

Plumnelly

Transcript

Once upon a time, there was a land called Plumnelly with two different healthcare systems. Doctors at the Plumnelly Healing Spire used exclusively physical treatments. They started with massage, heat and cold packs, and devices such as crutches. Then they progressed to acupuncture, chiropractic, and finally surgery.

At St. Willow's Infirmary, doctors used exclusively chemical treatments, mostly drugs and antiseptics. Doctors at the two hospitals had bitter debates about who was right and who was wrong. But gradually, both sides adopted a few practices that didn't quite seem to fit.

Some of the doctors at St. Willow's found bandages were quite useful in keeping topical drugs where they could do the most good. Later they discovered they could administer a wider range of medicines if they introduced injections, IV lines, and inhalers. Many of their colleagues opposed these innovations, but they proved to be so effective that they were unstoppable.

Meanwhile, the Plumnelly Healing Spire doctors found they needed chemical anesthetics and antiseptics to do surgery. These advances were grudgingly accepted, since the chemicals were only adjuncts to the actual treatments.

A few rogue doctors from each of the two hospitals got together and set up the Total Sum Hospital. Here they treated each patient according to which treatment they judged to be most promising. They kept careful records to see which treatments were actually the most effective.

It took a long time for Total Sum Hospital to be fully accepted by the Plumnelly citizens. Most of them had strong attachments to one tradition or the other. The Total Sum doctors argued it's reasonable to use ALL the tools available. If you want to build a house, you need both hammer and screwdriver. When you cook a meal, you need more than one type of pots and pans. Why restrict your tools when it just makes the job harder?

This parable is actually about two systems of economics: Communism and Free Market Capitalism. Throughout the Cold War, Communists argued that the government should control all economic production, while the Free Market Capitalists wanted everything controlled by privately owned companies. Of course, the Capitalists always realized they needed Government to provide a few things, such as national defense and a stable legal system with property rights. The Communists always had some role for competitive markets. But both sides had a number of fanatics fighting tooth and nail to prevent expansion of either competitive markets or government economic activity.

In the Plumnelly story, the rebellious doctors noticed that in both hospitals some people got well, but others died. In economics, some people noticed that both Communism and Capitalism did a reasonable job of producing economic growth for decades. The Soviet Union and United States both put up a good showing in the space race and the arms race. If either side had been right about the other, then one side would have collapsed within the first few years.

I think Capitalism won the Cold War because it was the least “pure”. Throughout the Western Capitalist world, we used more of the tools available to us than the Communist world did. For example, the U.S. federal government regulated airline routes until the industry got off the ground. In the same way, the Constitution established the Post Office and let the federal government control long distance communication until other options were developed.

Today we have only 5 countries in the world controlled by the Communist Party, and all of them have privately owned, market-based companies as a big part of their economy. They have clearly figured out that they need all the tools available, and they are working to optimize the mixture.

Most countries today qualify as Capitalist, at least to some extent, and use a combination of competitive markets and government action, with different details in different countries.

We have plenty of reasons to improve our productivity. From household budgets up to the federal government level, most of us would like to have some important things that we can't afford.

For the first 70 years after World War II, the U.S. was clearly the economic leader of the world. This gave us a lot of advantages; economists use the term “exorbitant privilege”. But there is also a price: the leader has to invest more in new technology and new organizational systems to use that technology efficiently. The followers can just copy.

Well, today different countries are the leaders in different parts of the world economy. We can learn a lot by checking them out.

The first thing we will find is that the most successful are like the Total Sum Hospital. Instead of trying to follow a pure tradition, they use all the tools available and figure out what works best for each economic challenge.