
Week 5 review · Mon Sep 21 & Wed Sep 23, 2026

Why do nonprofits exist, and should they?

SPEA-V221 Nonprofit and Voluntary Sector · Ji Ma · O'Neill School, Indiana University

Week 5 at a glance

Mon Sep 21 · Why a non-profit?

Four failure theories that share one logic, Hansmann's trust test, the lens lab on three real Bloomington organizations, and the need-statement studio.

Wed Sep 23 · Data meets theory

The CNN article through three lenses, Part VIII of your own organization's 990, and why people organize: mediating structures, schools of democracy, social capital.

- **Readings.** Child, "An Overview of Nonprofit Sector Theories," pp. 17–37, with the failure theories on **pp. 21–25** and the last three theories on **pp. 30–33**. CNN, "Food Banks Face a 'Perfect Storm'," Oct 30, 2025. Optional: Putnam, "Bowling Alone" (1995); the Surgeon General's loneliness advisory (2023); NPQ on mutual aid.
- **Due.** The site-visit window closes Fri Oct 2; **A2 and B1 are both due Sun Oct 4.**
- **Built this week.** Plank 1, the need statement, on Monday's studio sheet.

NPQ *Nonprofit Quarterly*

v221.jima.me/week/w05 · the B1 spec

Week 5, Session 1

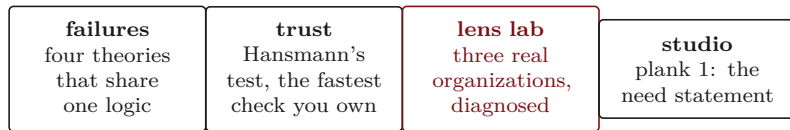
Why a nonprofit?

Ji Ma · O'Neill School, Indiana University

Monday, September 21, 2026

This week's big question

Why does a *nonprofit*, not a business or the city, end up providing something? And should it?



Wednesday adds the sociology: why people organize at all, and what a revenue mix says about your own site-visit organization.

Child, ch. 2, pp. 17–37 · v221.jima.me/week/w05

Ten answers to one question

Child's Table 2.1: economic and sociological explanations

market Weisbrod	government Weisbrod	contract Hansmann	voluntary Salamon
supply side Young; James	interdependence Salamon	social origins Salamon and Anheier	the rest commons; me- diating struc- tures; schools of democracy

Child's own caution, p. 37: he presents each "in elemental form" and offers little critique. The critique is the rest of the book.

Compare what each theory explains and what it leaves unexplained.

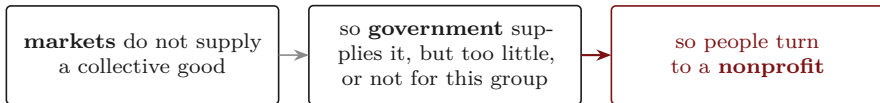
Child, Table 2.1, pp. 35–36; the caution p. 37

The failure family

Child, sections 2.2 to 2.4

One logic, four theories

*“The basic logic of these arguments is always the same: the existence of nonprofits is explainable by some social or economic need that other societal institutions have **failed** to provide.”*



That is Weisbrod's chain. Hold on to the word *failed*: it is doing a lot of work, and Salamon will turn it around.

Child, pp. 21–22

Government failure

Weisbrod, 1972 and 1977. Why a nonprofit, and not the city?

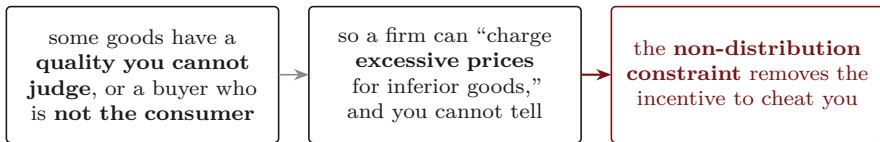
- Governments provide collective goods because markets often do not. But “government is a **blunt tool**, sometimes providing just enough, but often too little or too much, of what people want.”
- Two reasons it misses: **excess demand**, and **heterogeneous preferences**. A majority decides what the city funds; everyone else is under-served.
- “Why are there nonprofit food banks but not nonprofit fast-food restaurants? Because there is a market for fast food and not for food banks, notwithstanding the need for both.”
- “Why are there nonprofit universities and public ones? Because nonprofit universities can cater to the needs of particular groups ... in a way that the state cannot.”

