

The Communism Curious

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It has now been six months since Donald Trump began his second term as President. By any objective metric, it has not gone well. In his first term, Trump already had the worst macroeconomic record of any President since WWII with an average growth rate of real gross domestic product (GDP) of 1.8% per year, as compared to an average of 3.1% under President Biden.¹ In the first quarter of his second administration, growth was -0.3%, even less than his already poor average from the first term. Based on the S&P 500, there have been seven stock market corrections that started in the 21st Century.² Four of those corrections have happened while Trump was president, one of them already in this second term. Trump has trashed U.S. alliances that have existed for decades if not centuries. He has flagrantly ignored multiple court orders, some by the Supreme Court. There is every reason to believe we are now seeing the beginning of a second Trump recession, which, if true, would put Trump in an exclusive club with Nixon and Bush 43 as the only Presidents in my lifetime to have two recessions begin on their watch.

Nevertheless, while Trump's poll numbers are bad, and, in some cases, the worst of any President this early in an administration, that generally has not translated to good poll numbers for Democrats. Indeed, most Trump voters, if given the opportunity to redo their choice in November, would still vote for Trump in spite of the litany of disasters that I could only summarize above. What could Democrats possibly be doing so wrong to make people contend that Joe Biden and Kamala Harris were not viable alternatives to Trump? To emphasize this point, why is it so easy to find people from marginalized groups that have been further marginalized by Trump since November who still support him?

I believe the answer is that Trump, presumably more by accident than design, tells these people things they desperately want to hear and no one else in politics will dare to say. While

¹ The Bureau of Economic Analysis first started to systematically measure GDP on a quarterly rather than a yearly basis in 1947.

² A correction means a stock market index has fallen more than 10% below its previous high. The correction ends when the index sets a new high.

Trump has not declared outright that he is going to disassemble the capitalist system, he has made promises and proposals to that effect. Of course, many of the promises are cheap talk that he has no intention of following through on, but some of his ideas most concerning to economists have actually been implemented.

Why would a billionaire systematically undermine the system that allows him to be a billionaire? Incompetence is an obvious answer, and many writers have already discussed the fact that Trump has been pushing blatantly socialist policies in his second term that one could not imagine him condoning in his first term. However, the question of Trump's motives is outside the scope of the present essay. Our purpose here is to document the reality that a large fraction of the American electorate has demonstrated through actions very much contrary to their words that they are at least curious about trying not just run of the mill socialism but full-on communism.³

If you are thinking that you have never heard anything like this so how could it possibly be true, you need to understand that most of what you were taught about communism and socialism in school was probably wrong. During the Cold War, curricula were written to paint the Soviet Union and the People's Republic of China in the worst possible light. Republicans once had a "required reading list" that included several of the books which inform my historical research, but this was eventually thrown aside. By the time the Cold War was over, most Westerners had no clue how much of what they knew about socialism was propaganda rather than science, and that left our society vulnerable to a backswing of the political economic pendulum.

Before I dig in, I will repeat an admonition that Adam Smith made before starting his own discussion in the *Wealth of Nations* (1776) of these very same issues:⁴ "I must very earnestly entreat both the patience and attention of the reader: his patience, in order to examine a

³ Many will object that Trump and his followers are fascists, not communists. The difference between fascism and communism can be quite subtle, which is why the political spectrum has often been likened to a circle or a horseshoe. Fascism goes to extreme lengths to preserve institutions—or at least the appearance of these institutions—that are central to a cultural identity like German ethnicity. Communism, in contrast, begins by destroying all such institutions. Trump is not preserving our institutions. When Trump channels Rodney King by lamenting, "Why can't everyone just get along?", this is concisely expressing the attitude of communism. Why does there have to be any conflict about who gets what? A fascist would never say this. They have no compunction against taking from those who are unlike them.

⁴ Smith, Adam, (2004), *The Wealth of Nations*, ed: C. J. Bullock, (Barnes and Noble Press: New York), p. 25.

detail which may, perhaps, in some places, appear unnecessarily tedious; and his attention, in order to understand what may perhaps, after the fullest explication which I am capable of giving it, appear still in some degree obscure.” This warning proved to be all too necessary, for the ensuing chapters of the book were the fodder for a centuries-long debate that informs this essay. Wars were fought and millions killed over these tedious details, and history offers many examples to show that the current political conflict in the United States could easily devolve into yet another round of such violence.

When asked what socialism is, most people respond with some permutation of the phrase “public ownership of the means of production.” I have previously discussed the deficiencies of this as a definition of socialism,⁵ but we are dealing here specifically with communism, not socialism, and this phrase is a better definition of the former than the latter. Marx himself rarely addressed his vision of how man should organize economic affairs in *Capital* (1867), but he did invoke this phrase in the first chapter when he presented a brief outline of his future vision:⁶ “Let us . . . imagine . . . an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force.” This is what Marx meant by communism, or, to be more precise, what he called the final stage of communism.⁷ Everything should be held in common. Nobody should have an agreed-upon priority of access to goods into perpetuity, though first come first served or a similar rule may be accepted in the short run.

Contrary to the popular understanding, Marx did not invent communism. We can find examples of communism going back thousands of years. In Plato’s *Republic*, the philosopher-kings, who were a model for the Jedi in Star Wars, were supposed to eschew property and family in a society of perfect justice. One should not, however, be misled into presuming that Plato was a proponent of communism. The Republic was a thought experiment with several components, and the masses were to live in a market economy. Moreover, Plato’s advice in the *Laws* about how leaders should rule in the real world was quite authoritarian.

