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Escape from ‘the Statrix’ and embrace the market economy

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The beauty of a market economy is that the profit motive incentivises entrepreneurs to produce to fulfil our needs and desires.

Businesses and startups are constantly dreaming up new concepts and ways of using resources to circumvent problems or to meet consumer tastes, without us even noticing the process.

Stop and look around you right now. The fruits of these endeavours are everywhere. We don't need to be told that innovation is possible – we see it.

And yet when it comes to debates about politically charged issues such as the NHS, the public seems paralysed by a lack of imagination.

To read tweets of some self-defined NHS supporters on Twitter, one might presume that the alternative to a nationalised, socialised healthcare system was no healthcare system at all.

People appear to be genuinely unable to comprehend that alternative means of organising healthcare are possible, just as they cannot imagine a world where the government does not provide education or assistance to the poor.

What explains our inability to comprehend a different world in these cases? My Cato colleague Trevor Burrus has developed a thesis which he calls “the Statrix”.

Like the Matrix, the Statrix is the reality we find ourselves in – a reality heavily shaped by government. Through its interventions and provision of certain goods and services, the state heavily influences the world we see. It creates its own reality, and because we do not know any different, we presume that this role is both desirable and – eventually – inevitable.

Burrus identifies seven steps that cause this reality to become entrenched.

First, the government considers an idea to solve a perceived problem, such as ensuring that everyone has access to healthcare, irrespective of means.

Second, it implements that idea, by nationalising large parts of the existing healthcare system and funding it through general taxation.

Third, it then reorganises the whole system – implementing a plan for the NHS which differs markedly from what would have occurred without it, revolutionising the economic landscape of healthcare provision.

Fourth, this leads to the crowding-out of much private and voluntary activity, which is either unable to compete, or suffers from the public being unwilling to pay extra on top of their higher tax bill.

Fifth, vested interests – unions of doctors, nurses, administrators, and the bureaucracy itself – resist reform.

Sixth, this produces inadequate results in terms of health outcomes.

And finally, the government feels compelled to regulate alternatives, or makes it difficult to break into the market, quelling potential innovation.

The result is that, as a result of all these actions and inactions, the idea that healthcare might be provided some other way becomes alien to us.

Just as a citizen of the Soviet Union would have dismissed calls for privatisation of the car industry as unthinkable neoliberal dogma in 1991 (having lived through a generation of state production), those of us who have never received healthcare abroad cannot conceive of a world without the NHS.

But it's not just healthcare. We see more subtle examples all the time.

On housing policy, many commentators look at simplistic figures of house-building since the 1980s to conclude that the absence of state building is to blame for inadequate supply. Never mind the fact that building rates were much higher in the 1930s, when we had much more liberal planning laws.

Status quo expectations have shifted, and it is common to hear that the “private sector cannot build what is needed.”

In childcare, too, evidence of the falling numbers of childminders and center closures after a regulatory onslaught in recent decades and increasing state involvement is slowly evolving into a view that the market cannot provide affordable care.

The implications of the Stratix are worrying for those of us who believe in the benefits of economic and social freedoms. It explains why what Milton Friedman described as the “tyranny of the status quo” is so powerful. But its lesson is that the only real way to convince people of another way is to show them.

Just like in the Matrix film, Burrus argues that we need “red pill moments” – instances where we experience or see something so different that we realise the world as we've lived was merely a possibility, rather than a certainty.

Markets deliver those moments for us all the time, from when we first use a ride-sharing app to being able to make calls with video technology.

What we really need is for entrepreneurs to find new ways of delivering healthcare, housing, and childcare at scale, circumventing the state-imposed barriers, to open our eyes to new ideas.

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