Other than for regulation (including fiscal regulation, such as tax exemption rules), government funding policies are the most direct embodiment of the relationship between government and the nonprofit sector. Government/nonprofit relations in turn are arguably the single most important concern across the world for nonprofit advocates and analysts alike. Whether in the industrialized North or the global South, philanthropic resources are generally very limited, whereas earned income strategies are either perceived as dubious (eg, commercialization concerns) or hampered by the lack of requisite institutions, such as functioning markets. For nonprofits the choices thus are to either pursue their missions incrementally on a relatively small scale or to look for alternative financial resources to help scale up their work and perhaps yield results at higher levels. For much of the second half of the 20\textsuperscript{th} Century, nonprofits from Baltimore to Berlin and Bangalore have opted to explore, and utilize where available, various forms of direct government support in an effort to scale up operations and reach additional clients, users or audiences for their work.

Accepting government monies is nevertheless perceived as somewhat of a double-edged sword, leading to a bifurcation of the debate. Two contrary strands of evaluating the role of government support emerged relatively early within the nonprofit literature. As embodied by Salamon's (1995) \textit{Partners in Public Service}, one strand portrays the government-nonprofit relationship as largely positive, arguing that only the post-war influx of government monies enabled a significant scaling up of nonprofit activity that catapulted the sector to its current position of prominence. The other strand of the literature—exemplified by Smith and Lipsky's (1993) \textit{Nonprofits for Hire}—focuses more on the potentially negative effects of taking government support on the culture, structure and behavior of nonprofit organizations.

While this debate has been a mainstay of nonprofit research since the early 1980s, when Salamon's work first appeared (but with much earlier roots), it remains far from being settled. Indeed, the introduction of charitable choice in 1996's welfare reform and the subsequent launch of the White House's faith-based initiative in 2001 re-launched a broad debate about the fundamental issues of government helping to scale-up small religious and community initiatives in the US. Nor is this a particularly American phenomenon. To the contrary, concerns about government dependency are long-standing in welfare associations as well as sports clubs in Germany (Horch 1994; Anheier, Toepler and Sokolowski, 1997); prevalent with regard to official aid in international development (Edwards and Hulme, 1996; McMillan 2006); and have been traced in cultural organizations in Korea (Jung and Moon, 2007).

Yet, there have been surprisingly few attempts to systematically catalogue the various effects – positive or negative – ascribed to government support across diverse fields of nonprofit activity and different parts of the world. Taking the form of a conceptual literature review, this paper will first discuss what the literature so far largely agrees on, namely that a significant rise in government funding for nonprofits has taken place in the post-WW II period and that this rise has contributed to changing the sector from a small cottage industry into a significant economic force. The prevailing theory of the government-nonprofit relation- or partnership is likewise largely uncontested. There is somewhat less consensus on whether or not this partnership has turned out to be a good thing for nonprofits. Thus after cataloguing and reviewing the main charges against government support (ie, commonly ascribed drawbacks and pathologies) , the paper will provide a general assessment of the evidence and suggestions for additional conceptual considerations in an effort to help shape the debate going into the future. More specifically, the paper will provide a new framework designed to foster a more nuanced understanding of when and where government support causes problems by linking the government dependency literature to the emerging New Governance literature in the public administration field (Salamon 2002); and attempt an initial cross-
mapping of government support drawbacks with the various tools of government action that the new governance literature has identified.

References


