

# What Has the Economics of Giving Given to Economics? The Contemporary Situation

Paulo Reis Mourão \*

**Abstract.** The “Economics of Giving” has given much to economics. A better understanding of the rigidity of labour and the relevance of philanthropic institutions to the preservation of market structures has led to many contributions in this recent economic field. This work is a survey of these contributions and it also considers the sub-fields of religious charity, the role of governmental action, and international aid. The evidence from the most recent works is highlighted and the most used theoretical models are exposed.

**JEL Classification Codes:** Z000, Z120, D640.

**Key words:** Economics of Giving; Charity; Rational Choice models.

## 1. Introduction

Why do people give their money away? This is a question of substantial importance. Vesterlund (2006) states that individuals’ contributions account for more than 80 percent of total dollars given, and, some concerning questions become relevant: If we do not realize why people give, then how can we study their options in favour of NGO’s or how can we promote more efficient results combining private charity with public aid?

The following sections intend to highlight answers to these questions economists suggested. Although the topic is new, the time seems right to clarify works that can be used as benchmarks for its research. This work will

---

\* Department of Economics; University of Minho; 4700 Braga – Portugal; e-mail: [paulom@eeg.uminho.pt](mailto:paulom@eeg.uminho.pt)

The author is indebted to an anonymous referee of the *Journal of Economic and Social Research (JESR)* for useful comments on a preliminary version of this article. All remaining errors are author’s exclusive responsibility.

take the form of a survey, a state-of-art literature report, for this purpose. Subsequent to this introductory section, section 2 shall deal with the most relevant historical marks in the *Economics of Giving*, and some methodological prominent issues such as what are the dimensions of the problem of giving, its motivations and its effects? It will also touch on some well-delineated sub-fields, such as religious charity, the role of the government, and international aid. Section 3 introduces the theoretical framework of the most used models in connection with the problem of maximizing the utility of the giver and of the recipient. Section 4 shows the evidence found in some previous studies of this economic field, and Section 5 provides the conclusion of this paper.

## **2. The *Economics of Giving* – the most relevant historical marks, methodological issues, and challenging sub-fields**

### 2.1 The most relevant historical marks

The existence, importance, nature, and the various types of reciprocity did not escape Adam Smith's perspective who according to Kolm (2000), wrote about it in *The Theory of Moral Sentiments*. In 1924, another relevant study was published: *Essay on the Gift*, by Marcel Mauss, who developed a deep anthropological framework for charitable contributions.

Following Alchian *et al.* (1973), we have to go back to 1968 to find a seminal work located in the contemporary field of *Economics of Giving*. Then, Cooper and Culyer (1968) focused on caring about shortage of blood, which led to the question whether the British system of voluntary giving of blood by donors was sufficient to ensure the supply of blood that could be made available for saving a life. However, Schmidt (1964) had already discussed the *Economics of Giving* in relation to loan as opposed to grant decision.

Titmuss (1971) contested Cooper and Culyer (1968) in "The Gift Relationship," developing the argument that selling blood had led to undesirable consequences in the market of United States of America. According to Titmuss (1971), blood provided at a price by "professional" blood suppliers created a larger risk of infection than did blood given by voluntary donors and monetary compensation for donating blood crowds out the supply of blood donors.

This contestation was hardly criticized by economists Rottenberg (1971) and Kenneth Arrow (1972), and the sociologist Nathan Glazer (1971). These authors, arguing that although it is difficult to separate the “Economics of Giving” from the ethics, it is of central importance for economists to study giving practices. Philanthropy does not conflict with Economic Theory, which can be applied to giving as well as to selling.

Dharmi and al-Nowaihi (2005) point to Becker (1974) and Bergstrom, Blume, and Varian (1986) as the seminal authors of rigorous theoretical work in the *Economics of Giving*<sup>1</sup>. In this line of research, charitable giving has the nature of a public good – givers care about the sum total of giving by all givers, motivated by altruism. But giving by one individual is a perfect substitute by another, which might give rise to a *free rider* problem. Cornes and Sandler (1984) and Andreoni (1989 and 1990) introduced *warm glow*, ensuring that one’s own giving is no longer a perfect substitute for the giving of others. Facing the possibility of governmental interference, previous literature has warned that if public grants are financed by taxes on givers, they can completely crowd out private giving. This theoretical literature has also explored the implications of tax deductions for charitable giving as revealed by the studies of Feldstein (1980), Boadway and Keen (1993), and Diamond (2003). These authors posit that, in general, subsidies increase private giving by individuals while direct governmental grants, because they rely on distortion in taxation, are less attractive.

## 2.2 Methodological issues: dimensions, motivations and effects of giving

In this research, giving is not to be easily separated into a category on a higher moral plane than selling, which is normally part of a process of exchange in which both parties benefit<sup>2</sup>. Selling is clearly not immoral if both parties benefit in a voluntary exchange. However, giving can create a sense of indebtedness in the recipient and it can foment an attitude of dependence. Collective giving, as in the Welfare State or in aid to other countries, can do short-term good at the expense of long-term harm by weakening the capacity to build independence.

---

<sup>1</sup> Other related contemporary works were Tullock (1971) and Alchian *et al.* (1973). Gordon Tullock, in 1971, signed “The Charity of Uncharitable,” which analyses the less evident motives for giving. Alchian *et al.* (1973) introduced Thomas Ireland and David Johnson as other authors who developed the Theory of Philanthropy.

<sup>2</sup> Morality of selling includes more than voluntary exchange with transitional conditions accepted by the agents. The most cited example is prostitution, which is voluntary in many cases, yet widely judged as immoral.

According to De Ven (2000), the essential characteristics of a gift are not well understood. These characteristics can be discussed in two dimensions:

- Reciprocity: anthropologists argue that one has not only a duty to give, but also to receive and to return; for instance, the giving of blood is not directed to specific individuals but to an anonymous agent as carefully remarked by Kenneth Arrow – thus, if we desire to explain the existence of gift-giving we also have to explain why some kinds of gifts are offered with a reciprocal intention and why others are not.
- Adequacy: for example, it is rather a different social construction to send flowers to an aunt in the hospital than to send her the cash they are worth; if gifts do not maximize the receiver's utility given her preferences and the costs incurred by the giver, then these gifts are called inadequate.

Clotfelter (2002) also discussed the contemporary institutional dimensions of the *Economics of Giving*. The three main aspects of this landscape are:

- i) Giving is usually a monetary transaction, which does not involve face-to-face contact between donor and the ultimate recipient, highlighting the role of intermediary organizations. As government has increasingly taken primary responsibility for the support of the poor, it is apparent that a larger share of what would be thought of as giving goes toward the support of other activities such as education and health.
- ii) The existence of a vast heterogeneous set of institutions one of whose principal tasks is to take and use donations made by individuals (generating a gross product computed as almost 10% of the economy). While some are devoted to aiding individuals far removed from the lives of donors, others are engaged in the support and operation of activities in which donors themselves participate.
- iii) The favoured status of contemporary giving expressed in the opportunity of alleviating personal taxes.

But what can the economists discuss about the deep motivation for giving?

