Marek Rymsza and Annette Zimmer

Embeddedness of Nonprofit Organizations: Government - Nonprofit Relationships

1. Introduction

Similar to any other organizations, NPOs are embedded in environments. However, as already outlined in the introduction to Part II, compared to the two competing sectors, i.e., the market and the state, the study of the embeddedness of the nonprofit sector constitutes a rather difficult task. First, due to the fact that nonprofits are multi-functional organizations, they interact with very different environments simultaneously. Second, again due to the multi-functional character of nonprofit organizations, their managers and board members have to deal at the same time with a variety of stakeholders who represent the different environments in which the particular NPO is embedded and try to influence and even to put pressure on the respective NPO. Against this background, it becomes of utmost importance that students of nonprofit organizations become familiar with those approaches that analyze and discuss the embeddedness of nonprofit organizations (for an overview see Kramer, 2000). Within nonprofit research there are at least three distinctive perspectives from which to view the embeddedness of nonprofit organizations: a) the legal perspective, b) the advocacy perspective, and c) the public policy perspective.

The legal perspective (see Freise/Pajas and Simon in this volume) focuses on the legal and organizational framework put in place by government, including tax regulations for nonprofits and tax incentives for donors. From the legal perspective government exercises its legislative capacities to define the frameworks for operation of all the actors of the public sphere, nonprofit organizations included. In this scope, the legal regulations are of a constitutive character, with the state enjoying what is indubitably a privileged position laying down the rules that have to be followed by the nonprofits. The role of the state is a privileged one, yet it is limited. A sine qua non prerequisite for democracy is the self-limitation of the state. The democratic state acknowledges and respects human rights, including the right to associate and to found nonprofit organizations. Accordingly, government by law authorizes its citizens to convene associations, to found nonprofit organizations, and to pursue charitable

activities through donations or volunteering.

Whether, how and to what extent citizens make use of the public sphere by engaging in civic activities constitutes the focal point of interest of the advocacy perspective, which builds heavily on the work of political sociology (see the contribution by Mansfeldová et al. in this volume). From this point of view democratic states legally guarantee a public sphere populated by civil society organizations, which primarily engage in advocacy work, grassroots campaigning, and political action. Within this line of argumentation, democracy is embedded in an active citizenry. Accordingly the advocacy perspective looks at the sector and its organizations from below. Societal integration and political participation of the citizenry are the key features of analysis. Do nonprofits indeed give citizens a voice and open avenues for political participation? Are nonprofit or civil society organizations indeed working as political actors, particularly in the agenda-setting stage of the policy process? Thus, the advocacy perspective perceives the nonprofit sector and its organizations primarily as a vital part of civil society and as such as an opportunity structure for citizens to become engaged in politics by either criticizing or supporting government activities. In other words, the advocacy perspective focuses on the embeddedness of the sector exclusively from a political point of view, thus investigating whether and how civil society organizations give citizens a voice for political participation, provide avenues for societal integration, and work on behalf of the common weal by enhancing pressure group politics.

Finally, how nonprofits are embedded in welfare state arrangements and whether and to what extent governments and public administration at the federal, regional and local level cooperate with nonprofit organizations as producers of goods and services constitute the focal points of interest of the public policy perspective, which builds heavily on the results of welfare state research. This particular perspective will be highlighted in the following article because nonprofit organizations are significantly engaged worldwide in the production of core social services such as healthcare and care for the elderly. Furthermore, within the welfare state context, nonprofit organizations are of increasing importance due to the fact that the classical welfare state has not lived up to his promises. Ironically many hopes and expectations that decades ago were linked with the welfare state and its achievements are by now increasingly attributed to the nonprofit sector and to the capabilities of its organizations. According to this line of argumentation, nonprofit organizations are, compared to government entities, much better equipped to achieve both organizational efficiency and grassroots service delivery. Thus, there is a close nexus between welfare state research and the public policy strand of nonprofit research. Both share a public good orientation; they cling to a nation-state approach of comparative research and distinguish between different welfare state/nonprofit sector

regimes by focusing on the structure of interdependence between the state, the market, and the community (Esping-Andersen, 1990; Salamon et al., 1999; Salamon/Anheier, 1998).

Against this background the purpose of the following chapter is twofold: First, it aims at introducing students of nonprofit organizations to the various models and theoretical approaches investigating nonprofit-government relationships. It must be kept in mind that these models constitute analytical categories that are described in the social sciences as ideal types (Weber, 1973). They are theoretical constructs, providing points of reference to which the "real worlds" of nonprofit sector-government relationships in particular countries are compared. To put this in other words, none of these models will be found in its pure form, but it will be possible to identify government-nonprofit sector relations in one country that bear a certain affinity to either one or two of these models, thus constituting a new and country-specific relationship (Rymsza, 1998). Moreover, models of embeddedness as analytical categories do not focus on the legal environment of nonprofit organizations (see Simon in this volume); instead, their starting point is the democratic state acknowledging the right to associate and respecting the nonprofit sector as the organizational infrastructure of civil society.

Second, the chapter puts a special emphasis on the analysis of the embeddedness of nonprofit organizations in welfare state arrangements. This particular focus is of utmost importance for the Visegrád countries because nonprofit organizations play a key role within policies of decentralization as well as privatization in the six countries under study in this volume. In other words, core social services, which in the Czech Republic, Hungary, Poland, and Slovakia under socialist rule were delivered by state entities, are increasingly taken up by nonprofits. As outlined in a previous chapter (Freise/Pajas in this volume), in order to restructure and decentralize the former socialist welfare state, governments of the Visegrád countries have introduced a special legal form that enables former government entities to become nonprofit organizations without changing their administrative set-up and their pure service-delivery function.

But the topic of the changing role of nonprofits within welfare state arrangements also constitutes a key feature of political and public discourse in Austria and Germany, where for decades nonprofits as social service providers were protected against forprofit competitors thanks to the principle of subsidiarity. Currently, however, welfare state arrangements in Austria and Germany are undergoing a change of paradigm in the sense that neither public nor nonprofit organizations are supposed to be able to deliver social services with the efficiency and customer-orientation of commercial enterprises.

Against this background the focal point of interest relates to the division of labor between the market, the state and the nonprofit sector: How will

social service delivery in the future welfare state look? Does it become a main arena for commercial enterprises, or will the nonprofit sector remain an important actor in the social service industry? In other words: Is there movement towards just one welfare state arrangement with respect to the division of labor between the three sectors, or on the contrary will the diversity of nonprofit-government relationships within welfare state arrangements persist? These questions will be addressed in the following chapter by referring specifically to the situation in the Visegrád countries, but by also taking the German and Austrian welfare state arrangements into consideration.

