

## **The Italian way to fund raising: among government intervention, philanthropy and reciprocity**

### **Abstract**

The subject of fund raising for not-for-profit organizations has just started to gain popularity in Italy, and Italian initiatives and projects in this field must find adequate support through sounder theorization. We propose a perspective on fund raising based on the specific Italian culture and experience. Italy is currently at a crossroads as far as fund raising for non profit organization is concerned: either we will develop Italy's own type of fund raising, following the Italian specific cultural and historic path, or we will end up adopting the American model. We provide some basic guidelines upon which fund raising can be founded in line with the specificity of the Italian culture and tradition.

### **Introduction and motivation**

A new subject in the field of non profit organizations has recently been brought to the attention of the media in Italy: fund raising<sup>1</sup>. Not only are initiatives for the training of fundraisers beginning to be set up, but the interest of the academic world has also been growing<sup>2</sup>.

The notion of an Italian specificity in the field of fund raising is being introduced now. It is basically fed by the Italian cultural tradition, which is quite different from the Anglo-Saxon one, although Anglo-Saxon fund raising is regarded as 'advanced' fund raising<sup>3</sup> in Italy. Yet, such an undertaking cannot be started up, nor can it thrive in time, unless it is supported by a great idea. This is why the numerous Italian initiatives and projects in this field<sup>4</sup> must find adequate support through sounder theorization.

Our purpose in writing this paper is to provide some basic guidelines upon which fund raising can be founded in line with the specificity of the Italian culture and tradition.

What are the key points of this 'Italian philosophy' on fund raising? How and to what extent does 'our' fund raising differ from other countries', and in particular from Anglo-Saxon countries'? Are there any points that are unique to Italian fund raising? Are there any features that make it different? In our opinion, the answer to these questions is 'yes'. We set out to demonstrate this in our paper.

### **The development of Fund Raising in Italy**

Let us take this statement as a starting point. Law 460/97, the so-called Zamagni Law – after the name of its promoter – established O.N.L.U.S. (Organizzazione Non Lucrativa di Utilità Sociale/ Non-lucrative Organizations for Public Service) organizations in Italy, but the law has not been fully implemented yet. It was meant to create new opportunities to raise funds for non profit organizations – henceforth NPOs –, but general attention was almost completely concentrated on tax regulations, which would cut out most of the law's key points.

In particular, we are referring to two significantly innovative regulations introduced with that law:

The opportunity granted to corporations – and to individuals – to make contributions in favor of NPOs up to 4,000,000 Lire a year – about \$1,800, calculated at an exchange rate of 2,200 Lire for \$1 – or for an amount not exceeding 2% of their yearly profits;

The opportunity granted to corporations to implement the so-called staff loan. For profit corporations can, with some limitations, detach units of their staff so that they can carry out activities for a given span of time for non profit organizations without any extra costs for corporations.

Although Law 460/97 came into force about two years and a half ago, such opportunities have been only marginally exploited. We have attempted a rough, yet plausible, calculation: if Italian for profit corporations – with the exception of small-sized ones – had donated to NPOs as little as 2% of their profits, that would have amounted to some extra \$ 550 billion donations a year. In other words, \$550 billion would have been destined to NPOs rather than to Italian Revenue Authorities (corresponding to IRS in America)<sup>5</sup>.

Why then are donations so small-sized even though corporations are encouraged to donate by law? Is the only reason really the selfishness of Italian enterprises? The basic motive seems to lie not so much with the inconsistency or lack of measurability of NPOs but rather with their expenses incapacity<sup>6</sup>. They are still regarded as a sort of 'semi-state' agencies<sup>7</sup>, or alternatively as subjects working either on a commission-basis or on a convention-basis with government agencies.

We are facing a daunting phenomenon. A non profit organization – be it a social cooperative, a voluntary charity, or an association – subscribing a convention with Municipal, Province or Regional authorities to provide a given service, will soon be strongly influenced by such authorities and the financing source will become prevalent. Prevalence will quickly turn into real dependence, which can quite often alter the subject's way of thinking and acting. As a consequence, the organization involved will find it more and more difficult to ask for funds and get funds from other sources. Several social co-operatives have radically re-tailored their organization depending on funds from government agencies or on the political orientation of the people responsible for granting such funds. For example, some have shifted from daily assistance to residential assistance, and then, after some time, back to daily assistance again, in tune with the amounts of money destined by the government agency to every single typology of assistance<sup>8</sup>.

In other words, we are facing a paradox. On the one hand, funds are said to be lacking, on the other hands funds do exist – over \$ 550 billion – but they are not used properly, as if nobody were able to mobilize them.

So, what does this all have to do with an Italian way to fund raising? This is doubtlessly the first issue to tackle. Italy strongly needs to take a step further in the direction of making NPOs autonomous and independent of government agencies, so that they can fulfill the multifarious religious, cultural, health assistance and sports purposes for which they have been set up. In order to increase the degree of consciousness and participation of individual citizens, non profit organizations must be free from the external influence which inevitably arises when government is the only fund provider for their activities.

Autonomy means that the non profit universe must elaborate its own regulations, must not be directly dependent on a third party, and must not be tied, or heavily conditioned by conventions. If the non profit sector were forced to give up its own autonomy and independence to raise the funds needed for its survival, then the very civilizing function which is peculiar to it would be lost.

