
Shallow Review of Pledges



A pledge is a form of commitment that makes one more likely to complete an action. The type of pledge considered in this report is a pledge to donate to effective charities. Only 3 styles of this pledge are considered in detail because these specific styles have been judged as most promising by their expected fundraising returns. These 3 styles are; the GWWC model, TLYCS model and a targeted pledge at those involved with promising start-ups. Bear in mind that if there is some other audience that appears to be a good fit for pledges, then they should also be shallowly reviewed after being properly identified. For instance, it is worth noting that the Giving Pledge has had 137 billionaires pledge to give most of their wealth to philanthropic causes [1].

The main benefit of a pledge is a donation commitment. This allows for a more credible model for future impact. GWWC lists community and publicity as two more benefits of pledging [2]. It's much harder to quantify these latter two benefits, so they have been excluded from this analysis. The limited available information directly relating to pledges in scientific literature suggests that charities can also considerably boost donations by allowing donors to pre-commit to future donations [3].

The use of pledges for future donation among other nonprofits is rare. It should be noted that recurring donations haven't been classified as pledges. Other nonprofits use pledges to maintain engagement, raise awareness, or as a pathway for petition signing rather than as a commitment to donate. This view of pledging within other nonprofits is based on brief internet research and the relevant knowledge and experience that CS staff have accumulated.

Pledges to donate to effective charities typically require the pledger to donate a percentage of their future income. Pledges are very common in EA orgs with a focus on fundraising for effective charities. For example, REG has 150 pledges to donate at least 2% of winnings [4], TLYCS has a differentiated pledge totalling 18,000 pledges [5] with average pledge of ~5% [6], GWWC has 1100 pledges at a similar level of differentiation [7] but with average pledge of ~11% [8], and EA hub lists 330 individuals' pledges for future donations [9]. Note that there is significant overlap within these mentioned pledge lists with the exception of with REG.

A pledge to donate to effective charities involves 2 key functions; expected value of the pledge and the money invested to gain it. Furthermore, there are several variables of the pledge itself that will affect these functions including pledge amount and where the money is donated to. Assuming an average pledge of 10% of future income, a mean income of \$37,750 [10], and time discounts of 3.5% per year, we can determine an average total pledge amount of ~\$96,000. This amount then has to be heavily adjusted to incorporate both the extent to which pledges will be honoured and the donations to top charities that would have occurred anyway. My very subjective estimate is that the extent to which people honour their pledges averages 25%, as in a pledge will be honoured for 10 out of 40 years. This is due primarily to value drift of a pledger somewhat akin to vegetarian recidivism. I acknowledge that there is limited data to base claims on this matter upon, but GWWC lists the current attrition rate at 5% and I think it's fair to assume that this rate will only increase. The extent to which people will honour their pledges will be much better answered after the passing of a decade or two. Obviously, this injects a lot of uncertainty into the expected value calculations. Relating to counterfactuals, GWWC data suggests that approximately 50% of the donations to top charities made under the pledge would have occurred in the absence of a pledge. This is based only on self-assessments made during the GWWC pledge sign up process. My prior suggests that it is very likely that that this percentage is higher, and so it has been updated to 60%. This brings the expected value of a pledge to ~\$12,000. An additional counterfactual should be added, predicting that only 5% of CS pledgers wouldn't have made a pledge of similar value elsewhere. This stems from my opinion that there is, and will continue for some time to be, significant overlap in audience between the different EA organisations.

My subjective sense is that after accounting for this last counterfactual, the fundraising returns in this area would be low, and therefore my view is that this area is not a promising one. All these factors bring the mean expected value of a 10% pledge to \$600. Note that this estimate is significantly lower than GWWC's estimates of the expected value of a pledge that are between between \$17,000 and \$27,000 [11] [12]. It is also worth further considering how pursuing this area would affect our relations with GWWC and TLYCS. If our relationships with these organisations is to be negatively affected, then the expected value should be adjusted accordingly.

Regarding the resources spent per pledge, GWWC estimates that anywhere between \$250-\$1000 dollars is spent acquiring a new member [13]. One problem with these estimates, clearly outlined in Nick Beckstead’s review, is that it is very unclear to what extent the new pledges are a result of the activities of GWWC’s staff, rather than organic growth [14]. This makes it particularly hard to estimate what the marginal cost per member recruited would be. My own best guess for resources spent per pledge under the GWWC model, which would account only for staff time and is based largely on GWWC’s figures, would be 20-60 hours per pledge acquired, equating to \$400-\$1200. These resources would be spent mainly on contacting prospective pledgers over social media or skype. In addition, we may also experiment with press releases or plan and execute events that would encourage pledges. These methods could be further complemented by optimising adwords for pledges or completing AB testing in Google Analytics. It is worth noting that these listed techniques could also apply to encouraging large one off/recurring donations. It is likely that this amount of resources spent per pledge would make expected fundraising returns much too small to be viable.

