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Towards a thriving society

How donors and investors can drive positive change

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Publication date

2023

Document Version

Final published version

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Citation for published version (APA):

Smeets, P. (2023). *Towards a thriving society: How donors and investors can drive positive change*.

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Towards a Thriving Society

How Donors and Investors Can Drive Positive Change

Inaugural Lecture Prof dr. Paul Smeets

University of Amsterdam, Amsterdam Business School

November 10, 2023

Mijnheer de Rector Magnificus,

Mijnheer de decaan,

Geachte toehoorders / dames en heren,

Wat fijn dat jullie er allemaal zijn. "Towards a Thriving Society: How Donors and Investors Can Drive Positive Change", dat is de titel van mijn oratie. Of in het Nederlands: "Op weg naar een bloeiende samenleving: hoe donateurs en investeerders positieve verandering kunnen stimuleren." Ik zal deze lezing vervolgen in het Engels en kom straks nog even bij u terug in het Nederlands.

Picture a firefighter. Let's name him Firefighter Tom. He's just heroically saved a young child from a blazing inferno. Put yourself in his shoes for a moment. Can you feel the surge of pride, the overwhelming sense of accomplishment? You too have the potential to be a hero, much like Firefighter Tom. In just twenty minutes, I'll share with you how you can make a monumental positive impact, year after year, just like he does.

You might not view yourself as a hero right now. Our world constantly feeds us tales of wars, the nitrogen crisis, climate upheaval, and the dilemma of affordable housing. With every news alert or headline, a fresh crisis seems to be knocking on our door. Society may even make you feel guilty for boarding a flight, purchasing a new piece of clothing, or opting for non-organic produce at the grocery store. It's all too easy to be overwhelmed, to feel despondent, and to believe the world is on the brink of collapse. Such emotions can lead to inaction, making us indifferent to the world's challenges. Amidst this gloom, the incredible strides humanity has made can be obscured.

However, let's shift our perspective: Since 1990, over a billion individuals have ascended from the depths of extreme poverty. This translates to an astounding average of 130,000 people daily who have overcome the threshold of poverty. To bring it closer to home, envision the entire population of Maastricht rising out of conditions where they lived on less than \$1.90 a day - and this transformation happening every single day!

Distribution of population between different poverty thresholds, World, 1990 to 2019
 This data is adjusted for inflation and for differences in the cost of living between countries.

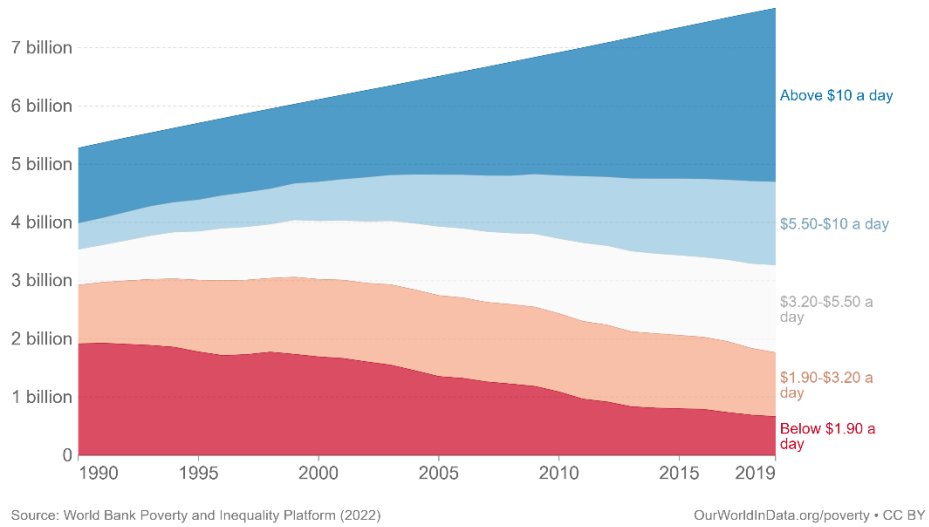


Figure 1: Distribution of population between different poverty thresholds (Source: <https://ourworldindata.org/grapher/distribution-of-population-poverty-thresholds>)

Another beacon of progress is our improved life expectancy. Using the UK as an example, where we have extensive data, life expectancy hovered between 30 to 40 years before the 19th century. If those rates persisted today, I would be nearing the end of my life, and when I look into the audience..... Well, many of you would sadly not be here.

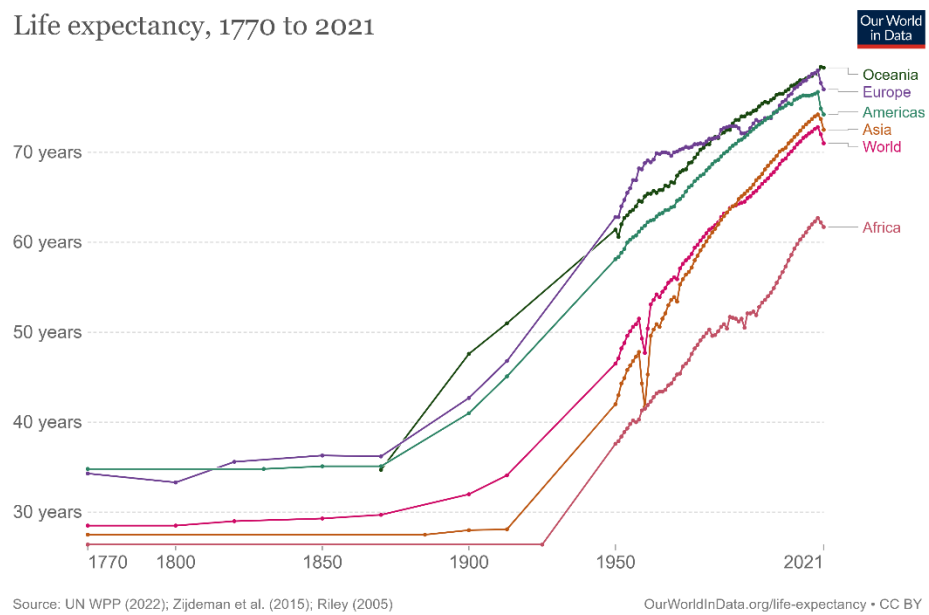


Figure 2: Life expectancy (Source: <https://ourworldindata.org/grapher/life-expectancy>)

Voor degenen onder jullie die Nederlands prefereren: kijk eens goed naar degene links en rechts van u. Zonder de spectaculaire toename in levensverwachting van de afgelopen eeuw zou één op de drie van jullie er niet meer zijn.

Yet, even in the UK – which doesn't top the health charts in Europe – the average life expectancy is 80 years. In another impressive leap, South Korea's life expectancy, which was a mere 23 years just a century ago, now surpasses the UK.