De Ven (2000) points to six motivations for giving and six corresponding aims:

- Altruism, a term first suggested by Auguste Comte, whose prior aim is self-sacrifice, giving priority to others;
- Egoism, whose main objective is to promote exchange;
- Warm Glow, aiming at social approval;
- Strategy, for signalling or building trust;
- Fairness, related to conceptually approved norms and intending to reduce social inequality; and
- Surviving, whose main aim is to guarantee the (social) selection of the giver and/or the recipient.

Kolm (2000) also describes some motivations for giving. Donors may give to do their fair share in giving, given that other contributors do theirs; to be traditional to others' giving in a similar situation to the giver and in similar circumstances; to keep up with other givers; to not be humiliated or ashamed by giving less or not at all; and to maintain or conquer a relative status in generosity or wealth, hence possibly engaging in conspicuous competitive giving. But, sometimes there is a place for non-altruistic giving when somebody gives for a reason other than or not only of the receiver's good.

According to Clotfelter (2002), economic theorists have suggested four basic reasons to explain giving:

- 1) the most willingly acquiescent with the utility-maximizing model is tangible material return;
- 2) "warm glow"—when somebody feels pleasure because she simply gives;
- 3) altruism, when the donor is interested in the well-being of the recipient and thus benefits when the recipient is better off; and
- 4) a higher-order set of beliefs or morality.

Particularly reflecting on these four reasons, Clotfelter (2002) recognizes that most giving probably involves some mixture of more than one of these classes of motives. Other relevant motivations are the private knowledge of the needy people and the proximity of the recipient charities – people tend to contribute to charities close to home, ignoring poorer areas or more urgent situations.

If, as observed, giving reflects an act valued according to the effects, what are these effects?

Giving produces significant social effects, as reported by Kolm (2000). These social effects can consist of judgements or sentiments (praise, respect, status), social situations (giving can result from status differences), and social relations (peace, goodwill, agreement). Giving can also favour the self-interest of the giver through various effects which can be returned. Gifts, rewards of various origins, consequences of status, or indirect effects through markets or political or other social processes can also be identified. For Kolm (2000), and following a Maussian perspective, giving and exchange are the two faces of transfers, but giving also has effects on the distribution of wealth in society. Thus, giving elicits judgements of distributive justice and also the most acute conflicts among them. For instance, giving to our children due to parental affection usually does not respect their true need, their merits, or principles of equality. In contrast, giving to needy people or to the poor satisfies basic needs and tends to reduce inequality thanks to the free choice of the giver.

Studying the civic charity in early modern Amsterdam, namely an orphanage called the Burgerweeshuis, McCants (1997) identified that over the whole period analysed, current benefactions comprised on average only 16% of current income. Many scholars noted a flood of charity during this period. Therefore, McCants (1997) concluded another important contribution of the *Economics of Giving* to Economics as a whole - that in the long term, markets are prevented from imploding if appropriate complementary institutions accompany them.

### 2.3 Relevant sub-fields in the *Economics of Giving* (religious charity, the role of government, and international aid)

The first of these sub-fields is related to the *Economics of Religious Charity*<sup>3</sup>.

Horne, Van Slyke, and Johnson (2003) cite arguments in favour of charitable choice, like the claim that Faith-Based Organizations (FBO) are

---

<sup>3</sup> Brittan (2000) inserts a close field, the *Economics of Benevolence and Charity*, as one of the most innovative economic fields because it has emphasized the distinction between privately chosen and selfish aims. The latter are in no way required for the successful functioning of markets, contrary to popular belief and some of the writings of the early economists.

more effective than government and other non-profit organizations in providing services. The critics of charitable choice counter-argue, stating that FBO will inappropriately use government funds for religious activities, that government funding of FBO violates the constitutional Church-State separation, and that charitable choice threatens the religious freedoms of people receiving publicly funded services.

According to Fraser (2005), a religious community focused on a church is sustained through members' donations. These donations can be used in two principal ways:

- the first is maintaining or aggrandizing the church buildings in order to create a public good;
- the second is transferring donations to poor members who might also give to the church's coffers.

In a religious institutional framework, and developing a model based in Game Theory, Fraser (2005) showed that an increase in the portion of charitable donations devoted to poverty alleviation could increase the total amount of giving. Alternatively, he demonstrated that if the fraction of donations devoted to public good provision (for instance, aggrandizing a church) is sufficiently small, only the poorest group of that religious community will donate, and if the income distribution is such that both rich and poor would donate were all of donations allocated to the public good, then it is optimal for gifts to be used only for public good provisions in both large and small communities.

Also, focusing on religious charity, Messchaert-Smith (2005) claims that a giver has an opportunity cost. The opportunity costs of donating influence what people donate (money, gifts-in-kind, time) and to whom they donate (depending on the presence of local needy and how easy it is to perceive their needs). Churches with wealthier members will send donations to non-profit organizations in the poorer neighbourhoods that specialize in helping the needy. Churches may help on minimize the opportunity cost of giving charity by reducing the search costs.

Discussing the management of individual giving, Stamp (2006) warns good-intentioned donors not to diversify their giving but to select one or two charities they want to support. The reasons for this choice are diverse and Landsburg (1997) provides an explanation. For instance, giving \$100 to the Cancer Society tomorrow means admitting that someone was wrong to give \$100 to another institution today. People might protest that the giver

diversifies because she does not know enough to make a firm judgement about where her money will do the most good. When it comes to managing a personal portfolio, economists will tend to tell her to diversify. When it comes to handling the rest of her life, they will give her the same advice. However, charity is different, according to Landsburg (1997). Because, no matter how much the donor gives to an institution, she will never make a serious dent in the problem of achieving a substantial goal, like starving children or cancerous people. Roughly expressing this idea Landsburg (1997) follows the popular advice: “it is better a satiated person than a hundred insatiate ones.” If the donor saves one starving child, she has done a powerful thing, regardless of how many starving children remain. It is precisely because charity is so effective that people should think seriously about where to target it. Thus, if the donor cares about the recipients, she will pick the worthiest and concentrate her efforts there. But, if she cares about her own sense of satisfaction, she will enjoy pointing to ten different charities and saying “I gave to all those.” In the following section, the model suggested by Landsburg (1997) is discussed.

Kulikauskas and Ellison-Bey (2002) try to discuss an economic study for giving assuming that neither wealth nor knowledge is the object of giving, but relationships. They recognize that altruistic behaviour may be driven by any number of needs: a need for surviving, clinging to what we have, for security, getting more than we need, for acceptance, avoiding extremes, for self-esteem, choosing the good over the bad, for opportunity, preferring the better over the worse, for self-fulfilment, striving for the best. According to Kulikauskas and Ellison-Bey (2002), the giver does not let the market decide and takes personal responsibility for what is “best use.” Reporting to Marcel Mauss, who pointed out that there is no historical or anthropological evidence that any barter economy has ever existed, Kulikauskas and Ellison-Bey (2002) criticize the apologists for the monetary economy who have portrayed it as a natural outgrowth of a barter economy. Instead, Mauss’ study of tribes living without money reveals gift economies where the goal is to give the most away – exchange is about creating friendships, working out rivalries, fulfilling obligations. Kulikauskas and Ellison-Bey (2002) explain, referring to a contemporary example – we cannot pay for people to care because there is no way to measure the effects; they argue: caring is an internal motivation and money is an external motivation. This assumption points to the value of givers who are self-directed, self-motivated, self-positioning, self-managing, self-educating, responsive-to-others, socially perceptive and economically-restrained. They

state that the deep motivation of a true giver is to bring the poor “into the loop,” integrating them into the economy and, consequently, creating wealth.

