

Political Profit from Nonprofits: Evidence from Governmental Transfers

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Abstract:

Is the money that politicians give to nonprofits money ultimately spent on campaigning? I show that politicians in France strategically grant governmental transfers to influential nonprofits to improve their party's electoral prospects. I test whether transfers are electorally motivated by comparing how much nonprofits receive according to whether the mayor of the district belongs to the ruling party. Close elections provide nearly random variation in the partisan affiliation of mayors. I find that political alignment increases the amount of transfers received in just aligned municipalities by about 1.5 euros per inhabitant each year. It is more than what the average candidate spends on campaigning. I show that politicians channel money to nonprofits based on their ability to pledge voters' support, not their campaign contributions as organizations cannot donate to politicians by law. My results are consistent with transfers ultimately improving the incumbents' electoral results, especially when they face ideologically proximate competitors.