

Third Sector Research

Rupert Taylor
Editor

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Abbreviations

| | |
|--------------|---|
| AMA | American Marketing Association |
| CAF | Charities Aid Foundation |
| CEO | Chief Executive Officer |
| CSI | Civil Society Index |
| CSO | Civil Society Organization |
| CRM | Cause-Related Marketing |
| CSR | Corporate Social Responsibility |
| DFID | Department for International Development (UK) |
| ENSAV | Encuesta Nacional de Solidaridad y Acción Voluntaria (Mexico) |
| ESS | European Social Survey |
| EU | European Union |
| EVAS | Expanded Value Added Statement |
| GCS | Global Civil Society |
| GRI | Global Reporting Initiative |
| ICNPO | International Classification of Nonprofit Organizations |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| INGO | International Nongovernmental Organization |
| ISTR | International Society for Third Sector Research |
| JHCNP | The Johns Hopkins Comparative Nonprofit Sector Project |
| MDGs | Millennium Development Goals |
| NGO | Nongovernmental Organization |

| | |
|-------------|--|
| NPO | Nonprofit Organization |
| OECD | Organization for Economic Co-operation and Development |
| TI | Transparency International |
| TSO | Third Sector Organization |
| UN | United Nations |
| UNDP | United Nations Development Program |
| UNEP | United Nations Environment Program |
| WSF | World Social Forum |
| WTO | World Trade Organization |
| WWF | World Wildlife Fund for Nature |

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Chapter 1

Moving Beyond Empirical Theory

Rupert Taylor

The Rise of Third Sector Research

As *Voluntas: International Journal of Nonprofit and Voluntary Organizations* – a journal for which I have been the fifth and longest-serving editor – now enters its third decade of publication, the time seems good to assess the state of the field of third sector research and to ask how far it has come and where it is going. By now, it is generally accepted that the term “third sector” stands as a “catch-all” term for “the organizational universe that emerges in many societies between government and the market” (Wagner 2002, p. 51; Gidron 2002). More specifically, the third sector can – following Salamon and Anheier (1992a,b) – be defined with respect to five structural and operational features: it is organized, private (i.e., institutionally separate from government), self-governing, nonprofit distributing, and noncompulsory. To date, the central task for scholars working in the field has been to delineate the composition, scope, and structure of the third sector and to map the field, first nationally and then – with the impetus of *Voluntas*, The Johns Hopkins Comparative Nonprofit Sector Project, and the International Society for Third Sector Research (ISTR) – cross-nationally and globally. All told, it is incontrovertible that there has been a dramatic rise in research in this regard.

The rise of third sector research can be illustrated in a number of ways. Most prominent is the rapid global expansion in academic centers and graduate degree programs dedicated to nonprofit management, voluntary organizations, and philanthropy (Brudney and Herman 2004). In the United States the Yale Program on Nonprofit Organizations and Philanthropy, Indiana University’s Center on Philanthropy, and the Center for the Study of Philanthropy at the City University of New York have all risen to gain international repute. Moreover, the number and stature of academic journals publishing in the field have grown; alongside *Voluntas* stand the *Annals for Public and Cooperative Economics*, *Nonprofit Management and Leadership*, *Journal for Nonprofit and Public Sector Marketing*, *Nonprofit*

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Quarterly, and *Nonprofit and Voluntary Sector Quarterly (NVSQ)*. In particular, the ever-increasing number of *Voluntas* paper downloads from the Internet is marked. Downloads to the journal have increased by almost 800% since 2002, the first year the journal was available online.

These developments not only are about sheer quantity, but also reflect the quality of third sector scholarship and the strength of its theoretical foundations as laid down in the field's formative years, the mid- to late 1970s. From modest beginnings, scholars working in the realms of neoclassical economic theory at a number of prestigious American universities applied demand- and supply-side theories pertaining, respectively, to the role and behavior of nonprofit organizations. Such studies, initially focused on the hospital industry (e.g., Newhouse 1970), have mushroomed into a wide range of empirically driven case studies, and the field now boasts a number of leading scholars with international reputations. Foremost, the publications of Burton Weisbrod, Henry Hansmann, Lester Salamon, and Helmut Anheier have largely defined the field.¹ Weisbrod's (1991) *The Nonprofit Economy*, Hansmann's (1980) paper on "The role of nonprofit enterprise," Salamon's (1999) primer on *America's Nonprofit Sector*, Salamon and Anheier's (1997) *Defining the Nonprofit Sector: A Cross-National Analysis*, and Salamon et al.'s two-volume (1999, 2004) *Global Civil Society* have attracted acclaim as key works and have between them accumulated more than 3,000 academic citations (Google "Advanced Scholar" search).