Another interesting sub-field focused on is the role of governmental initiatives, which may also influence private giving<sup>4</sup>. Steinberg (1990) wrote that changes in income tax rates might alter incentives to give charitably as the *price of giving* is affected. Brooks (2000) identified that higher or lower levels of direct government support might change giving behaviour by leveraging (*crowding in*) or displacing (*crowding out*) private giving. Kolm (2000) puts forward that, although giving may be a tradition or a habit, genuine altruism can be associated with principles of conduct. These principles avoid the “free riding” of the joint giving, which makes taxation the efficient, and sometimes unique, solution. One such classical principle is universalization in the group of Kant’s categorical imperative – give in imagining that everybody does like you or “putative reciprocity,” I help her because she would have helped me if the situations were permuted.

The necessary public performance of joint giving has been studied for a long time, see for instance, the work of Friedman (1962), *Capitalism and Freedom*. Here Friedman (1962) noticed that it is noteworthy that in the heyday of laissez-faire, in the middle and late 19<sup>th</sup> century in Britain and the United States, there was an extraordinary proliferation of private charitable organizations and institutions. One of the major costs of the extension of governmental welfare activities has been the corresponding decline in private charitable activities, as denounced in Garner (2004). However, joint altruism where many individuals want the good of another is rather important for helping the people in need. The basic claim states that a society is more altruistic than its members, Kolm (2000). In such a case, efficiency requires coordinated giving achieved by transfers of the public sector when the givers are numerous. A simple theorem demonstrated by Kolm (2000) says that Pareto efficiency precludes the very existence of individually chosen giving, such as private charity, and states that all the transfers should be through public taxes and subsidies. However, when private giving to the poor is observed, either the motives are not altruistic, or the society is not democratic and it is inefficient. Hence, efficiency and democracy require public aid, as claimed by Kolm (2000). In this line of argument, private giving must realize the transfer when the political system

---

<sup>4</sup> An anonymous referee of the *JESR* remembered that the debates on paternalism and the moral obligations of the state have provided some enlightening issues. Seminal works are those of Mill (1869), Rawls (1971), and Nozick (1974).

is deficient or when the motives attach to particular dimensions, such as the giver's private contribution or a comparison with the full contribution (taxes plus gifts) of other people. For instance, it is claimed that if everyone contributed 20% of their income to charity, charities would have plenty of money to fund all of our public goods, but, due to the strong possibility of "free riding," people must be coerced, giving on average under a voluntary motivation about 2%. However, it is not yet clear the real direction of causality between public spending (and the correlated taxation level) and the volume of charitable gifts – if people increase the size of their gifts will there be a place to reduce taxes? Or, if government reduces the taxation burden, will people give more?

Horne, Van Slyke and Johnson (2003) recognize that the relationship between governmental funding and private giving is not uniform but depends on some factors including:

- whether the level of public funding allocated is at the federal, state, or local level;
- individual motivations for charitable giving; and
- the charitable sub-sector targeted for public funding.

Following libertarian principles, Garner (2004) clearly elucidates that production necessarily precedes charity – a donator cannot feed the poor if there is no food. If a donator wants to help others, especially those who cannot help themselves, she could donate to charity. However, libertarians reveal that taxation for re-distributive intentions does, in fact, make it prohibited not to contribute to alleviating the difficulty of those who need. After all, the more a donator is taxed, the less she has left to spend, and so the less she can afford to give to the poor. Garner (2004) additionally argues that charity would do a better work of helping those in need than State Welfare, all of which in the end rests on the fact that the difference between state welfare and charity is that the latter is willingly funded and freely consumed. One of the identified reasons for reluctance is the old Spenserian "undeserving poor"--those that are perfectly capable of getting by on their own efforts but choose not to. Other reasons pointed to by Garner (2004) include the observation that the more people are paid for signing onto welfare the more people will do so. On the other hand, since charity is voluntary, it has no guaranteed revenue, unlike the state. Since a charity cannot make people to continue to pay into it, it has to frequently do a good work, ensuring that people have a cause to do so.

Dharmi and al-Nowaihi (2005), focusing on an “equilibrium analysis” of coordination problems in giving, found multiple equilibriums. Their study furnishes one discussable reason for heterogeneity in philanthropy – direct government grants to charity, possibly temporary, can enable an economy stuck at an equilibrium with a low level of giving to attain an equilibrium with a high level of giving. Therefore, direct government grants can crowd-in private giving to charity. Other authors reported by them, like Feldstein (1980), Boadway and Keen (1993), and Diamond (2003), show that if private giving and aggregate giving are strategic complements, then subsidizing private individual giving can have the perverse effect of reducing the aggregate giving.

Vesterlund (2006) infers that the benefits from giving have either private or public characteristics. Only the individual contributing can experience some benefits, while others can be felt even when other donors do the contribution. However, the enormous majority of the empirical research on this topic has found that private benefits are the primary reasons for giving.

In the last sub-field considered, International Aid, there persists a large set of motives that can lead a group of countries (not just individuals) to help another group of damaged states. We can easily point the singularity of natural disasters. In this case, what is needed in the way of help is usually also clear: money, food, clothing, shelter, sanitation, clean water, medicine, care for children, and rebuilding. Another strong motive is associated with the extensive media coverage that creates a sense of solidarity among the giver countries. Additionally, politicians can exploit a favourable public image from engaging in solidarity actions.

In this particular context, some lobbying groups (like *Light Omega*<sup>5</sup>) argue that a true “global community” means that there cannot be people who are so distant from others that they are indifferent to the needs of the others. The needs of some must become the needs of all.

According to Kanbur (2003), the origins of modern aid in Great Britain can be found in the Colonial Development Act of 1929, reinforced in 1940 and 1945 by the Colonial Development and Welfare Acts. In the United States of America, the Roosevelt Administration promoted the “Good Neighbour Policy” in terms close to an old document from 1812, the “Act

---

for the Relief of the Citizens of Venezuela.” In the 1940s, the Marshall Plan and the creation of the World Bank and the International Monetary Fund constituted the most visible American programs of world assistance. Since then, the main objectives of the international donors have changed: in the 1950s, the strongest aim was to stop developing countries going over to “the other [communist] side,” putting the pressure in the capital accumulation, as soundly discussed by Rosenstein-Rodan (1943) or Rostow (1960). In the 1960s and 1970s, there were significant results in the expansion of bilateral assistance. In the 1980s, the strongest signal came from the models of “structural adjustment.” According to Kanbur (2003), the decade of the 1990s was marked by a strong and lingering case of *aid fatigue* influenced by the rising fear that foreign assistance was generating aid dependency relationships in poor countries. Some authors, as did Thorbecke (2000), critically debated the issue of the effectiveness of aid conditionality.

