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**OF VOLUNTARY FAILURE AND CHANGE**  
**TOWARD A NEW THEORY OF VOLUNTARY-GOVERNMENT RELATIONS**  
**IN MODERN SOCIETY**

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**Charles H. Hamilton**

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**Abstract:**

This paper is part of a larger work on *Philanthropy and Citizenship: What Does Participation Really Mean?*, which I began while at Yale. This paper tries to add theoretical and historical vitality to our understanding of the changing roles of voluntary associations in modern society. Current theories may read too selectively from the past, explain too little of our present, and help us too meagerly in the future. No one theory applies in all circumstances, but a recent issue of *Nonprofit and Voluntary Sector Quarterly (NVSQ)* devoted to theory and the work of scholars like Van Til, Lohmann, and Salamon attest to its importance. Important new works on voluntarism and civil society by Finlayson, Green, Putnam, and McKnight need to be integrated into our larger understanding of voluntary action and democracy.

I try to present a perspective on voluntary organizations that is more “society-centered” rather than so dependent on politics and the state. Voluntary-government relations are a given, but the nature and tensions of that relationship, the toll it can take on citizens and civil society, and its “natural” level need much more study. I look at several different issues: three are listed separately here, but they are more fully integrated in the paper.

(1) The interdependency of voluntary organizations and government has been a welcome breakthrough in recent decades. But that understanding can all too often lead, almost effortlessly, to such a politicized view of human action that voluntary organizations are viewed as necessarily dependent upon the welfare state. Views of the independence of voluntary organizations, however, can also be driven by ideology or vested interest. Both approaches ignore the “embeddedness” of all organizations in social structures and relations. While embracing the interdependency account, I question the implications of the dependency view and the benign theory of state sometimes implied. Voluntary organizations are a natural outgrowth of social action and thereby have a unique resilience and autonomy in a democratic community.

(2) The idea of voluntary failure has been used to give pre-eminence to voluntary association and to explain government action. Does this view fit historical experiences or make theoretical sense? Does it robustly explain the implicit knowledge problems, the interactions of an active (or neutral) state, and regulatory paradigms. What does it imply about the public good and public interest? Recent work on “market failure” and “public choice” theory may lend a helpful perspective here. Any theory of interdependency must look at whether there are processes of adjustment within society and the voluntary sector

that might tend towards long-term institutional change and vitality and that may be interrupted by state action. I believe there are.

(3) The movement to “bring the state back in” within political science and sociology successfully explains many macro and micro aspects of voluntary-government relations. But that close focus on the state may not go far enough, when we are dealing with a “farewell state” and a “hollowing out of the state.” First, we need a better theory of the state and political decision-making. Most important, though, we need to alter our perspective, emphasis, and vision by “bringing society back in” -- what Vaclav Havel called “the independent life of society” -- to our understanding of voluntary-government relations.

## **Of Voluntary Failure and Change: Toward a New Theory of Voluntary-Government Relations in Modern Society**

**Charles H. Hamilton**

Some writers have so confounded society with government as to leave little or no distinction between them; whereas they are not only different, but have different origins. --Thomas Paine<sup>1</sup>

[W]e need to discover an appropriate social distance between governmental and voluntary agencies.... the search is essential if pluralism and voluntarism are to be preserved in the welfare state. -- Ralph M. Kramer<sup>2</sup>

Of all the problems in social policy none is more harassing, more complex and perennial than that of determining the proper relation of the state to privately managed charities within its borders. This is the sore thumb of public administrative policy. -- Alexander Fleisher<sup>3</sup>

### **1. Introduction: The sore thumb of public policy**

Americans have always appreciated the difference between society and the state while we also want to fit them into a Procrustean bed. And nowhere has the uneasy relationship between society and the state been more vexing than in relation to the voluntary sector. It has been almost *de rigueur* since the Filer Commission to quote Daniel Boorstin's famous comment that

In America, even in modern times, communities existed before governments were here to care for public needs. There were many groups of people with a common sense of purpose and a feeling of duty to one another before there were political institutions forcing them to perform their duties.... Philanthropy -- our charitable spirit -- in its transformed American shapes has become the leading feature of our relation to the world.<sup>4</sup>

The tension of the social over the political has gotten a whole lot messier and one-sided this century. When Frank Dickinson wrote a major study on philanthropic giving (for the years between 1929 and 1959), he took special note of the great expansion in what he called "public philanthropy". The evidence caused Solomon Fabricant to pose several questions in his introduction: "[I]s there any need to support private philanthropy

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<sup>1</sup> Thomas Paine, *Common Sense (1776)* in *Political Writings*, Edited by Bruce Kuklick. (Cambridge: Cambridge University Press, 1989), p. 3.

<sup>2</sup> Ralph M. Kramer, *Voluntary Agencies in the Welfare State* (Berkeley: University of California Press, 1981), p.292.

<sup>3</sup> Alexander Fleisher, "State Money and Privately Managed Charities." *The Survey*, October 31, 1914. p. 110.

<sup>4</sup> Daniel J. Boorstin, *The Decline of Radicalism* (New York: Random House, 1969), pgs. 46 & 68.

when government is taking over more and more of the burden of helping the needy...? [S]hould not private philanthropy be expected to retire from the scene -- except as the chief support of religious activities...?"<sup>5</sup> A few years later, it was reaffirmed that the state was a major "philanthropist".<sup>6</sup> What had happened was a major "interpenetration of government and the voluntary sector."<sup>7</sup> Of course there has always been government interaction with both the voluntary and market sectors.<sup>8</sup> The interpenetration between government and the commercial sector has been widely studied but we still need good studies comparing the history and impact of government intervention in both sectors.

This interpenetration between the government and the voluntary sector had in fact gone largely unnoticed. Ironically, during the period when government seemed to grow so much and defenders of the voluntary sector seemed in such a minority, a version of the voluntary sector blossomed. Why this happened is still not fully understood. We owe Lester Salamon a great deal for highlighting this strange fact of modern American life: the fact that the set of social institutions that most vividly embodies the distinctive American penchant for private solutions to public problems has experienced its most dramatic growth during precisely the period of most rapid expansion of the state.<sup>9</sup>

Governmental "funding and direction" had helped produce the explosive growth and shape of the voluntary sector in the U.S. in recent decades. Sectoral cooperation is necessary and great strides have been made identifying and understanding the relationship. This has become one of the hallmarks of the American welfare state. Recognition of this close relationship has, however, further encouraged a tendency to blur the distinction between sectors. Such a view mirrors a common predilection among some political scientists:

"So great is the interpenetration between the public and private sectors that this basic distinction -- on which the political rhetoric and dialogue of modern times has rested -- has ceased to be an operational way of understanding reality."<sup>10</sup>

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<sup>5</sup> Frank G. Dickinson, *The Changing Position of Philanthropy in the American Economy* (New York: National Bureau of Economic Research, 1970), pgs. 28-29.

