innovations for Poverty Action
M.I.T. James Poverty Action Lab

David H. Wood
Clemson University

June, 2015

Abstract

We test how donors respond to new information about a charity's effectiveness. Freedom from Hunger implemented a test of its direct marketing solicitations, varying letters by whether they include a discussion of their program's impact as measured by scientific research. The base script, used for both treatment and control, included a standard qualitative story about an individual beneficiary. Adding scientific impact information has no effect on average likelihood of giving or average gift amount. However, we find important heterogeneity: large prior donors both are more likely to give and also give more, whereas small prior donors are less likely to give. This pattern is consistent with two different types of donors: warm glow donors who respond negatively to analytical effectiveness information, and altruism donors who respond positively to such information.

Keywords: aid effectiveness; charitable fundraising; warm glow; pure altruism

JEL Codes: D64, H41, I31, O12

¹ The authors thank Freedom from Hunger for conducting these experiments, and for undertaking the original project on business training which underlies this project. They thank Michael Kacmar for many conversations and inputs into this project. Karlan thanks the National Science Foundation for support, and the Henry E. Hiles Foundation for funding for the business training research. We thank Michael Price and two anonymous referees for feedback which greatly improved the paper.

The effect of effectiveness: Donor response to aid effectiveness in a direct mail fundraising experiment

We test how donors respond to new information about a charity's effectiveness. Freedom from Hunger implemented a test of its direct marketing solicitations, varying letters by whether they include a discussion of their program's impact as measured by scientific research. The base script, used for both treatment and control, included a standard qualitative story about an individual beneficiary. Adding scientific impact information has no effect on average likelihood of giving or average gift amount. However, we find important heterogeneity: large prior donors both are more likely to give and also give more, whereas small prior donors are less likely to give. This pattern is consistent with two different types of donors: warm glow donors who respond negatively to

analytical effectiveness information, and altruism donors who respond positively to such information.

June 28, 2015