

Thirty-five years have passed since Hernando de Soto published his groundbreaking work “The Other Path” in which he showed how under the veil of poor regulatory structures a network of informal institutions shaped the underground economy and social ecosystem in Peru. This book had a long-term impact on our understanding of how developing economies evolve and was praised by many leaders of developed countries. Who could have thought that today we would witness the same processes germinating through the stone blocks of intensifying governmental regulations, decimation of individual rights, and utter control in countries that just yesterday were deemed as developed democracies?

At the beginning of the pandemic, many people (including yours truly) had a strong presentiment that the “war” declared on COVID-19 by the governments throughout the world would allow them to take unprecedented control over peoples’ lives and mould the latter to their liking, but the extent to which some countries went was truly beyond the most dystopic expectations. One such country is Canada. During just one year this country has accomplished its journey along the road to serfdom. Previously a revered democracy and a beacon of hope for people from around the world, it has turned into an internment camp filled with pervasive fear and psychosis, where federal and provincial bureaucrats promote bigotry and obscurantism.

Absent any resistance, the Canadian government managed to enact flagrantly ineffective regulations, yet people and businesses have found ways to adapt and circumvent these surmounted atrocities. In this note, I would like to discuss a couple of examples of the development of informal institutional infrastructures under oppressive and absurd mandates and re-emphasize the importance of lessons we have learned from De Soto’s “The Other Path.”

The first example of a poor institutional arrangement is the required hotel quarantine. Canada was one of a very few countries in the world that has gone so far as to force everyone who arrives by air (including its citizens) into designated quarantine facilities. The process is as follows: everyone who comes to Canada is required to have a negative PCR test. At the airport, another test is administered, and a person is sent to a designated hotel to wait three days for its result. The preset price for three nights is around \$2,000 CAD (about \$1,600 USD) borne by the individual. If the test is negative, this person is allowed to go home (or any other suitable place) and quarantine there for two additional weeks. During this time, the government would frequently call you and send minor officials to check whether you follow the quarantine rTc -0piesfor

approved solely at the discretion of a border officer. It is puzzling, however, that fully vaccinated foreign visitors (including USA citizens) must still quarantine in a hotel¹. It seems that the Canadian government truly believes that vaccines work more effectively for Canadian citizens. Is it not a perfect example of the grotesque system of beliefs behind the public policy of this country? Of course, it is possible that the Canadian government has gained some conscience (or prudence) and stopped ripping off the people who elected it. Regardless, this

potential serious complications against the benefits of going out to a restaurant with friends. In the meantime, the government could have provided targeted support for groups of people who are especially vulnerable (e.g., the elderly and those with pre-existing conditions). Such aid may have included private transportation, grocery deliveries, etc.

on irrelevant metrics. Currently, the Canadian government is obsessed with the number of COVID-19 cases, but this indicator is pretty much useless in a society where more than half of the population has been fully vaccinated. Sometimes, it seems like the government's agenda is to completely eradicate the virus. Given the impossibility of this outcome, one may expect that the government will need to retain control over peoples' lives in perpetuity.

Today everyone (including the Canadian government) instill fear into peoples' minds with the new Delta variant, though it is well known from virology that mutations of viruses normally make them more infectious, but less lethal. There is a simple explanation for this phenomenon: viruses need a host to survive, so from an evolutionary standpoint it is not in the interest of the virus to kill its host. It is quite plausible that there will be other theta, kappa, lambda variants, but they will eventually converge to a simple cold. However, if we accept this truth about the mutations as well as the efficacy of vaccines against all the variants that are out there these days, the Canadian government will have no more leverage to keep on controlling peoples' lives. Any crisis is an opportunity to grasp power, and the latter corrupts even the purest of us.

The morale of the described political shenanigans is that these days we have enough evidence pointing toward the superiority of methodological individualism over a systematic approach, and we should not forget the lessons from "The Other Path." Poor regulations bar people from participation in formal institutional environments, and they start to create their own. The latter becomes a basis for an underground economy, domestic and international terrorism, and emergence of all sorts of zealots and lunatics. Science and history have taught us that the fastest way to welfare is through respect for an individual choice and its alteration only through a well-designed set of policy interventions. A desire to substitute the latter with a social planner is a way to destruction of the most important institutions that have contributed to the stellar development of civilization in recent centuries and, with them, the collapse of dreams for rampant economic growth and universal prosperity.