

Charitable Choice Behavior

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Executive Summary

- The information sheet from Chesapeake Bay Trust (CBT) shows their income tax checkoff revenue dropped in 2010. Their assertion is that this is a result of a new checkoff choice being added. However, this is a correlation, not a proven causation.
- Rather, the state of economics in Maryland during this period would have had a significant impact on donations to all Maryland charities whether they were included in the check-off or not.
- The CBT testimony incorrectly states that “Scientists believe that humans do not have the capacity to efficiently compare more than five options.”
- People have access to strategies when making choices and make many complex decisions over their lifetime. Selecting a charity from a tax check-off of more than five items is not a complex situation.
- Many states give their citizens far greater choices than just five charity options
- The opposite of CBT’s assertions are supported by charitable donation research. Offering more choices increases the frequency of donations and does not decrease the total amount given nor individual donations.

Economics

The Chesapeake Bay Trust (CBT) argues that revenue to the Chesapeake check-off dropped by 12% when the disabilities option was added in 2010. However, correlation does not imply causation. In reviewing the “Effects of the Great Recession and Subsequent Slow Recovery on Maryland through ACS Highlights (Comparing 2010 with years 2006 through 2009)” a clearer picture may be developed concerning the state of economics in Maryland during this period that

would have had a significant impact on donations to all Maryland charities whether they were included in the check-off or not. The following is an excerpt from this Department of Planning document:

Overall, the socioeconomic data released with the American Community Survey for 2010 paints a picture of Maryland that is still fighting the lingering effects of the Great Recession. Even though the recession ended more than two years ago, the unemployment rate has yet to fall, median household income is down and poverty is up. People are coping with a less than robust economy by getting more education and doubling up in households. And while housing values are down sharply from pre-recession peaks, the percent of households spending 35 percent or more of their income for housing costs dropped much more modestly from pre-recession peaks. Highlights from the 2010 American Community Survey:1

Economic:

- The unemployment rate has risen from 3.6 percent in 2006 to 5.5 percent in 2009 and 6.1 percent in 2010. At the same time the labor force participation rate has dropped from a peak of 70.4% in 2008 to 69.5% in 2010.
- Median household income peaked in 2007 at \$71,781 and has since dropped just over \$2,900 (-4.1%) to \$68,854 by 2010 in 2010 inflation-adjusted dollars
- The poverty rate has been steadily increasing, going from 7.8 percent in 2006 to 9.1 percent in 2009 and 9.9 percent in 2010. Similarly, for those under age 18 the poverty rate rose from 9.7 percent in 2006 to 11.6 percent in 2009 and to 13.0 percent in 2010.

People Are Able to Decide Between More Than Five Options

The CBT testimony states that “Scientists believe that humans do not have the capacity to efficiently compare more than five options.” There is no research referenced to support this statement. Searches of literature did not reveal a body of research that supports this hypothesis.

It appears that CBT may have misinterpreted the Atkinson-Shiffrin Memory Model (Atkinson and Shiffrin, 1968). The model proposes that humans have a sensory register, a short term memory, and a long term memory. The short term memory is the working space where information from the sensory register and the long term

memory may be attended to. The capacity of the short term memory is 7 plus or minus 2 chunks or independent items of information. If the information is salient it can be rehearsed and then moved from the short term memory to long term memory storage.

What constitutes a chunk of information? For example, when learning the Pledge of Allegiance each word is a chunk, but with rehearsal the entire Pledge becomes one chunk of information. The size of the chunk begins small and with rehearsal can be added to. There are actors that have memorized entire plays, mathematicians that have memorized theorems, etc.

People have strategies for making choices. As people read the items on the tax check-off they will be able to note which charities are important to them. If necessary they are able to make tick marks beside charities listed on the form or a list denoting the charity(s) they are considering. They do not have to memorize the list of charities on the tax check-off to make a choice(s). We are talking about people that have been in the mindful situation of preparing their tax forms that have the mental strategies necessary for selecting from more than five charity choices. In fact, they make such choices regularly.

The Federation of Tax Administrators reports that across the country other states currently offer 433 tax check-off programs, which have nearly doubled the number from 20 years ago. For example, New York lists 33 options, New Jersey has 31 charities, Oregon offers 28 donation choices, etc. Apparently there are many states that recognize that their citizens have the ability to successfully select from a variety of charities far greater than just five options.

Charitable Donations Choice Studies

Egoistic and Altruistic Donors

Thottam et al. (2024) found that individuals with egoistic, self-centered motives tend to select causes that align with their personal interests, values, or experiences. In contrast, individuals with altruistic motivations tend to prioritize charitable causes that benefit the well-being of others, rather than their own personal or social identity.

It is possible to conjecture that with only five choices of charities available on Maryland's tax check-off that a significant number of potential donors are not being offered the variety of items necessary to appeal to their personal interests, values, or experiences. One could also posit that even those individuals that are

altruistic do not donate to every charity they encounter, but are influenced by choices that appeal to them the most.

More Choices Increase Donation Frequency

Feherova et al. (2022) found that in contexts where people can choose how many recipients to help that increasing the number of recipients that can be selected increases donation frequency.

Lindkvist and Luke (2022) found that offering more charitable organizations to choose from did not negatively affect donation behavior. People can choose between altruistic actions that can help varying numbers of recipients, and this choice can increase the motivation of people to donate. In this study between 2 to 80 choices of charitable organizations were offered to subjects to select from.

Summary of Research Findings:

Charitable donation research indicates that offering more choices of donation recipients increases the frequency of donations.

Choice Overload?

Scheibehenne et al. (2009) conducted a study in which subjects were paid to participate. The subjects were presented with the choice of 5, 40, or 80 charity organizations to donate a portion of their earnings to. Their findings indicated that the only factor related to choice overload was when the subject had to justify their choice of donation in writing. Based on the fact that only choice justification proved to be a factor with the larger donation choice lists the researchers concluded that the effect of choice overload is questionable.

Conclusion

Economics can affect how much people donate. When there is an economic downturn people donate less and are less likely to donate at all.

The seven plus or minus chunk proposed Atkinson-Shiffrin Memory Model does not indicate that people can only make a choice between five charities to donate to. People have access to strategies when making choices and make many complex decisions over their lifetime. Selecting a charity from a tax check-off of more than five items is not a complex situation.

There are egoistic donors and altruistic donors. Egotistic donors are more likely to donate to charities that represent their personal interests, values and experiences. Altruistic donors are more likely to donate to benefit the recipients, rather than their own personal and/or social identity. Only five choices for check-off are unlikely to appeal to a significant number of potential donors, even those that are altruistic.

Charitable Donation Choice studies indicate that more choices result in the increased frequency of donations. Also, that choice overload does not occur when up to 80 charitable organization choices are offered. Choice overload only occurred when people had to explain their donation choice in writing.

There is no proof that more choices led to the drop in revenue across Maryland check-offs in 2010. The economy was slowly recovering from the Great Recession and unemployment was high.

None of the studies cited by CBT either sought, nor found, an optimal number of choices to offer consumers buying jam, selecting a 401K plan, or selecting a charity on a list to donate a \$1.00 to.

There is no evidence supporting CBT's contention that seven check-offs would lead to a further decline in their revenue or that the total amount donated to all causes would drop. As mentioned above in 2010 the economy was struggling toward recovery, so the addition of disabilities cannot be cited as the reason for a 12% decline in revenue from the check-off.

*My review of this research is based on personal experience as an M.A. in Psychology with a focus on cognition processing and research work on treatment decision making in breast cancer patients.

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