

“Competition” between filling stations—a penny a litre off petrol, when three quarters of what you pay goes in tax and more than half of what’s left to the oil supplier.

Against Competition

New Labour has embraced competition as a universal good, turning its back on the bad old days when a number of its MPs listed themselves as Labour and Co-operative. This makes the belief in competition as a general and absolute good one of the examples of all-party consensus in the Commons, a state of affairs that should always put the general public on the alert.

Competition will always ensure the efficient provision of goods and services, will drive prices down and prevent the providers of goods and services from feather-bedding themselves: so it is not only thought but taken for granted. Naturally, there is some sense in this. Let us remember the days of local authority workforces, when the comfortably plump elderly men used to turn up at around ten in the morning to paint the council houses, would do a little unsupervised work, not very well, as if for the good of their health, take an extended luncheon break, resume their not very demanding labours after a couple of hours and then be on their way home for a comfortable tea and evening well before the winter evenings settled in. Now that that work is done by private firms employed by councils it is more likely to be done economically and well. Can one generalise even from this? Might there not have been a well-run local authority?

What, anyway, makes this a general rule? Ruskin’s example, long since, was the army. Would we get better and more cost-effective protection of the realm by putting the service out for competitive tendering? As a matter of fact that is quite imaginable. New Labour caused a ripple in the Commons in 2002 by flying the kite of mercenaries. Perhaps the “peace-keeping” attacks on civilian populations which is so recognizable a mark of their modernization of international politics would be more cost-effective if the British Army were not involved. There remains, though, a quite rational feeling that the defence of the realm is too important to be left to competition.

In 2002, five years after the reintroduction of competition, our railways are in a state which it is hardly an exaggeration to call chaos. You set out of Paddington on a journey timed to take one hour and forty-eight minutes to get to Newport, and find yourself on an *ad-hoc* tour of Wiltshire, before rushing back towards London at 125 mph, in order to back into Swindon, before another hour’s delay

WORDS IN EDGEWAYS - 1

because, as the “train manager” explains, “there is another train on the line”—a circumstance not envisaged. Trains regularly fail to complete their journeys, which happened rarely in war time. One turns up at Worcester Foregate Street to catch the advertised Paddington train for an important engagement to be told to make one’s way on foot to Worcester Shrub Hill because the driver has arrived late and there is no time to bring the train round the two-minute route. At Worcester Shrub Hill the train then departs without waiting for the more obese or elderly pedestrians. A rail is broken between Hereford and Ledbury, so the train starts its journey at Ledbury, and a bus is laid on to take us from Hereford; at the end of which ten-mile journey we find that the train has departed without passengers. Despite the preference for not running at all over running late, “The late-running” so-and-so train is regularly announced almost with the tone of pride that used to be reserved for Pullmans. The shortage of drivers is regularly given as an acceptable reason for the lateness or cancellation of a train. The train companies have to keep costs down, and make profits within the few years of a franchise; they assumed when management (often with no experience of running railways) took up office that being public utilities the railways must be overmanned, and so cut so many jobs that now, often, not once in a blue moon, the trains simply don’t run. There is a shortage of drivers purely and simply because of competition.

Competition in the supply of gas, water, electricity is a wholly artificial notion applied for reasons of ideological conviction. The water and the gas, whatever company puts its name on the bills, will come from the same reservoirs through the same pipes. The electricity will use the same wires. Is it really to anyone’s economic advantage for British Gas to have to try to recapture customers from competitors by accosting us in the streets? As one very experienced administrator puts it, “The logical conclusion of some of the ... theories being promoted is back to the fire brigades of different insurance companies racing to jostle one another for on-course premiums, and thwarting rivals by lowering the water pressure or table.” (Lewis Stretch, *Nuclear and Worse Disasters*, Denton, 2002, p.187)

House and contents insurance has become so competitive that last month I received twelve separate offers each guaranteeing to cut costs in the first year. I can’t be bothered: my insurance is reliable and not expensive, perhaps because general costs are kept down by the cut-throat competition. If so that’s the only arguable good it does: keeping costs generally low. But so much effort goes into marketing and special offers that it is hard to believe there is any general economic benefit. In the same month I had rather fewer offers of new credit cards, most of them offering an initial period of low interest rates. I do sometimes accept these offers, though hopping around between credit cards is quite a nuisance and as I always cease to use the card at the end of the low-interest period I never do any good to the shareholders of the companies concerned (which are usually, one way or another, either American or the Royal

WORDS IN EDGEWAYS - 1

Bank of Scotland). How is this supposed to be generally an economic good?

