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backgrounds and levels of familiarity.\n\nThe intellectual debts I have accumulated over the years are very\nlarge. From the very first moment I joined the faculty of Harvard Univer-\nsity\u2019s Kennedy School of Government and began to work on this book, I\nhave benefited greatly from the good counsel and insightful criticisms\nof Mark Moore and Christine Letts, who together helped launch the\nHauser Center for Nonprofit Organizations, where I have been a faculty\naffiliate. I am grateful to both of them for creating a place where it is pos-\nsible to do serious work within a community of scholars and students.\nMy faculty colleagues at the Hauser Center and within the broader Ken-\nnedy School of Government have all contributed directly or indirectly to\nthe completion of this book. Through numerous seminar presentations,\ne-mail exchanges, and hallway discussions over the years, their active\u2014\nsometimes aggressive\u2014questioning has led me to sharpen and improve\nmy arguments. I owe a special debt to Peter Dobkin Hall, who read and\ncommented on the entire manuscript and generously shared with me his\nencyclopedic knowledge of all things nonprofit. My understanding of\nthe nonprofit sector has been substantially enriched by friendships, con-\nversations, and collaborations over the years with Joseph Galaskiewicz,\nPaul Light, Steven Rathgeb Smith, Brint Milward, Barry Karl, Ellen\nCondliffe Lagemann, Marion Fremont-Smith, Allen Grossman, Eliza-\nbeth Keating, Donald Haider, David Reingold, and William Ryan.\n\nOne of the real pleasures of working at the Kennedy School of Gov-\nernment has been the opportunity to teach and work with a group of su-\nperb doctoral students, including especially Alice Andre-Clark, Gabriel\nKaplan, and Mark Kim. For several years, Kennedy School students in\nmy class on the nonprofit sector patiently listened and questioned me\nas the ideas in this book were formed and developed. From the start,\n\nvi Preface\n\n\nShawn Bohen has expertly managed the Hauser Center\u2019s work and\ngrowth and, with great humor and patience, helped me navigate the ser-\npentine world of Harvard rules, regulations, and budgets, while also pro-\nviding the kind of advice and help that was necessary for seeing many\nprojects to completion. Jennifer Johnson provided wonderful research\nassistance throughout the writing of the book and helped bring the\nmanuscript to final form. Michael Aronson at Harvard University Press\nguided this book from an idea to a manuscript, arranged helpful reviews,\npatiently explained the publishing process to me, and made the whole\nprocess appear less mysterious.\n\nBehind the scenes of much of my research, a group of generous sup-\nporters have allowed me to pursue ideas wherever they led. It is a plea-\nsure to thank the Hauser Center for Nonprofit Organizations, Claude\nRosenberg of NewTithing Group, Patricia Brown of the Burton G.\nBettingen Corporation, Ted Halstead of New America Foundation, and\nMark Abramson of the PriceWaterhouseCoopers Endowment for the\nBusiness of Government, all of whom supplied critical financial sup-\nport for elements of my broader research agenda. Within the Kennedy\nSchool, Alan Altshuler, Ron Heifetz, and Fred Schauer furthered the\nproject at critical stages, and I am grateful for their help.\n\nFinally, my greatest debt is to my wife, Elizabeth, who encouraged me\nfrom my first day of graduate school and through all my subsequent re-\nsearch. Her unstinting support has made everything seem possible.\n\nPreface vii\n\n\n\n\n\nContents\n\n\n\n\n\n\n\nThe Idea of a Nonprofit and Voluntary Sector The Idea of a Nonprofit and Voluntary Sector\n\n1\n\nThe Idea of a Nonprofit\nand Voluntary Sector\n\nThe

nonprofit and voluntary sector is the contested arena between the\nstate and the market where public and private concerns meet and where\nindividual and social efforts are united. Nonprofit and voluntary action\nexpresses a complex and at times conflicting desire to defend the pursuit\nof private individual aspirations, while at the same time affirming the\nidea of a public sphere shaped by shared goals and values. For this\ndifficult balancing act to work, participation in the sector demands a\ncommitment to, among other things, expression, engagement, entrepre-\nneurship, and service. Constituted by both legally chartered nonprofit\norganizations and myriad informal groups and voluntary associations,\nthis sector occupies an increasingly critical and visible position in our\npolitical, social, and economic life.1 Yet despite its size and perceived\ninfluence, there is considerable uncertainty and confusion about its\nboundaries. The lines delimiting the sector have frequently been subject\nto challenge and revision, as funds and responsibilities have shifted back\nand forth among business, nonprofit, and government organizations.\nReaching consensus on the very definition of the nonprofit and volun-\ntary sector is difficult because many of the core features and activities of\nnonprofits increasingly overlap and compete with those of business and\ngovernment.\n\nThus, the nonprofit and voluntary sector is at once a visible and com-\npelling force in society and an elusive mass of contradictions. On the\none hand, the rise of nonprofits is thought to have contributed to de-\nmocratization around the world, opening up societies and giving people\na voice and a mode of collective expression that has in too many cases\n\n1\n\n\n\nbeen suppressed.2 In the United States, nonprofit and voluntary organi-\nzations are seen as playing a central role in generating, organizing, and\nemboldening political opposition, working through national networks\nand building international linkages. Nonprofit and voluntary organiza-\ntions have also acted as practical vehicles for the delivery of a broad\nspectrum of community services, ranging from affordable housing to\ntheater performances to vocational training to health care. The nonprofit\nsector appears, therefore, to be a real and identifiable group of tax-ex-\nempt organizations that encourage political engagement and produce\nservices. The sector is in fact a documented economic powerhouse that\nemploys millions of people and accounts for a significant portion of the\nnation\u2019s gross domestic product. All of which makes the nonprofit sector\na strong and compelling concept that appears grounded in economic,\npolitical, and legal reality.\n\nOn the other hand, the nonprofit and voluntary sector is home to\nsuch a wide range of organizations that grouping them together into one\nentity is highly problematic. From the largest hospitals and universi-\nties (which fund their operations by collecting fees or tuition) to small\nmentoring programs and avant-garde arts organizations (which survive\non charitable contributions), nonprofits span a tremendous range of or-\nganizational forms. Many of these forms are stable and lasting, while\nothers are fragile and transient. Some of the organizations that are con-\nsidered part of the nonprofit sector, such as religious congregations and\nprivate membership organizations, operate without government fund-\ning. Other nonprofit organizations, particularly those that service the el-\nderly and poor, could not survive without the steady flow of funds from\nfederal, state, and local government. Beyond differences in funding, the\norganizations within the sector are balkanized by legal status, level of\nprofessionalization, and underlying purpose.\n\nThus, any exploration of the nonprofit and voluntary sector would\ndo well to begin by acknowledging its fundamentally contested nature.\nThis chapter reviews the difficulties in defining the central characteris-\ntics of nonprofit and voluntary

organizations, the conflicting nature of\nthe words we use to describe this part of our world, and the evolving\nplace the sector occupies in America\u2019s fragmented and polarized political\nsphere. Throughout, the tensions inherent in the very idea of organiza-\ntions operating between the state and the market emerge again and\nagain. All of which leads to the analytic framework that guides this book\n\n2 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nin its exploration of the overarching functions of the nonprofit and vol-\nuntary sector.\n\nThree Features of Nonprofit and Voluntary Organizations\n\nAttempting to define the fundamental features of the disparate enti-\nties that constitute the nonprofit and voluntary sector is a complex and\ndaunting task. Yet there are at least three features that connect these\nwidely divergent entities: (1) they do not coerce participation; (2) they\noperate without distributing profits to stakeholders; and (3) they exist\nwithout simple and clear lines of ownership and accountability. Taken\ntogether, these three features might make nonprofit and voluntary orga-\nnizations appear weak, inefficient, and directionless, but nothing could\nbe further from the truth. In reality, these structural features give these\nentities a set of unique advantages that position them to perform impor-\ntant societal functions neither government nor the market is able to\nmatch.\n\nPerhaps the most fundamental of the three features is the sector\u2019s\nnoncoercive nature. Citizens cannot be compelled by nonprofit organi-\nzations to give their time or money in support of any collective goal.\nThis means that, in principle at least, nonprofits must draw on a large\nreservoir of good will. This noncoercive character is also what most\nstarkly differentiates the sector from government, which can levy taxes,\nimprison violators of the law, and regulate behavior in myriad ways. The\npower of coercion that the public sector possesses is a powerful tool for\nmoving collectivities toward common ends, but it is also a source of\nstrife and contention. Trust in government is now low,3 making the ef-\nfective use of state power more and more difficult as its legitimacy fades.\nFor nonprofit and voluntary organizations, these issues do not arise.\nFree choice is the coin of the realm: donors give because they choose to\ndo so. Volunteers work of their own volition. Staff actively seek employ-\nment in these organizations, often at lower wages than they might se-\ncure elsewhere. Clients make up their own minds that these organiza-\ntions have something valuable to offer. Though they stand ready to\nreceive, nonprofit and voluntary organizations demand nothing. As a\nconsequence, nonprofits occupy a moral high ground of sorts when\ncompared to public sector organizations that have the ability to compel\naction and coerce those who resist.\n\nThe Idea of a Nonprofit and Voluntary Sector 3\n\n\n\nIn some ways, the noncoercive character of the nonprofit and volun-\ntary sector situates it closer to the market than to government. Business\ndepends on the free choice of consumers in a competitive market where\nalternatives are often plentiful and where no firm has the capacity to\ncompel anyone to purchase its goods or services. Similarly, nonprofit or-\nganizations cannot coerce participation or consumption of their ser-\nvices. The sector makes choices available, rather than deciding for oth-\ners. When it comes to the mobilization of funds, the parallel between\nbusiness and nonprofits is equally clear. Just as no one forces anyone to\nbuy shares or invest in enterprises, no one forces anyone to give or vol-\nunteer in the nonprofit world. The flow of resources to a nonprofit de-\npends entirely on the quality and relevance of its mission and its capac-\nity to deliver value. To the extent that a business firm or a nonprofit\norganization is performing well, investors and donors will be attracted\nto it. Should things take a turn for the worse, investment funds and phil-\nanthropic funds usually seek out other options

quickly.\n\nThe second feature of nonprofit and voluntary organizations sharply\ndifferentiates them from business firms, however. While corporations\nare able to distribute earnings to shareholders, nonprofit and voluntary\norganizations cannot make such distributions to outside parties. Rather,\nthey must use all residual funds for the advancement of the organiza-\ntion\u2019s mission.4 By retaining residuals rather than passing them on to in-\nvestors, nonprofit organizations seek to reassure clients and donors that\ntheir mission takes precedence over the financial remuneration of any\ninterested parties. The nondistribution constraint has been seen as a tool\nthat nonprofits can use to capitalize on failures in the market. Since\nthere are certain services, such as child care and health care, that some\nconsumers feel uncomfortable receiving if the provider is profit driven,\nnonprofits are able to step in and meet this demand by promising that no\ninvestors will benefit by cutting corners or by delivering unnecessary\nservices.\n\nWhile the noncoercive feature of nonprofits brings nonprofits closer\nto business and separates them from government, the nondistribution\nconstraint pushes nonprofits closer to the public sector and away from\nthe private sector. Government\u2019s inability to pay out profits from the sale\nof goods or services is related to its need to be perceived as impartial and\nequitable.5 With nonprofits, the nondistribution constraint also builds\nlegitimacy and public confidence, though this does not mean that spe-\n\n4 The Idea of a Nonprofit and Voluntary Sector\n\n\ncial powers are vested in these organizations. In both sectors, the non-\ndistribution constraint strongly reinforces the perception that these enti-\nties are acting for the good of the public.\n\nThe third feature of nonprofit and voluntary organizations is that they\nhave unclear lines of ownership and accountability.6 This trait sepa-\nrates these entities from both business and government. Businesses must\nmeet the expectations of shareholders or they risk financial ruin. The\nownership question in the business sector is clear and unambiguous:\nshareholders own larger or smaller amounts of equity in companies de-\npending on the number of shares held. Similarly, government is tethered\nto a well-identified group of individuals, namely voters. Executive and\nlegislative bodies\u2014and the public agencies they supervise at the federal,\nstate, and local levels\u2014must heed the will of the electorate if they are to\npursue public purposes effectively and retain the support and legitimacy\nneeded to govern. There is also a long tradition in the United States of\nconceiving government as \u201cbelonging\u201d to citizens, though the ways in\nwhich this ownership claim can be exercised are severely limited. In the\nnonprofit sector, clear lines of ownership and accountability are absent.7\n\nNonprofit and voluntary organizations must serve many masters,\nnone of which is ultimately able to exert complete control over these or-\nganizations. Donors, clients, board members, workers, and local com-\nmunities all have stakes, claims, or interests in nonprofit and voluntary\norganizations. Yet none of these parties can be clearly identified as the\nkey ownership group. The relative strength of these ownership claims\ndepends on how an organization is funded and on its chosen mission.8\n\nNonprofit organizations that depend heavily on charitable contributions\nare often held closely accountable by their donors, some of whom be-\nlieve that as social investors they have a real stake in the organizations\nto which they contribute. Nonprofits that are largely driven by service\nfees or commercial revenues are in a different position. While these\nmore commercial organizations do not have donors asserting claims\nover them, social entrepreneurs and professional staff may view them-\nselves as the key stakeholders in

these more businesslike organizations.\n\nOften, however, the lines of ownership and accountability are ren-\ndered more complex by the fact that many nonprofit organizations com-\nbine funding from multiple sources\u2014foundations, corporations, and\ngovernment\u2014with earned income, making it hard to point to any par-\nticular party as the key stakeholder to whom these special institutions\n\nThe Idea of a Nonprofit and Voluntary Sector 5\n\n\n\nmust answer.9 One might be tempted to point out that nonprofit and\nvoluntary organizations are almost always governed by boards, and to\npropose this as a solution to the ownership and accountability issue. Un-\nfortunately, board members are not owners. They are stewards who are\nheld responsible for the actions of their organization. In the end, non-\nprofit and voluntary organizations are authorized to act in the public in-\nterest by the communities in which they operate, though the lines of ac-\ncountability are weaker than those in the public sector and the lines of\nownership far more obscure than in the business sector.\n\nThese three features of nonprofit organizations are not without con-\ntroversy and contention. In fact, each has been called into question in\nrecent years. First, the noncoercive nature of the sector has been chal-\nlenged by the growing tendency to mandate community service or vol-\nunteer work. In the case of welfare reform, many states have required aid\nrecipients to complete a community service requirement in order to con-\ntinue receiving their monthly support payments.10 A growing number of\nhigh schools now make volunteering with a local organization a condi-\ntion for graduation. In addition, there have long been parts of the non-\nprofit landscape where strong norms are enforced on those who have\ncommitted to membership. Within professional associations, licenses to\npractice medicine, law, and other callings are granted and denied by\nnonprofit entities.11 Within many religions, the behavior of adherents is\nseverely constrained by doctrine. In some neighborhoods, independent\ncommunity groups have been granted the power to plan and constrain\nfuture development by residents. The exercise of power may be subtle\nin some cases. For example, many private funders exercise consider-\nable influence over the recipients of their grants. This influence can take\nthe form of a gentle suggestion or a condition of support that pro-\ngrams be revamped.12 Although the constraints imposed in each case\nfollow a decision to participate and join, the power of some nonprofits\nover groups of individuals is considerable. In each and all such in-\nstances,13 the noncoercive character of these organizations is called into\nquestion.\n\nSecond, the nondistribution constraint of nonprofit organizations has\nlikewise been under assault from a number of different directions. In re-\ncent years, increased scrutiny of the high salary levels of many nonprofit\nexecutives has led some to ask whether the \u201cprofits\u201d\u2014or, more accu-\nrately, the increased program revenues\u2014are not in fact being routinely\ndistributed to staff in the form of generous compensation and benefit\n\n6 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npackages.14 In the area of capitalization, large nonprofit organizations\nhave been aggressive in raising funds through bond offerings, which\ndo not offer investors the ownership stake that stock offerings do, but\nwhich have the effect of opening up major capital flows into the non-\nprofit sector. The accumulation of capital in the form of large endow-\nments has also called into question the boundary between business and\nnonprofit organizations: endowment funds, by their nature, are not used\nto fulfill an organization\u2019s immediate needs. Instead, they are invested in\nstocks, real estate, and other speculative investments designed in the\nlong run to maximize financial return. This is a strategic move that some\nhave characterized as contrary to the public purposes of nonprofit orga-

\nnizations.15 Making the boundary between nonprofits and business firms\neven more opaque, at least one study has argued that the nondistri-\nbution constraint does not significantly increase consumer confidence\nin the trustworthiness of nonprofits compared to business firms.16\n\nThird, the ownerless character of nonprofit and voluntary organiza-\ntions has come under fire as the legal claims of nonprofit stakeholders\nhave evolved. The courts have held that only members (in the case of a\nmembership organization), trustees or directors, and the attorney gen-\neral in the state where the nonprofit is located have legal standing to\ncontest the action of a charitable corporation. Over the years, however,\nthe power of trustees and directors has grown substantially, not to the\npoint where they can claim ownership of the assets of a nonprofit, but to\nthe point where boards now have tremendous leeway in the way they\noperate a charitable organization.17 While these claims have rarely come\nto equal those of ownership, the lines of accountability have been drawn\nmore sharply, particularly as questions about the transfer of assets have\ncome up when nonprofit organizations have attempted to convert to for-\nprofit status.18\n\nThe ultimate result of these debates and trends is that the defining fea-\ntures of nonprofit organizations are evolving and are the subject of con-\nsiderable debate. The notion that there is some simple and unambiguous\ntest that can be developed to decide what sector an organization belongs\nto is no longer reasonable. While the Internal Revenue Service (IRS) and\nthe states have developed statutes and rules that define and regulate\nthese special institutions, a different and far more complex reality has\nemerged. The legal code is often of limited value in the effort to deter-\nmine which organizations are really nonprofit and voluntary in their\noperation.\n\nThe Idea of a Nonprofit and Voluntary Sector 7\n\n\nComposition of the Nonprofit and Voluntary Sector\n\nIn the United States today, there are more than one and a half million\nregistered nonprofit organizations, as well as several million informally\norganized community groups. The formally registered organizations fall\ninto two broad and porous categories: those that serve the public and\nthose that serve members. The public-serving organizations, classified\nunder section 501(c)3 of the IRS code, operate in almost every imagin-\nable field of human endeavor, and include, among countless others, so-\ncial service agencies helping children, the elderly, and the poor; inde-\npendent schools and private colleges; community clinics and hospitals;\nthink tanks; environmental organizations; cultural groups such as muse-\nums, theaters, and historical societies; and a range of international assis-\ntance organizations. They are the most visible and recognizable part of\nthis organizational universe. But substantial resources are concentrated\nin the member-serving or mutual benefit organizations, which include\ncredit unions, business leagues, service clubs, veterans\u2019 organizations,\nand trade associations. They tackle problems ranging from the most\ncomplex issues of business policy to the most prosaic challenges of\nsmall-town life. Also included in the sector (though not filing forms an-\nnually with the IRS) is a vast array of churches, synagogues, and\nmosques that form the foundation of the nation\u2019s religious life. While we\ntend to think of congregations as membership organizations, they are\ntreated differently by government and are not subject to the same forms\nof oversight as other member-serving nonprofits.\n\nWhile the largest and better-financed nonprofit organizations receive\nthe bulk of public attention, important work is done by the army of\nless visible associations, clubs, networks, and groups through which\ncommunities come together and act.19 There is considerable dispute as\nto whether the legally chartered nonprofit organizations share enough\ntraits with informal voluntary associations to

justify including both\ngroups in one sector.20 However, leaving these grassroots associations\nout of the picture grants far too much deference to the tax treatment of\nnonprofits and ignores the fact that informal associations and formal\nnonprofits both eschew the distribution of profits, are noncoercive, and\nhave no owners.\n\nPublic awareness of the sector is rapidly increasing, though surpris-\ningly little is known about the underlying purposes and values that ani-\n\n8 The Idea of a Nonprofit and Voluntary Sector\n\n\nmate nonprofit and voluntary action or the vehicles through which these\nvalues and purposes are channeled. In part, this is because these activi-\nties reflect a sometimes confusing agglomeration of strongly held private\nvalues, as well as a set of complex public purposes. The sector can thus\nbe conceived as a tent covering public-serving charities, member-serv-\ning organizations, and a range of informal organizations, including vol-\nuntary and grassroots associations (see Figure 1.1).\n\nThis diverse and at times contradictory group of entities comprises or-\nganizations and associations that are neither part of the state nor fully\nengaged in the market. The sector\u2019s solutions to community and public\nproblems at times represent a conscious disavowal of commercial mar-\nkets and a realization that some exchanges are simply better conducted\nunder terms of mutuality and trust than under the strict dictate of caveat\nemptor.21 Using charitable contributions, many nonprofit and voluntary\norganizations can deliver services to clients who are unable to pay. At\nother times, nonprofit and voluntary action represents an attempt to\nmove beyond government action to find solutions to public problems\nthat a majority of citizens are unable or unwilling to support.
Nonprofits\n\nThe Idea of a Nonprofit and Voluntary Sector 9\n\n1.1 Elements of the nonprofit and voluntary
sector.\n\nThe\nnonprofit\n\nand\nvoluntary\n\nsector\n\nMember-
\nserving\n\nnonprofits\n\nVoluntary\nassociations\n\nPublic-
\nserving\n\nnonprofits\n\n\n\ncan and do speak to community needs that lie outside the priorities of\nthe median voter. But the position of this group of organizations in rela-\ntion to the market and the state is far more complex and changeable\nthan these simple claims of differentiation might lead one to believe. In\nsome fields of activity within the sector, intense commercialism has\neroded the moral high ground of these organizations and transformed\nnonprofits into shadow businesses that compete actively for clients able\nto pay for the services they offer. In other fields, nonprofits have lost\ntheir autonomy from government and have come to serve as dutiful im-\nplementers of public sector programs and priorities. The lack of clarity\nin the identity of nonprofit and voluntary organizations in relation to\nbusiness and government becomes ever more evident as soon as one\nconsiders the range of names used to speak about these entities.\n\nWhat\u2019s in a Name?\n\nThe process of arriving at a single term to designate this sphere of activ-\nity has been long and conflicted. Although the term \u201cnonprofit and vol-\nuntary sector\u201d is common today, many other terms have been devised\nover the years. The long-standing confusion over terminology can be\ntraced to the diversity of activities that need to be covered by whatever\nterm is chosen.22 Programs are delivered through both formal and infor-\nmal organizations, carried out by both salaried and volunteer staff, and\nsupported through donations, contracts, and commercial revenues. As a\nconsequence, the formal organizations that constitute the sector have at\nvarious times and for various reasons been called \u201cthe tax-exempt sec-\ntor,\u201d \u201cthe nongovernmental sector,\u201d \u201cthe independent sector,\u201d \u201cthe third\nsector,\u201d \u201cthe civil society sector,\u201d \u201cthe commons,\u201d \u201cthe charitable

sec-\ntor,\u201d \u201cthe voluntary sector,\u201d \u201cthe nonproprietary sector,\u201d and \u201cthe non-\nprofit sector.\u201d The terminological debate continues today. Each of the\nmany terms that has emerged over time has had its own historical and\npolitical baggage. A brief review of these terms will illustrate the scope\nof the sector, even if a definitive defense of any particular term is impos-\nsible.\n\nOne of the earliest names attached to these organizations was in some\nways the narrowest and the most descriptively accurate: \u201ctax-exempt.\u201d\nAfter the ratification of the Sixteenth Amendment to the Constitution\nand the establishment of the national income tax in 1913, Congress\n\n10 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ngranted tax-exempt status to those organizations that were specifically\n\u201corganized and operated exclusively for charitable, scientific, and edu-\ncational purposes.\u201d Later additions included a long series of very spe-\ncific purposes, including \u201cprevention of cruelty to children or animals\u201d\n(1918), \u201ccommunity chest, fund, or foundation\u201d (1921), and \u201ctesting\nfor public safety\u201d (1954). The categories of tax-exemption have shifted\nover time; today there are more than twenty different specific categories\nof tax-exempt organizations delineated under the Internal Revenue\nCode. The arbitrariness of these narrow categories can best be seen to-\nday in the fact that international sports organizations are specifically rec-\nognized, whereas health organizations are not. But this is of little conse-\nquence, since the vast majority of public-serving nonprofits file today\nunder the catch-all category 501(c)(3). For a time, the moniker \u201ctax-ex-\nempt organizations\u201d was widely used inside government and within the\nlegal community because it pointed\u2014or at least appeared to point\u2014to\nthe black letter of government regulation. Yet because this approach did\nnot capture the huge number of clubs, associations, and groups that\nhave never been formally registered with the IRS, it fell out of favor and\nwas replaced with others.\n\nIn the 1970s, efforts to find a broader and more inclusive term led to a\nwhole series of names that aimed at positioning the sector in opposi-\ntion to government. Today, the term \u201cnongovernmental organization\u201d\n(NGO) remains popular around the world. It is used to denote the array\nof organizations that pursue public purposes through largely private\nmeans. It covers both indigenous organizations working within particu-\nlar countries overseas and international organizations that work around\nthe world. While not specifically limited to a particular field of activity,\nwhen the term \u201cnongovernmental organization\u201d is used today, it usually\ndenotes an organization that works to promote such things as rural de-\nvelopment, education, environmental quality, and community health.\nWhat is interesting about the term \u201cnongovernmental\u201d is that it defines\nthese independent organizations in opposition to government, rather\nthan in opposition to business firms. One possible explanation for the\npopularity of this term internationally is the power and dominance that\nthe state enjoys in many developing countries and the relative absence\nof organized opposition. The sector is thus defined as that which is not\npart of the state, rather than that which is not oriented toward profit-\nmaking. This choice also implicitly reflects the oppositional role of lo-\n\n\nThe Idea of a Nonprofit and Voluntary Sector 11\n\n\n\ncal nongovernmental organizations, which do in fact challenge govern-\nments and hold them accountable. In some countries, small, informal\norganizations within the broader NGO sector are at times termed \u201cpeo-\nple\u2019s organizations\u201d and \u201ccommunity-based organizations,\u201d as a way of\ndifferentiating them from larger, more formal institutions. The label\n\u201cnongovernmental\u201d remains

firmly entrenched in current usage, partic-\nularly when Americans seek to distinguish between American nonprofit\norganizations and international NGOs.\n\nThe term \u201cindependent sector\u201d came into popular usage in the 1980s\nand can be traced to a particular event\u2014namely, the founding of Inde-\npendent Sector, the national trade association representing both grant-\nmaking and grant-receiving organizations.23 Founded in 1979, the group\nconsolidated two existing associations and sought to unify the motley\nworld of foundations and nonprofit organizations. By advancing the use\nof the term \u201cindependent sector,\u201d organizers of the association wanted\nto emphasize the capacity of these organizations to devise solutions free\nfrom the market and political pressures. The only problem with this\nterm is that over time it became increasingly obvious that nonprofits\nwere neither independent from government nor free from the pressures\nof the marketplace. As government funding for social service and health\nnonprofits has risen sharply, many have come to view nonprofit organi-\nzations as engaged in important collaborative relationships with govern-\nment. Independence from government has come to be seen as more of a\nwish than a reality. Similarly, the idea that nonprofit organizations oper-\nate independently from the market has been called into question by the\ngrowing number of cross-sector partnerships, joint marketing agree-\nments, and nonprofit commercial ventures.\n\nAt times, the term \u201cthird sector\u201d has been in vogue. Popularized by\nseveral early researchers in the field of nonprofit and voluntary action,24\n\nthis term had the advantage of covering both formally constituted non-\nprofit organizations and the countless informal grassroots organizations\nthat populate the sector. The idea that nonprofit and voluntary action\nwas somehow third in line after government and business rubbed some\npeople the wrong way, however. It seemed to imply a kind of inferiority\nand subsidiarity that few in the sector were willing to concede. While\nthe term \u201cthird sector\u201d is still sometimes used in the research commu-\nnity, the practitioner community rarely uses it. Like \u201cnonprofit\u201d and\n\n12 The Idea of a Nonprofit and Voluntary Sector\n\n\n\n\u201cnongovernmental,\u201d the term \u201cthird sector\u201d seems to define these orga-\nnizations in isolation from the other sectors.\n\nThe term \u201ccivil society\u201d was coined by the classic writers of political\ntheory, and has regained currency of late. The modern idea of civil soci-\nety plays a prominent role in the work of Hobbes, Montesquieu, and\nHegel, who used it to refer to the broad private realm outside the state.\nOne of the problems with using the term today is that \u201ccivil society\u201d tra-\nditionally encompassed everything from the family to the church to the\nbusiness corporation. Still, the term is acquiring popularity both in the\nUnited States and internationally, and it has lately come to refer to some-\nthing more concrete than the huge and abstract private realm outside\nthe state. In practice, it has come to denote a set of voluntary mediating\ninstitutions that invite individuals to come together to pursue shared in-\nterests, values, and commitments. Over the past decade, \u201ccivil society\norganizations\u201d has come to compete with \u201cnongovernmental organiza-\ntions\u201d among people interested in indigenous social movements around\nthe world, ranging from small local organizations to large international\ninstitutions.\n\nMore recently, yet another solution to the name game was proposed.\nInstead of a term that either defined the essential characteristic of these\norganizations or that situated these organizations in relation to gov-\nernment and the market, a new form of reference was proposed: \u201cthe\ncommons.\u201d Advocates for the term argued that the vast landscape of\nnonprofit and voluntary action constitutes a special terrain of

shared\nconcerns.25 \u201cThe commons\u201d was intended to solve some of the prob-\nlems associated with previous attempts at naming the sector. It denoted\nthe vast array of relationships between benefactors, intermediaries, and\nbeneficiaries that constitutes a space in which associative communities\ncan operate freely. Linked to the Greek term koinonia, \u201cthe commons\u201d\nemphasizes free participation, common purpose, shared goods, a sense\nof mutuality, and a commitment to fairness.26 A critical part of what\ndistinguishes \u201cthe commons\u201d from other attempts to delineate the non-\nmarket and nonstate realm of activity is that the definition focuses not\njust on what kinds of purposes are accomplished, but also on the ways\nin which they are accomplished. By pointing to the features of koinonia,\n\u201cthe commons\u201d defines the boundary of the sector in ethical terms.\n\nIn several European countries today, the dominant term is \u201cthe chari-\n\nThe Idea of a Nonprofit and Voluntary Sector 13\n\n\n\ntable sector,\u201d which captures the critical philanthropic character of these\norganizations and their activities. The very use of the term \u201ccharity,\u201d\nhowever, harks back to Victorian England, the settlement house move-\nment, and the class elitism associated with \u201cpoor aid\u201d and \u201calms giving.\u201d\nBecause self-help and community empowerment have become rallying\npoints for the sector, the idea of calling this part of society \u201ccharitable\u201d\noffends some people because it puts the spotlight on the contributions\nof elite patrons and donors, not on the efforts of activists, caregivers, and\nclients. The term also implies that much of the work of the sector is\nfunded through private gifts, when in reality government funding and\nearned income now fuel large parts of the sector.\n\n\u201cThe voluntary sector\u201d has been in use intermittently for decades,\nboth in the United States and abroad. One clear advantage of the term is\nthat it focuses on the vast landscape of formal and informal organiza-\ntions that work for the public good. It is a way of including the millions\nof neighborhood-based groups that operate without legal recognition.\nYet the name has been criticized at times for obscuring the growing pro-\nfessionalism of nonprofit activity, a subject of considerable sensitivity. As\npart of the process of receiving more and more funding from public sec-\ntor agencies through contractual relationships, many nonprofit manag-\ners now take great pride in the fact that they have removed all vestiges of\namateurism associated with volunteerism and have replaced it with the\nprofessional work of highly trained people.\n\nMost recently, some people dissatisfied with the existing alternatives\nhave begun using the term \u201cnonproprietary organizations\u201d in order to\nhighlight the ownerless character of these entities. In contrast to busi-\nness firms that are proprietary, nonproprietary organizations are not\nlinked to a clear owner or ownership group. This alternative has been\nadvanced because the term \u201cnonprofit\u201d obscures the fact that many\n\u201cnonproprietaries\u201d do in fact generate surplus revenue, though they do\nnot directly distribute their earnings to shareholders or owners. While\nthis term has the benefit of drawing a clear line between business firms\nand nonprofits, it does not resolve the question of what differentiates\nnonprofits from government agencies, which are also nonproprietary.\n\nOf the many competing options, the term \u201cnonprofit sector\u201d has been\nthe most widely used over time. Rather than defining these organiza-\ntions in terms of the special privilege they enjoy of being free from taxa-\ntion, the term points in a different and less contentious direction by em-\n\n\n14 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nphasizing the benevolent character of the sector. Though there is some\nquestion as to when exactly the term \u201cnonprofit sector\u201d came into use,\nthe consensus is that it

is a product of the 1950s and 1960s. The term\n\u201cnonprofit\u201d focuses on one of the three defining features mentioned\nabove\u2014namely, that these organizations are not intended to generate\nprofits and distribute them to investors. Since this term distinguishes\nnonprofit organizations from business corporations, some observers\nhave argued that it was actually designed to confer a kind of legitimacy\nand trustworthiness.27 In recent years, the substantial increase in com-\nmercial revenues and executive salaries within the nonprofit sector has\nled many to question just how unprofitable the sector truly is. Still, the\nlabel \u201cnonprofit sector\u201d has the benefit of currency and simplicity.\n\nBecause the sector comprises both legally chartered nonprofit organi-\nzations and countless informal groups and voluntary associations, I will\nuse the somewhat cumbersome though descriptively accurate \u201cnon-\nprofit and voluntary sector\u201d to denote the organizations occupying an\nincreasingly critical and visible position in our political, social, and eco-\nnomic life. Though not perfect, the term points accurately to the target\npopulation of organizations that are emerging as critical actors even\nthough they operate without coercion, profits, or owners. This is a com-\npromise solution that many researchers working in this field use, though\nsome fall back on \u201cnonprofit sector\u201d for brevity\u2019s sake. Though it does\nnot please everyone, the term does meet the requirement of being broad\nenough to cover the range of organizations and groups that are acting\nprivately for some collective good.\n\nUnderlying all the names that have been used to describe these enti-\nties is the fact that even when agreement is reached on a single appro-\npriate name, it is not entirely clear that this complex and varied set of or-\nganizations constitutes a single coherent societal \u201csector.\u201d28 In many\nways, the word \u201csector\u201d is just as problematic as \u201cindependent,\u201d \u201cthird,\u201d\n\u201cnongovernmental,\u201d and all the terms that have preceded it. An impor-\ntant part of the problem is the lack of consistency across the organiza-\ntions that are said to be part of this sector. After all, the sector includes\norganizations that cater to the narrow needs and desires of their mem-\nberships, as well as organizations that have broad public service mis-\nsions.29 The sector is also home to highly institutionalized organizations\nwith millions of dollars in revenues and informally organized groups\nwith little or no money. The sector includes political parties that exist to\n\nThe Idea of a Nonprofit and Voluntary Sector 15\n\n\n\nshape public policy and service delivery organizations that depend on\nthe political process to deliver needed funds. The sector counts as its\nconstituents both foundations that give away money30 and a multitude\nof organizations that seek grants, as well as a growing number of organi-\nzations that depend on fees and commercial revenues. Thus, given the\ngreat diversity of formal and informal structures, the varieties of pur-\nposes pursued, and the range of financing systems used to support these\norganizations, the very use of the word \u201csector\u201d is troublesome because\nit implies far more consistency than may be present. Some scholars of\nnonprofits thus maintain that the idea of a coherent sector may be an in-\nvention, which has begun to outlive its usefulness and now merely pro-\nvides cover for a large and diverse group of organizations that have little\nin common.31\n\nYet, by defining a set of activities that are neither part of government\nnor part of the market,32 we acknowledge that there is a sphere where\ncoercion is not used, where profits are not the principal motive, and\nwhere lines of ownership are not clearly drawn. Why nonprofit and vol-\nuntary organizations exist and what functions they perform are among\nthe central topics of this book.

