

# NATIONALISATION

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**N**ATIONALISATION occupies a central place in the socialist policy.

The bedrock principle of socialism is that industry should be directed by the state in the public interest, and not by private groups pursuing the objective of private profit. The socialist does not, as is commonly thought, seek to remove altogether from industry the making of profit. He seeks only to ensure that the making of profit and its disposal are controlled by the state rather than by private individuals and groups. Most government enterprises aim at earning a profit on their activities—although experience in Australia at any rate shows that only in comparatively few cases have they been successful. The state-owned enterprise, just as the privately-owned, generally seeks to make at least sufficient revenue to cover its costs, and, where necessary, to pay interest on its capital.

## THE SOCIALIST POLICY OF NATIONALISATION

The modern socialist does not, as is often believed, propose to nationalise all industry. He proposes to nationalise only a certain key sector comprising basic utilities and services such as finance and banking, transport, the land, fuel and power, and a somewhat vaguely-defined sphere which he calls large-scale monopolistic industry. A large area of economic activity is to be left to private enterprise. Thus, in perhaps the most comprehensive exposition of present-day socialist policy\* "The Socialist Case," the author, Douglas Jay, says "There is a very large class of industries to which nationalisation would only be appropriate at a very late stage, if ever. This class includes very small, very speculative and completely new trades. It has always been recognised that nationalisation would cause the maximum amount of difficulty, and do the minimum amount of good, in the case of one-man or other very small businesses. To nationalise every taxi driver, every bookmaker, every

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\* The policy and the argument on which it is built is endorsed by the British Prime Minister, Mr. Attlee, in a Foreword.

hawker, every village shop, or every garage, would raise formidable and probably insuperable problems of organisation." The redoubtable Harold Laski follows a very similar path in his book "Reflections on the Revolution of Our Time" published in 1943. Laski says "I do not think this means the necessity of taking over all industry and agriculture by the state. Rather I think it means that the fundamental basis of economic power shall be in the hands of the community." The long-range programme of the Labour Party in Australia, although drafted many years ago, is closely in line with these principles. It calls for the nationalisation of shipping, public health, broadcasting, banking and insurance, sugar-refining and monopolies.

## NATIONALISATION NOT THE EXCLUSIVE PROVINCE OF THE SOCIALIST

Nationalisation as a principle of policy is not however the exclusive province of the socialist. Long before socialism became a burning question, even before there was a Labour Party in Australia, public opinion and political parties strongly supported the state ownership of public utilities. And in recent times not a few of the outstanding examples of government services and utilities, such as the State Electricity Commission in Victoria, have been the creation of non-socialist administrations. Only in 1946 the Adelaide Electric Supply Company was purchased and taken over for the South Australian Government by the Liberal Country Party.

In England during the war, a number of notable pronouncements on nationalisation were made by Conservative Party leaders. In his famous broadcast speech on post-war policy in 1943, Winston Churchill made the portentous statement: "There is a broadening field for state ownership and enterprise—if we can make state enterprise and private enterprise both serve the national interest and pull the national waggon side by side, then there is no reason for us to run into

that horrible, devastating squalid bog of bickering and confusion which mocked and squandered the hard-won victory we gained a quarter of a century ago.”\* And Oliver Lyttelton, Minister for Production in the British War Cabinet, appears to have had the same general thought in mind in 1942 when he said “If anybody asked me whether there should be more socialism or more capitalism, more government planning or more free enterprise, my answer would be that we should have a great deal more of both.”†

## OVERLAPS PARTY POLITICAL PROGRAMMES

Nationalisation is thus a question which in a sense overlaps the dividing lines of party political programmes. Both socialist and non-socialist parties have been responsible for the creation of state-owned enterprises of many kinds. In the main, these have covered essential services of a standardised type where competition would be palpably wasteful, and where the scope for rapid technical development is somewhat restricted. The provision of postal services, sewerage, the supply of water, are good examples of industries which clearly could not be left to the activity of private individuals, and in practically all countries these utilities are under communal control. But there are many other services, such as say transport, where the balance is by no means so decisively in favour of state ownership.

And there are still others, for example insurance and banking and medical services—which come within the orbit of the socialist for nationalisation — where private competition would seem to offer clear-cut advantages. In these cases the onus is very strongly on those who propose nationalisation to show clear cause why it is necessary and what benefits would follow from it.

The industries most suited for state ownership are those where the service provided is of a more or less impersonal nature. This is in keeping with the intrinsic character of the

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\* Something seems to have been amiss with the sense of direction of the pilots both in Great Britain and Australia. We appear to be deeply immersed in the bog which Mr. Churchill hoped we would avoid.