However, decisions regarding government spending in international aid raise two kinds of questions concerning both politics – what the national goals are in offering aid and what the states seek in return – and philosophy – what citizens conceive to be their relationship with and responsibility to the rest of the world. Therefore, the relationship between “trade” and “aid” is central to penetrating the *illusion of generosity* that wealthier nations can keep if aid in a nominal currency, for instance, is looked at in isolation. It is often the case that donor nations often benefit as much from their aid packages as recipient nations, if not more (*Light Omega*, 2005). This may occur through the conditions that are placed on how aid may be used. Citing Kofi Annan, *Light Omega* (2005) states that developing countries made the sixth consecutive and largest ever transfer of funds to other countries in 2002 – funds should be moving from developed countries to developing countries, but this evidence seems to report the opposite. Following Kanbur (2003), the policy debates on aid are influenced by, and in turn influence, the theoretical analysis of transfers between countries. Thus, it is possible to consider two broad strands of the theory. One observed the costs of unrestricted transfers. The other focuses on conditional transfers. The first branch claims that the donor (state) has no choice; it internalises the interests of the recipient, being worried about the terms of trade, the disparity of the rates of return to capital, and the marginal propensity to consume in the two groups of countries (donors and receivers). This branch discusses the changes in the domestic demand patterns of the recipient motivated by the inflow of capital. If this modification is strong enough, the social value of national output can fall; even though total resources have gone up – the famous “Dutch disease” syndrome that arises upon the discovery of a natural resource (Kanbur,

2003). After this discovery, wealth is spent partially on non-tradable goods, less able of undergoing productivity increases. The second branch promotes a discussion of issues related to the conditionality topics, having controversial evidences: the microeconomic results are consistent with the influence of conditional assistances but there arises a paradox when observing the macroeconomic values.

In a macroeconomic dimension, other kinds of institutional aid are principally identified with Official Development Assistance, which consists of disbursement of loans (net of repayment of principal) and grants made on concessional terms by official agencies of the members of the Development Assistance Committee. Schmidt (1964) first set forth the *Economics of Giving* applicable to the loan-versus-grant decision – assistance should be given as a credit if the rate of return on investment is more significant in the recipient country than in the donor country or it should be given as a grant if the reverse happens. According to Cline (2003), the choice of loans also may reflect a judgement that loans could be more cost effective for both donor and recipient. Furthermore, the need for repayment motivates governments to select projects or programs whose benefits exceeds costs or, as Singer (1961) recognized, concessional loans are better for meeting the objectives usually underlying development assistance (Gupta *et al.*, 2003).

In this case, Official Development Assistance in the economic analysis of aid study amounts to a quasi-market. In this quasi-market, the suppliers are the intermediaries who affect transfers efficiently, the Demand is constituted by givers who require the service, the Market structure is classified as of imperfect competition, the Price is assigned to the contract specific remuneration for highly differentiated services and the Transaction Costs arise from need to comply to the terms and conditions of the transfer. The gifts can affect these supplies or demands and hence prices and this can induce indirect effects.

Summarily, it is possible to build the next table in order to organize the different levels of aid management.

**Table 2.1 – Levels of Aid Management**

<b>Level</b>	<b>Individuals</b>	<b>Organisations</b>	<b>National</b>	<b>Global</b>
Giver	Teacher	NGO	State	Donors
Receiver	Pupil	Underprivileged	Citizens	Countries
Nature of the Gift	Knowledge and Confidence	Relief, Services, Skills	Social Security	Police Advice
How to give	Teaching and Assessment	Projects and Campaigns	Policies, Plans and Programs	Cooperation Agreement

Briefly commenting on the Table 2.1, we verify that, at an individual level, a Teacher gives to a Pupil Knowledge and Confidence, recurring to teaching and assessment. Alternatively, at a global level, Donors give to Countries Police Advice through Cooperation Agreements.

In the context of Official Development Assistance, two main problems occur:

- how to balance the obligations to delegate control over aid? And
- how to balance obligations to be fair and efficient in aid management?

Some criticisms pointed at the Official Development Assistance are the following:

- Aid reduces foreign exchange constraints;
- Aid is a form of monetary expansion and can be inflationary;
- Aid raises prices of non-tradable goods and the real exchange rate, discouraging exports and import substitution (the well-cited *Dutch disease*);
- In-kind aid reduces domestic production incentives; if it is sold it will increase local currency receipts of the government.

These criticisms lead to six prior issues:

- i) Dependence on Foreign Aid, which is extremely volatile;
  - ii) Adverse Selection, avoiding internal and sometimes painful reforms;
  - iii) Moral Hazard, reducing incentives to comply;
  - iv) Rent Seeking of some powerful groups of the recipient countries;
  - v) Selectivity, favouring not only the poor, but the deserving poor;
- and

- vi) Conditionality, promoting a range of projects connected with a desirable patten of local development.

Intending to bypass some of these previous critics, Rogoff (2003) argued that aid should be motivated primarily by humanitarian objectives and come in the form of grants. Such an approach, according to Gupta, Clements, Pivovarsky, and Tiongson (2003), would also avoid worsening the debt sustainability outlook of the recipient countries. Observing the general aspects of aid (which is more volatile than revenues and poverty-reducing spending should aid inflows decline or cease), Gupta *et al.* (2003) state that grants must be judged on a case-by-case basis. In some circumstances, a reduction in the tax burden can promote growth by freeing resources for the private sector, but on the other hand, reduced revenues may have adverse macroeconomic consequences. Additionally, Gupta *et al.* (2003) recognize that growing dependence on aid reduces incentives for governments to adopt good policies and maintain efficient institutions, following the criticism from Azam, Devarajan, and O'Connell (1995).

### 3. A discussion based in the suggested models

The models studied by the referring literature (see Kolm, 2000) put their focus either on the giver or on the recipient agent. Sometimes, the recipient agent need not be extremely dependent on the charity but a semi-dependent or a potential dependent, like somebody who gives a certain amount of money to an institution that supports the fight against cancer and that provides assistance to the ill people. In this last case, the recipient agent (who, actually, potentially or familiarly, may receive the donation) tends to be described as an agent who consumes a public good  $P$ , supplied by charitable institutions, and a private one  $x_r$ , having a utility function of the following type:

$$u_r = u(x_r, P) \quad (3.1)$$

where

$$P = C + G \quad (3.2)$$

being  $C$  the private amount donated ( $C = \sum_i C_i$ ) and  $G$  the level of governmental contributions ( $G = \sum_j g_j$ ). The set of all donors is represented by  $\phi$ , thus  $i \in \phi$ . The set of all taxpayers is suggested by  $\Omega$ , thus  $j \in \Omega$ . If  $\phi = \Omega$ , it is expectable that  $\frac{\partial C}{\partial G} = -1$ , being verified a *crowding-out* effect, in line with Warr (1982) and Roberts (1984). If  $\phi \subset \Omega$ , then it is expectable that  $-1 < \frac{\partial C}{\partial G} < 0$ .

The problem for this agent is to maximize her utility function subject to positive values for her particular private donation (3.3) and to her particular income (3.4),  $m_r$ :

Max  $u_r$

Subject to

$$c_r \geq 0 \quad (3.3)$$

$$x_r + c_r + g_r \leq m_r \quad (3.4)$$

In other cases, the utility function of the recipient is modified in order to be defined as an indirect utility function:

$$v_r = f(m_r, C, p_C, z(\frac{m_r}{C})) \quad (3.5)$$

where  $m_r$  identifies her private initial endowment,  $C$  the values of the Transfer from the (by assumption, richer) Giver,  $p_C$  is associated with the price of the Transfer and  $z(\frac{m_r}{C})$  is a function that relates the individual relevance of the gift to the receiver. For an altruistic Giver, the problem is how to optimise  $C$  in order to maximize  $v_r$ . As private giving is tied to public contributions through tax deductions and deductibles and joint or

matching contributions, some authors identify  $p_C$  to the no-deductible part of the gift: if there is a tax deduction of, say, 15%, then  $p_C$  is 85%.

