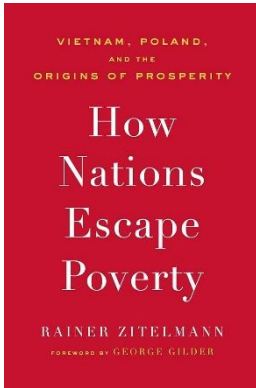


Rainer Zitelmann. *How Nations Escape Poverty: Vietnam, Poland, and the Origins of Prosperity*. New York: Encounter Books, 2024. Pp. xiii + 212. ISBN 978-1-64177-395-9. Hardcover \$29.99.

I. INTRODUCTION



This most recent book written by German entrepreneur and intellectual Rainer Zitelmann fits nicely among his other books extolling the good that capitalism has done in several different countries around the world and the harm that socialism has done. *How Nations Escape Poverty* shows free market capitalism helping people rise out of poverty in Vietnam and Poland. These two countries are on opposite sides of the globe and they have extremely different histories and cultures, yet they are similar in that they were both poor socialist countries forty years ago and are now middle-income economies. The book is a mixture of statistical evidence and anecdotal stories. Careful reading is imperative, as there is much information that readers must combine into a meaningful whole.

The first chapter of *How Nations Escape Poverty* is about Adam Smith. It is much shorter than the chapters about Vietnam and Poland. Though the chapter is brief, it excellently points out that Adam Smith never said 'greed is good,' nor did he especially like businessmen, nor did he work hard to become wealthy. On the contrary, though he earned three to four times the salary of a university professor, he was not wealthy because he gave away most of his money. He did not favor economic freedom because it made the rich richer, but rather because it helped poor men and women live better. When there is no free market capitalism, individuals with extraordinary abilities live well while others live poorly, but when there is free market capitalism individuals with extraordinary abilities use their

abilities to make the lives of others better, not necessarily because they love others so much, but rather because they can prosper only by creating more wealth than they can consume. "It is not primarily the strong who need the market economy, because they will somehow manage in any system; it is the weak and the poor, whose only chance to improve their living conditions is in a free-market economy" (p. 11).

II. VIETNAM

Zitelmann shows that in the decade that followed the communist victory in Vietnam, farms and businesses were collectivized. The consequences in Vietnam were the same as in the Soviet Union and China: reduced production and severe hunger. "In 1990, with a per capita GDP of \$98, Vietnam was the poorest country in the world" (p. 30). In 1993, 52.3% of the Vietnamese people lived on \$1.90 a day or less.

The leaders of Vietnam realized that they had made mistakes and began to gradually return to the free market they had rejected. Private property was allowed and protected. Profit was encouraged. Vietnam traded with other countries and became part of the global market in which each country produces what it has a comparative advantage in and imports products that would be too costly for it to produce.

In 2020, only 1% of the Vietnamese people lived on \$1.90 a day or less, and 95% of the people had incomes of at least \$3.20 a day. All those numbers are computed based on the purchasing power of 2011 dollars, so inflation and other factors are accounted for and do not change the fact that most Vietnamese people rose from the brink of starvation to a situation where they can buy more and higher quality food, and some luxury items such as nice clothing and motorcycles (p. 67). This change was gradual, happening over the course of decades. Legal and material changes can account for only a fraction of the enormous improvements. Institutions matter, but beliefs matter more. A change in attitude was crucial. "That Vietnam has changed is not only due to structural reforms, but mainly

because attitudes—the national mindset, if you will—have changed, allowing the positive traditions of Confucianism to be combined with a capitalist mentality" (p. 91). The necessary cause of this change was the belief that working hard to create wealth is honorable, even admirable. "72 percent of men and 80 percent of women in Vietnam said in the survey that it was important to them to become rich" (p. 74). That motivated extraordinary people to work hard creating and growing businesses, and increasing agricultural production.