Before presenting a framework for think-\ning about these issues, it is important to recognize some of the political\ncleavages that the very idea of a nonprofit and voluntary sector creates.\n\nThe Politics of the Nonprofit and Voluntary Sector\n\nThe nonprofit and voluntary sector occupies an ambiguous and at times\ncontentious position in the current American political scene. Just as few\npeople agree on the right name to use to describe these organizations,\nAmericans are likewise engaged in heated debate about the sector\u2019s un-\nderlying politics. Today, for quite different reasons, nonprofit and volun-\ntary organizations are embraced by both conservatives and liberals. How\ncan this be? The answer lies in the fact that the sector comprises a great\nnumber of complex, multidimensional organizations that appeal simul-\ntaneously to many constituencies. The fact that both sides of the politi-\ncal spectrum applaud and see the potential of nonprofit and voluntary\norganizations, far from revealing some underlying weakness, ultimately\nreflects the sector\u2019s strength and enduring relevance.\n\nFor at least three reasons, nonprofit and voluntary organizations have,\nparticularly from the 1960s forward, represented a tremendous resource\n\n16 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nand ally to liberals. First, a natural affinity between liberals and non-\nprofit workers quickly became apparent, since those willing to toil in\noften low-paying or voluntary positions\u2014and frequently in difficult cir-\ncumstances\u2014constitute a self-selected group of socially committed in-\ndividuals dedicated to the idea of making a difference and initiating\nchange. As membership in labor unions declined, thus eroding one of\nthe traditional bases of the Democratic party, the rise of nonprofit social\nservice agencies in the 1970s came at a very opportune moment. Not\nonly could nonprofit organizations serve as new channels through\nwhich social programs could be delivered, but they also represented a\nnew and important space in which potential supporters of progressive\npolicies might well be located.33\n\nThe second reason liberals were attracted to the sector as a whole was\nmore operational. Nonprofit organizations were seen as an ideal and un-\ntainted partner to government, one that could most effectively deliver\nneeded services to the most disadvantaged populations. As concern over\nthe impact of Great Society programs grew and as distrust of govern-\nment increased, nonprofits came to be seen as neutral and legitimizing\nforces with the capacity to give large human service initiatives a more di-\nverse, pluralistic face.34 The funding crunch that most nonprofit organi-\nzations face on a continuing basis appeared to put government in a posi-\ntion to use its substantial resources, in the form of contracts and grants,\nto gain control over a whole new range of community actors and prob-\nlems. At the same time, nonprofits represented an ideal \u201cbottom-up\u201d ap-\nproach to implementation, one that empowered the grassroots level and\nthat gave government tremendous leverage for each dollar spent.\n\nThird and finally, liberals were attracted by the political activity of\nmany nonprofits and their ability to mobilize groups around issues and\nconcerns in a distinctive way. Unlike corporations, which are beholden\nto shareholders and the bottom line, and unlike government, which is\nbound by the limits of the Constitution and the pressures of public opin-\nion, nonprofit organizations have a great deal more freedom to oper-\nate. This flexibility lends itself well, in principle, to the pursuit of pro-\ngressive, alternative agendas. Moreover, since many advocacy nonprofits\nseek to give voice to populations that have long been excluded from the\npolitical debate, liberals continue to view the broader nonprofit sector as\na means to exert pressure for social change and justice.35\n\nChanges in the national political climate since the 1980s coincided\n\n

Voluntary Sector 17\n\n\n\nwith a very different set of ideas about the nonprofit sector. Instead of\nconsidering nonprofits a potential source of political and social change,\nconservatives were attracted by three completely different features of\nnonprofits. First, they believed that nonprofit organizations might well\nrepresent an appealing alternative to direct public expenditures on so-\ncial programs that conservatives believed had not produced results.36\n\nQuestions about whether the War on Poverty had failed were in the air,\nespecially in the early 1980s. By encouraging private charities to take\nresponsibility for local community needs, conservatives believed they\ncould make an effective argument for shrinking government. After all, if\nchurches and community groups were able to function with voluntary\ncontributions of time and money, the need for an ever-growing number\nof public spending programs would surely be diminished. Compared to\ntaxation and national spending, private charity and volunteerism were\nseen as preferred means of solving social problems because they permit-\nted greater individual freedom and choice. A strong and vital nonprofit\nand voluntary sector fit well with the emerging ideas of both devolution\nand privatization, two mantras of the conservative movement. As gov-\nernment functions were pushed \u201cdown\u201d from the federal level to the\nstate and local levels, and transferred \u201cout\u201d of government to private\nproviders through contracting, nonprofits were ideally situated to de-\nliver services that once had been the province of \u201cbureaucrats\u201d in the na-\ntion\u2019s capital.37\n\nSecond, conservatives also argued that nonprofits, particularly faith-\nbased nonprofits, were in a position to bring to social programs some-\nthing that public entitlements had long lacked\u2014namely, a moral or spir-\nitual component.38 Faith-based nonprofits were seen as willing to make\ndemands on the recipients of charity and require a change of character\nand behavior in exchange for assistance. At the same time, given that\nmany nonprofits are fueled by volunteer labor and private contributions,\nconservatives were attracted to the idea of nonprofits because they rep-\nresented the ideal of self-help and independence. This was a powerful\nfeature that, conservatives argued, was perilously missing from public\nassistance programs.39 For those who believed that public entitlements\nbred dependence and complacency, the idea of delivering not just a\ncheck but a moral and spiritual message was a very strong attraction.\n\nFinally, for conservatives, nonprofit organizations were also a poten-\ntial wellspring of innovation, representing a plurality of local solutions\n\n18 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nto social problems and a powerful alternative to the ongoing search for\nuniform national solutions to public problems. Grounded in an ethos of\nself-help and respecting regional cultural variations, voluntary action fit\nwell with a growing sense among conservatives that a broad range of al-\nternatives to an expanding state needed to be actively cultivated. By giv-\ning local organizations a chance to try their hand at program implemen-\ntation, conservatives believed that good ideas would percolate up from\ncommunities. Conservatives argued that expenditures on federal social\nwelfare and education programs should not be increased. Instead, funds\ncould be used most effectively and creatively when channeled through\nlocal groups that were more in touch with the diverse and changing\nneeds of the people. Nonprofit organizations thus represented a way of\nbreaking through the red tape of Washington to find new approaches\nto longstanding problems. Nonprofits, conservatives maintained, could\nserve as a battering ram for policy innovation.40\n\nAt first blush, it might appear that the capacity of nonprofit and vol-\nuntary organizations to speak to both liberals and conservatives implies\neither

a split and conflicted identity or a simple lack of political scruples.\nIn reality, the sector is a remarkably complex entity, one that is capa-\nble\u2014like an inkblot\u2014of evoking a broad range of reactions and in-\nterpretations. Because it simultaneously supports the autonomy of the\nprivate individual actor while affirming the importance of shared and\npublic purposes, the politics of nonprofit and voluntary action can take\non many different meanings. The ability to speak across, or rather above,\ntraditional political boundaries has become one of the most powerful\nfeatures of the sector, and this trait has led to its growth and popularity,\nparticularly among young people.\n\nThe Two Dimensions of Nonprofit and Voluntary Action\n\nGiven the confusion over what to call this sector and the complex and at\ntimes confused politics that have surrounded it, the goal of this small\nbook is to help shape our understanding of the many different ways one\ncan approach the core functions of these independent organizations. To\nmake this task easier, I organize my exposition of the central functions\nof voluntary and nonprofit organizations along two broad conceptual\ndistinctions. The first critical distinction concerns how the sector is\nexplained; the question is whether nonprofit and voluntary activity is\n\nThe Idea of a Nonprofit and Voluntary Sector 19\n\n\n\ndriven primarily by demand or by supply\u2014that is, whether it can best be\nunderstood as a response to unmet demands or whether it is taken to be\nan important supply function that creates its own demand. The second\ndistinction concerns how the sector is justified; here the issue is whether\nthe value of nonprofit and voluntary action is seen as residing in the in-\nstrumental character of the outcomes that are generated for society or in\nthe inherently expressive quality of the activities themselves that reward\nthose who undertake them. These are complex and difficult distinctions,\nwhich will be discussed in turn and then brought together to form the\nconceptual framework for the analysis that constitutes the core of the\nbook.\n\nStarting with the distinction between demand and supply, it is easy\nto see nonprofit and voluntary action as responding to two quite differ-\nent but important forces.41 The demand-side perspective starts with the\npremise that the sector exists by virtue of the broader social context\nwithin which it is embedded and that its activities are responsive to the\ndemands of the public or its members. Thus, nonprofits exist because\nthey are able to meet important social needs. Urgent public problems\nsuch as illiteracy, drug addiction, and violence demand solutions, and\nthe nonprofit sector exists to respond to the powerful pull of such is-\nsues. The demand-side approach to nonprofit activity has both descrip-\ntive and normative dimensions. Descriptive demand-side theories focus\non patterns of nonprofit formation and growth. In the 1970s, researchers\nproposed detailed economic models and explanations for nonprofits\u2019 be-\nhavior,42 most of which started with the assumption that nonprofits\nfulfill important demands that for one reason or another the market and\ngovernment are unable or unwilling to meet. This led to the broad and\npopular belief that nonprofits were really gap-filling entities that histori-\ncally have arisen when public needs were sufficiently strong.\n\nOn a more normative level, the demand-side approach to nonprofit\norganizations has spawned a literature focusing on the social and politi-\ncal responsibilities of nonprofit organizations\u2014defined in relation to the\ndemands of the neediest members of society. Starting with the claim that\nthe tax exemption accorded these institutions conveys an obligation to\nhelp, many people have made the normative argument that nonprofit or-\nganizations should seek to assist the most disadvantaged and empower\nthe most disenfranchised members of society. Accordingly, the success\nor failure of the sector can and should be judged by how well or how\n\n\n20 The Idea of a

Nonprofit and Voluntary Sector\n\n\n\npoorly it meets society\u2019s needs. The demand for nonprofit and voluntary\naction leads neatly to a set of prescribed activities, including greater ad-\nvocacy work within the sector, and the empowerment and mobilization\nof those left out of the political process. The demand for nonprofit activ-\nity thus brings with it the expectation that these institutions will help\ngive voice and opportunity to those who have been marginalized by the\nmarket economy and the political process.\n\nThe idea of a demand-driven nonprofit and voluntary sector domi-\nnates much of the research that is conducted in this field. Yet a central\nclaim of this book is that the demand-side approach captures but one as-\npect of this broad social phenomenon. An alternative, supply-side posi-\ntion argues that the sector is impelled by the resources and ideas that\nflow into it\u2014resources and ideas that come from social entrepreneurs,\ndonors, and volunteers.43 This is a more controversial perspective be-\ncause it has led to some strong claims about how nonprofit organiza-\ntions should be managed and operated. Rejecting many of the preceding\narguments about the needs that pull on the sector, the supply-side per-\nspective holds that nonprofit and voluntary organizations are really all\nabout the people with resources and commitment who fire the engine of\nnonprofit and voluntary action. Drawn to the sector by visions and com-\nmitments, social entrepreneurs bring forward agendas that often operate\nindependently of immediately obvious and enduring community needs.\nThis supply-side theory of nonprofits, like the demand-side approach,\nhas both descriptive and normative elements.\n\nOn the descriptive side, this approach emphasizes the entrepreneur-\nial quality of nonprofit activity. Instead of starting with the demand of\nclients, positive supply-side theories of the nonprofit sector draw at-\ntention to the way various forms of entrepreneurship fuel innovation\nwithin the sector and how an emerging class of new social enterprises\u2014\nincreasingly led by a new generation of social entrepreneurs\u2014is chal-\nlenging old models of nonprofit management. Seen from the supply\nside, nonprofit organizations have a logic that is far more complex than\na simple response to a gap in government service or the failure of the\nmarket to meet a particular demand. The entrepreneur, donor, and vol-\nunteer take on a much greater role in this model, since it is the sup-\nply of new ideas, charitable dollars, and volunteer commitments that is\nthe real driving force behind the sector. This means that the task of\nexplaining the emergence of nonprofit and voluntary organizations\n\nThe Idea of a Nonprofit and Voluntary Sector 21\n\n\n\nrequires studying and developing typologies of social entrepreneurs\nwho use the nonprofit form to pursue their private visions of the public\ngood.\n\nThe supply-side approach has an important normative component,\nwhich holds that we must reassess the moral claims that needy clients\nhave on nonprofit programs. Instead of asking that a nonprofit meet a\ntest of moral stewardship that is ultimately decided by the level and\nquality of service provided to those in need, the supply-side approach\nadvises that society should look to and protect the private interests and\nvalues of the critical actors who are fueling nonprofit and voluntary ac-\ntion, including philanthropic donors, volunteers, and social entrepre-\nneurs. In order to ensure the continued flow of charitable inputs, the in-\nterests and values of these actors should be the first priority of those who\nseek an enlarged role for nonprofits. This means recognizing that the\nsatisfaction of donors and the preservation of their intent constitute a\ncritical normative task for the sector. Arguing that donors, volunteers,\nand social entrepreneurs should be the centerpiece of the sector is a con-\ntroversial position because it unabashedly diminishes the claims that\nneedy

populations have on the charitable resources. Supply-siders coun-\nter this complaint with the argument that if one is truly committed to\nhelping the needy, then constructing a sector that recognizes, protects,\nand encourages action by the private parties who control the resources\nshould be an obvious priority.\n\nDistinguishing between the demand and supply sides of the nonprofit\nand voluntary sector is a primary task when it comes to sorting through\nthe arguments that have emerged in recent years. Yet we must also de-\nvelop a second dimension for our conceptual framework. As soon as we\nbegin to consider the broad number of important projects and causes to\nwhich the sector is dedicated, it becomes clear that nonprofit and volun-\ntary organizations rest on two different ideas about what justifies and\ngives meaning to the work that is carried out in the sector.\n\nFirst, nonprofit and voluntary action is an important instrument for\nthe accomplishment of tasks that communities view as important. Non-\nprofit service agencies and volunteer helping organizations play an im-\nportant role in the delivery of critical services in a broad array of fields.\nNonprofits can be the principal means through which job training, arts\neducation, shelter for the homeless, health care, neighborhood clean-\nups, firefighting, crime patrols, and countless other functions are ac-\n\n22 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ncomplished. When the sector works to accomplish popular social pur-\nposes, it acquires powerful instrumental value. It becomes a concrete\ntool to achieve some collective purpose that society considers impor-\ntant. The sector\u2019s instrumental value is measured in terms of its concrete\noutcomes. In the search for validation and learning, the programmatic\noutcomes of nonprofit and voluntary action are increasingly being mea-\nsured and evaluated using metrics borrowed from the business and pub-\nlic sectors. The growing emphasis on performance has led to a vast new\nliterature on nonprofit management, which is aimed at making these\norganizations more efficient and useful instruments for the accomplish-\nment of public purposes.44 The idea that nonprofit and voluntary organi-\nzations are valuable because they can be useful tools for the accomplish-\nment of public purposes constitutes the core of what I will term the\n\u201cinstrumental dimension\u201d of the nonprofit and voluntary sector.\n\nSecond, the sector can be seen as valuable because it allows individu-\nals to express their values and commitment through work, volunteer ac-\ntivities, and donations. By committing to broad causes that are close to\nthe heart or by giving to an effort that speaks directly to the needs of the\ncommunity, nonprofit and voluntary action answers a powerful expres-\nsive urge. For donors, volunteers, and particularly staff, the very act of\nattempting to address a need or fight for a cause can be a satisfying end\nin itself, regardless of the ultimate outcome. The value that is created\nmay be entirely psychic and may arise simply from the act of expressing\ncommitment, caring, and belief. The expressive quality of the sector has\nled some to conclude that the narrow focus on the financial resources\navailable to nonprofit organizations and on the level of services deliv-\nered has detracted from the deeper meaning of nonprofit and voluntary\naction, which derives from the fellowship and self-actualization experi-\nenced by those who give or volunteer. This is what I will refer to as the\n\u201cexpressive dimension\u201d of nonprofit and voluntary action.45\n\nThe expressive and instrumental dimensions of nonprofit and volun-\ntary action can compliment each other or they can create tensions. In\nthe best cases, the moral energy that motivates those who deliver ser-\nvices can be harnessed to produce better and more effective programs. In\nsome ways, this connection seems obvious: a committed volunteer or\nsocial entrepreneur is more likely

to work hard to create value through\nhis activities than someone who holds a job merely to earn a paycheck.\nIn some cases, however, values and personal expression can be out of\n\nThe Idea of a Nonprofit and Voluntary Sector 23\n\n\n\nsync with instrumental goals and may lead to trouble. On the one hand,\nif strong expressive desires draw people to causes and community prob-\nlems without adequate structure or planning, frustration can easily set\nin and group cohesion may be threatened. On the other hand, if too\nmuch focus is placed on improving a charitable organization\u2019s bottom\nline and maximizing the instrumental efficiency of its operations, an or-\nganization runs the risk of dimming the expressive flame of its staff, vol-\nunteers, and supporters. The managerial challenge, of course, is to bring\nthe expressive and instrumental dimensions into alignment.\n\nThe contrast between the supply and demand sides and the opposi-\ntion of the expressive and instrumental dimensions give us a basis for\nthinking systematically about the functions of nonprofit and voluntary\naction. We can construct a matrix that depicts, on one side, the nature of\nthe value produced by the sector (instrumental versus expressive) and,\non the other side, the underlying animus or force (demand versus sup-\nply). This book is organized around the four cells generated by this ma-\ntrix (see Figure 1.2), which have come to represent the four underlying\nfunctions of the nonprofit and voluntary sector: encouraging civic and\npolitical engagement, delivering needed services, enacting private values\nand religious convictions, and providing a channel for social entrepre-\nneurship.\n\nThe book works through and elaborates current debates relating to\neach of these four functions. Chapter 2 considers the role nonprofit or-\nganizations play in fostering civic and political engagement. Local non-\nprofits contribute in important ways to community cohesiveness, social\nsolidarity, and what some call \u201csocial capital,\u201d which is constituted by\nthe norms, networks, and forms of trust that make communities work.\nThese ties prepare people to play an active role in civic life and democ-\nracy. Grassroots community organizations also have the capacity to har-\nness this community spirit and generate social and political change.46\n\nUsing the protection afforded by the First Amendment, these advocacy\nand organizing efforts are a critical ingredient in our national political\nlife. In fields ranging from environmental protection to world peace,\nnonprofit and voluntary organizations have begun to exercise consider-\nable political power. Nonprofits play a powerful role in setting the terms\nof many public debates, in mobilizing key constituencies, and in coordi-\nnating grassroots campaigns to effect change at the local, state, national,\nand transnational levels.\n\n24 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nChapter 3 considers how nonprofits represent an effective and power-\nful tool for responding to concrete public needs that the market and the\nstate fail to meet. On the questions of why nonprofit organizations come\ninto being and what role they play in society, a strong line of argument\nhas emerged. Starting in the 1970s and continuing into the 1980s, theo-\nries about nonprofits focused heavily on the idea of government and\nmarket failure. Researchers proposed the idea that nonprofit provision\nof particular services arises when either government is unable to meet\ndemand or when consumers are resistant to purchasing a given service\nin the for-profit marketplace. This positive theory of nonprofits em-\nbraced the subtle assumption that nonprofits were really just govern-\nment\u2019s partners, charged with helping to deliver needed services. Since\ngovernment and nonprofit organizations were thought to have the same\nbasic goals and values, collaboration between sectors was seen as largely\nunproblematic. Some of the progenitors of this early, foundational per-\n\nThe Idea of a Nonprofit

and Voluntary Sector 25\n\n1.2 The four functions of nonprofit and voluntary action.\n\nExpressive\nrationale\n\nInstrumental\nrationale\n\nDemand-side\norientation\n\nSupply-side\norientation\n\nService delivery\n\nProvides needed services and\nresponds to government and\nmarket failure\n\nSocial entrepreneurship\n\nProvides a vehicle for\nentrepreneurship and creates\nsocial enterprises that\ncombine commercial and\ncharitable goals\n\nValues and faithCivic and political engagement\n\nMobilizes citizens for politics,\nadvocates for causes, and\nbuilds social capital within\ncommunities\n\nAllows volunteers, staff, and\ndonors to express values,\ncommitments, and faith\nthrough work\n\n\n\nspective argue that the future of the nonprofit sector lies in its capacity\nto cooperate and collaborate effectively with government, even though\ntensions between sectors appear to be rising. Chapter 3 presents the\nearly models of nonprofit production, while raising new practical ques-\ntions about the interaction of nonprofits with government and the\nmarket.\n\nChapter 4 considers the essentially private character of nonprofit and\nvoluntary action that makes the sector an ideal vehicle for the expres-\nsion of personal values and spiritual beliefs. Nonprofit and voluntary or-\nganizations are places where believers of all sorts are welcome, some of\nwhom are motivated by faith, others by commitment to issues, and still\nothers by strongly held private values and norms. The value component\nof nonprofit work\u2014which goes beyond the rational, purposive function\nof that work\u2014is part of what defines the sector and attracts donors, vol-\nunteers, and entrepreneurs to nonprofit and voluntary action. The val-\nues that animate nonprofit and voluntary action can often be important\nsources for innovation and experimentation, as private visions of the\ncommon good are tested and refined. The discussion covers the contro-\nversial normative position that has evolved in recent years from this pos-\nitive analysis, which holds that the special visions of donors and entre-\npreneurs\u2014not the growing demands of the recipient organizations and\ntheir clients\u2014should define and shape nonprofit activity. It is important\nto note that when one shifts the focus of the normative analysis from re-\ncipients to donors, volunteers, and social entrepreneurs, the evaluative\ncriteria for the sector change radically. Instead of measuring outputs and\noutcomes for clients, evaluation looks at the subjective experience of\nthose funding and delivering the services. Because it flies in the face of\nthe more progressive ideas that have dominated thinking about the sec-\ntor, this particular part of the supply-side vision represents a way of see-\ning nonprofit and voluntary activity that challenges some of our com-\nfortable assumptions about nonprofit organizations.\n\nChapter 5 tracks one of most important changes in the sector over the\npast two decades\u2014namely, the growth of a new kind of social entrepre-\nneurship and the rise of commercial activities as a way of financing ag-\ngressive growth agendas. Rather than waiting for donors to support ini-\ntiatives with charitable dollars, more and more nonprofit managers are\nexposing their organizations to market forces. The rise of entrepreneur-\nship in nonprofit organizations is manifest in many different ways, in-\n\n26 The Idea of a Nonprofit and Voluntary Sector\n\n\ncluding the creation of new kinds of hybrid organizations, the influx of a\ngeneration of younger, more business-oriented managers, and a willing-\nness to rethink the traditional boundaries between for-profit and not-for-profit enterprises. Many of the new entrepreneurial nonprofits ex-\nplicitly start out with the intention of producing social innovations that\nwill in turn create their own demand. This marks a major change from\nthe traditional idea of delivering services for which there is already a de-\nmand. To finance this start-up strategy, some social entrepreneurs

have\ndeveloped funding plans that rely heavily on revenues from commercial\nventures of all kinds, not just charitable contributions or government\ngrants. Chapter 5 looks at both the theory and practice of nonprofit en-\ntrepreneurship.\n\nAfter reviewing the four core functions of the sector, Chapter 6 ex-\nplores emerging challenges connected to the sector\u2019s rapid growth and\nidentifies a few significant consequences that flow from seeing the sector\nas a diverse and pluralistic realm. The chapter, and the book as a whole,\nadvances a message connected to both the management of individual\nnonprofit organizations and the direction of the sector as a whole: each\nof the four functions of nonprofit activity is important in itself. But when\npursued in isolation and in excess, any of the functions can lead to im-\nbalance, at both the organizational level and the sectoral level. If individ-\nual nonprofits and the sector as a whole are seen as only engaging in po-\nlitical organizing and advocacy, charges of excessive politicization are\nlikely to arise sooner or later. If the sole focus of nonprofit activity is the\nefficient delivery of publicly funded services, concerns about indepen-\ndence and vendorism will never be far away. If nonprofits do nothing but\nenact private values and interests, worries about particularism will al-\nmost certainly arise. If nonprofit activity comes to be focused too much\non the creation of income-generating ventures, objections related to\ncommercialism will be difficult to counter. Balance and a plurality of\npurposes thus turn out to be critical to sustaining nonprofit organiza-\ntions and to the sector\u2019s continued growth and success.\n\nAt a time when nonprofit and voluntary activity has been the subject\nof increasing public attention and academic study, the breadth and depth\nof our understanding of this phenomenon has been severely constrained\nby the lack of a clear statement of the sector\u2019s core activities, rationales,\nand dimensions. This book strives to respond to this need by presenting\nfour critical functions that the sector performs. While it does not pre-
\n\n\ntend that these functions entirely exhaust the range of purposes and ra-\ntionales that guide nonprofit and voluntary action, the book argues that\nmany of the most essential conceptual and policy problems within the\nsector can be usefully captured with this framework. The normative ar-\ngument of the book is simply that the sector cannot survive and gar-\nner financial, political, and volunteer support if it swings too far in the\ndirection of any particular function. In the long run, balance, achieved\nthrough the fulfillment of a diversity of functions, is ultimately essential\nwithin the vast range of nonprofit organizations and across the sector as\na whole.\n\nNonprofit and voluntary action can be a powerful force for good in so-\nciety. Yet a good many myths have grown up around these private orga-\nnizations that fulfill public purposes. In searching for the core functions\nof the nonprofit and voluntary sector, the book challenges some of these\nmyths and suggests that the nonprofit and voluntary sector is an evolv-\ning and at times contradictory realm that now faces a number of sig-\nnificant challenges to its continued growth and legitimacy. Rather than\nattempting to smooth over and resolve these tensions, the exposition\nhere deliberately brings them out in to the open. Ultimately, it is the di-\nversity of purposes and rationales embodied in nonprofit and voluntary\norganizations that make them increasingly visible and exciting vehicles\nfor the pursuit of common social goals. And it is the sector\u2019s diversity\nand flexibility that may well help nonprofit organizations to solve some\nof the pressing challenges they now confront.\n\n\n\n\n\nCivic and Political Engagement Civic and Political Engagement\n\n2\n\nCivic and Political Engagement\n\nNonprofit and voluntary

organizations respond to the deeply rooted\nneed of individuals to be part of something bigger than themselves. As\nan antidote to atomistic individualism, nonprofit and voluntary activity\nat the local, state, national, and transnational levels brings people out of\ntheir isolation and puts them in touch with others who share their con-\ncerns and interests. The connections forged when people are drawn into\ncivic space can be used to respond to community concerns, needs, and\ndemands. By virtue of their emphasis on expressive, associational activ-\nity, nonprofits allow individuals and communities to transform their\ncommitment into concrete collective action. When nonprofits speak di-\nrectly to important public needs and lead collectivities to devise effective\nsolutions to public problems, these diverse organizations\u2014ranging from\nblock clubs to national membership groups\u2014help overcome some of\nthe cynicism and distrust that stifle civic and political engagement. The\nspecial ability of nonprofit and voluntary activity to mobilize and con-\nnect individuals clearly has significant direct and indirect political impli-\ncations.1\n\nNonprofit and voluntary organizations are linked with the political\nprocess in six different ways, which range in character from nonpartisan\nto very partisan. First, nonprofits build trust, cohesion and social capital\nin communities. Through church groups, veterans\u2019 clubs, PTAs, and\nmany other kinds of organizations and associations, individuals find\nconnections to one another and build a sense of community and solidar-\nity that leads to greater enthusiasm for community life. This trust, or\n\u201csocial capital,\u201d represents a critical reservoir of good will and serves as\n29\n\n\na catalyst for civic and political engagement. Second, nonprofits pro-\nmote civic engagement directly by offering individuals a door that opens\nonto the public square and a tool for demonstrating commitment to\nsomething greater than narrow self-interest. Civic engagement skills are\nlearned and honed through nonprofit and voluntary action. Third, non-\nprofits translate trust and civic engagement into direct political action by\norganizing people at the grassroots around interests and causes, by regis-\ntering voters and spurring them to get out the vote, and by organizing\ntown hall meetings and a host of other participation and empower-\nment activities aimed at bringing the individual into the public sphere.\nFourth, nonprofits are linked to politics through advocacy work. Orga-\nnized around broad issues and concerns, nonprofits play an important\nrole in informing and educating the public and policymakers. Advocacy\nefforts take place at the local, state, national, and transnational levels.\nFifth, nonprofits engage in direct lobbying around specific legislative\nissues. Almost every time government moves forward with a decision,\nlobbying on both sides of the issue occurs. Different from advocacy\nin that it focuses on specific bills of legislation, lobbying is a way to\ntranslate public concerns into legislative action. Sixth, nonprofits figure\nprominently in our electoral system. Campaign fundraising organiza-\ntions, political action committees, and a range of party institutions are\nall tax-exempt organizations. In recent years, cynicism about the role of\nmoneyed interests in politics has raised some difficult questions about\nthis particular function of nonprofits.\n\nAs they work to build cohesion in communities and as they speak out\non issues, nonprofits enjoy freedom of association and speech under the\nFirst Amendment. While nonprofits have often had an adversarial rela-\ntionship with government, the diverse forms of their political activity\nare still guaranteed government protection. No matter what causes they\nseek to advance, nonprofits do not risk the loss of their protected status\nas long as they follow a few basic rules when exerting their fundamental\nrights to speech and

association. There is no test of reasonableness when\nit comes to the political views of nonprofits, nor are there prohibitions\non coalitions\u2019 forming behind any peaceful cause imaginable. Of course,\nthis has led to the advocacy of policies and agendas that have been con-\ntroversial, often because they challenged majority positions. Still\nThe file is too long and its contents have been truncated.\n", "extra": {"cited_message_idx": 19, "search_result_idx": null, "evidence_text": "source"}, "url": "file-oOTG3NdARlccxURLJHM7nlfY"}}, {"start_ix": 1006, "end_ix": 1017, "citation_format_type": "tether_og", "metadata": {"type": "file", "name": "On Being Nonprofit A Conceptual and Policy Primer (Peter Frumkin) (Z-Library).pdf", "id": "file-oOTG3NdARlccxURLJHM7nlfY", "source": "my_files", "text": "\n\n\nOn Being Nonprofit\n\n\n\n\n\nOn Being Nonprofit\nA Conceptual and Policy Primer\n\nPeter Frumkin\n\nHARVARD UNIVERSITY PRESS\n\nCambridge, Massachusetts\n\nLondon, England\n\n\n\nFor my parents,\nAllan and Jean\n\nCopyright \u00a9 2002 by the President and Fellows of Harvard College\n\nAll rights reserved\n\nPrinted in the United States of America\n\nFirst Harvard University Press paperback edition, 2005\n\nLibrary of Congress Cataloging-in-Publication Data\n\nFrumkin, Peter.\n\nOn being nonprofit: conceptual and policy primer / Peter Frumkin.\n\np. cm.\n\nIncludes bibliographical references and index.\n\nISBN 0-674-00768-9 (cloth)\n\nISBN 0-674-01835-4 (paper)\n\n1. Nonprofit organizations. I. Title.\n\nHD2769.15 .F78 2002\n\n361.7\ufffd63\u2014dc21 2002017227\n\n\n\nPreface Preface\n\nPreface\n\nIn recent years, the study of nonprofit and voluntary organizations has\nbeen a growth field, a fact that is apparent in the proliferation of non-\nprofit degree and certificate programs in schools of business and public\naffairs, the founding of new independent centers devoted to nonprofit\nresearch, and the steady increase in scholarship concerned with non-\nprofit organizations. To date, however, the study of nonprofit organiza-\ntions has yet to find a home in any single discipline. And this may well\nbe for the best. Our understanding of nonprofit organizations has bene-\nfited from the attention of economists, political scientists, sociologists,\npsychologists, historians, and management scholars. In writing this\nbook, I have endeavored to bring together some of the most significant\nand contentious ideas about the nonprofit and voluntary sector and to\nintegrate at least some elements of the competing disciplinary perspec-\ntives that have emerged. This is, after all, a book about the nonprofit and\nvoluntary sector written by an organizational sociologist who teaches\nstrategic management in a public policy school. It is my sincere hope\nthat this book will cross disciplinary bounds and that it will serve as a\nuseful and clarifying overview of the pressing conceptual and policy\nproblems facing nonprofit organizations today.\n\nDividing nonprofit action into four broad functions, this book exam-\nines how nonprofit organizations promote civic and political engage-\nment, deliver critical services within communities, provide an institu-\ntional vehicle for social entrepreneurship, and allow the expression of\nvalues and faith. The core of the book explores the tensions and prob-\nlems that have arisen in each of these functional realms and the bound-\nary disputes that have broken out as nonprofit organizations have been\ndrawn into competition and collaboration with government and busi-\nness. In exploring the multiple roles of nonprofit organizations, I argue\nthat the long-term health and viability of nonprofit organizations de-\npend on the achievement of balance among the four functions, so that\no one function is allowed to dominate the other three. This has not al-\nways been achieved in recent years and the results have been painfully\nclear: charges of politicization, vendorism, commercialism, and

particu-\nlarism have plagued nonprofit organizations. The argument developed\nhere is that only when nonprofits achieve important successes in each of\ntheir functions will they receive and sustain the financial support and\npublic acceptance that they need to continue to grow. In tackling these\nbroad and complex issues, I have aimed to provide a perspective on non-\nprofit activity that will be relevant to scholars and students approaching\nthe topic from a wide array of backgrounds and levels of familiarity.\n\nThe intellectual debts I have accumulated over the years are very\nlarge. From the very first moment I joined the faculty of Harvard Univer-\nsity\u2019s Kennedy School of Government and began to work on this book, I\nhave benefited greatly from the good counsel and insightful criticisms\nof Mark Moore and Christine Letts, who together helped launch the\nHauser Center for Nonprofit Organizations, where I have been a faculty\naffiliate. I am grateful to both of them for creating a place where it is pos-\nsible to do serious work within a community of scholars and students.\nMy faculty colleagues at the Hauser Center and within the broader Ken-\nnedy School of Government have all contributed directly or indirectly to\nthe completion of this book. Through numerous seminar presentations,\ne-mail exchanges, and hallway discussions over the years, their active\u2014\nsometimes aggressive\u2014questioning has led me to sharpen and improve\nmy arguments. I owe a special debt to Peter Dobkin Hall, who read and\ncommented on the entire manuscript and generously shared with me his\nencyclopedic knowledge of all things nonprofit. My understanding of\nthe nonprofit sector has been substantially enriched by friendships, con-\nversations, and collaborations over the years with Joseph Galaskiewicz,\nPaul Light, Steven Rathgeb Smith, Brint Milward, Barry Karl, Ellen\nCondliffe Lagemann, Marion Fremont-Smith, Allen Grossman, Eliza-\nbeth Keating, Donald Haider, David Reingold, and William Ryan.\n\nOne of the real pleasures of working at the Kennedy School of Gov-\nernment has been the opportunity to teach and work with a group of su-\nperb doctoral students, including especially Alice Andre-Clark, Gabriel\nKaplan, and Mark Kim. For several years, Kennedy School students in\nmy class on the nonprofit sector patiently listened and questioned me\nas the ideas in this book were formed and developed. From the start,\n\nvi Preface\n\n\n\nShawn Bohen has expertly managed the Hauser Center\u2019s work and\ngrowth and, with great humor and patience, helped me navigate the ser-\npentine world of Harvard rules, regulations, and budgets, while also pro-\nviding the kind of advice and help that was necessary for seeing many\nprojects to completion. Jennifer Johnson provided wonderful research\nassistance throughout the writing of the book and helped bring the\nmanuscript to final form. Michael Aronson at Harvard University Press\nguided this book from an idea to a manuscript, arranged helpful reviews,\npatiently explained the publishing process to me, and made the whole\nprocess appear less mysterious.\n\nBehind the scenes of much of my research, a group of generous sup-\nporters have allowed me to pursue ideas wherever they led. It is a plea-\nsure to thank the Hauser Center for Nonprofit Organizations, Claude\nRosenberg of NewTithing Group, Patricia Brown of the Burton G.\nBettingen Corporation, Ted Halstead of New America Foundation, and\nMark Abramson of the PriceWaterhouseCoopers Endowment for the\nBusiness of Government, all of whom supplied critical financial sup-\nport for elements of my broader research agenda. Within the Kennedy\nSchool, Alan Altshuler, Ron Heifetz, and Fred Schauer furthered the\nproject at critical stages, and I am grateful for their help.\n\nFinally, my greatest debt is to my wife, Elizabeth, who encouraged me\nfrom my first day of graduate school and through all my subsequent re-\nsearch. Her unstinting support has made everything seem possible.\n\nPreface vii\n\n\n\n\n\nContents\n\n

Nonprofit and Voluntary Sector 1\n\n2 Civic and Political Engagement 29\n\n3 Service Delivery 64\n\n4 Values and Faith 96\n\n5 Social Entrepreneurship 129\n\n6 Balancing the Functions of Nonprofit and\nVoluntary Action 163\n\nNotes 183\n\nIndex 209\n\n\n\n\n\nThe Idea of a Nonprofit and Voluntary Sector The Idea of a Nonprofit and Voluntary Sector\n\n1\n\nThe Idea of a Nonprofit\nand Voluntary Sector\n\nThe nonprofit and voluntary sector is the contested arena between the\nstate and the market where public and private concerns meet and where\nindividual and social efforts are united. Nonprofit and voluntary action\nexpresses a complex and at times conflicting desire to defend the pursuit\nof private individual aspirations, while at the same time affirming the\nidea of a public sphere shaped by shared goals and values. For this\ndifficult balancing act to work, participation in the sector demands a\ncommitment to, among other things, expression, engagement, entrepre-\nneurship, and service. Constituted by both legally chartered nonprofit\norganizations and myriad informal groups and voluntary associations,\nthis sector occupies an increasingly critical and visible position in our\npolitical, social, and economic life.1 Yet despite its size and perceived\ninfluence, there is considerable uncertainty and confusion about its\nboundaries. The lines delimiting the sector have frequently been subject\nto challenge and revision, as funds and responsibilities have shifted back\nand forth among business, nonprofit, and government organizations.\nReaching consensus on the very definition of the nonprofit and volun-\ntary sector is difficult because many of the core features and activities of\nnonprofits increasingly overlap and compete with those of business and\ngovernment.\n\nThus, the nonprofit and voluntary sector is at once a visible and com-\npelling force in society and an elusive mass of contradictions. On the\none hand, the rise of nonprofits is thought to have contributed to de-\nmocratization around the world, opening up societies and giving people\na voice and a mode of collective expression that has in too many cases\n\n1\n\n\n\nbeen suppressed.2 In the United States, nonprofit and voluntary organi-\nzations are seen as playing a central role in generating, organizing, and\nemboldening political opposition, working through national networks\nand building international linkages. Nonprofit and voluntary organiza-\ntions have also acted as practical vehicles for the delivery of a broad\nspectrum of community services, ranging from affordable housing to\ntheater performances to vocational training to health care. The nonprofit\nsector appears, therefore, to be a real and identifiable group of tax-ex-\nempt organizations that encourage political engagement and produce\nservices. The sector is in fact a documented economic powerhouse that\nemploys millions of people and accounts for a significant portion of the\nnation\u2019s gross domestic product. All of which makes the nonprofit sector\na strong and compelling concept that appears grounded in economic,\npolitical, and legal reality.\n\nOn the other hand, the nonprofit and voluntary sector is home to\nsuch a wide range of organizations that grouping them together into one\nentity is highly problematic. From the largest hospitals and universi-\nties (which fund their operations by collecting fees or tuition) to small\nmentoring programs and avant-garde arts organizations (which survive\non charitable contributions), nonprofits span a tremendous range of or-\nganizational forms. Many of these forms are stable and lasting, while\nothers are fragile and transient. Some of the organizations that are con-\nsidered part of the nonprofit sector, such as religious congregations and\nprivate membership organizations, operate without government fund-\ning. Other nonprofit organizations, particularly those that service the el-\nderly and poor, could not survive without the steady flow of funds from\nfederal, state, and local

government. Beyond differences in funding, the\norganizations within the sector are balkanized by legal status, level of\nprofessionalization, and underlying purpose.\n\nThus, any exploration of the nonprofit and voluntary sector would\ndo well to begin by acknowledging its fundamentally contested nature.\nThis chapter reviews the difficulties in defining the central characteris-\ntics of nonprofit and voluntary organizations, the conflicting nature of\nthe words we use to describe this part of our world, and the evolving\nplace the sector occupies in America\u2019s fragmented and polarized political\nsphere. Throughout, the tensions inherent in the very idea of organiza-\ntions operating between the state and the market emerge again and\nagain. All of which leads to the analytic framework that guides this book\n\n2 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nin its exploration of the overarching functions of the nonprofit and vol-\nuntary sector.\n\nThree Features of Nonprofit and Voluntary Organizations\n\nAttempting to define the fundamental features of the disparate enti-\nties that constitute the nonprofit and voluntary sector is a complex and\ndaunting task. Yet there are at least three features that connect these\nwidely divergent entities: (1) they do not coerce participation; (2) they\noperate without distributing profits to stakeholders; and (3) they exist\nwithout simple and clear lines of ownership and accountability. Taken\ntogether, these three features might make nonprofit and voluntary orga-\nnizations appear weak, inefficient, and directionless, but nothing could\nbe further from the truth. In reality, these structural features give these\nentities a set of unique advantages that position them to perform impor-\ntant societal functions neither government nor the market is able to\nmatch.\n\nPerhaps the most fundamental of the three features is the sector\u2019s\nnoncoercive nature. Citizens cannot be compelled by nonprofit organi-\nzations to give their time or money in support of any collective goal.\nThis means that, in principle at least, nonprofits must draw on a large\nreservoir of good will. This noncoercive character is also what most\nstarkly differentiates the sector from government, which can levy taxes,\nimprison violators of the law, and regulate behavior in myriad ways. The\npower of coercion that the public sector possesses is a powerful tool for\nmoving collectivities toward common ends, but it is also a source of\nstrife and contention. Trust in government is now low,3 making the ef-\nfective use of state power more and more difficult as its legitimacy fades.\nFor nonprofit and voluntary organizations, these issues do not arise.\nFree choice is the coin of the realm: donors give because they choose to\ndo so. Volunteers work of their own volition. Staff actively seek employ-\nment in these organizations, often at lower wages than they might se-\ncure elsewhere. Clients make up their own minds that these organiza-\ntions have something valuable to offer. Though they stand ready to\nreceive, nonprofit and voluntary organizations demand nothing. As a\nconsequence, nonprofits occupy a moral high ground of sorts when\ncompared to public sector organizations that have the ability to compel\naction and coerce those who resist.\n\nThe Idea of a Nonprofit and Voluntary Sector 3\n\n\n\nIn some ways, the noncoercive character of the nonprofit and volun-\ntary sector situates it closer to the market than to government. Business\ndepends on the free choice of consumers in a competitive market where\nalternatives are often plentiful and where no firm has the capacity to\ncompel anyone to purchase its goods or services. Similarly, nonprofit or-\nganizations cannot coerce participation or consumption of their ser-\nvices. The sector makes choices available, rather than deciding for oth-\ners. When it comes to the mobilization of funds, the parallel between\nbusiness and nonprofits is equally clear. Just as no one forces anyone to\nbuy shares or invest in enterprises, no one forces anyone to give or

vol-\nunteer in the nonprofit world. The flow of resources to a nonprofit de-\npends entirely on the quality and relevance of its mission and its capac-\nity to deliver value. To the extent that a business firm or a nonprofit\norganization is performing well, investors and donors will be attracted\nto it. Should things take a turn for the worse, investment funds and phil-\nanthropic funds usually seek out other options quickly.\n\nThe second feature of nonprofit and voluntary organizations sharply\ndifferentiates them from business firms, however. While corporations\nare able to distribute earnings to shareholders, nonprofit and voluntary\norganizations cannot make such distributions to outside parties. Rather,\nthey must use all residual funds for the advancement of the organiza-\ntion\u2019s mission.4 By retaining residuals rather than passing them on to in-\nvestors, nonprofit organizations seek to reassure clients and donors that\ntheir mission takes precedence over the financial remuneration of any\ninterested parties. The nondistribution constraint has been seen as a tool\nthat nonprofits can use to capitalize on failures in the market. Since\nthere are certain services, such as child care and health care, that some\nconsumers feel uncomfortable receiving if the provider is profit driven,\nnonprofits are able to step in and meet this demand by promising that no\ninvestors will benefit by cutting corners or by delivering unnecessary\nservices.\n\nWhile the noncoercive feature of nonprofits brings nonprofits closer\nto business and separates them from government, the nondistribution\nconstraint pushes nonprofits closer to the public sector and away from\nthe private sector. Government\u2019s inability to pay out profits from the sale\nof goods or services is related to its need to be perceived as impartial and\nequitable.5 With nonprofits, the nondistribution constraint also builds\nlegitimacy and public confidence, though this does not mean that spe-\n\n4 The Idea of a Nonprofit and Voluntary Sector\n\n\ncial powers are vested in these organizations. In both sectors, the non-\ndistribution constraint strongly reinforces the perception that these enti-\nties are acting for the good of the public.\n\nThe third feature of nonprofit and voluntary organizations is that they\nhave unclear lines of ownership and accountability.6 This trait sepa-\nrates these entities from both business and government. Businesses must\nmeet the expectations of shareholders or they risk financial ruin. The\nownership question in the business sector is clear and unambiguous:\nshareholders own larger or smaller amounts of equity in companies de-\npending on the number of shares held. Similarly, government is tethered\nto a well-identified group of individuals, namely voters. Executive and\nlegislative bodies\u2014and the public agencies they supervise at the federal,\nstate, and local levels\u2014must heed the will of the electorate if they are to\npursue public purposes effectively and retain the support and legitimacy\nneeded to govern. There is also a long tradition in the United States of\nconceiving government as \u201cbelonging\u201d to citizens, though the ways in\nwhich this ownership claim can be exercised are severely limited. In the\nnonprofit sector, clear lines of ownership and accountability are absent.7\n\nNonprofit and voluntary organizations must serve many masters,\nnone of which is ultimately able to exert complete control over these or-\nganizations. Donors, clients, board members, workers, and local com-\nmunities all have stakes, claims, or interests in nonprofit and voluntary\norganizations. Yet none of these parties can be clearly identified as the\nkey ownership group. The relative strength of these ownership claims\ndepends on how an organization is funded and on its chosen mission.8\n\nNonprofit organizations that depend heavily on charitable contributions\nare often held closely accountable by their donors, some of

