Charitable Giving, Tax Reform, and Government Efficiency*

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Abstract

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Keywords: Charitable giving, Giving price, Tax reform, Governement efficiency, South Korea

JEL: D91, I10, I18

1. Introduction

Placeholder

1.1. Charitable Giving and Taxiation

1.2. Summary in short

1.3. South Korean tax reform

1.4. Related Literature

1.5. Research about tax price elasticity of charitable donations

1.6. Research about perception towards the government and donation/tax payment.

1.7. Why Political Trust?

2. Institutional background

Placeholder

2.1. Tax relief for charitable giving by tax deduction and tax credit

2.2. Korean tax reform in 2014 (Need modification by Kim san)

3. Data

Placeholder

*This research is base on

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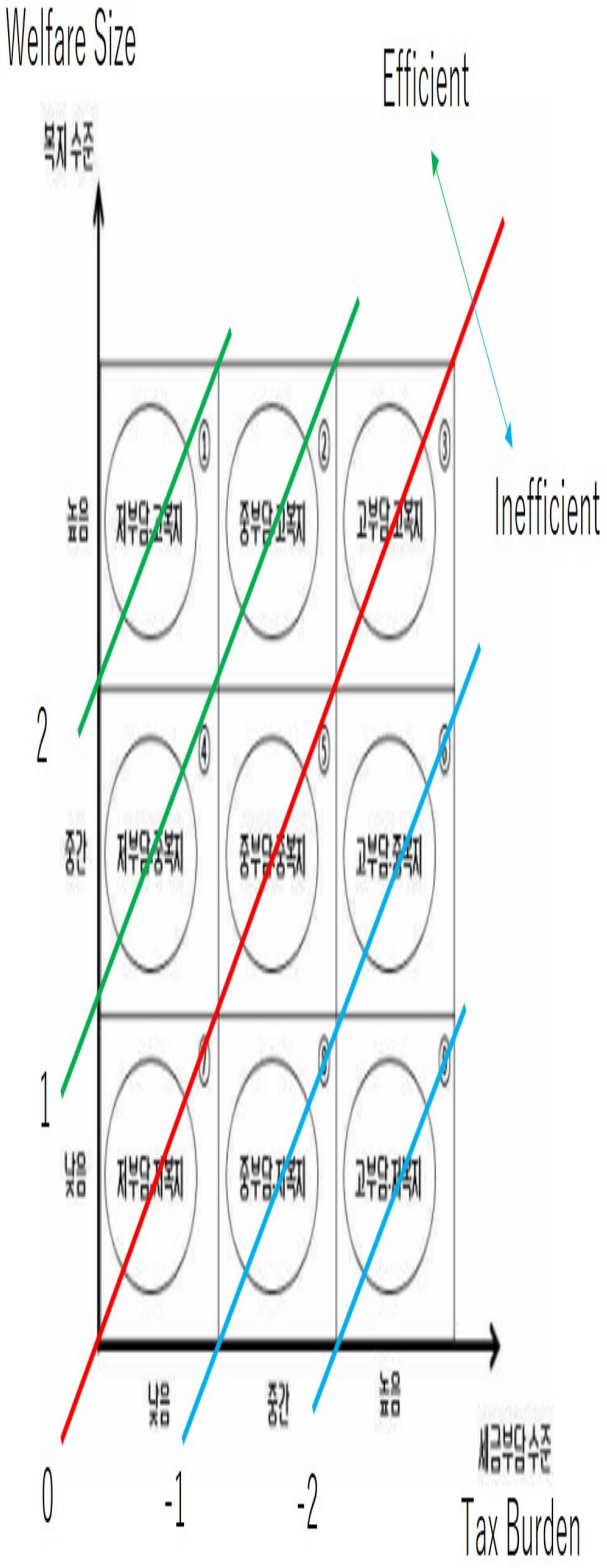
From the 2015 survey, NaSTaB asks the current and ideal balance between tax burden and welfare size.

These variables provide us to investigate the relationship between price elasticity and govenrment's efficiency more directly.

Thus, we did same excercise, using the current balance bewteen tax burden and welfare size.

5.2. Construct Efficient Index

Questionnaire of tax-welfare balance index is


Welfare Size
Efficient
복지수준
Inefficient
높음
중간
낮음
2
1
0
-1
-2
저부담고복지
중부담고복지
고부담고복지
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고부담저복지
①
②
③
④
⑤
⑥
⑦
⑧
⑨
낮음
중간
높음
세금부담수준
Tax Burden

