Do the Rich Substitute Political Giving for Charitable Giving?*

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Abstract

This article studies the relationship between charitable and political giving, and estimates the degree of substitutability between the two, focusing on wealthy households. Using exhaustive administrative tax data covering all French households between 2006 and 2021, we exploit the 2017 reform that replaced the wealth tax with a real-estate tax. This reform increased the effective price of charitable giving for households that were previously but are no longer liable, while leaving the price of political donations unchanged. This unique setting allows us to estimate the cross-price elasticity of political donations with respect to the price of charitable giving through an instrumented Difference-in-Differences approach. According to our estimates, a 10% increase in the price of charitable giving leads to a 0.18 p.p. increase in the propensity to make a political donation, and to a large rise (corresponding to 3% of the mean) in the amount given conditional on giving. We finally discuss the possible mechanisms behind this substitutability, and provide suggestive evidence indicating that some charitable giving may have been politically motivated from the outset.

Keywords: charitable giving, political donations, tax incentives for giving, wealth tax credit, cross-elasticity of donations, nonprofit organizations, substitutability
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1 Introduction

There has been a rise in philanthropy in Western democracies in recent years. In the United States, charitable giving increased by 43% between 2000 and 2021 – from 390 billion (inflation-adjusted) dollars to 558 billion; in Switzerland, we similarly observe a 78.3% increase between 2003 and 2019, and in France, a 91% increase between 2010 and 2019, from €2.789 billion to €5.319 billion.[1] How to explain such a rise? In many countries, increases in tax policies offering substantial incentives to donate to charities provide an initial explanation. This increase has also been related to individuals' desire to be seen to be doing good (e.g. the so-called warm-glow motive for giving described by Andreoni, 1989, 1990). Yet, philanthropy may not be just about giving: it can also serve political objectives (Reich, 2018; Bertrand et al., 2020, 2021; Cagé, 2024).

In this article, we study how charitable giving and political donations intertwine, and investigate in particular the extent of substitutability between political and charitable giving. To do so, we proceed in two steps. First, using exhaustive tax data and a natural experiment, we estimate the cross-price elasticity of charitable and political giving. Then, we discuss various interpretations for the observed substitutability between charitable and political donations.

Our dataset includes all the households filing income tax and/or wealth tax returns in France between 2006 and 2021, i.e. around 39 million households per year that we can follow over time and across wealth and income tax returns thanks to a unique household identifier. France provides a unique empirical framework to investigate whether donations to charities and to political parties are substitutes or complements. On the one hand, charitable and political giving can benefit from a nonrefundable income tax credit equal to 66% of the gift. On the other hand, charitable donations (but not political ones) can benefit from a nonrefundable wealth tax credit equal to 75% of the amount of the donations made. Importantly, charitable donations and political donations are reported separately on the tax forms.

Estimating the cross-elasticity of political and charitable donations raises a number of empirical challenges, reverse causality to begin with. In this article, we overcome these challenges by exploiting the panel dimension of our data and using a tax reform that affected the price of charitable giving in a Difference-in-Differences framework. In 2017, the solidarity tax on wealth became a real-estate tax. This reform did not modify the tax schedule but restricted the definition of the tax base to real-estate assets, excluding other investments (in particular financial assets) which were previously included. With this transformation of the wealth tax, two thirds of the households liable to the wealth tax on their 2016 wealth were no longer liable for their 2017 wealth, and thus could no longer benefit from the 75% wealth tax credit for charitable giving. In other words, the reform created a shock on the price of charitable giving

[1] US data are from Giving USA. Data for Switzerland and France were computed by the authors and reported in 2015 constant euros for France. See Section 3 for detailed information on the data sources.

– which increased from 25 to 34% of the amount of the gift, given that the income tax credit is "only" equal to 66% of the donations – but not on the price of political donations, given that political giving was not eligible to the wealth tax credit before the reform. As a result, our population of interest is the wealthy households, which represent around 1% of the French population.

In practice, we estimate the cross-elasticity of political and charitable donations and decompose the estimation between the extensive margin (the propensity to give) and the intensive margin (the amount given conditional on giving). We proceed in two steps. First, we perform a Difference-in-Differences analysis exploiting the 2017 reform, which affected the price of charitable giving for the households no longer liable to the wealth tax but not for those who continued paying the real-estate tax. To take into account the fact that the wealth tax reform led to a decrease in the amount of taxes paid for the households in the treated and the control group, i.e. an increase in the resources at their disposal, we reduce our sample of analysis to the treated and control households who face approximately the same tax saving (between €0 and €15,000 in wealth tax gains in our preferred specification) following the reform. Our identification assumption is that, given that political giving was not eligible to the wealth tax credit and thus not directly affected by the reform, the 2017 wealth tax reform only affected political donations through its effect on the tax price of charitable giving. We first show that the two groups were following parallel trends with respect to both charitable and political giving before the reform, and then estimate the impact of the reform on both the propensity to make a political donation and on the amount given conditional on giving.

Second, we employ an instrumental variable strategy where we use the 2017 wealth tax reform as an instrument for the price of charitable giving in the first stage. We then investigate how the instrumented price of charitable giving affects political donations in the second stage. Specifically, we estimate a local average treatment effect (LATE) for the compliers, i.e. the households who changed their wealth tax liability status following the reform. As before, our identification assumption is that – conditional on similar wealth tax gains – the wealth tax reform only affected political donations through its effect on the marginal tax price of charitable giving.

We find that the 2017 wealth tax reform leads to a 0.5 percentage-point increase in the probability of making a political donation for the treated households compared to the control ones, corresponding to 12.5% of the mean. At the intensive margin, we observe a €37.6 increase in the average amount given conditional on giving, corresponding to 7.9% of the mean.

Regarding the cross-price elasticity of political donations (second stage of the IV estimation), we show that a ten-percent increase in the price of charitable giving leads to a 0.18 percentage-point increase in the probability of declaring a political donation (extensive margin), corresponding to 4.5% of the mean. Conditional on giving, it leads to a €14.3 increase

in the average amount given (an increase corresponding to 3% of the mean). This effect is both statistically and economically significant for the political parties, which strongly rely on private donations. E.g. the overall estimated increase in political donations is equivalent to around 9% of the total political donations made by wealth tax donors in 2017. These results are robust to the use of different empirical strategies and samples.

How to interpret this substitutability? In the final part of the paper, we consider and discuss several mechanisms that could rationalize the observed substitutability between political and charitable giving. We provide suggestive evidence indicating that some charitable donations may have been driven by political motivations to start with. More precisely, we list all the public-utility nonprofit organizations that could benefit from both the income tax and the wealth tax credit in France and the annual amount of donations they receive, which we hand-collected from their paper-format "auditor's reports on the annual accounts". Using their stated purpose, we classify the organizations depending on their area of activity, and study aggregate changes in the amount of donations received by the nonprofit organizations whose purpose is classified as "political" and those whose purpose is not (e.g. the foundations that are classified as "humanitarian" or "solidarity"). We document that the drop in charitable donations is larger for the charities whose purpose is political than for the non-political ones.

Literature review Our paper first contributes to the long tradition of research analyzing philanthropic giving, and in particular estimating the tax-price elasticity of giving (Feldstein and Taylor, 1976; Randolph, 1995; Bakija and Heim, 2011; Andreoni and Payne, 2013; Meer and Priday, 2020).[2] Several articles have estimated the effect of tax incentives for charitable contributions. Fack and Landais (2010) use two reforms in France that increased the nonrefundable tax credit rate in 2003 and 2005, and Fack and Landais (2016b) exploit the 1983 tightening of the requirements to claim charitable credits.[3] Fack and Landais (2010) find that the elasticity price of gifts is around -0.2 to -0.6 depending on income; in the US context, Bakija and Heim (2011) estimate an elasticity in excess of -1; Almunia et al. (2020) find an elasticity of -0.3 for the UK.[4]

Compared to this literature, our contribution is fourfold. First, while the focus of these papers is on charitable contributions, we also consider political donations that benefit from similar tax incentives but may respond differently (Cagé et al., 2025). Indeed, political contributions and charitable giving are not usually analyzed in conjunction, although they may

[2] See also Bakija (2013) and Fack and Landais (2016a) for a literature review on tax policy and philanthropy.

[3] See also Doerrenberg et al. (2017) who exploit several tax reforms implemented in Germany between 2001 and 2008 to estimate both the elasticity of taxable income and the elasticity of credits with respect to net-of-tax rate. In the French context, Guillot (2019) studies behavioral responses to changes in income taxation and Garbinti et al. (2023) investigate how the reporting standards affect the wealth declared.

[4] Karlan and List (2007) use a natural field experiment to estimate the extent to which price matters in charitable giving (see also Landry et al., 2006).

be considered as two sides of the same coin. An exception is Yildirim et al. (2024) who provide evidence of substitution between political contributions and charitable contributions using data from the US and shocks on charitable and political giving (see also Yörük (2015) who uses survey data to investigate the spillover effects of charitable subsidies on political giving in the US between 1990 and 2001, and finds complementarity between the two kinds of donations).[5] We contribute to this literature by looking at substitution effects *within the same donors*. Our data indeed allow us to investigate at the taxpayer level the propensity of individuals to contribute to both political parties and charities and, thanks to our empirical strategy, we can isolate the causal effect of an increase in the price of charitable giving (driven by a change in tax incentives) on political donations (not affected directly by this change).[6] Furthermore, while Yildirim et al. (2024) rely on data from two nonprofit organizations (the American Red Cross and the Catholic Relief Services), our data cover the entirety of political and charitable donations reported to the tax administration. Thanks to the richness of the data, we can estimate the price elasticity of giving at the individual level (and not at the county level like in Yildirim et al., 2024), and investigate whether the magnitude of the effect varies with the characteristics of those households. Besides, we estimate the substitutability between political and charitable giving in normal times, while Yildirim et al. (2024) exploit rare events such as foreign natural disasters.

Second, while the focus of the existing literature has been on the income tax, our paper also exploits variations in the wealth tax and estimates the cross-price elasticity of giving. While there exists a large literature investigating the impact of wealth taxation (Brülhart et al., 2016; Seim, 2017; Jakobsen et al., 2019; Le Guern Herry, 2024), to the extent of our knowledge, we are the first to study the extent to which wealth tax credits impact donations. Furthermore, while the existing research mostly considers direct variations in the price of giving (through changes in the tax treatment that donations benefit from), we consider indirect shocks (exploiting a wealth tax reform).

Third, while the existing research mostly uses survey data or samples of taxpayers[7], or focuses on the top of the income distribution when using income tax returns, we rely on an exhaustive administrative panel dataset and estimate the elasticities at different levels of the

[5] Hungerman et al. (2018) investigate the effect of campaign activity on non-political donations, and document an increase in collections for nearby churches the week following a campaign stop by a presidential candidate. Perroni et al. (2022) study the role of salience in charitable giving, using a dataset on phone text donations. Cagé et al. (2023) investigate the role played by ideology in the propensity to give.

[6] There is a large literature on the determinants of campaign contributions (for a literature review, see Dawood, 2015), but this literature mostly overlooks the issue of the tax price of political giving. This may be due to the fact that political donations in the US do not benefit from tax reliefs – whereas they do in France (as well as in many other Western democracies), and so can be studied in our context.

[7] For papers using survey data, see Brown and Lankford (1992); Scharf and Smith (2015); Yörük (2015); Backus and Grant (2016). Fack and Landais (2010) use a repeated cross-section of 500,000 taxpayers drawn every year by the tax administration; Bakija and Heim (2011) relies on a panel of 550,000 disproportionately high-income tax returns.

distribution.[8] Almunia et al. (2020) similarly use administrative tax return data (from the UK) and exploit a tax reform; more closely related to our paper is recent work by Ring and Thoresen (2025) who use a shock to wealth tax exposure in the Norwegian context. However, both papers focus on charitable giving, while we investigate whether there are substitution effects between charitable and political donations.