Many Christians today are stunned to learn that the New Testament of the Bible offers perhaps the most wholehearted endorsement of communism in ancient literature. The Gospel is

⁵ [“What is a Socialist?”](#)

⁶ Marx, Karl, (1976), *Capital Volume I*, tr: Ben Fowkes, (Penguin Books: London), p. 171.

⁷ See his “The Critique of the Gotha Program” (1875).

full of stories of Jesus feeding the masses and providing for the poor. What does he have to say about the hoarding of wealth?⁸ “It is easier for a camel to go through the eye of a needle, than for a rich man to enter into the Kingdom of God.” One cannot even argue with a straight face that the Bible at least promotes markets, for the Old Testament contains long lists of prescribed prices. There is no mention anywhere of supply and demand. Economics in the Bible is strictly about social control.

Cold War propaganda likely had a big part to play in explaining the cognitive dissonance between what Jesus taught about communism and what most Christians believe about communism now. In the early days of capitalism, Charles Dickens was one of its most widely read critics, and Scrooge’s paraphrases of Thomas Malthus and David Ricardo in *A Christmas Carol* (1843) were his most direct attack on this new economic system besmirching England. Marx did not become the face of anticapitalist fervor until after his own death in 1883, when it was too late for him to enjoy the fruits of *Capital*’s sales. Then the defenders of capitalism realized they could turn their war into a religious crusade by exploiting Marx’s atheism. But Marx’s belief that economic elites use religion to anesthetize workers against the misery of their drudgery is only tangential to communism.

Historically speaking, Marx was an anomaly. The vast majority of communist societies have been religious in nature, including monasteries, convents, and the Vatican itself. This may be a shock because Westerners have been indoctrinated to believe communism is about total government control of the economy, but that is a misnomer. The essence of communism is the absence of private property, not the ascendancy of government control. Decisions about how to use the means of production need to be made by the society rather than by individuals, yet this could happen through a totalitarian government, a theocratic hierarchy, direct democracy, tooth and claw, or any number of mechanisms.

The person who most influenced Marx’s understanding of how communism should work in practice was John Locke, which is remarkable because Locke is a darling of the right. His *Second Treatise* (1688) was one of the most seminal titles on the Republican required reading list mentioned above, for it was a principal guidebook of the Founding Fathers in writing both the Declaration of Independence and the Constitution. It is important at this point to acknowledge

⁸ Mark 10:25, 21st Century King James Version.

that while Locke is often mischaracterized as a “classical liberal”, he is more precisely classified as a libertarian.⁹ Unlike actual liberals like Adam Smith, who tolerated the superstitious rituals of his era for the sake of his position, or John Stuart Mill, who did not even bother to pretend, Locke was a devout Christian and told a story about the origin of commerce that jibed with his religious beliefs.

When he imagined what kind of world God must have created for the first peoples after their eviction from the Garden of Eden, he assumed a loving God would bestow upon them a fruitful environment that they could easily master. In this “state of nature”, every man could amply provide for his family by mixing his labor with the fruits of the Earth. Both Locke and Marx were enamored with the freedom each man should ideally have to choose for himself how he would do this. In Locke’s understanding, this liberty was a God-given right as valuable as anything else that a man had.¹⁰

Although this may not be immediately apparent, a state of nature is communism in its most primitive form.¹¹ Locke characterized the land as initially being held in common by everyone, and he believed that rationality would forestall the spoliation of the commons:¹² “It will perhaps be objected to this, that if gathering the acorns, or other fruits of the earth, &c. makes a right to them, then any one may ingross as much as he will. To which I answer, Not so. The same law of nature, that does by this means give us property, does also bound that property too. . . . As much as any one can make use of to any advantage of life before it spoils, so much he may by his Labour [sic] fix a property in: whatever is beyond this, is more than his share, and belongs to others. Nothing was made by God for man to spoil or destroy.”

For their parts, Marx and his lifelong collaborator Friedrich Engels had no objection to this very limited form of property, which they contended in the *Communist Manifesto* (1848) no longer existed in capitalist economies: “We Communists have been reproached with the desire

⁹ Neither of these labels was used in the political sense of today until the 19th Century.

¹⁰ A liberal, in contrast, understands liberty to be a means to an end, rather than an end in itself as libertarians believe.

¹¹ Whether communism appeals to you, and again I am speaking in terms of the concept and not the word, seems to correlate strongly with how plausible you think Locke’s benign description of the state of nature is relative to the much more pessimistic view of a state of nature presented by Thomas Hobbes in *Leviathan* (1651). Both David Hume and Smith were much more heavily influenced by Hobbes in this respect. They in turn had a tremendous influence on Darwin in developing the theory of natural selection.

¹² Chapter 5, Section 31, p. 25 of Perennial Press 2016 edition.

of abolishing the right of personally acquiring property as the fruit of a man's own labour, which property is alleged to be the groundwork of all personal freedom, activity and independence.

“Hard-won, self-acquired, self-earned property! Do you mean the property of petty artisan and of the small peasant, a form of property that preceded the bourgeois form? There is no need to abolish that; the development of industry has to a great extent already destroyed it, and is still destroying it daily.”¹³

So what changed to make property wrong in Marx's eyes? This was the discovery of exchange value, which Locke portrayed as analogous to eating the fruit of the Tree of the Knowledge of Good and Evil:¹⁴ “That in the beginning, before the desire of having more than man needed had altered the intrinsic value of things, which depends only on their usefulness to the life of men; or had agreed, that a little piece of yellow metal, which would keep without wasting or decay, should be worth a great piece of flesh, or a whole heap of corn; though men had a right to appropriate, by their labour, each one of himself, as much of the things of nature, as he could use: yet this could not be much, nor to the prejudice of others, where the same plenty was still left to those who would use the same industry.”

