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THE ROLE OF DIFFERENT NON-PROFIT ORGANIZATIONS AND HYBRIDS IN
THE ECOSYSTEM: A COMPARATIVE ANALYSIS OF THE ITALIAN AND
AMERICAN CASE

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Un ringraziamento speciale ai miei genitori che hanno sempre creduto in me, spronandomi a crescere e migliorare.

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*Vorrei, infine, concludere con questo messaggio: «For me, becoming isn't about arriving somewhere or achieving a certain aim. I see it instead as forward motion, a means of evolving, a way to reach continuously toward a better self. **The journey doesn't end**»*

Michelle Obama

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INTRODUCTION

The object of this thesis is the investigation of the role of non-profit organizations and hybrids in the ecosystem. A wide variety of relationships and synergies unfold between the different contributors to the improvement of the general well-being of society. The dynamics are very complex and are shaped by the welfare system, legislative regime, history, and culture of the country of origin. During this analysis, a comparison was conducted between the Italian and American situation. Very interesting and insightful information has been drawn from this line of research. The conformation and structure of the social support landscape present some differences between the two nations. Over the years, historical evolutions, social movements, and normative changes have shaped the diffusion and expansion of particular forms of support. In the thesis, two types of contributors have been investigated: non-profit organizations and hybrids. The third sector is composed of many different entities like associations, foundations, and faith-based organizations which are considered the core supporters of the state and market in the provision of social goods and services. Many inefficiencies and deficiencies are present in the welfare system, both in Italy and the United States, causing many social, environmental, and economic issues to be overlooked or underserved. Non-profits aim at filling in those gaps, addressing the broadness and multi-faceted nature of society's needs and expectations. However, the intervention of non-profits is not sufficient to meet the complete social demand, the contribution of new and innovative players is fundamental to face the challenges posed by today's ever-changing environment and context. The role of hybrids is, therefore, crucial in society. They perfectly embody the advantages of a business with the public benefit orientation of a non-profit.

Both non-profit and hybrid organizations have very peculiar and fascinating relationships with the rest of the ecosystem. In the thesis, many observations have been made about the social, economic, and political role of these organizations, highlighting very important connections and networks between a wide variety of social groups and entities. Each organizational type has a specific bond with the rest of the market, this is due to the intrinsic elements that characterize the entity's structure (like member or general public serving, profit distributing constraint or not, religious or secular, and many others). We will see how these features influence the type of persons who get involved or in contact with the organization. These peculiarities contribute to the creation of a broad, diverse, and rich social support sphere. In addition, we will analyse what type of benefits people obtain when getting actively involved in activities and initiative for the betterment of society. Some conclusions will be elaborated about the motives, finding that at times people have only pure and altruist intentions while in other circumstances they are more selfish and opportunistic under an economic and social prestige point of view. When observing the Italian and American system from the outside, it might be difficult to understand how and why the social support sector is the way it is today. Only by studying and exploring the historical evolution and the theoretical foundations will it be possible to comprehend the principles, values, and beliefs behind its development. During the analysis, we will learn how the third sector and the hybrid dimension mirror the core characteristics rooted in the heart of the two nations which have been shaped and influenced by many events and situations over time. For instance, we will investigate the way the enslavement of people of colour in the United States and the Mussolini Era and the war periods transformed the third sector and its legislations.

I have decided to conduct this analysis because I have always been strongly fascinated by the complexity and richness of the social assistance dimension. My connection with this topic began with a personal experience in my parents' sport association, and ever since I keep questioning myself on the role these organizations and other players in the social assistance sector have in our lives. I find the third sector and its later contamination with the business world very inspiring. The stories of many social entrepreneurs and organizations stimulate me to explore the different ways I can contribute positively and participate in society. Nowadays, we are living in a very complex environment which poses many challenges to people, especially the most fragile categories. The latest economic and healthcare crisis, triggered by the covid-19 pandemic, is just one of the examples of the threats the government, the private and non-profit sector need to fight against. Periods of instability and difficulty further compromise the livelihood standards of the neediest people. Minorities, women and disabled are among the most affected social groups. It is very interesting to see that, differently from other sectors, the social assistance one focuses primarily on these overlooked and marginalized categories of people. Without the intervention of non-profits and hybrids, therefore, many individuals would be deprived of important basic goods and services and further suffer from the negligence of the market and the state. Society at times forgets how relevant social support players are and how much they do for our communities and for the protection of our future. The significance of these entities is an ongoing debate among academics, researchers, jurists, and public bodies who in recent years have directed many efforts and resources toward the analysis of their conformation and role in society.

With my thesis, I want to bring light to their contributions by reorganizing the information from the current academic literature. Furthermore, my study focuses on a comparison between the Italian and American situation. This line of research aims at gathering some insights and relevant points of discussion which would not have emerged with a "traditional" approach. Present literature lacks comparisons between these two systems, most attention has been directed toward a confrontation between the different approaches adopted by European countries or on making a distinction between common and civil law states. The motivation behind the selection of the Italian and American case followed two logics. The Italian case has been studied to understand the characteristics and peculiarities of this topic in my country of origin. Every day, I get in contact with organizations operating either in the non-profit or hybrid dimension and I want to comprehend how my life is affected by them and how I can contribute to help them. In addition, I have investigated this topic under another perspective: the American one. I have chosen the United States because they are notorious trend setters, and I believe we can learn a lot from them. Many trends and new organizational forms have developed during the years in the "general public good" dimension, some have already been introduced in the Italian legislative system. What is fascinating about the American framework is the freedom with which they operate and generate new ideas, movements, and solutions. The United States are characterized by an environment of innovation and experimentation, characteristics which at times are lacking in Italy because there is a high level of structuration and formalization. This comparative line of research implements the current debate about the social assistance sector with a new and different perspective. Italy and the United States are very different countries, with few elements in common. I believe that in order to evolve and understand the effectiveness of a system, it is important to make a comparison with others, especially the ones which are very different from

you because it is from diversity that we can learn the most. A confrontation helps also to spot potential points of improvement and highlight the excellences of certain systems.

For me, it was very important to start the analysis with a focus on what the third sector is and its historical development because, to fully comprehend this topic, it is fundamental to learn where it all started and how it evolved over time. We will see how different forms of support were born in response to the needs merging from the society at that time. Many factors like crisis, wars, social movements, innovations, and normative changes have shaped the orientation, conformation, size, managerial practices, and many other elements of non-profits. New situations trigger new social, economic, and political issues; each past contribution is responsible for the social assistance sector we have today. With this study, I have tried to put the different pieces of the puzzle together to have a clear picture of what has happened and analyse today's situation with an analytical mind. History is one of the factors that mostly characterize a nation. No country is like the others because of its historical path and transformation. In addition, great focus has been posed on the particularities of the Italian and American welfare cultures. The government approach toward the support of its citizens is very different: the Italian one has been traditionally conservative while the American one liberal (we will notice, however, that this distinction is progressively becoming blurred, the two welfare systems are converging toward a three-dimensional approach: a balance between the state, the third and private sector). These differences have affected the relationship that exists between the public and third sector. The analysis explores the elements and situations which have triggered the response of non-profit organizations and hybrids. For the Italian case, the strong presence of the state led to the development of the third sector as a marginal solution to the problems overlooked and underserved by public institutions. For instance, we will see that most non-profits concentrate around the social expression dimension instead of the service provision one because the most basic and essential goods and services are already delivered by the government. On the other hand, in the United States, the lack of centralization made non-profits and hybrids core players in the social assistance scene, even substituting the role of the state in the supply of many services like healthcare, education, children and elderly care, etc. .

Other factors have been considered when addressing the core question of this thesis (what is the role played by the different non-profit organizations and hybrids in the ecosystem?): the political and economic landscape, the level and kind of participation and involvement in the society, the normative regime, and culture (for example religious concentration). In Chapter 2 and 3, I provide my contribution to find an answer to this question, constantly addressing the differences that characterize the Italian and American situation. Very interesting insights emerge from the study, bringing to light the preferred organizational forms and fields of operation of each nation. The specific relationships that unfold in the ecosystem are analysed with particular attention to the social, economic, and political dimension. It is very fascinating to see the wide diversity of motivations and objectives that push different categories of people and players in the market to get involved in non-profits or hybrids. The participation in benevolent activities is not always just a matter of pure altruism but also selfishness (social prestige, tax benefits, reputation, etc.). It is important to address this aspect because it remarks on the complex and multi-faceted nature of the social assistance sector. Throughout the analysis, some reflections and considerations have been added in order to spot possible future points of discussions and investigation. The literature

about the non-profit sector and its business contamination is rich, however, there are still many points and areas with insufficient explanation and examination.

My analysis is based on many reports and books of experts in the field and on legislation, primarily Italian and American ones. Anheier's book "*Nonprofit organizations: Theory, management, policy*" (2005) has been my source of inspiration; it helped me to structure my thesis, following a coherent path of analysis and touching on a multitude of different aspects. This paper organizes existing academic literature merging the contributions of local researchers with the ones overseas in order to make useful comparisons between systems and generate relevant points of discussion and conclusions. Researchers, over the years, have focused extensively on the protagonists of the social assistance sector (for instance, associations for Italy and foundations for the United States), partially neglecting the new emerging players and trends in the ecosystem. The scarcity of interest for these areas highlights a great need for further investigation on this topic.

The study starts with the definition of the third sector to then moves to its origin and development. In order to reconstruct the historical evolution, I have searched for information strictly related to the history of the social assistance sector as well as a pure reconstruction of fast events. For me, it has been very important to give equal importance to the outlining of the timeline of the diffusion of non-profits and hybrids and provide a contextual scenario of the situation at the time. I have put particular emphasis on events which have shaped and changed the national social, economic, and political tissue like the enslavement of people of colour in the United States and the later social movements for human and civil rights and the Mussolini Era and two World Wars faced by Italy. This approach to history aims at studying the phenomenon in its different facets, considering the external factors and pressures which have directed people's demand for social goods and services in different directions.

Then, in Chapter 2, we will explore the conformation, the role, and dynamics of the Italian and American non-profit sector. The adjective "pure" will be frequently added to the notion of non-profit organizations in order to clearly separate the two areas of the third sector: first, the one composed by entities which use their resources and earnings entirely for the betterment of society; second, hybrids which act as businesses but with benevolent goals. I constantly make references to the specific laws and norms to showcase the legal borders and boundaries of the wide variety of entities pursuing the public good. The analysis also aims at examining their social, economic, and political role in the ecosystem. This line of research helps to acquire a better understanding of the importance of non-profits for the betterment of society, not only under a service provision perspective but also in many different aspects like social involvement and participation, human and civil rights protection, environmental safeguarding, personal expression, and political emancipation. We will learn that each non-profit type holds a very unique position in the system, filling in the gaps generated by the state and the market in very different ways.

The chapter is divided into three blocks concerning the different organizational forms. First, I investigate associations which are the most diffused non-profits in the Italian system where they can embody different types: voluntary organizations, social promotion associations, sport organizations, philanthropic entities, and generic associations. They are less diffused in the United States but are still very important and useful for their framework which is formed primarily by business leagues, labour organizations, employee benefit associations, political organizations,

fraternal societies, and social clubs. Then, the analysis moves toward another very relevant organizational form: foundations. They are the core of the American third sector which (differently from the Italian one) separates them into two groups: public charities and private foundations. Foundations are also generally divided according to their structure and operational activities; they can be grant-making, operating, corporate, community, government-sponsored or government-created entities. The Italian legislative system encompasses other three additional forms: bank, opera, and participative foundations. The last non-profit form analysed in the paper is the faith-based organization (FBO). I have decided to examine this organizational form because of the strong relationship Italy and the United States have with religion. This connection shapes the conformation of the third sector which in some cases is heavily entangled with religious congregations or takes inspiration from religious beliefs and principles. In the American system, FBOs are categorized into different groups: church service agencies; ecumenical or inter-faith coalitions; direct service ministries; church-sponsored ministries; church-initiated organizations. On the other hand, in Italy, these organizations are not clearly disciplined by law, a situation which is causing some confusion and a progressive dissolvment of this form of assistance. Chapter 2 concludes with some general reflections on the relevance of these entities for Italian and American communities, underlining the differences that exist between the two contexts and the factors which shaped the expansion of the non-profit sector in diverse areas of the market (social expression or service provision driven). Detailed observations are also made about the specific organizational forms and their legal, structural, and operational characteristics and their contribution to the society.

In Chapter 3, I have extended my analysis to hybrid forms of social assistance. The phenomenon of hybridization is an ancient trend which has gained notable scientific and juridical attention only quite recently (since the 1970s), both in Italy and the United States. These organizations are called hybrids because they play at the borders of the non-profit and private sector. They used traditional business practices and techniques to reach benevolent goals; the role of revenues is therefore instrumental. Over the years, many academics and researchers have explored the meaning of these entities, leading to the formation of many different definitions and line of thoughts. The Italian and American system have taken very different approaches in dealing with these organizations. We will see that Italy tries to clearly capture and can up the phenomenon in the legislative system while the United States are still heavily experimenting the limits and boundaries of this concept. The great level of freedom possessed by Americans leave great room for innovation, a characteristic which at times is lacking in the Italian framework. Americans are responsible, for instance, for the formation of a new organizational form: benefit corporation which has also been integrated in Italian norms since 2016. The hybrid phenomenon is very fragmented and vast, for the purpose of this analysis I have decided to concrete on the most diffused and regulated organizational form: social enterprise. At the moment, this hybrid type takes up the majority of the organizations operating like businesses but pursuing general public benefit objectives. These entities have been studied following the same path of the other “pure” non-profits. So, I have started by reconstructing the legislative impositions and clarifications about the phenomenon to then move to the analysis of their role in society. Social enterprises can be established in different ways; I have dedicated particular focus to two forms: social cooperatives for Italy and benefit corporations for the United States. These examples will provide relevant insights about the evolution of this growing trend and the differences that exist between the two

systems. More investigation on this topic is needed. The “renaissance” of hybrids has not been fully explored and analysed by experts in the field, therefore many considerations and aspects are still yet to be discovered. With my thesis, I provide my contribution in the reorganization of the information available, adding some considerations and reflections emerging from the comparative line of research.

Finally, I summarise the crucial findings of this study and draw some relevant conclusions about the role non-profit and hybrid organizations have in the ecosystem. The differences that emerge from the parallel analysis of the Italian and American case are useful to broaden the considerations about the social assistance sector. As stated before, I strongly believe that in order to fully comprehend a framework and phenomenon it is essential to confront it with others, even the ones which apparently do not have anything in common. Diversity brings to light new points of view which would not have been found focusing on a “traditional” line of research. Therefore, the originality of the investigation approach is the key behind my contribution to the social assistance sector literature.

CHAPTER 1: THE MEANING AND ORIGIN OF THE NON-PROFIT SECTOR

1.1) Definition of the non-profit sector

Over the years the importance of the non-profit sector has increased sharply in many countries, nowadays the world counts approximately 10 million non-profit entities which combined together could create the 5th largest economy¹. However, there is still some confusion over the meaning of this sector and about the differences from the public and private one. The non-profit sector, also called third or independent sector, has strong ties with the other two areas of the market that should not be overlooked. In fact, many times non-profit organizations fill in the gaps generated by the first and second sector, respectively the market and the state, by supplying goods or services that are not provided enough or are difficult to access (also under an economic point of view). There are many elements which help explaining the social, economic, and political reasons of the existence of this sector that I will investigate later in my analyses.

First, I clarify the definition of the non-profit sector by considering four distinct but interconnected perspectives: legal, functional, economic, and structural-operational². When outlining the legal meaning of the third sector it is important to keep in mind that each country has its own laws and norms dedicated at regulating the non-profit organizations in all of its aspects and natures (wide range of entities from charities to NGOs, voluntary organizations and many others). So, there might be some peculiarities and variations according to which part of the globe is the organization operating in, in terms of: the degree of tax exemptions; favourable regulations; organization's donations and service fees deductibility; the way of conducting activities. In Italy, for instance, Article 4 comma 1 of *Codice del Terzo Settore* lists the organizations considered operating in the non-profit sector such as voluntary organization, social promotion association, philanthropic entities, social enterprises, social cooperatives, and many others³. In addition, the article underlines the non-profit oriented nature of such entities which benefit the society or part of it though their social, civic and solidarity aims. Other considerations are also made throughout the code in terms of the ways of constituting and managing these organizations. Additional norms are also contained in the *Codice Civile*, from Article 12 to 42 (disciplining associations, foundations, and committees) and some special laws directed at regulating the *ODV (Organizzazioni Di Volontariato: voluntary organizations)*, *ASD (Associazione Sportiva Dilettantistica: amatorial sport association)* and *APS (Associazione di Promozione Sociale: social promotion association)*.

On the other hand, the USA has a very different legislative framework from Italy because organizations need to comply with general rules imposed by the Congress, the state and local bodies. So, third sector entities will be regulated by federal laws such as the Internal Revenue Code which, as the *Codice del Terzo Settore* does, catalogues them from charitable, social welfare organizations, to cooperatives and expresses their main aims as publicly benefiting the society⁴. In

¹ Conrardy, A. (2020, January 27). *2020 Nonprofit Stats: A Few Things That Might Surprise You About the Nonprofit Sector*. Prosper Strategies. <https://prosper-strategies.com/2020-nonprofit-stats/>

² Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

³ Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128), D.Lgs. 117, 3 July 2017

⁴ Internal revenue code, Public Laws 116-260, 16 August 1954, ch. 736, 68A Stat. 3

addition, there are state laws (like Revised Model Non-Profit Corporation Act, 1986 or Uniform Unincorporated Non-Profit Association Act) and local laws. So, there might be some differences in the local regulation and management of entities.

By looking at the non-profit sector under functional lenses, the focus shifts on the types of goals and on the organizational orientation toward public interest or purpose. For common law countries we can take as reference base the Charity Commission of England and Wales guidance which studies the concept of public benefit in connection with the definition of charitable organization (defined by the Charities Act as an organization with the 'public benefit requirement')⁵. The notion is divided into two, first the word: benefit which refers to the non-harmful nature of the organization's purpose and the second: public (as a whole or a portion of it) which underlines toward whom the benefit is directed. The England's Statute of Charitable Uses also lists the different categories that satisfy the requirements for a public benefiting charity: prevention and relief of poverty; advancement of education, religion, and health; social and community advancement; advancement of culture, arts, heritage, and amateur sport; promotion of human rights; conflict resolution and reconciliation; advancement of environmental protection and improvement and other purposes beneficial to the community⁶.

On the other hand, if we analyse the meaning of public benefit according to civil law regimes countries like Italy, mostly based on Civil Code regulations, the stress is posed more on the tax behaviour (exemptions) which allows to distinguish organizations according to fiscal terms. By looking at the Article 5 comma 1 of the *Codice del Terzo Settore (Attività di interesse generale)*, a list of the entities engaging in public benefit activities is proposed: social services, health-care performances, education, professional development, environmental protection, and many more. Furthermore, two important concepts related to the public benefit nature can be taken from the German tax code. First, selflessness which refers to altruistic conduct of non-profit entities (non-profit distributing condition) and second, exclusiveness related to the sole focus on benefiting the society which allows non-profits to distinguish themselves from the status of commercial⁷.

Another perspective to define the independent sector is the economic one which concentrates its attention on the distinctive economic and financial traits of non-profit organizations. As described in Article 8 of *Codice del terzo Settore (Destinazione del patrimonio ed assenza di scopo di lucro)* and by other guidelines like the System of National Accounts and European System of Accounts, non-profits, differently from private businesses, do not to distribute the income generated through the sale of good and services or other means among its members, owners, founders, or governing board. They must reinvest it to fulfil their virtuous goals. The non-profit distributing constraint is the central feature of the economic definition, however other considerations can be made on the revenue structure of the organization such as the pricing strategy. In fact, notoriously non-profit organizations charge for goods and services at a much lower price than the market or even provide it for free.

⁵ The Charity Commission (2013, September 16). *Guidance: Public benefit: the public benefit requirement (PB1)*. GOV UK. <https://www.gov.uk/government/publications/public-benefit-the-public-benefit-requirement-pb1/public-benefit-the-public-benefit-requirement>

⁶ Charities Act 2006, Bill 83, 9 November 2005

⁷ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

The final way to study the third sector is based on Salamon and Anheier analysis (1992) on the structural and operational characteristics requirements for non-profits. According to the two scholars, five critical features are needed⁸. Being organized is the first condition to be considered a formal entity meaning that it needs to have procedure, rules, and norms of conduct to respect and define the borders of its activities. This, however, does not necessarily mean that to be a non-profit organization you need to have a legal personality. Then, the organization needs to be private and self-governing, so separate from the public apparatus and in control over its activities and mainly independence from others. The fourth characteristic is one that we have largely talked about: the non-profit distributing nature and finally the last point stresses the importance of the voluntary component inside these types of organizations. There are two ways to look at this last feature from the degree of voluntary participation in the operation and management and voluntary contributions or as non-compulsory nature.

In conclusion, all definitions are equally relevant to understand the meaning and boundaries of the non-profit organizations in a complete way. When studying this field, it is fundamental to recognize that some countries in the world are less regulated than others, for instance many African countries, and so the way in which organizations are defined, managed, and controlled may vary consistently. Therefore, legal regimes are fundamental to understand the organizational framework at the national level. While the functional and economic perspective gives us important insights on the practical dimension and on the limits and possibilities available to such entities. They outline the boundaries inside which non-profits can operate, separating them clearly from private companies and public bodies. Then, the structural-operational definition highlights critical considerations such as the voluntary component and the self-governing nature that allows to complete and precisely clarify what the non-profit sector is. This perspective, differently from the legal one, allows for comparison among sectors and nations.

1.2) The origins of the non-profit sector

Conducting a theoretical analysis on the meaning of the third sector is fundamental, however we should also consider the historical background and the evolutions that lead to its origin. Before examining the events and situations that created this new sector is important to understand that the framework which regulates non-profit organizations is dependent on institutions. They can be viewed as laws, established practices and rules that manage relations and interactions among organizations⁹. These rules of the game are influenced by the entities themselves and by contextual and historical peculiarities of the moment. Therefore, we should not overlook the historical component because it allows us to better comprehend the steps of the expansion of this sector and the way in which it was able to intersect the needs of the current society. In addition, we can gain some insights on why non-profit organizations act in a certain way and which are the possible future changes and trends that the sector will follow.

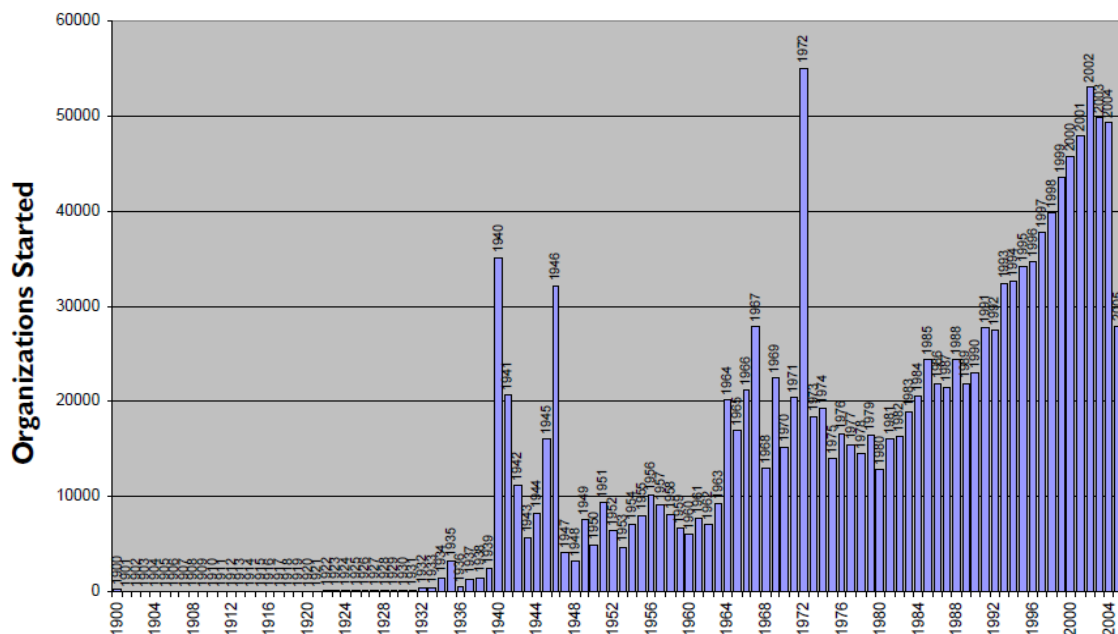
Before diving into the particularity of the Italian and US historical evolution of the third sector, I want to highlight the ideological and relational shift that occurred between the non-profits, society and the state and make a brief excursus of the global situation. The foundation of the third

⁸ Salamon, L. M., Anheier, H. K. (1992). In Search of the Nonprofit Sector I: The Question of Definitions. *Voluntas*, 3(2), 125–51. <https://link.springer.com/article/10.1007/BF01397770>

⁹Fagerberg, J., Mowery, D.C., Nelson, R.R. (2004). *The Oxford Handbook of Innovation*. Oxford University Press

sector for many countries is connected with the church, the government and the activity of helping the most fragile parts of the community¹⁰. When this type of solidarity activities started to emerge, however, people heavily stigmatized those who used the support. An evident example of that is the Poor Law legislation issued in 1601 by the British Parliament under the Elizabeth I Kingdom. This law gave churches the possibility to collect money to donate to the ones in need and create a fund for disabled people¹¹. Even if it might seem like this legislation was only aiming at supporting the fragile people, in reality it was also used to control them and maintain public order. Poverty, in fact, was looked at as “personal fault” of the individual only resolvable through the integration into a workplace setting. Communities’ initial mindset was obviously overlooking the issue of inappropriate remuneration that led people to pure poverty, there is a fundamental difference between being poor or unemployed.

In recent years, however, the relevance and social legitimation of non-profit organizations has been finally recognized publicly all over the world, in fact this sector represents a substantial portion of the market ecosystem. Even if a precise global overview is difficult to obtain due to intrinsic national differences in terms of legislation and organizational framework, we can affirm that in both parts of the hemisphere a sudden growth of the third sector started to emerge in the 1960s, where the presence of new non-profits per year was estimated around 20,000, number that saw a rise of 40% by the 1990s¹². Lester M. Salamon (1994) defined this period as the “association revolution”, Italy is a perfect example of this boom where the total amount of non-profit entities increased from 28,910 in 1981 to 127,368 between 1982 and 2003¹³. Figure 1. shows the continuous growth progression of the independent sector with some setbacks during periods of war and economic unrest.



¹⁰ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

¹¹ Treccani (2012). *Poor Law*. https://www.treccani.it/enciclopedia/poor-law_%28Dizionario-di-Economia-e-Finanza%29/

¹² Jones, M.L. (2006). The Growth of Nonprofits. *Bridgewater Review*, 25 (1), Article 8. <https://core.ac.uk/download/pdf/48825696.pdf>

¹³ Istat (2020). *Struttura e profili del settore non profit*. <https://www.istat.it/it/archivio/248321>

Figure1. Source: *The Growth of Nonprofits. Bridgewater Review, 25 (1), Article 8.*

<https://core.ac.uk/download/pdf/48825696.pdf>

The drivers that are considered responsible for emergence of the new sector are: the increasing number of private initiatives with the desire of helping and improving society, phenomenon that was possible thanks to the fall of many communist regimes and the movement toward a more democratic society; the public and private institutions pushing for a broader involvement of non-profit organizations in the provision of social goods and services; governmental policies that sustain the legislative progression and diffusion of the new discipline¹⁴. The enlargement of the third sector scale and scope have had consequent implications on the welfare culture which, for many countries, shifted from a highly centralized role of state to a three-dimensional balance between the public, private, and non-profit sector. In addition, it is important to highlight that over the last 60 years many improvements have been done in the formalization and theorization of this discipline characterized by different forms and areas of operation.

In conclusion, when analysing the non-profit sector is important to understand the way it evolved to respond to the society and system needs and the normative and managerial repercussions it had. Now we will focus our attention on two relevant cases that will provide us with a better understanding of the complex and volatile nature of this discipline and gain important insight on the synergies with the rest of the ecosystem. The Italian and American non-profit sectors examples have both strong roots in history and their evolution has been characterized by many changes and events that in some cases have created incentives to growth while in other obstacles.

1.2.1) Italy case

Each country has its own peculiar historical path and evolution that should be closely analysed to understand the reasons behind unique features in the legislative framework, organizational forms and nature and the relations between them and the rest of the society.

The origins of the third sector in Italy can be dated back to the Medieval Era (476-1492) when church-based entities were helping the ones in need, especially poor and hill people, and orphans¹⁵. One of the first Italian legislative encounters with solidarity and charitable entities was during the Vittorio Amedeo II (1666-1732) Era when he was the Duke of Savoy, King of Sicily, and Sardinia¹⁶. He aimed at controlling the growing phenomenon of poverty and urban marginalization through the creation of Charity Congregations (*Congregazioni di carità*, 1716-1717) which were directly controlled by its Kingdom¹⁷. They were public institutions of assistance managed on a local level by prominent persons and controlled by the state. The word public refers to the openness of

¹⁴ Salamon, L. M. (1994). The rise of the nonprofit sector. *Foreign Affairs*, 73(3), 111-124.

<https://www.foreignaffairs.com/articles/1994-07-01/rise-nonprofit-sector>

¹⁵ Di Paolo, P. (2016). L'evoluzione storica del Terzo Settore: nascita e progressiva affermazione - Prima Parte. *Lavoro@Confronto*, 15. <http://www.lavoro-confronto.it/archivio/numero-15/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-prima-parte>

¹⁶ Morandi, C. (1937). *VITTORIO AMEDEO II duca di Savoia, re di Sicilia, re di Sardegna*, Treccani.

https://www.treccani.it/enciclopedia/vittorioamedeoiiiducadisavoiairedisiciliaredisardegna_%28Enciclopedia-Italiana%29/

¹⁷ Dardanella, P. (2018). Cultura, arte e società al tempo di Juarra. In Lurgo, E. (Eds.), *La riforma della carità sotto Vittorio Amedeo II e l'inchiesta sui luoghi pii nel Piemonte sabaudo* (p. 175-213). Olschki.

these entities towards everyone. This social reform was possible thanks also to the contribution of André Guevarre essay «*La mendicizia sbandita col sovvenimento de' poveri...*» (1717), which provided guidelines to eliminate extreme poverty in order to support but at the same time control the “dangerous class”¹⁸. Charity Hospitals (*Ospedale della Carità*) were established to solve this problem. Once the person was brought into the hospital, his or her collocation was decided, some were institutionalized while others were incarcerated or even sent back home. With this system people regardless of their real situation (really poor people, swindlers, invalid, ill, etc.) were separated from the rest of the society in order to maintain ‘the public order’. This approach shows, as mentioned before, that society and political power were viewing needy people as personally responsible for their situations, clearly not considering all the intrinsic and related issues. In addition, a movement against solidarity interventions started to emerge among Italian economists like Melchiorre Gioia (1767-1829) and Domenico Romagnosi (1761-1835)¹⁹. They believed that excessive support would lead to laziness and the increase of social programmes’ expenditure would have not a corresponding decrease in poverty. They advocated work as the main vehicle to escape poor life conditions. A different view was sustained by Carlo Ilarione Petitti (1790-1850) which considered the social involvement of the state as mandatory to support and at same time protect its citizens. Regardless of critics or supporters of the new social assistance framework, Vittorio Amadeo II contribution to the non-profit sector history is undeniable. He was the first to formalize a hierarchical structure of support, even if in a rough state, and create a basis for further investigation on the emerging concept of welfare and gave legitimacy to the origination of a third sector.

The further definition and organization of assistance plans became a heavily pressing issue for the social fabric of the late XVIII century, characterized by the Industrial Revolution pioneered by Great Britain, which experienced an increase in social and economic inequalities²⁰. This situation brought to the light the need for more interventions especially on the educational, healthcare and aid field. This period, in fact, was marked out by an increase of relevance of the welfare culture that led to the further affirmation of the third sector. A formalized support structure emerged with the establishment, all over the Italian territory, of the *Opere Pie* (Gran Legge n. 753/1862) which were based on the Charitable Congregations (composed by “*case d’industria*” devoted at helping poor people and “*case di ricovero*” directed at assisting ill and invalid persons)²¹. This legislation represented an important milestone for the creation of the non-profit sector discipline because it allowed to unify the Italian regulation around private benevolent activities separating them from the efforts of the state. By doing so, the government unburdened the public expenses while at the same time keeping the control over benevolent practices. However, this legislation was not able to fully achieve its aim because public bodies failed to properly control these social assistance entities that were facing several administrative and organizational problems²².

¹⁸ Contromaelstrom (2013). *Poveri come “classi pericolose” fin dal...*

<https://contromaelstrom.com/2013/06/07/poveri-come-classi-pericolose-fin-dal/>

¹⁹ Di Paolo, P. (2016). L’evoluzione storica del Terzo Settore: nascita e progressiva affermazione - Prima Parte.

Lavoro@Confronto, 15. <http://www.lavoro-confronto.it/archivio/numero-15/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-prima-parte>

²⁰ Augustyn, A. (2020). *Industrial Revolution*, Britannica. <https://www.britannica.com/event/Industrial-Revolution>

²¹ *Opere Pie*, R.D. 1007, 27 November 1862

²² Venditti, P.S. (2019). *Il Terzo Settore in Italia* [Master’s thesis, Libera Università Internazionale degli Studi Sociali Guido Carli]. Tesi LUISS. http://tesi.luiss.it/26795/1/634292_VENDITTI_PAOLO%20SILVANO.pdf

In addition, a fragmentation in the Italian territory emerged highlighting relevant discrepancies among resource availability and initiatives. The Piemonte area, for instance, was viewed as a role model for tackling these issues obtaining even the nickname of “glorious charitable Piemonte” (*Glorioso Piemonte della carità*) while other regions mostly in the south struggled to reach northern levels²³. In those years, in fact a new form of assistance emerged in Pinerolo (Piemonte region) in 1848: the Mutual Aid Society (*Legge Bertì*)²⁴. It is a labour association of self-support between individuals of the same working class which aimed at sharing work risks in order to better their livelihoods and protect themselves and their families from ‘dangers’ like death, illness, invalidity, or old age. Another important feature was the explicit non-profit distributing nature among members (Article 2, *Legge Bertì*). This form quickly acquired importance all over Italy especially on the northern area with the formation of different initiatives like the General Association of Mutual Aid Society for Female Workers in Turin (*Associazione Generale di Mutuo Soccorso delle Operaie di Torino*) or Savings Banks (*Casse di risparmio*)²⁵. This allowed for the affirmation of the role of regions like Piemonte, Liguria, Lombardy, and Veneto as forefronts of the evolution of the non-profit sector.

Mutual aid societies’ growth, however, was limited by intrinsic legislative, administrative, and organizational problems and by the fact that only a few wealthy individuals were able to be part of such organizations, leaving out a big portion of the working class and creating funding issues. Another emerging form to take into consideration is the ‘Cooperative’. The first consumption cooperative was again a proof of the virtuousness of the Piemonte region which saw its origin in Turin in 1854 with the General Association of Workers (*Associazione Generale degli Operai*). These entities could be catalogued into 6 areas related to: food products («*Cooperative che vendevano generi alimentari al pubblico*»), economic and philanthropic purposes («*Cooperative nate dal mutuo soccorso*»), consumption and work («*Cooperative che riunivano la duplice funzione di consumo e lavoro*»), different individuals’ categories («*Cooperative di categoria*»), church («*Cooperative nate da sodalizi cattolici*») and gathering centres («*Cooperative rurali*»)²⁶. At the time, they became a point of reference especially for the fight against unemployment and usury. Other important forms to consider are the Cooperative Consortium (*Consozi fra Cooperative*) and the National Institution of Credit for the Cooperative (*Istituto nazionale di credito per la cooperazione*, 1913) which at the beginning of the XX century started to acquire increasing importance²⁷. Cooperatives with the years have progressively become one of the pillars of the Italian non-profit sector, in fact, in 2019 there were 59,027 cooperatives which counted for 1.3%

²³ Di Paolo, P. (2016) L’evoluzione storica del Terzo Settore: nascita e progressiva affermazione - Prima Parte. *Lavoro@Confronto*, 15. <http://www.lavoro-confronto.it/archivio/numero-15/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-prima-parte>

²⁴ Costituzione legale delle società di mutuo soccorso, L. 3818, 15 April 1886

²⁵ Di Paolo, P. (2016). L’evoluzione storica del Terzo Settore: nascita e progressiva affermazione – Seconda Parte. *Lavoro@Confronto*, 16. <http://www.lavoro-confronto.it/archivio/numero-16/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-seconda-parte>

²⁶ Venditti, P.S. (2019). *Il Terzo Settore in Italia* [Master’s thesis, Libera Università Internazionale degli Studi Sociali Guido Carli]. Tesi LUISS. http://tesi.luiss.it/26795/1/634292_VENDITTI_PAOLO%20SILVANO.pdf

²⁷ Lorenzoni, G., Lama, E., Vuoli, R. (1931). *Cooperazione*, Treccani. https://www.treccani.it/enciclopedia/cooperazione_%28Enciclopedia-Italiana%29/

of all active organizations²⁸. The social legislative framework, however, was further changed by the introduction of *Legge Crispi* which imposed private and ecclesiastic aid entities to become public (*Istituzioni pubbliche di beneficenza*), excluded from this transformation were only assistance committees (*Comitati di Soccorso*) and private foundations (*Fondazioni private*)²⁹. At the time, this law sharply reduced the scope of the non-profit sector giving large control to the State which assumed a more central role on the national welfare and reduced the associating freedom of private individuals. This structure remained in place until the law n. 328/2000 (*Legge Quadro per la realizzazione del sistema integrato di interventi e servizi sociali*) was introduced.

The XX century played a critical role in the determination and theorization of the non-profit sector; however, it was also characterized by relevant historical events that impeded its growth and proliferation. In 1919, the Fascist political movement of Benito Mussolini (1883-1945) started to expand in Italy³⁰. During this period “*Squadrisimo*” which was a political and social organization using violence and intimidation as ways of persuasion toward the public, was using local entities (many time cooperatives and associations) as base for the coercive affirmation of their ideologies³¹. The Fascist Period (1922-1943) was characterized by a transformation of non-profit entities to publicly organized and controlled ones by the National Institution of Welfare (*Istituto Nazionale di Previdenza Sociale*) with the goal of diffusing political and economic believes and oppress opponents³². The Prefects were appointed with the coordinative and control power of the local welfare system. This shift was supported by legislative changes that oppressed even further private associative freedom leading the administration to acquire a totalitarian control over the whole territorial assistance structure. Some of the most influential public associations of the time were: “*Figli della lupa*” and “*Opera Nazionale Balilla*”. More freedom, on the other hand, was later given to churches though the law n.1187/1926 which for example granted them the possibility to manage Charity Congregations³³. Furthermore, with the establishment of *Patti Lateranensi* (law n. 810/1929) a clear separation between the welfare role of the state and the church was defined. The church kept the freedom of management and organization of activities in support of needy people (hill, elderly, invalid, etc.) while the government had the control of national associations directed at helping, but at the same time closely control, workers, young children and other portions of society that were or could become strong allies for the regime³⁴.

