THE GLOBAL ASSOCIATIONAL REVOLUTION: 
THE RISE OF THE THIRD SECTOR 
ON THE WORLD SCENE

by

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PREFACE

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Abstract

"The Global Associational Revolution:
The Rise of the Third Sector on the World Scene."

A major upsurge has taken place over the past two decades in organized, voluntary activity throughout the world, in the formation and increased activism of private, nonprofit, or voluntary, organizations. This article examines this striking growth of a global nonprofit sector and then explores the processes and causes that have given rise to it. In particular, it details the pressures from below, from outside, and from above that have stimulated the growth of the nonprofit sector in disparate settings around the world, and then traces these developments to four "crises" and two revolutions that have combined to weaken the role of the state and increase both the need and the opportunity for organized private activity. Against this backdrop, the article then explores some of the implications that flow from these developments for both public and private action.
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Introduction

Something quite extraordinary has been occurring on the world scene over the past two decades, though it has escaped the view of all but a relative handful of close observers. A striking upsurge has taken place in organized voluntary activity, in the formation and increased activism of private, nonprofit, or nongovernmental, organizations in virtually every part of the world. In the developed countries of North America, Europe, and Asia; in the developing societies of Asia, Africa, and Latin America; and in the former Soviet bloc, people are forming associations, foundations, and other similar institutions to deliver human services, promote grassroots development, prevent environmental degradation, protect civil rights, and pursue a thousand other objectives. The situation may not yet have reached the proportions that led eighteenth century British politician Charles Greville to complain that "We are just now overrun with philanthropy and God knows where it will stop, or wither it will lead us," but the scope and scale of the phenomenon are nevertheless immense. Indeed, a veritable "associational revolution" now seems underway at the global level that may constitute as significant a social and political development of the latter twentieth century as the rise of the nation-state was of the latter nineteenth.

This development is all the more striking, moreover, in view of the decline that is simultaneously under way in many of the more traditional forms of participation, such as voting, political party identification, and labor union membership. How can we explain this phenomenon? What lies behind the global "associational revolution" that seems to be under way at the present time? Why is it occurring now? And what implications does it hold for our social and political life?

The purpose of this article is to begin answering these questions. To do so, the discussion here falls into four major parts. Part I briefly reviews the recent record of "third sector" growth at the global level. Part II looks behind this record to identify the processes that have been involved, the mechanisms through which third sector expansion has occurred. Part III examines the underlying causes that seem to have given rise to third sector growth in recent years. Finally, Part IV explores some of the lessons this experience holds and the challenges it poses for the future.

What emerges most clearly from this analysis is the conclusion that the rise of the third sector at the international level does not spring from a single source, as is sometimes
assumed. In addition to the pressures from below commonly emphasized in what might be termed the "romantic image" of this sector are a variety of pressures from the outside and from above. These pressures in turn reflect the impact of a broader set of historical developments—including four crises and two revolutions—that have come together at roughly the same time to weaken the hold of the State and expand the potentials for voluntary citizen action. The result is a process of change that bears close resemblance to the "third wave" of democratic political revolutions recently identified by Samuel Huntington, but that goes well beyond it as well, affecting democratic as well as authoritarian regimes, developed as well as developing societies.

I. The Rise of the Third Sector on the Global Level: Scope and Contours

Establishing the existence of a significant upsurge of organized, private, voluntary activity at the global level in recent years is, of course, no simple task. Nonprofit organizations are incredibly diverse, raising questions for some observers about whether it is possible to talk about a coherent sector at all. Serious definitional problems consequently confront any analyst. Compounding this is the varied treatment of these organizations in national legal structures. Some countries make explicit provision for the incorporation of "charitable" or other nonprofit organizations, while others do not, or do so only partially. Official listings of such organizations are therefore notoriously incomplete. What is more the treatment of such organizations is grossly imperfect in national economic statistics. The U.N. System of National Accounts, which guides the collection of national economic statistics throughout the world, does identify the nonprofit sector as one of four "sectors" about which economic data are to be collected, but the definition of the sector used limits its scope severely by including only organizations that receive half or more of their income from private gifts. Under this definition, most of the major types of American nonprofit service organizations—such as hospitals, universities, and social service agencies—would be defined away since private giving accounts for less than 20 percent of their total income. Finally, clear assessment of the nonprofit sector has been impeded by a set of ideological blinders that have long obscured the sector's true scope and role. For much of the past fifty years or more, politicians on both the political Right and the political Left have tended to downplay this set of institutions, the Left to justify the expansion of State involvement in the social welfare field and the Right to justify attacks on the State as the destroyer of such "intermediary institutions." As a consequence, the rise of the welfare state brought with it
the virtual disappearance of the nonprofit or voluntary sector from both public discussion and scholarly inquiry even though this sector continued to grow in both scale and role.4

Given these realities, how do we know that we are witnessing something new as opposed to the rediscovery of a sector that has long existed but been long ignored? The answer, of course, is that both processes are doubtless involved, but the evidence of a dramatic upsurge is still hard to deny.

In the developed countries, for example, a significant upsurge of citizen activism has been evident for the past several decades. A survey I conducted of nonprofit human service organizations in 16 American communities in 1982, for example, showed that 65 percent of the organizations then in existence had been created since 1960. Virtually every one of the major social movements of the past three decades in the United States—such as the civil rights movement, the environmental movement, the consumer movement, the women's movement, and the conservative movement—have had their roots in the nonprofit sector. The number of private associations has similarly skyrocketed in France. More than 54,000 such associations were formed in 1987 alone, compared to 10,000 to 12,000 per year in the 1960s. Between 1980 and 1986, the income of British charities increased an estimated 221 percent. Recent estimates record some 275,000 charities in the United Kingdom, with income in excess of 4 percent of the gross national product. In Italy, recent research records a substantial surge of voluntary organization formation during the 1970s and early 1980s. Forty percent of the organizations surveyed in 1985 had been formed since 1977. Similarly, the Green Movement has experienced unparalleled growth throughout the developed world. The German Green Party has become a major national force and Green Parties have sprung up in 16 European countries. In October 1988, the Swedish Green Party became the first new party to enter Parliament in 70 years. In Italy, environmental groups organized an election campaign that in November 1987 ended the Italian nuclear energy program. At the European level as well, the nonprofit sector has become a significant force. In 1989 and 1990, several new organizations were formed to represent the voluntary sector before the European community—a European Foundation Centre for foundations, CEDAG (Comite européen de associations d'intérêt général) for associations, and ECAS (the European Citizen Action Service) for the voluntary sector more generally.