whom be-\nlieve that as social investors they have a real stake in the organizations\nto which they contribute. Nonprofits that are largely driven by service\nfees or commercial revenues are in a different position. While these\nmore commercial organizations do not have donors asserting claims\nover them, social entrepreneurs and professional staff may view them-\nselves as the key stakeholders in these more businesslike organizations.\n\nOften, however, the lines of ownership and accountability are ren-\ndered more complex by the fact that many nonprofit organizations com-\nbine funding from multiple sources\u2014foundations, corporations, and\ngovernment\u2014with earned income, making it hard to point to any par-\nticular party as the key stakeholder to whom these special institutions\n\nThe Idea of a Nonprofit and Voluntary Sector 5\n\n\n\nmust answer.9 One might be tempted to point out that nonprofit and\nvoluntary organizations are almost always governed by boards, and to\npropose this as a solution to the ownership and accountability issue. Un-\nfortunately, board members are not owners. They are stewards who are\nheld responsible for the actions of their organization. In the end, non-\nprofit and voluntary organizations are authorized to act in the public in-\nterest by the communities in which they operate, though the lines of ac-\ncountability are weaker than those in the public sector and the lines of\nownership far more obscure than in the business sector.\n\nThese three features of nonprofit organizations are not without con-\ntroversy and contention. In fact, each has been called into question in\nrecent years. First, the noncoercive nature of the sector has been chal-\nlenged by the growing tendency to mandate community service or vol-\nunteer work. In the case of welfare reform, many states have required aid\nrecipients to complete a community service requirement in order to con-\ntinue receiving their monthly support payments.10 A growing number of\nhigh schools now make volunteering with a local organization a condi-\ntion for graduation. In addition, there have long been parts of the non-\nprofit landscape where strong norms are enforced on those who have\ncommitted to membership. Within professional associations, licenses to\npractice medicine, law, and other callings are granted and denied by\nnonprofit entities.11 Within many religions, the behavior of adherents is\nseverely constrained by doctrine. In some neighborhoods, independent\ncommunity groups have been granted the power to plan and constrain\nfuture development by residents. The exercise of power may be subtle\nin some cases. For example, many private funders exercise consider-\nable influence over the recipients of their grants. This influence can take\nthe form of a gentle suggestion or a condition of support that pro-\ngrams be revamped.12 Although the constraints imposed in each case\nfollow a decision to participate and join, the power of some nonprofits\nover groups of individuals is considerable. In each and all such in-\nstances,13 the noncoercive character of these organizations is called into\nquestion.\n\nSecond, the nondistribution constraint of nonprofit organizations has\nlikewise been under assault from a number of different directions. In re-\ncent years, increased scrutiny of the high salary levels of many nonprofit\nexecutives has led some to ask whether the \u201cprofits\u201d\u2014or, more accu-\nrately, the increased program revenues\u2014are not in fact being routinely\ndistributed to staff in the form of generous compensation and benefit\n\n6 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npackages.14 In the area of capitalization, large nonprofit organizations\nhave been aggressive in raising funds through bond offerings, which\ndo not offer investors the ownership stake that stock offerings do, but\nwhich have the effect of opening up major capital flows into the non-\nprofit sector. The accumulation of capital in the form of large endow-\nments has also called into

question the boundary between business and\nnonprofit organizations: endowment funds, by their nature, are not used\nto fulfill an organization\u2019s immediate needs. Instead, they are invested in\nstocks, real estate, and other speculative investments designed in the\nlong run to maximize financial return. This is a strategic move that some\nhave characterized as contrary to the public purposes of nonprofit orga-\nnizations.15 Making the boundary between nonprofits and business firms\neven more opaque, at least one study has argued that the nondistri-\nbution constraint does not significantly increase consumer confidence\nin the trustworthiness of nonprofits compared to business firms.16\n\nThird, the ownerless character of nonprofit and voluntary organiza-\ntions has come under fire as the legal claims of nonprofit stakeholders\nhave evolved. The courts have held that only members (in the case of a\nmembership organization), trustees or directors, and the attorney gen-\neral in the state where the nonprofit is located have legal standing to\ncontest the action of a charitable corporation. Over the years, however,\nthe power of trustees and directors has grown substantially, not to the\npoint where they can claim ownership of the assets of a nonprofit, but to\nthe point where boards now have tremendous leeway in the way they\noperate a charitable organization.17 While these claims have rarely come\nto equal those of ownership, the lines of accountability have been drawn\nmore sharply, particularly as questions about the transfer of assets have\ncome up when nonprofit organizations have attempted to convert to for-\nprofit status.18\n\nThe ultimate result of these debates and trends is that the defining fea-\ntures of nonprofit organizations are evolving and are the subject of con-\nsiderable debate. The notion that there is some simple and unambiguous\ntest that can be developed to decide what sector an organization belongs\nto is no longer reasonable. While the Internal Revenue Service (IRS) and\nthe states have developed statutes and rules that define and regulate\nthese special institutions, a different and far more complex reality has\nemerged. The legal code is often of limited value in the effort to deter-\nmine which organizations are really nonprofit and voluntary in their\noperation.\n\nThe Idea of a Nonprofit and Voluntary Sector 7\n\n\nComposition of the Nonprofit and Voluntary Sector\n\nIn the United States today, there are more than one and a half million\nregistered nonprofit organizations, as well as several million informally\norganized community groups. The formally registered organizations fall\ninto two broad and porous categories: those that serve the public and\nthose that serve members. The public-serving organizations, classified\nunder section 501(c)3 of the IRS code, operate in almost every imagin-\nable field of human endeavor, and include, among countless others, so-\ncial service agencies helping children, the elderly, and the poor; inde-\npendent schools and private colleges; community clinics and hospitals;\nthink tanks; environmental organizations; cultural groups such as muse-\nums, theaters, and historical societies; and a range of international assis-\ntance organizations. They are the most visible and recognizable part of\nthis organizational universe. But substantial resources are concentrated\nin the member-serving or mutual benefit organizations, which include\ncredit unions, business leagues, service clubs, veterans\u2019 organizations,\nand trade associations. They tackle problems ranging from the most\ncomplex issues of business policy to the most prosaic challenges of\nsmall-town life. Also included in the sector (though not filing forms an-\nnually with the IRS) is a vast array of churches, synagogues, and\nmosques that form the foundation of the nation\u2019s religious life. While we\ntend to think of congregations as membership organizations, they are\ntreated differently by government and are not subject to the same forms\nof oversight as other member-serving

nonprofits.\n\nWhile the largest and better-financed nonprofit organizations receive\nthe bulk of public attention, important work is done by the army of\nless visible associations, clubs, networks, and groups through which\ncommunities come together and act.19 There is considerable dispute as\nto whether the legally chartered nonprofit organizations share enough\ntraits with informal voluntary associations to justify including both\ngroups in one sector.20 However, leaving these grassroots associations\nout of the picture grants far too much deference to the tax treatment of\nnonprofits and ignores the fact that informal associations and formal\nnonprofits both eschew the distribution of profits, are noncoercive, and\nhave no owners.\n\nPublic awareness of the sector is rapidly increasing, though surpris-\ningly little is known about the underlying purposes and values that ani-\n\n8 The Idea of a Nonprofit and Voluntary Sector\n\n\nmate nonprofit and voluntary action or the vehicles through which these\nvalues and purposes are channeled. In part, this is because these activi-\nties reflect a sometimes confusing agglomeration of strongly held private\nvalues, as well as a set of complex public purposes. The sector can thus\nbe conceived as a tent covering public-serving charities, member-serv-\ning organizations, and a range of informal organizations, including vol-\nuntary and grassroots associations (see Figure 1.1).\n\nThis diverse and at times contradictory group of entities comprises or-\nganizations and associations that are neither part of the state nor fully\nengaged in the market. The sector\u2019s solutions to community and public\nproblems at times represent a conscious disavowal of commercial mar-\nkets and a realization that some exchanges are simply better conducted\nunder terms of mutuality and trust than under the strict dictate of caveat\nemptor.21 Using charitable contributions, many nonprofit and voluntary\norganizations can deliver services to clients who are unable to pay. At\nother times, nonprofit and voluntary action represents an attempt to\nmove beyond government action to find solutions to public problems\nthat a majority of citizens are unable or unwilling to support.
Nonprofits\n\nThe Idea of a Nonprofit and Voluntary Sector 9\n\n1.1 Elements of the nonprofit and voluntary
sector.\n\nThe\nnonprofit\n\nand\nvoluntary\n\nsector\n\nMember-
\nserving\n\nnonprofits\n\nVoluntary\nassociations\n\nPublic-
\nserving\n\nnonprofits\n\n\n\ncan and do speak to community needs that lie outside the priorities of\nthe median voter. But the position of this group of organizations in rela-\ntion to the market and the state is far more complex and changeable\nthan these simple claims of differentiation might lead one to believe. In\nsome fields of activity within the sector, intense commercialism has\neroded the moral high ground of these organizations and transformed\nnonprofits into shadow businesses that compete actively for clients able\nto pay for the services they offer. In other fields, nonprofits have lost\ntheir autonomy from government and have come to serve as dutiful im-\nplementers of public sector programs and priorities. The lack of clarity\nin the identity of nonprofit and voluntary organizations in relation to\nbusiness and government becomes ever more evident as soon as one\nconsiders the range of names used to speak about these entities.\n\nWhat\u2019s in a Name?\n\nThe process of arriving at a single term to designate this sphere of activ-\nity has been long and conflicted. Although the term \u201cnonprofit and vol-\nuntary sector\u201d is common today, many other terms have been devised\nover the years. The long-standing confusion over terminology can be\ntraced to the diversity of activities that need to be covered by whatever\nterm is chosen.22 Programs are delivered through both formal and infor-\nmal organizations, carried out by both salaried and volunteer staff, and\nsupported

through donations, contracts, and commercial revenues. As a\nconsequence, the formal organizations that constitute the sector have at\nvarious times and for various reasons been called \u201cthe tax-exempt sec-\ntor,\u201d \u201cthe nongovernmental sector,\u201d \u201cthe independent sector,\u201d \u201cthe third\nsector,\u201d \u201cthe civil society sector,\u201d \u201cthe commons,\u201d \u201cthe charitable sec-\ntor,\u201d \u201cthe voluntary sector,\u201d \u201cthe nonproprietary sector,\u201d and \u201cthe non-\nprofit sector.\u201d The terminological debate continues today. Each of the\nmany terms that has emerged over time has had its own historical and\npolitical baggage. A brief review of these terms will illustrate the scope\nof the sector, even if a definitive defense of any particular term is impos-\nsible.\n\nOne of the earliest names attached to these organizations was in some\nways the narrowest and the most descriptively accurate: \u201ctax-exempt.\u201d\nAfter the ratification of the Sixteenth Amendment to the Constitution\nand the establishment of the national income tax in 1913, Congress\n\n10 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ngranted tax-exempt status to those organizations that were specifically\n\u201corganized and operated exclusively for charitable, scientific, and edu-\ncational purposes.\u201d Later additions included a long series of very spe-\ncific purposes, including \u201cprevention of cruelty to children or animals\u201d\n(1918), \u201ccommunity chest, fund, or foundation\u201d (1921), and \u201ctesting\nfor public safety\u201d (1954). The categories of tax-exemption have shifted\nover time; today there are more than twenty different specific categories\nof tax-exempt organizations delineated under the Internal Revenue\nCode. The arbitrariness of these narrow categories can best be seen to-\nday in the fact that international sports organizations are specifically rec-\nognized, whereas health organizations are not. But this is of little conse-\nquence, since the vast majority of public-serving nonprofits file today\nunder the catch-all category 501(c)(3). For a time, the moniker \u201ctax-ex-\nempt organizations\u201d was widely used inside government and within the\nlegal community because it pointed\u2014or at least appeared to point\u2014to\nthe black letter of government regulation. Yet because this approach did\nnot capture the huge number of clubs, associations, and groups that\nhave never been formally registered with the IRS, it fell out of favor and\nwas replaced with others.\n\nIn the 1970s, efforts to find a broader and more inclusive term led to a\nwhole series of names that aimed at positioning the sector in opposi-\ntion to government. Today, the term \u201cnongovernmental organization\u201d\n(NGO) remains popular around the world. It is used to denote the array\nof organizations that pursue public purposes through largely private\nmeans. It covers both indigenous organizations working within particu-\nlar countries overseas and international organizations that work around\nthe world. While not specifically limited to a particular field of activity,\nwhen the term \u201cnongovernmental organization\u201d is used today, it usually\ndenotes an organization that works to promote such things as rural de-\nvelopment, education, environmental quality, and community health.\nWhat is interesting about the term \u201cnongovernmental\u201d is that it defines\nthese independent organizations in opposition to government, rather\nthan in opposition to business firms. One possible explanation for the\npopularity of this term internationally is the power and dominance that\nthe state enjoys in many developing countries and the relative absence\nof organized opposition. The sector is thus defined as that which is not\npart of the state, rather than that which is not oriented toward profit-\nmaking. This choice also implicitly reflects the oppositional role of lo-\n\n\nThe Idea of a Nonprofit and Voluntary Sector 11\n\n\n\ncal

nongovernmental organizations, which do in fact challenge govern-\nments and hold them accountable. In some countries, small, informal\norganizations within the broader NGO sector are at times termed \u201cpeo-\nple\u2019s organizations\u201d and \u201ccommunity-based organizations,\u201d as a way of\ndifferentiating them from larger, more formal institutions. The label\n\u201cnongovernmental\u201d remains firmly entrenched in current usage, partic-\nularly when Americans seek to distinguish between American nonprofit\norganizations and international NGOs.\n\nThe term \u201cindependent sector\u201d came into popular usage in the 1980s\nand can be traced to a particular event\u2014namely, the founding of Inde-\npendent Sector, the national trade association representing both grant-\nmaking and grant-receiving organizations.23 Founded in 1979, the group\nconsolidated two existing associations and sought to unify the motley\nworld of foundations and nonprofit organizations. By advancing the use\nof the term \u201cindependent sector,\u201d organizers of the association wanted\nto emphasize the capacity of these organizations to devise solutions free\nfrom the market and political pressures. The only problem with this\nterm is that over time it became increasingly obvious that nonprofits\nwere neither independent from government nor free from the pressures\nof the marketplace. As government funding for social service and health\nnonprofits has risen sharply, many have come to view nonprofit organi-\nzations as engaged in important collaborative relationships with govern-\nment. Independence from government has come to be seen as more of a\nwish than a reality. Similarly, the idea that nonprofit organizations oper-\nate independently from the market has been called into question by the\ngrowing number of cross-sector partnerships, joint marketing agree-\nments, and nonprofit commercial ventures.\n\nAt times, the term \u201cthird sector\u201d has been in vogue. Popularized by\nseveral early researchers in the field of nonprofit and voluntary action,24\n\nthis term had the advantage of covering both formally constituted non-\nprofit organizations and the countless informal grassroots organizations\nthat populate the sector. The idea that nonprofit and voluntary action\nwas somehow third in line after government and business rubbed some\npeople the wrong way, however. It seemed to imply a kind of inferiority\nand subsidiarity that few in the sector were willing to concede. While\nthe term \u201cthird sector\u201d is still sometimes used in the research commu-\nnity, the practitioner community rarely uses it. Like \u201cnonprofit\u201d and\n\n12 The Idea of a Nonprofit and Voluntary Sector\n\n\n\n\u201cnongovernmental,\u201d the term \u201cthird sector\u201d seems to define these orga-\nnizations in isolation from the other sectors.\n\nThe term \u201ccivil society\u201d was coined by the classic writers of political\ntheory, and has regained currency of late. The modern idea of civil soci-\nety plays a prominent role in the work of Hobbes, Montesquieu, and\nHegel, who used it to refer to the broad private realm outside the state.\nOne of the problems with using the term today is that \u201ccivil society\u201d tra-\nditionally encompassed everything from the family to the church to the\nbusiness corporation. Still, the term is acquiring popularity both in the\nUnited States and internationally, and it has lately come to refer to some-\nthing more concrete than the huge and abstract private realm outside\nthe state. In practice, it has come to denote a set of voluntary mediating\ninstitutions that invite individuals to come together to pursue shared in-\nterests, values, and commitments. Over the past decade, \u201ccivil society\norganizations\u201d has come to compete with \u201cnongovernmental organiza-\ntions\u201d among people interested in indigenous social movements around\nthe world, ranging from small local organizations to large international\ninstitutions.\n\nMore

recently, yet another solution to the name game was proposed.\nInstead of a term that either defined the essential characteristic of these\norganizations or that situated these organizations in relation to gov-\nernment and the market, a new form of reference was proposed: \u201cthe\ncommons.\u201d Advocates for the term argued that the vast landscape of\nnonprofit and voluntary action constitutes a special terrain of shared\nconcerns.25 \u201cThe commons\u201d was intended to solve some of the prob-\nlems associated with previous attempts at naming the sector. It denoted\nthe vast array of relationships between benefactors, intermediaries, and\nbeneficiaries that constitutes a space in which associative communities\ncan operate freely. Linked to the Greek term koinonia, \u201cthe commons\u201d\nemphasizes free participation, common purpose, shared goods, a sense\nof mutuality, and a commitment to fairness.26 A critical part of what\ndistinguishes \u201cthe commons\u201d from other attempts to delineate the non-\nmarket and nonstate realm of activity is that the definition focuses not\njust on what kinds of purposes are accomplished, but also on the ways\nin which they are accomplished. By pointing to the features of koinonia,\n\u201cthe commons\u201d defines the boundary of the sector in ethical terms.\n\nIn several European countries today, the dominant term is \u201cthe chari-\n\nThe Idea of a Nonprofit and Voluntary Sector 13\n\n\n\ntable sector,\u201d which captures the critical philanthropic character of these\norganizations and their activities. The very use of the term \u201ccharity,\u201d\nhowever, harks back to Victorian England, the settlement house move-\nment, and the class elitism associated with \u201cpoor aid\u201d and \u201calms giving.\u201d\nBecause self-help and community empowerment have become rallying\npoints for the sector, the idea of calling this part of society \u201ccharitable\u201d\noffends some people because it puts the spotlight on the contributions\nof elite patrons and donors, not on the efforts of activists, caregivers, and\nclients. The term also implies that much of the work of the sector is\nfunded through private gifts, when in reality government funding and\nearned income now fuel large parts of the sector.\n\n\u201cThe voluntary sector\u201d has been in use intermittently for decades,\nboth in the United States and abroad. One clear advantage of the term is\nthat it focuses on the vast landscape of formal and informal organiza-\ntions that work for the public good. It is a way of including the millions\nof neighborhood-based groups that operate without legal recognition.\nYet the name has been criticized at times for obscuring the growing pro-\nfessionalism of nonprofit activity, a subject of considerable sensitivity. As\npart of the process of receiving more and more funding from public sec-\ntor agencies through contractual relationships, many nonprofit manag-\ners now take great pride in the fact that they have removed all vestiges of\namateurism associated with volunteerism and have replaced it with the\nprofessional work of highly trained people.\n\nMost recently, some people dissatisfied with the existing alternatives\nhave begun using the term \u201cnonproprietary organizations\u201d in order to\nhighlight the ownerless character of these entities. In contrast to busi-\nness firms that are proprietary, nonproprietary organizations are not\nlinked to a clear owner or ownership group. This alternative has been\nadvanced because the term \u201cnonprofit\u201d obscures the fact that many\n\u201cnonproprietaries\u201d do in fact generate surplus revenue, though they do\nnot directly distribute their earnings to shareholders or owners. While\nthis term has the benefit of drawing a clear line between business firms\nand nonprofits, it does not resolve the question of what differentiates\nnonprofits from government agencies, which are also nonproprietary.\n\nOf the many competing options, the term \u201cnonprofit sector\u201d has been\nthe most widely used over time. Rather

than defining these organiza-\ntions in terms of the special privilege they enjoy of being free from taxa-\ntion, the term points in a different and less contentious direction by em-\n\n14 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nphasizing the benevolent character of the sector. Though there is some\nquestion as to when exactly the term \u201cnonprofit sector\u201d came into use,\nthe consensus is that it is a product of the 1950s and 1960s. The term\n\u201cnonprofit\u201d focuses on one of the three defining features mentioned\nabove\u2014namely, that these organizations are not intended to generate\nprofits and distribute them to investors. Since this term distinguishes\nnonprofit organizations from business corporations, some observers\nhave argued that it was actually designed to confer a kind of legitimacy\nand trustworthiness.27 In recent years, the substantial increase in com-\nmercial revenues and executive salaries within the nonprofit sector has\nled many to question just how unprofitable the sector truly is. Still, the\nlabel \u201cnonprofit sector\u201d has the benefit of currency and simplicity.\n\nBecause the sector comprises both legally chartered nonprofit organi-\nzations and countless informal groups and voluntary associations, I will\nuse the somewhat cumbersome though descriptively accurate \u201cnon-\nprofit and voluntary sector\u201d to denote the organizations occupying an\nincreasingly critical and visible position in our political, social, and eco-\nnomic life. Though not perfect, the term points accurately to the target\npopulation of organizations that are emerging as critical actors even\nthough they operate without coercion, profits, or owners. This is a com-\npromise solution that many researchers working in this field use, though\nsome fall back on \u201cnonprofit sector\u201d for brevity\u2019s sake. Though it does\nnot please everyone, the term does meet the requirement of being broad\nenough to cover the range of organizations and groups that are acting\nprivately for some collective good.\n\nUnderlying all the names that have been used to describe these enti-\nties is the fact that even when agreement is reached on a single appro-\npriate name, it is not entirely clear that this complex and varied set of or-\nganizations constitutes a single coherent societal \u201csector.\u201d28 In many\nways, the word \u201csector\u201d is just as problematic as \u201cindependent,\u201d \u201cthird,\u201d\n\u201cnongovernmental,\u201d and all the terms that have preceded it. An impor-\ntant part of the problem is the lack of consistency across the organiza-\ntions that are said to be part of this sector. After all, the sector includes\norganizations that cater to the narrow needs and desires of their mem-\nberships, as well as organizations that have broad public service mis-\nsions.29 The sector is also home to highly institutionalized organizations\nwith millions of dollars in revenues and informally organized groups\nwith little or no money. The sector includes political parties that exist to\n\nThe Idea of a Nonprofit and Voluntary Sector 15\n\n\n\nshape public policy and service delivery organizations that depend on\nthe political process to deliver needed funds. The sector counts as its\nconstituents both foundations that give away money30 and a multitude\nof organizations that seek grants, as well as a growing number of organi-\nzations that depend on fees and commercial revenues. Thus, given the\ngreat diversity of formal and informal structures, the varieties of pur-\nposes pursued, and the range of financing systems used to support these\norganizations, the very use of the word \u201csector\u201d is troublesome because\nit implies far more consistency than may be present. Some scholars of\nnonprofits thus maintain that the idea of a coherent sector may be an in-\nvention, which has begun to outlive its usefulness and now merely pro-\nvides cover for a large and diverse group of organizations that have little\nin

common.31\n\nYet, by defining a set of activities that are neither part of government\nnor part of the market,32 we acknowledge that there is a sphere where\ncoercion is not used, where profits are not the principal motive, and\nwhere lines of ownership are not clearly drawn. Why nonprofit and vol-\nuntary organizations exist and what functions they perform are among\nthe central topics of this book. Before presenting a framework for think-\ning about these issues, it is important to recognize some of the political\ncleavages that the very idea of a nonprofit and voluntary sector creates.\n\nThe Politics of the Nonprofit and Voluntary Sector\n\nThe nonprofit and voluntary sector occupies an ambiguous and at times\ncontentious position in the current American political scene. Just as few\npeople agree on the right name to use to describe these organizations,\nAmericans are likewise engaged in heated debate about the sector\u2019s un-\nderlying politics. Today, for quite different reasons, nonprofit and volun-\ntary organizations are embraced by both conservatives and liberals. How\ncan this be? The answer lies in the fact that the sector comprises a great\nnumber of complex, multidimensional organizations that appeal simul-\ntaneously to many constituencies. The fact that both sides of the politi-\ncal spectrum applaud and see the potential of nonprofit and voluntary\norganizations, far from revealing some underlying weakness, ultimately\nreflects the sector\u2019s strength and enduring relevance.\n\nFor at least three reasons, nonprofit and voluntary organizations have,\nparticularly from the 1960s forward, represented a tremendous resource\n\n16 The Idea of a Nonprofit and Voluntary Sector\n\n\nand ally to liberals. First, a natural affinity between liberals and non-\nprofit workers quickly became apparent, since those willing to toil in\noften low-paying or voluntary positions\u2014and frequently in difficult cir-\ncumstances\u2014constitute a self-selected group of socially committed in-\ndividuals dedicated to the idea of making a difference and initiating\nchange. As membership in labor unions declined, thus eroding one of\nthe traditional bases of the Democratic party, the rise of nonprofit social\nservice agencies in the 1970s came at a very opportune moment. Not\nonly could nonprofit organizations serve as new channels through\nwhich social programs could be delivered, but they also represented a\nnew and important space in which potential supporters of progressive\npolicies might well be located.33\n\nThe second reason liberals were attracted to the sector as a whole was\nmore operational. Nonprofit organizations were seen as an ideal and un-\ntainted partner to government, one that could most effectively deliver\nneeded services to the most disadvantaged populations. As concern over\nthe impact of Great Society programs grew and as distrust of govern-\nment increased, nonprofits came to be seen as neutral and legitimizing\nforces with the capacity to give large human service initiatives a more di-\nverse, pluralistic face.34 The funding crunch that most nonprofit organi-\nzations face on a continuing basis appeared to put government in a posi-\ntion to use its substantial resources, in the form of contracts and grants,\nto gain control over a whole new range of community actors and prob-\nlems. At the same time, nonprofits represented an ideal \u201cbottom-up\u201d ap-\nproach to implementation, one that empowered the grassroots level and\nthat gave government tremendous leverage for each dollar spent.\n\nThird and finally, liberals were attracted by the political activity of\nmany nonprofits and their ability to mobilize groups around issues and\nconcerns in a distinctive way. Unlike corporations, which are beholden\nto shareholders and the bottom line, and unlike government, which is\nbound by the limits of the Constitution and the pressures of public opin-\nion, nonprofit organizations have a great deal more freedom to oper-\nate. This flexibility lends itself well, in

principle, to the pursuit of pro-\ngressive, alternative agendas. Moreover, since many advocacy nonprofits\nseek to give voice to populations that have long been excluded from the\npolitical debate, liberals continue to view the broader nonprofit sector as\na means to exert pressure for social change and justice.35\n\nChanges in the national political climate since the 1980s coincided\n\nThe Idea of a Nonprofit and Voluntary Sector 17\n\n\n\nwith a very different set of ideas about the nonprofit sector. Instead of\nconsidering nonprofits a potential source of political and social change,\nconservatives were attracted by three completely different features of\nnonprofits. First, they believed that nonprofit organizations might well\nrepresent an appealing alternative to direct public expenditures on so-\ncial programs that conservatives believed had not produced results.36\n\nQuestions about whether the War on Poverty had failed were in the air,\nespecially in the early 1980s. By encouraging private charities to take\nresponsibility for local community needs, conservatives believed they\ncould make an effective argument for shrinking government. After all, if\nchurches and community groups were able to function with voluntary\ncontributions of time and money, the need for an ever-growing number\nof public spending programs would surely be diminished. Compared to\ntaxation and national spending, private charity and volunteerism were\nseen as preferred means of solving social problems because they permit-\nted greater individual freedom and choice. A strong and vital nonprofit\nand voluntary sector fit well with the emerging ideas of both devolution\nand privatization, two mantras of the conservative movement. As gov-\nernment functions were pushed \u201cdown\u201d from the federal level to the\nstate and local levels, and transferred \u201cout\u201d of government to private\nproviders through contracting, nonprofits were ideally situated to de-\nliver services that once had been the province of \u201cbureaucrats\u201d in the na-\ntion\u2019s capital.37\n\nSecond, conservatives also argued that nonprofits, particularly faith-\nbased nonprofits, were in a position to bring to social programs some-\nthing that public entitlements had long lacked\u2014namely, a moral or spir-\nitual component.38 Faith-based nonprofits were seen as willing to make\ndemands on the recipients of charity and require a change of character\nand behavior in exchange for assistance. At the same time, given that\nmany nonprofits are fueled by volunteer labor and private contributions,\nconservatives were attracted to the idea of nonprofits because they rep-\nresented the ideal of self-help and independence. This was a powerful\nfeature that, conservatives argued, was perilously missing from public\nassistance programs.39 For those who believed that public entitlements\nbred dependence and complacency, the idea of delivering not just a\ncheck but a moral and spiritual message was a very strong attraction.\n\nFinally, for conservatives, nonprofit organizations were also a poten-\ntial wellspring of innovation, representing a plurality of local solutions\n\n18 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nto social problems and a powerful alternative to the ongoing search for\nuniform national solutions to public problems. Grounded in an ethos of\nself-help and respecting regional cultural variations, voluntary action fit\nwell with a growing sense among conservatives that a broad range of al-\nternatives to an expanding state needed to be actively cultivated. By giv-\ning local organizations a chance to try their hand at program implemen-\ntation, conservatives believed that good ideas would percolate up from\ncommunities. Conservatives argued that expenditures on federal social\nwelfare and education programs should not be increased. Instead, funds\ncould be used most effectively and creatively when channeled through\nlocal groups that were more in touch with the diverse and changing\nneeds of

the people. Nonprofit organizations thus represented a way of\nbreaking through the red tape of Washington to find new approaches\nto longstanding problems. Nonprofits, conservatives maintained, could\nserve as a battering ram for policy innovation.40\n\nAt first blush, it might appear that the capacity of nonprofit and vol-\nuntary organizations to speak to both liberals and conservatives implies\neither a split and conflicted identity or a simple lack of political scruples.\nIn reality, the sector is a remarkably complex entity, one that is capa-\nble\u2014like an inkblot\u2014of evoking a broad range of reactions and in-\nterpretations. Because it simultaneously supports the autonomy of the\nprivate individual actor while affirming the importance of shared and\npublic purposes, the politics of nonprofit and voluntary action can take\non many different meanings. The ability to speak across, or rather above,\ntraditional political boundaries has become one of the most powerful\nfeatures of the sector, and this trait has led to its growth and popularity,\nparticularly among young people.\n\nThe Two Dimensions of Nonprofit and Voluntary Action\n\nGiven the confusion over what to call this sector and the complex and at\ntimes confused politics that have surrounded it, the goal of this small\nbook is to help shape our understanding of the many different ways one\ncan approach the core functions of these independent organizations. To\nmake this task easier, I organize my exposition of the central functions\nof voluntary and nonprofit organizations along two broad conceptual\ndistinctions. The first critical distinction concerns how the sector is\nexplained; the question is whether nonprofit and voluntary activity is\n\nThe Idea of a Nonprofit and Voluntary Sector 19\n\n\n\ndriven primarily by demand or by supply\u2014that is, whether it can best be\understood as a response to unmet demands or whether it is taken to be\nan important supply function that creates its own demand. The second\ndistinction concerns how the sector is justified; here the issue is whether\nthe value of nonprofit and voluntary action is seen as residing in the in-\nstrumental character of the outcomes that are generated for society or in\nthe inherently expressive quality of the activities themselves that reward\nthose who undertake them. These are complex and difficult distinctions,\nwhich will be discussed in turn and then brought together to form the\nconceptual framework for the analysis that constitutes the core of the\nbook.\n\nStarting with the distinction between demand and supply, it is easy\nto see nonprofit and voluntary action as responding to two quite differ-\nent but important forces.41 The demand-side perspective starts with the\npremise that the sector exists by virtue of the broader social context\nwithin which it is embedded and that its activities are responsive to the\ndemands of the public or its members. Thus, nonprofits exist because\nthey are able to meet important social needs. Urgent public problems\nsuch as illiteracy, drug addiction, and violence demand solutions, and\nthe nonprofit sector exists to respond to the powerful pull of such is-\nsues. The demand-side approach to nonprofit activity has both descrip-\ntive and normative dimensions. Descriptive demand-side theories focus\non patterns of nonprofit formation and growth. In the 1970s, researchers\nproposed detailed economic models and explanations for nonprofits\u2019 be-\nhavior,42 most of which started with the assumption that nonprofits\nfulfill important demands that for one reason or another the market and\ngovernment are unable or unwilling to meet. This led to the broad and\npopular belief that nonprofits were really gap-filling entities that histori-\ncally have arisen when public needs were sufficiently strong.\n\nOn a more normative level, the demand-side approach to nonprofit\norganizations has spawned a literature focusing on the social and politi-\ncal responsibilities of nonprofit organizations\u2014defined in relation to the\ndemands of the neediest members of

society. Starting with the claim that\nthe tax exemption accorded these institutions conveys an obligation to\nhelp, many people have made the normative argument that nonprofit or-\nganizations should seek to assist the most disadvantaged and empower\nthe most disenfranchised members of society. Accordingly, the success\nor failure of the sector can and should be judged by how well or how\n\n20 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npoorly it meets society\u2019s needs. The demand for nonprofit and voluntary\naction leads neatly to a set of prescribed activities, including greater ad-\nvocacy work within the sector, and the empowerment and mobilization\nof those left out of the political process. The demand for nonprofit activ-\nity thus brings with it the expectation that these institutions will help\ngive voice and opportunity to those who have been marginalized by the\nmarket economy and the political process.\n\nThe idea of a demand-driven nonprofit and voluntary sector domi-\nnates much of the research that is conducted in this field. Yet a central\nclaim of this book is that the demand-side approach captures but one as-\npect of this broad social phenomenon. An alternative, supply-side posi-\ntion argues that the sector is impelled by the resources and ideas that\nflow into it\u2014resources and ideas that come from social entrepreneurs,\ndonors, and volunteers.43 This is a more controversial perspective be-\ncause it has led to some strong claims about how nonprofit organiza-\ntions should be managed and operated. Rejecting many of the preceding\narguments about the needs that pull on the sector, the supply-side per-\nspective holds that nonprofit and voluntary organizations are really all\nabout the people with resources and commitment who fire the engine of\nnonprofit and voluntary action. Drawn to the sector by visions and com-\nmitments, social entrepreneurs bring forward agendas that often operate\nindependently of immediately obvious and enduring community needs.\nThis supply-side theory of nonprofits, like the demand-side approach,\nhas both descriptive and normative elements.\n\nOn the descriptive side, this approach emphasizes the entrepreneur-\nnial quality of nonprofit activity. Instead of starting with the demand of\nclients, positive supply-side theories of the nonprofit sector draw at-\ntention to the way various forms of entrepreneurship fuel innovation\nwithin the sector and how an emerging class of new social enterprises\u2014\nincreasingly led by a new generation of social entrepreneurs\u2014is chal-\nlenging old models of nonprofit management. Seen from the supply\nside, nonprofit organizations have a logic that is far more complex than\na simple response to a gap in government service or the failure of the\nmarket to meet a particular demand. The entrepreneur, donor, and vol-\nunteer take on a much greater role in this model, since it is the sup-\nply of new ideas, charitable dollars, and volunteer commitments that is\nthe real driving force behind the sector. This means that the task of\nexplaining the emergence of nonprofit and voluntary organizations\n\nThe Idea of a Nonprofit and Voluntary Sector 21\n\n\n\nrequires studying and developing typologies of social entrepreneurs\nwho use the nonprofit form to pursue their private visions of the public\ngood.\n\nThe supply-side approach has an important normative component,\nwhich holds that we must reassess the moral claims that needy clients\nhave on nonprofit programs. Instead of asking that a nonprofit meet a\ntest of moral stewardship that is ultimately decided by the level and\nquality of service provided to those in need, the supply-side approach\nadvises that society should look to and protect the private interests and\nvalues of the critical actors who are fueling nonprofit and voluntary ac-\ntion, including philanthropic donors, volunteers, and social entrepre-\nneurs. In order to ensure the continued flow of charitable inputs, the in-\nterests and values of these

actors should be the first priority of those who\nseek an enlarged role for nonprofits. This means recognizing that the\nsatisfaction of donors and the preservation of their intent constitute a\ncritical normative task for the sector. Arguing that donors, volunteers,\nand social entrepreneurs should be the centerpiece of the sector is a con-\ntroversial position because it unabashedly diminishes the claims that\nneedy populations have on the charitable resources. Supply-siders coun-\nter this complaint with the argument that if one is truly committed to\nhelping the needy, then constructing a sector that recognizes, protects,\nand encourages action by the private parties who control the resources\nshould be an obvious priority.\n\nDistinguishing between the demand and supply sides of the nonprofit\nand voluntary sector is a primary task when it comes to sorting through\nthe arguments that have emerged in recent years. Yet we must also de-\nvelop a second dimension for our conceptual framework. As soon as we\nbegin to consider the broad number of important projects and causes to\nwhich the sector is dedicated, it becomes clear that nonprofit and volun-\ntary organizations rest on two different ideas about what justifies and\ngives meaning to the work that is carried out in the sector.\n\nFirst, nonprofit and voluntary action is an important instrument for\nthe accomplishment of tasks that communities view as important. Non-\nprofit service agencies and volunteer helping organizations play an im-\nportant role in the delivery of critical services in a broad array of fields.\nNonprofits can be the principal means through which job training, arts\neducation, shelter for the homeless, health care, neighborhood clean-\nups, firefighting, crime patrols, and countless other functions are ac-\n\n22 The Idea of a Nonprofit and Voluntary Sector\n\n\ncomplished. When the sector works to accomplish popular social pur-\nposes, it acquires powerful instrumental value. It becomes a concrete\ntool to achieve some collective purpose that society considers impor-\ntant. The sector\u2019s instrumental value is measured in terms of its concrete\noutcomes. In the search for validation and learning, the programmatic\noutcomes of nonprofit and voluntary action are increasingly being mea-\nsured and evaluated using metrics borrowed from the business and pub-\nlic sectors. The growing emphasis on performance has led to a vast new\nliterature on nonprofit management, which is aimed at making these\norganizations more efficient and useful instruments for the accomplish-\nment of public purposes.44 The idea that nonprofit and voluntary organi-\nzations are valuable because they can be useful tools for the accomplish-\nment of public purposes constitutes the core of what I will term the\n\u201cinstrumental dimension\u201d of the nonprofit and voluntary sector.\n\nSecond, the sector can be seen as valuable because it allows individu-\nals to express their values and commitment through work, volunteer ac-\ntivities, and donations. By committing to broad causes that are close to\nthe heart or by giving to an effort that speaks directly to the needs of the\ncommunity, nonprofit and voluntary action answers a powerful expres-\nsive urge. For donors, volunteers, and particularly staff, the very act of\nattempting to address a need or fight for a cause can be a satisfying end\nin itself, regardless of the ultimate outcome. The value that is created\nmay be entirely psychic and may arise simply from the act of expressing\ncommitment, caring, and belief. The expressive quality of the sector has\nled some to conclude that the narrow focus on the financial resources\navailable to nonprofit organizations and on the level of services deliv-\nered has detracted from the deeper meaning of nonprofit and voluntary\naction, which derives from the fellowship and self-actualization experi-\nenced by those who give or volunteer. This is what I will refer to as the\n\u201cexpressive dimension\u201d of nonprofit and

