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<u>An Introduction to</u> <u>ATINER's Conference Paper Series</u>

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Welfare States at Hard Times

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Abstract

Contemporary Welfare States are affected by the burden of an 'atavic' spending. Today concentrated on *deleveraging*, they have to limit their social spending and this one is risking to be drastically cut in the very next future. Next to the Public Welfare State, a Private One is, as a consequence, playing a crucial role.

The Italian Private Welfare State includes foundations of banking origin (IFBs). Foundations of banking origin were created by Saving Banks in 1990s' in order to separate their credit business from their philanthropy.

89 Foundations of banking origin are today the most relevant not-for-profit grant-makers in Italy. In 2010 they gave more than \notin 1,300 millions to 'causes' like culture, research, social assistance, education, public health, charities, etc. In 2011 they targeted the same amount to 24,906 projects. The average amount per project fell slightly to \notin 43,866 (\notin 50,459 in 2010) while the average number of projects supported by each IFB was recorded as 283.

We analyze the 2010's financial performances and contribution ratios of these foundations so that we empirically estimate their 2010's Welfare Role and we profile two main groups thanks to the k-means clustering and four groups thanks to the Ward's. Recalling that their grants are mostly targeted to cultural and creative industries, the Ward analysis will also focus on their cultural grant-making.

The research gives evidence that Italian 'good causes' are surviving thanks to these grant-makers whose 'contribution ratio' is more than 60 percent and whose 'cultural contribution ratio' is never less than 28 percent.

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Introduction

Public Welfare States are not more able to support 'good causes' as resources are not sufficient and they are drastically cut. The Private Welfare State of not-for-profit grant-makers is today decisive and unavoidable.

In this paper we analyse 2010's financial performances, contribution ratios and cultural contribution ratios of the main Private Italian Welfare State that is the foundation of banking origin (IFB).

The results could be useful for both policy makers, other grant-makers and operating not-for-profits to understand how to support 'good causes' on one side and develop the most effective fundraising on the other side. This is especially useful for cultural institutions too who are the most supported by this type of philanthropist.

The remainder of the paper is organized as follows: section 2 will review the relevant literature; section 3 will present descriptive features of the universe of 89 IFBs; section 4 will present methodology, will show the results of the analysis and will conclude.

2. Economics of the Public and Private Welfare State

The Welfare State supplies goods and services for-profits and not-for-profits do not allocate enough resources for. The economic literature has always confirmed how the Welfare State can solve market failures like externalities, imperfect competition, asymmetric information and other distortions and it has always focused on the analysis of the production gap the Welfare State can fill when the market is absent or it is not enough (Barr, 1993). Especially, this gap concerns social assistance, education, culture, health and other 'merit' or 'good' causes. (Gough, 2009; Armingeon and Beyeler, 2008; Leibfried, 2001; Kuhnle, 2000).

The Welfare State is, above all, managed by public administrations, central governments and local institutions. These 'managers' can be private too: sponsors, philanthropists, associations, foundations, operating and grant-making not-for-profits can play subsidiary roles the contemporary Public Welfare State cannot afford.

As a matter of fact, there may be a matching of public and private properties and resources in the supply, for example, of local services. 'Participation foundations' are one Italian example of the mixed public-private property and the joint management of social assistance, cultural and creative industries, etc.

The global crisis is affecting both Public and Private Welfare States (Salamon, Geller and Spence, 2009) so that these ones are, today more than in the past, summing up their resources and efforts in order to maximize the public benefit. Projects that are of great national impact, are developed by both Public and Private

grant-makers and common professional skills are, as a consequence, jointly trained and progressed (Gordon, Knoch and Neely 2009; Chhaochharia and Gosh 2008).

Matching roles are possible if there are common resources to exploit too but subsidiary roles are the most important when Public Welfare States are heavily indebted. These ones are now concentrated on deleveraging after decades of huge spending and an accelerating national debt. The financial crisis has urged a massive reduction of their expenditures and the revision of their priorities. As a consequence, they must delegate most of their roles. The 'retrenchment' of the Public Welfare State is now particularly debated and reasons of this retrenchment do not only refer to the austerity that is following the latest financial collapse of public spending and financial markets, but also to post-industrialism and European integration (Pitlik, 2007; Korpi, 2003; Palier and Sykes, 2001; Bonoli and Taylor-Gooby, 2000; Bowles and Wagman, 1997).

Their social spending and other 'merit' investing are, as a consequence, granted by a wide range of private philanthropists and grant-makers too.

Public and private provisions of the social benefit can be either complementary or substitutes (Klein, 2003; Hacker, 2002). Apart of the mixed public and private property-management, the competitive arena is today mostly crowded by the Private Welfare State of foundations, associations and other not-for-profits.

What is the most efficient 'roles allocation' between the contemporary Public Welfare State and the Private One, it is particularly argued (Seaman and Young, 2010; Ben-Ner, 2003, 2002). As for the financial crisis, Governments cannot more provide social services as it was in the past and their role can be reduced to regulation in order to grant competition between for-profits and not-for-profits (Weisbrod, 1988 and 1975).