These developments have, in turn, been accompanied by greater recognition of this sector in policy circles. The Socialist government of Francois Mitterand created a special
Interministerial Delegation on Social Economy in 1981 and then elevated this to Secretary of State status in 1984. In England, Margaret Thatcher made the promotion of the voluntary sector and of "active citizenship" a centerpiece of her campaign to scale back the size of the British welfare state. The European Commission has created a special directorate, DGXXIII, to handle this sector and a draft statute to govern nonprofit organizations operating at the European level. A new law was passed in Japan in 1990 permitting Japanese corporations to deduct charitable contributions for the first time; and The Japanese Keidandren, or Business Association, declared 1990 "the inaugural year for Japanese corporate philanthropy." In short, while the nonprofit or voluntary sector had hardly disappeared in the preceding years, the evidence of a recent dramatic expansion is quite striking.5

Even more dramatic developments are under way in the developing countries of Asia, Africa, and Latin America. Some 4,600 Western voluntary organizations are now active in the developing world, and they provide support to approximately 20,000 indigenous nongovernmental organizations.6 In India, the Village Awakening Movement, which grew out of the Gandhian tradition, is active in thousands of villages. In addition, organized philanthropy is on the rise and an Indian Council on Foundations was formed in 1987. In Bangladesh, the Grameen Bank has provided a mechanism for channelling credit into rural areas using an innovative cooperative collateral scheme, under which groups of farmers guarantee each other's loans. In addition, Bangladesh now boasts approximately 10,000 Nongovernmental Organizations (NGOs) registered with various government agencies.7 In Sri Lanka, over 8000 villages are involved in the Sarvodala Shramadana village awakening movement that organizes local villagers to produce small-scale community improvement projects.8 In the Philippines, some 21,000 nonprofit organizations were formed in the 1970s and 1980s, beginning with grass-roots empowerment groups and leading in the early 1980s to the rise of support groups providing training and research and, more recently, to umbrella groups and networks.9 In Brazil, efforts to build a "people's church" based on local action groups has led to the creation of some 80-100,000 Christian Base Communities throughout the countryside. At the same time, neighborhood associations have sprung up among the squatters in Sao Paolo and other Brazilian cities. One estimate puts the number of these organizations in Sao Paolo alone at 1,300.10 Some 25-27,000 nonprofit organizations are now reported to exist in Chile, and Argentina has witnessed the emergence of close to 2,000 since the early 1980s.11 In Kenya, the Harambee movement has led to the mobilization of voluntary action at the community level to stimulate a wide variety of development projects.
Recent estimates indicate that 30 percent of the capital development in the country since the 1970s has come from this source.12

These developments, in turn, have spawned their own policy response. A special "Enabling Environment Conference" convened by the Aga Khan Foundation in October 1986 specifically endorsed more active reliance on private voluntary organizations to promote development in Africa. By the late 1980s, even staid agencies like the World Bank were ready to acknowledge the "explosive emergence of nongovernmental organizations as a major collective actor in development activities."13

Finally, similar developments have also been in evidence recently in Central and Eastern Europe and the former Soviet Union. Well before the dramatic political events that captured world attention in 1989, important changes were taking place beneath the surface of Eastern European society, and voluntary organizations were very much in the center of them. Indeed, a veritable "second society" had come into existence in much of Eastern Europe consisting of thousands, perhaps millions, of networks of people who provided each other mutual aid to cope with the economy of scarcity in which they lived.14

By the latter 1970s, these networks were already acquiring political significance. Ecology clubs, environmental "circles" and a variety of other groups began forming throughout the region. For example, the Polish Ecology Club took shape in Cracow in the latter 1970s. A Poor Relief Fund was established in Hungary in 1979. In 1982, the Hungarian Cooperative for Human Services (LARHS) was formed. In Czechoslovakia, the Charter 77 Foundation and the Civic Forum--a private nonprofit group--provided some of the early foundation for what ultimately became the "velvet revolution." Under pressure from the Catholic Church and with the encouragement of overseas foundations, Poland passed a new law on foundations in 1984 granting a degree of autonomy for Polish charitable organizations. This opened the way to the formation of the Foundation in Support of Polish Agriculture, a joint venture of the Catholic Church and the Rockefeller Brothers Fund.

This process of foundation formation then accelerated in the late 1980s following the overthrow of the Communist governments. As of 1992, several thousand foundations were registered with governmental authorities in Poland. In Hungary, 6,000 foundations and 11,000 associations had been registered by mid-1992.15 A Foundation Forum was established in Bulgaria in 1991, linking close to 30 newly created private foundations. This
process was somewhat slower in the former Soviet Union, but has recently speeded up. A Foundation for Social Innovations was formed in 1986, in the second year of "perestroika," as a way to translate citizen initiatives into effective social action. Since then dozens of other foundations and nonprofit organizations have been created--to assist gifted and talented children, to protest Chernobyl, to call attention to the disappearance of the Aral Sea, to encourage cultural heterogeneity, and for dozens of other purposes.

In short, although systematic data are sparse, it seems clear that a major expansion has taken place in the scope and scale of organized, private, voluntary activity throughout the world, and in the high-level attention that is being showered on the resulting set of organizations. Though the terminology used, and the precise purposes being served, may differ markedly from place to place, the underlying social reality involved is quite similar: a virtual associational revolution is under way throughout the world that is giving rise to a sizable global "third sector" comprised of (i) structured organizations; (ii) located outside the formal apparatus of the state; (iii) not intended to distribute profits from their activities to a set of shareholders or directors; (iv) self-governing; and (v) involving significant private, voluntary effort. Whether this global third sector will continue to prosper and grow is difficult to predict, but its reality is hard to deny.

II. Processes

How can we explain this phenomenon? And why is it happening at the present time? Not surprisingly, firm answers to these questions are difficult to obtain. But an examination of the forces giving rise to the third sector in different parts of the world may offer some clues. What becomes clear from such an examination is that more than one such force is involved. To the contrary, the pressures to expand the voluntary sector seem to be coming from at least three different directions: (1) from below; (2) from the outside; and (3) from above.

