My Rise from Poverty and Why Socialism Doesn’t Work

BY DAMON DUNN

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Socialist revolutions in particular have a peculiar habit of beginning with a man in a work shirt and ending up with a man dressed like Cap’n Crunch.

—Kevin D. Williamson in the National Review

Introduction

The ready dash towards socialism is one of the more remarkable aspects of the current Democratic primaries. Remarkable for the lock-step adherence—save the lone moderates in the race—to socialist ideas as the new orthodoxy in a party whose very name embodies the rights and responsibilities of the individual. Remarkable for the belief that socialism—an ideology that has shown time and again that it is the antithesis of innovation and progress—can provide the answers to a complex and increasingly diverse society. Remarkable that otherwise knowledgeable candidates somehow see a political calculus where socialist policies provide a path to victory after more than a century and a half of rejection by the American public.

It’s not just in the political sphere. Save for a handful of isolated and benighted examples such as Cuba, North Korea, and Venezuela, a generation-and-a-half has now gone through life not seeing the true contrast between life under socialism and their lives in a market economy. Into this vacuum, the growing orthodoxy on college campuses now preaches only the failures of the latter against a romanticized attachment to the former. A growing portion of the media, especially social media, embraces socialist answers as the good of the many over the rights of the few. Some states such as California and New York seeking to enhance their “progressive” credentials embrace income redistribution—the fundamental core of these dead, regressive, and authoritarian systems—as their only answer to the growing costs imposed by other “progressive” policies on housing, energy, transportation, and other daily needs of life.

My family should have presented the ideal conditions for the embrace of socialism. At its core, socialism is based on a belief that most members of society are not capable of providing for themselves and, therefore, government must provide for them. Both of my grandfathers worked factory jobs—one at a fertilizer manufacturing company and the other at a food processing company. Neither had a college education. We were poor, and one set of grandparents lived in a trailer and the other in the poorest part of the inner city. However, their jobs allowed them to provide for certain basic needs like housing, healthcare, food, clean drinking water, and even a pension. We didn’t have much, but each man made enough to be independent of his parents and raise a family; including for the first decade of my life, me.

Some government programs helped—free and reduced cost lunches at school, surplus food distributions, food stamps—the basic social programs few would question and that have long been a fixture of our society whether through government or through private community and religious groups. But around us were the constant lessons of becoming too dependent, for with greater government assistance came greater government rules. Broken homes remained broken because a higher-paying job, marriage, or even acknowledging a relationship of many years could result in lost government benefits and even the home itself through lost rental vouchers.
Generations became mired in a cycle of dependence because assistance creates barriers to moving ahead. Moving up the economic ladder or even just getting to where you can be on the first rung didn’t mean finding a job that paid 10 or 20 percent more. If that raise put you outside the rules, it meant having to find—and find quickly—a job paying twice or three times as much simply to cover what was about to be yanked away.

These were not the apocryphal “welfare queens” or people simply trying to game the system. They were parents and adult children trying to make do with what they had available to them and do their best for their families. That’s all too many were able to achieve—“making do.” Accepting assistance meant the government was able to tell you how much you would get, how you should spend it, and in far too many respects, how you should live your life.

Socialism means increasing this dependence and expanding it to all.

My grandparents showed the importance of personal responsibility. The living wasn’t high but it was enough and it was good because it came from what they earned. My mom then showed the path to move forward even more. She was the first person in our family to go to college, and after coming back for me at age 11, made it clear from that point onward that college was in my future as well. In her mind, education was the path to success.

Most of my peers didn’t have the same encouragement at home. Their default expectations were what they experienced in their families and what they saw around them in our community. Government assistance was the only answer they knew, the primary means of getting by. It became the answer as well for the next generation as their turn came to step into the cycle of dependency.

My life probably would have been okay under socialism. My athletic skills likely would have been rewarded with some sort of “Hero of [fill in the blank]” award, a somewhat better than average job in government or at a nationalized business, and a somewhat better than average apartment in a block of government-approved and managed housing. All of this would have been provided so long as all the rules—including fealty to government policies of the moment—were followed.

My dreams were higher, spurred on by the lessons from my mom. A newfound commitment to learning opened up the doors to a good college education. That education made possible a successful career in business, and not for one minute are there any apologies for that success. We built a good business and provided jobs that opened the same opportunities for the people who worked them. My family knows stability and my daughter knows the importance of education and work to succeed as well as the joy of sharing with others. These chances came from our market economy. Socialism instead would have meant waiting until the government decided to give it to us.
What is Socialism?

The definition of socialism and what it means to be socialist has evolved over the years, from its birth in ideological purism, through its splintering into factions down to the party cell level, and continuing on to a constant repackaging of its core goals as it has sought voter support in the face of decades of examples of where it has gone wrong, often both disastrously and murderously.

Among the many variations throughout the years, a few core elements have remained in thought if not through outright deed:

(1) Common ownership of the factors of production, often expressed as the abolition of private property, dominance of state-owned enterprises, nationalism of major parts of the economy, or elevated regulation of economic activity;

(2) Equality of results versus the striving of most democracies for equality of opportunity, often put into action through redistribution of income and wealth, high tax rates on income and assets, or provision of services through single government rather than private or community sources; and

(3) Primacy of the state over the rights and interests of the individual, whether through authoritarian means as in the case of most of history’s socialist states or whether it evolves through more pernicious means over time as government favors from the controlled economy go only to those with the correct socialist values and thoughts.