Although the future of the welfare state is of utmost importance for nonprofit organizations, it must nevertheless be kept in mind that civil society organizations offer more to their communities than just service provision. Therefore, the following chapter first focuses on an approach that takes the complete spectrum of nonprofit-government relationships into account, thus analyzing modes of cooperation and confrontation with government as well as complementarity and co-optation of nonprofit organizations by government. Thereafter, the article discusses those theoretical approaches that are closely linked to welfare state research and that are primarily interested in investigating the role of nonprofit organizations as producers of public goods. Finally, the chapter takes a closer look at the current situation in the Visegrád countries by discussing the pivotal question: Which role will nonprofit organizations fulfill in future welfare state arrangements in the countries under study?

2. State of the Art: Models of Nonprofit-Government Relations

As previously outlined, it is not an easy task to categorize the variety of nonprofit-government relations by defining analytical model-type arrangements. In the following, four distinct analytical approaches are presented. The first, developed by Adil Najam (2000), proposes a so-called "Four-C" framework of nonprofit-government relationships, which is based on institutional interests and preferences for policy ends and means. The "Four-C" framework is exceptional because it covers also the advocacy and lobbying functions of nonprofit organizations. To a certain extent the same holds true for the approach worked out by Dennis Young (2000), who, referring specifically to economic theories of nonprofit organizations, identified a supplementary, a complementary and an adversarial role and function of nonprofits towards government. In contrast to Najam and Young who developed a heuristic framework to facilitate the categorization and

analysis of current nonprofit-government relationships, the "social origins model" by Salamon and Anheier (Salamon/Anheier, 2000) explains why the embeddedness of nonprofit organizations in welfare state arrangements differs from country to country by taking a neo-institutionalist approach and thus referring to the social and political history of the specific arrangement. This section concludes with a description of the approach based on the famous typology of welfare state regimes by Esping-Andersen (1990) that exclusively refers to those nonprofit organizations that are service providers and thus represent a nonprofit alternative for either state or market social service production.

2.1 The Four C´s of Nonprofit Sector-Government Relations

Najam's analysis of nonprofit-government relationships is based on two hypotheses: first, nonprofit organizations constitute "a distinct institutional sector with particular motivations and structural preferences" (2000: 378), and second, nonprofits have an "abiding interest in public policy" (2000: 380). As such nonprofits are similar to government organizations; however, they are policy entrepreneurs acting outside the realm of government. Furthermore, as widely documented by the literature, nonprofit organizations are of increasing importance as policy actors since there is an increasing presence of nonprofits in various policy domains, which range from international activities to healthcare and education. Against this background and based on the current literature on nonprofit-government relationships, Najam developed a typology of interactions between nonprofits and government that takes both perspectives – those of government towards the sector and vice versa, the sector's position facing government – into account.

For analytical purposes, Najam distinguishes between ends and means, or to put it more specifically, between goals (ends) and strategies (means) that are pursued by government and/or by nonprofit organizations in the specific policy field. Therefore, his "Four-Cs Model boils down to a question of ends and means" (Najam, 2000: 385). Within a certain policy field, each institutional actor - governmental and nonprofit organizations - pursues certain ends (goals) and each has a preference for certain means (strategies). "As the organizations float within the policy stream, they bump into each other in one of four possible combinations: (1) seeking similar ends with similar means, (2) seeking dissimilar ends with dissimilar means, (3) seeking similar ends but preferring dissimilar means, or (4) preferring similar means but for dissimilar ends" (2000: 383).

Figure 1. The Four C's of Nonprofit-Government Relations

		Goals (Ends)	
Preferred		Similar	Dissimilar
Strategies	Similar	Cooperation	Co-optation
(Means)	Dissimilar	Complementarity	Confrontation

Source: Najam 2000: 383

According to his analysis, a cooperative relationship is based on a convergence of goals and strategies of government and nonprofit organizations. Cooperative relationships are quite often to be found in the policy arenas of human services and relief programs where government and nonprofits not only agree upon the same goals but also have a preference for the same strategies. Against this background Najam perceives the "growth of NGOs (NPOs) acting as public service subcontractors for government" as the most significant outcome of cooperative relationships, even if this cooperation is not based on power symmetry between nonprofits and government.

"A confrontational relationship is likely when governmental agencies and nongovernmental organizations (nonprofits) consider each other's goals and strategies to be antithetical to their own - essentially, total divergence of preferred ends as well as means" (Najam, 2000: 385). Political scientists investigating pressure group politics and social movements tend to focus on confrontational relationships between government and nonprofit organizations. There is no doubt that in many situations nonprofits "emerge precisely as forces of reaction or resistance to particular government policies" (Najam, 2000: 386). This has been particularly the case in the Visegrád countries where the transformation from authoritarian rule to democracy has not been achieved without confrontational pressure politics by nonprofit / civil society organizations.

"A complementary relationship is likely when government and nongovernmental (nonprofit) organizations share similar goals but prefer different strategies" (Najam, 2000: 387). According to his interpretation complementarity between government and nonprofits is based on a mutual agreement upon goals; both government and the nonprofit sector want to achieve the same purpose or mission. Thus, relationships based on complementarity are very common in the service provision arena where government provides funding while the nonprofit sector is responsible for the delivery of services.

"A co-optative relationship is likely when governmental and

nongovernmental (nonprofit) organizations share similar strategies but prefer different goals" (Najam, 2000: 388). According to Najam, examples of co-optative relationships abound in the literature of developing countries where co-optation is generally discussed as what governments try to do to nonprofit organizations. Although co-optation is perceived to be negative, Najam draws attention to the fact that co-optation does not work in only one direction, but that also nonprofits try to co-opt government by influencing the views of the bureaucracy.

Rounding up his analysis, Najam makes very clear that he perceives nonprofit-government relationships to be the outcome of "strategic institutional choice(s)," which have to be explained by analyzing those institutional interests that support a particular attitude of either government or the nonprofit sector with respect to the choice of specific means and ends. Najam's Four-C's Model covers a broad spectrum of nonprofit-government relationships; it is applicable around the world; and finally it is an analytical tool for analyzing nonprofit-government relationships in various policy fields. However, the approach also has shortcomings. First and foremost, the Four-C's Model constitutes a very theoretical approach without, however, being connected with any specific line of argumentation that has been developed within nonprofit research. Therefore, it will be difficult to further develop Najam's model and to bring it above the level of a systematic, albeit rather descriptive analysis. This is not the case with the approach developed by Dennis Young who specifically referred to the so-called economic theories (see Powell, 1987), which were worked out in order to explain why there exist nonprofit organizations in market economies, even though from an entrepreneurial point of view there is no incentive to start an organization that operates under the non-distribution constraint.

2.2 Alternative Models of Government-Nonprofit Sector Relations

Young's typology of government-nonprofit sector relations does not cover the complete spectrum of nonprofit organizations but focuses specifically on nonprofits as service providers. Moreover, in accordance with economic thinking, Young's typology is based on the underlying assumption that output improvement, particularly of social service delivery, constitutes the core rationale for government-nonprofit sector relations. Referring to different strands of economic theory (see Hansmann, 1987), Young identified three distinct models of government-nonprofit sector relations in which he characterized nonprofit service provision as being supplementary, complementary, or adversarial to government supply of public goods.

