Russell Ackoff Doctoral Student Fellowship Application:
Public Announcements of Support and Default Settings

Amanda Chuan
Doctoral Student
Wharton Applied Economics Program

Mailing Address:
3620 Locust Walk Suite 3000
Philadelphia, PA 19104
achuan@wharton.upenn.edu

Faculty Advisor:
Judd Kessler
Business Economics and Public Policy

February 23, 2015
Motivation

Charitable giving is a field of research that has rapidly accumulated interest from behavioral economists and psychologists alike. The science of philanthropy allows researchers to test out new methods to increase contributions to public goods and simultaneously estimate the underlying pro-social preferences that motivate giving. Research in charitable giving contributes to both societal welfare and basic science. Determining why households choose to give, as well as methods to improve giving and provision of public goods, is a first order concern. This proposal introduces a new method to increase contributions to the public good at little cost, with implications that can inform the construction of choice architecture across a variety of settings.

This project aims to explore the effect of public declarations of support on future giving. Previous work has shown that public declarations of support have increased giving among people who observed others announcing support for a charity. This proposal focuses on how an individual's public declaration of support may increase her own giving. Providing people the option to publicly announce their support for a charitable cause may increase future contributions through cognitive dissonance effects: when people demonstrate commitment to a cause at a small cost by announcing support, they are likely to be more willing to later confirm their commitment at larger costs through a monetary donation. Such a mechanism could play a significant role in decision-making if individuals experience uncertainty with respect to their underlying preferences for a charitable cause.

In addition, gift sizes may be highly susceptible to the manner in which the donation request is delivered. Experimental evidence has shown that defaults over giving options can significantly influence donation amounts. The defaults slightly increase the cost of selecting the option that is not pre-checked, which can influence the types of people who choose to announce support. The roles of sample selection and default settings have yet to be explored, even though understanding their relationship is important for informing the design of choice architecture in a variety of high-stakes settings.

Experimental Design

The experiment will randomize over the default settings people face in deciding whether or not to publicly support for a given charity, Charity X. All subjects will see two options: “I choose to announce my support for Charity X” or “I will not announce my support for Charity X at this time”. In the control group C the buttons next to both options will be left blank. In treatment A, the button next to “I choose to announce my support for Charity X” will be pre-checked, while in treatment B, the button next to “I will not announce my support for Charity X at this time” will be pre-checked. Donations will be private in all treatments. The treatment conditions are summarized in table 1.

---

1 In 2013, $335 billion was donated by households in the U.S., with 95.4% of households giving to at least one charity. Source: The Center on Philanthropy at Indiana University.
### Table 1: Treatment Conditions

<table>
<thead>
<tr>
<th></th>
<th>Private Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Default: Public Support for Charity</td>
<td>A</td>
</tr>
<tr>
<td>Default: No Public Support for Charity</td>
<td>B</td>
</tr>
<tr>
<td>No Default: Mandated Choice</td>
<td>C</td>
</tr>
</tbody>
</table>

**Procedure**

Subjects will be randomized into groups $A$, $B$, and $C$ prior to the start of the experiment. Subjects will be given a show-up fee of $5, given in 5 $1 bills.

1. At the start of the experiment, all subjects will be asked to sit at a pre-assigned computer. Assignment to a computer will be designated by their randomly assigned subject ID.
2. All subjects will be shown a list on a white board of individuals from the previous session who chose to announce support for a pre-selected charity, Charity X.
3. Each computer will then display questions for the subjects about whether they want to publicly announce their support for Charity X. All subjects will be informed that their support will only be displayed if they choose “I choose to announce my support for Charity X”. Their support will not be shown if they chose “I will not announce my support for Charity X at this time”. All subjects will be told that their support will only be shown to individuals in the next session; nothing regarding their decisions will be shown to others in the same session.
4. After all subjects have made their decisions, each will be called one by one to another room. If the subject chose to announce support, she will write “I announce my support for Charity X” on the white board provided. If the subject chose to not announce support, she will write nothing on the board. The white board will be covered in a way such that each subject can easily write on it without seeing if others had written on it as well.
5. Once all subjects have gone to the white board room, the next phase of the experiment will begin. The experimenter will hand out 5 $1 bills to each subject.
6. The computers will display a question asking each subject if they would like to donate a portion of their money to Charity X. Subjects will be able to choose the amount they wish to donate in $1 increments, up to $5. Subjects will select the amount they wish to donate and the amount they wish to keep on the computer. They will then place the amounts in two envelopes labeled “GIVE” and “KEEP”. They will hand the “GIVE” envelope to the experimenter.
7. Subjects will be thanked for their time and instructed to leave with their “KEEP” envelopes.

Two additional treatment arm extensions include manipulating 1) whether subjects are shown public announcements by others before they are asked to donate and 2) whether subjects’ donations are shown to others. The first extension will help gauge the effect of others’ announcements on own giving relative to own announcements on own giving. The second seeks to determine the magnitude of cognitive dissonance effects relative to the large effect of publicizing donations on donation rates.\(^6\) These two extensions each require three treatment conditions, making the experiment a 3x3 design. The procedure for these two additional treatment arms will closely follow the procedure described above.

---

Budget

This application requests $4,000 in financial support. This experiment requires additional funding in order to be implemented, since its main goal is to assess whether and how much individuals choose to donate of their $5 bonus payment. To cover costs of experiments at the Wharton Behavioral Lab, researchers are responsible for paying 15% of the show-up payment of $10 and 50% of the bonus payment for their experiment. For each subject in the experiment, this project requires funding for $5.00*0.50+$10.00*0.15=$4.00 per subject. Total expenses for an experiment using 1,000 subjects will be $4,000.

The project requires nine total treatment cells, since the experiment is a 3x3 design. In order to achieve statistical power, around 1,000 subjects will be recruited over the course of two-three years.  

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Expenses per Subject</th>
<th>Number of Subjects</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus Payment</td>
<td>$2.50</td>
<td>1000</td>
<td>$2,500</td>
</tr>
<tr>
<td>Show-Up Payment</td>
<td>$1.50</td>
<td>1000</td>
<td>$1,500</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td></td>
<td><strong>$4,000</strong></td>
</tr>
</tbody>
</table>

In addition to funding from the Ackoff scholarship, the project will seek funding from the Science of Philanthropy Initiative PhD Student Grant Program and the Russell Sage Small Grants Program. However, these other funding sources will not review their applications this year and the experiment is ready to be implemented this semester. The Ackoff scholarship will be extremely helpful in permitting the timely implementation of this multi-year project. The goal for this project is eventual submission to a top-tier economics, management, or marketing journal.

---

7 Assuming equal variance across treatment cells, type I error of 0.05, and power of 0.80, 1,000 subjects will allow for the detection of effect sizes on the order of 2/5 of a standard deviation.