

## VIII

# *Nationalisation*

THE nationalisation of industry is not essential to planning; a government can do nearly anything it wants to do by way of controlling industry without resorting to nationalisation, as in Nazi Germany. Nationalisation is merely one of the ways of achieving ends; better for some ends, and not so good for others. We may begin by classifying the reasons for which nationalisation has been advocated.

First, socialists have wished the state to confiscate the property of the rich. But nationalisation is not confiscation. In Britain when we nationalise we pay the owners the full value of their property so that they are no less rich after nationalisation than before. This is done for the excellent reason that everything is not being nationalised at the same time. If one is nationalising only certain industries it would be unfair to confiscate the property of their capitalists while leaving all other capitalists untouched. And it would also be unwise because other capitalists who expected their own turn to come would withdraw as much capital as possible from industries on the nationalisation list, while there was yet time, to the detriment of the efficiency of these industries. If the fear of future nationalisation is not to stop the wheels of industry, capitalists must know that they will be treated fairly when their turn comes, so that they may continue to keep their industries going until the state gets round to them. Compensation must not be unfair, and if it errs, should, for this reason, err on the generous side. Confiscation proceeds not by nationalisation, but by taxation, especially death duties and capital levies, which should be pursued whether nationalisation takes place or not.)

(Secondly, in recent years in this country nationalisation has come to be thought of as necessary where capitalists have not been putting enough money into an industry,) as into the British coal, cotton, agricultural or steel industries between

1920 and 1939. (Actually the real reason why capitalists put little money into those industries in that period was that the demand for their products was relatively small, for special reasons.) If the British Government had owned the coal industry, or cotton, or the land in the 1920s and 1930s it would have been just as reluctant to invest new capital in them as were the private capitalists. There is, after all, no chronic tendency of capitalists not to invest; they put their money where prospects are brightest, and poured plenty into the land or coal in the years before 1920 before conditions abroad cast their blight upon the prospects of these staple industries. It is not necessary to nationalise steel or the land in order to get capital invested in them. All the capital that is wanted will flow in if prospects are bright, and if the government wants capital to flow in even though prospects are uncertain (a decision which it should not take lightly) it has only to guarantee the market for the product, or to guarantee debenture payments, or, as it has done in the cotton industry, to offer an outright subsidy.

(Thirdly, nationalisation has been advocated by socialists who have objected to the proletariat working for private employers who own the means of production.) In olden days when the scale of production was very small the workers could own their own instruments of production, and it is much pleasanter to work for oneself than to work for someone else. (But nationalisation does very little to solve this problem. What early socialists demanded was not nationalisation but cooperative production)—the mines would be handed over to the miners as their own property, to run them as they pleased on a cooperative basis. British socialists have now rejected this conception; the mines, or any other nationalised property, are to belong to the public, who will employ the miners, and the essential relation is not changed by the change of ownership. It is of course very desirable that in nationalised enterprises the workers shall participate fully in management, and be treated with the fullest human dignity, but this is just as necessary in private industry, and is not, in fact, any easier to achieve in nationalised industries than it is in private industries, given in each case that the owner of the property, public or private, is retaining and protecting certain rights. We have to do everything that we can, in public and private industry, to revolutionise the status of working

people; but if we rest too much of the case for nationalisation on this ground we shall only be bitterly disappointed.

(We come on to more solid ground where nationalisation is advocated for an industry where efficiency depends on unitary control.) A good example of this is the ownership of mineral rights.) When mining rights are owned by thousands of small landowners, each of whom may grant a mining licence to whatever company he pleases, the working of the mineral underground is seldom performed economically; companies are too small, and their boundaries bear no relation to geological conditions. There is a similar case for *land* nationalisation, where the existing pattern of ownership is causing farms to be uneconomic in size and shape, or frustrating town or country planning. The telephone service is also another example, because of the advantage of having all the subscribers in an area on the same system; and so is the generation of electricity, because of the advantage of pooling reserves.<sup>5</sup> Still another important class are industries where standardisation would bring substantial economies, where such standardisation is being frustrated by the existing pattern of ownership. Of these the most important example in this country is *the motor car industry*. Also in this category we must include industries where excessive use of selling or buying agents by rival firms causes great waste, as is alleged to be the case with *insurance* in this country, and with *the marketing of agricultural produce* in many backward countries.)

