

## What Exactly Makes Trump a Socialist?

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Almost nobody I communicate with objects to the notion that Donald J. Trump is a fascist. If they do object, it is usually based on some variation of Godwin's Law: it is a gross exaggeration to compare him to Hitler or Mussolini and that just muddies the political debate. I will get back to the issue of whether he is a fascist (he is), but I first want to focus on the question of whether he is also a socialist. When I categorize Trump as a socialist, I invariably get pushback, usually from self-proclaimed socialists who do not want to include Trump in their club. In my experience, though, the people who most vehemently deny that they are socialists almost certainly are. In contrast, people who proudly insist that they are socialists often are not. Or if they are, it is usually for reasons other than what they think makes them socialists.

As I previously discussed at length in "[What is a Socialist?](#)", most people have their own internal definition of socialist that is not tethered to the dictionary or common usage. This confusion has its roots in the history of the word. One would be hard-pressed to find a definition of "socialist" or "communist" in either *Das Kapital* or the *Communist Manifesto*, though a clear Marxist influence can be seen in the very narrow dictionary definitions of these words. A Marxist is, of course, naturally defined as an adherent of Marx's views, yet this too can be problematic since Lenin, Stalin, and Mao all diverged to a large degree from Marx's thinly-drawn vision.

Politics added to the morass after World War II. During their reconstruction, many countries in Western Europe by necessity adopted policies that would be considered socialist

under virtually any definition. As these countries returned to their long-term growth trend, debate ensued about how quickly they should be weaned off their post-war socialist policies. Parties that argued for a more gradual transition to free markets came to be known as socialist, and that label stuck. But at this point, more than 70 years after V-E Day and 25 years since the fall of the Berlin Wall, very few of these unequivocally socialist policies remain in place and are mostly limited to stringent restrictions on firing workers.

Unlike the general public, economists have a very specific definition in mind when they use the word “socialist.” This harkens back to Henri de Saint-Simon and his followers, who first coined the term socialism. Thus, when economists speak of socialism, they mean that a social planner—either a person or an institution—is making decisions for individual households about how those households transform their endowments of time and other assets into a bundle of goods for their private consumption, where these decisions would not affect other households.<sup>1</sup>

This economic definition is broader than the dictionary definition. Someone who is a pure Marxist has a legitimate objection to being thrown into the same category as Donald Trump, but there are very few diehard Marxists today. Most definitions of socialism in circulation are broader still than the economic definition. Almost everyone agrees that the government interfering in private decisions is socialism, yet few socialists today insist that the government must assume ownership of the means of production, as the dictionary definition requires. Semantic arguments about socialism usually revolve around the extent to which the government involving itself in other kinds of decisions also constitutes socialism. I have encountered people

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<sup>1</sup> A more complete definition is given in [“What is a Socialist?”](#).

on the internet who define socialist so broadly as to make the word virtually synonymous with human being. However, these same people complain about me lumping them in with Trump. If your definition of socialist amounts to espousing that the government should provide the public more goods and services, then obviously someone who suggests the government should build a giant wall on the border with Mexico is a socialist.

But that is not how economists define socialism. As Milton Friedman<sup>2</sup> stated, “There is and can be no simple, reasonably objective, rule to determine the optimum share of activity that should be assigned to government—short of complete socialization.” The provision of public goods and services has nothing to do with the economic definition of socialism.

Consider, for example, Social Security. Despite its name, which predates popular misconceptions about socialism, there is nothing inherently socialist about Social Security. Under the free-market economics of Adam Smith (as opposed to *laissez-faire* economics, which preaches that the government should have as little to do with the economy as possible), there is room for the government to provide risk-sharing mechanisms that markets fail to provide. In particular, Social Security helps to preempt a moral hazard problem that would arise if a large fraction of the population should adopt risky strategies to fund their retirement, like depending on the lottery, with the knowledge that their children and grandchildren would not let them starve if those strategies falter. There is no way for the market to solve this problem, so the government has good reason to intervene and impose a mandatory participation scheme.

What makes the American Social Security system socialist in its present incarnation is the pay-as-you-go manner in which it is financed. Whereas many believe the Social Security

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<sup>2</sup> Friedman, Milton, (1953), *Essays in Positive Economics* (University of Chicago Press: Chicago), p. 141.

Administration is essentially running a forced-saving program for everyone, this is not how Social Security works. Instead, Social Security taxes young workers and hands over the proceeds to old retirees. This is socialist because it interferes with private consumption-saving decisions by young people that, in the aggregate, determine how much capital, i.e. factories, computers, 3-D printers etc., the country has to facilitate the production of goods and services. Alternative designs for Social Security exist that would confer the same old-age benefits without the socialist drag on our GDP.<sup>3</sup>

I will get to why Trump is a socialist, but a much less trivial question is whether Trump is on the left or the right branch of the political spectrum. Indeed, under the traditional taxonomy, this has become nontrivial for almost everyone. If a conservative is someone who wants to preserve the status quo, with minor adjustments after long deliberation, and a liberal is someone who wants to implement major changes sooner rather than later, clearly President Obama and Hillary Clinton now represent the conservatives of our society whereas today's Republicans are our liberals. Yet hardly anyone has switched their use of this terminology to reflect recent political evolutions.