Theorizing the Third Sector

In *The Nonprofit Sector: A Research Handbook*, now in its second edition, the leading third sector scholars have contributed to what is a definitive text.² Here, nonprofit and voluntary organizations as providers of education, health, and social services are characterized as being "precluded, by external regulation or [their] own governance structure, from distributing [their] financial surplus to those who control the use of organizational assets" (Steinberg and Powell 2006, p. 1). And it is this "nondistributional constraint" that underpins theorizing as to why nonprofit organizations have emerged: they do so; it is maintained, in response to market or state failure. Consequently, the "public goods" theory (Weisbrod 1975, 1977) argues that nonprofits come into being to provide public goods and services for those areas that are less preferred or too contentious for public agencies. Complementary to this, the "contract failure" theory maintains that since the nondistributional constraint removes any incentive to maximize profits, consumers come to place greater "trustworthiness" in nonprofits that provide services in areas – such as health care – where

¹See, in particular, Weisbrod (1975, 1977, 1991, 1998), Hansmann (1980, 1987), Salamon (1994, 1995, 1999), Salamon et al. (1999, 2004), and Salamon and Anheier (1996, 1997, 1998).

²The first edition was edited by Walter W. Powell and published in 1987; the second edition was edited by Walter W. Powell and Richard Steinberg and published in 2006.

they find it hard to reach rational judgment about quality or performance (Hansmann 1980). Not only have questions as to how the nondistribution constraint affects nonprofit behavior been explored, tested, and developed in case-by-case studies, but from such starting points much concern has been directed to empirically mapping typologies in terms of such factors as income source and organizational structure.

While not disputing the high quality of such formative work and its relevance for governmental policy-making, it is true to say that by the late 1980s a growing sense of intellectual disquiet had begun to develop; concern being directed toward the limited amount of comparative research being conducted and the lack of more general theoretical advance. Anheier and Ben-Ner, for example, writing in 1997 (pp. 94–96) viewed the period since the mid-1980s as having been one of theoretical “refinements and elaborations” and go on to use the term “theoretical inertia.” Precisely to reinvigorate third sector research, Helmut Anheier in his role as a founding editor of *Voluntas* sought to encourage the generation of cross-national data and concepts (Anheier 2002), and ISTR was expressly founded as a network organization “to encourage and expand high-quality comparative international research” (www.istr.org).

Leading the way in the endeavor to systematically study, map, and standardize cross-national and global patterns has been The Johns Hopkins Comparative Nonprofit Sector Project: a large-scale collaborative research undertaken in some 40 countries (Salamon et al. 1999, 2004). As this work progressed, it was found that the existing theoretical tools, formulated for the American context, did not travel well when set against the cross-national patterns that were uncovered. Finding established theories unable to explain cross-national variation in patterns of third sector development, Salamon and Anheier (1998) – in what is one of the most cited *Voluntas* papers – followed a form of inductive enumeration to connect the varying structure of the nonprofit sector to differing historical path-dependent patterns of nonprofit–government and nonprofit–society relations.³ In this “social origins” theory, four “nonprofit regime types” are identified – liberal, social democratic, statist, and corporatist – and as with other third sector theorizing, this approach has led to many, and on the whole confirming, case studies.

While The Johns Hopkins Project has seen itself as being global in scope, it has nonetheless taken the nation-state as its unit of analysis. Given, however, what Lester Salamon (1994) has termed “the global associational revolution” and the fast-growing number of international NGOs working across and beyond borders, a truly post-national global perspective and process of mapping had to be initiated – as most notably with the London School of Economics (LSE) Global Civil Society initiative and their *Global Civil Society Yearbook*. Here, concern has primarily been directed to territorially map the domain of global civil society on the grounds that “the normative content is too contested to be able to form the basis for an operationalisation of the concept” (Anheier et al. 2001, p. 17). Also, alongside this comparative

³This paper, “Social origins of civil society: Explaining the nonprofit sector cross-nationally,” according to Google “Advanced Scholar” has been cited over 250 times.

and internationally focused work, a stream of neo-Tocquevillian studies has arisen from political science scholars who have focused on how nonprofit and voluntary organizations, cast as “civil society,” contribute to good citizenship through creating “social capital,” a foundational text here being Putnam et al.’s (1993) *Making Democracy Work: Traditions in Modern Italy* (see also Putnam 2000).