1. Pressures from Below

Perhaps the most basic source of momentum for the recent upsurge of nonprofit and voluntary organization throughout the world has been pressure from below, from ordinary people who decide to take matters into their own hands and organize to improve their condition or seek basic rights. This factor is most clearly at work in the emergence of
organized voluntary activity in the former Soviet Union and Eastern Europe. Many of the dramatic changes that shook the Soviet bloc in the late 1980s and early 1990s had their origins in the emergence of dozens of semi-structured voluntary groupings over the previous decade or more. Solidarity in Poland is the most obvious, and most structured, of these, but various informal groupings existed in other countries as well—such as the "Danube Circle," which fought the siting of a hydroelectric plant on the Danube in Hungary; or ARCHE, the environmental organization that protested acid rain in East Germany by tying thousands of bed sheets to apartment roofs and then recording the pollution that accumulated.

Activists in Eastern Europe and the Soviet Union describe their efforts as the creation of a "civil society," a society in which individuals have the right not only to speak out as individuals, but also to join together in organizations. As Andras Biro, a Hungarian activist, has put it: "We are witnessing an escape from the enforced immaturity of the socialist system. For the first time in 40 years we are reclaiming responsibility for our lives."18

The intricate networks of mutual assistance that developed beneath the surface of Central and Eastern European societies under Communism provided the transmission belts for this new democratic fervor once conditions for its blossoming became ripe. As one account has put it:

This second society... created the connections that came to life in the mass demonstrations against the Honecker regime in early October [1989]. Doctors called mechanics. Mechanics called construction workers. Construction workers called nurses. Nurses called doctors. Neighbors called neighbors. This is how the demonstrations came to life in Plauen, Dresden, and above all, Leipzig.19

Pressure from below has also been quite important in the upsurge of voluntary nonprofit activity in the third world. Neighborhood improvement associations have thus reportedly taken root in a sizable proportion of the 20,000 or so squatter settlements of Latin America. Cooperatives, women's groups, craft associations, housing associations, and mutual aid groupings of many other types have also grown rapidly over the past two decades in other parts of the developing world. CHIPKO, an Indian environmental movement, for example, emerged from the spontaneous efforts of rural residents to save their dying forest by literally linking their arms around the trees.20 The General Federation of Iraqi Women, created in 1968, sprang from the militancy of Iraqi women who took advantage of the stated...
ideology of the ruling party emphasizing women's equality to organize rural women in cooperative farms and train them for production and marketing activities. The so-called "urban popular movement" in Mexico and elsewhere in Latin America is another example of a grass-roots effort to improve local living conditions. In Columbia, for example, peasants, small farmers, and student groups created a network of independent organizations in the 1970s that, between 1971 and 1980, sponsored close to 130 demonstrations and strikes affecting communities with a combined population of 4.4 million people. In Africa as well, a "new wind" of popular democratic protest has gained prominence and stimulated the formation of private, nonprofit groups. Finally, such pressures have also been evident in the emergence of thousands of self-help and community development groups in much of the developed world.

2. Encouragement from the Outside

If pressures from below have been a fundamental impetus for the recent upsurge of organized private, voluntary activity around the world, these pressures have received important encouragement from a variety of outside forces, including particularly: (a) the Church; (b) western private voluntary organizations (PVOs); and (c) official aid agencies.

The Church. The Catholic Church has been one of the most significant outside actors contributing to the recent rise of the third sector, especially in Latin America. Historically allied with the powers-that-be, various Catholic dioceses in Latin America began in the 1950s to set up their own charitable organizations to relieve the suffering of the urban and rural poor. In response to the spread of Marxist doctrines among the lower classes and the success of the Castro revolution, this gave way in the 1960s to a more radical approach focused on the underlying structural causes of poverty, such as inequitable land tenure. With the Second Vatican Council between 1962 and 1965, this approach gained papal sanction, as the Church assumed a more active role in the promotion of social justice and the alleviation of poverty. At a Catholic Bishops Conference in Medellin, Columbia, in 1968, Church leaders set out to create a people's church in Latin America through the formation of thousands of Comunidades Eclesasis de Base, or "Church Base Communities." In Brazil alone, 80,000 such communities were created in the 1970s and 1980s, each representing a locus for community problem-solving and organization. Though refraining from direct political activity, these "base communities" have provided useful leadership training and a critical mechanism for overcoming traditional attitudes of submissiveness.
The role of the church in promoting the third sector has not been limited to the developing countries, however. The Catholic Church under Pope Paul II was a powerful vehicle fostering the growth of the protest movement in Central Europe in the latter 1980s. Catholic churches in Warsaw, Gdansk, Cracow, and elsewhere provided a crucial neutral meeting ground and source of moral support for those agitating to change the system. Similarly, the Lutheran Church played a comparable role in East Germany, providing shelter, working space, and moral authority to the protest groups that ultimately toppled the Communist regime in October 1989.

Northern PVOs. A second crucial outside force helping to foster the growth of nonprofit organizations has been the sizable network of Northern NGOs, or private voluntary organizations (PVOs), working in the developing countries. Over 4,600 such organizations were in existence as of the early 1980s, including church-related missionary and service agencies, secular nonprofit agencies, foundations, labor and educational groups, and others.

Historically, northern PVOs have approached the problems of the developing world with an essentially "humanitarian relief" perspective, and this perspective still tends to dominate the U.S.-based organizations. Beginning in the 1960s and accelerating in the 1970s, however, a new "empowerment" focus came to animate the PVO community, as attention turned increasingly from relief of suffering to efforts to eliminate the social and economic conditions that made suffering so chronic. Traditional U.S. organizations such as Church World Service and Lutheran World Relief, newer organizations such as Oxfam America and Coordination in Development (CODEL), as well as some of the larger foundations, such as Rockefeller, Ford, and Aga Khan, thus turned increasingly toward support for indigenous Third World organizations working to organize self-help activities among the poor at the grass-roots level. Canadian and European PVOs were even more deeply involved in such empowerment work, as were other private development institutions. Delivering $4.7 billion of assistance to some 20,000 indigenous nonprofit organizations as of the mid-1980s, these outside PVOs have provided both the moral and financial support to help promote indigenous grassroots organization.