III. POLAND

In World War II, Nazi Germany and the Soviet Union both invaded and murdered massive numbers of Poles. Over twenty percent of the entire population died, and the upper classes were especially hard hit: 40% of Polish doctors and a third of Polish university professors were killed. Poland could not easily recover, and the communist regime that the Soviet Union imposed made economic recovery abysmally slow. "In 1989, Poland was one of the poorest countries in Europe. The average Pole earned less than \$50 a month" (p. 129). \$50 a month is less than \$1.90 a day, but the Polish people were not starving like the Vietnamese because prices were low. Despite their low income, they could afford to buy goods when they were available. The big problem was that goods were not readily available. Poles had to stand in line for hours each day to buy food, clothing, and other common items before they were sold out. For telephones, automobiles, and apartments they had to apply and then wait over ten years to receive what they wanted. Zitelmann tells of a man whose parents applied for an apartment when he was 5 years old. He finally got the apartment shortly after his thirtieth birthday (p. 126). Even though Poles had all the things they needed, their quality of life was diminished because they had to waste hours each day standing in line, and they had to wait over a decade for large items.

The Polish people, especially the workers who repeatedly went on strike, demanded improvements. The Soviet-imposed government responded with violent repression. In the decade following World War II, the population of Poland was less than twenty million, but there were 33,000 State Security Agents. They were uneducated thugs; only 18% of them had as much as an elementary school education (p. 119). The government employed them to repress the people, and if they could not do that job, then Russian tanks moved in to help them. Killing and beating people did not stop the civil unrest until finally, inspired by the Polish Pope John-Paul II, the Polish people forced the government to grant some of their demands during the 1980s.

In 1988, the government allowed people to start their own businesses. Polish people responded to this newly granted freedom with unbelievable enthusiasm. "Some two million firms were set up and six million jobs were created in the period of a dozen or so months" (p. 135). Another of their demands was a second chamber of the legislature, a Senate, all the members of which would be elected by Polish people in a real election, not chosen by Soviet overlords. In the first election, ninety-nine out of one hundred Senators elected were from the anti-communist Party Solidarity. A few months after that election, the Berlin Wall in neighboring East Germany was torn down. The people of Eastern Europe threw out their communist governments, and the Polish people embraced capitalism wholeheartedly. The transition to capitalism was hard, especially because allowing the free market to determine prices caused high inflation, but from 1992 until 2017 Polish GDP per capita, adjusted for inflation, rose more than in any other European nation during the same period. The Polish people were not just richer; they were happier and healthier. "In 2015, 80 percent of Poles were satisfied with their lives, compared with just 50 percent . . . in 1992. Life expectancy, which was 70.7 years at birth in Poland in 1990, had increased to 78.5 years by 2020" (p. 149).

The chapter about Poland ends, however, with some troubling news. The Law and Justice Party was elected in 2015. It increased government

intervention in the economy, and made the judicial branch more political and, therefore less impartial. The government took over several banks and now controls 40% of the banking sector, and 92% of judges are now political appointees. New laws forbid farmers from selling their land, and forbid retailers from doing business on Sundays. The new government has also repeatedly changed tax laws, which makes it difficult for business owners to plan because future taxes are unpredictable.

IV. ECONOMICS AND PERSONS

When Rainer Zitelmann published this book a few months ago, free market capitalism seemed an unalloyed good for Vietnam, but for Poland, it was a mixed blessing. Economic freedom is conducive to greater prosperity, higher living standards, and happier people. In Poland, however, greater freedom made it possible for Poles to live immorally. Traditional, conservative elements of Polish society elected the Law and Justice Party to make Poles live better moral lives. In Poland, unlike in Vietnam, capitalism seemed to be a trade-off between freedom and prosperity on one hand, and traditional morality on the other. Since this book was written, Vietnam has experienced a financial scandal involving Truong My Lan who was found guilty and sentenced to death for bank fraud involving billions of dollars.¹

Even though capitalism has not created a perfect society in which everyone is morally good, most people prefer it to the alternatives. The Law and Justice Party lost the Polish elections last year.