According to Young's typology, "in the supplementary model, nonprofits are seen as fulfilling the demand for public goods left unsatisfied by government.... In the complementary view, nonprofits are seen as partners

to government, helping to carry out the delivery of public goods largely financed by government.... In the adversarial view, nonprofits prod government to make changes in public policy and to maintain accountability to the public" (Young, 2000: 150f). Young also makes clear that there are inherent shortcomings in these models. First of all, he draws attention to the fact that these models are not mutually exclusive. With regard to a certain policy field, the nonprofit sector in a given place might be in a complementary relationship with government, while at the same time in a different policy field the sector might be adversarial to government. Furthermore, in some cases it might be very difficult to distinguish between government and the nonprofit sector due to long-standing relationships tailored in a complementary fashion, which translate into the emergence of "hybrid organizations" (Young, 2000: 151). Despite these caveats Young, nevertheless, stresses the fact that this typology might contribute to a further understanding of government-nonprofit sector relationships.

According to his line of argumentation there is one main reason why these models of government-nonprofit sector relations are worth further consideration, i.e., because they are backed by economic theory. More precisely, the rationale for nonprofits as supplements to government is closely linked to the work of Burton Weisbrod (1977) and particularly to his seminal work on government failure in which he outlined why nonprofit organizations provide collective goods on a voluntary basis. In a nutshell, Weisbrod showed that in democratic market economies with heterogeneous societies, government generally focuses on the needs of the median voter, thus leaving many citizens' preferences unsatisfied. Those citizens are likely to invest time and money in nonprofit organizations, which provide additional or supplementary levels of public goods or more precisely social services. In his work Weisbrod also highlighted that nonprofits are not the only solution in situations where citizens' preferences are heterogeneous and not met by government. Depending on the financial capacity of the citizen there is also the private market alternative, which translates into a situation where commercial companies provide those goods and services which government cannot or is not willing to produce. The supplementary model also draws attention to the fact that there are substantial variations in nonprofit-government relationships among fields of activity, and moreover, that there is an interesting dynamic when citizens' preferences change over time. In particular, the role of the nonprofit sector might be reduced when government decides to enlarge its engagement in certain policy fields; or on the contrary there might be more room for the nonprofit but also for the commercial sector in areas where government decides to reduce its engagement.

The model that sees nonprofits and government as complements is, according to Young, primarily backed by the work of Lester Salamon (1995)

who "has been the principal advocate for the view that nonprofits and government are engaged in a partnership or contractual relationship in which government finances public services and nonprofits deliver them" (Young, 2000: 153). Voluntary failure, the fact that nonprofit organizations are not able to ensure a widespread provision of services, and the free-rider phenomenon, which boils down to the situation that government but not nonprofits are able to force every citizen to contribute to the provision of public goods, constitute the economic rationale behind this model. Again, government is not necessarily forced to contract nonprofits for complementary service provision. However, economic theory comes up with two reasons why governments prefer nonprofits to commercial providers of social services. First, nonprofits that are embedded in their communities might know better than forprofits what kind of product serves their community best. Second, "nonprofit organizations deserve some preferences in bidding because they provide benefits to the government (reduced opportunistic behavior and reduced transaction costs of negotiating, monitoring and enforcing a contract) that cannot be enforceably written into a contract with forprofits" (Steinberg, 1997: 176, quoted by Young, 2000: 154). Against this background it also becomes clear why governments try to keep nonprofits under control in situations in which nonprofits act as complements or even as substitutes of government action.

In order to explain the model that sees nonprofits and government as adversaries, Young refers again to the work of Burton Weisbrod. According to Young, nonprofit advocacy and government pressure can be understood through the complementary lens of nonprofit-government relations because very often nonprofits and government are collaborators in passing legislation or changing public attitudes. There are also cases when government supports and stimulates nonprofits working in favor of specific social goals. Against this background, Weisbrod's analysis of government failure is to a certain extent helpful for understanding how new public services come into being through advocacy. As Young outlines in detail, "in heterogeneous communities, where minority views are not well reflected in public policy" (Young, 2000: 155), nonprofits working as advocacy organizations press government to better serve the interests of their constituencies. "A minority of voters may promote the idea through advocacy and demonstrate its efficacy with voluntary contributions... Eventually the concept may be proven and receive the support of the majority, at which point government may undertake full-scale provision" (Young, 2000: 156).

From a historical point of view, by taking a power approach that focuses on societal forces pressing for change and government action, the development of the welfare state might be explained by referring to this particular model. Salamon and Anheier take up this line of argumentation in their Social Origins Model of nonprofit sector-government relations.

2.3 The Social Origins Model by Salamon and Anheier

An influential and innovative approach explaining differences in the embeddedness of nonprofit organizations has recently been worked out by Lester Salamon and Helmut Anheier (1998) whose Social Origins Theory is a classical outcome of comparative social science research trying to explain features of diversity. Besides the fact that the nonprofit sector represents a major economic force in every country under study, the results of the Johns Hopkins Comparative Nonprofit Sector Project brought to the fore that size-wise and with respect to its internal composition the nonprofit sector varies significantly from country to country (Salamon et al., 1999). How can these variations be explained? Why does the sector play a significant role in social service and healthcare provision in Germany, whereas this is not the case in Sweden? And why is the nonprofit sector of the United States significantly larger than the sector in Germany?

The answer that Salamon and Anheier gave to these questions is closely related to the concept of organizational embeddedness focusing explicitly on broader social and political relationships. According to their interpretation, differences in size as well as composition of the sector can be explained by referring to the social and political development of the sector over time. In other words, differences of size and composition are explained by different social origins of the sector. According to the interpretation of Salamon and Anheier, what is seen as today's embeddedness of the sector in a particular country is the outcome of social and political forces that link or embed the sector in between market, state and society. Drawing on the work of Barrington Moore (1967) and Gosta Esping-Andersen (1990), Salamon and Anheier identified four distinct "routes" of third-sector development, which they titled the liberal, the social democratic, the corporatist, and the statist route of third-sector development.

The embeddedness of the nonprofit sector, which is the result of these four identified routes, differs in terms of two key dimensions: a) the extent of government social welfare spending and b) the scale of the nonprofit sector.

Figure 2. Models of Third-Sector Regime

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

Source: Salamon/Anheier 1998: 228

What Salamon and Anheier identified as the liberal model characterizes an embeddedness of the sector where low government social welfare spending is associated with a relatively large nonprofit sector. To put it differently, this type of embeddedness leaves plenty of room for nonprofit social service delivery. In contrast, the social democratic regime is the outcome of state-sponsored and state-delivered welfare services leaving relatively little room for nonprofit service-providing activity. A sizable nonprofit sector going along with extensive government welfare spending characterizes the corporatist regime. In the statist model government maintains the tradition of having a say in social welfare issues, albeit not heavily investing in this particular field, and therefore leaving very little room for the nonprofit sector. By using data of the Johns Hopkins Comparative Nonprofit Sector Project, Salamon and Anheier proved that those identified regimes exist in the real world.