<sup>6</sup> "The State as a Major 'Philanthropist'". In *Giving in America: Toward a Stronger Voluntary Sector*. Report of the Commission on Private Philanthropy and Public Needs, 1975.

<sup>7</sup> Steven Rathgeb Smith and Michael Lipsky, *Nonprofits for Hire: The Welfare State in the Age of Contracting* (Cambridge: Harvard University Press, 1993), p. 19.

<sup>8</sup> cf. Peter Dobkin Hall, *Inventing the Nonprofit Sector: And Other Essays on Philanthropy, Voluntarism, and Nonprofit Organizations* (Baltimore: The Johns Hopkins University Press, 1992). Also see, for instance, Jonathan R.T. Hughes' interesting history of the role of nonmarket controls and the control bureaucracy in American history, *The Governmental Habit* (New York: Basic Books, 1977) and Robert Higgs' look at the growth of government, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987).

<sup>9</sup> Lester M. Salamon, *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* (Baltimore: The Johns Hopkins University Press, 1995), p. 1.

<sup>10</sup> Bruce L. R. Smith, editor. *The New Political Economy: The Public Use of the Private Sector* (New York: John Wiley & Son, 1975). Quoted in Jon Van Til, *Mapping the Third Sector* (New York: The Foundation Center, 1988), p. 95.

Has a valuable insight into the relations of government action and voluntary action proven too much? Have we become “stuck” in an attitude that assumes too much for the political process, de-emphasizes the “social” costs, and relegates the voluntary sector to tertiary importance? I believe that new “faults in the conceptual lens”<sup>11</sup> through which we have been examining the voluntary sector have become apparent. Perhaps we need to develop additional ways of looking at the relationship and the appropriate social distance between state and voluntary associations. The challenge is still as Ralph Kramer set forth many years ago, to find “an appropriate social distance between governmental and voluntary agencies.... if pluralism and voluntarism are to be preserved in the welfare state.” But the welfare state may no longer be the appropriate starting point.

We must ask the question: Does the decline of the American welfare state require the attendant decline in the nonprofit sector? Will the “farewell state” usher in the return to a Darwinian past where society will become more “solitary, poor, nasty, brutish, and short.”? Many assume that will be the case. Or, is there reason to believe society’s institutional resilience and individual actions and preferences will suggest something different. Have state intervention and vested interests acted as well to stifle positive change and made matters worse? The events and possibilities of the last decade have gotten ahead of our ability to understand the voluntary sector. This has been made especially poignant by the struggles of an emergent civil society from communism, totalitarianism, and even in our own democracies. The vitality of the voluntary sector may very well be required not only for the well being of those less fortunate and for institutions of arts and culture. We are beginning to appreciate that the vitality of our whole civil society and our political democracy may depend on the vitality of the voluntary sector.<sup>12</sup>

But if “the evolutionary or unilinear model has failed, we still lack a new model that explains how and why the boundaries between market, state, and voluntary agencies in the provision of social welfare change over time and across countries....” In fact, perhaps “each constituent of the system cannot be reduced beyond a certain point.”<sup>13</sup> This draft paper is a small beginning step of a larger project to explore our dilemma about the relationship between government and the voluntary sector with a different conceptual lens.

There is a common view that “a deep-seated ideological current posits a fundamental conflict between the nonprofit sector and the state and discourages cooperation between the two.”<sup>14</sup> No doubt that is partially true. I have always thought

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<sup>11</sup> in Salamon, “Of Market Failure, Voluntary Failure, and Third-Party Government”, p. 35.

<sup>12</sup> See, for instance, Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1993); Ernest Gellner, *Conditions of Liberty: Civil Society and Its Rivals* (New York: Penguin Press, 1994); and Victor M. Perez-Diaz, *The Return of Civil Society* (Cambridge: Harvard University Press, 1993).

<sup>13</sup> Massimo Paci, “Long Waves in the Development of Welfare Systems,” in *Changing Boundaries of the Political*, edited by Charles S. Maier (Cambridge: Cambridge University Press, 1987), p.181.

<sup>14</sup> Lester M. Salamon and Helmut K. Anheier, *The Emerging Sector: An Overview* (Baltimore: The Johns Hopkins University Institute for Policy Studies, 1994), p. 102.

that the putative independence of the voluntary sector was a false issue. We should not so quickly dismiss the need to re-examine our assumptions about the relations between government and voluntary action. To move the theoretical and conceptual boundaries along, can it now be said that a deep-seated ideological current posits a fundamental partnership between the nonprofit sector and the welfare state that de-emphasizes the influence of politics and the impact of state action? Are the possibilities of voluntary action in turn ignored?

## 2. Nationalizing the Idea of the Voluntary Sector

Finding an appropriate social distance requires understanding the intellectual lens supplied for studying the voluntary sector. Since at least the time of Herbert Croly and the progressives, the voluntary sector has been relegated to a means for government policy and in public policy. That is not to say that there weren't those tendencies before, but the radical vision of voluntary action that animated Tocqueville's *Democracy in America* was transformed. We now live in the shadow of Herbert Croly's politicized *Promise of American Life*: "No voluntary association of individuals, resourceful and disinterested though they be, is competent to assume the responsibility" for America's national destiny.<sup>15</sup> Croly's call for a singular "National Purpose" required political centralization, expert control, and social regimentation. His influence remains immensely strong, and is highlighted here as one telling example of how voluntary associations have been perceived through American history.<sup>16</sup> (Indeed, important connections between Croly and some of the leading early writers on philanthropy -- for instance, Eduard C. Lindeman, Croly's "closest intellectual companion during the last years of his life."<sup>17</sup> -- need to be explored.) Continuing through the New Deal, reformers have believed "that the aim of the tradition of private philanthropy was the absorption by government of the responsibility for generating and administering reform. . . . The implication, too, was that whatever foundations and private philanthropy had been doing government could do better."<sup>18</sup>

It was generally assumed that philanthropy, voluntary action, and the sector as a whole was at best an incubator. Even Peter Berger and Richard John Neuhaus contributed to the depreciation of the voluntary sector by developing a powerful conservative defense of mediating institutions. They began their very influential 1977 monograph *To Empower People* by contrasting two tendencies in American public policy concerning the "proper" relationship between society and state. There was "a continuing

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<sup>15</sup> Herbert Croly, *The Promise of American Life* (New York: The Macmillan Company, 1912), p.24.

