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Provision of Public Goods Using a Combination of Lottery and a Provision Point

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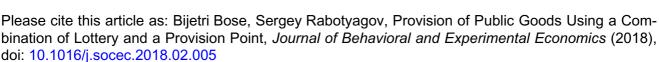
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Highlights

- The failure of the traditional provision point mechanism (PPM) to finance public goods on crowdfunding platforms is concerning.
- An alternative mechanism in which lotteries are used in combination with provision points (LPP) is proposed to increase the success of crowdfunding a public good.
- Results from a laboratory experiment indicate that the LPP out-performs the PPM by increasing the amount of average individual contribution as well as the frequency with which the public good is provided.
- Results also suggest that the LPP mechanism works well when there are more than one public good, by easing coordination among the potential donors.
- The new mechanism is practical in that it helps bypass legal complications associated with lotteries and prevents the diversion of funds from the production of the public good.

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