The aim of this paper is the profiling of the Italian Foundations of banking origin as the most important Italian Private Welfare State. The profiling will refer to their performances according to 2010's Financial Statements and Statements of Revenues and Expenses – Reports are available at www.acri.it. ACRI, *Associazione delle casse di risparmio italiane*, is their association -. Through a k-means and a Ward cluster analysis, performances of relevant groups of this contemporary Italian Private Welfare State will emerge. The analysis of performances will include the 'contribution ratio', the weight of Contributions on Gains and the cultural 'contribution ratio', the weight of their role to the most supported industry that is the cultural and creative industry.

The analysis will also consider main performance variations from 2009, focusing on investments and strategies IFBs should revise in order to back their future sustainability.

3. Italian Foundations of Banking origin and their crucial subsidiary role

In Italy social spending is still mostly borne by the Public Welfare State. Nevertheless, the Private One is now playing a very important grant-making activity.

In 2010 the Italian State paid $\leq 146,623$ millions for the social benefit, including education and research, culture, social spending, etc. In 2010 the 89 Italian Foundation of banking origin (IFBs) profited by a gain of $\leq 1,477.2$ millions and they granted $\leq 1,366.6$ millions.

In 2010 the Italian State spent 1,694.6 millions euro for 'Arts and Cultural Activities': 'Arts' include heritages, visual arts, exhibitions, archaeological sites, design, etc.; 'Cultural Activities' include performing arts, events, etc. 'Arts and Cultural Activities' received 9,628 grants of 413 millions euro from IFBs. IFBs' cultural philanthropy is 24.35% of the public expenditure.

These foundations are the biggest Italian Private Welfare State, ensuring only 0.93% of what is the 'spending power' of the Public Welfare State to all 'good causes' but there is no other not-for-profit universe with such a 'grant-making power' in Italy.

For-profits are the second most important Italian 'sponsor' though with a slightly inferior philanthropic or 'charity' impact. Italian sponsorships are, as a matter of fact, \notin 1,465 millions in 2010. It can be considered that their absolute value is more than the IFBs' philanthropy. Nevertheless, most of this amount is targeted to for-profit events: sport events collect 60.34% of \notin 1,465 millions, cultural sponsorships represent 26.55% and social spending only 12.35%.

At the end of the same year, the Italian State had exceeding liabilities of \notin 1,444,360 millions while the IFBs had net assets of more than \notin 50,000 millions, accounting for 84% of total assets that were more than 59 billions euro (ACRI Reports 2009, 2010 and 2011; Ragioneria generale dello Stato, *Relazione illustrativa del conto del bilancio* 2010).

Twenty years ago the Italian Parliament approved the law that gave birth to foundations of banking origin as spin-offs of savings banks (*Legge Amato-Carli*). These ones had to separate their philanthropic role from their credit core business. Savings banks had been created in the 19th century with a focus on community needs. They had been particularly connected to local administrations, they had been encouraging community projects and had been responsible for donations and bequests for the comprehensive growth of local communities.

In 2010 IFBs had ordinary revenues of $\leq 1,986.3$ million, with a 21.2% decrease from the previous year. Their leading roles in philanthropic initiatives becoming more relevant than in the past, IFBs had an operating surplus of $\leq 1,941.5$ millions in 2010. With close connections to the sectors in which they operate, they acknowledged interventions in 21 eligible sectors, seven of them representing the major share of their fundgiving effort. In 2010 the 'Art, and cultural activities' sector was first, with 30.2% of allocated funds. The second sector was that of 'Social assistance' with 12.8% of the total. 'Research' received 12.6% of resources.

Recipients of grants are always operating not-for-profits or public institutions. With their subsidiary and matching role IFBs, as a matter of fact, support local administrations and not-for-profits with a particular focus on the evaluation process. First of all, screening tools are crucial in order to select applications according to the nature of the applicant and the territoriality and sustainability of the project (*ex-ante evaluation*). Secondly, monitoring of grants is essential in order to ensure that grantmaking is planned according to business plans (*in progress evaluation*). Finally, IFBs use different tools in order to select the best projects as leading benchmarks for their future philanthropy (*ex-post evaluation*).

Their fundgiving efforts are, nevertheless, threatened by the latest 'financial stress' in international and national markets. The average return on net assets diminished from 5.1% in 2009 to 4% in 2010. In the Table 1 of the Appendix, they are ranked for the highest 2010's net assets (ε) and in the last column several negative 2010-2009 relative variations of gains can be read. These negative changes are mostly affected by negative results of investments and assets that are not investments (first two columns of Table 1 in the Appendix). These ones are today partially *dismantled* and the financial strategy is attentively revised in order to grant the sustainability of the forthcoming philanthropy.

4. The cluster analysis of 2010 performance of Italian Foundations of banking origin

Even if assets are affected by the partial collapse of financial investments, the following analysis is giving evidence that the sustainability of their philanthropic activity cannot 'be repressed' in the very next future thanks to very high gains and net assets.

We clustered IFBs' performances considering the following main accounting data of 2010 reports (Financial Statements and Statements of Revenues and Expenses) available at <u>www.acri.it</u> : Total Assets, Financial Assets (Investments), Financial Assets that are not Investments (Savings and temporary cash), Net Assets, Net Gain or Loss, Contributions. These data were indexed in order to focus on main ratios of financial stability and sustainability of the philanthropic activity. The rates are: Net Assets/Total Assets, Gain or Loss/Total Assets, Financial Assets/Total Assets, Financial Assets that are not Investments/Total Assets, Contributions/Gain or Loss.

