

ABSTRACT

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Government Expenditures and Philanthropic Donations: Exploring Crowding-Out with Cross-Country Data

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Abstract:

A dominant hypothesis in the welfare state literature is that extensive government programs crowd out different forms of civic engagement. This paper examines the association between public funding and philanthropic donations, being the first cross-country study to correlate government expenditures with individual amounts donated to different fields of social welfare. Data are obtained from the Individual International Philanthropy Database (IIPD), a novel dataset which is composed of synchronized and merged micro-level datasets from multiple countries. We use data on 126,923 respondents from 19 countries to estimate the correlation between government expenditures and philanthropic giving: Australia, France, UK, the Netherlands, US, Canada, Norway, Finland, Mexico, South Korea, Japan, Austria, Indonesia, Taiwan, Ireland, Israel, Russia, Germany and Switzerland.

Using these cross-country data, we explore the association between government expenditures and philanthropic donations in different subsectors across 19 countries through graphical examination and multilevel regression models on the incidence and the amount donated. Four conclusions emerge from the results of the descriptive and multilevel analyses. (1) People in generous welfare states are more likely to donate, which confirms earlier findings with cross-national datasets on the likelihood to donate. (2) There is stronger crowding-in in the field of education and research, and, most strongly, environment. (3) Regarding the amount donated, we do not find strong differences between different welfare states across nonprofit subsectors. This

has never been studied before and can be considered a very important null-finding. (4) Our findings support the hypothesis that government expenditures in health and social protection drive donors towards expressive sectors like environment, international aid and the arts ('crosswise crowding-in').

The results reject the crowding-out hypothesis and give a nuanced picture of philanthropic giving in different aspects of the welfare state. In the light of the mixed evidence on welfare state effects on different forms of civic participation, this study delivers important insights by exploring philanthropic giving in different subsectors of social welfare. Although the evidence is still not conclusive with a sample of 19 countries, there is reason to be optimistic about productive government-nonprofit collaborations.

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