

## **Social Origins of Civil Society: Explaining the Nonprofit Sector Cross-Nationally**

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*Recent research has usefully documented the contribution that nonprofit organizations make to "social capital" and to the economic and political development it seems to foster. Because of a gross lack of basic comparative data, however, the question of what it is that allows such organizations to develop remains far from settled. This article seeks to remedy this by testing five existing theories of the nonprofit sector against data assembled on eight countries as part of the Johns Hopkins Comparative Nonprofit Sector Project. The five theories are: (a) government failure/market failure theory; (b) supply-side theory; (c) trust theories; (d) welfare state theory; and (e) interdependence theory. The article finds none of these theories adequate to explain the variations among countries in either the size, the composition, or the financing of the nonprofit sector. On this basis it suggests a new theoretical approach to explaining patterns of nonprofit development among countries—the "social origins" approach—which focuses on broader social, political, and economic relationships. Using this theory, the article identifies four "routes" of third-sector development (the liberal, the social democratic, the corporatist, and the statist), each associated with a particular constellation of class relationships and pattern of state-society relations. The article then tests this theory against the eight-country data and finds that it helps make sense of anomalies left unexplained by the prevailing theories.*

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**KEY WORDS:** nonprofit theory; social origins theory; comparative methodology; cross-national comparisons.

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## INTRODUCTION

Recent research has documented the vital importance that “social capital,” and therefore the nonprofit associations thought to produce it, play in both political and economic life (Putnam, 1993; Fukuyama, 1995). Still far from settled, however, is the question of what it is that encourages, or allows, such associations to develop. To be sure, theories about this abound. Almost totally lacking, however, have been the data to put these theories to meaningful empirical test. Even the most basic information about the scale, structure, and composition of the nonprofit sector has been unavailable in most countries, and what data have been available have been, as one scholar recently put it, “hardly compatible or comparable” (Seibel, 1990, p. 43). The result has been an open season for nonprofit theory building. With no real possibility to subject such theories to systematic test, the only real constraint on their development has been surface plausibility, the ability to formulate a logical “story” explaining how the theory *might* work. As a consequence, theories have proliferated in number, and often imaginativeness, without demonstrable improvement in actual explanatory power.

The recent completion of Phase I of the Johns Hopkins Comparative Nonprofit Sector Project has changed this situation fundamentally, creating at least an initial cross-national database on the nonprofit sector (Salamon and Anheier, 1996; Salamon *et al.*, 1996). For the purposes of this project, data were collected on the basic dimensions of the nonprofit sector in eight countries that differ markedly with respect to a number of factors thought to affect the role of the nonprofit sector, such as culture, religion, degree of heterogeneity, and level of government social welfare spending. Included, as reflected in Table I, were countries in North America, Western Europe, Central Europe, and Asia.<sup>4</sup> The resulting database creates a first opportunity to subject nonprofit-sector theories to more serious testing than has been possible heretofore, and thus to shed new light on the factors that seem to account for the growth and development of this sector in an assortment of countries throughout the world.

The purpose of this article is to present the results of such a testing. To do so, the discussion first identifies the major findings of this cross-national research, with particular emphasis on the variations in nonprofit size, composition, and finance that emerge. It then outlines the six bodies of

<sup>4</sup>The eight countries covered by this research were the United States, the United Kingdom, France, Germany, Italy, Sweden, Hungary, and Japan. Because of its transitional character we decided to drop Hungary from the analysis reported here. In addition to these eight countries, five developing nations—Brazil, Ghana, Egypt, Thailand, and India—were also included in the project, but resource limitations made it impossible to generate a full empirical picture of the nonprofit sector in these countries.

**Table I. Country Coverage**

Country	Government Social Welfare Spending as % of GDP
Sweden	36
France	29
Italy	23
Germany	23
United Kingdom	20
United States	13
Japan	12

theory that can potentially shed light on these variations are identified. Four of these come from the nonprofit-sector field and two emerge from other theoretical traditions. These theories are then “tested” against the cross-national data we have assembled. A concluding section, finally, outlines some of the implications that seem to flow from this analysis both for our conceptual understanding of the nonprofit sector and for further research and theory-testing.

Given the limited number of countries for which we have solid empirical data, serious caveats must be entered about the extent to which the conclusions reached here are in any sense final. Nevertheless, the data seem to suggest that many of the prevailing nonprofit theories, though useful as heuristic devices, are too sweeping and one-dimensional, or have too restrictive “boundary conditions,” to account adequately for the tremendous complexity of cross-national experience in this field. Instead, we suggest the usefulness of what we term the “social origins” approach, which explicitly acknowledges what one author has termed the nonprofit sector’s “embeddedness” in broader social, political, and economic realities (Seibel, 1990). Given this embeddedness, the explanation of the shape of the nonprofit sector must be found in these broader realities. This makes the study of nonprofit organizations far more complex, but it also usefully integrates the field more fully into the study of other aspects of social relations, where it clearly belongs.

#### WHAT’S TO EXPLAIN?

To understand this tentative conclusion, it is necessary to begin by clarifying what it is that we expect nonprofit theories to explain. This requires at least a brief summary of the general approach we pursued and the major findings that emerged.

### Key Dimensions of Interest

Two issues had to be resolved in order to assess the scope and structure of nonprofit activity in the countries we targeted for scrutiny: first, the basic *unit of analysis* to use; and second, the *dimensions* of this unit on which to focus.

#### *The Unit of Analysis*

So far as the basic unit of analysis is concerned, the fundamental issue in cross-national nonprofit-sector research is whether it is meaningful to talk about a distinctive “sector” here at all, and, if so, how it should be defined. Skeptics contend that no such entity really exists, that at best there are particular types of nonprofit organizations that may exist in different national settings, but that cross-national comparisons at the sector-wide level are misleading or impossible. Even those who concede the existence of a nonprofit “sector” in particular national settings often remain skeptical that such an entity can be found elsewhere with sufficient conceptual similarity to sustain meaningful cross-national comparisons. Cross-national nonprofit research, not to mention theory-testing, in this view, is a fool’s errand, with little hope of meaningful results.

To cope with this problem, we worked with the national researchers included in our study to identify the common features of a set of institutions that we could confidently locate in all 13 project countries and to which we could reasonably refer, following United Nations usage, as a distinctive “nonprofit sector”<sup>5</sup> (United Nations, 1993). As detailed more fully elsewhere (Salamon and Anheier, 1992a, 1996), five crucial structural or operational features emerged as the defining features of the set of entities encompassed within this sector. In particular, such entities had to be:

- *Organizations*, i.e., institutionalized to some meaningful extent;
- *Private*, i.e., institutionally separate from government;
- *Non-profit-distributing*, i.e., not returning profits generated to their owners or directors;
- *Self-governing*, i.e., equipped to control their own activities;
- *Voluntary*, i.e., involving some meaningful degree of voluntary participation.

We then developed a classification scheme to differentiate the many types of institutions that share these characteristics and validated this

<sup>5</sup>Our definition of this sector differs markedly from the one used in the System of National Accounts, however. For further detail, see Salamon and Anheier (1996).

scheme through the same collaborative process. Following United Nations usage again, the basis of this classification was the “principal activity” of the entity (for example, education, health). On this basis, 12 broad groupings of nonprofit organizations were identified. This made it possible to test various theories not only at the aggregate “sector” level but also at the “subsector” level.<sup>6</sup>

### *Key Variables*

So far as the variables are concerned, of particular interest were two critical dimensions: first, the *scale* of nonprofit operations, as measured principally by employment, volunteer time, and operating expenditures; and second, the *sources of nonprofit financial support*, including “donative” or contributed income, public-sector support, and revenue from the sale of services or other products.<sup>7</sup>

### **Major Findings**

Out of this work emerged a number of major conclusions about the scope, structure, and financing of nonprofit activity in the countries we examined. Most important for our purposes here were four of these conclusions (for further detail on the conclusions of this research, see Salamon and Anheier, 1996, 1997; Salamon *et al.*, 1996).

First, and most fundamentally, the nonprofit sector as defined above was found to be a major economic force in the countries we examined. Thus, these organizations employed 11.9 million employees in the eight countries. This represented 4.5% of the total labor force in these countries, or close to one out of every 20 jobs, and one out of every 8 service industry jobs. In addition, these organizations attracted the energies of volunteers whose time translates into the equivalent of close to 5 million additional full-time employees.