There was a loophole in Locke's theory of property that allowed people to start accumulating large amounts of wealth, and that disrupted everything, including the sublimity of the state of nature. It was a sin to waste nature's bounty, but that was only an issue for perishable goods. If people began to value, say, gold because of how pretty and indestructible it is, there is no rational limit to how much they might acquire because gold will not materially depreciate like an apple will if uneaten. The distinction Locke made between gold, and to a lesser degree silver, versus other goods was the crux of Marx's understanding of capitalism.

Goods have two independent values that economists speak of in a market economy. The use value of a good is the utility obtained by consuming or possessing the good. The exchange value is the value that can be obtained by selling the good. Locke and later Ricardo believed that precious metals were the only trustworthy store of value by which exchange value could be measured, particularly at disparate points in time, and they convinced Marx that “the universal

¹³ <https://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf>, p. 22.

¹⁴ Chapter 5, Section 37, p. 27 of Perennial Press 2016 edition.

equivalent form, has now by social custom finally become entwined with the specific natural form of the commodity gold.”¹⁵

Beginning with Adam Smith in *The Wealth of Nations*, the classical economists had primarily focused on understanding exchange value. Use value, on the face of it, does not need to be explained. The necessity of food and clothing for our survival is axiomatic. But exchange value is not highly correlated with use value. Some goods, like water, have a high use value and a low exchange value. Others, like diamonds, have a low use value and a high exchange value. The first big success of modern economics was to resolve this paradox.

One of Marx’s most important contributions to the social sciences was that he helped to convince economists that we should in fact be focusing on use value rather than exchange value. While we do not need a deep understanding of why we value food, he argued that we did need a better understanding of who gets what use values. By the end of the 19th Century, economists began to define our field as the study of how we allocate scarce resources. Interestingly, if Marx had lived to see the response of economists to his critique, he would have been disappointed by their finding that free markets are in fact among the most efficient ways to allocate use values.

In the meantime, in *Capital*, Marx called for a return to an economic system along the lines of what Locke envisioned primitive man employing, where exchange value is irrelevant. Far from preposterous, Marx’s best example used to be ubiquitous and remains common in much of the world:¹⁶ “For an example of labour in common . . . we have one nearer to hand in the patriarchal rural industry of a peasant family which produces corn, cattle, yarn, linen and clothing for its own use. These things confront the family as so many products of its collective labour, but they do not confront each other as commodities. The different kinds of labour which create these products – such as tilling the fields, tending the cattle, spinning, weaving and making clothes – are already in their natural form social functions; for they are functions of the family, which, just as much as a society based on commodity production, possesses its own spontaneously developed division of labour. The distribution of labour within the family and the labour-time expended by the individual members of the family, are regulated by differences of sex and age as well as by seasonal variations in the natural conditions of labour.”

¹⁵ Marx, Karl, (1976), *Capital Volume I*, tr: Ben Fowkes, (Penguin Books: London), p. 162.

¹⁶ *ibid.*, p. 171.

Rural Americans who derive their support from family enterprises already live more or less as Marx imagined they should. To the extent that they fall short of his vision by their dependence on banks and the distributors of their produce, most would presumably agree with him that they would like to eliminate these encumbrances. Indeed, socialist agricultural subsidies, which exist primarily to insulate farmers from the ill effects of markets, are quite popular in red states. If your nearest neighbor is more than a mile away from your plot of land, then what you produce on that land should naturally be yours according to the dictates of both Locke and Marx. Marx's criticism of capitalism does not apply to you, though it would apply to anyone who finances your operation without directly participating in the actual work—that is what a capitalist does.

The irony is that Republicans frequently accuse Democrats of being Marxists when, in fact, Republicans are far more inclined to behave consistently with Marxism. In America, capital, i.e. housing, factories, and technology, is primarily concentrated in cities, which are almost exclusively blue, not red. When Marx ranted about private property, he was complaining about ownership that infringes on the natural rights of other people, not land that would otherwise be vacant in the middle of nowhere. The cost that the owners of capital extract from the price of a good for the use of their capital to produce the good was the primary object of Marx's rage.

This idea that capitalists deserve no such compensation, the so-called labor theory of value, is also an idea that Marx ultimately derived from Locke:¹⁷ “It is not barely the ploughman's pains, the reaper's and thresher's toil, and the baker's sweat, is to be counted into the bread we eat; the labour of those who broke the oxen, who digged and wrought the iron and stones, who felled and framed the timber employed about the plough, mill, oven, or any other utensils, which are a vast number, requisite to this corn, from its being feed to be sown to its being made bread, must all be charged on the account of labour, and received as an effect of that: nature and the earth furnished only the almost worthless materials, as in themselves.”

Marx took the labor theory of value as axiomatic¹⁸ and quoted what Smith and Ricardo had to say about the theory out of context in order to support this assumption. In this Marx was

¹⁷ Chapter 5, Section 43, p. 30 of Perennial Press 2016 edition.

¹⁸ “Exchange-value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e. an exchange-value that is inseparably connected with the commodity, inherent in it, seems a contradiction in

abetted by Ricardo, who did not fully understand Smith's theory of exchange value and also sought to rehabilitate some of Locke's ideas, especially the primacy of gold.¹⁹ 21st Century students of economics have the benefit of learning aids like supply and demand graphs that Ricardo and Marx did not have access to, which help to elucidate some of Smith's more radical ideas that are considered settled wisdom today.

