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There are problems with American capitalism, and ignorant college graduates are only one of them.

EDITOR AT LARGE

Socialism Is the Wrong Answer, but the Questions Are Real

Like miniskirts and mullets, obsolete political ideas will eventually come back into fashion if you wait long enough. Those of us who thought we had buried socialism in the graveyard of failed projects with Prohibition and the Ford Edsel must learn to suppress our surprise that it's back in vogue. After all, a whole generation of people have learned nothing about rationing, the gulag, the Cultural Revolution, the Berlin Wall or the reliability of late-Soviet-era nuclear power plants and can't be expected to have discovered the history of failure for themselves. In the ivyclad cocoons of intellectual solipsism where the latest crop of socialist leaders learned their history, Marxism never went out of fashion and was passed reverentially from generation to generation like a sacred fragment of Chairman Mao's tunic.

But world-weary cynicism about the revival of a discredited dogma must not blind us to the perils it poses, nor deafen us to the reasons it is seemingly back with a vengeance.

Four in 10 Americans say they have a favorable view of socialism, according to Gallup. One-third of Democrats describe themselves as "democratic socialists."

It's tempting to dismiss the latest hot summer fad as the product of a postadolescent psychopathology. Recent college graduates are coming to the terrifying realization that artificial intelligence and their degrees in gender decolonization studies make them unfit for gainful employment. Yet ascribing this political disposition to academic garbage- in-garbage-out misses something important.

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There's a simpler possibility: The widespread popular dissatisfaction with the working of modern American capitalism may be the product of some real, objective problems in the way American capitalism is working: income and wealth inequality on a scale not seen in a century; the concentration of economic, cultural and increasingly political power in a class of technology leaders whose products are dissolving the bonds that keep society together; the tightening nexus between business elites and the people who control the political process; rampant corruption and a political establishment that doesn't seem interested in accountability; the revival, after decades of stable prices, of inflationary pressures that are pushing the cost of living to painful levels—and not only for those with a taste for luxury burritos.

These are the conditions that historically have made for collapsing popular faith in the system and demands for something radical to replace it.

Inequality is a feature of capitalism and a sign of its health. It isn't only functionally efficient but morally proper that rewards for talent,

hard work, risk-taking and luck are distributed proportionately to those who possess them. More important, it is that very inequality and the incentives it produces that make capitalism so uniquely good at generating the resources and opportunity from which even those with less can benefit.

But it's also empirically obvious that the wider the inequality, the more social solidarity diminishes. At some point disintegrating cohesion produces costs—social, economic and political—that undermine the benefits of the inequality and erode support for the system itself. This is especially true when the inequality persists intergenerationally: Social mobility declines and public belief in opportunity for all collapses.

By almost all measures, American income and wealth inequality have been increasing sharply in recent decades and social and economic mobility falling. The New York Federal Reserve reported in June that the labor share of income—wages and salaries—fell to its lowest level in 80 years as returns to capital continue to soar. Studies of intergenerational mobility suggest the inequality is becoming embedded in what looks increasingly like a class-based socioeconomic model. The proportion of Americans earning more than their parents has dropped precipitously in the past 50 years and is expected to drop further. With the adoption of artificial intelligence promising—or threatening—to return ever greater rewards to a diminishing number of those best placed to exploit it, the trends will intensify.

But one thing hasn't changed. Socialism has never been the answer and it isn't now. Capitalism doesn't need replacing—it needs reaffirming.

Most of the causes of America's economic dysfunction are the result of a capitalism that has mutated into a system run by and for large corporate interests. If you look at America today and see a perfectly functioning free-market economy, a "neoliberal" utopia guided by the invisible hand of Adam Smith, then you need to take off those rosetinted spectacles and take a closer look: oligopoly-level industrial concentration in almost every sector, endemic cronyism, the application of regulation, legislation and policy for the benefit of big companies, a ruinously expensive healthcare system run principally for the benefit of insurers and pharmaceutical companies.

In short, the steady accretion of market, economic and political power by a business-political class that promotes its own well-being at the expense of competition, the market and ultimately the people.

The real political opportunity— and social imperative—to defeat socialism is a plausible platform to make capitalism great again.

By Gerard Baker

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