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.

Productivity

The government was able to report a reasonable increase in productivity in the third quarter of 2017 with a 0.9% gain in the three months, with similar advances in both services and industry. The Treasury is keen to advance productivity as a means of promoting higher real incomes and improving UK competitiveness in world markets.

One of the areas of the economy that has struggled to make productivity improvements is the public sector. Whilst there is a good reason to want good staffing ratios for front line services like healthcare and teaching, there are many back office functions and other services where the government can improve quality and lower cost by adopting more productive ways of working. Offering more computing power to perform clerical functions, speeding and cheapening communication with users by going digital, adopting the internet for a wide variety of productivity enhancing improvements are the way forward.

Some of it requires policy change. The introduction of Universal Credit is partially designed to reduce the number of benefits that require separate application and calculation, whilst ensuring decent support for those who need it. The Treasury could reduce the costs of tax collection by streamlining and simplifying taxes.

Some of it requires careful negotiation with staff. The aim should be to help people work smarter and to be better paid as a result. Given the need for more staff in many areas of the public sector, productivity raising improvements do not require reducing the number of jobs overall, but ensuring the jobs are better and achieving more. Some technology will not be popular with workforces, as we have seen with more automation on trains.

Today I am inviting you to write in with your suggestions for ways public service could be improved through the adoption of new technology. Well done it can raise service standards for users, reduce costs for taxpayers, and provide better paid and more worthwhile jobs for those in the public sector adopting the new ways of delivering.

The fall in the pound mainly occurred before the Brexit decision

Today we will doubtless hear plenty of ill informed discussion about car sales and the fall in the pound. So let me remind people of what has happened to the pound in recent years.

It reached a peak of $1.71 on 6 July 2014. It fell to a low of $1.38 on 28 February 2016, well before the referendum vote when the establishment and City were still all convinced we would vote to stay in.

It was only at $1.41 on 14 June before the vote, and fell to $1.29 on 7 July after the vote. It is currently at $1.35. As you can see from these figures the pound has moved in big swings in recent years, largely unconnected with the referendum. I doubt those who think the referendum is the main driver argue that the pound has rose 7% against the dollar last year because of Brexit.

[The fall in diesel car sales is nothing to do with Brexit]

Car sales rose well against the background of a falling pound in the year before the Brexit vote, and rose strongly for the first nine months after the Brexit vote when the pound fell further. Since April 2017 diesel car sales have fallen sharply, whilst petrol and electric car sales have risen but not by enough to offset all the fall in diesels. This has taken place against the background of the pound rising against the dollar and the yen and stabilising against the Euro which has been strong against all currencies. This history shows it was not the Brexit vote that caused the change in the market for diesels.

The SMMT and the media do accept that tax changes and a different mood towards diesels account for some of the fall. They should remember that the April 2017 budget increased VED strongly for dearer new cars. Presumably the intention was to cut sales of higher priced cars, and it certainly worked. There are also discussions about further taxes and bans on diesel cars in various towns and cities. This is leading some potential buyers to put off a decision pending greater clarity over whether modern cleaner diesels will be allowed in all places in the UK and what the tax regime for them will be. April also saw the tightening of new car lending by the authorities which added to the problems in the car showrooms.

[What do people want from a currency?]

I find many people still want to talk about crypto currencies. There is a line of thought amongst entrepreneurs and radicals that wants a crypto currency to emerge that is free of the controls of governments and Central

Banks, reflecting their distrust of these organisations. There are two main lines of criticism of national monopoly official currencies. The first is the way most of the countries backing these currencies allows or even encourages some inflation, reducing their real value over time. The second is the way national monopoly currencies give the authorities greater controls over people's money and their way of life.

It is true that most Central Banks aim for a gentle devaluation of their money by around 2% per annum, as they think a little inflation helps growth and economic change. Sometimes they lose control and end up with considerably higher rates of inflation. Individuals in a free country which allows its citizens to buy and own real assets and other national currencies can protect themselves against an undesirable inflation in their national money by owning inflation proofed assets like local currency index linked debt or by holding other currencies less exposed to inflation. Inflation linked bonds, property and shares have some inflation beating characteristics. The so called crypto currencies have so far not proved to be a low risk way of protecting yourself against inflation in your national currency. There has been extreme price volatility, producing either an excess return well above the inflation erosion of your base currency, or days of large price falls reminding you that in the wrong one of these vehicles you could lose the lot.

It is true people can design crypto currencies with clever ways of restricting supply of them. All the time there is an increasing number of people willing to believe in their properties, this can create substantial upward pressure on their value. However, there is also a central paradox. To create the magic ingredient of pressure for the price to rise requires tough restrictions on the issue of new crypto currency. This means such a currency will struggle to be liquid enough and universal enough to meet the test of effective money that is freely and widely accepted in payment. National currencies are very flexible in response to demand for more money for legitimate uses. The very flexibility that allows too much money to chase too few goods, leading to inflation, is also a crucial feature to allow money to expand as economic activity expands to permit growth and business success. Judging the right amount of money, as Central Banks have to do, is a difficult task to get right.

Some of the advocates of crypto currencies I have listened to are even more concerned about the way commercial banks holding our deposits in national monopoly currencies are increasingly the regulated creatures of the state allowing the state to exert substantial control over our finances. The answer to this is not to create a new non government currency which allows people to break the tax and financial laws. The main reason states are so suspicious of crypto currencies is they fear they can and will be used by drug traffickers, terrorist organisations, large scale tax evaders who want a currency that is not reported to the authorities and which allows them to do as they wish without trace. Some people used to like bearer bonds, gold bars and other stores of value that avoided direct reporting to tax authorities, but gradually governments brought these under regulatory control. Anyway people often found they had to use the normal banking system and monopoly currencies at the end of the process when they wished to spend their wealth.

The case for crypto currencies has to be made for reasons other than the dislike of tax that a national authority seeks to impose. If there are too many taxes or they are at too high a rate there has to be democratic pressure to change, or the person who objects strongly has to move to a lower tax jurisdiction to live and work permanently.