The slight decline observed in 2020 and 2021 can be attributed to the impact of the COVID-19 pandemic. However, the overarching trend is unmistakably upward, even in more recent decades. Notably, in the Netherlands, individuals today live a decade longer than those in the 1950s.

Levensverwachting

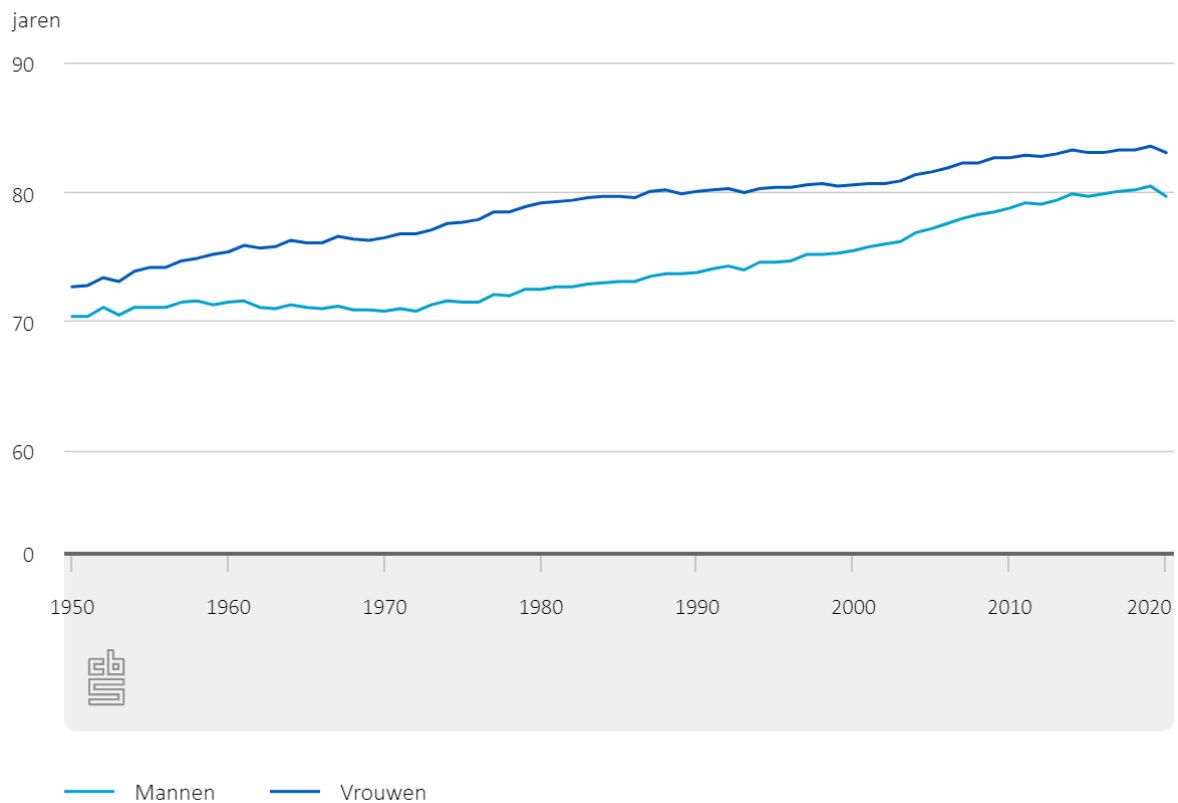


Figure 3: Life expectancy in the Netherlands (Source: <https://longreads.cbs.nl/nederland-in-cijfers-2022/hoe-oud-worden-mensen-in-nederland/>)

At the same time, climate change stands as the defining challenge of our era. Since the turn of the millennium, we've witnessed unprecedented warming, with the five hottest years on record being 2016, 2019, 2020, 2017, and 2018. Many present today, especially those from the southern regions of the Netherlands, can vividly recall the devastating floods that submerged Valkenburg, Maastricht, and neighbouring towns in 2021. The evidence is unambiguous: our planet is heating up, the consequences are dire, and human activities are the primary catalyst. The pressing issue now is: how do we address and rectify this climate crisis?

I'm deeply convinced that through astute policies, mindful investments, and generous donations, we can become the driving force behind transformative change. Every day, my spirits are lifted by the passion and zeal of the remarkable individuals I encounter. Take, for instance, my former Sustainable Finance students who now flourish in their respective careers, each making a meaningful impact in our world. Together, we can create a thriving society!

In my research, I delved into the driving forces that motivate individuals to contribute positively towards a thriving society. However, I also uncovered a significant gap in people's understanding of how best to enact this goodwill. Take investors, for instance. Many lack a comprehensive grasp of sustainable investments and often struggle to translate their noble intentions into tangible impact.

Moving forward, my research team is committed to amplifying the societal impact of both donations and investments, spanning a multitude of research dimensions. Supported by my Vidi grant, from the Dutch Research Council, I'm delving into a critical analysis of how clients perceive sustainable investment impact. I'm keen to identify if there exists a disparity that potentially misaligns client aspirations with the strategies of professional investors in the realm of sustainable investments.

In collaboration with ASR, a Dutch insurance company, my colleagues and I aim to unravel the intricacies of increasing the impact of sustainable finance. This joint venture with ASR falls under the umbrella of the Center for Responsible Investments and Insurance - a distinguished research hub at the University of Amsterdam, where Cees Diks and I serve as co-directors.

In partnership with Doneer Effectief, we conduct field experiments to educate donors about the monumental difference they can make when their donations are guided by rigorous scientific research.

Amsterdam Sustainable Finance Institute

On another front, I'm at the helm of establishing the Amsterdam Sustainable Finance Institute. This institute is envisioned as a nexus for research, education, and meaningful impact in the field of Sustainable Finance. Numerous financial institutions have already pledged their alliance, and I welcome fellow academics and financial institutions to join us.

It's been a source of immense joy to spearhead the creation of both a Sustainable Finance course and an Impact Investing course, and to offer Sustainable Finance executive teaching for a leading Dutch bank.

Back to the research findings. First, I'll share insights from my research on investors' motivations, and then I'll guide you on how to optimize your positive impact.

Let's delve into an intriguing investment experiment I conducted in collaboration with Arno Riedl and Robeco during my PhD tenure at Maastricht University¹. We designed an experiment where participants, armed with real money — a potential of up to 200 euros to be precise — were given a choice. Imagine you're one of them. An email invitation lands in your inbox, asking you to be a part of this academic study. You are directed to an online survey, and upon participating, you are faced with a question: would you prefer to pocket the entire 200 euros or share it with a fellow participant?

Conventional economic theory postulates that most participants would cling to the entirety of the sum, especially given the anonymity and one-off nature of the experiment, eliminating any scope for gaining brownie points on generosity. After all, in such a concealed setting, why share when you can comfortably hoard the whole amount without anyone ever finding out?