Fourth, an interesting consequence of our focus on wealthy taxpayers and the use of exhaustive data is that we can study the behavioral response of a subpopulation over-represented in both political and charitable donations but overlooked by the previous literature due to a lack of data and natural experiment. As a result, we contribute to a growing literature studying the unequal nature of political involvement and how they correlate with economic inequality, reviewed by Cagé (2024).

Our findings finally relate to the growing literature on the use charitable giving as a means of political influence (see in particular Bertrand et al., 2020, 2021). While our setting does not allow us to provide direct evidence that charitable contributions may serve as a useful channel of political influence, as evidenced in Bertrand et al. (2020, 2021), we inform this debate by investigating charitable giving by individuals (rather than firms) in a different empirical context (France). Our results add to this literature by offering causal evidence of a significant degree of substitutability between political and charitable giving. Moreover, although we cannot directly test whether this substitutability shows that some charitable giving is politically motivated, we provide suggestive evidence that this is one possible interpretation of our findings.

The rest of the paper is organized as follows. In Section 2 below, we provide historical background on tax credits for charitable and political contributions in France, and describe the tax reforms that took place during our period of interest. Section 3 presents the unique panel data we use and provides descriptive statistics, and Section 4 expounds our identification strategy. Section 5 presents our main empirical results. In Section 6, we discuss the potential mechanisms behind the substitutability between charitable and political giving. Finally, Section 7 concludes.

2 Historical background and tax legislation

In this section, we first briefly describe the French regulatory background for charitable and political contributions. More details are provided in the online Appendix Section B.1. We then outline the main tax reforms that took place during our period of interest (2006-2021). The time period considered is determined by data availability: the wealth tax return data at the households level are only available between 2006 and 2021.

[8] A strand of the literature also relies on charities' tax filings. See in particular Duquette (2016).

2.1 Tax credits for charitable and political contributions

Income tax credit Charitable donations in France benefit from a 66% non-refundable income tax credit. The gift can be deducted up to a ceiling equal to 20% of the taxable income. Political donations similarly benefit from this 66% income tax credit. However, contrary to charitable donations, political donations are capped by law in France.[9]

We observe donations to political parties directly in the income tax returns data since 2013 (they were previously bundled with charitable donations).[10] We report descriptive statistics on these donations in Section 3.2 below.

Wealth tax credit A wealth tax credit for charitable donations – political donations are not eligible to this tax credit – was introduced in 2007. The wealth tax reduction is equal to 75% of the amount of the donations made, up to a limit of €50,000 per year.

Taxpayers liable to the wealth tax can choose to declare their charitable donations either on the wealth tax or the income tax return, but they cannot declare it twice.[11] However, contrary to the income tax credit, not all nonprofit organizations are eligible to the wealth tax credit. Indeed, only a subset of the nonprofit organizations that are recognized as "being of public utility" (the so-called *Fondations Reconnues d'Utilité Publique* or FRUP) can benefit from it, as well as the nonprofit research, higher education or artistic institutions of general interest. We provide details on the FRUPs in the online Appendix Section B.1.2, and come back to this point in Section 6 below, where we discuss the political dimension of a number of nonprofit organizations.

2.2 The 2017 wealth tax reform

The first goal of this paper is to estimate the cross-elasticity of political and charitable donations. However, doing so raises a number of empirical challenges given reverse causality and omitted variable bias. To obtain a causal estimate, we propose to exploit the 2017 wealth tax reform. We present our empirical strategy in Section 3 below; here, we simply describe the reform.[12]

In 2017, the solidarity tax on wealth became a real-estate tax. Although the tax schedule remained the same, the taxable base narrowed: in contrast with the previous solidarity tax on wealth, the real-estate tax only covers real-estate assets and excludes other investments (in

[9] A natural person may contribute up to €4,600 to each campaign, and donate an annual maximum of €7,500 to political parties or groups.

[10] Taxpayers report their charitable and political giving on the same page of their income tax form, but on different rows (see online Appendix Figure B.1 for an illustration).

[11] If they reach the €50,000 cap, however, they can split their charitable donations between the two forms, and declare the remaining amount on their income tax form so as to benefit from the 66% credit (see Figure 1 for an illustration).

[12] More details on the history of the wealth tax in France and the motivations behind the 2017 reform are provided in the online Appendix Section B.2.

particular financial assets).[13] The motivation behind the reform was to redirect savings on a massive scale toward the productive economy, i.e., businesses, by only taxing real estate and exempting everything that finances the real economy.

After the reform, two thirds of the households who had been liable to the wealth tax in 2016 were no longer liable in 2017, i.e. 236,216 out of 351,229 households.[14] Hence, this wealth tax reform led to a drop in the number of households liable to the wealth tax, and so in the number of households eligible to the wealth tax credit. For the households no longer liable to the wealth tax following the reform, it also implied an increase in the price of charitable giving – given that they could no longer benefit from the 75% wealth tax credit – but no changes for political donations, which have never been eligible to this credit. This is illustrated in Figure 1 where we plot the underlying variations in the price of charitable giving we exploit in our analysis. While the 115,013 "control" households who continue paying the real-estate tax following the reform still benefit from a 75% tax credit, the price of charitable giving increases from 25 to 34% for the 236,216 "treated" households in 2017.

Note that while, before the reform, the wealth taxpayers represented only 1% of the households in France, they represented 4.8% of the total gross income, 16% of the charitable donations declared in the income tax returns, and 13.8% of the declared political donations. Furthermore, they represented 22.5% of the total (non-political) income and wealth tax donations.

3 Data and Descriptive statistics

The confidential data used in this paper are from the General Directorate of Public Finance, and access was obtained within a secure environment offered by the CASD (*"Centre d'accès sécurisé aux données"*)[15]. We briefly describe the dataset here and provide more details on data construction in the online Appendix Section A.

3.1 An exhaustive panel dataset of income and wealth tax returns

Our dataset includes all the households who must declare their taxes in France, i.e. all the households filing their income tax and/or their wealth tax returns.[16] The tax return is *manda-*

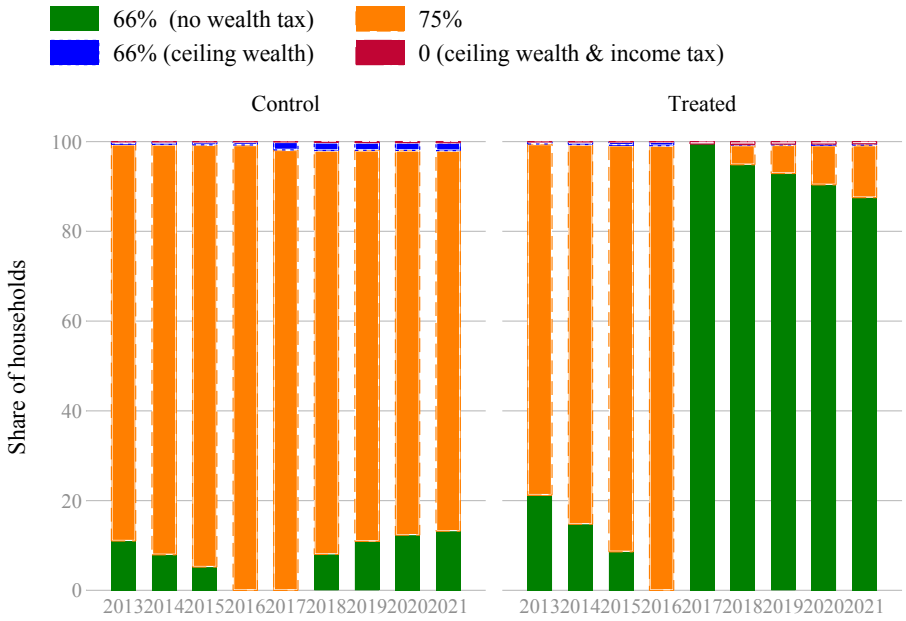
[13]The solidarity tax on wealth was called ISF or *"impôt de solidarité sur la fortune"*. The real-estate tax is called IFI or *"impôt sur la fortune immobilière"*. In both cases, only the households whose net taxable wealth is above €1.3 million are liable to the tax. The tax rates are equal to (i) 0% between €0 and €800,000, (ii) 0.5% between €800,000 and €1.3 million, (iii) 0.7% between €1.3 million and €2.57 million, (iv) 1% between €2.57 million and €5 million, (v) 1.25% between €5 million and €10 million, and (vi) 1.5% above €10 million.

[14]In France, a wealth tax for year t is levied on the wealth evaluated at the end of year $t-1$, so that the reform is effective from the 2017 wealth onward, even though it corresponds to tax levied in 2018.

[15]Ref. 10.34724CASD.

[16]An individual must file an annual tax return if she is in one of the following situations: (i) they reside in France; (ii) their main professional activity is in France; (iii) they turned 18 in year N and are no longer attached to their parents' tax household; (iv) they live abroad but their income is from a French source. See

Figure 1: Evolution of the tax credit rate for charitable giving following the 2017 wealth tax reform



Notes: The Figure plots the change in the tax credit rate for charitable giving separately for the 115,013 "control" households who continue paying the real-estate tax following the 2017 wealth tax reform (on the left) and the 236,216 "treated" households (on the right) who are no longer liable to the wealth tax in 2017. Green bars show the share of the households who are not liable to the wealth tax and can thus only benefit from the 66% income tax credit (i.e. a marginal price of giving of 34%). Orange bars show the share of the households who are liable to the wealth tax and can thus benefit from the 75% wealth tax credit (i.e. a marginal price of giving of 25%). Blue bars report the share of the households who are liable to the wealth tax but who face the €50,000 wealth tax credit cap. Finally, red bars show the share of the households who are liable to the wealth tax but who face both the €50,000 wealth tax credit cap and the income tax ceiling.

tory regardless of the income, even if it is zero or low. Overall, around 38.5 million households file an income tax return as of 2018. There is a single tax return per tax household, unless there is a change in the household definition during the year (e.g. because of a marriage or a divorce). For single persons (single, divorced, widowed, cohabiting), the tax household is made up of the taxpayer and their dependents. For married and civil union partners, the tax household consists of the taxpayer, their spouse and dependents. The income and expenses of all members of the tax household are taken into account to establish a single tax assessment (in the empirical analysis below, we always control for the number of fiscal shares).

Regarding the wealth tax, since the 2017 wealth tax reform, individuals whose real-estate assets have a net taxable value strictly superior to the tax threshold, i.e. €1.3 million, are required to file a declaration. Online Appendix Figure C.1 reports the evolution of the number of households filing their income tax and/or their wealth returns during our period of interest.

Thanks to a unique household identifier, we follow households over time for both income and wealth tax. Our tax return data contains information on households' composition, detailed income composition, wealth (if they file a wealth tax return), and all reductions and rebates claimed. The data also contains output variables of the income tax computation such as the tax due and the amounts deducted for it. In this article, we mainly rely on the information on income, wealth, charitable and political donations, department of residency, number of dependents and age, as well as on the panel structure of the data. Table 1 provides summary statistics on these variables when we consider all the households filing an income tax return.

Regarding donations, we have information on the total amount of donations eligible for income and wealth tax credits, i.e. both charitable and political donations that are declared by the households on their tax form(s).[17]

3.2 Charitable donations

As highlighted above, donations can be declared either on the income tax form or on the wealth tax form for the households liable to both income and wealth tax. However, households cannot declare the same donation twice. While the charitable giving literature (see e.g. Fack and Landais, 2010) has rightly expressed concern over the extent to which donations may be underreported, this is not an issue in the empirical context considered in this article where we focus on wealth tax payers who all benefit fiscally from reporting their donations.

Figure 2 plots the evolution of the number of households who declare a charitable donation

online Appendix Section A.1 for details on tax returns filing in France.