Figure 3. Test of Social Origins Model of Nonprofit Sector

Government Social Welfare Spending	Nonprofit Scale	
	Low	High
Low	Statist Japan	Liberal United States
High	Social Democratic Sweden	Corporatist Germany

Source: Salamon/Anheier 1998: 240

Whereas the nonprofit sector of the United States is of respectable size even though government social welfare spending is comparatively low, the Swedish government invests heavily in social welfare, thus leaving little room for a flourishing service-providing third sector. Whereas Germany's nonprofit sector enjoys a respectable size despite the fact that government social welfare spending is relatively high, Japan's nonprofit sector is of limited scale and government is not very actively engaged in social welfare spending. The question that immediately arises is why does high government social spending go along with a sizeable nonprofit sector in Germany, but in Sweden the service-providing part of the sector is crowded out by government? And why does low government spending in the United States give way to a flourishing nonprofit sector of respectable size, while this is not the case in Japan?

The answer the two authors gave to this problem comes down to the

point that history has to be factored in. They perceive today's embeddedness of the sector as the outcome of societal struggles between the modernizing state and the traditional elite, such as the Church and the Crown, as well as between different social classes, which are primarily represented by their political outposts, namely the parties. To put it differently, Salamon and Anheier see the embeddedness of the nonprofit sector as the outcome of rather complex interrelationships among social classes and social institutions. This particular approach, which is called neo-institutionalism in social science research, constitutes the linkage between the Social Origins Theory of third sector research and the work of Barrington Moore and Gøsta Esping-Andersen.

These latter two are interested in the institutional outcome of power relationships between state and society as well as between social classes. According to Barrington Moore, societal and political modernization took very different routes around the world. Depending on the specific compromise between state and society and among the various classes, modernization resulted either in democracy or in fascism or communism. According to his interpretation, the institutional outcome of democracy is primarily based on a strong urban middle class that became the leading force of economic modernization and political democratization. While a "weak state" with almost no say in political and societal development was the bedrock of the route to democracy, the route both to fascism as well as to communism was paved by a strong state that was not restricted by urban and powerful entrepreneurs. Gøsta Esping-Andersen (1990) also used a neo-institutional approach in order to identify different welfare state regimes, which he characterized as variations of "welfare capitalism." Again Esping-Andersen perceived the development of a welfare regime as being the outcome of the balance of power or, to put it differently, as the institutionalized result of state-society relations and particularly class struggle. Similar to Barrington Moore, Esping-Andersen analyzed the power play between the new class of the entrepreneurial elite and the landed interest of the traditional elite, and the developing power of the working class movement.

Building on the results of the work of Esping-Andersen and Moore, Salamon and Anheier define the liberal model of third-sector embeddedness as being the result of a strong entrepreneurial middle class, which did not face opposition from traditional landed elite or from a forceful working class movement, and which fostered an anti-etatist mood. This situation has been strongly in place in the United States, where a successful middle class set the tone of politics, keeping the costs of welfare spending low, while simultaneously upholding a spirit of altruism that is very much in line with Protestantism.

The underpinning of the social democratic model consists, according to

Salamon and Anheier, of a strong working class being able to exert effective political power, albeit in alliance with other social classes. While social welfare delivery falls under the realm of the state leaving little space for nonprofit activity, the third sector nevertheless plays a significant role in society, not as a service provider, however, but as a vehicle for the expression of political, social and recreational interest. Thus the social democratic model translates into a sector characterized primarily by club life and voluntary engagement. Sweden is a textbook example for the social democratic model where the sector ranks at the low end of the European countries with respect to nonprofit employment, but first regarding civic engagement and membership affiliation of citizens. The driving force behind this model is a strong labor movement and a social democratic party in power, which, however, is not in favor of a patriarchal state but on the contrary fosters civic activity and an egalitarian approach of citizenship.

The rationale of the corporatist model is the struggle of the traditional elite to stay in power and not lose its societal status. According to Salamon and Anheier, a central characteristic of the corporatist model consists of the use of nonprofit organizations by government to calm demands of the working class. The embeddedness of the nonprofit sector in Germany provides a textbook example for the corporatist model. In Germany, the state, backed by a powerful landed elite who was afraid of losing political power and societal influence and who managed to cooperate with a relatively weak urban middle class, responded to the threat of the developing social democratic workers movement by forging an agreement with the major churches in the late 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 German social policy (Salamon/Anheier, 1998: 242).

Finally the social and political bedrock of the statist model of embeddedness consists of an obedient society and a powerful state, which works in close cooperation with the new entrepreneurial elite, thus leaving almost no societal space for nonprofit activity. Salamon and Anheier identify Japan as being the prime example for the statist model of nonprofit embeddedness. A comparatively small third sector and low government welfare spending reflects the tradition of state dominance originating in the 19th century, and which up until now has not been put into question either by a self-assured entrepreneurial class or by a powerful working class movement.

Without any doubt, there are lessons to learn from the Social Origins Theory developed by Salamon and Anheier. First of all, the Social Origins Theory clearly shows that the embeddedness of the sector depends on more than just one factor. The interrelationship between the state and the sector is

the result of historical developments and particularly class struggles along the process of modernization. However, this particular approach also has shortcomings. Salamon and Anheier are primarily looking backward while identifying the different models. Therefore, those models are not very helpful for today's nonprofit managers trying to work out arrangements with government. By referring to the four models it is possible to answer the question: why do the nonprofit sectors in various countries differ in size and composition? However, the models as such do not answer the question: what are the shortcomings of a respective model? Finally, although the Social Origins Theory claims to cover the full branch of nonprofit activities, what is indeed taken into consideration, at least when testing the theory, is very closely connected to the welfare state and more precisely to social policy.

Because is it very difficult to capture the entire world of nonprofit activity, some concepts focus exclusively on the social policy dimension, thus asking how nonprofit organizations are embedded in a particular welfare state regime, why this is the case, and moreover who benefits from this particular institutional arrangement. The social policy-related concepts by and large refer to the *Three Worlds of Welfare Capitalism* elaborated by Esping-Andersen, as described in the next section.

2.4 Esping-Andersen's Three Worlds of Welfare Capitalism and Nonprofit Organizations

In his seminal work *Three Worlds of Welfare Capitalism*, Esping-Andersen identified three welfare regimes, which he characterized as: a) the liberal regime, b) the social democratic regime, and c) the conservative regime (Esping-Andersen, 1990; Goodin et al., 2001).[1]

While these regime models are primarily worked out to explain the nexus between the market and the state, which is achieved by welfare state regulations, Esping-Andersen's "ideal types" are also increasingly used in order to point out differences of nonprofit embeddedness, specifically in the areas of social policy, healthcare and personal social services (Freise/Zimmer, 2004; Janoski, 1998; Rymsza, 1998). Following Esping-Andersen's argumentation, the regime approach, which takes into consideration only nonprofits active in social policy-related fields, distinguishes the level of embeddedness with respect to the following key dimensions: "government social welfare spending," "position and market

1 Esping-Andersen's regime approach built on the work of among others Titmuss (1974). The regimes that he identified are in line with other welfare state typologies such as the classification of the marginal, the institutional-redistributive and the performance-achievement model constituting equivalents of the liberal, the social-democratic and the conservative regime.

share of nonprofits within social policy," and "impact of side-effect of the model-specific embeddedness structure on NPOs."

