



## History of the Nonprofit Sector Part 2: A (Very) Brief History of the U.S. Nonprofit Sector

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March 2019

The second class session with Independent Sector staff focused on the history of the U.S. nonprofit sector, including the founding of Independent Sector in 1980.

I preface my remarks by noting that the very idea of an overarching charitable sector is relatively new. In fact, as historian Peter Dobkin Hall observed in an important [essay](#), the notion that diverse nonprofits belong to a unitary “sector” dates only to the 1970s when, according to Hall, the idea of a coherent nonprofit sector was “invented.” Prior to that, there were large numbers of individual nonprofits, but there was a much more limited belief that they shared important attributes and were part of a single, broad sector.

As noted in the first class session, nonprofit activity is deeply rooted in American history. After visiting the U.S. from France in the early 1800s, Alexis de Tocqueville famously [observed](#) that Americans are constantly forming associations, or what we might today call “nonprofits.”

The diversity and size of the U.S. charitable sector are, in part, a legacy of the 1601 British “[Statute of Charitable Uses](#),” which listed a broad range of charitable purposes that later shaped charitable practice in colonial America. From “the relief of aged, impotent, and poor people” to “schools of learning” to “marriages of poor maids,” British law provided the blueprint for a broadly defined charitable sector, and the U.S. tax code reflects this heritage.

Early colonial years featured a blurring of the nonprofit and government sectors. However, in 1819, an important Supreme Court case, [Dartmouth College v. Woodward](#), limited government’s ability to interfere with the relationship between donors and private institutions.

With more and more individuals amassing significant fortunes through the 1800s, the wealthy philanthropist Andrew Carnegie suggested in his 1889 essay, “[Wealth](#),” that, “The problem of our age is the proper administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship... [T]he best means of benefiting the community is to place within its reach the ladders upon which the aspiring can rise – parks, and means of recreation, by which men are helped in body and mind; works of art, certain to give pleasure and improve the public taste, and public institutions of various kinds, which will improve the general condition of the people...” Carnegie’s contemporary John D. Rockefeller showcased a move from meeting immediate needs through charity to addressing the underlying “root causes” of social problems through scientific philanthropy.

Nonprofit service organizations grew especially in and after the 1960s as government contracted with nonprofits to deliver services rather than providing services directly itself through government agencies.

Nonprofit advocacy organizations expanded in the same period as activists mobilized Americans around civil rights, environment, consumer, and other causes.

Independent Sector was born in 1980 following the work of the [Commission on Private Philanthropy and Public Needs](#) – the Filer Commission – in the 1970s, which had called for the creation by Congress of a



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permanent national commission on the nonprofit sector. While the Filer Commission recommended the establishment of a quasi-governmental entity, instead, an entirely private association, Independent Sector, was formed in 1980 through the merger of the National Council on Philanthropy and the Coalition of National Voluntary Organizations to be the “meeting ground” for the diverse organizations of the nonprofit sector.

In recent decades, the “commercialization” of the nonprofit sector – including the adoption of business practices by nonprofits and their heavy reliance on earned revenue, which is the major revenue source for businesses – has received significant attention.

Note: The above includes excerpts from: Alan J. Abramson, “Today’s Charitable Sector and Its Roots and Challenges,” *Stanford Social Innovation Review* (June 19, 2018), available at: [https://ssir.org/articles/entry/todays\\_charitable\\_sector\\_and\\_its\\_roots\\_and\\_challenges#](https://ssir.org/articles/entry/todays_charitable_sector_and_its_roots_and_challenges#)