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### Not-for-profit entrepreneurs

Edward L. Glaeser ... Andrei Shleifer

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#### Abstract

Entrepreneurs who start new firms may choose not-for-profit status as a means of committing to soft incentives. Such incentives protect donors, volunteers, consumers and employees from ex post expropriation of profits by the entrepreneur. We derive conditions under which completely self-interested entrepreneurs opt for not-for-profit status, despite the fact that this status limits their ability to enjoy the profits of their enterprises. We also show that even in the absence of tax advantages, unrestricted donations would flow to non-profits rather than for-profit firms because donations have more significant influence on the decisions of the non-profits.

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#### Keywords

Soft incentives; Non-profit; Entrepreneur; Donations

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