Nationalisation and privatisation

KEY TERM

Nationalisation: when governments take over a private sector business and transfer it to the public sector.

Many countries in the world have nationalised their
-railways
-airlines
-mining
-electricity and water industries
-banks and financial services.

relevant economic arguments:

It makes sense for certain strategic services and activities to be in the hands of the public sector.	Any profits made will be returned to the business and reinvested for the benefit of the public.
There is also a long-standing socialist view that such services are for the benefit of the public and should therefore be in the public sector.	Employees feel a sense of ownership and work hard to ensure financial viability
There is little sense in duplicating certain services like railways and water supplies, largely be because of the high costs of establishing that provision.	Nationalised industries will be more likely to provide loss-making services for social reasons.

KEY TERM

Privatisation: the sale of a state-owned public sector business to the private sector.

Privatisation is now recognised to include:

- The direct sale of government-owned and operated activities to the private sector.
- Deregulation through the removal of barriers to entry, which had protected the public sector from outside competition.
- Franchising to give a new private sector owner the right to operate a particular service or activity for a given length of time.
- Contracting out of services previously provided in-house by public sector organisations.


The End