For the record: the public sector does add value

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I knew it would happen: I just say the public sector adds value and the far right come out in force accusing me of every economic crime imaginable.

Is it worth responding to such people? Candidly, I frequently doubt it: they don't understand, don't care and don't want to do either; that I know. So why bother? Largely because, as Dennis Howlett points out the 90-9-1 rule pretty much works. 90% of people who read this blog lurk unseen (and that's OK with me, 9% pop up very occasionally and 1% contribute a lot. This comment is for the 90%.

Why do I say that the public sector generates wealth? The glaringly obvious answer is it does. In my own life my birth, education (throughout) and health have been state provided. And I value them.

In the last few years the births of my sons (both complicated) were in state hospitals. Subsequently I can say without a shadow of a doubt the life of one of my sons was unambiguously saved by the NHS. If that is not value, what is? My mother died in hospital after 11 months of NHS care: I hate the think how much the NHS has spent in caring for my in-laws over the last few years. Not only would we have been bankrupt without the NHS, they could have suffered considerably I expect. Again I define that as the most phenomenal added value.

As I also define the police, fire and security services as adding value to my life. And knowing there is a social safety net, which I have not ever needed I admit, but which friends and family most certainly have definitely adds value.

Then there's the state old age pension: never to be ignored in any financial calculation.

Add on to that health and safety — which means I dare drive a car, travel in a plane and buy a cup of coffee.

Or international development — which partners and supports the charities I choose to support and often provides them with the access they need to do their work.

And what about the arts? I get enormous enjoyment from art which could only happen with state support.

I could go on, and on. But if you cannot see that this lot adds up to added value then it is very clear that you are either blind or choose to be so.

None of which says the private sector is inappropriate (why are these commentators so black and white when the world is always grey?). When there is room for excess capacity then the market can operate — which there is not in health, education and so on if the supply is to be universal. When it can operate I am happy for it to do so — subject always to the fact that it needs to be constrained because the idea that it allocates resources efficiently is wrong: the votes in the system are not allocated efficiently to start with as they are unevenly distributed. That is why regulation and taxation has to tackle this problem. If not too many yachts would be produced and even more would starve to death. On no definition anyone could create is that efficient.

But I stick to my point: a great deal of what we value most is provided by the state. That is why we care about it. That is why we voluntarily pay for it through tax — and vote to do so. That price is at least as well set as one distorted by the impact of advertising.

And value added has nothing to do with the ownership structure of the organisation supplying a service — or even how it is paid for at the end of the day. You cannot, for example, make a nurse and added value supplier by transferring them to the private sector. But if you restricted the supply of their service to large sections of the population as a result (as happens in the US, for example) you can most certainly reduce well being by doing so.

So those who comment blatantly, and for reasons of outdated and outmoded ideology argue otherwise.

Which is why we need a new economics. Which is why I am working on it.