Ultimately, the modern theory of exchange value was developed jointly by Smith and Ricardo. Smith laid down the basic framework in the *Wealth of Nations*, and Ricardo refined this in his *Principles of Political Economy* (1817), establishing that the exchange value of a good that can be produced at will naturally²⁰ derives from two sources: both the labor used to produce the good and its antecedents, and the deferral of consumption to create more capital to more efficiently produce the good and its antecedents. In the 20th Century, the latter component became widely known as the time value of money. To the extent that Marx addressed this component in *Capital*—for he mostly dodged questions about it—he referred to it derisively as “the abstinence theory”.

The essential question of macroeconomics is where does capital come from. But even though Marx titled his magnum opus *Capital*, he effectively assumed that capital grows on trees. Unlike Smith and Ricardo, who scrupulously analyzed the motives for why capitalists accumulate capital, Marx dehumanized capitalists. This leads to the fundamental contradiction of his theory, for, on the one hand, he admitted that workers need capital to do their work and are therefore forced to seek employment from the owners of capital. On the other hand, he denied capitalists the right to obtain a benefit from providing this employment.

terms. . . . The exchange values of all commodities must be reduced to a common element, of which they represent a greater or a lesser quantity. This common element cannot be a geometrical, physical, chemical or other natural property of commodities. Such properties come into consideration only to the extent that they make the commodities useful, i.e. turn them into use-values. Within the exchange relation, one use-value is worth just as much as another, provided only that it is present in the appropriate quantity. . . . If then we disregard the use-value of commodities, only one property remains, that of being products of labour.” Marx, Karl, (1976), *Capital Volume I*, tr: Ben Fowkes, (Penguin Books: London), pp. 126-128.

¹⁹ Ricardo was also by far the worst writer of all the classical economists.

²⁰ Smith understood the natural price of a good to be the sum of the wages, profits, and rents needed to produce a good in the steady state of a general equilibrium where everyone is paid the natural wage for their labor, capitalists receive the natural rate of return for their capital, and landowners receive the natural rent for their land. Ricardo argued that rents do not actually contribute to the value of a good since they only make up for the difference in the quality of land between that used to produce the good and the worst land in use.

Yet as much as Westerners insist that they support capitalism and despise Marx, Marx was not alone in embracing this contradiction. *Capital* became a bestseller because his narrative was compelling—and still is today if you redact his name from it. Practically every educated person has heard of the time value of money, but how many actually know what it means? Or what implications it has for societies with capitalist economies? The labor theory of value is an implicit hypothesis of many right-wing arguments about what is just and fair in circulation today.

Perhaps the most prominent lie that gets spread about Marx is that he was a “social justice warrior”. Marx barely even used the word justice in Volume I of *Capital* except in reference to the title of a judge or the name of a court. The few times when he did use it directly, he meant it sarcastically, for Marx largely viewed justice as a bourgeois scam. In reference to Victorian gentrification, he wrote,²¹ “Capitalist justice is truly to be wondered at! The owner of land and houses, the businessman, when expropriated by ‘improvements’ such as railways, the building of new streets, etc., does not just receive full compensation. He must also be comforted, both according to human law and divine law, by receiving a substantial profit in return for his compulsory ‘abstinence’. The worker, with his wife and child and chattels, is thrown out into the street, and, if he crowds in too large numbers near districts where the local authority insists on decency, he is prosecuted in the name of public health!”²²

Marx excoriated capitalists for exploiting workers, but the remedy he sought was an end to this exploitation. He never called for reparations. His beef with capitalists was that they are free riders. He wanted them to be made to work for a living like everyone else.²³ The Soviet constitution said nothing about handouts for lazy people. It did follow 2 Thessalonians 3:10 by mandating,²⁴ “The Russian Socialist Federated Soviet Republic considers work the duty of every citizen of the Republic, and proclaims as its motto: ‘He shall not eat who does not work.’”

While Marx expected that equality would be a welcome side effect of the revolution, his overriding goal was to create a more efficient economy. The clearest statement of his vision for

²¹ *ibid.*, p. 815.

²² Engels wrote in much greater detail and for a wider audience about their flippant attitude regarding justice in the *Anti-Duehring* (1878).

²³ “The capitalist must also exist, thus also live and consume, in order to function as capitalist. In actual fact, he needs to consume only as a worker.” Marx, Karl, (1992), *Capital Volume II*, tr: David Fernbach, (Penguin Books: London), p. 113.

²⁴ Article 2, Chapter 5, Clause 18 of the 1918 Soviet Constitution:
<https://www.marxists.org/history/ussr/government/constitution/1918/>

humanity is in the “Critique of the Gotha Program”: “In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life’s prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!”²⁵ This last statement is often ridiculed by Marx’s critics, but it is just as much a valid characterization of an efficient outcome in a free-market economy as under communism. The only conceit to equality here is in the implication that need rather than social status should determine who gets what.

So if Marx did not care about diversity, equity, or inclusion,²⁶ where did DEI policies come from? Naturally, it was Adam Smith who first popularized the notion that diversity is good.²⁷ “Among men . . . the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men’s talents he has occasion for.” *The Wealth of Nations* starts with this discussion because, according to Smith, the diversity of talents in a nation is the foundation of its wealth.

Ricardo later quantified this idea in terms of comparative advantage. When we tell children that everyone is the best at doing something, this is not a mere little white lie to boost their self-esteem. It is a mathematical theorem. Everyone can produce some good or service at a cost that is less than or equal to what anyone else can produce it at, and diversity is what gives each person their own comparative advantages.

