Giving, well-being, and behavioural science

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Imagine that you've won £20. What will make you happier – spending it on a gift for yourself, or spending it on something for someone else? When people are asked this question, a clear majority say they'd be happier if they spent the money on themselves. They also thought, of course, that they'd be happier if they won a bigger cash prize than a smaller one.

But when run as an experiment, with subjects being randomly assigned to spend the money either on themselves or on someone else (including giving it to charity), subjects ended up significantly happier if they spent the money on others[i]. In contrast, the size of the windfall made no significant difference.

The same researchers – led by Elizabeth Dunn of British Columbia – found a similar relationship between income, spending habits, and subjective well-being in the general population. The more people spent on giving, regardless of their actual income, the higher their well-being.

It is a result that has attracted a lot of interest, but it is consistent with other studies on social capital, volunteering, and well-being. Volunteering is associated with increased life satisfaction – not only among volunteers, but in the community around them. It's worth contrasting this effect with that of income. Higher income is, as you would expect, associated with higher life satisfaction. But in contrast to volunteering, higher income – controlling for other factors – tends to lower the life satisfaction of our neighbours. If I buy a shiny new car, I feel a bit better, but my neighbours feel a little worse. But if I volunteer, not only do I feel better, but so do those around me, even if they themselves don't volunteer[ii]. In the language of economics, volunteering tends to have a positive externality on life satisfaction, while consumption tends to have a negative externality.

As part of our genetic heritage, we seem to be hard-wired to get pleasure from helping other people. MRI experiments have shown that when we give to others, the pleasure centres in our brains light up. Studies of the release of oxytocin – the feel-good 'lust and trust' hormone - are even more interesting, suggesting that the warm glow this hormone releases is triggered specifically when others acknowledge or reciprocate our acts of kindness. This is an important detail – evolution has endowed us with a social brain that predisposes us to reciprocate acts of kindness, not just to blindly help anyone and everyone, regardless of how they treat us.

How we support and give to each other also helps to explain another long-standing puzzle in the well-being literature. It has been known for a while that religious people tend to report higher life satisfaction than those who are not religious. Recent research, particularly by Bob Putnam and David Campbell, has been focused on trying to untangle why it is that the religious have higher life satisfaction. In turns out, it isn't religion per se that seems to account for the effect, but the way that people in religious communities relate to other people. People in religious communities not only help each other more within their own communities, they also help and support all kinds of groups and activities more than their secular neighbours. In US data, people who attend church at least once a week are around ten times more likely to volunteer for their church or a religious group than those who attend church (synagogue or mosque) rarely or never. But regular churchgoers are also, having controlled for other social and demographic factors: 1.5 times more likely to volunteer for arts or cultural organisations; 1.6 times more likely to volunteer for health care or charities for particular diseases; two times more likely to volunteer for a neighbour or community group; 2.4 times more likely to volunteer for a school or youth group; and 2.7 times more likely to the poor or elderly.

These effects are not explained by religiosity – people with strong religious beliefs but who do not go to church regularly, if anything, do less volunteering and are less happy than their secular neighbours. In contrast, those who do not have religious beliefs, but nonetheless go to church regularly – such as because they have a religious partner – show just the same rates of elevated giving and subjective well-being as their religious fellow church-goers. We also find that it doesn't matter what the religion is – Christian, Muslim or Jew – the positive effects don't seem to lie in the specific beliefs, but in the giving and sharing that such communities foster[iii]. An important outstanding question is whether secular communities can, or do, achieve similar outcomes when they behave in a similar way.

Applying behavioural economics

There is a curious twist to this story. While evolution may have left us with proclivity to help our fellow citizen, it has also left us rather poor at predicting how our own behaviour will affect our future well-being, at least in the face of the frenetic activity of modern life. For example, if spending £20 on our friends or charity will make us happier than spending it on ourselves, then why don't we do it more often? As Dunn and Gilbert put it in the title of a forthcoming paper 'If money doesn't make you happy, then you probably aren't spending it right'.