Second, the size of the nonprofit sector varies significantly from place to place. Thus, for example, nonprofit employment varied from a low of

<sup>6</sup>Of these 12 groupings, data were collected on 10. The two excluded groupings were political parties and religious congregations. These were excluded largely to keep the work manageable.

<sup>7</sup>Several other facets of nonprofit operations could also have been examined, including the number of organizations, the beneficiaries they serve, the composition of their governing boards, the size of their memberships, their internal styles of operation, their adherence or nonadherence to certain values, and many more. The variables we selected provide, however, the most basic measures of the scope and structure of this sector and therefore seemed the most fruitful to pursue at this stage of theory building.

0.8% of total national employment in Hungary to a high of 6.9% in the United States, with Italy, Japan, and Sweden grouped toward the low end of the spectrum, and Germany, the U.K., and France toward the higher end (see Fig. 1).

While some of these variations seem understandable given conventional theories, others seem counterintuitive. For example, as a share of total employment, the nonprofit sector turns out to be larger in Sweden than in Italy despite the existence of a full-fledged welfare state in the former and the preservation of a substantial, church-run social welfare sector in the latter. When volunteer staff are included, moreover, some interesting changes occur. Most notably, Sweden vaults ahead of the other European countries in the scale of its nonprofit sector. In particular, from one of the smallest nonprofit sectors in Europe, albeit larger than the case of Italy, it jumps to one of the largest. Evidently the nonprofit sector takes a different form, and potentially assumes a different role, in Sweden as opposed to the other countries we are examining, a point to which we will return below.

Third, the nonprofit sector also varies in composition from place to place, though the extent of this variation is somewhat “constrained.” Specifically, four components—education and research, health, social service, and culture and recreation—seem to dominate the sector almost everywhere, accounting together for at least 75% of sector expenditures in seven of the eight countries, and in the only exception (Sweden) they account

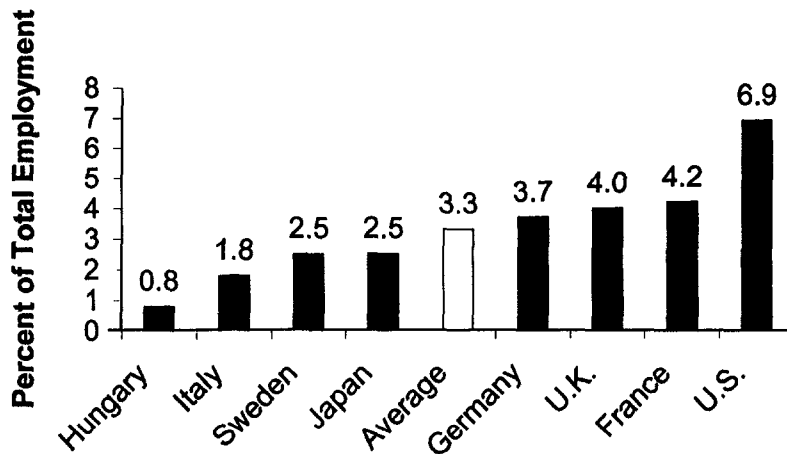


Fig. 1. Nonprofit employment as percent of total employment, 1990.

for well over half. Nevertheless, considerable variation is also apparent within this overall pattern. Education dominates the expenditures of the nonprofit sector in Japan and the U.K., health in the U.S. and Germany, social services in France and Italy, and recreation and culture in Sweden and Hungary. This underlines the importance of testing alternative theories not only at the sector level but also at the level of the subsectors to which they can be expected to be most applicable.

Fourth, the revenue structure of this sector also varies among countries. Overall, the major source of income for the nonprofit sector in our eight countries was fees and service charges (49%), followed by government (41%) and private giving (10%). At the aggregate level, this general pattern holds for six of the eight countries, with the exceptions (Germany and France) funded primarily by government (Table II). Even more significant variations in revenue structure were evident among subsectors. Thus, for example, earned income, though the dominant source of income overall, is the dominant source of income for at least six countries in only 4 of 11 fields covered (Table II).

How can we explain these variations? More specifically, to what extent do various theories of the nonprofit sector shed useful light on them? To answer these questions, the next section examines available theories and seeks to identify the explanatory variables and resulting hypotheses to which they draw our attention. In a subsequent section we then “test” these theories against the available evidence.

**Table II.** Patterns of Funding Nonprofit Organizations, by Field, by Number of Countries

Field	Funding Patterns			Total
	Private Fees and Payment Dominant	Public-Sector Payment Dominant	Private Donations Dominant	
Culture and Recreation	8	0	0	8
Education Research	4	4	0	8
Health	2	5	1	8
Social Services	1	6	1	8
Environment	6	2	0	8
Development, Housing	5	2	1	8
Civic, Advocacy	4	4	0	8
Philanthropy	6	2	0	8
International	1	3	4	8
Business, Professional	8	0	0	8
Other	3	0	1	4
Total	6	2	0	8

Source: The John Hopkins Comparative Nonprofit Sector Project.

## THE CANDIDATES: SIX THEORIES IN SEARCH OF VALIDATION

Broadly speaking, six bodies of theory seem especially relevant to the question of the presence, scale, composition, and financing of nonprofit organizations in different parts of the world. Four of these theories focus squarely on the nonprofit sector field and two are borrowed from other fields because of the potential contribution they can make to the subject at hand.

### 1. Government Failure/Market Failure Theory

Perhaps the dominant theoretical perspective in the nonprofit field until relatively recently has been the one developed by economist Burton Weisbrod to reconcile the persistence of nonprofit organizations with classical economic theory (Weisbrod, 1977). The starting point for this "market failure/government failure theory" is the inherent limitation, acknowledged by classical economics, in the market's ability to supply sufficient quantities of "public goods," i.e., goods that are available to all whether or not they pay for them. In classical economics, this shortcoming of markets serves as a major justification for government. But, Weisbrod points out that where considerable differences of opinion exist about which public goods to produce, public supply, in a democracy, will tend to reflect the preferences of the median voter only, and considerable unsatisfied demand for public goods will consequently persist. Such "government failure" is most likely, therefore, the more heterogeneous the population. In such circumstances, people will turn to nonprofit organizations to supply the public goods they cannot secure through either the market or the state.

Three specific hypotheses flow from this line of theory. In the first place, we would expect the size of the nonprofit sector in a country to vary directly with the degree of heterogeneity in the population, as measured in terms of religious or ethnic diversity. While this relationship could be expected to hold at the aggregate level, it could be expected to apply with particular force to the field of education, where concerns about particular ethnic, religious, and cultural norms are typically most intense. Hence:

**Hypothesis 1A1:** The greater the diversity of a population, the larger the nonprofit sector.

**Hypothesis 1A2:** The greater the diversity of the population, the larger the education component of the nonprofit sector.

In the second place, this line of thinking would lead us to expect an inverse relationship between the size of the nonprofit sector and the scale



of governmental provision of collective goods. This is so because this theory predicts that the nonprofit sector is a response to failures of the state to provide the kinds of collective goods that people want but that the market is unable to provide. To the extent that the government is providing such collective goods, the need for nonprofit provision would decline. Hence:

**Hypothesis 1B1:** The greater the level of government social welfare spending, the smaller the nonprofit sector.

**Hypothesis 1B2:** The greater the level of government social welfare spending, the smaller the nonprofit education sector.

Finally, the market failure/government failure theory would lead us to expect that the nonprofit sector would be funded mostly out of private charitable contributions. This is so because this theory views the nonprofit sector as emerging from demands for public goods not being met by either the market or the state. Under these circumstances, there would be no reason to expect the resulting nonprofit organizations to be financed either through market transactions or governmental subsidies. To the contrary, to the extent such demands are satisfied beyond the realms of either government or the market, the most likely source of support is voluntary contributions. Hence:

**Hypothesis 1C1:** The greater the diversity of the population, the greater nonprofit reliance on private giving as a source of support.

**Hypothesis 1C2:** The greater the diversity of the population, the greater the reliance of nonprofit education organizations on private giving as a source of support.

