

Why Do People Give? Testing Pure and Impure Altruism

Mark Ottoni-Wilhelm, Lise Vesterlund, Huan Xie

Highlights

- Previous experiments have been designed to identify whether giving is motivated by altruism and/or warm-glow (egoism) preferences by obtaining a single measurement of crowd-out—how much a subject’s donations fall as other people’s donations to the same charity increase.
 - However, we show that the power to reject pure altruism preferences depends on the level of charity output at which that single crowd-out measurement is taken.
 - Also, that single measure of crowd-out can be rationalized with infinitely many combinations of altruism and warm-glow preferences.
- We develop a new experimental design that measures crowd-out at different levels of charity output.
 - The new design creates an “individualized charity” for each subject, and thereby enables us to control the level of that charity’s output.
 - The individualized charity receives a subject’s donations to buy books for a child that trauma recovery experts will then use to build a bridge to the child following the fire-loss of the family home.
 - The charity output we control is how much a foundation will donate for the child’s books, regardless of how much the subject decides to donate for the same child’s books.
 - The design identifies altruism and warm-glow preferences.
 - And enables a direct test of impure altruism—the theory that both altruism and warm-glow drive giving.
- The results are that:
 - Crowd-out gets smaller, as the charity output gets larger.
 - Significance: the first direct confirmation of impure altruism’s prediction of decreasing crowd-out.
 - The prediction is novel in the sense that the prediction was not anticipated at the time the theory was first proposed.
 - The relative weight each individual subject placed on altruism and warm glow is estimated using a structural model.
 - Significance: the first estimates of individual differences in altruism and warm glow.
 - Makes clear the difference between (a) altruism and warm-glow preference parameters and (b) the *marginal* motives those preferences imply at different levels of charity output. The marginal motives are the proximate determinants of crowd-out.