In conclusion, we need a fund raising strategy for the NON-profit world coming from NON-government sources. Fund raising is exactly what can break this umbilical cord, so that the non profit sector can regain its own freedom of action.

We will conclude with a note about the second issue mentioned above, a worrying difficulty for many NPOs, i.e. the lack of skilled staff. Law 460/97 aimed to provide a viable solution to this problem, by offering the opportunity of detaching some staff to an ONLUS organization. In reality, this has not happened for the reasons stated above, even though non profit organizations not only need money, but know-how as well, that is to say professionals who are motivated by ethic values and ready to freely give up, for example, one year of work in the company where they are employed to be sent out to a non profit organization<sup>9</sup>.

### **Historic and cultural roots of Fund Raising in Italy**

Given this state of affairs, fund raising has become a subject of discussion in Italy as well: as a result, many have surrendered to the temptation of 'imitating' the American philanthropic model. But an unchallenged principle of logic suggests that the method should be adequate to the object. In other words, if a problem is to be solved, our attention must focus first on the subjects involved in it and then on the rest of reality around. This is the reason why it is wrong to uncritically import specific behavior models from abroad simply because they have proven successful in a certain place and at a certain time: this does not necessarily imply that the same good results will appear in a different context. Fund raising in Italy is deep-rooted in ancient times. We could even maintain that it dates back to 2,000 years ago at the age of the Roman empire. Seneca and Cicero (De Officiis) might be regarded as the first two theorists of fund raising, not to mention the golden age of the Renaissance and patronage of arts. At that time, the government, i.e. the emperor, did not exert the same functions as today, but much action was taken in favor of the arts, of culture, of sciences and for providing care to people. This must be our starting point, leaving aside the American culture for a moment, since it came on stage three centuries later<sup>10</sup>.

This is not to claim Italy's primacy, but rather to highlight the fact that the need and opportunity to entrust individuals with tasks intended to improve people's standard of living emerged long ago, in places and at times which are miles away from ours.

It may be useful to remind here that it is between the XI and the XVI century that Italy witnessed the beginning of that Renaissance city civilization which was to become so famous worldwide. That civilization showed all the features with which we are concerned here. First of all, the city civilization was different from the others for its democracy, which we could define "participative". It was a democracy which, at times, gave way to autocratic governments, but which corroborated the desirability of self-determination and the affirmation of collective responsibility in territory management. Some towns were just small-sized agglomerations of buildings, but they actually qualified for the town status when they could exhibit the typical structure of a town: a square – in the sense of the Greek agorà -, a cathedral, the government palace, the palace of merchants and guilds, the market square – where trading and bartering took place –, the palaces of rich bourgeois families and the churches where fraternities had their headquarters. These places, far from being 'ideal', were regarded as a tangible shrine for those 'civic virtues' upon which society was – and still is – founded. Suffice it to remember that in order to solve the problems that might have affected society, professional orders and associations were created. Secondly, let us not forget that the

forerunner of a stock corporation was originally invented in Italy, namely in Venice. It was called "commend". Just one funny note in this respect. Even today, Italian university students approach the study of Economics on handbooks preaching that the basic institutions of market economy originated with the Industrial Revolution and were culturally fed by the Protestant reform, as claimed by the well-known Max Weber thesis! In fact, one of the first institutions that saw the light in Italy is responsible for the organization of manufacturing work, meant to preserve and enhance the quality of products. We are referring to the craftsmen's guilds and corporations, whose primary role played in medieval civilization is now being re-considered. Corporations taught young workers a trade through apprenticeship and training, culminating in the manufacture of 'masterpieces'. The end point of this process was for the apprentice to become independent and set up his own workshop. Again, it was thanks to corporations that practices for improving the quality of products were developed. Standards were introduced and measures were carefully controlled. Both of these things made the market more trustworthy and transparent and helped lower transaction costs. In the centuries to come, though, these measures became so stiff that they resulted in restrictive practices. This is why corporations were dismantled in the XVIII century. By that time, however, some of the basic principles underlying the modern production system had already been introduced in Europe.

The economy of Italian towns consisted of manufacturers and merchants, and in the towns along the coast, it also consisted of navigators. Merchants played the role of opening up new markets, no matter how far away – as Marco Polo's voyages illustrate. Markets were seen as the final destination of products coming out of Italian manufacturing workshops, and at the same time markets were also considered to be the suppliers of useful raw materials for import. Merchants were not only the most active subjects of cultural exchanges, but also the best innovators concerning the internal organization of a business. Commends, insurances, the double entry accounting system – later systematized by Franciscan friar Luca Pacioli in 1494 – , merchants' courts of law, letters of exchange, banks and the Stock Exchange, to mention only a few, were all Italian inventions. Without these inventions, a sustainable and widespread industrial development would have been almost impossible.