## 2. Supply-Side Theory

Where the “market failure/government failure” theory focuses exclusively on the unsatisfied *demand* for public goods left by failures of the market and the state, a second body of theory treats this as a necessary but not sufficient condition to explain the variations in nonprofit development. According to this “supply-side” theory, a second condition is needed for nonprofit organizations to emerge: namely, the presence of “social entrepreneurs, people with an incentive to create nonprofit organizations to meet such demand (James, 1987). The appearance of such individuals is not random, moreover. It is most likely under particular circumstances. One of the most common of these circumstances is the presence of religious competition, where one or more religious bodies vie to attract adherents by providing services such as health care or education.

This line of theory would lead us to expect the nonprofit sector to be most highly developed where religious competition is most intense.<sup>8</sup> What is more, this relationship should apply particularly strongly to the field of education since this is where religious competition is often most evident. Hence:

**Hypothesis 2A1:** The greater the level of religious competition, the larger the nonprofit sector.

**Hypothesis 2A2:** The greater the level of religious competition, the larger the nonprofit education sector.

This supply-side theory also has implications for expected patterns of nonprofit finance. In particular, like the market failure/government failure theory on which it depends, the supply side theory assumes that charitably inclined individuals have an opportunity to win adherents by founding nonprofit institutions in fields where neither the market nor the state is providing needed services or support. It follows that this line of theory would posit a positive relationship between the potential supply of nonprofit entrepreneurs and the extent of nonprofit reliance on private giving, and this relationship can be expected to apply most forcefully in the education field. Hence:

**Hypothesis 2B1:** The greater the extent of religious competition, the greater the nonprofit reliance on private giving as a source of support.

**Hypothesis 2B2:** The greater the extent of religious competition, the greater the reliance of nonprofit education organizations on private giving as a source of support.

### 3. Trust Theories

A third line of theoretical analysis finds the source of nonprofit activity in another form of market failure: "contract failure" arising from "information asymmetries" often facing consumers when they lack the information they need to judge the quality of the goods or services they are purchasing. This can occur because the purchaser is not the same person as the consumer (for example, the purchase of nursing home care by children for an elderly parent), because the service in question is inherently complex and difficult to assess, or for other reasons (Krashinsky, 1986). In such cases, purchasers seek alternative bases for trust in the quality of the resulting service. One such basis is the nonprofit sector because of the "nondistribu-

<sup>8</sup>Proselytizing clergy are, of course, only one type of "social entrepreneurs" with an incentive to create nonprofit organizations. Identifying alternative types without falling into tautology problems is difficult, however.

tion constraint,” the prohibition on nonprofit distribution of profits to owners, which may be perceived as a sign of trustworthiness since those involved in nonprofit organizations are less likely to be in a field solely for the money (Hansmann, 1980, 1987).<sup>9</sup>

Several hypotheses flow from this line of thinking. In the first place, we would expect the scale of the nonprofit sector to vary inversely with the level of trust in the business sector in a society. The greater the level of that trust, the more confident people will be to secure the services they need through the market system and therefore the less they will feel obliged to turn to the nonprofit sector. What is more, this will be particularly true in the fields of health and social services, where information asymmetries are likely to be most acute. Hence:

**Hypothesis 3A1:** The higher the level of trust in business in a society, the smaller the nonprofit sector.

**Hypothesis 3A2:** The higher the level of trust in business in a society, the smaller the nonprofit health and social services subsectors.

Because the services secured through the nonprofit sector according to this theory would likely be purchased from the business sector if sufficient trust were present, it follows that the financing of these services through the nonprofit sector is likely to take a more commercial form as well. This suggests that the absence of trust would be associated with a nonprofit sector able to secure a larger share of its income from fees and service charges. Hence:

**Hypothesis 3B1:** The lower the level of trust in business in a society, the more likely the nonprofit sector is to be financed by fees and service charges.

**Hypothesis 3B2:** The lower the level of trust in business in a society, the more likely the nonprofit health and social services subsectors are to be financed by fees and service charges.

#### 4. Welfare State Theory

The preceding theories all take as given that the expansion of state-provided welfare services displaces nonprofit organizations, but they leave unanswered the question of what accounts for the expansion of state-provided social welfare services in the first place. To answer this question, it

<sup>9</sup>A variant of this theory views nonprofit organizations as vehicles for affected stakeholders to gain delivery of services to third parties (Ben-Ner and Gui, 1993).

is necessary to resort to the substantial body of literature that has emerged on the modern welfare state.

Generally speaking, this literature treats the nonprofit sector, at best, as a residual category. In fact, conventional welfare state approaches all but ignore the role of the nonprofit sector both historically and in relation to current policy debates and developments (Flora and Heidenheimer, 1981; Offe, 1984; Hicks and Swank, 1992; Huber *et al.*, 1993). To the extent that they treat the nonprofit sector at all, these theories view it as an essentially premodern mechanism for dealing with social problems that, like the family, the Church, and the feudal lord, lose their function with the growth of the market system and the expansion of the state's responsibilities to deal with economically extraneous populations. Thus, for example, Quadagno (1987, p. 112) points out that "as industrialization proceeds, it creates new needs for public spending by reducing the functions of the traditional family and by dislocating certain categories of individuals whose labor becomes surplus—the very young, the old, the sick, the disabled . . . . Because traditional societal institutions are unable to meet the needs of these vulnerable individuals, the state expands more or less automatically." In this line of thinking, the expansion of the state is an almost automatic by-product of economic development (Flora and Alber, 1981). It was for this reason that Titmuss (1974) labeled countries such as the United States as "residual welfare states," since they had not yet established the level of welfare guarantees that their level of economic development would suggest and retained premodern forms of reliance both on market and nonprofit solutions to social welfare problems.

Traditional welfare state theory would thus lead us to expect that the greater the level of economic development, the more extensive the state provision of social welfare services; and the more extensive the state provision of social welfare services, the smaller the nonprofit sector. Hence:

**Hypothesis 4A1:** The higher the level of income per capita, the smaller the nonprofit sector in a country.

**Hypothesis 4A2:** The higher the level of income per capita, the smaller the health, social service and education component of the nonprofit sector in a country.

### 5. Interdependence Theory

Both the welfare state theory and the market failure/government failure thesis that underlies the heterogeneity and supply-side theories take as given that the relationship between the nonprofit sector and the state is fundamen-

tally one of conflict and competition. The persistence of a nonprofit sector, in this view, is a by-product, at best, of inherent limitations of the state; and, at worst, of the state's inability to obliterate all bases of pluralism and diversity. Depending on the political persuasion of the observer, the extensive presence of the nonprofit sector is therefore seen as a boon to liberty or a denial of basic social protections and hence a source of persistent inequality.

This "paradigm of conflict" (Salamon, 1995) is not the only way to view the relationship between government and the nonprofit sector, however. Side-by-side with the potential sources of conflict are important elements of potential interdependence and partnership as well. Indeed, there are strong reasons to expect the latter to dominate the relationship (Salamon, 1987a,b). For one thing, nonprofit organizations are often active in a field before government can be mobilized to respond. They therefore often develop expertise, structures, and experience that governments can draw on in their own activities. Beyond that, nonprofit organizations often mobilize the political support needed to stimulate government involvement, and this support can often be used to ensure a role for the nonprofit providers in the fields that government is persuaded to enter. Finally, for all their advantages, nonprofit organizations have their own significant limitations that constrain their ability to respond to public problems. In addition to "market failure" and "government failure," in other words, there is "voluntary failure"—i.e., inherent limitations of the voluntary sector as a mechanism for meeting public needs (Salamon, 1987a). These include "philanthropic insufficiency," the difficulty voluntary organizations have in generating the resources often needed to "scale up" their operations; and "philanthropic paternalism," the inability these organizations have in establishing rights to benefits and hence the difficulty they have in fostering a true sense of self-reliance.

Under certain circumstances, therefore, close cooperative relationships can be forged between the nonprofit sector and the state in addressing public problems. This can occur where, for ideological or other reasons, resistance to direct state action is strong yet demands arise for protections from particular social or economic ills; or where support from those associated with the nonprofit sector becomes crucial to enhance the role and power of the state. Under either circumstance, we would expect a positive relationship between government spending and the scope of the nonprofit sector. What is more, since government is most likely to turn to the nonprofit sector for assistance in delivering basic human services, we would expect this relationship to hold most strongly in the fields of health and social services. Hence:

**Hypothesis 5A1:** The greater the government social welfare spending, the larger the nonprofit sector.

**Hypothesis 5A2:** The greater the government social welfare spending, the larger the nonprofit health and social services subsectors.

