

## MICROECONOMICS AT WORK EXERCISE

### THE ECONOMICS OF CHARITY

**REFERENCE:** 'The charity business (special report)', (by Liz Fisher), *Accountancy*, December 2004, pp. 31-5.

### CHAPTERS RELEVANT TO THIS EXERCISE: 1-3

#### CONTEXT

The giving of money (generally referred to as 'philanthropy'), by both individuals and by corporate units (firms), to charitable organisations is in one sense a 'non-economic' issue in that it relates to the *transfer* of income earned (either in the form of wages/salaries or profits) from the units that have earned it to other units (i.e. to charities) rather than to profit-making behaviour as such. But the decision to 'give' raises many economic issues – both microeconomic and macroeconomic, as it involves a decision to *disperse* money in a way *other* than *saving* it, *spending* it in the form of either consumption or investment, or (in the case of corporate units) *distributing* it to the owners (shareholders) of the firm. There is also the question of the way in which a charity may sustain its existence by actively *seeking* either individual or corporate donations, and thus operating not merely as an agent of transfer (whether the charity be for example Oxfam, Greenpeace or Lifeline) but in a way that is akin to a profit-making entity which seeks to spend money to raise (more) money for use in charitable work.

#### QUESTIONS

1. Explain the difference between individual and corporate philanthropy. Does the nature of the charitable organisation in receipt of each differ?
2. What 'economic decisions' underlie philanthropy on the part of both individuals and corporate units?
3. Should business firms make charitable donations?
4. Why is the term 'turning professional' used as a heading to one section of the article and what is the sense of the term?
5. In what way can economic principles be applied to the activity of fund-raising?

6. Discuss the economics of 'chuggers'.