



## Do Beliefs About the Government Affect Charitable Giving?

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Traditional economic theory suggests that government-provided welfare and public goods can substitute for those provided by charities, a concept known as the crowding-out effect. This theory suggests that an increase in government spending will lead to proportional decreases in private charitable donations. Hence, economists have long explored if, and how, public spending reduces charitable donations.

In this article, the authors explore a new type of crowding-out by examining how individuals' political alignment with the government, rather than just government spending itself, affects charitable giving patterns.

Their work demonstrates that when US citizens' political affiliations align with the party in power, their charitable donations decrease significantly. This effect occurs regardless of whether donors are Republicans or Democrats. This pattern exists in a low-information environment where voters often have incomplete knowledge about actual government actions and instead rely on their perceptions of how the party in power will govern.

[#Partisanship](#) [#PoliticalAlignment](#) [#Beliefs](#) [#CharitableGiving](#) [#CrowdingOutEffect](#)

### Background

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### Context



- **Political alignment has a positive effect on people's beliefs about the government's ability to provide welfare to fellow citizens.** Hence, when elections are won by an opposite party, those who care about others' welfare might increase their charitable donations.
- Hence, the **crowding-out effect**, meaning the decrease of charitable donations when public spending increase, could be due to an increase in government spending or to **beliefs about the efficacy of government regarding social welfare.**
- Using tax return data and results for Presidential elections at the local level, the authors **exploit electoral turnovers to measure the effect of presidential alignment on charitable donations.**
- The effect of political alignment on charitable donations could be due to three underlying mechanisms. It might be **the consequence of people's confidence in the government, on their beliefs about the role of the government, or on their beliefs about the level and composition of government spending.** The authors show evidence for the first and second mechanism, and they can dismiss the third.

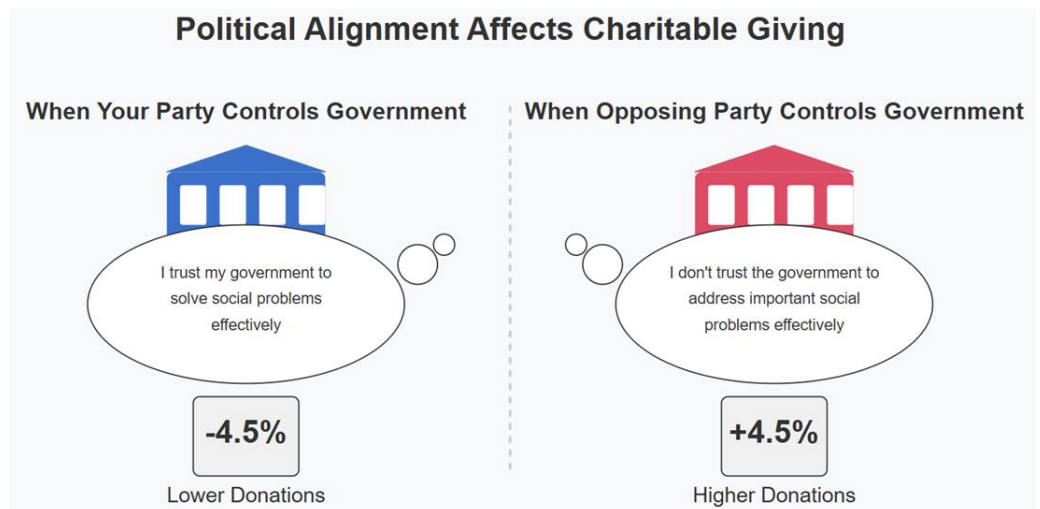
# ERNOP Research Note

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## Takeaways & Learnings



- The main finding of this article is that **both Republican and Democrat donate less money to charity during own-party presidencies**, independently of the level and composition of government spending. Charitable **giving is reduced by 4.5% on average**.
- Republican and Democrat are dissimilar on one aspect. For Republicans, the decrease is at the extensive margin, meaning less people give, while for Democrats it is at the intensive margin, meaning the same number of people give but the average donation decreases.
- The authors also explored the mechanism underlying this result and found that it is due to **stronger confidence in the government when individuals' are politically aligned**. In other words, people tend to believe that the government is better equipped to provide public services and that public goods are to be provided by it. Hence, supporters of the president tend to donate less to private charities.
- As a conclusion, the authors underline that people's donation decisions does not only depend on actual government activity as it is largely believed in the academic literature, but also on their political alignment. Hence, **charitable giving seems even more deeply connected with democracy, as it can provide a safety-net against governments with a poor public image**.



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