²⁸ Riva, P. (2019, April 25). *L'Italia e il traino delle cooperative, Le cooperative sono quasi 60mila in Italia, da sole danno lavoro al 7% dei dipendenti privati. Il Rapporto Istat-Euricse: sono le uniche realtà a crescere negli anni della crisi.* Stefano Granata (*Federsolidarietà*): «Ma adesso serve un passo avanti», Corriere della Sera. <https://www.corriere.it/buone-notizie/19-aprile-25/quanto-siamo-cooperattivi-11f214d4-6699-11e9-b785-26fa269d7173.shtml>

²⁹ Norme sulle istituzioni pubbliche di assistenza e beneficenza, L. 6972, 17 July 1890

³⁰ Treccani (2010). *Fascismo*. https://www.treccani.it/enciclopedia/fascismo_%28Dizionario-di-Storia%29/

³¹ Treccani, (2011). *Squadrisimo*. https://www.treccani.it/enciclopedia/squadrisimo_%28Dizionario-di-Storia%29/

³² Di Paolo, P. (2016). L'evoluzione storica del Terzo Settore: nascita e progressiva affermazione – Seconda Parte. *Lavoro@Confronto*, 16. <http://www.lavoro-confronto.it/archivio/numero-16/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-seconda-parte>

³³ Riforma dei regi decreti 30 dicembre 1923, numeri 2841 e 3048, sulle istituzioni pubbliche di assistenza e beneficenza, L. 1187, 17 June 1926

³⁴ Rossi, E., Zamagnini, S. (2011). Terzo settore nell'Italia unita. In Addis, P., Ferioli, E., Vivaldi, E. (Eds.), *Il terzo settore nella disciplina normativa italiana dall'Unità ad oggi* (p.129-222). Il Mulino

With the fall of the Fascist movement and the death of “il Duce” (28/04/1945), Italy started to gain back its freedom on a political, associative, and personal level. A flourishing era of diffused wellbeing characterized the Italian post-war welfare system which invested heavily on creating employment and fostering a growing economy. Relevant social initiatives were for example the implementation of a more structured and diverse retirement system, the utilization of “*Casse Mutue*” for the provision of healthcare assistance depending on the type of occupation and many other particular monetary aids. On a legislative point of view, “*Statuto Albertino*” was substituted by a new normative framework established by the Constituent Assembly: the Constitution (22/12/1947) which became active on the first of January of 1948. This normative shift allowed for some important clarifications on the third sector discipline to be made. First of all, Article 2 outlines as fundamental principle the *social pluralism* which refers to the recognition and safeguard of inalienable human rights on an individual as well as social configuration level (for example the right of association). Another crucial contribution is made by Article 38 which clearly defines the social welfare system by stating «Ogni cittadino inabile al lavoro e sprovvisto dei mezzi necessari per vivere ha diritto al mantenimento e all'assistenza sociale». This statement provides a radical change in the way in which needy persons are viewed and treated. A real understanding of the complexity of the social and economic issues that lead to precarity allowed society and political power to recognize the importance and value in providing support to categories of individuals which need help to simply survive or improve their wellbeing above a decent level. In this way, fragile groups are not viewed anymore as a marginal part of society that need to be separated from the rest but as human beings which must be better integrated through the provision of support levels that are acceptable for modern society standards. Furthermore, Article 38 defines the workers’ right of assistance in case of incidents, illness, invalidity, old age, and involuntary unemployment. Finally, it concludes by restoring to individuals the complete freedom of private association which leads to the creation of different forms of organizations that contribute to help society or part of it in parallel with the state activities. As mentioned before, however, these principles and rules were implemented only later with the law n. 328/2000. The second half of XX century was also characterized by a definition of the local welfare system by regional bodies which started to fully recognize the active role of non-profit organizations in bridging the gap in the supply of support goods and services from the state³⁵.

During the 80s and 90s, the state was experiencing a structural crisis of the welfare system which led to a progressive downsizing of the social intervention from the government in favour of more space for private initiatives³⁶. In fact, these years are viewed as the epicentre of the evolution and arrangement of the non-profit sector. To better understand the transition toward a less state centric welfare culture, it is important to highlight that at the time Italy was coming out of 70s oil crisis triggered by the Kippur War, which was characterized by the saturation of the market, a decrease in profits, high inflation, and a consequent surge of the public expenditure to sustain the society needs and the economic growth³⁷. In fact, the 90s were marked out as a period of raising

³⁵ Di Paolo, P. (2016). L'evoluzione storica del Terzo Settore: nascita e progressiva affermazione – Terza Parte. *Lavoro@Confronto*, 17. <http://www.lavoro-confronto.it/archivio/numero-17/evoluzione-storica-del-terzo-settore-nascita-e-progressiva-affermazione-terza-parte>

³⁶ Rossi, E., Zamagnill, S. (2011). Terzo settore nell'Italia unita. In Addis, P., Ferioli, E., Vivaldi, E. (Eds.), *Il terzo settore nella disciplina normativa italiana dall'Unità ad oggi* (p.129-222). Il Mulino

³⁷ Padoan, P.C. (1992). *ECONOMIA INTERNAZIONALE*, Treccani. https://www.treccani.it/enciclopedia/economia-internazionale_%28Enciclopedia-Italiana%29/

taxes without a corresponding improvement and provision of goods and services by the state³⁸. During these years, also a relevant enlargement of social and economic disparities among the social fabric emerged highlighting the urgency for a change in the current framework, the necessity of an intervention from the third sector became undisputable. The government started to create more social policies that increased the scale and scope of the non-profit activities and at the same time reduced its involvement and spending in the welfare system by adopting a process of modernization inspired by New Public Management which adopted a less bureaucratized framework and a more transparent and business-like mentality leading to view citizens more as customers³⁹. In addition, this new model allowed for the production and delivery of social assistance goods and services not only by the state but also by private and non-profit organizations. In conclusion, the late XX century marked the end of the monopoly of public authority by delegating relevant competences to other non-governmental bodies: the welfare mix was born.

The corresponding legislative response was a series of new special laws disciplining non-profit entities that for a long-time have been part of the Italian culture but since then were not interested by a formal framework, they are voluntary (*Organizzazioni di volontariato*) and non-governmental organizations (*Organizzazioni non governative, ONG*) as well as social cooperatives (*Cooperative sociali*)⁴⁰. These entities are characterized by different legislative peculiarities, but they have in common the non-profit disturbing nature and the public benefit orientation. Non-governmental organizations as the name suggests are entities that do not have a political nature and are only focused on safeguarding fundamental human rights and promoting solidarity among nations⁴¹. In the Article 1 of the law n.49/1987 are listed the possible areas of intervention of development cooperatives (*Cooperazioni allo Sviluppo*): primary needs; food self-sufficiency; social, cultural, and economic development; environmental protection; gender equality and many other issues⁴². Since they play a crucial role for international development, they must be formally acknowledged by the Ministry of Foreign Affairs and by other international bodies like the European Union or the United Nations.

On the other hand, voluntary organizations started to be formally recognized only few years later with the law n.266/1991 which defines them as the expression of participation, solidarity, and pluralism⁴³. Article 1 also affirms that these social, civil, and cultural purpose centred entities are independent from the governmental bodies, even if they may receive public funding. Therefore, they are free from any economic, political, or institutional influence which allows their activities not to be constrained by the need of specific professional competences and just focus on satisfying the needs of fragile portions of society. In addition, Article 2 defines some important

³⁸ Affuso, A., Valentina, B. (2014). *La spesa pubblica in Italia prima e dopo la crisi* [Working paper, Università degli studi di Parma]. Università degli studi di Parma. http://www.swrwebeco.unipr.it/RePEc/pdf/l_2014-01.pdf

³⁹ Caselli, D. (2020). Did You Say "Social Impact"? Welfare Transformations, Networks of Expertise, and the Financialization of Italian Welfare. *Historical Social Research / Historische Sozialforschung*, 45 (3), 140-160. <https://www.jstor.org/stable/26918408>

⁴⁰ Rossi, E., Zamagnill, S. (2011). Terzo settore nell'Italia unita. In Addis, P., Ferioli, E., Vivaldi, E. (Eds.), *Il terzo settore nella disciplina normativa italiana dall'Unità ad oggi* (p.129-222). Il Mulino

⁴¹ Italia Non Profit (n.d.). *Ong – Organizzazioni non governative*. <https://italianonprofit.it/risorse/definizioni/ong-organizzazioni-non-governative/>

⁴² Nuova disciplina della cooperazione dell'Italia con i Paesi in via di sviluppo, L. 49, 26 February 1987

⁴³ Legge-quadro sul volontariato, L. 266, 11 August 1991

features of voluntary activities: the personal, spontaneous, and free nature; the prohibition to be compensated for these initiatives; the non-compatible role of the volunteer with any other form of paid employment by the organization. Finally, only a few months later the law n.381/1991 disciplining Social Cooperatives became active⁴⁴. Article 1 defines the role of these entities as promoters of public benefits and social integration by the management of social, healthcare and education services. In addition, they focus on different activities directed at integrating disadvantaged people (invalid, drug addicts, people with mental illnesses, etc.) in the workplace. Many times, social cooperatives are founded by the relatives of the members to sustain their wellbeing and fill the gaps generated by the state. This law represented an important evolution for the cooperative's discipline because it enlarged its purposes from an internal (for members) benefit to also an external one (community)⁴⁵. This new legislative framework was further enlarged by the Degree n.460/1997 which created the discipline of "Onlus" (*Organizzazione Non Lucrativa di Utilità Sociale*)⁴⁶. These entities can assume different forms like association, committee, foundation, social cooperative, or other private organizations (NGOs or Voluntary Organizations). Furthermore, Article 10 clearly delineates their functional scope through the definition of eleven areas of intervention: social and public health assistance; healthcare assistance; voluntary activities; education; professional development; amatorial sport; protection, promotion, and valorisation of artistic and historical heritage; protection and valorisation of nature and the environment; promotion of art and culture; civil rights protection; scientific research. The organizations that fall under these requirements have the benefit of obtaining different kinds of aids, fiscal reliefs, and administrative facilitations, while at the same time respecting the non-profit distributing constraint.

With the new millennium, the law n.328/2000 and n.3/2001 finally explicated the formulation of the new welfare system based on pluralism and on the vertical (public bodies: region, province, and district) as well as horizontal (non-profit entities and others) principle of subsidiary⁴⁷. Therefore, equal importance was given to the third sector in the provision of social goods and services and in the planning, management and revisioning of social policies. In the following year, the Third Sector Agency was established to guide, promote, monitor, and control these entities in the Italian territory, however this body was later dissolved by the Degree n.16/2012 which redirected its functions to the Ministry of Labour and Social Policies⁴⁸. The role of control will be further clarified, a few years later, in Article 7 of the Third Sector Reform which will also define other Ministries, Third Sector National Council (CNTS), the Department of Civil Protection and the Income Revenue Authority as close collaborators. Thanks to the above-mentioned legislative reformulations and to the increase of awareness about pressing social issues, the welfare culture was progressively moving toward a "welfare society" where all components of the system (public,

⁴⁴ Disciplina delle cooperative sociali, L. 381, 8 November 1991

⁴⁵ Aliberti, S. (2016). Oltre il Mercato e diversi dallo Stato. Terzo settore e impresa sociale. *Culture e Studi del Sociale*, 1(2), 139-155. <http://www.cussoc.it/index.php/journal/issue/view/3>

⁴⁶ Riordino della disciplina tributaria degli enti non commerciali e delle organizzazioni non lucrative di utilità sociale, D.Lgs. 460, 4 December 1997

⁴⁷ Aliberti, S. (2019). Il principio di solidarietà alla luce della Riforma del Terzo settore. *Culture e Studi del Sociale*, 4(2), 253-259. <http://www.cussoc.it/index.php/journal/issue/view/9>

⁴⁸ Disposizioni urgenti in materia di semplificazioni tributarie, di efficientamento e potenziamento delle procedure di accertamento, D.L. 16, 2 March 2012

private and non-profit) play an active role in the supply of social support⁴⁹. Among businesses, the phenomenon of Corporate Social Responsibility encouraged a further contribution of the private sector in fight of many environmental, social, and governance (ESG) issues like climate protection, gender equality, social integration, and ethical business practices⁵⁰.

Another important normative input to mention is the law n.383/2000 which conclusively regulated the social promotion associations, typical of the XVIII century⁵¹. The goal of these entities is more circumscribed than the one of voluntary organizations, it specifically aims at supporting its members in a path of growth and improvement in the social, civic, cultural, spiritual, and moral quest dimension. With the years, the Italian welfare culture continuously moved toward a three dimensionality, even slightly overshadowing the role of state which was employing an expense-reduction strategy⁵². This cost-cutting behaviour was partially triggered by the impositions of the Maastricht Treaty (1992) which forces the public debt to remain below the 60% of the GDP and the public deficit to be under the 3% of the GDP. The undersupply of certain social goods and services by state have been filled for a big extent by third sector organizations whose incidence has grown from 5.8% in 2001 to 8.2% in 2018 counting for 359,574 active entities in the Italian territory⁵³.

With the Third Sector Reform initiated by the Matteo Renzi Government in 2014, a complete legislative structure was finally given to this important portion of the economic-social system⁵⁴. This reform resulted in the issuance by the government of a revision of the discipline of Title II of Book I of the Civil Code related to non-profit entities and in some degrees in the matter of the organization and review of the special law in the third sector discipline (Decree n.117/2017)⁵⁵, the regulation in the field of social enterprise (Decree n.112/2017)⁵⁶ and national civil service (Decree n.40/2017)⁵⁷. Article 1 gives a final definition of the entities which fall inside the third sector category, their core characteristics are: private and non-profit distributing nature; public benefit orientation; promotion and fulfilment of activities on a voluntary and free or mutuality basis or through the production and exchange of goods and services. This article underlines the central importance of the horizontal principle of subsidiarity and of the transparency in the organization and financing of these organizations. In addition, in Article 5 and 6 relevant guidelines are given for the issuance of the decrees disciplining the Third Sector Entities (*Enti del Terzo Settore, ETS*)

⁴⁹ Aliberti, S. (2016). Oltre il Mercato e diversi dallo Stato. Terzo settore e impresa sociale. *Culture e Studi del Sociale*, 1(2), 139-155. <http://www.cussoc.it/index.php/journal/issue/view/3>

⁵⁰ Small, R.C. (2014, February 19). *The Foundations of Corporate Social Responsibility*. Harvard Law School Forum on Corporate Governance. [https://corpgov.law.harvard.edu/2014/02/19/the-foundations-of-corporatesocialresponsibility/#:~:text=We%20define%20CSR%20as%20both,and%20governance%20\(ESG\)%20issues](https://corpgov.law.harvard.edu/2014/02/19/the-foundations-of-corporatesocialresponsibility/#:~:text=We%20define%20CSR%20as%20both,and%20governance%20(ESG)%20issues).

⁵¹ Disciplina delle associazioni di promozione sociale, L. 383, 7 December 2000

⁵² Affuso, A., Valentina, B. (2014). *La spesa pubblica in Italia prima e dopo la crisi* [Working paper, Università degli studi di Parma]. Università degli studi di Parma. http://www.swrwebeco.unipr.it/RePEc/pdf/l_2014-01.pdf

⁵³ Istat (2020). *Struttura e profili del settore non profit*. <https://www.istat.it/it/archivio/248321>

⁵⁴ Delega al Governo per la riforma del Terzo settore, dell'impresa sociale e per la disciplina del servizio civile universale, L. 106, (16G00118), 6 June 2016

⁵⁵ Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128), D.Lgs. 117, 3 July 2017

⁵⁶ Revisione della disciplina in materia di impresa sociale, a norma dell'articolo 2, comma 2, lettera c) della legge 6 giugno 2016, n. 106, (17G00124), D.Lgs. 112, 3 July 2017

⁵⁷ Istituzione e disciplina del servizio civile universale, a norma dell'articolo 8 della legge 6 giugno 2016, n. 106. (17G00053), D.Lgs. 40, 6 March 2017

allowing for a further harmonization of the legislative framework. Article 8 and 10 concentrate their attention on the functions of the Universal Civil Service and the Italian Social Foundation outlining their juridical borders. As mentioned before, this enabling act resulted in the establishment of a very important normative: *Codice del Terzo Settore* (Third Sector Code). With its 104 Articles, this legislation was able to create a complete civil and fiscal reference base for the non-profit sector by delimiting its borders through the categorization of the different Third Sector Entities: voluntary organizations (ODV); social promotion associations (APS); philanthropic entities; social enterprises including social cooperatives; associative networks; mutual aid associations (SOMS); associations, foundations and other private entities with public benefitting nature and complying with the non-profit distributing constraint; religious entities only to the extent of activities of public interest⁵⁸. The entities excluded by this legislation are therefore: public bodies; political formations and associations; labour unions; professional and economic representation associations; employer associations; any bodies coordinating and controlling the above-mentioned entities. In order to be recognized by the law, Third Sector Entities must conduct at least one of the public interest activities mentioned in Article 5 and be enrolled to the Third Sector National Unique Register (*Registro Unico Nazionale del Terzo Settore, RUNTS*) which is managed by Regional bodies⁵⁹. Another important contribution of this decree is of a fiscal nature, in fact different norms support and promote benevolent initiatives through a favourable and peculiar fiscal regime which varies depending on the specific form of organization.

The reform, in addition, specifically fostered the regulation of social enterprises through the Decree n.112/2017. These private entities have a double nature: social and economic. Social because they aim at benefiting the society through the provision of different goods and services and do not distribute the profits deriving from their activities. They are also economic given that they carry out a stable and professional business activity maintaining the independence in the management of the organizations. Social enterprises can also employ a certain number of permanent staff and the owners are responsible for the economic risk to a certain extent. The Third Sector Reform, therefore, has been able to combine together all the evolutions and transformation occurred during the years in the non-profit sector giving finally a complete and wide recognition to all the relevant entities in the system; the chronological evolution of the legislative framework is summarized in Table 1 where norms are categorized into six different types: L. (*Legge*); D.L. (*Decreto Legge*); D.Lgs (*Decreto Legislativo*); L.C. (*Legge Costituzionale*); Cost. (*Costituzione della Repubblica*); R.D. (*Regio Decreto*).

⁵⁸ Ministero del Lavoro e delle Politiche Sociali (n.d.). *Codice del Terzo Settore*. <https://www.lavoro.gov.it/temi-e-priorita/Terzo-settore-e-responsabilita-sociale-imprese/focus-on/Riforma-terzo-settore/Pagine/Codice-del-Terzo-Settore.aspx>

⁵⁹ Aliberti, S. (2019). Il principio di solidarietà alla luce della Riforma del Terzo settore. *Culture e Studi del Sociale*, 4(2), 253-259. <http://www.cussoc.it/index.php/journal/issue/view/9>

Table 1: Non-profit legislative norms' timeline

NAME	NORM TYPE	NUMBER	YEAR	DESCRIPTION
Opere Pie	R.D.	1007	1862	Royal decree which helped to create the non-profit discipline separating private benevolent efforts from the ones of the state.
Costituzione legale delle societa' di mutuo soccorso	L.	3818	1886	Law regulating mutual aid organizations which are non-profit labour associations of self-support between individuals of the same working class.
Norme sulle istituzioni pubbliche di assistenza e beneficenza	L.	6972	1890	Law which imposed private and ecclesiastic aid entities to become public.
Riforma dei regi decreti 30 dicembre 1923, numeri 2841 e 3048, sulle istituzioni pubbliche di assistenza e beneficenza	L.	1187	1926	Law which gave churches the possibility to manage Charity Congregations.
Esecuzione del Trattato, dei quattro allegati annessi e del Concordato, sottoscritti in Roma, fra la Santa Sede e l'Italia, l'11 febbraio 1929 - VII. (029U0810)	L.	810	1929	Law which granted the church freedom of management and organization of entities in support of needy people while the state kept the control over national associations.
Codice Civile	R.D.	262	1942	Royal Decree which established the Civil Code. From Article 12 to 42 are outlined important dispositions disciplining associations, foundations, and committees.
Costituzione della Repubblica Italiana	Cost.		1947	Republic Constitution outlining the principle of social pluralism (Article 2) and restoring the freedom of private association

				(Article 38).
Nuova disciplina della cooperazione dell'Italia con i Paesi in via di sviluppo	L.	49	1987	Law which regulates development cooperatives.
Legge-quadro sul volontariato	L.	266	1991	Law which disciplines voluntary organizations and its borders.
Disciplina delle cooperative sociali	L.	381	1991	Law regulating social cooperatives.
Riordino della disciplina tributaria degli enti non commerciali e delle organizzazioni non lucrative di utilita' sociale	D.Lgs.	460	1997	Legislation disciplining <i>Onlus</i> which are entities that can assume different forms in their quest to social good.
Legge quadro per la realizzazione del sistema integrato di interventi e servizi sociali	L.	328	2000	Law which outlines a welfare system based on pluralism and on the vertical and horizontal principle of subsidiary.
Disciplina delle associazioni di promozione sociale	L.	383	2000	Law regulating social promotion associations.
Modifiche al titolo V della parte seconda della Costituzione	L.C.	3	2001	Constitutional law which outlines a welfare system based on pluralism and on the vertical and horizontal principle of subsidiary.
Disposizioni urgenti in materia di semplificazioni tributarie, di efficientamento e potenziamento delle procedure di accertamento	D.L.	16	2012	Decree Law which dissolves the Third Sector Agency powers and grants the promotion, monitoring and controlling functions of non-profits to the Ministry of Labour and Social Policies.
Delega al Governo per la riforma del Terzo settore, dell'impresa sociale e per la disciplina del servizio civile	L.	106	2016	Law disciplining the Third Sector Reform.

universale				
Istituzione e disciplina del servizio civile universale, a norma dell'articolo 8 della legge 6 giugno 2016, n. 106. (17G00053)	D.Lgs.	40	2017	Legislation regulating the national civil service.
Revisione della disciplina in materia di impresa sociale, a norma dell'articolo 2, comma 2, lettera c) della legge 6 giugno 2016, n. 106, (17G00124)	D.Lgs.	112	2017	Legislation disciplining social enterprise
Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128)	D.Lgs.	117	2017	Legislation in the matter of the organization and review of the special law in the third sector discipline.

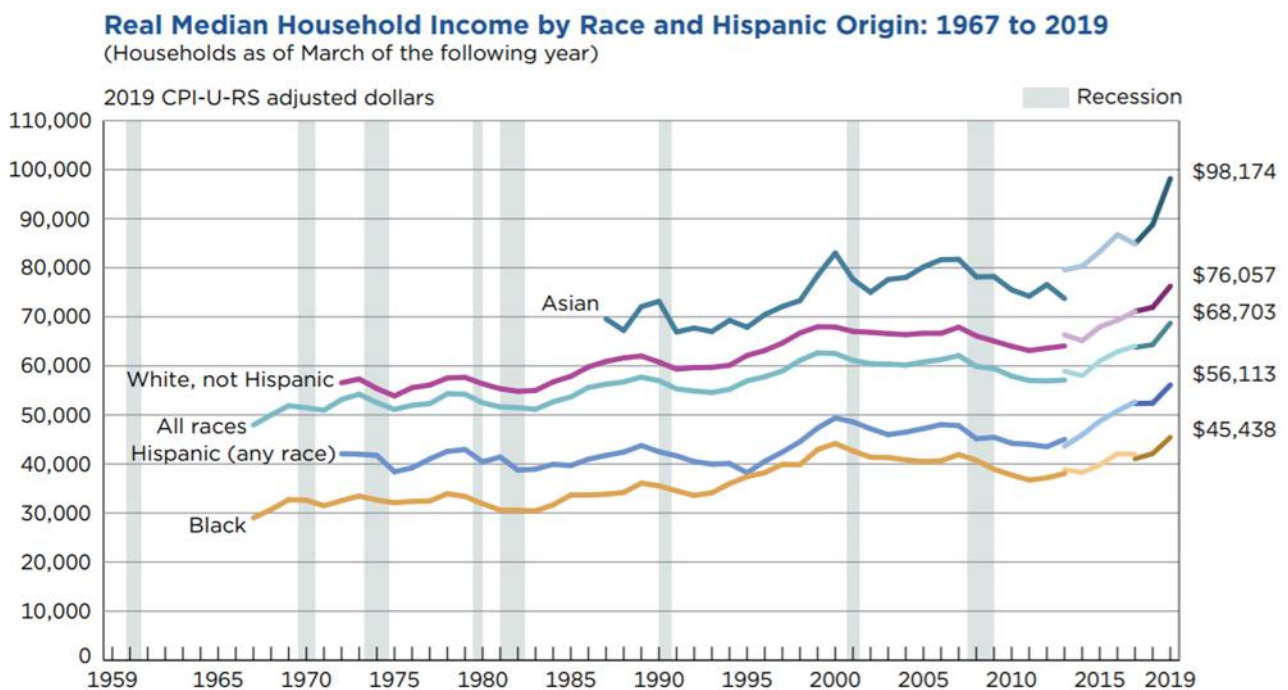
Source: Table 1 created by using Gazzetta Ufficiale (<https://www.gazzettaufficiale.it/>).

In conclusion, the Italian case highlights the complex and evolutionary nature of the development of the third sector. Many ideological and normative improvements have been made since the emergence of the first benevolent initiatives during the Medieval Era. The current legislative framework is a testament of the transformation of the way of handling and perceiving support activities, needy people are no more treated as “the dangerous class” that need to be distanced from the rest of society but as human beings which shall be integrated in the best way possible. A translation toward a three-dimensional system helped combine all forces (public, private, and non-profit) to fulfil the demand for social goods and services. The scale and scope of benevolent activities have also increased considerably to meet emerging society’s needs moving from initiatives merely helping the poor and hill to a broader variety of fields such as amatorial sport, art, culture, education, formation and many more. The Third Sector Reform and its consequent decrees finally provided a clear, complete, and exhaustive discipline of this new sector. Future historical evolutions and situations will further shape the boundaries and broadness of the third sector as well as its relationship and synergies with the public and private sector.

1.2.2) United States case

Another important case of the great expansion and development of the third sector is the one of the United States. Studying the American history of this discipline is going to be complex due to the bigness and great diversity that characterises this country, it is the fifth largest nation in the

world with a total area of 3,809,525 square miles (50 States and the District of Columbia) and a population of 328,239,523 inhabitants⁶⁰. The legislative framework is multi-layered being the US regulated by federal laws as well as the ones imposed by the single states and local counties or cities and the socio-economic ecosystem is featured by many differences in ethnicity, race and class, the nickname “the melting pot” is the perfect term to represent the American diversity. This complexity in the social composition led over the years to the generation of many inequalities among the different groups of people. The USA is first country for income inequality among the G7 nations having 20% of households holding around 50% of the total income and a Gini coefficient of 0.434 (Italy is the third nation for inequality with an index of 0.373)⁶¹. The general gap between the rich and the poor is enlarging at a dramatic rate. In fact, the wealth of the richest 5% of the population increased from 114 times more than a poor household net worth (around \$20,300) in 1989 to 248 times in 2016 ⁶². These discrepancies are affecting disproportionately black and brown families which on average hold around 40% less income than a white household⁶³. Figure 2 clearly shows the differences among the real median household income of diverse ethnic groups.



⁶⁰ American Community Survey (2019). *United States of American*. United States Census Bureau. <https://data.census.gov/cedsci/profile?q=United%20States&g=0100000US>

⁶¹ Schaeffer, K. (2020, February 7). *6 facts about economic inequality in the U.S.* .Pew Research Center. <https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/>

⁶² Juliana, M.H., Igielnik, R., Kochhar R. (2020, January 9). *1. Trends in income and wealth inequality*. Pew Research Center. <https://www.pewsocialtrends.org/2020/01/09/trends-in-income-and-wealth-inequality/>

⁶³ Semega, J., Melissa, K., Emily, A. S., John, C. (2020, September 15). *Income and Poverty in the United States: 2019 (Report Number P60-270)*. United States Census Bureau. <https://www.census.gov/library/publications/2020/demo/p60-270.html#:~:text=The%202019%20poverty%20rate%20of,and%20Table%20B%2D1>

Figure 2. Source: Semega, J., Melissa, K., Emily, A. S., John, C. (2020, September 15). *Income and Poverty in the United States: 2019 (Report Number P60-270)*. United States Census Bureau. <https://www.census.gov/library/publications/2020/demo/p60-270.html#:~:text=The%202019%20poverty%20rate%20of,and%20Table%20B%2D1>

Nowadays, the country is facing a difficult period due to the Covid-19 pandemic that is enlarging even further the pre-existing socio-economic disparities penalising especially African Americans, children, and less educated people⁶⁴. Since this summer, the US was a surge of 7.8 million new poor, dramatic number that shows the need of the support of the non-profit sector in the provision of social goods and services to help people conduct a decent life. The coronavirus outbreak highlighted some issues in the production and delivery of assistance, and in future years the role the third sector plays in the community will probably be modified and enlarged, private benevolent initiatives will once again be at the centre of attention of jurists and economists.

When analysing the American non-profit evolution is important to adopt an historical perspective because it allows us to comprehend the role of the political and socio-economic context played over the centuries in the diffusion of this new discipline and its many forms. The relationships and synergies that have been created between the state, the business market and the social assistance sector are very peculiar, for example many non-profit entities have developed in the healthcare, education (universities and colleges) and research sphere while in Italy more attention has been given to social cooperatives and personal improvement organizations⁶⁵. This difference is also reflected in the welfare culture which is less centralized than the Italian one. We have also to keep in mind the continuous transformation of the ideological and legislative framework that occurred in the different states, there are many discrepancies in the social progression due to different religious, racial and gender relation orientation. At times, the normative and juridical system was obstructing the diffusion of social support toward the most fragile portions of society to benefit even further the privilege of other categories, we will see later the example of the intense slavery exploitation by Southern states. These differences influenced the way the non-profit organizations developed and the issues they took at heart.

Now I will dig deep into the relatively short but highly concentrated American history and highlight some key events and situations that shaped and transformed the third sector. During the initial colonization period, many Europeans especially British people occupied vast territories forming 13 colonies: New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, Georgia, North Carolina, and South Carolina⁶⁶. They were regulated by the British commonwealth legal system. Benevolent activities were at the time few in number and mainly concentrated around churches which were managed and organized similarly to governmental bodies and financed through tax contributions⁶⁷. Their efforts aimed not only at helping the poor and hill but also at providing education, libraries, and support to reform

⁶⁴ Han, J., Meyer, B.D., Sullivan, J.X. (2020, December 15). *Real-time Poverty Estimates During the COVID-19 Pandemic through November 2020*. Zhejiang University, University of Chicago, NBER, AEI, University of Notre Dame, LEO. https://harris.uchicago.edu/files/monthly_poverty_rates_updated_thru_november_2020_final.pdf

⁶⁵ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

⁶⁶ U.S. Department Of State Bureau Of International Information Programs (2010). *U.S.A. History in brief*. Learner English Series. http://www.america.gov/publications/books/learner_english.html

⁶⁷ Fishman, J.J. (2008). *The Political Use of Private Benevolence: The Statute of Charitable Uses*. *Pace Law Faculty Publications*, Paper 487. <http://digitalcommons.pace.edu/lawfaculty/487>

personal behaviour. With the introduction of the Statute of Charitable Uses (Queen Elizabeth I, 1601), one out of six statutes generated by the Poor Law, a shift toward private non-profit initiatives as primary deliverer of social support was encouraged. A downsizing of the role of state in the welfare culture was introduced to decrease the tax burden and expenditures revealing, early on, the American liberal approach, distant from the Italian conservative one. In addition, the statute controlled the way charitable assets were managed to avoid misuse and wrongdoing, enlarged the legal foundation of charitable trust, reinforced the supervising role of the Chancellor, and provided basis for the definition of charitable entities. In the preamble of the law, a general but not comprehensive overview of the public benefit areas philanthropic initiatives were incentivized to operate on was listed: «Relief of the aged, impotent, and poor people; maintenance of sick and maimed soldiers and mariners, schools of learning, free schools, and scholars in universities, repair of bridges, ports, havens, causeways, churches, sea banks, and highways, education and preferment of orphans, for or towards relief of stock, or maintenance for houses of correction, marriages of poor maids, supportation, aid, and help of young tradesmen, handicraftsmen, and persons decayed, relief or redemption of prisoners or captives, aide or ease of any poor inhabitants concerning payments of fifteens, setting out soldiers of soldiers and other taxes.»⁶⁸.

Another influential British legislation was the Toleration Act (1689)⁶⁹. This normative opened the Church of England, epicentre of benevolent activities in territories like Virginia, Maryland, North Carolina, South Carolina, Georgia, Delaware, and New York, to the toleration of nonconformists (Protestant dissenters) allowing them freedom to worship, preach their own ideas and manage their own schools. They were, however, still forbidden to hold political positions and in some cases like in southern colonies were obstructed in the exercise of their new rights. In order to maintain the leadership, Anglican officials used educational institutions like Harvard University, King's College and University of Pennsylvania as tools for the diffusion of their ideologies and for limiting the expansion of religious orientations such as Puritanism, Presbyterianism and Moravian Church⁷⁰. At the end of the XVII century, one of the most relevant religious conflicts was between the Puritans and the Anglicans. Puritanism was the dominant clergy in the New England region (New Hampshire, Connecticut, Massachusetts, and Maine colonies), a situation that bothered the British crown supporter of the Church of England. After the Glorious Revolution (1688-1689), the role of Anglian authorities was once again put at the centre, reducing the control of other religious orientations⁷¹. In response to these limitations, nonconformists adopted an alternative strategy inspired by the book "*Bonifacius: Essays to Do Good*" (1710) written by Cotton Mather, a New England Puritan. According to his suggestions, religious efforts should concentrate on benevolent initiatives supporting the community rather than through legislation. Protestants, therefore, were

⁶⁸ Hull, I. (2012, January 9). *Statute of Charitable Uses – A 17th Century Framework in the 21st Century*. Hull & Hull LLP. <https://hullandhull.com/2012/01/statute-of-charitable-uses-a-17th-century-framework-in-the-21st-century/>

⁶⁹ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

⁷⁰ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

⁷¹ The Editors of Encyclopaedia Britannica (2020). *Glorious Revolution*. <https://www.britannica.com/event/Glorious-Revolution>

asked to do good which meant «...reform sinners and if necessary to inform against them, to give to the needy, and to keep an eye on their neighbors»⁷². This new way of thinking and behaving led to the formation of many social support organizations operating independently from the dominant authorities. These religious-social efforts were able to tackle the problem of growing economic and social inequalities of the time and boost the development of the non-profit organizations.

Toward the end of the XVII century, the desire for independence from royal ties was becoming stronger leading to the formation of the first conflicts. The Stamp Act of 1765, a bill which taxed colonies without allowing them to participate in the government created for instance great dissatisfaction, Massachusetts demanded even full independence⁷³. One important civil freedom preacher was Jonathan Mayhew, the pastor of Boston's West Church, which through its sermons encouraged Christians to fight against the tyranny of British Anglican governors⁷⁴. One significant event that manifested this social unrest was the Boston Tea Party (December 1773). In September 1774, the first Continental Congress took place between all colonies except Georgia and different ideas on the future relationship with the motherland were generated, some people were for pure loyalty, others for moderation or even radicalism demanding complete freedom. A year later, colonies led by the principle of human freedom (Declaration of Independence, Thomas Jefferson, July 4th, 1776) joined forces to go to war: the American Revolution began. It resulted in the victory of the colonies and the birth of the United States of America (1783)⁷⁵. The relationship between the states was at the beginning regulated by the Articles of Confederation but many considered this framework inefficient⁷⁶.

With the ratification of the Constitution in 1788 and the adding of 10 amendments (Bill of Rights, ratified December 15, 1791), finally the new government system was established. It separated the legislative, executive, and juridical power from the central authority with the creation of three distinct bodies: Congress, President and Supreme Court. Another important division was the one between the church and the state. It was inspired by the promulgation of the Virginia Statute for Religious Freedom by Thomas Jefferson (1786) and later applied to all the states through the ratification of the First Amendment which expressed not only the freedom of religion but also the one of speech, press, assembly, and petition⁷⁷. As J. Brent Walker eloquently said «...religious liberty is the goal; church-state separation is the means of ensuring that goal.»⁷⁸. Therefore, the disestablishment of the church was one of the steps made by the newly formed USA toward a more liberal system. This heavily affected congregations which lost the economic support of the government used to provide religious and social services, education, health care and promote

⁷² Bernhard, V. (1976). Cotton Mather and the Doing of Good: A Puritan Gospel of Wealth. *The New England Quarterly*, 49(2), 225-241. https://www.jstor.org/stable/364500?seq=1&cid=pdf-reference#references_tab_contents

⁷³ U.S. Department Of State Bureau Of International Information Programs (2010). *U.S.A. History in brief*. Learner English Series. http://www.america.gov/publications/books/learner_english.html

⁷⁴ The Editors of Encyclopaedia Britannica (2020). *Jonathan Mayhew*. <https://www.britannica.com/biography/Jonathan-Mayhew>

⁷⁵ The Editors of Encyclopaedia Britannica (2020). *American Revolution*. <https://www.britannica.com/event/American-Revolution>

⁷⁶ U.S. Department Of State Bureau Of International Information Programs (2010). *U.S.A. History in brief*. Learner English Series. http://www.america.gov/publications/books/learner_english.html

⁷⁷ Constitution of the United States, 1788

⁷⁸ Walker, J.B. (2008). Commentary "The Meaning of Separation of Church and State in the First Amendment". *Journal of Church and State*, 50(4), 693-696. <https://www.jstor.org/stable/23921774>

cultural activities, they were compelled to shift to private or other types of funding sources and to require higher fees for their services⁷⁹.

The first to lead this new complex reality was George Washington who became President in 1789 when still many territories were yet to be discovered and an era of great economic and social expansion was beginning. The non-profit sector witnessed a period of great growth both from the demand and supply side fostered by the new legislative framework, the increase of population, of the number of states becoming part of the federal system and of the level of literacy. The religious revival of Protestants (Second Great Awakening, 1795-1835), in addition, supported the development of specific social assistance reforms which helped the third sector acquire more legitimacy⁸⁰. Other relevant drivers of the expansion of this sector were the federal courts which had a strong propensity for the safeguarding of the non-profit trustees' property rights which encouraged benevolent associations to be more independent on a managerial, organizational, and financial level. These set of changes in the legal and religious environment supported the formation of many new entities aiming at improving the life of the community or part of it in a variety of ways.

With the creation of the United States of America some social issues started to surface, the antislavery movement was one of the fiercest ideological clashes that at the end of the XIX century resulted in a war between abolitionists and the pro-slavery (Civil War, 1861-1865). The most influential drivers of this social movement were: communication networks related to the development of print media as a powerful tool of transmission of news, diffusion of ideologies and important information about events and manifestations to a large audience; established social institutions such as churches, professional associations and educational institutions which gave relevant tangible and intangible resources for the creation of antislavery organizations⁸¹. Churches were highly instrumental because they communicated ideologies and principles in line with the ones of the antislavery movement to an audience which was already highly interested and motivated to improve its community following the lead of its religious guide. Furthermore, the significance of their role in the community boomed during the course of the XIX century; churches in fact witnessed a religious revival which led to an increase of ministers' followers of 17% by the years of the American Revolution, 34% by 1850, 45% by 1890 and 51% by 1906. Therefore, congregations had the right platform, infrastructures, and resources to help the spread of the social movement reaching a mass of believers united under a sense of «...shared commitment to values, symbols, and rituals, strengthening members' social bonds...»⁸².

Not all churches, however, were vehicles of promotion of social and civic improvement, a distinction shall be made between different theological orientations. This-worldly faiths such as Congregational, Disciples of Christ, Episcopal, Mormon, Presbyterian and Quaker propagated the

⁷⁹ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

⁸⁰ The Editors of Encyclopaedia Britannica (2019). *Second Great Awakening*. <https://www.britannica.com/topic/Second-Great-Awakening>

⁸¹ King, M.D., Haveman, H.A. (2008). Antislavery in America: The Press, the Pulpit, and the Rise of Antislavery Societies. *Administrative Science Quarterly*, 53(3), 492-528. <https://www.jstor.org/stable/27749276>

⁸² King, M.D., Haveman, H.A. (2008). Antislavery in America: The Press, the Pulpit, and the Rise of Antislavery Societies. *Administrative Science Quarterly*, 53(3), 492-528. <https://www.jstor.org/stable/27749276>

idea that in order to be good Christians, it was important to actively participate in the moral redemption of society which meant also getting involved in socio-political reforms of the secular world. To accomplish this goal, many congregations established benevolent organizations helping people in their improvement journey guided by religious faith, among the most important ones there were the American Sunday-School Union and the New York Association for Improving the Condition of the Poor. Abolishing slavery was one of the main issues tackled by these societies which positively impacted the transformation toward a more morally conscious community. Samuel Hopkins, a Congregational theologian who fiercely opposed to slavery was a pivotal historical figure who helped mobilizing and pushing other ministers to become members of the antislavery societies. Presbyterian churches were also crucial for the development of social associations, they promulgated the idea that slavery was against human rights and God's beliefs. These two congregations became relevant supporters of the non-profit sector thanks to the contributions of their elite worshippers who donated approximately \$2.8 million to the formation of benevolent initiatives all over the nation and to development of print media in the early XIX century.