Unlike Marx, however, Smith and Ricardo appreciated that in a modern economy there are two ways for a person to create value--either use value or exchange value. People can contribute directly to the production of goods and services with their own labor, or people can

²⁵ https://www.marxists.org/archive/marx/works/download/Marx_Critique_of_the_Gotha_Programme.pdf, p. 11.

²⁶ Marx also believed that the Law of Large Numbers rendered diversity in the labor force irrelevant in mass production.

²⁷ Smith, Adam, (2004), *The Wealth of Nations*, ed: C. J. Bullock, (Barnes and Noble Press: New York), p. 14.

contribute indirectly by diverting the fruits of production from immediate consumption to augment the production process so that more can be consumed later. Marx understood that the latter phenomenon occurred, but he did not accept that it added value. Both Smith and Marx talked about a class conflict between workers and capitalists, while disagreeing about the cause of this conflict. For Marx, the conflict arises because capitalists steal from workers. For Smith, the conflict arises because the price of a good is at any moment fixed by supply and demand, so the worker and the capitalist are forced to play a zero-sum game when negotiating over how to apportion the price between them. *Ceteris paribus*, what is good for workers is bad for capitalists, and, vice versa, what is good for capitalists is bad for workers. “The rise and fall in the profits of stock [i.e. physical capital] depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society; but those causes affect the one and the other very differently. . . . The increase of stock, which raises wages, tends to lower profit.”²⁸

Where the time value of money comes into the story is that the value added by the capitalist increases exponentially rather than linearly with time. The longer capitalists defer consumption the more they have to be compensated, and the compensation has to rise in proportion to the amount of consumption that is deferred. These two facts together imply mathematically that a capitalist’s wealth has to grow at a rate faster than the interest rate earned by the safest possible investment.

Most people find this highly counterintuitive because wages, in contrast, accrue linearly in time. Absent inflation, if you work a thousand hours, you get paid exactly a thousand times as much as if you work an hour. That makes sense to us. Many diehard defenders of capitalism will quietly acknowledge that there is something alien or unnatural about how quickly capitalists can accumulate wealth.

Graduates of the business school I teach at generally earn well above the average income of a recent college graduate. One of the most remunerative skills that they acquire from us is the ability to calculate the net present value of an asset, which is how economists typically represent the time value of money. Most people²⁹ pay lip service to the notion that time is money while

²⁸ *ibid.*, p. 75.

²⁹ Myself included.

ignoring it in their own economic calculations. Even Einstein is widely purported, though the anecdote is likely apocryphal, to have attested that the time value of money was beyond his comprehension.

This accounts for why Marx believed justice to be a trivial matter. In a world where everyone works for a living, any theft or fraud can be undone simply by working harder. If all capitalist wealth is obtained by exploiting workers, prohibiting that exploitation should eliminate the lion's share of societal problems. Described like that, Marx's view of justice may seem quite naïve. But if we take the revolution out of the story, it is not far removed from what most Republicans believe. If we imagine that wealth accumulates linearly and not exponentially, inequality should naturally disappear in the long run. If it does not vanish, some institution, like a discriminatory government, must be artificially perpetuating this inequality. Instead of addressing systemic gaps in wealth, Republicans think the way to achieve a color-blind society is to eliminate mechanisms intended to reverse the damage caused by past discrimination. They may not have read Marx, but they have drunk the Kool Aid of Marxist utopianism.

The issue of justice is where Locke and Marx parted ways. Marx hoped we could roll back our eating of the apple from the Tree of the Knowledge of Exchange Value. Like most economists, Locke believed that individual property is a spur to greater productivity and efficiency:³⁰ "God gave the world to men in common. . . . It cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational." The discovery of exchange value would inevitably lead man to abandon the state of nature and enter into what Locke called a "state of society".

In a state of nature, every man would have a natural right to punish anyone who murders, harms, or steals from another. A system where everyone exacts their own justice against those who wrong them or their loved ones might be fine in a sparsely settled country where no one has substantially more wealth than anyone else. However, this natural system of justice is not amenable to the gathering of a large population, where people would continually bump against each other, resulting in imagined slights that could explode into generational feuds. "[N]o political society can . . . subsist . . . without having in itself the power to preserve the property, and in order thereunto, punish the offences of all those of that society. . . . The community comes

³⁰ Chapter 5, Section 34, p. 26 of Perennial Press 2016 edition.

to be umpire, by settled standing rules, indifferent, and the same to all parties; and by men having authority from the community, for the execution of those rules, decides all the differences that may happen between any members of that society concerning any matter of right; and punishes those offences which any member hath committed against the society, with such penalties as the law has established.”³¹

While Locke believed that property is an objectively defined concept brought about by God, Hume and Smith later argued that property is a purely human invention: “Who sees not, for instance, that whatever is produced or improved by a man’s art or industry ought, forever, to be secured to him, in order to give encouragement to such *useful* habits and accomplishments? That the property ought also to descend to children and relations, for the same *useful* purpose? That it may be alienated by consent, in order to beget that commerce and intercourse, which is so *beneficial* to human society? And that all contracts and promises ought carefully to be fulfilled, in order to secure mutual trust and confidence, by which the general *interest* of mankind is so much promoted? . . .

“*What is a man’s property?* Anything which it is lawful for him, and for him alone, to use. *But what rule have we, by which we can distinguish these objects?* Here we must have recourse to statutes, customs, precedents, analogies, and a hundred other circumstances; some of which are constant and inflexible, some variable and arbitrary. But the ultimate point, in which they all professedly terminate, is the interest and happiness of human society. Where this enters not into consideration, nothing can appear more whimsical, unnatural, and even superstitious, than all or most of the laws of justice and of property.”³²

Notwithstanding the hype, Adam Smith did not invent capitalism, i.e. an economic system where the owners of capital make most decisions about the production and distribution of goods.³³ But Smith did explain that “the rate of profit does not, like rent and wages, rise with the

³¹ *ibid.*, Chapter 7, Sections 87-88, pp. 50-51.