Despite these most recent developments and a continuing plethora of case study research to test the breadth and consistency of third sector theory,⁴ most scholars would still admit that the field remains comparatively under-theorized. Theory and analysis seem to lag behind what is happening on the ground, with middle-range theory-building – as with social origins theory – representing best practice. It is certainly true to say that *no* “single” or mono-causal theory has “come to dominate the field” (Anheier and Salamon 2006, p. 103). That said, the field *is* dominated by a particular understanding of what constitutes theorizing; third sector research is centered on the privileged set of American-based texts discussed herein, all of which are epistemologically tied to empirical theory – the consequences of which bear critical scrutiny.

Third Sector Research as Empirical Theory

In respecting the distinction between “facts” and “values” when it comes to framing analysis, in taking the social system – as it is – as the unit of investigation, and in shying away from engagement with substantive moral obligations and concerns, third sector research upholds and represents empirical theory. It is this very conception of “theory” that requires far more attention than it has hitherto been given – particularly with regard to how empirical enquiry stands in relation to political theory.

All the third sector studies cited above are committed to empirical theory, where, simply stated, theory-building is seen as a particular way of executing scientific inquiry concerned with the making of well-founded empirical generalizations within a hypothetical framework that holds both explanatory power and predictive capacity, set apart from philosophy and ideology (Jackson 1972; Ricci 1984). Here, empirical findings are incorporated into new conceptual and explanatory schemes, wherein social action is “objectified” and scientifically studied through rigorously constructed categories of instrumental rationality relating to the choice of means and selection of ends (Weber 1949). The focus is on explaining what *is* rather than considering what *ought* to be.

Outwardly, all this may appear all well and good, but the problem is that by adopting a value-neutral approach that sets out to provide an empirically based account of the third sector as it is, researchers commit a double error. One, it is pretense to believe that third sector research is itself free of normative commitment; the “third

⁴To date, the typical *Voluntas* paper has been of the empirically driven case study variety; see Hodgkinson and Painter (2003).

sector” is presented in neutral terms, but third sector research is actually laden with its own political values. Two, it is misguided to believe that social science can best progress through separating empirical understanding from explicit moral and political theorizing (Gerring and Yesnowitz 2006), for, in truth, any “adequate social and political theory must be *empirical, interpretative, and critical*” (Bernstein 1979, p. 235).

Whether one takes Powell and Steinberg’s nonprofit *Research Handbook*, The Johns Hopkins Project, or the LSE global civil society initiative, the third sector is unequivocally seen in non-normative terms. And *yet* all these approaches, including those pertaining to social capital, actually rest on forms of empirical political theory that take the “good” principles of a market economy and liberal democracy as given. The market model of democracy (Buchanan and Tullock 1962; Olson 1965) underpins the mainstream economic theories of nonprofit and voluntary organizations, while those scholars who focus on how the associational life of the third sector promotes social capital to make “democracy work” do so within terms of a pluralist model of democracy (Dahl 1982; Putnam et al. 1993). Take, for instance, one of the key foundational texts for third sector theorizing, James Buchanan and Gordon Tullock’s (1962) *The Calculus of Consent*, which from the starting premise that we “must take men as they are, not as [we] would like them to be” (p. 311) proceeds to apply the utilitarian, rational type of behavior and exchange processes underpinning a market economy to the political realm so as to explain when nonprofit and voluntary organizations occur to deal with externalities.⁵

The critique of market and pluralist models of democracy is that they rest upon a rather hollow image of “man” and society (Dallmayr 1970), project a limited horizon of political action and vision (Ricci 1984), and are intrinsically contained within the shell of a sovereign territorially defined economic community, the nation-state (Kuper 2004). And while it might be thought that the political imagery projected by third sector research is relatively benign, it is not. Transposed to the international level, the main motifs of individual rights, a market economy, and liberal pluralism, serve to rationalize the interests of the American nation. It is undoubtedly going too far to argue, as Roelofs (1995) does, that the US nonprofit sector “has attempted to create an entire world in its own image,” but third sector research is semantically American and does advance a historicist understanding of its democratic designs as representing “civilized” progress to be emulated by developing and formerly socialist states (Clemens 2006; Vogel 2006).

