

## The Term Socialism Enters Race for President

What does socialism really mean?

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### Transcript

[R. Sandy] The term socialism has come up in the presidential election, and it's an interesting question. Really, the last time somebody ran as a socialist per se was Eugene V. Debs in the 1920s, so it's a historical curiosity. But what does socialism really mean? Is that a reasonable or valid characterization of anyone's policy?

Well, there's two parts. There's two sides to socialism. One side is ownership. Socialism advocates the social or public ownership of the means of production—factories and so forth. The other side of socialism has to do with the distribution of goods and services. That is, there should be this public distribution or public control of who gets what.

Now, the two are actually connected. Suppose there's a tax on profits or earning that's 100 percent. Then there's... You may have a piece of paper that says you own this factory, but if 100 percent of the profits are taxed away, you don't own anything. So you can... The tax side of the question and the distribution side of the question are actually related.

Now, there's an ambiguity. How big of tax is enough to make it socialism? Now, in the U.S. the maximum historical income tax rate was during WWII as an emergency measure. It was 94 percent. That's pretty close, it's not 100, but that's pretty close to socialism, but it only lasted a few years.

Now, in some of the taxes that are being proposed, they're described as a percent of payroll, so it's very hard to see what fraction of profits those taxes would be. So there may be, or maybe not, socialism as those would play out.

The other side of the coin is the taking of, let's say the money from the wealthy, under the argument that they don't need it, or it's unfair, and that justice requires a redistribution and passing of that money like Robin Hood to the poor. Well, that's part of socialism as well. So you get down to the question, would a 50 percent tax rate, you own half the company, is that socialism? Or 40 percent?

To give you a historical perspective, the U.S. Constitution forbade direct taxes, income taxes. It was only until 1913 when the 16th Amendment was passed that we started to have a federal income tax with the exception of a temporary one during the Civil War.

Those taxes were very low as a percent. Those taxes were seven percent max shortly after the 16th Amendment. And, if you looked at the people debating that amendment, the one side was the Socialist Labor Party proposing a graduated income tax, and they would look at a tax now that let's say would be 40% is a marginal tax rate, and they say: Wow, we have socialism.

And if you'd have talked to people that opposed the 16th Amendment, they'd say: you're right, you've got it.

It's just a matter of historical perspective. On the other hand, you could argue: Well, we have numbers similar to that 20 years ago before the Reagan tax cuts, so did we have socialism 20 years ago?

It depends on who you ask.