

## **EconoFact Chats: On Charitable Giving and Effective Altruism**

**Jonathan Meer, Texas A&M University**

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### **Michael Klein**

I'm Michael Klein, executive editor of EconoFact, a non-partisan, web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at [www.econofact.org](http://www.econofact.org).

### **Michael Klein**

Religions recognize the value of charity. St. Augustine wrote “charity is a virtue which unites us to God.” The Quran recognizes the importance of Sadaqah, the recognized right for the needy and deprived, over our wealth. Similarly, Tzedakah is a core tenet of Judaism. Charity is likewise important in Buddhism, Hinduism, and Sikhism. But the practical question is how much to give and to whom. There's a saying that charity begins at home. On the other hand, the motto of Doctors Without Borders is “leave no one behind”, presumably whether or not they are in your home. More recently, the idea of effective altruism has gained attention. The right way to provide charity is a topic of philosophy, psychology, and political science. And perhaps economics. To consider this angle on charity, I'm very pleased to be speaking with Professor Jonathan Meer of Texas A&M University. Jonathan's research spans many areas of economics, among them charitable giving. Jonathan, welcome back to Econofact Chats.

### **Jonathan Meer**

Thank you, Michael.

### **Michael Klein**

To start off, how big is charitable giving in the United States?

### **Jonathan Meer**

So the latest report that we have, which are estimates for 2023, is about \$550 billion. And that comes from the Giving USA Foundation, which takes the best data that we have on the topic. And that's a little over 2% of GDP, which has been remarkably stable over the last couple of decades. And about two-thirds of that comes from individuals. The rest comes from foundations and corporations, and a decent chunk from bequests, too, so people at the end of their life, or after they've passed.

### **Michael Klein**

How does that compare with the extent of charitable giving in other rich countries, Jonathan?

**Jonathan Meer**

So it's significantly higher, much, much higher. I don't know that any other country exceeds 1% of GDP. If they do, there's not that many of them. And so Americans are really generous. That's sort of been a consistent thing. And there's a lot of interesting hypotheses as to why that is, whether it's the structure of the way that we provide social services, something about the American ethos, or something else altogether.

**Michael Klein**

There are, of course, many types of charitable giving. I can contribute to food kitchens, to medical research, to symphonies, or to my alma mater. What's the breakdown of giving across different categories?

**Jonathan Meer**

So about a quarter goes to religious causes. And that's not necessarily just giving to churches, synagogues, mosques. It can be giving to strongly religiously affiliated charities that are then doing social service work with that money. That's obviously a really hard breakdown to do. And then the next largest causes are health and human services, and education, which are each about between 10 and 15%. Sorry, health is actually broken out separately. Health is maybe another 7% or 8%. The ones that we sort of think of as the splashy headline donations of arts and the environment, and international affairs are actually quite a bit smaller. They're maybe in the 3%, 4% category.

**Michael Klein**

Jonathan, you have an EconoFact memo that includes a discussion of people's charitable giving in the United States by different income categories. Can you recount what you found about the relative contributions to charities across these categories?

**Jonathan Meer**

So I should point out that that memo was written by my co-author, Ben Priddy, on that paper. Ben and I worked on the paper together, but I want to give him all the credit for doing the hard work of getting the memo together, of course.

**Michael Klein**

That's very charitable of you.

**Jonathan Meer**

There you go. So defining generosity is really tough. You could say it's percent of income. You could say, well, do you give or not? You could say, you know, a literal number of dollars. One of the things that we were really interested in was this purported U-shape of giving that low-income households tend to give a really high percent of their income, and then maybe very, very

high-income households also tend to give a fairly high percent of their income. And what we actually found was that was mostly driven by data artifacts in that people with very low income are either in unusual situations, so for example, they might be business owners who, that particular year, their business didn't do as well. And so their income looks lower than it is, or they're older people who have a lot of wealth, but relatively low income. And so when you account for that, you actually find that giving as a percent of income is fairly flat until you get to the very high end, at which point it goes up quite a bit. But the likelihood of giving is much, much higher among the upper levels of income. It's got a very positive gradient with income and with wealth. And of course, the amount given as one would expect goes up quite a bit.

**Michael Klein**

So all of us who make charitable contributions need to decide how much to give and to what charities. And as I mentioned in the introduction, there's been a recent focus on the idea of effective altruism. Can you explain what that is?

**Jonathan Meer**

Sure. So I'm by no means an expert on effective altruism, but it's a movement that's been around for a couple of decades. And it's based heavily on the writings of a number of philosophers, the most prominent of whom is Peter Singer. And there's a lot to like about effective altruism. It's sort of a very economist approach to thinking about charity. And they would essentially describe their tenants as focusing on what's important, what's neglected, and what's tractable, meaning that they are looking for the causes that are really valuable to the world, that other people aren't really working on, and for which money can be really effective.