voluntary action.45\n\nThe expressive and instrumental dimensions of nonprofit and volun-\ntary action can compliment each other or they can create tensions. In\nthe best cases, the moral energy that motivates those who deliver ser-\nvices can be harnessed to produce better and more effective programs. In\nsome ways, this connection seems obvious: a committed volunteer or\nsocial entrepreneur is more likely to work hard to create value through\nhis activities than someone who holds a job merely to earn a paycheck.\nIn some cases, however, values and personal expression can be out of\n\nThe Idea of a Nonprofit and Voluntary Sector 23\n\n\n\nsync with instrumental goals and may lead to trouble. On the one hand,\nif strong expressive desires draw people to causes and community prob-\nlems without adequate structure or planning, frustration can easily set\nin and group cohesion may be threatened. On the other hand, if too\nmuch focus is placed on improving a charitable organization\u2019s bottom\nline and maximizing the instrumental efficiency of its operations, an or-\nganization runs the risk of dimming the expressive flame of its staff, vol-\nunteers, and supporters. The managerial challenge, of course, is to bring\nthe expressive and instrumental dimensions into alignment.\n\nThe contrast between the supply and demand sides and the opposi-\ntion of the expressive and instrumental dimensions give us a basis for\nthinking systematically about the functions of nonprofit and voluntary\naction. We can construct a matrix that depicts, on one side, the nature of\nthe value produced by the sector (instrumental versus expressive) and,\non the other side, the underlying animus or force (demand versus sup-\nply). This book is organized around the four cells generated by this ma-\ntrix (see Figure 1.2), which have come to represent the four underlying\nfunctions of the nonprofit and voluntary sector: encouraging civic and\npolitical engagement, delivering needed services, enacting private values\nand religious convictions, and providing a channel for social entrepre-\nneurship.\n\nThe book works through and elaborates current debates relating to\neach of these four functions. Chapter 2 considers the role nonprofit or-\nganizations play in fostering civic and political engagement. Local non-\nprofits contribute in important ways to community cohesiveness, social\nsolidarity, and what some call \u201csocial capital,\u201d which is constituted by\nthe norms, networks, and forms of trust that make communities work.\nThese ties prepare people to play an active role in civic life and democ-\nracy. Grassroots community organizations also have the capacity to har-\nness this community spirit and generate social and political change.46\n\nUsing the protection afforded by the First Amendment, these advocacy\nand organizing efforts are a critical ingredient in our national political\nlife. In fields ranging from environmental protection to world peace,\nnonprofit and voluntary organizations have begun to exercise consider-\nable political power. Nonprofits play a powerful role in setting the terms\nof many public debates, in mobilizing key constituencies, and in coordi-\nnating grassroots campaigns to effect change at the local, state, national,\nand transnational levels.\n\nChapter 3 considers how nonprofits represent an effective and power-\nful tool for responding to concrete public needs that the market and the\nstate fail to meet. On the questions of why nonprofit organizations come\ninto being and what role they play in society, a strong line of argument\nhas emerged. Starting in the 1970s and continuing into the 1980s, theo-\nries about nonprofits focused heavily on the idea of government and\nmarket failure. Researchers proposed the idea that nonprofit provision\nof particular services arises when either government is unable to meet\ndemand or when consumers are resistant to purchasing a given service\nin the for-profit marketplace. This positive theory of

nonprofits em-\nbraced the subtle assumption that nonprofits were really just govern-\nment\u2019s partners, charged with helping to deliver needed services. Since\ngovernment and nonprofit organizations were thought to have the same\nbasic goals and values, collaboration between sectors was seen as largely\nunproblematic. Some of the progenitors of this early, foundational per-\n\nThe Idea of a Nonprofit and Voluntary Sector 25\n\n1.2 The four functions of nonprofit and voluntary action.\n\nExpressive\nrationale\n\nInstrumental\nrationale\n\nDemand-side\norientation\n\nSupply-side\norientation\n\nService delivery\n\nProvides needed services and\nresponds to government and\nmarket failure\n\nSocial entrepreneurship\n\nProvides a vehicle for\nentrepreneurship and creates\nsocial enterprises that\ncombine commercial and\ncharitable goals\n\nValues and faithCivic and political engagement\n\nMobilizes citizens for politics,\nadvocates for causes, and\nbuilds social capital within\ncommunities\n\nAllows volunteers, staff, and\ndonors to express values,\ncommitments, and faith\nthrough work\n\n\nspective argue that the future of the nonprofit sector lies in its capacity\nto cooperate and collaborate effectively with government, even though\ntensions between sectors appear to be rising. Chapter 3 presents the\nearly models of nonprofit production, while raising new practical ques-\ntions about the interaction of nonprofits with government and the\nmarket.\n\nChapter 4 considers the essentially private character of nonprofit and\nvoluntary action that makes the sector an ideal vehicle for the expres-\nsion of personal values and spiritual beliefs. Nonprofit and voluntary or-\nganizations are places where believers of all sorts are welcome, some of\nwhom are motivated by faith, others by commitment to issues, and still\nothers by strongly held private values and norms. The value component\nof nonprofit work\u2014which goes beyond the rational, purposive function\nof that work\u2014is part of what defines the sector and attracts donors, vol-\nunteers, and entrepreneurs to nonprofit and voluntary action. The val-\nues that animate nonprofit and voluntary action can often be important\nsources for innovation and experimentation, as private visions of the\ncommon good are tested and refined. The discussion covers the contro-\nversial normative position that has evolved in recent years from this pos-\nitive analysis, which holds that the special visions of donors and entre-\npreneurs\u2014not the growing demands of the recipient organizations and\ntheir clients\u2014should define and shape nonprofit activity. It is important\nto note that when one shifts the focus of the normative analysis from re-\ncipients to donors, volunteers, and social entrepreneurs, the evaluative\ncriteria for the sector change radically. Instead of measuring outputs and\noutcomes for clients, evaluation looks at the subjective experience of\nthose funding and delivering the services. Because it flies in the face of\nthe more progressive ideas that have dominated thinking about the sec-\ntor, this particular part of the supply-side vision represents a way of see-\ning nonprofit and voluntary activity that challenges some of our com-\nfortable assumptions about nonprofit organizations.\n\nChapter 5 tracks one of most important changes in the sector over the\npast two decades\u2014namely, the growth of a new kind of social entrepre-\nneurship and the rise of commercial activities as a way of financing ag-\ngressive growth agendas. Rather than waiting for donors to support ini-\ntiatives with charitable dollars, more and more nonprofit managers are\nexposing their organizations to market forces. The rise of entrepreneur-\nship in nonprofit organizations is manifest in many different ways, in-\n\n\n\n\ncluding the creation of new kinds of hybrid organizations, the influx of a\ngeneration of younger, more business-oriented managers, and a willing-\nness to

rethink the traditional boundaries between for-profit and not-\nfor-profit enterprises. Many of the new entrepreneurial nonprofits ex-\nplicitly start out with the intention of producing social innovations that\nwill in turn create their own demand. This marks a major change from\nthe traditional idea of delivering services for which there is already a de-\nmand. To finance this start-up strategy, some social entrepreneurs have\ndeveloped funding plans that rely heavily on revenues from commercial\nventures of all kinds, not just charitable contributions or government\ngrants. Chapter 5 looks at both the theory and practice of nonprofit en-\ntrepreneurship.\n\nAfter reviewing the four core functions of the sector, Chapter 6 ex-\nplores emerging challenges connected to the sector\u2019s rapid growth and\nidentifies a few significant consequences that flow from seeing the sector\nas a diverse and pluralistic realm. The chapter, and the book as a whole,\nadvances a message connected to both the management of individual\nnonprofit organizations and the direction of the sector as a whole: each\nof the four functions of nonprofit activity is important in itself. But when\npursued in isolation and in excess, any of the functions can lead to im-\nbalance, at both the organizational level and the sectoral level. If individ-\nual nonprofits and the sector as a whole are seen as only engaging in po-\nlitical organizing and advocacy, charges of excessive politicization are\nlikely to arise sooner or later. If the sole focus of nonprofit activity is the\nefficient delivery of publicly funded services, concerns about indepen-\ndence and vendorism will never be far away. If nonprofits do nothing but\nenact private values and interests, worries about particularism will al-\nmost certainly arise. If nonprofit activity comes to be focused too much\non the creation of income-generating ventures, objections related to\ncommercialism will be difficult to counter. Balance and a plurality of\npurposes thus turn out to be critical to sustaining nonprofit organiza-\ntions and to the sector\u2019s continued growth and success.\n\nAt a time when nonprofit and voluntary activity has been the subject\nof increasing public attention and academic study, the breadth and depth\nof our understanding of this phenomenon has been severely constrained\nby the lack of a clear statement of the sector\u2019s core activities, rationales,\nand dimensions. This book strives to respond to this need by presenting\nfour critical functions that the sector performs. While it does not pre-\n\n\n\n\ntend that these functions entirely exhaust the range of purposes and ra-\ntionales that guide nonprofit and voluntary action, the book argues that\nmany of the most essential conceptual and policy problems within the\nsector can be usefully captured with this framework. The normative ar-\ngument of the book is simply that the sector cannot survive and gar-\nner financial, political, and volunteer support if it swings too far in the\ndirection of any particular function. In the long run, balance, achieved\nthrough the fulfillment of a diversity of functions, is ultimately essential\nwithin the vast range of nonprofit organizations and across the sector as\na whole.\n\nNonprofit and voluntary action can be a powerful force for good in so-\nciety. Yet a good many myths have grown up around these private orga-\nnizations that fulfill public purposes. In searching for the core functions\nof the nonprofit and voluntary sector, the book challenges some of these\nmyths and suggests that the nonprofit and voluntary sector is an evolv-\ning and at times contradictory realm that now faces a number of sig-\nnificant challenges to its continued growth and legitimacy. Rather than\nattempting to smooth over and resolve these tensions, the exposition\nhere deliberately brings them out in to the open. Ultimately, it is the di-\nversity of purposes and rationales embodied in nonprofit and voluntary\norganizations that make them increasingly visible

and exciting vehicles\nfor the pursuit of common social goals. And it is the sector\u2019s diversity\nand flexibility that may well help nonprofit organizations to solve some\nof the pressing challenges they now confront.\n\n28 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nCivic and Political Engagement Civic and Political Engagement\n\n2\n\nCivic and Political Engagement\n\nNonprofit and voluntary organizations respond to the deeply rooted\nneed of individuals to be part of something bigger than themselves. As\nan antidote to atomistic individualism, nonprofit and voluntary activity\nat the local, state, national, and transnational levels brings people out of\ntheir isolation and puts them in touch with others who share their con-\ncerns and interests. The connections forged when people are drawn into\ncivic space can be used to respond to community concerns, needs, and\ndemands. By virtue of their emphasis on expressive, associational activ-\nity, nonprofits allow individuals and communities to transform their\ncommitment into concrete collective action. When nonprofits speak di-\nrectly to important public needs and lead collectivities to devise effective\nsolutions to public problems, these diverse organizations\u2014ranging from\nblock clubs to national membership groups\u2014help overcome some of\nthe cynicism and distrust that stifle civic and political engagement. The\nspecial ability of nonprofit and voluntary activity to mobilize and con-\nnect individuals clearly has significant direct and indirect political impli-\ncations.1\n\nNonprofit and voluntary organizations are linked with the political\nprocess in six different ways, which range in character from nonpartisan\nto very partisan. First, nonprofits build trust, cohesion and social capital\nin communities. Through church groups, veterans\u2019 clubs, PTAs, and\nmany other kinds of organizations and associations, individuals find\nconnections to one another and build a sense of community and solidar-\nity that leads to greater enthusiasm for community life. This trust, or\n\u201csocial capital,\u201d represents a critical reservoir of good will and serves as\n\n29\n\n\n\na catalyst for civic and political engagement. Second, nonprofits pro-\nmote civic engagement directly by offering individuals a door that opens\nonto the public square and a tool for demonstrating commitment to\nsomething greater than narrow self-interest. Civic engagement skills are\nlearned and honed through nonprofit and voluntary action. Third, non-\nprofits translate trust and civic engagement into direct political action by\norganizing people at the grassroots around interests and causes, by regis-\ntering voters and spurring them to get out the vote, and by organizing\ntown hall meetings and a host of other participation and empower-\nment activities aimed at bringing the individual into the public sphere.\nFourth, nonprofits are linked to politics through advocacy work. Orga-\nnized around broad issues and concerns, nonprofits play an important\nrole in informing and educating the public and policymakers. Advocacy\nefforts take place at the local, state, national, and transnational levels.\nFifth, nonprofits engage in direct lobbying around specific legislative\nissues. Almost every time government moves forward with a decision,\nlobbying on both sides of the issue occurs. Different from advocacy\nin that it focuses on specific bills of legislation, lobbying is a way to\ntranslate public concerns into legislative action. Sixth, nonprofits figure\nprominently in our electoral system. Campaign fundraising organiza-\ntions, political action committees, and a range of party institutions are\nall tax-exempt organizations. In recent years, cynicism about the role of\nmoneyed interests in politics has raised some difficult questions about\nthis particular function of nonprofits.\n\nAs they work to build cohesion in communities and as they speak out\non issues, nonprofits enjoy freedom of

association and speech under the\nFirst Amendment. While nonprofits have often had an adversarial rela-\ntionship with government, the diverse forms of their political activity\nare still guaranteed government protection. No matter what causes they\nseek to advance, nonprofits do not risk the loss of their protected status\nas long as they follow a few basic rules when exerting their fundamental\nrights to speech and association. There is no test of reasonableness when\nit comes to the political views of nonprofits, nor are there prohibitions\non coalitions\u2019 forming behind any peaceful cause imaginable. Of course,\nthis has led to the advocacy of policies and agendas that have been con-\ntroversial, often because they challenged majority positions. Still\nThe file is too long and its contents have been truncated.\n", "extra": {"cited_message_idx": 19, "search_result_idx": null, "evidence_text": "source"}, "url": "file-oOTG3NdAR1ccxURLJHM7nlfY"}}, {"start_ix": 1426, "end_ix": 1437, "citation_format_type": "tether_og", "metadata": {"type": "file", "name": "On Being Nonprofit A Conceptual and Policy Primer (Peter Frumkin) (Z-Library).pdf", "id": "file-oOTG3NdAR1ccxURLJHM7nlfY", "source": "my_files", "text": "\n\n\nOn Being Nonprofit\n\n\n\n\n\nOn Being Nonprofit\nA Conceptual and Policy Primer\n\nPeter Frumkin\n\nHARVARD UNIVERSITY PRESS\n\nCambridge, Massachusetts\n\nLondon, England\n\n\n\nFor my parents,\nAllan and Jean\n\nCopyright \u00a9 2002 by the President and Fellows of Harvard College\n\nAll rights reserved\n\nPrinted in the United States of America\n\nFirst Harvard University Press paperback edition, 2005\n\nLibrary of Congress Cataloging-in-Publication Data\n\nFrumkin, Peter.\n\nOn being nonprofit: conceptual and policy primer / Peter Frumkin.\n\np. cm.\n\nIncludes bibliographical references and index.\n\nISBN 0-674-00768-9 (cloth)\n\nISBN 0-674-01835-4 (paper)\n\n1. Nonprofit organizations. I. Title.\n\nHD2769.15 .F78 2002\n\n361.7\ufffd63\u2014dc21 2002017227\n\n\n\nPreface Preface\n\nPreface\n\nIn recent years, the study of nonprofit and voluntary organizations has\nbeen a growth field, a fact that is apparent in the proliferation of non-\nprofit degree and certificate programs in schools of business and public\naffairs, the founding of new independent centers devoted to nonprofit\nresearch, and the steady increase in scholarship concerned with non-\nprofit organizations. To date, however, the study of nonprofit organiza-\ntions has yet to find a home in any single discipline. And this may well\nbe for the best. Our understanding of nonprofit organizations has bene-\nfited from the attention of economists, political scientists, sociologists,\npsychologists, historians, and management scholars. In writing this\nbook, I have endeavored to bring together some of the most significant\nand contentious ideas about the nonprofit and voluntary sector and to\nintegrate at least some elements of the competing disciplinary perspec-\ntives that have emerged. This is, after all, a book about the nonprofit and\nvoluntary sector written by an organizational sociologist who teaches\nstrategic management in a public policy school. It is my sincere hope\nthat this book will cross disciplinary bounds and that it will serve as a\nuseful and clarifying overview of the pressing conceptual and policy\nproblems facing nonprofit organizations today.\n\nDividing nonprofit action into four broad functions, this book exam-\nines how nonprofit organizations promote civic and political engage-\nment, deliver critical services within communities, provide an institu-\ntional vehicle for social entrepreneurship, and allow the expression of\nvalues and faith. The core of the book explores the tensions and prob-\nlems that have arisen in each of these functional realms and the bound-\nary disputes that have broken out as nonprofit organizations have been\ndrawn into competition and collaboration with government and busi-\nness. In exploring the

multiple roles of nonprofit organizations, I argue\nthat the long-term health and viability of nonprofit organizations de-\n\nv\n\n\n\npend on the achievement of balance among the four functions, so that\nno one function is allowed to dominate the other three. This has not al-\nways been achieved in recent years and the results have been painfully\nclear: charges of politicization, vendorism, commercialism, and particu-\nlarism have plagued nonprofit organizations. The argument developed\nhere is that only when nonprofits achieve important successes in each of\ntheir functions will they receive and sustain the financial support and\npublic acceptance that they need to continue to grow. In tackling these\nbroad and complex issues, I have aimed to provide a perspective on non-\nprofit activity that will be relevant to scholars and students approaching\nthe topic from a wide array of backgrounds and levels of familiarity.\n\nThe intellectual debts I have accumulated over the years are very\nlarge. From the very first moment I joined the faculty of Harvard Univer-\nsity\u2019s Kennedy School of Government and began to work on this book, I\nhave benefited greatly from the good counsel and insightful criticisms\nof Mark Moore and Christine Letts, who together helped launch the\nHauser Center for Nonprofit Organizations, where I have been a faculty\naffiliate. I am grateful to both of them for creating a place where it is pos-\nsible to do serious work within a community of scholars and students.\nMy faculty colleagues at the Hauser Center and within the broader Ken-\nnedy School of Government have all contributed directly or indirectly to\nthe completion of this book. Through numerous seminar presentations,\ne-mail exchanges, and hallway discussions over the years, their active\u2014\nsometimes aggressive\u2014questioning has led me to sharpen and improve\nmy arguments. I owe a special debt to Peter Dobkin Hall, who read and\ncommented on the entire manuscript and generously shared with me his\nencyclopedic knowledge of all things nonprofit. My understanding of\nthe nonprofit sector has been substantially enriched by friendships, con-\nversations, and collaborations over the years with Joseph Galaskiewicz,\nPaul Light, Steven Rathgeb Smith, Brint Milward, Barry Karl, Ellen\nCondliffe Lagemann, Marion Fremont-Smith, Allen Grossman, Eliza-\nbeth Keating, Donald Haider, David Reingold, and William Ryan.\n\nOne of the real pleasures of working at the Kennedy School of Gov-\nernment has been the opportunity to teach and work with a group of su-\nperb doctoral students, including especially Alice Andre-Clark, Gabriel\nKaplan, and Mark Kim. For several years, Kennedy School students in\nmy class on the nonprofit sector patiently listened and questioned me\nas the ideas in this book were formed and developed. From the start,\n\nvi Preface\n\n\n\nShawn Bohen has expertly managed the Hauser Center\u2019s work and\ngrowth and, with great humor and patience, helped me navigate the ser-\npentine world of Harvard rules, regulations, and budgets, while also pro-\nviding the kind of advice and help that was necessary for seeing many\nprojects to completion. Jennifer Johnson provided wonderful research\nassistance throughout the writing of the book and helped bring the\nmanuscript to final form. Michael Aronson at Harvard University Press\nguided this book from an idea to a manuscript, arranged helpful reviews,\npatiently explained the publishing process to me, and made the whole\nprocess appear less mysterious.\n\nBehind the scenes of much of my research, a group of generous sup-\nporters have allowed me to pursue ideas wherever they led. It is a plea-\nsure to thank the Hauser Center for Nonprofit Organizations, Claude\nRosenberg of NewTithing Group, Patricia Brown of the Burton G.\nBettingen Corporation, Ted Halstead of New America Foundation, and\nMark Abramson of the PriceWaterhouseCoopers Endowment for the\nBusiness of Government, all of whom supplied critical financial sup-\nport for elements of my broader research agenda.

Within the Kennedy\nSchool, Alan Altshuler, Ron Heifetz, and Fred Schauer furthered the\nproject at critical stages, and I am grateful for their help.\n\nFinally, my greatest debt is to my wife, Elizabeth, who encouraged me\nfrom my first day of graduate school and through all my subsequent re-\nsearch. Her unstinting support has made everything seem possible.\n\nPreface vii\n\n\n\n\n\nContents\n\n1 The Idea of a Nonprofit and Voluntary Sector 1\n\n2 Civic and Political Engagement 29\n\n3 Service Delivery 64\n\n4 Values and Faith 96\n\n5 Social Entrepreneurship 129\n\n6 Balancing the Functions of Nonprofit and\nVoluntary Action 163\n\nNotes 183\n\nIndex 209\n\n\n\n\n\nThe Idea of a Nonprofit and Voluntary Sector The Idea of a Nonprofit and Voluntary Sector\n\n1\n\nThe Idea of a Nonprofit\nand Voluntary Sector\n\nThe nonprofit and voluntary sector is the contested arena between the\nstate and the market where public and private concerns meet and where\nindividual and social efforts are united. Nonprofit and voluntary action\nexpresses a complex and at times conflicting desire to defend the pursuit\nof private individual aspirations, while at the same time affirming the\nidea of a public sphere shaped by shared goals and values. For this\ndifficult balancing act to work, participation in the sector demands a\ncommitment to, among other things, expression, engagement, entrepre-\nneurship, and service. Constituted by both legally chartered nonprofit\norganizations and myriad informal groups and voluntary associations,\nthis sector occupies an increasingly critical and visible position in our\npolitical, social, and economic life.1 Yet despite its size and perceived\ninfluence, there is considerable uncertainty and confusion about its\nboundaries. The lines delimiting the sector have frequently been subject\nto challenge and revision, as funds and responsibilities have shifted back\nand forth among business, nonprofit, and government organizations.\nReaching consensus on the very definition of the nonprofit and volun-\ntary sector is difficult because many of the core features and activities of\nnonprofits increasingly overlap and compete with those of business and\ngovernment.\n\nThus, the nonprofit and voluntary sector is at once a visible and com-\npelling force in society and an elusive mass of contradictions. On the\none hand, the rise of nonprofits is thought to have contributed to de-\nmocratization around the world, opening up societies and giving people\na voice and a mode of collective expression that has in too many cases\n\n1\n\n\n\nbeen suppressed.2 In the United States, nonprofit and voluntary organi-\nzations are seen as playing a central role in generating, organizing, and\nemboldening political opposition, working through national networks\nand building international linkages. Nonprofit and voluntary organiza-\ntions have also acted as practical vehicles for the delivery of a broad\nspectrum of community services, ranging from affordable housing to\ntheater performances to vocational training to health care. The nonprofit\nsector appears, therefore, to be a real and identifiable group of tax-ex-\nempt organizations that encourage political engagement and produce\nservices. The sector is in fact a documented economic powerhouse that\nemploys millions of people and accounts for a significant portion of the\nnation\u2019s gross domestic product. All of which makes the nonprofit sector\na strong and compelling concept that appears grounded in economic,\npolitical, and legal reality.\n\nOn the other hand, the nonprofit and voluntary sector is home to\nsuch a wide range of organizations that grouping them together into one\nentity is highly problematic. From the largest hospitals and universi-\nties (which fund their operations by collecting fees or tuition) to small\nmentoring programs and avant-garde arts organizations (which survive\non charitable contributions), nonprofits span a tremendous range of or-\nganizational forms. Many of these forms are stable and

lasting, while\nothers are fragile and transient. Some of the organizations that are con-\nsidered part of the nonprofit sector, such as religious congregations and\nprivate membership organizations, operate without government fund-\ning. Other nonprofit organizations, particularly those that service the el-\nderly and poor, could not survive without the steady flow of funds from\nfederal, state, and local government. Beyond differences in funding, the\norganizations within the sector are balkanized by legal status, level of\nprofessionalization, and underlying purpose.\n\nThus, any exploration of the nonprofit and voluntary sector would\ndo well to begin by acknowledging its fundamentally contested nature.\nThis chapter reviews the difficulties in defining the central characteris-\ntics of nonprofit and voluntary organizations, the conflicting nature of\nthe words we use to describe this part of our world, and the evolving\nplace the sector occupies in America\u2019s fragmented and polarized political\nsphere. Throughout, the tensions inherent in the very idea of organiza-\ntions operating between the state and the market emerge again and\nagain. All of which leads to the analytic framework that guides this book\n\n2 The Idea of a Nonprofit and Voluntary Sector\n\n\nin its exploration of the overarching functions of the nonprofit and vol-\nuntary sector.\n\nThree Features of Nonprofit and Voluntary Organizations\n\nAttempting to define the fundamental features of the disparate enti-\nties that constitute the nonprofit and voluntary sector is a complex and\ndaunting task. Yet there are at least three features that connect these\nwidely divergent entities: (1) they do not coerce participation; (2) they\noperate without distributing profits to stakeholders; and (3) they exist\nwithout simple and clear lines of ownership and accountability. Taken\ntogether, these three features might make nonprofit and voluntary orga-\nnizations appear weak, inefficient, and directionless, but nothing could\nbe further from the truth. In reality, these structural features give these\nentities a set of unique advantages that position them to perform impor-\ntant societal functions neither government nor the market is able to\nmatch.\n\nPerhaps the most fundamental of the three features is the sector\u2019s\nnoncoercive nature. Citizens cannot be compelled by nonprofit organi-\nzations to give their time or money in support of any collective goal.\nThis means that, in principle at least, nonprofits must draw on a large\nreservoir of good will. This noncoercive character is also what most\nstarkly differentiates the sector from government, which can levy taxes,\nimprison violators of the law, and regulate behavior in myriad ways. The\npower of coercion that the public sector possesses is a powerful tool for\nmoving collectivities toward common ends, but it is also a source of\nstrife and contention. Trust in government is now low,3 making the ef-\nfective use of state power more and more difficult as its legitimacy fades.\nFor nonprofit and voluntary organizations, these issues do not arise.\nFree choice is the coin of the realm: donors give because they choose to\ndo so. Volunteers work of their own volition. Staff actively seek employ-\nment in these organizations, often at lower wages than they might se-\ncure elsewhere. Clients make up their own minds that these organiza-\ntions have something valuable to offer. Though they stand ready to\nreceive, nonprofit and voluntary organizations demand nothing. As a\nconsequence, nonprofits occupy a moral high ground of sorts when\ncompared to public sector organizations that have the ability to compel\naction and coerce those who resist.\n\nThe Idea of a Nonprofit and Voluntary Sector 3\n\n\n\nIn some ways, the noncoercive character of the nonprofit and volun-\ntary sector situates it closer to the market than to government. Business\ndepends on the free choice of consumers in a competitive market where\nalternatives are often plentiful and where no firm has the capacity to\ncompel

anyone to purchase its goods or services. Similarly, nonprofit or-\nganizations cannot coerce participation or consumption of their ser-\nvices. The sector makes choices available, rather than deciding for oth-\ners. When it comes to the mobilization of funds, the parallel between\nbusiness and nonprofits is equally clear. Just as no one forces anyone to\nbuy shares or invest in enterprises, no one forces anyone to give or vol-\nunteer in the nonprofit world. The flow of resources to a nonprofit de-\npends entirely on the quality and relevance of its mission and its capac-\nity to deliver value. To the extent that a business firm or a nonprofit\norganization is performing well, investors and donors will be attracted\nto it. Should things take a turn for the worse, investment funds and phil-\nanthropic funds usually seek out other options quickly.\n\nThe second feature of nonprofit and voluntary organizations sharply\ndifferentiates them from business firms, however. While corporations\nare able to distribute earnings to shareholders, nonprofit and voluntary\norganizations cannot make such distributions to outside parties. Rather,\nthey must use all residual funds for the advancement of the organiza-\ntion\u2019s mission.4 By retaining residuals rather than passing them on to in-\nvestors, nonprofit organizations seek to reassure clients and donors that\ntheir mission takes precedence over the financial remuneration of any\ninterested parties. The nondistribution constraint has been seen as a tool\nthat nonprofits can use to capitalize on failures in the market. Since\nthere are certain services, such as child care and health care, that some\nconsumers feel uncomfortable receiving if the provider is profit driven,\nnonprofits are able to step in and meet this demand by promising that no\ninvestors will benefit by cutting corners or by delivering unnecessary\nservices.\n\nWhile the noncoercive feature of nonprofits brings nonprofits closer\nto business and separates them from government, the nondistribution\nconstraint pushes nonprofits closer to the public sector and away from\nthe private sector. Government\u2019s inability to pay out profits from the sale\nof goods or services is related to its need to be perceived as impartial and\nequitable.5 With nonprofits, the nondistribution constraint also builds\nlegitimacy and public confidence, though this does not mean that spe-\n\ncial powers are vested in these organizations. In both sectors, the non-\ndistribution constraint strongly reinforces the perception that these enti-\nties are acting for the good of the public.\n\nThe third feature of nonprofit and voluntary organizations is that they\nhave unclear lines of ownership and accountability.6 This trait sepa-\nrates these entities from both business and government. Businesses must\nmeet the expectations of shareholders or they risk financial ruin. The\nownership question in the business sector is clear and unambiguous:\nshareholders own larger or smaller amounts of equity in companies de-\npending on the number of shares held. Similarly, government is tethered\nto a well-identified group of individuals, namely voters. Executive and\nlegislative bodies\u2014and the public agencies they supervise at the federal,\nstate, and local levels\u2014must heed the will of the electorate if they are to\npursue public purposes effectively and retain the support and legitimacy\nneeded to govern. There is also a long tradition in the United States of\nconceiving government as \u201cbelonging\u201d to citizens, though the ways in\nwhich this ownership claim can be exercised are severely limited. In the\nnonprofit sector, clear lines of ownership and accountability are absent.7\n\nNonprofit and voluntary organizations must serve many masters,\nnone of which is ultimately able to exert complete control over these or-\nganizations. Donors, clients, board members, workers, and local com-\nmunities

all have stakes, claims, or interests in nonprofit and voluntary\norganizations. Yet none of these parties can be clearly identified as the\nkey ownership group. The relative strength of these ownership claims\ndepends on how an organization is funded and on its chosen mission.8\n\nNonprofit organizations that depend heavily on charitable contributions\nare often held closely accountable by their donors, some of whom be-\nlieve that as social investors they have a real stake in the organizations\nto which they contribute. Nonprofits that are largely driven by service\nfees or commercial revenues are in a different position. While these\nmore commercial organizations do not have donors asserting claims\nover them, social entrepreneurs and professional staff may view them-\nselves as the key stakeholders in these more businesslike organizations.\n\nOften, however, the lines of ownership and accountability are ren-\ndered more complex by the fact that many nonprofit organizations com-\nbine funding from multiple sources\u2014foundations, corporations, and\ngovernment\u2014with earned income, making it hard to point to any par-\nticular party as the key stakeholder to whom these special institutions\n\nThe Idea of a Nonprofit and Voluntary Sector 5\n\n\n\nmust answer.9 One might be tempted to point out that nonprofit and\nvoluntary organizations are almost always governed by boards, and to\npropose this as a solution to the ownership and accountability issue. Un-\nfortunately, board members are not owners. They are stewards who are\nheld responsible for the actions of their organization. In the end, non-\nprofit and voluntary organizations are authorized to act in the public in-\nterest by the communities in which they operate, though the lines of ac-\ncountability are weaker than those in the public sector and the lines of\nownership far more obscure than in the business sector.\n\nThese three features of nonprofit organizations are not without con-\ntroversy and contention. In fact, each has been called into question in\nrecent years. First, the noncoercive nature of the sector has been chal-\nlenged by the growing tendency to mandate community service or vol-\nunteer work. In the case of welfare reform, many states have required aid\nrecipients to complete a community service requirement in order to con-\ntinue receiving their monthly support payments.10 A growing number of\nhigh schools now make volunteering with a local organization a condi-\ntion for graduation. In addition, there have long been parts of the non-\nprofit landscape where strong norms are enforced on those who have\ncommitted to membership. Within professional associations, licenses to\npractice medicine, law, and other callings are granted and denied by\nnonprofit entities.11 Within many religions, the behavior of adherents is\nseverely constrained by doctrine. In some neighborhoods, independent\ncommunity groups have been granted the power to plan and constrain\nfuture development by residents. The exercise of power may be subtle\nin some cases. For example, many private funders exercise consider-\nable influence over the recipients of their grants. This influence can take\nthe form of a gentle suggestion or a condition of support that pro-\ngrams be revamped.12 Although the constraints imposed in each case\nfollow a decision to participate and join, the power of some nonprofits\nover groups of individuals is considerable. In each and all such in-\nstances,13 the noncoercive character of these organizations is called into\nquestion.\n\nSecond, the nondistribution constraint of nonprofit organizations has\nlikewise been under assault from a number of different directions. In re-\ncent years, increased scrutiny of the high salary levels of many nonprofit\nexecutives has led some to ask whether the \u201cprofits\u201d\u2014or, more accu-\nrately, the increased program revenues\u2014are not in fact being routinely\ndistributed to staff in the form of generous compensation and benefit\n\n

Voluntary Sector\n\n\n\npackages.14 In the area of capitalization, large nonprofit organizations\nhave been aggressive in raising funds through bond offerings, which\ndo not offer investors the ownership stake that stock offerings do, but\nwhich have the effect of opening up major capital flows into the non-\nprofit sector. The accumulation of capital in the form of large endow-\nments has also called into question the boundary between business and\nnonprofit organizations: endowment funds, by their nature, are not used\nto fulfill an organization\u2019s immediate needs. Instead, they are invested in\nstocks, real estate, and other speculative investments designed in the\nlong run to maximize financial return. This is a strategic move that some\nhave characterized as contrary to the public purposes of nonprofit orga-\nnizations.15 Making the boundary between nonprofits and business firms\neven more opaque, at least one study has argued that the nondistri-\nbution constraint does not significantly increase consumer confidence\nin the trustworthiness of nonprofits compared to business firms.16\n\nThird, the ownerless character of nonprofit and voluntary organiza-\ntions has come under fire as the legal claims of nonprofit stakeholders\nhave evolved. The courts have held that only members (in the case of a\nmembership organization), trustees or directors, and the attorney gen-\neral in the state where the nonprofit is located have legal standing to\ncontest the action of a charitable corporation. Over the years, however,\nthe power of trustees and directors has grown substantially, not to the\npoint where they can claim ownership of the assets of a nonprofit, but to\nthe point where boards now have tremendous leeway in the way they\noperate a charitable organization.17 While these claims have rarely come\nto equal those of ownership, the lines of accountability have been drawn\nmore sharply, particularly as questions about the transfer of assets have\ncome up when nonprofit organizations have attempted to convert to for-\nprofit status.18\n\nThe ultimate result of these debates and trends is that the defining fea-\ntures of nonprofit organizations are evolving and are the subject of con-\nsiderable debate. The notion that there is some simple and unambiguous\ntest that can be developed to decide what sector an organization belongs\nto is no longer reasonable. While the Internal Revenue Service (IRS) and\nthe states have developed statutes and rules that define and regulate\nthese special institutions, a different and far more complex reality has\nemerged. The legal code is often of limited value in the effort to deter-\nmine which organizations are really nonprofit and voluntary in their\noperation.\n\nThe Idea of a Nonprofit and Voluntary Sector 7\n\n\n\nComposition of the Nonprofit and Voluntary Sector\n\nIn the United States today, there are more than one and a half million\nregistered nonprofit organizations, as well as several million informally\norganized community groups. The formally registered organizations fall\ninto two broad and porous categories: those that serve the public and\nthose that serve members. The public-serving organizations, classified\nunder section 501(c)3 of the IRS code, operate in almost every imagin-\nable field of human endeavor, and include, among countless others, so-\ncial service agencies helping children, the elderly, and the poor; inde-\npendent schools and private colleges; community clinics and hospitals;\nthink tanks; environmental organizations; cultural groups such as muse-\nums, theaters, and historical societies; and a range of international assis-\ntance organizations. They are the most visible and recognizable part of\nthis organizational universe. But substantial resources are concentrated\nin the member-serving or mutual benefit organizations, which include\ncredit unions, business leagues, service clubs, veterans\u2019 organizations,\nand trade associations. They tackle problems ranging from the most\ncomplex issues of business policy to the most

prosaic challenges of\nsmall-town life. Also included in the sector (though not filing forms an-\nnually with the IRS) is a vast array of churches, synagogues, and\nmosques that form the foundation of the nation\u2019s religious life. While we\ntend to think of congregations as membership organizations, they are\ntreated differently by government and are not subject to the same forms\nof oversight as other member-serving nonprofits.\n\nWhile the largest and better-financed nonprofit organizations receive\nthe bulk of public attention, important work is done by the army of\nless visible associations, clubs, networks, and groups through which\ncommunities come together and act.19 There is considerable dispute as\nto whether the legally chartered nonprofit organizations share enough\ntraits with informal voluntary associations to justify including both\ngroups in one sector.20 However, leaving these grassroots associations\nout of the picture grants far too much deference to the tax treatment of\nnonprofits and ignores the fact that informal associations and formal\nnonprofits both eschew the distribution of profits, are noncoercive, and\nhave no owners.\n\nPublic awareness of the sector is rapidly increasing, though surpris-\ningly little is known about the underlying purposes and values that ani-\n\n8 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nmate nonprofit and voluntary action or the vehicles through which these\nvalues and purposes are channeled. In part, this is because these activi-\nties reflect a sometimes confusing agglomeration of strongly held private\nvalues, as well as a set of complex public purposes. The sector can thus\nbe conceived as a tent covering public-serving charities, member-serv-\ning organizations, and a range of informal organizations, including vol-\nuntary and grassroots associations (see Figure 1.1).\n\nThis diverse and at times contradictory group of entities comprises or-\nganizations and associations that are neither part of the state nor fully\nengaged in the market. The sector\u2019s solutions to community and public\nproblems at times represent a conscious disavowal of commercial mar-\nkets and a realization that some exchanges are simply better conducted\nunder terms of mutuality and trust than under the strict dictate of caveat\nemptor.21 Using charitable contributions, many nonprofit and voluntary\norganizations can deliver services to clients who are unable to pay. At\nother times, nonprofit and voluntary action represents an attempt to\nmove beyond government action to find solutions to public problems\nthat a majority of citizens are unable or unwilling to support.