Other-worldly churches like Baptist, Methodist, Dunker, German Reformed, Lutheran, and Moravian, on the other hand, were focusing only on "individual salvation" and on creating a personal relationship with God distancing themselves from the actions of the emerging social and civic movement. They propagated self-improvement as the vehicle for the moral conversion of society rather than actively participating in the development of non-profit associations and in the organization of social movement and reforms like the this-worldly churches did. This was not, however, a mere religious ideological difference problem but also an economic one, most of the other-worldly believers had in fact humble origins and were not able to devote huge sum to charity as elite Congregationalists and Presbyterians did. This passive attitude reflected also on the slavery matter, most other-worldly faiths viewed it as an economic and political issue rather than a religious one. They did not sustain antislavery societies even if some ministers recognized the immorality of the exploitation of millions of African men, women, and children and demanded their freedom. With the years, the two theological orientations started to converge and align their ideologies and actions to redeem not only individuals but also the community as a whole.

In parallel and combination with existing organizations' efforts, the spread of the magazines and newspapers, especially in New York, Massachusetts, Pennsylvania, Ohio, and Kentucky, influenced the shift toward a slavery-free society⁸³. They efficiently codified the ideas, principles, and goals of the activists of the antislavery movement to the general public. The press played a pivotal role also in the mobilization of protests, strikes and sit-ins and provided information about meetings and legal initiatives. Many periodicals even wrote about real painful slavery stories to engage the emotional side of their readers. Therefore, communication networks can be viewed alongside churches as the glue of social coalition, people located all over the United States were united under a shared collective identity. In conclusion, history teaches us that the combination of forces of existing institutions, especially this-worldly churches, and mass media positively stimulated the reciprocal diffusion and eventually the proliferation of antislavery organizations and the change of the American society. The evolution of the non-profit sector, furthermore, depends strongly on

⁸³ King, M.D., Haveman, H.A. (2008). Antislavery in America: The Press, the Pulpit, and the Rise of Antislavery Societies. *Administrative Science Quarterly*, 53(3), 492-528. <https://www.jstor.org/stable/27749276>

the development and strengthening of the spiritual reawakening and the moral quest of many Americans supported by different faiths guidance. To understand the relationship between non-profits and the rest of society today, it is essential to recognize the historical role churches' social and economic efforts played during the XIX century.

Before carrying on with the analysis of the development of antislavery societies, it is important to highlight some crucial situations and events that marked the tragic history of the enslavement of millions of Africans in the U.S. territory to better understand the peculiarities of the social environment and of the non-profit sector evolution. Its beginning can be dated back to 1619 when 20 Africans were enslaved for the first time in Virginia, from there the trans-Atlantic slave trade took a tragic turn and hundreds of thousands of people were kidnapped and sold to the best buyer who then forced them to work for free and in very hostile conditions in plantations mainly of cotton, sugar, rice, or tobacco⁸⁴. Southern colonies like Maryland, Virginia and Georgia were among the biggest American exploiters. A period of plateau was witnessed during the years of the American Revolution when many slaves took part in the fight for independence from the British power alongside with their white suppressors in the hope of a new era of freedom. Even if this was not the case the idea of abolishing slavery was emerging among many communities, in fact between 1774 and 1804 all Northern States banned the exploitation of enslaved people. This transition was influenced also by the emergence of regional elite-based antislavery organizations like the Pennsylvania Abolition Society (1775), the New York Manumission Society (1785) and the American Convention of Abolition Societies (1794)⁸⁵. At the beginning their presence was routed in the north and middle Atlantic but with the years they started to spread in other areas, especially in the hostile Southern states where still slavery was legalized. The organizations were managed and organized primarily by lawyers, politicians, philanthropists, and businessmen who sustained the freeing and emancipation of African people through the provision of legal support and by demanding governmental normative changes using lawsuits and petitions. Despite the small and local membership base (no more than 20 antislavery societies before 1820 and less than 65 before 1830), their pressures were helpful to push officials to make a change.

One important improvement was done through the ratification of the Act Prohibiting Importation of Slaves (1808) by the Congress which finally prohibited all States from importing people with the intent of enslavement from «...any port or place within the jurisdiction of the United States...from any foreign kingdom, place, or country...»⁸⁶. This bill, unfortunately, did not stop the internal national trade, on the contrary it flourished like never before reaching a number of around 4 million slaves by 1860, they mostly were employed in the fast-growing industry of cotton in the Southern states⁸⁷. Figure 3 shows the territorial distribution of enslaved people in the American territory.

⁸⁴ History.com. Editors (2021). *Slavery in America*. <https://www.history.com/topics/black-history/slavery>

⁸⁵ King, M.D., Haveman, H.A. (2008). Antislavery in America: The Press, the Pulpit, and the Rise of Antislavery Societies. *Administrative Science Quarterly*, 53(3), 492-528. <https://www.jstor.org/stable/27749276>

⁸⁶ History.com. Editors (2021). *Congress abolishes the African slave trade*. <https://www.history.com/this-day-in-history/congress-abolishes-the-african-slave-trade>

⁸⁷ History.com. Editors (2021). *Slavery in America*. <https://www.history.com/topics/black-history/slavery>

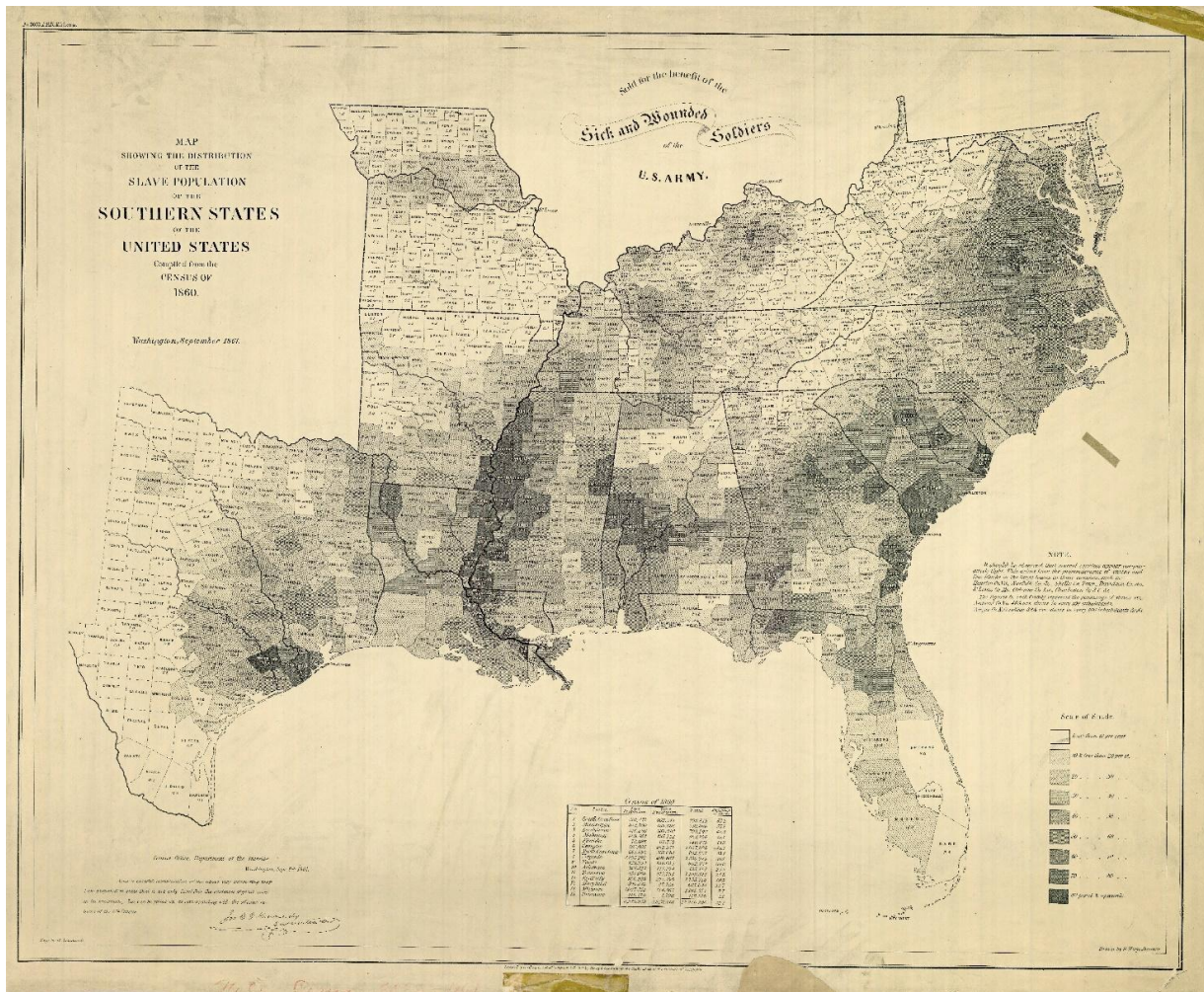


Figure 3. Source: Henry S.G., (1861). Map showing the distribution of the slave population of the southern states of the United States. U.S. Coast Survey. [http://memory.loc.gov/cgi-bin/map_item.pl?data=/home/www/data/qmd/qmd386/q3861/q3861e/cw0013200.jp2&style=qmd&itemLink=r?ammem/qmd:@field\(NUMBER+@band\(q3861e+cw0013200\)\)&title=Map%20showing%20the%20distribution%20of%20the%20slave%20population%20of%20the%20southern%20states%20of%20the%20United%20States.%20%20Compiled%20from%20the%20census%20of%201860%20Drawn%20by%20E.%20Hergesheimer.%20Engr.%20by%20Th.%20Leonhardt](http://memory.loc.gov/cgi-bin/map_item.pl?data=/home/www/data/qmd/qmd386/q3861/q3861e/cw0013200.jp2&style=qmd&itemLink=r?ammem/qmd:@field(NUMBER+@band(q3861e+cw0013200))&title=Map%20showing%20the%20distribution%20of%20the%20slave%20population%20of%20the%20southern%20states%20of%20the%20United%20States.%20%20Compiled%20from%20the%20census%20of%201860%20Drawn%20by%20E.%20Hergesheimer.%20Engr.%20by%20Th.%20Leonhardt)

During those years, however, something started to change. The antislavery movement was becoming stronger and broader, one of the most relevant examples was the foundation of the American Antislavery Society (AASS) in 1832 which allowed for the expansion of antislavery ideologies not only at the local level but also at the state and national one⁸⁸. This association was not concentrated on pressuring for gradual legal changes as the first ones were, it wanted a sudden paradigmatic shift: the entire society needed to get involved into a profound moral transformation and become pro-abolition of slavery supporter. In order to reach masses with this goal, AASS employed traveling agents that persuaded people to improve their integrity by fighting

⁸⁸ King, M.D., Haveman, H.A. (2008). Antislavery in America: The Press, the Pulpit, and the Rise of Antislavery Societies. *Administrative Science Quarterly*, 53(3), 492-528. <https://www.jstor.org/stable/27749276>

against morally wrong practices, cause of physical, psychological and economic suffering of black people. Their efforts were supported also by the usage of print media and by the creation of many antislavery societies connected through a common organization and a cohesive coordination framework, this franchise-like structure allowed them to have a consistent reduction of costs. These tactics took inspiration from the system put in place by churches at the time. Therefore, extremely positive signs on the development of antislavery societies have been witnessed since the creation of AASS, the number increased from 47 in 1825 to 429 in 1835 reaching even a peak of more than 1,600 in 1839. In addition, in the early decades of the XIX century, slaves' efforts were influencing the shift toward a more morally sound America. Many African people, in fact, were becoming more outspoken about their desire for freedom through several rebellious acts, among the most impactful there were the ones led by Gabriel Prosser (Richmond, 1800), Denmark Vesey (Charleston, 1822) and Nat Turner (Southampton County, 1831)⁸⁹. To suppress this movement, masters reinforced and sharpened their system of restrictive codes with many strategies of disempowerment limiting education, movement, and assembly. The aim was to enhance the reliance on enslavers and discourage potential internal alliances.

An important historical event that changed forever the history of the Union was the appointment of Abraham Lincoln as the 16th President in 1861. He was a strong believer of the abolishment of slavery, thing that profoundly bothered Southern states which shortly after his election united under the Confederate States of America (South Carolina, Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas; joined later by Virginia, North Carolina, Tennessee and Arkansas) triggering the beginning of a war between pro freedom and pro slavery states⁹⁰. The Civil War resulted in one of the bloodiest American battles of all times with approximately a death toll between 750,000 and 850,000. The 1863 was a very important year for the antislavery movement with the issuance of the Emancipation Proclamation which freed slaves in all the Confederate states and allowed them to join the Union army, approximately 185,000 black people became soldiers. In 1865, the Unionist defeated the Confederates, and the Congress passed the 13th Amendment officially signing the end of the African Americans enslavement in all the territories of the United States of America.

Unfortunately, a few months later Abraham Lincoln was murdered, an event which caused some setbacks to the implementation of his virtuous plan of openness and union. He was replaced by the Vice President Andrew Johnson, a Southern ideologies sympathiser⁹¹. He obstructed many African Americans support policies, behaviour which almost caused him the impeachment by the Senate. The Congress determined to move toward with their Union strategies passed the Reconstruction Act (1867) over the President's veto. This resulted in the ratification of important laws also in the Southern states like the abolishment of slavery (13th Amendment, 1865), the grant of the voting rights to all men (15th Amendment, 1870) and the right of citizenship to all people born or naturalized in the United States territory and the ratification of the Equal Protection Clause (14th Amendment, 1868). This clause recites: «No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State

⁸⁹ History.com. Editors (2021). *Slavery in America*. <https://www.history.com/topics/black-history/slavery>

⁹⁰ Hassler, W.W. (2020). *American Civil War*. Encyclopaedia Britannica. <https://www.britannica.com/event/American-Civil-War>

⁹¹ U.S. Department Of State Bureau Of International Information Programs (2010). *U.S.A. History in brief*. Learner English Series. http://www.america.gov/publications/books/learner_english.html

deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws»⁹². Even though the purpose of the 14th Amendment was ending the discrimination against African Americans in all the states, unfortunately this was not the case. In fact, after the Union army left Southern states, they imposed the “Jim Crow Laws” which limited and even denied black people to exercise their newly formed rights⁹³. Some of the discriminatory practices were the division of white public facilities from black ones, the prohibition of interracial marriages and the creation of misleading and extremely difficult to pass literacy test for voters of colour. This marked the beginning of the segregation period and the emergence of violent organizations supporting white supremacy and racist acts, one of the most aggressive ones was the Ku Klux Klan. Northern states did not ratify Black Codes, however, African Americans still faced what is called “structural racism”. It refers to issues rooted deeply in the normative and socio-political American system which disproportionately penalizes black and brown communities from having equal access to quality jobs, education, housing, healthcare, and equal treatment in the criminal justice system⁹⁴. This period of oppression lasted for almost 100 years, the first strong signs of resistance against immoral and racist behaviour surfaced in the 1960s with the civil rights movement. Later, a detailed analysis will be conducted on the role equality and civil rights initiatives played in the rise of new and diverse non-profit organizations shaping the evolution of the third sector in a peculiar way to the United States case.

During the XIX century, the non-profit sector was enlarging its scale and scope not only through anti-slavery organizations but also through entities like educational institutions, hospitals, libraries, orphanages, old age homes and publishing houses which many times took the form of associations or cooperatives⁹⁵. Some experts argue that the proliferation of these non-profit organizations was due to the liberal welfare system adopted by the American government, quite distant from the centralized one of Western Europe countries like Italy. This situation led to the definition of the supply of social goods and services depending on people’s demand and their willingness to pay and on the generosity of private citizens’ donations. Therefore, the number of persons which received help was lower than the one it could have been reached with additional state aids. With the years, the third sector expanded even more welcoming organizations operating the art field like museums, operas, and orchestras which from 1870 were legitimized by courts to operate under the charitable status. The non-profit sector growth translated also into an increase of the number of its workers, by 1900 they counted for around 1% of non-agricultural labour force. Its spread was partly financed by the monetary donations, endorsements, and gifts of private citizens which accounted for the 0.6% of the Gross National Product in 1922 and reached around 1% by 1930⁹⁶. Some of the biggest beneficiaries of this generosity were orphanages, schools, colleges, and churches. Government subsidies also contributed to the diffusion of these entities (except religious congregations); the biggest provider of economic aids overall remained the non-profit

⁹² National Constitution Center. <https://constitutioncenter.org/interactive-constitution>

⁹³ History.com. Editors (2021). *Reconstruction*. <https://www.history.com/topics/american-civil-war/reconstruction>

⁹⁴ Urban Institute. <https://www.urban.org/>

⁹⁵ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

⁹⁶ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

organization itself which internally generated income through the imposition of service fees and memberships. Educational institutions though tuition fees, for instance, acquired approximately three times more money than the ones they received from governmental transfers until the 1870s.

It is also important to highlight that the spread of benevolent organizations was not homogeneous across the nation, some discrepancies were visible between Northern and Southern states. Local authorities, especially in highly conservative territories, obstructed the diffusion of some charitable entities to benefit the interest and protect the privileges of certain racial, religious and gender groups, primarily wealthy white Protestant men. Catholics, Jews, black people, and women were among the categories which faced legal impediments. Nevertheless, they were able to establish a network of organizations which significantly improved their livelihood and endorsed the fight toward a more equal and moral American society. In conclusion, over the course of the XIX century the third sector gained more political, social, and legislative recognition and further expanded the areas of intervention in fields like healthcare, civil and human rights, personal improvement, and arts. Many of the newly formed non-profits were still connected to religious congregations but few independent private initiatives started to emerge too. The 1801-1900 was a very turbulent century characterized by many conflicts, wars, and violence which created profound divisions and hostility between racial, religious, and socio-political groups. The third sector played a very active role in helping Americans to overcome their differences and join forces to make the society a more peaceful, civilized and ethically sound melting pot of ideologies and beliefs. The improvements and progresses that have been done over the course of the century were just the launch pad of the great expansion of the American non-profit sector.

The first half of the XX century, period characterized by the Great Depression and two World Wars, was a very relevant historical era for the evolution of the third sector. Different non-profit entities responded to new emerging society's needs and filled the gaps generated by the undersupply of social goods and services by the state and business market. Among the organizations which witnessed the greatest expansion, there were non-sectarian scientifically based medical centres, hospitals, and research universities⁹⁷. With the new century, voluntary hospitals became bigger and more numerous covering approximately 32% of the total U.S. hospital beds in 1923, 25% in 1940 and 1950, and 30% in 1960. The employment of the "private non-profit status" also benefited colleges and universities across the nation which grew free from stringent religious and political ties and started to focus more on searching and exploring new intellectual and scientific areas. They developed new educational standards and models which in collaboration with the efforts of the Teachers' Insurance and Annuity Association, the College Board, and the Educational Testing Service influenced the surge of new facilities.

Third sector entities developed thanks to the support of primarily three monetary sources: private contributions and gifts, internally generated revenues (fees and memberships), and the income obtained by the sale of social services to church congregations, especially to Catholics and Protestants⁹⁸. The procurement of financial resources was encouraged and fostered by the

⁹⁷ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

⁹⁸ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

employment of clever marketing and fund-raising techniques which helped non-profits to become independent and self-governing organizations. We should not, however, underestimate the role the government plays in the development of this sector. On one hand, its proliferation was reinforced by favourable rules, practices, and policies such as the Hill-Burton Act (1946) which granted tax subsidies and funds to hospitals and the National Defense Education Act (1958) which provided aids to improve schools and promote higher education. On the other hand, non-profits still faced some financial limitations like the impossibility to obtain part of the sums provided by the New Deal programs as well as other administrative and legislative restrictions which affected disproportionately African Americans and women. In some states, organizations were required to submit the list of the members' names to public officials while others even denied people's First Amendment right of assembly under non-solid juridical basis like the dislike of name, religious orientation, or the purpose of the activity. Civil rights organizations faced the most severe and stringent scrutiny especially in territories where segregation was dominant, they were tormented and, in some cases, stripped of their civil and human rights. Therefore, in the first part of the 20th century, the non-profit sector did not reach its actual full potential, there were still too many organizations supporting the agenda and needs of elite groups while excluding and marginalizing people most in need. The obstacles were of a legislative, juridical, and financial nature as well as a structural one. The price of fees and memberships were a lot of times too expensive for the income of the poor, people of colour, and women, this situation led them to under consume important social goods and services in the healthcare, education, and art field. In conclusion, the favouritism toward wealthy white Protestant, Catholic and Jewish men was yet to be taken care of.

After the end of World War II, the non-profit sector experienced an impressive increase tripling its share of the American economy, the number of entities shifted from one for every 1,790 people in 1900 to 423 in 1990⁹⁹. A consequent raise has been witnessed also in the social assistance sector's employment which reached 10% of the total U.S. labour force in the first years of the 2000s. Three factors can be considered the key drivers of this great expansion since the 1960s: the increase of wealth of Americans, the Great Society programs and legislations introduced by President Lyndon B. Johnson, and the civil rights movement. The second half of the XX century was a period characterized by economic flourishing and an overall increase of wealth, Americans average income per capita grew from \$6,231 in 1945 to \$14,138 in 1990. The boost of the wellbeing of many families had an impact also on the demand for services which observed a surge of the GDP's share from 8% in 1950 to 20% in 1990. Non-profits were among the organizations which benefited from these positive circumstances, in fact many people for the first time could afford to pay the fees and charges demanded by healthcare, education and cultural institutions. Therefore, thanks to the increasing request and willingness to pay for non-profits' services, internally generated revenues became the main financial resource counting for around 50% of the total income.

Another critical element to consider when studying the great development of the third sector is the introduction of the Great Society's policies, legislations, and programs. The term "Great Society" is a political slogan used by President Lyndon B. Johnson (in office from 1963 to 1969) to describe the conglomerate of social welfare initiatives in his political agenda which tackled

⁹⁹ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

important issues like poverty, crime, inequality, and environmental quality¹⁰⁰. Among the most instrumental programs, there were: the Economic Opportunity Act which supported poor people in the development of job skills, provision of educational services and finding an occupation; Medicare and Medicaid which provided coverage of healthcare costs for elderly and poor people; Project Head Start which provided educational and recreational programs for children of low socioeconomic status; Elementary and Secondary Education Act which directed aids to schools in low-income communities; the Housing and Urban Development Act for cities renewal and development. Thanks to the contribution of Johnson's social reform and its later support by many of its successors, the American welfare system alongside the non-profit sector expanded. Organizations operating in the healthcare, education, research, art, and social field were direct beneficiaries of consistent governmental subsidies which in the 1980s counted for approximately one third of entities' total income¹⁰¹.

Over the years, some ideological discrepancies on the best welfare culture to adopt emerged, usually Republicans like President Richard M. Nixon who served after Johnson (1969-1974) supported a lower federal involvement with a consequent decrease in public spending while Democrats fiercely propagated a more centralized and engaged approach. Despite the controversies, the government helped non-profits to widen their scale and scope meeting the needs of the modern society. This proliferation increased the competition among organizations for customers, economic resources, and labour force. When studying the American independent sector, we should also put at the centre of attention the evolution of the civil right movement because it helped the expansion of more diverse organizations and progressively reduced the barriers and restrictions put in place for people of colour and women. The increasing society pressures led many political officials over the decades to support and demand a change in the American legislative system starting from the overarching application of the 1st Amendment rights of freedom of assembly, speech, press, and petition. Many federal funds have been distributed to non-profits close to the social movement to encourage the involvement and emancipation of the marginalized groups.

To better understand the role social and civil rights movement played in shaping the American third sector, I will briefly provide some contextual information. The first signs of the growth of this movement can be dated back to the years of the World War II when African Americans were facing discrimination in the military. They were discouraged from joining the army and excluded from well-paid jobs, a situation which generated social unrest and increased pressure on public officials to provide equal treatment and work opportunities to all¹⁰². Among the legislations which set the stage for a more equal system, there were the Executive Order number 8802 (1941) issued by President Franklin D. Roosevelt to grant all Americans regardless of their race, creed, colour, or national origin to be part of governmental and national work force and number 9981 (1948) of President Harry Truman which aimed at ending prejudice and racism in the military. During the 1950s and 1960s, the equal rights movement became stronger thanks to the uprising of peaceful protests and the courageous stand of many people against segregation and the violation of

¹⁰⁰ History.com. Editors (2018). *Great Society*. <https://www.history.com/topics/1960s/great-society>

¹⁰¹ Hammack, D.C. (2002). Nonprofit Organizations In American History. *American Behavioral Scientist*, 45(11), 1638-1674. <https://doi.org/10.1177/0002764202045011004>

¹⁰² History.com. Editors (2021). Civil Rights Movement. <https://www.history.com/topics/black-history/civil-rights-movement#:~:text=The%20civil%20rights%20movement%20was,law%20in%20the%20United%20States>

constitutional rights. Among the most crucial historical events and initiatives, there were: the Montgomery Bus Boycott (1955-1956) initiated by the MIA organization under the leadership of Martin Luther King Jr after Rosa Parks' was arrested for refusing to give up her assigned seat to a white passenger; the Little Rock Nine (1957), a violent mob which eventually required the intervention of federal troops for the protection of a group of black students enrolled to Central High School in Arkansas; the Woolworth's Lunch Counter (1960) where four black college students refused to leave without being served, it resulted in the Greensboro sit-ins, the boycott of other segregated lunch counters and the creation of the Student Nonviolent Coordinating Committee; the Freedom Riders (1961), a group of black and white activists who travelled to Southern states to protest segregated bus terminals were violently attacked by police and white protestors and later arrested for trespassing; the March on Washington (1963) organized by A. Philip Randolph, Bayard Rustin and Martin Luther King, Jr., it mobilized more than 200,000 peaceful protestors for equal treatment and freedom of every American regardless of their racial and social group; the Bloody Sunday (1965) when protestors of the "Selma to Montgomery march" were brutally beaten and teargassed by local police and opposers; the assassination of civil rights leader Malcom X (1965) and Martin Luther King Jr. (1968)¹⁰³. These are just a few examples of the traumatic and violent assaults African American had to endure in their journey toward emancipation.

All the revolts and the increasing support of white allies generated strong pressures on political officials to modify the vile American framework. The result was a series of important normative improvements like the declaration of unconstitutionality of the segregation in public schools (1954), seating (1956) and interstate transportation facilities (1960) by the Supreme Court; the ratification of the Civil Rights Act of 1957 by President Eisenhower granting federal prosecution of people who tried to violate others' right to vote; the approval of the Civil Rights Act of 1964, the Voting Rights Act of 1965 and Fair Housing Act of 1968 under Johnson administration which assured equal employment and treatment in housing practices, promoted the integration of public facilities, banned the use of voter literacy tests and granted attorney general with the power of contesting state and local poll taxes. Despite these great progresses, many steps needed still to be made to fully integrate and emancipate people of colour. It is common belief among members of minority communities that the racial issue is yet to be defeated today due to the persistent prejudicial and discriminatory practices embedded at the structural level.

Another movement that grew strongly since the 1960s was the one of women equal opportunity in education and workplace, some of the most influential personalities were Betty Friedan and Gloria Steinem. In conclusion, the increasing economic prosperity, the Great Society reforms, and the civil movement can be appointed as the main drivers of the sharp growth of the non-profit sector in the second half of the XX century. Their combination generated the perfect environment for the emergence of new and more diverse entities serving and satisfying a wide variety of needs of the American people.

¹⁰³ History.com. Editors (2021). Civil Rights Movement. <https://www.history.com/topics/black-history/civil-rights-movement#:~:text=The%20civil%20rights%20movement%20was,law%20in%20the%20United%20States>

During the first years of the XXI century, the economy of the U.S. witnessed an unprecedented expansion. The rise in affluence and prosperity of the population positively impacted the diffusion of non-profits which increased by 31.5% between 1999-2009 (see Figure 4 below) and obtained record donations of \$306.3 billion in 2007¹⁰⁴. Public charities operating primarily in fields like education (18.8%), arts, culture and humanities (12.5%), human service (10.7%), and recreation, sports, leisure and athletics (10.2%) were the category which mostly flourished, reaching a total number of 1,006,670 entities (63.7% of all non-profits).

	1999		2009		Change	
	Number of Orgs.	Percent of All Orgs.	Number of Orgs.	Percent of All Orgs.	Change	Percent Change
All Nonprofit Organizations	1,202,573	100.0%	1,581,111	100.0%	378,538	31.5%
501 (c)(3) Public Charities	631,902	52.5%	1,006,670	63.7%	374,768	59.3%
501(c)(3) Private Foundations	77,978	6.5%	120,617	7.6%	42,639	54.7%
Other 501 (c) Nonprofit Orgs.	492,693	41.0%	453,824	28.7%	(38,869)	-7.9%

Sources: Urban Institute, National Center for Charitable Statistics and IRS Business Master File 1/2010

Figure 4. Source: Joseph, C.M. (2011). *The Impact of the "Great Recession" on the Financial Resources of Nonprofit Organizations*. Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>

This blossoming period, unfortunately, did not last long. When the "Great Recession" hit in 2008, the third sector experienced several setbacks and financial problems¹⁰⁵. The effects of the so called "Quiet Crisis" were visible since the beginning, in fact, just a year later non-profits obtained \$13 billion less in private donations marking the largest decline in 50 years. Government funding dropped too, reducing its contribution by 5% in 2009 and 4% in 2010 for a total amount of \$15 billion. The combination of private and public efforts represented around 20% of the total financial resources, their shrinking generated several issues to non-profits which had to rethink and reorganize their offering and structure. The most impactful consequences have been witnessed, however, in the internally generated income section which accounted for approximately 70% of the total financial resources.

Since the economic crisis, many people lost their jobs or experienced a reduction of their disposable income, situation which on one side increased the demand for non-profits' support while on the other decreased their ability to pay for services' fees and charges. In order to meet the new society's needs, non-profit entities had to find different ways to manage and organize their activities. Some organizations decided to combine forces through mergers and acquisitions while others reduced consistently their budgets and laid off part of the staff. Unfortunately, few entities even went out of business due to the incapability to overcome the economic downturn. Among the non-profits which in absolute terms were affected the most by the shrinking of revenues, there were public charities operating in education which saw a drop of \$39.86 million, and

¹⁰⁴ Joseph, C.M. (2011). *The Impact of the "Great Recession" on the Financial Resources of Nonprofit Organizations*. Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>

¹⁰⁵ Joseph, C.M. (2011). *The Impact of the "Great Recession" on the Financial Resources of Nonprofit Organizations*. Wilson Center for Social Entrepreneurship. Paper 5. <http://digitalcommons.pace.edu/wilson/5>

philanthropy, voluntarism and grant making foundations of \$17.67 million from 2007 to 2010¹⁰⁶. On the contrary, entities working in areas like food, agriculture, and nutrition (15.6%), employment (8.5%) and healthcare (6.1%) witnessed a great expansion. The economic recession lasted well into the first years of 2010s; some weak signs of growth started to emerge just in recent years but as the economy was getting back on track, the coronavirus pandemic hit in 2020.

Covid-19 outbreak forced the U.S. and the entire world to stop causing dramatic effects at the financial and social level. The American unemployment rate has been at an all-time high, surpassing even the levels reached during the Great Recession. In April redundancy rate picked (14.8%), among the most affected categories there were organizations providing in-person services (leisure and hospitality industry, 39.3%), teenaged women (36.6%), part-time workers (24.5%), labourer without a high school degree (21.2%), Hispanic (18.9%) and African Americans workers (16.7%)¹⁰⁷. As witnessed in the previous crisis, the consequences on the third sector were the increase in demand for assistance, a reduction of the people's available income and in some instances a decrease in the organization's financial resources. The unprecedented environment created by the coronavirus spread also generated some changes in the way and the kind of support and donations provided by privates. Data show that 56% of the American households contributed in some fashion to help others in need, one-third made direct donations to public charities, individuals, or businesses while almost half indirectly sustained others by for example buying and delivering groceries for elderly, ordering takeout from local businesses, purchasing gifts cards, or continuing to pay for services that could not be used during shelter-in-place orders¹⁰⁸. Many of these efforts were directed at benefitting small and community-based organizations instead of big national ones because they were able to tackle problems in a more time-efficient way. Some changes were visible also in the conformation of the donor base; many young people stepped up for the first time to help their neighborhood and communities by engaging in unsorted fundraisings while people above 65 of age and women (traditionally the most generous categories) reduced their contributions due to concerns about future possible health and financial issues.

2020 will be remembered not only as the year of the coronavirus recession but also as the one of the greatest social and civil right movements in the American history: Black Lives Matter. Black Lives Matter started as a non-profit organization in 2013 and later spread in a worldwide movement for equity and protection of black people from police brutality, structural racisms, and white supremacy¹⁰⁹. After the agonizing death of George Floyd on the 25th of March 2020, massive protests surged across the U.S reaching unprecedented participation numbers, according to recent pools approximately 15 million people demonstrated against police injustice and racism (June 6th

¹⁰⁶ Urban Institute (2010, November 29). *The Nonprofit Research Collaborative: November 2010 Fundraising Survey*. <https://www.urban.org/sites/default/files/publication/28206/1001467-The-Nonprofit-Research-Collaborative-November-Fundraising-Survey.PDF>

¹⁰⁷ Falk, G., Carter, J.A., Nicchitta, I.A., Nyhof, E.C., Romero, P.D. (2021, January 12). *Unemployment Rates During the COVID-19 Pandemic: In Brief Updated*. Congressional Research Service. <https://crsreports.congress.gov>

¹⁰⁸ Adamczyk, A. (2020, September 15). *Americans are generous in their charitable giving during Covid-19, but how they donate changed*. CNBC. <https://www.cnbc.com/2020/09/15/how-individuals-in-the-us-helped-their-neighbors-through-covid-19.html>

¹⁰⁹ Black Lives Matter. <https://blacklivesmatter.com/>

was the record day with 500,000 protestors in around 550 places; at least 50,000 people in Philadelphia, 20,000 in Chicago's Union Park and 10,000 on the Golden Gate Bridge)¹¹⁰. These figures are exponentially higher than any other previous social movement, not even the civil rights protests in the 1960s, Women's March of 2017 or gun violence protests of 2018 have been able to reach similar levels. The success of these movements can be conferred in part to the instrumental role played by mass media in the diffusion of relevant information and on the mobilization of masses. Social media platforms, especially, turned out to be one of most powerful tools employed by activists and organizations to provide guidelines and updates about programs, manifestations, and protests.

This year widespread support and giving to the BLM movement initiatives is another driver of the great American but also worldwide civil equity fight success. Large donations have been devoted by well-known companies like Google, Microsoft, Morgan Stanley, Netflix and YouTube, celebrities, and affluent philanthropists. Data suggest that approximately \$5 billion have been given to racial equity organizations, racial justice groups and bail funds like the Equal Justice Initiative, the Black Lives Matter Global Network, the NAACP Legal Defense and Educational Fund, and the National Urban League since the first protest in Minneapolis¹¹¹. Therefore, the XXI century can be marked as a very challenging period for the American socio-economic environment. The recessions and social unrest highlighted the profound need for the intervention of the third sector which has been able for the most part to transform and reinvent itself in the face of difficult times and effectively satisfy the society's needs.

In conclusion, the third sector configuration mirrors the American "melting pot" of ideologies, religious orientations, ethnic origins, and social classes. The history of this big and many times highly divided nation deeply affected the development of non-profits and their concentration toward certain fields of operation like healthcare, education, and civil rights. Peculiar to the American case, it is also the influential role played by different church congregations and mass media in the support of benevolent initiatives and antislavery organizations. The liberal welfare culture, in addition, called for a consistent involvement of third sector entities in the provision of a wide variety of social goods and services. The recent recessions and the civil rights protests increased even further the demand of non-profits' assistance which simultaneously had to deal with a reduction of the people's disposable income and many times a decrease in public and private giving. In future years, the profound diversity, heterogeneity, and complexity that characterizes the American socio-economic framework will keep influencing the way the sector will evolve and transform.

1.2.3) Considerations on the historical approach and on the relationship between the non-profit and for-profit world

In chapter 1, an analysis of the definition, origin and expansion of the non-profit sector was conducted focusing on the Italian and American case. As the study shows, in order to comprehend the legal, functional, economic, and structural-operational development of the third sector we

¹¹⁰ Buchanan, L., Bui, Q., Patel, J.K. (2020, July 3). *Black Lives Matter May Be the Largest Movement in U.S. History*. The New York Times. <https://www.nytimes.com/interactive/2020/07/03/us/george-floyd-protests-crowd-size.html>

¹¹¹ Murphy, J. (2020, July 30). Billions have been raised for racial equity groups - what comes next? . BBC News. <https://www.bbc.com/news/world-us-canada-53284611>

should adopt an historical approach. Understanding past events, situations and ecosystems allow us to detect peculiar elements and features of certain frameworks and discover possible broader considerations. Italy and the United States of America are two completely different nations in terms of historical development, conformation, and structure; this transpired in the way and kind of benevolent organizations that have been established over the years.

Despite the discrepancies, many points in common can be found. Both the Italian and American non-profit sector own part of their success to the efforts of the church. The first benevolent initiatives were created by religious congregations which aimed at helping the most fragile parts of society. Needy people initially were viewed negatively by the rest of the community which considered them personally guilty of their misery. It was common practice to attach the service provision role to faith and the desire of saving sinners. With the years, the relevance of church-based organizations started to slowly fade in Italy while in the U.S. blossomed. Italian congregations acted as a springboard for the spread of social assistance organizations which later proliferated thanks to the commitment of private citizens to improve the wellbeing and life of other people. The involvement of the non-profit sector in the welfare system is a consequence of a mindset change of the society and the political power which recognized the importance of the introduction of a new sphere responsible for filling in the gaps generated by the rest of the market.

Over the years, Italy moved from a highly conservative welfare culture to a three-dimensional framework with the state, the non-profit and private sector as protagonists. On the other hand, the U.S.A. situation seems to have gone in the opposite direction, starting from a very liberal welfare approach to a slightly more centred one. This shift occurred because the third and private sector could not fully satisfy the great demand of support of Americans. Black and brown communities and women are among the categories which need mostly assistance, to understand the reason why we should look back to the agonizing years of enslavement, segregation, and racial and social conflicts. Still to this day, they are having an impact on their livelihood standards and well-being. People of colour on average hold less income than other ethnicities, this is due to the encounter with “structural racism” which affects their possibility to access better paying jobs, great schools, and facilities. Church-based organizations played an instrumental role in the fight for African Americans emancipation and rights. By engaging their followers to a moral quest, religious congregations (especially this-worldly churches) were able to drive America toward redemption. In addition, churches were important for the establishment of educational institutions, many well-known schools, colleges, and universities across America have religious roots.