[17] We do not observe in the data the detailed composition of the giving made by households, e.g. how much they contribute to different charities, and the charities they contribute to. We come back to this point in Section 6.2 below where we collect novel data on the charities' financial accounts to investigate whether they were differentially affected by the wealth tax reform depending on their purpose. Similarly, the tax data only provide us with aggregate political giving, but give no information on the identity of the parties that benefit from the political donations.

Table 1: Descriptive statistics: characteristics of the households filing an income tax return (2016)

(a) All households liable to income tax

	Mean	Std. Dev.	p25	p50	p75	Frac. > 0
Gross Taxable Income	26,004	38,496	11,504	19,249	32,392	0.94
Number of fiscal dependents	1.8	0.9	1.0	2.0	2.0	0.28
Age (individual 1)	51	19	35	50	65	1.00
Total donations (income tax)	63.4	1,216.3	0.0	0.0	0.0	0.14
Political donations (income tax)	2.2	92.4	0.0	0.0	0.0	0.0075
Charitable donations (income tax)	50.0	1,167.6	0.0	0.0	0.0	0.11
Coluche donations (income tax)	11.2	294.1	0.0	0.0	0.0	0.050
Political donations (income tax), cond. on giving	287	1,028	40	80	170	1
Observations	37,551,043					

(b) All households liable to wealth tax

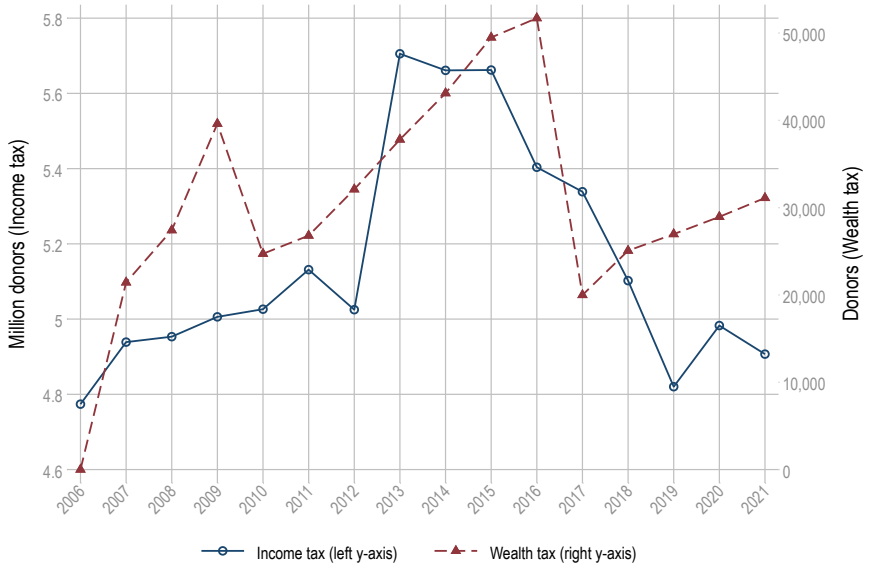
	Mean	Std. Dev.	p25	p50	p75	Frac. > 0
Gross Taxable Income	134,867	265,361	52,462	85,993	143,663	0.99
Number of fiscal dependents	1.9	1.0	1.0	2.0	2.0	0.19
Age (individual 1)	68	13	60	68	77	1.00
Total donations (income tax)	1,002.4	9,882.6	0.0	60.0	588.0	0.55
Political donations (income tax)	33.0	445.4	0.0	0.0	0.0	0.050
Charitable donations (income tax)	888.8	9,828.1	0.0	0.0	426.0	0.49
Coluche donations (income tax)	80.6	240.9	0.0	0.0	0.0	0.23
Total gross wealth	2,962,612	3,997,285	1,685,420	2,123,300	2,971,474	0.99
Total donation (wealth tax)	749.1	4,885.4	0.0	0.0	0.0	0.15
Charitable donation (wealth tax)	740.8	4,859.6	0.0	0.0	0.0	0.14
Charitable donation in EU (wealth tax)	8.3	492.5	0.0	0.0	0.0	0.0019
Charitable giving (income & wealth tax)	1,637.9	11,730.3	0.0	50.0	645.0	0.54
Charitable donations (income & wealth tax), cond. on giving	3,037.1	15,839.7	180.0	550.0	1,955.0	1
Political donations (income tax), cond. on giving	662.5	1,888.5	50.0	120.0	300.0	1
Observations	351,229					

(c) Households giving to a political party

	Mean	Std. Dev.	p25	p50	p75	Frac. > 0
Gross Taxable Income	55,779	118,322	26,707	40,614	61,194	1.00
Number of fiscal dependents	1.8	0.9	1.0	2.0	2.0	0.26
Age (individual 1)	61	15	50	63	72	1.00
Total donations (income tax)	773.0	5,144.1	76.0	210.0	622.0	1
Political donations (income tax)	287.3	1,027.6	40.0	80.0	170.0	1
Charitable donations (income tax)	414.2	4,943.8	0.0	22.0	230.0	0.54
Coluche donations (income tax)	71.5	185.0	0.0	0.0	30.0	0.27
Total gross wealth	242,613	2,242,111	0	0	0	0.062
Total donation (wealth tax)	115.2	1,741.6	0.0	0.0	0.0	0.016
Charitable donation (wealth tax)	114.0	1,719.1	0.0	0.0	0.0	0.016
Charitable donation in EU (wealth tax)	1.2	271.8	0.0	0.0	0.0	0.00018
Charitable donations (income & wealth tax)	529.4	5,689.7	0.0	25.0	239.0	0.54
Charitable donations (income & wealth tax), cond. on giving	983.4	7,725.7	72.0	200.0	585.0	1
Observations	281,538					

Notes: The table shows descriptive statistics for the characteristics of the households filing an income tax return in 2016. Panel (a) includes all the households liable to the income tax while Panel (b) is restricted to the households liable to the wealth tax as well. Finally, Panel (c) shows the characteristics of the households who declare a political donation that year. All the variables but age (in years) and the number of fiscal dependents are in euros. We call "Coluche donations" the donations to charities that help people in need (see Section 5.3). The total donations to the wealth tax correspond to the sum of the donations to French-based and EU-based charities.

Figure 2: Evolution of the number of households who declare a charitable donation, Income tax and wealth tax donors, 2006-2021



Notes: The figure plots the evolution of the number of households who declare a charitable donation on their income and wealth tax forms per year. The time period covered is 2006-2021. The number of income tax donors is reported in millions on the left y-axis (blue line with dots) and the number of wealth tax donors on the right y-axis (dashed red line with triangle).

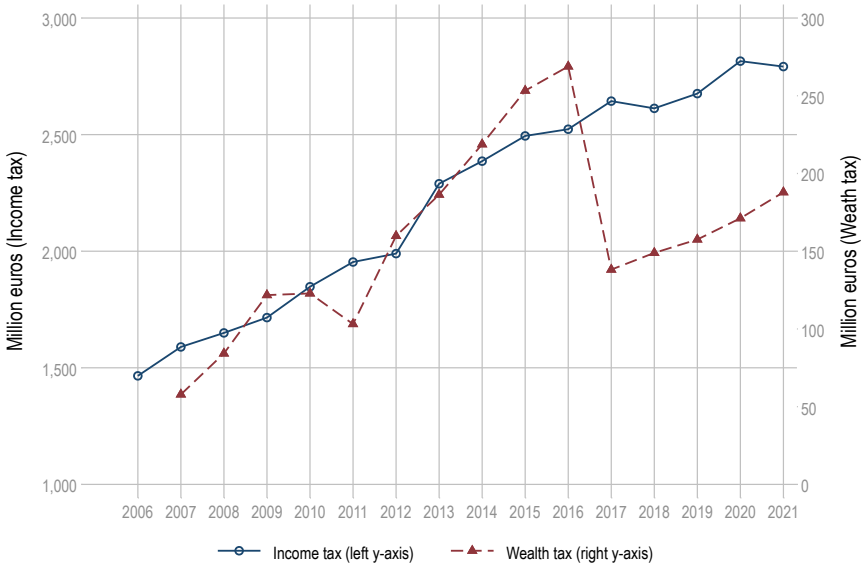
during our period of interest. We observe a large increase in the number of households declaring a donation on their wealth tax form (henceforward the wealth tax donors, dashed red line) between 2008 and 2009[18], a drop in 2010, and then a continuous increase until 2016. The drop in 2010 is most probably due to the 2011 wealth tax reform that increased the amount of net property assets above which individuals were liable for the wealth tax from €0.8 to €1.3 million (thus decreasing the number of liable households – see Figure C.1).[19] Similarly, the 2017 drop can be explained by the 2017 wealth tax reform that led to a decrease in the number of liable donors and which we exploit in this paper. However, while we observe a drop in the absolute number of wealth tax donors in 2017, the *share* of donors among households liable to the wealth tax increases, as shown in the online Appendix Figure C.2.

The picture is quite different if we consider the households who declare a donation on their income tax form (henceforward the income tax donors). We observe a continuous decline in the share of donors since the mid-2010s, as illustrated in the online Appendix Figure C.3. In 2019, around 9% of the households declared a charitable donation on their income tax form

[18] In 2006, this number is equal to zero given that the wealth tax credit was introduced in 2007.

[19] Contrary to the 2017 reform, we cannot exploit the 2011 change in our empirical analysis given that the data on political donations is only available since 2013. An alternative explanation for the 2010 drop could be the consequences of the 2007-2008 financial crisis. There is indeed a literature that documents that changes in the stock-market co-vary with changes in charitable giving (see e.g. List, 2011). While this may partly explain the observed decline, note that we observe a similar drop in the number of households liable to the wealth tax.

Figure 3: Evolution of the total amount of income tax and wealth tax donations, 2006-2021



Notes: The figure plots the evolution of the total amount of income tax and wealth tax donations. The time period covered is 2006-2021. The amount of donations declared to the income tax is reported on the left y-axis (blue line with dots) and the amount of donations declared to the wealth tax on the right y-axis (dashed red line with triangle).

compared to more than 12% in 2014.

This decrease in the share of income tax donors was not accompanied by a decline in the amount of total donations, however. Figure 3 plots this amount for both income tax and wealth tax donations. Income tax donations increased from around €1.1 billion in 2006 to more than €2.1 billion in 2019. This is due to the fact that the average amount declared increased during the same time period, from €33 (€317 among donors) to €55 (€579 among donors) (online Appendix Figure C.4).

3.3 Political donations

If we now turn to political donations, we see that less than one percent of the households make a donation to political parties every year (online Appendix Figure C.3), and that, during our period of interest, the annual amount of political donations has varied between around €60 million and €120 million (Figure C.5). Political donations vary strongly with the electoral cycles, with presidential and legislative campaign years resulting in more contributions.[20]

While these figures might seem small – both in international comparisons and compared to charitable giving – they are in fact of importance in the French context where campaign expenditures are limited by law (Cagé, 2018). In the 2022 presidential elections for example, first-round candidates could not spend more than €16,851,000, of which up to €8,004,225

[20]The campaign took place in 2006-2007 for the 2007 elections, in 2011-2012 for the 2012 ones, etc.

could be reimbursed by the State. Hence, the maximum differential spending between candidates stemming from private donations was around €8.8 million. Further, due to the spending caps, the marginal increase in spending needed to capture an additional vote is relatively low in France (e.g. between €10 and €35 for the legislative elections according to the estimations of Bekkouche et al., 2022); so a variation of even a few million euros in political donations can play a major role.

Note also that these aggregated political donations are higher overall than the direct public subsidies received by the political parties.

