

# Do contributions to public goods increase if publicly disclosed?

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Public disclosure of companies' pollution habits has been an effective method of reducing pollution in many countries. Similarly, research has shown that people's and firms' propensity to contribute to public good increases if their contributions are made public. Findings from the University of Gothenburg reveal that the expected positive effect of disclosure can sometimes be crowded out by other factors at play.

Economist Clara Villegas Palacio, University of Gothenburg, Sweden, has studied the effects of different extents of public disclosure. A clean environment is usually considered a public good. As the importance of environmental protection has gained support in recent years, several policy instruments aimed to control [environmental pollution](#) have been developed and tested in practice. These include environmental taxation, tradable emission rights and public disclosure of companies' pollution habits.

In several cases, the design of such policies gives them a social dilemma character where regulated agents have a clear incentive not to cooperate by not complying with the regulation. If nobody complies, however, then everybody is worse off than if they had cooperated by complying.

Sociologists and economists have studied how the likelihood of people playing by the rules is affected by different factors, including threats of sanctions, personal morals and other people's opinions.

Villegas Palacio's doctoral thesis explore how compliance with

environmental regulations is determined by formal enforcement and technology availability and how cooperation in social dilemma situations is determined by interventions such as disclosure and [social background](#) of groups.

One chapter of her thesis, written together with Peter Martinsson, reveals the results of experiments conducted on Colombian university students. The chapter presents evidence indicating that the incentives provided by different disclosure treatments increase unconditional contributions to the public good compared to the no-disclosure treatment, although the effect is not statistically significant at conventional levels.

The expected positive effect (crowding-in) of disclosure on unconditional contributions may be offset by two other effects: (i) a crowding-out effect of image motivations given by the desire to appear intrinsically motivated rather than motivated by appearances; (ii) a crowding-out effect of intrinsic motivations (consistent with the motivation crowding theory of Frey and Jegen, 2001).

Provided by University of Gothenburg

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