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## Third sector organizations in rural development: Reply

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## Letter to Editor

### Third sector organizations in rural development: — Reply

I am very grateful to Dr. Saxe for her careful study of my paper (Valentinov 2009a). In the following, I address the three criticisms raised (Saxe 2011).

First, Dr. Saxe questions my thesis that the market-hierarchy continuum is relevant for the for-profit sector but not necessarily for the third sector. Here I need to draw an important distinction between (a) positioning the third sector with respect to this continuum and (b) designating the third sector as a hybrid between market and hierarchy. Regarding (b), despite Dr. Saxe's objection, I still do not see why third sector organizations occupy an intermediate (hybrid) position between market and hierarchy. Yet, regarding (a), I do believe that the market-hierarchy continuum is a useful tool for comparing the third and for-profit sectors. Indeed, elsewhere, I have argued that market, hierarchy, and the third sector exhibit the increasing commonness of stakeholder interests and thus constitute an extended continuum (Valentinov 2009b). Note that this argument positions the third sector with respect to the market-hierarchy continuum, but does not locate it between market and hierarchy.

The second criticism by Dr. Saxe refers to the effects of rurality on transaction costs. According to her, rurality may lower transaction costs because of local social capital. This is a point that I fully accept, but I need to qualify it in two ways. First, rural social capital does not affect those characteristics of rural areas that make these areas unattractive for for-profit firms (low population density, etc.) and thus does not reduce the need for the rural third sector. However, I see a major role for rural social capital in facilitating the creation and operation of third sector organizations. Thus, Dr. Saxe has reinforced my original argument. While I have argued for the rurality-specific reasons for the demand for the rural third sector, Dr. Saxe additionally pointed out the rurality-specific reasons for its supply.

Finally, Dr. Saxe believes that the self-provisioning orientation is not exhaustive of the very diverse third sector and is particularly difficult to apply to foundations. Here, I understand self-provisioning in the broad sense of classical institutionalism (Valentinov 2011 forthcoming). Specifically, individuals or

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groups provision themselves with solutions to social problems that are not resolvable by the for-profit sector. This broad institutionalist understanding of self-provisioning applies to third sector organizations generally, foundations included.

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