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Abstract

This article puts forth the argument that the revenues used to fund the operations of the charity are not subject to the same technique when the profits are used for the charity through tax-exempt status. The article shows that U.S. K. charities demonstrates that large successful charities generate a sizable portion of revenues from direct-trading activities.

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1. See Cornes and Sandler (1984) and Olson (1965) on technological jointness.
2. At equilibrium, MRS^1_{zx} may be quite large, especially for those public goods whose equilibrium supply deviates greatly from the optimum quantity. The exact size of MRS^1_{zx} depends on the number of units consumed. Joint supply helps induce donors to contribute, but need not lead to optimality.
3. Income and Corporation Taxes Act (1978, S. 360(1)(e)).
4. Income and Corporation Taxes Act (1978, S. 248).
5. "The problem at which this tax on unrelated business activity is directed here is that of unfair competition. The tax-free status of these organizations enables them to use their profits tax-free to expand operations, while their competitors can expand only with the profit remaining after taxes" (U.S. Congress, 1950: 36).

6. The eight charities in Table 1 are among the ten largest fund-raising charities in Britain (see Charities Aid Foundation, 1984). Accounts were not available for the other two charities.

7. Clearly, our analysis could be expanded to include altruistic motives along with the self-interest motives depicted.

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