During the analysis, particular attention was also given to the legislative transformation. Both Italy and the U.S.A. have witnessed over the decades a great normative redefinition which helped the third sector to acquire legitimation and define a complete and exhaustive framework. The evolution of the legal regime is strictly connected to historical, economic, and social contexts which shape the way the non-profit sector develops and present different challenges and obstacles to its expansion. Italy and the U.S. have experienced situations and events which represented important setbacks for non-profits, for instance the fascist movement or slavery and segregation of black people. Despite the difficulties, it emerges from the analysis that periods of market uncertainty and social distress are the epicentre of the evolution and development of non-

profit entities and of the creation of new organizational forms. Today, for instance, the worldwide health and economic crisis triggered by the Covid-19 pandemic is creating one of the most unstable epochs in history which is causing an exponential increase of disparities among families and a surge of the rate of poverty. In Italy, for example, the incidence of the “new poor people” increased from 31% in 2019 to 45% in 2020 leading many persons to be in need for basic livelihood support for the first time¹¹². This dramatic situation is very similar to the one of the U.S. and unfortunately, we have not yet been acquainted with all the possible long-term economic and social repercussions. This period has also been a representation of great humanity and solidarity of many people which have donated large sums to non-profit organizations as well as public bodies, in Italy it is estimated to be around 525 million euros¹¹³. Therefore, the third sector in collaboration with state and private efforts is called in difficult epochs to fulfil a greater demand of assistance having, at the same time, to deal with a consequent decrease of people’s disposable income available to purchase social goods and services and in some cases even face fundraising issues. Non-profits, then, need to reinvent themselves in order to face the new challenges, some entities joined through mergers and acquisition while others revolutionized their management and organizational setting.

On the other hand, periods of prosperity are also important for the flourishing of the third sector. As witnessed after Second World War and in the first years of the 2000s, an increase of population’s wealth translates into a boom of donations and gifts toward non-profits, an expansion of new forms like hybrid organizations and an enlargement of the scale and scope of certain entities especially in the social expression field like amateur sports, art, and culture. So, what arises from the study is that both periods of uncertainty and blossoming play an important role in the transformation of the third sector’s legislative framework, organizational setting, and relations with the rest of the ecosystem. All changes are a result of an adjustment to new requests and needs emerging from the society and the environment.

The last element I want to reflect on is the connection between the non-profit and for-profit world. At the beginning of this chapter, the third sector has been distinguished from the rest of the market according to primarily two bases: the non-profit distributing nature and the public benefit goals. Despite these premises, non-profit and business organizations, a lot of the time, find themselves operating in the same environment and pursuing similar objectives with different value propositions. They are interconnected with one another in ways which are peculiar to the field and socio-economic conditions, but it is possible to highlight some general considerations. Third sector entities aim at providing qualitative social goods and service to as many people in need as possible which a lot of the time result in the application of below market level pricing or free delivery by non-profits. In order to be economically sustainable, benevolent entities rely on tax and legislative benefits, business’s management, organizational and marketing strategies and external giving sources. Some third sector organizations even opt from “hybridization” which consists in the direction of a business with a public benefit purpose. Over the years, the mixing of

¹¹² De Lauso F., De Capite N. (2020). *Gli Anticorpi della Solidarietà Rapporto 2020 su Povertà ed Esclusione Sociale in Italia*, Caritas Italiana. http://s2ew.caritasitaliana.it/materiali/Rapporto_Caritas_2020/Report_CaritasITA_2020.pdf

¹¹³ Affinito, D., Gabanelli, M. (2020, April 22). *Covid: gli italiani donano oltre mezzo miliardo di euro. La mappa per Regione*. Corriere della Sera. <https://www.corriere.it/dataroom-milena-gabanelli/covid-quantisoldi-hanno-finora-donato-italiani-mappa-regione/30a1db12-8407-11ea-ba93-4507318dbf14-va.shtml>

organizational forms between the non-profit and for-profit world proliferated due to the increasing need for resources to face the stark competition (coming from all parts of the ecosystem: public, private, and non-profit) and cope with quasi-market environment dynamics.

On the other hand, companies are moving closer to the social dimension. Being economically sustainable is not enough anymore, the importance of the commitment toward the environment and society has taken over the corporate culture of many organizations all over the world. Corporate social responsibility has become the slogan of companies which aim at putting at the centre of their attention not only the needs of the shareholders (dividends and financial motives) but also the ones of the stakeholders at large. In today's world, dynamics in the market are constantly changing, but a trend toward morality and social liability can be outlined. There are many ways and forms entities can employ to reach their social mission and contribute positively to the ecosystem from a "pure" non-profit to an "hybrid" or a company with a strong commitment toward all areas of sustainability. Therefore, a clear separation between the two worlds cannot be defined because they are highly interrelated and dependent on one another, in the following chapter I will further investigate the different relationships that exist between them and how they contribute and shape the community they operate in.

CHAPTER 2: OUTLINING THE RELATIONSHIP BETWEEN “PURE” NON-PROFITS AND THE REST OF THE ECOSYSTEM

2.1) General overview of the main fields of operation of non-profit organizations

The non-profit sector relies on a multitude of different organizational forms to deliver social goods and services to benefit the entire society or a part of it. The non-profit types which are mostly employed are: associations, cooperatives, foundations, faith-based organizations, and social enterprises¹¹⁴. In Chapter 2 and 3, I will provide an in-depth analysis about the relationship that exists between the main non-profits' forms and the rest of the ecosystem with a focus on the Italian and United States situation to highlight the peculiarities and features that distinguish them. As explained in Chapter 1, when studying these cases is important to keep in mind the particularity of the third sector's historical development, the legislative and normative regime, economic factors like periods of downturn or proliferation and other elements like the structure of the social fabric, the welfare culture, the religious roots, and the role of mass media. Italy and the U.S.A. are extremely different in many of these aspects, but what they have in common is a strong relationship and reliance on the non-profit sector.

Benevolent organizations can be classified into two main fields of operation: service provision and social expression¹¹⁵. The American third sector is primarily concentrated on the service provision field because there is a great need for basic utilities which are not sufficiently supplied by the state and/or have a price too high for the disposable income of poor people. This environment is a consequence of the adoption of a liberal welfare system which delegates some of its duties to the other parts of the market. In 2016, the U.S.A. counted a total amount of non-profit entities of 1.54 million contributing \$1.047.2 trillion to the U.S. economy (5.6% of the GDP), more than two-thirds of all registered organizations were public charities (1.08 million entities accounting for \$2.04 trillion in revenues and \$1.94 trillion in expenses)¹¹⁶. Public charities are portrayed in the Internal Revenue Code under the section 501 (c)(3) alongside with private operating or non-operating foundations as the only categories over more than 30 others that can operate under the “public benefit status” and grant its donors with tax-deductibility benefits in accordance with Code section 170.

Their functional purpose needs to fall inside in at least one of these areas: educational, religious, charitable, scientific, literary, testing for public safety, fostering certain national and international amateur sports competitions, prevention of cruelty to children and animals¹¹⁷. Non-profits providing human services account for 35.2% of all registered public charities followed by education organizations with 17.2% and healthcare institutions with 12.2%¹¹⁸. Human services entities can be categorised in eight groups: human service, multipurpose and others (travellers

¹¹⁴ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

¹¹⁵ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

¹¹⁶ NCCS Team (2020, June 4). *The Nonprofit Sector in Brief 2019*. Urban Institute.

<https://nccs.urban.org/publication/nonprofit-sector-brief-2019>

¹¹⁷ Fritz, J. (2020, September 17). *How the IRS Classifies Nonprofit Organizations*. The balance small business.

<https://www.thebalancesmb.com/how-the-irs-classifies-nonprofit-organizations-2501798>

¹¹⁸ NCCS Team (2020, June 4). *The Nonprofit Sector in Brief 2019*. Urban Institute.

<https://nccs.urban.org/publication/nonprofit-sector-brief-2019>

aid, residential, custodial care facilities and services, etc.); recreation, leisure, sport and athletics (camp programs, sports training and competition services, recreational and social clubs, etc.); youth development (scouting organizations, mentoring programs, youth community service clubs, etc.); housing and shelter (housing development and construction services, homeless shelters, home improvements, etc.); public safety, disaster preparedness and relief (first aid training and services, automotive safety education and promotion, etc.); public protection (crime and delinquency prevention services, legal assistance services, etc.); food, nutrition, and agriculture (preservation of farmlands, soil and water conservation, food services and distribution programs, etc.); employment and job (job training, retraining, and placement services, labour unions, employee's right protection services, etc.)¹¹⁹. They are listed from the highest to lowest in terms of total number of registered organizations and figure 5 provides additional information to comprehend the magnitude of this field.

Human Services Nonprofits by NTEE Group

NTEE	Number of Registered Orgs	Percent of Total Category	Number of Orgs Filing Form 990*	Total Revenue Reported on Form 990	Total Revenue Percent of Total Category
I. Crime & Legal-Related	12,176	5%	6,266	7,173,878,476	4%
J. Employment	6,566	3%	4,077	14,878,158,406	7%
K. Food, Agriculture & Nutrition	7,724	3%	4,070	10,348,535,859	5%
L. Housing & Shelter	23,787	10%	17,510	22,072,832,824	11%
M. Public Safety, Disaster Preparedness & Relief	12,642	5%	6,929	2,430,140,593	1%
N. Recreation & Sports	64,208	28%	30,020	14,400,961,529	7%
O. Youth Development	27,996	12%	8,594	6,883,231,228	3%
P. Human Services	77,286	33%	43,270	122,635,151,726	61%
Totals	232,385		120,736	200,822,890,641	

Source: NCCS, 2013.

¹¹⁹ Norris-Tirrell, D. (2014). The changing role of private, nonprofit organizations in the development and delivery of human services in the United States. *Journal of Health and Human Services Administration*, 37(3), 304-326. <https://www.jstor.org/stable/24459718>

Figure 5. Source: Norris-Tirrell, D. (2014). *The changing role of private, nonprofit organizations in the development and delivery of human services in the United States. Journal of Health and Human Services Administration*, 37(3), 304-326. <https://www.jstor.org/stable/24459718>

Human services organizations are the epicentre of the American non-profit sector and over the years their contribution to the improvement of the livelihood and wellbeing of the society has constantly grown. Among the drivers of this great development and expansion, there are some important legislations such as the Public Assistance Amendments of 1962 and 1967, the Economic Opportunity Act of 1964, the Responsibility Work Opportunity Reconciliation Act of 1996 and the American Recovery and Reinvestment Act of 2009 which generated a sharp increase of governmental funding that «...resulted in the transition from the small, volunteer-driven nonprofit to the professionally managed, single-focused organization, often with little dependence on volunteers or donations»¹²⁰.

On the other hand, Italy is still a predominantly conservative welfare culture country, a situation which allows the third sector to concentrate more on the social expression dimension. The non-profit discipline is regulated by *Codice del Terzo Settore* which in Article 4 (Enti del Terzo settore) lists the different organizational forms employable to pursue public interests: voluntary organizations; social promotion associations; philanthropic entities; social enterprises including social cooperatives; associative networks; mutual aid organizations; recognized and unrecognized associations; foundations and other entities with non-commercial objectives. In Table 2 are represented the areas where the most diffused non-profit types (associations, cooperatives, foundations, and others) operate in. From the data emerges that art, culture, amateur sports, and recreational activities are the most widespread spheres of operation consolidating the hypothesis of a social expression concentration of the Italian third sector. These categories are followed by the social assistance and civil protection, union relations and interest representation, religious and healthcare field.

FIELD	Association	Cooperative	Foundation	Others
Culture, sports and recreation	219,011	420	2,228	9,616
Education and research	6,845	1,344	2,068	3,736
Healthcare	10,475	1,205	536	313
Social assistance and civil protection	23,526	7,334	1,784	920
Environment	5,276	/	/	/
Economic and social development	980	/	/	/
Civil and political rights protection	5,582	/	/	/
Philanthropy and Voluntarism	3,351	/	338	/

¹²⁰ Norris-Tirrell, D. (2014). *The changing role of private, nonprofit organizations in the development and delivery of human services in the United States. Journal of Health and Human Services Administration*, 37(3), 304-326. <https://www.jstor.org/stable/24459718>

International cooperation and solidarity	3,966	/	248	/
Religious	2,754	/	246	14,072
Union relations and interest representation	23,141	/	/	/
Other activities	961	196	465	1.385
TOTAL	305,868	15,751	7,913	30,042

Source: Table 2 created by using Istat (<https://www.istat.it/it/archivio/248321>).

In conclusion, once again the intrinsic peculiarities of the two nations resulted into a diverse development and expansion of the third sector, the U.S. focuses on the service provision field while Italy on the social expression one. This diverse concentration influences the way and kind of relationship that exist between non-profits and the rest of the ecosystem. In this chapter, a study on the specific relations between “pure” non-profit entities and the rest of the market will be conducted. The adjective “pure” wants to emphasise the adoption of non-business forms to accomplish social missions which on the contrary is done by hybrid organizations. The analysis will focus on associations, foundations, and faith-based organizations while in chapter 3, the attention will be devoted to “hybrids” such as social enterprises, and cooperatives.

2.2) An analysis of the social, political, and economic impact of the different non-profit forms

When analysing the different types of organizations, the focus will be given to three different dimensions: the legal, the socio-political, and the economic one. First, to comprehend the role played by non-profit entities in the ecosystem is fundamental to outline the legislative dispositions defining their functions, rights, obligations, and borders. Then, the attention is directed at understanding how the specific organizational form’s peculiarities affect the socio-political context on a micro and macro level, among the elements that will be analysed there are: the internal as well as external social dynamics and synergies unfolding in the organization; the characteristics of the participants and their needs and goals; the improvement of the individual and/or collective wellbeing; the development of support structures and networking affiliations with intrinsic social motives. Finally, the analysis will evaluate the economic consequences of their existence in the market and how they interact with the business world and governmental institutions to further their missions and serve the public. Practical examples will be used throughout the study to provide a clearer vision of the key elements that distinguish a particular organizational form from others in terms of structure, functions, and conformation. The analysis will concentrate on associations, foundations, and faith-based organizations to draw some general conclusions on the relevance of the third sector for the betterment of the welfare system and the different types of spill-over effects generated by the relationships with the public and private sector.

2.2.1) Association

Associations are one of the categories which hold the primary traits of third sector entities: private, self-governing, non-profit distributing nature and public benefit goals. The peculiarity of these organizations is to be found in the non-compulsory membership base, there is a clear separation between members and non-members. According to the Italian law, the deed of incorporation shall list members' rights, duties, and requirements for admission which is characterized by a free demand¹²¹. Members can exercise their powers through the assembly where they hold up to a maximum of five votes each. They can deliberate on different matters such as the appointment and revocation of administrative bodies, the approval of financial statements, the deliberation of the articles of association's modifications and the resolution of the organization's dissolution, transformation, mergers, and acquisition.

The entities which can employ this organizational framework to pursue their social missions are voluntary organizations, social promotion associations, philanthropic entities, and associative networks. The first two categories rely heavily on volunteer members who work and participate in the association's management and functional activities for free, it is not foreseen a compensation for the execution of their duties, only a reimbursement. An association, however, has the right to employ permanent staff or independent workers if need to fulfil their public benefit objectives respecting the legislative dispositions, for instance *Codice del Terzo Settore* defines that social promotions associations' hiring cannot exceed 50% of the total number of volunteers and 5% of the total members while voluntary organizations are only limited by the volume of the volunteers. Philanthropic entities, on the other hand, can choose between the association or foundation form. They are primarily concerned with the distribution of money, goods, or services to needy people; therefore, fundraising is one of their main areas of concern and regulation. Many normative clarifications are made on the management and collection of financial and economic resources of these entities in order to ensure a moral and ethical behaviour. Another peculiar organizational form is the associative network which combines at least one hundred third sector entities or twenty foundations of five different regions or autonomous provinces. It aims at representing, promoting, supporting, and safeguarding the activities of their members to expand the public and private awareness. These networks can be considered of a national magnitude if they are composed by more than five hundred non-profits or one hundred foundations based in at least 10 different regions or provinces.

In the United States, federal regulations imposed to membership non-profits are similar to Italian ones. The board of directors responsible for taking important decisions regarding strategies, operations, and performance control is appointed by members which also have the power to remove directors, modify the bylaw and dissolve the organization¹²². In some states, it is also required to outline in the statute additional details about the membership structure such as the qualifications, duration, classes and numbers of members, voting rights, quorum requirements

¹²¹ Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128), D.Lgs. 117, 3 July 2017

¹²² Mathias, C. (n.d.). *Difference Between Membership and Nonmembership Nonprofits*. Nolo. <https://www.nolo.com/legal-encyclopedia/difference-between-membership-and-nonmembership-nonprofits.html#:~:text=In%20a%20membership%20nonprofit%2C%20voting,listing%20in%20a%20membership%20di%20rectory.>

and month of the annual meeting. Public charities which hold the status of ‘the most diffused American non-profit organizational type’ usually do not employ a membership-based structure because their efforts are directed at serving a wide portion of society instead of few individuals. On the other hand, this form is quite common between social and recreational clubs (such as country clubs or fraternities), civic leagues, neighbourhood associations, business leagues, chambers of commerce, teachers’ retirement fund associations, labour organizations, and veterans’ organizations. These entities rely heavily on the financial contributions and work participation of their members to be economically sustainable while non-membership non-profits are more dependent on public and private donations and gifts.

Beyond the importance of the legal, functional, economic, and structural-operational definition of associations, it is also crucial to recognize their social and political role. Membership non-profits are instrumental for the development of “social cohesion” which is considered by experts a key ingredient for a modern society. Many sociologists and economists attribute to this concept different and incoherent meanings, for the purpose of this study the notion that will be taken into consideration is the following: «Social cohesion is defined as the willingness of members of a society to cooperate with each other in order to survive and prosper. Willingness to cooperate means they freely choose to form partnerships and have a reasonable chance of realizing goals, because others are willing to cooperate and share the fruits of their endeavours equitably.»¹²³. Collaborations among individuals mostly blossoms in environments characterized by liberal values such as equality, tolerance, respect for human rights, inclusivity, and freedom of association.

Both Italy and the United States are proud supporters of these principles, however historical events and situations prove that this was not always the case. Periods of great industrialization have been the epicentres of ideological, political, and legislative changes which lead societies to become more egalitarian and democratic. The voices and concerns of the middle and working class were starting to be taken into consideration by institutions, and the enlargement of their rights and powers increased the degree of social cohesion which resulted in the strengthening of the participation and involvement of people in the community. When studying association, it is very important to analyse the intrinsic motives for “social participation”. The reasons that push people to become members of specific organizations are internal (individual sphere) as well as external (collective sphere)¹²⁴. By deciding to actively get involved in different initiatives and activities, a person shapes its social identity in accordance with the moral values, principles, and goals in which he/she believes in. To be socially satisfied and happy, an individual needs to obtain recognition, respect, and approval from others as well as from him/herself (self-esteem and ego dimension). People attribute more importance to social groups which have a similar conformation and share common moral beliefs and objectives, they usually are loved ones, friends, and peers. Different associative types satisfy the wide variety of social needs and desires of individuals, people according to internal criterion define the entities with which they want to be related to depending on their personal image, identity, lifestyle, class, and networking necessities. Becoming a member of a specific club, therefore, is a way for people to show to the community their

¹²³ Stanley, D. (2003). What Do We Know about Social Cohesion: The Research Perspective of the Federal Government’s Social Cohesion Research Network. *The Canadian Journal of Sociology / Cahiers canadiens de sociologie*, 28(1), 5-17. https://www.jstor.org/stable/3341872?seq=1#metadata_info_tab_contents

¹²⁴ La Valle, D. (2005). A cosa servono le associazioni. *OpenEdition Journals*, 39, 73-97. <https://doi.org/10.4000/qds.1015>

commitment to the causes, issues, and problems tackled by the association and obtain appreciation from the collectively. In addition, membership-based organizations play an instrumental role in filling in the gaps generated by the rest of the ecosystem. Many social, economic, and political disparities are present in the Italian and American system, the development of strong associative networks help individuals to find groups that comprehend their struggles and support their path toward a better life.

During the study, different forms of associations will be analysed with particular attention to their role in the strengthening of social cohesion and participation. In Italy, associations are the most diffused form of non-profits accounting for 85% of the total registered third sector entities in the territory while in the U.S.A. public-serving organizations (concerned with the assistance of as many people in need as possible) are more widespread counting for 1.6 million entities on a total of 2 million¹²⁵. Member-serving organizations only account for 16% of the total registered non-profits having a total of 88,051 social recreational clubs (IRC classification 501(c)(7)), 78,008 fraternal societies (IRC classification 501(c)(8)), 71,681 business leagues (IRC classification 501(c)(6)), 54,633 labour unions (IRC classification 501(c)(5)) and 30,181 mutual benefit organizations (IRC classification 501(c)(9)). Regardless of their numerical presence, associations play a pivotal role on a political, social, and economic level in both nations. They can be considered «...an important source of political mobilization (e.g. workingclass movement, women's rights movement), and a platform for status competition in formally egalitarian societies, in particular at the local level. Being a member of the right club or association came to signal social distinction and prestige»¹²⁶. In the following paragraphs, the different association's types are catalogued and analysed according to the group of affinity either political mobilization or status competition to highlight some general considerations on the role played in the society and the type of synergies developed with the rest of the ecosystem. Political mobilization organizations engage in political and lobbying activities to change the legislative, normative, and structural framework on a local as well as national level in view of the needs and demands of individuals, businesses, and the society in general. The study on status competition entities, on the other hand, will focus more on their contribution to the segmentation of the society, we will see how being a member of a particular club or society enhances people's social status and prestige.

2.2.1.1) Political mobilization

Political mobilization is commonly defined as the adoption and commitment to new stable ideological patterns which are a result of changes in the way people behave and interact on a social and economic level¹²⁷. Periods of industrial revolution, great urbanization and commercial flourishing are the epicentre of the emergence of new political trends and interpretations which find in membership organizations a vehicle of expression, manifestation, and diffusion of people's economic, social, and political concerns and agenda. Associations contribute to the development and strengthening of the personal and collective involvement in the public sphere and support the

¹²⁵ National Research Council (2015). *Measuring Research and Development Expenditures in the U.S. Nonprofit Sector: Conceptual and Design Issues: Summary of a Workshop*. The National Academies Press.

¹²⁶ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

¹²⁷ Cameron, D.R. (1974). Toward a Theory of Political Mobilization. *The Journal of Politics*, 36(1), 138-171.

<https://www.jstor.org/stable/2129113>

exercise of political and democratic values¹²⁸. Associative participation is a key ingredient for the improvement of modern societies, by carefully listening to needs and expectations of different categories of businesses, workers, and people in general a country can reshape its national and local welfare culture to fulfil exhaustively their demands. We will see in the analysis how different organizational forms specialize around key public issues and leverage their power and lobbying potential to pressure and influence institutional bodies and corporations to actively change.

In the United States, there are three non-profit types which satisfy people's ideological needs and objectives: business leagues; labour organizations; employee benefit associations¹²⁹. Business leagues are entities directed at promoting the shared business and economic interests of their affiliates through the employment of different political and lobbying actions without the engagement in for-profit activities. As stated earlier, in fact, the involvement in the distribution of returns among members would entail the loss of the tax exemption benefits and the non-profit status. This category can embody several organizational forms such as trade and professional associations, chambers of commerce, boards of trade and real estate boards. It is important to analyse how business leagues interact with the rest of the ecosystem and the type of relationships that exist with the for-profit world in order to appreciate their relevance for the society and single privates.

The case of the U.S. Chamber of Commerce will be used to extrapolate relevant socio-economic and political considerations instrumental for understanding the importance of this third sector category. The creation of the U.S. Chamber of Commerce is the result of the late XIX and early XX century efforts of different political officials like Oscar Straus, Charles Nagel and William Howard Taft who encouraged the formation of a national business association that would promote the interest especially of small and medium organizations in foreign markets and in governmental settings¹³⁰. The establishment of this entity did not occur without some setbacks and ideological divergences, but in 1912 the chamber finally became reality. Leading the newly born association, there was Harry Wheeler supported by three Vice-Presidents responsible for the East, West and South division, a delegate for each state, a board of directors composed by twenty-five members and an executive committee. Since the voting rights were graduated based on the type of membership, many prominent companies joined the organization to play an active role on the decisional, strategic, and political scene. The chamber became «...the recognized voice of the American business community...» supporting the political agenda not only of large corporations but also of small-medium sized businesses across a wide variety of industries and harmonizing the efforts of other trade associations and local chamber of commerce¹³¹.

The role of the U.S. Chamber of Commerce has over the years acquired increasing importance for the creation of jobs, the growth of the economy and the reduction of bureaucratic barriers¹³². This was possible thanks to the employment of a team of lobbyists, policy experts, lawyers, and

¹²⁸ Ramella, F. (1994). Gruppi sociali e cittadinanza democratica. L'associazionismo nella letteratura sociologica. *Meridiana*, 20, 93-133. <https://www.jstor.org/stable/23195071>

¹²⁹ Internal revenue code, Public Laws 116-260, 16 August 1954, ch. 736, 68A Stat. 3

¹³⁰ Werking, R.H. (1978). Bureaucrats, Businessmen, and Foreign Trade: The Origins of the United States Chamber of Commerce. *The Business History Review*, 52(3), 321-341. <https://www.jstor.org/stable/3113734>

¹³¹ Werking, R.H. (1978). Bureaucrats, Businessmen, and Foreign Trade: The Origins of the United States Chamber of Commerce. *The Business History Review*, 52(3), 321-341. <https://www.jstor.org/stable/3113734>

¹³² U.S. Chamber of Commerce. <https://www.uschamber.com/>

communicators who represented before the White House, on Capitol Hill, in the courts, and in federal regulatory agencies the concerns and issues of many organizations and pushed for reforms, policies, legislations and international initiatives. The U.S. Chamber of Commerce missions are sustained by a local network of more than 7,400 entities across the nation¹³³. Their primary function is «...to provide collective goods that offer benefits to their members over a geographical area in which members agree on a similar package of services that they wish to provide collectively at a given cost.»¹³⁴. An organization will decide to join or not depending on the specificity and exclusivities of services. Local chambers, in addition, have a secondary function which is the production of positive externalities to all businesses regardless of their affiliation through their involvement in lobbying activities and their representative role in governmental settings. Some other elements should be considered when evaluating the relevance of the role of these non-profit entities: the business-to-business links and peer support which help organizations to create a network of contacts useful for the creation of partnerships or the enlargement of the client base; the involvement in social responsibility activities which supports members in the creation of a great reputation and a certain status in the community; the competition influence which encourages businesses to collaborate in order to control the market entry and obtain commercial advantages¹³⁵. The total number of members registered in a local chamber will, therefore, depend on its ability to provide a set of direct and indirect benefits to different kinds of organizations holding diverse expectations and needs. The size, sector and product offering are also key factors influencing organizations' affiliation attitude alongside with the local culture, the role of institutions and lawmakers.

In conclusion, some important general considerations on the relevance of the business league category can be drawn from the analysis of the chamber of commerce case. Business leagues are extremely vital for companies because they provide them specific, exclusive, and commercially interesting services not available in sufficient quantity or quality in the market and generate a spill over effect which creates collective benefits for many local players in the community. These non-profit associations can be viewed as the connector between the private and public sector. They leverage their political and lobbying power to promote “pro-business” legislations and initiatives which translates into positive commercial gains (more profits and dividends for shareholders) and into an improvement for the wellbeing of the entire society from entrepreneurs to employees, their families, and other stakeholders. These reflections cannot be extended to the Italian case because the local chamber of commerce and many business and trade associations have a public structure and role¹³⁶. Therefore, the reflections made on the American synergies and dynamics between the three areas of the market are not useful to understand the Italian framework.

Besides business leagues, a second association's category can be employed as a source of political mobilization: labour organizations. They are focused on improving the conditions and providing a higher degree of efficiency in the workplace environment of their members by getting involved

¹³³ CO. <https://www.uschamber.com/co/>

¹³⁴ Bennett, R.J.(1995). The Logic of Local Business Associations: An Analysis of Voluntary Chambers of Commerce. *Journal of Public Policy* , 15(3), 251-279. <https://www.jstor.org/stable/4007535>

¹³⁵ Bennett, R.J.(1995). The Logic of Local Business Associations: An Analysis of Voluntary Chambers of Commerce. *Journal of Public Policy* , 15(3), 251-279. <https://www.jstor.org/stable/4007535>

¹³⁶ Bennett, R.J.(1995). The Logic of Local Business Associations: An Analysis of Voluntary Chambers of Commerce. *Journal of Public Policy* , 15(3), 251-279. <https://www.jstor.org/stable/4007535>

into lobbying and political activities without participating in any way in campaigns on behalf of or in opposition to any candidate running for public offices¹³⁷. Labour unions are considered «... unique civic associations that play a decisive role in balancing and configuring the relationships between the state, the economy, and civil society»¹³⁸. They have a positive impact on the production and distribution of economic resources in the territory via “nationwide neo-corporatist institutions” and “firm-level cooperation” which support activities like employees’ wage bargaining, the improvement of working standards, fringe benefits, welfare schemes, and employment’s security.

On the political level, labour organizations can be viewed as one of the most important mobilizers of social and civil improvement initiatives and normative changes of the modern era, they have the power to influence governmental as well as corporate decisions by leveraging their positions and adopting different strategies and tactics like the organization of strikes or the endorsement of political parties in line with the objectives and values of the union to make the voices of working people heard. Labour unions are an extremely relevant support structure especially for “fragile” categories of employees like subordinates and working class which a lot of times struggle to obtain recognition and assistance from companies and political officials. To ensure a more egalitarian and democratic workplace environment, labour organizations frequently join forces with social movement and community organizations which help to mobilize human, economic, and organizational resources to encourage reforms and sustain policy implementations that address the needs and problems of many members of the society.

One great example of an association improving the lives of workers is the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) which is composed by 55 national and international labour organizations representing more than 12 million men and women¹³⁹. The central focus is on providing Americans coming from different industries and holding diverse job-positions and responsibilities with a safe, healthy, democratic, and equitable workplace setting. AFL-CIO encourages companies and institutions to support people with the introduction of educational and training programs and by ensuring wages, benefits, healthcare and retirement plans that allow employees to support their families and live a decent life. The organization exercises its negotiation and lobbying power to make the government accountable for the protection of its citizens on a social and economic level by establishing fair legislations and strengthening social security, pension, and healthcare schemes while the corporate world is kept under vigilance for the respect of internal standards and the improvement of the organizational structure in the face of the challenges posed by the global economy and international influences.

Therefore, labour unions thanks to their political and lobbying power have acquired over time an increasingly important role for the improvement of the welfare system and the creation of positive externalities for the society. They are in the front line of the fight for the introduction and adoption of higher and more fair working standards by public institutions and businesses with the aim of nurturing people’s wellbeing not only on monetary terms but also on humanistic, solidaristic and democratic ones. Contrary to business leagues which are primarily servants of

¹³⁷ Internal revenue code, Public Laws 116-260, 16 August 1954, ch. 736, 68A Stat. 3

¹³⁸ Lee, C.S. (2007). Labor Unions and Good Governance: A Cross-National, Comparative Analysis. *American Sociological Review*, 72(4), 585- 609. <https://www.jstor.org/stable/25472480>

¹³⁹ AFL-CIO. <https://aflcio.org/>

companies, labour organizations are the mouthpiece of different categories of workers from construction labourers to top senior executives. They promote employee's needs and represent their concerns ensuring the alignment between the state, the national and international market, and the rest of the society.

On the other hand, the situation in Italy is once again quite different. The diverse legislative dispositions regulating labour unions have generated over the years some confusion over their belonging to the private, non-profit, or public sector. The Italian law categorizes labour organizations as non-recognized associations of a private nature free to act and organize in the way in which it mostly suits their goals of promotion and protection of employees' rights, among the most well-known ones there are CGIL (*Confederazione generale italiana del lavoro*), CISL (*Confederazione italiana sindacato lavoratori*) and UIL (*Unione italiana del lavoro*)¹⁴⁰. Some unions' representatives are appointed by public bodies to hold positions in governmental collegial organisms. They are chosen considering different factors like the total members represented by the organization and the territorial and sectoral broadness of the activities performed. Regarding the relationship of labour unions with the third sector, there are different aspects to consider. In Article 4 of *Codice del Terzo Settore*, they are clearly excluded from the non-profit world by stating: «Non sono enti del Terzo settore le amministrazioni pubbliche di cui all'articolo 1, comma 2, del decreto legislativo 30 marzo 2001, n. 165, le formazioni e le associazioni politiche, i sindacati, le associazioni professionali e di rappresentanza di categorie economiche, le associazioni di datori di lavoro, nonché gli enti sottoposti a direzione e coordinamento o controllati dai suddetti enti, ad esclusione dei soggetti operanti nel settore della protezione civile alla cui disciplina si provvede ai sensi dell'articolo 32, comma 4.»¹⁴¹.

However, over the years many entities of a non-profit-distributing nature with a public benefit purpose have been developed around unions' rights and representation. Federmanager, for instance, is a non-profit association which advocates for better working environments, standards, and benefits for executives and protects the welfare of retired ones¹⁴². Its main activities are the negotiation of more fulfilling contractual, and economic conditions and the provision of tailored solutions for the improvement of people's wellbeing on a social, healthcare, cultural and educational level. In conclusion, even though *Codice del Terzo Settore* does not include labour unions in the third sector, over time different voluntary organizations and associations have developed in the "*Relazioni sindacali e rappresentanza di interessi*" category¹⁴³. This greyness in the Italian legislative framework has been a subject of debate by many experts in the field, but a precise explanation of the belonging of union related entities to the private or non-profit sector has yet to be defined.

The American Internal Revenue Code considers another category of non-profit entities employable for political and lobbying purposes: employee benefit associations or funds. They are composed by three sub-groups: voluntary employees' beneficiary association (IRC 501(c)(9)), local association of employees (IRC 501(c)(4)) and supplemental unemployment benefits trust (IRC 501(c)(17)). A

¹⁴⁰ Ministero del Lavoro e delle Politiche Sociali. <https://www.lavoro.gov.it/Pagine/default.aspx>

¹⁴¹ Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128), D.Lgs. 117, 3 July 2017

¹⁴² Federmanager. <https://www.federmanager.it/>

¹⁴³ Istat (2020). *Struttura e Profili Del Settore Non Profit*. <https://www.istat.it/it/archivio/248321>

voluntary employees' beneficiary association (VEBA) is a «...mutual association of employees providing certain specified benefits to its members or their designated beneficiaries. It may be funded by the employees or their employer.»¹⁴⁴. The organization's primary function is to hold funds directed at transferring monetary aids or paying insurance premiums that provide workers with sick, accident, life, and medical benefits. The funds are not subject to taxation and they are not limited in terms of size and number of benefits providable, however some specifications are made regarding the kind of aids and type of receives. To become a member of VEBA, a person needs to relate to others through a common relationship with an employer, this bond can unfold in a collective bargaining agreement or through the shared affiliation in one or more national or international labour unions. The second group is composed by local associations of employees which are entities formed only of workers of a particular person or persons in a specific city, town, or district¹⁴⁵. The associations' goal is to use their net earnings solely for educational, charitable, and recreational purposes; retirement and death aids, discount prices on services and activities are excluded from the organizational functions and do not qualify for exemption.

The last entity to consider is the supplemental unemployment benefits trust which is a trust directed at transferring additional compensation benefits defined under objective standards to people that have lost their jobs after an involuntary separation from the company due to a general reduction of staff or other issues¹⁴⁶. It can be established either by the employer him/herself or by its employees and the definition of the beneficiaries must not discriminate according to the position held in the trust or in the corporation. Therefore, employee benefit associations or funds like VEBA Trust, a multiple employer voluntary employees' beneficiary association providing health reimbursement plans to 70,000 public workers and retirees from different educational institutions and state agencies in Washington, are extremely important for the development of the American welfare system¹⁴⁷. Their function is to fill some of the gaps generated by the public and private undersupply of plans and trusts directed at providing support during the working years and after retirement. This category of organizations helps employees to obtain protection from their employers through the creation of different assistance structures concerning the healthcare, general wellbeing, educational, and recreational sphere.

When considering the Italian situation, we might be prone to think that these entities do not exist in a nation with such a highly centralized role of the state in the welfare system. However, even though most social assistance goods and services are widely distributed by public institutions, many times the demand is not satisfied on a quantitative or qualitative level. "*Fondi di assistenza sanitaria integrativa*" are a great example of a supplemental form of support at the disposal of workers¹⁴⁸. They integrate the efforts of the national healthcare system by providing socio-medical services which expenses can be totally or partially reimbursed¹⁴⁹. These funds can employ the form of a membership-based organization and in order to operate they must obtain a formal

¹⁴⁴ IRS. <https://www.irs.gov/>

¹⁴⁵ IRS. <https://www.irs.gov/>

¹⁴⁶ IRS. <https://www.irs.gov/>

¹⁴⁷ VEBA. <https://www.veba.org/home-veba-mep>

¹⁴⁸ Testo aggiornato del decreto legislativo 30 dicembre 1992, n. 502, recante: "Riordino della disciplina in materia sanitaria, a norma dell'articolo 1 della legge 23 ottobre 1992, n. 421", D.lgs. 502, 30 December 1992

¹⁴⁹ Fondo ASIM (2017, January 25). *Fondi di assistenza sanitaria integrativa: cosa sono e a cosa servono*. <https://www.fondoasim.it/fondi-assistenza-sanitaria-integrativa/>

authorization by public officials. The members can decide to join spontaneously or through their employers, among the categories served there are subordinates, managers, directors, self-employed workers, retirees, and their families.

Other than the three third sector categories already analysed; it is also worth mentioning political organizations. They are recognized by both the American and Italian legislative system where they can adopt a non-profit membership-based structure having as a primary function the diffusion of certain political values, principles, and agendas of candidates. In the U.S.A., the focus is primarily on «...influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors...»¹⁵⁰. While in Italy, the efforts are directed at spreading important political and civic knowledge to help the society to become more informed and aware of their rights as well as moral and legal obligations. A great example is *Insieme* association which takes inspiration from the legislative system to make important considerations on the political, economic, cultural, and social environment in Italy¹⁵¹. From members' discussions, key areas of concern and improvement are highlighted and later used to push for a change in the system. These entities, therefore, have an indirect effect on the market which concerns are part of the political agenda of candidates or officials. Politicians can be either directly or indirectly influenced by non-profits to push for change in the view of the needs and expectations of certain business categories. The public sector is also a key beneficiary of their existence because they give citizens a place where to freely express their political and social views and advocate for their interests and desires, key elements for the further development of a balanced modern society.

2.2.1.2) Status competition

When studying associations, it is also important to consider their role in the development of individuals' social identity and in the discrimination among different classes¹⁵². Associations are used as a vehicle of personal expression outside the workplace, a person decides to join specific organizations depending on the affinity between the goods and services provided and their lifestyle, values, budget, socialization, and networking needs. The internal conformation of clubs might vary widely in terms of social group, ethnicity, gender, professional role, age, and educational level. These differences are useful indicators of the vertical stratification of the social fabric of a particular local community. Since organizations' financial resources are primarily acquired through membership fees and contributions, the quality and quantity of the business, recreational, and cultural activities enjoyable are subordinated to the level of wealth and prestige of their members¹⁵³. We will see how certain associational types are more prone to discriminate members' participation and involvement depending on their monetary availability and positions held in the social pyramid. People, however, do not join clubs only for social recognition and pleasurable motives, they are also led by a desire for contributing to the improvement of their

¹⁵⁰ IRS. <https://www.irs.gov/>

¹⁵¹ *Insieme Web*. <http://www.insiemeweb.net/>

¹⁵² Ramella, F. (1994). Gruppi sociali e cittadinanza democratica. L'associazionismo nella letteratura sociologica. *Meridiana*, 20, 93-133. <https://www.jstor.org/stable/23195071>

¹⁵³ Jaramillo, F., Kempf, H., Moizeau, F. (2001). Conspicuous Consumption, Social Status and Clubs. *Annales d'Économie et de Statistique*, 63/64, 321-344. <https://www.jstor.org/stable/20076309>

local neighbourhoods and districts. Charitable and voluntary initiatives and programs, in fact, are a fundamental part of the life of the associations and their members.