Socialism has also maintained an element of internationalism, but this aspect has always been more promise than progress. The idealism of the Second International—the world congress of national socialist parties—was engulfed by nationalism in the outbreak of World War I. The Third International was little more than a means to promote the equally nationalist interests of the Soviet state and was quickly shuttered once Stalin decided good relations with his capitalist allies in World War II were far more important. Social Democratic parties’ backing of the European Union has long included its use as a tool for greater regulation of business beyond anything they have been able to achieve in their home governments, only to see their goals now clashing with the forces of globalization, technology’s disruption of their national industries, and social pressures from border-free policies. Internationalism as preached in the past is now coming squarely up against the economic interests of their less worldly compatriots, producing the current upsurge in populist voting for parties further to the left and the right in much of Europe.

What passes for a socialist in today’s political environment draws on these themes but in practice falls all over the spectrum. There are card carrying, true believers calling for much greater direct government control, if not ownership, of large parts of the economy. Others embrace socialist policies ranging from outright income redistribution through confiscatory-level tax rates to major new spending on a range of social programs. Still others, especially on issues such as single-payer healthcare, are not yet ready to advocate taking the full leap, but instead promote policies that over time will take us there.
All governments today have adopted at least some elements of the historic socialist platform. In the U.S., we have moved towards greater government assistance including Social Security, welfare programs, Medicare and Medicaid, and growing regulation of private sector activity. The key difference in the current circumstances is the degree to which one of the major parties is now debating a massive extension of these actions, debating them under the banner of socialism, and exhibiting a willingness to upend the market economy that made our current social programs possible.

In the current political climate there are pledges for expanded healthcare; for government to take over all healthcare and somehow be able to run it more efficiently and fairly; for universal “free” college; for student loan forgiveness; and for shutting down every energy source we use now (and its high-paying blue collar jobs). Politicians demand to use public money to run the economy on wind and sun, for childcare, to help pay rent, and to help buy a home. This is less about socialism than it is promising people free stuff to get their votes.

If the Original Doesn't Satisfy, Try Socialism Lite

Much of the current campaign promotes these programs under the banner of “social democracy.” It attempts to rebrand socialism away from its less savory—but all too frequent—examples such as the Soviet Union and its captive satellites, Mao’s China, the Castros’ Cuba, Chavez/Maduro’s Venezuela, Hoxha’s Albania, the Kims’ North Korea, Mengistu’s Ethiopia, and before Nyere’s Tanzania. Moreover, there are repeated other instances where socialism has been the tool used by dictatorships to seize and maintain control over a nation’s productive assets and its people, reward its followers and placate its military leadership, while relegating the rest of the population to the equality of waiting in lines for food, housing, and the other necessities of life.

But there are important flaws to this attempt to rebrand socialism with a friendlier, more democratic face.

Cost
The first is cost. Every new program can somehow be supported through the same new tax on Wall Street, the same higher tax on corporations, and the same jump in personal income tax rates that will bring the billionaires down to everyone’s level. And for those who appear to have actually run through the numbers and begun to realize the enormity of the price tag, everything can instead be done with debt if we just believe enough in the new Modern Monetary Theory.
The most recent federal budget projections\(^1\) already show that rapid growth in entitlement and other mandatory spending along with net interest on the rising deficit will consume 18 percent of gross domestic product (GDP) by 2028, up from 13.7 percent in 1988. Since the Reagan Social Security reforms in 1984 and the 1996 welfare reforms under President Clinton, government has failed to even consider ways to manage the rise in these existing obligations, much less develop the means to finance them on a sustainable basis. Yet rather than solve the current and looming threats to existing entitlements, proposals are now being made to increase them even more. Medicare for all will mean Medicare with cuts for those who now depend on this program.

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<th>Net Income by Business Form</th>
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<td>Nonfarm Sole Proprietorships</td>
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<td>Other</td>
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Source: IRS, Integrated Business Data

While taxing corporations may make for a good soundbite, that’s not where the money is these days. Using the most recent Integrated Business Data from the IRS, the traditional C Corporation bogeymen produced only 39 percent of total business net income (before deficit) in 2013, down from 68 percent in 1980. The rest came from other business forms including S Corporations, partnerships, and sole proprietorships that generally are taxed through personal income, not corporate rates. Building socialist programs on the back of business income means going after hard-working individuals rather than faceless legal entities.

In fact, the primary examples given of socialist success—generally Sweden and other Scandinavian countries—don’t heavily tax business activity. They are not socialist economies but highly competitive market economies that depend on a vibrant business sector to provide jobs and generate the income needed to support their higher level of social programs. In the annual (2019) *Index of Economic Freedom* published by the Heritage Foundation, Denmark ranked the 14\(^\text{th}\) most free, Sweden 19\(^\text{th}\), and Finland 20\(^\text{th}\) compared to the U.S. at 12\(^\text{th}\). In Denmark, the 2019 highest corporate tax rate is 22 percent and
personal rate 55.89 percent, Sweden 21.4 percent and 57.19 percent, and Finland 20 percent and 53.75 percent compared to the U.S. now at 27 percent and 37 percent.2

“Socialist” States vs. U.S.  | 2019

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<th>Personal Income Tax</th>
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<td>Denmark</td>
<td>55.89%</td>
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<td>Finland</td>
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<td>Sweden</td>
<td>57.19%</td>
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<td>U.S.</td>
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Sources: KMPG Tax Rate Tables; Heritage Foundation, Index of Economic Freedom

Additional revenue in the Scandinavian countries is generated through social security and high consumption taxes. The social programs are supported by high rates of taxation on the people who use these services while businesses are taxed more lightly to promote employment and the competitive private sector to keep these programs going.