Because government is viewed under this theory as a potential source of financial, and not just political, support for the nonprofit sector, moreover, it follows that if this theory holds, the government share of nonprofit income also should be higher where overall government spending is higher. Hence:

**Hypothesis 5B1:** The greater the government social welfare spending, the higher the government share of nonprofit income.

**Hypothesis 5B2:** The greater the government social welfare spending, the higher the government share of nonprofit health and social service subsector income.

## 6. Social Origins Theory

Although the interdependence theory outlined above acknowledges the possibility of a cooperative relationship between the nonprofit sector and the state, it does not really specify the circumstances under which such a relationship is most likely to emerge. Similarly, the other theories outlined above assume a degree of flexibility in institutional choice that seems belied by the historical record. Choices about whether to rely on market, nonprofit, or state provision of key services are not simply made freely by consumers in an open market as advocates of the economic theories seem to assume. Rather, these choices are heavily constrained by prior patterns of historical development that significantly shape the range of options available at a given time and place.

This perspective on the dynamics of institutional choice is forcefully reflected in the work of Barrington Moore Jr. (1966) on the “social origins” of fascism and democracy and, more recently, in the work of Gøsta Esping-Andersen (1990) on the origins of the modern welfare state. Central to this argument is the notion that complex social phenomena—for example, the emergence of the “welfare state” or “democracy”—cannot be easily understood as the product of the unilinear extension of a single factor, such as industrialization, diversity, or education. Rather, much more complex interrelationships among social classes and social institutions are involved. This is so, as Rueschemeyer *et al.* (1992, p. 5) have recently noted, because such phenomena are, above all, matters of power. As such, they reflect the balance of power among social classes, between state and society, and even among nations.

Using this mode of analysis, Barrington Moore Jr. was able to discern in the historical records of England, France, Germany, Japan, China, and India three distinct “routes to the modern world”—democratic, fascist, and communist—each of which could be attributed to a particular constellation of relationships among landed elites, the rural peasantry, urban middle-class elements, and the state. Thus, for example, according to Moore, the emergence of democracy, and of what we would now term a vibrant “civil society,” is most likely where three preeminent factors are at work: first, a royal absolutism held in rough check by strong landed elites; second, the emergence of a vigorous and independent urban middle class to challenge the power of the landed elements themselves; and third, a solution to the agrarian problem that releases the mass of the population from the land (Moore, 1966, pp. 413–432).

Esping-Andersen (1990) has employed a similar mode of analysis to explain the appearance of three more or less distinct types of welfare “regimes”: (1) a “liberal” welfare state common in the Anglo-Saxon countries and characterized by limited, means-tested assistance with strict entitlement rules; (2) a “corporatist” welfare state more common on the continent of Europe in which the state supplies welfare assistance but preserves many of the status differences of premodern society; and (3) a “social democratic” welfare state in the Nordic countries involving universalism and a separation of welfare provision from the market system (“decommodification”). According to Esping-Andersen (1990, p. 110), the first of these took shape as a result of the weakness of absolutism and the dominance of a *laissez faire*-inspired bourgeoisie in the Anglo-Saxon countries. The “corporatist” model, by contrast, emerged because of the extraordinary power of the Church, the aristocracy, and the state in continental European capitalism. Finally, the social welfare model emerged where working-class elements were sufficiently strong, and where they managed to forge effective alliances with the middle class.

While neither Moore nor Esping-Andersen applies his analysis to the question of the appearance and growth of the nonprofit sector, there are strong reasons to believe that the mode of analysis they utilize should have considerable relevance to this question. As Seibel (1990, p. 46) has reminded us, nonprofit organizations “are not only providers of goods and services but important factors of social and political coordination.” As a consequence, they do not float freely in social space. Rather, they are firmly “embedded” in prevailing social and economic structures, often serving as “the knots within networks of elites with reputation, finance, and power.” Work on the Johns Hopkins Comparative Nonprofit Sector Project has made clear that such organizations have deep historical roots in virtually every one of the societies we examined. The interrelationships between this sector and the Church, to

cite just one well-known example, have been especially pervasive, and non-profit institutions have therefore been fully caught up in the broader struggles between the Church and secular authorities that animated European history for much of the Reformation and Enlightenment, and that survived well into the 20th century. Where Church authorities reached a rapprochement with civil authorities, as was the case, for example, in Bismarck's Germany, voluntary institutions could be expected to play a much stronger role even with the growth of state-sponsored welfare. By contrast, where Church authorities were domesticated, as was the case in Sweden and Italy, or overwhelmed as in the case of France, we would expect Church-related welfare to be absorbed by the state and voluntary institutions to play a much smaller role, particularly in the provision of human services.

This line of argument suggests that the contours of third-sector development go beyond the simple "large" vs. "small" dimensions of standard empirical research. Subtler questions about the role of this set of institutions in prevailing social structures are also important. At the very least, it should be clear that there is more than one route toward the creation of a sizable nonprofit sector. Indeed, it is possible to identify four more or less distinct "models of nonprofit development," four types of "nonprofit regimes," each characterized not only by a particular state role but also by a particular position for the third sector; and, most importantly, each also reflecting a particular constellation of social forces. Needless to say, these nonprofit-sector regime types are heuristic devices intended to demarcate broad tendencies. Significant variations can therefore exist among countries that fall in any particular grouping.

Table III differentiates these regimes in terms of two key dimensions: first, the extent of government social welfare spending; and second, the scale of the nonprofit sector. Thus, in the *liberal model*, low government social welfare spending is associated with a relatively large nonprofit sector.<sup>10</sup> This outcome is most likely where middle-class elements are clearly in the as-

Table III. Models of Third-Sector Regime

Government Social Welfare Spending	Nonprofit Scale	
	Low	High
Low	Statist	Liberal
High	Social Democratic	Corporatist

<sup>10</sup>Although we utilize some of Esping-Andersen's terms here, it should be clear that we use them to refer to different types of state-nonprofit relationships rather than to different types of social welfare and pension policies as is done by Esping-Andersen.



cence, and where opposition either from traditional landed elites or strong working-class movements has either never existed or been effectively held at bay. This leads to significant ideological and political hostility to the extension of government social welfare protections and a decided preference for voluntary approaches instead. The upshot is a relatively limited level of government social welfare spending and a sizable nonprofit sector.

At the opposite extreme is the *social democratic model*. In this model, state-sponsored and state-delivered social welfare protections are quite extensive and the room left for service-providing nonprofit organizations is quite constrained. This type of model is most likely where working-class elements are able to exert effective political power, albeit typically in alliance with other social classes. While the upshot is a limited service-providing nonprofit sector, however, it is not necessarily a limited nonprofit sector overall, as some accounts would suggest. To the contrary, given the political battles involved in the extension of state-provided welfare protections, we can expect nonprofit organizations to still be quite active in such societies, but with a significantly different role. This is a role not as service providers but as vehicles for the expression of political, social, or even recreational interests.

In between these two models are two additional ones, which have tended to be overlooked in prevailing theories, but which may actually be most pervasive. As reflected in Table III, both of these are characterized by strong states. However, in one, which we can characterize as the *corporatist model*, the state has either been forced or induced to make common cause with nonprofit institutions so that nonprofit organizations function as one of several “premodern” mechanisms that are deliberately preserved by the state in its efforts to retain the support of key social elites while preempting more radical demands for social welfare protections. This suggests that the relationship between government and the nonprofit sector may be more *curvilinear* than *linear*, with the scale of the nonprofit sector decreasing with the growth of government social welfare spending in “liberal” regimes but *increasing* with the growth of government social welfare spending in “corporatist” regimes.

The fourth possible model is the *statist model*. In this model the state retains the upper hand in a wide range of social policies, but not as the instrument of an organized working class, as in the social democratic regimes. Rather it exercises power on its own behalf, or on behalf of business and economic elites, but with a fair degree of autonomy sustained by long traditions of deference and a much more pliant religious order. In such settings, limited government social welfare protection does not translate into high levels of nonprofit action, as in the liberal regimes. Rather, both

government social welfare protection and nonprofit activity remain highly constrained.