In the American framework, the entities which serve these “social segmentation” and “status discrimination” purposes are fraternal societies and social clubs. Fraternal beneficiary associations are defined by the IRC section 501(c)(8) as membership-based organizations performing charitable, educational, and social activities directed at creating a common bond or pursuing a shared vision¹⁵⁴. Members usually are part of the same social group, religious congregation, political affiliation, ethnic origin, and/or educational attainment and though the association they further their ties by engaging in a set of fraternal rites and rituals¹⁵⁵. These associations are organized under the lodge system which requires the presence of at least two active entities: a parent organization and a local subordinate (also called a lodge, chapter, branch, or the like). They provide life, accident, sick, health and other insurance benefits exclusively to their members either directly or by establishing a separate entity.

On the other hand, this is not possible for domestic fraternal societies (IRC code 501(c)(10)) which cannot supply insurance protection themselves but must rely on external providers¹⁵⁶. Their net earnings are devoted entirely toward religious, scientific, literary, charitable, educational, and fraternal initiatives and programs. Fraternal beneficiary associations, therefore, have a bidimensional nature, on side they serve philanthropic and charitable purposes while on the other they provide exclusive benefits for their members which are united under shared beliefs, ideologies, and principles¹⁵⁷. Thrivent, for instance, is one of the biggest fraternal benefit societies with more than 3 million members and covering around 2% of the total American life and health insurance premiums in 2004 for an amount of \$6.7 billion¹⁵⁸. Central focus is also given to the “public benefit”, in fact, the association donated \$120 million to charitable initiatives and programs in 2005. Members united under the values of Christianity use the organization as a support structure for their financial, economic as well as social wellbeing¹⁵⁹. Even though the moral and civic beliefs and ideologies driving the organization’s life may be different, their positive consequences on the society are universal. Fraternal associations are instrumental for fulfilling people’s individual as well as collective economic, social, and political goals which do not find a resolution in the market or in the public sector¹⁶⁰. Organizational programs and networks are tailored to serve social groups with similar statuses, moral values, ethnicities, and genders united under a brotherhood and sisterhood bond. Their interests and needs are put at the centre of the political engagement and product provision creating a “safe place” for the expression and unfolding of their moral and civic engagement.

¹⁵⁴ IRS. <https://www.irs.gov/>

¹⁵⁵ Meyer, B.H. (1901). Fraternal Beneficiary Societies in the United States. *American Journal of Sociology*, 6(5), 646-661. <https://www.jstor.org/stable/2762005>

¹⁵⁶ IRS. <https://www.irs.gov/>

¹⁵⁷ Meyer, B.H. (1901). Fraternal Beneficiary Societies in the United States. *American Journal of Sociology*, 6(5), 646-661. <https://www.jstor.org/stable/2762005>

¹⁵⁸ Francis, T. (2006, May 30). *Some Life Insurers Play by Different Rules*. The Wall Street Journal. <https://www.wsj.com/articles/SB114894924020665840#:~:text=Thrivent%20is%20the%20nation's%20largest,America%20has%20about%20750%2C000%20members>

¹⁵⁹ Thrivent. <https://www.thrivent.com/>

¹⁶⁰ Beito, D.T. (1999). To Advance the "Practice of Thrift and Economy": Fraternal Societies and Social Capital, 1890-1920. *The Journal of Interdisciplinary History*, 29(4), 585-612. <https://www.jstor.org/stable/206975>

Over the years, fraternal associations helped also fragile and undervalued social groups like women and minorities to make their voices heard and their rights protected by pushing the system to tear down barriers obstructing their journey toward independence and economic emancipation. In the Italian legislative system, non-profits with these peculiarities in the internal social conformation and ties do not exist; however, mutual aid societies provide similar healthcare, assistance, cultural, and educational benefits to their members¹⁶¹. By contributing periodically to the organization, in fact, members and their families can satisfy their demands of insurance protection, not completely fulfilled by the rest of the ecosystem. These organizations can employ the previously mentioned supplementary healthcare funds to cover people's expenses either partially or totally and provide aid in case of the person's death. The fundamental principles of mutual aid societies are the development of social cohesion and the improvement of the welfare system, they do not serve as a social segmentation tool, on the contrary they have a very heterogeneous conformation¹⁶². An in-depth analysis on the peculiarities and functionalities of this organizational type will be conducted in Chapter 3 when evaluating "hybrid organizations".

The last category of association that will be taken into consideration for the U.S. case is the social club. These organizations provide a limited number of people with the opportunity to enjoy pleasurable and recreational services and goods¹⁶³. Differently from fraternal associations, social clubs are not involved in the supply of the insurance benefits, but they are merely focused on the leisure sphere. They are composed of nine subcategories: amateur sports clubs (such as hunting and fishing clubs, baseball, soccer, football, and tennis leagues, swimming clubs, hockey, skate, and ski clubs, and golf courses); social and country clubs; community parks and recreation centres; summer camps; organizations supporting a recreation, sport, or social club; sports competitions; organizations supporting multiple recreation, sports, and social clubs; training camps; professional sports leagues¹⁶⁴. Social and country clubs are the first club's category for total amount of revenues counting for \$14 billion and with the highest assets value of \$28 billion. They hold the second place with respect to the overall number of entities, more than 30,000 across the U.S. (behind amateur sports clubs and leagues accounting for around 59,500). The quality and quantity of the clubs' offerings are subordinated to the volume and entity of the membership fees, and contributions paid.

Social clubs are a powerful status competition and social discrimination tool which supports the creation of nucleus of wealth and prestige¹⁶⁵. Their origins are rooted in the English men's clubs and for many decades they kept women and African Americans out of the benefits and pleasures of these facilities. With the modernization and democratization of the society, however, the system opened to other ethnicities and genders¹⁶⁶. By being a member of the "right club", not only will the person benefit from interesting and fun activities, but most importantly he/she will create

¹⁶¹ Costituzione legale delle società di mutuo soccorso, L. 3818, 30 April 1886

¹⁶² Pacifici, C. (2020, July 16). *Natura giuridica e disciplina delle società di mutuo soccorso*. Filo Diritto. <https://www.filodiritto.com/natura-giuridica-e-disciplina-delle-societa-di-mutuo-soccorso>

¹⁶³ IRS. <https://www.irs.gov/>

¹⁶⁴ Cause IQ (n.d.). *Recreation centers, sports teams, and social clubs*. <https://www.causeiq.com/directory/recreation-sports-and-social-clubs-list/>

¹⁶⁵ Graham, J.K. (1980). Social clubs: establishing the right to exemption under section 501(c)(7) and a proposal for expanding the scope of exemption. *The Tax Lawyer*, 33(3), 881-898. <https://www.jstor.org/stable/20768083>

¹⁶⁶ Mayo, J.M. (1998). The American country club: an evolving elite landscape. *Journal of Architectural and Planning Research*, 15(1), 24-44. <https://www.jstor.org/stable/43030441>

social and business-oriented relationships and friendships that are instrumental for the advancement in the social pyramid. Social and country clubs are an especially instrumental entity for the creation of elites' social interactions and the recognition of their statuses. Commonly, the wealthiest and most powerful American professionals and families are part of different social and country clubs which provide them exclusive places where to socialise with their peers away from "ordinary people". These clubs can employ a non-profit membership-based associative form to allow their affiliates to enjoy a set of different leisure activities and services like golf, horse riding, tennis, dining, and wellness and spa facilities. They are usually located in beautiful mansions in the countryside or in city centres. One of the most well-known and prestigious American social clubs is the Jonathan Club where its members can benefit from different kinds of exclusive and luxurious activities and facilities. The organization's annual revenues stream and asset value are astronomical, correspondingly \$44.6 million, and \$53.1 million¹⁶⁷. The club's focus is not only directed at creating the best place for elites' families to spend their free time in and establish long-term camaraderie bonds, but also toward community service. In the organization's website, it is stated: «Jonathans not only want to give back to the city they love but to also try and make it better for future generations»¹⁶⁸. The club's members, in fact, are very active in the improvement of their local communities through volunteering work and by raising funds for social causes like breast cancer. Among the charitable programs they dedicate human and economic resources to, there are the Heart of Los Angeles, the Medal of Honor Foundation, 9/11 Meal Pack LA, Susan G. Komen Los Angeles, Heal the Bay, and LA Works. In conclusion, clubs play two social functions, one side they benefit elite groups by increasing their visibility to their peers and intensifying their interconnectedness in social networks, and on the other they use people's resources for bettering local communities and bringing awareness to important social and political issues¹⁶⁹. So, clubs by "using" the social status of their members can improve the cohesion in the society and contribute to the enhancement of the local welfare system.

In Italy, the social expression dimension is the main area of attention of the third sector. Since the presence and involvement of Italian institutions in the welfare culture are still stronger than the ones of the U.S.A., over the years most associations developed around the recreational, cultural, athletic, and leisure sphere instead of the service provision one. Italy with its 60 million inhabitants counts 305,868 associations, 219,000 of which belong to "*Cultura, Sport e Ricreazione*" dimension¹⁷⁰. The U.S. with its 328 million citizens, on the other hand, has only 133,205 recreation, sports, and social clubs¹⁷¹. The organizational forms that can be employed in Italy to reach these social purposes are: voluntary organizations (*Organizzazioni di Volontariato, OVD*); social promotion associations (*Associazioni di Promozione Sociale, APS*); sport organizations

¹⁶⁷ Cause IQ (n.d.). *Recreation centers, sports teams, and social clubs*. <https://www.causeiq.com/directory/recreation-sports-and-social-clubs-list/>

¹⁶⁸ Jonathan Club. <https://www.jc.org/web/pages/home>

¹⁶⁹ Cornwell, B., Dokshin, F.A. (2014). The Power of Integration: Affiliation and Cohesion in a Diverse Elite Network. *Social Forces*, 93(2), 803-831. <http://www.jstor.com/stable/43287846>

¹⁷⁰ Istat (2020). *Struttura e Profili Del Settore Non Profit*. <https://www.istat.it/it/archivio/248321>

¹⁷¹ Cause IQ (n.d.). *Recreation centers, sports teams, and social clubs*. <https://www.causeiq.com/directory/recreation-sports-and-social-clubs-list/>

(*Associazioni Sportive Dilettantistiche, ASD*); philanthropic entities (*Enti filantropici*); generic associations (*Organizzazione Non Lucrativa di Utilità Sociale, ONLUS*)¹⁷².

Voluntary organizations are concerned with the supply of different social goods and services for free¹⁷³. Their social and charitable initiatives are developed thanks to the monetary contributions of private citizens, businesses, national and international institutions, and the volunteering work of their members who can join the association for free (there are no discriminations in terms of monetary, social or any other requirements) . They can also engage in marginal commercial and production activities to raise funds to further their missions. Social promotion associations, on the other hand, have a less generic scope, they are mostly focused on social, civic, cultural, religious and ethical awakening programs. Members to participate may be required to contribute financially through the payment of fees or other donations. Sports organizations, as the name suggests, are only concerned with activities in the sport and athletic field. They support the improvement of members' physical and social wellbeing through the participation in courses and programs that accompany people in their athletic journey, from amatorial up to competition level (not professionalism). Members are required to pay for the goods and services consumed, however some fiscal benefits are foreseen by the Italian legislation such as the exclusion of the association's offering pricing from taxation. These entities are very important vehicles of social cohesion in Italy, they are a focal point of aggregation among people from every social group and class. Being a member of a sports club helps to create strong connections and bonds in the local community. Philanthropic entities are another associative form encompassed by the Italian legal regime. Their function is primarily the management of funds and resources directed at distributing aids to needy people or supporting different public benefit causes. They are economically supported by both privates and public institutions. When an association's framework does not fall inside of any of the previously mentioned categories, it can employ a generic non-profit associative form: ONLUS (*Organizzazione Non Lucrativa di Utilità Sociale*). In Italy, most ONLUSes operate in the cultural and artistic field, they organize events, and exhibitions, and promote different programs and initiatives for the safeguarding of the cultural heritage¹⁷⁴. The sports and leisure sphere represents another relevant operational area for these entities which aim at improving the wellbeing of all members of the community, especially fragile categories like poor and disable people.

During the analysis, a separation between organizations that serve as a political mobilization or status competition tool has been made. For the American case, this categorization seemed to correctly fit the associative framework. When studying the Italian situation, in particular the largest portion of the associative system (cultural, sports and recreational organizations), however this line of analysis cannot be adopted. The Italian framework does not create a distinction between the two spheres, on the contrary it combines them together. In fact, membership-based entities serve not only as powerful social recognition tools but also as a political mobilization one. Many political parties have close ties with cultural associations like Arci and Enars-Acli to enhance

¹⁷² Codice del Terzo settore, a norma dell'articolo 1, comma 2, lettera b), della legge 6 giugno 2016, n. 106., (17G00128), D.Lgs. 117, 3 July 2017

¹⁷³ *Italia non profit*. <https://italianonprofit.it/>

¹⁷⁴ Informa Giovani Roma (2021, January 15). *Le tipologie di associazioni*. <http://www.informagiovanioroma.it/citta-e-tempo-libero/approfondimenti/associazionismo/le-tipologie-di-associazioni>

their social consensus and recruit potential future public officials¹⁷⁵. This practice has been adopted especially after the 1870s when the Italian legislative system recognized people's freedom of association; the state did not impose any more direct control and limitations on social participation.

To better comprehend the social and political role played by these associations, it is instrumental to consider the characteristics of the organizations' executive bodies who represent the connecting lead between the society and the rest of the ecosystem (public institutions, political parties and movements, and the business world)¹⁷⁶. By analysing their conformation, behaviour, and characteristics, important insights on the social functionalities and purposes of cultural associations will emerge. Usually, associations are directed by middle-age men with a high degree of education (bachelor, master, or PhD) belonging to the middle class or intellectual bourgeoisie. They represent the Italian ruling class, and they actively engaged in the management of entities in order to strengthen their social identity, status, and lifestyle in accordance with their moral and ethical beliefs and political orientations. Directors are very important figures because they understand social trends and necessities and translate them into concrete actions and programs, filling in the gaps generated by the private and public sector. The Italian associative system is extremely diverse and broad spreading across many sectors to satisfy a wide set of social desires and lifestyles. Important social networks unfold inside cultural associations supporting people's creation of a greater reputation and prestige. Diamanti (1995) summarizes the importance of cultural associations by stating «...l'esperienza associativa rappresenta per chi vi partecipa e per chi vi milita: ambito e occasione per trovare riconoscimento, per comunicare ed esprimersi; ma, al tempo stesso, struttura presente nella realtà locale, capace di produrre servizi, promuovere la comunicazione, favorire l'inserimento delle persone in reti di relazioni più ampie». Joining a cultural association, therefore, has a discriminatory nature, people with privileged access to education, social networks, economic resources, and time are the core participants (both in executive positions and for generic membership affiliation) while lower class individuals many times are excluded from the social benefits of these entities.

Cultural associations, in addition, have a tight relationship with the political sphere. Most directors are active in political parties or have served in the past as local public officials, and their involvement in associations is instrumental to diffuse the ideologies and values they believe in. Many times, associations directly manifest their commitment to social and cultural causes and their desire for change by engaging in collective actions like marches, protests, legal initiatives, or awareness raising projects¹⁷⁷. Organizations providing their members with generic art, recreational and sports activities or directed at safeguarding local heritage (qualification of local image, tourism promotion, enlargement of cultural activities, etc.) usually distance themselves from the political dimension.

In conclusion, the Italian framework is different from the American one which employs social clubs mostly to allow elites to "show off" their power, wealth, and benevolence toward the community

¹⁷⁵ Diamanti, I. (1995). I dirigenti delle associazioni culturali del Mezzogiorno: caratteri sociali, modelli di partecipazione e orientamenti di valore. *Meridiana*, 22/23, 185-221. <https://www.jstor.org/stable/23195093>

¹⁷⁶ Diamanti, I. (1995). I dirigenti delle associazioni culturali del Mezzogiorno: caratteri sociali, modelli di partecipazione e orientamenti di valore. *Meridiana*, 22/23, 185-221. <https://www.jstor.org/stable/23195093>

¹⁷⁷ Meridiana (1995). Circuiti culturali. *Meridiana*, 22/23, 9-18. <https://www.jstor.org/stable/23195086>

by getting involved in charitable initiatives. Middle class individuals seem to be the core participant of the Italian associative life which is strongly linked to both the social segmentation and political dimension. The connectedness with the bourgeoisie, however, was not always present, it developed over time from a necessity of the “new rich” to enhance their role in the social pyramid¹⁷⁸. Up until the beginning of the XIX century, social and recreational clubs were available exclusively to the wealthiest members of the community. Elite individuals (defined in accordance with economic and social criteria) were selected as members by public bodies which were at the time the main managers and organizers of cultural associations; their affiliation usually represented a commitment for life. Clubs were instrumental for the state because they helped to control the upper-class, enhance political consensus and promote the development of the cultural and scientific dimension of the society. The second half of the XIX century characterized by the unification of the Italian territories under a common government and legal regime, and the intensification of industrialization represented the turning point for the cultural, recreational, and sports association field. The establishment of the freedom of association (Statuto Albertino Article 32, 1848) and the democratization of the society triggered a change in the conformation of social participation¹⁷⁹. Members were not anymore elites appointed by public bodies according to social and economic requirements, but individuals of every social class and background who independently joined their efforts to pursue common goals. The social groups which mostly engaged in the associative life, however, were the middle class and intellectual bourgeoisie which used clubs to develop their social identities and manifest their economic success in the local social environment.

With the years, the scale and scope of Italian associations grew considerably to satisfy the new emerging needs of the society. Even though the “*Cultura, Sport e Ricreazione*” dimension remained strongly linked to well-off people, many membership-based entities developed also to benefit the working class and other marginalized social groups. Mutual aid societies, labour organizations, professional associations, and political organizations also emerged to serve as vehicles for the improvement of the economic and social wellbeing of different social categories. The Italian associative system is, therefore, extremely important for the development of a more cohesive and engaged society. Organizations like Arci (*Associazione Ricreativa Culturale Italiana*) are instrumental players in the life of the community. They are the perfect match between social participation and political mobilization. They use culture, art, and sports as well as political discussions and manifestations as tools to fight social marginalization, individualism, and apathy.

2.2.1.3) General reflections on the role played by association in the system

From the analysis, interesting insights emerge on the importance of associations for civic society. Despite the differences in terms of activities, operational focus, and participants conformation of the Italian and American membership-based organizations, we can affirm that they play an extremely critical role for the improvement of the welfare culture and the enhancement of social cohesion in both systems. By exercising the freedom of association, people contribute directly to the formation of a more inclusive, collaborative, and responsible society. Non-profit entities serve as a vehicle to remedy the inefficiencies generated by governmental bodies and the business

¹⁷⁸ Meridiana (1995). Circuiti culturali. *Meridiana*, 22/23, 9-18. <https://www.jstor.org/stable/23195086>

¹⁷⁹ Caglioti, D.L. (1995). Circoli, società e accademie nella Napoli postunitaria. *Meridiana*, 22/23, 19-38. <https://www.jstor.org/stable/23195087>

world. Engaging in associations allows people and companies to obtain many direct and indirect benefits on a social, economic, and political level. Individuals generally participate in membership-based non-profits for: personal reasons, being a member of a specific organization supports the development of a stronger personal identity in accordance with the social group, lifestyle, principles, and political orientation; and collective motives, people are drawn by a desire of uniting forces for a common good, this shared purpose can be “selfish” (mere interest of the members themselves) and/or “altruistic” (supporting other fragile categories of people)¹⁸⁰. Businesses also are motivated by a bidimensional drive, they engage in associations close to their operational necessities and goals to obtain direct benefits like networking affiliations, great reputation, and business partnerships; and at the same time, they collaborate with other players to leverage a stronger pressure and influence on political officials to change legislations and systems in order to enlarge their economic gains.

During the analysis, the most diffused associations in the Italian and American framework have been studied, particular attention has been given to the role played in the ecosystem under a social and political perspective. From the study emerges that the American associative framework makes a clear distinction between entities serving as a social segmentation tool and the ones operating for political mobilization. The first category encompasses fraternal societies and social clubs, they are important instrument for the discrimination between different social groups, and for the strengthening of the collaboration among people supporting shared moral values and principles. These associations improve the level of participation in the life of local communities.

The involvement, however, is primarily directed at benefitting a close nucleus of individuals (usually very wealthy and powerful professionals and families), instead of the society at large. It is fair to say that the solidarity and charitable dimension only plays a secondary role in the organization’s functions and purposes. Members join associations with the main goals of improving or affirming their social status and prestige while simultaneously obtaining intrinsic economic and social advantages, from insurance, leisure, and recreational goods and services to business contacts and networking relationships with influential members of the community. Since to be part of a specific organization certain economic and social requirements need to be met, a fragmentation in the society unfolds. Fraternal associations and social clubs are not fully inclusive and open, causing especially women, people of colour, and lower-class individuals to be excluded from the benefits generated. These entities, therefore, contribute only partially to the creation of a more cohesive system, they are mostly concerned with the improvement of the well-being of only a small portion of people. These associations are not included in the political mobilization category because they are not directly involved in the protection of the economic, and political interests of their members but only in the enhancement of their personal and social dimension. So, they do not engage in lobbying actions, and campaigns to pressure public or private bodies to make changes in the framework as business leagues, labour unions, employee voluntary associations, and political organizations do. These entities serve a wide variety of players from labourers to executives, big corporations, and small-medium businesses which needs, and concerns are not sufficiently or correctly taken into consideration by the rest of the ecosystem. By supporting legislative, normative, and/or organizational changes, associations become responsible

¹⁸⁰ Magatti, M. (2000). Sui paradossi della società civile. Il caso italiano. *Studi di Sociologia*, 38(3), 217-250.
<https://www.jstor.org/stable/23004807>

for modifying the previously established equilibriums. The variations usually provide direct benefits for the groups concerned and positive spill-over effects for others, for instance a general growth of the economy, an increase of jobs, or the implementation of the welfare culture gaps like a lack of insurance protection or inefficiencies in the working standards. Political mobilization associations', therefore, contribute heavily to the improvement of social cohesion and participation among people from every social class and companies from different sectors and operational fields.

In Italy, the associative structure is different. There is not a clear distinction between social segmentation and political mobilization organizations, on the contrary the two merges together. Associations are the most popular form of non-profit entities concentrating mostly around the "*Cultura, Sport e Ricreazione*" sphere. Since the participation of the state in the provision of social goods and services is still very strong, most organizations have directed their efforts toward the "social expression" dimension. Even though the primary concern is the manifestation of people's interests and personalities outside the workplace environment, associations also engage in political dynamics. Organizations are developed around specific moral goals and principles which guide members and executives in the social participation and cohesion. Cultural associations unite people's forces and resources (mostly individuals belonging to the middle-class and intellectual bourgeois, but also to the working class) to develop a more advanced and efficient society. The social and civic causes and initiatives members participate in spread across a multitude of fields like women empowerment, the fight against addiction, social integration, anti-racism, anti-war and many more. *Arci (Associazione Ricreativa Culturale Italiana)* is the perfect example of the fusion between the social and political sphere in the Italian system. On one hand, it uses culture, art, and sports as a tool to improve cohesion and increase the involvement in the life of communities, while on the other, it engages in current political discussions and manifestations. The political engagement has an impact on the creation of general agreement and the formation of the new political supporters and officials.

In conclusion, even though the associative framework is very different in the two nations, it serves an equally important role of the advancement of their local communities. The welfare culture and historical background have influenced the formation and diffusion of diverse non-profit organizational forms and practical uses. The U.S.A., with its predominantly liberal welfare system, is primarily concentrated on the service provision dimension while Italy, with its long history of tight connections with governmental institutions, is involved mostly in leisure and cultural activities. Membership-based organizations serve as gap fillers of the inefficiencies generated by the public and private sector supporting the creation of a society receptive of its citizens' needs and demands under an economic, social, and political point of view. People by exercising their freedom of association can make their voices finally heard. The advantage of these entities is the strength generated by the unification of members' forces, commitments, and bonds to tackle shared specific and/or collective problems, also of other fragile categories like people of colour, disable people, and poor. Nowadays, governments and institutions are trying to fight the growing trend of individualism and social apathy, associations for their intrinsic characteristics and purposes are a great tool for the creation of more participative and collaborative communities. The report "*IX Rapporto Iref sull'Associazione Sociale*" states: «Il civismo politico e l'attivismo solidale sono quindi degli anticorpi della società civile. La ragione è intuibile: la partecipazione è un

antidoto contro l'indifferenza e l'isolamento sociale. Si scopre (o si recupera) l'energia contagiosa dell'azione collettiva: la convinzione di poter cambiare le cose, di poter superare il guado se si coltiva l'arte della solidarietà o se si presidia con più attenzione l'arena della politica. In ultima analisi, si riprende in mano il proprio destino, giocando un ruolo attivo nella società. È così che il cittadino partecipativo volta le spalle alla rassegnazione»¹⁸¹. Studies suggest that when people feel represented and understood are more likely to cooperate and trust others, this translates in the formation of balanced and performing social synergies¹⁸². People are more accepting of authorities and common customs, norms, and laws and understand their responsibility and roles in the system which support the creation of “social order”.

2.2.2) Foundations

When studying the third sector, one of the most important categories to take into consideration is the foundation. Foundations have been core supporters of the implementation of welfare systems across the globe for a very long-time¹⁸³. Their origin can be traced back to antiquity (Plato's academy in Greece and the library of Alexandria in Egypt) when they were strongly connected with religious institutions and elites for the provision of healthcare, educational, and other social services. Over the decades, with civil emancipation and the emergence of the middle class and bourgeoisie, foundations started to develop outside the control of just few well-off individuals and congregations. The XX century, especially the 1980s and 1990s, represented the “renaissance” of foundations which became more active in the creation of long-term solutions to pressing social issues; the flourishing economic, political, and social context of the time generated favourable conditions for their diffusion especially in the U.S.A. and Europe where there was a great need for redistribution of the wealth and resources generated by individuals and successful businesses to more fragile categories. Anheier (2005) highlights that «...they flourish on the privileges of a formally egalitarian yet socially as well as economically highly unequal society; they represent the fruits of capitalistic economic activity». The U.S. are one of the countries with the highest degree of social disparities in the world, foundations have become an instrumental tool for balancing the welfare system and closing the gaps generated by the undersupply of social assistance by the public and private sector. Italy relies as well on these entities, but on much more modest form.

Before digging deeper into the numerical and sectoral conformation of foundations in the two nations, I will investigate their legal meaning and functions. A foundation is «...a separate, identifiable asset...donated to a particular purpose, usually public in nature...»¹⁸⁴. The fund is usually established by a single individual, family, or corporation which transfers the property rights of stocks and/or other shares in companies, real estates, financial institutions, etc. to an independent institution that uses the resources for specific purposes over an undetermined period of time. Foundations are different from associations because they do not operate to serve the needs and demands of their members, but to fulfil “collective” public benefit purposes in social, charitable, educational, religious, or other fields indicated in the charter of incorporation which

¹⁸¹ ConfiniOnline (2007, January 17). *IX Rapporto sull'Associazionismo Sociale Iref-Acli*.

<https://www.confinionline.it/detail.aspx?prog=3757>

¹⁸² Magatti, M. (2000). Sui paradossi della società civile. Il caso italiano. *Studi di Sociologia*, 38(3), 217-250.

<https://www.jstor.org/stable/23004807>

¹⁸³ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

¹⁸⁴ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

also signals the entity's relative permanence. Foundations aim at supporting as many people as possible without discriminating in terms of the social class and economic availability. Other structural-operational characteristics embedded in foundations are the typical ones of non-profits such as the private nature (separate from government), non-profit distributing constraint (the returns generated must be reinvested in the organizations' programs and not distributed among owners, directors, trustees, or others as income), and the self-governing entity (they are in control of their own activities and operations). Foundations can engage in marginal commercial activities with the intent of raising funds for the achievement of the organizational goals.

There are many different types of foundations employable, the most diffused ones are: grant-making foundations which employ their economic, human and other resources to support specific initiatives and causes managed by other entities in accordance with the organization's deed; operating foundations which deliver their own services, goods, and programs concerning, for instance, monuments, hospitals, schools, parks, libraries, and cultural sites; corporate foundations composed by company-related or company-sponsored entities which are based on corporate assets and have different degrees of connection with the parent organization in terms of governance and management; community foundations which use the resources donated by individuals, businesses and public bodies to promote local projects either directly or through third party suppliers; government-sponsored or government-created foundations which are created by a public charter or are heavily supported by the government.

In the American Internal Revenue Code, in addition, a distinction between private and public foundations is made. They are both classified under section 501(c)(3) as charitable organizations, but they have some peculiar legal characteristics that differentiate them under federal tax law. Private foundations are «...generally financially supported by one or a small handful of sources— an individual, a family, or a corporation» while public charities «...receive their funds from multiple sources, which may include private foundations, individuals, government agencies, and fees they charge for charitable services they provide»¹⁸⁵. To be recognized as a public foundation, an entity must meet at least one of two requirements of the IRC's "public support test": first, the organization need to be primarily supported by contributions from governmental institutions, general public and/or publicly supported entities; second, the organization must receive less than one-third of resources from gross investment income and more than one-third from aids, membership fees, and income related to exempt functions¹⁸⁶. Both foundation forms are exempt from paying federal and state income taxes, sales taxes on their purchases, and local property taxes; some differences, however, are to be found on the possibility for donors to deduct their contributions¹⁸⁷. A person or company usually receives less favourable tax benefits when contributing to private foundations rather than public charities; for example, cash donations and gifts to private foundations are deductible only for 30% of the taxpayers' adjusted gross income while public foundations deductibility reaches up to 50%.

Different organizations fall inside the public foundation category, among the most diffused ones there are: "statutory public charities" which directly get involved in charitable activities, they

¹⁸⁵ Council on Foundations (n.d.). *Foundation basics*. <https://www.cof.org/content/foundation-basics>

¹⁸⁶ Candid. (n.d.). *What is the "public support" test? How do I calculate it?* . <https://learning.candid.org/resources/knowledge-base/public-support-test/>

¹⁸⁷ Council on Foundations (n.d.). *Foundation basics*. <https://www.cof.org/content/foundation-basics>

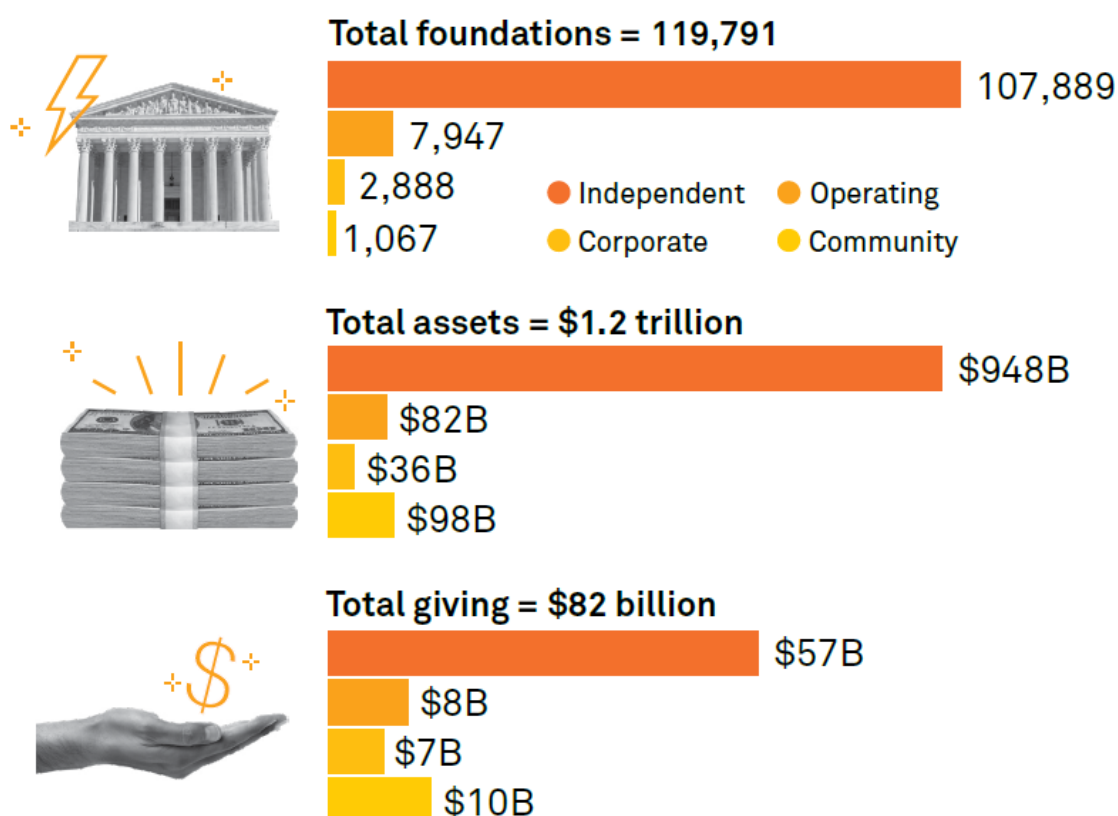
usually are schools, universities, churches, hospitals, and medical research centres; “public charities supported through donations” which activities are financially sponsored by many different sources, the American Red Cross and the Young Men's Christian Association are among the entities which constitute this group; “public charities receiving exempt function income” which are primarily financed by their internally generated income (sales of goods and services, admission contributions and fees), they are mostly museums, operas, and theatres; “supporting organizations” which main activity is to endorse other non-profits, this is commonly used by entities financing philanthropic arms of hospitals or universities; “grant-making foundations”; “community foundations”; “corporate foundations” which in some cases can also be private foundations. Public charities are the heart of the American third sector counting for 1.08 million entities representing 67% of all registered non-profit organizations, they reported \$2.04 trillion in revenues, \$1.94 trillion in expenses and \$3.79 trillion in assets in 2016¹⁸⁸. Public foundations mostly operate in the human service (sports organizations, food banks, youth services, homeless shelters, etc.), educational (universities, schools, academic institutions, parent-teacher associations, etc.), healthcare (hospitals, medical centres, healthcare facilities, etc.), art and culture (museums, libraries, theatres, etc.), and religious field; in Figure 6, a detailed numerical representation of public charities’ activities and their economic resources distribution is provided.

	Dollar Total (\$ billions)					Percentage of Total		
	Number	% of total	Revenues	Expenses	Assets	Revenues	Expenses	Assets
All public charities	318,015	100.1	2,041.5	1,937.3	3,793.7	100.0	100.0	100.0
Arts	31,894	10.0	40.2	36.9	132.9	2.0	1.9	3.5
Education	54,632	17.2	353.8	327.9	1,144.8	17.3	16.9	30.2
Higher education	2,161	0.7	226.4	213.4	740.6	11.1	11.0	19.5
Other education	52,471	16.5	127.4	114.5	404.2	6.2	5.9	10.7
Environment and animals	14,932	4.7	19.8	17.2	50.8	1.0	0.9	1.3
Health	38,853	12.2	1,208.5	1,167.8	1,643.1	59.2	60.3	43.3
Hospitals and primary care facilities	7,054	2.2	1,016.0	980.1	1,339.1	49.8	50.6	35.3
Other health care	31,799	10.0	192.5	187.7	304.0	9.4	9.7	8.0
Human services	111,797	35.2	243.0	234.5	371.4	11.9	12.1	9.8
International	6,956	2.2	39.7	35.9	44.6	1.9	1.9	1.2
Other public and social benefit	38,071	12.0	117.1	99.3	369.0	5.7	5.1	9.7
Religion related	20,880	6.6	19.4	17.8	37.1	1.0	0.9	1.0

Figure 6. Source: NCCS Team (2020, June 4). *The Nonprofit Sector in Brief 2019*. Urban Institute. <https://nccs.urban.org/publication/nonprofit-sector-brief-2019>

¹⁸⁸ NCCS Team (2020, June 4). *The Nonprofit Sector in Brief 2019*. Urban Institute. <https://nccs.urban.org/publication/nonprofit-sector-brief-2019>

Private foundations on the other hand represent only 7% of all registered non-profits accounting for 119,791 entities¹⁸⁹. The IRC requires them to pay annually at least 5% of their assets in the form of donations and benevolent initiatives¹⁹⁰. They are managed and controlled by a board of directors which is responsible for taking critical decisions on the distribution of resources toward the benevolent purpose (educational, social, religious, and/or other) and the geographic area the organization is committed to. In the philanthropic field, it is common practice to classify private foundations into five categories (this division has no legally binding powers, it is just used for descriptive and clarification motives): family foundations which are created, financed, and governed by a family; corporate or company-sponsored foundations which are established and financially supported by a corporation, their focus usually is related to the parent company's activities or to its local community (they can also employ the public charity organizational form); independent foundations which are financed by a single source (family or company), but are not managed directly by the donor and benefactor; international foundations which are entities providing donations and supporting charitable initiatives across the world (they can also be established as public foundations); private operating foundations which are directly involved in the management of benevolent activities (they are not required to pay out up to 5% of their assets in donations). In Figure 7, the categorization of private foundations is analysed with respect to their numerical presence, their total monetary donations distribution, and the magnitude of the assets held.



¹⁸⁹ Candid. (2020, April). *Key Facts on U.S. Nonprofits and Foundations*.

<https://www.issuelab.org/resources/36381/36381.pdf>

¹⁹⁰ Council on Foundations (n.d.). *Foundation basics*. <https://www.cof.org/content/foundation-basics>

Figure 7. Source: Candid. (2020, April). Key Facts on U.S. Nonprofits and Foundations.

<https://www.issuelab.org/resources/36381/36381.pdf>

In Italy, foundations play a more modest part in the development of a more efficient and effective welfare system. They are the third non-profit category for total number of entities counting for 7,913 organizations primarily concentrated around culture, sports, and recreation (2,228), education and research (2,068), social assistance and civic protection (1,784), and healthcare (536)¹⁹¹. Italian foundations are regulated by the Civil Code, *Codice del Terzo Settore*, Degree n.153 (1999), and other special laws which establish a legislative framework similar to the one of the U.S., except for the fact that there is not a distinction between private foundations and public charities. Foundations and philanthropic entities (a peculiar form of foundation which can also employ the associative form) must sign up for the *Registro Unico Nazionale del Terzo Settore* to be recognized as non-profit entities and benefit from a favourable tax regime.

The Italian system encompasses three additional foundation types: bank, opera, and participative foundations. “*Fondazioni di origine bancaria*” are non-profits which invest their patrimony in diverse, safe, and profitable activities in order to generate income to support the promotion of social initiatives, economic development, and the safeguarding of fragile categories at the local and national level, they focus primarily on the research, educational, art, cultural and environmental heritage field¹⁹². They developed in the 1990s after the introduction of *Legge Amato* which transformed credit institutions with a high involvement in philanthropic and benevolent activities (like *Casse di Risparmio* and *Banche del Monte*) into two separate entities, on one side the limited company (focus on commercial goals) and on the other the foundation (concerned with the charitable dimension)¹⁹³. Foundations can provide resources directly to public institutions and non-profit organizations and at same time personally get involved in the creation of charitable programs and projects. Therefore, they are a mix between a grant-making and an operating foundation. There are 88 bank foundations in Italy, and are mostly concentrated in the Emilia Romagna, Piedmont, and Tuscany region. In 2016, they supported 20,000 philanthropic initiatives for a total amount of €1,03 billion.

The second additional foundation’s category is the “*Fondazioni lirico-sinfoniche*”. They aim at promoting cultural, artistic, and musical activities for the benefit of the society. They were originally public organizations, but with the introduction of the Decree n.367 they became independent foundations¹⁹⁴. With this change, these entities became more flexible, less restricted by the governmental bureaucratic practices and open to private donations. Nowadays, there are 14 opera foundations: *Teatro La Fenice di Venezia*, *Teatro alla Scala di Milano*, *Teatro San Carlo di Napoli*, *Arena di Verona*, *Teatro Comunale di Bologna*, *Fondazione Teatro del Maggio musicale fiorentino*, *Fondazione Teatro Carlo Felice di Genova*, *Teatro Massimo di Palermo*, *Teatro dell’Opera di Roma*, *Teatro Regio di Torino*, *Teatro Comunale Giuseppe Verdi di Trieste*, *Accademia*

¹⁹¹ Istat (2020). *Struttura e profili del settore non profit*. <https://www.istat.it/it/archivio/248321>

¹⁹² La Fondazione (n.d.). *Cos’è una Fondazione Bancaria*. <https://www.lafondazione.com/cos-%C3%A8-una-fondazione-bancaria>

¹⁹³ Disposizioni in materia di ristrutturazione e integrazione patrimoniale degli istituti di credito di diritto pubblico, L. 218, 30 July 1990

¹⁹⁴ Disposizioni per la trasformazione degli enti che operano nel settore musicale in fondazioni di diritto privato, D.lgs. 367, 29 June 1996

*nazionale di S. Cecilia di Roma, Fondazione teatro lirico di Cagliari, Fondazione Petruzzelli, and Teatri di Bari*¹⁹⁵.

