

# Comparing the digital and green revolutions

## The digital and green revolutions compared

In recent years the world has been swept by a massive wave of digital investment. Most people have come to own a smartphone, pad, desktop or laptop computer. Many have switched their entertainment from standard national tv channels to downloaded films from subscription services. Many now get what news they want from websites and social media in place of newspapers and tv news. More education and training is now done remotely on computer. Families keep in touch with on line meetings instead of a phone call. Many people communicate with friends and family on social media instead of letters and face to face to face meetings. Businesses are automating more and more processes, taking advantage of the enormous processing and storage power of electronic systems. Much shopping has gone on line. Phone apps can be used for getting a cab, following a map, booking a meal, ordering a service. All this happened with no special taxes, no bans and legal requirements, no public subsidy. Businesses innovated, showing how they could offer a much wider range of service over the web and people piled in to get more of it. The high price of some mobile phones and the subscription sums for broadband, software and download services was no barrier to many taking advantage. Covid lockdowns accelerated the movement. Those people who were not sure how to use the technology, or thought they did not like it, or who thought it a bit dear were tempted into adopting it as it offered the obvious way of staying in touch and placing orders for goods and services. Young people who adopted it more readily as a whole helped teach Granny who made the effort to stay in touch with her grandchildren.

Meanwhile the green revolution is a top down revolution. Its main proponents are governments, large companies, universities and experts. They want people to swap the petrol car for an electric vehicle. They want families to rip out the gas boiler and put in a heat pump. They want people to give up most of their meat eating and go vegetarian. They want to discourage car and airline travel, promoting walking and cycling. So far the response has been on a modest scale. Many people think electric cars are too dear, worry about their range and about how easy it will be to recharge them. They stick with their diesel and petrol models for the time being. Very few people put in a heat pump, finding them dear and the work involved very disruptive about the house. We have still to find the Mini or Beetle car of the electric car revolution that sells in millions at an affordable price to delighted buyers. We have not yet seen the electric heating package that people want enough to make the commitment of time and money to the work. Some are now trying more vegetarian food, but meat and dairy eating habits are well inbred in national traditions and mothers' menus.

Governments understand enough of market principles to try to use market mechanisms to promote their revolution. They offer subsidies to cut the price of electric vehicles. They are still offering a tax free period on

the power to fuel them, unlike the high taxes on motor fuels for internal combustion engined vehicles. They are imposing higher taxes on older fossil fuel vehicles using certain routes or banning them altogether from some urban settings. They are imposing carbon taxes to switch business away from fossil fuels through an adapted price mechanism. The main problem with all of this is that because it is not done worldwide by all countries the market can shift activity around to places where there is less restriction and less tax on fossil fuel technologies. Individuals can stick with old boilers and cars if they do like the performance and price of the new alternative.

To get success in the market the new idea has to be one or more of better, faster, cheaper. On line shopping was often cheaper and certainly faster than in store. Web calls gave you pictures the phone did not offer whilst sparing you the journey needed to meet in person. Downloaded entertainment allowed you to choose what you wanted to watch rather than relying on pre planned schedules on tv. Getting news off the web allowed you to be your own editor, free from the political distortions of conventional news channels. People were prepared to pay for these improvements or got some of them free thanks to adverts. So far most people do not see the heat pump as better than the gas boiler, and know it is a lot dearer. They do not want to trade in a car with 500 miles of range based on a five minute filling stop for a car that may have less than half the range and uncertainties over how to find a charger when out, and requiring substantial time for a full recharge. They certainly do not pay a premium for that.

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## [Visit to Shinfield Studios](#)

On Friday 3rd February I was invited to see the building works in Shinfield close to the M4 for the new complex of studios. It is a large building site, with one studio complex completed and another nearing completion. In total it will be some 1 million square feet of studio space with several studios offering substantial interiors for filming. Each building is a large box structure with well insulated double walls to ensure silence inside when needed for recording, with good eaves height to allow sets and plenty of hanging lighting.

They have been attracted to our area by the talented workforce available in surrounding towns and villages, and by the good access from the motorway nearby. I wish them every success as they go about completing the buildings and finding the first users who want to come here to make their films. There was filming action in a completed studio on Friday which we did not disturb.

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# The dangers of more state intervention

Governments of the centre right as of the left have come to accept and recommend a whole range of interventions in the marketplace which do harm for the best of reasons. Wanting to keep rents down at a time of rising housing costs, rent controls have been introduced and tax and regulatory attacks on landlords in several jurisdictions. These changes become a conspiracy against those needing a rented home. Stopping landlords getting a market rent, and placing too tough a regulatory burden on them, induces many landlords to withdraw their homes from the rental market. They may sell them to owner occupiers, or keep them empty awaiting better times, or use them themselves. Supply of property for rent contracts, the very opposite of what is needed to bring rents down. If governments respond by even tougher policies, the supply will fall further. Governments who try this end up with higher rents and less choice for tenants.

Wanting to keep energy prices down many countries introduced price controls. These prevent the companies from charging the market price, and in some cases as in the UK electricity industry drive them straight into bankruptcy. They had to pay market prices to buy in the power, but could not charge market prices to re sell it. Those in the industry that produced their own power without a commensurate rise in their energy costs were charged a windfall tax. This puts companies off adding to capacity by making additional investment. The governments created a money go round charging higher taxes on a part of the industry to send subsidies to another part of the industry with a view to extending the period of lower prices for consumers before having to allow them up again. It is quite obvious looking at the energy crisis that the main cause of it is lack of supply. This was primarily brought on by the West's need to take Russian oil and gas out of its supply for political reasons. It was also exacerbated by the wish to transition from fossil fuel based electricity to renewables, and to greatly increase demand for electricity by switching many more people to electric cars and heating systems. The last thing you want to do in such a circumstance is to tax energy producers more deterring new investment, or show them that if they are successful their prices will be curbed. Short term popularity with electors angry about high prices and profits leads to worse shortages.

