

The battle of free enterprise and state control

Capitalism has a bad name with the left who wish to make out it is characterised by exploitation of labour, overcharging and sole preoccupation with profit. Most businesses know that offering keen prices and good service are fundamental to success. They recognise that employees are one of their main resources, so treating employees well is crucial to delivering for customers and shareholders. Capitalism works best when ownership is widely spread. Many people in prosperous free enterprise societies own a home of their own. They own shares through their pension funds and their insurance policies, or they own shares direct. Many have stakes in the businesses they work for through employee share schemes. In the self employed and small business sector individuals and families own businesses and keep the profits of their labours directly.

Nationalisation and state control have a bad name with advocates of free enterprise democracy. In the UK nationalised industries in the last century sacked much of their labour. They put up prices, using their monopoly powers. They often delivered bad service and failed to innovate. They were kept short of investment capital in many cases because their investment competed with spending on public services and was a charge on taxpayers. British Rail was famed for cancelled and delayed trains, poor catering and high ticket prices. The Post Office telephone service fell way behind US technology and capacity prior to privatisation owing to a lack of modern investment. There were long waits to get a phone, the need to accept a line shared with the neighbour and little choice over equipment to use on the network. The Steel industry got big investment in five major new plants, only to be unable to sell nearly enough of the steel and to embark on a series of closures. The electricity industry concentrated on large coal burning stations. Once privatised it was transformed by a dash for gas, cleaning it up and greatly raising its energy efficiency. Socialist supporters of nationalisation look back to that era with nostalgia, wishing to see there keener prices, better service and better employment than ever existed.

It is true that there is no single country that has adopted a purely democratic and free enterprise system of government. Nor are there many examples of complete government control, though North Korea gets close. Countries are somewhere on the spectrum with the USA and small countries like Norway, Switzerland, Singapore and San Marino clustered towards the free enterprise end with high incomes per head, and Venezuela, Cuba and North Korea at the other extreme with low incomes. Most advanced countries accept a substantial role for government. They want government to tax successful people and companies more to redistribute money to people on low and no incomes to help them have a better lifestyle. They use government interventions to keep markets more competitive and to secure other social ends. The danger all face is if they interfere too widely for however good a

reason, they may end up damaging markets, restricting supply and undermining prosperity.