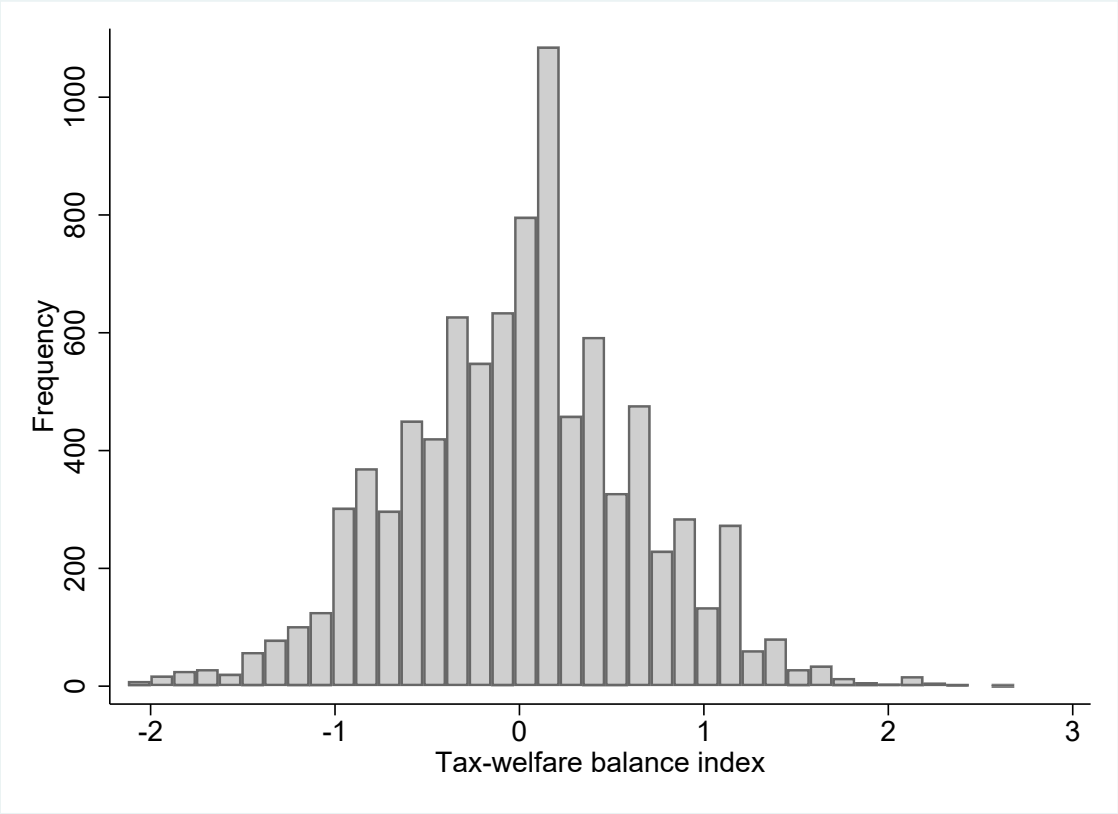

Figure 1: Histogram of Efficient Index

To rule out government's policies, we use individual fixed effect as the **efficient index**

5.3. Histrogram of Efficient Index

5.4. Heterogenous Price Elasticity by Governement Efficiency

To see the heterogenous price elasticity by efficient index, We estimated the baseline regression model (5) (see Table **??**), using sample grouped by the efficient index.

- Three quantile groups: we divide units i into the first, second, and third quantile of efficient index (1Q, 2Q, and 3Q, respectively).

5.5. Efficient Groups: Estimation Results

5.6. Robustness Check

1. Efficient index captures both government efficiency on concerns about budget deficits
2. Effect of presidential transition on efficient index
3. Effect of presidential transition on donation behavior
4. Income and donations are determined simultaneously

5. Last price elasticity
6. Self-selection of receiving tax benefit
7. Transitory and permanent elasticity

5.7. Robustness Check 1

- Efficient index may capture both government efficiency on concerns about budget deficits
  - NASTAB asks respondents to answer the ideal balance b/w tax burdern and welfare size.
  - We constructed the **ideal** efficient index, using the FE model to estimate the efficient index.
  - We droped units with the ideal efficient index is less than 0 from each quantile group and repeated the same excercise.
  - This is because respondents whose the ideal efficient index is less than 0 think governments should try to avoid budget deficits (high tax, low welfare).
- Presidential transition effect on perceived efficiency
  - We constructed president-specific (ideal) efficient index and implemented the pair-wise t-test.
  - As a result, average difference of these two indexs are not statistically siginificant zero.

5.8. Robustness Check 1: Estimation Results

5.9. Robustness Check 2

We check the following two potential concerns

- Presidential transition effect on donation behavior
- Income and donations are determined simultaneously

To address these problems, we estimated the FE model and Panel IV model with FE where instrument is $\log(\text{Price}_{ijt}/\text{Price}_{ij(t-k)})$ for $k = 1, 2, 3$, using data in 2013 and 2014. Moreover, we droped units with the ideal efficient index < 0 from each quantile group.

Note that f-statistics of IV is greater than 500 when we estimate overall elasticity and extensive-margin elasticity, and greater than 100 when we estimate the intensive-margin elasticity.

5.10. Robustness Check 2: Result

5.11. Robustness Check 2: Result (Extensive Margin)

5.12. Robustness Check 2: Result (Intensive Margin)

6. Conclusions

6.1. Conclusions

References