These countries have paid attention to the lessons of globalization where income, assets, and jobs are easily moved.

These countries are also small, generally more homogenous societies with a history of consensus-based democracy. National agreement on which programs to provide and national acceptance of the high taxes needed to support them were easier to achieve even if necessarily done over time.

This is harder to do in a pluralistic society such as the U.S., marked more by progress through a history of compromise around the great middle. Today, however, the middle has become a gap, with politicians publicly shamed and forced to retract statements for even suggesting they are willing to engage on that ground.

Redistribution

The current debate focuses more on redistributionist themes—the rich (however defined) and corporations should pay their “fair share” and the amount of that share keeps rising with each new proposal to be garnered through income taxes, asset taxes, and inheritance taxes. This is fundamentally a call for eating the nation’s capital and investment base and shifting it to government-based consumption. It is more a world view where the “rich” keep their money in some sort of Scrooge McDuck vault for the occasional morning swim rather than in income producing—and jobs and tax producing—investments.

History is littered with failed socialist states that were unable to maintain the productive investments needed to support expansive socialist services, starting with the Soviet Union and working both up and down the alphabet from Zambia to Albania. The successful market economies with strong social programs have instead grasped the need to encourage and expand the domestic capital base, and that it should be used to invest rather than spend.
Workers
The third flaw is that Social Democratic parties in other countries are at their base worker parties. They are strongly connected to unions, and they arose in countries with a culture of class divisions and conflict. This is not the U.S. public. Even in the heydays of American unions, more of their members were likely to self-identify as middle class rather than working class. And today with the shrinkage of middle-class jobs throughout the economy, most of the population—nearly 70 percent by at least one ongoing poll—still considers themselves middle class rather than the extreme divisions of haves and have-nots necessary to socialist polemics. Most would welcome a helping hand when they need it. Few want government to do everything for them. It’s hard to impose working class goals on a people that simply don’t think in those terms.

Policy
Every issue is a nail and government is the only hammer. Rent is too high? Government should help to pay it. Can’t find a place to rent? Government should build more affordable housing. Twelve percent of the population is still uninsured (no matter that many are only transitionally or voluntarily uninsured)? Nationalize the entire health system and dole out healthcare through a single public source. Social Security is going broke? Expand it.

Every issue is a nail and government is the only hammer.

Rents are too high, and in many areas, housing prices are rising too fast. It is because not enough new housing is being built, especially in most coastal urban areas. But even the Obama Administration acknowledged that the main reason why housing lags is overregulation. Excessive zoning restrictions and building code requirements either work to prevent new housing altogether or increase the costs of permitting and actual construction to the point that what is built is affordable only to higher income households or is made affordable only to lower incomes through heavy government subsidies. And other policies, such as in the Green New Deal, only add further to the cost. For example, a recent California requirement that all new homes be built with solar panels is expected to add another $10,000 on top of home prices that are already out of reach for two-thirds of the state. The answers in this case are not to increase the role of government but to reform the costs it now imposes.

In the most recent annual Gallup Healthcare poll, 69 percent rate the coverage and 80 percent rate the quality of their personal healthcare as excellent or good, comparable to the satisfaction levels measured since 2001. When asked about the cost of healthcare, 58 percent responded they were satisfied with the cost of their personal coverage, but 79 percent were dissatisfied with the cost for the nation
as a whole. Single payer as proposed does not address these concerns nor does a public option which is fundamentally offered as a step towards eventual nationalization of the healthcare industry. Not too many government programs have gone into the history books based on their ability to reduce or even contain costs. Once in the public domain, the only tools are to cut what government pays or cut what they provide in order to stay within budget, and there are more than ample examples from public health programs to date.

Rather than wait in lines for the National Health Service in the U.K. to do his recent heart surgery, Mick Jagger instead flew over them on his way to New York.

As a budget balancing action in 2011 during the recent recession, California cut the reimbursement rate for its Medicaid (Medi-Cal) caseload by 10 percent and in the process produced a physician shortage for many low-income residents. A 2015 survey reported 60 percent of all physicians and 55 percent of primary care physicians were unwilling to accept new Medicaid patients, as the new rates covered their costs even less and they were no longer able to keep raising their charges on their other patients to cover the expanded shortfall. This shortage then continued even as the state ramped up enrollment under the Obamacare optional expansion, promising healthcare to more of the population but without physicians to serve them.

The current candidates are now in a race to outbid each other on free college (“I’ll see your two years and raise to four”). The intent is good. The current and evolving economy demands higher skills. But not all these skills require four years of college; many would be better handled through vocational training and broader apprenticeships freed from the limits now imposed in many states by the unions.

More critically, free college is a waste of money at best and a cruel bait-and-switch at the extreme if the students are not prepared and the schools—the public schools—in far too many places have failed at this basic task. In the latest data, public high school graduation rates for freshman students entering in 2012-13 were 81.9 percent overall, and only 69.4 percent for African-Americans and 78.2 percent for Latinos. Females were at 85.2 percent, but males significantly lower at 78.8 percent. Only 34 percent of 8th graders scored at proficient or above in Math on the National Assessment of Education Progress, with African-Americans at 13 percent and Latinos at 20 percent.

In California, only 50 percent of students graduating in 2017-18 completed the “A-G” courses qualifying them to apply to the state’s relatively less expensive public university systems. Among African-Americans there were only 39.6 percent and Latinos at 42.5 percent. That’s the average. Many urban schools were even worse.

