

## Topic Page: [Government ownership](#)

Summary Article: **nationalization**

From *The Columbia Encyclopedia*

acquisition and operation by a country of business enterprises formerly owned and operated by private individuals or corporations. State or local authorities have traditionally taken private property for such public purposes as the construction of roads, dams, or public buildings. Known as the right of eminent domain, this process is usually accompanied by the payment of compensation. By contrast, the concept of nationalization is a 20th cent. development that differs from eminent domain in motive and degree; it is done for the purpose of social and economic equality and is usually, although not always, applied as a principle of communistic or socialistic theories of society. The Communist states of Eastern Europe nationalized all industry and agriculture in the period following World War II. Under the Labour government of the period 1945 to 1951, Great Britain nationalized a number of important industries, including coal, steel, and transportation. In non-Communist countries it has been common practice to compensate the owners of nationalized properties, at least in part; however, in the Communist countries, where private ownership is opposed in principle, there usually has not been such compensation. Nationalization of foreign properties has occurred, especially in developing nations, where there is resentment of foreign control of major industries. Instances include Mexico's seizure of oil properties owned by U.S. corporations (1938), Iran's nationalization of the Anglo-Iranian Oil Company (1951), the nationalization of the Suez Canal Company (1956) by Egypt, and Chile's nationalization of its foreign-owned copper-mining industry (1971). Such expropriations raise complex problems of international law. In some cases disputes over nationalization are settled by adjudication, with the expropriated parties obtaining compensation for their former properties, if only in part. In other instances, where no compensation is offered, severe strain in international relations may arise. The International Court of Justice ruled (1952) in the Anglo-Iranian Oil Company dispute that a concession made by a state to a foreign corporation is not an international agreement and is subject to the law of the conceding state—meaning that investors must assume the risk of nationalization in the country in which they invest, and developing nations have held that nationalization is a right implied by the UN Charter.

the reverse process, has become widespread, however, with socialism's loss of credibility. Great Britain sold off many of its public companies, such as British Telecom; France sold 65 state-owned companies in 1988; and the collapse of Communist dictatorships in E Europe and the Soviet Union has inspired large-scale privatization in some of the nations in that region, in some instances after distributing government shares to the public. Housing has also been privatized on a large scale in Britain, and privatization has been proposed for public housing in the United States. Developing nations, too, have begun to privatize. In the United States, the term has also been broadly applied to the contracting out of the management of public schools, prisons, airports, sanitation services, and a variety of other government-owned institutions, especially at the state and local levels.

See Margolis, J. , ed., *Public Economics* (1969);

G. L. Reid; K. Allen, *Nationalized Industries* (1970);

Prosser, T. , *Nationalized Industries* (1986);

Sclar, E. D. , *You Don't Always Get What You Pay For* (2000).

**APA**

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Harvard

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## Chicago

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## Harvard

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## MLA

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