How different tax subsidies promote charitable giving?
Evidence from public good games

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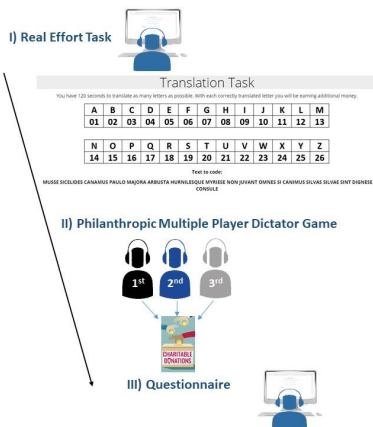University of Geneva

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Introduction

- Donations by individuals play a vital part in supporting charitable organizations.[1]
- To promote charitable giving rebate or match subsidies are applied
- Although, theoretically, the rebate (r) and match (m) subsidies predict identical individual net donations: $m=r/(1-r)$
- Previous empirical studies[2,3] suggest that the matching subsidy increases individual net donations above and beyond the rebate subsidy.

Research Questions

- Do match and rebate subsidies increase charitable giving in multiple-player design?
- How does effort (low vs high) effect charitable giving?

I) Real Effort Task

Translation Task

II) Philanthropic Multiple Player Dictator Game

III) Questionnaire

Design

3 between-subject treatments frames:

For every 100 points = £1 you (and your group member) donate:

- MATCH: ..the experimenter will match it with additional 100 points = £1
- REBATE: ...the experimenter will refund you 50% of donations
- NO-SUBSIDY: ...the charity will receive £1

2 within-subject treatments frame:

- Effort-low: payoff 2 points per letter in real effort task
- Effort-high: payoff 1 point per letter in real effort task

Interactive multiple-player game programmed in Lioness Lab.

Experiment 1 and 2

- Sample: 165 Prolific participants (50.6% female, Mean$_{Age}$: 30.9) and 86 students (54% female, Mean$_{Age}$:22.3)
- Match significantly increased individual net donations, while rebate neither decreased or increased net donations, but increased the cost of experimenter.
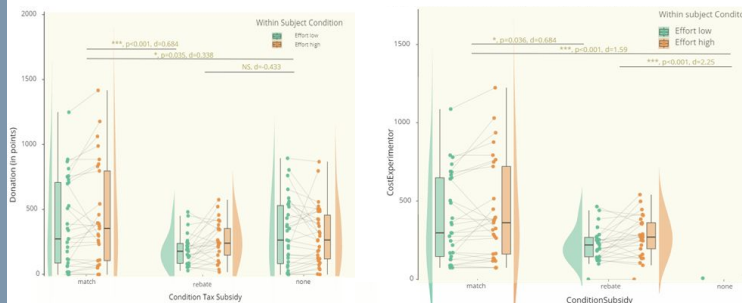
Experiment 3

- Sample: 51 students (56% female, Mean$_{Age}$
- Self-selection of the preferred subsidy (match, rebate, or no subsidy) across 2 scenarios: consumer purchase and donation task
- There is a preference for match subsidy over the rebate and no-subsidy in donation and purchase task
- Even when self-selecting the subsidy, participants donate significantly more under match, than under rebate and no-subsidy
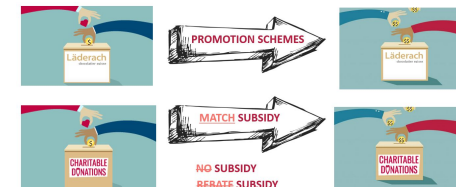
References

[1]Kingma, B. R. (1994) 'Public good theories of the non-profit sector
[2]Eckel, C. C. and Grossman, P. J. (2006b) 'Subsidizing Charitable Giving with Rebates or Matching: Further Laboratory Evidence'
[3]EPeng, H. and Liu, W.-J. (2020) 'Crowding-out (-in) effects of subsidy schemes on individual donations : An experimental study

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