Another important category to mention is “*Fondazioni di partecipazione*”. They are “hybrid” entities because they exist both in the public and private dimension and embody some of the characteristics typical of associations. They, in fact, are constituted and actively governed by a multitude of founders (there is not just a single or few benefactors as it is for “traditional” foundations) and participants who supply economic resources and contribute with their human expertise to pursue the public benefit¹⁹⁶. Participative foundations are usually employed by governmental institutions to increase social participation and improve the welfare of the nation. In conclusion, the foundation framework in Italy and the U.S. has many similarities as well as discrepancies in the legislative and structural conformation. Foundations play a vital role in the improvement of the well-being of the society especially in the U.S. while in Italy associations are the core protagonist of the third sector.

2.2.2.1) Social role

The understanding of the legal characteristics and borders of foundations in the two nations provide a conceptual basis for the analysis of their social, political, and economic role in the society. Academics have conflicting opinions on the social impact and the relevance of the role played by foundations in the improvement of the welfare system. We can divide literature principally into two ideological perspectives, some experts consider foundations as important redistribution instruments which satisfy part of the unmet social needs of minorities and fragile groups while others see them as «...a solution to the problems of the rich rather than the poor»¹⁹⁷. The first line of thought views foundations as a legal tool employable for redistributive purposes by wealthy individuals, families, and corporations which desire to contribute to the enhancement of the social, economic, and political well-being of society by altruistically transferring part of their economic and human resources. Foundations are interesting because differently from other non-profit forms (like associations) allow their donors and benefactors to have direct control over the use of their assets to pursue their philanthropic motives. Foundations are fundamental for filling in the gaps generated by the public and private sector.

This is especially true in the case of the U.S. because the presence of the government in the welfare culture is less dominant than the one in Italy. Differently from governmental actions, in addition, foundations’ efforts are free from any pressure from the general public. Therefore, they can engage in long-term and innovative programs supporting change and safeguarding minorities’ demands, traditions, and cultural heritage without having to obtain “external” consensus. They are more flexible and open to experimentation than the public sector which social assistance supply is strongly subordinated to the political orientation and beliefs of the majority party, so reforms and policies usually have a cyclic relevance. In conclusion, according to the first

¹⁹⁵ Camera dei deputati (2021, March 11). *Le fondazioni lirico-sinfoniche*.

https://www.camera.it/temiap/documentazione/temi/pdf/1104445.pdf?_1596632916242

¹⁹⁶ Mario Sartori Studio Notarile (n.d.). *Fondazione di partecipazione e fondazione tradizionale: qual è la differenza?* .

<https://www.notaiosartori.it/news/fondazione-di-partecipazione-e-fondazione-tradizionale-qual-e-la-differenza>

¹⁹⁷ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472.

<http://www.jstor.com/stable/24385611>

perspective, foundations are an instrumental non-profit type for redistributing wealth and balancing the synergies and equilibriums between the three areas of the market, and for avoiding any sector from prevailing and dominating over the others. Foundations are necessary for the society which without their presence would suffer from a loss of innovative social, educational, religious, and many other assistance goods and services.

On the other hand, some scholars have a less “positive” view on the social importance of foundations. Many believe that these entities are «...elitist, undemocratic, and basically irrelevant to modern society...»¹⁹⁸. They affirm that the advantages of foundations are mostly directed toward well-off individuals and corporations (and not toward fragile social groups) which use foundations to keep control over their assets, influence public policies, and reduce social resentment, and as a tax shelter tool. The concentration of large quantities of wealth and resources in the hands of few individuals or companies (especially in debated industries like arms, pharmaceutical, oil, tobacco, gambling, etc.) has always been a controversial point of discussion by the general public. To avoid criticism and raise their reputation, they engage in foundations to give back to the community in a controlled and legal way. This practice is highly criticized by scholars who consider it a twisted and inappropriate way to improve the well-being of the society. In addition, the attainment of the tax deductibility benefits is another key motivational establishment factor which, however, leads to the reduction of the amount of effective public funds achievable and investable in social assistance. On average, when \$100 (or euros) are donated to foundations, the state loses \$40 in forgone tax income. In addition, the actual social benefit obtained is low; since foundations usually invest on an annual basis around 5% of their assets in benevolent programs, the immediate contribution to the community will be only a small fraction of the actual contributions. The investments made will keep generating returns which are employed for charitable purposes over a long period of time, but the quantity of the benefits provided is too low compared to the ones generated by other forms of non-profits.

Therefore, according to second perspective supporters, foundations are entities which serve the privileged instead of the most fragile categories. The resources invested «...rather than generating added value they are a net cost to the taxpayer» who «...contribute up front for much of the expected social benefit that could be attributed to foundations over time»¹⁹⁹. According to Anheier and Leat (2013), however, the best way to understand the social relevance of foundations is by analysing them according to the value attributed by society itself. These organizations, even if inefficiently, provide something that otherwise would be lost. They are socially legitimized and admired in most systems, even though, there is a general lack of knowledge about the privileges and tax benefits provided to elites and big corporations. Politicians seem not particularly concerned with the deficiencies of this non-profit type because they perceived them as “irrelevant” and “non-harmful”.

To better comprehend the social role played by foundations in the American society, I will investigate the case of Carnegie Corporation of New York. It is one of the oldest and most well-known grant-making foundations in the U.S., it was established in 1911 by the famous

¹⁹⁸ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472. <http://www.jstor.com/stable/24385611>

¹⁹⁹ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472. <http://www.jstor.com/stable/24385611>

entrepreneur Andrew Carnegie who after making a fortune with his steel companies decided to commit his wealth to «...promote the advancement and diffusion of knowledge and understanding...»²⁰⁰. The organization focuses on the improvement of education, democracy, and international peace and security through the support of programs which investigate, study, and tackle public problems and needs. The educational sphere focuses on encouraging the establishment of facilities and the implementation of innovative solutions to improve public education students' skills, knowledge, and capabilities, particular focus is given to children and young adults from low-income and disadvantaged families. In 2019, the foundation was able to support more than 240 educational organizations. The democratic section concentrates in the promotion of locally based initiatives safeguarding people's human and civil rights in areas like voting, social integration, immigration, and inclusion while the international peace and security one encourages the research and analysis of controversial global issues in politically critical areas like Africa and the Middle East. It is fair to say that Carnegie Corporation of New York has «...a significant impact on American life and culture»²⁰¹. It fills in the gaps generated by the undersupply of social, cultural, economic, and political goods and services by the government which fails to satisfy the demands of many categories, especially people of colour, working class, and women.

Therefore, even though foundations are to a certain extent inefficient entity (as the second perspective supporters sustain), they are also important public good servers. Without their interventions many innovative and controversial issues would have not been taken into consideration by the public and private sector whose actions are limited by the expectations of their "stakeholders" (citizens on one side and investors on the other). Foundations are unique non-profit organizations which serve a specific social purpose for the society, not fully replaceable and obtainable by other organizational types. The primary foundations' advantages can be summarised as follows: they encourage the development of new institutional frameworks, particularly in fields overlooked by governmental institutions; they have a long-term vision, thanks to their investments they are able to tackle problems for "beginning to end"; they are innovators and risk-takers, thanks to their flexibility and freedom to operate without "external impositions" they are capable of researching and investigating new trends and fields; they are selective, they can freely decide to concentrate their efforts in specific public benefit's areas; they have a local footprint, by contributing to specific community-based organizations, foundations direct their efforts toward the creation of close relationships with locals who unite under common public good purposes strengthening their social identity and fostering their sense of belonging.²⁰²

In addition, it is important to highlight that American foundations (as it is also for associations) play an important role for the enhancement of social prestige. The desire of helping society is not the sole motivational factor for establishing a foundation. In the United States, these entities are considered an instrument to achieve a status which would not be attainable by merely possessing wealth. Being the benefactor of a foundation, in fact, signals social authority, power, standing and control. These entities are also an important memorial conservation tool, a person's name and

²⁰⁰ Carnegie. <https://www.carnegie.org/>

²⁰¹ Rogers, D.E., Keenan, T. (1990). The Role Of Foundations In American Society. *Health Affairs*, 9(4), 186-194. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.9.4.186>

²⁰² Rogers, D.E., Keenan, T. (1990). The Role Of Foundations In American Society. *Health Affairs*, 9(4), 186-194. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.9.4.186>

reputation will keep on living and creating positive memories in the mind of people as it is for Carnegie Corporation of New York, Rockefeller Foundation, W.K. Kellogg Foundation, and Robert Wood Johnson Foundation.

In Italy, foundations play a much smaller role in society, partially because the involvement of the state in the welfare system is more centralized than the American one. This has led, over the years, to the concentration of the third sector on the social expression dimension which has traditionally preferred the associative form to accomplish shared cultural, recreational, and athletic purposes. Foundations are, in addition, a recent phenomenon in the Italian history; they started to diffuse during the 1980s and 1990s (65% of all registered foundations have developed in fact after 1982)²⁰³. Due to the “marginal” and “novel” importance of Italian foundations, few studies had been conducted on their relevance for the community²⁰⁴. Boccacin (1996) believes that the answer to foundations’ social role «...risiede nella considerazione della modalità con cui si attua il processo di «presa in carico» del bisogno: non si tratta di un processo forzoso, bensì di una opzione libera che consente di destinare risorse finanziarie e umane secondo una prospettiva di reciprocità e che, in alcuni casi, giunge a forme di *care* personalizzato, senza tuttavia tralasciare l'ottimizzazione della creatività personale e della struttura». Therefore, in Italy, foundations are considered virtuous non-profit entities, product of wealthy individuals and corporations altruistic desire of helping others to improve their lives in different aspects like culture, art, sports, education, social assistance, civil protection, and healthcare. Foundations play an instrumental role in the enrichment and diversification of the third sector supply of social goods and services, and in the general implementation of the welfare gaps generated by the public and private sector. They also encourage social involvement and participation, especially at the local level, by creating networks of relationships between individuals and organizations. A strong sense of social belonging and cohesion is generated by the commitment toward collective benefit goals. As for the American case, they are also employed for social status and prestige motives. The establishment of these entities is strongly connected to middle-class and elite individuals who wish to strengthen their reputation and keep their “name alive”.

One of the most prestigious Italian foundations is the *Fondazione Agnelli*. It was established in 1966 by the Agnelli family who altruistically contributed part of their resources to improve the educational and research sector in the economic, scientific, social, and cultural field²⁰⁵. The family believes the foundation’s activity to be a «...fattore decisivo per il progresso economico e l’innovazione, per la coesione sociale, per la valorizzazione degli individui»²⁰⁶. The organization primarily focuses on studying, analysing, and experimenting innovative and unconventional solutions to didactic problems affecting the Turin area (headquarter of the foundation) and the Italian territory. In addition, the foundations’ efforts are directed at developing close relationships with public and political bodies to influence policies and reforms which would provide an improvement of the efficiency, effectiveness, and equity of the Italian framework. The attention is merely directed toward the educational, youth development, and social inclusion sphere.

²⁰³ Istat (2020). *Struttura e profili del settore non profit*. <https://www.istat.it/it/archivio/248321>

²⁰⁴ Boccacin, L. (1996). Le fondazioni pro-sociali: un'area emergente del terzo settore italiano. *Studi di Sociologia*, 34(3), 269-278. <https://www.jstor.org/stable/23004668>

²⁰⁵ *Fondazione Agnelli*. <https://www.fondazioneagnelli.it/>

²⁰⁶ *Fondazione Agnelli*. <https://www.fondazioneagnelli.it/>

In conclusion, foundations play a similar social role in the two nations. Despite the evident inefficiencies, they are still supported by third sector legislations because society values them positively. Benefactors engage in foundations for selfish (tax benefits, social prestige, memory conservation, and keeping control over their assets) and altruist (desire to contribute to the public welfare, social responsibility, moral and ethical beliefs, concern with particular social issues, and commitment to a specific local area) motives while society encourages their establishment because they provide something that otherwise would have not been delivered by the public and private sector²⁰⁷. Foundations' social role has, therefore, an impact which can be summarized as: complementary (serve undersupplied social categories like low-income families, and disable people); substitutional (partially replace government actions); re-distributional (transfer resources from well-off individuals and corporations to needy people); innovative (support progressive changes in the system); socially, culturally, economically, and politically relevant (serve as protectors as well as innovators of existing structures and legislative systems); and supporter of pluralism (encourage diversity, social participation, and inclusion). Foundations in the American system are far more diffused and evolved than the ones in Italy, this depends on differences in the welfare culture, sectoral focus, social conformation, and organizational type preference. In Italy, foundations, in addition, are a "new trend" started in the 1980s which took strong inspiration from the U.S. framework considered "pioneering modern foundations".

2.2.2.2) Political role

Foundations, in addition, have a strong political relevance. In the United States, the Internal Revenue Code prohibits them from engaging in direct lobbying activities, however, they can «...build relationships with elected officials, share information on activities and grants, provide technical assistance to legislative bodies or committees, and to provide nonpartisan analysis, study, or research. They can also fund other groups to carry out these and other advocacy activities»²⁰⁸. They support the needs and issues of diverse social groups for ethnicity, religious orientation, class, and economic conditions by making their voices heard in the political space. Foundations stimulate and influence public officials to take into consideration their diverse demands which would otherwise be overlooked because too "controversial".

So, foundations, once again, operate in parallel with the government to compensate for the democratic inefficiencies. These entities serve as powerful "intermediaries" in the American political system²⁰⁹. They are involved in the different phases of the political process: agenda setting and policy change, after detecting and collecting information about particular social issues, foundations fund networks of ground-level supporters and interest groups coalitions sharing common ideological beliefs and policy change goals; political diffusion, foundations create strong relationships with local as well as national political institutions to facilitate the understanding and acceptance of the new ideas; policy implementation, foundations act as policy entrepreneurs by remaining involved in the process until the changes are adopted according their preferences and

²⁰⁷ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

²⁰⁸ Bushouse, B.K., Mosley, J.E. (2018). The intermediary roles of foundations in the policy process: building coalitions of interest. *Int Groups Adv*, 7, 289–311. <https://doi.org/10.1057/s41309-018-0040-6>

²⁰⁹ Bushouse, B.K., Mosley, J.E. (2018). The intermediary roles of foundations in the policy process: building coalitions of interest. *Int Groups Adv*, 7, 289–311. <https://doi.org/10.1057/s41309-018-0040-6>

visions. They serve as powerful political agents, partially responsible for the creation of more efficient, effective, and equal systems and structures. They are considered “trusted neutral partners” in social innovations because they have large access to high quality and non-partisan information, and lack of economic interests in specific outcomes. The political representation and mobilization role played by foundations is supported by the intrinsic organizational characteristic; the freedom of allocation of economic and human resources toward social problems they wish to tackle (without having to “respond to” internal stakeholders) give foundations *carte blanche* on where, when, what, how many initiatives to support²¹⁰. This is especially true for large private foundations which typically prioritise their political involvement in specific social innovations instead of concentrating on the supply of generic charitable programs and projects.

For instance, Ford Foundation was one of the most active political “go-betweens” in the American history. It was established in 1936 by Edsel Ford and since then it has played an instrumental role in advancement of the educational, scientific, and social well-being²¹¹. Ford Foundation was one of the hardened supporters of the civil right movement of 1965-1970; it transferred millions of dollars primarily to the National Urban League and the National Association for the Advancement of Colored People which were strongly involved in educational and research programs instrumental for supporting political and legal actions (between 1965 and 1970, grants related to African Americans’ racial issues accounted for 40% of all domestic donations)²¹². 1966, in particular, was a very important year for Ford Foundation’s participation in the social movement. After the appointment of the new President McGeorge Bundy, the organization fully committed to safeguarding human and civil rights. During a speech at the National Urban League in Philadelphia, he announced: « We believe that full equality for all American Negroes is now the most urgent domestic concern of this country»²¹³. The new executive direction led to the donation of large resources to diversity scholarships, Historically Black Colleges and Universities (HBCUs), African American Studies departments, and diverse arts organizations. Therefore, foundations act as the spokespersons of underrepresented social categories which concerns, and needs are finally legitimized and protected in political settings. We can conclude that foundations play a critical intermediary role in the mobilization of political innovation. In Figure 8, the political role played by American foundations in the different policy process phases is summarised highlighting the connection with their organizational characteristics.

²¹⁰ Bushouse, B.K., Mosley, J.E. (2018). The intermediary roles of foundations in the policy process: building coalitions of interest. *Int Groups Adv*, 7, 289–311. <https://doi.org/10.1057/s41309-018-0040-6>

²¹¹ Ford Foundation. <https://www.fordfoundation.org/>

²¹² Wimpee, R. (2020, November 4). *Funding a Social Movement: The Ford Foundation and Civil Rights, 1965-1970*. Resource Rockarch. <https://resource.rockarch.org/story/philanthropy-social-movements-ford-foundation-civil-rights-1965-1970/>

²¹³ Wimpee, R. (2020, November 4). *Funding a Social Movement: The Ford Foundation and Civil Rights, 1965-1970*. Resource Rockarch. <https://resource.rockarch.org/story/philanthropy-social-movements-ford-foundation-civil-rights-1965-1970/>

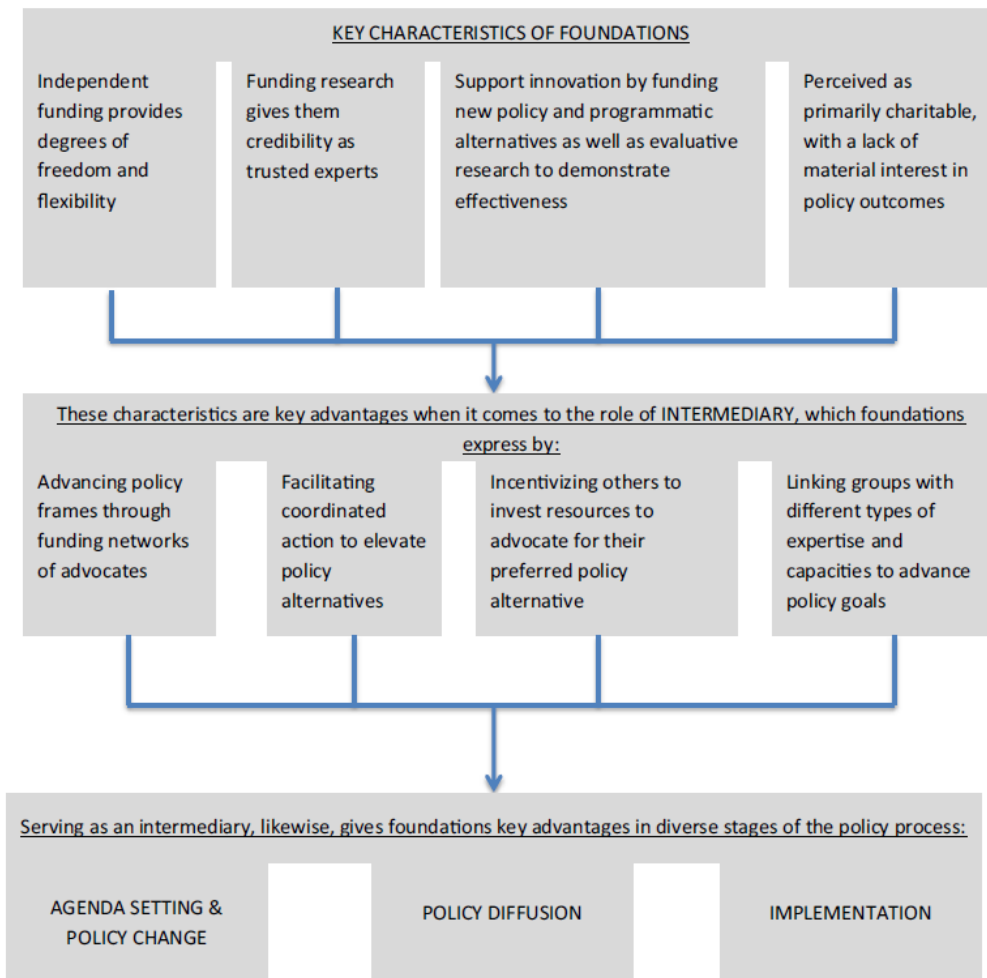


Figure 8. Source: Bushouse, B.K., Mosley, J.E. (2018). *The intermediary roles of foundations in the policy process: building coalitions of interest*. *Int Groups Adv*, 7, 289–311. <https://doi.org/10.1057/s41309-018-0040-6>

Foundations are veiled powerful intermediaries in the American political scene, a situation which can also cause negative externalities²¹⁴. The general public, most of the time, is in the dark of the investments made to accomplish social and political change. This can arise relevant transparency and accountability issues, especially for private foundations established by well-off individuals, families, or corporations which direct their resources toward specific areas of concern without having to respond to any internal stakeholders. Therefore, foundations act as public benefit supporters without having to submit to the typical accountability requirements (meeting consumer’s demand for the private sector and obtaining electoral votes for the public one) and society’s scrutiny. Foundations are mostly focused on changing the system for what they perceive is “best” of the community, experts criticized this freedom in the determination of the public good

²¹⁴ Bushouse, B.K., Mosley, J.E. (2018). *The intermediary roles of foundations in the policy process: building coalitions of interest*. *Int Groups Adv*, 7, 289–311. <https://doi.org/10.1057/s41309-018-0040-6>

purposes because it can lead to the promotion of wedge issues like conservative “traditional family policies” or the introduction of religious practices in educational setting²¹⁵.

Even though Italian foundations are less diffused than American ones, they still play a critical role in the political space. After the introduction of *Legge Bassanini* (1997), “*fondazioni politiche*” sparked the interest of many political representatives like Matteo Renzi (*Fondazione Open*), Giovanni Toti (*Fondazione Change*), Giovanna Melandri (*Human Foundation*), Ermete Realacci (*Symbola*), and Livia Turco (*Fondazione Nilde Iotti*) and many others who use these entities to create networks of collaboration with academics, researchers, and economists to develop solutions to social issues affecting the Italian society²¹⁶. They are mainly located in the Lazio and Lombardy region and their primary activities are the organization of committees and seminars, editorial publishing, and political research and formation aiming at discussing, and implementing new policy changes and alternatives. As for the United States case, foundations are a great instrument to fill in the gaps generated especially by the public sector; they are considered positive contributors to the advancement of social innovation in communities where the voices of underprivileged and overlooked social groups like poor, disable, and socially marginalised people are not listened.

Many criticisms have also emerged about their actual contribution to society, the cost-benefit balance, and the distortion of the perception of “what is best” for the system. In recent years, in addition, many jurists and experts have raised many doubts about their transparency; Raffaele Cantone, magistrate responsible of the Anti-corruption department, stated: «La grande operazione da fare è di trasparenza, che non riguarda più solo i bilanci dei partiti ma anche quello che gira intorno ai partiti: soprattutto le fondazioni create dai politici»²¹⁷. Italian foundations are not required to publicly disclose the names of the donors and the income statements, for entities operating in the political context, this can be a salient topic of debate. In 2019, political foundations were at the centre of a scandal after an investigation of the Public Prosecutor’s Office of Florence of possible illegal funding transfers done by *Fondazione Open* in favour of the political campaign of Matteo Renzi, Maria Elena Boschi, and Luca Lotti²¹⁸. The newspaper *Il Tempo* describes *Fondazione Open* as «una struttura parallela al partito di appartenenza, in questo caso il Pd, utilizzata per raccogliere fondi, organizzare eventi e aggregare la base elettorale»²¹⁹. This case demonstrates how the topic of transparency and accountability is very salient and present also in the Italian context. Moving forward, foundations will need to be closer analysed and studied by

²¹⁵ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472. <http://www.jstor.com/stable/24385611>

²¹⁶ Scacchioli, M. (2015, April 16). *La giungla delle fondazioni politiche: sono 60 quelle attive ma sui conti non c'è trasparenza*. La Repubblica. https://www.repubblica.it/speciali/politica/data-journalism/2015/04/16/news/fondazioni_politiche_think_tank_in_italia_sono_59_trasparenza_finanziatori_soldi_soci_bilancio-111590815/

²¹⁷ Scacchioli, M. (2015, April 16). *La giungla delle fondazioni politiche: sono 60 quelle attive ma sui conti non c'è trasparenza*. La Repubblica. https://www.repubblica.it/speciali/politica/data-journalism/2015/04/16/news/fondazioni_politiche_think_tank_in_italia_sono_59_trasparenza_finanziatori_soldi_soci_bilancio-111590815/

²¹⁸ Il Post (2020, November 9). *Gli sviluppi dell'inchiesta sulla Fondazione Open*. <https://www.ilpost.it/2020/11/09/sviluppi-inchiesta-fondazione-open-renzi/>

²¹⁹ Il Tempo (2019, November 28). *Cento fondazioni e poca trasparenza: politici, sindaci ed ex ministri, le cifre choc*. <https://www.iltempo.it/politica/2019/11/28/news/fondazioni-politiche-italia-partiti-politici-ministri-minidossier-governo-trasparenza-openpolis-1247433/>

experts in order to provide more clarity over their actual legal boundaries and borders. Italian foundations are a very recent phenomenon, therefore, academic research and literature have yet to catch up with the American ones which have put foundations at the centre of their third sector studies being them the first non-profit entities in terms of numbers, revenues, and assets.

In conclusion, foundations are important political agents in both nations; they serve as policy changes' advocates and entrepreneurs. They support the improvement of the welfare system in the view of the needs and issues of the most fragile social categories. The public is not fully aware of the magnitude of their political involvement while scholars and jurists are increasingly researching and investigating their connection and relationships with the political space. Many criticisms, over the years, have emerged both in the United States and Italy about the great lack of accountability and transparency reserved to foundations. Experts debate about whether foundations should be subject to the same scrutiny of public institutions since they serve collective benefit purposes²²⁰. Foundations should at least openly communicate by whom, and how the donations are used to accomplish the organizational goals. These entities are a relatively new phenomenon and their further implementation and improvement seem not to be the centre of attention of the public and legislative debate. Thanks to the increasing contributions of researchers, however, interesting insights about the inefficiencies and areas of betterment of these entities are emerging. Only, with time will see how these political issues are going to be tackled by institutions.

2.2.2.3) General reflections on the role played by foundations in the system

From the study, we can conclude that foundations play a highly controversial role in the improvement of the welfare system in the United States and Italy. In recent years, they have experienced a "renaissance" due to favourable legislations and the concentration of wealth in the hands of few individuals, families, and corporations which have found in foundations one of their preferred instruments of charitable and benevolent giving. There are many types of foundations from grant-making to community, corporate, operating, and government-sponsored, and their main characteristic is the maintenance of the control over the assets and donations by the founders who can employ them as they wish as long as they respect the purposes indicated in the organizations' deed. This peculiarity (possessed only by this non-profit form) is at the centre of the debate about the social, political, and economic role played by foundations.

In the study, it emerged that experts have very different opinions about the actual contribution of foundations in the society. Some scholars believe that these entities are useful redistribution instruments which support the creation of more balance systems (equilibrium between the third, public, and private sector) and provide social goods and services which would have not been delivered otherwise. On the other hand, many experts affirm that they are an inadequate and inefficient way of achieving those goals, other non-profit forms would be able to obtain much better results and in a more efficient way. The perspective of Anheier and Leat is a combination of

²²⁰ Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

these two orientations. They recognized the advantage of employing the foundation form principally in their social innovation and policy alternative provision role²²¹.

Differently from other organizational types, foundations are free to act within the “public benefit purpose” dimension according to the ideological and political beliefs of the founders. This allows foundations to fiercely tackle issues which most political officials shy away from, we have seen for instance the instrumental role played by the Ford Foundation in the improvement of African Americans’ social integration at the end of the 1960s. Foundations are strongly linked to academics and researchers for the investigation, analysis, and study of salient social and political issues. Their protagonist role in literature has led to their affirmation as non-partisan and neutral entities. They have no economic interest in being the advocates and entrepreneurs of specific policies. The general public is usually in the dark of their strong involvement in the political space, a situation which does not provide us full understanding of the real value and importance attributed to them.

Scholars, on the other hand, have been studying their effects and relationships with the different players in the ecosystem for a while (Italian literature is still catching up with the American one which is highly focused and dedicated to the topic). From the academic studies, it emerges that foundations might have a “material interest” indeed. First of all, they provide consistent personal advantages to wealthy people: tax benefits, social prestige, reduction of public hostility, and maintenance of the control over their assets. Then, they might be engaging in “inappropriate” political and lobbying-like activities. Since foundations lack social scrutiny and public accountability, many transparency issues might emerge. When a foundation is established, it must invest its resources in what it believes is “best” for the community. The concept of “best”, however, might be differ from one organization to the others. Therefore, foundations can technically advocate for policies or changes in the system which are fitting the needs and interests of social groups which are not the “ideal” beneficiaries. We have seen the example of *Fondazione Open* which allegedly used part of its donations to promote the political agenda of some public officials.

The negative connotations attributed to foundations, however, should not overshadow the positive they contribute to society. Anheier and Leat summarized their role as socially relevant but overall inefficient²²². Foundations help society to better the welfare system by providing or financing charitable initiatives and projects and advocating for the implementation of policies targeting the most fragile social groups. They fill in the gaps generated by the insufficient and inadequate social support provision by the government and market; this is especially true in the United States where there is a great lack of healthcare, education, and human services. However, this comes with a cost composed by forgone tax income (loss of resources potentially used by the state to implement social assistance structures), and low transparency. These reflections are instrumental for comprehending both the American and Italian situation. Differently from the case of associations, foundations have a similar social, political, and economic impact in the two nations. In the United States, however, they are far more diffused and employed by the rich to

²²¹ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472. <http://www.jstor.com/stable/24385611>

²²² Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472. <http://www.jstor.com/stable/24385611>

help others while in Italy the prevailing non-profit form is the association. These differences are a result of the diverse welfare culture, social conformation, traditions, and social participation characteristics analysed in Chapter 1. In the future, more analysis should be conducted on foundations' real contributions to the diversification of the third sector. Researchers should analyse whether this organizational form provides more benefits than costs and if not how to change them in order to contribute in more meaningful ways. Politicians and jurists also should start paying more attention to the way foundations operate and evolve and debate about how to make them more efficient, effective, and accountable.

2.2.3) Faith-based organizations

Faith-based organizations are the last “pure” non-profit form that will be analysed. I have decided to investigate these entities because Italian and American communities have a very peculiar relationship with the religious dimension and interesting insights on their contribution to the third sector and the overall ecosystem will emerge. Both nations are secular, so there is a clear separation between the government and the church, it was achieved in 1791 by the United States with the adoption of the First Amendment while in Italy with Patti Lateranensi in 1929. The introduction of the First Amendment allowed all religious orientations to be equally accepted and disciplined by a common legislative system. The normative states: «Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances»²²³. The freedom of religion refers to: «the right of citizens to hold any religious or non-religious beliefs, and to carry out any practices in accordance with those beliefs, so long as they do not interfere with another person’s legal or civil rights, or any reasonable laws, without fear of harm or prosecution»²²⁴.

Approximately 80% of Americans are believers, 48.9% are Protestants, 23% are Catholics, 2.5% follow other non-Christian religions like Buddhism, or Hinduism, 2.1% are Jewish, 1.8% are Mormons, 0.8% are Muslims²²⁵. This religious pluralism makes the United States one of the most heterogeneous religious countries in the world and due to its large population, it also holds the record of the nation with the highest number of Christians. Even though, religion is considered distinct from politics, it is highly entangled with the government. There are references either to God or the divine in many legislations like the state constitution, the Declaration of Independence, the Pledge of Allegiance, and on the U.S. currency. In addition, nine out of ten political representatives identify themselves as Christian; even most Presidents have been believers, in fact, many have sworn in their loyalty to the nation with a Bible and have sealed their oath with “so help me God”²²⁶.

Italy similarly to the United States has a very profound relationship with the church. Around 82% of Italians consider themselves believers (80% identifying as Christian) while only 16,3% are

²²³ Constitution of the United States, 1788

²²⁴ Lumen Candela (n.d.). *The Structure of Religion in the U.S.* . <https://courses.lumenlearning.com/boundless-sociology/chapter/the-structure-of-religion-in-the-u-s/>

²²⁵ Newport, F. (2016, December 23). *Five Key Findings on Religion in the U.S.* . Gallup. <https://news.gallup.com/poll/200186/five-key-findings-religion.aspx>

²²⁶ Fahmy, D. (2020, July 16). *8 facts about religion and government in the United States*. Pew Research Center. <https://www.pewresearch.org/fact-tank/2020/07/16/8-facts-about-religion-and-government-in-the-united-states/>

atheist²²⁷. The pope residing in *Città del Vaticano* is the reference figure for the Catholic church and its bishops and followers, he has absolute power to make changes in the governance structure, and in spiritual norms, customs, and traditions. The separation from the political space is regulated by *Patti Lateranensi* for the Catholic church, and by distinct agreements for other religious congregations. Therefore, differently from the American amendment, the Italian legislative system primarily focuses on its connection with the Catholic church by providing a framework in favour and protection of it; for instance, in public schools, students can decide to study catholic education²²⁸. Since the beginning of the 1990s, the Catholic ideologies were also the protagonist of the Italian political space with the party *Democrazia Cristiana*²²⁹. After its dissolution, the role of religion started to fade away from the public sector, a situation which supported the secularity of the state but reduced the connection with the Catholic church, a strong contributor to the Italian welfare system especially in the educational, youth development, cultural, and assistance dimension. Nowadays many politicians like Matteo Salvini still claim a strong relationship with the Catholic congregation and its ideologies. Other religions are obviously protected, in fact, Article 3 of the Italian Constitution states: «Tutti i cittadini hanno pari dignità sociale e sono eguali davanti alla legge, senza distinzione di sesso, di razza, di lingua, di religione, di opinioni politiche, di condizioni personali e sociali»²³⁰.

To comprehend the peculiar role played by faith-based organizations in the society, it is important to define what they are and how they are regulated. In the United States, faith-based non-profit organizations (FBOs) are recognized by the IRC as entities under the section 501(c)(3), therefore they are non-profit entities eligible of tax exemption and tax-deductible donations and need to comply with the typical functional-structural requirements like the non-profit distributing constraint, and the private and self-governing nature. They are distinct from churches (also encompassed in section 501(c)(3)) which are considered “places of worship” such as mosques, synagogues, temples, churches, and associations of them²³¹. Churches rotate around ordained ministers whose focus is holding weekly services and providing education to diffuse a creed and its ideologies to its followers while faith-based organizations just use religious principles as a vehicle to do good. FBOs are directed at helping people by supplying many different human services such as food banks, soup kitchens, homeless shelters, drug and alcohol treatment centres, neighbourhoods’ centres, job training, transportation and community programs, health clinics, and wellness centres. Their aim is providing long-term solutions to pressing social issues, their contributions fill in the gaps generated by the undersupply by the government and market.

Faith-based organizations can be catalogued into 5 groups: church service agencies which are entities strongly connected with a congregation and they are responsible of delivering a wide variety of social services to the community, they are for instance Catholic Charities or Lutheran Services; ecumenical or inter-faith coalitions which are alliances between different FBOs; direct service ministries which are locally-based organizations providing a specific service such as

²²⁷ Italia in dati (n.d.). *Le pratiche religiose in Italia*. <https://italiaindati.com/le-religioni-in-italia/>

²²⁸ Treccani (n.d.). *Laicità dello Stato*. <https://www.treccani.it/enciclopedia/laicita-dello-stato/>

²²⁹ Garelli, F. (2014). Religione e politica in Italia: i nuovi sviluppi. *Open Edition Journals*, 66, 9-26. <https://doi.org/10.4000/qds.314>

²³⁰ Costituzione della Repubblica Italiana, 27 December 1947

²³¹ Mathias, C. (n.d.). *How to Form a Religious Nonprofit Organization*. Nolo. <https://www.nolo.com/legal-encyclopedia/how-to-form-a-religious-nonprofit-organization.html>

homeless shelters or soup kitchen; church-sponsored ministries which are entities financed or composed by staff and members of the parent congregation; church-initiated organizations which are entities initially founded by a congregation but later become independent²³². FBOs started to acquire more importance after the introduction of the Personal Responsibility and Work Opportunity Reconciliation Act (1996) and with President Bush's Faith-Based and Community Initiative (2001) which recognized these entities as worthy of and eligible for governmental funding to pursue their welfare-related goals (the grants cannot be used for worship, religious instruction or preaching) . FBOs are considered useful vehicles to improve the well-being of disadvantaged people especially at a local level. They use religion as a way to unite volunteers and staff who support and take care of their community by helping as many persons in need as possible regardless of their personal religious orientation. The legislative changes sparked many debates between politicians and the general public about the actual contribution of these entities to the overall third sector provision, and about the effective respect of the Constitutional dispositions.

In Italy, on the other hand, the legislative framework does not directly encompass faith-based organizations which are «...una fattispecie molto diffusa ma giuridicamente non tipizzata...il fenomeno non è stato preso in oggetto da alcuna legislazione "premiata", né ha ricevuto una disciplina legale *ad hoc*»²³³. They are usually referred as charities of "*ispirazione religiosa*", "*matrice o ispirazione religiosa*", "*a tendenza confessionale*", or "*spiritualmente qualificato*", and they are a mix between voluntary organizations and churches. On one side, they have a deep relationship with creed (promotion of religious ideologies and education, and support of collective ceremonies like processions and pilgrimages by ministers and other religious authorities) while, on the other, they operate as private entities (separate from the clergy of origin) with a public benefit purpose. Therefore, they employ faith as a tool to unite volunteers' efforts for the delivery of free benevolent initiatives and programs supporting fragile social categories and current social issues like the safeguarding of the cultural and environmental heritage, and create social cohesion and participation. Over time, the lack of normative acknowledgement has led to the fusion of many faith-based organizations either with churches or charities causing the loss of potentially socially relevant contributors to the improvement of the welfare system. In fact, when faith-based non-profits join congregations, there is a tendency to partially neglect the broadness of the spectrum the human service provision field can encompass while when they unite with private organizations, they lose the benefits generated by an environment characterised by common beliefs and values. In conclusion, the Italian legislative system should address the normative gaps by providing clarity over the legitimization of faith-based organizations and implementing their discipline with precise dispositions. The future of these entities is at risk, if they keep mixing with other non-profits the diversity of the sector might get compromised.

The contribution of faith-based organizations to the community is very peculiar. They operate in parallel with secular organizations, but their offering is diverse in terms of type, quality, quantity,

²³² Anheier, H.K. (2005). *Nonprofit organizations: Theory, management, policy*. Routledge

²³³ Di Prima, F. (2011). *Il volontariato religioso nell'ordinamento giuridico italiano (l'incompiuta integrazione tra società civile e società religiosa)*. Stato, Chiesa e Pluralismo confessionale.

https://www.statoechiese.it/images/uploads/articoli_pdf/di_prima_il_volontariato.pdf?pdf=il-volontariato-religioso-nellordinamento-giuridico-italiano-lincompiuta-in

and recipients, and their social capital is generated and employed differently²³⁴. The presence of FBOs in the system supports a broader diversification of the third sector and additional inputs to the betterment of the welfare culture, as mentioned earlier this is especially true for the United States while in Italy this organizational form is slowly disappearing. American FBOs are critical supporters of the improvement of the social and economic well-being especially of local low-income communities where most of the times they are the primary suppliers of assistance goods and services (before the state, the market, and other secular non-profits). They have always played an important role in society, but since the 1990s with the introduction of many favourable legislations, the government has fully recognized their relevance in the welfare system. They can, in fact, receive funding, and establish partnerships and collaborations with public institutions. FBOs' main focus is the provision of human services concerning fields like poverty, education, healthcare, rehabilitation of criminals and substance abusers, employment, advocacy, and activism.

