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## How Nations Escape Poverty

Overall, global poverty is declining, but that progress is far from uniform. Some countries have stagnated, while others, like Poland and Vietnam, have seen rapid development.

In this episode of The Human Progress Podcast, Rainer Zitelmann, a world-renowned historian, sociologist, and author, joins Chelsea Follett to discuss these economic success stories and what they teach us about wealth creation.

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*Below is an edited and abridged transcript featuring some highlights from the interview.*

**Tell me about your book, [How Nations Escape Poverty](#), and what inspired you to write it.**

During my research, I found a connection between attitudes towards rich people and poverty. Countries that are very successful economically have, in most cases, a much more positive attitude toward wealth and rich people than other countries. I'll give you one example: China. China calls itself a communist country, but in 1981, it started free-market reforms and introduced private property. It was a huge success. The number of people living in extreme poverty in China decreased from 88 percent in 1981 to less than 1 percent today. And it started with Deng Xiaoping's slogan, "let some people become rich first."

Then another thing: I studied the Index of Economic Freedom from the Heritage Foundation. For those unfamiliar with it, it's what I call the capitalism ranking. At the top, you find countries like Singapore and Switzerland, and at the bottom, North Korea, Venezuela, and Cuba. In my opinion, what's most important is not a country's absolute position in the ranking but how that position has changed over time. And if you analyze the years between 1995, when the index began, to today, you see that Poland and Vietnam have gained an enormous amount of economic freedom.

Adam Smith was right that the best recipe against poverty is economic growth, not redistribution or government regulation. He also understood that the most important precondition for economic growth is economic freedom. Poland and Vietnam are two examples of this. These countries were once very poor. Vietnam was the poorest country in the world in 1990. Poland was one of the poorest countries in Europe. And now it's amazing. Poland has been Europe's economic growth champion for the past three decades, and Vietnam has also become very prosperous.

**Many people do not agree with Adam Smith's view. How do you respond to them?**

Imagine a test tube with two ingredients: market and state. Poland and Vietnam are examples of what happens if you add more market, but you can also see what happens if you add more state. One example is Argentina.

Argentina, 100 years ago, was one of the richest countries in the world. Then, they started with these crazy Peronist policies, more state redistribution, and so on. Today, 40 percent of Argentinians live in poverty. It's a terrible story.

Another example is Venezuela, which was, in the 1970s, one of the richest countries in the world. Then, they started with more regulation, labor market regulation, and so on, and the situation became worse. But Venezuelans drew the wrong conclusion. They voted for a socialist, Hugo Chavez, in 1998. It was not so bad in the first few years because oil prices were high. But then they started with all the crazy things that socialists do, and the result was a one million percent inflation rate. Today, 25 percent of Venezuela's population has fled the country. Those who stayed now live in poverty.

**So, what does help fight poverty?**

Many people think redistribution is the way to fight poverty and that rich countries—the United States and Europe—should give a lot of money to poor countries. But they've tried this for over 50 years, and it hasn't worked. You can see this if you compare Africa and Asia. Africa is still very poor today, while in Asia, we saw a lot of progress, even though Asia received far less development aid than Africa. The reason for the economic growth in Asian countries was not development aid but capitalism.

And another thing is important: Today, many people claim they are poor because of colonialism, the West, slavery, and so on. But people in Vietnam are much more pragmatic. They could blame others—they were at war, not only with the United States, but also with Japan, France, and China— but they don't. On the contrary, people in Vietnam love the United States; you see it in the polls. They don't look to the past. They don't blame other countries or other people. Instead, they look within themselves.

If you have a victim mentality and you always blame other people for your problems, you will never be successful. But if you take responsibility, not only for your successes but also for your failures, then you will be successful. It's the same with countries. Vietnam is a very good example of this attitude.

**Tell me more about Vietnam.**

A lot of people don't know much about Vietnam. Sometimes, I ask people, how many people live in Vietnam? They tell me, "20 million, 30 million." No, it's almost 100 million. It's one of the biggest countries in the world.

Of course, a lot of people know about the war, but not everyone knows how terrible it was. Vietnam had ten times more bombs and explosives dropped on it by the United States than Germany did in the Second World War. Almost everything was destroyed, and what was not destroyed by the war was later destroyed by the planned economy. At the end of the 1980s, 80 percent of the people in Vietnam lived in poverty. Today, it's 5 percent.

The reason for this positive development is that the people in Vietnam are smart. They tried a planned economy, but it created a lot of problems. They had a 600 percent inflation rate; there was widespread poverty, and people were going hungry. They tried to reform the socialist system, but that failed. Then, in 1986, the Communist Party decided on more economic freedom. They didn't abolish the planned economy overnight, but, step by step, they introduced private property, opened the economy to the world, and ripped out a lot of crazy regulations. And then, step by step, standards of living increased. Over the years and now over the decades, everything changed in Vietnam.