Although the term \u201cnonprofit and vol-\nuntary sector\u201d is common today, many other terms have been devised\nover the years. The long-standing confusion over terminology can be\ntraced to the diversity of activities that need to be covered by whatever\nterm is chosen.22 Programs are delivered through both formal and infor-\nmal organizations, carried out by both salaried and volunteer staff, and\nsupported through donations, contracts, and commercial revenues. As a\nconsequence, the formal organizations that constitute the sector have at\nvarious times and for various reasons been called \u201cthe tax-exempt sec-\ntor,\u201d \u201cthe nongovernmental sector,\u201d \u201cthe independent sector,\u201d \u201cthe third\nsector,\u201d \u201cthe civil society sector,\u201d \u201cthe commons,\u201d \u201cthe charitable sec-\ntor,\u201d \u201cthe voluntary sector,\u201d \u201cthe nonproprietary sector,\u201d and \u201cthe non-\nprofit sector.\u201d The terminological debate continues today. Each of the\nmany terms that has emerged over time has had its own historical and\npolitical baggage. A brief review of these terms will illustrate the scope\nof the sector, even if a definitive defense of any particular term is impos-\nsible.\n\nOne of the earliest names attached to these organizations was in some\nways the narrowest and the most descriptively accurate: \u201ctax-exempt.\u201d\nAfter the ratification of the Sixteenth Amendment to the Constitution\nand the establishment of the national income tax in 1913, Congress\n\n10 The Idea of a Nonprofit and Voluntary Sector\n\n\ngranted tax-exempt status to those organizations that were specifically\n\u201corganized and operated exclusively for charitable, scientific, and edu-\ncational purposes.\u201d Later additions included a long series of very spe-\ncific purposes, including \u201cprevention of cruelty to children or animals\u201d\n(1918), \u201ccommunity chest, fund, or foundation\u201d (1921), and \u201ctesting\nfor public safety\u201d (1954). The categories of tax-exemption have shifted\nover time; today there are more than twenty different specific categories\nof tax-exempt organizations delineated under the Internal Revenue\nCode. The arbitrariness of these narrow categories can best be seen to-\nday in the fact that international sports organizations are specifically rec-\nognized, whereas health organizations are not. But this is of little conse-\nquence, since the vast majority of public-serving nonprofits file today\nunder the catch-all category 501(c)(3). For a time, the moniker \u201ctax-ex-\nempt organizations\u201d was widely used inside government and within the\nlegal community because it pointed\u2014or at least appeared to point\u2014to\nthe black letter of government regulation. Yet because this approach did\nnot capture the huge number of clubs, associations, and groups that\nhave never been formally registered with the IRS, it fell out of favor and\nwas replaced with others.\n\nIn the 1970s, efforts to find a broader and more inclusive term led to a\nwhole series of names that aimed at positioning the sector in opposi-\ntion to government. Today, the term \u201cnongovernmental organization\u201d\n(NGO) remains popular around the world. It is used to denote the array\nof organizations that pursue public purposes through largely private\nmeans. It covers both indigenous organizations working within particu-\nlar countries overseas and international organizations that work around\nthe world. While not specifically limited to a particular field of activity,\nwhen the term \u201cnongovernmental organization\u201d is used today, it usually\ndenotes an organization that works to promote such things as rural de-\nvelopment, education, environmental quality, and community health.\nWhat is interesting about the term \u201cnongovernmental\u201d is that it defines\nthese independent organizations in opposition to government, rather\nthan in opposition to business firms. One possible explanation for the\npopularity of this term

internationally is the power and dominance that\nthe state enjoys in many developing countries and the relative absence\nof organized opposition. The sector is thus defined as that which is not\npart of the state, rather than that which is not oriented toward profit-\nmaking. This choice also implicitly reflects the oppositional role of lo-\n\nThe Idea of a Nonprofit and Voluntary Sector 11\n\n\n\ncal nongovernmental organizations, which do in fact challenge govern-\nments and hold them accountable. In some countries, small, informal\norganizations within the broader NGO sector are at times termed \u201cpeo-\nple\u2019s organizations\u201d and \u201ccommunity-based organizations,\u201d as a way of\ndifferentiating them from larger, more formal institutions. The label\n\u201cnongovernmental\u201d remains firmly entrenched in current usage, partic-\nularly when Americans seek to distinguish between American nonprofit\norganizations and international NGOs.\n\nThe term \u201cindependent sector\u201d came into popular usage in the 1980s\nand can be traced to a particular event\u2014namely, the founding of Inde-\npendent Sector, the national trade association representing both grant-\nmaking and grant-receiving organizations.23 Founded in 1979, the group\nconsolidated two existing associations and sought to unify the motley\nworld of foundations and nonprofit organizations. By advancing the use\nof the term \u201cindependent sector,\u201d organizers of the association wanted\nto emphasize the capacity of these organizations to devise solutions free\nfrom the market and political pressures. The only problem with this\nterm is that over time it became increasingly obvious that nonprofits\nwere neither independent from government nor free from the pressures\nof the marketplace. As government funding for social service and health\nnonprofits has risen sharply, many have come to view nonprofit organi-\nzations as engaged in important collaborative relationships with govern-\nment. Independence from government has come to be seen as more of a\nwish than a reality. Similarly, the idea that nonprofit organizations oper-\nate independently from the market has been called into question by the\ngrowing number of cross-sector partnerships, joint marketing agree-\nments, and nonprofit commercial ventures.\n\nAt times, the term \u201cthird sector\u201d has been in vogue. Popularized by\nseveral early researchers in the field of nonprofit and voluntary action,24\n\nthis term had the advantage of covering both formally constituted non-\nprofit organizations and the countless informal grassroots organizations\nthat populate the sector. The idea that nonprofit and voluntary action\nwas somehow third in line after government and business rubbed some\npeople the wrong way, however. It seemed to imply a kind of inferiority\nand subsidiarity that few in the sector were willing to concede. While\nthe term \u201cthird sector\u201d is still sometimes used in the research commu-\nnity, the practitioner community rarely uses it. Like \u201cnonprofit\u201d and\n\n12 The Idea of a Nonprofit and Voluntary Sector\n\n\n\n\u201cnongovernmental,\u201d the term \u201cthird sector\u201d seems to define these orga-\nnizations in isolation from the other sectors.\n\nThe term \u201ccivil society\u201d was coined by the classic writers of political\ntheory, and has regained currency of late. The modern idea of civil soci-\nety plays a prominent role in the work of Hobbes, Montesquieu, and\nHegel, who used it to refer to the broad private realm outside the state.\nOne of the problems with using the term today is that \u201ccivil society\u201d tra-\nditionally encompassed everything from the family to the church to the\nbusiness corporation. Still, the term is acquiring popularity both in the\nUnited States and internationally, and it has lately come to refer to some-\nthing more concrete than the huge and abstract private realm outside\nthe state. In practice, it has come to denote a set of voluntary

mediating\ninstitutions that invite individuals to come together to pursue shared in-\nterests, values, and commitments. Over the past decade, \u201ccivil society\norganizations\u201d has come to compete with \u201cnongovernmental organiza-\ntions\u201d among people interested in indigenous social movements around\nthe world, ranging from small local organizations to large international\ninstitutions.\n\nMore recently, yet another solution to the name game was proposed.\nInstead of a term that either defined the essential characteristic of these\norganizations or that situated these organizations in relation to gov-\nernment and the market, a new form of reference was proposed: \u201cthe\ncommons.\u201d Advocates for the term argued that the vast landscape of\nnonprofit and voluntary action constitutes a special terrain of shared\nconcerns.25 \u201cThe commons\u201d was intended to solve some of the prob-\nlems associated with previous attempts at naming the sector. It denoted\nthe vast array of relationships between benefactors, intermediaries, and\nbeneficiaries that constitutes a space in which associative communities\ncan operate freely. Linked to the Greek term koinonia, \u201cthe commons\u201d\nemphasizes free participation, common purpose, shared goods, a sense\nof mutuality, and a commitment to fairness.26 A critical part of what\ndistinguishes \u201cthe commons\u201d from other attempts to delineate the non-\nmarket and nonstate realm of activity is that the definition focuses not\njust on what kinds of purposes are accomplished, but also on the ways\nin which they are accomplished. By pointing to the features of koinonia,\n\u201cthe commons\u201d defines the boundary of the sector in ethical terms.\n\nIn several European countries today, the dominant term is \u201cthe chari-\n\nThe Idea of a Nonprofit and Voluntary Sector 13\n\n\n\ntable sector,\u201d which captures the critical philanthropic character of these\norganizations and their activities. The very use of the term \u201ccharity,\u201d\nhowever, harks back to Victorian England, the settlement house move-\nment, and the class elitism associated with \u201cpoor aid\u201d and \u201calms giving.\u201d\nBecause self-help and community empowerment have become rallying\npoints for the sector, the idea of calling this part of society \u201ccharitable\u201d\noffends some people because it puts the spotlight on the contributions\nof elite patrons and donors, not on the efforts of activists, caregivers, and\nclients. The term also implies that much of the work of the sector is\nfunded through private gifts, when in reality government funding and\nearned income now fuel large parts of the sector.\n\n\u201cThe voluntary sector\u201d has been in use intermittently for decades,\nboth in the United States and abroad. One clear advantage of the term is\nthat it focuses on the vast landscape of formal and informal organiza-\ntions that work for the public good. It is a way of including the millions\nof neighborhood-based groups that operate without legal recognition.\nYet the name has been criticized at times for obscuring the growing pro-\nfessionalism of nonprofit activity, a subject of considerable sensitivity. As\npart of the process of receiving more and more funding from public sec-\ntor agencies through contractual relationships, many nonprofit manag-\ners now take great pride in the fact that they have removed all vestiges of\namateurism associated with volunteerism and have replaced it with the\nprofessional work of highly trained people.\n\nMost recently, some people dissatisfied with the existing alternatives\nhave begun using the term \u201cnonproprietary organizations\u201d in order to\nhighlight the ownerless character of these entities. In contrast to busi-\nness firms that are proprietary, nonproprietary organizations are not\nlinked to a clear owner or ownership group. This alternative has been\nadvanced because the term \u201cnonprofit\u201d obscures the fact that many\n\u201cnonproprietaries\u201d do in fact generate surplus revenue,

though they do\nnot directly distribute their earnings to shareholders or owners. While\nthis term has the benefit of drawing a clear line between business firms\nand nonprofits, it does not resolve the question of what differentiates\nnonprofits from government agencies, which are also nonproprietary.\n\nOf the many competing options, the term \u201cnonprofit sector\u201d has been\nthe most widely used over time. Rather than defining these organiza-\ntions in terms of the special privilege they enjoy of being free from taxa-\ntion, the term points in a different and less contentious direction by em-\n\n14 The Idea of a Nonprofit and Voluntary Sector\n\n\nphasizing the benevolent character of the sector. Though there is some\nquestion as to when exactly the term \u201cnonprofit sector\u201d came into use,\nthe consensus is that it is a product of the 1950s and 1960s. The term\n\u201cnonprofit\u201d focuses on one of the three defining features mentioned\nabove\u2014namely, that these organizations are not intended to generate\nprofits and distribute them to investors. Since this term distinguishes\nnonprofit organizations from business corporations, some observers\nhave argued that it was actually designed to confer a kind of legitimacy\nand trustworthiness.27 In recent years, the substantial increase in com-\nmercial revenues and executive salaries within the nonprofit sector has\nled many to question just how unprofitable the sector truly is. Still, the\nlabel \u201cnonprofit sector\u201d has the benefit of currency and simplicity.\n\nBecause the sector comprises both legally chartered nonprofit organi-\nzations and countless informal groups and voluntary associations, I will\nuse the somewhat cumbersome though descriptively accurate \u201cnon-\nprofit and voluntary sector\u201d to denote the organizations occupying an\nincreasingly critical and visible position in our political, social, and eco-\nnomic life. Though not perfect, the term points accurately to the target\npopulation of organizations that are emerging as critical actors even\nthough they operate without coercion, profits, or owners. This is a com-\npromise solution that many researchers working in this field use, though\nsome fall back on \u201cnonprofit sector\u201d for brevity\u2019s sake. Though it does\nnot please everyone, the term does meet the requirement of being broad\nenough to cover the range of organizations and groups that are acting\nprivately for some collective good.\n\nUnderlying all the names that have been used to describe these enti-\nties is the fact that even when agreement is reached on a single appro-\npriate name, it is not entirely clear that this complex and varied set of or-\nganizations constitutes a single coherent societal \u201csector.\u201d28 In many\nways, the word \u201csector\u201d is just as problematic as \u201cindependent,\u201d \u201cthird,\u201d\n\u201cnongovernmental,\u201d and all the terms that have preceded it. An impor-\ntant part of the problem is the lack of consistency across the organiza-\ntions that are said to be part of this sector. After all, the sector includes\norganizations that cater to the narrow needs and desires of their mem-\nberships, as well as organizations that have broad public service mis-\nsions.29 The sector is also home to highly institutionalized organizations\nwith millions of dollars in revenues and informally organized groups\nwith little or no money. The sector includes political parties that exist to\n\nThe Idea of a Nonprofit and Voluntary Sector 15\n\n\nshape public policy and service delivery organizations that depend on\nthe political process to deliver needed funds. The sector counts as its\nconstituents both foundations that give away money30 and a multitude\nof organizations that seek grants, as well as a growing number of organi-\nzations that depend on fees and commercial revenues. Thus, given the\ngreat diversity of formal and informal structures, the varieties of pur-\nposes pursued, and the range of financing

systems used to support these\norganizations, the very use of the word \u201csector\u201d is troublesome because\nit implies far more consistency than may be present. Some scholars of\nnonprofits thus maintain that the idea of a coherent sector may be an in-\nvention, which has begun to outlive its usefulness and now merely pro-\nvides cover for a large and diverse group of organizations that have little\nin common.31\n\nYet, by defining a set of activities that are neither part of government\nnor part of the market,32 we acknowledge that there is a sphere where\ncoercion is not used, where profits are not the principal motive, and\nwhere lines of ownership are not clearly drawn. Why nonprofit and vol-\nuntary organizations exist and what functions they perform are among\nthe central topics of this book. Before presenting a framework for think-\ning about these issues, it is important to recognize some of the political\ncleavages that the very idea of a nonprofit and voluntary sector creates.\n\nThe Politics of the Nonprofit and Voluntary Sector\n\nThe nonprofit and voluntary sector occupies an ambiguous and at times\ncontentious position in the current American political scene. Just as few\npeople agree on the right name to use to describe these organizations,\nAmericans are likewise engaged in heated debate about the sector\u2019s un-\nderlying politics. Today, for quite different reasons, nonprofit and volun-\ntary organizations are embraced by both conservatives and liberals. How\ncan this be? The answer lies in the fact that the sector comprises a great\nnumber of complex, multidimensional organizations that appeal simul-\ntaneously to many constituencies. The fact that both sides of the politi-\ncal spectrum applaud and see the potential of nonprofit and voluntary\norganizations, far from revealing some underlying weakness, ultimately\nreflects the sector\u2019s strength and enduring relevance.\n\nFor at least three reasons, nonprofit and voluntary organizations have,\nparticularly from the 1960s forward, represented a tremendous resource\n\n16 The Idea of a Nonprofit and Voluntary Sector\n\n\nand ally to liberals. First, a natural affinity between liberals and non-\nprofit workers quickly became apparent, since those willing to toil in\noften low-paying or voluntary positions\u2014and frequently in difficult cir-\ncumstances\u2014constitute a self-selected group of socially committed in-\ndividuals dedicated to the idea of making a difference and initiating\nchange. As membership in labor unions declined, thus eroding one of\nthe traditional bases of the Democratic party, the rise of nonprofit social\nservice agencies in the 1970s came at a very opportune moment. Not\nonly could nonprofit organizations serve as new channels through\nwhich social programs could be delivered, but they also represented a\nnew and important space in which potential supporters of progressive\npolicies might well be located.33\n\nThe second reason liberals were attracted to the sector as a whole was\nmore operational. Nonprofit organizations were seen as an ideal and un-\ntainted partner to government, one that could most effectively deliver\nneeded services to the most disadvantaged populations. As concern over\nthe impact of Great Society programs grew and as distrust of govern-\nment increased, nonprofits came to be seen as neutral and legitimizing\nforces with the capacity to give large human service initiatives a more di-\nverse, pluralistic face.34 The funding crunch that most nonprofit organi-\nzations face on a continuing basis appeared to put government in a posi-\ntion to use its substantial resources, in the form of contracts and grants,\nto gain control over a whole new range of community actors and prob-\nlems. At the same time, nonprofits represented an ideal \u201cbottom-up\u201d ap-\nproach to implementation, one that empowered the grassroots level and\nthat gave government tremendous leverage for each dollar spent.\n\nThird and finally, liberals were attracted by the political

activity of\nmany nonprofits and their ability to mobilize groups around issues and\nconcerns in a distinctive way. Unlike corporations, which are beholden\nto shareholders and the bottom line, and unlike government, which is\nbound by the limits of the Constitution and the pressures of public opin-\nion, nonprofit organizations have a great deal more freedom to oper-\nate. This flexibility lends itself well, in principle, to the pursuit of pro-\ngressive, alternative agendas. Moreover, since many advocacy nonprofits\nseek to give voice to populations that have long been excluded from the\npolitical debate, liberals continue to view the broader nonprofit sector as\na means to exert pressure for social change and justice.35\n\nChanges in the national political climate since the 1980s coincided\n\nThe Idea of a Nonprofit and Voluntary Sector 17\n\n\n\nwith a very different set of ideas about the nonprofit sector. Instead of\nconsidering nonprofits a potential source of political and social change,\nconservatives were attracted by three completely different features of\nnonprofits. First, they believed that nonprofit organizations might well\nrepresent an appealing alternative to direct public expenditures on so-\ncial programs that conservatives believed had not produced results.36\n\nQuestions about whether the War on Poverty had failed were in the air,\nespecially in the early 1980s. By encouraging private charities to take\nresponsibility for local community needs, conservatives believed they\ncould make an effective argument for shrinking government. After all, if\nchurches and community groups were able to function with voluntary\ncontributions of time and money, the need for an ever-growing number\nof public spending programs would surely be diminished. Compared to\ntaxation and national spending, private charity and volunteerism were\nseen as preferred means of solving social problems because they permit-\nted greater individual freedom and choice. A strong and vital nonprofit\nand voluntary sector fit well with the emerging ideas of both devolution\nand privatization, two mantras of the conservative movement. As gov-\nernment functions were pushed \u201cdown\u201d from the federal level to the\nstate and local levels, and transferred \u201cout\u201d of government to private\nproviders through contracting, nonprofits were ideally situated to de-\nliver services that once had been the province of \u201cbureaucrats\u201d in the na-\ntion\u2019s capital.37\n\nSecond, conservatives also argued that nonprofits, particularly faith-\nbased nonprofits, were in a position to bring to social programs some-\nthing that public entitlements had long lacked\u2014namely, a moral or spir-\nitual component.38 Faith-based nonprofits were seen as willing to make\ndemands on the recipients of charity and require a change of character\nand behavior in exchange for assistance. At the same time, given that\nmany nonprofits are fueled by volunteer labor and private contributions,\nconservatives were attracted to the idea of nonprofits because they rep-\nresented the ideal of self-help and independence. This was a powerful\nfeature that, conservatives argued, was perilously missing from public\nassistance programs.39 For those who believed that public entitlements\nbred dependence and complacency, the idea of delivering not just a\ncheck but a moral and spiritual message was a very strong attraction.\n\nFinally, for conservatives, nonprofit organizations were also a poten-\ntial wellspring of innovation, representing a plurality of local solutions\n\n18 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nto social problems and a powerful alternative to the ongoing search for\nuniform national solutions to public problems. Grounded in an ethos of\nself-help and respecting regional cultural variations, voluntary action fit\nwell with a growing sense among conservatives that a broad range of al-\nternatives to an expanding state needed to be actively cultivated. By giv-\ning local organizations a

chance to try their hand at program implemen-\ntation, conservatives believed that good ideas would percolate up from\ncommunities. Conservatives argued that expenditures on federal social\nwelfare and education programs should not be increased. Instead, funds\ncould be used most effectively and creatively when channeled through\nlocal groups that were more in touch with the diverse and changing\nneeds of the people. Nonprofit organizations thus represented a way of\nbreaking through the red tape of Washington to find new approaches\nto longstanding problems. Nonprofits, conservatives maintained, could\nserve as a battering ram for policy innovation.40\n\nAt first blush, it might appear that the capacity of nonprofit and vol-\nuntary organizations to speak to both liberals and conservatives implies\neither a split and conflicted identity or a simple lack of political scruples.\nIn reality, the sector is a remarkably complex entity, one that is capa-\nble\u2014like an inkblot\u2014of evoking a broad range of reactions and in-\nterpretations. Because it simultaneously supports the autonomy of the\nprivate individual actor while affirming the importance of shared and\npublic purposes, the politics of nonprofit and voluntary action can take\non many different meanings. The ability to speak across, or rather above,\ntraditional political boundaries has become one of the most powerful\nfeatures of the sector, and this trait has led to its growth and popularity,\nparticularly among young people.\n\nThe Two Dimensions of Nonprofit and Voluntary Action\n\nGiven the confusion over what to call this sector and the complex and at\ntimes confused politics that have surrounded it, the goal of this small\nbook is to help shape our understanding of the many different ways one\ncan approach the core functions of these independent organizations. To\nmake this task easier, I organize my exposition of the central functions\nof voluntary and nonprofit organizations along two broad conceptual\ndistinctions. The first critical distinction concerns how the sector is\nexplained; the question is whether nonprofit and voluntary activity is\n\nThe Idea of a Nonprofit and Voluntary Sector 19\n\n\n\ndriven primarily by demand or by supply\u2014that is, whether it can best be\understood as a response to unmet demands or whether it is taken to be\nan important supply function that creates its own demand. The second\ndistinction concerns how the sector is justified; here the issue is whether\nthe value of nonprofit and voluntary action is seen as residing in the in-\nstrumental character of the outcomes that are generated for society or in\nthe inherently expressive quality of the activities themselves that reward\nthose who undertake them. These are complex and difficult distinctions,\nwhich will be discussed in turn and then brought together to form the\nconceptual framework for the analysis that constitutes the core of the\nbook.\n\nStarting with the distinction between demand and supply, it is easy\nto see nonprofit and voluntary action as responding to two quite differ-\nent but important forces.41 The demand-side perspective starts with the\npremise that the sector exists by virtue of the broader social context\nwithin which it is embedded and that its activities are responsive to the\ndemands of the public or its members. Thus, nonprofits exist because\nthey are able to meet important social needs. Urgent public problems\nsuch as illiteracy, drug addiction, and violence demand solutions, and\nthe nonprofit sector exists to respond to the powerful pull of such is-\nsues. The demand-side approach to nonprofit activity has both descrip-\ntive and normative dimensions. Descriptive demand-side theories focus\non patterns of nonprofit formation and growth. In the 1970s, researchers\nproposed detailed economic models and explanations for nonprofits\u2019 be-\nhavior,42 most of which started with the assumption that nonprofits\nfulfill important demands that for one reason or another the market and\ngovernment are unable or unwilling to meet. This led to the

broad and\npopular belief that nonprofits were really gap-filling entities that histori-\ncally have arisen when public needs were sufficiently strong.\n\nOn a more normative level, the demand-side approach to nonprofit\norganizations has spawned a literature focusing on the social and politi-\ncal responsibilities of nonprofit organizations\u2014defined in relation to the\ndemands of the neediest members of society. Starting with the claim that\nthe tax exemption accorded these institutions conveys an obligation to\nhelp, many people have made the normative argument that nonprofit or-\nganizations should seek to assist the most disadvantaged and empower\nthe most disenfranchised members of society. Accordingly, the success\nor failure of the sector can and should be judged by how well or how\n\n20 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npoorly it meets society\u2019s needs. The demand for nonprofit and voluntary\naction leads neatly to a set of prescribed activities, including greater ad-\nvocacy work within the sector, and the empowerment and mobilization\nof those left out of the political process. The demand for nonprofit activ-\nity thus brings with it the expectation that these institutions will help\ngive voice and opportunity to those who have been marginalized by the\nmarket economy and the political process.\n\nThe idea of a demand-driven nonprofit and voluntary sector domi-\nnates much of the research that is conducted in this field. Yet a central\nclaim of this book is that the demand-side approach captures but one as-\npect of this broad social phenomenon. An alternative, supply-side posi-\ntion argues that the sector is impelled by the resources and ideas that\nflow into it\u2014resources and ideas that come from social entrepreneurs,\ndonors, and volunteers.43 This is a more controversial perspective be-\ncause it has led to some strong claims about how nonprofit organiza-\ntions should be managed and operated. Rejecting many of the preceding\narguments about the needs that pull on the sector, the supply-side per-\nspective holds that nonprofit and voluntary organizations are really all\nabout the people with resources and commitment who fire the engine of\nnonprofit and voluntary action. Drawn to the sector by visions and com-\nmitments, social entrepreneurs bring forward agendas that often operate\nindependently of immediately obvious and enduring community needs.\nThis supply-side theory of nonprofits, like the demand-side approach,\nhas both descriptive and normative elements.\n\nOn the descriptive side, this approach emphasizes the entrepreneur-\nial quality of nonprofit activity. Instead of starting with the demand of\nclients, positive supply-side theories of the nonprofit sector draw at-\ntention to the way various forms of entrepreneurship fuel innovation\nwithin the sector and how an emerging class of new social enterprises\u2014\nincreasingly led by a new generation of social entrepreneurs\u2014is chal-\nlenging old models of nonprofit management. Seen from the supply\nside, nonprofit organizations have a logic that is far more complex than\na simple response to a gap in government service or the failure of the\nmarket to meet a particular demand. The entrepreneur, donor, and vol-\nunteer take on a much greater role in this model, since it is the sup-\nply of new ideas, charitable dollars, and volunteer commitments that is\nthe real driving force behind the sector. This means that the task of\nexplaining the emergence of nonprofit and voluntary organizations\n\nThe Idea of a Nonprofit and Voluntary Sector 21\n\n\n\nrequires studying and developing typologies of social entrepreneurs\nwho use the nonprofit form to pursue their private visions of the public\ngood.\n\nThe supply-side approach has an important normative component,\nwhich holds that we must reassess the moral claims that needy clients\nhave on nonprofit programs. Instead of asking that a nonprofit meet a\ntest of moral stewardship that is ultimately decided by the

level and\nquality of service provided to those in need, the supply-side approach\nadvises that society should look to and protect the private interests and\nvalues of the critical actors who are fueling nonprofit and voluntary ac-\ntion, including philanthropic donors, volunteers, and social entrepre-\nneurs. In order to ensure the continued flow of charitable inputs, the in-\nterests and values of these actors should be the first priority of those who\nseek an enlarged role for nonprofits. This means recognizing that the\nsatisfaction of donors and the preservation of their intent constitute a\ncritical normative task for the sector. Arguing that donors, volunteers,\nand social entrepreneurs should be the centerpiece of the sector is a con-\ntroversial position because it unabashedly diminishes the claims that\nneedy populations have on the charitable resources. Supply-siders coun-\nter this complaint with the argument that if one is truly committed to\nhelping the needy, then constructing a sector that recognizes, protects,\nand encourages action by the private parties who control the resources\nshould be an obvious priority.\n\nDistinguishing between the demand and supply sides of the nonprofit\nand voluntary sector is a primary task when it comes to sorting through\nthe arguments that have emerged in recent years. Yet we must also de-\nvelop a second dimension for our conceptual framework. As soon as we\nbegin to consider the broad number of important projects and causes to\nwhich the sector is dedicated, it becomes clear that nonprofit and volun-\ntary organizations rest on two different ideas about what justifies and\ngives meaning to the work that is carried out in the sector.\n\nFirst, nonprofit and voluntary action is an important instrument for\nthe accomplishment of tasks that communities view as important. Non-\nprofit service agencies and volunteer helping organizations play an im-\nportant role in the delivery of critical services in a broad array of fields.\nNonprofits can be the principal means through which job training, arts\neducation, shelter for the homeless, health care, neighborhood clean-\nups, firefighting, crime patrols, and countless other functions are ac-\n\n22 The Idea of a Nonprofit and Voluntary Sector\n\n\ncomplished. When the sector works to accomplish popular social pur-\nposes, it acquires powerful instrumental value. It becomes a concrete\ntool to achieve some collective purpose that society considers impor-\ntant. The sector\u2019s instrumental value is measured in terms of its concrete\noutcomes. In the search for validation and learning, the programmatic\noutcomes of nonprofit and voluntary action are increasingly being mea-\nsured and evaluated using metrics borrowed from the business and pub-\nlic sectors. The growing emphasis on performance has led to a vast new\nliterature on nonprofit management, which is aimed at making these\norganizations more efficient and useful instruments for the accomplish-\nment of public purposes.44 The idea that nonprofit and voluntary organi-\nzations are valuable because they can be useful tools for the accomplish-\nment of public purposes constitutes the core of what I will term the\n\u201cinstrumental dimension\u201d of the nonprofit and voluntary sector.\n\nSecond, the sector can be seen as valuable because it allows individu-\nals to express their values and commitment through work, volunteer ac-\ntivities, and donations. By committing to broad causes that are close to\nthe heart or by giving to an effort that speaks directly to the needs of the\ncommunity, nonprofit and voluntary action answers a powerful expres-\nsive urge. For donors, volunteers, and particularly staff, the very act of\nattempting to address a need or fight for a cause can be a satisfying end\nin itself, regardless of the ultimate outcome. The value that is created\nmay be entirely psychic and may arise simply from the act of expressing\ncommitment, caring, and belief. The expressive quality of the sector

has\nled some to conclude that the narrow focus on the financial resources\navailable to nonprofit organizations and on the level of services deliv-\nered has detracted from the deeper meaning of nonprofit and voluntary\naction, which derives from the fellowship and self-actualization experi-\nenced by those who give or volunteer. This is what I will refer to as the\n\u201cexpressive dimension\u201d of nonprofit and voluntary action.45\n\nThe expressive and instrumental dimensions of nonprofit and volun-\ntary action can compliment each other or they can create tensions. In\nthe best cases, the moral energy that motivates those who deliver ser-\nvices can be harnessed to produce better and more effective programs. In\nsome ways, this connection seems obvious: a committed volunteer or\nsocial entrepreneur is more likely to work hard to create value through\nhis activities than someone who holds a job merely to earn a paycheck.\nIn some cases, however, values and personal expression can be out of\n\nThe Idea of a Nonprofit and Voluntary Sector 23\n\n\n\nsync with instrumental goals and may lead to trouble. On the one hand,\nif strong expressive desires draw people to causes and community prob-\nlems without adequate structure or planning, frustration can easily set\nin and group cohesion may be threatened. On the other hand, if too\nmuch focus is placed on improving a charitable organization\u2019s bottom\nline and maximizing the instrumental efficiency of its operations, an or-\nganization runs the risk of dimming the expressive flame of its staff, vol-\nunteers, and supporters. The managerial challenge, of course, is to bring\nthe expressive and instrumental dimensions into alignment.\n\nThe contrast between the supply and demand sides and the opposi-\ntion of the expressive and instrumental dimensions give us a basis for\nthinking systematically about the functions of nonprofit and voluntary\naction. We can construct a matrix that depicts, on one side, the nature of\nthe value produced by the sector (instrumental versus expressive) and,\non the other side, the underlying animus or force (demand versus sup-\nply). This book is organized around the four cells generated by this ma-\ntrix (see Figure 1.2), which have come to represent the four underlying\nfunctions of the nonprofit and voluntary sector: encouraging civic and\npolitical engagement, delivering needed services, enacting private values\nand religious convictions, and providing a channel for social entrepre-\nneurship.\n\nThe book works through and elaborates current debates relating to\neach of these four functions. Chapter 2 considers the role nonprofit or-\nganizations play in fostering civic and political engagement. Local non-\nprofits contribute in important ways to community cohesiveness, social\nsolidarity, and what some call \u201csocial capital,\u201d which is constituted by\nthe norms, networks, and forms of trust that make communities work.\nThese ties prepare people to play an active role in civic life and democ-\nracy. Grassroots community organizations also have the capacity to har-\nness this community spirit and generate social and political change.46\n\nUsing the protection afforded by the First Amendment, these advocacy\nand organizing efforts are a critical ingredient in our national political\nlife. In fields ranging from environmental protection to world peace,\nnonprofit and voluntary organizations have begun to exercise consider-\nable political power. Nonprofits play a powerful role in setting the terms\nof many public debates, in mobilizing key constituencies, and in coordi-\nnating grassroots campaigns to effect change at the local, state, national,\nand transnational levels.\n\n\n\n\n\nChapter 3 considers how nonprofits represent an effective and power-\nful tool for responding to concrete public needs that the market and the\nstate fail to meet. On the questions of why nonprofit organizations come\ninto being and what role they play in society, a strong line of

argument\nhas emerged. Starting in the 1970s and continuing into the 1980s, theo-\nries about nonprofits focused heavily on the idea of government and\nmarket failure. Researchers proposed the idea that nonprofit provision\nof particular services arises when either government is unable to meet\ndemand or when consumers are resistant to purchasing a given service\nin the for-profit marketplace. This positive theory of nonprofits em-\nbraced the subtle assumption that nonprofits were really just govern-\nment\u2019s partners, charged with helping to deliver needed services. Since\ngovernment and nonprofit organizations were thought to have the same\nbasic goals and values, collaboration between sectors was seen as largely\nunproblematic. Some of the progenitors of this early, foundational per-\n\nThe Idea of a Nonprofit and Voluntary Sector 25\n\n1.2 The four functions of nonprofit and voluntary action.\n\nExpressive\nrationale\n\nInstrumental\nrationale\n\nDemand-side\norientation\n\nSupply-side\norientation\n\nService delivery\n\nProvides needed services and\nresponds to government and\nmarket failure\n\nSocial entrepreneurship\n\nProvides a vehicle for\nentrepreneurship and creates\nsocial enterprises that\ncombine commercial and\ncharitable goals\n\nValues and faithCivic and political engagement\n\nMobilizes citizens for politics,\nadvocates for causes, and\nbuilds social capital within\ncommunities\n\nAllows volunteers, staff, and\ndonors to express values,\ncommitments, and faith\nthrough work\n\n\n\nspective argue that the future of the nonprofit sector lies in its capacity\nto cooperate and collaborate effectively with government, even though\ntensions between sectors appear to be rising. Chapter 3 presents the\nearly models of nonprofit production, while raising new practical ques-\ntions about the interaction of nonprofits with government and the\nmarket.\n\nChapter 4 considers the essentially private character of nonprofit and\nvoluntary action that makes the sector an ideal vehicle for the expres-\nsion of personal values and spiritual beliefs. Nonprofit and voluntary or-\nganizations are places where believers of all sorts are welcome, some of\nwhom are motivated by faith, others by commitment to issues, and still\nothers by strongly held private values and norms. The value component\nof nonprofit work\u2014which goes beyond the rational, purposive function\nof that work\u2014is part of what defines the sector and attracts donors, vol-\nunteers, and entrepreneurs to nonprofit and voluntary action. The val-\nues that animate nonprofit and voluntary action can often be important\nsources for innovation and experimentation, as private visions of the\ncommon good are tested and refined. The discussion covers the contro-\nversial normative position that has evolved in recent years from this pos-\nitive analysis, which holds that the special visions of donors and entre-\npreneurs\u2014not the growing demands of the recipient organizations and\ntheir clients\u2014should define and shape nonprofit activity. It is important\nto note that when one shifts the focus of the normative analysis from re-\ncipients to donors, volunteers, and social entrepreneurs, the evaluative\ncriteria for the sector change radically. Instead of measuring outputs and\noutcomes for clients, evaluation looks at the subjective experience of\nthose funding and delivering the services. Because it flies in the face of\nthe more progressive ideas that have dominated thinking about the sec-\ntor, this particular part of the supply-side vision represents a way of see-\ning nonprofit and voluntary activity that challenges some of our com-\nfortable assumptions about nonprofit organizations.\n\nChapter 5 tracks one of most important changes in the sector over the\npast two decades\u2014namely, the growth of a new kind of social entrepre-\nneurship and the rise of commercial activities as a way of financing ag-\ngressive growth agendas. Rather than waiting for donors to support ini-\ntiatives with

charitable dollars, more and more nonprofit managers are\nexposing their organizations to market forces. The rise of entrepreneur-\nship in nonprofit organizations is manifest in many different ways, in-\n\n26 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ncluding the creation of new kinds of hybrid organizations, the influx of a\ngeneration of younger, more business-oriented managers, and a willing-\nness to rethink the traditional boundaries between for-profit and not-\nfor-profit enterprises. Many of the new entrepreneurial nonprofits ex-\nplicitly start out with the intention of producing social innovations that\nwill in turn create their own demand. This marks a major change from\nthe traditional idea of delivering services for which there is already a de-\nmand. To finance this start-up strategy, some social entrepreneurs have\ndeveloped funding plans that rely heavily on revenues from commercial\nventures of all kinds, not just charitable contributions or government\ngrants. Chapter 5 looks at both the theory and practice of nonprofit en-\ntrepreneurship.\n\nAfter reviewing the four core functions of the sector, Chapter 6 ex-\nplores emerging challenges connected to the sector\u2019s rapid growth and\nidentifies a few significant consequences that flow from seeing the sector\nas a diverse and pluralistic realm. The chapter, and the book as a whole,\nadvances a message connected to both the management of individual\nnonprofit organizations and the direction of the sector as a whole: each\nof the four functions of nonprofit activity is important in itself. But when\npursued in isolation and in excess, any of the functions can lead to im-\nbalance, at both the organizational level and the sectoral level. If individ-\nual nonprofits and the sector as a whole are seen as only engaging in po-\nlitical organizing and advocacy, charges of excessive politicization are\nlikely to arise sooner or later. If the sole focus of nonprofit activity is the\nefficient delivery of publicly funded services, concerns about indepen-\ndence and vendorism will never be far away. If nonprofits do nothing but\nenact private values and interests, worries about particularism will al-\nmost certainly arise. If nonprofit activity comes to be focused too much\non the creation of income-generating ventures, objections related to\ncommercialism will be difficult to counter. Balance and a plurality of\npurposes thus turn out to be critical to sustaining nonprofit organiza-\ntions and to the sector\u2019s continued growth and success.\n\nAt a time when nonprofit and voluntary activity has been the subject\nof increasing public attention and academic study, the breadth and depth\nof our understanding of this phenomenon has been severely constrained\nby the lack of a clear statement of the sector\u2019s core activities, rationales,\nand dimensions. This book strives to respond to this need by presenting\nfour critical functions that the sector performs. While it does not pre-\n\n\nThe Idea of a Nonprofit and Voluntary Sector 27\n\n\n\ntend that these functions entirely exhaust the range of purposes and ra-\ntionales that guide nonprofit and voluntary action, the book argues that\nmany of the most essential conceptual and policy problems within the\nsector can be usefully captured with this framework. The normative ar-\ngument of the book is simply that the sector cannot survive and gar-\nner financial, political, and volunteer support if it swings too far in the\ndirection of any particular function. In the long run, balance, achieved\nthrough the fulfillment of a diversity of functions, is ultimately essential\nwithin the vast range of nonprofit organizations and across the sector as\na whole.\n\nNonprofit and voluntary action can be a powerful force for good in so-\nciety. Yet a good many myths have grown up around these private orga-\nnizations that fulfill public purposes. In searching for the core functions\nof the nonprofit and voluntary sector, the book challenges some of these\nmyths and suggests that the nonprofit and voluntary sector

is an evolv-\ning and at times contradictory realm that now faces a number of sig-\nnificant challenges to its continued growth and legitimacy. Rather than\nattempting to smooth over and resolve these tensions, the exposition\nhere deliberately brings them out in to the open. Ultimately, it is the di-\nversity of purposes and rationales embodied in nonprofit and voluntary\norganizations that make them increasingly visible and exciting vehicles\nfor the pursuit of common social goals. And it is the sector\u2019s diversity\nand flexibility that may well help nonprofit organizations to solve some\nof the pressing challenges they now confront.\n\n28 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nCivic and Political Engagement Civic and Political Engagement\n\n2\n\nCivic and Political Engagement\n\nNonprofit and voluntary organizations respond to the deeply rooted\nneed of individuals to be part of something bigger than themselves. As\nan antidote to atomistic individualism, nonprofit and voluntary activity\nat the local, state, national, and transnational levels brings people out of\ntheir isolation and puts them in touch with others who share their con-\ncerns and interests. The connections forged when people are drawn into\ncivic space can be used to respond to community concerns, needs, and\ndemands. By virtue of their emphasis on expressive, associational activ-\nity, nonprofits allow individuals and communities to transform their\ncommitment into concrete collective action. When nonprofits speak di-\nrectly to important public needs and lead collectivities to devise effective\nsolutions to public problems, these diverse organizations\u2014ranging from\nblock clubs to national membership groups\u2014help overcome some of\nthe cynicism and distrust that stifle civic and political engagement. The\nspecial ability of nonprofit and voluntary activity to mobilize and con-\nnect individuals clearly has significant direct and indirect political impli-\ncations.1\n\nNonprofit and voluntary organizations are linked with the political\nprocess in six different ways, which range in character from nonpartisan\nto very partisan. First, nonprofits build trust, cohesion and social capital\nin communities. Through church groups, veterans\u2019 clubs, PTAs, and\nmany other kinds of organizations and associations, individuals find\nconnections to one another and build a sense of community and solidar-\nity that leads to greater enthusiasm for community life. This trust, or\n\u201csocial capital,\u201d represents a critical reservoir of good will and serves as\n\n29\n\n\na catalyst for civic and political engagement. Second, nonprofits pro-\nmote civic engagement directly by offering individuals a door that opens\nonto the public square and a tool for demonstrating commitment to\nsomething greater than narrow self-interest. Civic engagement skills are\nlearned and honed through nonprofit and voluntary action. Third, non-\nprofits translate trust and civic engagement into direct political action by\norganizing people at the grassroots around interests and causes, by regis-\ntering voters and spurring them to get out the vote, and by organizing\ntown hall meetings and a host of other participation and empower-\nment activities aimed at bringing the individual into the public sphere.\nFourth, nonprofits are linked to politics through advocacy work. Orga-\nnized around broad issues and concerns, nonprofits play an important\nrole in informing and educating the public and policymakers. Advocacy\nefforts take place at the local, state, national, and transnational levels.\nFifth, nonprofits engage in direct lobbying around specific legislative\nissues. Almost every time government moves forward with a decision,\nlobbying on both sides of the issue occurs. Different from advocacy\nin that it focuses on specific bills of legislation, lobbying is a way to\ntranslate public concerns into legislative action. Sixth, nonprofits figure\nprominently in our