Western PVOs have also contributed to the development of the nonprofit sector in Eastern Europe. The Rockefeller Brothers Fund channelled important support to developing nonprofit organizations in Central Europe beginning in the early and mid-1980s, as did U.S.
labor unions to the emerging Solidarity organization in Poland. In Western Europe as well, U.S. foundations and other charitable institutions have provided significant encouragement to emerging nonprofit institutions. Thus U.S. foundations have actively supported the recently created European Foundation Center; the Charles Stewart Mott Foundation has launched a project to promote the development of "community foundations" in the United Kingdom; and United Way International has established alliances with Western European nonprofit organizations to introduce the concept of workplace giving in the U.K. and elsewhere.

**Official Aid Agencies.** These private initiatives have in turn been supplemented, and to a considerable degree subsidized, by official government institutions. Changes in U.S. assistance policy pushed by Congressional critics beginning in the mid-1960s placed increased emphasis on involvement of the poor in development activities and on aid to indigenous NGOs and the U.S.-based private voluntary organizations working with them. Other developed countries have backed this approach even more vigorously and the Development Assistance Committee of the OECD has adopted "participatory development" as the keystone of its development strategy for the 1990s.

Multinational aid agencies such as the World Bank have also joined the effort to foster nonprofit organizations in the developing world, though somewhat more belatedly. Throughout the 1970s, Bank support for NGOs in the developing countries was sporadic at best. In 1982, however, the Bank was persuaded to form a World Bank-NGO Committee composed of senior bank managers and twenty-six NGO leaders from around the world, three-fifths of them from the developing countries. Since then, Bank involvement with NGOs has expanded and a formal Bank policy adopted encouraging cooperation with NGOs and client government adoption of policies favorable to NGO activity.

3. Support from Above

While pressures from below and from the outside have figured prominently in the emergence of nonprofit organizations in recent years, the surge of interest in voluntary organizations has also resulted from pressure from above. The conservative regimes of Ronald Reagan and Margaret Thatcher made support for the voluntary sector a central part of their strategy to cut back government social spending. As Mr. Reagan put it in justifying his budget cuts in 1981, "We have let government take away many of the things that were
once ours to do voluntarily." Mrs. Margaret Thatcher took the argument one step further and proposed to eliminate not only government spending but also the organized voluntary sector and to leave social care wholly to volunteers, whom she termed "the heart of all our social welfare provision."

While this line of argument has been particularly characteristic of conservative regimes in England and the United States, however, it has also attracted attention elsewhere. Thus the government of Socialist President Francois Mitterand in France moved to liberalize the laws on charitable giving in the mid-1980s and recently sponsored a European conference on "social economy organizations" to put the voluntary sector on the map of the European Community. As part of a major decentralization of French government enacted in 1982, local authorities acquired an important new function of animating and orchestrating the associative life of local communities and enlisting nonprofit organizations in the implementation of social welfare policies. In Norway as well, a Labour government recently issued a long-term program stressing the importance of voluntary organizations as mediating institutions between the individual and the larger society and emphasizing that "[t]he government itself does not have the capacity to consider all questions related to the social welfare sector."

Pressures from the top have also figured prominently in the development of organized nonprofit activity in the third world. In Thailand, for example, the Ministry of Agriculture helped form the Farmers' Association and Farmers' Cooperatives, and the Defense and Interior Ministry the Scouts Movement. The Federation of Free Farmers in the Philippines is affiliated with the government-sponsored National Congress of Farm Organizations. The Harambee movement in Kenya is a direct result of explicit governmental policy to promote community involvement in development. The First Egyptian Five-Year Plan in 1961 specifically invited NGOs to participate in implementing social policies and government ministries now regularly provide paid staff to indigenous NGOs. Similarly, the sixth five-year plan in Pakistan put heavy stress on NGO involvement in the development process as a way to ensure popular participation in development.

Interestingly, this same phenomenon is even evident in the socialist bloc. One of the earliest, formal nonprofit organizations in the Soviet Union, the Foundation for Social Innovations, received early encouragement from Mikhail Gorbachev, who read an article about the concept in Komsomolskaya Pravda and decided to back it. The embryonic
nonprofit sector in China similarly benefitted from official encouragement, beginning with the landmark Third Plenum of the Eleventh Central Committee in December 1978, which signalled the start of a process of reform to tap the initiative and creativity in Chinese society.38

The support from above that has helped to promote the development of nonprofit organizations has not come exclusively from official channels, however. Equally important has been the role of middle class professionals and intellectuals. Nonprofit organizations have often provided such educated elites an alternative source of both employment and engagement in the social and political life of their countries. This has been particularly true under authoritarian regimes, but has been a source of support for grass-roots nonprofit organizations in other settings as well.39

Summary

In short, no single route characterizes the path of recent third sector development. Although pressures from below have been a significant factor, they do not suffice on their own to explain the remarkable upsurge that has occurred. Rather, support from the outside and from above have also played often-decisive roles. Under these circumstances, it is necessary to dig a little more deeply to understand why these various actors, in widely disparate settings, happened to coalesce around a set of activities supporting the expansion of nonprofit organizations in the 1970s and 1980s.

III. Underlying Causes: Four Crises and Two Revolutions

The result of such digging suggests that four crises and two revolutions seem to lie behind the pressures from below, outside, and above that have stimulated the rise of the global third sector over the past two decades. Let us examine each of these in turn.

The Crisis of the Welfare State

In the first place, the recent surge of interest in private, nonprofit organizations has resulted from the perceived crisis of the modern “welfare state,” the growing sense over the past decade and a half that the system of governmental protections against old age and economic misfortune that had taken shape in most of the West by the 1950s, and that led
sociologist Daniel Bell to declare the "end of ideology in the West," was no longer working. What shattered the consensus in support of the welfare state were at least four key developments: (1) the oil shock of the early 1970s, which significantly slowed economic growth and gave rise to the belief that social welfare spending, which had grown substantially in the previous decades, was crowding out private investment in plant and equipment; (2) a growing conviction that government had simply become overloaded, overprofessionalized, and over-bureaucratized, and was incapable of performing the expanded tasks that were being assigned to it; (3) a growing deficit problem resulting from the fact that the politics of the welfare state continually produced pressures for expanded services that exceeded the willingness of people to pay; and (4) a growing body of rhetoric suggesting that far from improving economic performance by protecting individuals against unreasonable risk, the welfare state was stifling initiative, absolving people of personal responsibility, and encouraging dependence. In a way, the welfare state proved to be its own worst enemy. By improving standards of living, it fostered rising expectations and growing dissatisfaction with the basic level of services it was able to provide. The upshot was the election in the late-1970s and early-1980s of a spate of right-of-center or conservative leaders and the inauguration of cost-cutting programs in a number of countries, including Germany, Belgium, Britain, Norway, the United States, and, after some initial resistance, even Socialist-dominated France.

