

# Interview of Deirdre McCloskey with *PULSO*, a Chilean newspaper

September 22, 2016

Questions by **Francisca Guerrero**

1.- Could you briefly describe your exposition in Chile. What will be the main focus of your exposition?

The last of my trilogy on The Bourgeois Era came out a few months ago---*Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*---and I'll be giving speeches and interviews out of it. The first volume in the trilogy, *Las virtudes burguesas* was translated last year by Fondo de Cultura Económica. The new book says that the liberalism born in the 1700s from people like Adam Smith or Mary Wollstonecraft made ordinary people bold to innovate. The result was the largest rise in real income per head in history, from \$2 a head per day as a world average in 1800 to \$33 a day now. Brazil stands at the average. In countries like Chile that have liberalized, the average is higher, about \$43 a day in Chile and \$130 a day in the US. It was not actions by government or by trade unions that did it, nor was it sheer investment or the exploitation of the poor. It was betterment, tested in markets. Ordinary people increasingly after 1800 were freed to invent everything from window screens to plate glass, from autopoiesis to the earthquake protection in the Titanium La Portada Tower. There's no reason why Chile can't have a US standard of living, if the government will leave people alone to innovate and if the public will honor trade-tested betterment, and stop expecting magic from the government.

2.- Chile has been regarded as one of the most unequal countries of the OCDE, what policies should be implemented to enhance equal growth?

What is more important is that Chile did enter the OCDE. It is now in the club of prosperous and democratic countries. Rapid economic growth saves the poor much better than government programs of redistribution, run by politicians with sticky fingers. Chile now has under 3 percent of its people living on the miserable \$2 a day that the whole world lived on in 1800, and still some countries like Chad and Ethiopia do. Raise up the poor by giving them a chance to work and to give opportunities to their children.

3.- Is the Chilean approach, to fight inequality with a focus on education, the right one?

No. Paying for everyone to go to elementary school is of course a good idea. Providing the schooling through the government is not, because then the schools get taken over by teacher unions focused on their own welfare, not that the children. And making higher education free to everyone is simply a subsidy to upper middleclass people whose children are already best prepared for university. Better to target the poor. But the real problem is poverty, not inequality. Taking from the rich and giving to the poor will not much help the poor, and can only be done one time. Land reform, one time, is a good idea. Killing economic growth by over-taxing innovators is not. Economic growth, up

from \$3 a day to \$130 a day and more, enriches the poor every single year, forever. The best plan is to let everyone work and innovate. We need to stop thinking that the poor can be raised up by acts of the Congreso Nacional. It is magical thinking, and we need to get over it in the United States (the magic proposed by Donald Trump, for example) as much as Chileans do. The poor are raised up only by a more productive economy. The richer economy comes from market-tested betterments coming from free people, not from laws.

4.- Applying your approach to how countries could be richer, what would you recommend as a policy in Chile?

I'm no expert on Chile. I am ashamed to say I don't even read Spanish! So all I can suggest is what has been true historically. It is that a "sisterly real liberalism," which acknowledges a responsibility to help the poor, but allows people to open a grocery store wherever they want and to enter any occupation they want and to trade at home and abroad without enormous taxes, has made the world rich. The intellectuals of the past three centuries have had three political ideas. Two of them, nationalism and socialism, invented in the 19<sup>th</sup> century, were very, very bad. If you think you like them, perhaps you will also like their combination invented by Mussolini and Hitler, national socialism! The third idea, a very, very good one, invented in the 18<sup>th</sup> century, especially in the Scottish Enlightenment, was liberalism. It's "Scottish" equality of opportunity, equality before the law and equality of social dignity. It allows, wrote Adam Smith, "every man [and woman, dear] to pursue his own interest in his own way, upon the liberal plan of equality, liberty, and justice." Such a liberalism worked. The old national socialist policy in Chile of import substitution, for example, did not.

5. You say: "The richer economy comes from market-tested betterments coming from free people, not from laws". Chileans go in the opposite direction, for example they want more State and less market in health and pension system. What do you think about that?

They are saying that they want more decisions to be made by compulsion, backed by the state's monopoly of violence, as against voluntary agreements among free people. I suggest they rethink their love of violent compulsion!

6. You say: "Providing the schooling through the government is not a good idea." Who should provide schooling? In your view, what parameters indicate good quality education?

What I object to is state-run schools. All schooling should be private. But I have no objection to the state setting high standards for all schools. And I certainly have no objection to being taxed to pay for basic education for everybody. You and I should be taxed to provide vouchers, the money, so that poor people can go to school. Sweden, for example, has since the 1990s moved to a voucher system. For poor people, though not for you and me, the subsidy should extend to higher education, too.