4 Empirical strategy

4.1 Empirical challenges

Ideally, we would like to estimate the cross-elasticity of charitable and political giving, i.e. the following equation:

$$\text{political giving}_{i,t} = \beta_0 + \beta_1 \text{charitable giving}_{i,t} + \mathbf{X'_{i,t}}\boldsymbol{\beta_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\beta_{3,s}} + \eta_i + \gamma_t + u_{it} \tag{1}$$

where i indexes the households and t the years. We focus on 2013-2021, given that political donations have been reported separately on the tax form only since 2013, and 2021 is the last year for which the data is available. The dependent variable, political giving$_{i,t}$, is alternatively a binary variable equal to one if the household i made a political donation in year t and zero otherwise (extensive margin), and, conditionally on giving, the total amount of political donations made by household i in year t (intensive margin).

The explanatory variable of interest, charitable giving$_{i,t}$, is the (logarithm of the) total amount of charitable donations made by household i in year t.[21] $\mathbf{X'_{i,t}}$ is a vector of time-varying household level controls, including the number of fiscal shares, the marital status, a categorical variable for the age, and 10-splines in income. $\mathbf{Y'_i}$ is a vector of time-invariant household-level controls – including the average gross wealth for 2013-2016, and the average wealth tax donations for 2013-2016 – which we interact with indicator variables for years. η_i and γ_t are respectively household and year fixed effects. Standard errors are clustered at the household level.

Online Appendix Table D.1 reports the results of the estimation of equation (1) using OLS. We find a negative correlation between political and charitable giving at the extensive margin (Columns (1) to (3)): a ten-percent increase in the amount of charitable giving leads to a 0.02

[21] Given that charitable giving may be equal to zero, we take the logarithm of charitable giving plus one. We show robustness below to the use of different specifications and functional forms.

percentage-point decrease in the probability of making a political donation, corresponding to 0.48% of the mean. This negative correlation is consistent with the substitution effect documented in Yildirim et al. (2024). We also observe a drop at the intensive margin (Columns (4) to (6)): conditional on giving, a ten-percent increase in the amount of charitable giving leads to a €2.13 drop in the amount given, corresponding to 0.47% of the mean.

However, this relationship cannot be interpreted as causal given the endogeneity of charitable giving in the political giving behavior. Further, it may also be biased by omitted variables (e.g. the intrinsic generosity or political ideology of the donors). To overcome these challenges, we implement a Difference-in-Differences strategy using the 2017 wealth tax reform to make a comparison between the behavior of households who experienced a change in the price of charitable giving due to the reform, and those who did not. We then use this reform shock as an instrument for the price of charitable giving, to estimate the semi-elasticity of political donations to the price of charitable giving.

4.2 Difference-in-Differences identification strategy

More precisely, we use the 2017 wealth tax reform described in Section 2.2 to implement a Difference-in-Differences strategy. This reform transformed the existing wealth tax (*ISF*) into a tax on housing assets (*IFI*). Following its introduction, two thirds of the 351,229 households who were liable to the wealth tax in 2016 were no longer liable in 2017, and so could no longer benefit from the 75% wealth tax credit on their charitable donations. In other words, for these households, the reform was a shock on the price of charitable giving. However, it did not directly affect political donations, given that political donations were not eligible to the wealth tax credit before the reform (nor after).[22]

We thus estimate the following model:

$$\text{political giving}_{i,t} = \alpha_0 + \alpha_1 \text{Treatment}_i \times Post_t + \mathbf{X'_{i,t}}\boldsymbol{\alpha_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\alpha_{3,s}} + \eta_i + \gamma_t + u_{it} \tag{2}$$

where, as before, i indexes the households and t the years, and our main explanatory variable of interest, $\text{Treatment}_i \times Post_t$, is the interaction between Treatment_i, an indicator variable equal to one for the households liable to the wealth tax in 2016 but who no longer pay the wealth tax in 2017, and zero for the households liable to the wealth tax in 2016 and who pay the new real-estate tax in 2017; and $Post_t$, an indicator variable equal to one for the years

[22] Note that this reform – which was one of the first undertaken during President Macron's first term – was somewhat unexpected. While it was a promise made by Macron on the campaign trail, there was no poll where Macron qualified for the second round of the presidential elections before February 2017, when François Fillon (the right-wing candidate) began to sink in the polls after the "Penelopegate" scandal. Hence, it is highly unlikely that, in anticipation of this reform, some wealth tax payers converted their real-estate holdings into other assets so as to reduce their wealth tax liability.

following the reform (2017-2021) and to zero for the pre-reform period (2013-2016).

Hence, our treated group comprises the households who left the wealth tax following the reform – and who can thus no longer benefit from the 75% wealth tax credit from 2017 onward – while our control group is composed of the households who are liable to the new real-estate tax (whose tax schedule is unchanged), and who can still benefit from the 75% wealth tax credit (Figure 1). Online Appendix Table D.2 compares the characteristics of these two groups before the reform. The control group consists of richer households, who also declare higher givings than the treated group on average. In all our specifications, we control for these observables (measured before the reform). The list of controls is indeed similar to that of equation (1)[23], and we cluster standard errors at the household level.[24]

To make sure to isolate the impact of the reform only through its effect on the price of charitable giving, we reduce our sample of analysis to treated and control households who face similar wealth tax gains following the reform. A potential threat could otherwise come from the fact that households may decide to give more because of the wealth tax gains produced by the reform – i.e. because of the increased resources available as a result.[25]

To do so, we compute the wealth tax gain each household made from the reform. The wealth tax gain is computed as the difference between the observed wealth tax due in 2016 and the wealth tax due in 2017.[26] Figure 4 plots the distribution of the wealth tax gain due to the 2017 wealth tax reform both for the treated and control households. On average, households liable to the wealth tax in 2016 benefited from a €8,803 decrease in their wealth tax (€10,598 in the control group, €7,918 in the treated group). In the remainder of the analysis, we focus on the subgroup of households who enjoy a wealth tax gain of between €0 and €15,000[27], i.e. 282,999 households out of the 351,229 households who were liable to the wealth tax in 2016.

[23] Note that income is not a bad control, since the income measure is pre-taxation and therefore not affected by the change in wealth tax liability resulting from the reform.

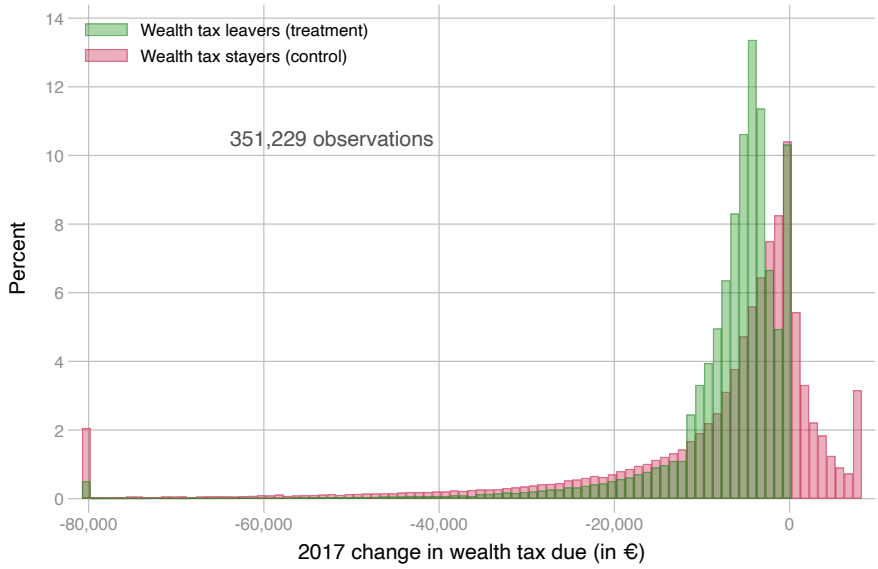
[24] Doing so may not entirely alleviate concerns arising from the statistical differences between households in the treated and control groups. In the online Appendix Section F below, we go one step further and, relying on Roth (2022), assess the power of our pre-trends test.

[25] In other words, households may decide to contribute more because they have more cash at their disposal (see for example Bakija and Heim, 2011, who show that the elasticity of charitable giving with respect to a persistent income change is equal to 0.51). Note however that, in this case, part of the increase in political donations would also be driven by the increase in available resources. As a result, by attributing all the reported changes in political donations to the reform's effect, we would underestimate its impact.

[26] Ideally, we would like to use the asset distribution of each household in 2016 – i.e. before the reform – between financial and real-estate assets, so as to compute the tax gain we would have observed if the reform had happened one year before. There may be some concern that households might have partly consumed their wealth – or increased their propensity to avoid tax – following the reform (note however that this is very unlikely, given that the reform only decreased the taxable base, with no change in the tax schedule). The difficulty arises from the fact that the asset composition is only known for the subset of the households who owned more than €2.57 million (i.e. around 25% of the households). Indeed, until 2018, households who own between €1.3 and €2.57 million only had to report their overall wealth. Reassuringly, online Appendix Figure C.6 shows that for the subset of the households for which we have information on the asset distribution, these two figures are strongly correlated.

[27] In Section 5.3 below, we show that our results are robust to the use of different windows.

Figure 4: Distribution of the changes in the amount of the wealth tax due at the time of the wealth tax reform



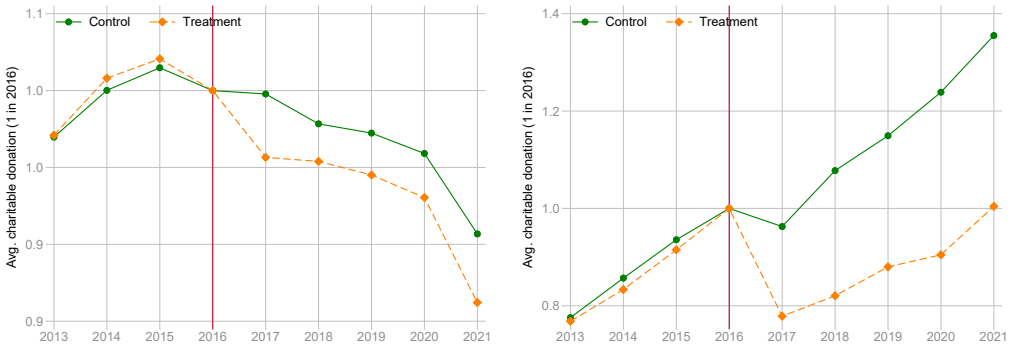
Notes: The figure plots the distribution (winsorized at 1% for the sake of readability) of the change in the wealth tax liability at the household level at the time of the wealth tax reform (2017 vs. 2016 wealth tax) for all households liable to the wealth tax on their 2016 wealth. Households still liable to the wealth tax in 2017 are in red while the ones who are no longer liable are in green. A negative number means that the amount of tax due decreased following the reform, and a positive number means that it increased.

Our identification assumption is the following: for the subset of the households that face similar wealth tax gains, the 2017 wealth tax reform only affected political donations through its effect on the marginal tax price of charitable giving. This assumption sounds reasonable given that political giving was not eligible to the wealth tax credit, and so was not directly affected by the reform.[28] Figure 5 plots the evolution of the average amount of charitable donations (see online Appendix Figure C.7 for political donations) separately for the control households who continue paying the real-estate tax following the wealth tax reform – and thus continue to benefit from the 75% wealth tax credit – and the treated households who are no longer liable to the wealth tax in 2017 – and therefore can no longer benefit from this credit. Panel (a) focuses on the extensive margin, while Panel (b) reports the intensive margin. While the amount given by these two groups were following similar trends until 2016, the reform led to a striking drop in charitable giving by the treated households compared to the control group.

[28]Note furthermore that, as detailed in the online Appendix Section B.2, the overall macroeconomic effects of the wealth-tax reform were small. Before the reform, the wealth tax's yield only represented 0.22% of the GDP.

Figure 5: Impact of the wealth tax reform on charitable giving: Descriptive evidence

(a) **Extensive margin** (b) **Intensive margin**



Notes: The Figure plots the average amount of charitable donations at the extensive (Panel a) and intensive (Panel b) margins (normalized to one in 2016) separately for the "control" households (green line with dots) who continue paying the real-estate tax following the 2017 wealth tax reform and the "treated" households (orange line with diamonds) who are no longer liable to the wealth tax in 2017. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face wealth tax gain between €0 and €15,000 following the reform. Charitable giving includes all the charitable donations declared on both the income tax and the wealth tax returns.

