



PRIVATE SECTOR VS. PUBLIC SECTOR INFORMATION STATION

If you had something really important to mail, would you head to the Post Office, which is run by the government and considered part of the public sector, or would you go to a place like UPS or FedEx, which are private businesses. Politicians in the media often talk about the private and public sectors of our economy but what's the difference? And which one is more effective?

The private sector is made up of businesses or corporations owned by people. The private sector includes malls, grocery stores, and your local diner. To make a profit in the private sector, businesses must earn our money by offering us products and services that we want or need. When businesses have to compete for the same dollars, prices go down because no one wants to pay twice as much for shoes at one store if you can get the same pair cheaper at another place.

On the other hand, the public sector is not supported by profits. It doesn't have to compete for our dollars. Instead, the public sector uses our tax dollars to fund its services. So we pay for these programs no matter how much or how little we use them. The government decides how our tax dollars should be spent in the public sector.

This makes sense for some things. For example, you probably wouldn't want firefighters or police officers competing with one another for your business. In other cases though, this means things cost more or service is worse. The U.S. Post Office has \$100 billion in debt and is regularly bailed out with taxpayer money. And the Department of Motor Vehicles isn't usually known for fast, friendly service. In contrast, private companies know that if they offer poor customer service and don't make money, they'll go out of business.

When comparing the private sector with the public sector, it's clear that the market-driven private sector is more efficient. When you don't have to be profitable or accountable, things tend to be more expensive and the service is worse.

So when there's a choice between a private sector or a government service, think about that package you really need delivered.