



The Defender of Capitalism - A Conversation with Dr. Rainer Zitelmann

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For those who enjoy the benefits of living in prosperous capitalist societies, capitalism's virtues may seem self-evident. Yet German historian and sociologist Dr. Rainer Zitelmann says that capitalism is under threat from a broad array of pernicious and inaccurate attacks.

In response, Dr. Zitelmann wrote *In Defense of Capitalism*, (<https://in-defense-of-capitalism.com/>) using historical examples to demonstrate how the private ownership and competition inherent in capitalist economies deliver societal benefits far beyond what planned economies and socialist systems ever managed to achieve.

Dr. Zitelmann shared with *This Is Capitalism* what motivated him to write a defense of capitalism, which American capitalists he finds most inspirational, and why China's economic rise actually demonstrates the uplifting potential of capitalism. Edited excerpts follow.

TIC: After the Cold War, it seemed as though capitalism had triumphed as the only credible economic system left standing. What happened to make you feel that capitalism needed to be defended?

RZ: At the end of the '80s and into the '90s, capitalism was on the rise around the world. Prominent examples include China, under Deng Xiaoping, Vietnam because of the Doi Moi reforms, Poland under Balcerowicz, and Reagan in the USA and Thatcher in the UK.

Today, capitalism is on the defensive everywhere. Almost all the countries of South America have socialist governments. The EU is increasingly coming to resemble a planned economy. China is reversing course and tightening the state's grip on more

and more areas of life and the economy. And the United States just received its worst ever rating in the Index of Economic Freedom since the Heritage Foundation published the first index way back in 1995.

TIC: You note that all capitalist systems have elements of socialism mixed in and you describe these socialist elements as having a distorting effect. Can you give some examples?

RZ: The real problem is massive over-regulation. Under capitalism, companies decide what to produce and it is ultimately consumers who vote with their wallets. In a planned economy, politicians and civil servants make the decisions.

Today, terms like ESG are just a new marketing vehicle for planned economic thinking. For example, the EU has banned new registrations for cars with combustion engines from 2035. In Germany, the energy industry is effectively being transformed into a planned economy as nuclear power plants have been shut down, coal-fired power plants are now also being shut down, and fracking is banned.

Instead, Germany imports fracked gas from the U.S. and dirty coal-fired electricity from neighboring countries. And German electricity prices are pretty much the highest in the world.

This is what happens when politicians decide, not entrepreneurs.

TIC: How would you respond to skeptics of capitalism who point to China as a country that has experienced remarkable growth even as the state continues to play a major role in the economy?

RZ: Such people know nothing about the Chinese economy. My friend Weiyang Zhang, a professor at Peking University who contributed a chapter to *In Defense of Capitalism*, reminds people that modern China emerged from an almost total state economy.

All of China's economic successes from 1980 to 2020 were achieved because beginning with Deng Xiaoping, the country introduced private property, reduced the role of the state, and created more space for elements of a free market to develop. The innovations and the new jobs mostly came from private companies, not the state. Weiyang Zhang sums it up when he explains, "China's great successes were achieved not because of the state, but in spite of the state."

TIC: What do you feel is the most pernicious and inaccurate critique of capitalism and how would you debunk it?

RZ: Many people still claim that capitalism leads to hunger and poverty. In fact, before capitalism emerged, most people in the world were extremely poor. In 1820, around 90 percent of the global population was living in absolute poverty.

In recent decades, since the end of communism in China and other countries, the decline in poverty has accelerated to a pace unmatched in any previous period of human history. In 1981, the absolute poverty rate was 42.7 percent. By 2000, it had fallen to 27.8 percent. Today, it is less than 9 percent.

TIC: Can you point to one or more countries that you think demonstrates the uplifting power of capitalism? What lessons could we all learn and apply from the experiences of those countries that showcase the positive powers of capitalism?

RZ: Less affluent countries can and should learn a lot from South Korea, Vietnam, and Poland. However, in the case of Poland, I would say that this applies to the years 1990 to 2015. The current Polish government is increasingly leading the country away from the path of free-market reforms and strengthening the role of the state again.

Each of these three countries still has too much bureaucracy and regulation, but they have achieved enormous success in recent decades thanks to capitalism and the great ambition of their people.

TIC: Capitalism is often blamed for facilitating environmental damage, but you point out in your book that socialist countries such as the USSR, East Germany, and communist China had terrible environmental records. That said, these days, many people in capitalist countries believe that government intervention and regulation are needed for environmental protection. What makes you think that capitalism can benefit the environment?

RZ: I have more confidence in technological innovation to protect the environment than bigger and bigger government. Nowadays, growth in many countries has nothing to do with consuming more resources. Capitalist innovations have promoted a trend called dematerialization, which involves the use of fewer resources to accomplish a given function.

One good example is the smartphone. Think about how all the devices that smartphones have replaced and how many raw materials those multiple devices used to consume: calculator, phone, video camera, alarm clock, voice recorder, navigation system, camera, mp3 player, answering machine, flashlight, dictionary for translations into any language, etc. This shows how technological progress can reduce pressures on the environment.

TIC: Which American capitalists - historical or contemporary - do you most admire and why?

RZ: Steve Jobs. For me, he is the quintessential capitalist, because he understood what people wanted and needed before they knew themselves.

His example proves that Gordon Gekko [*fictional character in the 1987 movie 'Wall Street'*] was wrong. "Greed is good" is not the basis for success in capitalism - empathy is. In other words, sensing what people want and meeting those needs.

Anticapitalists believe that greed is the reason why some people become super rich. I disagree! What matters in capitalism is to satisfy the needs of as many people as possible - then you become rich.

In Germany, the richest people for a long time were the Albrecht brothers, who founded the ALDI discount supermarket. They became rich because they made it possible for people who didn't have so much money to buy good quality goods at a cheaper price. In the USA, Sam Walton became very rich in the same way with Walmart. Bill Gates became rich because with Microsoft and the personal computer he made it possible for many people to do things they could not do before. These examples show that people become rich by creating benefits for many people.

I also admire Michael Bloomberg, whose autobiography I would highly recommend to every entrepreneur! You can learn so much about entrepreneurship from him - especially that it's not so important what you know when you start a business, but how quickly you learn after you start it. And that fast action is usually better than perfect business plans.

Lastly, I would like to mention John Mackey, who is himself a great admirer of capitalism and who has created such a great company with Whole Foods, which has enabled many millions of people to eat and live healthier.