

Why do some people think nationalisation a good idea?

All previous Labour governments have nationalised some state assets. The 1945-51 government did so on a large scale out of ideological conviction. The Wilson government of 1964-70 and the Wilson-Callaghan administration of 1974-9 did so alleging it would enable them to pursue an industrial and economic strategy that would lift the growth rate, with a continuous row over how far they should go as the left pushed for a more active strategy. The Blair-Brown governments came to office in 1997 accepting privatisation and saying they would not reverse the large changes from the Conservative privatisation programmes. Later in office they renationalised the bulk of the railway and went on to buy two of the largest commercial banking groups following the failure of their regulatory approach to banking.

The left who argued strongly for more nationalisations argued their case based on three main erroneous propositions. The first was that it would be better for employment and the employees if their jobs came from Ministers and a political process, rather than from competing private sector employers. Instead, as we shall see, the main nationalised industries ended up sacking large numbers of people.

The second was that it would cut out the so called "inefficiencies of competition" – the extra head offices and advertising programmes to sell different brands and services – making the nationalised industries more efficient and better for customers. Instead, monopoly pricing power wherever they had it was used to push up prices to pay for inefficiencies which the monopoly could not or did not wish to remove.

The third was that it would allow rational planning and longer timescale for investment. This they wrongly thought would lead to stronger and better based industries. Instead, the planners usually got it wrong, made large and wasteful investments and ended up having to close their own pet projects or sack their staff.

It would be interesting to hear from those of you who favour complete nationalisation of current railways why the nationalised Network Rail is not delivering a railway you are happy with.

As I will show from tomorrow from past experience, nationalised industries in the UK developed a bad record as employers, making hundreds of thousands redundant, pushed up prices a lot, and bungled large scale investment programmes badly.