

The secrets of the economic miracles of Vietnam and Poland

Ideas. In "How nations escape poverty", the liberal historian Rainer Zitelmann shows how these two nations escaped poverty in just a few years.

By **Thomas Mahler** | Published on 04/27/2024 at 08:00



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Thirty years ago, no one would have dared to bet on them. In 1990, Vietnam was the poorest country in the world. With a GDP of \$98 per capita, it was doing worse than Somalia or Sierra Leone. From ? The Southeast Asian state has seen a meteoric economic rise. Today, less than 5% of Vietnamese are in extreme poverty (compared to 80% in 1990), while two thirds of them belong to the middle class.

When the Berlin Wall fell, Poland was one of the poorest countries in Europe. The average Pole earned less than \$50 a month. In 1987, only 12% of them had a telephone, compared to 99% of West Germans. At that time, ration cards for sugar, meat, butter, soap and cigarettes had become widespread. Even among the socialist nations of the East, Poland was a dunce with a high debt and annual inflation of 640% in 1989. Since then? GDP per capita tripled thanks to average growth of 3.5%, making it the most dynamic European economy over this period. Polish life expectancy increased from less than 71 years in 1990 to more than 78 years in 2020.

How do nations emerge from poverty? The question has obsessed economists since Adam Smith's pioneering *The Wealth of Nations* (1776). In *How nation escape poverty* (Encounter Books), just published in English, the German historian and sociologist Rainer Zitelmann makes his contribution – very liberal – to the subject, by looking at these Vietnamese and Polish miracles.

Drastic reforms

The author recalls that these two peoples experienced a painful past. War of Indochina and Vietnam for the first, Second World War and Soviet yoke for the second. But Vietnam has been able to look to the future and overcome colonial resentment. According to a study by the Pew Research Center in 2014, 76% of Vietnamese had a positive view of the United States.

Economically, Vietnam and Poland suffered the full brunt of the disappointments of communism. Drawing lessons from the fiasco of a planned economy, they were able to undertake drastic reforms. From 1986, with Doi Moi ("renewal"), the Vietnamese Communist Party authorized and then encouraged the market economy. In Poland, the academic Leszek Balcerowicz, appointed Minister of Finance in 1989, initiated "shock therapy". The share of employees in the private sector (apart from agriculture) jumped from 13.2% to 34.4% in 1992. The two states have also become connected to the global economy. In Vietnam, foreign direct investment increased from \$7.6 billion to \$16.1 billion between 2009 and 2019. With a population of nearly 100 million people, it represents the last major Asian market to develop.

Very pro-capitalism populations

The originality of Rainer Zitelmann's book is to show to what extent these two nations say they are favorable to capitalism. According to an Ipsos-Mori study he conducted on thirty-three countries, Poland has the population that most supports economic freedom, ahead of the United States, the Czech Republic and South Korea. In Vietnam, unlike the majority of states surveyed, people associate the term "capitalism" with positive things, such as "progress" (81%), "innovation" (80%), "a wide range of products" (77%) or "prosperity" (74%). Poland and Vietnam are also the two countries that express the least social jealousy towards the rich.



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Of course, not everything is rosy. Vietnam remains an authoritarian regime with a single party, still officially Marxist. According to the NGO Transparency International's Corruption Perception Index, it ranks only 87th out of 180 countries in 2021, although it has improved its score. In Poland, the PiS, a populist party in power from 2015 to 2023, seriously questioned economic freedoms and judicial independence, before the pro-European liberal Donald Tusk took his revenge. But for Rainer Zitelmann, the spectacular progress of Poland and Vietnam confirms that the teachings of Adam Smith, whose tercentenary was celebrated a year ago, remain relevant: growth and economic freedom are the best tools to improve wealth – and well-being – of nations. ✨



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