In the United States, there are approximately 58,000 independent faith-based non-profits receiving \$25 billion in contributions annually. Differently from secular organizations, FBOs are characterized by an extremely motivated, driven, and less volatile volunteer base²³⁵. Believers perceive their involvement and participation in these entities as an extension of their religious commitment. Doing good and helping others is at the base of most religious orientations, this connection supports the increase of the quality and quantity of the goods and services provided allowing FBOs to strive in a highly competitive environment. Many times, faith-based non-profits are considered better social assistance providers than secular organizations because the strong dedication of believers support the creation of an emotional and understanding environment which is fundamental to support people in their rehabilitation journey, this has demonstrated to be very effective especially for imprisoned, drug addicts, homeless, violence and abuse survivors, and people affected by mental illnesses. Programs with religious beliefs as core moral values have resulted in higher completion rate and lower recidivism levels than secular ones. Al Gore (1999) during a speech stated that it «takes something more than money or assistance—it requires an inner discipline and courage, deep within the individual. I believe that faith in itself is sometimes essential to spark a personal transformation—and to keep that person from falling back into addiction, delinquency, or dependency»²³⁶. Faith-based non-profits use religion as a vehicle to change people's lives moving them from a situation of precarity to an area of independence and ability to work and contribute positively to the community.

In addition, the high presence and involvement of volunteers allow FBOs to be competitive in the market in terms of program capacity, organizational size, and cost management, and create a network of relationships instrumental to raising economic resources and awareness about pressing social issues. They usually have a lower participation level in lobbying and political

²³⁴ Bielefeld, W., Cleveland, W.S. (2013). Faith-Based Organizations as Service Providers and Their Relationship to Government. *Nonprofit and Voluntary Sector Quarterly*, 42(3), 468–494.

<https://journals.sagepub.com/doi/pdf/10.1177/0899764013485160>

²³⁵ Bielefeld, W., Cleveland, W.S. (2013). Faith-Based Organizations as Service Providers and Their Relationship to Government. *Nonprofit and Voluntary Sector Quarterly*, 42(3), 468–494.

<https://journals.sagepub.com/doi/pdf/10.1177/0899764013485160>

²³⁶ Cnaan, R.A., Boddie, S.C. (2002). Charitable Choice and Faith-Based Welfare: A Call for Social Work. *Social Work*, 47(3), 224-235. <https://www.jstor.org/stable/23717983>

activities than non-religious organizations, a situation which supports the investment of donations and governmental funding directly to people in need. It is important to highlight that «...FBOs offer a narrower range of services than secular providers and are selective about services they provide...FBOs provided fewer types and a different mix of services than secular counterparts. The modest and focused role of FBOs complemented secular organizations»²³⁷. Faith-based non-profits usually concentrate their efforts toward programs operating in local low-income neighbourhoods by providing multiservice and transitional assistance especially to people who already have a connection with faith. Non-believers usually shy away from these entities because they do not identify with their shared beliefs and ideologies.

To better comprehend the peculiar role faith-based non-profits play in society, I will investigate their contribution to the reintegration of prisoners in communities after serving some time in isolation. In the United States, approximately 1.6 million people are in jail, 90% of them will be integrated in society sooner or later²³⁸. Faith-based programs are vital rehabilitation tools not only for the recipients themselves but also for their families and society at large; while detained people are exposed to situations of violence, oppression, discrimination, and criminality, if they are not properly educated and formed, once out they will reciprocate that environment and conditions. Aleph Institute, for instance, is a Jewish non-profit committed to serving prisoners by delivering faith-based programs which focus on addressing their religious, spiritual, and educational needs²³⁹. The organization, in addition, engages in lobbying and political activities to pressure policy changes and reforms to create prison and criminal justice systems which respect peoples' human, civil, and religious rights. It believes that everyone no matter the mistakes made in the past are people "dear to God" that can become better human beings and citizens of the world through faith. This is a common mindset of FBOs which promote the moral remedy and social rehabilitation of people as a process of self-rediscovery through spirituality and the divine. The benefits provided by faith-based programs are of two kinds: psychological-emotional, faith gives people "peace of mind", it becomes a safe place where to gain direction and motivation for the future and heal and make up for the past mistakes; practical-material, religion teaches self-discipline and control which are very important elements for the improvement of negative behaviours and for learning to respect norms and rules²⁴⁰. In fact, religious initiatives are proven to have very positive results regarding the reduction of recidivism (causing a decrease of forecasted levels of incarceration) and the improvement of social conduct (reduction of violence and verbal conflicts between inmates, and prosocial behaviour).

The case of American prison programs is useful to draw some general conclusions on the impact FBOs have on the overall community. They concentrate their efforts toward the neediest and most fragile social categories which needs have been overlooked by the state, market and even the third sector. FBOs are proven to be highly effective entities because they do not simply provide

²³⁷ Bielefeld, W., Cleveland, W.S. (2013). Faith-Based Organizations as Service Providers and Their Relationship to Government. *Nonprofit and Voluntary Sector Quarterly*, 42(3), 468–494.
<https://journals.sagepub.com/doi/pdf/10.1177/0899764013485160>

²³⁸ Zaitzow, B.H., Jones, R.S. (2013). Redemption from the inside-out: the power of faith-based programming. In L. Gideon (Ed.), *Special needs offenders in correctional institutions* (pp. 319-343). SAGE Publications.

²³⁹ Aleph Institute. <https://aleph-institute.org/wp/>

²⁴⁰ Zaitzow, B.H., Jones, R.S. (2013). Redemption from the inside-out: the power of faith-based programming. In L. Gideon (Ed.), *Special needs offenders in correctional institutions* (pp. 319-343). SAGE Publications.

social assistance, but they also engage the emotional and emphatic dimension of people. When persons go through hardships in their life, it is not sufficient to provide them “general” help and services. A spiritual connection is needed to give hope and accompany people in their complicated journey toward a better life. The contribution of religious beliefs and values is, therefore, instrumental to create a more cohesive, balanced, and healthy society. Their impact is not confined to a single person but spreads to their families, neighbourhoods, communities, and the nation as a whole. The role of faith-based non-profits has always been important, but since the introduction of some legislations encouraging governmental support, contracting, and outsourcing, they increased their legitimation, trustworthiness, and accountability by the general public.

Italian faith-based organizations, on the other hand, have attracted less attention from researchers, jurists, and politicians than the American ones mainly because the lack of legislative definition of their “hybrid” nature (mix between a church and a voluntary organization) has caused their vanishing. Despite the lack of legal affirmation, many FBOs still operate and contribute to the implementation of the Italian social assistance offering. For instance, AVSI is a well-known Cristian organization operating all over the world to promote peace and economic development in degraded areas. It raised grants for €80 million which support the management, organization, and delivery of charitable programs serving around 5 million people. As for other faith-based entities: «...fonda i suoi progetti di cooperazione nei diversi settori su un’attenzione preferenziale per l’educazione intesa come accompagnamento della persona alla scoperta di sé e al riconoscimento dell’altro come un bene. Ogni progetto è quindi concepito come strumento volto a promuovere tale consapevolezza in tutti i soggetti coinvolti, ha in sé un’esigenza di comunicazione e condivisione, ed esercita un impatto capace di generare un cambiamento positivo»²⁴¹. The important insights emerged from the study of the American case are also useful to understand the impact FBOs have on the Italian system. Programs which use religion as a tool to provide emotional support to people in need have proven to be extremely effective in transforming their lives for the better. FBOs satisfy personal needs which are not fully comprehended and addressed even by the third sector. These entities do not only focus on the delivery of “material” assistance, but their activities are also directed at engaging people’s psychological and behavioural dimension. Therefore, if the Italian system wishes to benefit from FBOs’ peculiar advantages, it should publicly embrace and legitimize them. Only with time, we will see whether these entities will acquire additional relevance and attention from experts. The consequences of the lack of attention, however, are already causing the deterioration and loss of instrumental benefits for the society.

2.3) Final reflections on the role played by “pure” non-profits in the society and on the differences that exist between the Italian and American system

In Chapter 2, an analysis of the role played by “pure” non-profits in the ecosystem has been conducted. Interesting insights emerge about the impact different organizational forms have on society and the differences that exist between the Italian and American framework. The legislative, structural, welfare, and historical features that characterize the two nations are responsible for a different development and expansion of the third sector. From the study

²⁴¹ AVSI. <https://www.avsi.org/it/>

emerges that Italy and the United States direct their efforts and resources toward different operational fields and non-profit types. The American system through the adoption of a liberal welfare culture has over time generated a great need for the contribution of the non-profit sector for filling in the social assistance gaps. The low involvement of the state and the mismatch between the social demand and the market supply and pricing have pushed many fragile categories to turn to non-profit organizations for support. Foundations, and more specifically public foundations, are the core of the American third sector. They represent 74% of all registered non-profits and operate primarily in the service provision field (human, educational, and healthcare services). The goods and services supplied by foundations have a dual nature: social and political. They serve as redistribution instruments of wealth as well as innovators in the legislative, normative, assistance, and organizational field. Over time, this organizational type has emerged in the United States as the preferred vehicle for the improvement of people's lives and conditions under a holistic perspective (economic, social, and political). From the study emerges that the American focus is primarily directed toward the development of an effective support structure for the neediest social groups (poor, disabled, disadvantaged, and socially marginalized) whose level of social stability, independence, political representation, and normative concentration are below standard levels. The third sector in its different forms is an essential part of the American ecosystem, without it many social issues like extreme poverty, criminality, social chaos, discrimination, and disparities would be left solely to the state to solve, losing the access to important human, political, and economic resources.

On the other hand, the Italian government adopts a conservative welfare approach. Even though, in recent years, some changes have been affecting the social support system (transformation toward a more three-dimensional framework: balance between the public, private, and third sector), many essential social goods and services are still primarily supplied by the state. This centrality has encouraged the non-profit sector to expand in areas where the state and the market have not been fully able to provide people with the sufficient quantities and qualities of desired social solutions. The gradual transformation of the Italian society toward a more democratic and egalitarian system has created a great need for expression outside the workplace environment. Individuals wish to shape and communicate to others (loved ones, peers, and community) their social identities, personalities, values, and statuses. This is usually done through the active involvement and participation in associations which for their intrinsic characteristics (principally membership-based structure and voting assembly), have over the years become the most adopted non-profit organizational form. They account for 85% of all registered non-profits and are directed mainly at the provision of programs and initiatives in the "Cultura, Sport, e Ricreazione" dimension. Differently from the American framework, the Italian system is overall more concerned with the satisfaction of "non-livelihood essential" social needs and desires. The non-profit sector plays a fundamental role in both nations, however, the Italian one serves primarily an "on the side" function, concentrating on the improvement of social cohesion and collaboration between different members of the community. The conformation of the social assistance framework is directly dependent on the welfare approach. Having a liberal or conservative welfare system affects tremendously the conformation and evolution of the third sector. The main non-profits' purpose is the fulfilment of the gaps generated by the rest of the ecosystem. Therefore, the degree of governmental involvement and the private offer shape the areas and the ways non-profit organizations contribute to the improvement of people's lives. In recent years, both nations

are adopting new welfare strategies to implement what they considered to be “more efficient and effective” solutions. Italy is progressively moving toward a more liberal system while the United States toward a more conservative one.

Future research should investigate the connection between these welfare transformations and the degree of social satisfaction. As we have seen in the past, structural changes of different sorts generate temporary imbalances in the previously established equilibriums in the ecosystem. The third sector could be subject to transformations in the operational field, organizational types, social-political role and relevance, and economic impact. It would be interesting to continue this line of analysis to implement the literature on the dynamics and synergies that unfold in the two systems. Providing answers to some challenging questions could support the implementation of the non-profit research like: would the American non-profit sector still direct most of its efforts toward the service provision field?; would foundations still be the preferred organizational forms?; is Italy going to witness an opposite structural change?; are associations still going to be the core of the Italian non-profit sector?.

2.3.1) A comparison between the different organizational forms

From the analysis conducted on the role played by “pure non-profits” in the ecosystem, important considerations about the differences that characterize these organizations emerged. Associations, foundations, and faith-based organizations are unique entities not only for their intrinsic legal, structural, and operational characteristics but also for their contribution to the society. Associations are composed by members who freely decide to join a particular organization. Being a member requires active involvement and participation in the entity’s life, a person can express opinions, concerns, and take important decisions through the assembly where he/she holds some voting rights. Associations rely heavily on volunteers who dedicate time and resources in order reach a common public benefit goal. The key peculiarity of this non-profit form is determined by the possibility that members play a dual role in the organization: they can be the direct recipients of the social goods and services and at the same time they hold instrumental decision-making powers. This feature, ideally, generates an alignment between people’s needs and the non-profits’ supply. Members, therefore, can contribute to the shaping of an organization’s goals, orientations and operative activities according to their social, economic, and political desires.

During the analysis different association forms have been studied (for the American case: business leagues, labour unions, employee benefit associations, fraternal beneficiary associations, social clubs ; for the Italian case: voluntary organizations, social promotion associations, sports organizations, philanthropic entities, ONLUS), each of which embodied a different set of benefits for its participants. It is important to point out that people join an organization not only to consume the social goods and services offered but also to obtain indirect benefits (improvement of social conditions and standards, political leverage and influence, reputation, expression of social status, prestige, networking, etc.). The efforts and activities of the different associations have an impact also on non-members. Important spill-over effects are generated by these organizations. Usually, they have a positive impact on society like an overall improvement of the social, economic, and political conditions, the enhancement of social cohesion and collaboration, and enlargement of the total social assistance support. However, at times the externalities can be of a negative nature. For example, the case of social clubs has demonstrated that associations can

have a “discriminatory” attitude. This associative form has been historically preferred by elites and the middle class because the membership-based structure allows to create an “exclusive” nucleus of wealth and power, a situation which leads to the marginalization especially of lower-class individuals, minorities, and women. Being a member of the “right club” generates many intrinsic social, political, and business advantages. This instance has been witnessed especially in organizations operating in the cultural, artistic, sports, and leisure time field.

During the analysis, another important “pure” non-profit type has been studied: foundations. A foundation is an independent fund donated by a single individual, a business, or family to pursue goals of public nature. This organizational form does not have a membership-based structure, in fact, it provides social goods and services to as many people in need as possible. Even though foundations are an ancient non-profit form, they are not particularly diffused in Italy. In the United States, on the other hand, they are the heart of the third sector. The American legislative system makes a distinction between private foundations and public charities. In the first case, they are financially supported by one or few entities while, in the latter, there are multiple benefactors involved (other foundations, individuals, the state, etc.). Differently from associations, foundations are characterized by the concentration of the decision-making powers in the hands of the donors. Therefore, the organization’s activities are influenced by the personal social, political, and economic vision of the benefactors, a situation which can have an overall positive or negative result. It is positive when a foundation uses its “unbiased” and “flexible” (free from the need of consensus from the general public) potential to provide long-term innovation and support fragile groups whose needs and problems have been overlooked by the government and business market. Thanks to their great availability of wealth and power, foundations can originate and implement critical structural changes of a political, legal, economic, and welfare nature. Ideally, their actions would lead to the creation of a more balanced and equal system.

On the other hand, the organization can have a detrimental effect on society if it uses its power for questionable and controversial purposes (conservative “traditional family policies” or the introduction of religious practices in educational institutions). Since these organizations are not subject to public scrutiny, as it is for governmental officials, there is a lack of transparency and accountability for their actions. In conclusion, foundations are one-of-a-kind organizations; no other non-profit entity has the same level of social transformation potential. Despite the evident disadvantages, without the altruistic involvement of wealthy individuals, families, and companies (there is also a selfish component: achievement of important tax benefits, improvement of the social reputation, memory conservation, and the maintenance of the control over the assets) in these organizations, the society would lose the possibility to evolve and concentrate in areas which are neglected by the state and underserved by the market.

The last “pure” non-profit form studied in the chapter is: the faith-based organization. It is an entity possessing all the typical requirements of non-profits (non-profit distributing constraint, self-governing, private, non-governmental, etc.); however, differently from associations and foundations, it is deeply connected to religion. The role of faith in the social assistance sector is very peculiar to the Italian and American system. Both nations have an ancient and strong relationship with the church which over the centuries has contributed and influenced the enlargement of the social goods and services offering. Despite the normative changes introduced to clearly separate the role of the state from the one of congregations (U.S.A: First Amendment,

1791; Italy: Patti Lateranensi, 1929), religious-based entities remained one of the key contributors to the improvement of the social and economic well-being of fragile categories.

Faith-based organizations are different from other non-profit types because they relate to people on a deeper level. First, volunteers and staff are bonded by shared moral and ethical values embedded in their religious creed, a situation which enhances their level of motivation and involvement in the organization. At the base of most religions, there is a strong belief of forgiveness and redemption. These principles support the creation of an empathetic and understanding environment. It is important for people in need to receive not only a “material” support but also a “psychological and behavioural” one; FBOs have proven to be more effective than other secular organizations in this field. Second, these organizations are highly present at a local level. At times associations and foundations lack this characteristic because they serve people not necessarily connected to a precise geographical location while FBOs primarily operate in their neighbours and communities which usually need great support. In fact, these organizations are concentrated on providing help to the most fragile groups. The typical activities and initiatives concern the supply of food and basic necessities; healthcare and educational services; social assistance support (like rehabilitation of criminals). In conclusion, FBOs play a very important role for the improvement of the welfare system. The American framework has evolved over time to welcome these entities and support their flourishing through normative changes and financial aids from the government. Italy, on the other hand, is risking losing this instrumental component of the third sector due to a lack of legislative acknowledgement and legitimation.

In future years, it would be interesting for researchers to keep investigating these “pure” non-profit forms and analyse their transformation according to the changes in the welfare culture. The predominance of associations in Italy and foundations in the United States and the diffusion of faith-based organizations is a direct consequence not only of the way the social assistance framework is structured but also of the culture and people preferences. It is important to understand the key peculiarities of these different organizations to comprehend the complicated relationship that exists between the state, the market and the third sector. From the analysis, it is becoming evident that the non-profit sector is not “just of thing” but it is composed of many layers of a different nature. Non-profits are highly diverse from one another because they respond to different sets of needs and expectations. For instance, the members of a social club are very different from the recipients of social assistance from FBOs, but they are part of the same sector. In Chapter 3, the investigation about the instrumental role of non-profits will continue focusing on the so-called “hybrids”.

CHAPTER 3: OUTLINING THE RELATIONSHIP BETWEEN HYBRIDS AND THE REST OF THE ECOSYSTEM

3.1) The hybridization phenomenon in the non-profit sector

In the previous chapter, the study focused on the most “traditional” forms and kinds of social assistance providers in the ecosystem; however, it is also important to consider hybrid organizations as central players in the social scene. The crossover between non-profit and for-profit entities has existed since ancient times, but this phenomenon has caught the attention of research (both non-profit and profit-oriented management, and sociology) only quite recently²⁴². A hybrid organization can be generally characterized as «... an organizational identity that systematically integrates civil society and markets, exchanges communal solidarity for financial and non-financial resources, calculates the market value of communal solidarity, and trades this solidarity for financial and non-financial resources. In other words they “Create Functional Solidarity”»²⁴³. This category of organizations, with its ambiguous nature and characteristics, blurs the boundaries of the social support sector which is based on three-dimensionality: the state, the market, and the non-profit sector. Research has defined and classified the “position” of hybrids in the system in different ways. Some scholars ground their analysis on the extension of the concept of non-profits, categorizing hybrids as socially driven entities using income-generating activities to raise funds to further their missions and improve their performances. Others do the reverse, they base their study on the transformation of businesses toward more morally, ethically, and socially sound organizations. The concert of Corporate Social Responsibility is the core of this line of academic investigation.

In this chapter, the phenomenon of hybridizations will be observed through an in-depth analysis of a particularly interesting and publicly debated organizational form: social enterprises. They are key players in the social support scene both in Italy and in the United States. This analysis aims at implementing the scientific discussion and academic literature on the relevance and role played by these entities in the ecosystem. The definition of the legal borders and structural characteristics of these organizations will provide a clearer understanding of the differences that exist between hybrids and “pure” non-profit forms. In addition, a focus on two other particular hybrids will be conducted to highlight some peculiarities that characterize the pursuit of “general public benefit” objectives in the two nations: for Italy, social cooperatives; for the United States, benefit corporations. This line of research will help us acquire a better understanding of the conformation and features of the hybrid world and of the dynamics and synergies that exist between the different providers of assistance in the society.

²⁴² Jäger, U.P., Schröer, A. (2014). Integrated Organizational Identity: A Definition of Hybrid Organizations and a Research Agenda. *Voluntas: International Journal of Voluntary and Nonprofit Organizations* , 25(5), 1281-1306. <https://www.jstor.org/stable/43654342>

²⁴³ Jäger, U.P., Schröer, A. (2014). Integrated Organizational Identity: A Definition of Hybrid Organizations and a Research Agenda. *Voluntas: International Journal of Voluntary and Nonprofit Organizations* , 25(5), 1281-1306. <https://www.jstor.org/stable/43654342>

3.2) Social enterprises

Social enterprises are not a recent phenomenon; however, they have acquired the attention of researchers, jurists, institutions, and society only in recent years, especially since the 1980s. These organizations can be generally defined as «...the use of nongovernmental, market-based approaches to address social issues...a "business" source of revenue for many types of socially oriented organizations and activities»²⁴⁴. The key difference from other non-profits is the instrumental role of revenues, they allow social enterprises to accomplish their public benefit purposes while, at the same time, remaining self-sufficient and sustainable in the long run. Their peculiar essence has generated interesting dynamics and relationships in the society. As we have seen for “pure” non-profits, the intrinsic characteristics, and the socioeconomic and political environment of the Italian and American system have shaped the conformation and evolution of these entities. When studying social enterprises, two additional factors should be considered: the market functioning and international aids²⁴⁵.

Researchers attribute the “renaissance” of social enterprises to the important changes that have affected welfare cultures in the 1970s-1980s. In that period, a trend of market empowerment and lower intervention of the government spread, affecting also the Italian and American system. In the case of Italy, the progressive shift from a highly conservative welfare approach toward a more three-dimensional balance (state, market, and third sector) led to the privatization of many traditionally state-based services²⁴⁶. The Italian government strongly supported the development of social enterprises to fill in the gaps generated in the social support supply. At the beginning, thanks to the encouragement of the state, many social enterprises and social cooperatives diffused in the territory; they primarily focused on the provision of work integration programs to fight unemployment. Later, these organizations evolved to other fields to address the diverse needs of the society and the new economic trends like ethical consumerism. In the United States, on the other hand, the government did not financially contribute to the diffusion of these entities. The American system has always adopted a liberal welfare approach; in fact, the low levels of support of non-profit organizations triggered them to seize upon «...the idea of commercial revenue generation as a way to replace the loss of government funds...»²⁴⁷. This was one of the factors that influenced the intervention of an additional type of player in the public benefit field. We will see in the following paragraphs how social enterprises have evolved since their original rebirth and their importance for the diversification of the social offering. Many investigations have been done on this topic, however there is a lack of comparative research between different contexts, in this case the Italian and American one. I will provide my contribution to the matter to implement the comparative analysis line of research.

²⁴⁴ Kerlin, J. A. (2010). A Comparative Analysis of the Global Emergence of Social Enterprise. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 21(2), 162-179. <https://www.jstor.org/stable/27928210>

²⁴⁵ Kerlin, J. A. (2010). A Comparative Analysis of the Global Emergence of Social Enterprise. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 21(2), 162-179. <https://www.jstor.org/stable/27928210>

²⁴⁶ Venditti, P.S. (2019). *Il Terzo Settore in Italia* [Master's thesis, Libera Università Internazionale degli Studi Sociali Guido Carli]. Tesi LUISS. http://tesi.luiss.it/26795/1/634292_VENDITTI_PAOLO%20SILVANO.pdf

²⁴⁷ Kerlin, J. A. (2010). A Comparative Analysis of the Global Emergence of Social Enterprise. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 21(2), 162-179. <https://www.jstor.org/stable/27928210>

In Italy, the process of juridical legitimization of social enterprises began in the 1990s and it achieved its complete execution with the issue of the Legislative Decree number 155, in 2006 (later implemented by the Third Sector Reform). In Article 1, the normative states: «Possono acquisire la qualifica di impresa sociale tutte le organizzazioni private, ivi compresi gli enti di cui al libro V del codice civile, che esercitano in via stabile e principale un'attività economica organizzata al fine della produzione o dello scambio di beni o servizi di utilità sociale, diretta a realizzare finalità di interesse generale...»²⁴⁸. With this disposition, the variety of drivers of social change expanded; social enterprises can adopt a multitude of non-profit and business forms like associations, foundations, committees, limited company, limited liability company, partnerships, etc. . This resulted in the generation of an official separation between “pure” non-profits and “hybrids”²⁴⁹. From then on, the non-profit sector was no longer completely distinct from the market. Social enterprises take advantage of business structures, prerogatives, and techniques to pursue the objectives of the third sector. They provide different social goods, services, and initiatives which must be part of at least one of the following categories: social assistance; healthcare; social-medical support, education, instruction, and formation; environmental, ecological, and cultural protection; social tourism; university and post-university formation; research and other cultural services; services for social enterprises; work integration of disadvantaged and disable people²⁵⁰. Social enterprises’ commitment toward the public well-being is reflected also in the application of the profit distributing constraint which aims at further supporting the accomplishment of the organization’s goals; the returns generated are not granted to directors, members, workers, and other partners but are reinvested.

Another peculiar element of differentiation from “normal” corporations is the role played by workers and beneficiaries of the activities in the organization. In the enterprise guidelines, it must be defined how they are engaged and involved in the entity’s life. Their participation can go from the mere information to consultation and decisions-making powers which usually regard topics like the working standards and the quality of the social goods and services offered. So, social enterprises not only aim at filling in the social assistance gaps in the ecosystem in the most efficient and effective way possible but at doing so with the interests of a plurality of subjects in mind.

Earlier, we have touched on the fact that the Italian hybrid rebirth is also connected to social cooperatives. This organizational type acquired recognition and legitimization prior to the formation of the social enterprise category. Law number 381 (1991) defined: «Le cooperative sociali hanno lo scopo di perseguire l'interesse generale della comunità alla promozione umana e all'integrazione sociale dei cittadini attraverso: a) la gestione di servizi socio-sanitari ed educativi; b) lo svolgimento di attività diverse -agricole, industriali, commerciali o di servizi - finalizzate all'inserimento lavorativo di persone svantaggiate»²⁵¹. Thanks to later legislative implementations, social cooperatives are now granted the possibility to decide whether they want to be a social cooperative or use the social cooperative form to become a social enterprise. It is important to point out that social cooperatives, differently from the ones registered as social enterprises, have

²⁴⁸ Disciplina dell'impresa sociale, a norma della legge 13 giugno 2005, n. 118, D.lgs. 155, 14 March 2006

²⁴⁹ Mori, P.A. (2009). Una teoria istituzionalista dell'impresa sociale capitalistica. *Rivista Internazionale di Scienze Sociali*, 117(2), 235-250. <https://www.jstor.org/stable/41624921>

²⁵⁰ Disciplina dell'impresa sociale, a norma della legge 13 giugno 2005, n. 118, D.lgs. 155, 14 March 2006

²⁵¹ Disciplina delle cooperative sociali, Law 381, 8 November 1991

the possibility to distribute the generated income (even though in a limited amount, it is calculated taking into consideration the maximum interest of postal bonds)²⁵². The timing of the legislation and the additional benefits are key drivers of the success of this organizational form. In the charts below, it is possible to notice how these elements have affected the expansion of hybrids in Italy. From the data emerges that the entities which adopt the social cooperative form predominate over other types of social enterprises like limited liability companies, partnerships, mutual aid societies, etc.

Tipologia	Numero	Addetti	Volontari	Beneficiari	Valore della produzione
Costituite ai sensi della legge n. 118/05 e iscritte alla sezione L del Registro Imprese	774	29.000	2.700	229.000	314 milioni
Altre imprese con la dicitura "impresa sociale" nella ragione sociale	574	-	-	-	-
Cooperative sociali costituite ai sensi della legge n. 381/91	12.570	513.052	42.368	5.000.000	10,1 miliardi

Figure 9. Source: Venturi, P., Zandonai, F. (2014). *L'Impresa sociale in Italia. Identità e sviluppo in quadro di riforma*, rapporto Iris Network. <http://www.irisnetwork.it/wp-content/uploads/2014/12/Rapporto-Iris-Network.pdf>

	N.	%
società cooperative	299	38,6
di cui cooperative sociali	260	86,5
società di capitali	235	30,3
di cui società a responsabilità limitata	219	93,1
società di persone	85	11,0
di cui società in accomandita semplice	62	72,9
altre istituzioni nonprofit diverse dalle cooperative sociali	16	2,1
di cui associazioni	8	50,0
società di mutuo soccorso	109	14,1
impresa sociale (senza indicazioni ulteriori)	30	3,9
Totale imprese sociali iscritte alla sezione L	774	100,0
Organizzazioni con dizione "impresa sociale" non iscritte alla sezione L	574	-

²⁵² Tripone, A., Agapitova N. (2017). *Legal framework for social enterprise Lessons from a cooperative study of Italy, Malaysia, South Korea, United Kingdom and United States*, World Bank. <https://openknowledge.worldbank.org/handle/10986/26397>

Figure 10. Source: Venturi, P., Zandonai, F. (2014). *L'Impresa sociale in Italia. Identità e sviluppo in quadro di riforma*, rapporto Iris Network. <http://www.irisnetwork.it/wp-content/uploads/2014/12/Rapporto-Iris-Network.pdf>

When studying American social enterprises, we need to adopt a different analysis approach than the Italian one because «“Social enterprise” is not a precise concept in the United States. This term is generally understood to connote organizations that operate in the open marketplace while addressing social goals»²⁵³. In the normative system, there is not an explicit legal definition of social enterprises; the Congress, the U.S. administration and the federal states have not provided clarifications on this topic but just specifications on the legal forms employable²⁵⁴. Depending on their internal needs (source of financing, tax benefits, government relationship, etc.), an enterprise can choose to adopt any traditional organizational types recognized by law, from for-profit to non-profit forms, and adapt it to suit their public benefit goals: «... The legal form chosen is irrelevant to the status of social enterprise: what matters is that as structured, the entity fulfills the components for social enterprise that are generally accepted ...»²⁵⁵.

A social enterprise, in addition, can be established by using ad-hoc forms like the benefit corporation and social purpose corporation (they are not available in all states and some dispositions vary from state to state). They have been developed in recent years (BC in 2010 and SPC in 2011) and they are very useful to overcome some of the rigidities and disadvantages typical of traditional organizational forms. They allow entrepreneurs to take advantage of the benefits of a corporation while maintaining a higher level of transparency about the achievement of their social missions; the fulfilment of the public good is prioritized over shareholders compensations. In addition, there are two other social enterprises forms worth mentioning: low-profit limited liability companies which are LLCs with the ability to further pursue their benevolent objectives with the financial support of private foundations (not possible for regular companies); and benefit LLCs which are entities similar to benefit corporations, but they possess additional management flexibility to pursue their public benefit goals. It is important to notice that not only does the American legislative system leave the responsibility of defining the notion of social enterprises to academics, practitioners, and commentators, but it also gives organizations more freedom and flexibility with respect to the Italian ones. For instance, the absence of the profit-distributing constraint increases the attractiveness and the interest of American socially conscious entrepreneurs and investors.

To better understand the importance of the role of social enterprises in the two ecosystems, some examples will be analysed.

²⁵³ Young, D. R. (2001, December 13). *Social Enterprise in the United States: Alternate Identities and Forms*, Community-Wealth.org. <https://community-wealth.org/content/social-enterprise-united-states-alternate-identities-and-forms>

²⁵⁴ Triponel, A. , Agapitova N. (2017). *Legal framework for social enterprise Lessons from a comparative study of Italy, Malaysia, South Korea, United Kingdom and United States*, Work Bank. <https://openknowledge.worldbank.org/handle/10986/26397>

²⁵⁵ Triponel, A. , Agapitova N. (2017). *Legal framework for social enterprise Lessons from a comparative study of Italy, Malaysia, South Korea, United Kingdom and United States*, Work Bank. <https://openknowledge.worldbank.org/handle/10986/26397>

Box 1: Italian example

For the Italian case, the growing trend of micro-credit organizations will help us gather some insights on the unique value-proposition of hybrids. Micro-credit is defined by the Italian legislation as «... l'attività di finanziamento finalizzata a sostenere l'avvio o lo sviluppo di un'attività di lavoro autonomo o di microimpresa, organizzata in forma individuale, di associazione, di società di persone, di società a responsabilità limitata semplificata o di società cooperativa, ovvero a promuovere l'inserimento di persone fisiche nel mercato del lavoro»²⁵⁶. This phenomenon has acquired increasing attention only in recent years. The social enterprise organizational construct can be employed to conduct these activities; this is the case of Microcredito S.p.a., Fondazione Social Venture Giordano Dell'Amore, and many others. They adopt a business mentality to tackle a social issue which, in this case, is the complexity of loan acquisition faced by low-income and disadvantaged individuals who wish to open a business or progress in their work and education journey. The Italian normative system foresees a financial support of a maximum of € 25,000 (with the possibility of an increase of € 10,000 in particular cases) and the provision of at least two of the following services by a tutor: support in the development of the business strategy and in the improvement of operational activities; education about entrepreneurial practices (financial, economic and social management); information about the latest technologies in the field; assistance in the pricing and sales strategy and in the market analysis; legal, fiscal, and administrative support and information about the availability of these services in the market; support in the work integration; support in the analysis and study of the weakness of the project²⁵⁷. Thanks to the introduction of the tutor figure, people usually lacking the economic, educational, and social advantages of wealthy individuals can effectively improve their lives and accomplish their personal goals. This innovative banking system is the secret behind the success of most of its projects, in fact, only 0.73% of the collaborations failed, in comparison with the national average of 10%²⁵⁸.

In conclusion, micro-credit enterprises fill in the gaps generated by the undersupply of financial support and education to needy people. This has become even more evident in recent years, especially with the current economic and healthcare crisis triggered by the covid-19 pandemic which has further compromised the financial stability and independence of many individuals. Women, minorities, and disadvantaged people are among the most affected social groups. Social enterprises, due to their two-dimensional nature, are a great solution to tackle these social issues. On one side, they support the flourishing of the Italian business sector. Since small and medium enterprises are the core of the private sector, by supporting new micro initiatives the economic tissue further expands. This also generates positive spill over effects on the rest of the society: more employment, income, well-being, etc. On the other hand, these organizations provide a direct benefit to the receivers of the services. They give people the opportunity to overcome the structural obstacles present in the system, freeing them from the negative cycle which they were trapped in. This leads to the increase of social cohesion and involvement of additional players in the communities.

²⁵⁶ Disciplina del microcredito, in attuazione dell'articolo 111, comma 5, del decreto legislativo 1° settembre 1993, n. 385., D. 176, 17 October 2014

²⁵⁷ Disciplina del microcredito, in attuazione dell'articolo 111, comma 5, del decreto legislativo 1° settembre 1993, n. 385., D. 176, 17 October 2014

²⁵⁸ Ranaldi, I. (2018, August 14). *Il Microcredito: chi lo sua, dove lo usa, come lo usa*, Sociale.it.
<https://www.sociale.it/2018/08/14/microcredito-lo-sua-lo-usa-lo-usa/>

Box 2: American example

For the United States, I will investigate the case of First Book Marketplace because it allows us to have a clearer understanding of the layers and complexity of the role of social enterprises in the provision of assistance. As stated before, the American legislative system does not encompass a legal definition of a social enterprise. Many scholars over the years have tried to provide some clarifications. For the purpose of this study, I will consider a social enterprise as an «... organization or venture that achieves its primary social or environmental mission using business methods, typically by operating a revenue generating business...»²⁵⁹. Starting from this definition, I feel confident affirming that First Book Marketplace can be considered a very particular form of social enterprise. It is a business venture developed by a non-profit organization (First Book) to further its social mission: the distribution of books and other school materials to as many children and teenagers from low-income neighbours as possible²⁶⁰. First Book Marketplace uses commercial techniques and methods to achieve this social objective; it sells books at a low cost to community programs which are able to devote (even though for small amounts) a budget to acquire new materials for its students. Then, it transfers the income generated by the sales to the parent organization for the improvement of its free initiatives. Therefore, this organization contributes to the improvement of the educational tools available to preschool, after-school and literacy programs in two way: first, by offering a product at a cost below the market level, it does so in an economically sustainable way thanks to the “exploitation” of the network and the series of relationships already established by First Book with relevant stakeholders (publishers, warehouse suppliers, shipping companies, and customers), the preestablished workflows allow the organization to have a competitive advantage over other organizations and benefit from small management, negotiation, and operational costs and from economies of scale; second, the FBM does not distribute its profits among shareholders, but it uses them to further satisfy the great demand of books from communities in need. In conclusion, what FBM teaches us is that social enterprises hold a unique position in the ecosystem. They are not rigid and clearly defined entities; they cleverly play at the borders of the non-profit and business world. These entities are extremely innovative and thanks to their flexible nature are able to provide social goods and services that otherwise would have not been supplied by others. Their contribution to the welfare system is significant, they generate a totally new way to address the social needs of the communities and they do so in a way which allows them to be more economically stable (than “pure” non-profits) and have a long-standing life.

²⁵⁹ Triponel, A. , Agapitova N. (2017). *Legal framework for social enterprise Lessons from a comparative study of Italy, Malaysia, South Korea, United Kingdom and United States*, World Bank.

<https://openknowledge.worldbank.org/handle/10986/26397>

²⁶⁰ Eckert, A., Oster, S. (2008, January 15). “*First Book Marketplace*”, Yale SOM Case 08-012.

<http://dx.doi.org/10.4135/9781473973381>

In conclusion, social enterprises, both for the Italian and American case, are an organizational construct which answer to the people's need of social cohesion, inclusion and affirmation, well-being improvement, and environmental welfare. The American legislative system has preferred to leave the concept of social enterprises up to academic and juridical discussion while Italy clearly took the opposite approach, by deciding to outline the boundaries of these entities. There is not a right or wrong way of approaching this subject, it is just a matter of framework preference and cultural orientations²⁶¹. As stated previously, the intrinsic characteristics of the two nations have an impact on the conformation of the social assistance sector and its synergies and dynamics in the rest of the system. Despite the normative differences, both systems, more than ever before, are relying on social enterprises to fulfil people's demand for a more social-oriented approach rather than a pure capitalist one²⁶². Social enterprises improve the diversification of the social offering and they do so in a revolutionary way. They have a dual role: a social one, they produce and distribute social goods and services which support the improvement of the society's well-being (the beneficiaries, their families, and community at large); and an economic one, they produce welfare among their close circle of stakeholders (workers, suppliers, partners, members, etc.) via the obtainment of monetary and personal returns (salary, social recognition and prestige). This duality is also affecting social cohesion. In fact, social enterprises not only support the creation of positive networks in the ecosystem, where people contribute to the enhancement of the livelihood standards of others and society, but also an internal inclusivity. Thanks to their benevolent and open nature, these entities develop more diverse and welcoming workplace environments than other organizations (gender and ethnic inclusion).

Therefore, the intrinsic characteristics of this organizational concept allow the entrepreneur to "exploit" typical business prerogatives for the advantage of the collective. Social enterprises provide new solutions and approaches to social problems, filling in an empty space currently present in the Italian and American welfare system. In addition, differently from other "pure" non-profit types, the structure and conformation of social enterprises are more suitable to adapt to the needs of the ecosystem, doing so in an efficient and effective way. Using economic strategies and tactics helps these entities to better face the stark market competition and periods of downturn. Evidence shows that social enterprises differently from many companies and non-profits have been able to effectively take on challenges. For instance, in Italy despite the financial crisis of 2008, social enterprises from 2003 to 2012 continuously grew in terms of the total number of organizations and employees²⁶³.