Although the predictions generated by this model are harder to convert into testable propositions, such propositions are possible. Thus, for example, this theory would lead us to expect that in liberal and social democratic regimes the size of the nonprofit sector will vary inversely with the scale of government social welfare spending whereas in corporatist and statist regimes this relationship will be direct, with nonprofit organizations growing as government grows. This is so because government and the third sector are perceived as alternatives in the liberal and social welfare models but as partners in the corporatist model.

**Hypothesis 6A1:** Where middle-class elements are strong and neither landed elements nor the working class is in a position to mount an effective challenge, a *liberal* regime is likely to emerge characterized by limited state-provided welfare services and a relatively large nonprofit sector.

**Hypothesis 6A2:** Where working-class elements mount an effective challenge to middle-class power, a *social democratic regime* is likely to emerge characterized by extensive governmental social welfare services and a relatively small nonprofit sector.

**Hypothesis 6A3:** Where landed elements remain strong and confront pressures from both middle-class and working-class elements, the prospects are good for a *corporatist* outcome featuring sizable government social welfare activity along with a relatively large private nonprofit sector.

**Hypothesis 6A4:** Where conservative elements remain in the ascendance and in control of the apparatus of the state, a *statist* solution is most likely, with both government social welfare spending and the nonprofit sector limited.

The social origins theory also has implications for the financial base of the sector. In both liberal and social democratic regimes, the nonprofit sector is likely to be financed more heavily by private charitable contributions. This is so because in both regimes government and private funding are perceived as alternative mechanisms for meeting public needs, leaving the nonprofit sector to be funded, if at all, out of essentially private sources. In the corporatist model, by contrast, extensive cooperation between government and the nonprofit sector is anticipated, so governmental sources are likely to be far more important. Finally, in the statist model, neither

private philanthropy nor state involvement is anticipated, leaving the nonprofit sector to secure support, if at all, through essentially commercial activities. Hence:

**Hypothesis 6B:** Where the social conditions conducive to either a *liberal* or *social democratic* regime prevail, private giving is likely to play a disproportionately large role in the funding base of the nonprofit sector. Where the social conditions conducive to the *corporatist* regime prevail, government support is likely to play a disproportionately large role. And in circumstances conducive to *statist* regimes, fees and service charges are likely to be more prominent.

### APPLYING THE THEORIES: TOWARD AN EXPLANATION OF NONPROFIT SIZE AND FINANCES

How effectively do these theories account for the patterns of third-sector growth and composition reflected in our data? To what extent are the factors identified in these theories systematically related to cross-national differences in the size, composition, and revenue base of the nonprofit sector? Although our data do not make it possible to answer these questions definitively, they do allow at least a start in this direction.

#### Approach

To make such a start, we converted the various theories into operational terms and tested them against the available data using a combination of basic regression analysis and “scattergrams” designed to display the resulting relationships in visual form. To ensure that we were measuring the various variables in comparable units, we converted the values into z-scores, which essentially measure the extent to which a country deviates from the mean along a particular dimension.<sup>11</sup> To avoid having our results affected by variations in the overall size or structure of different national economies, moreover, we used as our measure of nonprofit-sector size the *share of service-sector employment* that nonprofit organizations represent in the dif-

<sup>11</sup>More precisely, the z-score measures the number of standard deviations that a particular country varies from the mean on a particular variable, e.g., nonprofit-sector size [i.e., z-score = (observed value - 7-country average)/7-country standard deviation]. Positive scores indicate a location above the mean, and negative scores indicate that a country's score ranks below the mean.

ferent countries. This variable ranges from a low of 5.2% in Sweden to a high of 15.4% in the United States, a quite considerable spread.<sup>12</sup> Where applicable, however, we also tested the hypotheses with volunteer employment included. We report these results where they add significantly to those we obtained using paid employment only.

### Findings I: Prevailing Theories

The central conclusion that emerges from this testing is that none of the standard nonprofit theories seem adequate to account for the observed variations in nonprofit scale or nonprofit finance. This general conclusion holds true, moreover, whether we focus on the nonprofit sector as a whole or on the particular subsectors where we might expect these theories to work best. At the same time, however, several of these theories offer useful insights into some of the basic dynamics that may be at work.

Support for this general conclusion can be found in Tables IV and V. These tables report the results of testing the extent to which the prevailing market failure/government failure, supply side, trust, welfare state, and interdependence theories identified earlier account for cross-national variations in the *size* and *financing* of the nonprofit sector, respectively. Each table reports, for each theory, the hypotheses to which it gives rise, the indicators used for the independent variables in these hypotheses, the direction of the relationship hypothesized by the theory, the actual direction observed in the data, and the extent of the variance accounted for by the indicated variable.<sup>13</sup>

#### *Market Failure/Government Failure Theory*

As these tables show, the market failure/government failure theory finds perhaps the most consistent support in the data. Of six hypotheses associated with this theory, five find at least partial support, at least in the sense that the observed relationship is in the direction hypothesized by the theory. In at least three cases, moreover, the theory seems to explain a meaningful share of the variance that exists. Thus, the greater the degree of diversity of a country's population, which we measured in terms of an index of eth-

<sup>12</sup>For the purpose of this discussion, the "service sector" was defined following International Standard Industrial Classification usage as the following industries: Major Group 8 (Finance, Insurance, Business Services, and Real Estate) and Major Group 9 (Public Administration, Community, Social, and Personal Social Services).

<sup>13</sup>The figure reported here is the adjusted  $R^2$ .

nolinguistic diversity,<sup>14</sup> the more likely a country's nonprofit sector is to be supported by private giving. As Table V shows, this variable seems to explain over 50% of the variation in the role that private giving plays in the financing of a country's nonprofit sector, and this seems to hold both at the aggregate level and in the education field where we expected it to have its greatest explanatory power. This is consistent with this theory's emphasis on government and market failures as the principal source of nonprofit development, with the implication that the greater the degree of heterogeneity in a population, the more likely there are to be unsatisfied demands for collective goods that groups of people will seek to remedy through private charitable activity. Similarly, there seems empirical support in these data for the proposition that the greater the level of government social welfare provision, the smaller the nonprofit sector that is needed (Hypothesis 1B1, Table IV), which is another implication of this theory.

Although there is considerable support for the market failure/government failure theory in these data, there are also significant ambiguities. Thus, as Table IV shows, while the size of the nonprofit sector is positively related to the level of heterogeneity, as this theory predicts, the relationship fails to account for any measurable amount of the cross-national variation in nonprofit size. Worse yet, in the education field, where we would expect this theory to apply with special force, it turns out not to apply at all: Far from increasing with the level of heterogeneity, as predicted, the size of the nonprofit education subsector actually declines, as shown by the negative coefficient for Hypothesis 1A2 in Table IV, and the negative slope of the regression line in Fig. 2. What is more, this negative relationship is fairly robust, accounting for 8% of the observed variance in the size of the education subsector.

Similar ambiguities are apparent in the other test of the government failure/market failure theory, which focuses on the level of government social welfare spending. Thus, while the predicted negative relationship between government social welfare spending and the size of the nonprofit sector (Hypotheses 1B1 and 1B2) holds at both the sector level and in the

<sup>14</sup>The index used here is a fractionalization index, which provides a way of measuring the composition of a population in terms of specific attributes such as language groups, religions, or ethnicity. The index is calculated as follows:

$$1 - (\sum x)/(\sum x)^2$$

where  $x$  is the size of the ethnolinguistic group as a percent of the total population. A fractionalization index approaching 0 indicates that all people in a population belong to the same group. By contrast, a fractionalization index approaching 1 indicates that the population falls into many different groups. The index used here was computed from data available in the Britannica World Data series (1991–1993).

