

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.