With government programs discredited and public budgets restricted, attention naturally turned to other ways to address public problems. Because of their small scale, their relative flexibility, and their use of private volunteers and private philanthropic support, nonprofit organizations emerged as a potentially important alternative to state-provided services, and one that could offer the "self-determination, self-responsibility, freedom of choice, solidarity, and participation in everyday life" that were increasingly demanded.  

The Crisis of Development

As significant as the "crisis of the welfare state" in stimulating the recent expansion of the nonprofit sector globally has been a parallel "crisis of development." Although world economic growth was robust between 1960 and 1973 and developing countries benefitted greatly, the oil shock of the 1970s and the recession of the early 1980s changed things rather dramatically. In sub-Saharan Africa and Western Asia in particular, average per capita incomes began to fall in the latter 1970s, and this accelerated in the 1980s, with declines
spreading to Latin America and the Caribbean as well. By 1990, in fact, output levels per economically active person in these regions were lower than they had been in 1980. Indeed, economic growth in the least developed countries was so poor that, given their high rate of population growth, average output per person in 1990 was some 5 percent lower than it had been in 1970! Although progress has been made in some places—most notably the Pacific rim and parts of Latin America—the problem of poverty, far from declining, has grown significantly in many parts of the developing world, leaving roughly one in five of the planet's 5 billion men, women, and children in absolute poverty today.43

These discouraging realities naturally stimulated considerable rethinking about the requirements for economic progress. One school of thought, rooted in the developing countries and articulated forcefully in the U.N. General Assembly's 1974 "principles for a new international economic order" and in the Club of Rome's Reshaping the International Order (RIO) report in 1976, stresses the need for fundamental changes in the basic international trading system to improve the bargaining position of Third-world nations.44 A second school of thought, incorporated in World Bank policies, has stressed the need for "structural adjustments" in the developing countries themselves to reduce the role of the state and increase the role of the market.

Increasingly, however, one of the consensus views emerging from this debate has encouraged support for a mode of development called "assisted self-reliance," or "participatory development," which stresses the need to engage the energies and enthusiasm of those at the grass-roots in the developing countries as a key to development success. As one recent study puts it: "Anti-poverty programs that the official political-administrative hierarchy designs and implements in a heavily, almost exclusively top-down fashion tend to be ineffective. Such efforts have a hard time reaching their grassroots clienteles through all the intervening bureaucratic layering—and a still harder time engaging local people in the conduct and management of their own poverty alleviation."45 One reason for this is the weakness of the state in many developing settings, particularly in Africa, where the modern state is an alien intrusion compared to the natural associational life that exists.46 Noted one World Bank official, "we overestimated what governments could do."47 Beyond this, there is a growing recognition of the productivity gains that come from making the poor active participants in the development process.48 Indeed, a study of 25 World Bank-funded agricultural development projects found that virtually every one of the projects with positive long-term results involved active beneficiary participation in project design and management,
most often through grass-roots organizations that the participants control. The upshot has been a growing consensus about the limitations of the state in promoting development and a growing interest in participatory development approaches and the third-sector organizations that implement them.

The Crisis of the Environment

A third key development stimulating the rise of nonprofit organizations around the world is the continued and deepening crisis of the environment. Despite some improvements, the overall environmental picture at the global level has continued to deteriorate, in some respects at an accelerating rate. This is due in part to the continued poverty of the developing countries, which causes the poor to degrade their immediate environment in order to survive. In part, however, it is due to wasteful practices or inattention on the part of the wealthy. Between 1950 and 1983, for example, 38 percent of Central America's and 24 percent of Africa's forests disappeared, and the pace of decline escalated during the early 1980s. In fact, recent studies show that the loss of the tropical forests has been even more extensive than earlier thought, with serious implications for the levels of carbon dioxide in the atmosphere, and hence for global warming. Similarly, overuse threatens to turn two-fifths of Africa's non-desert land, one-third of Asia's non-desert land, and one-fifth of Latin America's non-desert land, into desert. Although emissions of nitrogen oxides, which produce acid rain, declined slightly or stabilized during the period 1970-85 in some of the developed market economies, the total amount of nitrogen released annually is still rising. And in some areas, such as Central and Eastern Europe, acid rain and related air and water pollution are endangering food supplies and significantly reducing life expectancy.

As these and other aspects of the environmental crisis have become apparent, citizens have grown increasingly frustrated with government and eager to organize their own responses. The stunning rise of Green parties in Western Europe is one sign of this. Similarly, environmental degradation was one of the prime motivations for the emergence of an embryonic nonprofit sector in Central and Eastern Europe. Ecology Clubs are active in Poland, in Hungary, in Russia, and in at least the Czech portion of the Czech and Slovak Federal Republic.

In the developing countries as well, ecological activism has stimulated the rise of nonprofit organizations. As in the development field, reliance on technological fixes or
government action have proved ineffective, in part because of the social organization that effective management of natural resources requires. By mobilizing those who would otherwise do the polluting or who would overuse the scarce natural resources, and equipping them with the wherewithal to alter their behavior, nonprofit organizations can significantly fill the "organizational vacuum" that frustrates environmental protection in these settings.\textsuperscript{43}

The Crisis of Socialism

The fourth major development that has contributed to the rise of the third sector in recent years is the crisis of socialism, the collapse of faith in the capacity of the communist system to deliver on its promise of social justice and economic plenty. While this promise had long been suspect, the replacement of laggard economic growth with actual retrogression in the mid-1970s destroyed whatever limited legitimacy the Communist system retained and ushered in a search for new ways to meet social and economic needs. One manifestation of this was the emergence of a variety of market-oriented "cooperative enterprises," first in Hungary and then elsewhere in Central Europe and even the Soviet Union. At the same time, however, efforts were made to shape other components of a "civil society" as well. Slowly at first, but increasingly as time went on, citizens began experimenting with a variety of nongovernmental organizations that could meet needs and provide vehicles for citizen expression without involvement of the increasingly discredited state. By 1988, for example, well before the collapse of the Soviet empire in 1989, there were approximately 6,000 voluntary organizations and 600 private foundations in Hungary alone, including everything from small dance groups and self-help circles to large environmental and human rights organizations. The vigor with which these new organizations were formed reflected what one analyst termed "the deep distrust of central government and its institutions. People prefer not to give the state a free hand any more. They want to control economic, political, and social processes as directly as possible. Voluntary associations and nonprofit organizations seem to be appropriate opportunities for this control.\textsuperscript{54}

