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Interview on Liberalism and Russia

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for *Liberty*

1) In the spring of 2016 you finished a trilogy of books on the role of ideas in economic growth. You have an explanation of the past. Do you think the explanation is also useful for giving advice for the future? What kind of advice, and to whom should it be given?

My explanation of the Great Enrichment after 1800 in places like Britain and Sweden and Japan – with Russia getting the advantage of imported ingenuity such as railways and blast furnaces from 1890 onward – is the rise of an egalitarian liberalism. Liberalism let ordinary people "have a go," as the British say. The result was a gigantic acceleration of exchange-tested betterment, as in for example the period of the New Economic Policy in Russia before Stalin. The having-a-go is what has made us rich – not capital accumulation or institutions. Adam Smith called it "the liberal plan of equality [in social standing: no hierarchies such as the Putin party], liberty [*laissez faire*; let people start businesses when they want and enter professions when they want, and not be obstructed by vested interests], and justice [equality before the law; an independent judiciary, without rigged and political trials, by contrast with the present judiciary of Russia]."

The liberal plan has been adopted in the economy by China, and in the economy and in politics by India, yielding per capita growth rates in real terms of 6 to 12 percent per year. At such rates the real income of ordinary people doubles every decade, and quadruples for your children. It has not been adopted in Russia, or in the other non-China-and-India BRICS, namely Brazil and South Africa, with a sad result – painfully slow growth, fast only when raw material exports have high prices.

2) You have been in Russia twice, in Moscow and Petersburg. Arguably Russia is not the best illustration for your theory. We lack liberty and dignity but nevertheless Russia is a rather rich country. What do you think about the Russian case? Are we really below the world average in liberty and dignity? Can it be measured, and how? What is the explanation of our economic results? Is there a way to increase respect for liberty and dignity?

On the contrary, Russia is an excellent illustration of my theory. The crux is "dignity for whom?" What makes for rapid economic growth is a good opinion about entrepreneurs *by the rest of the society, especially by the rulers*. Not many

countries in the world are liberal enough in this sense. Russia is in fact a disappointingly poor country, about \$50 a day per person, when Germany is \$105 a day and the United States \$127. Such an educated and creative country as Russia should be twice as rich than it is. When oil prices are high, all is well. When they are not, the government continues to obstruct economic growth with absurd regulations – such as the gross misuse of so-called "anti-trust," to protect big companies and harass small innovative companies – and the general public, in support of the government, still disdains businesspeople. The liberty that Russia lacks is of course political, but ordinary people do not care much about it. Yet until Russia emulates the Chinese and Indians and moves in a liberal *economic* direction it will stumble along with Brazil and South Africa.

The relevant dignity is very easy to measure. Just look at the treatment of businesspeople in the press (the part of the press which is left in Russia, that is) or the movies or the talk of people. Count it.

The way to increase liberty of enterprise was well expressed by the French businessmen in 1681 when asked by the government what the government could do for them. They replied, "*Laissez-nous faire*," leave us alone.

3) Let us imagine you have meeting with Mr. Putin. What would you advise him? Would the advice be different than your advice to the next US President? Generally, what should the ruler know about the modern world and the capabilities of the state.

I would advise him to think first of his place in Russian history. "Do you want to be known to the future as the George Washington of Russia or the Robert Mugabe of Russia? Peter the Great or Ivan the Terrible? If you want to be known as the initiator of a rich and strong Russia, you need to liberate the native ingenuity of the Russia people. You need to let the judiciary do its work justly, without interference or political trials. You need to get the government out of the economy as much as possible, doing well and honestly the few jobs of infrastructure that are needed, but not many of these. You need to encourage by your own example a respect for ordinary, small entrepreneurs as well as the rich ones. You need get rid of your silly luxuries and go live in an ordinary house, and work yourself hard early and late." Then he would have me assassinated! To Donald Trump I would say, "If you want to be remembered as a good president, then follow *laissez-nous faire*. But do not imitate Putin's idea of control by spying on the people and invading foreign countries!"

I hope they would learn from me what all rulers should know – that economic prosperity comes from the people being left alone; or as Adam Smith put it, it comes from "allowing every man to pursue his own interest in his own way."

The great social discovery of the nineteenth century was not nationalism or socialism, but that under the liberal plan the ordinary people are immensely creative.

4) Let us imagine one morning Russia solved its problems with liberty and dignity. What would be first sign of it during your next visit to Moscow.

I hope my next visit is soon—I have finally learned the Cyrillic alphabet, and want to test my knowledge! Seriously, the first sign would be an extension of what you have already seen since the fall of communism, that is, evidence of enterprise. That first time I was in Moscow, in 2010, we wandered into an empty tea shop. I asked the young waitress to turn down the blaring rock music. She was *outraged* that a customer would have an opinion. It seemed to me that 70 years of communism, and 700 years of authoritarian government, was contained in her response. The "bureau" model of economic life is that customers are serfs. The liberal model of economic life is that customers are queens.

5) Do you generally think that freedom in world increases, decreases or stays the same? Are there some new freedoms? Does your research method give us opportunity to forecast future of ideas and of economic growth?

Freedom increases over the long run, economically and politically and socially, so much is plain. But we are presently in a populist and nationalist recession of freedom, in Russia and in Hungary, for example, and now perhaps in the United States. The new attorney general in the United States under Trump wants to reduce the number of people who are able to vote and to let the police abuse black people. There are indeed new freedoms, such as my own to change gender. My research method is historical, backward looking, and cannot predict. But neither can any other method. I wrote a book in 1990 called *If You're So Smart: The Narrative of Economic Expertise*, pointing out that if we economists were so smart we would be rich. We aren't.

6) What argument against classical liberalism do you find the most disturbing and compelling? Are there new events or ideas that forced you to change your mind on liberty and dignity, on liberalism, on economic growth?

The most disturbing is the clear Christian requirement to help the poor. A male, brotherly version of liberalism does not see the need to help. My "sisterly" version does. The biggest economic events of the past thirty years are the fall of communism and the extraordinary economic growth, based on a partial

liberalism, in China and India. These confirmed my conviction that the future belongs to liberalism. The illiberalism of Putin and Orbán is doomed, as much as they preen themselves now. I feel sorry for them! They have become rich in money and cars and dachas. So what? They are the Robert Mugabes of Russian and Hungarian history, and will be condemned by the liberal futures of their countries.

7) Whom should we respect as classical liberal heroes of XX century?

There are so many! The French journalist Claude-Frédéric **Bastiat** (1801-1850), whose comic essay on "The Negative Railway" itself qualifies him for the list. The French nobleman and political writer, my hero age 22 or so, Alexis de Tocqueville (1805-1859), who like his friend Bastiat died young of tuberculosis. Read *The Ancien Regime and the French Revolution* (1856). The British historian and politician Thomas Babington Macaulay (1800-1859). Read his devastating assault on socialism before the letter, "Southey's Colloquies on Society" (1830). Count Михайл Михайлович Сперанский (1772-1839), of course, to begin with, and then Александр Иванович Герцен (1812-1870). But my personal hero age 15 or so was Prince Пётр Алексеевич Кропоткин (1842-1921), a "liberal" in an extended sense – a left anarchist, thrown out of Russia, Switzerland, and France, and living then in England, as Herzen did earlier. Read *Mutual Aid* (1902) even today.