

## Welcome to What Happens Next – 1.10.2021

### Islamic Fanaticism, Presidential Power, the Electoral College, and the Myth of the Entrepreneurial State - Deirdre McCloskey QA

Larry Bernstein:

Okay. So President Biden is 10 days out. He has mentioned that he wants to do some industrial policy, particularly as it relates to the environment and various green projects. Let's start with that industry specifically, because that's the one industry that Biden has talked about. He's also mentioned some anti-fracking stuff as well. How do you think Biden will want to implement his industrial policy to achieve the objectives, environmental objectives that he wants? What would you say is the wrong way to do it? What's the right way to do it? Is there a right way to do it? And how do you think he will do it?

Deirdre McCloskey:

Well, I voted for him, which is for first time I haven't voted for the Libertarian party candidate for a long, long time. But I think he's going to do it the way it's usually done. For example, under the Obama administration, there were massive subsidies to wind power, and for that matter to solar power. And I don't think subsidies make any sense. I mean, yeah, you can say, well, I know, I'm a very smart person and I know that wind power is going to be the power of the future. But as a matter of fact, in England where it's been extensively tried, the problem is that the wind doesn't blow all the time. And so there are great ups and downs in the amount of electricity that's being generated by these mills.

So the right way to encourage alternative power is for the government to invest in research. In particular, we ought to be doing, I think, if you want my opinion, more nuclear power. Something on the order of 80 or 90% of French electricity is generated with very safe atomic power. So I think they're going to go the usual way. And it's a clumsy, it's not evil, it's not because... although sometimes it is because people are evil. Particular interest groups will seize influence in the government and they'll get subsidies for them. Spectacular example of this of course is the subsidy for corn led by my former home state of Iowa for fuel. That is an absurd policy. It's an industrial policy. It's been in effect for a very long time. And Charles Grassley is not about to allow it to lapse. That, by the way, is another problem with industrial policy, that it tends to be permanent. It's very hard to change it. Whereas if one of the 20,000 grocery items introduced annually in the United States doesn't work out, it passes away and we find another kind of oatmeal.

Larry Bernstein:

Let me try a new line of questioning. In the next couple of weeks, we're going to have a discussion about changes in antitrust policy. One of the ideas being contemplated by the Biden

administration is to break up some of the large tech firms, think Amazon, Google, Facebook et cetera. How do you think about that form of industrial policy where tech firms are broken up?

Deirdre McCloskey:

I think it's a terrible mistake. I think it's very foolish. The reason that these large firms are large is that they're very competent. It's not because of their alleged malfeasance of various kinds. Maybe there has been malfeasance, but that's not why Google and Facebook are so successful. Yes, as you said, you're absolutely right, and this is often forgotten. Antitrust policy is another form of industrial policy. It's another form of politics taking over the economy. There's of course a longstanding attitude in the United States that anything large is dangerous.

They don't have quite the same attitude about this in France or Germany, or even in Britain, but we do, and it's a longstanding feature of our politics. But it is politics. And it has the problem, as the classic case of the interstate commerce commission shows, that the antitrust gets exercised in the interest of what interests can take over the antitrust policy. It's happened over and over again. So no, I don't think anti-trust is a good idea. I don't think tariffs are a good idea. They're another form of industrial policy, which shows you by the way that it does real policy is ancient. It's as old as Joseph in Egypt. It's what governments do. And they shouldn't.

Larry Bernstein:

Is there any hope that the Biden administration will not pursue industrial policy? Or is it too much in that incoming administration's DNA?

Deirdre McCloskey:

Well, as I just finished saying, it's in every administration's DNA. After all, the Trump administration is notorious for imposing arbitrary and insane and sometimes highly corrupt tariffs, which have a long history in the United States. So, I don't think the Biden administration is going to be any worse than the Trump administration, or indeed the Obama administration or the... just go back through all the administrations. Because what politicians and governments like to do is to have what they call these programs. That's what any politician who can get her name on a policy, the Helen Jones act is thrilled and that's what they like to do. And it's not to our interest. It's in the interest of some of us, but then that's against the interest of all the others.

So, we argue in the book that they're just terribly deep fallacies, problems, factual absurdities in the case for intervening in particular in innovation policy. But it applies as I've been saying to all kinds of other interventions in the economy. Now look, it doesn't mean I'm against all interventions in the economy. I think there should be a safety net for the poor and disabled. And I think that there are certain functions of government that I guess you could call interventions in the economy. But so many of them, in particular this one we talked mainly about, innovation policy, turn out to be con games or tragedies or absurdities.