Firstly, we adopted a k-means clustering method. K-means clustering is, above all, an iterative follow-the-leader strategy. First, the number of clusters, *k*, must be specified. Then a search algorithm goes out and finds *k* points in the data, called *seeds*, that are not close to each other. Each seed is then treated as a cluster center. The routine goes through the points (rows) and assigns each point to the cluster it is closest to. For each cluster, a new cluster center is formed as the means (centroid) of the points currently in the cluster. This process continues as an alternation between assigning points to clusters and recalculating cluster centers until the clusters

become stable. The main tests are the *F* test that is the variance among groups divided by the variance inside of groups and the *Significance test* (significant if less than 0.05).

Secondly we adopted a Ward clustering that clearlier split the universe through a clustering history that is shown in Dendrograms (Figure 1 and Figure 2). The Ward method (Ward, 1963) uses an analysis of variance approach to evaluate the distances between clusters. In short, this method attempts to minimize the Sum of Squares of any two (hypothetical) clusters that can be formed at each step.

After having K-means clustered the above mentioned ratios with SPSS Statistical Software we obtained three groups in 2010. Tables 1, 2 and 3 refer to this analysis. Table 2 of the Appendix lists members of every cluster.

Table 1. K-means Final Cluster Centers

		Cluster	
	1	2	3
Contributions/Gain or Loss	.51	.60	7.52
Gain or Loss/Total Assets	.03	.03	.00
Financial Assets that are not Investments/Total Assets	.61	.13	.00
Investments/Total Assets	.32	.77	.92
Net Assets/Total Assets	.87	.88	.84

Table 2. ANOVA

	Cluster Error		or			
	Mean Square	df	Mean Square	df	F	Sig.
Contributions/Gain or Loss	23.926	2	.049	86	490.983	.000
Gain or Loss/Total Assets	.000	2	.000	86	1.450	.240
Financial Assets that are not Investments/Total Assets	1.942	2	.016	86	122.399	.000
Investments/Total Assets	1.798	2	.018	86	99.931	.000
Net Assets/Total Assets	.001	2	.006	86	.261	.771

Table 3. Members of every cluster

Cluster	1	23
	2	65
	3	1
Valid		89
Missing		

In 2010 Fondazione CR Ferrara – cluster 3 - shows a contribution rate that is seven times the gain. This performance isolates this IFB from the universe.

Cluster 2 represents 73 percent of the universe: these IFBs have such a financial soundness deriving of Investments, that they can afford a contribution rate of 60% on average. This contribution rate is greater than that one of the cluster 1: these IFBs represent 25.84% of the universe, they have prevailing Financial Assets that are not Investments and they can afford an average contribution rate of 51% of their gain.

This analysis shows that Net Assets/Total Assets is not significant (ANOVA Table). The financial stability of this universe is 'unquestionable'. Net Assets are more than 80% of Total Assets. In 2010 the Gain or Loss/Total Assets is not significant too (ANOVA Table). In 2010 three IFBs are depressed by a loss, though these very few cases do not result significant in the cluster analysis.

With JMP IN The Statistical Discovery Software we tested the Ward clustering of the same universe. This clustering clearly separates four main groups. Fondazione CR Ferrara is always isolated as for exceptional performances.

In the Table 4 and in the Figure 1, separating features can be better appreciated than in the K-means clustering.

	Cluster			
	•, 27	Cluster	Cluster	Cluster
	foundations	◊, 24	□, 24	+, 13
	Cluster 2	foundations	foundations	foundations
	and 1	Cluster 2 -	Cluster 2 -	Cluster 1 -
	(29.62%) -	Kmeans	Kmeans	Kmeans
	Kmeans			
Contributions/Gain	55	61	56	60
or Loss	.55	.01	.50	.00
Gain or Loss/Total	0245	0156	0465	0264
Assets	.0245	.0150	.0403	.0204
Financial Assets				
that are not	31	05	14	73
Investments/Total	.31	.05	.14	.75
Assets				
Investments/Total	60	86	76	10
Assets	.00	.00	.70	.19
Net Assets/Total	90	01	82	85
Assets	.90	.91	.02	.05

Tabl	e 4. A	Average	performances	of	Ward	Clusters
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The k-means Cluster 1 is included in '+' and '•' Ward Clusters. The '+' Cluster perfectly matches the performances of the k-means Cluster 1: the prevailing 'Financial Assets that are not Investments' (73%) generate a 2.64% Gain. In the '•' Ward Cluster 29.62% members are of the k-means Cluster 1. In the '•' Ward Cluster Investments prevail on Financial Assets that are not Investments (Not-Investments). These ones are, anyway, 30% of Total Assets, the second highest percentage of the sample. The Ward clustering separates the k-means Cluster 1 in two groups and it better gives evidence of their 'financial profiling' and very good performances as their Gain/Total Assets is more than 2.5% on average.

The k-means Cluster 2 is split in ' \diamond ' and ' \Box ' Ward Clusters and it is included in the ' \bullet ' Ward Cluster for 70% IFBs, too. As in the k-means Cluster 2, Investments are prevailing on Not-Investments with 86%, 76% and 60% of Total Assets. The Contribution rate is 61% in the ' \diamond ' Cluster and it is the highest one of the sample. At the same time the solvency ratio of the ' \diamond ' Cluster is the highest one of the universe, 91%. The Gain is instead higher in ' \Box ' Ward Cluster than in the ' \diamond ' one. The gain 4.65% of the ' \Box ' Ward Cluster is the highest one of the universe.

