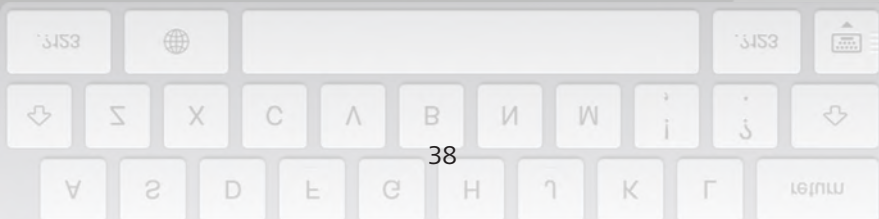


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**Google Cameron global race and you get a depressing 33,000,000 responses. Google Osborne global race and you get a depressing 2,650,000 responses. The concept of the global race is terrible economics and a reflection of incoherent economic thinking.**

This is a pity because one of David Cameron's major speeches on the concept contained a very fine set of aspirations (even if those aspirations are a long way from being implemented in policy). However, the policy analysis in the speech was completely overwhelmed by the reporting of the global race rhetoric which does so much to undermine understanding of economics in the public sphere.

**So what is the problem?**

Cameron does not say with whom we are in a race. But, given that it is a global race, I guess we can assume it is everybody: India and China at one end of the scale (rapidly growing but still relatively poor countries) and France and Germany at the other end.

Presumably, in Cameron's view, there is some kind of fixed prize. If France or China adopt bad policies, we are more likely to win the prize and come first.

But, a poor France or a failing India does not help Britain. It will mean more

expensive imports for Britain if other countries are less efficient and smaller export markets for our own companies if other countries are less prosperous.

Furthermore, good policy can be copied – if there are models of good policy abroad, that provides evidence for Britain and we can copy those ideas: low corporate tax rates in Ireland and competition in education in Sweden are

instead. We will export these things in order to import luxury cars.

We could not possibly produce teddy bears at a lower unit cost than China. We can, though, export higher education to China and, with the revenue from one Chinese student over three years, import about 20,000 teddy bears. That is how trade works at the individual level and at the country level.

**THE CONCEPT OF THE GLOBAL RACE IS TERRIBLE ECONOMICS AND A REFLECTION OF INCOHERENT ECONOMIC THINKING**

both examples of global copying rather than global races in a zero sum game.

Secondly, trade is based on comparative advantage not absolute advantage. In a static analysis, we see competition between (say) German and British firms for individual markets and this may look like a race.

However, the long-term dynamic perspective suggests a very different picture. Germany may be relatively good at exporting luxury cars and so resources in the UK will flow towards other industries such as insurance and legal services that we will export

So, let's have good policy at home because it will lead to prosperity at home. And let's encourage, in appropriate forums, good policy abroad because it will lead to prosperity at home and abroad.

There are no losers in the global race if all countries adopt good policy – all will have prizes. There are no winners in the global race if we are the best of a bad lot.

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Full version at: [www.iea.org.uk/blog/cameron-and-osborne-race-to-the-bottom-in-economic-literacy](http://www.iea.org.uk/blog/cameron-and-osborne-race-to-the-bottom-in-economic-literacy)



# FJORD FOCUS:

## IS THE BRITISH LEFT FALLING OUT OF LOVE WITH SWEDEN?

**When the British left talks about Sweden, they are not referring to the actual country. They refer to a symbolic Sweden, a place which stands for Big Government, generous welfare provision, democratic collectivism, statism, egalitarianism and social harmony.**

Recently, Sweden has been shaken by riots which looked embarrassingly similar to the 2011 London riots – the politically correct interpretation of which was that they were an outcry against inequality, poverty and spending cuts. The left is having to rewrite its Swedish story rapidly.