*Whose **unmet demand** does this organization serve?*

Child, pp. 22–23

Contract failure

Hansmann, 1980. Why a nonprofit, and not a business?



- “What nonprofits provide is **trust**.”
- Which is why the Week 1 term keeps coming back. Hansmann’s whole theory is the non-distribution constraint, read from the customer’s side.

The constraint limits returns to owners; it does not guarantee good service.

Child, pp. 23–24; the quotations are Hansmann 1980, pp. 835 and 844, as cited there

The trust test

Use this question in B1.

Would you trust a for-profit to run this? If not, say exactly what you could not observe.

- **Child care.** You drop your child off and leave. You cannot watch the day. The buyer is not the consumer.
- **Famine relief.** The donor in Bloomington never meets the person fed. Hansmann's own example: humanitarian services, where "the consumer of a good is often not the same as the person paying for it."
- **A haircut.** You can inspect the result and choose another provider. The quality is easier to judge.

The theory explains a preference for nonprofit status when quality is hard to verify.

Child, p. 24, citing Hansmann 1980, p. 846

Voluntary failure

Salamon, 1987. He turned Weisbrod's chain around.

- Historically, **voluntary action came first** when markets failed. “The private, nonprofit sector will typically provide the first line of response . . . and that government will be called on only as the voluntary response proves insufficient.”
- So the interesting question becomes: why does government ever step in? Because volunteering fails in four predictable ways.

insufficiency
not enough re-
sources for the
mission

particularism
a narrow focus;
favoritism, ex-
clusivity

paternalism
answers to
donors, not
to the people
served

amateurism
good intentions
without exper-
tise

Wednesday's CNN article is this theory said out loud by a food-bank CEO.

Particularism and paternalism echo Addams's concerns about exclusion and donor control.

Child, pp. 24–25; the quotation is Salamon 1995, p. 44, as cited there

Which failure? Ask in this order

More than one failure may apply.

Ask	If yes	The evidence to look for
Can the buyer not judge the quality, or is the buyer not the consumer?	contract failure	fees from people who cannot watch the work; donors far away
Does government provide this, but too little, or not for this group?	government failure	a public program nearby, and a waiting list or an excluded group
Did volunteers get here first, and are they running short?	voluntary failure	the organization itself saying it cannot meet demand
Would nobody sell this at all, because you cannot charge the people who benefit?	market failure	no for-profit competitor anywhere in the field

Child, pp. 21–25, arranged as a question list here; the order is ours

When no failure fits

Child, section 2.5: who supplies the organization?

- “As any undergraduate studying economics understands, **demand alone is insufficient to explain production.**” Somebody has to supply the organization.
- Young (1983): entrepreneurs sort themselves into sectors by what they value, income, autonomy, a service ethic. James (1987): where religious or ideological entrepreneurs are many, the sector is large. In early twentieth-century Holland, religious groups founded 95 percent of private schools.
- The organization may exist because someone wanted it to, which is also Wednesday’s commons and mediating structures.

If no failure theory fits, consider who founded the organization and why.

Child, pp. 25–27

Lens lab

twenty-five minutes, sheet 1 of your handout, in your team

Three organizations, one town

Three Monroe County nonprofits; FY2023 figures on sheet 1

IN CLASS

1. **Read the money first.** Fees, gifts and grants, or both?
2. **Run the trust test.** Write *what you could not observe*, not just yes or no.
3. **Name the failure**, and the one line of evidence on the sheet that supports it.
4. **What would change your mind?** If “gifts and grants” were mostly government money, is it still the same theory?
5. **Row 4 is your own site-visit organization**, from memory today; the filing on Wednesday.

Fifteen minutes on the sheet, then a report-out: each team names its diagnosis for one row, and teams that disagree argue it. Sheet 1 is collected.

EIN Employer Identification Number

Names, EINs, and figures from ProPublica Nonprofit Explorer, FY2023 filings, read 2026-08-25

What the money pattern suggests

Compare these interpretations with your evidence.

99% fees

the daycare

Parents cannot observe care while away:
a **contract-failure** explanation.