The k-means Cluster 3 is the Fondazione CR Ferrara that is one separate cluster in the Ward analysis too. With an extraordinary contribution rate, this foundation is not at all similar to the other groups. We can see it as a separate branch of the Dendrogram (Figure 1) between ' \Box ' and '+'.

 COMPACINA DI SAN PAOLO FONDAZIONE CR PERUICIA FONDAZIONE CR PERUICIA FONDAZIONE CR PERUICIA FONDAZIONE CR BANCA DEL MONTE LUCCA FONDAZIONE CR BIELLA FONDAZIONE CR BIELLA FONDAZIONE CR BIELLA SIZIA FONDAZIONE CARISPE DELLA SPEZIA FONDAZIONE CR LICLA SPEZIA FONDAZIONE CR LICLA SPEZIA FONDAZIONE CR LICLA SPEZIA FONDAZIONE CR LICLAS FONDAZIONE CR CITTA' DI CASTELLO FONDAZIONE CR LICLAS FONDAZIONE CR LICLAS FONDAZIONE CR LICLAS FONDAZIONE CR LICLAS FONDAZIONE CR DI SUCILIA FONDAZIONE CR LICLAS FONDAZIONE CR DI CONTE DI LOMBARDIA FONDAZIONE CR DI CASTERA FONDAZIONE CR DI CANTONI FONDAZIONE CR DI CANTONI FONDAZIONE CR DI CANTONI FONDAZIONE CR LUCCA FONDAZIONE CR CONTA FONDAZIONE CR LUCCA FONDAZIONE CR LUCCA FONDAZIONE CR CARRARA FONDAZIONE CR SAVIONA FONDAZIONE CR CARRARA FONDAZIONE CR CARRARA FONDAZIONE CR CARRARA FONDAZIONE CR SAVIANA FONDAZIONE CR SAVIANA<th></th>	
FONDAZIONE ČEK MODENA* FONDAZIONE BANCA DEL MONTE E CR FAENZA FONDAZIONE CR CISENA FONDAZIONE CR RETERI FONDAZIONE CR RETERI FONDAZIONE CR PARONE CR RETERI FONDAZIONE CR PARONE CR RETERI FONDAZIONE CR PARONE CL PREMIONATIONA FONDAZIONE CR PARONA VICENZA BELLUNO ANC FONDAZIONE CR PARONA VICENZA BELLUNO ANC FONDAZIONE CR PARONA FONDAZIONE CR PERONA FONDAZION	

Figure 1. The Dendrogram of IFBs according to 2010 performances

In order to focus on the cultural philanthropy, we add an analytical step – Ward clustering - with the calculation of the 'cultural contribution ratio', Cultural Contributions/Total Contributions.

	Cluster			
	•, 28	□, 35	×, 14	+, 12
	foundations	foundations	foundations,	foundations,
Cultural				
Contributions/Total	.29	.28	.57	.33
Contributions				
Gain or Loss/Total Assets	.043	.018	.035	.025
Financial Assets that are not Investments/Total Assets	.26	.14	.13	.74
Investments/Total Assets	.67	.80	.74	.18
Net Assets/Total Assets	.83	.91	.91	.85

Table 5

Table 5: Average performances of Ward Cultural Clusters

Source: our elaboration on Reports 2010 With SPSS Statistical Software and JMP IN The Statistical Discovery Software

