

Superstar Charities and the Market for Tax Received Donations

Abstract

What is the extent of the market for charitable donations?

Do large charities grow faster than small charities?

We study charities that can issue tax receipts for collected donations and test for evidence of a power law distribution of charity size. We find that when the size of charities is measured by their tax received gifts received, the distribution is well approximated by a Zipf distribution. This empirical regularity is important as it highlights the boundaries of the market for charitable organizations: charities operate in a competitive market for donations in which their growth rate is independent of their size. We discuss the implications for research on charity operations and public policy.

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