Overview

• Example: breakfast cereal market
• Traditional grounds for privileging charities
• Third sector enterprise and convergence
• Equity
• Outcomes
• Concluding questions
Example: One market, three firms

- Hubbard’s
- Kellogg’s
- Sanitarium
## Comparison

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Sanitarium</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered charity</td>
<td>Yes (business carried on by SDACNZ)</td>
<td>No</td>
</tr>
<tr>
<td>Source of funds</td>
<td>Donations/ tithes, grants, debt, distributions by charitable firm</td>
<td>Equity, debt, retained earnings</td>
</tr>
<tr>
<td>Taxable (income tax)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>UBIT/UCAT</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Deductions</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Can income tax be zero?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Why privilege charities/charitable firms?

- Role as quasi-government agency
- Advocacy for disempowered
- Problem of income measurement
- Compensation for inability to raise capital
- Responsiveness/effectiveness
- Correcting market failure
Convergence: third sector enterprise (TSE)

- Charitable trade/CSR
- Social enterprise: market solutions to social problems
- TSE hybrids – some distribution to investors
Equity

- Are TSEs similarly situated to charities from a tax perspective?
- Can merit goods and services be accommodated?
How much do we care about outcomes?

- Are TSEs similarly situated to charities *morally*?
- What if TSEs can deliver outcomes more efficiently?
- Which outcomes matter?
Concluding questions

• Does convergence make broad trade/charity distinctions obsolete?
• Is the specific residual distribution distinction obsolete?
• Do we care more about outcomes or status?