COMPAGNIA DI SAN PAOLO	
 FONDAZIONE CR FORLI' 	
 FONDAZIONE BANCA DEL MONTE LUCCA 	
FONDAZIONE CR PERUGIA	
FONDAZIONE CR ASCOLI PICENO	
FONDAZIONE CR PESARO	
FONDAZIONE CR BIELLA	
FONDAZIONE CR JESI	
 FONDAZIONE CR PADOVA E ROVIGO 	
FONDAZIONE CR FABRIANO E CUPRAMONTANA	
FUNDAZIONE CR. DISTOLA E DESCLA	
FONDAZIONE CRIPINICA E PESCIA FONDAZIONE CRIPINICA E PESCIA	
FONDAZIONE DANCA DEL MONTE E CRIPAENZA FONDAZIONE CRICESENA	
FONDAZIONE VARRONE CR RIETI	
 FONDAZIONE MONTE BOLOGNA RAVENNA 	
FONDAZIONE CR FANO	
 FONDAZIONE CR RIMINI 	
FONDAZIONE CARIPARMA	
FONDAZIONE CR VERONA VICENZA BELLUNU ANC FONDAZIONE CR RECCIO EMILIA	
FONDAZIONE CARIPISA	
FONDAZIONE CR TORINO	
FONDAZIONE CR BOLOGNA	
E FONDAZIONE A. DE MARI-CR SAVONA	
FONDAZIONE CR FOSSANO	
FONDAZIONE CR TERNI E NARNI	
FONDAZIONE CR PUGLIA	
FONDAZIONE CR LIVORNO	
FONDAZIONE PIACENZA VIGEVANO	
FONDAZIONE CR FERRARA	
FONDAZIONE BANCA DEL MONTE DI LOMBARDIA	
FONDAZIONE CR CUNEO	
FONDAZIONE CR TRENTO E ROVERETO	
FONDAZIONE CARISPE DELLA SPEZIA	
FONDAZIONE CR VOLTERRA	
FONDAZIONE CR PROVINCIA DELL'AQUILA	
FONDAZIONE CR CARPI	
FONDAZIONE CR SALUZZO	
FONDAZIONE CR BRA	
FONDAZIONE CR PRATO	
FONDAZIONE CR TOKTONA	
FONDAZIONE MONTE DEI PASCHI DI SIENA	
ENTE CASSA DI RISPARMIO DI FIRENZE	I
FONDAZIONE CR SPOLETO	· I
FONDAZIONE CR E BANCA MONTE DI LUGO	
× FONDAZIONE TERCAS	
➤ FONDAZIONE CR RAVENNA	
× FONDAZIONE CR FERMO	
FONDAZIONE MONTE PIETA' VICENZA	
FONDAZIONE BANCA DEL MONTE POUGO	
FONDAZIONE BANCA DEL MONTE ROVIGO	
× FONDAZIONE CASSAMARCA	
✗ FONDAZIONE MONTE PARMA	
FONDAZIONE BANCA NAZIONALE COMUNICAZIONI	
FONDAZIONE CARIVIT	
+ FONDAZIONE CR IMOLA	
+ FONDAZIONE CARIPLO + FONDAZIONE PESCARABRI 1770	
+ FONDAZIONE CARIPLO + FONDAZIONE PESCARABRUZZO + FONDAZIONE CR MIRANDOLA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR ORVIETO	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR NORVIETO FONDAZIONE CR FOLIGNO	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR APUETO FONDAZIONE CR ALPARIA E LUCANIA FONDAZIONE CR ALPARIA E LUCANIA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRIUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR ACINENTO FONDAZIONE CR ACIABRIA E LUCANIA FONDAZIONE CR ACIABRIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR ACIABRIA E LUCANIA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR SPUETO FONDAZI	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR ALERNIA FONDAZIONE CR ALERNIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR VIASINA FONDAZIONE CR VIGNOLA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRIUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR ALIBRIA E LUCANIA FONDAZIONE CR ALIBRIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR VIGNOLA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR APRIA E LUCANIA FONDAZIONE CR ALBRIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR VIGNOLA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR NIVETO FONDAZIONE CR ALBRIA E LUCANIA FONDAZIONE CR ALBRIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR VIGNOLA	
FONDAZIONE CARIPLO FONDAZIONE PESCARABRUZZO FONDAZIONE CR MIRANDOLA FONDAZIONE CR MIRANDOLA FONDAZIONE CR APRIA E LUCANIA FONDAZIONE CR ALBRIA E LUCANIA FONDAZIONE CR SALERNITANA FONDAZIONE CR VIGNOLA	

Figure 2. The Dendrogram of IFBs according to 2010's cultural contribution ratios – Ward Cultural Clusters

The most eligible sector, the cultural industry, deserves a contribution ratio that is among 28 and 57 percent of total contributions. Only 14 IFBs can afford 57 percent of cultural contributions, in cluster × that has the highest solvency ratio too. Most of these foundations are in Italian towns where the cultural industry is the *core economy*: Florence, Ravenna, Parma.

The most crowded cultural cluster, \Box with 35 IFBs, shows the highest solvency, the highest Investment ratio and a cultural contribution of 28 percent. This cluster is affected by the lowest gain, as percentage of the Total Assets. All Italian Regions are here represented, from the North to Sardinia and Sicily.

The highest gain is in the cluster \bullet where most IFBs of the Region Emilia Romagna are listed. This is a Region that is well-known for cultural efforts and a joint cultural planning often means the pooling of resources and best practices, from *ex-ante* to *ex-post* valuation.

The highest Financial Assets that are not investments, are in the cluster +, 74 percent. This cluster is anyway particularly engaged in the cultural industry, with a contribution ratio of 33 percent.

We can conclude that high investments can positively affect a high solvency, high gains and high cultural contribution ratios.

At 'hard times' both the Public Welfare State and the Private One have to support 'good causes' who are struggling to survive with very scarce resources. The Italian Private Welfare Role is mainly played by grant-making foundations like Foundations of Banking Origin.

With different leaning towards Investments or Not-Investments, IFBs are main stakeholders of all Italian charities and 'good causes', especially cultural ones, and their contributions can also top 61% of their gains (Cluster \diamond).

The financial soundness of IFBs may, otherwise, be slightly depressed in the future if the international financial markets do not recover from their collapsing trends. Most assets of this universe are, in fact, equities or 'other investments' in the financial industry. From 2009 to 2010 34.83% of IFBs suffered of negative variations of Investments. 48.31 percent of them had diminishing Not-Investments (Table 1 in the Appendix). From 2009 to 2010 68.53 percent of these foundations experienced diminishing gains, only 8 of them showed diminishing Net Assets. They should, therefore, reconsider some shareholding and investing, though the flop is quite generalized in all markets and it was not foreseeable in the latest timing of financial trends.

As the analysis has stressed, this 'origin' can be a constraint: most of their assets are of a financial type, shares of banks or any other financial and credit industry. If the financial industry is not flourishing, they can therefore suffer of diminishing returns. IFBs can ensure a very high contribution rate in 2010, as they can profit by gains that are, otherwise, diminishing for 68.53 percent of them from 2009.

This 'origin' can be a binding commitment too. At 'hard times' European rules and national policies are binding IFBs to back the bank industry. This can imply dangerous consequences: if assets of the bank industry are not recovering their pre-crisis quotations, losses will proliferate.