In Italian Renaissance towns two new dimensions co-existed, and both of them are essential to understand the roots of fund raising. The first dimension was the retrieval of past values in order to shape the present. Humanism, a typically Italian movement, is specially responsible for this process of retrieval, and its repercussions marked the future of Italy and of the entire Western culture. Historical relics and written documents of ancient Greek and Latin civilizations were retrieved, then philologically interpreted and finally used to launch 'new' fashions, the product of past and present cultural threads interwoven together. The second dimension was connected with the phenomenon of patronage of arts and letters and the market of durable artistic goods. To start with, the popularity gained by large numbers of finely decorated monumental churches stimulated the market of works of art. After that, the newly born bourgeois class continued to build public palaces, fountains, and magnificent private residences, thereby widening the demand for the skills of architects, sculptors, painters, decorators, furniture-makers and gardeners. At the same time, clothes were becoming more and more sophisticated and precious, and so were ceramics and cutlery – again, an Italian invention – to the point that the line between industrial and artistic production soon blurred. Much money was spent for artistic durable goods as their quality and usage

(everyday usage, as well as hunting or war purposes) were seen as a mark of social distinction. A tradition was consolidating at last, but many changes would occur in the decades to come. In this respect, it is very interesting to read Benedetto Cotrugli's argument in his treaty Della Mercatura e del Mercante Perfetto ('On merchantry and the perfect merchant') dating back to mid-XV century. Describing the qualities that characterize a businessman, Cotrugli shows no hesitation in stating:

'Ignorant people should mind their own business and leave merchants alone, as merchants are learned people. The ignorant become impudent, when they presume that merchants be illiterate. I declare that a merchant must not only be a good writer, accountant and bookkeeper but he is also in need to be a man of letters and rhetorician'<sup>11</sup>.

From the end of the XVI century on, Italian towns began to decline. They gradually lost their European markets, and did not participate in the competition to colonize territories in the New World. In a word, they could no longer be innovative from a technological point of view. Many studies have tried to provide an explanation for this decline. The most credited explanation refers to an excessive polarization in the distribution of income, to corporate closure, to permanent struggle – Italian towns were always at war with each other, thus paving the way for conquest from foreign armies – but also to self-congratulation. Assuming that nothing in the world could compare to their degree of civilization, Italians stopped paying attention to the radical changes which were going on around them and did not keep pace with them, simply resting on their 'bonne vie'. To mention the Italian philosopher G. Vico, the decline started when men could no longer find a good reason to tie their own destinies to those of other people, that is to say when interest disappeared.

At the basis of the concept of Italian fund raising lies the notion of interest<sup>12</sup>, clearly enough with a connotation which is different from the usual one. This term stems from the Latin word 'interesse', which means 'being in between', 'participating'. The legal definition of interest can help us, because 'interest' is defined as each human desire, and each possible change to a person's own situation which might be evaluated positively by the individual and by the community as a whole. Although this term has acquired an almost exclusively negative connotation in modern society – a person who cares for 'his or her interest' is seen as amoral or immoral – the experience of everyday life reminds us that many distortions arise precisely from the fact that the original meaning of the term 'interest' has been forgotten.

Pursuing your own interest means therefore interacting with another, making reciprocal use of each other, so that both the people involved profit from that relationship. As a matter of fact, it takes no less than two to make an interest, you cannot do that on your own. This is so self-evident that there exists a term in English, self-interest, which sounds almost as a contradiction in terms. Indeed, as interest implies that two people stay together with an advantage, what does self-interest mean then? Therefore the homo oeconomicus metaphor – or Chicago man metaphor, to quote D. Mc Fadden, who was awarded the 2000 Nobel prize for Economics – that of an individual who is forced to always maximize his objectives (profits or gains), stems from a wrong conceptualization of the notion of interest. As extensively shown by the Italian economic doctrine<sup>13</sup>, if a businessman were to act only on the basis of the self-interest logic, after a few years he would be out of the market.<sup>14</sup> On the other hand, as shown by the latest economic studies, the thesis whereby altruism and reciprocity are mere exceptions due to the law of 'natural and historical primacy', self-interest is not

grounded on a solid basis<sup>15</sup>. Indeed, because of their extraordinarily complex behavior patterns, the actions of humans can be driven by a variety of reasons. The global efficiency of a market society depends on the ability to appeal to the best individual motivation, 'educating' economic actors to seek their own and other people's welfare at the same time. This is to be achieved through a 'reasonable' mediation between the two extremes of the spectrum. Such a mediation finds its *raison d'être* in the common practice of social integration, intended as a value in itself and not merely as an instrumental tool for reaching a personal advantage.

Therefore, the idea underlying fund raising is that of interest in the abovementioned sense, i.e. it must be an advantage for at least two people involved in a mediation. This is why when we are asking for resources, be they material or human, we must not forget that our success will crucially depend on how good we are at demonstrating to our potential donors that donating means pursuing their own interest as well. If the reverse were true, there would be no rational, but just an emotional<sup>16</sup> – which is much more volatile – reason for donating.

Here lies the 'distortion' of philanthropy. When we talk about 'interest', though unconsciously, we actually postulate a reference to 'relationality', i.e. to the relation between a donor and a receiver.

### **The distortion of philanthropy in American practice**

A correct approach to fund raising involves a reference to reciprocity<sup>17</sup>. For reciprocity to be in place, two distinct subjects – which may be two individuals, two businesses or two agencies – need to establish a relation of mutual profit. Why is there so much involved in this idea? Because, were it not so, we would end up touching on philanthropy again.