In contrast, TLYCS indicated that it spent months of time to establish the pledge, but that today it runs on ‘autopilot’, and no time is spent acquiring pledges [15]. If we were to use a similar model to TLYCS, wherein apart from establishment time, next to no resources are spent attempting to acquire pledges, then this will certainly make the mean resources spent per pledge significantly lower. In this model, mean resources spent per pledge will involve establishment time of pledge interface, additional specific material sent out to those who have taken the pledge and occasionally putting in time to improve the pledge interface. This means that the cost per member will greatly decrease after the establishment period, when the pledge has reached the ‘autopilot’ stage. The best time per \$ ratio will likely come through this method, and would be achieved after a time intensive establishment period. Following that, only relatively few staff hours would be required to reach the best time per dollar ratio. My estimates are that a pledge would be established in 20-70 hours and that one in 10,000 visitors to our website would take the pledge, pledging on average 5% of their future income. Keeping all other variables the same as the GWWC estimate gives the following values.

Style	Expected Value of Pledge	Resources Spend per Pledge (over months)	Fundraising Returns (over months)
GWWC	Low: \$40 Mean: \$410 High: \$3700	Low: \$400 Mean: \$800 High: \$1200	Low: 0.03 High: 0.5 High: 9
TLYCS	Low: \$20 Mean: \$205 High: \$1850	Low: \$67 Mean: \$150 High: \$220	Low: 0.09 Mean: 1.4 High: 28

Experiments with these types of pledges are moderately difficult because of small sample sizes with large variance and possible risks related to brand damage. It may be useful to gauge demand for a pledge and garner specific feedback about amounts, wording and layout on effective altruist forums or to gather data by looking at dedicated people on the EA Donation Registry. One could also experiment with pledge values, page layout and pledge wording by doing AB testing. The demandingness (% income or time) and broadness of the pledge are going to be the main factors affecting the total number of pledges. There has been limited research into optimising these factors and, as such, there is no conclusive evidence as to whether it is better to have a fixed pledge or one that donors can set themselves. There is also no conclusive data for what the optimal % of the fixed pledge should be. As mentioned before, there is also a lack of data concerning whether people will honour their pledges as they grow older. These gaps in information would require significant amounts of time to fill, and some data may only become available in a few years. It is also possible that predicting 19/20 of those who take the new pledge would have taken a similar pledge elsewhere may be too pessimistic.

Pledges targeted at promising start-ups are rare; only one pledge exists that targets this group and it doesn't involve donations to top charities [16]. Note that a promising start-up here is broadly defined as one that has been taken on by a business incubator. There seems to be some demand for this type of pledge, as after approximately 2 years, 53 members of start-ups pledged under the founder's pledge, which donates ~2% of revenue to charities [17].

The two main functions here are going to be the expected value of each pledge received and the resources spent on it. Drawing on the relevant data to allow for the failure rate of start-ups to be ~90% [18], mean revenue to be ~\$250,000 - \$2,000,000 [19] [20] and a 1% pledge of future revenue. Combined with estimating time commitments to be 80-240 hours per pledge plus 180-720 hours to establish the pledge and that we acquire between .1 and 1.5 pledges per month that are honoured for 5 years.

Expected Value of the Pledge	Resources Spent per Pledge	Fundraising Returns
Low: \$5000 Mean: \$26,000 High: \$40,000	Low: \$15,000 Mean: \$18,000 High: \$27,000	Low: 0.18 Mean: 1.4 High: 2.7

Importantly, the expected value of this pledge has assumed a counterfactual of zero donations. These estimates are quite raw at this stage, and correspondence from REG or The Founders Pledge would help refine them. As such, these figures should be treated more as general ballpark numbers than precise predictions, as a lot of guesswork and assumptions were made to find them. I am much more confident in the accuracy of fundraising returns for a GWWC or TLYCS style pledge than with a for-profit start-up pledge.

My subjective sense is that it will be very challenging to do these types of pledges remotely, and that we would probably need a greater presence in a start-up hub for this style of pledge to have high fundraising returns. That being said, if we do possess connections to people with high levels of involvement in start-ups, then this may be a promising area to pursue. The high expected value of a pledge and the decent counterfactuals make for competitive fundraising returns, but there is currently a lot of uncertainty involved in the estimated fundraising returns for this method.

At this stage, I wouldn't suggest any experiments in this area because the time commitments involved would likely be excessive. Instead, since there are large uncertainties in the estimates around start-up pledges, I suggest further research as a priority over experimentation to determine whether this concept does have competitive fundraising returns. This research could focus on how much revenue a 1% pledge would produce annually, and for how long a start-up would honour this pledge. The research could also better gauge the probability that a start-up would take this type of pledge. I feel that the best avenue for answers to these still fairly preliminary questions would be through discussions with existing contacts who have experience in for-profit start-ups. My intuition is that establishing the relevant relationships and finding the information required to successfully follow this path would be so time consuming that it would compensate for the large expected value of start-up pledges, and result in modest fundraising returns.

References

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