4.3 IV empirical strategy

The Difference-in-Differences approach allows us to causally estimate the impact of the 2007 reform on both the extensive and the intensive margins of political donations. However, in order to quantify the semi-elasticity of political donations to the price of charitable giving, we need to go one step further. We propose to use the 2017 reform to instrument the price of charitable giving. More precisely, we estimate the following two equations:

$$ln\left(1-\tau\right)_{i,t} = \pi_0 + \pi_1 \text{Treatment}_i \times Post_t + \mathbf{X'_{i,t}}\boldsymbol{\pi_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\pi_{3,s}} + \eta_i + \gamma_t + u_{it} \quad (3)$$

$$\text{political giving}_{i,t} = \beta_0 + \beta_1 ln\left(\widehat{1-\tau}\right)_{i,t} + \mathbf{X'_{i,t}}\boldsymbol{\beta_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\beta_{3,s}} + \eta_i + \gamma_t + u_{it} \quad (4)$$

where, as before, i indexes the households and t the years. $\mathbf{X'_{i,t}}$ and $\mathbf{Y'_i}$ correspond to the previously defined vectors of controls, and we also control for household and year fixed effects.

In the first stage (equation (3)), the dependent variable, $ln\left(1-\tau\right)_{i,t}$, is the marginal tax price of charitable giving.[29] Our main explanatory variable of interest, $\text{Treatment}_i \times Post_t$, is defined as in equation (2) above. In the second stage (equation (4)), we then investigate how the instrumented price of charitable giving ($ln\left(\widehat{1-\tau}\right)_{i,t}$) affects political giving

[29] In line with the existing literature, in our preferred specification, we consider this marginal tax price. In the robustness section, we show that our findings are unchanged if we instead use the first-euro price.

(political giving$_{i,t}$), considering both the probability to make a political donation and the amount given conditional on giving.

Who are the compliers? Our IV estimates can be interpreted as Local Average Treatment Effects (LATE) for the compliers – i.e. for the households whose marginal tax price of charitable giving was affected by the reform. The nature of these compliers can be better understood by looking at Figure 1. The figure reports the distribution of the marginal price of charitable donations before and after the reform, separately for the treated and control households. It shows that most of the households can be seen as compliers: most of the control-group households indeed remain at 75% (orange bars) following the reform, while most of the treated-group households moved from 75% (orange bars) to 66% (green bars). The always takers are the households who would always see a change in their tax credit rate regardless of the reform. The never takers are the households who would never see a change in their tax credit rate regardless of the reform (e.g. because they were already facing both the income and wealth tax ceilings; red bars). As shown in the figure, there are very few always or never takers.

Discussion Given that we are ultimately willing to estimate the relationship between charitable and political giving (as in equation (1)), it may seem surprising that in the second stage we instrument the tax price of charitable donations ($ln\,(1-\tau)_{i,t}$) rather than the charitable donations themselves, as in Yörük (2015). We decided to do so for the following reason: if we were to instrument charitable donations, we would need to assume that the tax price of giving is uncorrelated with the unobservable covariates that might affect political giving. While this assumption sounds reasonable in the US context considered by Yörük (2015), it does not hold in the French context given that political donations also benefit from a tax credit. The identification assumption needed here is much weaker since we only need to assume that – conditional on similar wealth tax gains – the wealth tax reform only affected political donations through its effect on the marginal tax price of charitable giving.[30] But the mechanism we have in mind is similar to the one in Yörük (2015): the change in the marginal tax price of charitable giving led to a change in the amount of charitable contributions, which might have affected the amount of political donations.

[30] Our identification assumption also relies on the fact that there were no changes in the fundraising behavior of nonprofit organizations or political parties as a result of the reform (see Karol, 2025, for evidence on the US). While we do not have data on the fundraising efforts of these organizations, we claim that this assumption can be considered reasonable in the French context following a large number of informed discussions with key actors in the sector. Note also that we show in Section 5.3 below that our results are robust to dropping electoral years when potential donors may be willing to contribute more to parties than to charities. Finally, from online Appendix Figures C.2 and C.3, it appears clearly that – at least in the French context – charitable donations do not seem to be affected by electoral cycles.

5 Empirical results

In this section, we first report the results of our Difference-in-Differences strategy, before turning to the IV estimates.

5.1 Difference-in-Differences estimates

Table 2 reports the results of the estimation of equation (2). In the first three columns, the dependent variable is the probability that household i makes a political donation in year t (extensive margin). In Columns (4) to (6), the dependent variable is the total amount of political donations made by household i in year t, conditional on making a donation (intensive margin).

Columns (1) and (4) only include year and household fixed effects. We add the full set of controls in Columns (2) and (5), and additionally control for the wealth tax gain from the reform in Columns (3) and (6). We show that, compared to the households who are still liable to the wealth tax following the reform, the treated households' propensity to give increases by 0.5 percentage points following the reform, corresponding to 12.5% of the mean. This impact is statistically significant at the one-percent level and robust to the use of different specifications. When turning to the intensive margin, we find that the amount of political donations conditional on giving increases by €37.7 following the reform, corresponding to 7.9% of the mean, an effect statistically significant at the one-percent level (Column (6)).

These reduced-form estimates point toward a substitution effect between charitable and political giving: by increasing the price of charitable giving, the reform led to a drop in charitable donations, which in turn led to an increase in political donations. However, there could be some concern that our results might be biased if the treated and control households were characterized by different giving behaviors *before* the reform. Figure 5b allays this concern, clearly showing that the two groups were following parallel trends with respect to charitable giving between 2013 and 2016 (online Appendix Figure C.7 provides similar evidence regarding political donations). Further, in Figure 6, we plot the event-study coefficients, with indicator variables for each year interacted with the treatment effect rather than the $Post_t$ indicator variable. It can clearly be seen that the treatment status has no impact on the political giving behavior before the wealth tax reform, while we observe a jump both in the propensity to give (Panel 6a, extensive margin) and in the amount contributed conditional on giving (Panel 6b, intensive margin) by the treated households compared to the control ones after 2017.

5.2 IV estimates

First-stage estimates Table 3 reports the results of the first stage. Column (1) only controls for year fixed effects, in Column (2) we add the household fixed effects, and the full

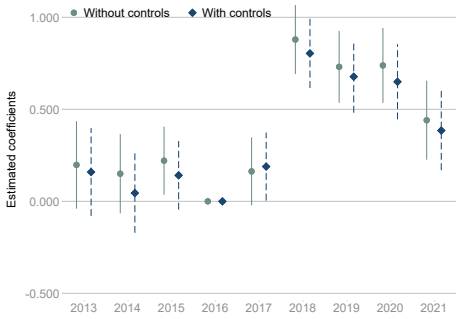
Table 2: The impact of the 2017 wealth tax reform on political donations: Difference-in-Differences estimates

	Probability of declaring a donation			Amount of the donation		
	(1)	(2)	(3)	(4)	(5)	(6)
Treated × Post	0.446***	0.453***	0.462***	41.827*	38.155*	37.638*
	(0.066)	(0.067)	(0.067)	(22.442)	(22.252)	(22.294)
Year FE	✓	✓	✓	✓	✓	✓
Household FE	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Wealth tax gain			✓			✓
Observations	2,360,888	2,360,786	2,360,786	75,452	75,452	75,452
Cluster(households)	282,496	282,491	282,491	19,138	19,138	19,138
Mean Dep Var	4.01	4.01	4.01	476.741	476.741	476.741
Sd Dep Var	19.61	19.61	19.61	1373.753	1373.753	1373.753

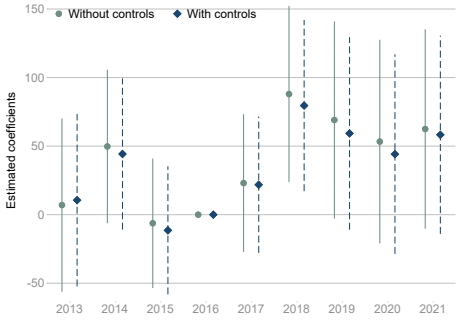
Notes: * p<0.10, ** p<0.05, *** p<0.01. The time period is 2013-2021. Models are estimated using OLS (standard errors clustered at the household level between parentheses). The estimating equation is: $y_{i,t} = \alpha_0 + \alpha_1 \text{Treatment}_i \times Post_t + \mathbf{X'_{i,t}}\boldsymbol{\alpha_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\alpha_{3,s}} + \eta_i + \gamma_t + u_{it}$. An observation is a household-year. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face wealth tax gain between €0 and €15,000 following the reform. The dependent variable is an indicator variable equal to one if the household made a political donation, and to zero otherwise in Columns (1) to (3). In Columns (4) to (6), for the subset of households who made a political donation, the dependent variable is the amount given. All specifications control for year and household fixed effects. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years.

Figure 6: The impact of the 2017 wealth tax reform on political donations: Event study

(a) **Extensive margin**



(b) **Intensive margin**



Notes: The figures show the coefficients from the following estimation: $\text{political giving}_{i,t} = \alpha_0 + \sum_{t=2013}^{2021} \alpha_t (\lambda_t * \text{Treatment}_i) + \mathbf{X'_{i,t}}\boldsymbol{\beta_2} + \eta_i + \gamma_t + u_{it}$. 2016 is the baseline year. Standard errors are clustered at the household level. Statistical significance is measured at the five-percent level. In Panel 6a, the dependent variable is an indicator variable equal to one if the household made a political donation, and to zero otherwise. In Panel 6b, the dependent variable is the total amount of political donations, conditional on giving. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face wealth tax gain between €0 and €15,000 following the reform in Panel 6a, and among those, only the subset of households who declare a political donation in Panel 6b. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years.

Table 3: The impact of the price of charitable giving on political donations: First-stage estimates (effect of the wealth tax reform on the price of giving)

	First stage ($ln(1-\tau)$)		
	(1)	(2)	(3)
Treated × Post	0.243***	0.243***	0.242***
	(0.000)	(0.000)	(0.000)
Year FE	✓	✓	✓
Household FE		✓	✓
Controls			✓
Observations	2,361,391	2,360,888	2,360,786
Cluster(households)	282,999	282,496	282,491
Mean Dep Var	19.099	19.099	19.099
Sd Dep Var	290.417	290.417	290.417

Notes: * p<0.10, ** p<0.05, *** p<0.01. The time period is 2013-2021. Models are estimated using an OLS (standard errors clustered at the household level between parentheses). The estimating equation is: $ln\left(1-\tau\right)_{i,t} = \pi_0 + \pi_1 \text{Treatment}_i \times Post_t + \mathbf{X'_{i,t}}\boldsymbol{\pi_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\pi_{3,s}} + \eta_i + \gamma_t + u_{it}$. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face wealth tax gain between €0 and €15,000 following the reform. The dependent variable is the logarithm of the marginal tax price of charitable donations. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years. All specifications control for year fixed effects, and Columns (2) and (3) also include household fixed effects.

set of controls in Column (3). We show that the tax reform consistently led to an increase of around 27.4% in the marginal price of charitable giving for the treated group, an effect statistically significant at the one-percent level.

This result is not surprising given that the wealth tax reform implied a change in the price of charitable giving for the households who leave the wealth tax following the reform and who can thus no longer benefit from the 75% tax credit. Note, however, that the magnitude of the drop in the price of giving varies depending on the households, as illustrated in the online Appendix Figure C.8.[31] First, a number of households liable for the wealth tax in 2016 were not liable in 2013-2015 and so only benefited from a 66% income tax credit before. Second, among the households who were liable for the wealth tax, some were facing the ceiling on wealth tax credits, which cannot exceed €50,000 per year. For those households, the marginal tax price of charitable giving was already equal to 34% of the amount of the gift before the reform if they were able to take advantage of the income tax credit, or to 100% if they were also facing the ceiling on the income tax credit (which cannot exceed 20% of the taxable income).