97% gifts and grants

the food bank

Nobody can charge the hungry: **market failure**, plus **insufficiency** the moment demand spikes. And some of that line is government money.

91% gifts and grants

community radio

Listeners could pay and do not have to. Heterogeneous preferences, or Wednesday's **commons**: people making a thing together.

Line 1h combines cash gifts, donated goods, and government grants. Check the detail before choosing a theory.

Figures: ProPublica, FY2023 filings, Part VIII lines 1h, 2g, 12 · theories: Child pp. 21–25, 30–31

Bring your own

BRING YOUR OWN

Pick the daycare. **Where you grew up, who runs child care:** the state, a religious body, families, for-profit chains, or nonprofits? If the answer is “the state,” Hansmann’s problem did not go away; somebody solved it differently. Say how parents there know the care is good.

- The failure theories are *US* theories, and Child says so: “most are US-centric, at least in their development.” Social origins theory, on Wednesday’s list, is the one built to explain why the same failure gets a different answer in Sweden and in Indiana.
- For Rail B this is not a detour. A startup sited abroad has to say why a nonprofit is the right form *there*.

Child, p. 34 (US-centric), pp. 28–29 (social origins; the Sweden example)

Studio: the need statement

twenty minutes, sheet 2 of your handout, one per team

From three indicators to a need

Sheet 2 becomes plank 1 in B1, due Sun Oct 4.

IN CLASS

1. **Pool the indicators** each of you brought. Keep the three that say the most about *this place*, and copy them with source, year, and geography.
2. **Rewrite the problem sentence** from Studio #1 so a number in it now points at the sheet.
3. **Who already works on it.** One organization at least, with its EIN and total expenses (ProPublica, Part IX line 25). If nobody does, say so; that is a finding.
4. **The gap**, in two lines: what the indicators show that the existing work does not cover.
5. **Why a nonprofit**, in one line, naming a failure from today. The B1 template asks for exactly this sentence.

Before handing in sheet 2, check that every indicator has the right geography and a year.

EIN Employer Identification Number

v221.jima.me/assignments/startup-plan#b1

Three ways a need statement fails

It is a topic

“Food insecurity in Indiana.” No who, no where, nothing that could turn out to be false.

The number is from somewhere else

a national rate standing in for Monroe County. Map the Meal Gap has the county; use it.

The number came from a chatbot

with no source you can open. Rule 3: if you cannot verify it, you cannot submit it.

A reader must be able to open your sources and find the numbers in your need statement.

v221.jima.me/assignments/ai-process-log, rule 3

Before you go

- **Wednesday: bring your site-visit organization's Form 990**, the PDF open on a laptop or phone. You pull Part VIII yourself, cite every line to its page, and a neighbour checks you. It is a rehearsal for two rows of A3.
- **Wednesday's reading:** the CNN article on food banks in the shutdown, two pages. Read it with today's four failures beside you.
- **Rail B:** draft your team's mission from today's need statement, for the theory-of-change studio on Wed Sep 30.

v221.jima.me/week/w05 · v221.jima.me/assignments/site-visits#a3

Week 5, Session 2

Data meets theory

Ji Ma · O'Neill School, Indiana University

Wednesday, September 23, 2026

Today

the test
one news
story, three
failure theories

your filing
Part VIII of
your own orga-
nization's 990

why organize
mediating struc-
tures, schools,
social capital

quick-write
one association
in your life

- Monday's lens lab used figures I pulled. Today you pull your own, cite each line to a page, and a neighbour checks you. It is a rehearsal for two rows of the A3 comparison.

CNN, Oct 30, 2025 · Child, pp. 30–33 · v221.jima.me/week/w05

A perfect storm, read three ways

CNN, October 30, 2025, five weeks into a government shutdown

What the article reports

42 million

Americans whose November
SNAP benefits were in
doubt

300,000

meals a day from one
Florida charity, and “still
it’s not enough”

**\$250M vs
\$4.5M**

Georgia, per month: SNAP
benefits against food-bank
food

- Demand doubled at a Washington food bank in a few weeks. A Texas food bank dipped into hurricane reserves. Furloughed federal workers became “new faces” in the lines.
- And the federal cuts came *before* the shutdown: one North Carolina food bank lost \$2 million from a cancelled local-purchasing program and about 80 truckloads from the Emergency Food Assistance Program.