What all this comes down to then is that the very context and meaning of the third sector cannot be described independently of normative considerations and those that mainstream research presume and infer are – due to epistemological predilections – intellectually weak. In consequence, third sector research has failed to give due consideration to how social injustice, economic inequality, and political exclusion are produced and reproduced by the way things *are*; to interpreting the subjective meaning of third sector organizations; and to probing how things could be *other*

⁵On the foundational importance of this text, see further Douglas (1987) and Clemens (2006).

than they are by analyzing “the possibilities of radical, innovative and normatively informed political change” (Stears 2005, p. 331). Beyond the blinkers of existing empirical theory, such possibilities are, though, already in view.

Beyond Empirical Theory

Contrary to the non-normative mantra, there is critical intent within the third sector to articulate and actualize a more emancipatory democratic politics (Edwards 2004; Najam 1996). Moreover, transformative possibilities with respect to the third sector are occurring in a number of ways: notably, with respect to its formal structure, with regard to new methods of governance, and with the rise of a global civil society. In each case, mainstream theorizing can be found wanting, precisely because its specific reading of the relation between empirical and normative political theory blocks comprehension as to how the dialectic of new organizational forms and social relations pushes the meaning of democracy beyond existing domain assumptions.

Even in its own terms, mainstream third sector research is – in the context of growing multidimensionality, hybridization, and complexity – beginning to unravel and thereby expose the limits of existing theory-building attempts.⁶ In particular, the rise of market neoliberalism has seen an increasing reliance placed on third sector partnerships with government and business, and with the increasing convergence and blurring of boundaries between the state, market, and third sector, there is real reason to challenge the appropriateness both of a tri-sectoral model of society and of ever achieving international standardization of the field. All the more so, when due recognition is given to the “social economy” research tradition found in a number of European countries – France, Belgium, Italy, Spain, and Portugal – a tradition that has long emphasized sectoral convergence (Evers and Laville 2004).

More than this, a strict adherence to market and pluralist models of democracy, with their inherent acceptance of the centrality of the nation-state, no longer seems credible when set against the rise of new types of governance and a new globalized environment. In the last decade or so there has been a significant de-centering of the nation-state (Ellison 1997), such that its traditional status as *the* sovereign political unit has come under threat in two main regards: first, with a shift from government to governance, and second, with the rise of global civil society.

Governance has arisen as a “*new* method by which society is governed” (Rhodes 1996, pp. 652–653). Specifically, it is marked by “the development of governing styles in which [the] boundaries between and within public and private sectors” become increasingly interdependent and blurred (Stoker 1998, p. 17) and in which ideas of New Public Management, “joined-up” government, and partnership structures have taken hold. Governance represents a shift from formal hierarchically organized systems to more fragmented and horizontally organized networks of

⁶As also witnessed in the search for new theoretical insight from fields such as neo-institutionalism and systems theory, see Kramer (2000).

authority that operate above and below the level of the nation-state – all told, it has significantly broadened the scope for nongovernmental and philanthropic action (Beck 1997).

Much the same can be said for the rise of global civil society. Given that the very distinctiveness of global civil society is that it transcends the boundaries of the nation-state and is driven by explicit normative concerns, it is not perhaps surprising that there have been serious problems in trying to correctly theorize the phenomenon (Corry 2006; Taylor 2002). Global civil society has, though, to be interpreted in terms of its intrinsic meaning and critical intent, namely, that of promoting a cosmopolitan identity politics and ethics that centers on “the oneness of humanity,” the equality of all people, and “the idea that we have obligations to others, obligations that stretch beyond those to whom we are related by the ties of kith and kind” (Appiah 2006, pp. xiv–xv; see also Nussbaum 1994). Progressive campaigns around such issues as human rights, environmentalism, and North–South economic inequality have emerged to further global justice (Khagram et al. 2002; Taylor 2004) – to some degree coming together and being further energized at meetings of the World Social Forum.

Taken together the transformative potential of these developments does lead to and require one to critically reinterpret the meaning of the third sector today. The configuration of new governance networks and disaggregation of national sovereignty signify the need for new post-empirical theorizing beyond the state, market, and third sector as traditionally understood.⁷ In looking at the contemporary meaning of democracy, Alain Touraine is of the view that by and large “we now see ourselves as living in consumer societies” in which “the existence of social actors and the ability to think about society” have “been weakened” (Touraine 1997, p. 190). It is indisputable that third sector research as empirical theory has been and is implicated in the marketization of democracy, but appropriately reformulated through a turn to more explicit normative theorizing, it can be the source of new critique. This, fittingly, is the central theme conveyed in the chapters that follow.

