Who Donates More – Rich in Heart or Rich in Pocket? The Relationship between Objective and Subjective Wealth on Donation-giving

This research presents new findings on the relationship between wealth and donation giving. While it is trivial to assume that those who have more – donate more, past research showed that this is not always the case. In this research I show how subjective perceptions of wealth interacts with objective wealth to influence charitable giving. Subjectively feeling wealthy encourages more charitable giving especially among objectively wealthier givers. I demonstrate this relationship in two experiments where I measure objective wealth and manipulate subjective wealth. These findings shed light on the importance of feeling rich in the decision to donate and show that this feeling can vary regardless of how rich one actually is. The implications of these findings to donation raising efforts are discussed.

Michael Leshem and Sivan Frenkel

In a market-based economy, an important role of the financial system is to match lenders and borrowers. Banks serve as financial intermediaries by issuing short-term obligations (deposits) to fund longer-term investments (loans). This maturity mismatch makes them vulnerable to unexpected large withdrawals. In this paper we review the theoretical and empirical literature on bank stability. We first analyze the vulnerability of a single bank to panics and bank runs, and explain why runs are more likely to occur at times of economic slowdown. We discuss the role of short-term debt, such as repo, in bank runs, and explain its role in the 2008 financial crisis and, in particular, in the fall of “Lehmann Brothers”. Finally, we zoom-out and consider the banking system as a whole, and explain why liquidity crises tend to be correlated, and therefore pose a systemic risk.