But are public services and utilities really improveable by the introduction of competition? Even after the railway bubble of the 1840s had subsided, new lines were built for which competition was the only other justification. The Great Central Railway provided a *third* mainline route between London and Sheffield. The passengers then had a choice of Great Central, Midland or Great Northern. Whether this was anything more than confusing to them I don't know, though some people certainly had preferences for one company over another. The competition between routes survived into the days of British Railways. Why was it not just wasteful? In the end the huge waste of capital was recognized by the closing of the most recent route.

Competition, however, now extends even to the provision of public examinations. The non-profit-making examining boards for GCSE and A-level have been "rationalized" into three, which compete for customers. One of them had a very bad run 2001-2, issuing faulty examination papers (in one of which, on *genre* in writing, a sonnet had its lines numbered in the margin, to the number of sixteen), losing scripts and so on. There was a clamour for the concern to be wound up, but the *Financial Times* in an editorial objected that if so there would be only two service-providers left and competition would be reduced. All the schools want lots of A grades to get their students in the universities and in this case the competition is between which board will provide most. This goes far to explain the oddity of a situation in which statistics prove beyond challenge that year by year we get more and more successful A-level students just when anyone who has anything to do with the poor youngsters knows they are worse educated than ever before. A properly administered public service, such as we used to have, would avoid the nonsense directly caused by competition.

These reflections were ignited by the plans to open up the British postal services to competition. At the height of the privatisation era Mrs Thatcher was clear that the Post Office should not be denationalized. The Post Office is a natural monopoly and has developed into a very useful and actually loved national institution. It could even be called a detail of the national character. The letters on the whole are delivered efficiently. The local post office is also a representative of the state, handing out pensions, making passport forms available, giving advice about how and where to do things. The postmen and postwomen know their patches, are often local characters and even have a pastoral role keeping an eye on the old and infirm and spreading village news. They brave dogs and hostile letterboxes that draw blood from amateurs. Note: there is no inevitability about any of this. Whether letters correctly addressed and stamped for Canada get there in reasonable time or at all is on the lap of the gods, for Canada Post, also a national monopoly, is comparatively hopeless. Our post office happens to be a well-established and well-run institution; but perhaps that owes something to something more reliable than luck: for instance to a very well-

WORDS IN EDGEWAYS - 1

established tradition of public service.

This, however, is not the opinion of the managerial classes of the Government and the City, who know so well how to run everything whatever—a National Health Service in which treatment is a race between waiting-lists and death, with the odds often on the latter, a railway system as above, where in the days of Railtrack there was much more regular and direct government intervention than in the days of British Rail, roads on which it is frequently impossible to move, telecommunications firms like Energis, which managed to lose *all* its money despite an established and promising use of power lines to transmit phone messages, or Marconi, the successor of General Electric, impelled by City wisdom to use up its “cash pile”, which it most effectively did on “acquisitions” that turned out, unlike the cash pile, to be without value—or Vodafone, still in business, though worth only about a quarter of its market valuation of two years ago. (Let somebody like Sir Chris Gent loose on the Post Office and watch him award himself a £10,000,000 bonus for buying a German firm that loses most of its value within two years.)

The Post Office as we know it must inevitably be destroyed by competition. There won't actually be two or three new post offices in every town representing the competing firms. Even if there are some new offices they will not be the local centres that the present post offices are. What there will be is services offering cut-price deliveries of some categories of mail, and putting constant downward pressure on the services still offered by the Post Office. Unlike the railways the Post Office is usually a net contributor to government funding, but competition will force it to deliver at less cost. The first sign of this is the abandonment of second daily delivery where it still survives, a simple consequence of the cost-cutting made necessary by the prospect of competition.

The destruction of the Post Office is not altogether to be explained by the received wisdom of the City as understood by New Labour. It is also decreed from Brussels. The European Union, surely the biggest and least efficient bureaucracy on the face of the earth, nevertheless decrees competition in some places and at some times. It is treaty law that the Germans must be allowed to run postal services in Britain if they so choose, and *vice versa*, though oddly enough, though much of our electricity and water is supplied by French and German firms, no British utilities operate in France or Germany. Howbeit, in this enthusiastically free-market and global economy there is no lawful escape from the destruction of public services as long as we remain within the EU.