¹ Riedl and Smeets (2017) Why do investors hold socially responsible investments? The Journal of Finance.

However, the results painted a different story. A staggering 9 out of 10 participants chose to share a portion of their money, with the predominant chunk opting for an equal split. Evidently, even when actual monetary stakes are on the line, investors manifest a more altruistic disposition than anticipated.

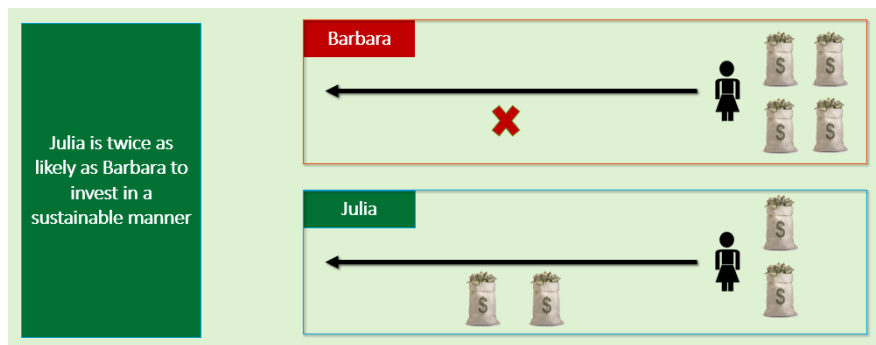
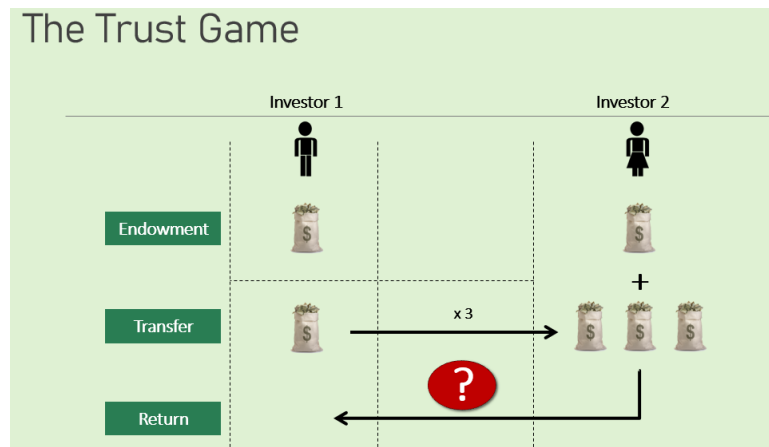


Figure 4: The Trust Game

And here's the clincher: their behaviour in this controlled setting mirrored their real-world investment decisions. Those who were more generous in the experiment exhibited a higher propensity to invest in sustainable investment funds presented by Robeco in the subsequent year. Remarkably, a significant number of these prosocial investors willingly embraced sustainable funds even when faced with elevated fees, and even if they anticipated these funds might financially underperform traditional ones. It seems some investors are givers!

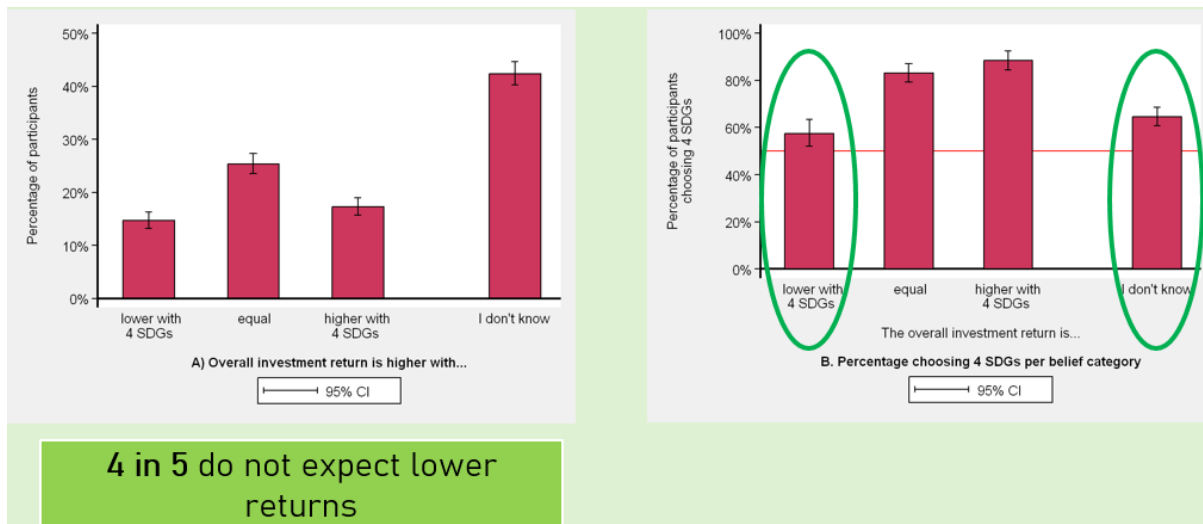


Figure 5: Financial beliefs and support for more sustainable investments (Source: Bauer, Ruof and Smeets, 2021)

In collaboration with Rob Bauer, Tobias Ruof, and Pensioenfonds Detailhandel, we explored whether pension members display the same inclination towards sustainable investments as individual private investors². When presented with a tangible opportunity to influence the direction of their pension fund's investments, a significant two-thirds majority of these pension members voted in favor of more sustainable avenues. Intriguingly, this preference held true even among those who anticipated that sustainable investments might not match the financial performance of conventional options. As a result of this collective decision, Pensioenfonds Detailhandel channelled a remarkable 7.5 billion euros into more sustainable ventures.

Rob Bauer, Emmeline Cooper, Bram van der Kroft, Pensioenfonds Detailhandel and I are currently developing a member assembly in which we will dive deeper into the sustainable investment preferences of pension fund members. We will randomly select a group of pension fund members who will spend three days together to evaluate the sustainable investment policies of their pension fund and make recommendations. Along the way, we present these participants with views and evidence brought forward by leading Sustainable Finance researchers who hold divergent views on the expected returns and impact potential of sustainable investments. This will give the participants a deep insight in the trade-offs surrounding sustainable investing. The board of the pension fund will use the recommendation of the member assembly to further strengthen its sustainable investment policies.

While my initial studies were centred in the Netherlands, one might wonder: Is this proclivity towards generosity unique to Dutch investors, or is it a trait echoed across Europe? To address this, I partnered with Daniel Engler and Gunnar Gutsche to delve into sustainable investment behaviours spanning five European countries.³

² Bauer, Ruof and Smeets (2021) Get real! Investors prefer more sustainable investments. The Review of Financial Studies.