Unitary control is not the same as nationalisation; it becomes part of the case for nationalisation only because it involves monopoly, and then it merges into the general case for nationalising monopolies, whether they are based upon a need for unitary control or not, because it is desirable that monopolies be subjected to public control. Nationalisation is not the only possible form of control. Monopolies can be controlled by setting up a tribunal to fix their prices, or by controlling their profits, or laying down conditions of service as has been done here and elsewhere for generations with gas, railways, and other public utilities. Neither does nationalisation even make it possible to evade having to have these types of control, because it is just as necessary to have these controls over public as over private monopolies. The only thing that nationalisation

adds is the right to appoint the directors. This is an important right, and one that it is necessary for the state to be able to exercise over all industries that play an important part in the economy. This is a vague phrase admittedly; it applies not to consumer goods industries, but to monopolistic industries which supply services widely used by other industries, such as railways, *steel*, *banking*, or *chemicals*. It is not for nothing that the capitalists in these industries are usually looked up to by other capitalists as the great lords of capitalism, and given positions of responsibility wherever spokesmen are needed to represent the general interests of the class. These positions wield great power, and it is right that those who hold them should be nominated by the public and be answerable to the public.

(In so far as the purpose of nationalisation is the control of monopoly, nationalisation need not itself be monopolistic, except in those cases where unitary control is essential to efficiency. An industry can be controlled by nationalising a part of it, just as private monopolists frequently exercise leadership and control of an industry even though their own firms may supply well under half the output.) This is important first because it makes it unnecessary to try to draw the line very precisely in defining the industry to be nationalised. The important thing is to nationalise all or enough of the big firms to secure control. Neither does it matter if the firms one nationalises have interests in processes or industries outside the range of special interest. There is no reason why these should not be kept even if it means participating in other industries which are largely in private hands. There is a case for having some private firms in industries mainly nationalised, to act as a check on the efficiency of the public firms, and to provide an outlet for ideas which the public firms might suppress (this is particularly important in a country dependent on foreign trade). And equally there is a good case for public firms in many industries that are largely in private hands, to serve similarly as a yardstick and as an opportunity for experiments. The government should have power to start or to buy firms by private contract in any industry for this purpose. Partial nationalisation has many advantages over complete nationalisation of an industry.

It is also desirable that, except where there are special advantages in unitary control, the public sector of an industry should be decentralised as much as possible, to the extent of being administered by several independent corporations instead of by a single corporation. There is a case for having several B.B.Cs instead of one, and several Coal Boards. 'Decentralisation is desirable in the interest of efficiency, because enormous corporations are difficult to administer from a single centre. It is also necessary if the participation of workers in management is to be real, for if the decisions are all made at the centre very few can participate: the greater the number of points at which decisions are made, the greater the number of workers that can be drawn in, and the greater the sense of participation and of loyalty. This is specially important because it is the duty of public corporations to give a lead in promoting a new atmosphere of cooperation in industry. And thirdly, decentralisation is necessary in the interest of democracy, which is always endangered by the concentration of economic power in a few hands, whether the persons exercising it are nominated by a Minister or not. (Nationalisation of monopolies is frequently desirable, but it is not desirable that nationalisation should be an instrument for increasing monopolisation.

(Finally there is nationalisation as an administrative technique to facilitate some control not itself necessarily connected with the industry nationalised.) For example taxes are easiest to collect when the goods taxed pass at some point through the hands of a small number of people, and most difficult to collect when there are many producers selling direct to many consumers without the intervention of a concentrated middleman channel. A government determined to tax, in such a case, may give itself a monopoly of compulsory wholesaling.) There are many circumstances in which a government may find it useful to have a monopoly of wholesaling, or, if not a monopoly, at least a substantial share; e.g. in foreign trade, to give effect to bulk contracts, either of purchase or of sale, or to control closely either the quantity or the price or the source or direction of imports or of exports; or in home trade, to be able to promote standardisation by giving bulk orders. (To control the wholesale trade is frequently one of the most effective ways of controlling an industry.)

