

# Is the state really as inefficient as people claim?

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Many claim that the state is inefficient, but is that because they're simply using the wrong criterion for appraising it?

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This is the transcript:

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Lots of people tell me that the government wastes money. They also demand that the government improve the productivity of the state sector, and they say they should look to the private sector for inspiration. And I say that a great deal of what those people are saying is complete and utter codswallop. Let me explain.

Let me use a simple example. One of the big complaints that we have at present is that the productivity of staff in the NHS is falling. At the same time, there are massive concerns about the fact that there are long queues in the NHS. And let me just play a little mind game with you.

Suppose we want to reduce the length of the queues in the NHS. What is the easiest

way to do that? Imagine you're sitting in the GP surgery. There's one GP and the queue's pretty long because somebody's gone in to see them with a mighty complicated complaint which is going to require a referral into hospital and forty minutes later, the entire appointment system of the GP surgery is in mayhem and there are people almost queuing out of the door by now.

If there were two GPs, that wouldn't be a problem. The second GP, who would not have been booked to capacity, because there aren't enough appointments required for two GPs to have to work to capacity, could pick up the slack. Everybody would be happy. Despite the fact that there had been a crisis for one person that had delayed the first GP considerably, those people who needed to see a GP urgently, and weren't too worried about who it was, could go and see the other GP and take up the slack.

Now the point is, the queue is only necessary because the GP is trying to make their productivity as high as possible by not taking on a second GP who will have some slack in their schedule. Slack means in this sense, low productivity, because sometimes they will not be seeing a patient. And that is how productivity is going to be measured in this case.

They might be doing other really useful things, by the way, in that slack time. They may be doing things like drug reviews, which apparently take vast amounts of time, I am told, by GPs, and are absolutely critical to make sure that if a person is on 10 or 15 drugs, that those don't conflict with each other and cause admission to hospital. And if you think that isn't an issue, 1 in 8 hospital admissions arise for that reason alone.

Or, they could be doing admin and writing better referral letters, or doing follow ups, or phoning patients who need to be checked. All of those other things that don't really get done as well as people would like right now. But that's not defined as being productive. And yet everybody would be happier.

So, we have a direct conflict just shown by this one example within the public sector. If the public sector is to be productive as possible and employ as few people as possible whilst basically externalizing the waiting process so that we suffer because the NHS employees are always sitting with somebody in front of them under maximum stress situations, then we can have highly productive public services. But we can all sit around and suffer.

Alternatively, we can have less productive public services, but enjoy the level of service that we want.

And there is very little alternative to one of those two choices.

Successive governments, since 2010 at least in the UK, have gone for reducing the number of GPs and forcing us to wait.

We have to wait at the GPs.

We have to wait to see somebody in hospital.

We have to hang on the phone for hours, it seems, if we phone HM Revenue and Customs or any other agency. I had to phone the DWP a while ago and it was a mighty long time before I got an answer.

All of those things are the price of government efficiency.

So, is the government inefficient, or is it just not providing the service we want? We have to decide about that.

I would go for service.

At present, those people who think that the government is a poor alternative to the private sector, go for productivity, because they claim the private sector is much more productive than the government.

That's not necessarily true. The difference between the government and the private sector is that many of the things that the government does are not inherently capable of being changed greatly in the time that they take. Two examples help here.

One is that you want to play the minute waltz. I think it was written by Chopin. And guess how long it takes to play? Precisely one minute was the target time. Apparently, it's quite hard to do it in a minute. If you do it in 50 seconds, it sounds absolutely, truly appalling. The same would be true if you tried to play something like a Mozart sonata in three quarters of the time that was designated for it.

You would have increased productivity according to the theory of economists, but you would have an absolutely rubbish experience. And that would also be true, by the way, of almost any piece of music, it doesn't have to be classical. So, my point is, there are some things that have to take a certain set period of time.