³ Engler, Gutsche and Smeets (2023) Why do investors pay higher fees for sustainable investments? An experiment in five European countries. Working paper.

The outcomes were, to say the least, revealing. Across Germany, France, Poland, Spain, and the Netherlands, there is a pronounced preference for sustainable investments. However, intriguing discrepancies emerge. When sustainable investments have increasing fees, French, Spanish, and Polish investors largely maintain their investment levels. Contrastingly, both German and Dutch investors tend to scale back their sustainable investments when faced with increasing costs.

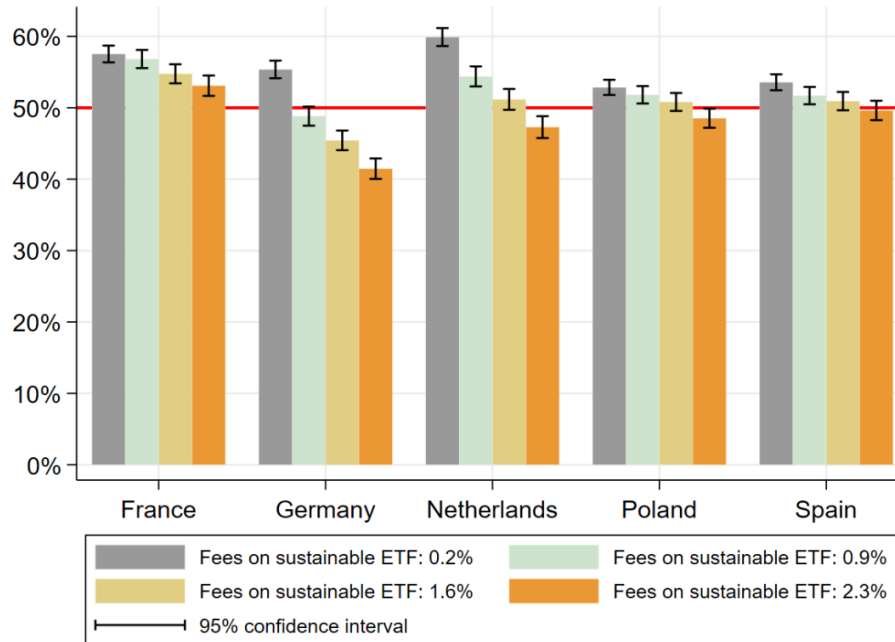


Figure 6: Investments in sustainable ETFs across countries (Source: Engler, Gutsche and Smeets, 2023)

Does this imply a lesser generosity among the Dutch and Germans? Interestingly, the answer is a resounding "No." The research shows that German and Dutch investors have even slightly stronger social preferences compared to their French, Spanish, and Polish counterparts.

The differentiation between these groups lies elsewhere: financial literacy. Through a comprehensive financial literacy quiz administered across the five countries, we uncovered a compelling trend. Investors who ace the quiz, thereby demonstrating strong financial knowledge, are prone to reduce their sustainable investments as fees climb. On the other hand, those who cannot answer any of the financial literacy questions correctly paradoxically increase their commitment to the sustainable product even as its price rises. Consumers who pay more for a television likely expect this product to be of higher quality. Investors with low financial literacy incorrectly expect this same logic to apply to investment funds, whereby they expect mutual funds with higher fees to yield higher net returns.

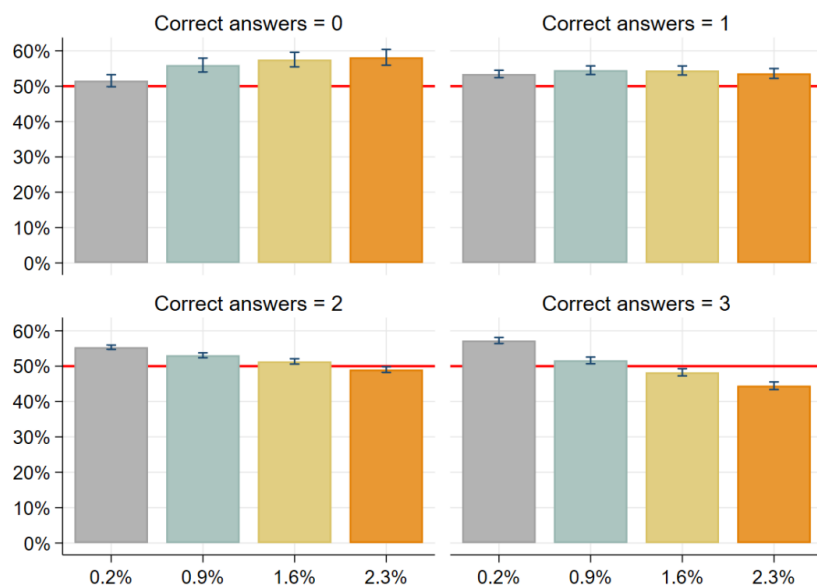


Figure 7: Fee sensitivity across different levels of financial literacy (Source: Engler, Gutsche and Smeets, 2023)

We hebben dus gezien dat een grote groep beleggers en pensioenfondsteelnemers bereid is om financieel rendement in te leveren om duurzaam te beleggen. Maar er zijn ook uitdagingen, omdat veel mensen moeite hebben om beleggingsproducten te begrijpen.

Let's move from investor motivations to you. How can you maximize your positive impact on society? As promised, let's return to Fireman Tom and how you, just like Fireman Tom, can spearhead positive transformation and contribute to the evolution of a thriving society. While the means are manifold, I'd like to emphasize four pivotal roles you can play: as a voter, a worker, an investor, and a donor.

Ik laat jullie nu zien hoe je zelf een positieve impact kan hebben op de samenleving. Dit doe ik aan de hand van jouw rol als kiezer, arbeider, investeerder en donateur.

Voter

Your ballot is a tool that determines the course of policies for the upcoming years. In merely 12 days, citizens in the Netherlands will be making a decision that could reshape the societal landscape. Key instruments like government regulations, tax policies, subsidies, and a robust environment for innovative, impactful start-ups are essential cornerstones for a thriving society.

Central to fostering green growth and societal innovation is the imperative to revamp our tax systems. It's high time we assign a tangible value to pollution and emissions, ensuring that the cost of a product truly mirrors its societal footprint. By doing so, we're not merely slapping a price tag on environmental degradation, but actively incentivizing businesses to pioneer less harmful products.

Cooperation within the European Union is crucial. The European Emissions Trading System (ETS) is the most advanced carbon trading scheme in the world. Initially the emission allowances were not binding enough and the price of carbon was too low. Over time, the overall cap on emissions has been reducing. Consequently, the price of emissions has been rising and the ETS is starting to work.

The Carbon Border Adjustment Mechanism (CBAM) levels the economic playing field by mandating that non-EU companies bear comparable carbon costs to those within the EU for the production of carbon-intensive goods. Should the originating country apply a lower carbon price than that of Europe, companies importing into Europe will have to pay Europe the discrepancy in carbon pricing.