**Michael Klein**

So let's start off with the important part. I guess this is counter to the idea that charity begins at home, right? Because you're thinking about the world as a whole.

**Jonathan Meer**

Yeah. So that's a great way to describe it. And so people tend to have a focus on local causes. I've got a small amount of research on this topic. And it's not entirely clear why people have that focus. I think there's actually a lot more to unpack there in terms of the research. But one of the key tenets to this is, again, is based of the work of Peter Singer, which is that human life matters no matter where it is. And so the life of someone across the world is just as important as the life of your neighbor. To the extreme, some proponents of effective altruism would say that the life of a stranger on the other side of the world is just as important as the life of one of your family members. And so that these people should be treated equally in terms of how you think about the good that your money can do.

**Michael Klein**

So I have to admit to not following this, in that I give to charities that are closer to home and closer to my interests. And I have a very good friend who's a philosopher and he focuses on ethics. He talks about concentric circles of interest. I guess that doesn't really square with Singer's approach, does it?

**Jonathan Meer**

No, not really. So most of us, in fact, focus on local causes for, as I mentioned, a variety of reasons. But the idea of effective altruism really is to say, how effectively can we save lives? Their argument, and I think that they muster quite a lot of evidence in favor of this, is that it's much easier to save lives in extremely poor countries than it is to do so in relatively wealthy countries. One of the examples that's commonly given is that the cost to training a seeing eye dog for someone in the United States or another wealthy country could potentially prevent blindness in hundreds if not thousands of people in Sub-Saharan Africa.

**Michael Klein**

I guess this is also linked to the idea of neglect that you mentioned is another tenet of effective altruism.

**Jonathan Meer**

Yes. So they want to focus on the causes that don't have a lot of people working on them, partly because that is, or rather in large part, because that is where they believe that one can make the most impact. That one's contribution could do the best that it can in those places.

**Michael Klein**

So I'd like to also focus on this idea of tractable. One meaning of effective altruism is that data is brought to bear on charitable giving. And as economists, I guess we can see the value of this. Can you discuss the idea of quantifying the efficacy of charitable giving?

**Jonathan Meer**

Yes. So this is really a key part of effective altruism. And this is where there are a lot of things to like, but also some quibbles to have. So the idea is that they want to, or not all of them, but in general, they focus on a metric of lives saved or lives improved with the necessity of having to make some assumptions about how one measures those things. And so they would look at different interventions, generally health interventions and say, intervention A is expected to save someone's life for an expected value of \$8,000, and this other intervention is expected to do so for \$15,000. And so we should put our resources towards the \$8,000 intervention rather than the \$15,000 intervention.

**Michael Klein**

There are some problems with this as well. For example, some things don't lend themselves to quantification. So there is the issue of focusing only on what you can count. And all of us who have spent years doing empirical analysis know there are many ways to look at the data. What about the critiques of efforts to quantify charitable choices?

**Jonathan Meer**

So actually, I'll point to one of the internal debates within effective altruism is kind of highlighting this point. And this is reductive, but I think instructive to see how they think. So there are some folks in the effective altruism movement who look at the world the way I just described it, which is to say that they are looking for the lowest-cost interventions to help people right now. And there's other people who look at that and say, 'well, that's great, but what about existential threats?' Whether it is asteroid prevention or pandemic prevention. Or a lot of people are quite worried about artificial intelligence. And they'll say 'look like save all the lives you want today, but if in 50 years, the world is destroyed, then all of those lives and all of the future lives that would have been are now lost.'

And so I think this gets to the heart of the difficulty with effective altruism, which is that it is based off of assumptions about a social welfare function. It's based off of ideas about what is most important. And those ideas are what we economists would call normative, they're based off of norms and values. And at the end of the day, we economists have no special claim to telling people the way the world should work. And philosophers argue about this sort of thing all the time. Effective altruism has strong assumptions about the way the world should work at its core and reasonable people can disagree about those things.

**Michael Klein**

I guess one issue that economists think about is what we call a discount rate. How much do we value what's going on now to what will happen in the future? And this is related to effective altruism in that do you think of future generations as having the same weight in what you consider as you do people today? So there are problems with that as well. For example, we don't know what the future is going to look like in terms of technology or opportunities. And if we defer doing things today for the future, it might be that in the future some of these problems are moot.

**Jonathan Meer**

Right. Or there are other problems that we can't even envision right now. And there are some creative people out there who are doing their best to try to help prevent those things. There are others who argue that growth is really the most effective charity that one could have. And that when you look at the amazing reductions in the deepest poverty across the world over the last two or three decades, it's come, you know, not from charity, but from more effective trade, better

institutions at the government level. And that may be the most effective way to help the broad swath of low-income people around the world.

**Michael Klein**

So Jonathan, should I not give any money to public radio or the symphony or to museums? Because those aren't directly saving people's lives.

