



Capitalism is Not the Problem, It is the Solution

BY RAINER ZITELMANN

Leftists won't want to hear it: But a journey through recent history demonstrates, argues Dr. Rainer Zitelmann, author of *The Power of Capitalism*, that people in economically free countries always do best – a call for less state intervention.

Since the outbreak of the 2008 financial crisis, criticism of capitalism has taken on a new dimension: Apparently, the market economy has failed, thus we need more

government intervention. Critics like to compare utopian visions of a “just” society with reality – of course, reality comes off badly. In my book, *The Power of Capitalism*, I compare the experiences of people all over the world who have lived under different forms of socialism with those in capitalist societies.

At the end of the 1950s, 45 million people died in China as a result of the socialist experiment that Mao called the “Great Leap Forward”. Most died of hunger. After Mao’s death, the

previously omnipotent state and its planned economy was gradually scaled back, more and more space was given to the market, and private property was reintroduced. Result: Hundreds of millions of Chinese rose from poverty to the middle class.

In the GDR, communists spent decades proclaiming that the socialist planned economy would overtake the capitalist West economically. When the GDR collapsed, 16 percent of households had a telephone, compared with 99 percent in West Germany. East Germans had to wait 12 to 17 years for a *Trabant* (a no-frills East German car) – in West Germany, every citizen could go to a car dealership and choose from a wide selection of quality vehicles.

Before Korea was divided into a capitalist south and a communist north in 1948, it was one of the poorest countries in the world, comparable to sub-Saharan Africa. South Korea has

experienced an incomparable ascent thanks to its capitalist approach. We all know and use products from companies such as LG and Samsung, and people in South Korea live in prosperity. North Korea, on the other hand, with its state-run planned economy, is as poor as it gets; on numerous occasions, famines have cost the lives of hundreds of thousands.

But the superiority of capitalism has not only been confirmed by the competition between communist and capitalist countries. All forms of “democratic socialism” have failed, whether in Britain in the 1960s and 1970s or in Sweden in the 1970s and 1980s. It was only when these two countries, after miserably failed experiments with “democratic socialism”, rolled the state back again and gave the market more room that they found their way back to growth and prosperity.

Capitalism has also proven its superiority in South America: Venezuela was one of the richest countries in the world 50 years ago. It became poorer and poorer as a result of state over-regulation, and the final decline began with the rise to power of the socialist Hugo Chávez, who was so admired by anti-capitalist intellectuals. Chile, on the other hand, is one of the most capitalist countries in the world, and its people are better off than ever before. In the last 30 years, Chile’s economy has grown by about five percent a year, while in Venezuela, the country with the world’s largest oil reserves, inflation is higher than anywhere else in the world.

The Index of Economic Freedom measures economic freedom in 180 countries every year. In 2018, the Index rated 34 countries as economically (predominantly) free including Switzerland, Australia, Sweden and the Netherlands; and 21 countries as completely repressed including North Korea and Venezuela. In every case, freer



countries perform better economically than repressed countries. Hunger and poverty prevail where there is a deficit of capitalism, for example in Africa. History is a large experimental field – and the results are clear: In those countries that dare to give capitalism freer rein and reduce the influence of the state on the economy, people’s lives improve constantly. 

Cleveland, Ohio, USA - July 21, 2016: A young capitalist crashes a march by members of the IWW (Industrial Workers of the World). © Getty Images



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