

Nationalization: A slight detour from the Free Market

Certain industries simply need to be nationalized. But for different reasons. Industries such as the auto industry, which is dominated by a handful of large companies and which employ large numbers of people, need to be nationalized simply to stem the lay offs. These industries are no longer viable in size but an instantaneous downsizing simply doesn't work economically or socially. A gradual downsizing is only feasible under central planning.

Other industries may need to be nationalized as well to maintain an orderly downsizing, but fragmented industries with large numbers of small firms don't lend themselves to nationalization.

The banking industry is clearly one which needs a quick and wholesale nationalization. While the regulators prevaricate and cling to their free market principles, half measures between intervention and free market solutions only prolong the pain. As long as banks are provided a lifeline either in the form of credit or capital, the urgency to purge their balance sheets of toxic assets is simply not there. Any distressed asset purchase plan will be foiled as banks hold out for higher prices. No 'bad bank' can effectively buy bad assets from a bank if the bank has no interest to sell. The prelude to asset sales has to be nationalization.

Of course it is hard to argue against free markets and the ultimate aim should be to return all industries to a free market system once again. Unfortunately, the market has no quick solutions to the current crisis and there is a great urgency to solve the problems that we face before too much

wealth is destroyed or eroded. Traditional and holistic medicine is always preferred, but when the rot is of this scale, invasive surgery should not be ruled out.

More off piste ideas for a banking nationalization later.