Who is a philanthropist? A philanthropist is a person who has much money – which he has gotten in a way or another, by heritage, accumulation or theft<sup>18</sup> – and decides to make a donation to someone else: however, a philanthropist is not in principle concerned with what will happen of his money. Philanthropy is a unidirectional action, in that a philanthropist gives without linking his gift to the use that will be made of it by the receiver. On the contrary, reciprocity is the product of joint ideal aspiration by both parties, and of their awareness of the meaning of their joint action. We could say that here lies the key to interpret the much-celebrated excerpt by Seneca on ingratitude, quoted below.

It goes without saying that we are not claiming that philanthropy is something bad. Indeed, we wish it were as widely practiced in Italy as it is in the United States! The problem is that philanthropy is a unidirectional action and, therefore, it cannot possibly achieve socially primary purposes alone. A relation must be established between the two parties involved, and the 'strong' meaning of the term 'interest' must be regained.

We stress this point again, as it appears to be one of the most significant. If wealthy and altruist people set up an organization which 'does something' for others for free, then this will be called a 'philanthropic organization', to be welcomed as good and helpful. But the characteristic of a non profit organization is not 'simply' the fact of 'doing something good': such an organization also sets up relational links among the people and therefore generates sociality. Whereas a (merely) philanthropic organization does something FOR others, a non profit organization does something WITH others. Philanthropy is bound to beget dependence on the part of the receiver of the philanthropic action. Conversely, volunteers operating in NPOs are able to generate

reciprocity and thus to free the receiver of the voluntary action from the feeling of 'shame', in the sense of Seneca's letter.

Today, Italy is on the threshold of a turning point. Either the non profit world will be able to affirm its real identity and put its vocational spirit into practice, or it will be subjected to radical change. And then, either it will turn into philanthropy based on the American model, or it will be institutionalized in the form of 'semi-state' agencies of Italy's Public Administration, as it is already happening in part. In this respect, it is worthwhile to quote the verdict pronounced by the TAR (Tribunale Amministrativo Regionale/ Regional Administrative Court of Law) of Lombardy in February 2000. Following the complaint submitted by a social cooperative, the TAR delivered a guilty verdict against a voluntary organization which had won a bid proposed by a local agency for a public service, given that the organization had been able to offer the lowest price thanks to the voluntary action of its associates.

The first conclusion that we can attempt to reach here is that a fund raising school in Italy would have to corroborate a notion of reciprocity that goes beyond mere philanthropy. As Seneca implies in his Tenth Letter to Lucilium, philanthropy may be dangerous for society as a whole:

*Gratitude costs much. When we concede a favor, we set a great value upon it, but when we receive it, we loathe it. Do you know, my dear Lucilium, what makes us obliterate the favors that we receive? The fact that we return offenses for favors and the major reason for ingratitude is that we have not been able to manifest enough gratitude. Human folly has gone as far as to believe that to do somebody a favor is a most dangerous act. Indeed, as one deems it shameful not to return anything for that favor, one would rather do away with his creditor. No hatred is worse than that generated by the shame of betraying a favor.<sup>19</sup>*

If you practice reciprocity you will not find it sufficient to donate, but you will act in such a way that your beneficiary be in a position to 'reciprocate'. That feeling of shame that may lead up to 'the worst hatred' will not come up. Whereas reciprocity is inspired by altruism, that does not hold true for philanthropy. A philanthropist is in principle unable to catch the role played by an interpersonal dimension<sup>20</sup>, other than as a request, or even a pretension, to gratitude.

Should a society's welfare depend on the philanthropy of some of its components acting with a nursing, emotional or paternalistic intent, beneficiaries would sooner or later rebel, as no one is willing to live in function of the goodness of some of his or her peers. In this respect, let us quote the words of Giancarlo Bregantini, the Bishop of Locri, who has taken up the task of reconstructing the fabric of society in his homeland, Calabrese Locride. He confidently says that: 'The ripest fruit of solidarity is reciprocity. Without reciprocity, solidarity always contains a strain of complacent gratification, as it fills you up with that sense of pleasure for the good things that you have done for others. Instead, solidarity is real when you receive something from another person, when you are given a gift and you welcome it'.<sup>21</sup>

For all these reasons, we need to overcome that culture of government assistance, or 'assistentialism', that still pervades a large portion of Italy's social fabric. Such culture appears to be harmful not only because it is responsible for budget deficits, but especially because it humiliates the beneficiary, who is not in a position to reciprocate.

It is apparent that, if I feel humiliated, I will no longer feel part of society, and therefore I will seek to join other 'humiliated' and we will trigger off a 'civil war'. Some examples are the various demonstrations which are before our own eyes and go under

the names of xenophobia, youth crime, and so on. As G. Contri says in a very sensible paper, "the good Samaritan of the Gospels is not altruist, least of all a philanthropist. He is interested in the reconstruction of the other's economy – the good Samaritan finds it 'advantageous' that the other be better. Ordinary things have universe as their related reality... nothing to do with cosmopolitanism, no more than philanthropy has to do with charity, or charity with practicing charity... Charity seen from the viewpoint of he who receives means rehabilitation, or better still, the recreation of his ability to produce and donate wealth. From the viewpoint of the universe, this is its very essence".<sup>22</sup>