Second-stage estimates We then turn to the second-stage estimates that are reported in Table 4 for the extensive margin and in Table 5 for the intensive one. In the first three columns,

[31] The figure is similar to Figure 1 but only for the sub-sample of households who face a wealth tax gain between €0 and €15,000 following the wealth tax reform.

Table 4: The impact of the price of charitable giving on the probability of making a political donation (extensive margin): Second-stage estimates

	OLS			2SLS		
	(1)	(2)	(3)	(4)	(5)	(6)
$\log(1-\tau)$	-0.050	0.214*	0.186	1.832***	1.873***	1.886***
	(0.124)	(0.125)	(0.126)	(0.273)	(0.276)	(0.272)
Year FE	✓	✓	✓	✓	✓	✓
Household FE	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Wealth tax gain			✓			✓
Observations	2,360,888	2,360,786	2,360,786	2,360,888	2,360,786	2,360,786
Cluster(households)	282,496	282,491	282,491	282,496	282,491	282,491
Mean Dep Var	4.01	4.01	4.01	4.01	4.01	4.01
Sd Dep Var	19.61	19.61	19.61	19.61	19.61	19.61

Notes: * p<0.10, ** p<0.05, *** p<0.01. The time period is 2013-2021. Models are estimated using OLS in Columns (1) to (3) and 2SLS in Columns (4) to (6) (standard errors clustered at the household level between parentheses), using the following equation $y_{i,t} = \beta_0 + \beta_1 ln\,(1-\tau)_{i,t} + \mathbf{X'_{i,t}}\boldsymbol{\beta_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\beta_{3,s}} + \eta_i + \gamma_t + u_{it}$. The dependent variable is an indicator variable equal to one if the household declares a political donation, and to zero otherwise. In Columns (4) to (6), the price of charitable giving is instrumented by the interaction between Treatment$_i$ and $Post_t$. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face a wealth tax gain between €0 and €15,000 following the reform. An observation is a household-year. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years. All specifications control for year and household fixed effects.

for the sake of comparison, we report the OLS estimates; the second-stage coefficients are presented in Columns (4) to (6). We find that a ten-percent increase in the price of charitable giving leads to a 0.18 percentage-point increase in the probability of declaring a political donation, an effect corresponding to 4.5% of the mean (Table 4, Column (6)). At the intensive margin, a ten-percent increase in the price of giving is associated with a €14.3 increase in the amount given (conditional on giving), corresponding to 3.0% of the mean (Table 5, Column (6)). These estimates are statistically significant at the one-percent level and are robust to our different specifications.

Magnitude In terms of magnitude, at the extensive margin, our estimates imply that a 36% increase in the tax price of charitable giving (from 25 to 34%) is associated with a 0.58 percentage-point increase in the probability of declaring a political donation (corresponding to 14.6% of the mean). To perform a simple back-of-the-envelope calculation, we estimate the effect of the rise in the price of charitable giving on charitable donations: we find that a 36% increase in the price of charitable giving leads to a 2.58 percentage-point decrease in the probability of declaring a charitable donation (online Appendix Table D.5). In terms of the number of donors, it implies that out of the 7,310 households who stop giving to charities

Table 5: The impact of the price of charitable giving on the amount of political donations, conditional on giving (intensive margin): Second-stage estimates

	OLS			2SLS		
	(1)	(2)	(3)	(4)	(5)	(6)
$\log(1-\tau)$	55.537	66.216	69.283	167.145*	153.318*	149.840*
	(43.472)	(44.290)	(44.771)	(89.690)	(89.419)	(88.759)
Year FE	✓	✓	✓	✓	✓	✓
Household FE	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Wealth tax gain			✓			✓
Observations	75,452	75,452	75,452	75,452	75,452	75,452
Cluster(households)	19,138	19,138	19,138	19,138	19,138	19,138
Mean Dep Var	476.741	476.741	476.741	476.741	476.741	476.741
Sd Dep Var	1373.753	1373.753	1373.753	1373.753	1373.753	1373.753

Notes: * p<0.10, ** p<0.05, *** p<0.01. The time period is 2013-2021. Models are estimated using OLS in Columns (1) to (3) and 2SLS in Columns (4) to (6) (standard errors clustered at the household level between parentheses), using the following equation $y_{i,t} = \beta_0 + \beta_1 ln\left(1-\tau\right)_{i,t} + \mathbf{X'_{i,t}}\boldsymbol{\beta_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\beta_{3,s}} + \eta_i + \gamma_t + u_{it}$. The dependent variable is the amount of political donations declared by the household. In Columns (4) to (6), the price of charitable giving is instrumented by the interaction between Treatment_i and $Post_t$. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face a wealth tax gain between €0 and €15,000 following the reform, and who declare a political donation. An observation is a household-year. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years. All specifications control for year and household fixed effects.

because of the price increase, around 24% start giving to parties.

If we turn to the overall effect, taking into account both the extensive and the intensive margin – i.e. consider the impact of the change in the (instrumented) price of giving on the amount given to parties and charities by households, also including those who do not give – we estimate that the 36% increase in the tax price of charitable giving leads to a €7.4 increase in the amount of political donations made by households (online Appendix Table D.3), and a €521.8 drop in the amount of charitable donations (online Appendix Table D.7). Hence, a €100 decrease in charitable giving is associated with a €1.42 increase in political donations. Between 2016 and 2017, wealth tax charitable donations decreased by €267 million; according to our estimates, this can thus be associated with a €3.8 million increase in political donations, which corresponds to 8.6% of the total political donations made by wealth tax donors in 2017. This can also be related to the €593,396 in total donations received by the Parti Socialiste this year. Hence, our estimated effects are both statistically but also economically significant.

Discussion In terms of magnitude, the IV estimates are higher than the OLS ones. Where does this difference come from? While the OLS estimates capture the correlation between the price of charitable giving and political donations – in a context where, for a large share of the households, the price of charitable giving and of political giving is similar (34% of the amount of the gift) and does not vary over time – the IV estimates capture the local impact of a large change only in the price of charitable giving (its increase from 25 to 34% following the wealth tax reform).

To put it another way, the OLS estimates provide us with an (*a priori* biased) effect of the price of charitable giving on political giving on the whole population, including two thirds of the households for which this price did not change during our period of interest (and for whom there is thus no variation that we can exploit). In contrast, the IV estimates measure the Local Average Treatment Effect (LATE) of the price of charitable giving, i.e. its effect on the sub-sample of compliers – in our empirical framework, this is nearly all the households who are no longer liable to the wealth tax following the tax reform and who were not facing the ceiling on tax credits before (see online Appendix Figure C.8). Hence, it is not surprising that the IV estimates are larger than the OLS ones.[32]

Impact of the reform on charitable giving The interpretation of the above results also relies on the assumption that the increase in the price of charitable giving led to a drop in charitable donations. Online Appendix Table D.4 shows that the 2017 reform led to a decrease in charitable giving, both at the extensive and at the intensive margins. Online

[32]This is also the reason why we do not report the F-statistics in the IV tables. The instrumented variable being highly correlated with the endogenous variables by definition, the IV approach should indeed be fundamentally interpreted as a rescaling exercise.

Appendix Tables D.5 to D.7 implement our instrumental variable approach to estimate the semi-elasticity of charitable giving with respect to the price of giving. At the extensive margin, we can compute the implied elasticity by multiplying the semi-elasticity by the mean of the dependent variable (similarly to the approach taken in Almunia et al., 2020). We find an implied extensive margin price elasticity of -0.16. At the intensive margin, we obtain a semi-elasticity of $-€2,83$. To compare our results to the existing literature, we further estimate equation (4) using the logarithm of charitable donations at the intensive margin and find an elasticity equal to -0.773 (see online Appendix Table D.8). Compared to the existing literature, this is a rather large elasticity, which lies at the high end of the existing estimates (from -0.3 in the UK according to Almunia et al. (2020) to more than -1 in the US according to Bakija and Heim (2011)). This relatively high elasticity is most probably due to the fact that we focus on the households in the top 1% of the income distribution[33]; we indeed know from the existing literature that tax responsiveness increases with income (see e.g. Saez, 2001; Saez et al., 2012).

Heterogeneity of the effects In the online Appendix Section E, we investigate a number of dimensions of heterogeneity. The main conclusion of this heterogeneity analysis is that the effects are stronger at the extensive margin for the households at the top of the wealth distribution, and for those whose share of housing wealth in their total wealth is relatively low (i.e. who mostly own financial assets).

5.3 Robustness checks

Note finally that our results are robust to the use of several specifications and sample definitions. This section briefly describes the robustness checks we perform; the detailed results and associated tables are available in the online Appendix Section F.

Robustness checks for the Difference-in-Differences estimates We show that our results are robust to a number of sample changes. First, they do not vary if we consider a balanced panel, i.e. only include the households that we observe for each year during our entire time period. Second, they are robust to dropping the electoral year 2017, as well as to dropping 2016 (given that candidates fundraise a number of months in advance of the election).

We then show that our results are not driven by a mean reversion phenomenon by reducing the sample to households whose wealth tax liability status does not change in the post-treatment period. They are also robust to dropping the top 5% of wealth owners who might demonstrate extreme giving behavior, and are unaffected by the exclusion from the

[33] In the French context, Fack and Landais (2010) find an elasticity of -0.6 at most, but their estimated elasticity increases with income.

control group of households who are potentially treated because they are liable to a wealth tax that is below their 2016 wealth tax credit in donations.

An important specification issue may come from the censoring of our dependent variable. Political donations are indeed both bottom-censored at 0 and top-censored at the cap. To deal with bottom censoring, our preferred specification disentangles between the extensive and the intensive margins. As a robustness check, we combine both margins and perform a McDonald and Moffitt decomposition (McDonald and Moffitt, 1980). We also show that our results are robust to dropping the top-censored observations.

To overcome concerns about the unbalanceness of our control and treatment group, we next show that our results are robust to including households characteristics interacted with indicator variables for years. They are also robust to clustering standard errors at the percentile level of the 2013-2016 average wealth, and to controlling for the deciles of the 2017 wealth tax gains interacted with indicator variables for years. We further show that our results are robust to using different thresholds to identify the sample of households who face a similar wealth tax gain following the wealth tax reform, and we rely on Roth (2022) to assess the power of our pre-trends test.

In 1989, a 75% nonrefundable income tax credit was created for donations to charities that help people in need – so-called "Coluche giving". We show that Coluche giving increased following the wealth tax reform, with a price elasticity that is three to four times larger than for political donations. Finally, in the spirit of a placebo test, we show that the wealth tax reform did not affect trade union subscriptions.

Robustness checks for the IV estimates First, we show that our results are robust to estimating our model in levels, and scale political donations by the pre-policy mean for the control group. Second, we show that they are robust to using the first-euro price rather than the marginal tax price of donations. Third, they are robust to including the donations that are reported over several years (when exceeding the maximum amount of deductible donations).

Finally, following Yörük (2015)'s approach, we use charitable giving as an instrument for political donations and show that the estimated results are similar in magnitude to our baseline estimation.

Overall, our results point toward substitutability between charitable and political donations. This substitutability happens both at the extensive and at the intensive margins, is statistically and economically significant, and is robust to a number of different specifications.

6 Discussion: The mechanisms behind the substitutability between political and charitable giving

In this article, we have shown causal evidence of substitutability between charitable and political donations: when there is an increase in the tax price of charitable giving – i.e. a decrease in the tax incentives for households to make charitable donations – we observe an increase in political donations. In this section, we discuss the possible mechanisms behind this substitutability. Our preferred interpretation is that some charitable giving may have been politically motivated from the outset. We consider and rule out several alternative hypotheses, in particular that our results are driven by a binding budget constraint.

