

Ginzberg, E. 1976. The pluralistic economy of the U.S. Sci.Amer. 235(6):25-29.

The author states that one worker in three is employed in the not-for-profit sector. This fact calls into question traditional conceptions of the economy. The idea that our economy is dominated by private enterprise needs to be changed if we are to look at problems intelligently. So far, publications that deal with this fundamental difference have largely been ignored, and the public and politicians continue to provide lip service that is fundamentally in error.

Past presidents have continued to emphasize that 5 out of 6 jobs are based in the private sector. The basis for this statement is that 84.7 million is the total employment with 13.4 million general government workers. It makes no sense to isolate direct government employment and call everything else private. The important distinction is between the private, profit-seeking sector, and the total not-for-profit sector. Purchase of missiles or ships by the government is not private. The wages earned by such

industries are paid by the government and the output absorbed by the government. It is hard to classify those who work for defense contractors as belonging in the private sector. This principle extends far beyond defense. Author believes that all employment generated by government purchases of all kinds must be counted as the not-for-profit sector. Calculations for 1973 show government purchases as 9.9% of the gross national product, or 8.4% of the total employment or about one in four American workers depends for his job on activities of the government directly or indirectly. One must also include churches, schools, labor unions, non-profit organizations, etc., which show another 1.8% of the total employment. In total, the government is responsible for 24.2% of U.S. employment, nonprofit institutions for another 7.7%. The result is that one out of three workers is in the not-for-profit sector instead of one out of six. The larger role of the not-for-profit sector in employment than in gross national product reflects the fact that a larger proportion of that sector's expenditures goes to payrolls and below-average wages paid by nonprofit institutions. This evidence is unequivocal.

The analysis up to this point has assumed a clean-cut difference between profit and non-profit sectors. One should take note that several of the nation's largest industries operate under government controls that restrict their freedom, and that agriculture, banking and insurance operate in part under price and profit controls.

Potent factors have been operating to expand the not-for-profit sector; such as defense and defense-related areas, and commitment to education, health and manpower. The fastest growing area has not been the federal government, but state and local government. The local jurisdictions are forced to respond to demands of an expanding population for improved services in education, health and welfare, police and fire protection, etc. Those who see growth of the not-for-profit sector as an ideological issue fail to appreciate the extent to which it reflects the inability of the private sector to respond to priority needs and desires of the American people. Ideology has very little to do with desire of public for improved access to education and health services. An example is Medicare, or response to threat of Russian expansion. The growth of the not-for-profit sector was inevitable. There is no way to read recent history without recognizing the strategic part government and nonprofit institutions have played in providing new structures for meeting the needs and desires of the public.

Almost the entire growth since World War II has been in the service sector. Only construction shows any sizable increase. Agriculture declined by more than half. There has been much concern about decline in productivity, but with means of accounting to allow for the large increase in the services sector. Procedures force the reduced, private sector to carry the entire burden of registering productivity gains. This is a fundamental distortion.

The U.S. economy, while still dependent on a large and vigorous private sector, is in fact a pluralistic economy in which the not-for-profit sector accounts for a significant portion of the total employment. It is necessary to abandon simplistic reliance on a manufacturing model and deepen our understanding role of services in the production of wealth and welfare. We have not learned how to measure productivity in services. The foundation for an advanced

service economy is trained manpower, which is educated in the not-for-profit sector. In the author's view, there is a strong linkage between the growth of the not-for-profit sector, the substantial increase in educated manpower, the rapid growth of advanced services, and the generally good record of performance of the American economy. These areas are closely interrelated. For example, the automobile industry is dependent on an expanding highway system.

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Colorado Flower Growers Association, Inc.
Dick Kingman, Executive Director
2785 N. Speer Blvd., Suite 230
Denver, Colorado 80211

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Direct inquiries to:
Office of the Editor
Horticulture Department
Colorado State University
Fort Collins, Colorado 80523

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