electoral system. Campaign fundraising organiza-\ntions, political action committees, and a range of party institutions are\nall tax-exempt organizations. In recent years, cynicism about the role of\nmoneyed interests in politics has raised some difficult questions about\nthis particular function of nonprofits.\n\nAs they work to build cohesion in communities and as they speak out\non issues, nonprofits enjoy freedom of association and speech under the\nFirst Amendment. While nonprofits have often had an adversarial rela-\ntionship with government, the diverse forms of their political activity\nare still guaranteed government protection. No matter what causes they\nseek to advance, nonprofits do not risk the loss of their protected status\nas long as they follow a few basic rules when exerting their fundamental\nrights to speech and association. There is no test of reasonableness when\nit comes to the political views of nonprofits, nor are there prohibitions\non coalitions\u2019 forming behind any peaceful cause imaginable. Of course,\nthis has led to the advocacy of policies and agendas that have been con-\ntroversial, often because they challenged majority positions. Still\nThe file is too long and its contents have been truncated.\n", "extra": {"cited_message_idx": 19, "search_result_idx": null, "evidence_text": "source"}, "url": "file-oOTG3NdARlccxURLJHM7nlfY"}}], "gizmo_id": null, "is_complete": true, "message_type": null, "model_slug": "gpt-4", "default_model_slug": "gpt-4", "pad": "AAAAAA", "parent_id": "493fa8a8-92a7-4adf-9a16-acc0459cef6f", "request_id": "8888ee783cf85254-MXP", "timestamp_": "absolute", "content_references": [{"matched_text": "\u301019\u2020source\u3011", "start_idx": 572, "end_idx": 583, "alt": null, "type": "file", "name": "On Being Nonprofit A Conceptual and Policy Primer (Peter Frumkin) (Z-Library).pdf", "id": "file-oOTG3NdARlccxURLJHM7nlfY", "source": "my_files", "snippet": "\n\n\nOn Being Nonprofit\n\n\n\n\n\nOn Being Nonprofit\nA Conceptual and Policy Primer\n\nPeter Frumkin\n\nHARVARD UNIVERSITY PRESS\n\nCambridge, Massachusetts\n\nLondon, England\n\n\n\nFor my parents,\nAllan and Jean\n\nCopyright \u00a9 2002 by the President and Fellows of Harvard College\n\nAll rights reserved\n\nPrinted in the United States of America\n\nFirst Harvard University Press paperback edition, 2005\n\nLibrary of Congress Cataloging-in-Publication Data\n\nFrumkin, Peter.\n\nOn being nonprofit: conceptual and policy primer / Peter Frumkin.\n\np. cm.\n\nIncludes bibliographical references and index.\n\nISBN 0-674-00768-9 (cloth)\n\nISBN 0-674-01835-4 (paper)\n\n1. Nonprofit organizations. I. Title.\n\nHD2769.15 .F78 2002\n\n361.7\ufffd63\u2014dc21 2002017227\n\n\n\nPreface Preface\n\nPreface\n\nIn recent years, the study of nonprofit and voluntary organizations has\nbeen a growth field, a fact that is apparent in the proliferation of non-\nprofit degree and certificate programs in schools of business and public\naffairs, the founding of new independent centers devoted to nonprofit\nresearch, and the steady increase in scholarship concerned with non-\nprofit organizations. To date, however, the study of nonprofit organiza-\ntions has yet to find a home in any single discipline. And this may well\nbe for the best. Our understanding of nonprofit organizations has bene-\nfited from the attention of economists, political scientists, sociologists,\npsychologists, historians, and management scholars. In writing this\nbook, I have endeavored to bring together some of the most significant\nand contentious ideas about the nonprofit and voluntary sector and to\nintegrate at least some elements of the competing disciplinary perspec-\ntives that have emerged. This is, after all, a book about the nonprofit and\nvoluntary sector written by an organizational sociologist who teaches\nstrategic management in a public policy school. It is my sincere hope\nthat this book will cross disciplinary bounds and that it will serve as a\nuseful and clarifying overview of the

pressing conceptual and policy\nproblems facing nonprofit organizations today.\n\nDividing nonprofit action into four broad functions, this book exam-\nines how nonprofit organizations promote civic and political engage-\nment, deliver critical services within communities, provide an institu-\ntional vehicle for social entrepreneurship, and allow the expression of\nvalues and faith. The core of the book explores the tensions and prob-\nlems that have arisen in each of these functional realms and the bound-\nary disputes that have broken out as nonprofit organizations have been\ndrawn into competition and collaboration with government and busi-\nness. In exploring the multiple roles of nonprofit organizations, I argue\nthat the long-term health and viability of nonprofit organizations de-\n\nv\n\n\npend on the achievement of balance among the four functions, so that\nno one function is allowed to dominate the other three. This has not al-\nways been achieved in recent years and the results have been painfully\nclear: charges of politicization, vendorism, commercialism, and particu-\nlarism have plagued nonprofit organizations. The argument developed\nhere is that only when nonprofits achieve important successes in each of\ntheir functions will they receive and sustain the financial support and\npublic acceptance that they need to continue to grow. In tackling these\nbroad and complex issues, I have aimed to provide a perspective on non-\nprofit activity that will be relevant to scholars and students approaching\nthe topic from a wide array of backgrounds and levels of familiarity.\n\nThe intellectual debts I have accumulated over the years are very\nlarge. From the very first moment I joined the faculty of Harvard Univer-\nsity\u2019s Kennedy School of Government and began to work on this book, I\nhave benefited greatly from the good counsel and insightful criticisms\nof Mark Moore and Christine Letts, who together helped launch the\nHauser Center for Nonprofit Organizations, where I have been a faculty\naffiliate. I am grateful to both of them for creating a place where it is pos-\nsible to do serious work within a community of scholars and students.\nMy faculty colleagues at the Hauser Center and within the broader Ken-\nnedy School of Government have all contributed directly or indirectly to\nthe completion of this book. Through numerous seminar presentations,\ne-mail exchanges, and hallway discussions over the years, their active\u2014\nsometimes aggressive\u2014questioning has led me to sharpen and improve\nmy arguments. I owe a special debt to Peter Dobkin Hall, who read and\ncommented on the entire manuscript and generously shared with me his\nencyclopedic knowledge of all things nonprofit. My understanding of\nthe nonprofit sector has been substantially enriched by friendships, con-\nversations, and collaborations over the years with Joseph Galaskiewicz,\nPaul Light, Steven Rathgeb Smith, Brint Milward, Barry Karl, Ellen\nCondliffe Lagemann, Marion Fremont-Smith, Allen Grossman, Eliza-\nbeth Keating, Donald Haider, David Reingold, and William Ryan.\n\nOne of the real pleasures of working at the Kennedy School of Gov-\nernment has been the opportunity to teach and work with a group of su-\nperb doctoral students, including especially Alice Andre-Clark, Gabriel\nKaplan, and Mark Kim. For several years, Kennedy School students in\nmy class on the nonprofit sector patiently listened and questioned me\nas the ideas in this book were formed and developed. From the start,\n\nvi Preface\n\n\nShawn Bohen has expertly managed the Hauser Center\u2019s work and\ngrowth and, with great humor and patience, helped me navigate the ser-\npentine world of Harvard rules, regulations, and budgets, while also pro-\nviding the kind of advice and help that was necessary for seeing many\nprojects to completion. Jennifer Johnson provided wonderful research\nassistance throughout the writing of the book and helped bring the\nmanuscript to final form. Michael Aronson at Harvard

University Press\nguided this book from an idea to a manuscript, arranged helpful reviews,\npatiently explained the publishing process to me, and made the whole\nprocess appear less mysterious.\n\nBehind the scenes of much of my research, a group of generous sup-\nporters have allowed me to pursue ideas wherever they led. It is a plea-\nsure to thank the Hauser Center for Nonprofit Organizations, Claude\nRosenberg of NewTithing Group, Patricia Brown of the Burton G.\nBettingen Corporation, Ted Halstead of New America Foundation, and\nMark Abramson of the PriceWaterhouseCoopers Endowment for the\nBusiness of Government, all of whom supplied critical financial sup-\nport for elements of my broader research agenda. Within the Kennedy\nSchool, Alan Altshuler, Ron Heifetz, and Fred Schauer furthered the\nproject at critical stages, and I am grateful for their help.\n\nFinally, my greatest debt is to my wife, Elizabeth, who encouraged me\nfrom my first day of graduate school and through all my subsequent re-\nsearch. Her unstinting support has made everything seem possible.\n\nPreface vii\n\n\n\n\n\nContents\n\n1 The Idea of a Nonprofit and Voluntary Sector 1\n\n2 Civic and Political Engagement 29\n\n3 Service Delivery 64\n\n4 Values and Faith 96\n\n5 Social Entrepreneurship 129\n\n6 Balancing the Functions of Nonprofit and\nVoluntary Action 163\n\nNotes 183\n\nIndex 209\n\n\n\n\n\nThe Idea of a Nonprofit and Voluntary Sector The Idea of a Nonprofit and Voluntary Sector\n\n1\n\nThe Idea of a Nonprofit\nand Voluntary Sector\n\nThe nonprofit and voluntary sector is the contested arena between the\nstate and the market where public and private concerns meet and where\nindividual and social efforts are united. Nonprofit and voluntary action\nexpresses a complex and at times conflicting desire to defend the pursuit\nof private individual aspirations, while at the same time affirming the\nidea of a public sphere shaped by shared goals and values. For this\ndifficult balancing act to work, participation in the sector demands a\ncommitment to, among other things, expression, engagement, entrepre-\nneurship, and service. Constituted by both legally chartered nonprofit\norganizations and myriad informal groups and voluntary associations,\nthis sector occupies an increasingly critical and visible position in our\npolitical, social, and economic life.1 Yet despite its size and perceived\ninfluence, there is considerable uncertainty and confusion about its\nboundaries. The lines delimiting the sector have frequently been subject\nto challenge and revision, as funds and responsibilities have shifted back\nand forth among business, nonprofit, and government organizations.\nReaching consensus on the very definition of the nonprofit and volun-\ntary sector is difficult because many of the core features and activities of\nnonprofits increasingly overlap and compete with those of business and\ngovernment.\n\nThus, the nonprofit and voluntary sector is at once a visible and com-\npelling force in society and an elusive mass of contradictions. On the\none hand, the rise of nonprofits is thought to have contributed to de-\nmocratization around the world, opening up societies and giving people\na voice and a mode of collective expression that has in too many cases\n\n1\n\n\n\nbeen suppressed.2 In the United States, nonprofit and voluntary organi-\nzations are seen as playing a central role in generating, organizing, and\nemboldening political opposition, working through national networks\nand building international linkages. Nonprofit and voluntary organiza-\ntions have also acted as practical vehicles for the delivery of a broad\nspectrum of community services, ranging from affordable housing to\ntheater performances to vocational training to health care. The nonprofit\nsector appears, therefore, to be a real and identifiable group of tax-ex-\nempt organizations that encourage political engagement and produce\nservices. The sector is in fact a documented economic powerhouse

that\nemploys millions of people and accounts for a significant portion of the\nnation\u2019s gross domestic product. All of which makes the nonprofit sector\na strong and compelling concept that appears grounded in economic,\npolitical, and legal reality.\n\nOn the other hand, the nonprofit and voluntary sector is home to\nsuch a wide range of organizations that grouping them together into one\nentity is highly problematic. From the largest hospitals and universi-\nties (which fund their operations by collecting fees or tuition) to small\nmentoring programs and avant-garde arts organizations (which survive\non charitable contributions), nonprofits span a tremendous range of or-\nganizational forms. Many of these forms are stable and lasting, while\nothers are fragile and transient. Some of the organizations that are con-\nsidered part of the nonprofit sector, such as religious congregations and\nprivate membership organizations, operate without government fund-\ning. Other nonprofit organizations, particularly those that service the el-\nderly and poor, could not survive without the steady flow of funds from\nfederal, state, and local government. Beyond differences in funding, the\norganizations within the sector are balkanized by legal status, level of\nprofessionalization, and underlying purpose.\n\nThus, any exploration of the nonprofit and voluntary sector would\ndo well to begin by acknowledging its fundamentally contested nature.\nThis chapter reviews the difficulties in defining the central characteris-\ntics of nonprofit and voluntary organizations, the conflicting nature of\nthe words we use to describe this part of our world, and the evolving\nplace the sector occupies in America\u2019s fragmented and polarized political\nsphere. Throughout, the tensions inherent in the very idea of organiza-\ntions operating between the state and the market emerge again and\nagain. All of which leads to the analytic framework that guides this book\n\n2 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nin its exploration of the overarching functions of the nonprofit and vol-\nuntary sector.\n\nThree Features of Nonprofit and Voluntary Organizations\n\nAttempting to define the fundamental features of the disparate enti-\nties that constitute the nonprofit and voluntary sector is a complex and\ndaunting task. Yet there are at least three features that connect these\nwidely divergent entities: (1) they do not coerce participation; (2) they\noperate without distributing profits to stakeholders; and (3) they exist\nwithout simple and clear lines of ownership and accountability. Taken\ntogether, these three features might make nonprofit and voluntary orga-\nnizations appear weak, inefficient, and directionless, but nothing could\nbe further from the truth. In reality, these structural features give these\nentities a set of unique advantages that position them to perform impor-\ntant societal functions neither government nor the market is able to\nmatch.\n\nPerhaps the most fundamental of the three features is the sector\u2019s\nnoncoercive nature. Citizens cannot be compelled by nonprofit organi-\nzations to give their time or money in support of any collective goal.\nThis means that, in principle at least, nonprofits must draw on a large\nreservoir of good will. This noncoercive character is also what most\nstarkly differentiates the sector from government, which can levy taxes,\nimprison violators of the law, and regulate behavior in myriad ways. The\npower of coercion that the public sector possesses is a powerful tool for\nmoving collectivities toward common ends, but it is also a source of\nstrife and contention. Trust in government is now low,3 making the ef-\nfective use of state power more and more difficult as its legitimacy fades.\nFor nonprofit and voluntary organizations, these issues do not arise.\nFree choice is the coin of the realm: donors give because they choose to\ndo so. Volunteers work of their own volition. Staff actively seek employ-\nment in these organizations, often at lower

wages than they might se-\ncure elsewhere. Clients make up their own minds that these organiza-\ntions have something valuable to offer. Though they stand ready to\nreceive, nonprofit and voluntary organizations demand nothing. As a\nconsequence, nonprofits occupy a moral high ground of sorts when\ncompared to public sector organizations that have the ability to compel\naction and coerce those who resist.\n\nThe Idea of a Nonprofit and Voluntary Sector 3\n\n\n\nIn some ways, the noncoercive character of the nonprofit and volun-\ntary sector situates it closer to the market than to government. Business\ndepends on the free choice of consumers in a competitive market where\nalternatives are often plentiful and where no firm has the capacity to\ncompel anyone to purchase its goods or services. Similarly, nonprofit or-\nganizations cannot coerce participation or consumption of their ser-\nvices. The sector makes choices available, rather than deciding for oth-\ners. When it comes to the mobilization of funds, the parallel between\nbusiness and nonprofits is equally clear. Just as no one forces anyone to\nbuy shares or invest in enterprises, no one forces anyone to give or vol-\nunteer in the nonprofit world. The flow of resources to a nonprofit de-\npends entirely on the quality and relevance of its mission and its capac-\nity to deliver value. To the extent that a business firm or a nonprofit\norganization is performing well, investors and donors will be attracted\nto it. Should things take a turn for the worse, investment funds and phil-\nanthropic funds usually seek out other options quickly.\n\nThe second feature of nonprofit and voluntary organizations sharply\ndifferentiates them from business firms, however. While corporations\nare able to distribute earnings to shareholders, nonprofit and voluntary\norganizations cannot make such distributions to outside parties. Rather,\nthey must use all residual funds for the advancement of the organiza-\ntion\u2019s mission.4 By retaining residuals rather than passing them on to in-\nvestors, nonprofit organizations seek to reassure clients and donors that\ntheir mission takes precedence over the financial remuneration of any\ninterested parties. The nondistribution constraint has been seen as a tool\nthat nonprofits can use to capitalize on failures in the market. Since\nthere are certain services, such as child care and health care, that some\nconsumers feel uncomfortable receiving if the provider is profit driven,\nnonprofits are able to step in and meet this demand by promising that no\ninvestors will benefit by cutting corners or by delivering unnecessary\nservices.\n\nWhile the noncoercive feature of nonprofits brings nonprofits closer\nto business and separates them from government, the nondistribution\nconstraint pushes nonprofits closer to the public sector and away from\nthe private sector. Government\u2019s inability to pay out profits from the sale\nof goods or services is related to its need to be perceived as impartial and\nequitable.5 With nonprofits, the nondistribution constraint also builds\nlegitimacy and public confidence, though this does not mean that spe-\n\n4 The Idea of a Nonprofit and Voluntary Sector\n\n\ncial powers are vested in these organizations. In both sectors, the non-\ndistribution constraint strongly reinforces the perception that these enti-\nties are acting for the good of the public.\n\nThe third feature of nonprofit and voluntary organizations is that they\nhave unclear lines of ownership and accountability.6 This trait sepa-\nrates these entities from both business and government. Businesses must\nmeet the expectations of shareholders or they risk financial ruin. The\nownership question in the business sector is clear and unambiguous:\nshareholders own larger or smaller amounts of equity in companies de-\npending on the number of shares held. Similarly, government is tethered\nto a well-identified group of individuals, namely voters. Executive and\nlegislative

bodies\u2014and the public agencies they supervise at the federal,\nstate, and local levels\u2014must heed the will of the electorate if they are to\npursue public purposes effectively and retain the support and legitimacy\nneeded to govern. There is also a long tradition in the United States of\nconceiving government as \u201cbelonging\u201d to citizens, though the ways in\nwhich this ownership claim can be exercised are severely limited. In the\nnonprofit sector, clear lines of ownership and accountability are absent.7\n\nNonprofit and voluntary organizations must serve many masters,\nnone of which is ultimately able to exert complete control over these or-\nganizations. Donors, clients, board members, workers, and local com-\nmunities all have stakes, claims, or interests in nonprofit and voluntary\norganizations. Yet none of these parties can be clearly identified as the\nkey ownership group. The relative strength of these ownership claims\ndepends on how an organization is funded and on its chosen mission.8\n\nNonprofit organizations that depend heavily on charitable contributions\nare often held closely accountable by their donors, some of whom be-\nlieve that as social investors they have a real stake in the organizations\nto which they contribute. Nonprofits that are largely driven by service\nfees or commercial revenues are in a different position. While these\nmore commercial organizations do not have donors asserting claims\nover them, social entrepreneurs and professional staff may view them-\nselves as the key stakeholders in these more businesslike organizations.\n\nOften, however, the lines of ownership and accountability are ren-\ndered more complex by the fact that many nonprofit organizations com-\nbine funding from multiple sources\u2014foundations, corporations, and\ngovernment\u2014with earned income, making it hard to point to any par-\nticular party as the key stakeholder to whom these special institutions\n\nThe Idea of a Nonprofit and Voluntary Sector 5\n\n\n\nmust answer.9 One might be tempted to point out that nonprofit and\nvoluntary organizations are almost always governed by boards, and to\npropose this as a solution to the ownership and accountability issue. Un-\nfortunately, board members are not owners. They are stewards who are\nheld responsible for the actions of their organization. In the end, non-\nprofit and voluntary organizations are authorized to act in the public in-\nterest by the communities in which they operate, though the lines of ac-\ncountability are weaker than those in the public sector and the lines of\nownership far more obscure than in the business sector.\n\nThese three features of nonprofit organizations are not without con-\ntroversy and contention. In fact, each has been called into question in\nrecent years. First, the noncoercive nature of the sector has been chal-\nlenged by the growing tendency to mandate community service or vol-\nunteer work. In the case of welfare reform, many states have required aid\nrecipients to complete a community service requirement in order to con-\ntinue receiving their monthly support payments.10 A growing number of\nhigh schools now make volunteering with a local organization a condi-\ntion for graduation. In addition, there have long been parts of the non-\nprofit landscape where strong norms are enforced on those who have\ncommitted to membership. Within professional associations, licenses to\npractice medicine, law, and other callings are granted and denied by\nnonprofit entities.11 Within many religions, the behavior of adherents is\nseverely constrained by doctrine. In some neighborhoods, independent\ncommunity groups have been granted the power to plan and constrain\nfuture development by residents. The exercise of power may be subtle\nin some cases. For example, many private funders exercise consider-\nable influence over the recipients of their grants. This influence can take\nthe form of a gentle suggestion or a condition of support that pro-\ngrams be revamped.12 Although

the constraints imposed in each case\nfollow a decision to participate and join, the power of some nonprofits\nover groups of individuals is considerable. In each and all such in-\nstances,13 the noncoercive character of these organizations is called into\nquestion.\n\nSecond, the nondistribution constraint of nonprofit organizations has\nlikewise been under assault from a number of different directions. In re-\ncent years, increased scrutiny of the high salary levels of many nonprofit\nexecutives has led some to ask whether the \u201cprofits\u201d\u2014or, more accu-\nrately, the increased program revenues\u2014are not in fact being routinely\ndistributed to staff in the form of generous compensation and benefit\n\n6 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npackages.14 In the area of capitalization, large nonprofit organizations\nhave been aggressive in raising funds through bond offerings, which\ndo not offer investors the ownership stake that stock offerings do, but\nwhich have the effect of opening up major capital flows into the non-\nprofit sector. The accumulation of capital in the form of large endow-\nments has also called into question the boundary between business and\nnonprofit organizations: endowment funds, by their nature, are not used\nto fulfill an organization\u2019s immediate needs. Instead, they are invested in\nstocks, real estate, and other speculative investments designed in the\nlong run to maximize financial return. This is a strategic move that some\nhave characterized as contrary to the public purposes of nonprofit orga-\nnizations.15 Making the boundary between nonprofits and business firms\neven more opaque, at least one study has argued that the nondistri-\nbution constraint does not significantly increase consumer confidence\nin the trustworthiness of nonprofits compared to business firms.16\n\nThird, the ownerless character of nonprofit and voluntary organiza-\ntions has come under fire as the legal claims of nonprofit stakeholders\nhave evolved. The courts have held that only members (in the case of a\nmembership organization), trustees or directors, and the attorney gen-\neral in the state where the nonprofit is located have legal standing to\ncontest the action of a charitable corporation. Over the years, however,\nthe power of trustees and directors has grown substantially, not to the\npoint where they can claim ownership of the assets of a nonprofit, but to\nthe point where boards now have tremendous leeway in the way they\noperate a charitable organization.17 While these claims have rarely come\nto equal those of ownership, the lines of accountability have been drawn\nmore sharply, particularly as questions about the transfer of assets have\ncome up when nonprofit organizations have attempted to convert to for-\nprofit status.18\n\nThe ultimate result of these debates and trends is that the defining fea-\ntures of nonprofit organizations are evolving and are the subject of con-\nsiderable debate. The notion that there is some simple and unambiguous\ntest that can be developed to decide what sector an organization belongs\nto is no longer reasonable. While the Internal Revenue Service (IRS) and\nthe states have developed statutes and rules that define and regulate\nthese special institutions, a different and far more complex reality has\nemerged. The legal code is often of limited value in the effort to deter-\nmine which organizations are really nonprofit and voluntary in their\noperation.\n\nThe Idea of a Nonprofit and Voluntary Sector 7\n\n\n\nComposition of the Nonprofit and Voluntary Sector\n\nIn the United States today, there are more than one and a half million\nregistered nonprofit organizations, as well as several million informally\norganized community groups. The formally registered organizations fall\ninto two broad and porous categories: those that serve the public and\nthose that serve members. The public-serving organizations, classified\nunder section 501(c)3 of the IRS code, operate in almost every imagin-\nable field of human endeavor,

and include, among countless others, so-\ncial service agencies helping children, the elderly, and the poor; inde-\npendent schools and private colleges; community clinics and hospitals;\nthink tanks; environmental organizations; cultural groups such as muse-\nums, theaters, and historical societies; and a range of international assis-\ntance organizations. They are the most visible and recognizable part of\nthis organizational universe. But substantial resources are concentrated\nin the member-serving or mutual benefit organizations, which include\ncredit unions, business leagues, service clubs, veterans\u2019 organizations,\nand trade associations. They tackle problems ranging from the most\ncomplex issues of business policy to the most prosaic challenges of\nsmall-town life. Also included in the sector (though not filing forms an-\nnually with the IRS) is a vast array of churches, synagogues, and\nmosques that form the foundation of the nation\u2019s religious life. While we\ntend to think of congregations as membership organizations, they are\ntreated differently by government and are not subject to the same forms\nof oversight as other member-serving nonprofits.\n\nWhile the largest and better-financed nonprofit organizations receive\nthe bulk of public attention, important work is done by the army of\nless visible associations, clubs, networks, and groups through which\ncommunities come together and act.19 There is considerable dispute as\nto whether the legally chartered nonprofit organizations share enough\ntraits with informal voluntary associations to justify including both\ngroups in one sector.20 However, leaving these grassroots associations\nout of the picture grants far too much deference to the tax treatment of\nnonprofits and ignores the fact that informal associations and formal\nnonprofits both eschew the distribution of profits, are noncoercive, and\nhave no owners.\n\nPublic awareness of the sector is rapidly increasing, though surpris-\ningly little is known about the underlying purposes and values that ani-\n\n\n\n\nmate nonprofit and voluntary action or the vehicles through which these\nvalues and purposes are channeled. In part, this is because these activi-\nties reflect a sometimes confusing agglomeration of strongly held private\nvalues, as well as a set of complex public purposes. The sector can thus\nbe conceived as a tent covering public-serving charities, member-serv-\ning organizations, and a range of informal organizations, including vol-\nuntary and grassroots associations (see Figure 1.1).\n\nThis diverse and at times contradictory group of entities comprises or-\nganizations and associations that are neither part of the state nor fully\nengaged in the market. The sector\u2019s solutions to community and public\nproblems at times represent a conscious disavowal of commercial mar-\nkets and a realization that some exchanges are simply better conducted\nunder terms of mutuality and trust than under the strict dictate of caveat\nemptor.21 Using charitable contributions, many nonprofit and voluntary\norganizations can deliver services to clients who are unable to pay. At\nother times, nonprofit and voluntary action represents an attempt to\nmove beyond government action to find solutions to public problems\nthat a majority of citizens are unable or unwilling to support.

\n\n\n\ncan and do speak to community needs that lie outside the priorities of\nthe median voter. But the position of this group of organizations in rela-\ntion to the market and the state is far more complex and changeable\nthan these simple claims of differentiation might lead one to believe. In\nsome fields of

activity within the sector, intense commercialism has\neroded the moral high ground of these organizations and transformed\nnonprofits into shadow businesses that compete actively for clients able\nto pay for the services they offer. In other fields, nonprofits have lost\ntheir autonomy from government and have come to serve as dutiful im-\nplementers of public sector programs and priorities. The lack of clarity\nin the identity of nonprofit and voluntary organizations in relation to\nbusiness and government becomes ever more evident as soon as one\nconsiders the range of names used to speak about these entities.\n\nWhat\u2019s in a Name?\n\nThe process of arriving at a single term to designate this sphere of activ-\nity has been long and conflicted. Although the term \u201cnonprofit and vol-\nuntary sector\u201d is common today, many other terms have been devised\nover the years. The long-standing confusion over terminology can be\ntraced to the diversity of activities that need to be covered by whatever\nterm is chosen.22 Programs are delivered through both formal and infor-\nmal organizations, carried out by both salaried and volunteer staff, and\nsupported through donations, contracts, and commercial revenues. As a\nconsequence, the formal organizations that constitute the sector have at\nvarious times and for various reasons been called \u201cthe tax-exempt sec-\ntor,\u201d \u201cthe nongovernmental sector,\u201d \u201cthe independent sector,\u201d \u201cthe third\nsector,\u201d \u201cthe civil society sector,\u201d \u201cthe commons,\u201d \u201cthe charitable sec-\ntor,\u201d \u201cthe voluntary sector,\u201d \u201cthe nonproprietary sector,\u201d and \u201cthe non-\nprofit sector.\u201d The terminological debate continues today. Each of the\nmany terms that has emerged over time has had its own historical and\npolitical baggage. A brief review of these terms will illustrate the scope\nof the sector, even if a definitive defense of any particular term is impos-\nsible.\n\nOne of the earliest names attached to these organizations was in some\nways the narrowest and the most descriptively accurate: \u201ctax-exempt.\u201d\nAfter the ratification of the Sixteenth Amendment to the Constitution\nand the establishment of the national income tax in 1913, Congress\n\n10 The Idea of a Nonprofit and Voluntary Sector\n\n\ngranted tax-exempt status to those organizations that were specifically\n\u201corganized and operated exclusively for charitable, scientific, and edu-\ncational purposes.\u201d Later additions included a long series of very spe-\ncific purposes, including \u201cprevention of cruelty to children or animals\u201d\n(1918), \u201ccommunity chest, fund, or foundation\u201d (1921), and \u201ctesting\nfor public safety\u201d (1954). The categories of tax-exemption have shifted\nover time; today there are more than twenty different specific categories\nof tax-exempt organizations delineated under the Internal Revenue\nCode. The arbitrariness of these narrow categories can best be seen to-\nday in the fact that international sports organizations are specifically rec-\nognized, whereas health organizations are not. But this is of little conse-\nquence, since the vast majority of public-serving nonprofits file today\nunder the catch-all category 501(c)(3). For a time, the moniker \u201ctax-ex-\nempt organizations\u201d was widely used inside government and within the\nlegal community because it pointed\u2014or at least appeared to point\u2014to\nthe black letter of government regulation. Yet because this approach did\nnot capture the huge number of clubs, associations, and groups that\nhave never been formally registered with the IRS, it fell out of favor and\nwas replaced with others.\n\nIn the 1970s, efforts to find a broader and more inclusive term led to a\nwhole series of names that aimed at positioning the sector in opposi-\ntion to government. Today, the term \u201cnongovernmental organization\u201d\n(NGO) remains popular around the world. It is used to denote the array\nof organizations

that pursue public purposes through largely private\nmeans. It covers both indigenous organizations working within particu-\nlar countries overseas and international organizations that work around\nthe world. While not specifically limited to a particular field of activity,\nwhen the term \u201cnongovernmental organization\u201d is used today, it usually\ndenotes an organization that works to promote such things as rural de-\nvelopment, education, environmental quality, and community health.\nWhat is interesting about the term \u201cnongovernmental\u201d is that it defines\nthese independent organizations in opposition to government, rather\nthan in opposition to business firms. One possible explanation for the\npopularity of this term internationally is the power and dominance that\nthe state enjoys in many developing countries and the relative absence\nof organized opposition. The sector is thus defined as that which is not\npart of the state, rather than that which is not oriented toward profit-\nmaking. This choice also implicitly reflects the oppositional role of lo-\n\nThe Idea of a Nonprofit and Voluntary Sector 11\n\n\ncal nongovernmental organizations, which do in fact challenge govern-\nments and hold them accountable. In some countries, small, informal\norganizations within the broader NGO sector are at times termed \u201cpeo-\nple\u2019s organizations\u201d and \u201ccommunity-based organizations,\u201d as a way of\ndifferentiating them from larger, more formal institutions. The label\n\u201cnongovernmental\u201d remains firmly entrenched in current usage, partic-\nularly when Americans seek to distinguish between American nonprofit\norganizations and international NGOs.\n\nThe term \u201cindependent sector\u201d came into popular usage in the 1980s\nand can be traced to a particular event\u2014namely, the founding of Inde-\npendent Sector, the national trade association representing both grant-\nmaking and grant-receiving organizations.23 Founded in 1979, the group\nconsolidated two existing associations and sought to unify the motley\nworld of foundations and nonprofit organizations. By advancing the use\nof the term \u201cindependent sector,\u201d organizers of the association wanted\nto emphasize the capacity of these organizations to devise solutions free\nfrom the market and political pressures. The only problem with this\nterm is that over time it became increasingly obvious that nonprofits\nwere neither independent from government nor free from the pressures\nof the marketplace. As government funding for social service and health\nnonprofits has risen sharply, many have come to view nonprofit organi-\nzations as engaged in important collaborative relationships with govern-\nment. Independence from government has come to be seen as more of a\nwish than a reality. Similarly, the idea that nonprofit organizations oper-\nate independently from the market has been called into question by the\ngrowing number of cross-sector partnerships, joint marketing agree-\nments, and nonprofit commercial ventures.\n\nAt times, the term \u201cthird sector\u201d has been in vogue. Popularized by\nseveral early researchers in the field of nonprofit and voluntary action,24\n\nthis term had the advantage of covering both formally constituted non-\nprofit organizations and the countless informal grassroots organizations\nthat populate the sector. The idea that nonprofit and voluntary action\nwas somehow third in line after government and business rubbed some\npeople the wrong way, however. It seemed to imply a kind of inferiority\nand subsidiarity that few in the sector were willing to concede. While\nthe term \u201cthird sector\u201d is still sometimes used in the research commu-\nnity, the practitioner community rarely uses it. Like \u201cnonprofit\u201d and\n\n12 The Idea of a Nonprofit and Voluntary Sector\n\n\n\n\u201cnongovernmental,\u201d the term \u201cthird sector\u201d seems to define these orga-\nnizations in isolation from the other

sectors.\n\nThe term \u201ccivil society\u201d was coined by the classic writers of political\ntheory, and has regained currency of late. The modern idea of civil soci-\nety plays a prominent role in the work of Hobbes, Montesquieu, and\nHegel, who used it to refer to the broad private realm outside the state.\nOne of the problems with using the term today is that \u201ccivil society\u201d tra-\nditionally encompassed everything from the family to the church to the\nbusiness corporation. Still, the term is acquiring popularity both in the\nUnited States and internationally, and it has lately come to refer to some-\nthing more concrete than the huge and abstract private realm outside\nthe state. In practice, it has come to denote a set of voluntary mediating\ninstitutions that invite individuals to come together to pursue shared in-\nterests, values, and commitments. Over the past decade, \u201ccivil society\norganizations\u201d has come to compete with \u201cnongovernmental organiza-\ntions\u201d among people interested in indigenous social movements around\nthe world, ranging from small local organizations to large international\ninstitutions.\n\nMore recently, yet another solution to the name game was proposed.\nInstead of a term that either defined the essential characteristic of these\norganizations or that situated these organizations in relation to gov-\nernment and the market, a new form of reference was proposed: \u201cthe\ncommons.\u201d Advocates for the term argued that the vast landscape of\nnonprofit and voluntary action constitutes a special terrain of shared\nconcerns.25 \u201cThe commons\u201d was intended to solve some of the prob-\nlems associated with previous attempts at naming the sector. It denoted\nthe vast array of relationships between benefactors, intermediaries, and\nbeneficiaries that constitutes a space in which associative communities\ncan operate freely. Linked to the Greek term koinonia, \u201cthe commons\u201d\nemphasizes free participation, common purpose, shared goods, a sense\nof mutuality, and a commitment to fairness.26 A critical part of what\ndistinguishes \u201cthe commons\u201d from other attempts to delineate the non-\nmarket and nonstate realm of activity is that the definition focuses not\njust on what kinds of purposes are accomplished, but also on the ways\nin which they are accomplished. By pointing to the features of koinonia,\n\u201cthe commons\u201d defines the boundary of the sector in ethical terms.\n\nIn several European countries today, the dominant term is \u201cthe chari-\n\nThe Idea of a Nonprofit and Voluntary Sector 13\n\n\n\ntable sector,\u201d which captures the critical philanthropic character of these\norganizations and their activities. The very use of the term \u201ccharity,\u201d\nhowever, harks back to Victorian England, the settlement house move-\nment, and the class elitism associated with \u201cpoor aid\u201d and \u201calms giving.\u201d\nBecause self-help and community empowerment have become rallying\npoints for the sector, the idea of calling this part of society \u201ccharitable\u201d\noffends some people because it puts the spotlight on the contributions\nof elite patrons and donors, not on the efforts of activists, caregivers, and\nclients. The term also implies that much of the work of the sector is\nfunded through private gifts, when in reality government funding and\nearned income now fuel large parts of the sector.\n\n\u201cThe voluntary sector\u201d has been in use intermittently for decades,\nboth in the United States and abroad. One clear advantage of the term is\nthat it focuses on the vast landscape of formal and informal organiza-\ntions that work for the public good. It is a way of including the millions\nof neighborhood-based groups that operate without legal recognition.\nYet the name has been criticized at times for obscuring the growing pro-\nfessionalism of nonprofit activity, a subject of considerable sensitivity. As\npart of the process of receiving more and more funding from public sec-\ntor agencies through contractual

relationships, many nonprofit manag-\ners now take great pride in the fact that they have removed all vestiges of\namateurism associated with volunteerism and have replaced it with the\nprofessional work of highly trained people.\n\nMost recently, some people dissatisfied with the existing alternatives\nhave begun using the term \u201cnonproprietary organizations\u201d in order to\nhighlight the ownerless character of these entities. In contrast to busi-\nness firms that are proprietary, nonproprietary organizations are not\nlinked to a clear owner or ownership group. This alternative has been\nadvanced because the term \u201cnonprofit\u201d obscures the fact that many\n\u201cnonproprietaries\u201d do in fact generate surplus revenue, though they do\nnot directly distribute their earnings to shareholders or owners. While\nthis term has the benefit of drawing a clear line between business firms\nand nonprofits, it does not resolve the question of what differentiates\nnonprofits from government agencies, which are also nonproprietary.\n\nOf the many competing options, the term \u201cnonprofit sector\u201d has been\nthe most widely used over time. Rather than defining these organiza-\ntions in terms of the special privilege they enjoy of being free from taxa-\ntion, the term points in a different and less contentious direction by em-\n\n14 The Idea of a Nonprofit and Voluntary Sector\n\n\nphasizing the benevolent character of the sector. Though there is some\nquestion as to when exactly the term \u201cnonprofit sector\u201d came into use,\nthe consensus is that it is a product of the 1950s and 1960s. The term\n\u201cnonprofit\u201d focuses on one of the three defining features mentioned\nabove\u2014namely, that these organizations are not intended to generate\nprofits and distribute them to investors. Since this term distinguishes\nnonprofit organizations from business corporations, some observers\nhave argued that it was actually designed to confer a kind of legitimacy\nand trustworthiness.27 In recent years, the substantial increase in com-\nmercial revenues and executive salaries within the nonprofit sector has\nled many to question just how unprofitable the sector truly is. Still, the\nlabel \u201cnonprofit sector\u201d has the benefit of currency and simplicity.\n\nBecause the sector comprises both legally chartered nonprofit organi-\nzations and countless informal groups and voluntary associations, I will\nuse the somewhat cumbersome though descriptively accurate \u201cnon-\nprofit and voluntary sector\u201d to denote the organizations occupying an\nincreasingly critical and visible position in our political, social, and eco-\nnomic life. Though not perfect, the term points accurately to the target\npopulation of organizations that are emerging as critical actors even\nthough they operate without coercion, profits, or owners. This is a com-\npromise solution that many researchers working in this field use, though\nsome fall back on \u201cnonprofit sector\u201d for brevity\u2019s sake. Though it does\nnot please everyone, the term does meet the requirement of being broad\nenough to cover the range of organizations and groups that are acting\nprivately for some collective good.\n\nUnderlying all the names that have been used to describe these enti-\nties is the fact that even when agreement is reached on a single appro-\npriate name, it is not entirely clear that this complex and varied set of or-\nganizations constitutes a single coherent societal \u201csector.\u201d28 In many\nways, the word \u201csector\u201d is just as problematic as \u201cindependent,\u201d \u201cthird,\u201d\n\u201cnongovernmental,\u201d and all the terms that have preceded it. An impor-\ntant part of the problem is the lack of consistency across the organiza-\ntions that are said to be part of this sector. After all, the sector includes\norganizations that cater to the narrow needs and desires of their mem-\nberships, as well as organizations that have broad public service mis-\nsions.29 The