Table IV. Summary: Determinants of Nonprofit Size

Theory	Hypothesis	Scope of Test <sup>a</sup>	Explanatory Variable <sup>b</sup>	Expectation	Actual Slope	Accounted Variance <sup>c</sup>
Market failure/ Government failure	1A1	All	Linguistic diversity	+	0.4	0%
	1A2	Education	(fractionalization index)	+	-0.5	8%
	1B1	All	Government social welfare expenditures (% of GDP)	-	-0.6	22%
	1B2	Education		-	-0.4	0%
Supply side	2A1	All	Religious diversity (% of minority religions in population)	+	0.8	59%
	2A2	Education		+	-0.1	0%
Trust	3A1	All	Trust in business	-	-0.4	0%
	3A2	Health, Social Services	(4-point Likert scale)	-	-0.1	0%
Welfare state	4A1	All	Per capita income (per capita GNP)	-	0	0%
	4A2	Health, Education, Social Services		-	0.2	0%
Interdependence	5A1	All	Government social welfare expenditures (% of GDP)	+	-0.6	22%
	5A2	Health, Education, Social Services		+	-0.7	37%

<sup>a</sup>Dependent variable in "all" tests is nonprofit employment as % of total service industry employment.

<sup>b</sup>All variables converted to z-scores to unify their scale.

<sup>c</sup>Adjusted  $R^2$  represents the % of total variance among observed points accounted for by this variable.

Table V. Summary: Determinants of Nonprofit Finance

Theory	Hypothesis	Scope of Test	Explanatory Variable <sup>a</sup>	Dependent Variable <sup>a</sup>	Expectation	Actual Slope	Accounted Variance <sup>b</sup>
Market failure/ Government failure	1C1	All Education	Linguistic diversity (fractionalization index)	% of Income from Private Giving	+	0.8	59%
	1C2						
Supply side	2B1	All Education	Religious diversity (% of minority religions in population)	% of Income from Private Giving	+	0.6	30%
	2B2						
Trust	3B1	All Health, Social Services	Trust in business (4-point Likert scale)	% of Income from Private Fees & Payments	-	0	0%
	3B2						
Interdependence	5B1	All Health, Education, Social Services	Government social welfare expenditures (% of GDP)	% of Income from Public Sector	+	0.1	0%
	5B2						

<sup>a</sup>All variables converted to z-scores to unify their scale.

<sup>b</sup>Adjusted R<sup>2</sup> represents the % of total variance among observed points accounted for by this variable.

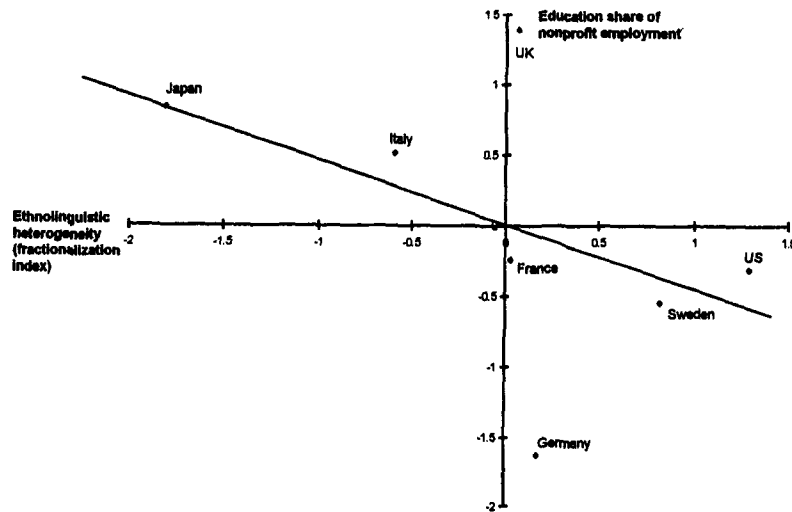


Fig. 2. Ethnolinguistic heterogeneity and size of nonprofit education component (numbers shown are standard deviations from the mean).

field of education, the relationship is curiously stronger at the sector level, where it accounts for a substantial 22% of the variation in nonprofit size among countries, than at the subsector level, where it accounts for almost none of the variation.

Part of the explanation for these ambiguous results is apparent in Fig. 3, which shows the location of the countries we are examining in terms of the two key variables of interest to this theory: the nonprofit share of service employment and the extent of population diversity. As this figure shows, four countries (the United States, Sweden, Italy, and, to a lesser extent, Japan) lie far away from the values predicted by the regression line. In particular, the U.S. nonprofit sector is larger than would be predicted by its relative level of heterogeneity, and both Italy's and Sweden's are relatively smaller. What is more, while France, Germany, and the United Kingdom are much closer to the regression line, at least one—France—nevertheless performs differently from the way this theory would predict. In particular, though having a *lower* level of ethnolinguistic heterogeneity than the United Kingdom, France nevertheless has a *larger* nonprofit sector, contrary to what the market failure/government failure theory would predict.

In short, while this theory captures some of the realities at work, it hardly captures them all. To the contrary, the central relationship predicted by this theory—between the level of heterogeneity and the size of the nonprofit sector—finds little empirical support and is in fact refuted by the evidence in the field to which it is supposed to apply most powerfully. What is more, the



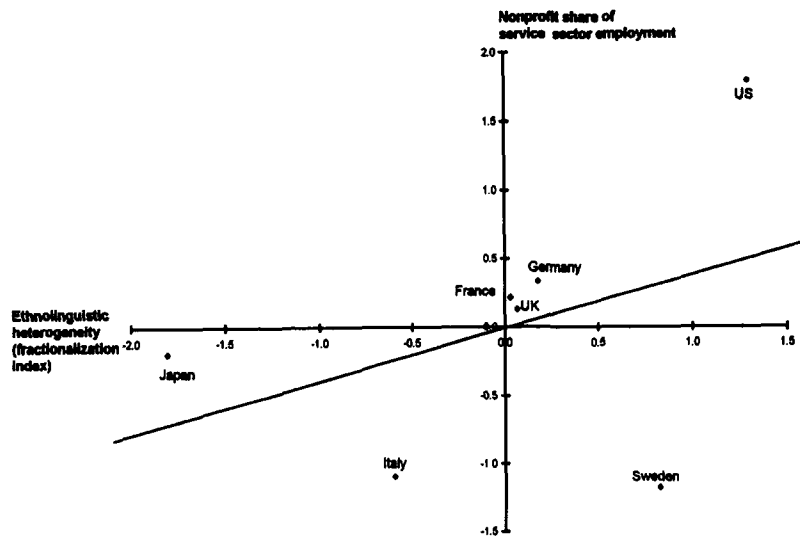


Fig. 3. Ethnolinguistic heterogeneity and nonprofit sector size (numbers shown are standard deviations from the mean).

theory leaves a variety of unexplained outliers that seem to defy its central thrust.

### *Supply-Side Theory*

To some extent, these anomalies are addressed by the “supply-side theory,” which emphasizes the need for a sufficient supply of “moral entrepreneurs” with an incentive to create nonprofit organizations as an additional precondition for translating unsatisfied demands for collective goods into the formation of such organizations. Because this theory argues that such entrepreneurs are likely to come forward where religious groups are competing for adherents, we used the degree of religious diversity in a country as an indicator of the extent to which this supply-side theory would apply. As Tables IV and V show, a strong positive relationship does seem to exist between the degree of religious diversity in a country and the size of the country’s nonprofit sector (Hypothesis 2A1, Table IV). In addition, a robust positive relationship exists between such diversity and the extent of nonprofit reliance on private giving (Hypothesis 2B1, Table V).

Curiously, however, in the education field, where we would expect this theory to apply with special force because it is commonly one of the most crucial “battlegrounds” of the religious rivalries thought to produce the re-

quisite moral entrepreneurs, this relationship actually breaks down. Indeed, far from increasing, the scale of the nonprofit education sector declines as the level of religious diversity increases, just the reverse of what this theory would predict (Hypothesis 2A2, Table IV). Similarly, no significant relationship exists in the education field between the degree of religious diversity and the extent of nonprofit reliance on private giving, again contrary to what this theory would predict (Hypothesis 2B2, Table V).

These results suggest that while religious competition may work hand-in-hand with ethno-linguistic diversity to stimulate nonprofit growth, its independent effects seem weak and somewhat inconsistent, applying most powerfully at the aggregate level but failing to have much effect in the field where it is supposed to operate with special force.

### *Trust and Welfare State Theories*

Even these modest results outdistance the performance of the trust and welfare state theories, however. So far as the former is concerned, we found no measurable relationship between the relative degree of trust in nonprofits as opposed to business in a country and either the size of the nonprofit sector or the extent of nonprofit reliance on private fees to finance their activities (Hypotheses 3A1, 3A2, 3B1, 3B2).<sup>15</sup> What is more, not only do these relationships not hold at the aggregate level, but also they do not hold in the subfields of health, education, and social services where we would particularly expect them to apply.

