

Re: When is State Capitalism Harmful?

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> > *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 acquired in the general business of
> > governing. A postal system is a good example of this,
[...]*

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

What I was dismissing was the assertion that they can't be extending it to people who otherwise would be unable to afford it. I say this is overly simple because a government has substantial advantage in terms of possessing a lot of information and other resources to start nation-wide organisations, and the economies of scale which a private commercial start-up would be likely to lack. In this way they might be able to provide it to a wider group of people at the same price or the same group of people at a lower price (this is not necessarily what will happen in every case, but I was taking issue with the idea that it cannot be what happens, merely because there is profit).

> *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

- > *the liberalisation of the sector in other countries to make*
- > *acquisitions. The private sector is rightly calling "foul."*

Well, to be fair, the very first danger I mentioned to any success of state-capitalism was lack of democracy, citing specifically electoral systems that were too majoritarian. I submit to you that France qualifies as far too majoritarian (so does my own country, truth be told). As to the second danger, insufficiently strong anti-monopoly regulations, perhaps you could enlighten me as to whether this also applies to France.

Before you say I am setting standards impossibly high (a reasonable objection, to most political ideologies), I will be more specific and say that the only forms of government that I am confident could fairly sustain government-enterprise, are mixed member-proportional systems. While there are practical examples of these in existence, there are precious few (although you may want to google the "new zealand venture investment fund". You might find it interesting).

- > *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.*

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Sure, government owned share portfolios can be a good way to spread the risk, and avoid leaving everything riding on monolithic, high-stakes ventures. Venture capital in concert with private investors is another. Property investment another. It doesn't all have to be large scale infrastructure or manufacturing. I hope I didn't give that impression.

- > *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.*

Where the specific barriers are to "fair play", was the point of the original post. If there is insufficient democracy, or weak anti-monopoly regulations, commercial state-enterprise can be dangerous (or at the very least, ineffective).

- > *Hlafordlaes*