Chapter 12

REVIEW CONCEPTS

Assurance Problem: The reluctance of individuals to donate because they are unsure whether a sufficient amount of giving by others will occur to make the charitable effort worthwhile.

Attribute Framing: The choice to describe an evaluation of a person, organization, or program in terms of success achieved versus failures remaining. A form of valence framing.

Causality: The relationship between two variables where manipulation of one (the cause) yields a change in the other (the effect). Causality is established by a pattern of relationship, absence of reverse causality, and rejection of alternative explanations for the pattern.

Cheap Talk: Pre-play communication in a game that results in agreements that cannot be enforced.

Control Group: A group of subjects used as the benchmark who do not receive the experimental treatment.

Experiment: A scientific method where the researcher intentionally applies one or more treatments to randomly assigned subjects and withholds those treatments from other randomly assigned subjects, then measures differences in outcomes.

External Validity: The extent to which causal conclusions of a study generalize to real-life situations, other groups of people or organizations, and other times, places, and cultures.

Extrinsic Motivation: Motivation arising from factors outside an individual, such as monetary incentives, pressure, or prestige.

Free Riding: The tendency of self-regarding individuals to donate little or nothing towards a collective good despite appreciating the donations of others.

Goal Framing: The choice to describe an organization’s mission or specific goals in terms of benefits sought versus harm avoided. A form of valence framing.

Happenstance Data: Data generated by natural processes and obtained through measurement and surveys.

Image Motivation: Motivation to do something in order to maintain a good self-image and/or external reputation.

Internal Validity: The extent to which a causal conclusion based on a study is warranted for those being studied.

Intrinsic Motivation: Motivation to do something because it is fun or satisfying. The reward is the behavior itself.

Lottery Mechanism: An approach to fund-raising where lottery tickets are sold to people who know that a collective good is financed by the lottery’s profits. The lottery prize increases with the number of tickets sold.

Mechanism: A set of rules that one player can impose on a game to produce desirable outcomes.

Motivational Crowd-out: Reduction in intrinsic motivation caused by extrinsic rewards.

Principal–Agent Problem: How one individual, the principal, can design a contract or reward structure that motivates others (agents) to act in the principal’s interests.

Provision Point Mechanism: An approach to fund-raising where a campaign goal (provision point) is announced, and donors are told they will only have to honor their pledge if the campaign goal is met.

Public Phase: The second phase of a typical capital campaign, in which there is a general call for giving. Occurs after announcement of seed gifts that constitute a large share of the campaign goal.

Raffle Mechanism: Like a lottery mechanism, but the size of the prize is fixed in advance of ticket sales.
Random Assignment: The experimental procedure that gives each subject an equal chance of assignment to a control or treatment group.

Rebate Rule: A rule for determining what is done with the excess of pledges over the provision point in the provision point mechanism.

Reverse Causality: A challenge to internal validity, where manipulating what was thought to be the effect variable causes a change in what was thought to be the cause variable.

Risky-Choice Framing: The choice to describe a decision that compares a definite outcome with a risky outcome in terms of gains that could be achieved (positive framing) or losses that could be avoided (negative framing). One form of valence framing.

Salient Rewards: Meaningful benefits provided to subjects based on their behavior in the experiment. An attempt to mimic the real-world consequences of behavior in a laboratory setting.

Silent Phase: The first stage of a typical capital campaign, in which a few major prospects are asked to contribute a large sum prior to announcement of the campaign and the campaign goal.

Social Marketing: Activities designed to change behavior for the benefit of target-group members and society as a whole.

Spurious Correlation: A pattern of association between two measured variables that is not due to either variable causing the other. Usually results from an unmeasured variable that causes both measured variables to change, as when prior health status is unobserved and mortality and hospital usage are measured.

Treatment: An intentional intervention applied to one group in an experiment. The goal of the experiment is to determine whether this intervention causes an independent change in some outcome.

Treatment Effect: The average difference in an experimental outcome between the treatment and control groups.

Valence Framing: Formulating a message either in positive terms or negative terms.

Voluntary Contribution Mechanism: A method of fund-raising in which donors simultaneously decide how much to contribute to a collective good, after which the sum donated is applied to provision of that collective good.
EXERCISES

1. Are you a fully rational donor? What are some choices you have made regarding who you give to and/or how much you give that are difficult to describe as the outcome of a rational calculation based on facts? Why do you think you made those decisions?

2. Wossamotta U. began offering online education and wanted to evaluate it. They asked Professor Peabody to design an experiment to do so, and he decided to evaluate the Russian Espionage Class taught by Professor Badenov. Badenov taught two sections of this course, one online, with 20 students, and the other traditional, with 43 students. Both sections took the same exams, and class average grades were almost the same, so Peabody concluded that online education is just as effective as live instruction.

(a) Was Peabody's study an experiment? Why or why not?
(b) Was Peabody's conclusion scientifically persuasive? Are there problems with internal validity? External validity?

3. If you have experience in fund-raising, have you encountered behavioral, rather than traditional economic, reactions to a direct mail campaign? To a fund-raising special event? To telemarketing? To major donor solicitation? Explain and discuss the implications.

4. Americorps enrolls “stipended volunteers,” but pays them just enough to get by. What do you think would happen to the number of Americorps volunteers if pay was increased to allow members to enjoy a middle-class lifestyle? What do you think would happen to volunteer effort if pay were increased? Why?

5. Oxfam’s mission statement is “To create lasting solutions to poverty, hunger, and social justice.” American Red Cross “Prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.” The American Heart Association seeks “To build healthier lives, free of cardiovascular diseases and stroke.” Comment on any valence framing in these missions.

(a) What kinds of valence framing are illustrated here?
(b) Which (if any) of these mission statements would create the highest stakeholder evaluation of the organization according to experimental findings summarized in this chapter?
(c) Undoubtedly, valence framing was not the top priority of the mission-statement writers, so it may be difficult to fit these mission statements into positive or negative frames and you may think that some mission statements mix both kinds of frames. Discuss these complications as well.