

13

We shall discuss the role of the non-profit sector in the American welfare state in relation to the over-arching topic of centralization/de-centralization

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What Is the Nonprofit Sector?

An Overview

In order to make sense of the relationship between government and the private, nonprofit sector, it is necessary to begin with a clear understanding of what this sector is. This is particularly important in view of the general lack of attention that has been paid to this set of institutions in both public policy debates and academic research over the past several decades, and the considerable confusion that surrounds it as a consequence. Contributing to the confusion as well is the wide assortment of entities that qualify for tax-exempt or nonprofit status under U.S. tax laws. In fact, the Internal Revenue Code makes provision for over twenty different types of tax-exempt organizations, ranging from chambers of commerce to burial societies, from mutual insurance companies to community-based development organizations. Sorting out these organizations is therefore a major undertaking.

Types of Nonprofit Organizations

For our purposes here, three crucial dimensions of this range of organizations can usefully guide such a sorting-out process: first,

FROM; Salamon, Lester, Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State, Johns Hopkins, 1995

whether the organization is essentially member-serving (i.e., focused on providing services to the organization's own members) or public-serving (i.e., focused on providing services to a broader public); second, whether the organization actually provides services or merely distributes funds to other service providers; and third, whether the services the organization provides are secular or sacramental and religious.

Based on these dimensions, it is possible to group most nonprofit organizations into four more or less distinct classes. The first are *funding agencies*, or fund-raising intermediaries, which exist not so much to deliver services as to channel resources to those who do. Included here are private foundations, United Way organizations, Blue Cross and Blue Shield, religious fund-raising federations, and the like. The second group of nonprofits are *member-serving organizations* that exist primarily to provide goods or services to their immediate members, rather than to society or the community at large. Included here are professional organizations (e.g., the bar associations), labor unions, cooperatives, trade associations, mutual insurance companies, and the like. The third are *public-benefit organizations* that exist primarily to serve others, to provide goods or services (including information or advocacy) to those in need or otherwise to contribute to the general welfare. Included here are educational institutions, cultural institutions, social welfare agencies, day care centers, nursing homes, hospitals, and the like. The fourth category embraces religious congregations or other organizations pursuing essentially sacramental religious functions.

Of these four types of nonprofit organizations, the ones of greatest concern to us here are those in the third group. These are the organizations most directly involved in delivering services that promote community welfare or serve broad public or educational purposes.¹ We will refer to these organizations as "public-benefit service organizations."²