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⁷See further, Sørensen and Torfing (2005); also consider the development of deliberative democratic theory (Dryzek 2000).

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Chapter 2

Defining and Theorizing the Third Sector

Olaf Corry

Introduction

According to some, the third sector is by nature unsuited to singular definitions (Osborne 2008), and it has famously been deemed a “loose and baggy monster” (Knapp and Kendal 1995). There are reasons of both substance and terminology for this pessimism. First, the “third sector,” often closely associated with the idea of civil society and voluntarism (see Chapter 3 by Håkon Lorentzen, this volume), is often thought of as having non-system qualities. Unlike the state and the market economy, it is something that can scarcely be subjected to detailed planning or regulated without it loosing some of its third sector qualities such as voluntary participation, value-based motivation, and independence from more institutionalized power structures. This naturally makes generalization about it trickier. Second, the term “third” itself betrays the idea of the third sector as a residual category for things that do not fit into two other “primary” and “secondary” categories – usually the state and the market. Residual categories are naturally prone to becoming loose and baggy. In practice “third sector” is used to refer to widely differing kinds of organization such as charities, nongovernmental organizations (NGOs), self-help groups, social enterprises, networks, and clubs, to name a few that do not fall into the state or market categories. In fact, a case could be made to refer to it as the “fourth sector” since communitarian groups such as clans and families and informal associations are also often excluded from the idea of a third sector (Priller and Zimmer 2001).

However, even if less rigorous theorizing makes the third sector look “loose and baggy,” the reality of the monster is rarely denied. The idea of third *sector* suggests that these entities, however diverse, together make up a coherent whole – a sector with its own distinct type of social form and practical logic. But whereas the state has “state theory” and the academic subject of public administration and

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comparative politics to theorize it, and the study of markets has its own highly prestigious scientific discipline of economics, the “third sector” remains comparatively under-theorized despite some good efforts to the contrary.

This chapter aims to present a brief overview of existing definitions and theorizations of the third sector. It divides them into two main categories. The first puts the emphasis on definitions, while the second comprises approaches that theorize. First, those who aim to define the third sector seek to understand it as a certain kind of institution (or group of actors) with specific “third sector” characteristics. These “ontological” definitions of the third sector offer differing views on what it is made up of and what is excluded from this category. This category can be subdivided into an American and a European view (though no neat geographical division exists). The former sees the third sector as a discrete sector characterized by certain qualities such as civility, whereas European theorists tend to take “the hybrid view” that views third sector organizations essentially as mixtures of other kinds of social organization such as private and public, or hierarchic and anarchic.

The second approach conceives of the third sector not as an object out there waiting to be authoritatively defined but as a kind of societal process. These “epistemological” approaches (so-called because they look at the kinds of knowledge that they depend upon) include a variety of perspectives too. A systems theory view sees the third sector as a particular form of communication between different societal systems facilitating certain activities while obstructing others. Discourse-theoretical accounts view it as a form of ordering of people and ideas (e.g., a “governmentality”). Finally, a critical communicative civil society view of it as a zone of dialogue or struggle between diverse actors and holders of institutional power.

If the former ontological approaches are interested in defining what things “are,” charting out their existence and finding methodology to uncover the truth of their being, epistemological ones tend to be concerned with how things (structures, organizations, or identities) come to be made real, defined, and authorized, and how different perspectives generate different understandings of them. Studying something epistemologically means interrogating the lenses, vocabulary, and practices it relies upon for coherence (Åkerstøm 2003). An ontological approach to the third sector assumes its existence as a singular and meaningful category, defines it as clearly as possible, and then gets on with the job of investigating what it is, how big it is, perhaps what the causal relations between it and other sectors are, and so on. This has the advantage of simplicity, facilitating the massing of empirical and statistical data. On the other hand, the risk is that one perspective among many possible is privileged. As Jenei and Kuti note, “different disciplines (economics, sociology, political sciences) have different foci on third sector organisations” (2008, p. 13). Economists focus on the non-redistribution of wealth generated, and sociologists on the value-driven motivation of the participants. We can add that different social and geographical settings tend to lead to different analytical perspectives. Laying down one definition necessarily excludes other ways in which the third sector is understood and treated. For the epistemologist the point is that all of the different takes on the third sector exist at the same time in the necessarily messy social construction of the field of the third sector. An epistemological approach would therefore focus on

how the third sector is generated, the position of observations that identify a third sector in a particular way, and what makes it possible to see such a thing in different ways.