### **Philanthropy vs. reciprocity: two opposite views on non profit**

The discussion on fund raising is only the tip of the iceberg of a much wider debate that is currently taking place in Italy about two different conceptions of the non profit world. On the one hand, there is the neo-functional vision, which is especially widespread in the

Anglo-Saxon world and considers non profit as the proper compensation for the inadequacies and wrongdoings of the other two sectors, the government and the market. Let us take a well-known example into consideration. A much-celebrated thesis suggested by J. Rifkin assumes that the non profit sector should be invested with the task of sucking up like a sponge the employees made redundant by the other sectors. But this Anglo-Saxon vision is undermined by a number of conceptual questions. First of all, it entails the positioning of NPOs inside a kind of institutional limbo: neither inside governmental institutions – which is obvious – nor inside market, as this is regarded as the ideal-typical environment of for-profit businesses. To quote Salamon and Anheier (1994): 'Although they operate outside market economy, NPOs play a primary role in economic terms'. So, where are they to be positioned? Hansmann (1996) suggests that they should be envisaged as the expression of a third way: 'Consequently, NPOs seem to offer a comfortable intermediate position between socialism and capitalism'. Yet, his conclusion is that: 'it does not appear impossible that at least two thirds of the U.S. non profit sector, roughly corresponding to 2% of U.S. Gross Domestic Product, is anachronistic, in the sense that in case those organizations were to be started up from scratch, they would doubtlessly be set up as for-profit businesses'.

On the other hand we find the vision, still secondary but increasingly spreading in Italy, which charges these organizations with the primary task of generating networks of reciprocity inside society and of conveying values capable of improving people's standards of living. In one word, this is the notion of civil economy. Let us not forget that the idea of civil economy made its first appearance in mid-XVIII century. In 1753, the University of Naples created the first course in Economics in the world, under the denomination of Civil Economy, and Antonio Genovesi was invited as lecturer. His most important work was called Lezioni di economia civile (Lessons in civil economy). We are strongly convinced that the first of the two conceptions outlined above would hardly find suitable application in a country such as Italy. Actually, there are some specific cultural reasons which encourage us to advocate the idea of an 'Italian way to non profit'. Let us review them.

Firstly, the productive fabric of Italy is dominated by small and medium-sized businesses, whereas the USA, Great Britain and Germany are confronted with the opposite trend. Sketching out a system for non profits in a context where production is in the hands of big enterprises is very different from doing that in a country where (formally for-profit) businesses exhibit many features in common with NPOs. After all, it is not by chance that in Italy there exists a very strong link between local small and medium-sized enterprises

and non profits. The presence of so many corporations in Italian industrial districts allows the country to have a web of informal exchanges between small and medium-sized manufacturing industries and NPOs. This is proven, for example, by the role played by the cooperative movement, which is definitely much more widespread in Italy than it is in North America.

Secondly, whereas the Anglo-Saxon non profit sector relies extensively on foundations, Italian non profit basically pivots on associations. What are the differences between the two? The most striking is that, being based on an associative agreement, an association represents the convergence of the free will of the people involved in it toward a common goal. In this sense, an association is the result of a common ideal tension, of the recognition of the sense of joint action. This necessarily implies agreeing on what matters and what is felt to be in common, and such agreement constitutes the fundamental rule of conduct. However, the same does not hold true for Anglo-Saxon foundations. The founder decides to allocate (part of) his money to achieve clearly stated purposes, which are integrated into the foundation's statute and which will therefore limit the administrators' action. Hospitals, schools, Universities, museums, and research foundations provide poignant examples of this system in the USA.

Now it is clear why Anglo-Saxon foundations advocate philanthropy. Because philanthropy finds its expression in a unidirectional action – philanthropists do not expect anything in exchange, therefore they are not concerned with favoring reciprocation on the beneficiary's side. Conversely, associations heavily rely on the reciprocity relation, which is intrinsically bidirectional. Indeed, the more an association can match its activity with public relations, the more it is lively and successful. The reason for the existence of an association is linked to its ability to produce common experiences, in the wake of joint action based on common purposes and intents.

In light of these points, it is easy to understand why the expressions 'non profit' – coming from American English' – and 'third sector' – coming from French – cannot perfectly correspond to the Italian state of affairs. Language bears traces of such peculiarities, to the point that the terms coined by our cultural tradition are 'private social' and 'civil economy'. The 'non profit' expression does not appear adequate, as the mere non-distribution of the profits among the members at the end of the year is not necessary nor sufficient as a condition for identifying the nature of the organizations we are dealing with here, and whose *raison d'être* lies in their begetting sociality through the production and supply of specific relational goods. People in-the-know are perfectly well aware of the fact that you can avoid distributing your profits and yet do nothing to help 'make up society' – partly because it is quite easy to elude the non-distribution clause. The 'third sector' expression is misleading as well, as it conveys the idea of something disregarded, of something ranking third after the first two sectors – private market and government. Hence comes the view of the third sector as a 'social Red Cross', picking up everything that the other two sectors tend to exclude or not to protect.

