

Interview for *BBC Mundo*, Colombia

(website of the British Broadcasting Company's Spanish-language service)

Interviewed by Irene Hernandez Velasco

1/7/2019

1.- If I am correct, when you were young you were an anarcho-communist but later you became a huge supporter of the free market. What made you change your mind?

**The evidence. Here is what Robert Heilbroner (1919–2005), for decades a socialist and a professor at the Marx-leaning New School for Social Research, wrote in 1989, just before the sudden and unpredicted collapse of the Soviet Union: "Less than 75 years after it officially began, the contest between capitalism and socialism is over: capitalism has won. . . . Capitalism organizes the material affairs of humankind more satisfactorily than socialism." You can see an example in present-day Cuba or Venezuela contrasted with Chile or Colombia. Heilbroner then wrote, in 1992: "Capitalism has been as unmistakable a success as socialism has been a failure." He complimented the liberals Milton Friedman, Friedrich Hayek, and Ludwig von Mises for their advocacy of liberty, remarking that "democratic liberties have not yet appeared, except fleetingly, in any nation that has declared itself to be fundamentally anti-capitalist." Venezuela again. Along with thousands of former socialists and communists, and not a single case in the past century of anyone going from liberalism to socialism, my motto is that when I get new information – the disasters of the USSR, Mao's China, Cuba – I change my mind. I ask your readers, what do they do?**

2.- Which are in your opinion the main benefits of free market?

**The exercise of liberty by individual adults, providing them with the dignity of taking care of themselves and their families. The gigantic enrichment of the poor, going from \$2 a day to \$50 or \$100, as has happened in every economy that has followed real liberalism. The fall of tyranny. The cultural enrichment of every rich country.**

3.- Why then capitalism concentrates so many critics? You talk of a climate of cultural pessimism.

**The late, great Hans Rosling tries to explain the pessimism in his posthumous book, *Factfulness* (2018). He thinks it is because people do not know the facts, such as that since the 1960s world real income per head has risen faster than at any time in history, bringing the poorest of the poor (in China, India, and Latin America, for example) out of the worst of misery. He notes that people tend to assume that our present riches are given and natural, which leads them to ignore what made for the riches. I myself think anti-capitalism has also to do with the very word, "capitalism," which makes people think that accumulating capital is what made us rich compared with our miserable ancestors. No, it wasn't. Good ideas for the use of the capital and our other gifts and energies is what did it. Thus autos, artificial fertilizer, antibiotics, containerization, cardboard boxes, toothpaste, computers, universities, secret ballots, liberation of women, the pill, railways, asphalt, structural concrete, radio,**

cheap steel, kerosene, forward markets, tractors, traffic lights, electricity generation, the internet, airplanes, mass newspapers from steam presses and cheap paper, and millions of other ideas, for which capital is sometimes necessary, sometimes not much.

4.- What is your opinion of Mr. Trump economic policies, many of them clearly protectionist?

**He is a neo-fascist idiot, with the attention span and sexual impulses of a 14-year old boy. His economic policies he gets from the literal fascism ("new nationalism") of his advisors Stephen Bannon and Stephen Miller and on protectionism the economic foolishness of Peter Navarro. Navarro got his PhD from Harvard. I am thinking of turning mine back in, by way of protest.**

5.- In your book "Why Economics Can't Explain the Modern World" you argued that the unprecedented increase in human welfare in the 19th and 20th centuries, from 2 or 3 dollars per capita per day to over 100 dollars per day, is not merit of capitalist as such but of innovation. Could you please explain us this idea? Innovation and capitalism need each other, don't they?

**Innovation needs lots of things: air, laws, peace, water, sentient humans, the arrow of time. Capital is just one of the necessities, and often not very important for the innovation. The modern university, invented at the University of Berlin in 1810, needs a few buildings, but mainly it is an organizational idea. We tend to think of the ill-named "capitalism" in terms of, say, railways, which do indeed need masses of capital up front. But good ideas get the capital to happen rather easily. Bad ideas, such as the high-speed railways now all over China on twenty-meter-high viaducts, get the capital by governmental compulsion and subsidy from compulsory taxes.**

6.- Which are the biggest defects of capitalism? Many studies, as the one of Thomas Piketty, alert that the gap between the rich and the poor is getting bigger and bigger...

**"Capitalism" – I prefer to call it "innovism" – has few defects. It takes the poor out of the worst of poverty, and gives their children opportunities to enter the middle class. In particular, inequality is not a defect of innovism. If the government lets people compete (it often does not), innovism in fact reduces inequality. Piketty is factually mistaken. Indeed, he admits so in his book, pointing out that the only countries in his study that have actually experienced rising inequality are Britain, the USA, and Canada. For the rest he is merely raising the *fear*. The real gap between the rich and the poor has in fact dramatically declined since 1800, 1900, 1960, or any date you care to measure it from. The rich get an extra diamond bracelet. The poor get enough to eat. Which is more important? Real equality has increased, steadily. We should focus on raising the average, and the income of the poorest, not silly and ineffective schemes of grabbing money from the rich – which mainly ends up anyway in the hands of other rich people, or corrupt officials.**

7.- You have studied in depth the bourgeois. Is the middle class now in danger? How would it be in the middle term?

**No, the bourgeoisie is not in danger. It is rising in percentage and absolute terms worldwide. But the intellectuals hate it. They always have. Gustave Flaubert wrote to George Sands in 1867, "*Axiome: la haine du bourgeois est le commencement de la vertu,*"**

which is to say, it is an axiom that hatred of the bourgeois man is the beginning of virtue. The hatred supports the endless schemes for “changing the system,” all of which have been disasters for the poor. Need I mention Venezuela once again?

8.- You don't like the word capitalism. Why?

