

Principled Engagement in an Imperfect World

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Abstract

In Latin America, as in most parts of the world today, those of us who want to create a better world must be willing to engage an imperfect world. But to be successful in that difficult quest we have to go armed with strong principles to educate about the ideals of a free market economy, limited democracy, and the rule of law. Your generous recognition will help me in this difficult cause, one that I define as a *principled engagement in an imperfect world*.

JEL Code: O10

Keyword: Economic freedom

Jose Piñera presented these informal remarks after receiving the 2009 Adam Smith Award from APEE at a dinner at the Universidad Francisco Marroquín, Ciudad de Guatemala, April 5, 2009.

I am honored to receive today this Adam Smith Award from the Association of Private Enterprise Education and moved by the generous introduction of my friend Roberto Salinas. I have been asked to speak about the challenges facing Latin America, so allow me to now introduce the subject, emphasizing the conceptual framework that inspires my worldwide fight for liberty.

The Chilean Revolution, the radical dash for free markets and limited government, was successfully completed under extremely difficult internal and external circumstances in the 1970s and 1980s. As you know, those reforms, once matured and legitimated by five governments of different political perspectives, have placed Chile as number six in economic freedom in the Fraser Institute's 2008 World Report, two places above the United States.

Over the last two centuries, the political and economic history of Latin America has been in direct contrast with that of the United States. It is well known that the New World was born at almost the

same time in the North and the South, that the North began poor and the South rich, and that in 500 years the positions have entirely reversed.

My hypothesis is that the tragedy of Latin America is the result of it having been an orphan continent. The Liberators of the South – generals Bolívar, San Martín, O'Higgins, and Sucre, among others – fought heroically to free their countries from Spanish political control. But they did not anchor the young republics on the values of individual liberty, did not establish the rule of law, and did not limit the delegation of authority by the people to their democratic representatives. On the contrary, they maintained the Spanish centralizing tradition. Bolívar's hero, symptomatically, was the authoritarian Napoleon Bonaparte and not a constitutional president like George Washington.

So, Latin America had Founding Generals rather than Founding Fathers. The result is that even today the region lacks the institutions and principles of a true democracy in the service of freedom. That is why progress is so unsteady and fragile.

Every lover of freedom values democracy, but not every form of democracy values freedom. As Alexis de Tocqueville's great work *Democracy in America* maintains, democracy must always be on its guard against popular despotism.

In Latin America a kind of tyranny of the majority, sustained by demagoguery and populism, has led again and again to excessive government and threats to individual liberties. To be legitimate, majority rule must be limited by a constitutional framework that protects life, liberty, and property. Democracy and freedom can then be mutually consistent.

The United States has been so successful because it has adhered to limited government, economic freedom, and the rule of law. The Constitution of the United States is more than 200 years old and is acknowledged with universal respect. The citizens delegate certain enumerated powers to the government in order for it to be able to protect their unalienable rights to “life, liberty and the pursuit of happiness.” Madison, Hamilton, and Jay explain in the *Federalist Papers* how and why the Federal Constitution provides a sophisticated mechanism to balance powers between the three branches of government, between the government and civil society, and between the government and individuals.

Latin America is far away from such a philosophy of limited democracy. Constitutions are frequently altered by means of opaque negotiations among a clique of leading politicians, who present the final draft as enjoying popular support.

The lesson of history is that a free economy and civil society cannot prosper without limited government and the rule of law. In Latin America, inefficiency, state interventionism, partisan politics, excessive laws and regulations, and – in some countries – corruption, have undermined the principle of freedom under the law. The rule of men has repressed the rule of law. The Chinese wall that should exist between government and the judiciary is lacking. Even presidents who are trained jurists forget their principles once in power and fail to resist the temptation to interfere in judicial settlements – whether on grounds of political expediency or of personal ambition.

A further key element in the road to freedom is the pending educational reform in Latin America. As I have proposed repeatedly elsewhere, the right way forward is not the current government-as-educator model, but the school choice solution with supply competition, private initiatives, and overall transparency. Without a radical improvement in the quality of education, it will be difficult to attain a true constitutional democracy in the service of freedom. We need citizens who are well educated and respectful of the principles and practice of individual liberty, personal responsibility, economic freedom and the rule of law.

Especially serious is the fact that most citizens in Latin America have an abysmal lack of understanding of the elemental principles of economics. With widespread ignorance of how a free-market economy works, elections will generally be won by those who propose increased legal privileges for employed workers, higher taxes on business and “the rich,” higher public spending, and more subsidies and welfare for all sorts of pressure groups. The ultimate result is failure, poverty, and underdevelopment.

Perhaps the undertaking with the highest social return in Latin America today would be to create a “Prosperity Foundation” whose mission would be to educate citizens on the fundamental principles of free market economics. In this respect I would like to pay tribute to an exceptional example of an educational effort that includes this idea, the Universidad Francisco Marroquín, and to its visionary founder, my friend Manuel Ayau.

A closer relationship between the United States and Latin America would help considerably in addressing all these challenges. NAFTA has been a spectacular success for Mexico, and now Chile and Peru have signed Free Trade Agreements with the United States. Rather than being the conclusion of an exercise in becoming closer, I hope this will only be the end of the beginning. There are innumerable initiatives that could spring from greater integration. By a kind of intellectual osmosis, we can integrate into our own reality a number of basic economic and political concepts – just as the North Americans will benefit from learning about our culture and way of life.

Let me be clear: I love my own heritage and way of life. But I also greatly admire the Founding Fathers who bequeathed to the United States a combination of free political institutions and a market-liberal economic system that have created great wealth and a vibrant open society. We do not need to sacrifice our essential core in order to learn from the U.S. experience with a constitution of liberty.

My dream is in a way a Smithian dream, that of an American Community of independent nations, cherishing their own cultural identities but joined together in a common market for trade and investment, and with free movement of people and of ideas.

Benjamin Franklin once said, "Where liberty is, there is my country." And Tom Paine responded, "Where liberty is not, there is my country." In Latin America, as in most parts of the world today, those of us who want to create a better world must be willing to engage an imperfect world, where sometimes "liberty is not." But to be successful in that difficult quest we have to go armed with strong principles and persuasive ideas to educate about the ideals of a free market economy, limited democracy, and the rule of law. Your generous recognition today will help me in this difficult cause, one that I define as a principled engagement in an imperfect world.

Let me thank you again for this award with the words used by the explorer Ernest Shackleton to recruit a team for an Antarctic expedition: "Men Wanted: For hazardous journey. Small wages, bitter cold, long months of complete darkness, constant danger, safe return doubtful. Honour and recognition in case of success."