Free tuition means little if students cannot afford the basic costs of living while they attend, and if housing or other basic costs such as energy and transportation keep rising beyond their means as a result of deliberate government policies. The tuition may be free—and it already is in many public universities and community colleges for low and even moderate-income students through grants and other financial aid—but college for many will remain unaffordable if the basic costs of living keep spiking.

In each instance, more government is not the only solution, and more government in many cases is the cause or contributor to the problem. The only answer from socialism is to throw more money into the pot to relieve the poor who have been hurt rather than remove the regulations that other groups
in their orbit hold so dear. The limits of socialism have long stemmed from having only one tool in its belt and its tendency to shout or close down the opposition in the name of the common good even when additional consideration would reveal other and more effective means.

**Dependence**

The most troubling flaw, however, is the deliberate push to grow the culture of dependency. Our social programs and protections such as workplace rules began in the early and mid-20th century as an effort to assist the poor. While some in the New Deal saw it as a means to push back capitalism, the measures enacted were not to replace work and private employment. Nor were they intended to replace personal responsibility even in the case of Social Security, which was intended to help with retirement savings, not supplant them.

At its heart, even the expansions in the second half of the century kept this intent. The War on Poverty was proposed as just that—to move people off poverty and enable upward mobility by becoming productive members of the workforce. The environmental and infrastructure programs were to be the means to secure the public goods we could now afford as the result of the tremendous growth in our economic wellbeing.

The rhetoric no longer even pretends to hold to these goals. The War on Poverty has been replaced with “a family can’t live” on what the programs provide. The social programs are no longer couched in terms of temporary assistance to help get people out of poverty but are deliberately named as income support to make poverty more tolerable if not the means for full-on income redistribution. The regulatory programs once intended to improve the quality of life and the functioning of our economy have now become litigation tools used to achieve other political ends.

My family saw the effects of dependence on government programs. Our community began in poverty and it stayed in poverty because of government aid. Government programs were there to put food on your table, to tell you how to apply for a job, to get you housing, to tell you how to raise your children. Some of this came from well-intentioned public workers but too many were simply indifferent bureaucrats putting in their time. And it’s hard to inspire with the message that entrepreneurship or working hard in the private sector is a way to a better life when it’s coming from people who don’t really believe it themselves.

The role models my peers saw were fundamentally limited to two—someone who was lucky enough to get a government job, or those in the neighborhood who did it through crime and drugs. Sadly, too many of my friends from then fell into the trap of the second. The government programs made life a little easier but they did not change it. The cycle of dependency continued.

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The successful market economies with strong social programs have instead grasped the need to encourage and expand the domestic capital base, and that it should be used to invest rather than spend.
The thinking behind socialist programs is fundamentally grounded in a negative view of the future. That the *Population Bomb* will still drop. That *Silent Spring* can never turn into glorious summer. That *Das Kapital* will inevitably wither away. The fundamental view is more in keeping with a “Blade Runner” type of two-class economic future. In spite of the consistent record of failed prognostications in the past, they believe a large part of the population is simply incapable of adjusting to economic change and must be taken care of. It is a pessimistic view of human potential and in the end, of human worth.

The single greatest anti-poverty action in history was the embrace of market policies in China that took the population from nearly uniform subsistence level poverty to creation of a 400-million strong middle class in the space of two generations. One of the more recent counter-examples is socialist Venezuela. Once one of the richest countries in Latin America with the largest proven oil reserves in the world, Venezuela’s GDP dropped by nearly half since 2014, annual inflation rose to more than 80,000 percent, a poverty rate now at 90 percent, and food shortages that caused its citizens to lose on average 24 pounds each in 2017.¹¹

### Why Socialism and Why Now?

The prominence of socialism in the current primary debates has been hailed by some as a demonstration of its acceptance in U.S. politics and with the public.

**Polling**

The seemingly burgeoning interest in socialism has been fueled in part by recent polls showing substantial favorability ratings from the U.S. public. But as noted by at least one commenter,¹² socialism itself has not become more popular. Polling on socialism, however, has.

One of the more widely touted polls was the May 2019 Gallup poll showing 43 percent of Americans saying socialism would be a good thing for the country, compared to only 25 percent in an earlier 1942 poll.¹³ Fifty-one percent (versus 40 percent earlier), said it would be a bad thing.

Other polling purports to show Generation Z and millennials more willing than their elders to become converts. A January 2019 Harris poll still showed a strong preponderance for a positive view of capitalism (61 percent versus socialism at 39 percent) overall, but with age 18-24 seeing little difference between the two at 61 percent (socialism) to 58 percent (capitalism).

There are several things wrong with this story.

First, roughly the same percentage already think the U.S. is socialist. In the Gallup poll, 40 percent also thought the U.S. economy already leans toward or is mostly under government control. After more than a generation since world socialism’s collapse, less of the public even understands it as a political concept much less what it would mean in their personal lives. For many of the respondents, socialism likely was a good thing because the current economy is in a state of being a good thing. Even in 1965, Gallup results showed 31 percent saying the nation’s economic system was moderate socialism, with only 37 percent saying capitalism.¹⁴
Second, this number has little changed. In previous Gallup polls, those having a positive view of socialism were at 35 percent in May 2016, 39 percent in November 2012, and 36 percent in January 2010. A comparable stronger response from younger respondents was also evident.

If young people are suddenly rushing to embrace socialism, their educational choices are not showing it. Business, management, and marketing continues to be the leading choice for those enrolled in four-year institutions at 18 percent of all students, with the perennial nationalization target—health professions and related sciences—in second place with 14 percent. No other major comes even close to these numbers.