It misleads people into thinking that capital accumulation is the key to progress. It isn't. Innovation is. Humans have always accumulated, since *Homo erectus* started accumulating Acheulean hand “axes.” The Romans built great roads, the Chinese the Great Wall. Yet there was no progress for the average person until the innovations of the 19<sup>th</sup> century and beyond, out of a true liberalism giving people equal dignity and a more equal chance. Nothing is perfect. There's more to be done to help the poor, especially by eliminating “protection” (better call “favoritism” for the powerful and their clients). Let's do it. But let's not misunderstand how we got here: not by government or by grabbing money from the rich but by innovism encouraging millions of ordinary people to venture, on a new job or a new factory.

9.- You are professor of Economics, but you also teach Philosophy and Literature. Humanities is, you say, necessary to really study the economy, to humanize economics and prevent it from being only numbers and statistics. You defend the term “humanomics”, the economy of the human.

Yes, “humanomics,” economics with the humans left in. But it does not mean leaving out the mathematics or the statistics. It means supplementing them, with *all* the evidence, verbal and well as statistical – the evidence of human talk and human literature since the folk tales and the *Epic of Gilgamesh*.

10.- Having studied the rhetoric in economics, do you consider economic language manipulating? I have for example always been fascinated by the term “negative growth”, that is, growth that sounds pretty nice but at the end of the day is catastrophic.

Of course language is “manipulating.” It can't be any other. We spend our days trying to influence each other, for good or ill. For example, scientists try to persuade their peers that this or that theory is correct. Good for them. Persuasion, “sweet talk,” is the only alternative to violence – as Colombians facing the FARC and Peruvians facing Sendero Luminoso know better than most. Sweet talk runs the economy, and should. There is no “negative growth,” except in the magic realism of the left, which since 1848 has yearned to see the end of “capitalism.” On the contrary, commercially tested betterment has saved the wretched of the earth, and will continue to, if we do not spoil it with fantasies about socialism, sadly prevalent in Latin American literature.

11.- One of your main areas of study has been the world after the Industrial Revolution. Do you think the current technological revolution will be much deeper? Do you forecast as many of your colleagues do a future scenario with enormous unemployment due to robotization?

The Great Enrichment of the 19<sup>th</sup> and 20<sup>th</sup> century was pretty “deep.” It led our ancestors out of the field and kitchen, a shocking change made possible by “robots” such as railways, mechanical harvesters, and hybrid corn. The fear of unemployment is childish as economics

and forgetful as history. Any human device, from a shovel to a computer, is a “robot,” and yet the innovism after 1800 that brought millions of such devices, mechanical, biological, and organizational, did not result in permanent unemployment. Our ancestors were virtually all peasants (mine certainly were). Now in the U.S. only 2 percent of the workforce is on farms. It is not the case that 98 percent of the workforce is unemployed! And indeed if it were true that goods and services could all be produced by merely pushing a button, it would be wonderful. We would be in Eden, not Hell.

12.- You define yourself as a “literary, quantitative, postmodern, free-market, progressive-Episcopalian, Christian libertarian, Midwestern woman from Boston who was once a man”. Did you need an enormous amount of courage to decide, in 1995 when you were 53 years old, to become a woman? Which advice would you give to a person that faces the same situation?

You and I and everyone else needs courage to live. The mother who gets up every morning to help her severely handicapped son has more courage than most soldiers. The man who works three jobs to give his children a better life is a saint of courage. People think that gender change requires massive courage because they wouldn’t want to do it – like jumping out a plane without a parachute! My advice is to take advantage of a free society in which you can make such a choice – I do not recommend the parachute one – and then get on with your life.

13.- Have you feel being discriminated for being a transgender? And for being a woman?

For being a gender crosser, not directly so far as I know. But there may be subtler forms I would not have been aware of – for all I know I would have that job at Harvard if I had not crossed! (I don’t think so, actually.) And, yes, I know I have been discriminated against as a woman. A month or so into my transition I was talking with a bunch of male economists about economics. I made a point. The men ignored it. A few minutes later John made the identical point, and all the men praised him to the skies. I said to myself, *Yes, they’re treating me like a woman!* It was the first, and the last, time I have enjoyed the experience!

14.- Are you a religious person?

Yes, I am a convert (after my gender change) from agnosticism to Anglicanism, Church of England, what we call in the U.S. “Episcopalianism.” It’s hierarchical Protestantism, like the Lutheran Church in Germany and Scandinavia. We Anglicans have bishops, for example, though nothing like a Pope. The joke is that it is Roman Catholicism “lite.”

15.- Has religion any impact on the economy? Do you agree with Max Weber’s idea that capitalism is a product of the Protestant ethic?

Yes, of course it does, especially when almost everyone in Europe and its offshoots was a more or less believing Christian. How could it not? The main impact I explore in *Bourgeois Equality* (2016), for example, is that of non-hierarchical church governance, such as in Congregationalism or Quakerism or Baptism. Such radical Protestants (not we Anglicans or Lutherans, I said) choose in their own little congregation in town their own priests, and called them “ministers.” I think it gave people the idea that they could choose their own economic adventures, too. But Weber was quite wrong, as has been shown in detail since

**1905 over and over again. He got the theology, the economics, the sociology, the history all wrong. Yet people still love his idea, because it connects ideas with the economy. I think there are more historically and economically plausible ways of doing it than his notion that a Calvinist doctrine of predestination ran the show.**

16.- The world is more and more irreligious every day. Will it have any effect on the economy?

**I think it is wrong to say the world is more and more irreligious. Look at the explosion of evangelical Protestantism in Latin America and Africa. In both places the outcome is that men stop spending their wages on drinking and whoring, and become sober fathers and husbands. It's all to the good economically, because it gives their children a chance. Where women earn money they spend it on their children, and women are usually the more religious.**