sector is also home to highly institutionalized organizations\nwith millions of dollars in revenues and informally organized groups\nwith little or no money. The sector includes political parties that exist to\n\nThe Idea of a Nonprofit and Voluntary Sector 15\n\n\n\nshape public policy and service delivery organizations that depend on\nthe political process to deliver needed funds. The sector counts as its\nconstituents both foundations that give away money30 and a multitude\nof organizations that seek grants, as well as a growing number of organi-\nzations that depend on fees and commercial revenues. Thus, given the\ngreat diversity of formal and informal structures, the varieties of pur-\nposes pursued, and the range of financing systems used to support these\norganizations, the very use of the word \u201csector\u201d is troublesome because\nit implies far more consistency than may be present. Some scholars of\nnonprofits thus maintain that the idea of a coherent sector may be an in-\nvention, which has begun to outlive its usefulness and now merely pro-\nvides cover for a large and diverse group of organizations that have little\nin common.31\n\nYet, by defining a set of activities that are neither part of government\nnor part of the market,32 we acknowledge that there is a sphere where\ncoercion is not used, where profits are not the principal motive, and\nwhere lines of ownership are not clearly drawn. Why nonprofit and vol-\nuntary organizations exist and what functions they perform are among\nthe central topics of this book. Before presenting a framework for think-\ning about these issues, it is important to recognize some of the political\ncleavages that the very idea of a nonprofit and voluntary sector creates.\n\nThe Politics of the Nonprofit and Voluntary Sector\n\nThe nonprofit and voluntary sector occupies an ambiguous and at times\ncontentious position in the current American political scene. Just as few\npeople agree on the right name to use to describe these organizations,\nAmericans are likewise engaged in heated debate about the sector\u2019s un-\nderlying politics. Today, for quite different reasons, nonprofit and volun-\ntary organizations are embraced by both conservatives and liberals. How\ncan this be? The answer lies in the fact that the sector comprises a great\nnumber of complex, multidimensional organizations that appeal simul-\ntaneously to many constituencies. The fact that both sides of the politi-\ncal spectrum applaud and see the potential of nonprofit and voluntary\norganizations, far from revealing some underlying weakness, ultimately\nreflects the sector\u2019s strength and enduring relevance.\n\nFor at least three reasons, nonprofit and voluntary organizations have,\nparticularly from the 1960s forward, represented a tremendous resource\n\n16 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nand ally to liberals. First, a natural affinity between liberals and non-\nprofit workers quickly became apparent, since those willing to toil in\noften low-paying or voluntary positions\u2014and frequently in difficult cir-\ncumstances\u2014constitute a self-selected group of socially committed in-\ndividuals dedicated to the idea of making a difference and initiating\nchange. As membership in labor unions declined, thus eroding one of\nthe traditional bases of the Democratic party, the rise of nonprofit social\nservice agencies in the 1970s came at a very opportune moment. Not\nonly could nonprofit organizations serve as new channels through\nwhich social programs could be delivered, but they also represented a\nnew and important space in which potential supporters of progressive\npolicies might well be located.33\n\nThe second reason liberals were attracted to the sector as a whole was\nmore operational. Nonprofit organizations were seen as an ideal and un-\ntainted partner to government, one that could most effectively deliver\nneeded services to the most disadvantaged populations. As concern over\nthe impact of Great Society programs

grew and as distrust of govern-\nment increased, nonprofits came to be seen as neutral and legitimizing\nforces with the capacity to give large human service initiatives a more di-\nverse, pluralistic face.34 The funding crunch that most nonprofit organi-\nzations face on a continuing basis appeared to put government in a posi-\ntion to use its substantial resources, in the form of contracts and grants,\nto gain control over a whole new range of community actors and prob-\nlems. At the same time, nonprofits represented an ideal \u201cbottom-up\u201d ap-\nproach to implementation, one that empowered the grassroots level and\nthat gave government tremendous leverage for each dollar spent.\n\nThird and finally, liberals were attracted by the political activity of\nmany nonprofits and their ability to mobilize groups around issues and\nconcerns in a distinctive way. Unlike corporations, which are beholden\nto shareholders and the bottom line, and unlike government, which is\nbound by the limits of the Constitution and the pressures of public opin-\nion, nonprofit organizations have a great deal more freedom to oper-\nate. This flexibility lends itself well, in principle, to the pursuit of pro-\ngressive, alternative agendas. Moreover, since many advocacy nonprofits\nseek to give voice to populations that have long been excluded from the\npolitical debate, liberals continue to view the broader nonprofit sector as\na means to exert pressure for social change and justice.35\n\nChanges in the national political climate since the 1980s coincided\n\nThe Idea of a Nonprofit and Voluntary Sector 17\n\n\n\nwith a very different set of ideas about the nonprofit sector. Instead of\nconsidering nonprofits a potential source of political and social change,\nconservatives were attracted by three completely different features of\nnonprofits. First, they believed that nonprofit organizations might well\nrepresent an appealing alternative to direct public expenditures on so-\ncial programs that conservatives believed had not produced results.36\n\nQuestions about whether the War on Poverty had failed were in the air,\nespecially in the early 1980s. By encouraging private charities to take\nresponsibility for local community needs, conservatives believed they\ncould make an effective argument for shrinking government. After all, if\nchurches and community groups were able to function with voluntary\ncontributions of time and money, the need for an ever-growing number\nof public spending programs would surely be diminished. Compared to\ntaxation and national spending, private charity and volunteerism were\nseen as preferred means of solving social problems because they permit-\nted greater individual freedom and choice. A strong and vital nonprofit\nand voluntary sector fit well with the emerging ideas of both devolution\nand privatization, two mantras of the conservative movement. As gov-\nernment functions were pushed \u201cdown\u201d from the federal level to the\nstate and local levels, and transferred \u201cout\u201d of government to private\nproviders through contracting, nonprofits were ideally situated to de-\nliver services that once had been the province of \u201cbureaucrats\u201d in the na-\ntion\u2019s capital.37\n\nSecond, conservatives also argued that nonprofits, particularly faith-\nbased nonprofits, were in a position to bring to social programs some-\nthing that public entitlements had long lacked\u2014namely, a moral or spir-\nitual component.38 Faith-based nonprofits were seen as willing to make\ndemands on the recipients of charity and require a change of character\nand behavior in exchange for assistance. At the same time, given that\nmany nonprofits are fueled by volunteer labor and private contributions,\nconservatives were attracted to the idea of nonprofits because they rep-\nresented the ideal of self-help and independence. This was a powerful\nfeature that, conservatives argued, was perilously missing from public\nassistance programs.39 For those who believed that public entitlements\nbred

dependence and complacency, the idea of delivering not just a\ncheck but a moral and spiritual message was a very strong attraction.\n\nFinally, for conservatives, nonprofit organizations were also a poten-\ntial wellspring of innovation, representing a plurality of local solutions\n\n18 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nto social problems and a powerful alternative to the ongoing search for\nuniform national solutions to public problems. Grounded in an ethos of\nself-help and respecting regional cultural variations, voluntary action fit\nwell with a growing sense among conservatives that a broad range of al-\nternatives to an expanding state needed to be actively cultivated. By giv-\ning local organizations a chance to try their hand at program implemen-\ntation, conservatives believed that good ideas would percolate up from\ncommunities. Conservatives argued that expenditures on federal social\nwelfare and education programs should not be increased. Instead, funds\ncould be used most effectively and creatively when channeled through\nlocal groups that were more in touch with the diverse and changing\nneeds of the people. Nonprofit organizations thus represented a way of\nbreaking through the red tape of Washington to find new approaches\nto longstanding problems. Nonprofits, conservatives maintained, could\nserve as a battering ram for policy innovation.40\n\nAt first blush, it might appear that the capacity of nonprofit and vol-\nuntary organizations to speak to both liberals and conservatives implies\neither a split and conflicted identity or a simple lack of political scruples.\nIn reality, the sector is a remarkably complex entity, one that is capa-\nble\u2014like an inkblot\u2014of evoking a broad range of reactions and in-\nterpretations. Because it simultaneously supports the autonomy of the\nprivate individual actor while affirming the importance of shared and\npublic purposes, the politics of nonprofit and voluntary action can take\non many different meanings. The ability to speak across, or rather above,\ntraditional political boundaries has become one of the most powerful\nfeatures of the sector, and this trait has led to its growth and popularity,\nparticularly among young people.\n\nThe Two Dimensions of Nonprofit and Voluntary Action\n\nGiven the confusion over what to call this sector and the complex and at\ntimes confused politics that have surrounded it, the goal of this small\nbook is to help shape our understanding of the many different ways one\ncan approach the core functions of these independent organizations. To\nmake this task easier, I organize my exposition of the central functions\nof voluntary and nonprofit organizations along two broad conceptual\ndistinctions. The first critical distinction concerns how the sector is\nexplained; the question is whether nonprofit and voluntary activity is\n\nThe Idea of a Nonprofit and Voluntary Sector 19\n\n\n\ndriven primarily by demand or by supply\u2014that is, whether it can best be\understood as a response to unmet demands or whether it is taken to be\nan important supply function that creates its own demand. The second\ndistinction concerns how the sector is justified; here the issue is whether\nthe value of nonprofit and voluntary action is seen as residing in the in-\nstrumental character of the outcomes that are generated for society or in\nthe inherently expressive quality of the activities themselves that reward\nthose who undertake them. These are complex and difficult distinctions,\nwhich will be discussed in turn and then brought together to form the\nconceptual framework for the analysis that constitutes the core of the\nbook.\n\nStarting with the distinction between demand and supply, it is easy\nto see nonprofit and voluntary action as responding to two quite differ-\nent but important forces.41 The demand-side perspective starts with the\npremise that the sector exists by virtue of the broader social context\nwithin which it is embedded and that its activities are responsive to the\ndemands of the

public or its members. Thus, nonprofits exist because\nthey are able to meet important social needs. Urgent public problems\nsuch as illiteracy, drug addiction, and violence demand solutions, and\nthe nonprofit sector exists to respond to the powerful pull of such is-\nsues. The demand-side approach to nonprofit activity has both descrip-\ntive and normative dimensions. Descriptive demand-side theories focus\non patterns of nonprofit formation and growth. In the 1970s, researchers\nproposed detailed economic models and explanations for nonprofits\u2019 be-\nhavior,42 most of which started with the assumption that nonprofits\nfulfill important demands that for one reason or another the market and\ngovernment are unable or unwilling to meet. This led to the broad and\npopular belief that nonprofits were really gap-filling entities that histori-\ncally have arisen when public needs were sufficiently strong.\n\nOn a more normative level, the demand-side approach to nonprofit\norganizations has spawned a literature focusing on the social and politi-\ncal responsibilities of nonprofit organizations\u2014defined in relation to the\ndemands of the neediest members of society. Starting with the claim that\nthe tax exemption accorded these institutions conveys an obligation to\nhelp, many people have made the normative argument that nonprofit or-\nganizations should seek to assist the most disadvantaged and empower\nthe most disenfranchised members of society. Accordingly, the success\nor failure of the sector can and should be judged by how well or how\n\n20 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npoorly it meets society\u2019s needs. The demand for nonprofit and voluntary\naction leads neatly to a set of prescribed activities, including greater ad-\nvocacy work within the sector, and the empowerment and mobilization\nof those left out of the political process. The demand for nonprofit activ-\nity thus brings with it the expectation that these institutions will help\ngive voice and opportunity to those who have been marginalized by the\nmarket economy and the political process.\n\nThe idea of a demand-driven nonprofit and voluntary sector domi-\nnates much of the research that is conducted in this field. Yet a central\nclaim of this book is that the demand-side approach captures but one as-\npect of this broad social phenomenon. An alternative, supply-side posi-\ntion argues that the sector is impelled by the resources and ideas that\nflow into it\u2014resources and ideas that come from social entrepreneurs,\ndonors, and volunteers.43 This is a more controversial perspective be-\ncause it has led to some strong claims about how nonprofit organiza-\ntions should be managed and operated. Rejecting many of the preceding\narguments about the needs that pull on the sector, the supply-side per-\nspective holds that nonprofit and voluntary organizations are really all\nabout the people with resources and commitment who fire the engine of\nnonprofit and voluntary action. Drawn to the sector by visions and com-\nmitments, social entrepreneurs bring forward agendas that often operate\nindependently of immediately obvious and enduring community needs.\nThis supply-side theory of nonprofits, like the demand-side approach,\nhas both descriptive and normative elements.\n\nOn the descriptive side, this approach emphasizes the entrepreneur-\nial quality of nonprofit activity. Instead of starting with the demand of\nclients, positive supply-side theories of the nonprofit sector draw at-\ntention to the way various forms of entrepreneurship fuel innovation\nwithin the sector and how an emerging class of new social enterprises\u2014\nincreasingly led by a new generation of social entrepreneurs\u2014is chal-\nlenging old models of nonprofit management. Seen from the supply\nside, nonprofit organizations have a logic that is far more complex than\na simple response to a gap in government service or the failure of the\nmarket to meet a particular demand. The entrepreneur, donor, and vol-\nunteer

take on a much greater role in this model, since it is the sup-\nply of new ideas, charitable dollars, and volunteer commitments that is\nthe real driving force behind the sector. This means that the task of\nexplaining the emergence of nonprofit and voluntary organizations\n\nThe Idea of a Nonprofit and Voluntary Sector 21\n\n\n\nrequires studying and developing typologies of social entrepreneurs\nwho use the nonprofit form to pursue their private visions of the public\ngood.\n\nThe supply-side approach has an important normative component,\nwhich holds that we must reassess the moral claims that needy clients\nhave on nonprofit programs. Instead of asking that a nonprofit meet a\ntest of moral stewardship that is ultimately decided by the level and\nquality of service provided to those in need, the supply-side approach\nadvises that society should look to and protect the private interests and\nvalues of the critical actors who are fueling nonprofit and voluntary ac-\ntion, including philanthropic donors, volunteers, and social entrepre-\nneurs. In order to ensure the continued flow of charitable inputs, the in-\nterests and values of these actors should be the first priority of those who\nseek an enlarged role for nonprofits. This means recognizing that the\nsatisfaction of donors and the preservation of their intent constitute a\ncritical normative task for the sector. Arguing that donors, volunteers,\nand social entrepreneurs should be the centerpiece of the sector is a con-\ntroversial position because it unabashedly diminishes the claims that\nneedy populations have on the charitable resources. Supply-siders coun-\nter this complaint with the argument that if one is truly committed to\nhelping the needy, then constructing a sector that recognizes, protects,\nand encourages action by the private parties who control the resources\nshould be an obvious priority.\n\nDistinguishing between the demand and supply sides of the nonprofit\nand voluntary sector is a primary task when it comes to sorting through\nthe arguments that have emerged in recent years. Yet we must also de-\nvelop a second dimension for our conceptual framework. As soon as we\nbegin to consider the broad number of important projects and causes to\nwhich the sector is dedicated, it becomes clear that nonprofit and volun-\ntary organizations rest on two different ideas about what justifies and\ngives meaning to the work that is carried out in the sector.\n\nFirst, nonprofit and voluntary action is an important instrument for\nthe accomplishment of tasks that communities view as important. Non-\nprofit service agencies and volunteer helping organizations play an im-\nportant role in the delivery of critical services in a broad array of fields.\nNonprofits can be the principal means through which job training, arts\neducation, shelter for the homeless, health care, neighborhood clean-\nups, firefighting, crime patrols, and countless other functions are ac-\n\n22 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ncomplished. When the sector works to accomplish popular social pur-\nposes, it acquires powerful instrumental value. It becomes a concrete\ntool to achieve some collective purpose that society considers impor-\ntant. The sector\u2019s instrumental value is measured in terms of its concrete\noutcomes. In the search for validation and learning, the programmatic\noutcomes of nonprofit and voluntary action are increasingly being mea-\nsured and evaluated using metrics borrowed from the business and pub-\nlic sectors. The growing emphasis on performance has led to a vast new\nliterature on nonprofit management, which is aimed at making these\norganizations more efficient and useful instruments for the accomplish-\nment of public purposes.44 The idea that nonprofit and voluntary organi-\nzations are valuable because they can be useful tools for the accomplish-\nment of public purposes constitutes the core of what I will term the\n\u201cinstrumental dimension\u201d of the nonprofit and voluntary

sector.\n\nSecond, the sector can be seen as valuable because it allows individu-\nals to express their values and commitment through work, volunteer ac-\ntivities, and donations. By committing to broad causes that are close to\nthe heart or by giving to an effort that speaks directly to the needs of the\ncommunity, nonprofit and voluntary action answers a powerful expres-\nsive urge. For donors, volunteers, and particularly staff, the very act of\nattempting to address a need or fight for a cause can be a satisfying end\nin itself, regardless of the ultimate outcome. The value that is created\nmay be entirely psychic and may arise simply from the act of expressing\ncommitment, caring, and belief. The expressive quality of the sector has\nled some to conclude that the narrow focus on the financial resources\navailable to nonprofit organizations and on the level of services deliv-\nered has detracted from the deeper meaning of nonprofit and voluntary\naction, which derives from the fellowship and self-actualization experi-\nenced by those who give or volunteer. This is what I will refer to as the\n\u201cexpressive dimension\u201d of nonprofit and voluntary action.45\n\nThe expressive and instrumental dimensions of nonprofit and volun-\ntary action can compliment each other or they can create tensions. In\nthe best cases, the moral energy that motivates those who deliver ser-\nvices can be harnessed to produce better and more effective programs. In\nsome ways, this connection seems obvious: a committed volunteer or\nsocial entrepreneur is more likely to work hard to create value through\nhis activities than someone who holds a job merely to earn a paycheck.\nIn some cases, however, values and personal expression can be out of\n\nThe Idea of a Nonprofit and Voluntary Sector 23\n\n\nsync with instrumental goals and may lead to trouble. On the one hand,\nif strong expressive desires draw people to causes and community prob-\nlems without adequate structure or planning, frustration can easily set\nin and group cohesion may be threatened. On the other hand, if too\nmuch focus is placed on improving a charitable organization\u2019s bottom\nline and maximizing the instrumental efficiency of its operations, an or-\nganization runs the risk of dimming the expressive flame of its staff, vol-\nunteers, and supporters. The managerial challenge, of course, is to bring\nthe expressive and instrumental dimensions into alignment.\n\nThe contrast between the supply and demand sides and the opposi-\ntion of the expressive and instrumental dimensions give us a basis for\nthinking systematically about the functions of nonprofit and voluntary\naction. We can construct a matrix that depicts, on one side, the nature of\nthe value produced by the sector (instrumental versus expressive) and,\non the other side, the underlying animus or force (demand versus sup-\nply). This book is organized around the four cells generated by this ma-\ntrix (see Figure 1.2), which have come to represent the four underlying\nfunctions of the nonprofit and voluntary sector: encouraging civic and\npolitical engagement, delivering needed services, enacting private values\nand religious convictions, and providing a channel for social entrepre-\nneurship.\n\nThe book works through and elaborates current debates relating to\neach of these four functions. Chapter 2 considers the role nonprofit or-\nganizations play in fostering civic and political engagement. Local non-\nprofits contribute in important ways to community cohesiveness, social\nsolidarity, and what some call \u201csocial capital,\u201d which is constituted by\nthe norms, networks, and forms of trust that make communities work.\nThese ties prepare people to play an active role in civic life and democ-\nracy. Grassroots community organizations also have the capacity to har-\nness this community spirit and generate social and political change.46\n\nUsing the protection afforded by the First Amendment, these advocacy\nand organizing efforts are a critical ingredient in our national

political\nlife. In fields ranging from environmental protection to world peace,\nnonprofit and voluntary organizations have begun to exercise consider-\nable political power. Nonprofits play a powerful role in setting the terms\nof many public debates, in mobilizing key constituencies, and in coordi-\nnating grassroots campaigns to effect change at the local, state, national,\nand transnational levels.\n\n24 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nChapter 3 considers how nonprofits represent an effective and power-\nful tool for responding to concrete public needs that the market and the\nstate fail to meet. On the questions of why nonprofit organizations come\ninto being and what role they play in society, a strong line of argument\nhas emerged. Starting in the 1970s and continuing into the 1980s, theo-\nries about nonprofits focused heavily on the idea of government and\nmarket failure. Researchers proposed the idea that nonprofit provision\nof particular services arises when either government is unable to meet\ndemand or when consumers are resistant to purchasing a given service\nin the for-profit marketplace. This positive theory of nonprofits em-\nbraced the subtle assumption that nonprofits were really just govern-\nment\u2019s partners, charged with helping to deliver needed services. Since\ngovernment and nonprofit organizations were thought to have the same\nbasic goals and values, collaboration between sectors was seen as largely\nunproblematic. Some of the progenitors of this early, foundational per-\n\nThe Idea of a Nonprofit and Voluntary Sector 25\n\n1.2 The four functions of nonprofit and voluntary action.\n\nExpressive\nrationale\n\nInstrumental\nrationale\n\nDemand-side\norientation\n\nSupply-side\norientation\n\nService delivery\n\nProvides needed services and\nresponds to government and\nmarket failure\n\nSocial entrepreneurship\n\nProvides a vehicle for\nentrepreneurship and creates\nsocial enterprises that\ncombine commercial and\ncharitable goals\n\nValues and faithCivic and political engagement\n\nMobilizes citizens for politics,\nadvocates for causes, and\nbuilds social capital within\ncommunities\n\nAllows volunteers, staff, and\ndonors to express values,\ncommitments, and faith\nthrough work\n\n\n\nspective argue that the future of the nonprofit sector lies in its capacity\nto cooperate and collaborate effectively with government, even though\ntensions between sectors appear to be rising. Chapter 3 presents the\nnearly models of nonprofit production, while raising new practical ques-\ntions about the interaction of nonprofits with government and the\nmarket.\n\nChapter 4 considers the essentially private character of nonprofit and\nvoluntary action that makes the sector an ideal vehicle for the expres-\nsion of personal values and spiritual beliefs. Nonprofit and voluntary or-\nganizations are places where believers of all sorts are welcome, some of\nwhom are motivated by faith, others by commitment to issues, and still\nothers by strongly held private values and norms. The value component\nof nonprofit work\u2014which goes beyond the rational, purposive function\nof that work\u2014is part of what defines the sector and attracts donors, vol-\nunteers, and entrepreneurs to nonprofit and voluntary action. The val-\nues that animate nonprofit and voluntary action can often be important\nsources for innovation and experimentation, as private visions of the\ncommon good are tested and refined. The discussion covers the contro-\nversial normative position that has evolved in recent years from this pos-\nitive analysis, which holds that the special visions of donors and entre-\npreneurs\u2014not the growing demands of the recipient organizations and\ntheir clients\u2014should define and shape nonprofit activity. It is important\nto note that when one shifts the focus of the normative analysis from re-\ncipients to donors, volunteers, and social entrepreneurs, the evaluative\ncriteria for the sector change radically. Instead of measuring outputs

and\noutcomes for clients, evaluation looks at the subjective experience of\nthose funding and delivering the services. Because it flies in the face of\nthe more progressive ideas that have dominated thinking about the sec-\ntor, this particular part of the supply-side vision represents a way of see-\ning nonprofit and voluntary activity that challenges some of our com-\nfortable assumptions about nonprofit organizations.\n\nChapter 5 tracks one of most important changes in the sector over the\npast two decades\u2014namely, the growth of a new kind of social entrepre-\nneurship and the rise of commercial activities as a way of financing ag-\ngressive growth agendas. Rather than waiting for donors to support ini-\ntiatives with charitable dollars, more and more nonprofit managers are\nexposing their organizations to market forces. The rise of entrepreneur-\nship in nonprofit organizations is manifest in many different ways, in-\n\n\n\n\ncluding the creation of new kinds of hybrid organizations, the influx of a\ngeneration of younger, more business-oriented managers, and a willing-\nness to rethink the traditional boundaries between for-profit and not-\nfor-profit enterprises. Many of the new entrepreneurial nonprofits ex-\nplicitly start out with the intention of producing social innovations that\nwill in turn create their own demand. This marks a major change from\nthe traditional idea of delivering services for which there is already a de-\nmand. To finance this start-up strategy, some social entrepreneurs have\ndeveloped funding plans that rely heavily on revenues from commercial\nventures of all kinds, not just charitable contributions or government\ngrants. Chapter 5 looks at both the theory and practice of nonprofit en-\ntrepreneurship.\n\nAfter reviewing the four core functions of the sector, Chapter 6 ex-\nplores emerging challenges connected to the sector\u2019s rapid growth and\nidentifies a few significant consequences that flow from seeing the sector\nas a diverse and pluralistic realm. The chapter, and the book as a whole,\nadvances a message connected to both the management of individual\nnonprofit organizations and the direction of the sector as a whole: each\nof the four functions of nonprofit activity is important in itself. But when\npursued in isolation and in excess, any of the functions can lead to im-\nbalance, at both the organizational level and the sectoral level. If individ-\nual nonprofits and the sector as a whole are seen as only engaging in po-\nlitical organizing and advocacy, charges of excessive politicization are\nlikely to arise sooner or later. If the sole focus of nonprofit activity is the\nefficient delivery of publicly funded services, concerns about indepen-\ndence and vendorism will never be far away. If nonprofits do nothing but\nenact private values and interests, worries about particularism will al-\nmost certainly arise. If nonprofit activity comes to be focused too much\non the creation of income-generating ventures, objections related to\ncommercialism will be difficult to counter. Balance and a plurality of\npurposes thus turn out to be critical to sustaining nonprofit organiza-\ntions and to the sector\u2019s continued growth and success.\n\nAt a time when nonprofit and voluntary activity has been the subject\nof increasing public attention and academic study, the breadth and depth\nof our understanding of this phenomenon has been severely constrained\nby the lack of a clear statement of the sector\u2019s core activities, rationales,\nand dimensions. This book strives to respond to this need by presenting\nfour critical functions that the sector performs. While it does not pre-\n\n\n\n\ntend that these functions entirely exhaust the range of purposes and ra-\ntionales that guide nonprofit and voluntary action, the book argues that\nmany of the most essential conceptual and policy problems within the\nsector can be usefully captured with this framework. The

normative ar-\ngument of the book is simply that the sector cannot survive and gar-\nner financial, political, and volunteer support if it swings too far in the\ndirection of any particular function. In the long run, balance, achieved\nthrough the fulfillment of a diversity of functions, is ultimately essential\nwithin the vast range of nonprofit organizations and across the sector as\na whole.\n\nNonprofit and voluntary action can be a powerful force for good in so-\nciety. Yet a good many myths have grown up around these private orga-\nnizations that fulfill public purposes. In searching for the core functions\nof the nonprofit and voluntary sector, the book challenges some of these\nmyths and suggests that the nonprofit and voluntary sector is an evolv-\ning and at times contradictory realm that now faces a number of sig-\nnificant challenges to its continued growth and legitimacy. Rather than\nattempting to smooth over and resolve these tensions, the exposition\nhere deliberately brings them out in to the open. Ultimately, it is the di-\nversity of purposes and rationales embodied in nonprofit and voluntary\norganizations that make them increasingly visible and exciting vehicles\nfor the pursuit of common social goals. And it is the sector\u2019s diversity\nand flexibility that may well help nonprofit organizations to solve some\nof the pressing challenges they now confront.\n\n28 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nCivic and Political Engagement Civic and Political Engagement\n\n2\n\nCivic and Political Engagement\n\nNonprofit and voluntary organizations respond to the deeply rooted\nneed of individuals to be part of something bigger than themselves. As\nan antidote to atomistic individualism, nonprofit and voluntary activity\nat the local, state, national, and transnational levels brings people out of\ntheir isolation and puts them in touch with others who share their con-\ncerns and interests. The connections forged when people are drawn into\ncivic space can be used to respond to community concerns, needs, and\ndemands. By virtue of their emphasis on expressive, associational activ-\nity, nonprofits allow individuals and communities to transform their\ncommitment into concrete collective action. When nonprofits speak di-\nrectly to important public needs and lead collectivities to devise effective\nsolutions to public problems, these diverse organizations\u2014ranging from\nblock clubs to national membership groups\u2014help overcome some of\nthe cynicism and distrust that stifle civic and political engagement. The\nspecial ability of nonprofit and voluntary activity to mobilize and con-\nnect individuals clearly has significant direct and indirect political impli-\ncations.1\n\nNonprofit and voluntary organizations are linked with the political\nprocess in six different ways, which range in character from nonpartisan\nto very partisan. First, nonprofits build trust, cohesion and social capital\nin communities. Through church groups, veterans\u2019 clubs, PTAs, and\nmany other kinds of organizations and associations, individuals find\nconnections to one another and build a sense of community and solidar-\nity that leads to greater enthusiasm for community life. This trust, or\n\u201csocial capital,\u201d represents a critical reservoir of good will and serves as\n\n29\n\n\n\na catalyst for civic and political engagement. Second, nonprofits pro-\nmote civic engagement directly by offering individuals a door that opens\nonto the public square and a tool for demonstrating commitment to\nsomething greater than narrow self-interest. Civic engagement skills are\nlearned and honed through nonprofit and voluntary action. Third, non-\nprofits translate trust and civic engagement into direct political action by\norganizing people at the grassroots around interests and causes, by regis-\ntering voters and spurring them to get out the vote, and by organizing\ntown hall meetings and a host of other participation and empower-\nment activities aimed at bringing the

individual into the public sphere.\nFourth, nonprofits are linked to politics through advocacy work. Orga-\nnized around broad issues and concerns, nonprofits play an important\nrole in informing and educating the public and policymakers. Advocacy\nefforts take place at the local, state, national, and transnational levels.\nFifth, nonprofits engage in direct lobbying around specific legislative\nissues. Almost every time government moves forward with a decision,\nlobbying on both sides of the issue occurs. Different from advocacy\nin that it focuses on specific bills of legislation, lobbying is a way to\ntranslate public concerns into legislative action. Sixth, nonprofits figure\nprominently in our electoral system. Campaign fundraising organiza-\ntions, political action committees, and a range of party institutions are\nall tax-exempt organizations. In recent years, cynicism about the role of\nmoneyed interests in politics has raised some difficult questions about\nthis particular function of nonprofits.\n\nAs they work to build cohesion in communities and as they speak out\non issues, nonprofits enjoy freedom of association and speech under the\nFirst Amendment. While nonprofits have often had an adversarial rela-\ntionship with government, the diverse forms of their political activity\nare still guaranteed government protection. No matter what causes they\nseek to advance, nonprofits do not risk the loss of their protected status\nas long as they follow a few basic rules when exerting their fundamental\nrights to speech and association. There is no test of reasonableness when\nit comes to the political views of nonprofits, nor are there prohibitions\non coalitions\u2019 forming behind any peaceful cause imaginable. Of course,\nthis has led to the advocacy of policies and agendas that have been con-\ntroversial, often because they challenged majority positions. Still\nThe file is too long and its contents have been truncated.\n", "cloud_doc_url": null}, {"matched_text": "\u301019\u2020source\u3011", "start_idx": 1006, "end_idx": 1017, "alt": null, "type": "file", "name": "On Being Nonprofit A Conceptual and Policy Primer (Peter Frumkin) (Z-Library).pdf", "id": "file-oOTG3NdARlccxURLJHM7nlfY", "source": "my_files", "snippet": "\n\n\nOn Being Nonprofit\n\n\n\n\n\nOn Being Nonprofit\nA Conceptual and Policy Primer\n\nPeter Frumkin\n\nHARVARD UNIVERSITY PRESS\n\nCambridge, Massachusetts\n\nLondon, England\n\n\n\nFor my parents,\nAllan and Jean\n\nCopyright \u00a9 2002 by the President and Fellows of Harvard College\n\nAll rights reserved\n\nPrinted in the United States of America\n\nFirst Harvard University Press paperback edition, 2005\n\nLibrary of Congress Cataloging-in-Publication Data\n\nFrumkin, Peter.\n\nOn being nonprofit: conceptual and policy primer / Peter Frumkin.\n\np. cm.\n\nIncludes bibliographical references and index.\n\nISBN 0-674-00768-9 (cloth)\n\nISBN 0-674-01835-4 (paper)\n\n1. Nonprofit organizations. I. Title.\n\nHD2769.15 .F78 2002\n\n361.7\ufffd63\u2014dc21 2002017227\n\n\n\nPreface Preface\n\nPreface\n\nIn recent years, the study of nonprofit and voluntary organizations has\nbeen a growth field, a fact that is apparent in the proliferation of non-\nprofit degree and certificate programs in schools of business and public\naffairs, the founding of new independent centers devoted to nonprofit\nresearch, and the steady increase in scholarship concerned with non-\nprofit organizations. To date, however, the study of nonprofit organiza-\ntions has yet to find a home in any single discipline. And this may well\nbe for the best. Our understanding of nonprofit organizations has bene-\nfited from the attention of economists, political scientists, sociologists,\npsychologists, historians, and management scholars. In writing this\nbook, I have endeavored to bring together some of the most significant\nand contentious ideas about the nonprofit and voluntary sector and to\nintegrate at least

some elements of the competing disciplinary perspec-\ntives that have emerged. This is, after all, a book about the nonprofit and\nvoluntary sector written by an organizational sociologist who teaches\nstrategic management in a public policy school. It is my sincere hope\nthat this book will cross disciplinary bounds and that it will serve as a\nuseful and clarifying overview of the pressing conceptual and policy\nproblems facing nonprofit organizations today.\n\nDividing nonprofit action into four broad functions, this book exam-\nines how nonprofit organizations promote civic and political engage-\nment, deliver critical services within communities, provide an institu-\ntional vehicle for social entrepreneurship, and allow the expression of\nvalues and faith. The core of the book explores the tensions and prob-\nlems that have arisen in each of these functional realms and the bound-\nary disputes that have broken out as nonprofit organizations have been\ndrawn into competition and collaboration with government and busi-\nness. In exploring the multiple roles of nonprofit organizations, I argue\nthat the long-term health and viability of nonprofit organizations de-\n\nv\n\n\npend on the achievement of balance among the four functions, so that\nno one function is allowed to dominate the other three. This has not al-\nways been achieved in recent years and the results have been painfully\nclear: charges of politicization, vendorism, commercialism, and particu-\nlarism have plagued nonprofit organizations. The argument developed\nhere is that only when nonprofits achieve important successes in each of\ntheir functions will they receive and sustain the financial support and\npublic acceptance that they need to continue to grow. In tackling these\nbroad and complex issues, I have aimed to provide a perspective on non-\nprofit activity that will be relevant to scholars and students approaching\nthe topic from a wide array of backgrounds and levels of familiarity.\n\nThe intellectual debts I have accumulated over the years are very\nlarge. From the very first moment I joined the faculty of Harvard Univer-\nsity\u2019s Kennedy School of Government and began to work on this book, I\nhave benefited greatly from the good counsel and insightful criticisms\nof Mark Moore and Christine Letts, who together helped launch the\nHauser Center for Nonprofit Organizations, where I have been a faculty\naffiliate. I am grateful to both of them for creating a place where it is pos-\nsible to do serious work within a community of scholars and students.\nMy faculty colleagues at the Hauser Center and within the broader Ken-\nnedy School of Government have all contributed directly or indirectly to\nthe completion of this book. Through numerous seminar presentations,\ne-mail exchanges, and hallway discussions over the years, their active\u2014\nsometimes aggressive\u2014questioning has led me to sharpen and improve\nmy arguments. I owe a special debt to Peter Dobkin Hall, who read and\ncommented on the entire manuscript and generously shared with me his\nencyclopedic knowledge of all things nonprofit. My understanding of\nthe nonprofit sector has been substantially enriched by friendships, con-\nversations, and collaborations over the years with Joseph Galaskiewicz,\nPaul Light, Steven Rathgeb Smith, Brint Milward, Barry Karl, Ellen\nCondliffe Lagemann, Marion Fremont-Smith, Allen Grossman, Eliza-\nbeth Keating, Donald Haider, David Reingold, and William Ryan.\n\nOne of the real pleasures of working at the Kennedy School of Gov-\nernment has been the opportunity to teach and work with a group of su-\nperb doctoral students, including especially Alice Andre-Clark, Gabriel\nKaplan, and Mark Kim. For several years, Kennedy School students in\nmy class on the nonprofit sector patiently listened and questioned me\nas the ideas in this book were formed and developed. From the start,\n\nvi Preface\n\n\nShawn Bohen has expertly managed the Hauser Center\u2019s work and\ngrowth and, with great humor and patience, helped me

navigate the ser-\npentine world of Harvard rules, regulations, and budgets, while also pro-\nviding the kind of advice and help that was necessary for seeing many\nprojects to completion. Jennifer Johnson provided wonderful research\nassistance throughout the writing of the book and helped bring the\nmanuscript to final form. Michael Aronson at Harvard University Press\nguided this book from an idea to a manuscript, arranged helpful reviews,\npatiently explained the publishing process to me, and made the whole\nprocess appear less mysterious.\n\nBehind the scenes of much of my research, a group of generous sup-\nporters have allowed me to pursue ideas wherever they led. It is a plea-\nsure to thank the Hauser Center for Nonprofit Organizations, Claude\nRosenberg of NewTithing Group, Patricia Brown of the Burton G.\nBettingen Corporation, Ted Halstead of New America Foundation, and\nMark Abramson of the PriceWaterhouseCoopers Endowment for the\nBusiness of Government, all of whom supplied critical financial sup-\nport for elements of my broader research agenda. Within the Kennedy\nSchool, Alan Altshuler, Ron Heifetz, and Fred Schauer furthered the\nproject at critical stages, and I am grateful for their help.\n\nFinally, my greatest debt is to my wife, Elizabeth, who encouraged me\nfrom my first day of graduate school and through all my subsequent re-\nsearch. Her unstinting support has made everything seem possible.\n\nPreface vii\n\n\n\n\n\nContents\n\n1 The Idea of a Nonprofit and Voluntary Sector 1\n\n2 Civic and Political Engagement 29\n\n3 Service Delivery 64\n\n4 Values and Faith 96\n\n5 Social Entrepreneurship 129\n\n6 Balancing the Functions of Nonprofit and\nVoluntary Action 163\n\nNotes 183\n\nIndex 209\n\n\n\n\n\nThe Idea of a Nonprofit and Voluntary Sector The Idea of a Nonprofit and Voluntary Sector\n\n1\n\nThe Idea of a Nonprofit\nand Voluntary Sector\n\nThe nonprofit and voluntary sector is the contested arena between the\nstate and the market where public and private concerns meet and where\nindividual and social efforts are united. Nonprofit and voluntary action\nexpresses a complex and at times conflicting desire to defend the pursuit\nof private individual aspirations, while at the same time affirming the\nidea of a public sphere shaped by shared goals and values. For this\ndifficult balancing act to work, participation in the sector demands a\ncommitment to, among other things, expression, engagement, entrepre-\nneurship, and service. Constituted by both legally chartered nonprofit\norganizations and myriad informal groups and voluntary associations,\nthis sector occupies an increasingly critical and visible position in our\npolitical, social, and economic life.1 Yet despite its size and perceived\ninfluence, there is considerable uncertainty and confusion about its\nboundaries. The lines delimiting the sector have frequently been subject\nto challenge and revision, as funds and responsibilities have shifted back\nand forth among business, nonprofit, and government organizations.\nReaching consensus on the very definition of the nonprofit and volun-\ntary sector is difficult because many of the core features and activities of\nnonprofits increasingly overlap and compete with those of business and\ngovernment.\n\nThus, the nonprofit and voluntary sector is at once a visible and com-\npelling force in society and an elusive mass of contradictions. On the\none hand, the rise of nonprofits is thought to have contributed to de-\nmocratization around the world, opening up societies and giving people\na voice and a mode of collective expression that has in too many cases\n\n1\n\n\n\nbeen suppressed.2 In the United States, nonprofit and voluntary organi-\nzations are seen as playing a central role in generating, organizing, and\nemboldening political opposition, working through national networks\nand building international linkages. Nonprofit and voluntary organiza-\ntions have also acted as practical vehicles for the delivery of a broad\nspectrum of community services,

ranging from affordable housing to\ntheater performances to vocational training to health care. The nonprofit\nsector appears, therefore, to be a real and identifiable group of tax-ex-\nempt organizations that encourage political engagement and produce\nservices. The sector is in fact a documented economic powerhouse that\nemploys millions of people and accounts for a significant portion of the\nnation\u2019s gross domestic product. All of which makes the nonprofit sector\na strong and compelling concept that appears grounded in economic,\npolitical, and legal reality.\n\nOn the other hand, the nonprofit and voluntary sector is home to\nsuch a wide range of organizations that grouping them together into one\nentity is highly problematic. From the largest hospitals and universi-\nties (which fund their operations by collecting fees or tuition) to small\nmentoring programs and avant-garde arts organizations (which survive\non charitable contributions), nonprofits span a tremendous range of or-\nganizational forms. Many of these forms are stable and lasting, while\nothers are fragile and transient. Some of the organizations that are con-\nsidered part of the nonprofit sector, such as religious congregations and\nprivate membership organizations, operate without government fund-\ning. Other nonprofit organizations, particularly those that service the el-\nderly and poor, could not survive without the steady flow of funds from\nfederal, state, and local government. Beyond differences in funding, the\norganizations within the sector are balkanized by legal status, level of\nprofessionalization, and underlying purpose.\n\nThus, any exploration of the nonprofit and voluntary sector would\ndo well to begin by acknowledging its fundamentally contested nature.\nThis chapter reviews the difficulties in defining the central characteris-\ntics of nonprofit and voluntary organizations, the conflicting nature of\nthe words we use to describe this part of our world, and the evolving\nplace the sector occupies in America\u2019s fragmented and polarized political\nsphere. Throughout, the tensions inherent in the very idea of organiza-\ntions operating between the state and the market emerge again and\nagain. All of which leads to the analytic framework that guides this book\n\n2 The Idea of a Nonprofit and Voluntary Sector\n\n\nin its exploration of the overarching functions of the nonprofit and vol-\nuntary sector.\n\nThree Features of Nonprofit and Voluntary Organizations\n\nAttempting to define the fundamental features of the disparate enti-\nties that constitute the nonprofit and voluntary sector is a complex and\ndaunting task. Yet there are at least three features that connect these\nwidely divergent entities: (1) they do not coerce participation; (2) they\noperate without distributing profits to stakeholders; and (3) they exist\nwithout simple and clear lines of ownership and accountability. Taken\ntogether, these three features might make nonprofit and voluntary orga-\nnizations appear weak, inefficient, and directionless, but nothing could\nbe further from the truth. In reality, these structural features give these\nentities a set of unique advantages that position them to perform impor-\ntant societal functions neither government nor the market is able to\nmatch.\n\nPerhaps the most fundamental of the three features is the sector\u2019s\nnoncoercive nature. Citizens cannot be compelled by nonprofit organi-\nzations to give their time or money in support of any collective goal.\nThis means that, in principle at least, nonprofits must draw on a large\nreservoir of good will. This noncoercive character is also what most\nstarkly differentiates the sector from government, which can levy taxes,\nimprison violators of the law, and regulate behavior in myriad ways. The\npower of coercion that the public sector possesses is a powerful tool for\nmoving collectivities toward common ends, but it is also a source of\nstrife and contention. Trust in government is now low,3 making the ef-\nfective