<sup>16</sup> See Peter Dobkin Hall, *Inventing the Nonprofit Sector: And Other Essays on Philanthropy, Voluntarism, and Nonprofit Organizations* (Baltimore: The Johns Hopkins University Press, 1992) for a flavor of that hostility in American history.

<sup>17</sup> David W. Levy, *Herbert Croly of The New Republic* (Princeton: Princeton University Press, 1985), p. 281.

<sup>18</sup> Barry D. Karl, "Philanthropy, Policy Planning, and the Bureaucratization of the Democratic Ideal." *Daedalus*, Vol. 105, No. 4, Fall 1976, p. 140.

desire for the services provided by the modern welfare state” and a “strong animus against government”. Berger and Neuhaus suggested that the contradiction was only apparent: “we suggest that the modern welfare state is here to stay, indeed that it ought to expand the benefits it provides -- but that alternative mechanisms are possible to provide welfare-state services.”<sup>19</sup> Their views on “mediating structures” became a major description of and underpinning for the kind of welfare state adopted by all sides of the public policy debate.<sup>20</sup> “Mediating structures,” as they develop the idea however, remain a means to state action. They would appear to have no intrinsic purposes, agency, or dynamism of their own.

Berger and Neuhaus’ perspective is made with a different frame of reference in the important 1987 book *Shifting the Debate*. It is not the conservative polity which is central, but the welfare state: “... [T]he voluntary sector ought not be defined in such a way that it is in competition or opposition to the welfare state.”<sup>21</sup> An issue is defined away. In both cases, dependency has become an operative word for the study of the voluntary sector. Peter Dobkin Hall writes:

The starting point for any serious consideration of the place of nonprofits in the American polity is to accept the policy implications of the scholarly recognition of sectoral interpenetration: that the nonprofit sector is a *dependent* sector, not an independent one. The choices that lie before it -- and before the public as it seeks to redefine the role of government and its relation to the universe of private institutions -- have primarily to do with the types and consequences of various kinds of dependency.<sup>22</sup>

Thus, for all the increase in the voluntary sector and our societal interdependence, in much of the literature, the voluntary sector tends to be conceptualized as a junior partner, a young, weak sibling, subsumed under essentially political means. Such a limited image of the voluntary sector certainly influences our assumptions, studies, and actions.

The move from relative reliance on social power to reliance on political power is quite subtle, including admirable and dangerous tensions. There is an admirable emphasis on democracy that was a crucial aspect of American political development. I don’t emphasize that here, but it is a very important and well studied, part of the whole picture. A darker side, less well studied, exists as well. Emphasizing political centralization and control places democratic political processes above all other social mechanisms. It lionizes bureaucratic control, eschews voluntarism and gives moral sanction to coercion. Consideration of the nature of and strengths of voluntary associations is crowded out by assumptions of political competence and professional expertise. Notions of liberty, the good society, citizenship, social action became centered

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<sup>19</sup> Peter L. Berger and Richard John Neuhaus, *To Empower People: From State to Civil Society*, Second Edition. Edited by Michael Novak (Washington: The AEI Press, 1996), pgs. 157 and 158.

<sup>20</sup> In their new edition, Berger and Neuhaus now lament that, “The modern welfare state is arguably the most important case of an enormous exercise of power, by and large motivated benignly, yet having developed into an instrument of oppression as well as corruption.” p.146.

<sup>21</sup> Susan Ostrander, Stuart Langton, Jon Van Til, editors, *Shifting the Debate* (New Brunswick: Transaction Books, 1987), p. 130.

<sup>22</sup> Peter Dobkin Hall, in *Shifting the Debate*, p.19.

on the state.<sup>23</sup> In the end, a larger democratic vision, or what one writer has called “a commonwealth of citizenship outside the state,”<sup>24</sup> is impoverished by our increasingly politicized view of the world.

### **Do we need to talk of difference and dependency?**

Much is made of the “dependence” of the nonprofit sector; much is hoped for by the independence of the voluntary sector. The reigning view emphasized dependency. But maintaining some clear sense of the separateness and differences is key. Then we are better able to focus on, understand, and dissect the interactions and respective nature, strengths and weaknesses of the relationship.

In his critique of ideological politics, Edward Shils seeks a way to maintain civility and hope. His is the valid and telling cautionary tale of liberalism in general, that the “elevation of one value... to supremacy over all others, and the insistence on its exclusive dominion in every sphere of life” leads to tyranny. Part of the answer for him is to maintain an appreciation of the separateness. Let me quote at length, because the recognition of separateness is relevant to any discussion of the voluntary sector:

A renewal of the old idea, fundamental to modern liberalism, of a separation of the spheres is needed. It can, of course, be realized only very incompletely; economic life cannot be completely independent of government and politics, and vice versa; religion and politics cannot be completely separated; culture and politics cannot be completely separated. Nonetheless, while acknowledging and accepting their necessary collaboration and affinity, it is very important that the guardians, practical and intellectual, of each of the spheres should be aware of the desirability, in principle, of their separateness. This would be a bulwark against the romantic -- and ideological -- insistence on the universal application of a single set of standards. The separation of the different spheres of life would not please those ideological politicians and intellectuals who seek complete consistency. Without it, however, civility would be extinguished and our best intellectual traditions would be frustrated.<sup>25</sup>

While there are plenty of times when true positive cooperation occurs between government and voluntary associations, there are plenty of times when increasing the power of one results in impoverishing the other. Increases or decreases in state power

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<sup>23</sup> One sees this tension of social versus political in democratic theory in Isaiah Berlin’s famous “Two Concepts of Liberty.” The locus of personal development and social change is the state under positive liberty while negative liberty sets the general rules and both means and ends are left largely outside politics. Isaiah Berlin, *Four Essays on Liberty* (Oxford: Oxford University Press, 1970). Two of the best earlier statements trying to establish a balance between the social and the political are the famous 1819 speech by French classical liberal Benjamin Constant, “The Liberty of the Ancients Compared With that of the Moderns,” in *Benjamin Constant: Political Writings* (Cambridge: Cambridge University Press, 1988), and Wilhelm von Humboldt’s 1852 *The Limits of State Action* (Cambridge: Cambridge University Press, 1969). Both works still have a great deal to offer those interested in a broader rationale for voluntary action.