Evidence indicates that most people in Vietnam and Poland want capitalism. Zitelmann paid for a survey of 33,452 people in thirty-three countries to determine what people's attitudes are about capitalism. Figure 3.11 on page 102 shows that 81% of Vietnamese surveyed associated capitalism with progress, 80% with innovation, 77% with a wide range of goods, 74%

¹ <https://apnews.com/article/vietnam-truong-my-lan-sentence-fraud-trial-f0b97cf206f5656e09eb9c410861a153>.

with prosperity, 72% with performance-oriented constant pressure to achieve, and 71% with freedom. 70% associated capitalism with environmental degradation, 64% with greed, 64% with corruption, and 55% with coldness. Though more than half of those surveyed associated capitalism with something negative, every one of the six positive associations had a larger percentage of those surveyed than any of the negative associations. Vietnam was the only country surveyed in which every positive association had a larger percentage of respondents than any of the negative associations. When asked if they agreed with these statements: "Capitalism means economic freedom" and "Capitalism has improved conditions for ordinary people in many countries", 78% and 74% said that they agreed. When asked if they agreed with these statements: "Capitalism leads to wars" and "Capitalism entices people to buy products they do not need", only 35% and 23% agreed.

When the survey was conducted in Poland, the percentage of people responding positively was much lower, but so was the percentage of people responding negatively. It seems that many Poles did not want to reveal their opinions on this subject. To facilitate comparisons between countries where most people answered all the questions, and countries where most people did not, Zitelmann made a pro-capitalist coefficient by dividing the number of positive responses about capitalism by the number of negative responses about capitalism. Figure 4.6 on page 166 shows the pro-capitalist coefficients for the thirty-three countries surveyed. Poland has a coefficient of 1.52, meaning that there were fifty-two percent more positive responses than negative responses. None of the other thirty-two countries had such a high pro-capitalist coefficient. What is more, it seems that many in Poland dislike the word 'capitalism'. When asked questions about economic freedom, not using the word 'capitalism', the coefficient was 2.4. The coefficients of all thirty-three countries, when asked about economic freedom, not capitalism, are shown in Figure 4.2 on page 162.

Rainer Zitelmann emphasizes, following Deirdre McCloskey in her three great books on this subject,² the importance of attitudes. Good laws and material organization make countries wealthier and raise the standards of living for millions of people, but not very much. In the past two hundred years the entire world, and in the last forty years Vietnam and Poland, has risen to economic heights undreamed of before.³ Ordinary people struggle to survive and raise their families. Extraordinary people can do more, but need not do so. Extraordinary people make the world better, but only if they choose to make the necessary effort. Motivation, therefore, is crucial. In a society where wealthy people are demonized, extraordinary people are unlikely to work hard to create wealth. They are more likely to do other, more enjoyable activities. Most of the rise in both Vietnam and Poland happened because wealthy people were honored or even admired, so extraordinary individuals were motivated to use their abilities to create wealth. We should not exaggerate and claim that systems of government do not matter, but we should direct most of our attention to what is most important: people.

V. CONCLUSION

This book is appealing to libertarians, because of its strong support of free-market capitalism. Its appeal to Christians is indirect. It promotes economics that are good for human persons, helping them to live better, and an economic philosophy that values beliefs more than material resources. Producing wealth is not the ultimate purpose of life,⁴ rather it is living as

² *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006), *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (2010), *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (2016).

³ *Enlightenment Now: The Case for Reason, Science, Humanism, and Progress* by Steven Pinker is the best book I've read with statistics showing how much better the world is now than it used to be. I would wholeheartedly endorse this book, except that Pinker makes the false claim that belief in God is inherently contrary to Reason, Science, Humanism, and Progress.

⁴ cf. 1 Timothy 6:10.

friends of God.⁵ Practicing friendship is much easier when one is not starving. Practicing friendship is much harder when one is not free.

Finally, the stories of Vietnam and Poland both show that peaceful solutions work better than violent ones. France and the United States fought for two decades to prevent the communists from taking over Vietnam. That was a complete failure. Forty years of peace did what twenty years of war could not: Vietnam is now a (mostly) free country. The Soviet Union used military power to force Poland to become and remain communist. Communism did not, however, sink into the hearts and minds of the Polish people, so as soon as Soviet tanks and troops withdrew the country threw off communism and embraced free market capitalism. Contrary to the false notion that capitalists are materialistic and socialists are more spiritual, *How Nations Escape Poverty* shows that the spirit of capitalism, the human desire to control one's own life and live well, is stronger in the long run than the power of governments to oppress populations supposedly for their own good, as socialists tried to do.

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⁵ cf. John 15:15.

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