Proposing the method of civil economy for the Italian non profit world therefore means entrusting it with two essential and urgent tasks. First, to help make the economy more human. Defending the reasons of freedom requires that pluralism be defended in the sphere of politics – which is rather obvious – and of economy as well. An economic system can be said to be pluralistic, and thus democratic, if several principles of economic organization can find a place within it – from the principle aimed at realizing profits (for-profit businesses), to that based on reciprocity (NPOs), to the principle of redistribution of government resources (government agencies) – without any privileges

in favor of one or another. In a really liberal society it is real – not only virtual – competition among different kinds of offer, i.e. different businesses, that can tell how different kinds of goods and services must be provided. In other words, competition, a notion which is very much boasted about today, cannot be limited to the mere end products or end results of a business action, but it must also be extended to the ways in which those products or results are achieved. As we will see later, this is necessary because consumers in advanced societies are becoming more and more interested in the way in which goods are produced. Not only is the quality of goods appreciated, but the quality of their production system is taken into account as well. This explains why the assumption that ‘goods are just goods’ is wrong. Concretely speaking, this implies offering a chance to the people, whose number is constantly growing in Italy, who show dissatisfaction with the current model of society, where we are increasingly overwhelmed with goods, but we are less and less in relation with other people.

### **Fund Raising and the new consumer figure**

We would like to focus on this point to conclude our discussion about the guidelines for an Italian way to fund raising. The influence that fund raising can exert on businesses practicing it with reference to a new emerging figure of consumer is not always self-evident. To deal with this topic satisfactorily, we will briefly review the history of the relationship between consumers and businesses<sup>23</sup>.

Economic theories have identified three basic types of consumers, namely, user consumer, customer consumer and citizen consumer. Who is a user consumer? He is an individual who receives a service or good, before which he has one single option, the *voice* option, i.e. the option to ‘protest’ if he is dissatisfied with this option. A poignant example is provided by the Italian SIP (Telecom Italia today), which used to hold the monopoly of telephone communication. So, until a few years ago, all citizens in Italy were SIP users. What could they do? They could do nothing but protest. The user consumer is typical of a society with a modest rate of ‘civilization’. User consumers can barely have access to the sales points and are hardly free to say ‘I don’t like that’, as even the expression of their disagreement could stir up nuisances. Thus, they are passive subjects, merely condemned to protest, and not even allowed to refuse whatever is provided to them, because although the goods they are provided with are not good enough, these goods are necessary for them.

Customer consumers are different, as they possess buying power and can decide to spend it in the best possible way. The idea of a customer consumer is typically American. When marketing scholars maintain that ‘customers are always right’, they entrust them with an important power. It is a real form of conditioning, as customers are free to spend their money by buying a given brand rather than another. Therefore, it is obvious that producers must try to capture the consumers’ buying power, since their profits eventually depend on that power. In this case, the *voice* option broadens out and becomes a *free-to-choose* option. Customer consumers are free to choose. No doubt, this is more advanced a notion as compared to that of user consumers, but it is still an incomplete relation. The figure of customer consumers alone cannot be enough. A highly civilized country must ask for more.

The goal toward which we are moving is a model according to which the consumer is a citizen, too. What is the difference, then? The difference lies in the fact that as a citizen, a consumer is a subject whose influence is not limited to voicing his protest – as a user consumer can do – and choosing among various goods: a citizen consumer can express

his own preferences also with reference to the production stage and not merely to the consumption stage. Not only can a consumer citizen choose between brand A and B, but he also wants to express his opinion about the way A or B must be produced. He is not contented with a free to choose option. He wishes to be informed about how those, say, trainers, have been manufactured. Citizen consumers might choose not to spend their buying power to purchase trainers or balls manufactured by businesses exploiting children' labor, even though those products might well be top quality<sup>24</sup>.

Therefore, it is obvious that strong action for fund raising on for-profit businesses will make it possible to give consumers more real power, not only by broadening out their choice, but also by making them part of the decisional productive process.

By getting money from for-profit businesses, NPOs take up the function of guardians, before the consumers' eyes, of the donor's way of producing goods and services. Such a state of affairs results in mutual interest for both NPOs, which get the money, and for-profit businesses, which gain in terms of credibility, reputation and image, thus satisfying citizen consumers.

There is one more step further to take in the light of the New Economy. We will term it 'person consumer'. The New Economy gives a proper place to fund raising. As the slogan at the beginning of the third millennium seems to be 'either you are in the New Economy, or you are out', this appears to be important somehow. What consequences are brought about by the New Economy as regards the issue we are tackling here?<sup>25</sup>

The New Economy may be strongly influenced by the characteristics of non profits, i.e. the will to deal with problems in person, the attention toward others, the desire for one's action to be really effective, the ability to create local groups of action for intervening in internationally relevant issues – see for example the failure of M.A.I.<sup>26</sup> in Paris and the protests in Seattle organized by environmental associations. We will mainly focus on two factors here:

The first lies inside the non profit world. It is possible to widen the share of donations and the amount of funds for the non profit sector by applying innovative marketing techniques which are being promoted by the success of the Internet and which also respond to specific ethical requirements.

The second has to do with the economy in general. If you want to do business in a new economic environment, you are compelled (by the market) to show an 'ethical' behavior vis-à-vis the buyers of your products/services.

To cut a long story short, the values borne by the non profit world are destined to become a fundamental element for those who want to be competitive on the market in the long term.