Defining the Third Sector

Most ontological accounts of the third sector place it in relation to the state and the market. For Etzioni, who coined the term “the third sector” in 1973, in his “The third sector and domestic missions,” it was an alternative sector separate from and balancing the state and the market, themselves considered separate sectors. If something is ruled neither primarily by market logic nor via a bureaucratic chain of command, it must be part of the “third” sector. Many current operational definitions follow this basic schema. For the British government, for example, “The term is used to distinguish such organisations from the other two sectors of the economy: the public sector (‘government’) and the private sector (‘businesses’)” (NAO 2009). According to a new textbook on social enterprises, a national economy can be conceptualized as having three sectors: the public sector, a private economy, and a third sector “with organisations established by people on a voluntary basis to pursue social or community goals” (Ridley-Duff and Seanor 2008, p. 1). This view is not restricted geographically to the United States – even though it has been widely associated strongly with researchers at The Johns Hopkins University in Baltimore, Maryland (Salamon and Anheier 1997).

Theorizing the third sector in this way usually goes beyond negative stipulations of non-state and not-for-profit. Without further criteria, a purely residual category remains dependent for conceptual coherence on the primary categories they “tidy up” for. This has led people to look for defining characteristics, as in the above textbook definition which adopts the idea of voluntary recruitment and the pursuit of social or community goals. For Etzioni the third sector is characterized by value-driven action and commitment from individuals operating within it. If the state ultimately achieves compliance via coercion and sanctions (or the threat of them) and market organizations work through rewards or remuneration (or the threat of incurring costs), a “third sector” exists without either of those two mechanisms instead relying on “the manipulation of symbolic rewards and deprivations, the power of persuasion and on appeals to shared values and idealism” (Lewis 2003, p. 328). Normative appeals and communicative rationality are considered dominant. In extension of this, for Salamon and Anheier, third sector organizations share five common characteristics:

Firstly they are *organized*, i.e., they possess some institutional reality. They are *private*, i.e., institutionally separate from government. They are *non-profit-distributing*, i.e., not returning any profits generated to their owners or directors. They are *self-governing*, i.e., equipped to control their own activities. They are *voluntary*, at least in part, i.e., they involve some meaningful degree of voluntary participation, either in the actual conduct of the agency’s activities or in the management of its affairs. (Salamon and Anheier 1997, p. 9)

The first of the above criteria distinguishes third sector organizations from private or informal ones such as family or friendships (the above-mentioned “fourth sector”). The second and third represent the earlier mentioned non-state and non-market criteria. In an “American” context, this tends to mean that the organization does not allow the generation of wealth for redistribution to those who run the organization, thus excluding cooperatives or “the people’s economy” (see below). The fourth refers to independence, again implicitly from state or market actors.

The final stipulation of voluntary participation reflects the fact that the third sector has many of its roots in ideas about “civil society.” Before modern times, civil society referred to the idea of a society ruled by law as opposed to patronage or tradition. These were termed “civil societies” also with reference to virtues of citizenship associated with the rule of law and political society. Civil society was therefore at one stage closely related to the idea of the state itself and political society that governed and ordered a society. However, today the bureaucratic logic of command and control of the state and the depersonalizing force of (global) markets are considered incompatible with a rejuvenated conception of civil society that has advanced since emerging as a key concept in Eastern Europe in the 1980s and in global protests and movements during the 1990s and after the turn of the millennium (Kaldor 2003). Some of the civic virtues central to earlier conceptions live on in modern definitions such as non-violence, the pursuit of shared public interests, adherence to value-based rationality, and strong reliance on communicative power.