Figure 5. Nonprofit Organizations and Social Service Production

	Liberal Regime	Social democratic Regime	Conservative Regime
Government Social Welfare Spending	low	high	medium or high
Position of NPOs within Social Policy	Competing with Forprofit Enterprises	not relevant	Privileged Position/Protected Against Commercial Competition
Major Supplier of Social Services	Nonprofit Sector on par with the Market	Government	Nonprofit Sector
Impact and Side-Effects on NPOs	Professionalization and Marketization of NPOs	Marginalization of NPOs in the Field of Social Services	Development of Nonprofit Cartels within the Field of Social Services

Source: Freise/Zimmer (2004)

The Liberal Regime

The liberal regime stands out for its limited government social welfare spending, thus marginalizing the intervention of the state in social policy. Accordingly state interference is permissible only in those cases in which the natural channels of goods distribution, viz the market and the family, fail. Under this regime, nonprofit organizations are treated on a par with the market. However, at the same time, the nonprofit sector remains slightly dominated by the market sector, because nonprofits are fiercely competing for resources, including government contracts, private donations and foundation grants. The role ascribed to the state is limited, a "minimum state," which is clearly separated from the nonprofit sector. In the field of social services there are many possibilities for nonprofit activity. Nonprofits are even allowed to engage in business activities as long as earnings are reinvested in the organization and not distributed among the members, shareholders, or owners of the organization. Cooperation with government is highly formalized and organized in a businesslike way. A widely accepted contract culture as well as competitive tendering, forcing nonprofits to compete for government contracts with other nonprofit and commercial organizations, is a fairly common feature of the liberal regime. Market competition provides the clue for the understanding of the liberal regime of nonprofit embeddedness. The state does not harbor any a priori preferences for nonprofit organizations as opposed to commercial enterprises; nor does it

extend any special privileges to selected nonprofit organizations such as the Red Cross or organizations that are affiliated with one of the religions.

Having to cope with a highly competitive environment, in which contracts constitute the prime source of nonprofit revenue, nonprofits tend to become "businesslike" organizations, which are characterized by efficiency, professionalization and a strong orientation towards the market. The strongholds of the liberal regime are the Anglo-Saxon countries, the British Commonwealth, and particularly the United States. Over the 1980s and 1990s, certain elements of this model – especially the contract culture – became very popular among public policy advisors in Europe, and particularly in Eastern Europe.

The Social Democratic Regime

The social democratic regime, representing in many aspects the antithesis of the liberal regime, stands out for its generous government social welfare spending and a broad spectrum of social services offered by state institutions. This translates into a situation where there is little room for nonprofit activity in welfare service provision. The role nonprofits play in social policy is rather limited because the majority of services are state financed and delivered.

However, the social democratic regime of social policy need not be confused with state socialism of the former Soviet bloc countries. In sharp contrast to state socialism, service provision is highly decentralized and taken over by the local communities in the social democratic regime. Nevertheless, due to the fact that the state assumes responsibility for the fulfillment of citizens' basic needs, nonprofit organizations are put to the margins in the area of social service delivery. Since the 1930s the social democratic regime has been strongly in place in the Nordic countries. Most recently, however, connected to the so-called crises of the welfare state, even in the Nordic countries politicians and policy experts alike started to recognize the potentials of nonprofit organizations as grassroots providers of social services (Wijkström, 2004). The concept of the Third Way (Giddens, 1994), in particular, provided a platform for integrating nonprofits into social democratic policy planning. In the meantime, modern social democrats as well as the European Union increasingly acknowledge the superiority of nonprofit organizations in the delivery of social services given their capacity to reach minority groups and counteract social exclusion.

The Conservative Regime

The conservative regime has to be put in between the other two. With respect

to government social welfare spending, it comes close to the social democratic regime, whereas regarding the market share and importance of nonprofit organizations as social service providers, it has more in common with the liberal regime. The hallmark of the conservative regime is the subordination of nonprofit organizations under state authority; or to put it differently, the state serves a subsidiary function vis a vis selected nonprofit organizations. Thus, in the conservative model the "principle of subsidiarity"[2] rooted in the social teaching of the Catholic Church plays a very significant role.

There are two practical dimensions to the principle of subsidiarity: First, social policy planning and social service delivery are decentralized with local governments constituting the most important level of policy implementation. Second, specific nonprofit organizations enjoy a privileged position in the market for social service delivery, being by law protected against the competition of forprofit as well as public providers. To put it differently, backed by the principle of subsidiarity, some nonprofit organizations, in particular those that are affiliated with the churches, are more equal than others are. This translates into a public policy situation in which government works closely together with a limited number of nonprofits that are selected by government and endorsed with privileges in terms of financial support, access to information and acceptance within the policy process.

Under the conservative regime, state and public insurance funds are the prime financier of social services. Very common is the use of earmarked government grants, awarded without any competition for specific public utility activities, which are specified in the charters of the nonprofit organization. Without any doubt, under this regime the nonprofit sector is closely connected with the state. That nonprofit organizations are an active part of civil society and therefore should enjoy independence from government is not regarded as a policy value worth cultivating. On the contrary, the state and not civil society determines the common good, which according to political rhetoric is of overarching importance in conservative welfare regimes, thus demanding the subordination of any interest, including those of nonprofit organizations and civil society. Accordingly, nonprofit organizations in conservative welfare regimes tend to copy government entities with respect to their management procedures. Excessive bureaucratization of nonprofits is just one pitfall of the conservative regime in which NGOs financially tend to become client organizations of public administration. Furthermore, nonprofit organizations tend to forget about their advocacy functions because lobbying seems to counteract smooth

2 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 state involvement should operate with and through such local institutions of neighborhood, church, and social group (see Salamon/Anheier, 1998: 242, Footnote 17).

cooperation with government. Finally, those selected nonprofits that work closely together with government tend to form cartel-like arrangements in order to protect their privileged position and to keep out newcomers effectively. Being members of a so-called "social policy welfare cartel," nonprofit organizations avoid transparency with the effect that they gradually distance themselves even further from civil society. Against this very critical assessment it has to be mentioned that, on the other hand, under the conservative regime nonprofits are keeping apart from the market because there is no need for them to become businesslike.

Of the countries under study, Germany and Austria come very close to the conservative model of nonprofit-government relations. In the two countries, church-affiliated nonprofit organizations, in particular the welfare associations Caritas and Diakonie, play a very significant role in the provision of social services and healthcare (see Country Profiles Austria and Germany in this volume). The conservative regime originated in Germany towards the end of the 19th century. Since then it has spread across Western and Central Europe. Between the World Wars it also was very popular in Poland, Hungary, and in Czechoslovakia. In this way, the conservative regime, which is sometimes also termed the "continental model" (Jordan, 1996), serves as a term of reference for the Visegrád countries. However, the same holds true for the liberal regime due to the fact that after the breakdown of the authoritarian regimes, policy advisers with a U.S. background were very influential in the countries under study in Central and Eastern Europe.