6.1 Budget constraint

The observed substitutability between political and charitable giving may be driven by a budget constraint, i.e. if people have a fixed budget for altruistic acts[34] or if they simply have a limited budget for giving (either to political parties or nonprofit organizations)[35]. If taxpayers were simply willing to split a certain amount of giving between different types of donations, then when the price of one type goes up, they would merely substitute away from it and into other types. To investigate whether the existence of such a budget constraint is the main driver behind the observed substitutability, we investigate the impact of the wealth tax reform on the non-refundable income tax credit for charitable giving.

The intuition here is the following: while treated households can no longer benefit from the 75% wealth tax credit due to the reform, they can still claim a non-refundable income tax credit for their charitable donations, at the same 66% rate as for political donations. Furthermore, doing so would allow them to split their donations between different types of donations, given that only FRUPs can benefit from the wealth tax credit, while all nonprofit organizations are eligible to the income tax credit. In other words, if the observed substitutability between political and charitable giving were only driven by a budget constraint – i.e. did not reflect the fact some charitable donations were politically motivated from the outset – then the wealth tax reform should have similarly impacted the amount of charitable donations and the amount of political donations.

Table 6 shows that a 1% increase in the price of charitable donations leads to a 3.06 p.p. increase in the probability of declaring a charitable donation on the income tax returns (compared to 0.446 p.p. for political donations), corresponding to 6.3% of the mean (vs. 11.1% for political donations). Furthermore, conditional on giving, we find no significant

[34] For a review of the literature on "altruism budget," see Gee and Meer (2019).

[35] Political donations should not necessarily be considered "altruistic". According to the existing literature, political donations could indeed be viewed either as a strategic investment or as a consumption good (see e.g. Gordon et al., 2007), but not as a reflection of the generosity of the donors.

Table 6: The impact of the 2017 wealth tax reform on charitable giving declared on the income tax returns: Difference-in-Differences estimates

	Probability of declaring a donation			Amount of the donation		
	(1)	(2)	(3)	(4)	(5)	(6)
Treated × Post	3.060***	3.925***	3.929***	-30.084	13.746	18.493
	(0.135)	(0.136)	(0.136)	(32.568)	(32.244)	(32.077)
Year FE	✓	✓	✓	✓	✓	✓
Household FE	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Wealth tax gain			✓			✓
Observations	2,360,888	2,360,786	2,360,786	1,129,379	1,129,378	1,129,378
Cluster(households)	282,496	282,491	282,491	184,978	184,978	184,978
Mean Dep Var	48.90	48.90	48.90	1452.743	1452.743	1452.743
Sd Dep Var	49.99	49.99	49.99	7412.777	7412.777	7412.777

Notes: * p<0.10, ** p<0.05, *** p<0.01. The time period is 2013-2021. Models are estimated using OLS (standard errors clustered at the household level between parentheses). The estimating equation is: $y_{i,t} = \alpha_0 + \alpha_1 \text{Treatment}_i \times Post_t + \mathbf{X'_{i,t}}\boldsymbol{\alpha_2} + \sum_{s=2013}^{2021} \mathbb{1}[t=s] * \mathbf{Y'_i}\boldsymbol{\alpha_{3,s}} + \eta_i + \gamma_t + u_{it}$. The dependent variable is an indicator variable equal to one if the household declares a charitable donation on its income tax return, and to zero otherwise in Columns (1) to (3). In Columns (4) to (6), for the subset of households who declare a charitable donation on their income tax return, the dependent variable is the amount given. An observation is a household-year. Our sample of analysis includes all the households subject to the wealth tax in 2016 who face a wealth tax gain between €0 and €15,000 following the reform. The vector of controls include (i) the following time-varying household-level controls: number of fiscal shares, marital status, a categorical variable for age, and 10-splines in income; and (ii) the following time-invariant household-level controls: average gross wealth for 2013-2016 and average wealth tax donations for 2013-2016, interacted with indicator variables for years. All specifications control for year and household fixed effects.

change in the amount of charitable giving claimed on the income tax returns, while we obtain a significant increase for political donations as documented in Section 5 above. That is, the wealth tax reform impacted more political donations than charitable giving claimed on the income tax return, suggesting that other mechanisms may be at play.

6.2 Politically motivated charitable giving

The substitutability between political and charitable giving may be driven by the fact that some charitable donations were politically motivated from the outset (see e.g. Bertrand et al., 2020, 2021, for evidence on US corporate charitable giving). Unfortunately, the French empirical context does not allow us to perform an empirical analysis similar to that of Bertrand et al. (2020, 2021) who consider large US corporations whose detailed donation data is available. In this section, however, we provide suggestive evidence consistent with this interpretation. To do so, we analyze the evolution of the donations received by nonprofit organizations and investigate in particular whether the change in the giving incentive impacted the nonprofit organizations differently depending on whether they are politically involved.

Data and methodology In France, as highlighted in the online Appendix Section B.1.2, only the nonprofit organizations recognized as "being of public utility" (FRUPs) and the nonprofit research, higher education or artistic institutions of general interest can benefit from the wealth tax credit (while all the nonprofit associations can benefit from the income tax credit). This category includes politically involved think-tanks such as the *Fondation Jean Jaurès* on the left and the *Fondation pour la recherche sur les administrations et les politiques publiques* (iFRAP) on the right, i.e. nonprofit organizations whose stated purpose is at least partly political, but also organizations whose purpose is not – or at least directly (e.g. *ATD Quart Monde* which works toward the eradication of chronic poverty).

To estimate the relative importance of politically motivated donations, we obtain the list of all the FRUPs in France during our period of interest. We collect the name and stated purpose of each one,[36] e.g. for the iFRAP: *"the purpose of the iFRAP Foundation is to carry out scientific studies and research on the effectiveness of public policies, particularly those aimed at achieving full employment and economic development, to make the results of these studies known to public opinion, to propose measures for improvement and to take all necessary steps to ensure that the proposed measures are implemented by the Government and Parliament"*[37]. We complement this description with the longer purpose provided by the organizations on their website (when available).

Next, for all the FRUPs for which this information is available[38], we rely on their financial accounts to study the evolution of the donations they receive between 2013 and 2020 (we also collect information on their operating expenses and revenues). Online Appendix Figure C.9 plots the evolution of the overall donations received by these FRUPs. In the financial accounts, the information on the "donations" received include donations by both legal and moral persons (unfortunately, the existing data do not allow us to isolate donations by individuals). Bequests are reported separately and, given that they do not respond to the same incentives (and they are furthermore one-time shocks), we decided not to include them as part of the donation figures.

We then categorize these foundations according to their stated purpose. To do so, we manually assign the foundations to the following 11 categories built from Reich (2018): (i)

[36] By law, all FRUPs, at the time of their creation (and with the aim of obtaining their specific tax status) have to provide the Ministry of the Interior with a statement of the organization's origin, public purpose and means of action. This statement is then public information.

[37] *"La Fondation iFRAP a pour but d'effectuer des études et des recherches scientifiques sur l'efficacité des politiques publiques, notamment celles visant la recherche du plein emploi et le développement économique, de faire connaître le fruit de ces études à l'opinion publique, de proposer des mesures d'amélioration et de mener toutes les actions en vue de la mise en œuvre par le Gouvernement et le Parlement des mesures proposées."*

[38] By law, the completed financial accounts and audit reports of the FRUPs must be published in the *Journal Officiel des Associations et Fondations d'Entreprises* (JOAFE) if the total of the donations or subsidies received that year exceeds €153,000. For the FRUPs that do not file their financial accounts on the "Journal Officiel" website, we draw on alternative data sources when accessible, including the website pappers.fr and the FRUPs' own websites; we also directly contacted the organizations but only received a few answers.

Education, (ii) Religion, (iii) Health, (iv) Politics, (v) Environment, (vi) Animals, (vii) Arts and culture, (viii) Solidarity, (ix) Research, (x) Humanitarian, and (xi) Other. Online Appendix Figure C.10 reports the share of the FRUPs in each category: around one third of the foundations are in the "solidarity" category (e.g. *Fondation Abbé Pierre*), 16.8% are related to "arts and culture" (e.g. *Fondation des Ecoles d'art américaines de Fontainebleau*), and foundations classified in the "politics" category represent 6.1% of the FRUPs (e.g. *Fondation de l'écologie politique*). For some FRUPs, we also determine a sub-category: 4 foundations are classified in the "politics" sub-category.[39]

This classification allows us to study the overall amount of charitable donations received by the FRUPs between 2013 and 2020 depending on their purpose. For the sake of simplicity, we use the terms "politically involved FRUPs" or "political FRUPs" to designate the FRUPs that are classified in the "politics" category. We classify in this category both the FRUPs that are assigned to "politics" as their main category and those that are assigned to "politics" as their sub-category.

Empirical approach We investigate whether – at the aggregate level – the politically involved FRUPs received more donations following the wealth tax reform compared to the non-politically involved ones, by estimating the following empirical model:

$$donations_{f,t} = \alpha + \zeta_1 \text{Political FRUP}_f * Post_t + \mathbf{Y'_{f,t}}\boldsymbol{\zeta_2} + \eta_f + \gamma_t + u_{ft} \tag{5}$$

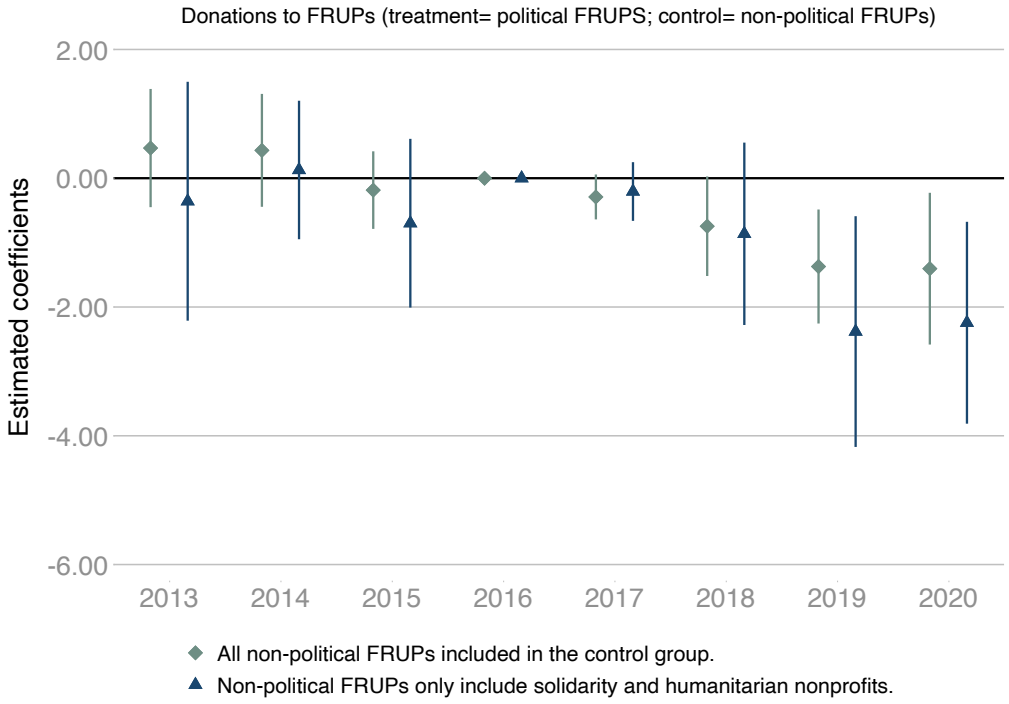
where, as before, t index the years (2013-2020) and f index the nonprofit organizations. The dependent variable, $donations_{f,t}$, is (the IHS transformation of) the amount of donations received by the charity f in year t.