One example of the civil view of the third sector is that chosen by the Centre for Civil Society at the London School of Economics:

Civil society refers to the arena of uncoerced collective action around shared interests, purposes and values. In theory, its institutional forms are distinct from those of the state, family and market, though in practice, the boundaries between state, civil society, family and market are often complex, blurred and negotiated. Civil society commonly embraces a diversity of spaces, actors and institutional forms, varying in their degree of formality, autonomy and power. Civil societies are often populated by organisations such as registered charities, development non-governmental organisations, community groups, women’s organisations, faith-based organisations, professional associations, trades unions, self-help groups, social movements, business associations, coalitions and advocacy group. (Centre for Civil Society 2009)

The “uncoerced” properties imputed into civil society are particularly interesting since this associates coercion with both the state and markets. It refers not to a free-floating power-free situation but to being outside a system of hierarchic state control and freedom from a market-driven imperative to generate or keep surplus value. Third sector organizations are therefore usually considered organizations that obey the “non-distribution constraint” that exclusively allows reinvestment of profits and not their distribution among the members and/or the employees (Jenei and Kuti 2008, p. 12). “Social enterprises” – key components of a third sector – are defined as organizations or associations that explicitly exist to benefit a wider community rather than private owners and whose pursuit of profits are limited to the purpose of reinvesting to further the social aims of the organization. A greater emphasis on economic risk-taking marks these out from other kinds of third sector organizations

such as the charity or the pressure group. But the stipulation that profits must be reinvested or distributed to a wider social purpose remains.

In contrast, a “European” definition of the third sector does not envisage separate sectors. The third sector or third system is thus conceived not as a corrective add-on to the blind spots of a market economy, but as a hybrid form of various kinds of organizations such as firms, bureaucracies, and kinship associations that “act as hybrids, intermeshing different resources and connecting different areas, rather than setting clear demarcation lines around a sector and mapping its size” (Evers 1995, p. 160). The rejection of the notion of sectors “avoids creating the impression that there is a clear line of demarcation between, on the one hand, the market place, the political arena and the community and, on the other, the Third Sector” (Laville et al. 1999, p. 5). This leads among other things to an inclusion of cooperative firms and the so-called people’s economy that may be profit-seeking but are guided above all by social purpose. Organizations with strong links to (welfare) states are also included. Leaning more on this tradition, the British government’s Office of the Third Sector views it as comprising “non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives; it includes voluntary and community organizations, charities and social enterprises, cooperatives and mutuals” (NAO 2009, p. 5). Some European researchers define third sector organizations as “organisations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interests of capital investors is subject to limits” (Defourny and Nyssens 2006, p. 5, quoted in Nyssens 2008, p. 87).

These two definitions are the most common and seem to produce a large amount of agreement concerning the type of organizations that make up the third sector, and as such they form the main basis of third sector research. Nonetheless, they suffer from some weaknesses. As a residual category, the “third” sector is always one (or two) steps behind in terms of primacy. It implies that the third sector is parallel to the first two while not being their equal. Defining the third sector in relation to the market and the state (as separate or hybrid) points focus toward its functionality vis-à-vis those sectors: nongovernmental organizations fill a service gap for welfare states; the “social economy” covers for failings in the market economy. If the fourth “private” sector of family and community is included, the third sector is again conceived in terms of its functionality for “cohesion” or “the family.” This is why the third sector, despite its potentially subversive effects, is accused of being a “tamed” sector subservient to other societal forces, in particular neoliberalism (Kaldor 2002).

Theorizing the Third Sector as Process

An alternative approach is to view the third sector as a particular kind of process of interaction or communication between different sectors, usually the public and private sectors. Rather than looking for another “sector,” similar or somehow equal to the state or the economy, this approach looks at what communicative forms allow

third sector organizations – be they social enterprises, partnerships, community organizations, or pressure groups – to form and function.

One strain works on organizational identity formation and emphasizes how identities such as “social enterprise” emerge out of interaction, negotiation, and shared processes of sense-making avoiding “the danger of making a particular organizational identity appear to be essential, to be the ‘true self’ of an organization” (Clegg et al. 2007, p. 498). Similarly, focusing on process, a public–private partnership is not like a contract that can be “had,” but is a “promise to give further promises” – what Åkerstøm (2008, p. 4), using Luhmann-inspired systems theory, considers a “second order contract” designed to facilitate further forms of cooperation and interaction: “Partnerships provide an answer to the increasing differentiation of society. They link systems of communication in a way where new possible couplings are continually sought out . . . Partnerships constitute a machine of possibilities on the perimeter of multiple different systems of communication” (ibid, p. 5). In this view, third sector organizations are essentially processes of negotiation between citizens and political or economic agents. Their third sector quality lies in their viewing the world not according to the market logic of investment for-profit or a hierarchical logic of formal super- and sub-ordination, but in their ability to transgress such logics and provide identities and action possibilities while closing off others.

