

# The public want nationalisation because nationalisation...

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The Observer has one of its rather odd right wing business editorials today, given that it claims to be a left of centre paper. [It begins well, noting:](#)

*Few opinion polls that claim to detect a shift in public attitudes merit the ubiquitous label “landmark research”, but here’s one that does. The Legatum Institute, a thinktank, and Populus have found levels of support for nationalising large parts of the economy that would have been hard to believe a few years ago.*

*The big four industries in the sights of Labour’s Jeremy Corbyn and John McDonnell should all return to public ownership, according to a strong majority of respondents. Water topped the poll (83%), followed by electricity (77%), gas (77%) and the railways (76%).*

They add:

*Dig deeper into the figures and you will see a remarkable convergence of opinion across age groups for most sectors. This is not a generational phenomenon. Some 78% of 55-64-year-olds, who are old enough to remember the days of British Rail (unloved at the time), support public ownership of train companies.*

The Observer then tries to guess why this might be the case. They suggest it could be the collapse in real income growth since 2008. Or a collapse in confidence in big business, aided and abetted by disenchantment with executive pay. Then they speculate on whether or not it is the obviously feeble benefits of privatisation that fuel this sentiment when nothing suggests that the public have benefitted, whilst shareholders clearly have. The analysis is a curious hotch-potch of microeconomic thinking on what is quite clearly a macroeconomic and even macropolitical shift. Nothing symbolises this better than the comment that follows:

*The extraordinary part of this pro-nationalisation shift, however, is that Corbyn and McDonnell have barely bothered to explain how they would pay for the assets, or how they would run them better. If a company were contemplating a series of takeovers*

*worth £200bn-plus, the shareholders would want to know the details. The prime minister, if she's serious about defending capitalism, might want to push that argument.*

To which they then add:

*She could also try rewriting the regulatory system for the utilities to ensure consumers get a better deal. You'd probably start with water — it's hard to mess up and current owners enjoy a life of almost risk-free luxury.*

At least the Observer pins it's colours firmly to the mast: it would seem that they are firmly on the side of the Tories in finding ways to beat off this 'threat'.

Let's look at this another way. First, why is nationalisation popular? Let's not play with trivia at the edges: let's go to fundamentals. People know that what we're talking about, whether it be trains, power, water and maybe other utilities (BT Openreach is an obvious example; the banking platform that guarantees that payments can take place another, the National Grid a third, and healthcare an obvious fourth) are natural monopolies. There really is no room for a second serious supplier in any of these markets. Competition is not then ever going to be a reality in practice. And in that case to pretend that the private sector can provide an answer other than monopoly abuse is obviously just wrong. This is an answer reached with regard to railways in WW1 (although the full bullet was not bitten then). It's been reached with all the others since and it's now obvious to anyone that all the alternatives are just game playing: the result is an industry that has to be so widely regulated that any pretence at real competition is a charade, which has not prevented arbitraging of rules (train fares, customer tariffs and straight rip-off in the case of water) at consumer expense.

It's not trivia that's leading to this sentiment from the public: it's cold, hard, economic reality that is driving it. People want the state to do what the state does best. And they also know that the state can fund such businesses more cheaply than anyone else: if PFI has served any purpose then it has been to prove that the state's cost of capital is vastly lower than the private sector's, in which case using private sector funding for state activity rather than government borrowing now very obviously makes no sense at all to anyone but the most hardened of dogmatists. Again, the public know this, I think. And that's why they reject private sector solutions: they literally know they are not economic.

In which case they also know how this will be funded. The public know that £435 billion of QE bailed out banks and inflated asset prices. They're not daft: the evidence is all around them that something has gone deeply wrong with this programme, as I predicted in 2010. This was always the likely outcome.

But equally they can see we have not gone to Zimbabwe or the Weimar Republic in a handcart: this money creation did not create consumer price inflation. Far from it; for

long periods when there were no other external factors (like Brexit or oil supply changes) there was no real inflation at all. So they now know the government can make money out of thin air for the sake of the economy when it is appropriate to do so. Using QE created funds to pay for nationalised assets would make sense.

Make the gilts in question very long dated, if they need be dated at all (after all, they're replacing equity and equity is not dated) would be very wise.

Then make them very low coupon i.e. Set the interest rate very low. So low in fact they are very unlikely to exceed current inflation, but will still beat rates available from banks at present.

And by all means require that the sectors in question cover their respective costs - but make that coupon rate their cost of capital, and not impose some artificial and much higher rate as is normal in the public sector right now.

And then appoint properly representational boards to run these industries mixing existing expertise, political control, customers, workers and community interests.

Will it be a panacea? Of course not, and there will be mistakes. We humans make them, and we like pointing them out (as I know). But will it match the economic reality of these sectors? Of course it will. And will that match voter sentiment as well as their inherent and innate common-sense logic? Yes, of course it will too.

This is not rocket science. It just requires clear thinking. For the second time (at least) this week the Guardian / Observer has failed to deliver that in an editorial.