Funding cuts had already reduced food-bank capacity before the shutdown.

CNN, Williams et al., “Food Banks Face a ‘Perfect Storm’,” Oct 30, 2025, archived copy pp. 1–2
Supplemental Nutrition Assistance Program

SNAP

How much is “insufficient”?

Philanthropic insufficiency in the CNN example

**about 55
months**

of Georgia’s food-bank output
to replace one month of SNAP

under 2%

the share of that month’s food
help the food banks could
supply

**“the safety net
underneath
SNAP”**

Amy Breitmann, Golden
Harvest Food Bank

*The gap illustrates **philanthropic insufficiency**: food banks lack the resources to replace SNAP.*

SNAP Supplemental Nutrition Assistance Program

CNN, archived copy p. 2. The arithmetic is ours: 250 divided by 4.5.

One story, three lenses

government failure

the state stops paying, and demand at the nonprofit doubles within weeks. Weisbrod's chain, run live.

voluntary failure

“there's no way for the food banks to fully fill the gap.” Insufficiency, in the CEO's words.

interdependence

a quarter of Second Harvest's food *is* federal (TEFAP). The nonprofit is not filling in for government; it is delivering for it.

*In A4, explain **how the theory fits the evidence**.*

TEFAP The Emergency Food Assistance Program

CNN, archived copy pp. 1–2 · interdependence: Child, pp. 27–28

Your organization's money

twenty minutes, sheet 1 of your handout, the 990 open

Part VIII, in five lines

Statement of Revenue; record the page in your PDF.

Line	What it holds	What the pattern tends to mean
1h contributions, gifts, grants	everything given: donors, foundations, government, donated goods	possible reliance on donors; inspect the sources
1e government grants	the public money inside 1h	interdependence , not “government failed”
1g noncash	donated food, goods, securities, inside 1h	check how much revenue is in donated goods
2g program service revenue	fees people pay for the service	contract failure , or a business that chose the form
12 total revenue	the denominator for every percentage you write	

IRS Internal Revenue Service

IRS Form 990, Part VIII; Form 990-EZ, Part I · the third column is ours, from Child pp. 21–28

A worked example

Hoosier Hills Food Bank, FY2023

Line	Hoosier Hills Food Bank, FY2023	Read
line 12, total revenue	\$7,594,291	the denominator
line 1h, contributions and grants	\$7,380,116, which is 97%	almost everything is given
line 2g, program service revenue	\$126,738, which is 2%	a small fee line; ask at the visit what it is
lines 1e and 1g	on the PDF, not in the summary	the split that decides the theory

Mostly donated food (1g): market failure plus insufficiency. Mostly government grants (1e): interdependence. Same total, different theory. **The roll-up is not enough; the page matters.**

EIN Employer Identification Number

ProPublica, EIN 31-1051402, FY2023 e-file summary, read 2026-08-25; the Week 3 filing

Pull your own

Sheet 1; open the full filing PDF.

IN CLASS

1. **Open the filing you pulled for A1.** Legal name, EIN, tax year, and which form, at the top of the sheet.
2. **Find Part VIII** and copy lines 1h, 1e, 1g, 2g, and 12, each with the *page of the PDF* it sits on. Work the percentages.
3. **Name the theory the pattern supports**, and say why in one line. Then one thing you could ask or see at the visit that would confirm or refute it.
4. **Swap with a neighbour.** They check the page citations and percentage calculations, then sign. Lines 1e and 1g are parts of 1h; do not add them again.

No filing yet? Use your backup organization from A1. A 990-N filer has no Part VIII, which is the reason A1 asked for a full 990 or an EZ; say so on the sheet and use the backup. Sheet 1 is collected.

EIN Employer Identification Number

The A3 rows this rehearses: size and revenue mix; which failure theory the money suggests.

v221.jima.me/assignments/site-visits#a3

Why people organize at all

Child, sections 2.9 and 2.10, then Putnam

Mediating structures

Berger and Neuhaus, 1977

The tension

modern life is run by “megastructures” we do not control and whose values we may not share. And we want them anyway: Social Security, Medicare, Walmart.



