The case for free enterprise

Listening to debates in the Commons, the air is often thick with criticisms of companies and entrepreneurs. To many MPs companies are sources of tax revenue for their pet projects, run by people who will do harm unless regulated strictly against every risk. MPs who think like this should get out more.

Many of the things that are essential to our lives are supplied by free enterprise, and most of the pursuits that people most enjoy are supplied from private sector innovations and sources. Our food is grown by competing farmers and supplied by competing manufacturers and retailers. Our homes are built by competing construction companies. Our entertainments are private sector creations, delivered on innovatory technology that comes from a range of technology and consumer goods companies.

Parliament has to spend much of its time (when it is not groundhog day on Brexit again) debating the delivery of those services which are public sector. The NHS, schools, railways and roads are largely or wholly public sector provided and are appropriately the topic of many debates and rows. There is scarcity built into most public sector supply. We are short of GP appointments, short of roadspace, short of good quality school places in fast growing parts of the country, and short of commuter rail capacity at peaks when we most need the provision. There are problems raising quality and efficiency levels in parts of these public services. Top down allocation of cash causes arguments about its adequacy and distribution. The providers so often look upwards to the cash allocators, rather than outward to the users of the services.

The free enterprise model builds in natural incentives to innovate, to raise quality and to drive efficiency. If Company A fails to grasp the move from blackberries to ipads, Company B will and will take the business. If Company C fails to adopt better technology and machine power to make its employees more productive, Company D will and will be able to undercut Company C. If Company E gets a bad reputation for safety, people will switch to Company F that takes it seriously. If Company G treats its employees badly, they can shift to Company H who treats them well and gets a much better result for customers and shareholders as a result.

The public sector model has to try to find ways to substitute for the lack of consumer power in driving innovation and quality. Various ways have been tried, but these often are less good. The Highways Authority regularly shuts down sections of main routes without thought for the delays and problems caused to users, because it suffers no financial penalty for its failure and there is no alternative network to turn to. Network Rail regularly experiences signal failures and bottlenecks on its network delaying passengers and preventing innovative new services to meet demand,because it does not have to do better to survive. If it makes a mess it just demands more taxpayers cash to put it right. Obvious bypass track and short sections of new track top create roe capacity and new links do not get put in because they cannot be bothered to respond to potential demand or to improve the traveller experience.

The popular thing about main public services including schools and hospitals is they are free to users at the point of use. The main political parties are united in defending this principle. Other public services like railways rely on user charging, and roads rely on heavy taxation of motorists well in excess of the cost of provision. None of these financing models need rule out greater consumer choice, which could help raise quality and efficiency.