**Jonathan Meer**

So an effective altruist would tell you, take all that money, plus everything that you spend on anything that is not really necessary for your survival. You should live as frugally as possible. And to their credit, there are a lot of effective altruists who really do live that. They live as frugally as they can and they donate the rest of their money to saving lives. So that's what they would tell you. The question is, you know, if you don't give to the symphony, are you going to donate that money for malaria bed nets or deworming initiatives? Or are you going to spend it on something else? And that's again a difficult thing. So I would argue that some charity is better than no charity. And so it really does depend on what you might do with the money otherwise.

**Michael Klein**

Another critique of effective altruism is that it's not looking at any kind of systemic changes. It's only saying, well, this is a situation today, and let's provide, I don't know, mosquito netting today, rather than, you know, think about a more systemic kind of change that would help poverty-stricken people. How do you respond to that?

**Jonathan Meer**

And again, I'm only describing what I would say. And I think that this is the pushback that one gets when people say, you know, why would you give \$100 million to a university that's already very well off? Well, if that's funding, for example, research into malaria prevention, that \$100 million donation may save far more lives funding malaria prevention research than it would if it was funding bed nets. And unfortunately, we don't know. And we'd have to make assumptions, not just as you described about the discount rate with which we count future generations, but also the likelihood of success. And, you know, again, those questions of how effective those funds are likely to be. I think these are really, really hard questions. I think that they are great for philosophical discussions. And I resist the temptation to impose a bunch of numbers on them because those numbers are mostly coming from one's feelings about what is important, what's effective, and what's the best way to help the world.

**Michael Klein**

Going back to the idea of systemic changes, but also what you stated at the very beginning, a broader issue is the role of charity versus the role of government. It used to be the case that there was virtually no government support for the poor or the disabled. So it fell to private charities to

provide alms houses or hospitals. But in the more modern post-great depression era, there is a governmental role as perceived for support of the poor, for the disabled, but also for sciences and the arts. The United States supports the arts much less than other countries, there's probably less support for the poor than in other countries. How do we decide what should be done by the government and what should be done by private charities?

### **Jonathan Meer**

So I would push back on the idea that the government does less for the poor than a lot of other wealthy countries. I actually think if you look at the numbers, for the very poor, the US government at the state and federal level actually transfers quite a bit. I think we do so very ineffectively in a lot of ways. I think that it could be smoothed out quite a bit. We do a lot less for sort of lower middle class and middle class than other countries do, which I think colors some of that perception. More broadly though, I would say this is again a normative question, and it's going to be driven heavily by values.

One of the arguments that's been made and investigated by a number of economists over the last half century is a question of crowding out, which is if the government takes on a role, does that lead private contributions to go down? Because people kind of look at it and say, well, the government's doing this thing now, so I don't have to do it. Or it can even lead to charities saying, well, we're now getting a grant from the government to provide these services. We no longer need to fundraise as much. So the question is, if the government spends a dollar, does net spending on that cause go up by a dollar, by less than a dollar, potentially by zero if you have a complete crowd out where private individuals pull back their donations completely? And that's an open field of inquiry at the moment.

From my perspective, I would say there are advantages to charities, and that they can be more responsive in a lot of ways to the government. I think the primary disadvantage to charities is that their works can be very unevenly distributed. And if we're thinking about a safety net, we maybe perhaps want a uniform safety net where you know whether you're in Alabama, Alaska, or Wyoming, that the government provides these services to people who have fallen on hard times in the sense of social insurance. But again, reasonable people can disagree on the extent to which they want that particular service provided by charities or by the government.

### **Michael Klein**

So, Jonathan, I'll conclude with a personal question. You've thought about this a lot. How do you decide how much to give and to whom?

**Jonathan Meer**

Well, so I think that I could give more. And I do try to push most of my giving to places where it is likely to have a large impact. I do follow many of the recommendations made by GiveWell, which is an organization run by the effective altruism movement, which does this kind of very in-depth analysis of charities' effectiveness. And they, you know, again, really have this economics-driven approach to things where they might say, look, this charity got a huge influx of funds in the past few years, and they're still kind of working through how to use it. So we want to target our donations somewhere else. So a lot of my charity does go through that, responding to crises, whether it's in Ukraine, or from a natural disaster somewhere in the world, and then setting up steady giving so that it's not just, you know, whatever's on my mind at that particular time. And then giving to causes that are local and important to me, I really do view more as consumption than as charity, even if, you know, for tax purposes, it counts as charity. But, you know, I really do try to think about what is the good that my money can do, and then can I do more of it?

**Michael Klein**

Well, I think those are some good precepts, good rules to follow, or things to think about as we want to make the world a better place, and we do so through our charitable giving. So, Jonathan, thank you very much for joining me today and discussing this important topic.

**Jonathan Meer**

It's always a pleasure to see you, Michael.

**Michael Klein**

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