The remedy

the institutions in between: neighbourhood, family, church, voluntary association. “A private face” that steadies life, “a public face” that carries meaning up to the megastructures.

- They also **push back**: “raising a collective voice, representing varied interests, and checking entrenched power.” The advocacy role from Week 3, with a theory under it.

Mediating structures connect personal values with public life.

Child, pp. 31–32; the quotations are Berger and Neuhaus 1977, pp. 3 and 7, and Edwards and Foley 2001, p. 6, as cited there

Schools of democracy

Tocqueville: joining teaches cooperation.

*Associations “can therefore be looked upon as **vast free schools** to which all citizens come to learn the general theory of associations.”*

- Last Wednesday’s Tocqueville explained why Americans *must* combine: equal and therefore weak. This is the other half: combining *teaches* them. “The more of these small joint affairs there are, the more capable men become . . . of pursuing large affairs in common.”
- So the sector is not only where interests get represented (mediating structures). It is where people learn to run a meeting, keep books, and lose a vote.
- Watch for it at your site visit: who chairs, who keeps the minutes, and where they learned to.

Child, pp. 32–33, quoting Tocqueville 2004, pp. 604 and 606

Social capital

Putnam, “Bowling Alone,” 1995

*“Social capital” refers to “features of social organization such as **networks, norms, and social trust** that facilitate coordination and cooperation for mutual benefit.”*

+10% / -40%

bowlers, and league bowlers,
1980 to 1993

22% → 13%

attended a public meeting
on town or school affairs,
1973 to 1993

58% → 37%

say most people can be
trusted, 1960 to 1993

Putnam links participation and trust with community outcomes. These figures describe the periods shown; they do not establish today's trend.

Putnam, “Bowling Alone,” *Journal of Democracy* 6(1), 1995: definition p. 67; bowling p. 70; meetings p. 68; trust p. 73

Two distinctions you will use

Secondary vs tertiary

A gardening club, where members know each other, against the Sierra Club, where “the only act of membership consists in writing a check.” Members root for the same team and never meet.

Bonding vs bridging

Ties among people alike, inward-looking, against ties across a difference, outward-looking. Both are social capital; they do different work.

- Putnam cautions: “most nonprofit agencies are *not* secondary associations. To identify trends in the size of the nonprofit sector with trends in social connectedness would be another fundamental conceptual mistake.”
- Bromley’s growth of organizations, Week 3, is not growth of social capital.

*Counting nonprofits does not measure **connections between people**.*

Putnam 1995, p. 71 (tertiary; the nonprofit line). Bonding and bridging are from the 2000 book, *Bowling Alone*, ch. 1; the 1995 article uses “horizontal” and “vertical” ties, p. 76.

Thirty years later

Surgeon General's advisory on loneliness, 2023

about 1 in 2

US adults reporting
loneliness, before the
pandemic

+26% / +29%

risk of premature death
from loneliness, and from
isolation

39%

of adults who said they felt
very connected to others,
2022

- The advisory defines connection by **structure, function, and quality**: how many ties, what they can be relied on for, and whether they are any good. Putnam's networks and norms, in a clinician's vocabulary.
- It names who should act, and the list includes "philanthropy" and "community-based organizations."

The advisory treats community organizations as part of the support for social connection.

Surgeon General, *Our Epidemic of Loneliness and Isolation*, 2023, excerpt: pp. 4, 6, 8, 9, 10 in that order

Quick-write

Sheet 2; 5 minutes alone, then 2 with a neighbour.

IN CLASS

Name **one association in your life**, anywhere in the world: a team, a congregation, a student group, a mutual-aid chat, a village committee. Then answer four questions on the sheet: what it **bonds or bridges**; whether it is **secondary or tertiary**; whether it would **appear in any count** of the sector; and which of today's three theories fits it best.

BRING YOUR OWN

The loneliness numbers are American. **Is the same worry live where you grew up?** If the association that holds your home community together is unregistered and files nothing, it is exactly what Putnam says the sector's size cannot measure, and exactly what Bromley said the count leaves out.