(Nationalisation, then, is frequently desirable. There is no case for nationalising the whole economy. For nationalisation, when all is said, remains a form of monopoly, subject to all the usual disadvantages of monopoly. It is an improvement on private monopoly and desirable in industries that would in any case be monopolistic, but complete nationalisation should never be introduced in any industry which is not naturally or desirably monopolistic.) The reasons for this are the usual reasons against monopoly; that it breeds inefficiency, stifles initiative and concentrates power.) A country which depends on its export trade depends on being in the forefront with trying out new ideas, and cannot afford to create any kind of monopoly that is not necessary. And a country whose people love freedom will not wish the state to become the sole employer, through giant corporations. We must have some nationalisation, much more than we have already got (the most obvious candidates for future nationalisation have been mentioned in italics), but we must take each case on its merits, and know where to draw the line.

#### CONTROL

(And when we do nationalise an industry and make it into a monopoly we need to provide for it as great a machinery of control as private monopolies require.

Long experience of public utility control points the way. First, there must be a tribunal with general control over prices charged and services offered to which customers can appeal,) as to the old Railway Rates Tribunal and Railway and Canal Commission; every nationalised industry should have its tribunal (it is, for example, a serious omission from the nationalised coal industry.) (A further corollary of this is a price policy. Nationalised industries must pay their way, on a non-discriminatory basis, and must not be used either as a means of taxation, or as a means of subsidising favoured groups, however deserving; all this should be written into their statutes.

Next a consumers' council is useful, to watch over the interests of consumers, to bargain with the corporation, and to take to the tribunal general issues affecting not just a particular customer but customers as a group, e.g. the general level of prices.) A most important function of such a council, also, is to

keep an eye on efficiency.) Every public corporation should be made to publish detailed information about its costs (as the coal industry does, but not railways or electricity) so that the public may compare its costs with those of similar undertakings in other countries, and compare its parts one with another.)

The responsibility for the conditions of the workers, and for seeing that the fullest opportunities are given for participation in management, for promotion, etc., falls upon the appropriate trade unions, whose rights in these spheres need to be specifically recorded in the corporation's charter. If the unions are not satisfied they will, of course, go to arbitration on matters of conditions, or report to the appropriate Minister.

The Minister and Parliament are both last and least in the machinery of control.) They cannot be a substitute for the patient and detailed work that has to be done by a price tribunal, by a consumers' council, and by an arbitration board. Ministers should exercise very little control over corporations. Prices, services and conditions of labour are matters for special tribunals. Efficiency and good relations with workpeople are matters that he must review, either independently or at the instance of a consumers' council or of a trade union, since on them depends his judgment of the suitability of the directors he has appointed; and capital investment is clearly his concern. Once a year he should present to Parliament the report of the corporation, with the reports of the tribunal and the consumers' council, and a report from the Ministry of Labour on labour relations, and this should be almost the only occasion on which members of Parliament discuss the corporation's affairs. It will certainly be the only occasion that they have both the time and the relevant material to discuss them intelligently

#### CONCLUSION

We may summarise as follows:

(1) Nationalisation is a form of monopoly. Partial nationalisation of industries is useful both as a check on private enterprise and as an outlet for experiment, and may be used widely, but complete nationalisation should be applied only where it is desirable to have a monopoly.

(2) A monopoly should be created wherever efficiency would be increased by bringing an industry under unitary control.

(3) Important monopolies, whether state-created or not, should be nationalised.

(4) The public sector of an industry should be decentralised as much as possible; several public corporations are better than one, except where there are special advantages in unitary control.

(5) In some cases government monopolisation of wholesale trade facilitates desirable economic planning.

(6) Nationalised monopolies should be controlled as closely as any others. Ministers and Parliament cannot achieve much. There should be a price and services tribunal, with a price policy laid down by law, a consumers' council, with access to cost accounts, and the usual machinery for labour arbitration.