Third, socialism is at best a fading memory for most people in the U.S. We are nearly three decades since the world was divided into two competing economic systems. China, seeing the lessons of the Soviet system, began moving towards market policies in 1978. Other countries seeing China’s progress against the collapse of the Soviet state in 1991 did so as well. Only Chavez and Maduro stand out as moving in the opposite direction, with the immiseration of their country being the result.

Most of those responding to the polls are responding to the word and not the restrictive economic and political system it was in the past and would over time become if adopted today. When asked for a definition of “socialism” in a September 2018 Gallup poll, only 17 percent picked “government ownership or control, government ownership of utilities, everything controlled by the government, state control of business” compared to 34 percent answering the same question in 1949. Instead, the leading response focused on the “social” rather than the “ism,” with 23 percent picking “equality - equal standing for everybody, all equal in rights, equal in distribution,” compared to 12 percent in 1949. Carrying on this theme, the fifth choice at 6 percent was “talking to people, being social, social media, getting along with people.” Socialism continues to poll in double digits because it is no longer well understood.

In contrast, Gallup has also been asking the long-term question: Which of the following will be the biggest threat to the country in the future—big business, big labor, or big government?” In 2017, 67 percent picked “big government,” near the all-time high of 72 percent in 2013 and nearly double from the 35 percent when the question was first asked in the 1960s. Big business—the source of evil that needs to be controlled in the socialist rhetoric—as the greatest threat came in at only 26 percent, well below the 38 percent peak that was reached only during the Enron scandal.

The current candidates may see—and those touting these polls in the press may hope—there is a new groundswell of support for socialism, but the numbers just aren’t there to prove it.
**Elections**

If polling does not support a socialist resurgence, the current media infatuation with socialism still can point to two political events: the better-than-expected performance of Bernie Sanders in the 2016 primaries and the 2018 election to Congress of two avowed members—running as Democrats—of the Democratic Socialists of America (DSA).

Overhyping to the contrary, the elections of Representatives Alexandria Ocasio-Cortez (D-NY) and Rashida Tlaib (D-MI) are hardly the sign of a wave but instead more a reflection that socialists can win only where the country’s traditional two-party democracy is at its weakest.

Under the redistricting process in the U.S., congressional district lines are to be redrawn every 10 years to contain fundamentally equal populations. They are not required to have an equal number of voters. These conditions can give rise to a domestic variant of “rotten boroughs” with a substantially smaller voter base, especially in urban areas with high numbers of populations with historically low voter patterns or populations unable to vote due to their citizenship status. Combined with actual or de facto gerrymandering, these conditions shift the campaigns to inter-party struggles rather than a debate of ideas and ideals in the general election.

Rep. Ocasio-Cortez’s congressional district 14 in New York has by far the lowest number of registered voters among the state’s congressional districts, fully one-third lower than the largest district whether measured by total registered voters or active registered voters. After dispatching the incumbent in a primary where she garnered only 16,898 votes, she then faced only token Republican opposition by a candidate receiving just under 14 percent of the vote in the general election.

Rep. Tlaib’s congressional district 13 saw the lowest number of votes cast in the Michigan congressional races—45 percent less than the highest general election vote count in the other districts. She also ran in the only Michigan race without candidates from both major parties, facing two minor party candidates who between them garnered only 15 percent of the vote.

Neither race was a debate over socialist ideas. Instead candidates who happened to be socialists were better at appealing to the much smaller universe of their party’s base at the primary stage, and then used the electoral circumstances of their district to ensure a path to office.

Senator Bernie Sanders (D-VT) is a different situation. Like every other previous socialist candidate for President, he lost and his current standing in the polls shows few prospects for change on this score. He offers proposals that others are embracing in an effort to avoid a break with their more liberal activist base. Bismarck’s Germany adopted the first program of social assistance and worker protections to forestall the growth of the socialist parties. Woodrow Wilson embraced limited reforms in his New Freedom platform not so much as to counter the Socialists under Eugene Debs, but the broader appeal of socialist elements offered by the progressives under Teddy Roosevelt including the promise of universal healthcare. In part, the New Deal offered elements to limit the rise of more extreme ideas coming from the likes of Huey Long and Father Coughlin. The same process is going on today with the candidates embracing Sanders’ ideas in order to forestall their party’s embrace of Sanders as the candidate.
Socialists do not need a majority to win. The exact percentage varies to some degree depending on the source, but research has shown that only somewhere between 10 percent\textsuperscript{22} to 25 percent\textsuperscript{23} of a population needs to embrace a new idea in order to reverse the majority viewpoint, and only 5 percent if they take to the streets.\textsuperscript{24} The key is that they have to be committed and relentless in pushing their view, and the socialists in pushing the same agenda for more than a century and a half in spite of its repeated failures are nothing if not persistent. The critical response is showing the same commitment in pushing back with ideas that have and will actually work.

**Institutions**

The appeal of socialism through the “social” should not be surprising. We live in a period where traditional institutions have declined and are being replaced by the growing distance between individuals as the use of social media grows. Church membership has fallen from 70 percent in the 1990s to 50 percent in 2018.\textsuperscript{25} Families are being formed later in life, with the median age of first marriage rising from the low 20s in the 1960s to age 30 for men and 28 for women by 2018.\textsuperscript{26} The number delaying or foregoing families at all is rising as well—only 29 percent of adults age 18 to 34 were married in 2018 vs. 59 percent in 1978.\textsuperscript{27} The number of single-person households rose from 13 percent in 1960, to 28 percent in 2018.\textsuperscript{28}

In the most recent Pew survey,\textsuperscript{29} only 34 percent of adults overall relied on online sources (social media, web sites and apps) as their primary source of news, but this number jumped to 63 percent for age 18–29. Only 2 percent of this age group still read newspapers versus 39 percent for the stalwarts age 65 and older.

