

2493.3 +25.4 (+1.03%)



GBP to USD 1.26862 -0.00199 (-0.16%)

F FTSE 10 17

Track all markets on TradingView

FRIDAY 19 JANUARY 2024 6:59 AM

# Why Argentine president Javier Milei's Davos speech was such a tonic



**RAINER ZITELMANN**

Dr Rainer Zitelmann is a German historian, sociologist and author. His latest book is In Defence of Capitalism <https://in-defence-of-capitalism.com/>



Javier Milei delivered a ringing defence of capitalism in his Davos speech this week

Argentine President Javier Milei delivered a remarkable speech at the World Economic Forum in Davos on January 17, 2024. I have compiled and commented on some of the most important and



significant passages.

## **Thesis 1: Capitalism is the best and only recipe against poverty**

Milei begins with a historical review and makes it clear that it was only capitalism, which emerged around 200 years ago, that has given a large proportion of the world's population an opportunity to escape poverty.

*Milei: "... when you look at per capita GDP since the year 1800 and until today, what you will see is that after the Industrial Revolution, global per capita GDP multiplied by over 15 times. Which meant a boom in growth that lifted 90% of the global population out of poverty. We should remember that by the year 1800, about 95% of the world's population lived in extreme poverty and that figure dropped to 5% by the year 2020, prior to the pandemic. The conclusion is obvious. Far from being the cause of our problems, free trade capitalism as an economic system is the only instrument we have to end hunger, poverty and extreme poverty across our planet."*

Milei is right: Before capitalism began, 90 percent of the global population was mired in extreme poverty. Today, according to World Bank figures, it is only 8.5 percent. And the biggest decline has occurred in the past few decades!

## **Thesis 2: Against "social justice" and the zero-sum mindset**

Milei makes it clear that redistribution is not the way to solve society's problems and that it only creates new problems. Anti-capitalists think in zero-sum terms – they believe that a predefined economic pie needs to be distributed, when in fact the point is to increase the size of the pie.

*Milei: "The problem is that social justice is not just – and it doesn't contribute either to – the general well-being ... Those who promote social justice, the advocates, start with the idea that the whole economy is a pie that can be shared differently, but that pie is not a given. It's wealth that is generated in what Israel Kirzner, for instance, calls a market discovery process. If the goods or services offered by a business are not wanted, the business will fail, unless it adapts to what the market is demanding. If they make a good quality product at an attractive price, they will do well and produce more. So the market is a discovery process in which the capitalists will find the right path as they move forward."*

## **Thesis 3: Socialism has never improved people's lives – it has 100 million dead on its conscience**

So many variations of socialism have been tried in so many countries – in the Soviet Union it was different to the version in Yugoslavia, in the GDR it was different to the version in Poland, in China and Albania it was different to the version in Romania, and in Venezuela it was different to the version in North Korea – but nowhere has socialism improved people's lives. Over 100 million people died as a result of socialist experiments, 45 million in China alone between 1958 and 1962 in the largest socialist experiment in human history, Mao's "Great Leap Forward."



*Milei: "It should never be forgotten that socialism is always and everywhere an impoverishing phenomenon that has failed in all countries, where it's been tried out. It's been a failure economically, socially, culturally and it also murdered over 100 million human beings."*

## **Thesis 4: The West is threatened by modern socialism**

The most important thesis is the fourth: The West is under threat from socialism. Milei addresses the objection that today, as with classical socialism, the issue is not the nationalization of the means of production. According to his insight, this is no longer necessary today. The free market is being increasingly stifled by government intervention, over-reaching regulation, taxation, and the policies of central banks. The means of production or real estate may remain private property on paper, but it is only the formal legal title of ownership that remains, because the supposed owner increasingly loses control over their asset because the state tells them what to do (and what not to do) with it.

*Milei: "The West has unfortunately already started to go along this path. I know that to many it may sound ridiculous to suggest that the West has turned to socialism, but it's only ridiculous if you only limit yourself to the traditional economic definition of socialism, which says that it's an economic system, where the state owns the means of production. This definition, in my view, should be updated, in the light of current circumstances. Today, states don't need to directly control the means of production to control every aspect of the lives of individuals. With tools such as printing money, debt, subsidies, controlling the interest rate, price controls and regulations to correct the so-called market failures, they can control the lives and fates of millions of individuals."*

## **Thesis 5: Entrepreneurs should start to defend themselves**

Milei ends with an appeal to entrepreneurs, who too often bend opportunistically to the zeitgeist and to the politically powerful. They should no longer allow themselves to be intimidated by politicians, they should be proud and start to fight back. And one of his last sentences is: The state is not the solution, the state is the problem. I would like to put it this way: Capitalism is not the problem, it is the solution.

*Milei: "Therefore, in concluding, I would like to leave a message for all business people here and for those, who are not here in person, but are following from around the world. Do not be intimidated either by the political caste or by parasites, who live off the state. Do not surrender to a political class that only wants to stay in power and retain its privileges. You are social benefactors, you're heroes, you're the creators of the most extraordinary period of prosperity we've ever seen. Let no one tell you that your ambition is immoral. If you make money, it's because you offer a better product at a better price, thereby contributing to general well-being. Do not surrender to the advance of the state. The state is not the solution. The state is the problem itself."*