<sup>24</sup> Frank Prochaska, “But the Greatest of These...”, *Times Literary Supplement*, January 15, 1993, p.15.

<sup>25</sup> Edward Shils, *The Intellectual and the Powers and Other Essays* (Chicago: University of Chicago Press, 1972), p 67 and 68.

often result in decreases or increases in social power: “The experience of democratic orders has demonstrated that the antithesis between the state’s monopoly of power and civil society’s private associations must be maintained if democracy is not to degenerate into anarchy or dictatorship.”<sup>26</sup> Recognizing the contrast may be crucial if democracy is to be maintained and if we are to fully understand the nature of the relationship between government and the voluntary sector.

### **Bringing the State Back in**

Jennifer Wolch, in *The Shadow State*, helped bring a major change in perspective to our understanding of the relationship. She did employ a state-centered approach to the study of the voluntary sector, by “bringing the state back in”.<sup>27</sup> She argues that the emergence of the shadow state is fundamentally linked to recent transformations in the welfare state. These changes were made possible because of the long-standing institutional interdependence of voluntary organizations and the state, which both enables and constrains voluntary action. . . . the transformation of the voluntary sector into a shadow state apparatus could ultimately shackle its potential to create progressive social change.<sup>28</sup>

Wolch’s critical analysis is invaluable, but it too is incomplete. A “theory of state policy toward the voluntary sector” cannot stand alone, for it still unduly focuses on the state. There is no theory of a “countervailing” social power. This point is brought out cogently in some recent work on third-world development, but the point applies to the voluntary sector as well. Joel Migdal has written about the difficulties encountered by state-centered theories:

. . . not only is the claim open to empirical verification, the theoretical assumption has frequently led to the tendency to strip the other components of society of their volition or agency, portraying them as malleable putty in the hands of the most powerful element of society, the state. . . . [A]lthough the important point that “states matter” has now been made -- and, to repeat, it needed to be made -- there is no getting around the mutuality of state-society interactions; Societies affect states as much as, or possibly more than, states affect societies.<sup>29</sup>

Ironically, the focus on the state in theoretical studies, even from those inimitable to the state, has meant no real alternative perspective is available. Just as “bringing the state back in” revealed many of the tensions that the previously dominant pluralist theories glossed over, much more remains to be done (theoretically and empirically) on the interaction. We now need to “bring society back in” to unveil problems of state intervention and to recover what Vaclav Havel has called “the independent life of

<sup>26</sup> Reinhard Bendix, “State, Legitimacy and ‘Civil Society’”, *Telos*, #86, Winter 1990-91, p. 150.

<sup>27</sup> See, for instance, Peter B. Evans, Dietrich Tueschemeyer, and Theda Skocpol, editors, *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Michael Mann, *The Sources of Social Power*, 2 volumes (Cambridge: Cambridge University Press, 1986 and 1993); and John A. Hall, editor, *States in History* (Oxford: Basil Blackwell, 1986).

<sup>28</sup> Jennifer R. Wolch, *The Shadow State* (New York: The Foundation Center, 1990), p. 15.

<sup>29</sup> Joel S. Migdal, Atul Kohli, and Vivienne Shue, editors, *State Power and Social Forces* (Cambridge: Cambridge University Press, 1994), pgs. 20 & 2.

society”.<sup>30</sup> (It is my ultimate goal to bring together a fuller theory of “the independent life of society” and the place of the voluntary sector. This draft article while it begins to focus on a more diverse history and a deeper view of political process, retains too much of an emphasis on the political.)

If the usual conception of the voluntary sector has tended to diminish it, it may thus obscure a great deal. In a footnote, David Schmidtz offers a perfect example of how assumptions skew one’s perspective:

Richard M. Titmuss extols the virtues of voluntary activity driven by community spirit rather than by market forces. Apparently missing the point, Peter Singer infers from Titmuss’s finding that “it is only the intervention of the state which can guarantee that everyone who needs blood will receive it”. *But this was not Titmuss’s conclusion; nor is such a conclusion supported by Titmuss’s study.* On the contrary, the importance to the community of this voluntary activity weighs as heavily against turning the process over to government as it does against turning the process over to the market.<sup>31</sup>

Let us then, consider briefly several related issues. Do we read too much into, for instance, the history of the welfare state and the idea of voluntary failure? A preliminary look at these two issues is next.

### 3. From the Welfare State

Given the politicization of the idea of the voluntary sector, it can hardly be surprising that we would construct a history and a public policy paradigm which assumed significant government presence and the permanence of the welfare state. While neo conservative Irving Kristol proclaims in 1993 that “the welfare state is with us”<sup>32</sup>, a Democratic President proclaims that “the era of big government is over” and puts at least some of that opinion into law. And yet for nearly twenty years, the world has seen a significant shift in power from state to society: tyrannies fell, markets became more ascendant, and NGOs became more prominent. The nonprofit sector has during the same period become a focus of interest and a bigger player in the social scene. This is particularly true in the United States where the interaction of government and nonprofits is so well developed. The recent fractures within the welfare state have caused great consternation within the voluntary sector. This has underscored the importance of investigating anew what the relationship is and should be between the government and the voluntary sector.

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<sup>30</sup> Vaclav Havel, “The Power of the Powerless,” in *Open Letters: 1965-1990* (London: Faber and Faber, 1991), p.177.

<sup>31</sup> David Schmidtz, *Rational Choice and Moral Agency* (Princeton: Princeton University Press, 1995), p. 177. Italics added.

<sup>32</sup> Irving Kristol, “A Conservative Welfare State,” *The Wall Street Journal*, June 14, 1993.