Governments in the West also wish to accelerate the reduction in carbon dioxide output. This has led them to impose carbon taxes on energy production and industrial energy usage, as a deterrent to more use of fossil fuels. This has turned out to be a good way to show how markets work. Faced with higher costs in the EU, UK and other places with high carbon taxes, energy using industries are transferring their activities to lower cost countries with no carbon taxes or low ones. The UK in its haste to close coal and gas power stations has got itself into a position where it needs to import electricity to keep the lights on at times of high demand and low renewable output. Cold days when the wind does not blow become problems to manage. These policies do not succeed in cutting total world output of Carbon dioxide. Instead of burning fuel at home with CO<sub>2</sub> produced there, the

exporting country burns the fuel. In many cases switching from home production to imports increases the amount of CO<sub>2</sub> produced as the diesel driven ships needed to bring the product to the user adds to CO<sub>2</sub>. The processes in the exporting countries may also be more fuel intensive.

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## The battle of free enterprise and state control

Capitalism has a bad name with the left who wish to make out it is characterised by exploitation of labour, overcharging and sole preoccupation with profit. Most businesses know that offering keen prices and good service are fundamental to success. They recognise that employees are one of their main resources, so treating employees well is crucial to delivering for customers and shareholders. Capitalism works best when ownership is widely spread. Many people in prosperous free enterprise societies own a home of their own. They own shares through their pension funds and their insurance policies, or they own shares direct. Many have stakes in the businesses they work for through employee share schemes. In the self employed and small business sector individuals and families own businesses and keep the profits of their labours directly.

Nationalisation and state control have a bad name with advocates of free enterprise democracy. In the UK nationalised industries in the last century sacked much of their labour. They put up prices, using their monopoly powers. They often delivered bad service and failed to innovate. They were kept short of investment capital in many cases because their investment competed with spending on public services and was a charge on taxpayers. British Rail was famed for cancelled and delayed trains, poor catering and high ticket prices. The Post Office telephone service fell way behind US technology and capacity prior to privatisation owing to a lack of modern investment. There were long waits to get a phone, the need to accept a line shared with the neighbour and little choice over equipment to use on the network. The Steel industry got big investment in five major new plants, only to be unable to sell nearly enough of the steel and to embark on a series of closures. The electricity industry concentrated on large coal burning stations. Once privatised it was transformed by a dash for gas, cleaning it up and greatly raising its energy efficiency. Socialist supporters of nationalisation look back to that era with nostalgia, wishing to see there keener prices, better service and better employment than ever existed.

It is true that there is no single country that has adopted a purely democratic and free enterprise system of government. Nor are there many examples of complete government control, though North Korea gets close. Countries are somewhere on the spectrum with the USA and small countries like

Norway, Switzerland, Singapore and San Marino clustered towards the free enterprise end with high incomes per head, and Venezuela, Cuba and North Korea at the other extreme with low incomes. Most advanced countries accept a substantial role for government. They want government to tax successful people and companies more to redistribute money to people on low and no incomes to help them have a better lifestyle. They use government interventions to keep markets more competitive and to secure other social ends. The danger all face is if they interfere too widely for however good a reason, they may end up damaging markets, restricting supply and undermining prosperity.

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## Democracy and free enterprise reinforce each other

Markets are economic democracy in action. Free enterprise is essential to democracy, the other side of the same coin. Free enterprise and democracy are the strawberries and cream of the styles of government. In a democracy people have a say in who governs them. Because they can vote an elected official out of office, they can individually and with others influence the debate or persuade the representative to take their views seriously and to help them with their problems. Living in a free market, the same individuals can choose to spend their money as they see fit, helping summons more supply from the market as they with others concert their buying. They are free to offer their labour where they wish and to take a job that suits them best from those on offer. They can set up in business for themselves, providing new products and services to the market. The more democratic and economic freedom people enjoy, the more overall freedom they experience. Freedom allows choices, brings opportunities and helps find solutions.

Autocracy, Communism and fascism cannot allow democracy and have to control, direct and own enterprise. Communism in the USSR killed the independent farmers of Russia, nationalised industries and stole private property. Communism in China controls prices, takes over businesses, scythes the tall poppies of the residual private sector. Autocrats do not like successful entrepreneurs. They want to be seen to be the source of all people need in life, so they can demand loyalty and obedience. Citizens in communist systems may be told where they have to work. They may need travel permits to move from their home city or town. They may find goods and services are rationed or limited in supply. They have no say over who governs them and little say over how they are governed. They need to mind their words as well as their deeds. They are required to conform to state standards and mouth state views.

Free enterprise means anyone can join the market to buy a good or service they want, or to sell one to others. In a free market all have equal

access subject to price. If something is wanted and scarce the price will rise and more supply will then become available. If something is in glut its price will fall and supply will contract. Price changes will also affect demand, increasing it at lower prices and rationing it at higher. For individuals the market is the way they can have access to many of the things that make life pleasant without having to produce them themselves. Individuals and society are much the richer for exchange of services and goods, allowing specialisation, the transfer of skills and innovations, the accumulation of capital to reap the economies of scale, and to focus the best answers.

The danger is that political parties in democracies can demand too many controls and rules, limiting the choices of others and reducing the very freedoms essential to successful democracy.