America’s universities have also played their part in driving our national conversation toward socialism, shifting the acceptable boundaries of speech just as socialist governments have done to entire nations in the past. Consider the case of illegal immigration. In little more than two decades, the American progressive movement, beginning on our campuses but moving to the mainstream as their students graduate, manipulated this debate by narrowing the scope of acceptable speech. When we are pressured to shift our language from the legally accurate “illegal alien” to the softer “illegal immigrant” to the highly misleading “undocumented migrant” to the entirely meaningless “migrant communities,” we have lost the ability to meaningfully differentiate between different types of immigration. This is nothing less than a deliberate use of language to obscure the truth and make constructive and honest dialogue nearly impossible. The tragic irony is that on many campuses, words have been transformed into weapons meant only to confuse and silence.

College was my platform to opportunity. It was a place to be challenged, to debate, to defend my beliefs but be exposed to new ideas and new paths, and to be armed with the knowledge and tools needed to go out into the world and create. It was where someone born and raised in poverty suddenly had the realm of possibility in every respect suddenly opened up, a vision denied to far too many of my peers who could only see as far as the next day when the government check would arrive.
On too many campuses today – outside of the STEM departments that not coincidentally remain the last bastion of legitimate prestige – implicit and explicit speech codes are used as lessons in what can happen when orthodoxy is challenged. Particularly in the humanities and social sciences both in teaching and in grants for research, the shift has been from questioning and innovation to conformance with an ideological overlay as students are prepared for positions in our schools, government, media, foundations, and the other defining institutions of our culture. Belief in socialist ideas, that government has become more the only answer, and that those without college are too feeble to survive on their own are all ideas that have become more acceptable today because that is what too many of our future leaders are now taught outside the STEM and at least some remaining business schools.

In his comments on the new American culture, French political theorist Alexis De Tocqueville was struck not only by the importance placed on the individual but also the tendency for them to join frequently in associations for both social purposes and to accomplish a wide range of community goals. To him, this was a defining feature that set the new culture apart from Europe where society was defined by economic status and membership within the social and economic institutions was controlled by the state, the church, and the guild:

If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.30

That spirit is still there, but the conviviality of a group is increasingly replaced with the anonymity and the safety of the web. The “social” will continue to appeal even as the “ism” continues to fall short.

**Freedom is Hard**

A functional democracy requires an informed citizenry. The prospect of socialism being able to rehabilitate itself from a history of killing tens of millions of its citizens and impoverishing hundreds of millions more can only succeed if this fundamental predicate is not there.

The media has been spectacularly partisan throughout our country’s history. If you disagreed with what your newspaper was saying, there was at least one other if not more to choose from, but they all provided the basic news in order to survive. As journalists became “professionals,” they gradually took on a common political view molded by journalism schools. But editors, publishers, and station owners knew they still had to compete for market share, so a story often reflected comments from the other side.

Information channels in today’s world are becoming limited. The old media is on its way out, and the social media channels providing the news are becoming fewer as the giants buy out the competing platforms and apps. They are engaging more often in actions to filter out or downgrade access to views that run counter to their prevailing corporate culture and worldview, and as discussed in the next part this includes a view that certain socialist policies are good and any alternative to them is bad.
Change is Hard

The previous points speak more to how socialism has become a point of debate in the current political culture. Among the many reasons that could be discussed, one point in particular stands out as to the why. The economy is changing. The nature of work is changing and is under direct challenge by a tech industry whose sole value proposition is to take another industry, disrupt its current model through technology, and create income and wealth as the new forms emerge from that chaos.

There is nothing wrong with creative destruction. It has been the fundamental key to capitalism’s ability to create new opportunity and expand income and wealth directly to an ever-increasing share of the population and provide support for the healthcare, social assistance, environmental, and similar programs we now take for granted as essential goods and services in a modern economy. With each round of change, the old jobs shrank or disappeared, but new ones were born. Jobs appeared as new opportunities emerged directly from the creation of new industries. Other jobs came from the demand for new goods and services as costs dropped from more efficient production. Something that was once only for the rich and the few was now something more people could afford. Most of us no longer farm. Much of the population has moved from factory to service jobs. The range of goods the typical household can now buy or even consider essential—from smart phones to international travel to the range of fresh fruit and vegetables available year-round throughout the country—were unthinkable for much of the last century.

Such a process is not without its pain. Communities find their economic base diminished or gone. Workers find their skills no longer in demand. The benefits go to those who can adapt or move or to the young who are still deciding what will be their way in life. Those however who instead see change as a threat will naturally be open to ideas promising that everything can be made all right.

In promoting itself as the answer to these fears, socialism is by its nature fundamentally a reactionary response. Rather than make the economy more efficient and increase income and jobs, rather than working with workers and communities to develop the skills and resources they need to share in the growth, socialism instead calls to preserve what is there by shifting ownership over to the government. Business is then operated by government rules and quotas, not guided by innovation and growth.

We live in a period where traditional institutions have declined and are being replaced by the growing distance between individuals as the use of social media grows.

