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Freedom Does It

Preface to the Korean edition of *Why Liberalism Works*

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Liberalism is the theory, by now only about two centuries old, that people should not be slaves – not Koreans as slaves to Japanese, not wives as slaves to husbands, not citizens as slaves to the State. A slave cannot say No. You can be a 100 percent slave, bought and sold, or merely a 14 percent slave, taxed at that rate. Being a slave to the State only on 14 percent of the days, only on Mondays, say, unable to say No, and beaten or imprisoned if you do, still means you are a (partial) slave. Liberalism makes everyone equal in permission to buy and sell, vote and protest, move and venture. No slaves.

Before the 1700s, such equality was thought to be crazy. In traditional agricultural societies, such as European feudalism or the Korean *yangban* system or indeed the Christian Bible and Confucian social thought, everyone had a master. On the analogy of the family, everyone was a child to a parent, and the king was the father of us all. No “no.” One hundred percent unequal.

South Koreans are now pretty much free, and are mainly treated as adults, not as children dependent on the State. They enjoy a liberal democracy, standing among the honorable group of free nations. And South Koreans are rich. I show here that freedom leads to riches. The more freedom, the richer ordinary people will be. Freedom enriched England and the U.S. in the 19th century, then Hong Kong and Ireland in the late 20th century. And South Korea.

Bu, despite what you may have heard, the riches did not come from capital accumulation or from the projects of the State. The riches came from the liberalism that let Korean people be adult and entrepreneurial – in little ways like a worker courageously moving to a new job or a businesswoman opening a hairdressing salon, and in big ways, too, like LG, Kia, Samsung, and Hyundai making TVs and autos for the world. Individual human action – thinking up new ways of doing things, the new salon or the flat-screen TV – gave the public highways and the private skyscrapers their value.

Liberalism of course has recently been under attack from statist populists of left and right, the socialists and the fascists, Maduro in Venezuela and Trump in the United States. They want to raise the

percentage of slavery. Indeed, the Miracle on the Han River has long been seen by some as a triumph of high-percentage statism, of (temporary) tyranny. Statist planners will say, “Ah, you liberals are naive: look at the state-led enrichment of South Korea. Hurrah for Park and Chun and the military!” The planners do not of course mention the disastrous failure of 100 percent statism north of the 38th parallel, or for that matter the disasters of Maoist tyranny in China before 1978 or of regulatory tyranny in India before 1991. A little bit of tyranny, they say, is good for you. Not too much. “Industrial policy,” for example, in which the State directs investment, is supposed to be a good idea, with bureaucrats in Seoul or Washington telling businesspeople what to do. Or “protection” of one group in the economy against all the rest.

But I show in the book that it is free adults who make a country rich. South Korea’s devotion to education, to be sure, doesn’t hurt. But education without freedom would merely make better slaves, not better entrepreneurs. Most venturing in the economy doesn’t require a PhD in engineering. In the Soviet Union, education was excellent, as many North Korean students learned, but served only a nightmare of gulags and five-year plans.

True, under Park and Chun and the military freedom was restricted in matters of free speech and the like. It was disgraceful and unnecessary. But freedom in the economy was nonetheless substantial even then. And for most ordinary people that sort of freedom is crucial, denied for example in Soviet Russia and Maoist China and in their client North Korea. Vasily Grossman (1905-1964) was a Russian novelist, successful under Stalin and the rest when he was a communist, who became instead a liberal – and paid for it with imprisonment. In his last, great novel of the horrors of Stalinism, *Forever Flowing* (1955-1963) the hero, back from three decades in the gulag, says:

I used to think that freedom was freedom of speech, freedom of the press, freedom of conscience. But freedom is the whole life of everyone. Here is what it amounts to: you have to have the right to sow what you wish to, to make shoes or coats, to bake into bread the flour ground from the grain you have sown, and to sell it or not to sell it as you wish. . . . to live as you wish and work as you wish and not how they tell you. . . . In our country there is no freedom – not for those who write books nor for those who sow grain.

One-hundred percent slaves do worse economically than 50 percent slaves, and 50 percent slaves do worse than entirely free people. The South Korean State under its partial tyranny before 1987, true, pushed people around, jailing the April-19th students, and bossing the

economy. Koreans then were 50-percenters at best, not free for example to insult the Big Boss, as Singaporeans for all their riches are still not able to do. Nowadays the editorial cartoons in Korean newspapers can laugh at the president – yours in South Korea and ours in the U.S.

But even before 1987 it was people, not policies, that made the economy do well, for two reasons. Yes, a tyrant can order up the Korean highways or the Seoul subways – both it turned out pretty good projects. But without the imitative of individuals with pride in their abilities the projects will be badly built. By contrast a nation of 100 percent slaves such as in Pyongyang will build what's ordered badly. The proper pride of a free person makes better highways or TVs than the terrified slave can. And the free person has enough to eat.

And further, the projects of even the merely 50 percent tyranny of, say, India under the "License Raj," or the 30 percent tyranny of a mainly free country like the U.S., not to speak of crazy 100-percenters like Cuba or Zimbabwe, are usually foolish, the more foolish the more enslaved. High-speed rail and the Belt and Road Initiative are recent Chinese examples, foolish projects in a country still much poorer than South Korea, but projects pleasing to the Party elite. Occasionally the State will get it right, of course, mainly by accident, and not tested rigorously by competition in a market. The State even in a democracy is not restrained by competition at all. If the tyrant, or the tyranny of a majority, make a mistake, they double down, with more tax money and more regulation and more foolish walls – instead of going bankrupt, as does a private company that makes a mistake, like SNK or Hanjin Shipping or GM South Korea. The governments even of a reasonably free India or the U.S., for example, can get away with foolishly big military budgets, quite unlike the necessary South Korean defense force.

South and North Korea, of course, are viewed by the world as a controlled experiment in liberalism vs. tyranny. Like West and East Germany, South Korea is properly seen as the proof-case that, as I claim here, liberalism works. Everyone has seen the famous nighttime photograph of the Peninsula from space, in which the South appears to be an island of light, with a strangely linear northern shore.

South Korea is now a greater force in the world than under Gwanggaeto the Great. But its "greatness" is not by conquest, as I also say here. The military metaphor applied to commerce, as President Trump favors, is child-talk, not economics. Japanese militarists and even their U.S. opponents in the 1930s thought that Japan needed an empire of conquest to succeed economically. It was zero-sum thinking, Japan winning because Korea and Malaysia and the Philippines and Pearl

Harbor lost. But in fact Japan achieved its present prosperity after putting down its weapons. The same triumph of commercial liberalism is Germany, which thought in the 1930s under an illiberal regime that it needed to enslave the Slavs to prosper. The British Empire, which everyone thought was enriching, in fact lowered British national income. In actual fact it was the Japanese, German, British, and Korean heroes in the office and on the assembly line, and venturing in the marketplace, which made their countries rich, not fleets of battleships or lightning wars.

The Baekje Kingdom at its height was a great trader, now over-matched. South Korea is supposed to be a case of State-led, export-led growth. But it's the brilliant internal creativity that made for exports, not a Keynesian multiplier from exports that made for income. The export-led case is used to support statism elsewhere—"Look at what tyranny did in South Korea." In the 1960s the idea fitted well with Western notions of socialism and Keynesianism. We young economists believed then we could go down to Washington from Harvard and "fine tune" the economy. We couldn't, and the planners in Seoul can't either.

Unleashed human creativity makes us rich in matter and in spirit. Let's keep it.