

Funding the Future

Businesses are no more efficient than the people who wo...

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I published this video this evening. In it, I argue that it's often claimed that business is efficient in a way government never can be. If that were true, many fewer would fail. The reality is that both are only as good as the people who work for them—and their skill sets are likely to be remarkably similar.

<https://youtu.be/abBFHGICOel?si=dqNY4bsAPd6M0cdU>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=3w7ys-16945cd-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=60a0c8&font-color=&logo_link=episode_page&btn-skin=ff6d00

The transcript is:

Businesses aren't efficient.

Now, most politicians, of most apparent persuasions in the UK think themselves utterly beholden to the business efficiency of markets to deliver the plans that they have for the people of this country. And that's a mistaken hope on their part.

How do I know that businesses aren't efficient?

Well, firstly, because I've run quite a lot. And I've also seen many businesses - ones that I've usually been invited into to sort out the mess - who, frankly, are far from efficient. There are hordes of them, run by people who don't really know what they're doing.

They're called human beings.

Most of the time, most of us don't know what we're really doing, and there's no reason why somebody, when they walk through the door of the office which has the word 'Manager' on it, should suddenly become omnipotent, all knowing, god-like, efficient, certain, etc. They don't.

They remain confused human beings, wondering what the heck to do with their day, and how they might get through it, and do the best that they can within the constraints that exist, including the fact that half the time they're completely in the dark as to what they should be up to because the information on which they would like to make decisions is not available or they haven't got the training to make that decision in the first place.

Second, I know that businesses are inefficient because 650,000 of them were struck off the Register of Companies in the UK last year. 650,000 companies that had been created to deliver some form of commercial activity ceased to exist. In other words, the belief that the people who created those companies had, that they had a bright idea that could do something of benefit from which they would profit, did not exist. turned out to be mistaken.

And that's a pretty significant number. It's well over 10 per cent of all the companies registered in the UK during the course of the last year that ceased to exist because the people who had placed their faith in that company had lost it because what they thought was a good idea wasn't.

And that's a pretty good measure of inefficiency.

But there's another basic measure of inefficiency and we just need to look at large companies. Sometimes they're really good at losing money because they simply don't know what they're meant to be doing. And if that's the case, then we should also take into account the fact that this is an honest appraisal of their ability. Sometimes they don't know what they're doing.

But if that's true, let me go back to my start point. And that was that around this country, politicians of all political perspectives seem to place their faith in businesses as the answer to all our problems.

Whenever something is required, they will partner with the private sector.

If a new project is to be created, it will be delivered by a private-public partnership, with the emphasis being on the private sector company who's going to do the work.

This is mistaken. Business is inefficient.

I know government is as well, because it is also populated by people who really

sometimes do not know what they're meant to be doing. That's because they too are real life human beings.

But the pretence that the private sector knows, and the government doesn't is what is deeply damaging.

The private sector is no better or worse than the government at getting things right or wrong. They all make mistakes.

That reality is the one that politicians must embrace, including of course the reality that they too will make mistakes, which is something that every single politician is loathe to admit.

So, what we need to make sure that government works well when it cooperates with the private sector is that we have a frank admission that all of these sectors are inefficient but are doing the best that they can.

And doing the best that they can is something that the government can help with.

They could deliver more training.

They could deliver more relevant information.

They could ensure that companies could compete on a level playing field, which would, for example, mean that they ensured that every company paid tax when it was meant to, and that some didn't get an unfair advantage by not doing so.

They could make sure that the staff who are available for companies to hire have been suitably trained for the jobs that they might do. They could ensure that therefore, they could therefore ensure that the skills that are required by our economy are the ones that are delivered by our education system.

All of those things could be done, and if they were done, then the government would be more efficient, and so too would the private sector. But it's likely that they would improve their efficiency in tandem.

There is no truth in the idea that the private sector is, because it is motivated by profit, more efficient than the government. None whatsoever. All of them are staffed by real, live, warm-blooded human beings, every one of whom will sometimes wonder what the heck they're doing, and every one of whom will sometimes make a mistake. In between which events, they will sometimes do something really miraculous, which is deliver something fantastic for the public good, whether they're motivated by profit or not.

So it's time to drop this pretence that there's private good, public bad. The truth is, we're just people trying to get things done.