

# Though popular, nationalizations ruin economies

Tags: [Big Government](#), [Economic Policy](#), [Socialism](#)

07/17/2024 • Mises Wire • Soham Patil

In a world full of hatred for the free market, the people calling for the [nationalization](#) of industry aren't scarce. Despite their political popularity, nationalizations are terrible for economies and represent a stepping stone on the path to destitution and collapse. In exchange for the temporary gain achieved by expropriating the property of others, countries sacrifice the confidence of doing business in their nation.

Nationalization stems from the error that the government or state has the right to take property with or without compensation from private actors for reasons it deems sufficient. A prominent example from India is that of [Air India](#). Initially founded in 1932 as Tata Airlines, the airline was privately funded and operated its routes to earn profit from its ventures. Despite early challenges, the airline benefitted from the first-mover advantage in the Indian market and was a promising business. Unfortunately, in 1953, India nationalized all airlines including Tata Air and set back the Indian aviation industry for a long time.

They did so under the pretense of ensuring that India would continue to have good airlines. The effect was the opposite as Air India was never as competitive as it should have been. The airline's struggles were exposed for everyone to see after 1994 when India allowed private airlines again. The government kept propping up Air India for years with the rationale that the government would provide stability in the airline market as opposed to the volatile private industry. Years of constant losses funded by burdened taxpayers finally became too much for the government, and they privatized the airline in 2021. Had the state not intervened, the airline may have been significantly more competitive in the airline market, producing profit rather than losses.

Bureaucrats of the state are almost never more qualified to run a business than the entrepreneurs who choose to risk money on and put time and effort into their enterprises. Yet, that has rarely prevented the state from claiming functioning businesses simply because they wanted them and had the means to capture them forcibly. Countries that set a precedent for violating property rights in this way signal that they are an unstable environment for business.

Despite Venezuela's popularity in political discourse, they still represent a prime example of how the economy of a country gets progressively worse as the state keeps on nationalizing businesses. The

Venezuelan government [nationalized](#) steel, agriculture, banking and oil on their way to obliterating any chance of prosperity in their nation. The same was true of Vietnam after the socialists collectivized farming, leading to disaster again. Only after significant deregulation and with several market reforms did Vietnam manage to claw its way back toward [economic growth](#).

Despite the history of how nationalizations tend to lead to a degradation of business conditions in a nation, many who oppose the free market rest an alternative case for nationalization on the belief that societies can collectively own something and that the state must step in to ensure that they are not exploited by outsiders. This is particularly the case for natural resources such as oil, diamonds or gold found in less wealthy countries.

This is a case of misrepresenting how property is originally appropriated. The land on which resources are found is either previously owned by someone or it is not. In the case that it is already owned, the company that wishes to operate on the land must buy or lease it from its original owner. If it is not previously owned, the company can appropriate the land by operating on it. In either scenario, there is no collective ownership of the resources simply because they are found in a certain geographic area or within the confines of a state.

From a moral standpoint, nationalizations are evil as they violate property rights. Even if morality is to be discounted or ignored, nationalizations are still ineffective and even counterproductive at creating prosperity. It is voluntary actions, not coerced actions, that ultimately lead to prosperity.



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