Against the background that due to the current crisis of public funding the conservative regime – not unlike the social democratic regime – has come under financial as well as political pressure, it is an open question which regime type will indeed survive. In Germany and Austria, government has started to modify the environment for nonprofit organizations that are engaged in service provision by introducing elements of competition, in particular for government grants. Thus, in these countries preferential treatment of the "social policy welfare cartel" is being gradually replaced by contract management, which puts commercial enterprises providing social services as well as nonprofits that were until now outside the realm of the "social policy welfare cartel," such as self-help groups, mutual aid organizations and cooperatives, on equal footing with the welfare associations. In Austria as well as in Germany, specific tools of new public management such as competitive tendering and contracting out have become accepted mechanisms of public policy in the field of social services and healthcare. This situation leads to the question whether the conservative model of nonprofit-government relations with its focus on subsidiarity and non-market regulation has indeed a chance to survive. Without any doubt in Germany and Austria there are tendencies of convergence, with the conservative regime increasingly moving towards a regime type that shows

elements of the liberal regime. By taking a closer look at the Visegrád countries, the following section examines whether this is also the case in Central and Eastern Europe.

3. Government-Nonprofit Sector Relations in Central and Eastern Europe

Although decades of authoritarian rule have put the countries under study in Central and Eastern Europe behind the "iron curtain" that separated them from the societal developments in Western Europe, they share a common heritage. In fact, tradition matters particularly with respect to government-nonprofit sector relations, as the following section will outline. However, these countries also have to undergo numerous processes of modernization. While they are in the process of building new political structures, they have to integrate their formerly planned and centralized economies into the competitive marketplace of a globalized economy. Since societal and political changes are encompassing, civil society and its nonprofit organizations thoroughly benefit from the current situation, although the changing environment simultaneously poses a threat to the further development of the sector and its organizations.

Referring specifically to government-nonprofit sector relations, the following section will take a closer look at the historical heritage of the Visegrád countries. Subsequently, against the background of the political developments underway since 1989, the role and function of nonprofit organizations specifically in the area of social services will be discussed.

3.1 Traditions of Government-Nonprofit Sector Relations

The common trait of the nonprofit sector in the countries under study, particularly the sector in Poland, Hungary, the Czech Republic, and Slovakia, lies in the similar history of its development. In the first place, charitable activity in all these countries somehow referred to the charity work of church institutions, be they monastic orders, brotherhoods, or the local parish. Such activity on the part of ecclesiastic bodies predated the appearance of secular charities as well as the involvement of the state in assisting the needy (see Kuti on CD). What is more, the role played by the church and its social organizations - i.e., the various church-affiliated associations and foundations - in the provision of social services continues to be quite significant, particularly in the areas of education and social care. This is particularly the case in Poland, where nonprofit organizations affiliated with the Catholic

Church and other churches account for roughly half of the infrastructure of the nonprofit sector in the above-mentioned areas.

In the second place, the societies of Poland, Hungary, the Czech Republic, and Slovakia have spent long years under conditions of outright colonization or of limited statehood; as a consequence, charitable activity was often fused together with the pro-independence struggle. This phenomenon was particularly manifest during the second half of the 19th century. In the twenty years intervening between the World Wars, the social policies of these countries remained strongly influenced by the ideology of the former Habsburg Empire, and thus under the sway of the conservative model of government-nonprofit relations. Not unexpectedly, the conservative approach was reflected in the ways in which NPO activities were regulated. Therefore, still upholding certain aspects of post-colonial heritage, the influence of the conservative model on the shape, image and mission of the nonprofit sector in the countries under study has been quite substantial.

Third, the four Central and Eastern European countries of the focs project have passed through a period of socialism and of quasi-independence within the Soviet sphere of influence. This resulted in the virtual marginalization, if not liquidation, of the nonprofit sector. Finally, these countries regained their independence by the early 1990s and embarked on a course of political, economic, and societal transformation. With respect to societal transformation, the reconstruction of civil society ranks prominently among its goals. Restructuring, deepening and further development of the nonprofit sector were given high priority by politicians and policy experts alike during the historical period in which the transformation from post-communism to democracy took place (Arato, 1992; Deakin, 2001).

The same holds true for the embeddedness of the sector and for government-nonprofit relationships, particularly in the field of social policy and social services. Shared history has a marked influence on government-nonprofit relationships in each of the countries, no matter whether the focus is on Poland and Hungary or on the Czech Republic and Slovakia. Thus, the development of civil society in the Visegrád countries seems to proceed along two tracks: first, by reference to the democratic roots of the country concerned and, second, by implementation of solutions, models, and institutions that are employed in the democratic countries of the Western Hemisphere. Without doubt, the Central and Eastern European countries under analysis are turning away from the model of the socialist welfare state, as described in the social democratic model of social policy. In this way, the "away from" vector has been defined; the direction of "to where," however, has yet to be elaborated or, at any rate, defined in greater detail.

3.2 Clash of Paradigms?

Without being too provocative, there are many reasons to recognize a clash of paradigms concerning relations between government and the nascent nonprofit sectors in the Central and Eastern European countries. To a certain extent, government-nonprofit relations in the countries under study currently are at a crossroads. On the one hand, there are forces tending toward a social policy approach that is very much in line with the conservative model and that is legitimized by politicians by referring to the "back to our roots" persuasion, with the decades of the 1920s and 1930s adopted as a point of reference. On the other hand, corresponding with the current *zeitgeist* of neoliberal economic reforms, consultants and think tanks as well as politicians are very much in favor of a social policy approach that is on par with the liberal model, which supports new public management techniques such as contract management, thus putting a high emphasis on contracting out public duties to nonprofit organizations. Until now, political and public discourse has not yet achieved agreement on the final approach towards social policy or on the role and function of the nonprofit sector within the growing market for social services. With respect to social policy, the countries in Central and Eastern Europe are still in a situation that Deacon characterized as the "interim" model (Deacon, 1992).

In the early 1990s at the beginning of the reforms in Central and Eastern Europe, the liberal model was the prevailing one, given both the appeal of neoliberal reform in Europe and the tack favored by Western advisors. Since the mid-1990s, however, a renaissance of the continental or conservative model of social policy has been observed in the countries concerned as well as in selected Western European countries. In Western European countries, particularly in France, Spain and Italy, due to policy recommendations of the European Union, the potentials of the nonprofit sector and its organizations are utilized specifically to address problems of social exclusion and unemployment, thus putting a high emphasis on the "social economy" (CIRIEC, 2000; Borzaga/Defourny, 2001). However, these two topics are not on the agenda of government-nonprofit relations in Central and Eastern Europe. Instead the priority of public policy towards the sector in the Visegrád countries lies in transferring public duties to nonprofit organizations, thus using the sector and its potentials as a tool to privatize and decentralize the former socialist welfare state, which was marked by its hierarchical organization and public financing.

