

## REFORMING NONPROFIT CORPORATION LAW

HENRY B. HANSMANN †

## TABLE OF CONTENTS

INTRODUCTION .....	500
I. THE ESSENTIAL FEATURES AND APPROPRIATE ROLE OF NONPROFIT ORGANIZATIONS .....	501
A. <i>Characteristics and Classification</i> .....	501
B. <i>The Role of Nonprofit Organization</i> .....	504
1. Clarifying Examples .....	505
a. <i>Third Party Payment</i> .....	505
b. <i>Public Goods</i> .....	505
c. <i>Complex Personal Services</i> .....	506
2. Contract Failure .....	506
3. Countervailing Considerations .....	507
C. <i>Nonprofits Versus Cooperatives</i> .....	508
D. <i>Summary</i> .....	508
II. PERMISSIBLE PURPOSES FOR NONPROFIT CORPORATIONS ..	509
A. <i>Statutory Limitations on Purposes for Incorporation</i>	509
B. <i>Interpreting the Limitations</i> .....	511
1. Profit Seeking as a Purpose .....	511
2. Permissible Purposes Under the Restrictive Statutes .....	512
C. <i>The Consequences of Denying Nonprofit Incor-         poration</i> .....	516

© Copyright 1981 by Henry B. Hansmann.

† Assistant Professor of Law and Public Policy, University of Pennsylvania.  
A.B. 1967, Brown University; J.D. 1974, Ph.D. 1978, Yale University.

Preparation of this Article was supported by a grant from the Program on  
Non-Profit Organizations at the Institution for Social and Policy Studies, Yale  
University.