

UGA Faculty Colloquium
April 14, 2008

Corporate Philanthropy and the Market for Altruism

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The existing literature on corporate philanthropy asks why corporations engage in philanthropy. But corporations are not alone in doing good works. Non-profit charities and the government also lend a hand. Together the three sectors compete in a larger market for good deeds where individuals seek to satisfy their desire to help others. The existing literature on public goods ignores the role for-profit firms play in this market, which we call the market for altruism. Once the demand and supply for altruism is understood, asking why firms are philanthropic becomes about as meaningful as asking why Ford produces the Explorer or Apple produces the iPod Nano. Instead the question becomes how is this market different from other markets, and when are for-profit corporations best suited to supplying it. The market for altruism is special because one of the competitors—the government—also regulates competition in the remainder of the market. After analyzing the market for altruism, and explaining the comparative advantages of corporations, this paper highlights one area—tax policy—in which the government discriminates among competitors. We argue that this discrimination is not justified and propose a number of tax reforms to level the playing field and improve the efficiency of the market for altruism.