Another kind of models, like Landsburg (1997), cares about the utility maximizing problem of the donor. These models suppose that there are three charities,  $X$ ,  $Y$  and  $Z$ , whose endowments are  $x$ ,  $y$  and  $z$ . The donor plans to make, respectively, the following giving:  $\Delta x$ ,  $\Delta y$  and  $\Delta z$ . For instance, her utility level increases with the final endowments of the charity institutions:

$$u_g = u(x + \Delta x, y + \Delta y, z + \Delta z) \quad (3.6)$$

subject to

$$\Delta x + \Delta y + \Delta z = C \quad (3.7)$$

being  $C$  the amount the giver has decided to give to charity. Assuming that her contributions are small relative to the initial endowment of each charitable institution, this quantity,  $C$ , is well approximated by

$$u(x, y, z) + \frac{\partial u}{\partial x} * \Delta x + \frac{\partial u}{\partial y} * \Delta y + \frac{\partial u}{\partial z} * \Delta z \quad (3.8)$$

The problem is solved by bulleting everything on the charity that corresponds to the largest of the partial derivative. Even if the donor cares about what she gives to the institutions, she will want to maximize a little different utility function:

$$u_g^* = u(\Delta x, \Delta y, \Delta z) \quad (3.6')$$

which, with the restriction (3.7), would provide the same solution to the problem from (3.6) to (3.8).

Kolm (2000) suggests another utility maximizing problem of the donor. In this case, the donor is altruistic; she is concerned about the welfare of the recipient and (3.6) is changed into (3.9):

$$u_g = u(m_g - C, m_r + C) \quad (3.9)$$

where  $m_g$  identifies the initial endowment of goods of the giver,  $C$  and  $m_r$  are described as above (they are, respectively, identified with the value of the gift to the recipient and with the initial endowment of the recipient), assuming that  $m_g$  is greater than  $C$ .

If the giver gives for other reasons, she chooses  $C$  that maximizes (3.9'):

$$u_g = u(m_g - C, C, S_g) \quad (3.9')$$

where  $S_g$  is the set of all relevant variables and parameters other than the first two arguments (endowment and gift) that may influence the value of  $C$ .

All these models from (3.6) to (3.9') indicate in accordance with Mundell (1998) that a donor will always choose the cheapest from among potential gifts that yield the same utility to the recipient. The dual of this theorem claims that from among gifts costing the same, the donor will choose that which will produce the most utility to the recipient, following the predictions of the theory of rational behaviour.

Karlan and List (2006) explore a model in which the private gift is enriched by a public contribution, depending on a defined matching multiplier,  $\phi$ . For instance, if the match ratio is \$1: \$1, every dollar contributed is matched with another dollar from a leadership donor, thus invoking a "buy one, get one free" spirit. In this case, the public good  $G$  is the sum of the private contributions  $c_g$  multiplied by  $\phi$ ,  $G = 2\sum c_g$ . Thus, the problem of the giver becomes to maximize the utility function (3.10) considering the numeraire good,  $x_g$ , the public good,  $G$ , weighted by  $\delta$  with values between 0 and 1, her charitable contribution,  $c_g$ , and her initial endowment,  $m_g$  :

$$u_g = u(x_g) + \delta_g h(G) + \mathcal{Y}(c_g) \quad (3.10)$$

subject to

$$x_g + c_g \leq m_g \quad (3.11)$$

The functions  $u(\cdot)$ ,  $h(\cdot)$  and  $f(\cdot)$  are strictly increasing and concave. In this problem, individuals give according to the first-order condition (3.12) for an interior solution.

$$u'(m_g - c_g) = \delta \phi'(n \phi c_g) + \mathcal{J}'(c_g) \quad (3.12)$$

As Ribar and Wilhelm (2002) show,  $n$ , the numbers of agents, increases the relative importance of one's utility from altruism diminishes and in the limit choices are driven solely by the "warm glow" component,  $\mathcal{J}(c_g)$ . As Andreoni (2004) points out, similar results can be achieved by allowing the size of the charity to grow. In this case, in the limit, individuals might gain no marginal utility from the actual provision of the public good but simply purchase "moral satisfaction" when contributing – likewise, they may realize that famine relief in Ethiopia is valued similarly to famine relief across the whole continent of Africa.

#### 4. Empirical evidence on Giving

As critically noticed by Andreoni (2002), the *Economics of Giving* has been well studied on the supply side but there remain critical gaps on the demand side. Some of the most significant evidence in the supply side follows.

Seldon (1987) concluded that variations in giving do not necessarily indicate changes in selflessness over time or between classes or societies but in the underlying costs and prices of time and other resources.

Brown and Laukford (1991) found that donations of time and money are compliments, for many people. Okten and Weisbrod (2000) found that marketing increased donations to private non-profit organizations.

Brooks (2001) found that public funding to radio stations has a positive impact on private giving, but this impact rapidly decreases as the level of government subsidies increases, ultimately becoming negative.

Clotfelter (2002) enunciates some of the patterns and trends available in the giving practice. Two thirds of American households reported having made such donations in 1996. Americans on average gave away

almost 2% of their personal income, amounting to \$116 billion in 1995. Decedents left another \$9,8 billion in the form of charitable bequests. The amount given by individuals is greater than the contributions made by corporations or the grants made by private foundations. Still according to Clotfelter (2002), giving by individuals has remained a nearly constant proportion of personal income over the last two decades. Both average contributions and the percentage of households who report any contribution tended to rise with age into middle age and then go back down (especially, in the 45-64 age group). Holding constant income and price, giving rises markedly with age. Several possible explanations exist for the positive age effect, mainly reflecting the effect of wealth, a frequently omitted variable. Another explanation is that there is a cohort effect at work, wherein older generations are simply more generous than those born more recently. The most likely reason is a simple life-cycle effect, wherein individuals of all generations become more generous as death approaches. Karlan and List (2006) also corroborate that the combination of increased wealth and an aging population will lead to an even higher level of gifts.

The percentage of givers also tended to rise with income and those who attended church usually give more. Interestingly, as a percentage of income, giving shows the U-shape (the poorest and the richest give more than the middle classes). Other variables that have been found in the past studies to be positively related to giving include education, marriage, number of children, home ownership, living in a city under one million in population, and having parents who gave regularly. Since some of these characteristics tend to vary together, it is not clear if all would be judged to have independent effects on giving holding other things constant. Churches and other religious organizations were by far the most common type of recipient, accounting for some 57,5% of all donations from individuals in 1993 (the second significant types of recipient were Human services, Educational Institutions, and Health-related organizations while the least significant sets included Arts, Culture, and Humanities).

