

## Defence

There are too many wars. Wars happen when diplomacy fails. When wars end talking has to resume. A victor in war can lose the peace.

Wars are necessary when a bully state seeks to damage or occupy others. Such a rogue state has to be confronted and defeated if talking does not change their mind. Democracies do not usually covet the land and people of another. The great democracies of North America and Europe have no imperial ambitions to conquer territory or use force to take over the government of foreign lands.

The paradox is that if you want peace you do often have to arm for war. The West keeps up its military capability but rightly calls it Defence. NATO is a defensive alliance. Each member pledges to come to the aid of any member who is attacked, though each member state retains control over their individual contribution to any planned NATO action.

The West has fought in many regional and local wars since 1945. Some would say we have intervened too often. Toppling dictators in the Middle East who were a threat to some of their own citizens and to their neighbours was not always a good idea, as establishing a better government with local democratic consent afterwards proved difficult. Many of the conflicts followed from the dreadful attack on the USA called 9/11. The USA understandably wanted to retaliate, but got dragged into a series of wars where the forces on the ground were complex.

The UK needs to have sufficient military strength to offer protection to these islands. It does so through the power of our own independent armed forces and through our membership of NATO which makes allied support likely in the event of a military threat. The UK also needs to be able to participate in NATO and UN approved actions with an expeditionary capability to project power anywhere in the world. Cutting defence spending or undermining the independent deterrent would reduce our capacity to see off a potential enemy, and could reduce our ability to help our allies and make our necessary contributions as a member of the UN Security Council. The UK is right to retain control over the use of our own armed forces, with a veto over whether to join or to decline any EU military activity. The UK also needs to ensure it has sufficient control over the technology and capability to produce weapons and fighting machines in the UK.

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## Competition means choice

Most of the big networks need not be monopolies. Some of you are writing in to say energy or telecoms or water rests on some natural monopoly so it is

best held in the public sector. This is a double mistake.

It is quite possible to have competing supplies of water using a pipe network as a common carrier. It is quite possible for there to be competing ways to route data and phone calls to people without having a single monopoly network of cables. The oil and gas industries do not need monopoly suppliers because the competing businesses sometimes share pipes. The electricity industry can have competing generators and competing retail companies whilst having some regulated shared network of cables.

Nor is it true to say the state regulates a monopoly well if it owns it. It is easier for the state to be a tough and good regulator of any monopoly elements that remain if it does not own it. As soon as ownership and regulation are confused the danger is the need to preserve jobs or generate cash or cover up for mistakes takes precedence over the correct regulatory response to poor service or damage done.

When I advised the Thatcher government on industrial strategy I always placed introducing competition above change of ownership. In the case of telecoms in the first round of arguments prior to the initial share sale the PM argued for competition but the Treasury was reluctant. The compromise only allowed for competition for business use through a single challenger. I was able to revisit this decision with Peter Lilley when we were Business Ministers and introduced wider ranging competition at a later date.

Wherever competition was introduced as into electricity and telephones service quality improved and prices fell after the event. Nationalised monopolies usually serve both customer and taxpayer badly. Labour's ruinously expensive proposals are unlikely to bring benefits after the initial shock of the costs.

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## [More money for local schools](#)

I see there is a website suggesting I do not back more money for local schools. As readers of this site will know I have successfully campaigned for more money and support Conservative plans to set new higher minimum levels of funding. I will continue to press the case for further increases.

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## [Socialism in the UK](#)

Yesterday I pointed out that borrowing too much, spending too much and nationalising too much had wrecked the current day Venezuelan economy. Some

wrote in to say it would be different in the UK if a Labour government tried the same here.

Well when they did it here they created similar problems. The 1940s, 1960s and 1970s Labour governments nationalised too much, spent too much and borrowed too much. In 1976 they created a financial crisis and had to go to the IMF and beg for some additional borrowings. The IMF made them cut spending and start to denationalise to raise money. In the 1960s they caused a devaluation crisis and had to slash the value of the pound to stabilise the economy.

Labour nationalised or kept in public hands trains, buses, some road freight, electricity, gas, coal, telecoms, postal services, water, steel, some car production, aerospace, and shipbuilding.

These great nationalised industries cost the taxpayer a fortune in subsidies as many of the businesses were heavily loss making. Many of them had to sack thousands of employees in an effort to limit losses. They often overcharged their customers by international standards, abusing their monopoly position.

They did so badly because productivity was low and capital investment ill judged. The steel industry spent huge sums on five large integrated works that produced far more steel than the market wanted to buy. There then followed agonising debates about sacking people and closing plants. The coal industry kept shrinking as pits became exhausted. The telecoms service fell behind world standards. It failed to adopt new technology to improve services and cut costs. BL allowed its car designs to lag behind popular demand and struggled to maintain volumes.

Privatising many of these industries allowed them to expand, adopt new technology and offer better service and lower prices to customers. The magic of competition drove down telecoms and energy prices after privatisation. Suddenly people could buy a whole range of phones and other devices to add to the phone network that the nationalised monopoly had denied them. The electricity industry made a dash for gas, raising its thermal efficiency, cutting prices and reducing harmful emissions.

Mr Corbyn's wish to go back to the past would set us back badly. It would mean much higher taxes, more borrowing, and a less good service. Labour in office usually raises borrowing and unemployment.

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## [Corbyn and the Venezuela model](#)

The leadership of the Labour party admired Chavez, the socialist dictator of Venezuela and have not rushed to condemn his successor, Maduro. Between Chavez and Maduro they have shown the world what a true socialist programme does. They have undertaken widespread nationalisation, boosted spending

programmes, borrowed huge sums of money and regulated and taxed the remaining private sector.

The results have been predictably dire. GDP per head and GDP is down by around 40% from the peak in 2011. Oil output in the nationalised oil industry has more than halved. Inflation has turned to hyperinflation. More than 1 in 3 are out of work. There are shortages of basics in the shops.

The nationalisation of oil is an important warning to a Labour party that seeks wide ranging nationalisation and see nationalising broadband and taxing digital companies as some kind of cornucopia they can wrestle away from the competitive sector. Venezuela saw the oil industry as a source of money for all they wanted to do. Instead they starved it of good management and of investment so today output has halved. Tankers are unable to transport more oil from Venezuela because they are not in seaworthy enough condition to pass modern maritime standards.

Labour seriously underestimates the costs of nationalising UK broadband and grossly exaggerates how much money it could get from new taxes on US technology companies operating here. There is not just the initial cost of partial compensation to the current owners of BT. There is also the need to pay an annual subsidy to replace the broadband charges that would be abolished, and the need to find huge sums of capital to complete the roll out of fibre optic cable to all parts of the UK to supply the capacity needed.

When we last had a monopoly nationalised industry running our phone service here in the UK you could experience a delay of six months or more in trying to get a new phone line. You were not allowed to buy your own choice of phone to add to the network. The switching equipment was out of date and the UK was falling well behind the USA in standards and capacity of phone system. Why would it be any different in the future if Labour had its way? Any how much would they rob from savers who currently own BT through their Pension funds and their share based savings and insurance policies?

Under past Labour governments nationalised industries cost taxpayers a fortune in subsidies needed to keep them going. They overcharged customers from their monopoly position and they often sacked large numbers of employees. It was wisely said we did not own the nationalised industries but they owned us.