The Communications Revolution

Important as they are in explaining the significant upsurge of organized voluntary activity in the world over the past two decades, the four "crises" just examined would very likely not have sufficed to produce this result in the absence of two further significant developments. The first of these was the dramatic revolution in communications that took
place during the 1970s and 1980s. The invention and widespread dissemination of the computer, the breakthroughs in fiber-optic communications, the blanketing of the earth with television and communications satellites—these and other similar developments suddenly opened even the most remote areas to the image of the modern world, and with it, to the capability for organization and concerted action. This was accompanied, moreover, by a significant increase in education and literacy. Between 1970 and 1985, adult literacy rates in the developing world rose from 43 percent to 60 percent. Among males, it reached 71 percent.55

As a result of this combined expansion of literacy and communications, it became far easier for people to concert their actions, to organize, and to mobilize others. Communications between a capital and a rural area that once required days in a developing country could be accomplished in minutes, as computers and telephone lines penetrated the rural hinterlands. Authoritarian regimes that successfully controlled their own communications networks were powerless to stop the flow of information through satellite dishes and faxes. Isolated activists could consequently maintain links with sympathetic colleagues in their own countries and abroad, thus strengthening their resolve. What is more, communications greatly facilitated education about what other groups were doing and helped create networks of activists in different fields.

The Bourgeois Revolution

The final factor that seems to have been critical to the emergence of the third sector throughout the world in the 1970s and 1980s was the considerable economic growth that took place just prior to this—in the 1960s and early 1970s. During this earlier period, the world economy grew at the rate of 5 percent per year, with all regions sharing in the expansion. In fact, the growth rate of Eastern Europe, the USSR, and the developing countries actually exceeded that of the developed market economies.56

What is important about this growth is not just the material improvement it permitted or the set of expectations it engendered. Perhaps most important was the contribution it made to the creation of a sizable urban middle class in a wide assortment of countries. As we have seen, middle class leadership was critical to the emergence of private, nonprofit organizations in much of Latin America in the 1970s and 80s, and the same was true in Asia and Africa.57 The unusual strength of voluntary organizations in South Africa, Kenya, and
Zimbabwe, for example, seems to be due in no small part to the unusually high level of economic growth that has taken place in these countries, and the sizable urban middle classes that were consequently created. If economic crisis ultimately provoked the middle class into action, in other words, prior economic growth was needed to create a middle class that could organize to respond.

IV. Challenges and Implications

The rather dramatic expansion of organized, private, nongovernmental activity that has taken place over the past two decades in virtually every part of the world thus springs from a multitude of pressures and reflects a deep-seated series of crises and an important set of social and technological changes that have put the role of the state in question in capitalist, socialist, and developing countries alike and opened the way for alternative institutional arrangements that can respond more flexibly and effectively to human needs. By virtue of their smaller scale, their relative flexibility, their ability to engage grassroots energies, their private character, and their perceived trustworthiness, nonprofit organizations have seemed ideal candidates for this role. While the third sector may not yet be viewed as the solution to the interrelated crises of development, socialism, the environment, and the welfare state, it is certainly being called on to play a far more important role than ever before.

How effectively the third sector can live up to these expectations, however, is open to serious question. For all its recent dynamism, this sector remains a fragile plant, vulnerable to a variety of internal tensions and external constraints. What is more, it suffers from a number of dysfunctional myths that impede its ability to deal effectively with the real challenges it faces. How the sector evolves, therefore, will be shaped in important part by how well these myths are understood, how the sector balances the tradeoffs it faces, and how other institutions respond.

Dysfunctional Myths

So far as the myths are concerned, three seem most important.

The Myth of Pure Virtue. The first of these is what I will term the "myth of pure virtue." The nonprofit sector has grown and gained prominence in recent years fundamentally as a trustworthy and flexible vehicle for elemental human yearnings for self-expression,
self-help, participation, responsiveness, and mutual aid. With roots very often in religious and moral teachings, the sector has acquired a saintly self-perception and persona. The upshot has been a certain romanticism about its inherent purity, about its distinctive virtues, and about its ability to produce significant change in people's lives.

Without denying the fundamental validity of this image, it is nevertheless important to recognize that this set of institutions has "other sides" as well. For one thing, for all their much-vaunted flexibility, nonprofit organizations remain organizations. As such, they are prone to all the limitations that afflict bureaucratic institutions of all types, especially as they grow in scale and complexity—unresponsiveness, cumbersomeness, routinization, lack of coordination. Nonprofit organizations may be less prone to these disabilities than government agencies, but they are hardly immune to the inevitable tensions that all organizations confront between flexibility and effectiveness, between grassroots control and administrative accountability, between short-term responsiveness and long-term organizational maintenance.

Beyond this, as we have seen, a complex mixture of pressures and considerations seems to have given rise to the recent growth of the third sector in disparate parts of the world. While some of these are consistent with "the myth of pure virtue," others are more complicated indeed. In at least some settings, for example, support for the voluntary sector has provided a convenient smokescreen for the conservative assault on the modern welfare state and for a resulting set of policies designed to slash social expenditures. Indeed rhetorical support for the nonprofit sector has at times been accompanied by tangible policies that undermine the sector's capacities, as was the case in the United States in the 1980s.59 Similarly mixed motivations have contributed to the growth of the voluntary sector in the developing world. Far from an instrument of grassroots independence, nonprofit organizations have also functioned as a vehicle for extending the influence of national political leaders. The top-down support for nonprofit organizations in Thailand, the Philippines, and Kenya, for example, seems to have been motivated at least in part by this consideration. Even where the pressure to form nonprofit organizations comes from below, these organizations nevertheless perform an essentially "system maintenance" function from the point of view of political elites. A recent study of the Harambee movement in Kenya, for example, notes that while Harambee channels some highly visible private wealth into socially useful projects, it also serves to "justify the accumulation of wealth and power and the perpetuation of inequities."60 More generally, as Brian Smith has argued, even change-
oriented nonprofit organizations can bolster the position of local powers-that-be by helping to "harness the energies of regime opponents from the middle class, which might have been channelled into more radically political or even revolutionary alternatives. They help placate the working-class sectors and give them a sense of hope that the system is malleable and responsive to their needs. They are signs to foreign critics that authoritarian, one-party, or elite-controlled governments allow a certain degree of pluralism and space for private initiative in their societies." This is not to say that the rise of the third sector is simply a cynical smokescreen for other, more powerful motives. The argument, rather, is that the motivations for the recent rise of the third sector are more mixed than the widely held "myth of pure virtue" would lead us to believe, and this must be taken into account when contemplating the sector's capabilities and role.