Socialism is by its nature not conducive to innovation. Embodied in its name is the concept that correct thoughts and new ideas come from the social—the community, the state, its hierarchy—rather than from the individual. And the state does not wither away. In every experiment with this ideology, the state has become stronger and more omnipresent in everyday life whether it is through outright dictatorship or the creeping control of an over powerful and unaccountable administrative state. Innovation no longer comes from individuals acting as entrepreneurs in the economy or in the policy realm or from debates over competing ideas, but instead relies on diktats from the state masquerading as the common will.
Look no further than the tech industry itself as example. The U.S. thrives and has grown because it encourages entrepreneurship. In tech, in manufacturing, in services, and even in the neighborhood shops, our market economy encourages and rewards entrepreneurs to create jobs and provide the goods and services people want. Entrepreneurship is part of who we are.

It is harder to start a business in Europe. Periods of socialist governments in many countries have created conditions where the focus is on supporting the existing economic base that funds the social programs created in the past and is needed to fund them in the future. Risk is not rewarded as much as stability, and the continent is littered with jobs sustained through government policy and subsidies rather than created as in the U.S. through innovation. In seeing this expanding gap, entrepreneurship is something the European Union decided it needs, but in typical government fashion, decided the only way to do it was through yet another government plan.31

The current transformation carries compounded fears due to the concern for community and broader prosperity. In past cycles, a community could still transform itself as new industries opened or as engineers and managers struck out and started their own businesses. As employment grew, regional benefits became possible as suppliers and services grew as well. But this is the first economic transformation led by an industry with no stable ties. They can and do operate from anywhere, nationally and throughout the globe. Built on financial models that minimize asset exposure and risk, they have fewer ties within their local economies, and have a flexibility to move their operations that is unthinkable for the traditional sectors they now target for change.

Looking at these trends, the general consensus is that work will change. Some occupations will disappear. In others, even the more basic levels will require workers to come with a higher set of skills. In a series of recent reports, McKinsey Global Institute32 estimates that 5 percent of current occupations can be fully automated, and that another 60 percent could see at least 30 percent of their activities automated using currently demonstrated technologies. This change will affect how work is organized along with the overall mix of jobs within the economy.

The tech leaders look at this situation and expect to do more. While not universal, many tech leaders and others expect the transformation to result in a significant portion of the population with redundant skills, jobs producing only low incomes, and loss of healthcare and other benefits that now come from their employment. Their answer then is to support the same socialist programs now being promoted in the primary campaigns. Many would go further and institute a Universal Basic Income, replacing work and wages with outright income redistribution and a government-provided income.

The prospect of socialism being able to rehabilitate itself from a history of killing tens of millions of its citizens and impoverishing hundreds of millions more can only succeed if this fundamental predicate is not there.
This is the more dystopian view of the current transformation. The foreseen result is the ultimate socialist vision of a nation permanently divided into the have-s and the have-nots, and the only way to deal with the have-nots is to keep them placated and support them through greater government dependency. It is at its core dismissive of the human potential in a significant portion of our population. It is at its worst an attempt to expand the cycle of dependency that surrounded my family and institutionalize it on a broader basis.

This is also the view promoted by tech leaders through social and web media. The economy is changing. Only the educated with degrees—and with the right degrees—will survive economically and earn enough to live on their own. The rest will need government support. For younger adults still uncertain about their career path, this message naturally makes them susceptible to socialist program promises. For older workers who have seen what has happened to family and co-workers in the past, the promise is tempting as well.

The dystopian version is not the only or even the most likely outcome. The McKinsey studies and others in fact expect the likely outcome can be a net increase in jobs just as has been produced by every past transformation of this scale. New technology will create new jobs and new occupations. The shift in some occupations will require changes in others. The change in total income will increase overall demand which in turn will create still more. Other jobs will remain and grow much as they have, with certain areas expected to grow much faster such as those tied to the aging population.

These jobs, however, will not naturally all flow to the U.S. nor will they go on their own uniformly to every community. Every other country on the globe is facing the same technology trends. These jobs will go to the U.S. if we prepare for these changes, our workers are prepared to adapt to these changes, and if we remain competitive and continue to reward the innovation required to come out ahead. The socialist program promising more taxes, more regulations, and more direct government control of our productive assets instead would take us faster towards the dystopian version and the nation of have-s and have-nots for which the socialists have waited so long.

Change is hard. Preparing for it is even harder. The programs now being promoted under the guise of socialism want to pay people so they don’t even have to try.
Platforms for Change

Education was my platform for change. A mom who gave the encouragement my peers didn’t have. A coach and teachers who turned me around. A shot at a good university that opened up the chance for success at business, financial security, jobs for many others, and building a new platform so my daughter has the same opportunities as well.

This was all about opportunity and not government walking in and deciding what we get. My mom helped me see it, but too many of my friends and peers were unable to rise above government assistance and see they could do it as well. The chances of them getting rich probably were not that much. But none of them had the chance to even try, and all of them could have done well enough to start another platform for their children as well and keep them moving up and away from the cycle of dependence.

The counter message to socialism—the message our 61 percent needs to convey with vigilance and persistence—must build on the same theme. Technology is driving change in our economy and our jobs, but we as a nation cannot just sit back and be complacent in accepting it. We need to build platforms that better prepare us for this transformation and ensure we remain competitive for the jobs, both as individuals and as a nation.

Some suggestions on where to start:

- **Education.** Education is a fundamental need, but two or even four years of free college can at best only benefit a small portion of the future workforce. It will be less helpful for those where the K-12 schools have failed. It will not help where other government policies have driven up the costs of housing, transportation, and other basic costs of living. It will do nothing for those already working and long out of school.

