

DEMAND FOR GIVING TO MULTIPLE CHARITIES: AN EXPERIMENTAL STUDY

Emel Filiz-Ozbay
University of Maryland

Neslihan Uler
University of Maryland

Abstract

We study how competition among charities affects individuals' giving behavior. We characterize situations where charities benefitting substitute or complementary causes incentivize donations by offering subsidies in the form of rebates. Our theory predicts that an increase in the rebate rate offered by a given charity relative to a substitute charity will shift donations away from the substitute charity, but this "stealing" effect is not expected when complementary charities are considered. Our model further characterizes the conditions under which total donations increase with rebates. We test the model in an experimental setting, and demonstrate that the experimental results support our theoretical predictions. We derive the demand for giving as rebates vary for both substitute and complementary causes. The social net benefit of rebates is calculated by comparing campaign costs with new donations generated. (JEL: C90, D62, H41)

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E-mail: filizozbay@econ.umd.edu (Filiz-Ozbay); neslihan@umd.edu (Uler)