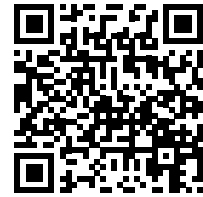


How human innovation works



Deirdre McCloskey

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Abstract: The main topics covered in this lecture concern the importance of innovation. McCloskey will present her vision on humanity's great challenges, such as poverty and tyranny, and how the return to liberal and illuminist values of freedom and prosperity can support us in overcoming these crises.

Keywords: participation, misinformation, fake news, censorship, freedom of expression, collaborative platforms



DIOGO: We are going to listen about the importance of innovation. So, I am going to start by calling Deirdre McCloskey and inviting her to present her vision on innovation. Deirdre McCloskey is a Professor Emerita of Economics, History, English language and Communication from the University of Illinois (UIC) in Chicago. She is 79 years old, was author of several books and, according to her, she is a literary, quantitative, postmodern, free-market, episcopal, progressive woman, who was born in the American Midwest and, once, was a man. Hence, McCloskey is going to present us her perspective on how humanity's great challenges; for instance, poverty and tyranny, and also, how the return to liberal, illuminist values of freedom and prosperity can support us in overcoming crises. Professor McCloskey, thank you so much for being with us today. The floor is yours, professor.



DEIRDRE: I am glad to be back in Brazil, even virtually. Thank you, dear. I would like to start with some aspects. Thus, we have become rich, even in Brazil, because of innovation. Not because of investment alone. Although, surely, they are important for some things, for instance, railways. But because of human creativity, human ingenuity. Contrary to Professor's Mazzucato view, which was the view of progress in Latin America and John Maynard Keynes in England and others. Innovation does not come straight from organizations.

And certainly not from the state. After all, this is a somewhat obvious point, a new idea for investment, or a new idea for organizing the labor force, or a new idea in science or in music, comes from someone, one person's mind. Of course, I mean, there is nothing controversial about that. So, the only role that the State can have, which is the focus of Professor Mazzucato's case, is to create the environment in which individual creativity can flourish. Now, for some projects you need the state. I am not an anarchist. I believe that there is a role for the state. For instance, we would not have had the atomic bomb in the United States without the Manhattan project.

And indeed, that single example, the Manhattan project, has encouraged enthusiasm for State management of innovations ever since. But most innovations, in economy such as, in your own or my own, comes from individual companies, and within them, from creative people. I and Alberto Mingardi have written a small book of a hundred pages, examining in detail Professor Mazzucato's examples, under her evidence, such as it is. And, furthermore, her economic theory behind her cases, that there should be in Brazil as elsewhere, in which innovation policies are enforced by coercive instruments of the State.

I might as well comment that the present State of Brazil is not the best instrument, even for her proposals. But still, considering what she is saying. She is saying that someone in Washington or Brasilia knows much better how to orient her innovations, how to get new ideas than does the entrepreneur or the engineer on site, on the frontier of economic activities. It is an old presumption. This presumption that the state can do it. It is the basis of Mercantilism, in the 18th and 17th century extending into the 19th.

And in earlier forms, it was what was behind economic policies in Italy, England and China. Although, for a brief period in the 19th century, nearly to the 20th, it was out of favor, but it has come back into favor in the late 20th century. As I say, it is a species of Keynesianism. However, I believe it is quite implausible. Therefore, I would ask you:

“Do you think it would be a good idea that there be a government innovation agency with powers of coercion in music, for instance? Would that guarantee the best future for music in Brazil or the Portuguese language? Or even, would it be a fine thing to have someone, in some head office, deciding what the conjugation of the verb to be should be in Brazilian Portuguese?” Hence, I think it is fairly obvious that this would not be a very smart idea. The same thing is true for friendship. Do you think that there should be a friendship planning agency, which says: “I think you are to have this kind of friend and, no, you are not allowed to have that other kind. Besides that, here is some money to encourage you to go into that kind of friendship”.

Thus, I think the case is that, this sort of central planning light, this modest central planning - not so modest, actually - which she proposes is unwise. Since we do much better in music or in the language or in friendship, as in the economy, by allowing the creative abilities of us each, to interact in markets, and in other ways, and in prestige and so forth, other sorts of cooperation, which is what a market is. Accordingly, I think that is the best policy for Brazil, to finally be more than the country of the future, as it is always said to be. In other words, to be an enriched country in every way, in music, as in the economy.

Therefore, I think that professor Mazzucato's proposals, though, are inevitably popular with the powers that be. Because the powers that be like the idea that they are in charge of innovation. And they sound plausible to ordinary Brazilians, because after all, we have to plan our own lives. "So, why don't we plan the national life?" They are not adults. They are not sensible. Even in our own lives – at least I could say, and I am sure you could say – that our plans very seldom work out. Thus, it is unwise to use the example or the analogy with the individual to a whole complicated country.

