

## **Does Income Inequality Increase Charitable Giving?**

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### **Abstract:**

Do households react to changes in the distribution of income in their localities by changing their charitable giving? The theoretical prediction of the effects of income inequality on giving is unclear. We study how changes in income inequality measured at the neighbourhood and municipality levels affect charitable giving by households in Canada between 1991 and 2006. We find that increases in inequality increase giving. Results are sensitive to the geographic dispersion of low and high-income households in neighbourhoods within a municipality. The effect on donations is smaller in areas with high levels of inequality at both neighbourhood and municipality levels.

*JEL Classification: H3, H44, J38*

*Key words: charitable giving, donations, income inequality*