3.2.1) A focus on social cooperatives

In this paragraph, social cooperatives will be studied in order to acquire additional insights about the conformation and differentiation of the assistance sector in Italy. As mentioned before, the diffusion of these entities is associated with the changes undergone by the Italian welfare system

²⁶¹ Triponel, A. , Agapitova N. (2017). *Legal framework for social enterprise Lessons from a comparative study of Italy, Malaysia, South Korea, United Kingdom and United States*, Work Bank.

<https://openknowledge.worldbank.org/handle/10986/26397>

²⁶² Venturi, P., Zandonai, F. (2014). *L'Impresa sociale in Italia. Identità e sviluppo in quadro di riforma*", rapporto Iris Network. <http://www.irisnetwork.it/wp-content/uploads/2014/12/Rapporto-Iris-Network.pdf>

²⁶³ Venturi, P., Zandonai, F. (2014). *L'Impresa sociale in Italia. Identità e sviluppo in quadro di riforma*", rapporto Iris Network. <http://www.irisnetwork.it/wp-content/uploads/2014/12/Rapporto-Iris-Network.pdf>

during the 1970s financial crisis. The spread of social cooperatives «... was essentially a response to the deficiencies and inefficiencies of both the market and the State in the provision of social services»²⁶⁴. The drastic reduction of the provision of social support by the government triggered a bottom-up response from social enterprises which directed their efforts toward a variety of economic and social issues affecting the society. This brought light to many unmet and overlooked needs of different people from children to elderly, disabled, homeless, and many others. The core expansion of these enterprises, however, can be associated with social cooperatives operating in the work integration field (helping people excluded from the labour market). According to researchers, the social cooperative form became the predominant one because the Italian legislative system already disciplined cooperatives, it was just a matter of incorporating their social-oriented goals.

This implementation was not immediate, it took several years and coordinated and organized efforts (a unitary movement supported by the establishment of a national federation and local consortia) to finally become law in 1991. The change from a member serving to a general interest organization was a great innovation for the Italian social support sector which before then did not exhaustively integrate hybrid forms into the normative framework. In addition, Law 381/1991 introduced two groups of social cooperatives: A-type which provides social services, and B-type which focuses on the integration of vulnerable people in the labour market (at least 30% of employees must be certified disadvantaged people). This distinction (quite peculiar to the Italian case, many countries do not encompass it) allowed social cooperatives to acquire strong capacity and skills in their fields of operation, avoiding the risk of harming their social assistance potential. The connection with their local communities and a wide variety of stakeholders is another key peculiarity of the social cooperative form which operates in a democratic fashion, nurturing the interests of a plurality of subjects. By taking into consideration the different needs and expectations arising not only from the inside (workers, owners, directors, etc.) but also from the outside (communities and other stakeholders), social cooperatives successfully intercept the social demand, preventing the economic motives and goals to shadow the benevolent orientation. This multi-stakeholder governance model fosters the enhancement of the production of social capital and the improvement of inclusion, cohesion and participation in the society.

The provision of the social offering is supported by primarily two sources of revenues: profits coming from the engagement in monetary transactions with users (buy and sell); donations (financial as well as time and unpaid work) obtained by privates, organizations, and other bodies. This duality assures social cooperatives the ability to serve people who can afford to pay for their services and goods (usually the price is below market standards) and, at the same time, provide free solutions to those who do not have sufficient financial resources. This price discrimination strategy grants social cooperatives with an instrumental redistributive role which amounts on average around €58,000 per organization annually; a strong contribution to the reduction of poverty.

The peculiar structure and features of social cooperatives have attracted over the years the attention of public officials who developed an interest for their development and normative

²⁶⁴ Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

implementation. Some of the most important introductions were the establishment of Law 142 and 241 which strengthened the relationship that existed between these organizations and the government. These legislations presented the possibility for public institutions (like municipalities) to entrust to social cooperatives the supply and delivery of social goods and services to different people in need. Among the core categories of users who have benefited from the additional social offer, there are: people with disabilities (31%), poor people (27.3%), people affected by diseases (20.3%), and drug addicts (2.5%). It is important to point out that social cooperatives, despite the strong connection with the public sector, remain independent entities, developed with a bottom up and spontaneous approach²⁶⁵. The support of the state, however, contributed heavily to the success of these organizations. Since their official introduction in the Italian legislative system, they have grown at an annual rate between 10 to 20% in terms of total registered organizations. In ten years (from 1991 to 2011), the number of social cooperatives spiked from over 2,000 to 11,000, employing around 365,000 workers (where 8% were disadvantaged people) and 42,000 volunteers. Thanks to their rapid and constant rise, social cooperatives acquired an instrumental role in the Italian society, gaining a stake of 50% of the total provision of welfare support. Data shows that the main source of revenue was related to the provision of general-interest services to the state: A-type organizations for 74% (field of operation: education (45%) and preschool education (22%); home-based and residential care for the elderly (36%); recreation and entertainment (32%); healthcare (23%)) while B-type ones for 53%. Therefore, even though the strong entrepreneurial spirit and social drive are the basis of the birth of this hybrid form, the role of the public sector is instrumental for their flourishing and diffusion. These organizations «... contributed to greater efficiency and a significant increase in the supply of services»²⁶⁶.

	2003	2005	2011
Number of social coops	5,515	7,363	11,264
Paid workforce	189,134	244,233	365,006
Disadvantaged workers	23,587	30,141	30,534*
Users	2,403,245	3,302,551	2,935,586**
Total turnover	4,826 million EUR	6,381 million EUR	11,200 million EUR

Figure 11. Source: Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

Services	Percentage of A-type coops
Home-based services for the disabled	37%
Residential services for the disabled	36%
Recreation and entertainment services	32%
Preschool educational services	22%
Healthcare services	23%

²⁶⁵ Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

²⁶⁶ Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

Figure 12. Source: Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

A great example of a social cooperative deeply interconnected and financed by governmental institutions is *Società Dolce*. It was founded in Bologna in 1988 with the aim of delivering educational and socio-assistance services in conjunction with public bodies and local institutions²⁶⁷. Now, the organization offers a wide variety of support programs and services in four Italian regions for elderly, disabled, vulnerable categories, children, and teens. Their core offering consists of: housing facilities, recreational centres, homeless and refugee centres, social immediate response services, kindergarten and elementary schools, libraries, and rehabilitation centres. In 2020, *Società Dolce* undertook 23 contracts with the state for a total amount of 24,4 million euros²⁶⁸. Therefore, the organization relies heavily on public resources to further its mission, but its success is a direct consequence of its ability to understand the requests of the society and provide innovative and new solutions to solve people's problems.

In conclusion, social cooperatives are key assistance providers in the Italian landscape, they intercept societal needs which are either overlooked or not sufficiently satisfied by the public, private and third sector. They usually operate in social assistance fields characterized by low profitability levels and high labour concentrations, conditions which make it difficult for the rest of the market to provide a sustainable response (for companies, there is a lack of economic returns while for public institutions and non-profits a deficiency of financial resources to invest). Their commitment toward a plurality of stakeholders is a fundamental point of differentiation from other players in the market. Being concerned with internal as well as external interest groups supports the creation of a cohesive and integrated ecosystem. This collective focus is similar to the one of non-profits. It is not achievable by "normal business" which (even though they might have a corporate social responsibility commitment) always prioritize economic returns. The social cooperative form takes, however, great inspiration from the private world. Using typical business practices and techniques allow these entities to overcome some of the rigidities and impediments faced by the public and non-profit sector, from high bureaucracy to agency costs, standardization, economic inefficiencies, and budget constraints. The hybrid nature makes social cooperatives highly innovative and receptive to new trends and needs arising from the market (like environmental protection, social tourism, social housing, cultural heritage safeguard and many others). The business component in their DNA grants them the flexibility and managerial capacity to go after those changes and have the courage to experiment.

In addition, the "business contamination" has an impact on social cooperatives' competitiveness in the market. In fact, they have achieved better results than non-profit organizations in terms of human resource management, financial resource procurement, and the quality and variety of the social offering²⁶⁹. Overall, we can affirm that social cooperatives fill in an empty space present in

²⁶⁷ *Società Dolce*. <https://www.societadolce.it/>

²⁶⁸ Redazione La Pressa (2021, July 12). *Società Dolce chiude con un risultato positivo per 462mila euro*, La Pressa. <https://www.lapressa.it/articoli/economia/societ-dolce-chiude-con-un-risultato-positivo-per-462mila-euro>

²⁶⁹ Jensen, A., Patmore, G., Tortia, E. (2015). *Cooperative Enterprises in Australia and Italy : comparative analysis and theoretical insights*. Firenze University Press

the Italian ecosystem. They do so not only by generating direct benefits for the receivers of their offering but also by positively affecting their surroundings. In fact, important spill over effects are generated by social cooperatives like the increase of the general employment rate (and more specifically by supporting the integration of disable and vulnerable people who need a more inclusive and receptive work environment than traditional ones), the local well-being, and the enhancement of social capital.

3.2.2) A new social enterprise trend: B Corporate

When analysing the American social enterprise landscape, it is relevant to mention a new growing trend which has disrupted the “normal way” of trading: B Corporate²⁷⁰. This movement, originated in the United States, aims at addressing the societal need for a more ethical and continuous approach to doing business. Before moving forward with the explanation, it is important to make a distinction between two definitions: Benefit Corporation and B Corporation. They are two separate concepts, but they have many similarities and complementary elements. A Benefit Corporation is a new legal form of social enterprise (recognized in the U.S. in 2011 and in Italy in 2016) which is committed to the public benefit (the social goals and activities are clearly stated in the deed of incorporation). On the other hand, B Corporation is an organization which has acquired a verification certificate from B-Lab (a non-profit organization from Pennsylvania which created this new system, it has subsidiaries in many states all over the world, also in Europe). This documentation aims at grouping entities which have the same levels of commitment toward transparency and social and environmental sustainability. Currently, more than 4,000 entities have obtained the B Corporation certificate, they are present in more than 70 countries worldwide operating in a wide variety of different sectors²⁷¹. Therefore, a benefit corporation can be a b corporation, but a b corporation is not necessarily a benefit corporation (even though it is easier for benefit corporations to acquire the certification thanks to their internal structure and organizational orientation). Among the most well-known American benefit corporations that decided to obtain the B Corporation status, there are Patagonia, Kickstarter, King Arthur Flour, Farmigo, and American Prison Data Systems.

In the graphic below are summarised some of the elements that associate the two concepts and the ones that differentiate them. For instance, what they have in common is the attention for accountability and transparency. The American legislative framework requires them to publish «... a comprehensive, credible, independent and transparent third-party standard» report to objectively evaluate the capability to generate “material positive impact”²⁷². On the other hand, they present some differences in terms of performance requirements, availability of the organization status, cost of establishment and the role played by the B Lab organization.

²⁷⁰ Venditti, P.S. (2019). *Il Terzo Settore in Italia* [Master’s thesis, Libera Università Internazionale degli Studi Sociali Guido Carli]. Tesi LUISS. http://tesi.luiss.it/26795/1/634292_VENDITTI_PAOLO%20SILVANO.pdf

²⁷¹ *Benefit Corporation*. <https://benefitcorp.net/>

²⁷² *Benefit Corporation*. <https://benefitcorp.net/>

What's the Difference?

Issue	Benefit Corporations	Certified B Corporations
Accountability	Directors are required to consider impact on all stakeholders	Same
Transparency	Must publish a public report of overall social and environmental performance assessed against a third party standard*	Same
Performance	Self-reported	Must achieve minimum verified score on B Impact Assessment
		Recertification required every three years against evolving standard
Availability	Available for corporations only in 30 U.S. states and D.C.**	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees range from \$70-\$200	B Lab certification fees range from \$500 to \$50,000/year, based on revenues
Role of B Lab	Developed model legislation, works for its passage and use, offers a free reporting tool to meet transparency requirements. No role in oversight	Certifying body and supporting 501c3, offering access to Certified B Corporation logo, portfolio of services, and vibrant community of practice among B Corps. To learn more about B Corp certification, visit www.bcorporation.net .

Figure 13. Source: Benefit Corporation. <https://benefitcorp.net/>

The B Corporate phenomenon originated from the saturation of the idea of “shareholders’ supremacy”²⁷³. In the United States, the importance of the maximization of shareholders’ wealth has been subject to different legislative implementations and juridical discussions. All started with the Dodge versus Ford Motor Company case (1919) which led to the affirmation of shareholders as the core focus and recipients of the directors’ attention. The maximization of returns became the top priority for all business, shareholders were granted with the possibility to sue the company if it did not comply with this obligation. The B Corporate movement aims at contrasting this ideology and business prerogative by building on the concept of social entrepreneurship and corporate social responsibility which focus on the generation of welfare among a plurality of subjects, from workers, their families, partners, the beneficiaries of the goods and services and society at large²⁷⁴. The legislative definition of a new organizational form (benefit corporation, 2011) is, therefore, a natural evolution of these trends that started to affect the American society in the 1970s when companies like Ben & Jerry’s started to emerge. They were praised for their social and environmental commitment while organizations that showed poor ethical behaviour (like in the case of Nike’s exploitation scandal) were severely scrutinized and criticised, and in some instances even boycotted.

²⁷³ Venditti, P.S. (2019). *Il Terzo Settore in Italia* [Master’s thesis, Libera Università Internazionale degli Studi Sociali Guido Carli]. Tesi LUISS. http://tesi.luiss.it/26795/1/634292_VENDITTI_PAOLO%20SILVANO.pdf

²⁷⁴ Goldschein, P., Miesing, P. (2016). How Benefit Corporations Effectively Enhance Corporate Responsibility. *Business & Professional Ethics Journal*, 35 (2/3), 109-128. <https://www.jstor.org/stable/45149292>

With the establishment of the benefit corporation form, profit and non-profit motives legally started to coexist inside an organization in a harmonious way (companies pose equal importance to both economic-oriented and socially driven goals); the focus shifted to «... broad stakeholder interests over narrow shareholder interests»²⁷⁵. Benefit corporations are important contributors to the betterment of society, they bring light to many issues affecting needy people and actively participate in the production and delivery of “general public benefit” initiatives. Their commitment is clearly stated in the articles of incorporation which define the core purpose of the organization and the areas of activity, they go from providing social goods and services to needy people to preserving the environment, promoting arts, education, and knowledge²⁷⁶. Benefit corporations need to publicly issue an annual benefit report based on independent third-party standards in order to be transparent and accountable for their involvement in the welfare landscape. It is important to remember that since the United States is a federal republic, each state can define its own rules and laws. The benefit corporation legislative framework is no exception, some differences are present in this discipline from state to state, for instance about the role of the benefit director, the voting thresholds, and the content of the annual report.

A different approach has been adopted by the Italian government which introduced a common and unified law across the territory: Law 208/2015; Italy is the first European country to have embraced the benefit corporation form. The core feature of these organizations (the equal prioritization of the social and economic goals) is clearly stated in the normative: «... «società benefit», che nell'esercizio di una attività economica, oltre allo scopo di dividerne gli utili, perseguono una o più finalità di beneficio comune e operano in modo responsabile, sostenibile e trasparente nei confronti di persone, comunità, territori e ambiente, beni ed attività culturali e sociali, enti e associazioni ed altri portatori di interesse»²⁷⁷.

This new form of social enterprise is a relevant contributor to the improvement of the general well-being on a social, economic, and environmental level. From a customer point of view, purchasing goods and services from benefit corporations reinforce their ethical and moral commitment and values. 68 million Americans have shown a preference «... for making purchasing decisions based upon their sense of social and environmental responsibility»²⁷⁸. Nowadays, consumers exercise their purchasing power as a “weapon” against companies. They reward the ones that are aligned with their ethics and punish the ones which prioritize the maximization of profits at the expense of people, the environment, and the ecosystem as a whole (data shows that half of Americans have boycotted organizations which damaged in some fashion the public good). A similar behaviour is witnessed also among workforces. 69% of people in the United States consider the organization’s social commitment when applying for a job, some individuals are even willing to earn a lower salary if the company has a benevolent orientation.

²⁷⁵ Goldschein, P., Miesing, P. (2016). How Benefit Corporations Effectively Enhance Corporate Responsibility. *Business & Professional Ethics Journal*, 35 (2/3), 109-128. <https://www.jstor.org/stable/45149292>

²⁷⁶ Triponel, A., Agapitova N. (2017). *Legal framework for social enterprise Lessons from a comparative study of Italy, Malaysia, South Korea, United Kingdom and United States*, Work Bank. <https://openknowledge.worldbank.org/handle/10986/26397>

²⁷⁷ Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge di stabilità 2016), Law 208, 28 December 2015

²⁷⁸ Goldschein, P., Miesing, P. (2016). How Benefit Corporations Effectively Enhance Corporate Responsibility. *Business & Professional Ethics Journal*, 35 (2/3), 109-128. <https://www.jstor.org/stable/45149292>

From an entrepreneur perspective, benefit corporations are a great tool to achieve their social objectives. As for other forms of social enterprise, these organizations combine the advantages of a company with the ones of running a non-profit. The business component gives social entrepreneurs the dynamism they need while the benevolent orientation fulfils their personal aspirations, allowing them to consolidate their social role in the community. Benefit corporations are becoming increasingly popular in the United States because they legitimize and contextualize entrepreneurs' commitment toward the "general public benefit"; an aspect which at times have demonstrated to be ambiguous in companies. It is no secret that some businesses have publicly declared their CSR efforts but in reality were using people's sensitivities and concerns as marketing stunts (green washing). However, nowadays customers, employees, and other stakeholders are highly informed and conscious, companies can no more risk disappointing their expectations and standards because it would severely damage their image, reputation and economic results. Therefore, being more responsible and active in the betterment of the ecosystem, on a social as well as environmental level, is considered a must. The benefit corporation form is a great tool to meet people's needs for more ethically and morally sound organizations because it gives structure and accountability to their social commitments.

Yvon Chouinard, founder of Patagonia (an organization which registered as a benefit corporation in January 2012), stated: «benefit corporation legislation creates the legal framework to enable mission-driven companies like Patagonia to stay mission-driven through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes, and high standards put in place by founding entrepreneurs»²⁷⁹. Patagonia is a great example to understand the role of benefit corporations in the American ecosystem. The organization's aims at successfully running its core business (selling clothing) while adopting a continuous and responsible approach. Patagonia's general public commitment is visible in all its organizational phases, from the bottom to the top; they are rooted in the basic principle: "doing less harm, but also more good". What Patagonia and other benefit corporations are able to do is intercept a trend and necessity in the market: people want to be part of the change and reflect their values and morals through their purchases. In the case of Patagonia, when a customer buys some apparel, he/she showcases its alignment with the organization's ethical philosophy which is: ensuring a long-lasting life to the products (made with great quality materials) in order to reduce the ecological impact of industrial production.

In addition, Patagonia reinforces its involvement and participation in the improvement of the ecosystem by supporting different social and environmental initiatives, for example it grants funds to non-profit organizations (1% of the annual revenues) and finances protests and grassroots action groups (Patagonia Action Works). Since 1985, the organization has donated \$100 million. It is interesting to point out that Patagonia was one of the first organizations to obtain the B Lab certificate in the United States. Since 2011, the organization has been committed to the accountability and transparency requirements of B Lab. In the charter below, it is possible to seed the scores obtained in the B Impact Assessment which is divided into 5 different areas: governance, workers, community, environment, and customers. The final result is compared with the minimum standard for b corporations (80) and businesses (50.9) to trace the performance of the organization. In this case, the total score obtained is 151.4 .

²⁷⁹ Patagonia. <https://patagonia.com/>



Figure 14. Source: Benefit Corporation. <https://benefitcorp.net/>

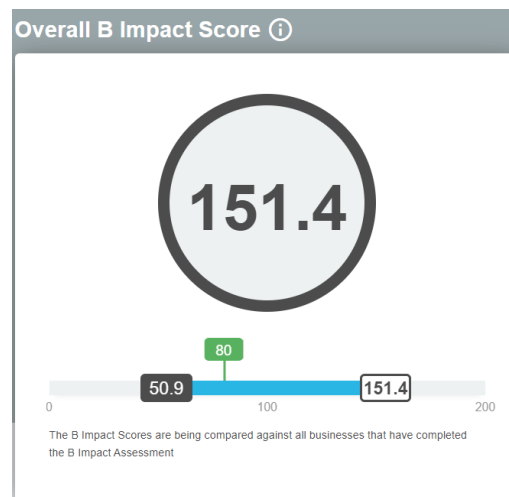


Figure 15. Source: Benefit Corporation. <https://benefitcorp.net/>

In conclusion, the B Corporate trend allowed the United States (and Italy) to further expand the limits of the notion of hybrid organizations. Benefit Corporation and B Corporation are innovative players in the welfare culture. They are a great solution to the needs and requests of the current society. Benefit corporations are satisfying customers' needs in a more holistic manner than normal businesses, they do not just provide an offering that meets the market demand, but one that speaks to the "soul" of people. Customers feel represented and proud when purchasing products and services from benefit corporations because there is a direct connection with their personal values and beliefs. This characteristic is very peculiar to social enterprises, normal businesses even when they create socially, and environmentally responsible products find it very difficult to reach an equal level of commitment to benefit corporations which have a 360-degree approach. The concern is not just about the offering, but it spreads across a variety of different areas and organizational phases, from the processes to the selection of materials, the way

employees are treated, the connection with local communities and issues affecting the society, activism and many more (Patagonia example). In addition, it is important to underline the significance of the contribution of benefit corporations for society as whole, not just customers. These organizations have been able to cleverly fill in a gap in the system and improve the lives of many different people (not just shareholders) as well as the environment. Businesses will always continue to exist, but benefit corporations are a great solution for entrepreneurs seeking to do good.

3.3) General conclusions on the relevance of hybrids in the Italian and American system and on the differences that exist with “pure” non-profits

In this chapter, the phenomenon of hybridization has been studied, important insights and considerations have emerged on the complexity and multi-faceted nature of the welfare culture, both in Italy and the United States. Over the centuries, different forms of hybrid organizations were employed to meet people’s needs; only in recent years (since the 1970s), however, the normative system started to formalize the trend into legislation. This “sudden” interest for hybrids resulted from the demand for new solutions (by the government, entrepreneurs, needy people, and the ecosystem as whole) to the problems faced by the modern society. One of the most important and diffused hybrid forms is: the social enterprise. It is disciplined in different ways by the Italian and American legislative system. The former clearly delineates the precise legal borders and boundaries while the latter does not outline a common definition, leaving the interpretation of the meaning and role of social enterprises up to personal understanding and ideological vision.

Despite the different normative approaches, we can generally define social enterprises as organizations mixing the advantages of being a business with a social orientation. Social enterprises are similar to “pure” non-profits in terms of social mission and multi-stakeholder focus, however, there are profound differences in the way of achieving them. Social enterprises can actively and on a regular basis engage in commercial activities to generate returns which in the case of Italy need to be reinvested in the organizational activities and initiatives while in the United States they can be distributed among their members. Social enterprises can embody different organizational forms (non-profit as well as for-profit types), some have been introduced by the respective legislative system as ad-hoc entities. For instance, in this chapter we have analysed the case of social cooperatives in Italy and benefit corporations in the United States. The structure and characteristics of these forms are different, however, the intent behind their development is the same: provide social entrepreneurs with the right tools to contribute to the achievement of the “general public good”. “Pure” non-profit forms, due to their intrinsic characteristics (like restrictions on commercial and business activities and practices), limit at times the broadness and scale of the potential of entrepreneurs’ interventions. Therefore, many people opt for social enterprises because they provide additional flexibility, dynamism, competitiveness, and efficiency.

Italy and the United States embraced this change in entrepreneurial behaviour in different ways. In Italy (as the case of social cooperatives teaches us), hybrids have a deep connection with the third sector, the business component is seen just as an instrument to amplify and strengthen the commitment toward social and environmental issues. On the other hand, in the United States

(visible from the instance of benefit corporations), social enterprises are closer to the private sector, they operate as regular businesses with a strong commitment toward social responsibility. This attention for ethics is not to be found just in the product or service offering, but also in the processes, the workplace environment culture, activism in social and environmental causes, and support of non-profits. Therefore, even though hybrids have acquired a slightly different meaning in the two nations, they are extremely important and vital for the differentiation and enlargement of the contributions to the betterment of the ecosystem. Hybrid organizations have been able to cleverly exploit the advantages of the corporate world for the benefit of the society. Organizations like social enterprises are acquiring increasing attention and popularity because their nature fits greatly with people's current needs and expectations for an approach distant from a traditional capitalist one. Hybrids embrace society's desire for a stronger commitment toward the social, human, and environmental dimension. It will be fascinating to see how the role of hybrid organizations will evolve in the two systems over time. Italy has already started to follow some of the American trends (b corporate). Only time, we tell whether this is beginning of deeper separation from the third sector.

CONCLUSION

The objective of this thesis is to understand the role non-profit and hybrid organizations play in the ecosystem, based on an in-depth review of the current academic literature on the topic. In detail, the analysis focuses on the Italian and American case. I have decided to conduct a comparative study because insightful information can be drawn from these diverse contexts and environments. Before addressing the core question of this thesis, a theoretical and historical background was outlined. This information has been very useful to comprehend why the social assistance sector exists and the peculiarities that characterize the two systems. Italy and the United States differ considerably in terms of welfare culture, legislative and normative framework, demographic and ethnical conformation, and history. These factors have shaped the way the third sector and other “business-like” social assistance forms have spread in the territory. Understanding these concepts, in my opinion, is an essential step to answer the question: What is the role of the non-profit organizations and hybrids in the ecosystem?

Since the first chapter, it has been possible to glimpse the importance of support entities; they fill in the gaps generated by the public and private sector in the provision of instrumental social goods and services. The definition of the meaning of the non-profit sector is similar across frameworks. Social assistance entities aim at serving the public good in a variety of different ways; they can go from the delivery of commodities to the provision of recreational services like art, cultural, and sport initiatives and the support of social and political movements. However, the Italian and American systems adopt different approaches to satisfy society’s demand. The complexity and variety of entities operating in the support field are disciplined by the legislative regime which in Italy is for the most part managed by central authorities (in some cases influenced by European Union institutions) while in the United States is spread across different governmental layers (the Congress, the single states, counties and cities bodies). It is important to point out that the disparities emerging from these normative regimes are a direct result of many events, innovations, and revolutions that occurred in the past. Different forms of social assistance have existed since ancient times. Its origin is strongly connected to the role of churches in their local communities and to the desire of institutions to control the “dangerous class”. Both Italy and the United States are highly religious countries, a situation which has preserved the intervention of congregations and religion-inspired entities, especially in helping the neediest social groups like poor, orphans, hill people, elderly, and homeless (for the United States case, also enslaved and discriminated African Americans toward who they have provided economic, political, and spiritual support). However, today the third sector is more complex and less “restrictive” than it used to be. It is not just a matter of improving the lives of the most disadvantaged and fighting extreme poverty and social disorder, but it also focuses on the satisfaction of a wide variety of other needs and expectations manifested by the public (both in the service provision and social expression field).

Non-profits and hybrids are called to answer to people’s demands which change across time and space. Social and political movements, revolutions, and changes in welfare approaches influence the set of social goods and services needed to improve the public good. In Chapter 1, thanks to the historical reconstruction of the evolution of the third sector, useful insights about the role played by different organizations in solving specific issues faced by society were outlined. From the analysis emerges that changes in the socio-political and economic environment act a part on the

development and expansion of the certain entities which for their intrinsic characteristics can tackle particular issues and problems faced by a wide variety of different subjects. Normative changes usually follow the emerging social trends by providing legal basis to the new organizational types and establishing dispositions about the boundaries and borders of their operational space. The government, however, does not only provide legislative support, but it also influences and encourages the flourishing of the non-profit sector in many different ways. For instance, it distributes aids, develops favourable fiscal systems, changes the welfare approach and introduces new social policies. By adopting a comparative line of research, it was possible to truly highlight the relevance of “the ecosystem” in the expansion and evolution of the third sector. The differences present in the Italian and American systems provide uniqueness to the definition of the third sector and its business contaminations (hybridization). Social assistance organizations are shaped by their surroundings, but they also actively contribute to the transformation of the context they operate in by pushing the limits and horizons of benevolent initiatives further (for example, the introduction of social enterprises and the spread of the corporate social responsibility phenomenon). It is important to point out that the operational environment can be extremely complex due to lack of resources and care (for instance the market might evaluate the production of certain social goods and services as not convenient on economic and financial terms) or for the controversial nature of the issue at hand (like in the case of social and civil rights movements). Therefore, non-profits and hybrids perform in conditions which might not be sustainable for the state or the market. The structural characteristics of socially driven entities (like the favourable fiscal behaviour; the possibility to obtain funds from donations, gifts, and the government; the high flexibility given by their private and independent nature) support the fulfilment of a gap in the ecosystem. Without them, society would strongly suffer from an undersupply of many goods and services which are either not sufficiently delivered or even not produced at all by the rest of the market. This is especially evident in the service provision field where the production cost might be too high to break-even in “normal” market conditions.

In Chapter 2, the role of the different non-profit organizations (also called “pure” non-profits for their inability to redistribute the earnings among members and directors) in the Italian and American system become clearer, addressing the objective of this thesis. What distinctly emerges from the rearrangement of the current academic research and scientific studies is the transformative and evolutive nature of non-profits. They change and adapt their activities and operations according to society’s demand. As highlighted in Chapter 1, the general public’s needs are influenced by a wide variety of different factors, being the welfare culture one of the most powerful ones. The United States (despite the efforts of the government to increase its presence in the social assistance sector) still has a predominantly liberal welfare system, a situation which leads to the appointment of the non-profit sector as a protagonist in the provision of social goods and services. The study highlights a strong concentration of “pure” non-profits in the service provision field. This behaviour is a direct consequence of the low involvement of the state as well as the market in certain areas like healthcare, education, and housing. It is evident, once again, that non-profit entities are the product of the ecosystem; they support society where and when it is most needed their involvement and contribute to the creation of a better and more balanced environment. The same conclusion can be drawn from the analysis of the Italian situation. Thanks to the high presence of the state, in Italy there is a decent level of social assistance satisfaction. This induced, over the years, to the concentration of benevolent initiatives primarily toward the

social expression dimension. “Cultura, Sport e Ricreazione” has become the core of the Italian non-profit sector because of a high concentration of society’s demand in this field.

To better comprehend the role of “pure” non-profits in the ecosystem, the most diffused organizational types have been studied in detail. Associations, foundations, and faith-based organizations differ in terms of internal structure and conformation, factors which influence the kind of purpose they serve for society. From the analysis, it has been possible to delve into their particularities and the relationship with the other players living in the system. Associations are instrumental organizations for the increase of people’s involvement and participation in the life of the communities. The strengthening of social cohesion generates many benefits (direct and indirect) which improve the general wellbeing and health of society. Different subjects get in contact with associations for different reasons, they are motivated by personal or collective needs and desires of a social, economic, or political nature. The peculiarities of the Italian and American ecosystem, yet again, influence the type of role played by associations in the market. During the study, it emerged that the American associative framework is divided into two categories: organizations with a status competition orientation (fraternal societies and social clubs) or entities with political mobilization motives (business leagues, political organizations, labour unions, and employee voluntary associations). The first group of organizations are strongly linked to elitism and to the conformity to certain moral beliefs, a situation which generates some issues of discrimination and exclusion toward particular social classes and individuals (like the working class, minorities, and women). Different elements characterizing the American environment contributed to the development of this exclusive and close approach to social participation. According to the present academic literature, culture, the demographic and social conformation, and history are the core causes. On the other hand, political mobilization associations focus on changing the ecosystem by pushing for normative, business, and structural changes. These organizations use their power to voice the overlooked needs and issues of different categories of people (from all social classes) and businesses (from all areas of the market). In Italy, there is not a clear distinction between associations operating in the social or political sphere; entities can decide to be present in both fields simultaneously. Associations are the most diffused organizational form in Italy, and they concentrate primarily on the amatorial sports, art, culture, and leisure dimension. The popularity of these entities is a clear sign of their capability to greatly intercept the needs of society. In conclusion, even though the diverse American and Italian association forms are united under the same big umbrella, the purpose of associations in society might vary considerably, ranging between a multitude of areas focusing especially on the social expression dimension. The bottom line is that they provide something unique to the public which is different from the one delivered by the state and the market, in fact, their offering is not perfectly replicable by others. Therefore, not only do associations support other sectors in the creation of a better system, but they also are the protagonists of this improvement, not just mere helpers but in some cases the first choice.

The second organizational type investigated was the foundation. In recent years, foundations have witnessed a “renaissance” both in the United States and Italy. The reason behind the rediscovery of this organizational form is to be found in society’s desire for a redistributive tool of wealth (concentrated especially in the hands of few well-off individuals, families, and corporations). During the analysis, contrasting opinions about the role played by these organizations have been

outlined. The school of thought which, in my opinion, grasps in the best way the different facets of the importance of foundations is the Anheier and Leat perspective²⁸⁰. According to the experts, foundations are instrumental players for the betterment of society, they are present in areas of the market which are underserved by other entities (from both the public, private, and non-profit sector). Thanks to their peculiar organizational structure (an asset independently managed according to the founders' vision and moral and political beliefs), foundations are considered one of the most innovative and long-term oriented social assistance entities. In fact, since they don't have to stick to commitments made to the general public, as public institutions do, they can expand their range of operation and experiment in order to develop new solutions to highly complex social problems. Foundations, however, are not perfect organizations. They generate many inefficiencies in the path to pursue the public good. From researchers' studies emerges that this organizational form has an ambiguous nature. Often, wealthy subjects use this organizational form for selfish reasons like the obtainment of significant tax benefits, keeping the control over their assets, influencing the establishment of policies and laws which are in favour of their personal objectives, and improving their image and reputation. Society and public institutions are not fully aware of this "opportunistic" behaviour, this is the reason why foundations are still viewed in a positive light in both the Italian and American system. Therefore, the diffusion of foundations (which are the core of the American third sector, in Italy they are not less present) has led to the generation of transparency issues. This is especially true when these organizations are involved in the political sphere. In fact, foundations can either be extremely important allies of marginalized social groups and people in need or be supporters of personal interests, using their lobbying power in a distortive way. Before conducting this analysis, I was not fully acquainted with all the different aspects and facets of foundations. Now, I find myself in accordance with Anheier and Leat view. Foundations play an important role in society, they diversify the social offering and provide something unique to the public which is not producible by other organizations in the system. At the same time, they conceal a "dark" side. Foundations present many inefficiencies which should be better addressed by public bodies and corrected in order to obtain the possible maximum benefit for people who mostly need additional support in the social, economic, and political sphere.

Faith-based organizations are the third "pure" non-profit form studied . Both the United States and Italy have a strong relationship with religion, a situation which impacts the conformation of the third sector. As for the other two non-profit types, FBOs contribute to the enhancement of the society's wellbeing in an unmatched way. The combination between the desire to do good and religious principles creates a great environment to produce social goods and services (they especially focus on the provision of human services like soup kitchens, drug and alcohol treatment centres, and homeless shelters). These organizations usually direct their efforts and resources toward low-income local communities. They are close to the most marginalized and neediest parts of society (extremely poor people, individuals affected by mental health issues, or violence and abuse survivors). In situations of such precarity, people tend to look for a solution which engages their spiritual and emotional side. The creation of this type of connection is made possible by the commitment of volunteers to transmit the values and principles of a creed to the persons they are

²⁸⁰ Anheier, H.K., Leat, D. (2013). Philanthropic Foundations: What Rationales? . *Social Research*, 80(2), 449-472.
<http://www.jstor.com/stable/24385611>

helping. This peculiar characteristic makes FBOs unique social support providers; evidence shows that they perform better results in terms of program completion rate and level of recidivism than public, private, and third sector counterparts. To conclude, from the reorganization of academic literature emerges that “pure” non-profits play a dual role in society: first, they contribute to the supply of social goods and services which are not sufficiently produced by the state and business sector; second, each organization forms’ involvement is unique, the particular nature and intrinsic structure of associations, foundations, and FBOs create solutions to social problems which are not perfectly replicable and imitable by the others.

In Chapter 3, I have expanded the study of the importance of the third sector to its contamination with the business world, a phenomenon called hybridization. Researchers approach this subject in different ways. For this analysis, I have decided to follow the way of thinking of experts who perceive hybrids as an evolution of non-profit organizations into revenue generating businesses with benevolent purposes (instead of studying the topic starting from the Corporate Social Responsibility concept). Social enterprises were the protagonist of this study. These entities are very diffused both in the United States and Italy (their spread boomed from the 1970s). They can embody different organizational forms both of a non-profit and for-profit nature as well as new ad-hoc ones like social cooperatives and benefit corporations. The development of social enterprises is a direct response to social entrepreneurs’ need for more efficient and effective tools to positively contribute to the improvement of the society’s welfare; the benevolent initiatives can range from a multitude of different areas like education, healthcare, environmental protection, work integration, and many more. The state (especially in Italy) was another key driver of the flourishing of this social assistance form, the motives behind this support need to be found in the capability of these organizations to further diversify the social offering. The key point of differentiation of social enterprises from “pure” non-profits is the closeness with business practices, techniques, and methods; this feature allows them to be highly competitive, sustainable in the long run, and innovative, elements which sometimes are lacking in non-profit organizations. The instrumental role of revenues (which in the United States can be distributed among members and directors) changes the trajectory of the operational space, overcoming some of the rigidities and limitations faced by the “pure” side of the third sector. In the process of accomplishing the entity’s social goals, social enterprises generate (direct and indirect) benefits which spread across a plurality of different subjects (suppliers, partners, employees, the community, the environment, etc.). In fact, hybrid organizations create a reinforcing cycle of wealth which (ideally) positively impact the whole ecosystem, since the core objective is not the mere selfish economic gain (like it is for businesses) but an overall improvement of the current situation under a bidimensional perspective: both social and economic. In conclusion, social enterprises not only fill in the gaps generated by the public, private, and “pure” third sector, but they also generate overall additional value to society, supporting the development of a more prosperous and healthier ecosystem. The in-depth analysis of the social cooperative and benefit corporation form (and of the b corporate trend) enriched the thesis with additional demonstrations of the multi-faced and unique role of social enterprises in the social assistance dimension.

When gathering the information to answer my thesis question, I have encountered some limitations. Academic studies tend to proliferate around topics which are highly popular and diffused, the lack of acknowledgement of marginal phenomenon and new trends reduces the

broadness of the considerations that can be made about the social assistance sector. Future research should try to overcome this information gap by investigating subjects which have been considered as less relevant and instrumental by others (like the topic of foundations and faith-based organizations in Italy). Each organization and entity contribute to the formation of the ecosystem we are living in today, so it is fundamental to understand the role each piece of the puzzle plays in the creation of the final result. In addition, I challenge my colleagues to embrace a comparative line of research because I strongly believe that we can learn a lot by confronting different scenarios and situations. New insights and starting points emerge from the analysis of diverse systems, elements which could have not been spotted by looking at the topic in a “traditional” way. In particular, I think that future investigations on the third sector and its role in the ecosystem should concentrate on the confrontation between the Italian and American situation because, as stated earlier, I believe that it is from the most diverse contexts that we can learn the most. Diversity gives new perspectives under which to look at a phenomenon. With this thesis I provided my contribution to the organization of the current academic literature around this topic, more studies should be conducted to understand the impacts societal changes will have on the conformation and structure of the different forms of support. Characteristics like the Covid-19 pandemic, climate change, digitalization and social media will have long-term impacts on the social as well as economic, and political well-being of society; experts should try to understand which part such transformative and complex phenomena play in the evolution of the social assistance sector. This analysis should maintain a connection with the study of history, demographic conformation, welfare culture, and legislative regimes in order to clearly acknowledge the embedded factors that shape the ecosystem.

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