

Waves of destruction

It was Schumpeter who said capitalism was characterised by waves of creative destruction. The constant search for improvement throws out the old and welcomes the new.

In the last century out went the businesses shoeing horses, and supplying coaches and carts for the horse drawn age. In came the petrol car and van, and the garages and filling stations they needed. The transition happened rapidly, as people found the new vehicles more convenient, easier to keep and faster. Farriers and carriage makers had to retrain and change jobs. Mews properties were adapted to new use.

Today we have a new phenomenon. We have governments launching a huge wave of capital and job destruction. The Green revolution aims to remove the entire oil and gas industry, transform the electricity generation industry, and force change in the way we travel and power our homes and workplaces.

The extent of the planned closures and write offs is large . The mighty oil and gas companies of the last century have to plan the demise of their own main assets. The car companies have to close down all their diesel and petrol making capacity and replace it with very different production lines making very different vehicles, centred around the entirely new technology for them of a large floorplate battery. The home heating industry has to completely change its product range, weaning people off oil and gas boilers.

Governments who favour these changes argue that there will be lots of new green jobs. It is true it will take people to make electric cars and environmentally friendly heating systems. It requires new jobs to build windfarms and put in hydro power. The worry is the pace of this, and meanwhile how difficult will be the transition with massive job losses in the products and services the state wishes to close down.

At the moment there are many more people put off buying a new diesel or petrol car than there are people wanting to buy new electric vehicles. There are more people pausing over replacing their domestic heating system than there are people ripping out the old and spending on the new. The anti Covid Policy inspired recession adds to the dislocation and slashes spending power just when governments want people to buy new heating and transport.

Governments did not need to offer subsidy and incentives to get people to buy the motor car or the smartphone. People wanted them. Industry improved designs, generated economies of scale and cut prices until more or most could afford the products. This top down revolution is different. Government has demanded the electric car. It has to subsidise it and wait for industry to improve it so more people will willingly buy it. People want better performance on range, recharge times and battery life, and much lower prices.

People are happy with their gas boilers and will run them until they break down, unless the government forces them to change. One intervention in a

market leads to another and another. The danger is this will all prove very expensive for the public purse and will entail substantial direction and intervention in people's lives to get it done. Too much government intervention will mean lower incomes and living standards as well as less freedom.