The Myth of Voluntarism. Closely related to the myth of pure virtue is the "myth of voluntarism," the belief that true nonprofit organizations rely chiefly, or even exclusively, on private voluntary action and private philanthropic support. This myth is particularly pervasive in American thinking about the nonprofit sector, but since the American nonprofit sector is widely perceived as one of the largest and most highly developed, it has affected thinking more broadly as well. Underlying it is a view of the relationship between government and the state that springs from conservative political philosophy and that builds on a "paradigm of conflict." According to this paradigm, an inherent conflict exists between "the State" and the multitude of so-called "mediating institutions" such as voluntary groups that stand between it and the individual. The growth of the state thus poses a fundamental challenge to voluntary groups, robbing them of functions and ultimately leading to their demise. Under these circumstances, the key to the expansion of the third sector is to reduce the role of the state and rely on private action, and private charitable support, instead.

In fact, however, the relationship between government and the nonprofit sector has not been primarily conflictual. Rather, it has been characterized by extensive cooperation as well. Instead of a "paradigm of conflict," what has functioned in fact has been a "paradigm of partnership" in which government has turned extensively to the nonprofit sector to assist it in meeting human needs. In the United States, in fact, government reliance on the nonprofit sector is part of a broader pattern that I have termed "third-party government." In a word, government does very little itself in the domestic sphere. What it does, it does through a host of "third parties"-- colleges, universities, research institutes, commercial
banks, private industrial firms, hospitals, and a host of others. Because of their peculiar character as semi-public institutions, nonprofit organizations have long been favorite partners in this third party system. The result is an intricate network of relationships linking government and the nonprofit sector in a hundred different ways. Reflecting this, government has emerged as a major source of nonprofit support even in the U.S., outdistancing private philanthropy by almost 2:1. In other advanced countries, government support is even more pronounced.

Unfortunately, this widespread partnership has escaped the notice even of otherwise well-informed observers. Given the meager local sources of philanthropic support in large parts of the developing world and in central and eastern Europe and the profound sense of fatalism and suspicion in which the poor are often enveloped in such settings, the result can be highly detrimental to the development of the third sector in these areas. To depend chiefly on the spontaneous upsurge of voluntary activity from below to foster and sustain voluntary organizations in these areas is almost to ensure failure. Even in developed countries, where the scope of private charitable support is far greater, such support often comes with its own strings attached. Under these circumstances, the logical consequence of the myth of voluntarism is to consign the nonprofit sector to a far more marginal role than might otherwise be the case. While voluntarism and private giving are vital to the special character of the sector, they must be seen as just one of a number of potential sources of support.

The Myth of Immaculate Conception. The third basic myth that threatens to impede further progress of the third sector at the global level is the myth of immaculate conception, the notion that nonprofit organizations are essentially emerging anew in most parts of the world and can consequently operate on a tabula rasa. While recent years have doubtless witnessed a dramatic upsurge in organized voluntary activity, the fact is that such activity has deep historical roots in virtually every part of the world. In Asia, for example, philanthropic activities long pre-dated the arrival of Christianity. Such activity was evident in China in antiquity and was strengthened and institutionalized under Buddhism from at least the 8th century. In Japan as well, philanthropic activity can be traced back at least to the Buddhist period and continued in the form of mutual village aid during feudalism. The first modern Japanese foundation, the Society of Gratitude, was established by wealthy Japanese merchants in 1829, almost a century before the founding of the first modern American foundation. By the same token, the precursors of "modern" private development agencies
can be found in the tandas of Mexico and the tontines of Zimbabwe—both traditional financial and savings groups—or in the community organizations that have been found operating in the Peruvian highlands in the late nineteenth century. Efforts to establish development-oriented nongovernmental organizations in Africa and India can similarly not proceed very far without coming to terms with existing traditional institutions based on tribe and caste. In Central Europe too, the recent emergence of nonprofit organizations builds on a rich philanthropic tradition that long pre-dated the Communist takeover. Recent developments thus represent not simply the emergence of wholly new arrangements but, in significant measure, the re-emergence of earlier patterns.

Implications

What the above discussion makes clear is that the evolution of the third sector at the global level is a far more complex matter than may at first appear. Crucial trade-offs exist both for the managers of these organizations and those who would support their activities. While the resolution of these trade-offs will naturally depend on the values of the participants, certain broad directions of change seem most important if the associational revolution that is now under way is to become a permanent force for positive change.

Beyond Benign Neglect. In the first place, there is a fundamental need to begin taking the third sector more seriously in public discussions, in policy debates, and in academic research. The nonprofit sector has arrived as a major actor on the world scene, but it has hardly arrived as a serious presence in public consciousness, in policy circles, in the media, or in the scholarly world. In much of Central and Eastern Europe and the developing world, even the legal basis of the third sector is unsettled, inhibiting the growth of organizations and their ability to attract support. Elsewhere, policies on this set of organizations are ill-formed or undefined. And almost everywhere, basic information is grossly lacking, making it difficult to perceive the sector and gauge its scope or role. While there are important signs of change—such as the formation of the World Bank-NGO Committee and the recent launching of an International Research Society on the Nonprofit Sector—a tremendous amount remains to be done to make public and private leaders and the general public aware of this sector and of the tremendous potential it represents.