The EU can go further by coordinating on environmental taxes that fully internalize the costs of pollution. However, environmental taxes also come with challenges because they increase the price of many products. There needs to be support for such taxes among citizens. Yet, the silver lining of environmental taxes is that a significant portion of the revenue generated from these taxes can be directly funnelled back to the citizens. Imagine receiving an annual monetary remittance, a tangible dividend of eco-conscious taxation. This could bolster public endorsement, as citizens would directly reap the benefits of these levies.

By increasing taxes on products harmful to the environment, the government can simultaneously reduce labour taxes. This approach enhances the appeal of employment. The Netherlands has the potential to be at the forefront, fostering innovative companies that pioneer new technologies. I'll delve deeper into the significance of these innovative technologies shortly. But first, let's discuss your pivotal role as a worker.

Worker

The trajectory of your career holds immense potential for impact. Consider this: the average career spans roughly 80,000 hours. Here's an uplifting thought: even if you're at the midpoint of your professional journey, a substantial 40,000 hours remain at your disposal.

You have a myriad of avenues to amplify the positive influence through your career.⁴ First, take a moment to evaluate the potential for positive change within your existing role. Are there business practices you could revise to be more sustainable or eco-friendly? Is there room to address more pressing societal issues?

For academics, this is especially pertinent. The problems you address with your research are one of the most important choices to make. A thought-provoking study by Peter Andre and Armin Falk⁵ among more than 10,000 economists reveals that most economic scholars believe that their research should be more policy-relevant. However, economists strongly underestimate how many of their colleagues endorse these views. Economic research can be oriented more towards practical relevance, which colleagues seem to value and would greatly benefit society.

Second, consider initiating a conversation with your employer about joining initiatives like The Social Handshake.⁶ This would enable employees to directly donate to charitable causes via their payroll. It's a simple yet effective way to create impact. More about effective donations later.

Third, consider working for a sustainable company and thereby rewarding this firm with your talent. Research uncovers intriguing insights. For instance, Swedish employees accept salaries that are 9% lower when working at companies renowned for their sustainable practices.⁷ Furthermore, companies championing sustainability not only attract but retain talent more effectively. This is especially true

⁴ <https://effectiefaltruisme.nl/careers/>

⁵ Andre and Falk (2022) What's Worth Knowing? Economists' Opinions about Economics. Working paper.

⁶ <https://thesocialhandshake.nl/>

⁷ Krueger, Metzger and Wu (2023) The sustainability wage gap. Working paper.

among the younger, highly educated workforce who prioritize aligning with purpose-driven organizations. Experimental evidence also shows causal evidence that workers require a premium for a company that is perceived as immoral.⁸

You do not need to change your career overnight. Consider investing time in skill development. Whether it's refining your programming skills, honing your writing craft, or mastering the art of presenting, these skills can exponentially enhance your capability to make a difference.

Additionally, delve into the realm of volunteering. This offers you an easy way to discover new avenues for your career without an overnight overhaul of your career. In countries like the Netherlands, volunteers are the lifeblood of many charitable organizations, making indispensable contributions to societal well-being. Moreover, my research underscores an often overlooked benefit of volunteering: it doesn't just uplift the community, it also brings immense personal joy and satisfaction to you as a volunteer.⁹

Thus far, I've illuminated the roles you can play as a voter and worker. Now, I'll pivot our discussion towards the realms of investing and donating—domains where my research has been most extensive.

Investor

When it comes to championing positive change, the avenues at your disposal are vast. The spectrum spans from traditional investments on one end to philanthropy on the other, with sustainable and impact investments nestled in between. Let's embark on a journey through these impactful pathways.

Conventional Investing

Let's start with conventional investments. Is this pure evil? Consider the drastic increase in life expectancy we saw earlier. And now see how strongly this increase in life expectancy is related to economic growth. With a few exceptions, the graph is almost a 45 degree line in which a higher GDP per capita relates to an increase in life expectancy.¹⁰

⁸ Schneider, Brun and Weber (2020) Sorting and wage premiums in immoral work. Working paper.

⁹ Smeets, Whillans, Norton, Bekkers (2020) – Time Use and Happiness of Millionaires. Social Psychological and Personality Science.

¹⁰ The World in Data (<https://ourworldindata.org/grapher/life-expectancy-vs-gdp-per-capita>)

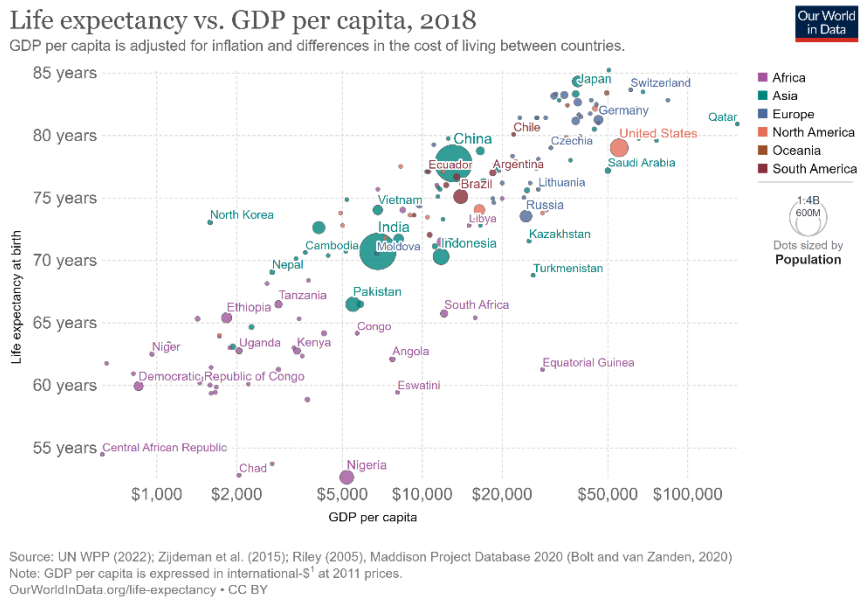


Figure 8: Life expectancy relates to GDP per capita (Source: <https://ourworldindata.org/grapher/life-expectancy-vs-gdp-per-capita>)

So, economic progress is essential if we want to increase global life expectancy, health, and well-being. Economic growth enabled South Korea to improve sanitation and introduced Western medicine in the beginning of the 20th century. Similarly, economic growth has been helping us in the Netherlands. My grandfather worked in the coal mine under tough conditions and my grandmother woke up at dawn daily preparing meals for a large family, and hand-washing mounds of laundry. Only because of economic growth we have modern conveniences like washing machines, elevating the quality of our lives.