It is hard to give a fresh look at these issues when “welfare state expansion was for social science not a puzzle but a given.”<sup>33</sup> We are told that the welfare state and the voluntary sector are indissolubly linked. To some extent this is true since nonprofits can and should do some of the business of the government. As Ralph Kramer has put it: “the uncertain future of the voluntary sector is now linked, for better or worse, to the fate of the welfare state.”<sup>34</sup> And yet our current image of the welfare state and the voluntary sector rests in part upon assumptions about the historical inevitability of the welfare state which betrays a factual selectivity and teleological hubris that may not be justified historically.

Much more interdisciplinary work is needed to fill out this suspicion. Some evidence exists. This is particularly clear in England where social history is much more advanced than in the United States. Geoffrey Finlayson’s recent history of social welfare, *Citizen, State, and Social Welfare in Britain, 1830-1990* is a remarkable summary in this regard. He observes “that books which have been written on the history of social welfare provision over the past twenty to thirty years have, almost without exception, linked the word ‘welfare’ to the word ‘state.’”<sup>35</sup> Thus the history of welfare is seen as the development of the welfare state. It is easy to project into the future and see that welfare must continue to be linked directly to the welfare state.<sup>36</sup> No less is assumed for the other aspects of the voluntary sector: arts and culture, etc.

The actual history of the matter is much more complex as Finlayson chronicles. “The linear development *from* voluntarism *to* state reduces the contribution of voluntarism to welfare to insignificance, or sees it as a positive hindrance; it concentrates on all the demerits of voluntarism as stated above. It distorts the role of voluntarism by seeing it through collectivist spectacles. Equally, it ignores the ways in which voluntarism itself changed, and does not take into account the complex relationship between voluntarism and the state which ran through all the periods....”<sup>37</sup> Rather, the interaction between philanthropy and the state was comprised of a constant series of compromises and conflicts. There is no teleological necessity here. Much more important, it may be the case that the potential and reality for voluntary action was actually quite great.

Society -- and the voluntary sector in particular -- had a remarkable ability to respond to welfare needs, the most difficult needs, presumably, to be addressed outside the state. This includes families, individuals, and commercial efforts that provided an amazing safety net we forget existed. David Green, for instance, has written on the

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<sup>33</sup> Jill Quadagno, “Theories of the Welfare State,” *Annual Review of Sociology*, 1987, Vol. 13, p. 110.

<sup>34</sup> Ralph M. Kramer, “The Future of the Voluntary Sector in a Mixed Economy,” *The Journal of Applied Behavioral Science*, Vol. 21, No. 4, 1985, p. 377.

<sup>35</sup> Geoffrey Finlayson, *Citizen, State and Social Welfare in Britain, 1830-1990* (Oxford: Oxford University Press, 1994), p.1.

<sup>36</sup> See, for instance, the classic collection, *The Welfare State*, edited by Charles I. Schottland (New York: Harper & Row, 1967). Also see Norman Barry’s recent critique of the annexation of welfare to the welfare state. *Welfare* (Buckingham, UK: Open University Press, 1990).

<sup>37</sup> Finlayson, p. 418.

English tradition of “communal liberalism” and “reassessing the voluntary social institutions that had emerged under its influence by the end of the last century.”<sup>38</sup> The friendly societies were a remarkable network and conglomeration of mutual aid societies. They show that voluntary associations can do a remarkable amount to provide for the health and welfare of citizens.

While there has always been, in Finlayson’s words, “a mixed economy of welfare, in which there was a voluntarist and a statist presence”<sup>39</sup>, there has been tremendous opposition to significant state intervention. Nor has the state been merely passive or benign. Voluntary associations have had to defend themselves against rival welfare efforts by the state as well as a host of other regulatory efforts to suppress and control them. Some were certainly appropriate; others were not.

The rise of the welfare state had a marked displacement effect. Dominant, for instance, in England in the era from 1830-1880s was a perspective expressed by C. S. Loch then and familiar today: “To shift the responsibility of maintenance from the individual to the State is to sterilise the productive power of the community as a whole, and also to impose on the State ... so heavy a liability... as may greatly hamper, if not also ruin, it. It is also to demoralise the individual.”<sup>40</sup> It is probable that the rise of government transfer programs contributed to a substantial decline for the poor in the practice of mutual aid. For instance, various welfare programs in the United States “may have weakened networks of support within inner cities, transforming the experience of poverty and fueling the rise of homelessness.”<sup>41</sup> The welfare state suppressed incentives within society to solve problems and hampers institutions which served as proving grounds for experiments.

This variegated history is no doubt true in the United States though we have yet to have a full history like Finlayson’s.<sup>42</sup> David Beito suggests what might have been lost and does need to be more fully explored.

It is fairly clear that among white and African Americans, weakened mutual aid coincided with the growth of government’s social-welfare role.... Even though the correlation between rising governmental involvement and declining mutual aid is clear, a cause-and-effect relationship remains to be proven. Nevertheless, common sense, if nothing else, dictates further inquiries into possible connections between these two trends..... The shift from mutual aid and self help to the welfare state involved more than just a simple bookkeeping transfer of service provision

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<sup>38</sup> David G. Green, *Reinventing Civil Society: The Rediscovery of Welfare Without Politics* (London: IEA Health and Welfare Unit, 1993), p.3. Also see his, *Community Without Politics: A Market Approach to Welfare Reform* (London: IEA Health and Welfare Unit, 1996).

<sup>39</sup> Finlayson, p. 398.

<sup>40</sup> C. S. Loch, quoted in Finlayson, p.101-102.

<sup>41</sup> Michael B. Katz, *The Undeserving Poor: From the War on Poverty to the War on Welfare* (New York: Pantheon, 1989), p. 190-191.

<sup>42</sup> See, as one instance, David Beito’s suggestive article, “Mutual Aid, State Welfare, and Organized Charity: Fraternal Societies and the ‘Deserving’ and ‘Undeserving’ Poor, 1890-1930.” *Journal of Policy History*, Fall, 1993.

from one set of institutions to another. .... The rise of the welfare state not only accompanied the eclipse of indigenously controlled mutual aid institutions, but left impersonal bureaucracies dominated by outsiders in their place.<sup>43</sup>

Our assumptions about the welfare state can't stand as they are. We need much more historical research that doesn't just assume that the voluntary sector is dead or is inexorably tied to the state funding and direction of the welfare state. The historical record is much more varied than that. Perhaps the future can and should be different. To look at those possibilities, we need a different image of the voluntary sector and a deeper evaluation of what kind of partnership exists.

