

Evaluating Government Subsidy Policy for Non-profit Organizations:  
Evidence from the Performing Arts Theater in Japan

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**Abstract**

Non-profit organizations (NPOs) receive money from a variety of sources. The performing arts theater in Japan has ticket revenue, government subsidy, private donations and theater rentals as revenue sources. The government subsidy especially account for a large fraction of its total revenue among others. It is pointed out that the government subsidy per attendance to the theater in Japan is much higher than those in foreign countries and it tends to be reduced every year. In the paper, we estimate the structural model using a novel data set for opera performances which is provided by an anonymous performing arts theater in Japan, and conduct the counterfactual simulations to investigate the impact of government subsidy on ticket prices, attendance, revenue and consumer surplus. Our counterfactual simulations show that the theater might be an attendance or consumer-surplus maximizer under non-profit condition. We also find that under such behavior of the theater, the government subsidy can result in raising ticket prices, decreasing attendance and consumer surplus, which is contrary to the theater's inherent objective of spreading culture.