

We can afford our public services, but not whilst we ig...

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I have been musing on productivity over the weekend. The conclusions are at least fivefold.

First, productivity measures are totally distorted. Those in manufacturing assume that abuse of the environment has no cost. As a result wages in (almost entirely private sector) product creation are artificially inflated.

Second, those in services unrelated to manufacturing (most commonly in the state sector) have no such subsidy from abuse of the environment.

Third, as a result and given that neither most of economics or accountancy takes the cost of environmental degradation into account even if they are the biggest issue of concern in the world right now, it is presumed that those in manufacturing have earned greater reward due to their efficiency.

Fourth, those providing labour intensive services are told as a result they must work harder to match the artificially inflated claim of productivity, and so worth, of those in manufacturing linked sectors.

Fifth, when that demand for harder work reaches impossible levels three phenomena emerge.

One is that those working in services seek work linked to manufactured goods where the wages are better and the work is easier.

The next is that we are told we can no longer afford the public services we could afford when we were materially much poorer and must now do without them because as a society what was once possible is not any longer, precisely because we are (apparently) richer.

Lastly, it is claimed that the problem with the services we can no longer afford is that they are supplied by the state. If only they were subject to private sector discipline the problem in their supply would be solved.

Let me be clear:

- 1) The supposed productivity gains in manufacturing are largely false: they come at cost to the planet and the apparent profit from them which permits the payment of higher wages to those associated with them arises because we are failing to account for environmental degradation.
- 2) Those in the service sector are not inefficient. They are working under impossible burdens with insufficient resources because they do not get a subsidy from abusing the planet.
- 3) There would be no gain from privatising supposedly inefficient services. There would just be an attempt at profit extraction which would only make matters very much worse.

So what is the answer? Glaringly obviously it is to get the accounting for the cost to the planet right. Do that and what now looks to be very efficient would look like what it actually is, which is a despoiling activity running the chances of successful life on earth in the future.

In comparison, services would look to be incredibly efficient precisely because they do not wreck the planet and so do not attract the associated costs. What is more, it is they and not the manufacturing sector that would look to be where the future of affordable work is to be found.

The answer is straightforward. We need to redefine productivity so that it equates to using the lowest material input possible in a process. And we need to incentivise this by, firstly, accounting for the costs of planetary destruction and, secondly, imposing environmental taxes to actually reflect that cost on those companies that cannot or will not adapt to the world we live in.

Can we afford this? Of course we can. We know most manufactured items are of such little value that we throw them away sooner or later, with sooner becoming ever more commonplace. In contrast, health, education, the arts, entertainment and so on are what are really valuable.

Distorted definitions of productivity and poor accounting have inverted apparent values in ways that we all know to be instinctively destructive. It is not credible that we cannot afford education and healthcare because we are apparently richer. In that case what is wrong is the measure of wealth. And that is what we need to get right.

That's the theory sorted. There are now just the practicalities to deal with to get the world on an even keel again.