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“Optimal Incentives to Give”

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Abstract: Individuals may have an interest in giving to charity but face costs to complete the gift. These could be psychic, time or just the nuisance of finishing the transaction. If these impediments are sufficiently large, many individuals who would like to donate may end up not doing so. What might be the best way to reduce these costs to donate but also take into account that individuals face different costs? An approach many charities take is to offer dollar for dollar matches, but it is unclear if this is the best way to encourage donations. An alternative is to offer threshold matches (e.g. give at least \$25, get a match of \$25). Using a field experiment with over 120,000 unique supporters from 26 different nonprofits, we test the effectiveness of various threshold matching incentives. We use the “kinks” that this incentive structure provides to estimate the price elasticity of giving and derive optimal incentives to encourage giving.