In 2002 the financial markets were rocked by a series of scandals involving accounting practices ranging from the fanciful to the outright fraudulent. Future revenues had hopefully been listed as actual; the proceeds of auction sales in full, not just commission, had been reported as cashflow; current expenditure had been listed as capital investment, and so on. (By the way, fraud is never difficult to understand. The scandal of the fraud cases that drag on for more than a year, punishing the defendants in advance, along with the jury if there is one, is just for the benefit of the legal profession. There is no

WORDS IN EDGEWAYS - 1

good reason why the Athenian practice should not be imitated and any case not completed within a day thrown out. Frauds always involve the misuse of funds in ways anyone can understand.) How did all this get past the supposedly eagle eyes of the auditors? Absurdly, auditors are appointed by companies. Auditing should be a department of state, and particular auditors appointed by the state. Whether the state should pay the expenses is an open question. By present practice there is an inbuilt incentive to companies to appoint friendly *and cheap* auditors. If auditors compete for business, how can competition not tend to drive their standards down?

But what about competition in the most ordinary contexts of trade? We have about half a dozen big supermarket chains that between them dominate the market. New Labour curried favour with the electorate by setting up inquiries to establish that they were not properly competitive and the enquiries by and large failed to oblige. They are competitive. With the government's blessing one of them, Asda, was taken over by the world's largest retailer, Walmart of the U.S.A., and shivers ran down the spines of investors in the others, because the financial size of Walmart is such that it could run the whole Asda supermarket chain as a loss-leader for whatever time it took to get market supremacy.

Price wars between supermarkets give consumers temporary presents but is there any evidence that in the long term price wars bring down costs or improve service?

The great turnaround in Marks & Spencer brought about by its Dutch c.e.o. is largely due to its scrapping the policy that 90% of its goods be made in Britain by manufacturers with whom it has had dealings for many years, and going overseas to whatever supplier is cheapest for the time being. Whether ten years from now Marks & Spencer will still have its reputation for good quality remains to be seen.

One should bear in mind that as well as the consumer there is the supplier. The consumer in present-day Britain gets the advantage of cheap manufactured goods because local manufacturers cannot compete with those of the "emerging markets" of Asia because of the low wages paid in the latter. Is it really a good thing that our own manufacturers should be put out of business because of competition that is able to undercut them because of lower rewards to overseas workers? In fact we are always being told that our future depends on skills, but what is the point of having skills if they cannot be employed?

If the benefits of competition are cost-effectiveness and being kept on one's toes the disadvantages are cutting quality, cutting corners, driving standards down and generally making life uncomfortable. Competition is really not the same as capitalism. Capitalism is an invention that for better as well as for worse has brought modern global prosperity. In its way and on its own terms it does work. But "venture capitalism" like "political history" is a pleonasm. Capitalism by nature is venture capitalism. One person has an idea for a business; another person (or, of course, the same person) finances it and shares the risk; if it succeeds both share in the

WORDS IN EDGEWAYS - 1

profits. This perhaps (though it's one of the weighty moral questions ignored in the modern world) differentiates capitalism from usury. It isn't just a case of lending your money in order to get more back, but risking it for the creation of economic activity that would otherwise not occur. Competition is an enemy of venture capitalism. If your competitor has the same idea at the same time both you and he are likely to lose without any noticeable benefit to the public. Research and development would cease if the fruits could not be exploited without immediate competition. That competition is not an absolute good is shown, for example, by the general acceptance of the need for patent laws.

Economic well-being is the effective organisation of useful work. As we are human beings not ants the work ought wherever possible to be humanly satisfying; the rewards for it should be what Langland calls "measureable hire", i.e., appropriate. Work is one of the great constituents of our life, according to Genesis a curse, but also a possible blessing. Who sweeps a room as for thy laws / Makes that and th' action fine. Nothing similar can be said for competition. History is full of examples of an idea escaping from its proper zoo and causing havoc to the general public. There are causes and effects, so *everything* is cause-and-effect. There is evolution (by way sometimes of literally cut-throat competition) in the plant and animal kingdoms, so *everything* is evolutionary. Engineering design progresses, marvellously; science progresses, so *everything* progresses. Competition is one of these escaped ideas, different from the rest in that its proper field is much smaller, and that when it gets out of its proper field the damage it does is therefore punching out of all proportion to its weight.