Beyond Amateurism and "Feel-Good Philanthropy." For emerging third sector organizations to be taken seriously by others, of course, they must take themselves seriously first.
Among other things, this will require sensitivity to the trade-offs that exist between voluntarism and professionalism, between the informality that has given these organizations their special character and the institutionalization that is often necessary to translate individual victories into more permanent achievements. Evaluations of the performance of nongovernmental organizations in developing countries, for example, regularly credit these organizations with the ability to reach outlying communities, promote participation, innovate, and operate at low cost; but fault them for their limited replicability, lack of technical capacity, and isolation from broader policy considerations. The failure to focus explicitly on institution-building has similarly been one of the major criticisms of the Harambee process in Kenya. Harambee projects tend to be effective, but ad hoc, leaving behind no continuing local organization capable of taking on additional tasks.

To deal with this problem, managers of third sector organizations will have to give more attention to training and technical assistance, and those providing support to these organizations will have to go beyond project grants to longer-term institutional support. In the process, conceptions of these organizations as dispensers of "relief" or sponsors of occasional cultural events must give way to a recognition of their longer run development and social-change objectives. This means that the "feel-good philanthropy" that has tended to characterize particularly corporate involvement in many parts of the world, as typified by the "mesena," or cultural sponsorship, activities in parts of Europe, must give way to a philanthropy that encourages and allows nonprofit organizations to engage the central issues of their societies--like inner-city poverty, homelessness, AIDS, environmental degradation, and grinding third-world poverty. The third sector has clearly come of age on the global scene, but it must find ways to strengthen its institutional capacities and contribute more meaningfully to the solution of major problems--all without losing its popular base or its flexibility and capacity for change.

Beyond the Paradigm of Conflict. One of the central determinants of the third sector's capacity to do this, paradoxically enough, will be the relationship it is able to forge with government. Despite the significant tensions that exist between the third sector and the State, and the sector's need to maintain a significant degree of independence from the State, the fact remains that the "paradigm of conflict" that has dominated the perception of government-nonprofit relations in much of the West has never accurately described the relationship that has existed in fact, and provides an increasingly unsatisfactory guide for the future. Where the "paradigm of conflict" posits an inherent conflict between the voluntary
sector and the state, the reality in most of the West has been one of active cooperation instead. Even in the United States, as we have seen, government has long been a major source of support for private nonprofit organizations, outdistancing private charity by a substantial margin. This situation is even more pronounced elsewhere in the developed world. In the Netherlands, for example, 88 percent of nonprofit spending comes from government and the figure in Sweden is almost as large. As economist Estelle James has noted: "from the international perspective, reliance on nonprofit service provision and substantial government support go together...it appears that large nonprofit sectors cannot be long sustained without substantial government support." If anything, this situation is likely to be even more pronounced in most of the developing world. As one development theorist has put it: "It may well be that wildflowers grow by themselves. But grassroots organizations do not. They are cultivated, in large measure, by just policies and competent government agencies that do their job." Advocates of "assisted self-reliance" in the developing world thus argue against both the fallacy of "paternalism," which involves exclusive reliance on the center to promote development; and the fallacy of "populism," which involves sole reliance on local grassroots groups. Similarly, in Eastern Europe, although the Stalinist regime is in full retreat, it would be naive to assume that the substantial protections of the state in such fields as housing, education, and health care will be eliminated altogether. More likely is a pattern of cooperative action between the nonprofit sector and the state. What all this suggests is that government-nonprofit relations have become one of the most decisive determinants of third-sector growth and one of the central challenges of nonprofit management. The task for third-sector organizations is to find a modus vivendi with government that provides sufficient legal and financial support while preserving a meaningful degree of independence and autonomy. This can be done by mixing government support with other forms of assistance and by clarifying the ground-rules under which cooperation with the state takes place.

Beyond the "Made in America" Syndrome. Finally, efforts must be made to appreciate the peculiar historical roots of the emerging third sector in different parts of the world. As we have seen, these roots are quite substantial, even in apparently underdeveloped institutional settings such as Africa, where the weakness of the national state has long obscured the existence of a vibrant associational life that predated the colonial era. Unless this is recognized, serious mistakes can be made— for example, by failing to appreciate the negative connotations surrounding the term filantropía in much of Latin America, or overlooking the customarily close working relationships that exist between
the corporate sector and the state in Japan and the likelihood that this will carry over into the philanthropic operations of Japanese corporations.74

For the leaders of emerging or re-emerging nonprofit organizations, this extensive historical base creates a dilemma as well as an opportunity. Often tied to traditional power­ wielders and traditional modes of operation, existing organizations can undermine the efforts to build new institutional arrangements geared to social and economic change. The task, therefore, is to find ways to utilize traditional ties and institutions, but mobilize them in support of new forms of action.

Conclusion

One hundred and fifty years ago, the Frenchman Alexis de Toqueville came to the United States to understand how democracy works. The most important prerequisite, he concluded, was a functioning set of private associations, what we would now term a private nonprofit sector. "Among the laws that rule human societies," deToqueville observed, "there is one which seems to be more precise and clear than all others. If men are to be remain civilized or to become so, the art of associating together must grow and improve in the same ratio in which the equality of condition is increased."75

A century and a half later a veritable "associational revolution" seems to be under way at the global level, as traditional institutional ties loosen and people become available for new forms of "associating together." The resulting surge of interest in nonprofit organizations opens doors to vast reservoirs of human talent and energy, even while it creates dangers of stalemate and dispute. While it is far from clear what all must be done to keep these doors open and allow the maximum number of people to walk through them, a crucial first step must certainly be to understand better the dramatic process that is under way and the immense challenges it entails. Even here, however, our work has just begun.
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17. For further elaboration on these features, see Salamon and Anheier, "In Search of the Nonprofit Sector I: The Question of Definitions."


35. Quoted in Brenton, *Voluntary Sector*, p. 143.


44. Smith, More than Altruism, pp. 98-99.


56. Between 1961 and 1973, the average annual rate of gross domestic product (GDP) growth, after adjusting for inflation, was 5.0 percent for the developed market economies, 7.0 percent for Eastern Europe and the USSR, and 6.1 percent for the developing countries. U.N., World Outlook 2000, p. 32.


62. Robert Nisbet, Community and Power.


67. Three other recent examples of efforts to increase awareness of the nonprofit sector at the global level are the Aga Khan Foundation's "Enabling Environment" conference in 1986, the European Foundation Center's New Europe Conference in 1992, and the Johns Hopkins Comparative Nonprofit Sector Project described in Salamon and Anheier, "Toward an Understanding of the International Nonprofit Sector," 1992.


