

# Russell Ackoff Doctoral Student Fellowship for Research on Human Decision Processes and Risk Management: 2010 Application

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## Warm Glows and Cold Truths: Affective Reactions from Donations to Charitable Causes

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## Descriptive Summary of Project

While there has been a wide range of research looking at the effect of income on happiness, only recently have people begun looking at the causal effect of prosocial behavior on happiness. It is argued that both happier people donate more to charities, and the act of giving to charities causes people to become happier (Anik et al, working paper; Dunn et al, 2008). In one study, Dunn et al. (2008) gave subjects a small windfall gain (\$5 or \$20) and told them to spend it on either themselves or someone else. Those who spent it on others reported greater happiness than the students who spent the money on themselves.

Other research examines the emotional antecedents of prosocial behavior. This research finds that certain victims and situations attract disproportionate sympathy and aid (Lowenstein & Small, 2007; Slovic, 2007). For example, experiments have documented the “identifiable victims effect” in which people are more willing to donate to single or identifiable victims rather than statistical victims. (Small & Lowenstein, 2003, 2005; Kogut & Ritov, 2005). This tendency results in the concentrations of scarce resources are certain victims, despite the fact that those resources could potentially help a lot more people if spread among statistical victims.

Combining these two areas of research, I hypothesize that the sorts of victims and situations that evoke disproportionately sympathy tend to cause greater post-donation happiness (a “warm glow”) than those that evoke disproportionately low sympathy (the “cold truth”).

I am currently running an initial study to test this hypothesis. In this study, participants will have the chance to earn money in support of a cause by completing a simple task. Regardless of how well people perform on the task, each participant will earn the same amount of money that will then be donated to a charity that provides school lunches to hungry children in Africa. I predict that people who earn enough money to feed a single child will feel happier about their donation than those who earn enough money to feed ten children.

My next study, currently in development, plans to investigate this question by varying the proportion of lives saved, while holding constant the number of lives saved. Research shows that when valuing lives, people show greater sensitivity to proportions than absolute number of lives, a phenomenon known as “psychophysical numbing” (Baron 1997; Featherstone et al 1997; Friedrich et al 1999; Jenni & Lowenstein, 1997; Slovic, 2007). I propose that when people donate to causes that highlight the massiveness of the problem (e.g. feeding 10 of millions starving African children) people will feel numb compared to appeals to donations that feel more effective (e.g. feeding 10 starving children in a particular African village). The numbness may lead to people feeling less happy that their donation represents only a “drop in the bucket” of an immense problem.

In each of these studies, I will include a third condition in which participants do the same task but earn the money for themselves. The interesting finding in Dunn. et al. (2008) is that spending money on others resulted in greater happiness than spending money on oneself. I expect that this will also depend on the recipient of money. Whereas donating to an identifiable victim or to victims that represent a high proportion of the reference group may cause greater happiness than spending money on oneself, donating to statistical victims or to victims that represent a low proportion of the reference group may cause less happiness than spending money on oneself.

I hope to utilize the support of the Ackoff Fellowship to build on this research. Understanding life valuation is an important aspect of risk analyses which merits insights from psychology. We hope this research contribute to an understanding of how decisions are made and experienced when resources are scarce and social needs vary in terms of their ability to evoke emotion.

The financial support that I am seeking will be used for two purposes within this research project: to fund data collection and to share the results of my research at two conferences. Data will be collected in a series of experiments primarily in the Wharton Behavioral Lab. To understand happiness from donation, I will need to supply participants with funding that they will use to make a donation. Typically these studies provide participants with \$5 per participant. An additional cost of about \$2 per participant is expected as per the Wharton Behavioral Lab policy, however, my advisor has offered to cover this costs for me. In addition, I anticipate that this research will be of great interest to marketing, psychology, and economic audiences as well as to the general public. I hope to present my results at two relevant conferences: the Association for Consumer Research North American conference in Jacksonville, FL, and the Society for Judgment and Decision Making conference in St. Louis, MO. The budget outlined below reflects estimated costs of lodging (at conference room rates) and travel to and from the conferences. While the Marketing Department allocates some funding for research and travel, it is sufficient to cover only a small portion of the research I intend to conduct over the course of my studies, and no more than two conferences over this period. Any incurred expenses that the Russell Ackoff Doctoral Student Fellowship does not cover will thus be paid out-of-pocket or by any funds remaining in my departmental research budget.

## References

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