One factor may be that we intend to give more than we do. Numerous studies have shown that there are all sorts of good things we intend to do next week, or even tomorrow, such as eat more healthily, exercise more, or save for our retirement. But since the gains to doing such things tend to be in the future, and the costs tend to lie in the present, our good intentions always wait for tomorrow. This strongly suggests that anything we can do to lower even seemingly small barriers or costs in the present can have a very substantial effect in increasing behaviours that have a longer term payoff (see box).

Social influences are also thought to have a big impact on how much, and to whom we give. For example, our behaviour is strongly influenced by what we see or think other people around us are doing – what psychologists call 'declarative social norms'. Indeed, our behaviour is generally far more influenced by what we see other people doing than what we think they should be doing. Hence, the more litter on the ground, the more likely we are to drop litter ourselves. Similar effects have been found for giving: in both laboratory and field studies, it has been found that when someone gives publically to a good cause, it leads to marked increases in giving from others to the same cause.

Conclusion

Activities such as training or volunteering that are associated with strong positive externalities – effects that benefit others as well as the individual – tend to be 'under-invested' in by rational individuals. In the case of giving, evolution seems to have offset this to some extent, but at the same time busy modern life sometimes means that we give less than we might wish. Behavioural science gives us some useful clues about how we might nudge ourselves to give a little more. For example, it might lead us to give more publicly – signalling to others that a cause is worthwhile and triggering further giving. It might even make us a little happier.

Examples of using behavioural influences to boost giving

Defaults. People tend to go with a default option. In Washington, drivers renewing their drivers' licence were asked if they wished to make a $5 donation to support the state parks. When this default was changed into an opt out, donations increased 20-fold. Other studies have shown that such defaults – directed at a good cause – are very popular, even among those who choose to opt out[iv].

Social norms. Despite the popularity among campaigners of schemes for matched funding (by the state) for individual donations, the evidence is that such schemes bring in little extra giving other than the matched funding itself. In contrast, high profile gifts by other donors have been shown to bring substantial additional giving. It is thought that this boost comes both from the general effect of social norms – we are strongly influenced by what we see others doing – and by an informational effect, that is the gift 'signals' that someone who has thought about the particular cause has judged that it merits support[v].

Commitment and reciprocity. When someone gives to, or helps us, we are strongly inclined reciprocate. This is illustrated by the infamous example of 'bogus' charity, when someone gives us a small bunch of heather and then asks for money in return, or by how some charities will make a small gift in the form of a pen or coin included in a letter requesting help. More positively, it is illustrated by programmes such as Elderplan in the USA and some complementary currency systems such as Japan's care credit system for the elderly. In such schemes, someone recovering from an illness may be helped by a volunteer – such as with shopping, care, or just having someone to talk to. Subsequently, the volunteer may ask the recovered individual or their relative if they would be willing to do the same for others. Most people are delighted to do so[vi].

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[i] Elizabeth W. Dunn, Lara B. Aknin, Michael I. Norton (2008) Spending Money on Others Promotes Happiness. Science, Science Volume 319: 1687-8.

[ii] John Helliwell. Etc. See also Halpern (2010) The Hidden Wealth of Nations.

[iii] Though much of this analysis comes from the USA, the UK data shows a very similar pattern, albeit at a lower overall level of religious activity (Bob Putnam [Harvard] and Ed Fieldhouse [Manchester], pers comm..)

[iv] http://thenewstribune.com/government/story/916680.html Laibson data on popularity of opt-out for pensions, but note that such popularity is presumably premised on support for the underlying purpose and benefit of the default.

[v] James Andreoni University of California, San Diego Charitable Giving New Palgrave Dictionary of Economics, 2nd Edition, 2007

[vi] Halpern (2010) The Hidden Wealth of Nations, see chapter 3.