³² Hume, David, (2012), *Essays: Moral, Political, and Literary (Volume II)* (Digireads.com Publishing, pp. 180-182.

³³ Neither Smith nor Marx even used the word “capitalism” in their writing. The term “capitalist” for someone who earns most of their income from their capital entered the economist’s lexicon by the time that Malthus wrote his *Essay on Population* in 1798, and Marx uses it frequently throughout *Capital*. Smith was forced to make do with much more prolix synonyms in *The Wealth of Nations*. It is important to understand, though, that both in the present context and Malthus, Ricardo, and Marx’s writings, capitalist should be interpreted as a job description, not an adherent to an ideology.

prosperity, and fall with the declension, of the society.”³⁴ Ceteris paribus, profit will move in the opposite direction as rents and wages. Consequently, he warned the landlords of 1776 that capitalists were not their friends. Within a century, the capitalists of the UK had seized control of the economy from the landlords, and they have retained that control ever since.

Friedrich Hayek asserted in *The Road to Serfdom* (1944), another book on the forsaken Republican reading list, that it was not an accident that Locke and the Founding Fathers of America preceded the onset of capitalism. Embedded in Hume’s characterization of property is the idea that if you own materials that you fashion into a good or service then you should have some guarantee that you will be the one to enjoy the forthcoming rewards. Otherwise, there is no point to acquiring property.

Hayek expanded this doctrine further. Capitalism functions best with a passive government that establishes rules for everybody to conduct their affairs by and then enforces those rules. “Often the content of the rule is indeed of minor importance, provided the same rule is universally enforced. To revert to a former example: it does not matter whether we all drive on the left- or on the right-hand side of the road so long as we all do the same. The important thing is that the rule enables us to predict other people’s behavior correctly, and this requires that it should apply to all cases—even if in a particular instance we feel it to be unjust.”³⁵

However, for the largest and historically most stable capitalist economy in the world, there is more to the cruciality of the rule of law than Hayek was aware of, because modern finance had not yet come into being.³⁶ As mentioned above, the compensation for capital has to grow at a rate larger than the interest rate for the safest possible loan. Who is the safest possible borrower? The consensus of investors is that it is the United States government, which has never officially defaulted on any of its debt.

All three of the major credit rating agencies have now downgraded the U.S. Treasury to the second highest possible rating thanks to Congress’ repeated inability to promptly ensure that the federal government will repay its debts. However, nothing has materially changed because

³⁴ Smith, Adam, (2004), *The Wealth of Nations*, ed: C. J. Bullock, (Barnes and Noble Press: New York), p. 180.

³⁵ Hayek, Friedrich, (2007), *The Road to Serfdom: Text and Documents—The Definitive Edition*, ed: Bruce Caldwell, (University of Chicago Press) p. 133.

³⁶ Likewise, macroeconomics was in such a primitive state that Hayek was still arguing whether the income-expenditure identity was a thing in his *Pure Theory of Capital*, also published in 1944.

investors have not coordinated on an alternative choice for the safest possible investment. We can also describe this in terms of the dollar remaining the world's "reserve currency". Because of the safety of U.S. Treasuries, foreigners have generally viewed the dollar as the next best currency in which to stash cash after their own. While the dollar has lost ten percent of its value relative to other leading currencies since Trump's inauguration in January 2025, ten percent is not that much, and no currency has as yet replaced the dollar as a reserve currency.

This matters because our models for computing the value of capital all need for us to agree on a "risk-free rate", an interest rate that we believe corresponds to an investment with absolutely no risk. We have chosen the interest rate on short-term (three-month) Treasury bills to be that risk-free rate. Some so-called experts are claiming that we have already chosen another such rate, but until there is a *consensus* about what alternative we have chosen that has not happened. The fundamental risk to capitalism is what happens if, contrary to everyone's expectations, the United States does default on its debt. If that happens, the whole system falls apart.

What makes the risk-free rate so important to capitalism is how we use it to value capital. The most that a rational investor would pay for an asset is what they believe they would have to lend to the U.S. government to replicate the cash flows they expect to receive from the asset. The more uncertain they are about this expectation the less they will pay. But if the Treasury defaults, that means they have paid way too much for all their assets. It does not matter if they invested directly in Treasuries since they will still be ruined.

While Marx depicted capitalists as sitting on giant hoards of cash like dragons guarding piles of gold, the truth is that capitalists are invariably cash poor. One does not get to be a capitalist by hoarding cash. Cash by itself earns little to no return. Capitalists have power because their investments turn over cash in sufficient quantities to keep their workers paid—a point that Marx did understand. Most of the world's supply of dollars is in digital form. Only about ten percent is in the form of paper currency and coins.³⁷

If the U.S. government defaults, the ninety percent of the money supply in bank deposits will essentially disappear overnight. We have a fractional reserve banking system, meaning that

³⁷ And a large fraction of that is in the hands of criminals who cannot put their money in banks.

most of a bank's deposits are invested in loans or Treasuries, which would all become worthless. Of course, the remaining physical dollars would presumably become worthless too. The full faith and credit of the United States government would be in tatters. The Federal Reserve and the FDIC would be crushed by the worst financial crisis in American history, for the power to create dollars would be useless. It is unclear if people would bother with a bank panic. Most likely there would be runs on financial institutions by capitalists in a last-ditch effort to convert their assets into something abroad that might retain its value, but at best they might get pennies on the "dollar".