Only businesses respectful of their customers both as consumers and as people will be able to survive in the domain of New Economy. Therefore, the most important values consist in reliability, transparency and loyalty, a series of concepts whereby businesses enter into relationship with the counterparts of their own market<sup>27</sup>. These are exactly the same values which are at the center of the action of the people engaged in non profits and this is the reason that makes us believe that, perhaps, for the first time the good apples might influence the rotten ones and not the other way around.

Despite the technological hysteria that has caught up so many, the Internet is not a revolution. The Internet is the means of communication which will represent the vehicle

for the next revolution. This might well take place in the wake of those ethical values pinpointed by the non profit sector<sup>28</sup> and aimed at joining up men and women in order to take action about a certain issue and solve it.

If we look back at the path that economic development followed over the last two centuries, it is not difficult to note that each and every stage of it was accompanied by a brisk social revolution, whose occurrence was unexpected. For example, industrial economy begot Marx's economic theories and the Paris Commune of 1871. The capitalism of the early XX century led to the October Revolution which in turn had major repercussions throughout Europe. Again, the 1968 revolution in culture and habits was but an answer to the evolution of capitalistic economy toward mass market.

It goes without saying that such a review of the great historic changes is rather uncommon, as it is focused on the social repercussions brought about by economic revolutions. It is wrong to term the technological revolution a revolution. What cannot be denied is that the next 'revolution' will make use of all the tools provided by technology. It is our firm belief that the non profit values and methods possess all the necessary features to influence the economic system – and not only culturally.

How this will take place depends on a complex mix of cultural values, technology, marketing techniques, gathering of local resources and the need of profit businesses to acquire the ethical know-how that will let them thrive on the market, as this is what consumers want.

Such a change is likely to go on unhindered if it is the demand to direct the offer, and if buyers decide to demand quite peculiar goods and services, i.e. respect, loyalty, care for the environment and for the people. Furthermore, they might also decide not to buy<sup>29</sup>. If confronted with this massive power, which is passing into consumers' hands thanks to the way they use technologies, businesses are left with only one option. It is to follow a market 'made up of people' who are fed up with the advertising with which they are overwhelmed at any time, such as TV and radio commercials, big posters in the streets, logos and brand names on clothes and unwanted correspondence filling up their mailbox<sup>30</sup>, and who would rather check and personally test the real state of affairs.

If we consider the frenzied pace at which we lead our lives, it is apparent that we will have less and less time for ourselves in years to come. Moreover, such little time is being 'invaded' by marketing and advertising, jamming all our senses. We are 'bombed' with information which we have not asked for and we are not interested in for the most part. Inevitably, this information pollution will lead to market and social reaction.

On the one hand, behavioral evolution has not become a mass phenomenon, yet. But on the other hand we are becoming 'vaccinated' against advertising, and we are less and less prone to fall prey to it. Consequently, as we are becoming more and more insensitive toward it, advertisers are compelled to produce more ads and commercials, which jam up our senses even more and makes us less open to them. This is a real vicious circle. The more we are subjected to advertising, the less we notice it, and the more investments for advertising must be made to go beyond that threshold of indifference to it.

This implies that the share of marketing incorporated in the goods we purchase is doomed to grow and so are the prices of products. In this game, both businesses and customers are losers, as both will give up sooner or later. And the sooner, the better.

When new 'ethical' services – trustworthiness-transparency-loyalty – that can be incorporated into the traditional goods make their appearance on the market, and

consumers become aware of them and start to require them, all that businesses can do is try to satisfy them.

### **A CONCLUDING REMARK**

The situation that took shape two decades ago, when the concept of quality for mass industrial products was introduced for the first time, is likely to occur again. This analogy is possible because quality is an immaterial characteristic incorporated into the product, just like the abovementioned 'ethical' characteristics. The first competitors who could incorporate quality in their products managed to gain the market leadership – remember the big hit of Japanese cars in those years! After that, the need for quality of the market turned from an advantage for a few ones into a necessary condition, although not a sufficient one, to take part into the competition. 'Quality' is what we all demand now when we buy something. If quality is lacking, then we leave aside both the product and the supplier of it. Nowadays buying decisions are no longer made out of the requirement of quality, as quality is given for granted by now. If you cannot provide quality, then you are out of competition on evolved markets. If you can, you need further elements to accompany your product/service.

Among these new features, the market undoubtedly ranks trustworthiness-transparency-loyalty very highly. It is exactly in this respect that NPOs must exert their influence, beyond the specific characteristics of the field where they operate.

Let us briefly consider the revolutionary effect of this approach. Once these 'ethical' goods are incorporated in a product/service, will they shake the whole business organization to its foundations? Can managers, who are so used to playing unfair tricks on their job – needless to mention examples here – run ethical organizations? We deem it rather unlikely. They will certainly seek to do it, and perhaps some will succeed. Nevertheless, what is taking place is a kind of reversed Big Brother, where Big Brother is each one of us. From this perspective, the imperative of a business economy, i.e. achieving the principle of cost-performance evaluation, tends to match with the fundamental ethical values of man<sup>31</sup>.

This represents the positive side of that 'social control' that is quickly being achieved through the Internet<sup>32</sup>. The shift of power that is occurring now makes it possible for individuals to control the Prince's behavior and what goes on inside his Castle<sup>33</sup>. Furthermore, people can easily let everybody know what they have seen and experienced there, and the Prince himself might be listening to them. Because 'markets are conversations' and 'the sound of human voice is genuine and recognizable'<sup>34</sup>.