So, I invite you to hear her out. She would not actually debate with me, which is a shame because then we could converse. And in the way of the Portuguese language or of music, innovative music or innovative ideas, in science and art, we could test each other's views. Thank you very much. And please, allow me to come back to your splendid country.



DIOGO : Thank you very much, Professor McCloskey. May I just ask you a couple of questions?



DEIRDRE: Sure. Ask away. I am the answer lady. I can answer anything about your love life or anything like that.



DIOGO: Concerning the kinds of innovations, there are innovations that might have different political biases. So, we can think of Peter Theos, saying that cryptography is a more libertarian kind of technology, while artificial intelligence is a more authoritarian kind of technology. “Do you see that in the near future, these kinds of forces might shift our societies towards more freedom or more authoritarianism?”



DEIRDRE: Well, that is a very interesting analogy, which I have not heard of. But there are similar analogies all over the place. I mean, as I said, for instance, in family lives, we need to plan, and the mama and the papa need to be in charge. And that analogy of mama and papa is what Lenin had in mind, and Marx and Raúl Prebisch. And as you are suggesting, it is a top-down technology, like artificial intelligence. Indeed, the use of artificial intelligence, to follow us around, to influence and record our consumption in detail, as we have seen in China. I have been to China a number of times and it is quite shocking how deeply into the lives of ordinary citizens the State wants to go. Thus, I think, in professor Mazzucato’s view, I am sure she would agree with me that this is awful in China, but at last, I think it is a step in that top-down authoritarian erection. And, although my example, which may seem extreme, of the state governing friendship, that is Xi Jinping’s goal. Once he is very interested in intervening and in the alliances, so to speak, the personal alliances to reach his objectives.



DIOGO: Professor McCloskey, in different times, the frontiers of society have sometimes been the most innovative parts of the society. Hence, we have seen this with California, in the U.S., and even with the Eastern Asia. Now that we do not have geographical frontiers, “How do you see that the role of the frontier plays out in modern innovation processes?”



DEIRDRE: Well, there is a famous speech in American academic history, in the 1890s, by a professor named Turner, where he chronicled, over a hundred years ago, the end of the geographical frontier in the United States. When most of the West of The United States had been occupied. And the point is that, in the modern world, as we are observing, there is hardly any frontier that we cannot get to very easily physically, or certainly by Zoom call. “So, where is the frontier?” And the frontier, as you were suggesting, I think is intellectual, it is in our minds. Thus, government policy is simply dangerous. Since it comes to tell you how to orient your new ideas.

In fact, I was speaking, a few years ago, to a young entrepreneur, not in marketing exactly, but in retail. He was advising people with computer assisted techniques, within their shops or their stores, of how to make things go. Then, I asked him, “How do you deal with the regulators?”. And he said, “Aha! In computers, we know more than the regulators know, so we can always stay one step ahead of them. So, instead of asking permission to do some new technique, we can ask for forgiveness, after we have already introduced the technique and it works very well.” Therefore, I think that is the way to go, to marshal, to put together the creative abilities, which are immense on individual Brazilians. Hence, you cannot be bossing them around all the time.



DIOGO: “What is the role of philanthropy when it comes to innovation?” For instance, in America, big fortunes have sometimes been converted into philanthropic donations, which goes to arts and sciences. Moreover, many of them happen with some sort of tax subsidy from the government. Thus, “How do you see those kinds of policies?”



DEIRDRE: Well, I suppose I am in favor of those policies. For instance, I have been supported by them for my whole career. So, it would be a false position for me to say that the tax advantage of contributions to arts and to universities in the United States is a bad idea. But I think it is probably a bad idea. The problem is that in most countries, and I think this is also true in Brazil, is that the state has taken over these cultural objects. Most particularly high culture, the art museum, and so forth. And that, as I was saying, has its dangers.

Therefore, there are two ways of persuading people to do things you want them to do. One of them is to take out a gun and threaten them. And that is the way of the State. I told you, I am not an anarchist, since I believe the State has a role. But I think it is very dangerous, because it is a role of coercion. It is the method of coercion. Furthermore, the other way, which is the only other way we have, I call it “sweet talk” or trade, they are the same thing. As Adam Smith said, we offer people money or persuasive talk, to persuade them to do what we want them to do. And that is the way of art and science. Thus, I get very worried when either the billionaires or the State are involved. Although I must say, I am less worried when the billionaires are involved. Because again, they do not have the power of the gun.

In other words, they do not have the power of coercion. The big danger is not from large corporations making big contributions to art or rich people like Gates trying to cure malaria or something. The big danger is, as you discovered in Brazil in the last couple of years, the power of the State.



DIOGO: Well, Professor McCloskey, thank you so much for talking to us today, with all your sweetness. And I hope that next time, it will be in-person, here or in some other Brazilian city. Thank you so much!



DEIRDRE: I want to taste Brazilian food again. I want to hear Brazilian music. I want to go to a Samba class.



DIOGO: We will make sure that happens! Thank you so much!