#### 4. What About Voluntary Failure ?

We return to the “great displacement”, as Kramer describes it, “in which governmental support has become a more important source of revenue in the social services than all private giving combined. Why are voluntary agencies used by government to carry out a public purpose?”<sup>44</sup> Kramer suspects it is not from a rational analysis of the pros and cons, but comes about largely for “pragmatic” reasons. Many years earlier, Frank Fetter called the “subsidy method” “not a policy; it is an accident.”<sup>45</sup> No doubt this is partially true. But the intellectual and political currents in the United States were clearly moving in the direction of political control and led many to misunderstand the true nature of social action. Market or government failure have often been invoked to explain voluntary associations. Lester Salamon is quite right that theories of the nonprofit sector based on market and government failure continue to make the voluntary derivative and secondary<sup>46</sup>, though not necessarily dependent. The idea of voluntary failure has, in particular been used by him to try to imagine the voluntary sector and to understand the interdependence of the government and voluntary sector.

Salamon sees “voluntary organizations as the primary response mechanism” to market failure.<sup>47</sup> Taking this tack seems to turn the usual failure argument around. Government becomes “the derivative institution responding to ‘voluntary failure,’ to inherent limitations of the voluntary or nonprofit sector”<sup>48</sup> While sometimes helpful, however, the idea of voluntary failure is too vague. It fails to explain why this great displacement seems to be of relatively recent vintage. It may also seem a bit odd for

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<sup>43</sup> David Beito, “Mutual Aid for Social Welfare: The Case of American Fraternal Societies,” *Critical Review*, Fall, 1990. p. 726-729.

<sup>44</sup> Ralph M. Kramer, “The Future of the Voluntary Agency in a Mixed Economy,” *The Journal of Applied Behavioral Science*, V 21, No. 4, p. 379. [see E. James in Clotfelter]

<sup>45</sup> Frank Fetter, “The Subsidizing of Private Charities,” *American Journal of Sociology*, V. 7, 1901-1902, p. 384. Amos Warner takes the same view in *American Charities: A Study in Philanthropy and Economics*, Originally published in 1894, (New Brunswick: Transaction Publishers, 1989) p. 417.

<sup>46</sup> Salamon, “Of Market Failure....”, p. 44.

<sup>47</sup> Salamon, “Of Market Failure....”, p. 45.

<sup>48</sup> Salamon, “Of Market Failure....”, p. 44.

government to enter the scene to resolve voluntary failures by contracting to the voluntary sector. (In the end, the true failure of the voluntary sector seems to be lack of funding and incorrect direction.)

How can we know when there is voluntary failure? Who is to decide when there is failure and by what criteria? A snapshot in time won't establish failure since a more dynamic longer term perspective is needed. It is reasonable to expect people to learn and adjust over time. By ignoring longer term correcting actions, one assumes that the sector can not or will not respond. Salamon's categories of voluntary failure are too imprecise and could apply to just about anything:

- Insufficiency of resources assumes a knowable optimal level. How do we know and who decides? There is always scarcity. Even if this is a collective goods problem, government failure itself makes the solution problematic. Indeed, if the political process works well, then the current retrenchment going on is a good thing. At its worst, the political process can exacerbate a collective goods problem through the influence of vested interests, for instance.
- Particularism is a factor that faces all human action: voluntary, commercial, or governmental. I am not sure how this works as a general category of failure.
- Paternalism is similarly a common problem, but one facing all sectors of society.
- Amateurism sets up a false dichotomy where the other side of the equation, "professional treatment modes", has been subjected to major criticism.<sup>49</sup> Aren't voluntary agencies contracted with in part because of their purported expertise?

One is left with the impression that voluntary failure is assumed to be so endemic that failure and dependency are internal characteristics of the sector and less relational. Rather than establishing the voluntary sector as a "primary response mechanism", the theory of voluntary failure diminishes the sector except as a tool of government action.

The voluntary sector, of course, has its fair share of failures and stupidities. It may have more than its fair share since it doesn't have the accountability and feedback systems the market place and political democracy have. But one learns from mistakes, hopefully. If a particular voluntary institution or effort does fail, there are presumably voluntary alternatives to try, unless voluntary failure is a general condemnation. By quickly assuming voluntary failure and moving on to the resulting "partnership", the theory wipes out consideration of the complex nature of social and political interaction; voluntary associations are relegated to ineffectualness except through governmental direction. In this, voluntary failure continues the legacy of Herbert Croly.

Failure explanations -- as James Douglas pointed out about market and government failure -- have some explanatory power, but they don't help to "identify the theoretical limits on the instrumentalities of government".<sup>50</sup> This is true of voluntary

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<sup>49</sup> Cf. for instance, John McKnight, *The Careless Society: Community and Its Counterparts* (New York: Basic Books, 1995).

<sup>50</sup> James Douglas, *Why Charity: The Case for a Third Sector* (Beverly Hills: Sage Publications, 1983), p. 160.

failure as well, though the assumption seems to be that government intervention is required. It does not follow that specific voluntary failure -- even if we could identify it -- is a rationale for government activity. Even if it did, we wouldn't know the kind of government action that is called for.

If imperfections in the voluntary sector are viewed as rationales for government intrusion, what about government failure? It would appear that voluntary failure is looked at in a vacuum. There is the implicit assumption that the state is a relatively benign and passive responder to exogenous failure. In fact, social reality is much more complex. Government(s) are themselves an active participant in the social process. Presumed problems may be the result of government action, and voluntary failure may actually be the result of government intrusions. Government is also often in the self interested position of identifying or manufacturing voluntary failures that it must then correct.

There are probably problems with the idea of voluntary failure. Consideration of the idea of market failure could be quite relevant when thinking about voluntary failure. The legacy of welfare economics from the 1920s on has been a host of theories of market failures: where public goods are not provided, or "free-rider" problems exist, or where externalities exist so the actions of individuals affect others in positive or negative ways. While real issues, these theories are often incomplete in three basic ways. First, they unfairly compare static real-world market situations to some utopian ideal of equilibrium. When the real world doesn't live up to the ideal, "failure" is posited. Failure is assumed to be a purely market phenomenon. More likely it is a result of many factors. Second, upon identification of failure, it is assumed that government intervention is called for as a corrective. In addition, government intervention is usually assumed to be neutral and passive, conforming to a rather benign assumption of motive and action. This is a rather utopian view of government action. Third, there is no comparison of the effects of respective failures.