Notwithstanding the previously mentioned credit-rating downgrade, why should we be worried about the government defaulting? America's debt is slightly more than a year's worth of GDP, which is actually a relatively modest debt load.³⁸ This is not to say that our public debt is nothing to worry about,³⁹ but the reasons to fear we might default on the debt are political, not economic. The main problem is that most Americans, including many who work in the financial industry, do not appreciate how devastating a default would be to our entire economy. Moreover, the people who have the most to lose from a default are the people who have the most to lose: i.e. capitalists, not workers.

People fear the word communism much more than the actual concept because, as I have explained above, so many of us have only a vague understanding of what communism is. At the same time, there has been a rising clamor against capitalism that is happening worldwide,⁴⁰ yet, again, people are in denial that capitalism is the source of their discontent. Case in point, if you were upset about the 9% per annum inflation after the pandemic, you may have blamed Joe Biden because he was President when the inflation happened, but the real culprit was central banks printing money at an unprecedented rate during the pandemic—mostly while Trump was still President—to protect capitalism.

³⁸ Most households when they buy a house take on a debt of three to four years' worth of income.

³⁹ See <https://www.thecgo.org/research/is-a-wealth-tax-the-best-way-to-fight-wealth-inequality> for a discussion of the objective costs of the public debt.

⁴⁰ I speculate that climate change is fueling this anger with capitalism, but that is a story for a future essay. Another take on this question that I have recently come across focuses on growing frustration with the predominant leadership paradigm of controlling through coercion that has governed most of the world since the Industrial Revolution. Kim B. Clark, Jonathan R. Clark, and Erin E. Clark, (2024), *Leading Through: Activating the Soul, Heart, and Mind of Leadership*, (Harvard Business Review Press: Harvard, MA).

We live in an era where a great many Americans are willing to experiment with eliminating institutions that maintain capitalism in America.⁴¹ Our public debt is fixed. Our GDP is not. We are the richest country on Earth both because of our high capital to labor ratio and our high productivity, and our democratic institutions are critical to both. Republicans often fantasize about locking up all Californians. That would knock off about 13% of GDP and 15% of federal tax revenue, and why would investors lend the U. S. Treasury its shortfall when its tax revenue is collapsing?

What would happen if the federal government defaults on its debt? Capitalism would disintegrate, yet the means of production would remain. Would we just let our factories lay dormant because their owners cannot afford to pay their workers, including guards to keep the workers out? Either we would starve to death or we, as a society, would establish a new economic system, that at least in the beginning—before there was time to establish permanent relationships—would have to be a communist system, to coordinate our use of the means of production that we inherited from the old system.

Outright default on the debt is not necessary to bring about the end of capitalism either. If the world is about to replace the dollar as the reserve currency, then there is a bubble in American asset markets. At some point, when it becomes obvious to everyone that the dollar is indeed about to be supplanted or that a default actually is conceivable, the bubble will pop. The effects would be qualitatively similar to a default on only a slightly smaller scale. The people who would suffer most would again not be workers but capitalists invested heavily in America.

The upshot is that our capitalist system is built on the premise that, like the fictional Lannisters of *Game of Thrones*, the U.S. government always repays its debts in a timely fashion. If the government fails to do so or if investors merely fear that the government may not do so, the whole house of cards will collapse. This is a circumstance that is unique to the modern era, so we have no precedent to guide us.⁴²

⁴¹ Many Western countries, like Hungary, have eliminated some of their analogous institutions without destroying their capitalism, but these countries are not the United States. Investors have priced in the possibility that Hungary may default on its debt in the interest rate that Hungary's government borrows at. Rich Hungarians can also cache their wealth outside of Hungary. If capitalism in America fails, capitalism will be damaged everywhere.

⁴² And, outside of a few people who deal with models specialized for the study of sovereign debt, I am not aware of a single macroeconomist who has accounted for the possibility of the U.S. Treasury defaulting in their models. Likewise, the Great Recession was caused in part by the reality that few asset-pricing models before the Great Recession accounted for the possibility of a widespread fall in housing prices. But a default would be much worse.

When Lenin overthrew the Russian monarchy in 1917, his party mostly appropriated land, not capital. Capitalists in the West were, nevertheless, terrified that they too might lose everything in a Bolshevik revolution, but they had already begun to take steps to prevent this nightmare. Here in the United States, we had ratified the 16th Amendment, which removed the constitutional barriers to an income tax. Marginal tax rates for the highest income brackets were set close to 100% because the whole point of this new tax was to reduce wealth inequality. According to Piketty, between the income tax, two world wars, and the Great Depression, the fraction of aggregate wealth owned by the top 1% of Americans fell from 45% in 1910 to under 30% in 1970.⁴³

As President Trump has often pointed out, in the Gilded Age, before the income tax, tariffs were the primary source of the federal government's revenue. One of the reasons why economists have long had a dim view of tariffs even before Smith and Ricardo identified comparative advantage was explained by the former:⁴⁴ "And as it is necessary, that imposts should be levied, for the support of government, it may be thought more convenient to lay them on foreign commodities, which can easily be intercepted at the port, and subjected to the impost. We ought, however, always to remember the maxim of Dr. Swift, That, in the arithmetic of customs, two and two make not four, but often make only one."