Similarly, the data summarized in Tables IV and V provide little support for the "welfare state theories," which posit a negative relationship between the size of the nonprofit sector and the levels of industrialization and economic development in a country on the grounds that such developments create both the need and the opportunity for extensive public systems of social aid and thereby displace nonprofit institutions, especially in the fields of health, education, and social services (Hypotheses 4A1 and 4A2). As it turns out, countries with similar levels of per capita income have widely divergent levels of nonprofit employment. What is more, the

<sup>15</sup>The level of trust in nonprofit organizations in a country was measured with the aid of data available from the World Values Survey (World Values Study Group, 1994). This population survey measured trust in major business firms and different types of public institutions on a 4-point Likert scale. On the assumption that respondents used more or less the same underlying scale in assessing trust levels for institutions such as corporations, government, or churches, we used the difference between the reported trust in major corporations and the reported average trust levels for all other institutions as our measure of the level of trust in nonprofit organizations. To obtain national scores, we averaged individual scores for all respondents in each of the seven countries.

relationship is not much stronger in the fields of health, social services, and education. Finally, this picture does not change when we take account of volunteer labor as well. Evidently, the concept embodied in the welfare state theories does not provide much help in explaining variations in nonprofit-sector strength.

*Interdependence Theory*

The situation with respect to the “interdependence theory” is more complicated. As already indicated in the discussion of the heterogeneity theory above, the overall thesis embodied in this model—that the relationship between government and the nonprofit sector may be more cooperative than competitive, at least in some fields, so the scale of the nonprofit sector may increase with the growth of government social welfare spending, not decrease—does not find firm support in the data. The relationship between nonprofit-sector size and the level of government welfare spending turns out to be negative for both the nonprofit sector as a whole and for the combined fields of education, health, and social services (Hypotheses 5A1 and 5A2, Table IV).

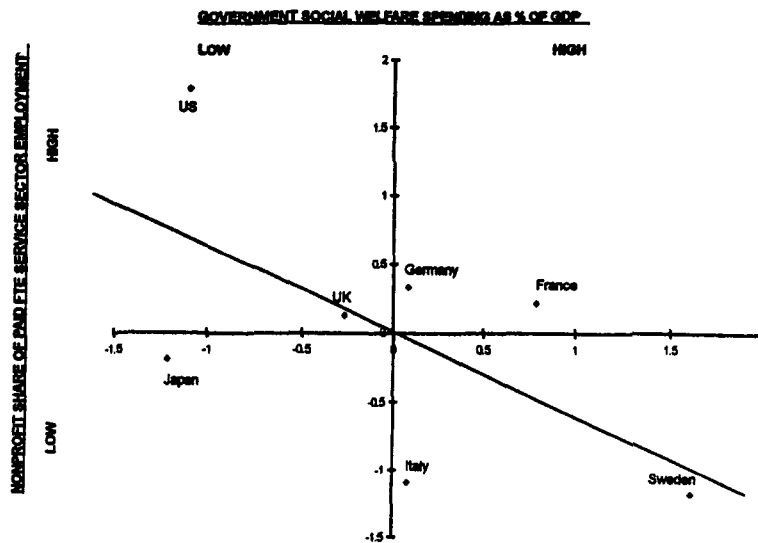


Fig. 4. Government social welfare spending and nonprofit sector scale (numbers shown are standard deviations from the mean).

Although this model does not hold across the board, it does seem to explain some of the anomalies that limit the explanatory power of the market failure/government failure theory discussed above. This is evident in Fig. 4, which shows the distribution of countries in terms of the size of their nonprofit sectors and the levels of government social welfare spending. As this figure shows, while this relationship is negative overall, there are some notable outliers. In particular, both Germany and France display much larger nonprofit sectors than their levels of government social welfare spending would predict under the government failure/market failure theory. The interdependence theory explains why this might be so: Governments in these countries, far from displacing nonprofit organizations, have chosen to forge partnerships with them instead and are actually helping to underwrite and extend nonprofit operations.

Further support for this line of thinking is evident in the data on nonprofit finance. At least in the human service sphere where the interdependence theory is supposed to work most forcefully, the positive relationship that this theory posits between government social welfare spending and the government share of nonprofit revenue seems to hold, suggesting the presence of an interdependent relationship between government and the nonprofit sector in this sphere, as Hypothesis 5B2 predicted.

In short, these findings suggest some significant complementarity between the heterogeneity theory and the interdependence theory. The strengths and weaknesses of the one seem to be the mirror image of those of the other. Instead of a single pattern, multiple patterns of nonprofit development seem to exist. But why does one pattern apply in some cases and another in other cases? To answer this question, we turn to the "social origins" theory discussed above.

**Table VI.** Test of Social Origins Model of Nonprofit Sector

Government Social Welfare Spending	Nonprofit Scale	
	Low	High
Low	<i>Statist</i> Japan	<i>Liberal</i> U.S. U.K.
High	<i>Social Democratic</i> Sweden Italy	<i>Corporatist</i> Germany France

Source: Johns Hopkins Comparative Nonprofit Sector Project.

## Findings II: Social Origins Theory

The “social origins” theory provides a bridge between the economy and simplicity of the economic theories we have been considering and the complex and often inconclusive world of comparative historical work. It does so by positing a finite set of more or less distinct “models” or “regimes” that can be traced to an identifiable, and predictable, set of social circumstances—precisely what our analysis of alternative theories suggests is needed.<sup>16</sup>

As reflected in Table VI, our data give considerable support to this social origins approach. As it turns out, all four of the nonprofit “regime types” reflected in this theory turn out to be represented among the countries we studied, and the explanations seem consistent with what the “social origins” theory would suggest. In the first place, two of the countries, the United States and the United Kingdom, fall into the category of what we termed *liberal* nonprofit regimes. In both, government social welfare spending is relatively low and the size of the nonprofit sector is relatively large. In both, moreover, the social conditions that the social origins theory posits should be associated with this pattern are very much in evidence—namely a sizable urban middle class that effectively disrupted (or, in the case of the United States, never really confronted) a landed upper class while holding urban working-class elements at bay. The American middle class was much more successful at this than its British counterparts, however, in part because it never really had an entrenched landed elite to unseat, and in part because ethnic and racial diversity kept the working classes more highly splintered. Political support for a state-centered welfare system was therefore far more muted in the American setting than in the British, where pro-state attitudes fostered by the government’s wartime successes and working-class mobilization led to the establishment of certain key features of a classic *social democratic model*, particularly in the field of health care (Kendall and Knapp, 1996). The United States is thus a “purer” form of the *liberal model* whereas the United Kingdom is more a mixture of the liberal and the social democratic.

The *social democratic* pattern is more fully represented in our data by the case of Sweden and, to a lesser extent, Italy. Both countries are characterized by relatively high levels of government social welfare spending and relatively small nonprofit sectors, at least as measured in terms of employment. In both, moreover, the social conditions that the social origins theory predict would lead to this pattern are in evidence. This is particularly

<sup>16</sup>For a fuller explication of the analytic advantages of this “social origins” approach, see Salamon (1970); on the foundations of comparative historical analysis, see the discussion in Ragin (1987), particularly chapters 1 and 2.

true in the case of Sweden, where working-class political parties gained extensive power earlier in this century and managed to push for extensive state-guaranteed social welfare benefits in a context characterized by a weakened, state-dominated Church and a limited monarchy. In Italy, the same social outcome was produced through a slightly different route. With Church-dominated social welfare institutions placed firmly under state control beginning in the mid-19th century as part of the effort to achieve national unification, the Fascist regime was able to move in the 1920s to establish a state-centered system of social welfare protections that was then extended by the democratic governments of the postwar era. The upshot was a strong tradition of state-provided welfare assistance with little room for an independent, nonprofit sector.

A small nonprofit sector in terms of employment does not necessarily mean a small nonprofit sector overall in such regimes, however. Rather, the nonprofit sector may simply perform a different function in social democratic regimes—a predominantly advocacy and expressive role. This is certainly the case in Sweden where a very substantial network of volunteer-based advocacy, recreational and hobby organizations turns out to exist alongside a highly developed welfare state. This may help explain our earlier finding that whereas Sweden ranks at the low end of European countries when only paid employment in the nonprofit sector is considered, it ranks at the high end when account is taken as well of the involvement of volunteers.