One interesting branch of studies is related to the estimation of the *income effect* and the *price effect* of giving. In the *Economics of Giving*, income is defined as it is often in other applications as disposable income. For its turn, price is considered net of taxes, being identified with the difference between 1 and the deductible percentage of the (monetary valued) gift. According to Clotfelter (2002), the most estimates of the price elasticity are in the range of -0,5 to -1,75 and of the income elasticity are in the range of 0,4 to 0,8, advertising that more recent studies tended to produce larger

income elasticities and smaller price elasticities in absolute value. Clotfelter (2002) also shows that, according to the conventional models of giving, tax rates cuts, by raising the net-of-tax price of giving should reduce charitable giving, all other things equal. But, the actualised evidence from Clotfelter (2002) reveals that personal giving as a percentage of income remained steady over the time. Andreoni and Miller (2002) found that the level of giving to others increases as price decreases. As verified by Karlan and Miller (2006), some alternative works strictly related to the price effects via rebate mechanisms (such as changes in tax deductions) are Clotfelter (1985), Randolph (1995) and Peloza and Steel (2005).

In a survey conducted for the PEW Foundation in March 2001, Horne, Van Slyke and Johnson (2003) verified that political party affiliation, religious denomination, age, and race were all found to be important predictors of support for government funding to Faith-Based Organizations (FBO) social service providers. Republicans, those who identify with a religious denomination and attend church, Evangelical Christians, Blacks and Hispanics, and individuals under age 65 were more supportive. These findings are also regular with those recognized by Bartkowski and Regis (1999), Chaves (1999) and Cnaan and Boddie (2001). However, there are no consistent results from empirical investigations of the effect of government funding on private giving, which motivated a number of religious leaders and others to speculate that increased public funding for FBO could lead to decreases in private giving, discrediting those who argue that government funding of an FBO would act as a signal of the organization's quality to potential donors, encouraging increased private giving.

Although there is a scarcity of European data<sup>6</sup>, there is a reasonable set of stylised facts concerning the giving practice in the United States of America (USA) as reported. For alternative to the prior data, and following Dharmi and al-Nowaihi (2005), in 1995, USA giving varied in a range between 1,5%-2,0percent of the disposable income. 68,5% of the American households declared that they gave to charity, with a per capita gift of \$1081. The social group characterized by the lowest income gave over 4% of their endowments to charity. Comparing worldwide, these authors state that, on average, Netherlands and Sweden are the most generous givers, locating more than 4% of their national income in charity recipients. In the range of this indicator between 2,0%-3,0percent, we find countries like France, United Kingdom, USA, Israel and Spain. With a related value inferior to

---

<sup>6</sup> Brooks (2003) or Mourao (2007) are some of these rare examples.

0,5% of their disposable income, we find some states like India, Pakistan, Brazil, Mexico or Poland. However, according to the joint giving theorem of Kolm (2000), it is suggested that the Western European societies are less wasteful and more democratic than the North American reality, because they (Europeans) do not need to give such as the American, considering the weight of donations in the GNP. Kolm (2000) clearly states:

“At any rate, high private giving reveals either shameful waste and a lack of democracy or irrationality and immorality – on average, an extra gift is provided  $N$  million times more for the glory of the giver than for the relief of the poor, where  $N$  millions is the population of the country.”

Other interesting evidence reports that the most important contributors to charity are the private individuals, the direct grants from government, the corporate sector, the charitable trusts and foundations and the lotteries money. In the developed countries, a half of the total budget of charities comes from the governmental institutions, contrasting with the reality provided by the developing states, where, on average, only 21,1% of the global amount donated to charities is given by the Government.

The organization *Light Omega* (2005) claim that Americans privately give at least \$34 billion overseas, which is more than three times United States official foreign aid of \$10 billion.

As recorded by Messchaert-Smith (2005), there was a series of studies on religious giving published in the *Review of Religious Research* in December 1994. Most of these studies focused on predictors of charity, income being the greatest predictor. Denominational studies show that, *ceteris paribus*, there are significant differences in giving depending on the religious denomination of the individuals.

Eckel and Grossman (1998) found that women donated more than men in a dictator game. They deduced this as women being less self-interested than men. However, an additional reason for giving in dictator games<sup>7</sup>, apart from altruism and fairness, may be to signal generosity to increase esteem or prestige, as registered by Mellstrom and Johannesson (2005). Andreoni and Vesterlund (2001) compared men and women in a

---

<sup>7</sup> In dictator games the first of two players, the proposer, divides an amount of money between the two players. The other player, the responder, can only accept the decision and amount of money given to him or her.

dictator game where the token value of tokens given to the recipient varied. They found that men were more responsive to the token value than women. This is consistent with a stronger degree of prestige sensitivity for women if the prestige of giving is independent of the token value. Landry, Lange, List, Price, and Rupp (2006) find that contributions to a public good are higher when the solicitor is an attractive female. This could suggest that women should direct charity fundraising.

In many experiments involving generosity, there are various types of generous and ungenerous behaviours. A rising experimental literature testing pro-monetary incentives also suggests that financial incentives can be contradictory. Gneezy and Rustichini (2000a) provided some interesting works. Also, Gneezy and Rustichini (2000b), Fehr and Gächter (2002) or Fehr and Rockenbach (2003). According to Cox and Deck (2006), generous behaviour has a monetary cost. For example, in a dictator game the amount of money that the dictator allocates to the paired subject is the monetary cost of generosity. From data generated by 290 subject pairs they found that women are more sensitive than men to the costs of generous actions when deciding whether or not to be generous. The factors that affect the level of generosity observed in their experiments are reciprocal motivation, the level of money payoffs, and the level of social distance in the experimental protocol.

In support of the received literature, the field evidence from Gneezy and List (2006) suggests that worker effort in the first few hours on the job is considerably higher in the “gift” behaviour than in the “non-gift” behaviour. After these initial few hours, however, no difference in outcomes is observed, and the gift treatment yielded inferior aggregate outcomes for the employer – with the same budget, it would be possible to log more products by using the market-clearing remuneration.

Karlan and List (2006) also found that an individual’s political environment has the alternative capacity to influence the giving behaviour. They also found that using leadership gifts as a matching offer considerably increases both the revenue *per* solicitation and the probability that an individual donates.

Other relevant variables that can explain the giving practices of a certain group are related to the amount of disposable time, the number of retired people, the number of young people, the number of graduated people

and the institutional presence of organizations promoting solidarity and charity.

Usually, being an individual practice subject to strictly personal motivations, it becomes harder to socially analyse the giving practice. In this sense, as remembered by Clotfelter (2002), there remain questions that have been hardly answered. Some of these issues are the following:

- how price affects giving;
- the consumption choices over time (how individuals decide among giving today, saving, and giving in the future);
- interdependence of giving-behaviour – to what extent does any individual's giving depend on the giving of friends, neighbours and business associates;
- the effectiveness of fundraising appeals;
- the relationship between giving behaviours and different kinds of recipient organizations; and
- the necessary interdisciplinary nature of this theme, exchanging results with the Sociology, the Psychology and History.

Mainly reporting about the donation of blood, Mellstrom and Johannesson (2005) show that the results differ markedly between men and women. For men, the supply of blood donors is not significantly different among the experimental groups that they made. For women there is a crowding out effect. The supply of blood donors decreased by almost half when a monetary payment is introduced. There is also a significant effect of allowing individuals to donate the payment to charity and this effect fully counteracted the crowding out effect in their tests.

Vesterlund (2006) found that a number of factors might annul the guess that an increase in a donor's contribution causes those of others to decrease. In particular the prediction is responsive to social norms, the extent to which givers may interact with other donors again, the type of the non-profit's output, the benefits from giving, the uncertainty regarding the excellence of the charity, and the status of other givers.

