The Marginalized Sector? The Third Sector in the Marketized State

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States around the globe are helping forge new third sector behaviors as they progress toward enactment of market oriented public policies, utilizing tools of the marketplace to accomplish public welfare. Fueled in part by the new public management philosophy and state administrative reforms initiated by such figures as Ronald Reagan and Margaret Thatcher, states have steadily moved toward greater reliance on market based policy tools (Kamarck, 2002). Instead of the state administering uniform welfare programs, citizens through tax policies, vouchers, investment accounts and other such market-like mechanisms are given control of property assets through which they seek their own welfare.

These changes in state social policy have had profound affect on the third sector. One consequence is that more of the states’ financial support for traditional third sector activities is being placed in the hands of individuals instead of directly flowing to social service organizations (Gronbjerg and Salamon, 2002). Those organizations find that they now have to compete for customers and of course compete with other third sector entities that occupy the same market niche. Financial constraints that accompany the restricted flow of direct state revenues along with narrow financial margins contained in state contracts have driven many third sector organizations toward more market-like behaviors, including establishing in-house enterprises, creating separate for-profit ventures, and subcontracting services in order to reduce costs (James, 1998; Sanger, 2003).

The shift toward market based public policies raises an assortment of questions. What are the implications of market based commercial public policies for the third sector? Perhaps third sector organizations avoided state absorption as the welfare state expanded but are they now vulnerable to being absorbed by the for-profit sector in the marketized state? Is there a “third way” (e.g., social enterprise) blending social ends with market driven production goals? Or, will the third sector be able to adapt to a more marketized state without losing its traditional forms, mission and values? Perhaps the sector will be marginalized, with the few remaining organizations filling the small niches market forces still cannot penetrate.

This paper will explore these questions by examining three models of the state—administrative, privatized and marketized. The administrative state is the traditional welfare state model in which the state enacts programs and policies on behalf of the whole public and remains in primary control of policy implementation even when others actually deliver services. The privatized state is a contractual regime (Smith and Lipsky, 1993), one in which delivery of social services is largely allocated to business and the third sector through contractual arrangements. In the marketized state administrative agencies structure market exchanges through which citizens are free to make choices about their own welfare and social policy is determined by the interplay of market forces. These ideal types are used as an analytical tool to isolate differing characteristics of state/third sector relationships and changes in third sector behavior, particularly in respect to the emerging marketized state. The implications for change in the third sector will be explored in light of larger economic and social forces leading toward a more commercial, marketized third sector.

References