Limitations and future research

There are some limitations associated to our study. First of all, the selected universe refers to a main Private Welfare State. Nevertheless, as mentioned in the second paragraph, Italian 'good causes' survive also thanking for-profits who sponsor them. The analysis should be extended to sponsorships considering that sponsors are not only of a 'bank industry' but they also represent several supply chains of the so-called Made in Italy. They can be suffering of the international crisis or they can profit by high gains thanks to increasing exports of 'Made in' despite of the crisis. High gains could, as a consequence, generate high sponsorships. It could be interesting to verify the present and future sustainability of Italian sponsors and compare it with the IFBs' philanthropy.

The exposure to financial markets can be a limit for IFBs and any other grant-maker or sponsor. To understand the extent and implications of the profiling here investigated, it could be useful both to widen the philanthropic universe with other categories of grant-makers and considering a longer period, before and after the crisis. When the end of the crisis may be, it is not foreseeable and caution in financial investments is strongly recommended for all Welfare States.

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Appendix Table 1. Changing performances 2010-2009. ∆=(2010x-2009x)/2009x

A Texastra anto	A Not	Foundations	at Accesto	A Cain an
Δ investments	Δ Not-	FOUNDATIONE MONTE DIETALVICENZA	Assets	$\Delta Gam or$
0	-	FUNDAZIONE MUNIEPIETA VICENZA	128277	-0.2793129
0.0013011	0.4641045	FONDAZIONE BANCA DEL MONTE ROVIGO	0	-0.2622323
0.0831004	-0.7090909	FONDAZIONE BANCA DEL MONTE E CR	228087	0.0271653
-0.2573603	0.4927454	FONDAZIONE CR CITTA' DI CASTELLO	686871	-0.1918361
0	-0 2161458	FONDAZIONE CR BRA	032797	-0.9816014
0.2755457	0.6190542	FONDAZIONE CD LODETO	101252	0.4027807
-0.2733437	0.0189343	FUNDAZIONE CR LUKETU	101555	-0.4057897
-0.1075449	-	FONDAZIONE BANCA DEL MONTE FOGGIA	057841	0.2022536
-0.0001298	-0.0254934	FONDAZIONE CR SAVIGLIANO	044056	-0.3096402
-0.0842631	-0.0386407	FONDAZIONE CARIVIT	0014241	-0.424223
0.0456044	-0.440076	FONDAZIONE CR E BANCA MONTE DI	118273	-0.1420622
-0.4805344	0.0071/83	FONDAZIONE CR SALERNITANA	022807	-0.6177794
0.0018001	0.0605446	EONDAZIONE CD SALUZZO	022607	-0.0177794
-0.0018901	-0.0093440	FUNDAZIONE CR SALUZZO	030077	-0.0303393
0	0	FONDAZIONE CR PRATO	0	0
0.0018395	-	FONDAZIONE CR CIVITAVECCHIA	096904	-0.3523869
0.0338195	-0.1179804	FONDAZIONE CR FOSSANO	237193	-0.3639356
0	-0.0937108	FONDAZIONE CR CENTO	083066	-0.5358755
0.8189551	0.0310100	FONDAZIONE CR SPOLETO	174458	0
0.0072495	0.02(0554	FONDAZIONE CD ODVIETO	072221	0 4752552
-0.0073485	0.0260554	FUNDAZIONE CR URVIETO	072331	-0.4/53553
-0.292799	0.107769	FONDAZIONE CR FOLIGNO	141695	0.5277899
2.889E-08	0.1162891	FONDAZIONE BANCA DEL MONTE LUCCA	075809	-0.3885103
-0.1855819	0.0972153	FONDAZIONE CR CALABRIA E LUCANIA	033819	-0.8218574
0.0195782	1 7956253	FONDAZIONE CR FABRIANO F	547483	2,9831406
1/8 06262	-0.0067707	FONDAZIONE CP VIGNOLA	0/3683	-0 5100627
1 2220 4 61	-0.0007707		013003	-0.517702/
1.2339461	-0.0665157	FUNDAZIONE BANCA NAZIONALE	02/449	-0.9541/42
-0.0001179	-0.6189812	FUNDAZIONE CR PROVINCIA DI CHIETI	045492	-0.565073
0.0062031	0.1827697	FONDAZIONE CR FERMO	193277	0.1442221
-0.0046546	-	FONDAZIONE VARRONE CR RIETI	122407	0.5659362
-0.0859344	0.0379393	FONDAZIONE CR JESI	152981	-0.0819709
0.2244562	0.5284571		1114073	0.3301834
0.2244502	-0.3284371	FONDAZIONE CR VERCELLI	114073	-0.3391034
0.0407683	5.5114519	FONDAZIONE CR PUGLIA	1130168	-0.0002969
0.033414	-1	FONDAZIONE ISTITUTO BANCO DI NAPOLI	040387	-1.7358009
0	-0.3438367	FONDAZIONE MONTE PARMA	0221184	-0.6067984
0.0992642	-0.7398716	FONDAZIONE CR CESENA	195552	0.0263151
2 2343116	-0 143998	FONDAZIONE CR MIRANDOLA	084822	-0.1684032
0.0800/11/	0.5770507		146144	0.2806404
-0.0690414	0.3770307	FONDAZIONE CR PROVINCIA	070612	-0.2600494
0.0084402	-0.018/82	FONDAZIONE CR RIMINI	0/8613	0.5942725
-0.0646453	0.464225	FONDAZIONE CR VOLTERRA	044919	-0.6052908
0.0150569	-0.0663648	FONDAZIONE CR RAVENNA	142706	-0.0695269
-0.005167	0.4758226	FONDAZIONE CR TERNI E NARNI	180083	-0.1203927
-0 1559553	0 3894218	FONDAZIONE CR CARRARA	110029	-0 2740547
0.1031023	0.0566896	FONDAZIONE CP FANO	002632	0.3320387
0.0027241	0.0000000	FONDAZIONE CK FANO	121716	-0.3320367
0.002/341	0.10/4421	FUNDAZIONE TERCAS	131/10	-0.14/0464
0.3175632	-0.0514534	FONDAZIONE CR IMOLA	052731	0.1466599
-0.0794103	0.0645244	FONDAZIONE CR ASCOLI PICENO	178898	-0.1017607
0.1952484	-0.4016819	FONDAZIONE CR GORIZIA	007013	-0.3141578
0.0052905	-	FONDAZIONE CR SAN MINIATO	028084	1.617393
0.0096373	-	FONDAZIONE A. DE MARI-CR SAVONA	322163	-0.0864855
0.0500687	0.0166414	FONDAZIONE CR DECCIO EMILLA	13/36/	_0 2327776
1 5015 07	0.0100414	EONDAZIONE CR REDUIU EMILIA	006660	1.0171244
-1.501E-07	-		800000	-1.01/1244
0.0435929	-0.0540639	FUNDAZIONE CARISPE DELLA SPEZIA	1/8/201	-0.152185
0.0002635	-	FONDAZIONE CR ASTI	007588	-0.1035279
0.0485811	0.31619	FONDAZIONE CR LIVORNO	064776	1.3829675
1.1605048	-0.7624128	FONDAZIONE CR TORTONA	097942	-0.2015553
0.0351586	-0.0081108	FONDAZIONE PESCAR ABRUZZO	064067	-0.0722499
0.1100175	0.27/71/7		107680	0.2516226
-0.11091/3	0.2/4/14/	FUNDALIONE UK DIELLA	10/009	-0.2310330
0.0623106	-0.2104627	FONDAZIONE MONTE BOLOGNA	1209961	-0.3210/61
0.1460907	0.4880844	FONDAZIONE CR MACERATA	143521	-0.0405614
-0.0119768	0.043478	FONDAZIONE CR PESARO	081612	-0.187225
0.1090761	-0.0657401	FONDAZIONE CR PISTOIA E PESCIA	177312	0.3421199
-0.0351017	0.4188663	FONDAZIONE CR CARPI	056289	-0.6212682
0.02001	-0 5720088		005304	0.3210027
0.02091	0.09(2004	FONDALIONE OF TRENTO E DOVERETO	042784	0.5210027
0.15349//	-0.2803204	FONDAZIONE CK IKENIUE KUVEREIU	042/84	-0.588//6/
-0.0019986	-0.0316909	FONDAZIONE PIACENZA VIGEVANO	051823	-0.1101715
0	-0.1392149	FONDAZIONE CR UDINE E PORDENONE	003242	0.8549027
3.319E-05	-0.2168675	FONDAZIONE CR SAN MARINO	0034665	-1.0948008
0.0422753	-0.1793293	FONDAZIONE VENEZIA	012151	0.5983665
0 3233236	0.0278825	FONDAZIONE CR FORI I'	508757	0.094501
0.050522	0.0270023		011769	0.0576020
0.039323	U	TONDAZIONE DANCO DI SICILIA	011/00	-0.23/0239