Another important thing was that they changed how they think about inequality and rich people. Vietnam calls herself a socialist country and has a leading communist party, but I can guarantee you it's harder to find a Marxist in Vietnam than at Harvard University. For example, I was invited to Vietnam's prestigious Foreign Trade University for a workshop, "How can we improve the image of wealthy people?" I've never been invited to a similar workshop in the United States or Europe.

For this book, I commissioned two polls in Vietnam, one about the image of capitalism and the other about the image of rich people. We did this research in 13 countries, and the Vietnamese had the most positive attitude towards wealth and rich people. In most countries, even the word capitalism has a negative connotation, but in Vietnam, capitalism has a positive connotation. We asked people in Vietnam, "What economic system do you admire?" At the bottom of the list were China and North Korea. At the top of the list were countries like Japan and South Korea, and for young people, even the United States.

However, in terms of political freedom, it's not great in Vietnam. Economically, there were a lot of good changes, but politically, it more or less remained the same. It's a one-party system, there's no freedom of press. It's not as repressed as China, but you can't compare it with Europe or the United States.

**Now tell me about Poland.**

In the 1980s, under socialism, Poland was a very poor country. Very few people had a telephone, car, or washing machine. Poland was even poorer than Ukraine at the time. Their GDP per capita was only half of the Czech Republic's. They also had a very high inflation rate and a lot of debts to foreign capitalist countries. And one important difference between Vietnam and Poland is that Poland had a political revolution.

After socialism was abolished at the end of the 1980s, Poland had good luck because there was a reformer named Balcerowicz. He's the Ronald Reagan or the Maggie Thatcher of Poland. Balcerowicz's economic reforms were called "Shock Therapy." From one day to the other, he introduced private property, tax reforms, and deregulation. In short, he abolished socialism and implemented a capitalist system. And what happened?

This is the problem. After these economic reforms, in the first two or three years, things became worse. For example, hidden unemployment became official unemployment. In socialist countries, there was officially zero unemployment, but people did crazy, senseless jobs, so it was hidden unemployment. After shock therapy, this hidden unemployment becomes official unemployment. There was also a reduction in the GDP and many other problems. You can imagine that the people from the other parties and the press who didn't agree with his reforms were very critical. This was a very difficult time for Balcerowicz. In Vietnam, it was easier because there were no other parties who could criticize the reforms. There was no freedom of the press, so no newspapers could criticize it. But in Poland, Balcerowicz had to handle this criticism. Thankfully, he succeeded, and in the following decades, things became so much better.

I quote a book very often in my book; the title is Europe's Growth Champion. And this is true: Poland has been Europe's growth champion for three decades. But the problem is that sometimes people forget why their country became successful and call for more government. This happened in the United States and Europe. And this, unfortunately, happened in Poland. People voted for the Law and Justice Party, and they governed from 2015 to December 2023. They stopped privatization and even started to nationalize some things. They started redistribution programs. The good news is that in the last elections, they voted for the opposition. We will see what happens now. I hope they go back to the path that made Poland so successful.

**Do you have anything else to say about Poland?**

Yes, I want to add something. I commissioned the biggest poll ever done about the image of the market economy and capitalism with one of the leading polling institutes in the world, Ipsos MORI.

People in Poland had the highest opinion of the market economy and capitalism. The United States was number two, but there was a huge difference between old and young people. I commissioned another poll about the image of rich people to compare how envious people are in different countries. The most envious people are in France, followed by Germany. People in Poland and Vietnam are on the other side of the distribution. They are not envious of the rich. For them, rich people are role models rather than scapegoats.

I think this is a very important result. In the United States, some years ago, protestors positioned a guillotine in the front of the mansion of Jeff Bezos to show what they would like to do with him. Now imagine two different people. One person joins a group to build this guillotine, and the other orders a biography of Jeff Bezos to learn how he became so wealthy. Who do you expect will be more successful in five years? If you want to change your life, you have to start by changing your mindset. But it's not only true for an individual. It's also true for a country. This is why what think tanks do is so important. The change, for example, with Reagan, started with people like Milton Friedman. The change in the UK with Maggie Thatcher started with the Adam Smith Institute and the Institute for Economic Affairs. Milei's election in Argentina was thanks to the work that think tanks in Argentina had been doing for years.

This is also how the anti-capitalists and leftists became successful. They understand the importance of marketing and public relations. I think we can learn something from them. They are able to sell their crazy ideas in spite of the fact that more than 100 million people died as a result of socialist experiments. We should be able to explain to people that capitalism is the route out of poverty. This is the message of my book.

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