Going back to the GP surgery, a perfect example of this is the older person - and lots of older people go to surgeries - who comes in and is wearing three cardigans. I am told by my wife that this is not an uncommon experience, and she was a GP for a long time before she retired. The GP who wants to examine that older person has to wait while the patient takes their cardigans off.

It does take time, and at the end of the appointment, the patient has to be allowed to put their cardigans back on again. There is nothing that can be done to speed that process up. Old people take time to dress and undress. That's a function of age. But the people who claim that they want increased productivity don't know that. But they're using a false criterion of productivity in any case.

Let's just look at the private sector. It may, in some instances, manage to apparently produce more economic output per labour input than does the NHS, for example. But in the NHS, almost the whole of the input is people. And those people are time constrained by those people they are seeing.

But the private sector is not that efficient. Because, let's be clear. Most small businesses last less than two years. The failure rate is absolutely staggering. That is absolutely diabolical in terms of a rate of efficiency. The vast majority of UK start-ups don't work. Simple, straightforward fact. The companies created ceased to trade within two years of starting.

A few survive for a long time. I've run businesses that have lasted for well over 20 years. They are exceptional. And that is a point about efficiency. Short term efficiency, which is what the productivity specialists look at, is one thing. Long term efficiency is totally different.

We cannot afford governments that fail in this country. They must succeed. There's no point starting somebody in education at the age of 3 or 4 without having any idea whether there will be an education system for them when they reach the age of 18. The commitment is that it will be there. It cannot fail. That requires a degree of robustness that simply is not required in the private sector, where failure can be tolerated. You can't compare these two together.

I'll use another example. This one came from my father. He joined the electricity industry on just about the day that it was nationalised in the 1940s. He retired in the late 1980s. He saw the nationalised era right through.

He always, as a senior planning engineer, which is what he was, had enough staff to deal with any emergency that he thought might arise in the area for which he was responsible, which was, broadly speaking, the East of England.

If there was going to be a snowstorm, he had the people to get out there.

If there was going to be a massive power cut as a result of bad weather, or whatever it might be, he had the people who could get out there. They could deal with any emergency, because they had enough staff at all times.

I put it to him once, isn't that hopelessly inefficient? What do these people do the rest of the time? He said, "It's not inefficient at all. They keep the system running, they repair and maintain it. We make sure that the risk of failure is as low as possible by maintaining the equipment to the highest possible standard. That's our job", he said. "We don't allow for failure. When it happens, we can cover it. But our job is not to even get to that point in the first place."

This is totally different. from the logic of the person who's obsessed with productivity.

They think failure, inconvenience to you, is acceptable, and that the price you pay for that is one that they don't have to suffer. It's externalised, as far as they're concerned, and that's what they think is an acceptable price to pay for failure.

When my father worked for a nationalised electricity service, he didn't tolerate failure. They had the people to cover for it. And they maintained their systems in a way which would now, frankly, be probably unimaginable.

So, we have choices about productivity. To pretend that it's actually that important, when the drive for productivity simply transfers costs out of the public sector, into the private sector, most obviously seen in that queue at the GPs, or the queue for HM Revenue and Customs, or wherever else, is mad because of the inefficiencies that are imposed upon us by a supposedly efficient state sector.

We have to ask the question, have we got the measure right? And my belief is that overall, and I'm not saying perfectly, because every system is run by human beings, and every system run by human beings has the capacity to fail in some way, but overall, the state sector is pretty efficient, given that it has one overarching objective, which is it must not fail.

And that's what we demand of it. And whilst we demand that the state sector must not fail, we shouldn't be using productivity as a criterion for success. We should be using the fact that it doesn't fail as our criteria for success. We can, therefore, rightly complain about failure for that reason, many of which arise because of understaffing, because of the drive for productivity, by the way. That's the cause of most of the crises in the NHS.

But when it comes down to it, let's use the right criteria for different types of service. And at present, most of those people who are claiming the private sector is more efficient than the state sector are using the wrong criteria for comparison, because they ignore the simple fact that the private sector fails spectacularly almost all the time because failure is built into it and it isn't built into the state sector.