The Visegrád countries, however, are not resorting to a straightforward adoption and propagation of the liberal model with its contract management culture. There is a unique characteristic of policy followed in Central and Eastern Europe that translates into preferential treatment of selected organizations to which government provides access to state-owned

infrastructure that had been nationalized after World War II. These organizations enjoy preferential treatment and working conditions because they carry out public service activities. Government affords these organizations special treatment, most frequently enabling them to secure the legal status of a public benefit organization (see Freise/Pajas in this volume). These public benefit organizations are nonprofits that enjoy a privileged status within the country's nonprofit community because the infrastructure extended to them makes them prime partners of public authorities. By virtue of their access to the infrastructure, they are very well equipped to meet the standards that are laid down in the contracts issued by public authorities. Public benefit organizations also enjoy preferential treatment with respect to tax law. Hungary and Slovakia have enacted tax laws enabling citizens to assign 1% of their income tax to public benefit organizations; Poland has drafted similar legislation.[3]

Very much in accordance with Young's analysis of nonprofits being complementary to government, thus helping to carry out the delivery of public goods largely financed by government, the privileged position of nonprofits chartered as public benefit organizations (PBOs) is accompanied by increased government supervision. Therefore, there are good reasons to put into question whether these nonprofits designated as public benefit organizations and enjoying the aforementioned privileges are still NPOs, or whether they have already become quasi-nongovernmental-organizations (Quangos)? It is also questionable whether such public policy towards the nonprofit sector is reconcilable with the liberal model and its normative underpinning, which puts a high emphasis on competition.

3.3 Policy Development: Ebb and Flow in Government-Nonprofit Sector Relations

Analysis of the development of policy towards the nonprofit sector in the Visegrád countries since the early 1990s, taking into account the so-called clash of paradigms described above, reveals a certain logic or rationale underpinning the strong ebb and flow in government-nonprofit sector relations.

At the very beginning of the transition period from authoritarian rule to democracy, public policy towards the nonprofit sector and its organizations primarily aimed at making room for civic and nonprofit activity. Certain

3 This solution is a fairly unique one, not encountered beyond the region. In Western Europe, for instance, NPOs engaging in public benefit activities receive only a double tax exemption on the funds solicited by them with the exemption extending to the benefactor and to the NPO receiving the gift. Tax breaks of this sort are also offered to the public benefit organizations of Central Europe, without prejudice to the 1% rule just discussed.

forms of controlled civic activity were already tolerated in the waning days of communism. There were several reasons why even before the breakdown of the regimes governments in the former Eastern bloc countries started to become more liberal towards civic engagement and nonprofit activity. More precisely, the change of attitude towards the sector was the result of: (i) the state's weakening grip over societal life, (ii) economic difficulties and attempts by the state to ameliorate the situation by referring to social and self-help potentials, and (iii) government trying to control incoming foreign financial support by legalizing the structures for its distribution. This was especially the case in Poland.

After transformation, membership in nonprofit organizations as well as affiliation with social movements flourished in the Central and Eastern European countries. In a way the floodgates were opened, with social activity becoming a free-for-all. The number of registered nonprofit organizations in the Visegrád countries increased significantly. In accordance with the entities' continental tradition, associations and foundations became the most frequently used organizational form. Indeed, registration of associations and foundations skyrocketed in those early years. During this first stage, government was very much in favor of this development, thus securing tax benefits and facilitating the work of nonprofit organizations in many ways. At that time, government was not yet interested in establishing a complementary policy arrangement with the nonprofit sector, particularly in the area of social services. Referring to the terminology of Young (2000), nonprofits were perceived as supplementary to government immediately after the transition.

Around the mid-1990s, governments of the post-communist countries began a policy of decentralization of their public administrations. By law local governments were entrusted with a whole range of public duties and were given relatively large leeway in how to go about tackling these responsibilities. The policy of pronounced decentralization was put into practice by referring to the principle of subsidiarity according to which the smallest unit of state administration should be responsible and take over those duties and responsibilities that are closest to it. However, the principle of subsidiarity was not at all applied to the nonprofit sector and its organizations. On the contrary, the policy of decentralization was accompanied by a hardening of the line adopted by government vis a vis the sector. Beneficial treatment of nonprofit organizations, discussed earlier, was either curtailed or abolished. To a large extent, this was the result of increasing problems of public financing, with the state nervously seeking new ways to obtain revenues. However, representatives of public institutions also criticized nonprofit organizations for what they saw as bad management and for misappropriation of funds. In sum, the public mood that had been very much in favor of the nonprofit sector right after 1989 started to shift

towards the opposite, thus harshly criticizing the sector and its organizations. It should be noted that specific examples of mismanagement and other issues that were cited in support of allegations of corruption were limited to isolated cases that had been covered in the mass media rather than being derived from any kind of systematic monitoring of nonprofit organizations.

The aforementioned period has been followed by one characterized by a policy approach that increasingly acknowledges nonprofit organizations as partners of government in social policy implementation. In accordance with this new governmental approach towards the sector and its organizations, legislatures have issued a new set of privileges for nonprofits. However, as already mentioned, these privileges are no longer addressed to all nonprofit organizations alike. On the contrary, they are specifically directed towards public benefit organizations, which by now enjoy a quasi-governmental status providing social services on par with government institutions.

Politicians and policy experts alike again refer to the principle of subsidiarity when explaining the rationale behind this policy towards the sector. According to this line of argumentation, the principle is operationalized in the following two ways. First, it refers to policies of decentralization of the public administration and thus enforces local self-government. Second, it is linked to the introduction of the complementary model of government-nonprofit sector relations. However, as already mentioned, the way that the complementary model is put into practice translates into a situation in the Visegrád countries where nonprofit organizations become mere extensions of the public administration apparatus. In the long run, this development may lead to excessive bureaucratization of the nonprofit sector.[4] Finally, although there are still significant differences among the Visegrád countries with respect to how government policy addresses the nonprofit sector and its organizations, nevertheless there is at least one common trend regarding government-nonprofit sector relations in the countries under study: Contract management gives preference to nonprofit organizations granting them priority over commercial enterprises.

4. Conclusion

The purpose of this chapter was twofold: first, to provide an overview of the latest models and theoretical approaches relating to nonprofit-government

4 This comment does not apply to Poland as much as it may to other countries given the relatively low employment in the nonprofit sector – as compared with the three other countries discussed.

relationships, and second, to address the embeddedness of nonprofit organizations in welfare state arrangements by specifically referring to the current situation in the Visegrád countries. The overview presented four distinctive models conceptualizing nonprofit government relations: the Four-C's framework developed by Adil Najam; Dennis Young's categorization of nonprofits as supplementary, complementary, or adversarial to government in the supply of public goods; the Social Origins Theory of Lester Salamon and Helmut Anheier; and finally the regime approach which, based on Esping-Andersen's seminal work *Three Worlds of Welfare Capitalism*, highlights the importance on nonprofit organizations in social service production.