Political FRUP$_f$ is an indicator variable equal to one for the political FRUPs and to zero otherwise. $Post_t$ is, as before, an indicator variable equal to one for the years following the reform (2017-2020) and to zero for the pre-reform period (2013-2016), and $\mathbf{Y'_{f,t}}$ is a vector of time-varying FRUP-level controls, including the (logarithm of the) operating costs and an indicator variable equal to one if the FRUP is based in Paris interacted with indicator variables for years. We also control for foundation (η_f) and year (γ_t) fixed effects, and cluster the standard errors at the level of the FRUP.

Figure 7 presents the results. If we first consider the grey lines with diamonds, we see a decline in the donations received by the political FRUPs compared to the non-political ones following the wealth tax reform, which is statistically significant at the 5% level (reassuringly, there is no trend before the shock). Regarding the magnitude of the effect, in 2017, the

[39] E.g. the IDDRI (*Institut du développement durable et des relations internationales* – Institute for Sustainable Development and International Relations) whose main classification is "environment" and sub-classification is "politics".

Figure 7: The impact of the 2017 wealth tax reform on the charitable donations received by the political FRUPs: Event study using the non-political FRUPs as the control group



Notes: The figure reports the coefficients and 95% confidence interval we obtain when estimating the following equation: $donations_{f,t} = \alpha + \zeta_1 \text{Political FRUP}_f * Post_t + \mathbf{Y'_{f,t}}\boldsymbol{\zeta_2} + \eta_f + \gamma_t + u_{ft}$. The time period is 2013-2020. Models are estimated using an OLS (standard errors are clustered at the foundation level). An observation is a FRUP-year. The dependent variable is (the IHS transformation of) the amount of the political donations received by the FRUPs. The vector of controls include the (logarithm of the) operating costs and an indicator variable equal to one if the FRUP is based in Paris interacted with year fixed effects. All specifications control for year and FRUP fixed effects. More details are provided in the text.

estimated coefficient is equal to -0.257; in other words, we estimate a 29% drop in donations to political charities compared to non-political ones following the reform.

It might be hard to distinguish between political and non-political FRUPs, in particular because some charities, e.g. related to environmental protection, can also have political motivations. Hence, to ensure that there are no politically involved organizations in the control group, we also report the estimations when we only include in the non-political FRUPs category the foundations classified as "humanitarian" or "solidarity" (and drop the remaining charities from the estimation). This corresponds to the blue lines with triangles on the figure. If anything, doing so increases the magnitude of our estimated effects.

6.3 Discussion and external validity

Obviously, these results have to be interpreted with a grain of salt given that we are simply relying on foundation-level variations over time; overall, we think that they give interesting

suggestive evidence of the fact that, following the wealth tax reform, the substitution between charitable and political giving mostly comes at the expense of politically related charitable organizations. They suggest that the substitution between charitable and political giving documented in Section 5 may be at least partly driven by some charitable donations being politically motivated to start with.[40]

Furthermore, note that even donations to non-political charities can be driven by political considerations. This will be the case for example if charitable donations are used as a way to influence government policy, a phenomenon that is very well documented in the US context by Bertrand et al. (2021) who focus on co-commenting relationships between donors and nonprofits (see also Bertrand et al., 2020).[41]

Additionally, donations can be used by large donors as a way to substitute for the State, for instance if one believes that successful entrepreneurs are more efficient than the State at allocating resources for public goods such as health or education (see e.g. Cagé et al., 2024). As of today in France, the main contemporary art collections are exhibited in museums owned by billionaires such a François Pinault or Bernard Arnault.[42] While these museums enter in direct competition with public institutions[43] – and, in the case of Arnault, benefit from very large tax credits – they can be used by donors as a way to promote their companies. Bernard Arnault's museum, the Louis Vuitton Foundation, is named after the billionaire's main brand; as highlighted by the Cour des Comptes, this museum *"is an exceptional example of how the opportunities offered by tax legislation on patronage can be used to develop an ambitious cultural project while promoting a group's main brand, as part of a corporate communications strategy combining contemporary art, fashion and luxury goods."*[44] Similarly, the president of the Centre Georges-Pompidou museum, Serge Lasvignes, said in 2017 about the Pinault foundation: *"it is about showing contemporary art from the collection of François Pinault. Some will say that*

[40] Following the reform, citizens might have faced different levels of solicitation and opportunities to give to political parties and charities. Both charities and parties may indeed have an active role to play in extracting donations from potential givers (Andreoni, 2006). While this may indeed partly drive our results – and we cannot control for it – it does not imply that these solicitations do not involve the political dimension of charitable donations.

[41] Using French data on public subsidies to nonprofits, Urvoy (2025) has shown that politicians partly allocate governmental transfers to nonprofit organizations to improve their electoral prospects.

[42] In 2021, François Pinault – whose wealth is estimated at $53.6 billion – opened a 10,500 square meter private museum in a former 18th-century grain exchange near Les Halles, the "Bourse de Commerce-Pinault Collection". The collection contains around 10,000 works by nearly 400 artists. Bernard Arnault opened the Louis Vuitton Foundation in 2017.

[43] Some argue that public institutions are weakened by this competition. E.g. according to the "Art Newspaper", the rise of these private museums partly occurred *"to the detriment of [public] museums such as the Grand Palais, Orsay, the Louvre and Pompidou."*

[44] *"Constitue un cas, exceptionnel par son ampleur, d'utilisation des possibilités offertes par la législation fiscale en matière de mécénat afin de développer un projet culturel ambitieux tout en assurant la promotion de la marque principale d'un groupe, dans une logique de communication d'entreprise qui articule art contemporain, mode et luxe"* (cited in Cagé, 2020). The Cour des Comptes – Court of Accounts – is the government institution that conducts financial audits of the executive branch of power.

his way of exhibiting will reflect his business activities"[45]. An increasing number of observers similarly question the growing funding of higher education by philanthropy in France (see e.g. Chambard, 2020).[46]

Furthermore, charitable donations can be a way for large donors to open doors. E.g. when a donor sits on the board of directors of a foundation and/or participates in the various events organized by this foundation, it can allow her to expand her social capital (see e.g. Depecker et al. (2018) and Monier (2019) for recent work, and Ostrower (1997) for a seminal study). In other words, it can be seen as an "investment"[47]. To paraphrase McGoey (2015), whose focus is on the Gates foundation, there is "no such thing as a free gift".

External validity Last, note that while the size of the philanthropic sector is much smaller in France than in the US – on which the majority of the research on charitable giving has focused – it resembles what we observe in most OECD countries; our results may thus inform the optimal policies to implement in these countries.[48] If, for example, one considers the size of the philanthropic sector as measured by the level of donations to philanthropic entities, with \$90 per inhabitant, France is in line with the OECD average (\$98), and is much more comparable to Germany (\$71), Austria (\$80), and New Zealand (\$118), than the US is (\$1,056).[49] 2016 data generated by the Charities Aid Foundation show similarly that with 0.11% of giving as a share of GDP, France is in the same range as countries such as Switzerland, Japan, Norway and Finland (between 0.09 and 0.13), while with 1.4% the US is the exception (Peter and Huber, 2021). Note furthermore that philanthropy in France has seen rapid development over the past 20 years.

Similarly, while the French political finance landscape differs from that of the US in several respects, it resembles – and thus sheds lignt on – the situation observed in many other OECD countries. First, rules combining campaign spending limits and public reimbursement exist in many countries such as Canada, Ireland, Italy, Portugal, Spain and South Korea (see e.g. Cagé, 2018; Broberg et al., 2025). Second, caps on donations are not specific to France and are observed in countries such as Belgium and Spain. Hence, while political donations are both less frequent and smaller in amount in France than in the US, the US can be viewed as the exception, not the norm. Furthermore, this does not imply that donations are less pivotal in

[45] *"Il s'agit de montrer l'art contemporain à partir de la collection de François Pinault. Certains diront qu'il y aura écho entre sa façon d'exposer et ses activités commerciales."* (https://www.parismatch.com/Culture/Art/Le-centre-Pompidou-a-40-ans-Son-ADN-c-est-la-thematique-1175552). On the disproportionate power of François Pinault on the art market and the benefits he can obtain through the auction house *Christie's*, which he owns, see also Vivant (2009).

[46] Note, however, that this is not a new phenomenon. See e.g. Durand (2016).

[47] See also Bertrand et al. (2025) on political giving as a way for donors to invest in influence.

[48] For early comparative evidence on the state of the charitable sector around the world, see List and Price (2011).

[49] The data are for 2018-2019 and cover the 22 countries that provided data as part of the OECD report on Taxation and Philanthropy (2020).

determining electoral outcomes, given that France – just like other countries – is characterized by both a cap on donations and a cap on spending (see e.g. Bekkouche et al., 2022).

Further, our main result regarding the substitutability between political and charitable giving is very likely to be found in other contexts. On the one hand, it is consistent with the findings of Yildirim et al. (2024) who document a common motive behind charitable and political donations using data for the US. On the other hand, the French charitable sector is following trends similar to those observed in many countries: an increasing number of large donations by a decreasing number of donors (Cagé et al., 2023), and a higher propensity to donate among the wealthiest. Only a few countries levy a wealth tax – and the wealth tax reform is what allows us to isolate the causal effect of an increase in the price of charitable giving – but there is no reason to think that a similar increase in the price of giving even in a different context, will not have similar consequences.

Finally, note that even if the French wealth tax reform is not intrinsically of interest per se (although we think it is), it provides a unique naturally occurring setting that allows us to study the substitutability between charitable and political donations among households at the top of the wealth distribution using observational data. To the extent of our knowledge, no other setting would allow us to achieve that level of relevance in tackling this issue. According to List (2020), this should alleviate concerns related to the external validity of our results.

To go further, we use List (2020)'s SANS (Selection, Attrition, Naturalness, Scaling) conditions to understand the generalizability of our results. First, our sample includes all the households eligible to the wealth tax in France. In terms of attrition, our compliance rate is thus 100%, as we have records of the donations amounts paid for everyone in our sample. Second, we use a natural experiment, with households undertaking a usual task, that place them in a real-world decision-making context. Thus, our experiment encompasses a high degree of realism, and is in line with the naturalness condition. Finally, in terms of scaling our insights, the universe of wealth taxpayers is already included in our sample. Since we view our results as a WAVE1 insight, in the nomenclature of List (2020), replications need to be completed in order to understand if our results apply to taxpayers in other countries.

7 Conclusion

This paper uses a reform of the wealth tax that decreased the tax price for charitable contributions in France to evidence the substitutability of these contributions for political donations. More precisely, the reform restricted the definition of the wealth tax base to real-estate assets excluding the financial assets previously included. We rely on a new panel dataset including all the households filing their income tax and/or their wealth tax returns in France between 2006 and 2021. We focus on the sample of households liable to the wealth tax in 2016 and use

the panel dimension of the data to follow these households over time and across taxes.

Using a number of different empirical strategies, we show that political and charitable giving are substitute. A ten-percent increase in the price of charitable giving leads to a 0.18 percentage-point increase in the propensity to declare a political donation, and to a €14.3 increase in the amount given conditional on giving (corresponding to 3% of the mean). We also study the heterogeneity of this cross-tax price elasticity among the distribution of wealth; the magnitude of the effect is particularly strong among the top tercile of wealth holders.

Our findings – which rely on donations by the very wealthy that have been mostly overlooked in the existing literature – suggest that philanthropy may be at least partly politically motivated. First, it seems that the giving behaviour of this group of wealthy donors is not subject to a binding budget constraint, as we find that charitable donations declared on the income tax returns are less responsive than political donations while being subject to a similar tax price variation. Second, this idea is supported by novel charity-level data: for all the nonprofit organizations that are recognized as "being of public utility" and can benefit from the wealth tax credit, we collect information on the donations they receive and classify them depending on their purpose. We show that politically involved charities were more affected by the reform than nonpolitical ones.

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