# Leviathan is swallowing the voluntary sector [1]

Written by **Whig** [2] | Monday 31 October 2011

According to the Charities Aid Foundation [3] the UK is one of the most generous countries in the world for charitable giving. The UK has a large and very diverse voluntary sector with an income of £55 billion this year [4]. Worryingly, charities are increasingly being co-opted into the apparatus of the state and being turned into *dirigiste* organisations reliant upon and supportive of state aid. This is not just a logical fallacy ? organisations supported via taxation cannot *ipso facto* be termed charities ? but a serious problem.

From the Charity Commission data we can observe that there is considerable consolidation occurring in the sector, with large charities (income >£10 million p.a.) now accounting for 56% of the sector, up from 43% ten years ago. This coincides with the period beginning in 1997 where the successive Labour governments increased funding to charities as part of their attempts to reform ?public? (i.e. socialised) services. According to a report [5] by the National Council of Voluntary Organisations? (NCVO) Funding Commission government funding of charities has increased from £8.4 billion in 2000/01 to £12.8 billion in 2007/08. ?As a proportion of all income to the sector it now accounts for just over one third (36%)?. 77% of charities receive no government funding, so there are relatively few charities gaining all the largesse. But don?t worry, it?s not just HM Government doing this ? the EU is also doling out large grants to charities and has spawned a small industry in navigating the complex bureaucracy.

Given these concurrent phenomena it is amazing that the link between them has not been fully observed. There can be little doubt that engagement with the bureaucratic procedures and compliance with big government and receipt of state funding has led to ?big charity? consolidation. As with other sectors, regulation and subsidy erects barriers to entry and reduces competition and innovation (yes, there is competition in the voluntary sector and yes it is necessary and beneficial).

We have arrived at a point where the ?voluntary sector? is rapidly losing its voluntary characteristics but instead marches to the beat of the politicians? and bureaucrats? drums. As the NCVO report tells us:

> ?[G]overnment funding has not helped them to become more resilient. Charities working in these areas have very limited reserves or assets to call on. As a consequence, they are potentially vulnerable to cuts in public spending; changing political priorities; and / or changes to the way services are commissioned and procured.?

Yet these effects notwithstanding, groups such as Cutswatch [6] have grown up to lobby for greater charitable involvement in public service provision. Charities were particularly vociferous in their opposition to government funding reductions. Once hooked on the drug of taxpayer?s money it?s hard to let go.

Best guesses [7] suggest that the sector will probably see a 7.7% fall in government spending (£911million)

by 2015/16. However, I suspect that this may be pessimistic. The Coalition Government?s nebulous Big Society agenda seeks to increase charitable involvement in ?public? service provision particularly via the Open Public Services White Paper. An analogy with the problems of the Private Finance Initiative can be drawn. While public service reform is vital and necessary I see it as profoundly dangerous to increase charitable involvement in and reliance upon government and their transformation into recipients and providers of taxpayer-funded services ? in other words, QUANGOs. A symptom of where we stand is that there is an Office and a Minister for Civil Society ? no, that?s not a joke [8].

Instead, government?s focus should be on reducing taxation, red tape and decreasing barriers to entry for innovative and small charities ? supply side reform in other words. The best thing government could do to promote philanthropic activity would be to slash taxation whilst at the same time divesting itself of many welfare functions (which would fund the tax reductions) that free markets and charitable organisations would be far better at performing. An economy and society less harassed and restricted by government would be far better able to support philanthropic giving in time and money. Moreover, many of the problems that charities seek to assuage such as drug addiction, educational failure and poor housing are caused by government intervention. Eliminate this intervention and we would have far less need for charity!

Charities and voluntary activity fulfil a vital role in civil society. As statist economists are fond of telling us, markets are imperfect in that they do not provide certain goods in ?sufficient? quantity. QED ? to the statist - this is an argument for government intervention. To the Classical Liberal, shortcomings in markets instead constitute an argument for philanthropy and altruism as intervention by the state can only lead to greater government failure and unintended consequences. If the state continues to co-opt voluntary organisations it will further erode the basis of civil society and ultimately lead to even greater intervention to ?correct? the inevitable failures of government controlled ?charities?.

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