0.0623192	-0.4294575	FONDAZIONE CR TRIESTE	015353	-0.8716357
0.3955813	-0.4334351	FONDAZIONE CARIPISA	014769	-0.1799003
0.0200885	-0.0195295	FONDAZIONE CR PERUGIA	119547	-0.1715374
0.0007567	0.0647585	FONDAZIONE CR BOLZANO	081161	0.1404298
0.6057239	-0.1164915	FONDAZIONE BANCA DEL MONTE DI	219495	-0.4797268
0.0230987	-0.0643627	FONDAZIONE CR BOLOGNA	032553	-0.9989287
0.1041904	-0.015992	FONDAZIONE CR MODENA	234982	-0.2946577
0.1493748	0.0751931	FONDAZIONE BANCO DI SARDEGNA	158526	0.0566827
-0.0120833	0.7548637	FONDAZIONE CASSAMARCA	050888	-0.5369403
0.0249796	-	FONDAZIONE CARIGE	597941	0.0468226
0.0099402	-0.0253593	FONDAZIONE CARIPARMA	132087	-0.0606625
-0.0648692	0.7177959	FONDAZIONE CR LUCCA	008845	0.0387771
-0.0104108	-0.00089999	ENTE CASSA DI RISPARMIO DI FIRENZE	106668	0.9263783
0.084641	-0.1026819	FONDAZIONE CR CUNEO	011499	0.10096
-0.0168012	0.1553306	FONDAZIONE CR PADOVA E ROVIGO	018363	0.4726164
-0.0112348	-0.0307069	FONDAZIONE ROMA	209202	0.0540454
0.2712596	-0.3756548	FONDAZIONE CR TORINO	011993	-0.2640886
-0.0316398	0.4129997	FONDAZIONE CR VERONA VICENZA	.00632	-0.2849653
0.0014103	-0.3872911	FONDAZIONE MONTE DEI PASCHI DI	0296175	-3.0548055
-0.0043995	0.0151066	COMPAGNIA DI SAN PAOLO	013653	0.2427777
-0.0155617	0.0039134	FONDAZIONE CARIPLO	091042	-0.476275

Source: elaboration on Reports 2009 and 2010. IFBs are ordered for increasing 2010 Net Assets (euro).