The BBC, for example, now reports: *‘Many said there was a wider context of a growing gap between rich and poor in Sweden. [...] Sweden has seen the biggest increase in inequality of any developed country over the past 25 years.’*

The Guardian adds: *‘After decades of practising the Swedish model*

*of generous welfare benefits, Stockholm has reduced the role of the state since the 1990s, spurring the fastest growth in inequality of any advanced OECD economy. [...] successive governments have failed to substantially reduce long-term youth unemployment and poverty, which have affected immigrant communities worst.’*

The comments below the latter article are a delight. Suddenly, everybody has known it all along: Sweden is a neo-liberal hellhole. People riot because Sweden has private schools, private welfare providers, spending cuts and worst of all, private healthcare. The rioters may not be quite aware of it, but they are ‘really’ rioting against the free-market fundamentalism of PM Reinfeldt and his predecessors. The symbolic Sweden has been moved into the past, and we have always been at war with Eastasia.

I’m not an expert on Sweden, but as far as I can judge, it is a very unusual model which, by British standards, would be considered highly interventionist in some respects, and very liberal in other respects. Of course, no country is simply ‘more liberal’ or ‘more interventionist’ than another country in every single respect, but the Scandinavian countries show an especially diverse policy mix.

So far, British Scandinavophiles have ignored this heterogeneity entirely. They have clung to their symbolic Sweden, a place where people do little else but pay taxes, consume public services and then pay some more taxes. I have been complaining for quite a while about this wilfully selective, reductionist perspective.

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Full version at: [www.iea.org.uk/blog/is-the-british-left-falling-out-of-love-with-sweden](http://www.iea.org.uk/blog/is-the-british-left-falling-out-of-love-with-sweden)

# LETTING OFF STEAM: Don't blame Beeching for loss-making railways

**In *The Reshaping of British Railways*, better known as the Beeching Report (1963), Dr Beeching pointed out that 30 per cent of route miles carried only one per cent of passenger-miles and one per cent of tonne-miles. He recommended closures in the vain hope that the remaining network would be profitable.**

Of course, it was almost inevitable that Beeching would make mistakes - this was a nationalised industry central planning board. However, it is silly, as some do today, to point to two or three lines that might have been slightly less loss making fifty years later if they had not been closed and say 'Beeching was therefore wrong'. In general, the lines that he closed were of the type that are today vastly loss making.

Critics of the cuts often claim that the loss of rail traffic was very much greater than originally thought because passengers on the closed lines would be making onward and longer journeys. This overlooks the fact that the main-line stations could more easily be reached by car or bus, as well as the benefit to passengers and freight operators

of concentrating resources on the busier part of the network.

Indeed, it is difficult to see any signal in the data that supports the notion that Beeching did anything to reduce usage. In 1959 the railway carried 35.8bn

## DISUSED LINES SHOULD BE PAVED WITH ASPHALT RATHER THAN NEW RAILWAY TRACKS

passenger-km. That had fallen to 30.7bn by 1963, the year in which Beeching published. Usage was on a sustained downward trend which continued until 1968 when 28.7bn passenger-km were carried. Thereafter usage recovered to circa 30bn, remaining static until privatisation. Since privatisation there has been sustained growth; the same happened with freight.

Of course, when it comes to rural transport, the car

provides the greatest flexibility of movement that can be desired, bringing together places which were inaccessible to each other by train or bus. The greater tragedy of the post-Beeching era, therefore, was that the rights of way were sold off. That was not Beeching's fault. Instead it arose because the railway had a duty to maximise the sale values and the authorities lacked the vision to see the value of these routes as roads. Had that vision existed those routes could, at low cost, have been converted, so providing a superb network of rural roads overlaying the paleotechnic system that continues to carry modern motor traffic.

Despite the post-privatisation growth of rail, this mode accounts for only three per cent of passenger journeys and less than a tenth of passenger miles and freight.

Disused lines should be paved with asphalt rather than new railway tracks, thereby enabling many thousands of lorries and other vehicles to divert from the unsuitable and dangerous roads they now clog.

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Full version at: [www.iea.org.uk/blog/dont-blame-beeching-for-loss-making-railways](http://www.iea.org.uk/blog/dont-blame-beeching-for-loss-making-railways)

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