In the 1980s, Arthur Laffer got credit for the eponymous curve when he explained to reporters how the revenue collected from a tax generally has a hump-shaped dependence on the corresponding tax rate. If the tax rate is zero, there will be no tax revenue. If you increase the tax rate, the revenue will initially increase. But eventually, taxation will reduce the activity that is being taxed and revenue will fall until at a tax rate of 100% there will certainly be no revenue. In the case of a tariff, the Laffer Curve typically maxes out at a fairly low rate because tariffs can be avoided by smuggling. The higher the tariff rate the more incentive there will be to circumvent the customs house.

By the 1960s, the federal government had discovered that the Laffer Curve for an income tax maxes out at a higher rate, so even though the top marginal rate was near 100% the income

⁴³ Piketty, Thomas, (2014), *Capital in the Twenty-First Century*, tr. Arthur Goldhammer (Belknap Press, Cambridge, MA).

⁴⁴ Smith, Adam, (2004), *The Wealth of Nations*, ed: C. J. Bullock, (Barnes and Noble Press: New York), p. 474. Locke and Hume also wrote about what would eventually become known as the Laffer Curve.

tax was generating much more revenue than tariffs had before. President John F. Kennedy was persuaded that they could get even more revenue if they lowered the tax rate, which Congress did. Laffer convinced the Reagan Administration that there were even more gains to be made if they lowered the tax rate further, but by then they had already gone past the peak of the curve. The result of the Reagan tax cuts and those that followed was an ever-growing federal debt, and wealth inequality began to march upward again as the income tax stopped fulfilling its original purpose.

Now we are near where we were at the end of the Gilded Age. Indeed, Trump has made it very clear that his idea of how to make America great again is to replace the income tax with tariffs and create a new pantheon of capitalists like J. D. Rockefeller, Cornelius Vanderbilt, and Andrew Carnegie but with him included. However, this is an impossible dream because of all the federal debt we have accumulated in the interim. Tariffs cannot generate nearly enough revenue to service the debt.

Regardless of the math and the statistics, many billionaires today share Trump's dream. When Marxists were running amuck with their copies of *Capital*, capitalists and their political allies understood what they should be afraid of. Fear of communism kept capitalism in check throughout the 20th Century, but since the fall of the Berlin Wall that fear has dissipated. Democrats have tried regulating capitalism on the margin without significantly improving the lot of workers. What can it hurt to try tinkering with the underlying infrastructure that makes capitalism possible? We have forgotten that people have tried this before.

Sadly, it is not just Trump we have to worry about. Hayek wrote,⁴⁵ “The Rule of Law thus implies limits to the scope of legislation: it restricts it to the kind of general rules known as formal law and excludes legislation either directly aimed at particular people or at enabling anybody to use the coercive power of the state for the purpose of such discrimination.” In the United States, the 14th Amendment embodies this concept. Its first clause reads, “No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.”

⁴⁵ Hayek, Friedrich, (2007), *The Road to Serfdom: Text and Documents—The Definitive Edition*, ed: Bruce Caldwell, (University of Chicago Press) p. 137.

This was our main defense against socialism in the Constitution before the Roberts Supreme Court effectively negated it. The six conservatives now on the court may call themselves originalists, but it is quite obvious that none of them has studied the Founding Fathers at any length in context and thus they are arguably frauds, not originalists.⁴⁶ They do not have a record of good behavior, and both the Declaration of Independence and the Preamble of the Constitution provide options for We The People to remove them from office if Congress does not do its constitutional duty. This would put us back in a state of nature, as John Adams purportedly declared after the Continental Congress approved the Declaration, but that objection may soon become moot thanks to their rulings and Trump's autocratic behavior.

That America functions as well—or if you prefer as badly—as it does is not a consequence of natural law. Nor is our society held together by magic. We are bound strictly by norms. Our society is the result of a complex web of myriad agreements that we abide by out of fear that the alternative is worse. Contrary to what Marx and Engels stipulated, the specter of communism does not require a revolution for its achievement. It just requires us to stop abiding by those agreements and return to a state of nature. We can in principle do that at any time. We will have no choice if someone, including the President, is permitted to break the financial system.

People are becoming disenchanted with capitalism, yet most also share the widespread belief that capitalism is invincible. Capitalism is not invincible. It is not even two hundred years old. And Marxism is not a dead philosophy. Many of its most basic ideas have become mainstream in the West. The labor theory of value is alive and well and at the root of today's conservative ideology.

It is reasonable to take actions that have a one in a million chance of ending capitalism, just as we often do things, like riding in a car, that have a one in a million chance of killing us. Modern life would be practically impossible if we rigidly eschewed risk of death. But if driving a mile bore a one percent chance of killing you, we could infer that someone who gets in a car does not cherish their life since few people would survive a year of driving every day.

⁴⁶ Some of the Founding Fathers, along with early American philosophers like Ralph Waldo Emerson, wrote extensively about originalism and considered it a very stupid idea. The first constitution of the Carolinas went so far as to insinuate that the death penalty was fitting for those who made originalist arguments to interpret said constitution.

Likewise, if someone proposes a policy that could end capitalism with a probability on the order of a percent, we can infer they are not committed to capitalism. They are, at the very least, indifferent to sampling communism.

If you are sincerely afraid of communism, it is not people like Zohran Mamdani you need to be afraid of. Mamdani correctly identifies as a democratic socialist, but most of his critics could not pick out the handful of his proposals that are socialist from the majority that are entirely consistent with free-market economics. Mayor Eric Adams, in contrast, has engaged in numerous activities detrimental to capitalism. Those of you who demonize the words of collectivism while showing no actual love for capitalism need to look in the mirror and accept that you might just be on track to get a taste of communism. Some of you will find to your great surprise that this taste is not all that different from what you say you want out of life. For others it will be as bad as or worse than you imagine. But like it or not, this taste of communism could become permanent.