

Daniels Fund Ethics Fellowship Summary 2020-21 Gabel Taggart, University of Wyoming

Summary

For my Daniel's Fund Ethics Fellowship, I ran Giving Games in two of my graduate MPA classes (a total of 27 unique students). A Giving Game is a classroom activity in which students are instructed on perspectives and philosophies of philanthropy then presented real money and set of nonprofit organizations to which to donate the money. The students then analyze and discuss the merits of the nonprofits against the philanthropic perspectives they learned and decide how to allocate the money. I also ran pre-Giving Game and post-Giving Game surveys to understand the how participants prioritize different normative considerations in their giving and how those changed as a result of participating in the Giving Game.

I've pasted below the outcomes of the surveys.

Survey question: "You are choosing which charity to donate 1,000 USD to, rate these considerations in order of which is most important to you. (1) is most important and (6) the least. You can drag and drop."

Normative Basis	Consideration for Giving	Pre-test Average Ranking	Post-test Average Ranking	Change in Average Ranking
C	<i>Supported by evidence on the effectiveness of its work</i>	2.00	2.58	↓
C	<i>Having a high positive impact per dollar donated</i>	2.84	2.63	↑
D	<i>Transparency with its finances and governance procedures</i>	3.32	2.74	↑
D	<i>Ratio of dollars spent on programs vs overhead</i>	4.84	4.05	↑**
VE	<i>Evidence about the purity of their motivations</i>	3.53	4.32	↓**
VE	<i>Having honest and hardworking people working there</i>	4.47	4.68	↓

Key: C Consequentialism
D Deontological
VE Virtue Ethics
↑ Became More Important
↓ Became Less Important

* Change was significant at the $p < .01$ level
** Change was significant at the $p < .05$ level
*** Change was significant at the $p < .10$ level

Pedagogy:

I teach my students that, in general, there are three ways to evaluate nonprofit organizations which are based on three theories of normative ethics. The below slide summarizes these three approaches:

Three Ways to Evaluate Nonprofits Based on Theories of Normative Ethics

- **Consequentialism**: evaluates *outcomes* or impacts of actions
 - Cost-effectiveness, number of products or services produced per dollar, causality of interventions
 - GiveWell, randomized control trials of philanthropic interventions
- **Deontological**: evaluates *actions* or the 'oughtness' of actions
 - Daniel's Fund Ethics Initiative Principles (honesty, trust, accountability, transparency, fairness, respect, rule of law, viability)
 - Charity Navigator's financial metrics such as overhead ratio
- **Virtue Ethics**: evaluates virtues of the *actor(s)* and/or the organization itself
 - capacity, experience, character traits, motivations
 - network studies of collective impact groups

I then go into a discussion about contract failure theory. Contract failure theory occurs in situations where purchasers do not have enough information to accurately evaluate their purchases thus introducing an exploitive incentive for sellers. When purchasers anticipate this in advance, they will refuse to enter into such a contract (i.e., contract failure). The non-distribution or nonprofit constraint inherent in nonprofit organizations partially removes the exploitive incentive for sellers and so purchasers are more willing to purchase from nonprofit sellers of certain goods and services that are hard to evaluate. The result of contract failure theory is that many nonprofit organizations are hard to evaluate on outcomes or impact (they may be designated nonprofits precisely for this reason).

The important insight from contract failure theory for nonprofit evaluation is that when nonprofits are difficult to evaluate on outcomes or impact, then donors and stakeholders must rely even more on a deontological and virtue ethical approaches that evaluate the processes, principles, character, and values of the potential recipient organization - this is where DFEI Principles come in.

In the second part of this discussion, I challenge the students to take ownership and incorporate DFEI principles into their life and philanthropic decision making in addition to requiring it of the recipient nonprofits. I talk about the potential long-term outcomes of being honest, trustworthy, accountable, transparent, fair, respectful, and lawful when making philanthropic decisions and the downsides of compromising on those principles both for themselves but also for civil society. A key insight here is that a healthy civil society itself is a central goal in philanthropic giving and so regardless of which nonprofit organizations "win" everyone is better off if we have a principled approach to giving and strong civil society institutions. I end by having a discussion

about the balance between evaluating nonprofits on outcomes/impact and evaluating nonprofits on their adherence to principles like the DFEI.