On one hand there is argument that people give more when it is cheaper to give and when their income is big. On the other hand, there is divergence on how responsive giving is to temporary and permanent changes in these variables. Future research on panel data is needed to settle this dispute, Vesterlund (2006) concludes.

## 5. Conclusion

This work has highlighted the most relevant issues that the *Economics of Giving* raised in the study of Economics. Although this field is recent in the economic mainstream, it has already identified some prominent topics that increase the understanding of such different social phenomena, like the importance of philanthropic institutions to prevent the implosion of markets or the rigidity of labor supply after the suggestion of extra-payments as gifts. Additionally, now seems the time to produce a survey that can serve as a guide through the many directions provided by the main theme of this paper.

Although the Smithian *Theory of Moral Sentiments* had suggested the complex analyses of reciprocity, the seminal debate that delineated the *Economics of Giving* appeared with the polemical contributions of Cooper and Culyer (1968) and Titmuss (1971), centred around the blood donation. Since then, many other issues have been discussed, actually having their own sub-fields those concerned with the religious charity, the role of governmental action and the international aid.

In general, giving is not altruistic/gratis, in the sense of Compté, because every giver expects returns from the gift. Returns or motivations that can be identified with egoism (I give because it increases my prestige), warm glow (it makes me feel better), strategy (it shows me as a good person), fairness (it reduces inequality) or surviving (it improves the well-being of people that I like to help).

The discussed theoretical models use the methodological framework of economic agents who maximize utility, discussing it according to the rational behaviour theory. These agents may internalise the utility of the others, being characterized as generous ones, or not consider the resulting welfare of the others, being pointed as selfish. Broadly concluding, these models infer that among gifts costing the same, the donor will choose that which will produce the most utility to the recipient.

The evidence cited by the authors, reports some interesting and disturbing facts. Holding constant income and price, giving rises markedly with age. Possible explanations point to the effect of wealth, a life-cycle effect or a cohort effect. Other positive determinants of giving are church attendance, education, marriage, number of children, and home ownership. Tax rate cuts do not produce incontestable effects – some authors reached the predicted results, that these cuts increase the value of the donations, but

other studies identify different directions. Sometimes there is even a decreasing of the donations motivated by the taxes alleviation. Usually women are more generous than men, following some data collected in experimental tests using dictator games. The authors do not agree that women are less selfish but they mainly recognize that they may be principally interested in signalling esteem or prestige by giving.

However, there remains a very promising set of discussable issues in the *Economics of Giving*. For instance, contributions from other subjects, like Psychology or Sociology, are welcome, the deep discussion of life-cycles decisions (giving versus saving today or tomorrow) can improve the current studies, and the institutional landscape of the agents (givers and recipients) must be observed as relevant to explaining differences across people, countries, and ages.

## References

- Alchian, A., A. Allen., G. Tullock, A. Culyer, D. Ireland, D. Johnson, M. Cooper, J. Koch, M. Ireland and A. Salsbury (1973) "The economics of charity." *IEA Reading Paper* 12. London: Institute of Economic Affairs.
- Andreoni, J. (1989) "Giving with impure altruism: applications to charity and Ricardian Equivalence." *Journal of Political Economy* 97: 1447-1458.
- (1990) "Impure altruism and donations to public goods: a theory of warm glow giving." *Economic Journal* 100: 464-477.
- (2002) "Leadership giving in charitable fundraising." *Madison Working Paper*. University of Wisconsin.
- (2004) "Philanthropy." in Christophe-Kolm, S. and J. Mercier-Ythier, eds (2006). *Handbook of the Economics of Giving, Altruism and Reciprocity*. North-Holland.
- Andreoni, J. and J. Miller (2002) "Giving According to GARP: An Experimental Test of the Consistency of Preferences for Altruism." *Econometrica* 70 (2):. 737-753.
- Andreoni, J. and L. Vesterlund (2001) "Which is the fair sex? Gender differences in altruism." *Quarterly Journal of Economics* 116 (1):. 293-312.
- Arrow, K. (1972) "Gifts and exchanges." *Philosophy and Public Affairs* 1 (4): 343-362.
- Azam, J., Devarajan, S. and S. O'Connell (1999) "Aid dependence reconsidered." *World Bank Policy Paper*: 2144. Washington: The World Bank.
- Bartkowski, J. and H. Regis (1999) "'Charitable choice' and the feasibility of faith-based welfare reform in Mississippi." *Research Bulletin of the Joint Center for Poverty Research at Northwestern* . Chicago: University of Chicago Press.

- Becker, G. (1974) "A Theory of Social Interactions." *Journal of Political Economy*. 82: 1063-1093.
- Bergstrom, T., Blume, L., and H. Varian (1986) "On the private provision of public goods." *Journal of Public Economics* 29: 25-49.
- Boadway, R. and M. Keen (1993) "Self-selection and optimal income taxation." *International Economic Review* 34: 463-478.
- Brittan, S. (2000) "What's wrong with economics?." Speech to the British Association (on September 11<sup>th</sup> 2000). citing Brittan, S. (1977). "Economic Consequences of Democracy." London: MT Smith.
- Brooks, A. (2000) "Public subsidies and private giving: crowding out, crowding in or both?" *Journal of Policy Analysis and Management* 19 (3): 451-464.
- (2001). "Private philanthropy and the economics of public radio." *Center for Policy Research Working Papers* 41. Center for Policy Research. Syracuse University.
- (2003) "Charitable giving to humanitarian organizations in Spain." *Hacienda Publica Espanola* 165 (2): 9-24
- Brown, E. and E. Laukford (1991) "Gifts of money and gifts of time." *Journal of Public Economics* 47: 321-329.
- Chaves, M. (1999) "Religious congregations and welfare reform: Who will take advantage of 'Charitable choice?'" *American Sociological Review* 64 (6): 836-846.
- Cline, W. (2003) "HIPC debt sustainability and post-relief lending policy." *Issue Paper on Debt Sustainability*. HIPC Unit. World Bank.
- Clotfelter, C. (1985). *Federal Tax Policy and Charitable Giving*. Chicago: University of Chicago Press.
- (2002) "The Economics of Giving." revised paper (available from <http://www.pubpol.duke.edu/people/faculty/clotfelter/giving.pdf>) of Clotfelter, C. (1997). "The Economics of Giving." in Barry, J. and B. Manno, eds (1997). *Giving better, Giving Smarter - Working*

*Papers of the National Commission on Philanthropy and Civic Renewal*. Washington D.C.: 31-55.

- Cnaan, R. and S. Boddie (2001) "Black church outreach: comparing how black and other congregations serve their needy neighbors." *Center for the Research on Religion and Urban Civil Society at the University of Pennsylvania*. Philadelphia.
- Cooper, M. and A. Culyer (1968) "The price of blood." *IEA Reading Paper*. London: Institute of Economic Affairs.
- Cornes, R. and T. Sandler (1984) "Easy riders, joint production and public goods." *Economic Journal* 94: 580-598.
- Cox, J. and C. Deck (2006) "When are women more generous than men?." *Working Paper* 06-39. Department of Economics. Experimental Economics Center. Georgia State University.
- De Ven, J. (2000) "The economics of the gift." *Discussion Paper* 68. Tilburg University, Center for Economic Research.
- Dhami, S. and A. al-Nowaihi (2005) "Coordination failures, philanthropy, and public policy." *Discussion Papers in Economics* 05/21. Department of Economics, University of Leicester.
- Diamond, P. (2003) "Optimal tax treatment of private contributions for public goods with and without warm glow preferences." *mimeo*. MIT.
- Eckel, C. and P. Grossman (1998) "Are women less selfish than men? evidence from dictator experiments." *Economic Journal* 108 (448): 726-735.
- Fehr, E. and B. Rockenbach (2003) "Detrimental effects of sanctions on human altruism." *Nature* 422: 137-140.
- Fehr, E. and S. Gächter (2002) "Do incentive contracts undermine voluntary cooperation?" *Working Paper* No. 34. Institute for Empirical Research in Economics. University of Zurich.