Over the years, the theory of market failure has been subjected to considerable work and criticism.<sup>51</sup> Presumed market failures are often not failures at all; policy prescriptions of government action often do not follow; resulting government actions often have their own detrimental, unintended consequences. While there is no common agreement, there has developed an appreciation that not only are imperfections natural, but that over time they provide the information necessary to help bring about corrective action within the marketplace. It is worth considering the extent to which this is also true within the larger society and the voluntary sector. We need more rigorous theory about

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<sup>51</sup> For a discussion of market failure within the nonprofit context, see chapter 9 of *Economics for Nonprofit Managers*, by Dennis R. Young and Richard Steinberg (New York: The Foundation Center, 1995). For a critique of market failure, see, for instance, the fine collection edited by Tyler Cowen, *The Theory of Market Failure: A Critical Examination* (Fairfax, VA: George Mason University Press, 1988). Also see William Oakland. "Theory of Public Goods" *Handbook of Public Economics*, Vol. 2 edited by A. Averbach and M. Feldsein (New York: North Holland Press, 1987) and Richard Cornes and Todd Sandler, *The Theory of Externalities, Public Goods and Club Goods* (Cambridge: Cambridge University Press, 1986).

the idea of failure and the empirical studies to go with it. It would be interesting to see comparisons of the similarity and differences between different cases of failure in the sectors. To be useful, such studies need to have a longer term perspective too.

It seems at least plausible, then, that the voluntary failure theory is too general and too vague. It glosses over the strengths of the voluntary sector and leaves out the often predatory nature of state action? Does it really hold up as a rationale for government action? It may be that David Schmidtz was right in the conclusion to his philosophical exploration of the public goods argument: “The public goods argument by itself can justify more than a minimal state, perhaps, but not a great deal more. The justification of big government requires a different kind of argument.”<sup>52</sup>

## 5. The Meaning of “Partnership”

During vice-president Gore’s hearings on reinventing government, one speaker was asked to comment on contracting out and public/private partnerships. The guest raised a number of issues, suggesting “we have to look back to Tocqueville.” The published transcript, however, read, “we have to look back to the Tolk Bill.”<sup>53</sup> That inadvertent error of transcription wonderfully captures an assumption that pervades much social thought: All problems seem to be political problems which require governmental solutions. This tendency applies equally well across the political spectrum; all sides of the debate about the kind of society we want are quick to repair to politics.<sup>54</sup> That same tendency to focus on the state is common in work on the voluntary sector. It shows up in the intellectual history and theory of the sector. It shows up in the one-sided teleological vision we have of the welfare state. It shows up in the assumptions and theories we have about the appropriate social distance between governmental and voluntary agencies.

And it shows up, it seem to me, when we look at the political process that goes on in the partnership relation. Thus “the division of responsibility between governmental and nongovernmental organizations will continue to be determined primarily by the political process.”<sup>55</sup> Indeed, Smith and Lipsky suggest that one way to look at the voluntary failure theory converts its “into one that responds primarily to political stimuli and impulses.”<sup>56</sup>

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<sup>52</sup> David Schmidtz, *The Limits of Government: An Essay on the Public Goods Argument* (Boulder, CO: Westview Press, 1991), p. 160.

<sup>53</sup> National Performance Review, Reinventing Government Summit, Philadelphia, PA, June 25, 1993. Testimony of Peter Cove, p.30.

<sup>54</sup> See, for instance, Jacques Ellul, *The Political Illusion* (New York: Alfred A. Knopf, 1967); Kenneth S. Templeton, Jr., editor, *The Politicization of Society* (Indianapolis: Liberty Fund, 1979); and T. Halper and R. Hartwig, “Politics and Politicization: An Exercise in Definitional Bridge-Building,” *Political Studies* 23 (1975).

<sup>55</sup> Kramer, “The Future of the Voluntary Agency in a Mixed Economy,” *The Journal of Applied Behavioral Science*, V 21, No. 4, p. 387.

<sup>56</sup> Steven Rathgeb Smith and Michael Lipsky, *Nonprofits for Hire: The Welfare State in the Age of Contracting* (Cambridge: Harvard University Press, 1993), p. 30.

Things were very different when, for instance, Warner, Fleicher, and Fetter wrote their critiques of “public subsidies of private charities”. Their critique touches on many relevant issues today that are echoed in the works of Salamon, Smith and Lipsky and others. While they often saw the alternative as government service provision, these earlier subsidies to charities were quite different from today. They were made to support extant programs of charities with funds only. There tended to be little policy direction or implementation of specific government programs. The change we see today includes “funding and direction” and that is an important difference. This is an explicit part of the welfare state. As Peter Beresford and Suzy Croft put it in a more contemporary context:

...while patch and welfare pluralist philosophies are framed in terms of giving a greater role to voluntary organizations and informal effort in place of statutory provision, it is the *state* which is seeking to mobilise such non-statutory and unpaid caring. [This is a] different kind of intervention. Instead of primarily providing services to meet our needs, the state will be involved in organising, supervising, extending and even reinterpreting our own self-help.<sup>57</sup>

What is the extent to which this different kind of government funding actually changes the nature of the non-profit’s work? While Kramer, among others, report little change in mission for organizations getting government funding,<sup>58</sup> there are other studies that suggest missions are greatly effected. In 1970, a survey of charitable organizations in Chicago by the Commission on Foundations and Private Philanthropy found concerns among the recipients that increasing government funding would subject them to political whims and government bureaucracy.<sup>59</sup> In 1988, the Rockefeller Institute of Government surveyed nonprofits receiving significant funding form the state of New York.

Among those interviewed, however, there was general agreement that the ‘scale of interdependence’ is clearly tipped toward nonprofit dependence on government.... Just under half the nonprofit survey respondents. . . agreed that nonprofit organizations are too dependent on government funding and that receipt of state funds has significantly changed the program priorities of voluntary agencies. Even more important, more than a third felt government financing has actually changed their mission.<sup>60</sup>

Mission often changes as a result of government funding and direction; i.e. government funding is clearly not neutral. One has to be careful not to inadvertently mask the actual power relationships that exist. I am not suggesting that the relationship is only one-sided; perhaps Smith and Lipsky’s term of “unbalance reciprocity” applies best. Nor am I suggesting such changes are always bad.