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<sup>1</sup> Monitoring has revealed that the commercial value of press reviews in Italy (radio and TV returns are therefore not included) of the term “fund raising” shifted from a few thousands lire between Sept. 30, 1998 and Sept. 30, 1999 to over 361 million lire from Sept. 30, 1999 to Sept. 30, 2000 (monitoring carried out by A. Masacci).

<sup>2</sup> For a thorough account of training opportunities for fundraisers, see Melandri & Masacci (2000), p.364-371.

<sup>3</sup> The American literature on fund raising is exhaustive. See, among others, Rosso (1991), the founder of the first and most famous university school of fund raising in the world (The Fund Raising School at Indiana University) and the top expert about this subject.

<sup>4</sup> Mason & Melandri (1998), p. 133-148; Melandri, Masacci (2000).

<sup>5</sup> *Vita Non Profit Magazine*, July 1, 1998.

<sup>6</sup> Zamagni (2000).

<sup>7</sup> Many scholars agree on this description of the Italian non profit sector. See, among the others, Barbeta (1995), p.309 stating that: ‘No doubt, a fact characterizing the non profit sector in Italy is its strong link with Public Administration, regarded as a supplier and financier of services for citizens... these links highlight the fact that the very existence of non profit organizations tends to be directly dependent on the engagement and importance of Public Administration, both as a supplier and, more often, as a financer of services’; see Zangrandi (2000b), saying: ‘Many non profit organizations get most of their profits and incomes from government agencies, either in the form of transfers or as payments for the services provided’, p.175.

<sup>8</sup> For this, refer to Borgonovi (1993); Propersi (1996) and Giorgetti (1999).

<sup>9</sup> It should be noted, however, that Law 460/97 states that professionals will not renounce their wage, as the company employing them is supposed to go on paying them in a tax-deduction status. This matches the request of NPOs for know-how, and for-profit corporations need to deduct such costs. Yet, despite these facilitations, only rarely is this opportunity actually exploited.

<sup>10</sup> Zamagni (2000).

<sup>11</sup> Quotation from Nuccio & Spinelli (2000), p.275. For further details, see Zamagni (2000b).

<sup>12</sup> Melandri & Masacci (2000).

<sup>13</sup> Airoidi, Brunetti & Coda (1989); Amaduzzi (1971); Paganelli (1978); Zappa (1957); Bertini (1994), and Farneti (1995).

<sup>14</sup> This shows that the conceptualization in question was basically ideological.

<sup>15</sup> Zamagni (2000c).

<sup>16</sup> This perspective is sufficient to illustrate why philanthropy is so deeply rooted in Anglo-Saxon Protestant countries. Emotions and feelings are not used as a 'magnifying mirror' to look at and evaluate reality but are actually the only criterion for evaluation, thus making it difficult to understand reality properly.

<sup>17</sup> Zamagni (1997) and Zamagni (1999), p. 37.

<sup>18</sup> 'You can be rich basically for three reasons: heritage, accumulation, or theft. I belong to the first category'. Sen. Giovanni Agnelli (1992, 17 July), in an interview released to Gianni Minoli, *Mixer* [Television series], RaiDue.

<sup>19</sup> Seneca (1969). *Letter to Lucilium, X, 81*, London: Penguin.

<sup>20</sup> Gui (1994).

<sup>21</sup> Bregantini (2000), p. 14.

<sup>22</sup> Contri (1998), p. 26n.

<sup>23</sup> For a deeper account of economic theory, see Zamagni (1999b).

<sup>24</sup> The fact that this trend is on the increase is demonstrated, for example, by the success that a guidebook for aware consumers, Centro Nuovo Modello di Sviluppo (2000), encountered in Italy: over the last four years, it was published three times and reprinted fourteen. In this guide, hundreds of businesses operating in Italy are analyzed according to a number of ethical criteria related to the production stage of goods and services, such as arms-related manufacturing, presence of GMOs, use of child-labor in the production, property transparency, and so on.

<sup>25</sup> The first analyses that are being attempted are actually far from satisfactory. See among others: Hagel III & Armstrong (1997), Davis & Meyer (1998).

<sup>26</sup> Multilateral Agreement on Investments.

<sup>27</sup> Cluetrain Manifesto (2000), Thesis no. 2: 'Markets are made up of human beings, not of demographical sectors'.

<sup>28</sup> Borgonovi (2000).

<sup>29</sup> Kalle, Culture Jam (1999), p. 170 (The buy-nothing day).

<sup>30</sup> Three thousand advertising messages per each American, according to M. Landler, W. Konrad, Z. Schiller, L. Therrien (1991).

<sup>31</sup> According to the social doctrine of the Catholic Church, economy and ethics present a 'common reference to man'. 'Economy is a science in its own right, but it cannot be placed within ethical horizons, since ethics is concerned with the end of man and the means for achieving it. Those ends and means are implicit in the economic activity, too', CEI (1994), p. 18.

<sup>32</sup> Zamagni (1994), p.6-7.

<sup>33</sup> In cooperation with its real-virtual community.

<sup>34</sup> Cluetrain Manifesto (2000). Theses no. 1-3.

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