Sustainable Investing

While economic growth has brought about numerous benefits, it also presents certain dilemmas. Take, for instance, the tobacco industry's aggressive expansion into developing countries, leading to a surge in addiction rates. This ethical concern prompts many pension funds to exclude tobacco from their investment portfolios. In a similar vein, numerous pension funds, including giants like ABP, are increasingly distancing themselves from fossil fuel investments, recognizing the environmental and social implications of supporting such industries.

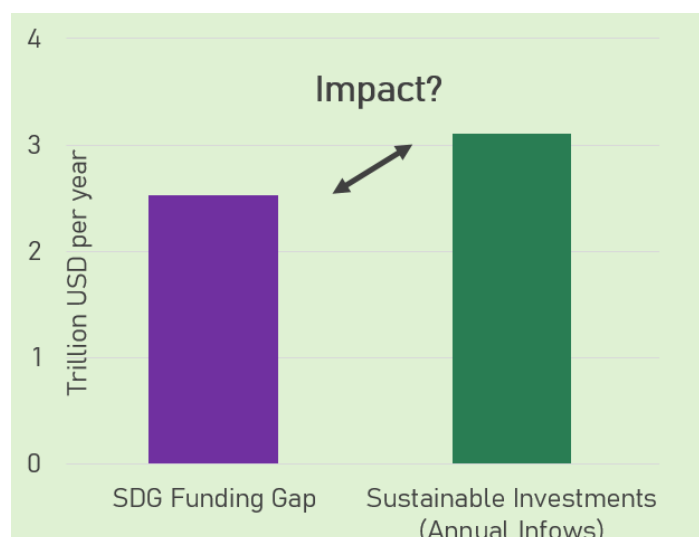


Figure 9: Current approach to sustainable investing might not be creating the desired impact

(Source: Data from UNCTAD 2014, GSIA 2021 (Increase in SI volume 2016-2020, annualized))

But do divestments truly make a difference? To gauge their influence, let's turn our attention to the United Nations Sustainable Development Goals (SDGs). Reflect upon the additional annual investments required to attain these goals. This amounts to 2.5 trillion dollars per year, or 2500 billion.¹¹ Over the past few years, there has been a yearly influx of more than 3 trillion in sustainable investments, with divestment being a primary strategy.¹² However, even with trillions being poured into sustainable investments annually, we're still falling short of achieving the UN Sustainable Development Goals. This underscores a pressing concern: our current approach to sustainable investing might not be creating the desired impact.

If you divest from non-sustainable companies, other investors are ready to take your place, and they might not prioritize sustainability like you do. Research suggests that the impact of divestments on companies' cost of capital is limited.¹³ And if divestments do increase the cost of capital, this might even work counterproductively. Increasing cost of capital makes it more expensive for brown companies to green their business.¹⁴

Moreover, many investors are happy to invest in brown companies. In the United States, several anti-ESG and anti-woke funds¹⁵ exist that are excited to buy divested shares. Even if we assume that divesting has a small positive effect, it's merely reducing harm. Reducing harm alone won't be enough; we need to proactively make positive contributions.

¹¹ <https://unsdg.un.org/resources/unlocking-sdg-financing-findings-early-adopters> Caution that it is hard to estimate these inflows exactly, so I interpret them as an educated guess.

¹² <https://www.gsi-alliance.org/> Caution that it is hard to estimate these inflows exactly, so I interpret them as an educated guess.

¹³ Berk and Van Binsbergen (2021) The Impact of Impact Investing. Working paper.

¹⁴ Hartzmark and Shue (2023) Counterproductive Impact Investing: The impact elasticity of brown and green firms. Working paper.

¹⁵ Republican presidential candidate Vivek Ramaswamy is the cofounder of an "anti-woke" ETF firm in 2022. In 2023 it manages assets worth more than \$1 billion. Moreover, Strive Asset Management launched its first exchange-traded fund (ETF), the U.S. Energy ETF. Strive put engagement ahead of divestment and will use shareholder engagement and proxy voting to impress a non-ESG policy on companies, voting on the most advantageous fossil fuel outcomes.

Impact Investing

Impact investing isn't just about passive support; it's about proactive change.¹⁶ Take Mosa Meat¹⁷ as an example. Founded by Professor Mark Post at Maastricht University, this pioneering company is at the forefront of lab-grown meat development—a sustainable alternative with the potential to drastically reduce emissions and enhance animal welfare. The Netherlands stands out as an ideal hub for alternative protein development. With the world's most advanced agricultural sector, and with Wageningen University at the forefront of this field, it's perfectly positioned for innovation in this domain.

Notable figures, like Leonardo DiCaprio, have recognized the promise of this Dutch company and invested in Mosa Meat, furthering its growth and mission. It's this kind of proactive investment, not just divesting from environmentally harmful companies, that propels truly green innovations forward.

Such impact investment opportunities in private markets are accessible to the likes of DiCaprio, but they seem out of reach for the average retail investor. And we have seen that commercial ESG funds that invest in public markets have little to no impact. So, how can you, too, make a tangible difference with your money?

Effective Donations

You're in a fortunate position with a wealth of meaningful donation opportunities at your disposal. Many charitable causes are backed by scientific evidence, showcasing their immense impact. The Dutch are known for their generosity, donating a commendable 5.7 billion euros annually, with about 86% of the population actively contributing¹⁸. Often, these donations stem from personal emotions and connections to specific causes.

Let's consider a structured approach to make your giving both emotionally resonant and empirically impactful. Think of your donation strategy in terms of three distinct 'buckets':¹⁹

Self-care: This bucket is reserved for your personal financial needs and the well-being of those close to you. Ensuring your security and that of your loved ones is paramount.

Personal Passions: Here, allocate funds to causes or establishments you're personally connected to. Perhaps there's a local museum or theatre you frequent and wish to support.

Evidence-Based Giving: This might be a newer concept for some. It's a bucket dedicated solely to charities proven to be the most effective through rigorous scientific research.

¹⁶ Kolbel, Heeb, Paetzold, and Busch (2020) Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact. Organization & Environment

¹⁷ <https://mosameat.com/>

¹⁸ Bekkers, Gouwenberg, and Schuyt (2020) Geven in Nederland.

¹⁹ Bruers, Stijn (2018) Beter worden in goed doen.

Research findings reveal a notable gap between public perception and the actual effectiveness of charitable organizations. The average person estimates that the most impactful charities deliver approximately 1.5 times the effect of an ordinary charity. Yet global health experts perceive a much larger variability in charity effectiveness within global health (Figure 10). In contrast with laypeople but in line with experts, the data uncovers a great disparity in the effectiveness of charity interventions (Figure 11). Data on global health charities suggests that top-performing charities achieve at least 10 times the impact of their average counterparts within global health, and they can outperform the least effective charities by several hundredfold. Furthermore, it's important to recognize that the least effective charities have the potential to cause harm rather than benefit.^{20 21}

How much do charities differ in terms of cost-effectiveness?