  The High School Movement in the early 20th century was a key driver in developing the skills required by both workers and business in the new industrial economy, essentially taking what was a K-8 educational system and turning it into K-12. We should have the same lofty goals in order to face the evolving economy. Not just two years of free college but reshaping our schools into K-14 and using this change to push reforms in a system that now works for only a few. Every student should come out with the expectation they have a certification for a trade, a license for an occupation, or an AA for transfer to a four-year college. Rather than the alphabet morass of training programs we have today, all current federal funds should be refocused to this effort for adult retraining as well.

We need to build platforms that better prepare us for this transformation and ensure we remain competitive for the jobs, both as individuals and as a nation.
• **Benefits.** My grandfathers worked for the same employer for most of their lives. That’s where they got their benefits. Few work as long at the same job today, and the evolving economy likely means more may even be shifting careers over their working lives. The system of employer-based benefits has worked well in the past, and given their druthers, it’s the one most workers would still prefer. Our actions should be to enhance it, not replace it with single government programs that in the end just won’t work. The new regulations on Health Reimbursement Arrangements (HRA) are a major step toward portable benefits. Workers should own their benefits, not the government, and this approach should be expanded to other benefit areas as well.

• **Housing.** Government funds should not continue to be used to subsidize other government rules that drive costs—and therefore prices and rents—continually up. The nation is not building enough housing, and many urban centers are now seeing affordability crises and increased homelessness as a result. Even after six years of economic recovery, the U.S. Bureau of Labor Statistics data shows 2018 employment in Residential Building Construction was still 20 percent below its pre-recession peak in 2006, or a continuing loss to regulation of over 200,000 middle wage blue collar jobs.

Rather than throwing more federal funds into the pot to subsidize the impacts from government regulation, existing federal sources should be conditioned on states reforming their rules to allow adequate housing of their populations. Caps on allowable total cost per unit should apply to Community Development Block Grant and other HUD affordable housing funds as well as federal tax credits for this purpose. At least some of federal transportation funds should be covered as well, starting with public transit funds going only to cities that have reformed their rules to enable market rate housing for people who would actually start riding these systems.

• **Occupational Licensing.** If people have been licensed in one state, they should be allowed to work in all others. This is one barrier to interstate trade and livable wages that should not be allowed to stand. For many low income workers, an occupational license is often the platform leading to higher wages, the ability to start a business, financial independence, and opportunity for their family in the future.

Unfortunately, costly and often excessive state occupational licensing requirements, which impose significant time and expense for the privilege of getting a job or starting a business in a desired industry, have been found to be barriers to opportunity for many trying to move up the economic ladder. Getting a license takes a commitment in both time and money that few low income workers have in abundance, and forcing them to repeat the process if they move to another city, another county, or another state is little more than a protectionist measure that clamps down on upward mobility.

• **Venture Capital.** The tremendous success of the tech industry has come from a melding of venture capital, research universities, and a critical mass of entrepreneurs in Silicon Valley and the Bay Area. Similar but smaller centers have evolved around Biotech Bay in San Diego, Re-
search Triangle in Raleigh-Durham, and centers elsewhere around the national labs. As a result, tech entrepreneurs have ready access to capital in the U.S. Other industries do not always have the same options. A large new manufacturer may instead rely on state and local tax credits and other assistance. A small manufacturer of an innovative new product will still have better chances finding capital in China.

Government cannot substitute for venture capital and where it has tried, such as under the American Recovery & Reinvestment Act of 2009, it has proved better at picking massive losers than winners. It can, however, create conditions similar to those that spawned Silicon Valley.

The federal agencies are now largely centralized in and around Washington, with government workers spending most of their days talking to other government workers and lobbyists rather than the businesses and workers their rules and programs affect and the researchers looking for opportunities to take their work beyond the bench stage.

The tech industry has figured out how to work from anywhere in the world. Government should be able to figure it out as well. A number of the federal departments should be relocated into the heartland, preferably to urban areas in need of revitalization as a result of past or looming economic dislocation. A portion of their budgets should also be allocated to seed research centers in local and regional universities, with ongoing support targeted from their existing research accounts. For example, Transportation should go to Detroit. Health broken off from HHS and moved to upstate New York. Commerce to Chicago. Energy to the Southwest. Agriculture to the Midwest or Southeast. Interior to Denver or Salt Lake City. In this way, existing federal funding can be used to create the conditions for new centers of growth for other industries in our economy.
Conclusion

We are in a state of change that raises longer term uncertainty that goes beyond the generally good news coming from the current economic reports. Socialism by offering easy answers still retains the potential to move its agenda forward in this country through more programs, higher taxes, and greater regulation and administrative control. Therein lies the true risk—through incremental change, socialism’s supporters will achieve the economic division needed to further their aims.

Just as any revolutionary element needs only a small portion of the population if they are persistent enough, the fight for sound policies grounded in free-markets, needs to be heard as often as well.
Endnotes

2 All tax rates from KMPG tax rates tables.
5 The White House, Housing Development Toolkit, September 2016.
7 Gallup, “Most Americans Still Rate Their Healthcare Quite Positively,” December 7, 2018.
10 California education data from California Department of Education, DataQuest.
20 New York Secretary of State, “Enrollment by Congressional District,” February 1, 2019.
30 Alexis De Tocqueville, *Democracy in America*, Chapter V, Of the Use which Americans Make of Public Associations in Civil Life.
About PRI

The Pacific Research Institute (PRI) champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions. It provides practical solutions for the policy issues that impact the daily lives of all Americans, and demonstrates why the free market is more effective than the government at providing the important results we all seek: good schools, quality health care, a clean environment, and a robust economy.

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