† It should be borne in mind that these statements refer to England where government-owned industry did not at the time occupy nearly so large an area as in Australia.

state itself. Water is water, through whichever pipe it flows; electricity is electricity, along whichever wire it is conducted. But the position is vastly different with say medicine or banking, where the relationship between the provider and user of the service is essentially personal. And it is in these fields that the believers in free enterprise are justified in fighting the threat of unlimited state ownership or control with every weapon at their command.

## DIFFERENCE BETWEEN SOCIALIST AND NON-SOCIALIST ATTITUDE

Because socialist and non-socialist parties have seen fit from time to time to establish government-owned utilities or to transfer industries from private to public hands, and because in some cases non-socialist as well as socialist parties are prepared to concede that state enterprise might be further expanded, this does not mean that there is no fundamental difference in their policies towards nationalisation.

In the first place nationalisation is a major—although not *the* major—feature of socialist policy. On the other hand, the non-socialist, while he may be prepared to extend the scope of state industry in the light of inescapable national need, is inflexibly opposed to nationalisation as a general principle of economic and industrial organisation. Most of the not inconsiderable area of activity now under private control which the socialist marks out for eventual government ownership, the non-socialist would regard as entirely the prerogative of private enterprise.

The socialist's philosophy that industry should be conducted in "the public interest" and not for private profit, leads him to nationalisation as a natural corollary. The non-socialist, however, says that in general the pursuit of private profit best serves public interest and that only in the few cases where it clearly does not do this, and where a measure of government control without ownership does not suffice, should nationalisation be contemplated. With the socialist, nationalisation is a fundamental article of faith; with the non-socialist it is something to be given a wide berth except when sheer necessity makes that impracticable.

## SOCIALIST ARGUMENTS FOR NATIONALISATION

To support nationalisation as an economic programme, the socialist advances a wide variety of arguments. He claims in the first place that the things produced should be decided not by the profit that can be made on them, but by the needs of the people which are capable of commonsense determination by some central authority. He states that private competition is wasteful and very often leads to over-production and over-capitalisation in different fields of industry, thus resulting in an inefficient and uneconomic use of resources of capital and labour. He points out that private enterprise has not achieved a satisfactory relationship between management and labour, and that in fact good industrial relations are impossible while the worker has little or no stake in the ownership of industry, and while he feels that industry is directed not primarily for his benefit but for the benefit of private shareholders.

To these contentions the modern socialist adds two further arguments, and it is on these that he now lays his main emphasis. He claims that over large sections of industry where large-scale mass production predominates true competition no longer exists, and that industry has come to be increasingly organised by monopolistic groups who combine to fix prices and restrict production in the interest of maximum profits. Thus, in his book, "The Socialist Case," Douglas Jay advances this as the main reason for nationalisation.

"We must aim at establishing public ownership as well as control in all cases where the search for private profit clearly conflicts with the basic human needs of the community. And this is bound to happen in greater or lesser degree where the forces of monopoly or imperfect competition are strong. . . . With the admission—by industrialists themselves—that competition has largely vanished, the justification for private ownership and control has vanished also."

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He maintains further that the tendency of large-scale mass production is to concentrate economic power into fewer and fewer hands and this development is opposed to all concepts of democracy and representative government.

The second argument, which has great current popularity, is that if economic depressions are to be eliminated and the economy maintained in a more or less stable condition of full employment, a large measure of nationalisation is imperative. This argument is derived from the theory that instability and fluctuations in economic activity are mainly caused by the wide variations of the capital expenditures of industry. To reduce or eliminate these fluctuations it is therefore necessary for the total outlay on capital to be stabilised at a high level and this is virtually impossible while the great part of industry remains under the control of private groups.

## THE COUNTER ARGUMENTS

It must be said at once that the theory that a large sector of industry must be under government ownership and control if full employment is to be preserved finds no acceptance in the official statements of employment policy made during the last few years by the governments of the English-speaking democracies. Nor is it accepted by Sir William Beveridge. In his renowned work, "Full Employment in a Free Society," Sir William rejects the view that nationalisation is necessary to the success of a policy for full employment.

If, as the socialist claims, private enterprise leads to an undemocratic concentration of economic power, this problem is not resolved by the simple expedient of nationalisation. This would only aggravate the evil it professes to correct. For instance, if an industry dominated by three large concerns were to be acquired by the state, the result would be that one centre of authority would be substituted for the three centres previously existing. In any case, monopoly is monopoly,

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whether public or private, but the former would have infinitely greater powers for good or evil than the latter. Also, there is little in the history of government ownership to show that the state monopoly is any more solicitous of the public interest than the private monopoly, and much to show that it is often considerably less efficient. It is true that one of the essential elements of democracy is that power, whether economic or political, should be widely diffused through the community. Perhaps the strongest argument against the whole socialist case is that socialism, in its ultimate state, inevitably involves such a centralisation of authority as to be inconsistent with the democratic process and any reasonable degree of personal freedom.