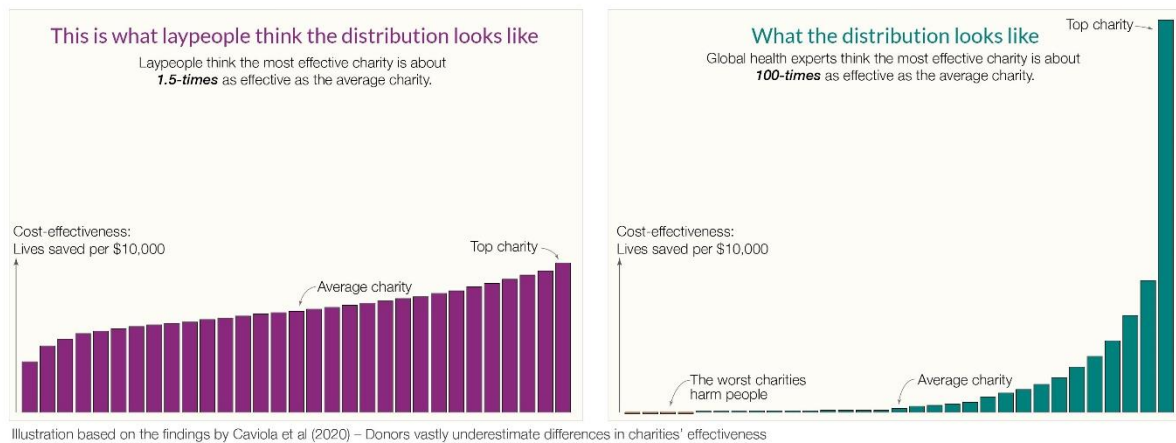


Figure 10: What laypeople vs. experts think the distribution of charity effectiveness looks like (Source: based on Caviola, Schubert, Teperman, Moss, Greenberg, and Faber, 2020)

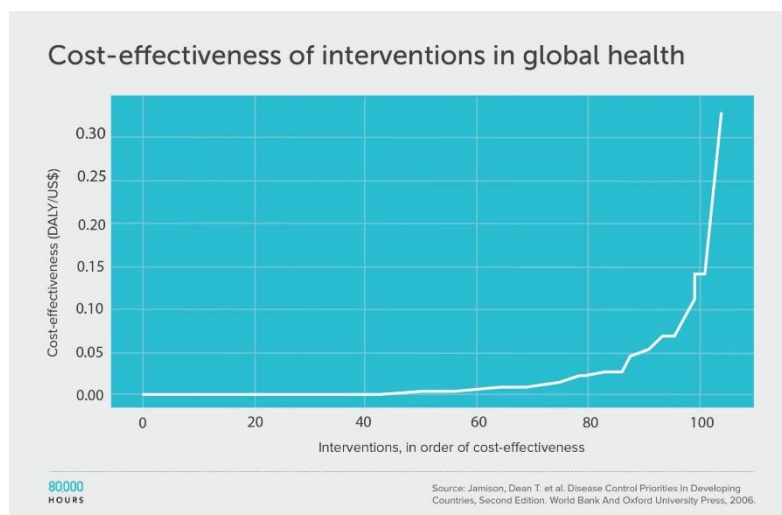


Figure 11: Cost-effectiveness of interventions in global health (Source: <https://80000hours.org/2023/02/how-much-do-solutions-differ-in-effectiveness/>)

²⁰ Giving What We Can - Comparing charities: How big is the difference?

<https://www.givingwhatwecan.org/en-US/charity-comparisons?slug=charity-comparisons>

²¹ 80,000 Hours – <https://80000hours.org/2023/02/how-much-do-solutions-differ-in-effectiveness/>

A prime example of a high-impact project: 250,000 children face blindness annually due to Vitamin A deficiency. While foods like eggs, spinach, and carrots provide this essential nutrient, they're often scarce in developing countries. Remarkably, with a mere 2.50 euro donation, Helen Keller International can supply Vitamin A supplements, shielding a child from blindness for an entire year.²²

Je kunt dus over jouw uitgaves nadenken aan de hand van drie potjes. Een potje voor uitgaves voor jezelf, een potje voor goede doelen waar je betrokkenheid bij voelt en een potje met alleen bewezen effectieve goede doelen.

By balancing emotional connections with evidence-driven results, you can ensure your contributions create the most significant ripple of positive change. Various independent evaluators guide your charitable donations towards achieving the greatest impact. They ground their recommendations in rigorous scientific research. For instance, GiveWell²³ dedicates over 40,000 hours annually to identifying top-performing charities in healthcare and well-being. Meanwhile, Animal Charity Evaluators highlight organizations making significant strides in enhancing animal welfare and advancing the food transition.

Founders Pledge and Giving Green recommend the most impactful climate charities. Hereby it is important that we achieve systematic large-scale solutions. Research has shown that it is not sufficient trying to nudge individuals to behave greener²⁴. This does not work well enough, and the potential effects are far too small to achieve climate goals. Instead, Founders Pledge and Giving Green focus on policy change and innovation. Innovations in the spirit of the lab-grown burger of Mark Post at Maastricht University. It is important that governments change their regulations and taxes to promote climate friendly solutions. With the right incentives, companies can be innovative in coming up with more energy efficient solutions and new technologies. You can support charities that stimulate the development of new technologies that will be essential in achieving climate neutrality.

Let's consider proactive measures you can adopt to make a positive impact on the climate, as illustrated in Figure 12. While choosing a green lifestyle is commendable, the cumulative effect is often overshadowed by the potential impact of supporting effective climate charities. Researchers estimated that living car-free averts 2.4 tonnes of CO₂, avoiding a transatlantic flight saves 1.6 tonnes of CO₂, and switching to a plant-based diet averts 0.4 tonnes of CO₂. Compare this to the estimated effect of donating 1000 euros to effective climate charities, which could save a staggering 100 tonnes of CO₂.²⁵ Effective climate donations can thereby be at least 10 times more impactful than lifestyle changes.

²² <https://helenkellerintl.org/combating-vitamin-a-deficiencies/>

²³ <https://www.givewell.org/> ; <https://animalcharityevaluators.org/> ; <https://www.founderspledge.com/> ; <https://www.givinggreen.earth/> ; <https://doneereffectief.nl/>

²⁴ Loewenstein and Chater (2017) Putting nudges in perspective. Behavioural Public Policy.

²⁵ <https://www.founderspledge.com/research/climate-and-lifestyle-report>

Donations shouldn't be viewed merely to offset or excuse one's personal carbon footprint, especially when leading a high-emission lifestyle. Indeed, when channelled to effective climate charities, your contributions can go beyond merely balancing out your own emissions. They can catalyse broader change, support ground-breaking research, and foster initiatives that have a ripple effect, creating a far-reaching positive impact on the environment. It's about amplifying positive change, not just counteracting personal impacts.

