

Why is **CAPITALISM** a dirty word?

And when did socialism become so popular – particularly amongst young people?

In his latest book, author RAINER ZITELMANN compares and contrasts these markedly different ideologies – and their dramatically different outcomes

So many people blame capitalism for all the evils in the world - from hunger and poverty in Africa to climate change. Even in America, a recent poll found that a majority of young people favour socialism over capitalism.

Just ask any socialist how their alternative to capitalism would work out in the real world and they'll respond with little more than vague ideas: more state control over the economy, higher taxes for the rich, perhaps even the expropriation of private property.

Anti-capitalists have a tendency to compare their utopian visions of a "just" society with reality - and it's no surprise that reality comes off very poorly.

In my opinion, it's grossly unfair to compare an abstract ideal with reality: It's like comparing romantic relationships with the idealised visions of perfect love in a chick-lit novel instead of real-life relationships.

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.

More capitalism helps alleviate poverty

Here's something most students never learned at school: At the end of the 1950s, the greatest socialist experiment in human history was launched in China.

Mao Zedong called it the "Great Leap Forward". In reality it was a catastrophe for people all over the country. The historian Frank Dikötter estimates that 45 million people died as a result of

Mao's socialist experiment between 1958 and 1962.

The majority died of starvation, while another 2.5 million were tortured or beaten to death. Other victims were deliberately deprived of food and starved. People were killed selectively because they were rich, because they dragged their feet, because they spoke out or simply because they were not liked, for whatever reason, by the man who wielded the ladle in the canteen.



At the same time, CO2 emissions per dollar of GDP in China were also higher than in any capitalist country in the world because Mao forced farmers to build inefficient blast furnaces in their backyards to produce steel.

Nowhere has the environment been so heavily polluted as in socialist countries such as the Soviet Union and East Germany.

After Mao's death, the previously omnipotent state and its planned economy was scaled back, more and more space was given to the market, and the right to own private property was reintroduced.

At no other point in history have so many people escaped bitter poverty in such a short time as in China.

According to official World Bank figures, the percentage

of extremely poor people in China in 1981 stood at 88.3%. By 1990, this had fallen to 66.2%. And by 2015 only 0.7% of the Chinese population was living in extreme poverty. In this period, the number of poor people in China fell from 878 million to less than ten million.

The Chinese economic miracle began with Deng Xiaoping's economic reforms. It was Deng who declared: "Let some people get rich first!"

Over the next few decades, the Chinese state permitted the private ownership of the means of production and allowed the free market to exert greater influence.

In spite of the fact that the state still exerts a strong grip on the Chinese economy, it has substantially reduced its role since the period under Mao Zedong. And under Deng, capitalist "special economic zones" were created all across China.

The example of China also shows just how wrong people are when they claim that the rich only become rich at the expense of the poor (a belief referred to as zero-sum theory).

Under Mao, China was not home to a single billionaire. By 2010, however, the number had risen to 64 thanks to Deng's capitalist reforms. Today there are 324 billionaires in China, and that's not counting the 71 billionaires in Hong Kong.

Nowadays, no other country in the world - except for the United States - has as many billionaires as China.

If zero-sum theory were correct, this development would be impossible. But zero-sum beliefs are wrong: The sharp decline in poverty and the simultaneous dramatic

increase in the number of billionaires are merely two sides of the same coin.

East Germany: Waiting 12 to 17 years for a crummy car

In *The Power of Capitalism*, I provide a host of examples to demonstrate the superiority of capitalism: In East Germany (also known as the German Democratic Republic or GDR), communists spent decades claiming their socialist planned economy would overtake the capitalist West economically.

When the GDR collapsed, 16% of households had a telephone, compared with 99% 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. And the levels of environmental destruction in the socialist GDR were far higher than in capitalist West Germany.

How about another example? 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.

Having embraced the tenets of capitalism, South Korea has experienced an incomparable ascent. 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.

"Democratic socialism" has also failed

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, 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.

Over the last 30 years, Chile's economy has grown by about 5% a year, while in Venezuela, the country with the world's largest oil reserves, inflation is higher than anywhere else in the world. In recent years, three to four million people have fled Venezuela – largely to escape pervasive hunger.

Does anyone flee Miami to seek a better life in Cuba?

Anyone looking for further proof of which system is

better just need consider the direction of refugee flows.

Have you ever heard of anyone fleeing capitalist Chile to make a new life in socialist Venezuela? Or from capitalist South Korea to socialist North Korea? Or from Miami to Cuba?

No, the direction of refugee flows is always from socialist countries to capitalist countries – IF people can flee at all.

When Germany was divided, the Communists built a wall because millions had fled from socialist East Germany to the capitalist West. After the Wall was built, anyone who attempted to flee from East to West Germany was shot dead.

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.

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•

FOR MORE

Rainer Zitelmann holds doctorates in History and Sociology. He is the author of 23 books. This article is based on his latest book, *The Power of Capitalism*. Find it at www.amazon.co.uk/Power-Capitalism-Rainer-Zitelmann/dp/191255500X