- Feldstein, M. (1980) "A contribution to the theory of tax expenditures: the case of charitable giving." in Aaron, J. and M. Boskins, eds (1980). *The Economics of Taxation*. Washington: Brookings.
- Fraser, C. (2005) "What's the good in giving? A (small) contribution to the Economics of Charity." *PEUK Working Paper 3*. Public Economics UK.
- Friedman, M. (1962) *Capitalism and freedom*. Chicago: University of Chicago Press.
- Garner, R. (2004) "Libertarianism, insurance arguments and general state welfare." *Philosophical Notes*. 67.
- Glazer, N. (1971) "Blood." *The Public Interest*. Summer.
- Gneezy, U. and A. Rustichini (2000a) "Pay enough or don't pay at all." *Quarterly Journal of Economics* 115 (2): 791-810.
- (2000b) "A fine is a price." *Journal of Legal Studies* 29 (1): 1-17.
- Gneezy, U. and J. List (2006) "Putting behavioral economics to work: testing for gift exchange in labor markets using field experiments." *NBER Working Paper* 12063.
- Gupta, S., Clements, B., Pivovarsky, A. and E. Tiongson (2003) "Foreign aid and revenue response: does the composition of aid matter?." *IMF Working Papers 03/176*. International Monetary Fund.
- Horne, C., Van Slyke, D. and J. Johnson (2003) "Attitudes toward public funding for faith-based organizations and the potential impact on private giving." *Spring Research Conference of the Independent Sector and Rockefeller Institute of Government*. available from [http://www.socialpolicyandreligion.org/docs/events/2003\\_spring\\_research\\_conference/horne.pdf](http://www.socialpolicyandreligion.org/docs/events/2003_spring_research_conference/horne.pdf).
- Kanbur, R. (2003) "The economics of international aid." in Christophe-Kolm, S. and J. Mercier-Ythier, eds (2006). *Handbook of the Economics of Giving, Altruism and Reciprocity*. North-Holland.

- Karlan, D. and J. List (2006) "Does price matter in charitable giving? Evidence from a large-scale natural field experiment." *Yale Economic Applications and Policy Discussion Paper* 13. Yale University.
- Kolm, S. (2000) "Introduction to the economics of altruism, giving, and reciprocity." Equality Exchange paper. Norwegian School of Economics and Business Administration, available from <http://mora.rente.nhh.no/projects/EqualityExchange/Portals/0/articles/kolm11.pdf>.
- Kulikauskas, A. and D. Ellison-Bey (2002) "An economy for giving everything away." *Conference 'Development by Design' Papers*. Bangalore.
- Landry, C., Lange, A., List, J., Price, M. and N. Rupp (2006) "Toward an understanding of the economics of charity: evidence from a field experiment." *Quarterly Journal of Economics* 121 (2): 747-782.
- Landsburg, S. (1997) "Giving your all." available from <http://www.slate.com/id/2034/sidebar/42581/>.
- Light Omega (2005) "The economics of giving." available from <http://www.omegastar.org/NL/2005-01-12.html>.
- McCants, A. (1997). *Civic charity in a golden age: orphan care in early modern amsterdam*. University of Illinois Press.
- Mellstrom, C. and M. Johannesson (2005) "Crowding out in blood donation: was Titmuss right?." *Working Papers in Economics* 180. School of Economics and Commercial Law. Goteborg University.
- Messchaert-Smith, J. (2005) "Outsourcing church charity as the result of opportunity cost – a case study of the United Methodist Churches of Washington DC." *Meetings of the Association for the Study of Religion, Economics, and Culture*. George Mason University.
- Mill, J. S: (1869) *On Liberty*. ed. reprinted (1999). New York: Bartleby.

- Mourao, P. R. (2007) "Portuguese Public Collections and the Economic Cycle – a seminal study." *International Journal of Social Economics* 34 (12): 961-976.
- Mundell, R. (1998) "Uses and abuses of Gresham's Law in the history of money." *Zagreb Journal of Economics* 2: 2.
- Nozick, R. (1974) *Anarchy, xtate and utopia*. New York: Basic Books.
- Okten, C. and B. Weisbrod (2000) "Determinants of donations in private nonprofit markets." *Journal of Public Economics* 75 (2): 255-272.
- Pelozza, J. and P. Steel (2005) "The price elasticities of charitable contributions: a meta-analysis." *Journal of Public Policy & Marketing* 24 (2): 260-272.
- Randolph, W. (1995) "Dynamic income, progressive taxes, and the timing of charitable contributions." *Journal of Political Economy* 103: 709-738.
- Rawls, J. (1971) *A theory of Justice*. Cambridge: Harvard University Press.
- Ribar, D. and M. Wilhelm (2002) "Altruistic and joy-of-giving motivations in charitable behavior." *Journal of Political Economy* 110 (2): 425-457.
- Roberts, R. (1984) "A positive model of private charity and public transfers." *Journal of Political Economy* 92: 136-148.
- Rogoff, K. (2003) "Unlocking growth in Africa." *Finance and Development* 40 (2): 56-57.
- Rosenstein-Rodan, P. (1943) "Problems of industrialization in Southern and Eastern Europe." *Economic Journal* 53 (210): 202-211.
- Rostow, W. (1960) *The stages of economic growth*. Cambridge University Press.
- Rottenburg, S. (1971) "The production and exchange of used body parts." in *Toward Liberty: Essays in honour of Ludwig Von Mises*. Institute for Human Studies. Menlo Park.

- Schmidt, W. (1964) "The Economics of Charity." *Journal of Political Economy* 72: 387-393.
- Seldon, A. (1987) "The new economics." *Study Guide number 2*. London: Libertarian Alliance.
- Singer, H. (1961) "Trends in economic thought on underdevelopment." *Social Research* 4: 387-414.
- Stamp, T. (2006) "The economics of giving." available from <http://trentstamp.blogspot.com/2006/02/economics-of-giving.html>.
- Steinberg, R. (1990) "Taxes and giving: new findings." *Voluntas* 1: 61-79.
- Thorbecke, E. (2000) "The development doctrine and foreign aid 1950-2000." in Tarp, F., ed., (2000). *Foreign Aid and Development..* London and New York: Routledge. 17-47.
- Titmuss, R. (1971) *The gift relationship*. London: Allen and Unwin.
- Tullock, G. (1971) "The charity of uncharitable." *Economic Inquiry* 9 (4): 379-392.
- Vesterlund, L. (2006) "Why do people give?." in Steinberg, R. and W. Powells, eds (2006). *The Nonprofit Sector*. Yale: Yale Press.
- Warr, P. (1982) "Pareto optimal redistribution and private charity." *Journal of Public Economics* 19: 131-8.