

Nationalisation versus privatisation

There are pressures today to identify core public services and claim they need to be nationalised again. The list is often strange. Water is on but food is not. Rail travel is on but air or road travel is not. Electricity is on but broadband is not.

As I was pointing out yesterday there are very few monopoly provided services using state employees and equipment and offering a free service. We could not afford many of them given the large tax costs they entail. Prices that people have to pay provide a necessary curb on excessive demand in many cases and send signals about scarcities. Whilst the UK has made clear it has no wish to ration health care by price when people are in need of care and help, it is generally agreed that for most things in life charging makes sense. To make sure people can afford enough of the basics like water and energy all parties believe in income support, minimum pay and other means to ensure people can afford what they need. Offering free power or water to the family that can afford the heated swimming pool or the six bedroom mansion would not be a good idea.

So the case for nationalisation is the case to restore public monopolies that have powers to charge people for energy, water or whatever they produce. When we had public monopolies for water, energy, and some transport modes in the 1960s and 1970s there were constant problems. These bodies did not do a good job in keeping prices down. There was no competitive threat to keep them honest or to press them to greater productivity. Rail fares, water and power bills often went up too much and there was little anyone could do about it. There was no opportunity to switch provider.

Nationalisation was bad for innovation and investment. Our telecoms system fell way behind the USA in terms of technology and efficiency, sticking with electro mechanical systems when the US was going electronic. Our electricity industry stuck with inefficient and dirty coal stations. Our water industry carried on running a pipe system that was creaking from age and inadequacy. They rationed access to a phone making people wait for a line or sharing a line with the neighbours. Water was often rationed in a dry summer with hose pipe bans or worse. The nationalised industries were always at the back of the queue for extra money to invest behind key services like the NHS and education. All their capital had to be approved and formed part of the state budget.

Service levels were often disappointing. The water industry regularly fouled our beaches. Trains were often late or cancelled. The telephone system limited the devices you could add to the network and could not provide good quality data lines for business in some cases.

Were the UK to want to renationalise it would be a monumental waste of taxpayer money. The UK could not confiscate the privatised assets like some communist autocracy, needing to respect international laws of ownership and trade rules. The money spent on buying the existing assets would balloon

state debt without adding a penny to the amount the industries could invest. No prudent Chancellor would want to find big sums for additional utility investment on top of the other many budget demands. There would be no guarantee that prices were lower or service better than the current privatised levels. Indeed, history suggest they would likely to worse, as the absence of competition blunts achievement.

We were prisoners of nationalised monopolies when we had them. Taxpayers had to bail them out and pay their losses. Customers were treated badly, faced rationing and poor service