In a similar vein, but an overtly critical theorization of the third sector, is what I will call the “governmental” view. It has a longer pedigree and in its contemporary form tends to draw heavily on the work of Michel Foucault, suggesting that civil society and the third sector are not free of power or coercion, nor essentially dialogical, but on the contrary forms of power that to a large degree condition and constrain which actors can exist and what they can do and say. The idea of a “governmentality” described by Foucault (1978) is an interconnected system of discourse and techniques or institutions that allows certain practices to flourish and others to appear impossible, wrong, or just ludicrous. Neoliberalism has – using this concept – been viewed not as a purely economic system allowing “free individuals” to operate voluntarily in “free markets,” but as a mentality and technique of governing that creates a certain kind of individual who is self-disciplining, adapted to market competition and consumption, and subservient to the social order that this depends on (Barry et al. 1996).

In this light, the third sector is not to be taken at face value as a power-free zone of non-coerced realization of shared values where authentic human communication can take place, nor as a zone of contestation. For a governmental view, both would be naïve. Discourses and institutions of civil society such as partnerships, private associations, or guilds form part of the power technologies through which a certain kind of governance is achieved. Usually the third sector is seen as part of – or even a tool for – the dominant liberal order in Western countries and the global Western conglomerate of international organizations and global civil society. For example, Sending and Neumann (2006) have pointed out how states use NGOs to implement their policies on population control. Lipschutz (2005) argues that a global governmentality is arising, whereby the state system deploys civil society or third sector organizations to further its state aims, for example, in environmental politics.

This view is reductionist in its own way, reducing the third sector to being a tool in the hands of an impersonal discursive project that orders society. But it is an epistemological view insofar as the third sector is seen not as something timeless or generically known by a distinct logic (such as that suggested by the civil or communicative views), since social forms and logics of behavior are beasts of changing dominant discourses of society. Where the European view has the third sector as a hybrid of market and state forms of organization, and the civil view has the third sector as one of communicative rationality, the governmental view puts it under the auspices of the dominant form of power. In Western societies this is seen to be a form of neoliberal, capitalist order. Third sector organizations are recruited to implement neoliberal policies of downsizing the state, disciplining the individual and family, and oiling the wheels of the economy; but that would change as the hegemonic societal formation changed.

In a third kind of epistemological approach, the third sector can be seen as a zone of contestation. This tradition draws on the likes of the Italian theorist Antonio Gramsci, who theorized civil society as a zone in which social forces vie for dominance: hegemonic blocks sparking their own counter-hegemonic forces and vice versa (Gramsci 1971). This allows for the possible dominance of society from a particular segment of society, e.g., capital (the narrative of the governmentals), but also theorizes how change happens when other forces manage to band together and assert themselves. The third sector would, seen in this way, be a process – one of potential cooperation or conflict, depending on the social forces at work.

In a similar vein, Mary Kaldor has pointed to civil society as a process of negotiation or communicative interaction (not necessarily harmonious) between rulers and ruled, formerly in city states, then in nation states, and now in a global discourse between global governance and social movements: “Civil society could be described as those organisations, groups and movements who are engaged in this process of negotiation and debate about the character of the rules – it is the process of expressing ‘voice’” (Kaldor 2002, p. 10). In an even wider sense, “civil society is a process not an end point. Moreover, it is a contested process ... the term offers a future direction which is not dictated” (Kaldor 2003, p. 14). Civil society becomes the dialogue (dialogical in the traditional sense of negotiating or in a more antagonistic sense of, for example, a strike or a protest) or struggle between bodies or systems in a society that otherwise operate on separate planes or according to mutually incomprehensible logics.

The “third sector,” for Kaldor, denotes only one aspect of civil society, namely a relatively depoliticized part of it rather than such things as charities or NGOs that orient themselves wholly toward participation alongside state or market institutions. However, understood more broadly, a third sector process would be one in which communicative rationality – the force of the better argument – predominated over instrumental rationality and/or the force of tradition or coercion. This definition of the third sector would mean that social movements, anarchic eruptions, spontaneous protest movements, formal NGOs, cooperatives, as well as the chaos and cacophony of (global) civil society would be included – as long as they all furthered a deliberative process (verbally or symbolically).