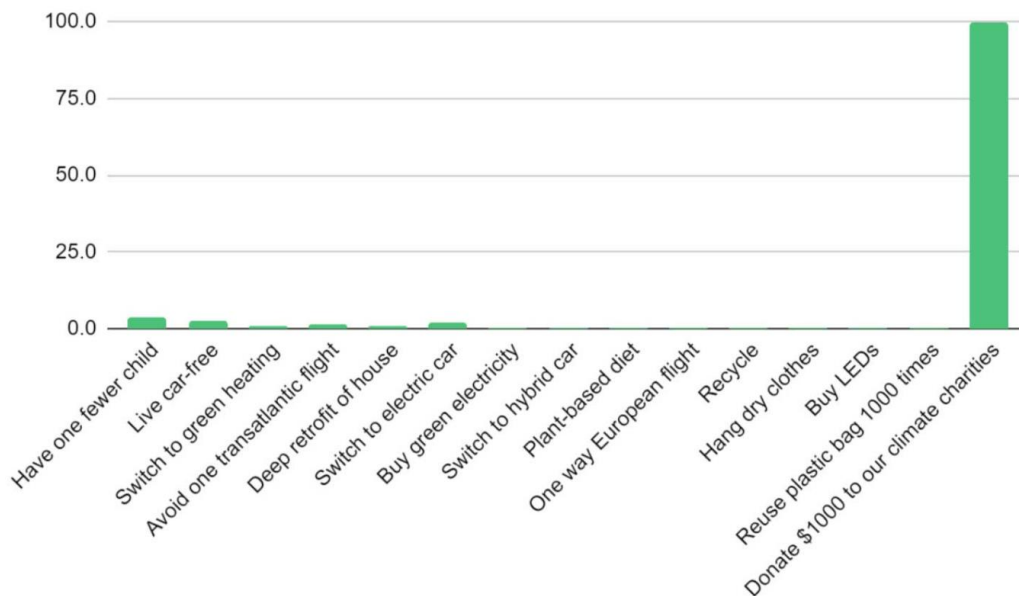


Figure 12: Climate impact of lifestyle decisions compared to donating (tonnes of CO2) (Source: <https://www.founderspledge.com/research/climate-and-lifestyle-report>)

Understand that the choices you make in donating can create a more profound impact than many lifestyle alterations. Establish your three buckets and ensure that your contributions in the third bucket are informed by scientific evidence.

Acknowledgement

I'd like to extend my heartfelt gratitude to everyone attending my inaugural lecture. To the members of the Executive Board of the University of Amsterdam and the deans of the Faculty of Economics and Business for the trust you placed in me.

To my colleagues in the finance department here at UvA, your warm welcome over the past year has been genuinely heartening. Jeroen Ligterink, thanks for your efforts in establishing this chair and your continued support. I'm grateful to CREED for hosting me as a visitor in 2021. Theo Offerman, I could not have wished for a better host, and I am looking forward to keep working with you.

Working alongside and supervising PhDs Robin Aarts, Samara Cooper, Janek Kretschmer, and Andy Li has been enriching. Discussing research ideas with you has been invigorating, and I learn from you daily. Your futures shine bright, and I anticipate remarkable accomplishments in your upcoming career trajectories.

My sincere appreciation extends to former PhD students and post-docs: Marco Ceccarelli, Inka Eberhardt, Katrin Godker, Marten Laudi, Tobias Ruof, and Lidwien Sol. My research would not have reached its current state without your contributions.

Rob Bauer and Piet Eichholtz, I am thankful for your guidance during my PhD dissertation. And Rob, as a fellow citizen of Landgraaf, I cherish our collaboration on the many interesting projects. I also thank Adam Greenberg, Uri Gneezy, Hal Hershfield, and Chris Parsons for hosting me as a visitor.

A nod of appreciation to my esteemed international co-authors. I not only found great collaborators, but also good friends.

I'm also grateful for the enriching collaborations with field partners including ABN AMRO, ASN Bank, ASR, CFA Institute, Muziekgieterij, NN BeFrank, Pensioenfonds Detailhandel, Rabobank, Robeco, USS, Simavi and Triodos. And thanks to the Elisabeth Strouven Foundation and Maastricht University for the cooperation of my previous chair in Philanthropy and Sustainable Finance. Also thanks to the executive board and my former colleagues at the School of Business and Economics at Maastricht University in the different departments from finance to accounting to marketing and economics. I cherish many good memories. And also from Maastricht, Jascha Neutelings, who still is my partner in crime for my YouTube Channel.

It has been an honour to be ambassador at Doneer Effectief, a Dutch foundation that aims to help donors in maximizing the impact of their donations. I thank Bram Schaper for the fantastic ventures we've already embarked on together and those that will come in the future.

To my cherished friends, some of whom have travelled great distances from cities like Milan, Aachen, and Hamburg, your presence today deeply touches my soul. My heartfelt thanks to each and every one of you for making today unforgettable.

Nelly, wat fijn dat je bijna mijn gehele reis tot hier hebt meegemaakt en mij met alles zo goed hebt geholpen. Mijn diepste dank gaat uit naar mijn ouders en mijn geliefde zus, Mieke. Lieve pap en mam, vanaf de eerste dagen op de basisschool tot nu toe hebben jullie mij onvoorwaardelijk gesteund. Jullie hebben mij altijd aangemoedigd om het beste uit mezelf te halen, zonder onnodige druk op mijn schouders te leggen. Mam, je stond altijd klaar voor die waardevolle gesprekken op zondagochtend. En pap, het opschrijven van 800 pagina's vol econometrie formules in groot lettertype, zodat ik ondanks mijn beperkte zicht toch mijn econometrie vakken kon afronden, dat zal ik nooit vergeten. En Mieke. Als geweldig zusje sta je altijd voor me klaar, of ik nu bel met goed of slecht nieuws.

En dan nog even terug naar de drie donatiepotjes.

Be a Fireman every day!

Let's go back to the third donation bucket. Every minute a child dies from malaria.²⁶ Shockingly, during this lecture so far already 44 children died. Yet, we have a proven solution. Malaria bed nets can drastically reduce malaria infections. By distributing such bed nets, the Against Malaria Foundation already saved 900,000 lives. You can truly make an impact with your money and steer positive change. You can help building a Thriving Society. And you can allow these children to be a fireman too!

Ik heb gezegd!

²⁶<https://data.unicef.org/topic/child-health/malaria/#:~:text=Nearly%20every%20minute%2C%20a%20child%20under%20five%20dies%20of%20malaria,under%205%20years%20of%20age.>