Table 2. Membership of k-means clusters 2010

COMPAGNIA DI SAN PAOLO	1
FONDAZIONE BANCA DEL MONTE LUCCA	1
FONDAZIONE BANCA NAZIONALE COMUNICAZIONI	1
FONDAZIONE BANCO DI SICILIA	1
FONDAZIONE CARIVIT	1
FONDAZIONE CR FORLI'	1
FONDAZIONE CR MACERATA	1
FONDAZIONE CARISPE DELLA SPEZIA	1
FONDAZIONE CARIPLO	1
FONDAZIONE CR ASCOLI PICENO	1
FONDAZIONE CR CALABRIA E LUCANIA	1
FONDAZIONE CR CITTA' DI CASTELLO	1
FONDAZIONE CR FOLIGNO	1
FONDAZIONE CR IMOLA	1
FONDAZIONE CR LORETO	1
FONDAZIONE CR MIRANDOLA	1
FONDAZIONE CR PERUGIA	1
FONDAZIONE CR ORVIETO	1
FONDAZIONE PESCARABRUZZO	1
FONDAZIONE CR PISTOIA E PESCIA	1
FONDAZIONE ROMA	1
FONDAZIONE CR VIGNOLA	1
FONDAZIONE CR SALERNITANA	1
ENTE CASSA DI RISPARMIO DI FIRENZE	2
FONDAZIONE A. DE MARI-CR SAVONA	2
FONDAZIONE BANCA DEL MONTE FOGGIA	2
FONDAZIONE BANCA DEL MONTE DI LOMBARDIA	2
FONDAZIONE BANCA DEL MONTE ROVIGO	2
FONDAZIONE BANCA DEL MONTE E CR FAENZA	2
FONDAZIONE BANCO DI SARDEGNA	2
FONDAZIONE CR LIVORNO	2
FONDAZIONE CR PROVINCIA DELL'AQUILA	2
FONDAZIONE CR PROVINCIA DI CHIETI	2
FONDAZIONE TERCAS	2
FONDAZIONE CR ALESSANDRIA	2
FONDAZIONE CR ASTI	2
FONDAZIONE CR BIELLA	2
FONDAZIONE CR BOLZANO	2
FONDAZIONE CR BRA	2
FONDAZIONE CR CARPI	2
FONDAZIONE CR CARRARA	2
FONDAZIONE CR CENTO	2
FONDAZIONE CR CESENA	2
FONDAZIONE CR CIVITAVECCHIA	2

FONDAZIONE CR CUNEO	2
FONDAZIONE CR FABRIANO E CUPRAMONTANA	2
FONDAZIONE CR FANO	2
FONDAZIONE CR FERMO	2
FONDAZIONE CR FOSSANO	2
FONDAZIONE CARIGE	2
FONDAZIONE CR GORIZIA	2
FONDAZIONE CR JESI	2
FONDAZIONE CR LUCCA	2
FONDAZIONE CR MODENA	2
FONDAZIONE CR PADOVA E ROVIGO	2
FONDAZIONE CARIPARMA	2
FONDAZIONE CRIPESARO	2
FONDAZIONE CR P A VENNA	2
	2
	2
EONDAZIONE CRIPKATO	2
FONDAZIONE CR PECCIO EMILIA	2
FUNDALIONE UK KEUUIU EMILIA EONDAZIONE VADDONE CD DIETI	2
FONDALIONE VARKONE CR RIETT	2
FONDAZIONE CR SALUZZO	2
FONDAZIONE CR SALUZZO	2
FONDAZIONE CR SAN MINIATO	2
FUNDAZIONE CR SAVIGLIANO	2
FUNDAZIONE CR SPOLETO	2
FONDAZIONE CR TERNI E NARNI	2
	2
FONDAZIONE CR TORTONA	2
FONDAZIONE CR TRIESTE	2
FONDAZIONE CR TRENTO E ROVERETO	2
FONDAZIONE CR UDINE E PORDENONE	2
FONDAZIONE CR VERCELLI	2
FONDAZIONE CR VERONA VICENZA BELLUNO ANCONA	2
FONDAZIONE CR VOLTERRA	2
FONDAZIONE CR E BANCA MONTE DI LUGO	2
FONDAZIONE CR BOLOGNA	2
FONDAZIONE CASSAMARCA	2
FONDAZIONE MONTE BOLOGNA RAVENNA	2
FONDAZIONE PIACENZA VIGEVANO	2
FONDAZIONE VENEZIA	2
FONDAZIONE MONTE PIETA' VICENZA	2
FONDAZIONE ISTITUTO BANCO DI NAPOLI	2
FONDAZIONE CR SAN MARINO	2
FONDAZIONE MONTE DEI PASCHI DI SIENA	2
FONDAZIONE MONTE PARMA	2
FONDAZIONE CR FERRARA	3