Defining liberal and conservative relative to the present makes this terminology vulnerable to what economists call framing and endowment effects. Rather than define the center relative to current circumstances, it makes more sense to define the center in absolute terms. Economics provides us with a special point in the political spectrum to identify as the

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<sup>3</sup> A valid criticism of Bernie Sanders' brand of socialism is that he wants to double down on the socialist aspects of the current Social Security system, siphoning more resources from the young to pay for a bigger gift to his peers. There is nothing progressive about bribing the elderly via redistribution. Politicians have been doing that for decades.

center or, to use more mathematical terminology, the origin.<sup>4</sup> That is the point where people espouse a Smithian free market and do not want the government to exploit its economic power for anyone's private benefit.

This nomenclature also yields a very simple definition of a socialist: a socialist is anyone who is not at the center. The farther you are from the center, the more you want to see the government flexing its economic muscle, beyond the prescribed roles of providing public goods and regulating externalities, the more of a socialist you are.

But how should we characterize the two halves of the political spectrum? The terms left- and right-wing arose during the French Revolution. When the Estates General was finally called after centuries of dormancy, commoners were seated to the left of the president while aristocrats and clerics were seated to the right. After the government fell, this tradition continued. Those who supported the Revolution were seated to the left and those who wanted to preserve the old ways were seated to the right (until they were eventually carted to the guillotine). In simple terms, the left wanted power to devolve to the citizenry as a whole, whereas the right wanted power in the hands of a monarchy.

Today in the United States, we have no monarchy. People do not inherit political power per se, but some people do inherit wealth. Our "monarchists" are the 0.1% of the population who compose the billionaire class. So when I refer to someone as right-wing, I mean someone who wants the government to use its economic power in a way that the person thinks will make the rich richer. Someone on the left wants the government to use its economic power in a way

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<sup>4</sup> Since a policy benefiting one person or group can always be reversed to benefit a complementary group, there is a symmetry that requires us to acknowledge the center is an interior point rather than a boundary point of the spectrum. There will be economic systems to both the left and the right of the free-market center.

that the person thinks will make the poor richer.<sup>5</sup> As most people understand these terms, a Marxist or a communist is a left-wing socialist. Though fascists have traditionally been classified as right-wing, Mussolini and, more especially, Hitler were not consistent about whether their policies would favor the rich or the poor.

Where is Donald Trump? He jumps around from one wing to the other depending on whom he is talking to, but most of the time he is actually on the left, not the right. When he talks about deporting illegal immigrants to raise the salaries of “real” Americans, this is left-wing socialism. When he talks about defaulting on the debt, either explicitly by refusing to pay the country’s creditors, or implicitly by inflating the currency, this is inarguably left-wing socialism—pure Marxism even. On the other hand, when he talks about cutting taxes for the rich or negotiating better trade deals, this is right-wing socialism.<sup>6</sup> The one thing we never ever hear Trump say is “Let’s trust the market to resolve this issue.” This aversion to markets puts him far from the center. It is what makes him a socialist.

What makes Trump a fascist is the chauvinistic manner in which he frames his proposals, not the details of what he is proposing. Fascists care most about accruing power for themselves and their friends, and give little thought to what they are going to do with it once they have it. This need to reclaim economic power from the “invisible hand” of the marketplace is also the

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<sup>5</sup> As I discussed in “[Capitalism = Marxism](#)”, in economies with weak property rights, rich or poor as we usually understand them will not be clearly defined. A definition of rich and poor that would not depend on the specific institutions of a country could be obtained by ranking people based on their ability to determine how a country’s capital will be used. Those at the upper end of that scale will be the rich and those at the bottom end will be poor. Note, however, that this nomenclature will have very counterintuitive implications when applied to countries like China or the former Soviet Union.

<sup>6</sup> As Adam Smith emphasized, when a businessman talks about trade deals, he may claim his deal will benefit the country as a whole, but that is almost always a lie. (*The Wealth of Nations*, 2004, ed: C. J. Bullock, Barnes and Noble Press: New York, pp. 180-181)

defining characteristic of a socialist.<sup>7</sup> The only thing we know for sure about Trump's policies is they will not involve free markets. That is why the prospect of a Trump presidency is so terrifying to anyone who has faith in the laws of supply and demand, or even someone who just wants predictable government consistent with the Rule of Law—as opposed to authoritarian decrees aimed at helping whomever the President feels like helping today, at the expense of everybody else.

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<sup>7</sup> “It was men’s submission to the impersonal forces of the market that in the past has made possible the growth of a civilization which without this could not have developed. . . . Unless this complex society is to be destroyed, the only alternative to submission to the impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men.” (Hayek, Friedrich, (2007), *The Road to Serfdom: Text and Documents—The Definitive Edition*, ed: Bruce Caldwell, University of Chicago Press, p. 221.) All fascists are socialists, though socialists are not necessarily fascists. What distinguishes a fascist from a Marxist is his motivation, not the means he employs or the resulting ends.