Beyond these two widely accepted models, however, our data also validate the existence of the two others identified in the social origins theory. The first of these is the *corporatist model* represented here by Germany and France. In both of these the state has either been forced or induced to make common cause with nonprofit organizations, albeit for different historical reasons. In Germany, the state, backed by powerful landed elements and in cooperation with a relatively weak urban middle class, responded to the threat of worker radicalism by forging an agreement with the major churches beginning in the latter 19th century to create a state-dominated social welfare system that nevertheless maintained a sizable religious, and hence nonprofit, presence. This agreement was ultimately embodied in the concept of “subsidiarity” as the guiding principle of social policy.<sup>17</sup> The upshot has been a close working relationship between the state and voluntary organizations—both secular and religious—and the resulting coexistence of extensive government social welfare spending and a sizable nonprofit sector.

<sup>17</sup>This concept essentially holds that principal responsibility for dealing with any social problem lies first with the social unit closest to the problem, and that any state involvement should operate with and through such local institutions of neighborhood, church, and social group (Anheier and Seibel, 1998).

In France, a rather different sequence led to a similar result. Following the French Revolution, France effectively broke the back of Church-created voluntary institutions and set a course toward state-sponsored social welfare. However, political compromises made in the face of popular opposition helped preserve the prominent role of Catholic schools in primary and secondary education. At the same time, a strong sentiment of solidarity sustained a network of friendly societies and associations through which cultural and recreational interests were pursued, as in the social democratic model described above. In the early 1980s, however, a Socialist government, confronting severe resistance to the further extension of the classical social democratic welfare state, found itself obliged to reach out to the associational world for help, extending financial assistance to associations in the process. The result has been the forging of a partnership between the state and the voluntary sector that bears marked resemblance to that in the more traditional corporatist regimes (Archambault, 1996).

Finally, the case of Japan fits the *statist* model, with low levels of government social welfare spending accompanied by a relatively small nonprofit sector. This reflects a tradition of state dominance established during the Meiji Restoration of 1868 that, in the absence of effective urban middle-class or working-class movements, has allowed the state apparatus to retain considerable autonomous power. Combined with extensive corporate welfare, the result has been a relatively low level of government social welfare protection without a corresponding growth of independent nonprofit activity.

Not only does the social origins theory help explain the variations in nonprofit size and the apparent anomalies in the relationship between the growth of government and the growth of the nonprofit sector that are ap-

**Table VII.** Test of Social Origins Theory Predictions About Nonprofit Revenue

Regime Type	Above-Average Source of Nonprofit Revenue	
	Predicted	Actual (Ratio) <sup>a</sup>
Liberal	Private philanthropy	Private philanthropy (189%)
Social Democratic	Private philanthropy	Fees (122%)
Corporatist	Government	Government (147%)
Statist	Fees	Fees (124%)

<sup>a</sup>Ratio of share of nonprofit income from given source in specified countries to average share in all countries examined.

parent in our data, but also this theory helps us account for the patterns of nonprofit finance we have uncovered. Thus, of the four revenue-related predictions embodied in the social origins theory as summarized in Hypothesis 6B, three find support in our data (see Table VII). In particular, as predicted, private philanthropy is a considerably larger component of the funding base of the nonprofit sector in the liberal regimes than for all the countries studied, government is a considerably larger source in the corporatist regimes, and fees are considerably larger in the statist regime. The one deviation is the case of the social democratic regimes, where we predicted that private philanthropy would be especially prominent but where fee income is especially prominent instead. Interestingly, private giving does turn out to be more prominent in these regimes than in any regimes other than the liberal ones, thus confirming the theory even here, at least in part.

In addition to explaining patterns of nonprofit finance, the social origins theory can help unravel apparent anomalies in the *composition* of the nonprofit sector among countries. One of the curious features of the German nonprofit sector is the substantial presence of nonprofit providers in the fields of health and social services and their relative absence in the field of primary and secondary education. In fact, education and research account for only 12% of nonprofit operating expenditures in Germany versus 23% for the eight countries as a whole. How can we explain this curious disparity?

The answer suggested by the social origins theory lies in the different political contexts and constellations of power among stakeholders at the time when the division of labor between the state and the nonprofit sector was decided in these different fields. Education, for example, became a central issue in the late 19th century when Bismarck, under the banner of national unity and Prussian hegemony, fought the strong influence of the Catholic Church over much of the rest of the country. The Church's control over "its" schools was a major battleground in this struggle, which is known among historians as the "culture struggle." As it turned out, the coalition composed of the Catholic hierarchy (including the Vatican), agrarian elites from southern Germany, and the representatives of the smaller kingdoms and duchies proved unable to stem the combined, though fragile and diverse, political force represented by Prussia, the emerging industrial class linked to the state administration, and the landholders in the eastern parts of the country eager to gain access to Western markets. Although the Catholic Church lost many of its schools, a "compromise" was reached that foreshadowed the fuller corporatist developments from the 1920s onward: The Church was granted the right to teach catechism to Catholic students in public schools and to maintain a presence in the formerly Catholic schools, typically in matters of staff, curricula, and teacher training. This



compromise also put in place a financial relationship under which the state compensates the Churches for services provided in public schools—a precursor to today's church tax. In addition, the Church was permitted to continue its more traditional social welfare functions.

Fifty years later, following World War II, a dramatically different situation prevailed. By this time, Prussian-style state administration had been discredited and had little support among the Allied powers and the emerging political parties. Reflecting this, the Catholic Church and its allied Christian Democratic Party managed to build into the design of a new post-war health and social service regime for the new Federal Republic a system based on the principle of "subsidiarity," which gives nonprofit providers a privileged position *vis-à-vis* the state and obliges the state to provide them financial support. The result is a dominating nonprofit presence in the growing health and social service fields.

## CONCLUSION

The analysis reported here thus casts considerable doubt on some of the single-factor explanations that have dominated discussion of the nonprofit sector in recent years. At the very least, it seems that such factors apply only in certain circumstances and, even then, only to some components of this complex set of institutions.

At the same time, it should be clear that the tests of these theories offered here are preliminary at best. The number of observations is too limited and the operationalization of some of the key variables too crude to treat this as a final assessment of any of the theories we have explored. Indeed, given the limitations of the data and the difficulty of converting some of these theories into operational form, it is surprising how much credence some of the theories gained from the empirical evidence we were able to muster. This was particularly true of the market failure/government failure theory and, to a lesser extent, of the interdependence theory. In the process, the analysis reported here seems to validate the fruitfulness of examining patterns of nonprofit development and finance cross-nationally and thus for treating the nonprofit sector, and its major component parts, as meaningful analytical categories.

Finally, and perhaps most importantly, the findings here suggest a fruitful new line of analysis for understanding the nonprofit sector at the global level, a line that we have termed the "social origins" approach. This approach treats the nonprofit sector not as an isolated phenomenon floating freely in social space but as an integral part of a social system whose role and scale are a by-product of a complex set of historical forces. What is more, it suggests

that these forces are far from random or *sui generis*. Rather, distinctive patterns are evident that can be analyzed and compared cross-nationally. Certain circumstances are therefore more congenial to the blossoming of nonprofit institutions than others, and the shape and character of the resulting nonprofit sector is affected by the particular constellation of social forces that gives rise to it. The social origins approach thus serves as a bridge between the elegant simplicity of the economic models, which unfortunately turn out to leave much of the important variation unexplained, and the dense detail of traditional historical accounts, which make it extremely difficult to generalize from place to place. In the process, it usefully integrates the study of the nonprofit sector into the social analysis of societies more generally.

Whether this social origins approach will prove more effective than the alternative theories for understanding the growth and development of the nonprofit sector is too early to tell at this point. Our hope, however, is that the exploratory attempt we have made to test available theories of the nonprofit sector against solid empirical data will serve as both a stimulus and a useful first step toward the more complete theory-testing that is needed. Only in this way, we believe, will we come closer to understanding what the true determinants of nonprofit growth and development really are. Given the importance increasingly attached to this sector among both scholars and practitioners alike, this would be a desirable outcome indeed.

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