

## [The point of privatization](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 3 June 2008



One argument that's frequently deployed against privatization in general and in favour of State ownership in general is that private companies are only concerned with profit while a State owned (or directed if you prefer) company will invest the socially optimal amount of capital in its endeavours. Thus private or privatized companies will ignore the larger needs of society while a State programme of investment can take them into account and this will thus increase the social wealth of the country more than the purely profit grabbing capitalist running pig dogs.

Well, yes, it's obvious, given that we've been cheerleaders for the process of privatization over the decades that we don't think very much of that or any other arguments that those things which can be done by the private sector should not be.

But back to that first argument in favour of State ownership, that ability to invest the socially optimal [amount](#) [3]:

*Water UK, the body representing Britain's water companies, points out that since privatisation in the late 1980s, the industry has invested more than £70bn on capital projects, with still more desperately needed....."For much of the 20th century, investment in water supply and sewerage was the minimum necessary to avoid service failure," according to Barrie Clarke, of Water UK. "As long as there were no service failures, and no embarrassments like the 'Great Stink' of 1858 which led to the construction of the famous London sewer network, we relied on the achievements of Victorian engineers, with improvements and repairs only when necessary.*

Ah, when Government did control the levels of investment they were even lower than they are now. Which leads us to one of only two possible conclusions. Firstly, that government was investing the socially optimal amount and private companies are doing more than this or the second, that if companies are investing at or below that socially optimal amount government invested even less. Given that we are told that more investment (and the tenor of the whole piece is about leakages from pipes, the needs for new reservoirs and so on) is "desperately needed" then it must indeed be that latter explanation.

Perhaps private water companies are not perfect but then what thing created by fallible human beings ever will be? But governments are even worse, at least at this.

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[3] <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2008/06/01/ccwater101.xml&page=1>

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