use of state power more and more difficult as its legitimacy fades.\nFor nonprofit and voluntary organizations, these issues do not arise.\nFree choice is the coin of the realm: donors give because they choose to\ndo so. Volunteers work of their own volition. Staff actively seek employ-\nment in these organizations, often at lower wages than they might se-\ncure elsewhere. Clients make up their own minds that these organiza-\ntions have something valuable to offer. Though they stand ready to\nreceive, nonprofit and voluntary organizations demand nothing. As a\nconsequence, nonprofits occupy a moral high ground of sorts when\ncompared to public sector organizations that have the ability to compel\naction and coerce those who resist.\n\nThe Idea of a Nonprofit and Voluntary Sector 3\n\n\n\nIn some ways, the noncoercive character of the nonprofit and volun-\ntary sector situates it closer to the market than to government. Business\ndepends on the free choice of consumers in a competitive market where\nalternatives are often plentiful and where no firm has the capacity to\ncompel anyone to purchase its goods or services. Similarly, nonprofit or-\nganizations cannot coerce participation or consumption of their ser-\nvices. The sector makes choices available, rather than deciding for oth-\ners. When it comes to the mobilization of funds, the parallel between\nbusiness and nonprofits is equally clear. Just as no one forces anyone to\nbuy shares or invest in enterprises, no one forces anyone to give or vol-\nunteer in the nonprofit world. The flow of resources to a nonprofit de-\npends entirely on the quality and relevance of its mission and its capac-\nity to deliver value. To the extent that a business firm or a nonprofit\norganization is performing well, investors and donors will be attracted\nto it. Should things take a turn for the worse, investment funds and phil-\nanthropic funds usually seek out other options quickly.\n\nThe second feature of nonprofit and voluntary organizations sharply\ndifferentiates them from business firms, however. While corporations\nare able to distribute earnings to shareholders, nonprofit and voluntary\norganizations cannot make such distributions to outside parties. Rather,\nthey must use all residual funds for the advancement of the organiza-\ntion\u2019s mission.4 By retaining residuals rather than passing them on to in-\nvestors, nonprofit organizations seek to reassure clients and donors that\ntheir mission takes precedence over the financial remuneration of any\ninterested parties. The nondistribution constraint has been seen as a tool\nthat nonprofits can use to capitalize on failures in the market. Since\nthere are certain services, such as child care and health care, that some\nconsumers feel uncomfortable receiving if the provider is profit driven,\nnonprofits are able to step in and meet this demand by promising that no\ninvestors will benefit by cutting corners or by delivering unnecessary\nservices.\n\nWhile the noncoercive feature of nonprofits brings nonprofits closer\nto business and separates them from government, the nondistribution\nconstraint pushes nonprofits closer to the public sector and away from\nthe private sector. Government\u2019s inability to pay out profits from the sale\nof goods or services is related to its need to be perceived as impartial and\nequitable.5 With nonprofits, the nondistribution constraint also builds\nlegitimacy and public confidence, though this does not mean that spe-\n\n4 The Idea of a Nonprofit and Voluntary Sector\n\n\ncial powers are vested in these organizations. In both sectors, the non-\ndistribution constraint strongly reinforces the perception that these enti-\nties are acting for the good of the public.\n\nThe third feature of nonprofit and voluntary organizations is that they\nhave unclear lines of ownership and accountability.6 This trait sepa-\nrates these entities from both business and government. Businesses must\nmeet the expectations of shareholders

or they risk financial ruin. The\nownership question in the business sector is clear and unambiguous:\nshareholders own larger or smaller amounts of equity in companies de-\npending on the number of shares held. Similarly, government is tethered\nto a well-identified group of individuals, namely voters. Executive and\nlegislative bodies\u2014and the public agencies they supervise at the federal,\nstate, and local levels\u2014must heed the will of the electorate if they are to\npursue public purposes effectively and retain the support and legitimacy\nneeded to govern. There is also a long tradition in the United States of\nconceiving government as \u201cbelonging\u201d to citizens, though the ways in\nwhich this ownership claim can be exercised are severely limited. In the\nnonprofit sector, clear lines of ownership and accountability are absent.7\n\nNonprofit and voluntary organizations must serve many masters,\nnone of which is ultimately able to exert complete control over these or-\nganizations. Donors, clients, board members, workers, and local com-\nmunities all have stakes, claims, or interests in nonprofit and voluntary\norganizations. Yet none of these parties can be clearly identified as the\nkey ownership group. The relative strength of these ownership claims\ndepends on how an organization is funded and on its chosen mission.8\n\nNonprofit organizations that depend heavily on charitable contributions\nare often held closely accountable by their donors, some of whom be-\nlieve that as social investors they have a real stake in the organizations\nto which they contribute. Nonprofits that are largely driven by service\nfees or commercial revenues are in a different position. While these\nmore commercial organizations do not have donors asserting claims\nover them, social entrepreneurs and professional staff may view them-\nselves as the key stakeholders in these more businesslike organizations.\n\nOften, however, the lines of ownership and accountability are ren-\ndered more complex by the fact that many nonprofit organizations com-\nbine funding from multiple sources\u2014foundations, corporations, and\ngovernment\u2014with earned income, making it hard to point to any par-\nticular party as the key stakeholder to whom these special institutions\n\nThe Idea of a Nonprofit and Voluntary Sector 5\n\n\n\nmust answer.9 One might be tempted to point out that nonprofit and\nvoluntary organizations are almost always governed by boards, and to\npropose this as a solution to the ownership and accountability issue. Un-\nfortunately, board members are not owners. They are stewards who are\nheld responsible for the actions of their organization. In the end, non-\nprofit and voluntary organizations are authorized to act in the public in-\nterest by the communities in which they operate, though the lines of ac-\ncountability are weaker than those in the public sector and the lines of\nownership far more obscure than in the business sector.\n\nThese three features of nonprofit organizations are not without con-\ntroversy and contention. In fact, each has been called into question in\nrecent years. First, the noncoercive nature of the sector has been chal-\nlenged by the growing tendency to mandate community service or vol-\nunteer work. In the case of welfare reform, many states have required aid\nrecipients to complete a community service requirement in order to con-\ntinue receiving their monthly support payments.10 A growing number of\nhigh schools now make volunteering with a local organization a condi-\ntion for graduation. In addition, there have long been parts of the non-\nprofit landscape where strong norms are enforced on those who have\ncommitted to membership. Within professional associations, licenses to\npractice medicine, law, and other callings are granted and denied by\nnonprofit entities.11 Within many religions, the behavior of adherents is\nseverely constrained by doctrine. In some neighborhoods, independent\ncommunity groups have been granted the power to

plan and constrain\nfuture development by residents. The exercise of power may be subtle\nin some cases. For example, many private funders exercise consider-\nable influence over the recipients of their grants. This influence can take\nthe form of a gentle suggestion or a condition of support that pro-\ngrams be revamped.12 Although the constraints imposed in each case\nfollow a decision to participate and join, the power of some nonprofits\nover groups of individuals is considerable. In each and all such in-\nstances,13 the noncoercive character of these organizations is called into\nquestion.\n\nSecond, the nondistribution constraint of nonprofit organizations has\nlikewise been under assault from a number of different directions. In re-\ncent years, increased scrutiny of the high salary levels of many nonprofit\nexecutives has led some to ask whether the \u201cprofits\u201d\u2014or, more accu-\nrately, the increased program revenues\u2014are not in fact being routinely\ndistributed to staff in the form of generous compensation and benefit\n\n6 The Idea of a Nonprofit and Voluntary Sector\n\n\n\npackages.14 In the area of capitalization, large nonprofit organizations\nhave been aggressive in raising funds through bond offerings, which\ndo not offer investors the ownership stake that stock offerings do, but\nwhich have the effect of opening up major capital flows into the non-\nprofit sector. The accumulation of capital in the form of large endow-\nments has also called into question the boundary between business and\nnonprofit organizations: endowment funds, by their nature, are not used\nto fulfill an organization\u2019s immediate needs. Instead, they are invested in\nstocks, real estate, and other speculative investments designed in the\nlong run to maximize financial return. This is a strategic move that some\nhave characterized as contrary to the public purposes of nonprofit orga-\nnizations.15 Making the boundary between nonprofits and business firms\neven more opaque, at least one study has argued that the nondistri-\nbution constraint does not significantly increase consumer confidence\nin the trustworthiness of nonprofits compared to business firms.16\n\nThird, the ownerless character of nonprofit and voluntary organiza-\ntions has come under fire as the legal claims of nonprofit stakeholders\nhave evolved. The courts have held that only members (in the case of a\nmembership organization), trustees or directors, and the attorney gen-\neral in the state where the nonprofit is located have legal standing to\ncontest the action of a charitable corporation. Over the years, however,\nthe power of trustees and directors has grown substantially, not to the\npoint where they can claim ownership of the assets of a nonprofit, but to\nthe point where boards now have tremendous leeway in the way they\noperate a charitable organization.17 While these claims have rarely come\nto equal those of ownership, the lines of accountability have been drawn\nmore sharply, particularly as questions about the transfer of assets have\ncome up when nonprofit organizations have attempted to convert to for-\nprofit status.18\n\nThe ultimate result of these debates and trends is that the defining fea-\ntures of nonprofit organizations are evolving and are the subject of con-\nsiderable debate. The notion that there is some simple and unambiguous\ntest that can be developed to decide what sector an organization belongs\nto is no longer reasonable. While the Internal Revenue Service (IRS) and\nthe states have developed statutes and rules that define and regulate\nthese special institutions, a different and far more complex reality has\nemerged. The legal code is often of limited value in the effort to deter-\nmine which organizations are really nonprofit and voluntary in their\noperation.\n\nThe Idea of a Nonprofit and Voluntary Sector 7\n\n\n\nComposition of the Nonprofit and Voluntary Sector\n\nIn the United States today, there are more than one and a half million\nregistered nonprofit organizations, as well as several

million informally\norganized community groups. The formally registered organizations fall\ninto two broad and porous categories: those that serve the public and\nthose that serve members. The public-serving organizations, classified\nunder section 501(c)3 of the IRS code, operate in almost every imagin-\nable field of human endeavor, and include, among countless others, so-\ncial service agencies helping children, the elderly, and the poor; inde-\npendent schools and private colleges; community clinics and hospitals;\nthink tanks; environmental organizations; cultural groups such as muse-\nums, theaters, and historical societies; and a range of international assis-\ntance organizations. They are the most visible and recognizable part of\nthis organizational universe. But substantial resources are concentrated\nin the member-serving or mutual benefit organizations, which include\ncredit unions, business leagues, service clubs, veterans\u2019 organizations,\nand trade associations. They tackle problems ranging from the most\ncomplex issues of business policy to the most prosaic challenges of\nsmall-town life. Also included in the sector (though not filing forms an-\nnually with the IRS) is a vast array of churches, synagogues, and\nmosques that form the foundation of the nation\u2019s religious life. While we\ntend to think of congregations as membership organizations, they are\ntreated differently by government and are not subject to the same forms\nof oversight as other member-serving nonprofits.\n\nWhile the largest and better-financed nonprofit organizations receive\nthe bulk of public attention, important work is done by the army of\nless visible associations, clubs, networks, and groups through which\ncommunities come together and act.19 There is considerable dispute as\nto whether the legally chartered nonprofit organizations share enough\ntraits with informal voluntary associations to justify including both\ngroups in one sector.20 However, leaving these grassroots associations\nout of the picture grants far too much deference to the tax treatment of\nnonprofits and ignores the fact that informal associations and formal\nnonprofits both eschew the distribution of profits, are noncoercive, and\nhave no owners.\n\nPublic awareness of the sector is rapidly increasing, though surpris-\ningly little is known about the underlying purposes and values that ani-\n\n\n\n\nmate nonprofit and voluntary action or the vehicles through which these\nvalues and purposes are channeled. In part, this is because these activi-\nties reflect a sometimes confusing agglomeration of strongly held private\nvalues, as well as a set of complex public purposes. The sector can thus\nbe conceived as a tent covering public-serving charities, member-serv-\ning organizations, and a range of informal organizations, including vol-\nuntary and grassroots associations (see Figure 1.1).\n\nThis diverse and at times contradictory group of entities comprises or-\nganizations and associations that are neither part of the state nor fully\nengaged in the market. The sector\u2019s solutions to community and public\nproblems at times represent a conscious disavowal of commercial mar-\nkets and a realization that some exchanges are simply better conducted\nunder terms of mutuality and trust than under the strict dictate of caveat\nemptor.21 Using charitable contributions, many nonprofit and voluntary\norganizations can deliver services to clients who are unable to pay. At\nother times, nonprofit and voluntary action represents an attempt to\nmove beyond government action to find solutions to public problems\nthat a majority of citizens are unable or unwilling to support.

\n\n1.1 Elements of the nonprofit and voluntary sector.\n\nThe\nnonprofit\n\nand\nvoluntary\n\nsector\n\nMember-\nserving\n\nnonprofits\n\nVoluntary\nassociations\n\nPublic-

\nserving\n\nnonprofits\n\n\n\ncan and do speak to community needs that lie outside the priorities of\nthe median voter. But the position of this group of organizations in rela-\ntion to the market and the state is far more complex and changeable\nthan these simple claims of differentiation might lead one to believe. In\nsome fields of activity within the sector, intense commercialism has\neroded the moral high ground of these organizations and transformed\nnonprofits into shadow businesses that compete actively for clients able\nto pay for the services they offer. In other fields, nonprofits have lost\ntheir autonomy from government and have come to serve as dutiful im-\nplementers of public sector programs and priorities. The lack of clarity\nin the identity of nonprofit and voluntary organizations in relation to\nbusiness and government becomes ever more evident as soon as one\nconsiders the range of names used to speak about these entities.\n\nWhat\u2019s in a Name?\n\nThe process of arriving at a single term to designate this sphere of activ-\nity has been long and conflicted. Although the term \u201cnonprofit and vol-\nuntary sector\u201d is common today, many other terms have been devised\nover the years. The long-standing confusion over terminology can be\ntraced to the diversity of activities that need to be covered by whatever\nterm is chosen.22 Programs are delivered through both formal and infor-\nmal organizations, carried out by both salaried and volunteer staff, and\nsupported through donations, contracts, and commercial revenues. As a\nconsequence, the formal organizations that constitute the sector have at\nvarious times and for various reasons been called \u201cthe tax-exempt sec-\ntor,\u201d \u201cthe nongovernmental sector,\u201d \u201cthe independent sector,\u201d \u201cthe third\nsector,\u201d \u201cthe civil society sector,\u201d \u201cthe commons,\u201d \u201cthe charitable sec-\ntor,\u201d \u201cthe voluntary sector,\u201d \u201cthe nonproprietary sector,\u201d and \u201cthe non-\nprofit sector.\u201d The terminological debate continues today. Each of the\nmany terms that has emerged over time has had its own historical and\npolitical baggage. A brief review of these terms will illustrate the scope\nof the sector, even if a definitive defense of any particular term is impos-\nsible.\n\nOne of the earliest names attached to these organizations was in some\nways the narrowest and the most descriptively accurate: \u201ctax-exempt.\u201d\nAfter the ratification of the Sixteenth Amendment to the Constitution\nand the establishment of the national income tax in 1913, Congress\n\n10 The Idea of a Nonprofit and Voluntary Sector\n\n\n\ngranted tax-exempt status to those organizations that were specifically\n\u201corganized and operated exclusively for charitable, scientific, and edu-\ncational purposes.\u201d Later additions included a long series of very spe-\ncific purposes, including \u201cprevention of cruelty to children or animals\u201d\n(1918), \u201ccommunity chest, fund, or foundation\u201d (1921), and \u201ctesting\nfor public safety\u201d (1954). The categories of tax-exemption have shifted\nover time; today there are more than twenty different specific categories\nof tax-exempt organizations delineated under the Internal Revenue\nCode. The arbitrariness of these narrow categories can best be seen to-\nday in the fact that international sports organizations are specifically rec-\nognized, whereas health organizations are not. But this is of little conse-\nquence, since the vast majority of public-serving nonprofits file today\nunder the catch-all category 501(c)(3). For a time, the moniker \u201ctax-ex-\nempt organizations\u201d was widely used inside government and within the\nlegal community because it pointed\u2014or at least appeared to point\u2014to\nthe black letter of government regulation. Yet because this approach did\nnot capture the huge number of clubs, associations, and groups that\nhave never been formally registered with the IRS, it fell out of favor and\nwas

replaced with others.\n\nIn the 1970s, efforts to find a broader and more inclusive term led to a\nwhole series of names that aimed at positioning the sector in opposi-\ntion to government. Today, the term \u201cnongovernmental organization\u201d\n(NGO) remains popular around the world. It is used to denote the array\nof organizations that pursue public purposes through largely private\nmeans. It covers both indigenous organizations working within particu-\nlar countries overseas and international organizations that work around\nthe world. While not specifically limited to a particular field of activity,\nwhen the term \u201cnongovernmental organization\u201d is used today, it usually\ndenotes an organization that works to promote such things as rural de-\nvelopment, education, environmental quality, and community health.\nWhat is interesting about the term \u201cnongovernmental\u201d is that it defines\nthese independent organizations in opposition to government, rather\nthan in opposition to business firms. One possible explanation for the\npopularity of this term internationally is the power and dominance that\nthe state enjoys in many developing countries and the relative absence\nof organized opposition. The sector is thus defined as that which is not\npart of the state, rather than that which is not oriented toward profit-\nmaking. This choice also implicitly reflects the oppositional role of lo-\n\nThe Idea of a Nonprofit and Voluntary Sector 11\n\n\ncal nongovernmental organizations, which do in fact challenge govern-\nments and hold them accountable. In some countries, small, informal\norganizations within the broader NGO sector are at times termed \u201cpeo-\nple\u2019s organizations\u201d and \u201ccommunity-based organizations,\u201d as a way of\ndifferentiating them from larger, more formal institutions. The label\n\u201cnongovernmental\u201d remains firmly entrenched in current usage, partic-\nularly when Americans seek to distinguish between American nonprofit\norganizations and international NGOs.\n\nThe term \u201cindependent sector\u201d came into popular usage in the 1980s\nand can be traced to a particular event\u2014namely, the founding of Inde-\npendent Sector, the national trade association representing both grant-\nmaking and grant-receiving organizations.23 Founded in 1979, the group\nconsolidated two existing associations and sought to unify the motley\nworld of foundations and nonprofit organizations. By advancing the use\nof the term \u201cindependent sector,\u201d organizers of the association wanted\nto emphasize the capacity of these organizations to devise solutions free\nfrom the market and political pressures. The only problem with this\nterm is that over time it became increasingly obvious that nonprofits\nwere neither independent from government nor free from the pressures\nof the marketplace. As government funding for social service and health\nnonprofits has risen sharply, many have come to view nonprofit organi-\nzations as engaged in important collaborative relationships with govern-\nment. Independence from government has come to be seen as more of a\nwish than a reality. Similarly, the idea that nonprofit organizations oper-\nate independently from the market has been called into question by the\ngrowing number of cross-sector partnerships, joint marketing agree-\nments, and nonprofit commercial ventures.\n\nAt times, the term \u201cthird sector\u201d has been in vogue. Popularized by\nseveral early researchers in the field of nonprofit and voluntary action,24\n\nthis term had the advantage of covering both formally constituted non-\nprofit organizations and the countless informal grassroots organizations\nthat populate the sector. The idea that nonprofit and voluntary action\nwas somehow third in line after government and business rubbed some\npeople the wrong way, however. It seemed to imply a kind of inferiority\nand subsidiarity that few in the sector were willing to concede. While\nthe term \u201cthird

sector\u201d is still sometimes used in the research commu-\nnity, the practitioner community rarely uses it. Like \u201cnonprofit\u201d and\n\n12 The Idea of a Nonprofit and Voluntary Sector\n\n\n\n\u201cnongovernmental,\u201d the term \u201cthird sector\u201d seems to define these orga-\nnizations in isolation from the other sectors.\n\nThe term \u201ccivil society\u201d was coined by the classic writers of political\ntheory, and has regained currency of late. The modern idea of civil soci-\nety plays a prominent role in the work of Hobbes, Montesquieu, and\nHegel, who used it to refer to the broad private realm outside the state.\nOne of the problems with using the term today is that \u201ccivil society\u201d tra-\nditionally encompassed everything from the family to the church to the\nbusiness corporation. Still, the term is acquiring popularity both in the\nUnited States and internationally, and it has lately come to refer to some-\nthing more concrete than the huge and abstract private realm outside\nthe state. In practice, it has come to denote a set of voluntary mediating\ninstitutions that invite individuals to come together to pursue shared in-\nterests, values, and commitments. Over the past decade, \u201ccivil society\norganizations\u201d has come to compete with \u201cnongovernmental organiza-\ntions\u201d among people interested in indigenous social movements around\nthe world, ranging from small local organizations to large international\ninstitutions.\n\nMore recently, yet another solution to the name game was proposed.\nInstead of a term that either defined the essential characteristic of these\norganizations or that situated these organizations in relation to gov-\nernment and the market, a new form of reference was proposed: \u201cthe\ncommons.\u201d Advocates for the term argued that the vast landscape of\nnonprofit and voluntary action constitutes a special terrain of shared\nconcerns.25 \u201cThe commons\u201d was intended to solve some of the prob-\nlems associated with previous attempts at naming the sector. It denoted\nthe vast array of relationships between benefactors, intermediaries, and\nbeneficiaries that constitutes a space in which associative communities\ncan operate freely. Linked to the Greek term koinonia, \u201cthe commons\u201d\nemphasizes free participation, common purpose, shared goods, a sense\nof mutuality, and a commitment to fairness.26 A critical part of what\ndistinguishes \u201cthe commons\u201d from other attempts to delineate the non-\nmarket and nonstate realm of activity is that the definition focuses not\njust on what kinds of purposes are accomplished, but also on the ways\nin which they are accomplished. By pointing to the features of koinonia,\n\u201cthe commons\u201d defines the boundary of the sector in ethical terms.\n\nIn several European countries today, the dominant term is \u201cthe chari-\n\nThe Idea of a Nonprofit and Voluntary Sector 13\n\n\n\ntable sector,\u201d which captures the critical philanthropic character of these\norganizations and their activities. The very use of the term \u201ccharity,\u201d\nhowever, harks back to Victorian England, the settlement house move-\nment, and the class elitism associated with \u201cpoor aid\u201d and \u201calms giving.\u201d\nBecause self-help and community empowerment have become rallying\npoints for the sector, the idea of calling this part of society \u201ccharitable\u201d\noffends some people because it puts the spotlight on the contributions\nof elite patrons and donors, not on the efforts of activists, caregivers, and\nclients. The term also implies that much of the work of the sector is\nfunded through private gifts, when in reality government funding and\nearned income now fuel large parts of the sector.\n\n\u201cThe voluntary sector\u201d has been in use intermittently for decades,\nboth in the United States and abroad. One clear advantage of the term is\nthat it focuses on the vast landscape of formal and informal organiza-\ntions that work for the public good. It is a way of including the

millions\nof neighborhood-based groups that operate without legal recognition.\nYet the name has been criticized at times for obscuring the growing pro-\nfessionalism of nonprofit activity, a subject of considerable sensitivity. As\npart of the process of receiving more and more funding from public sec-\ntor agencies through contractual relationships, many nonprofit manag-\ners now take great pride in the fact that they have removed all vestiges of\namateurism associated with volunteerism and have replaced it with the\nprofessional work of highly trained people.\n\nMost recently, some people dissatisfied with the existing alternatives\nhave begun using the term \u201cnonproprietary organizations\u201d in order to\nhighlight the ownerless character of these entities. In contrast to busi-\nness firms that are proprietary, nonproprietary organizations are not\nlinked to a clear owner or ownership group. This alternative has been\nadvanced because the term \u201cnonprofit\u201d obscures the fact that many\n\u201cnonproprietaries\u201d do in fact generate surplus revenue, though they do\nnot directly distribute their earnings to shareholders or owners. While\nthis term has the benefit of drawing a clear line between business firms\nand nonprofits, it does not resolve the question of what differentiates\nnonprofits from government agencies, which are also nonproprietary.\n\nOf the many competing options, the term \u201cnonprofit sector\u201d has been\nthe most widely used over time. Rather than defining these organiza-\ntions in terms of the special privilege they enjoy of being free from taxa-\ntion, the term points in a different and less contentious direction by em-\n\n14 The Idea of a Nonprofit and Voluntary Sector\n\n\nphasizing the benevolent character of the sector. Though there is some\nquestion as to when exactly the term \u201cnonprofit sector\u201d came into use,\nthe consensus is that it is a product of the 1950s and 1960s. The term\n\u201cnonprofit\u201d focuses on one of the three defining features mentioned\nabove\u2014namely, that these organizations are not intended to generate\nprofits and distribute them to investors. Since this term distinguishes\nnonprofit organizations from business corporations, some observers\nhave argued that it was actually designed to confer a kind of legitimacy\nand trustworthiness.27 In recent years, the substantial increase in com-\nmercial revenues and executive salaries within the nonprofit sector has\nled many to question just how unprofitable the sector truly is. Still, the\nlabel \u201cnonprofit sector\u201d has the benefit of currency and simplicity.\n\nBecause the sector comprises both legally chartered nonprofit organi-\nzations and countless informal groups and voluntary associations, I will\nuse the somewhat cumbersome though descriptively accurate \u201cnon-\nprofit and voluntary sector\u201d to denote the organizations occupying an\nincreasingly critical and visible position in our political, social, and eco-\nnomic life. Though not perfect, the term points accurately to the target\npopulation of organizations that are emerging as critical actors even\nthough they operate without coercion, profits, or owners. This is a com-\npromise solution that many researchers working in this field use, though\nsome fall back on \u201cnonprofit sector\u201d for brevity\u2019s sake. Though it does\nnot please everyone, the term does meet the requirement of being broad\nenough to cover the range of organizations and groups that are acting\nprivately for some collective good.\n\nUnderlying all the names that have been used to describe these enti-\nties is the fact that even when agreement is reached on a single appro-\npriate name, it is not entirely clear that this complex and varied set of or-\nganizations constitutes a single coherent societal \u201csector.\u201d28 In many\nways, the word \u201csector\u201d is just as problematic as \u201cindependent,\u201d \u201cthird,\u201d\n\u201cnongovernmental,\u201d and all the terms that have preceded

it. An impor-\ntant part of the problem is the lack of consistency across the organiza-\ntions that are said to be part of this sector. After all, the sector includes\norganizations that cater to the narrow needs and desires of their mem-\nberships, as well as organizations that have broad public service mis-\nsions.29 The sector is also home to highly institutionalized organizations\nwith millions of dollars in revenues and informally organized groups\nwith little or no money. The sector includes political parties that exist to\n\nThe Idea of a Nonprofit and Voluntary Sector 15\n\n\n\nshape public policy and service delivery organizations that depend on\nthe political process to deliver needed funds. The sector counts as its\nconstituents both foundations that give away money30 and a multitude\nof organizations that seek grants, as well as a growing number of organi-\nzations that depend on fees and commercial revenues. Thus, given the\ngreat diversity of formal and informal structures, the varieties of pur-\nposes pursued, and the range of financing systems used to support these\norganizations, the very use of the word \u201csector\u201d is troublesome because\nit implies far more consistency than may be present. Some scholars of\nnonprofits thus maintain that the idea of a coherent sector may be an in-\nvention, which has begun to outlive its usefulness and now merely pro-\nvides cover for a large and diverse group of organizations that have little\nin common.31\n\nYet, by defining a set of activities that are neither part of government\nnor part of the market,32 we acknowledge that there is a sphere where\ncoercion is not used, where profits are not the principal motive, and\nwhere lines of ownership are not clearly drawn. Why nonprofit and vol-\nuntary organizations exist and what functions they perform are among\nthe central topics of this book. Before presenting a framework for think-\ning about these issues, it is important to recognize some of the political\ncleavages that the very idea of a nonprofit and voluntary sector creates.\n\nThe Politics of the Nonprofit and Voluntary Sector\n\nThe nonprofit and voluntary sector occupies an ambiguous and at times\ncontentious position in the current American political scene. Just as few\npeople agree on the right name to use to describe these organizations,\nAmericans are likewise engaged in heated debate about the sector\u2019s un-\nderlying politics. Today, for quite different reasons, nonprofit and volun-\ntary organizations are embraced by both conservatives and liberals. How\ncan this be? The answer lies in the fact that the sector comprises a great\nnumber of complex, multidimensional organizations that appeal simul-\ntaneously to many constituencies. The fact that both sides of the politi-\ncal spectrum applaud and see the potential of nonprofit and voluntary\norganizations, far from revealing some underlying weakness, ultimately\nreflects the sector\u2019s strength and enduring relevance.\n\nFor at least three reasons, nonprofit and voluntary organizations have,\nparticularly from the 1960s forward, represented a tremendous resource\n\n16 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nand ally to liberals. First, a natural affinity between liberals and non-\nprofit workers quickly became apparent, since those willing to toil in\noften low-paying or voluntary positions\u2014and frequently in difficult cir-\ncumstances\u2014constitute a self-selected group of socially committed in-\ndividuals dedicated to the idea of making a difference and initiating\nchange. As membership in labor unions declined, thus eroding one of\nthe traditional bases of the Democratic party, the rise of nonprofit social\nservice agencies in the 1970s came at a very opportune moment. Not\nonly could nonprofit organizations serve as new channels through\nwhich social programs could be delivered, but they also represented a\nnew and important space in which potential supporters of progressive\npolicies might well

be located.33\n\nThe second reason liberals were attracted to the sector as a whole was\nmore operational. Nonprofit organizations were seen as an ideal and un-\ntainted partner to government, one that could most effectively deliver\nneeded services to the most disadvantaged populations. As concern over\nthe impact of Great Society programs grew and as distrust of govern-\nment increased, nonprofits came to be seen as neutral and legitimizing\nforces with the capacity to give large human service initiatives a more di-\nverse, pluralistic face.34 The funding crunch that most nonprofit organi-\nzations face on a continuing basis appeared to put government in a posi-\ntion to use its substantial resources, in the form of contracts and grants,\nto gain control over a whole new range of community actors and prob-\nlems. At the same time, nonprofits represented an ideal \u201cbottom-up\u201d ap-\nproach to implementation, one that empowered the grassroots level and\nthat gave government tremendous leverage for each dollar spent.\n\nThird and finally, liberals were attracted by the political activity of\nmany nonprofits and their ability to mobilize groups around issues and\nconcerns in a distinctive way. Unlike corporations, which are beholden\nto shareholders and the bottom line, and unlike government, which is\nbound by the limits of the Constitution and the pressures of public opin-\nion, nonprofit organizations have a great deal more freedom to oper-\nate. This flexibility lends itself well, in principle, to the pursuit of pro-\ngressive, alternative agendas. Moreover, since many advocacy nonprofits\nseek to give voice to populations that have long been excluded from the\npolitical debate, liberals continue to view the broader nonprofit sector as\na means to exert pressure for social change and justice.35\n\nChanges in the national political climate since the 1980s coincided\n\nThe Idea of a Nonprofit and Voluntary Sector 17\n\n\n\nwith a very different set of ideas about the nonprofit sector. Instead of\nconsidering nonprofits a potential source of political and social change,\nconservatives were attracted by three completely different features of\nnonprofits. First, they believed that nonprofit organizations might well\nrepresent an appealing alternative to direct public expenditures on so-\ncial programs that conservatives believed had not produced results.36\n\nQuestions about whether the War on Poverty had failed were in the air,\nespecially in the early 1980s. By encouraging private charities to take\nresponsibility for local community needs, conservatives believed they\ncould make an effective argument for shrinking government. After all, if\nchurches and community groups were able to function with voluntary\ncontributions of time and money, the need for an ever-growing number\nof public spending programs would surely be diminished. Compared to\ntaxation and national spending, private charity and volunteerism were\nseen as preferred means of solving social problems because they permit-\nted greater individual freedom and choice. A strong and vital nonprofit\nand voluntary sector fit well with the emerging ideas of both devolution\nand privatization, two mantras of the conservative movement. As gov-\nernment functions were pushed \u201cdown\u201d from the federal level to the\nstate and local levels, and transferred \u201cout\u201d of government to private\nproviders through contracting, nonprofits were ideally situated to de-\nliver services that once had been the province of \u201cbureaucrats\u201d in the na-\ntion\u2019s capital.37\n\nSecond, conservatives also argued that nonprofits, particularly faith-\nbased nonprofits, were in a position to bring to social programs some-\nthing that public entitlements had long lacked\u2014namely, a moral or spir-\nitual component.38 Faith-based nonprofits were seen as willing to make\ndemands on the recipients of charity and require a change of character\nand behavior in exchange for assistance. At the same time, given that\nmany nonprofits are fueled by volunteer

labor and private contributions,\nconservatives were attracted to the idea of nonprofits because they rep-\nresented the ideal of self-help and independence. This was a powerful\nfeature that, conservatives argued, was perilously missing from public\nassistance programs.39 For those who believed that public entitlements\nbred dependence and complacency, the idea of delivering not just a\ncheck but a moral and spiritual message was a very strong attraction.\n\nFinally, for conservatives, nonprofit organizations were also a poten-\ntial wellspring of innovation, representing a plurality of local solutions\n\n18 The Idea of a Nonprofit and Voluntary Sector\n\n\n\nto social problems and a powerful alternative to the ongoing search for\nuniform national solutions to public problems. Grounded in an ethos of\nself-help and respecting regional cultural variations, voluntary action fit\nwell with a growing sense among conservatives that a broad range of al-\nternatives to an expanding state needed to be actively cultivated. By giv-\ning local organizations a chance to try their hand at program implemen-\ntation, conservatives believed that good ideas would percolate up from\ncommunities. Conservatives argued that expenditures on federal social\nwelfare and education programs should not be increased. Instead, funds\ncould be used most effectively and creatively when channeled through\nlocal groups that were more in touch with the diverse and changing\nneeds of the people. Nonprofit organizations thus represented a way of\nbreaking through the red tape of Washington to find new approaches\nto longstanding problems. Nonprofits, conservatives maintained, could\nserve as a battering ram for policy innovation.40\n\nAt first blush, it might appear that the capacity of nonprofit and vol-\nuntary organizations to speak to both liberals and conservatives implies\neither a split and conflicted identity or a simple lack of political scruples.\nIn reality, the sector is a remarkably complex entity, one that is capa-\nble\u2014like an inkblot\u2014of evoking a broad range of reactions and in-\nterpretations. Because it simultaneously supports the autonomy of the\nprivate individual actor while affirming the importance of shared and\npublic purposes, the politics of nonprofit and voluntary action can take\non many different meanings. The ability to speak across, or rather above,\ntraditional political boundaries has become one of the most powerful\nfeatures of the sector, and this trait has led to its growth and popularity,\nparticularly among young people.\n\nThe Two Dimensions of Nonprofit and Voluntary Action\n\nGiven the confusion over what to call this sector and the complex and at\ntimes confused politics that have surrounded it, the goal of this small\nbook is to help shape our understanding of the many different ways one\ncan approach the core functions of these independent organizations. To\nmake this task easier, I organize my exposition of the central functions\nof voluntary and nonprofit organizations along two broad conceptual\ndistinctions. The first critical distinction concerns how the sector is\nexplained; the question is whether nonprofit and voluntary activity is\n\nThe Idea of a Nonprofit and Voluntary Sector 19\n\n\n\ndriven primarily by demand or by supply\u2014that is, whether it can best be\understood as a response to unmet demands or whether it is taken to be\nan important supply function that creates its own demand. The second\ndistinction concerns how the sector is justified; here the issue is whether\nthe value of nonprofit and voluntary action is seen as residing in the in-\nstrumental character of the outcomes that are generated for society or in\nthe inherently expressive quality of the activities themselves that reward\nthose who undertake them. These are complex and difficult distinctions,\nwhich will be discussed in turn and then brought together to form the\nconceptual framework for the analysis that constitutes the core of the\nbook.\n\nStarting with the distinction between

demand and supply, it is easy\nto see nonprofit and voluntary action as responding to two quite differ-\nent but important forces.41 The demand-side perspective starts with the\npremise that the sector exists by virtue of the broader social context\nwithin which it is embedded and that its activities are responsive to the\ndemands of the public or its members. Thus, nonprofits exist because\nthey are able to meet important social needs. Urgent public problems\nsuch as illiteracy, drug addiction, and violence demand solutions, and\nthe nonprofit sector exists to respond to the powerful pull of such is-\nsues. The demand-side approach to nonprofit activity has both descrip-\ntive and normative dimensions. Descriptive demand-side theories focus\non patterns of nonprofit formation and growth. In the 1970s, researchers\nproposed detailed economic models and explanations for nonprofits\u2019 be-\nhavior,42 most of which started with the assumption that nonprofits\nfulfill important demands that for one reason or another the market and\ngovernment are unable or unwilling to meet. This led to the broad and\npopular belief that nonprofits were really gap-filling entities that histori-\ncally have arisen when public needs were sufficiently strong.\n\nOn a more normative level, the demand-side approach to nonprofit\norganizations has spawned a literature focusing on the social and politi-\ncal responsibilities of nonprofit organizations\u2014defined in relation to the\ndemands of the neediest members of society. Starting with the claim that\nthe tax exemption accorded these institutions conveys an obligation to\nhelp, many people have made the normative argument that nonprofit or-\nganizations should seek to assist the most disadvantaged and empower\nthe most disenfranchised members of society. Accordingly, the success\nor failure of the sector can and should be judged by how well or how\n\n20 The Idea of a Nonprofit and Voluntary Sector\n\n\npoorly it meets society\u2019s needs. The demand for nonprofit and voluntary\naction leads neatly to a set of prescribed activities, including greater ad-\nvocacy work within the sector, and the empowerment and mobilization\nof those left out of the political process. The demand for nonprofit activ-\nity thus brings with it the expectation that these institutions will help\ngive voice and opportunity to those who have been marginalized by the\nmarket economy and the political process.\n\nThe idea of a demand-driven nonprofit and voluntary sector domi-\nnates much of the research that is conducted in this field. Yet a central\nclaim of this book is that the demand-side approach captures but one as-\npect of this broad social phenomenon. An alternative, supply-side posi-\ntion argues that the sector is impelled by the resources and ideas that\nflow into it\u2014resources and ideas that come from social entrepreneurs,\ndonors, and volunteers.43 This is a more controversial perspective be-\ncause it has led to some strong claims about how nonprofit organiza-\ntions should be managed and operated. Rejecting many of the preceding\narguments about the needs that pull on the sector, the supply-side per-\nspective holds that nonprofit and voluntary organizations are really all\nabout the people with resources and commitment who fire the engine of\nnonprofit and voluntary action. Drawn to the sector by visions and com-\nmitments, social entrepreneurs bring forward agendas that often operate\nindependently of immediately obvious and enduring community needs.\nThis supply-side theory of nonprofits, like the demand-side approach,\nhas both descriptive and normative elements.\n\nOn the descriptive side, this approach emphasizes the entrepreneur-\nial quality of nonprofit activity. Instead of starting with the demand of\nclients, positive supply-side theories of the nonprofit sector draw at-\ntention to the way various forms of entrepreneurship fuel innovation\nwithin the sector and how an emerging class of new social enterprises\u2014\nincreasingly led by a new generation