'"To have and to hold" … should the government hold onto its SOE shares?'
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The current National-led government seems determined that it is better to sell off some 'commercial' state-owned enterprises (SOEs) such as power companies, and re-invest the money in other more 'social' state assets like schools.

Their opponents, on the other hand, argue vociferously that any 'sell-off' of current state assets is more of a 'sell-out'. Such ill-informed sound bites are often accompanied by vague assertions such as: the government is "selling off the country's best silverware", or "selling to some taxpayers what already belongs to all of us".

The job of an economic adviser is to cut through this rhetoric and try to identify any objective benefits or costs of privatising state assets. With luck, governments and the public might then be able to make better judgements. So how do we determine which economic assets are best held in government hands?

I don't have the space here to go through the numerous contributions to that debate, but I can debunk some asset sales myths!

First, what might "selling off the nation's silverware mean"? This phrase seems designed to convey the notion that, like inherited family heirlooms, state assets will be lost to the nation forever if sold to the highest bidder. So, what heirlooms might the sale of electricity companies involve?

Well, it could be, for example, that the singular pursuit of profit in this industry destroys some of the valuable natural assets that we prize – such as scenic beauty and pollution-free rivers. Sometimes, once damaged, these things are hard to recover and government ownership might better protect against this.

The problem with this argument is that even if we accept the need to protect our natural heritage, why should it be best to give government ministers and their bureaucrat advisers the right to decide the best balance between profit and protection? Politicians are subject to all sorts of covert lobbying over their decision-making, while public servants generally have pretty limited experience either of running commercial organisations or of environmental protection in practice.

Even trade union leaders in the industry would probably do a better job than government ministers. At least those leaders have more day-to-day experience of the relevant issues. But the wider point is that, as most countries' governments now recognise, the burden of proof for state ownership and control of commercial activity should be based on demonstrating why the private sector cannot be trusted. This is quite the opposite of the 'family silverware' argument that generally presumes state ownership is optimal until proved otherwise.

So what of the argument that "governments have no right to sell, to the wealthy few, assets that belong to all taxpayers"? This is another myth. *Taxpayers* don't 'own' any of these state assets. The Crown, administered by democratically elected governments, has given itself monopoly power over numerous aspects of our lives – from the legal system under which we must all operate to the 'ownership' of large swathes of the New Zealand landmass.

Over generations however, millions of New Zealanders' (and some foreigners'!) tax payments have helped to fund many commercially and socially profitable activities. These include building up assets such as schools, hospitals and valuable commercial enterprises such as the SOEs. (Most of our taxes of course went to pay for things we've already consumed – such as teachers' and nurses' salaries, and welfare payments etc.).

So if the government now wants to sell some of those SOE assets for cash it is merely transforming one of type of state asset for another – the millions of dollars it will receive. The real issue here is what it then does with the cash. The two main options are (1) invest them in another type of asset - such as building more schools and hospitals; or (2) spending the cash on things we currently need such as teachers and social welfare benefits.

The first option is trading one asset for another. The government essentially gives up an asset that paid it an annual dividend (potentially keeping taxes lower than they otherwise would have been). It replaces it with an asset that it hopes will give an annual social return – better educated children or whatever.

The second option – spending the cash from share sales immediately on public servants, welfare payments or lower taxes – does involve fewer state assets in total. But it represents the kinds of decisions we all (governments included) make every day—namely how much of our income to invest for the future, and how much to spend now.

The National government seems to be saying it wants to do a bit of both. We'll see soon enough how many voter-taxpayers think it has got the balance about right. If it hasn't, then 'to have and to hold' might be the right analogy. This marriage could be on the rocks!