Putnam 1995, p. 71 · Bromley p. 134

Before you go

- **The site-visit window closes Fri Oct 2.** A2, the visit evidence, is due **Sun Oct 4:** proof of contact, the 990 linked with its tax year, and a few lines of raw notes.
- **Monday Sep 28 is the field-notes clinic.** Bring your raw visit notes and the filing. You will apply a failure theory and a social-capital idea to your own organization; that is the spine of the A4 report.
- **Rail B:** the mission draft, for the theory-of-change studio on Wed Sep 30. B1, the concept brief, is due Sun Oct 4.

IN CLASS

Progress check-in, thirty seconds each: visit scheduled, visit done, or stuck. Nine days of window remain, and the fallback ladder is on the Resources page.

v221.jima.me/week/w06 · v221.jima.me/resources

Week 5 review

test yourself before the application week

Can you define these without looking?

The failure family

Term	You should be able to say
market failure, government failure	Weisbrod's chain, and why government is a "blunt tool"
contract failure	the information problem, and what the non-distribution constraint does about it
the trust test	the question, and what a good answer names
voluntary failure	how Salamon reversed the order, and the four philanthropic failures
interdependence	why government grants on a 990 are not evidence that government failed

Child pp. 21–25 and pp. 27–28

Can you define these without looking?

Why people organize, and the filing

Term	You should be able to say
mediating structures	what they sit between, and their private and public faces
schools of democracy	what Tocqueville says happens to the joiner
social capital	Putnam's definition, and one number he uses to show it falling
secondary vs tertiary; bonding vs bridging	one example of each, and why nonprofit-sector size measures neither
Part VIII lines 1h, 1e, 1g, 2g, 12	what each holds, and which split decides the theory

IRS Internal Revenue Service

Child pp. 31–33; Putnam 1995 pp. 67, 71; the 2000 book, ch. 1, for bonding and bridging; IRS Form 990, Part VIII

Six questions you should be able to answer

1. Why are there nonprofit food banks and no nonprofit fast-food restaurants? **Answer with Weisbrod**, then say what the answer leaves out.
2. A daycare takes 99 percent of its revenue in fees and is still a nonprofit. **Which theory explains that**, and what exactly can the parent not observe?
3. Salamon says voluntary action comes first and government steps in later. **Name the four ways volunteering fails**, and find two of them in the CNN article.
4. A food bank's "contributions and grants" line is 97 percent of revenue. **Name two different stories that line could hold**, and the 990 lines that separate them.
5. Putnam says counting nonprofits does not measure social connectedness. **Why not?** Use the secondary/tertiary distinction.
6. Your site-visit organization: **which failure does its money pattern support**, and what would you look for at the visit to confirm it?

Answers: Q1 Child p. 23; Q2 p. 25; Q3 p. 25 and CNN p. 2; Q4 the Part VIII frame; Q5 Putnam p. 71; Q6 your sheet from Wednesday

Numbers worth remembering from this week

**\$250M vs
\$4.5M**

Georgia, per month:
SNAP benefits against
food-bank food

**99% / 97% /
91%**

fees at the daycare; gifts
and grants at the food
bank and the radio station

58% → 37%

Americans saying most
people can be trusted,
1960 to 1993

- About **55 months** of Georgia's food-bank output would replace one month of SNAP. That is philanthropic insufficiency with a number in it.
- League bowling fell **40 percent** while bowling rose **10 percent**, 1980 to 1993. About **1 in 2** US adults reported loneliness before the pandemic.
- **Four** philanthropic failures: insufficiency, particularism, paternalism, amateurism. **Ten** theories in Child's chapter, and the four failures are one family among them.

SNAP Supplemental Nutrition Assistance Program

CNN p. 2 · ProPublica, FY2023 filings · Putnam pp. 70, 73 · Surgeon General p. 4 · Child pp. 25, 35–36

Carry into Week 6

- **No new reading.** Reread Child pp. 21–25 with your visit notes beside it.
- **Monday Sep 28, the field-notes clinic:** bring your raw notes and your organization's 990. You apply a failure theory and a social-capital idea to your organization; that is the analytical spine of the A4 report.
- **Wednesday Sep 30, the theory-of-change studio:** bring the mission your team drafted from the need statement.
- **Sun Oct 4: A2, the visit evidence** (10 points) and **B1, the concept brief** (5 points), both on Canvas. The window itself closes Fri Oct 2.

Use the revenue mix to propose an explanation; test it against the filing and visit.