

ESTORIL POLITICAL FORUM 2020
Adolfo Suarez Memorial Debate:
Iberoamerican Perceptions of the Future World Order

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COVID, Latin America and economic liberalisation
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I'm very happy to participate, once again, in this great event of ideas and political discussion that is the Estoril Political Forum. Thank you, Dr. Calzada, Gabriel, for your very friendly introduction. And thanks to Prof. Espada and team for having been able to overcome adversity and for calling us one more year under the portrait of Sir Winston Churchill.

I want to talk about Ibero-America in times of COVID, about its economic consequences, about the poverty it is generating, and how to overcome it, which in my opinion will be by making its economies more flexible.

The coronavirus crisis has already claimed over a million deaths but will also leave behind millions of impoverished people whose future will depend on the success or failure of governments to deal with the pandemic and its disastrous consequences.

The pandemic has forced many countries to adopt measures that, until recently, were unthinkable in free democracies, such as the imposition of lockouts, curfews and so on.

As the Swedish writer Johann Norberg has said *"We have just seen a real-life preview of a de-globalised, closed world. We have no travel, no mobility, no trade, no offshoring, no capitalist exploitation... We have shut down the world for just two months, and the result is already in: global depression, mass unemployment, poverty, and hunger. It is a preview of a horror movie."*

The global economy will fall by 4.4% in 2020, according to the latest forecasts by the International Monetary Fund. The biggest drop since the Great Depression.

Latin America will be one of the hardest hit areas. Indeed, it will suffer the worst recession in the world, with a contraction of 8.1 percent, twice the global average. The countries most affected, excluding Venezuela, will be Peru, Argentina and Ecuador, with falls of over 10 percent, while major players such as Mexico and Brazil will fall by 9 and 6 percent respectively.

The reasons for this slump are diverse, ranging from lack of foresight and deficient health systems, to the structural weaknesses of their economies, which are highly dependent on tourism and the export of raw materials, two of the sectors worst hit by the coronavirus crisis.

Furthermore, it is very difficult to guarantee the confinement of those infected and their closer contacts when a significant part of the population depends on informal economy for survival.

So far, we have suffered the economic and social consequences of the pandemic, but it is time for solutions. This is not the first time, nor will it be the last time, that humanity has faced similar tragedies.

History has shown us, time and again, the way forward. Anything that moves forward on the path of freedom and the free market will bring wealth and development to society as a whole. Anything that means going down the road of political servitude and economic interventionism is a guarantee of poverty and decline. There are thus two paths to choose from: freedom or statism.

Ibero-America has traditionally opted for the latter, and the results of this choice are obvious. Many of the countries belonging to this region are far behind in the index of economic freedom or the World Bank's Doing Business index.

The coronavirus crisis calls for doing things differently, because the world is now different.

Companies and entrepreneurs need as much flexibility as possible to adapt to the changing circumstances imposed by the pandemic.

The coronavirus has dealt a double blow to the activity of many businesses. Fear of contagion is changing social habits and therefore demand, while government restrictions and quarantines are resulting in business closures and bankruptcies.

Many entrepreneurs and professionals can no longer do things the same way. These are times when creativity and innovation take on a special role. The problem, however, is that existing regulation does not allow them to explore and adapt.

We will not get ahead with more obstacles, more taxes and more debt. We need less regulation and therefore more flexibility, both to overcome the difficulties of today and to discover new ideas capable of generating growth and jobs again tomorrow. The countries that understand this diagnosis correctly will come out of the crisis sooner and better. A group of young Australian professors argues this very well in a small book, written during the confinement, entitled *Unfreeze. How to Create a High Growth Economy After the Pandemic*.

Regulation is always old knowledge. It always lies behind innovation. The digital revolution has been going on for years, but the pandemic is accelerating it. Supply and demand are still there, what has changed is the context, the way in which they relate to each other. The challenge for the entrepreneur is to discover these new channels.

Governments that persist in maintaining outdated regulations that prevent the development of new business ideas will retard their exit from the crisis. The majority of Latin American countries are a clear example of this mistaken strategy, including Spain.

Spain ranks 97th in the world in terms of ease of opening a business, which is not surprising considering that the governments publish a million pages of regulations every year. Although within Spain, there are also exceptions. The Region of Madrid is the freest region with the lowest taxes in the country, and thanks to these policies, it is also the richest region.

Less government gazette and more economic freedom. This is the strategy for returning to growth, creating jobs and generating the funds needed to finance health, education and social services in a sound and sustainable manner. No need to ask for permission to innovate. This is the concept of Permissionless Innovation coined at the Mercatus Center (George Mason University).

The free market economy, based on freedom, private property, competition, and the rule of law, has achieved the greatest progress of humanity in the last two centuries, despite wars and depressions, as Steven Pinker, Matt Ridley or Johan Norberg, among others, have shown. And the good thing is that it will continue to do so in the future, despite the coronavirus, as long as governments do not prevent it.