Social Distance and Inter-Charity Competition

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Abstract: The science of philanthropy is evolving rapidly. Recent examples include the technique of using community affiliation to decrease the social distance between the donor and the recipient organization in order to mobilize giving. The impact of non-profits differentiating themselves by adopting such techniques on aggregate donations is unclear, however. We compare, in a field experiment with 436 subjects, aggregate and charity-specific donations to competing nonprofits which supply almost perfectly substitutable public goods. A baseline without differentiation is compared to one with charities differentiated by matching grants, one with differentiation by social distance, and one with differentiation in both dimensions. Differentiation by social distance leaves aggregate giving unchanged by crowding out giving to the socially distant charity. Differentiation by matching grants increases aggregate giving, but only marginally. Aggregate giving is highest in a world of double differentiation in which donations to a nonprofit revealed as socially close are matched.