Najam's Four-C's framework distinguishes between cooperative, confrontational, complementary, and co-optative nonprofit-government relations. According to his analysis, in a cooperative relationship government and nonprofits agree upon goals and strategies, while in a confrontational relationship they disagree on both the goals they try to attain and the strategies by which they want to reach their goals. In a complementary relationship government and nonprofits share similar goals but prefer different means to reach those goals. Finally, in a co-optative strategy government and nonprofits share similar strategies but pursue dissimilar goals. Covering a broad spectrum of nonprofit activities, Najam's Four-C's framework constitutes a very abstract, highly theoretical approach without, however, referring to any specific strand of nonprofit theory.

Dennis Young, on the contrary, links his categorization of nonprofit-government relationships specifically to economic theories developed within nonprofit research. Furthermore, Young exclusively looks at nonprofits providing social services. He identifies three models of nonprofit-government relationships. From the point of view of the nonprofit sector, he characterizes the function of nonprofits within these relationships as being supplementary, complementary, or adversarial to government in the supply of public goods. While in the supplementary model, nonprofits fulfill the demand for public goods left unsatisfied by government, in the complementary model they are partners to government, thus helping to carry out the delivery of public goods largely financed by government, and in the adversarial model, nonprofits lobby government to change public policy. Young's framework is very helpful for conceptualizing nonprofit-government relationships in different policy fields as well as for analyzing changes in nonprofit-government relations over time.

The Social Origins Theory of Lester Salamon and Helmut Anheier is thoroughly integrated into social sciences theory, drawing equally on the work of the political sociologists Barrington Moore and Gosta Esping-Andersen. The theory puts forward an explanation why the nonprofit sector differs from country to country with respect to size and composition. According to this theoretical approach, the size, internal structure and

embeddedness of the nonprofit sector in a particular country today is the outcome of social and political forces, which link or embed the sector between the market, the state and the society in the respective country. In their analysis Salamon and Anheier identified four distinct "routes" of nonprofit sector development resulting in four models of nonprofit sector embeddedness: the liberal, the social democratic, the corporatist and the statist route. The outcome of the liberal route is an embeddedness of the sector where low government social welfare spending is associated with a relatively large nonprofit sector; the social democratic model is the outcome of state-sponsored and state-delivered welfare services leaving relatively little room for nonprofit service activity; a sizable nonprofit sector going along with extensive government welfare spending characterizes the corporatist regime; and in the statist model government continues being the dominant actor, albeit neither heavily investing in social services nor leaving societal space for nonprofit activity. The Social Origins Theory draws attention to the fact that the embeddedness of today's nonprofit sector is the outcome of historical developments along processes of societal and political modernization. Thus, Salamon and Anheier were looking backward while developing this theoretical approach of government-nonprofit relations. It explains the current state of affairs but keeps silent with respect to the further development of government-nonprofit relations.

This shortcoming is taken up by the regime approach of nonprofit research, which builds exclusively on the work of Esping-Andersen and particularly on his categorization of the liberal, the social democratic, and the conservative welfare state regime. Referring to three key dimensions - government social welfare spending, position and market share of nonprofits within social policy, and impact and side-effects of the model-specific embeddedness structure on NPOs - the regime approach provides an analysis of the current embeddedness of the sector in a respective country, and at the same time draws attention to the fact that each regime entails advantages as well as drawbacks for nonprofits. According to this analysis, the liberal regime stands out for a market-like embeddedness of the nonprofit sector. Due to limited government social welfare spending, the regime provides many possibilities for nonprofit activity. However, having to cope with a highly competitive environment, nonprofits tend to become "businesslike" organizations, characterized by efficiency, professionalization and a strong orientation towards the market. The social democratic regime is characterized by generous government social welfare spending and a broad spectrum of social services offered by state institutions, leaving very little room for nonprofit activity. In the conservative regime, high government social welfare spending goes along with a sizable nonprofit sector. The hallmark of the conservative regime is the subordination of nonprofit organizations under state authority, which is encapsulated in the principle of subsidiarity that

translates into a situation where social service delivery is highly decentralized, with local governments constituting the most important level of policy implementation. Furthermore, specific nonprofit organizations enjoy a privileged position in the market for social service delivery, being by law protected against the competition of forprofit as well as public providers. There are no doubts that in the conservative regime nonprofits enjoy a favorable situation as accepted partners of service delivery. However, the drawback of this specific embeddedness is that nonprofit organizations tend to lose their grassroots orientation by becoming government-like and thus highly bureaucratized institutions.

Against this background, government-nonprofit sector relations in Central and Eastern Europe were discussed with the aim of determining which of the aforementioned models best suits the situation in the Visegrád countries. As an introductory note to the discussion, the section briefly summarized the historical development of government-nonprofit relations specifically in the field of social service delivery. Here again, it became clear that the Visegrád countries build on a common historical heritage that thoroughly integrates them into the community of European countries.

After the breakdown of the socialist regimes, the development of civil society and nonprofit social service delivery seems to proceed along two tracks: by reference to the former roots and embeddedness of the sector and by implementation of solutions and models that are employed in the Western Hemisphere, particularly in the United States. As a result, there exists a current clash of paradigms concerning relations between government and the nascent nonprofit sectors in the Central and Eastern European countries. Government-nonprofit relations in the countries under study are at a crossroads between a social policy approach that is very much in line with the conservative model and one that corresponds with the *zeitgeist* of neoliberal economic reforms, i.e., the liberal model. Political and public discourse has not yet achieved agreement upon the ultimate approach towards social policy or the role and function of the nonprofit sector within the growing market for social services. Furthermore, the authors draw attention to the fact that, although social policy in the Visegrád countries refers indeed to models and paradigms applied in other European countries and in the U.S., there is no one-to-one transfer of these approaches. Whereas in selected Western European countries potentials of the nonprofit sector are specifically utilized to cope with problems of unemployment and social exclusion, in the Visegrád countries the sector and its organizations are heavily used for policies of privatization and decentralization.

The same holds true for the adaptation of government-nonprofit relationships. Neither the liberal nor the conservative model is thoroughly put into practice in the Visegrád countries. Although government finally embarks on a policy of partnership with nonprofit organizations, thus providing them

with a complementary function, relations are organized in accordance with businesslike techniques that characterize the liberal model of embeddedness. At the same time, however, government launches a policy, which is very much in accordance with the conservative model, and grants preferential treatment to nonprofits, more specifically, by providing them access to infrastructure and financial resources. There are good reasons for providing special treatment because government heavily uses those nonprofits organized as public benefit organizations for policies of decentralization and privatization. By now it is questionable whether public benefit organizations have already developed into quasi-governmental organizations or whether they still have at least some features in common with nonprofits. The authors conclude that despite the heterogeneity of the current developments, there is one common trait: the Visegrád countries do not move straight ahead in the direction of adapting the liberal model in its pure culture.

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