

## Re: When is State Capitalism Harmful?

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>> *The*  
>> *US Postal Service, for example, turned a rather large profit last*  
>> *fiscal year, but now what is the justification for its public*  
*mission?*  
>> *It cannot be providing the service at a price that extends the*  
*service*  
>> *to people who otherwise not be able to afford it, because the*  
*profits*  
>> *and still-low pricing prove otherwise.*

>*This is an overly simple argument. The best kinds of public enterprise*  
>*are those where a scale is required that is beyond the reach of most*  
*or*  
>*all private investors. Besides actually having the reach that is*  
>*required, a national government can benefit from the economies of*  
>*scale, and from all the relevant information they need to run the*  
>*business, that they have already aquired in the general business of*  
>*governing. A postal system is a good example of this, as is the*  
>*telecommunications infrastructure of Australia. A huge island with an*  
>*average of 2 people per square kilometre.*

Thank you for handily dismissing my example and then... using it yourself! Bit of a contradiction in your arguments, there.

>*The point of state capitalism is that when it's public*  
>*resources that are used to create wealth, it's the public who reap the*  
>*profit.*

Two objections to this. First, take into account game theory and human behaviour, and you will find fewer disincentives to cheating and greater prospects for substituting political goals for economic ones. Try to fire people in a state enterprises when the government was just returned on promises of promoting employment. Take France (largest public sector outside China) and Spain under Franco (states in which I lived and worked.) In the first case, today in the EEC we have the EDF (Electricité du France), a state-dominated enterprise, being completely political in its defense of its own nature, while employing

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the liberalisation of the sector in other countries to make acquisitions. The private sector is rightly calling "foul." Go back a bit and you have Elf, whose myriad corruptions are both a matter of record and subject to recent, if not still ongoing, investigations. In the second case, wealth creation lagged extremely behind comparable European countries under Franco's state enterprises (some of which were customers of mine, and I can list a litany of poor management practices!!!). Once this system was largely dismantled, the country became a high-growth pocket, and still outdoes the European average.

Second, if the purpose is for the public to reap profit, they may wish to choose which enterprises they would like to bet on, avoiding, say, the public railroad (low growth). So, instead they buy shares in a publicly traded company, which provides them the wealth that is your objective.

Your system, as a general proposition, has been tried. It did not create enough jobs or wealth, utopian as it is and dependent as it is on fair play in a compromised system.

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