

The resurgent left

# Millennial socialism

*A new kind of left-wing doctrine is emerging. It is not the answer to capitalism's problems*

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After the collapse of the Soviet Union in 1991, the 20th century's ideological contest seemed over. Capitalism had won and socialism became a byword for economic failure and political oppression. It limped on in fringe meetings, failing states and the turgid liturgy of the Chinese Communist Party. Today, 30 years on, socialism is back in fashion. In America Alexandria Ocasio-Cortez, a newly elected congresswoman who calls herself a democratic socialist, has become a sensation even as the growing field of Democratic presidential candidates for 2020 veers left. In Britain Jeremy Corbyn, the hardline leader of the Labour Party, could yet win the keys to 10 Downing Street.

Socialism is storming back because it has formed an incisive critique of what has gone wrong in Western societies. Whereas politicians on the right have all too often given up the battle of ideas and retreated towards chauvinism and nostalgia, the left has focused on inequality, the environment, and how to vest power in citizens rather than elites (see article). Yet, although the reborn left gets some things right, its pessimism about the modern world goes too far. Its policies suffer from naivety about budgets, bureaucracies and businesses.

Socialism's renewed vitality is remarkable. In the 1990s left-leaning parties shifted to the centre. As leaders of Britain and America, Tony Blair and Bill Clinton claimed to have found a "third way", an accommodation between state and market. "This is my socialism," Mr Blair declared in 1994 while

abolishing Labour's commitment to the state ownership of firms. Nobody was fooled, especially not socialists.

The left today sees the third way as a dead end. Many of the new socialists are millennials. Some 51% of Americans aged 18-29 have a positive view of socialism, says Gallup. In the primaries in 2016 more young folk voted for Bernie Sanders than for Hillary Clinton and Donald Trump combined. Almost a third of French voters under 24 in the presidential election in 2017 voted for the hard-left candidate. But millennial socialists do not have to be young. Many of Mr Corbyn's keenest fans are as old as he is.

Not all millennial socialist goals are especially radical. In America one policy is universal health care, which is normal elsewhere in the rich world, and desirable. Radicals on the left say they want to preserve the advantages of the market economy. And in both Europe and America the left is a broad, fluid coalition, as movements with a ferment of ideas usually are.

Nonetheless there are common themes. The millennial socialists think that inequality has spiralled out of control and that the economy is rigged in favour of vested interests. They believe that the public yearns for income and power to be redistributed by the state to balance the scales. They think that myopia and lobbying have led governments to ignore the increasing likelihood of climate catastrophe. And they believe that the hierarchies which govern society and the economy—regulators, bureaucracies and companies—no longer serve the interests of ordinary folk and must be “democratised”.

Some of this is beyond dispute, including the curse of lobbying and neglect of the environment. Inequality in the West has indeed soared over the past 40 years. In America the average income of the top 1% has risen by 242%, about six times the rise for middle-earners. But the new new left also gets important bits of its diagnosis wrong, and most of its prescriptions, too.

Start with the diagnosis. It is wrong to think that inequality must go on rising inexorably. American income inequality fell between 2005 and 2015, after adjusting for taxes and transfers. Median household income rose by 10% in real terms in the three years to 2017. A common refrain is that jobs are precarious. But in 2017 there were 97 traditional full-time employees for every 100 Americans aged 25-54, compared with only 89 in 2005. The biggest source of precariousness is not a lack of steady jobs but the economic risk of another downturn.

Millennial socialists also misdiagnose public opinion. They are right that people feel they have lost control over their lives and that opportunities have shrivelled. The public also resents inequality. Taxes on the rich are more popular than taxes on everybody. Nonetheless there is not a widespread desire for radical redistribution. Americans' support for redistribution is no higher than it was in 1990, and the country recently elected a billionaire promising corporate-tax cuts. By some measures Britons are more relaxed about the rich than Americans are.

If the left's diagnosis is too pessimistic, the real problem lies with its prescriptions, which are profligate and politically dangerous. Take fiscal policy. Some on the left peddle the myth that vast expansions of government services can be paid for primarily by higher taxes on the rich. In reality, as populations age it will be hard to maintain existing services without raising taxes on middle-earners. Ms Ocasio-Cortez has floated a tax rate of 70% on the highest incomes, but one plausible estimate puts the extra revenue at just \$12bn, or 0.3% of the total tax take. Some radicals go further, supporting "modern monetary theory" which says that governments can borrow freely to fund new spending while keeping interest rates low. Even if governments have recently been able to borrow more than many policymakers expected, the notion that unlimited borrowing does not eventually catch up with an economy is a form of quackery.

A mistrust of markets leads millennial socialists to the wrong conclusions about the environment, too. They reject revenue-neutral carbon taxes as the single best way to stimulate private-sector innovation and combat climate change. They prefer central planning and massive public spending on green energy.

The millennial socialist vision of a "democratised" economy spreads regulatory power around rather than concentrating it. That holds some appeal to localists like this newspaper, but localism needs transparency and accountability, not the easily manipulated committees favoured by the British left. If England's water utilities were renationalised as Mr Corbyn intends, they would be unlikely to be shining examples of local democracy. In America, too, local control often leads to capture. Witness the power of licensing boards to lock outsiders out of jobs or of Nimbys to stop housing developments. Bureaucracy at any level provides opportunities for special interests to capture influence. The purest delegation of power is to individuals in a free market.

The urge to democratise extends to business. The millennial left want more workers on boards and, in Labour's case, to seize shares in companies and hand them to workers. Countries such as Germany have a tradition of employee participation. But the socialists' urge for greater control of the firm is rooted in a suspicion of the remote forces unleashed by globalisation. Empowering workers to resist change would ossify the economy. Less dynamism is the opposite of what is needed for the revival of economic opportunity.

Rather than shield firms and jobs from change, the state should ensure markets are efficient and that workers, not jobs, are the focus of policy. Rather than obsess about redistribution, governments would do better to reduce rent-seeking, improve education and boost competition. Climate change can be fought with a mix of market instruments and public investment. Millennial socialism has a refreshing willingness to challenge the status quo. But like the socialism of old, it suffers from a faith in the incorruptibility of collective action and an unwarranted suspicion of individual vim. Liberals should oppose it.