The claim that nationalisation of industry is necessary to any substantial advancement in employer-employee relations looks more than a little sick in the light of post-war experience both in Australia and Great Britain. A good proportion of the major strikes in Australia since the end of the war have taken place in the public utilities, notably in the railways and tramways, and in publicly-owned coal mines. Others have been caused by political motives or by inter-union conflicts rather than by any dispute between employers and labour. It is now generally acknowledged that no significant improvement has occurred in the labour situation in the coal mines in Britain since they were acquired by the Attlee Government. In fact, one of the most disastrous post-war stoppages took place in August and September of this year in the nationalised Grimethorpe Collieries in Yorkshire.

The argument that competition is often wasteful overlooks the historical fact that competition, whatever its drawbacks, has been the motive force behind the immense economic advance in the Western democracies over the last century and a half. If competition does at times involve waste, is it not far better to have an economy which is progressing rapidly even at the cost of a little waste, than an economy which, although without wastes, is dormant and stationary?

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Finally, the claim of the socialists that industry should be directed in the public interest runs up against the problem of what is the public interest and who is to define it. The truth is that the public interest is an abstract conception which permits of no simple definition. There are as many different views on what constitutes the public interest as there are people who think. In advocating the planning of production by the state on the basis of human need the socialist has so far failed to answer satisfactorily how human need is to be determined. He is content to leave that perplexing question to be solved by a government board. Private enterprise in effect refers directly to the people themselves for the answer, who show their preferences and state their requirements through the operations of the free price market. In general it is true to say that a business which does not serve a definite public need will fail to realise a profit on its activities.

But whatever the arguments for and against nationalisation as a principle of political policy, we would be well advised to keep an open mind on whether, in any particular instance, government ownership would better serve the public interest than private enterprise. A doctrinaire acceptance of nationalisation without reference to the lessons of experience or to the real practical advantages to be gained is utterly wrong, and can be extremely dangerous. But it would be equally wrong to reject out of hand any specific proposal for a nationalised industry without just consideration and merely because it may conflict with rigid preconceptions of what is right. Nevertheless, hard and often disillusioning experience with state enterprises in the British countries should cause us to move very tentatively before indulging in further large-scale experiments in nationalisation. Particularly is this so in Australia where the economic area controlled by government-directed industry is generally conceded to be much greater in extent than in any other British democracy.

## THE VERDICT UNFAVOURABLE

The verdict of those who have closely studied the workings of government-owned industry in Australia is seldom favourable and often severely condemnatory. In a work which has been given far too little attention by the devotees both of left-wing and right-wing politics, "State Socialism in Victoria," the author, Sir Frederick Eggleston, relates a long story of financial mismanagement and incompetence, of failure of vision, of political interference, and of general inefficiency on the part of many government utilities and services in Victoria. Sir Frederick Eggleston's conclusion, which is supported by a searching examination into the facts, is worth repeating at length:

"State Socialism has on the whole failed in Victoria; it has not secured any striking success; it has not changed social relationships for the better, and it has had some resounding failures; while the widespread reliance on Government has produced undesirable results in many ways. There is much evidence that the reason of this failure is a failure of the individual citizen in his relation to the State; he regards the State as taking a responsibility off his shoulders, and he does not make up by any action in the way of co-operation or by discharging efficiently his political responsibilities for the relief which is given to him personally. Such a conclusion will probably be hotly challenged by the advocates of State Socialism, and for evidence of it the reader must be referred to the text. But if the conclusion is true, its importance must be recognised as crucial; it means that when the conditions have been made most easy for the individual and most has been done for him, failure has been incurred because of his failure to co-operate."

Sir Frederick Eggleston points out that the degree of success of the various government bodies in Victoria has been

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in proportion to the extent to which they have been free from political control and influence. But he also shows that in hardly any instance of a government-conducted industry has it been possible to completely avoid political interference.

## THE BODY AND THE SPIRIT

All in all the argument between nationalisation and private enterprise is in many ways an unreal dispute. Already a large part of economic activity in the English-speaking democracies, particularly Britain and Australia, is owned and controlled by the state. The modern economy is not a private enterprise economy nor a socialist economy. It is a mixture of both. If the ingredients of the economic cocktail were to be altered too radically in favour of one or the other, the result would almost certainly be highly unpalatable. In certain limited fields the organising scope and power of the state has advantages. In others, the courage, the elasticity, the venture-someness and initiative of individual enterprise is indispensable to progress.

The danger to private industry arises not so much from the advance of state ownership, which, in spite of half a century of unremitting propaganda, has made relatively little progress; it arises from the intensification of state control of free enterprise until it in effect ceases to be free. This is what is happening today. Although a finger or two may have been lopped off, the body of individual enterprise remains largely intact. But the spirit is in real and imminent danger of being crushed under an overwhelming weight of socialist prohibitions and controls.

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