

The dangers of more state intervention

Governments of the centre right as of the left have come to accept and recommend a whole range of interventions in the marketplace which do harm for the best of reasons. Wanting to keep rents down at a time of rising housing costs, rent controls have been introduced and tax and regulatory attacks on landlords in several jurisdictions. These changes become a conspiracy against those needing a rented home. Stopping landlords getting a market rent, and placing too tough a regulatory burden on them, induces many landlords to withdraw their homes from the rental market. They may sell them to owner occupiers, or keep them empty awaiting better times, or use them themselves. Supply of property for rent contracts, the very opposite of what is needed to bring rents down. If governments respond by even tougher policies, the supply will fall further. Governments who try this end up with higher rents and less choice for tenants.

Wanting to keep energy prices down many countries introduced price controls. These prevent the companies from charging the market price, and in some cases as in the UK electricity industry drive them straight into bankruptcy. They had to pay market prices to buy in the power, but could not charge market prices to re sell it. Those in the industry that produced their own power without a commensurate rise in their energy costs were charged a windfall tax. This puts companies off adding to capacity by making additional investment. The governments created a money go round charging higher taxes on a part of the industry to send subsidies to another part of the industry with a view to extending the period of lower prices for consumers before having to allow them up again. It is quite obvious looking at the energy crisis that the main cause of it is lack of supply. This was primarily brought on by the West's need to take Russian oil and gas out of its supply for political reasons. It was also exacerbated by the wish to transition from fossil fuel based electricity to renewables, and to greatly increase demand for electricity by switching many more people to electric cars and heating systems. The last thing you want to do in such a circumstance is to tax energy producers more deterring new investment, or show them that if they are successful their prices will be curbed. Short term popularity with electors angry about high prices and profits leads to worse shortages.

Governments in the West also wish to accelerate the reduction in carbon dioxide output. This has led them to impose carbon taxes on energy production and industrial energy usage, as a deterrent to more use of fossil fuels. This has turned out to be a good way to show how markets work. Faced with higher costs in the EU, UK and other places with high carbon taxes, energy using industries are transferring their activities to lower cost countries with no carbon taxes or low ones. The UK in its haste to close coal and gas power stations has got itself into a position where it needs to import electricity to keep the lights on at times of high demand and low renewable output. Cold days when the wind does not blow become problems to manage. These policies do not succeed in cutting total world output of Carbon dioxide. Instead of burning fuel at home with CO₂ produced there, the

exporting country burns the fuel. In many cases switching from home production to imports increases the amount of CO₂ produced as the diesel driven ships needed to bring the product to the user adds to CO₂. The processes in the exporting countries may also be more fuel intensive.