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<sup>57</sup> Peter Beresford and Suzy Croft, *Whose Welfare?* (Brighton, UK: The Lewis Cohen Urban Studies Center at Brighton Polytechnic, 1986), p. 149. Quoted in Van Til, p.123.

<sup>58</sup> Kramer, *Voluntary Agencies*, p. 291.

<sup>59</sup> Commission on Foundations and Private Philanthropy, “The Role of Philanthropy in a Changing Society,” in Brian O’Connell, editor, *America’s Voluntary Spirit* (New York: The Foundation Center, 1983), p. 296.

<sup>60</sup> *The State and the Voluntary Sector* (Albany and New York: The Nelson A. Rockefeller Institute of Government and The Foundation Center, 1988), pgs. 52-53.

It is often assumed that the locus of power in the political process is democratic and therefore somehow “good”. The tie between government and the voluntary sector is often perceived as the common pursuit of a collective good. Much has been made of voluntary action for the public good which comes from the constraints on nonprofits, such as reasonable compensation and the nondistribution of funds and “profits”. Similarly, one of the legacies of the scientific management perspective to social engineering of earlier decades has been the presumed expertise and objectivity of the professionalization of society. This applies as well within the world view of public administration. No doubt that is often the case and remains a goal. It is certainly less the case than we would hope. More realistic analysis of the partnership idea is in order.

For instance, I believe very little notice has been taken of public choice theory in voluntary sector research. Public choice uses economic analysis to study political behavior:

The public choice model of politics and democracy is actually quite simple.

Politics is assumed to be a system consisting of four groups of decision-makers -- voters, elected officials or politicians, bureaucrats, and interest groups.

Individuals are assumed to be rational utility-maximizers who seek benefits from the political system.<sup>61</sup>

Especially when it comes to government relations with the voluntary (and the market) sector, public choice theory can be a valuable, though not always flattering, corrective. It remains true as Daniel Moynihan used to say, that “the problem now is that citizens won’t leave government alone.”<sup>62</sup> Why? Because it clearly satisfies public needs and it also satisfies private interests. We cannot understand the nature of the “unbalanced reciprocity” of government and voluntary sector until we understand more fully the motives, interests, and actions of the actors. As Mitchell and Simmons put it: “There is little evidence that a sense of community is what drives political participation outside the local community. There is, however, strong evidence that much political participation is based on a calculation of personal advantage.”<sup>63</sup>

Who, then, will protect us from the negative effects of such self-interested partnerships? Public choice theory suggests this is difficult without a more thorough-going reform of the rules of engagement. The evidence both within the nonprofit sector and the commercial sector suggest that it is very difficult. Providing “funds and direction” is nothing new. It is little different from the provision of subsidies, etc. mandated by government within the market sector, but it had previously been less noticed in the voluntary sector. And it is worth noting that many of the same issues, problems

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<sup>61</sup> William C. Mitchell and Randy T. Simmons, *Beyond Politics: Markets, Welfare and the Failure of Bureaucracy* (Boulder CO: Westview Press, 1994), p. 41. This is a good introduction to public choice in general. Also see the revised edition of the classic work on public choice by Dennis C. Mueller, *Public Choice II* (Cambridge, Cambridge University Press, 1989). Nonprofit and voluntary research needs a good introduction to public choice theory geared for the field.

<sup>62</sup> Daniel P. Moynihan, “The New Science of Politics and the Old Art of Government,” *The Public Interest*, Winter 1987, p. 27. Quoted in Brown, p. 4.

<sup>63</sup> *Beyond Politics.*, p. 25.

and lessons that arise in the commercial sector relative to government action are relevant to any evaluation of “public subsidies of private charities” to use Amos Warner phrase. In the private sector, rather than discuss third party government and partnerships, one might just as often speak of collusion or corporate welfare. The catch-22 of the voluntary sector is nicely laid out by Maria Brenton’s useful summary of the British experience. The role of the voluntary sector, she concludes is twofold: first as a provider of services (presumably also including as a subcontractor) and second, in a “watchdog role over the main-line provisions of the welfare state”<sup>64</sup> In the American “partnership” context, this means combining in many cases the role of beneficiary and watchdog. That is a very difficult role to play well and in the public interest because the public interest begins to seem more and more like one’s own personal interest. The point is not that partnerships don’t exist or aren’t good, but simply that they are very difficult and quite often are not in the public interest despite their rhetoric. We need more careful work on this.

## 6. Conclusion

Government-nonprofit relations in modern society may actually be quite different from what we have come to believe. And changes of various sorts are clearly proceeding. However, one should be neither too glad or too exorcised about the changes and “crisis” at hand. Certainly any public choice analysis of the forces and interests involved would lead one to a more sober outlook as would, for instance, a look at the results of the Reagan and Thatcher years.<sup>65</sup> And while we all come to these matters with some ideological preconceptions, we shouldn’t let that interfere with an important discussion about what is best for our society. For “behind contemporary appeals to revise the organizational form of the welfare state, which the current expansion of voluntary and market sectors tends to imply, there is a venerable impulse that cannot simply be denied. While the forces of conservatism are hardly likely to do so, this impulse must also be comprehended and supported by the progressive forces that have been traditionally identified with the welfare state and its conquests.”<sup>66</sup>

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<sup>64</sup> Maria Brenton, *The Voluntary Sector in British Social Services* (London: Longmans, 1985). Quoted in Van Til, p. 123

<sup>65</sup> See, for instance, Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge: Cambridge University Press, 1994).

<sup>66</sup> Paci, pps. 195-196, in Maier, *Changing Boundaries of the Political*.

At the same time, it does seem clear to me that our limited conception of the voluntary sector has obscured the past and the possibilities of the future. In this early draft I can only hope to question the way we currently look at this “sore thumb of public administrative policy.” If we can alter our perspective and vision by bringing society back into the discussion – what Vaclav Havel called “the independent life of society” -- our understanding and appreciation of the voluntary sector will become much more robust.

### **Biographical Sketch**