

From Poverty to Prosperity

The American Miracle (1776–1914)

In just over a century, the United States transformed from a new republic into the **richest, most powerful nation in the world**. The pace of **innovation and wealth creation** during this time was unprecedented. Nearly everything foundational to modern life—industry, infrastructure, electricity, oil, steel, and plastics—was born during this period.

“Nothing is truly a natural resource until the human mind figures out how to use it.”

- Oil was once seen as useless black gunk.
- Iron was just rock until human ingenuity gave it value.
- **Innovation**, not geography, turned these into assets.

America succeeded **not because of size or natural wealth**, but because it was the **most capitalist country in the world**—a place where **individual minds were liberated** to think, invent, and build.

The Essence of Capitalism

Capitalism, at its core, is the system that removes **force from human interactions**. It protects the individual's ability to think, create, and trade voluntarily. America's rapid progress was a testament to this idea.

- Freedom to act without permission
- Entrepreneurs transforming the environment
- Innovation flourishing where regulation was absent

Even in the 19th century, **government intervention** slowly crept in—starting with railroad subsidies and the first antitrust laws. But **relative to the rest of the world**, America remained free.

The Shift: 1914 and Beyond

Two key interventions in **1914** marked the beginning of America's **progressive era**:

1. **Federal Reserve Act** – Created a central bank
2. **16th Amendment** – Legalized the income tax

“They promised it would only be 7% on the rich. Within 3 years, it was 80%.”

This began a century-long trend of increasing state control:

- Regulations
- Subsidies
- Taxation
- Bailouts

These policies came from **European collectivist influence**, especially from **German intellectuals** who doubted the capacity of the individual to reason and act independently.

Why Tech Still Grows

Despite regulation, **technology continues to innovate**. Why?

*It's the one industry **least regulated** and **most free**.*

The **Steve Jobs, Bill Gates, and Elon Musks** of the world exist **only where minds are free**.

Contrast this with:

- Slowing automobile innovation
- No progress in aviation since Concorde
- Regulations choking energy, transport, and industry

Case Study: China's Rise and Stagnation

From **1978 to 2022**, China went from **\$228 GDP per capita** to **over \$12,000**. This came after Deng Xiaoping **partially liberalized** economic zones like Shenzhen.

- **Freedom = prosperity** (within those zones)
- **State-run sectors stagnated**
- **Innovation thrived where capitalism existed**

"Jack Ma disappeared for five years for criticizing the government."

Recently, under **Xi Jinping**, China has begun reversing this progress by **tightening control** over tech and economics. As economic freedom contracts, so does growth.

Case Study: Japan, Hong Kong, and South Korea

- **Japan**: Adopted an American-style constitution post-WWII. Became a global economic power, despite stagnation from overregulation in recent decades.
- **Hong Kong**: Grew from 600k to 7.5 million people with almost pure laissez-faire capitalism. Now in decline after being absorbed by authoritarian China.
- **South Korea**: Once poorer than North Korea, now one of the richest countries

per capita due to capitalism and openness.

“North Korea is black on satellite photos. South Korea is lit up.”

Socialism and Its Consequences

Socialism promises equality, but history shows it consistently delivers **poverty and famine**:

- **Mao’s China**: Up to **55 million deaths** during the Great Leap Forward
- **USSR**: Required Western capital to function. Millions died in famines.
- **Venezuela**: Richest country in Latin America became the poorest under socialism.
- **North Korea**: Regular famines. Utter stagnation.

“Freedom feeds. Socialism starves.”

The Sweden Myth

People often cite Sweden as a socialist success, but:

- From 1870–1970, Sweden was **one of the most capitalist economies in Europe**
- Went socialist in the 1970s → **economic collapse**, high taxes, talent exodus
- Reversed course in the 1990s → deregulated, lowered taxes, ended wealth tax

“Swedish-Americans make \$69k. Swedes in Sweden make \$45k. Same people, different system.”

Fascism and the Mixed Economy

Fascism is state control of the economy **without formal ownership**:

- Private companies exist, but are told what to do
- Central planning without the pretense of socialism
- Today, many countries—including the U.S.—are drifting this way

“The CHIPS Act is industrial planning. Bailouts are picking winners. This is not capitalism.”

Final Reflection

The formula is simple:

- **More capitalism** → More freedom, wealth, and human flourishing
- **More statism** → More poverty, stagnation, and suffering

“So why, in spite of capitalism’s success, do we keep turning away from it?”

That is the great paradox of our time—one we will explore in future posts.