



By: *Joseph E. Stiglitz*

American capitalism is on the same path as that of Russia and China



President Donald Trump claims that electing “socialist” Democrats would put the United States on the path to becoming Venezuela or Cuba.

But Trump’s own actions, as is often the case, fly in the face of what he says and what his Republican Party supposedly stands for.

Far from continuing to champion capitalism and free enterprise, Trump’s GOP no longer supports either.

What has distinguished American-style capitalism is strict private ownership of firms.

Under Chinese- and Russian-style capitalism, the government owns seemingly ordinary firms through corrupt arrangements that ultimately serve political leaders and their cronies—a system bearing little relation to the kind of economy that one studies in an introductory economics course.

But now, the US is on the same path as Russia and China.

Trump’s thuggish capitalism

I have long argued that there is more scope for government intervention in the US economy through industrial policy, and that regulation is needed in many areas to align private interests and the public good.

But I have always argued that such interventions must be institutionalized, following impersonal, transparent processes that avoid even the appearance of political favoritism.

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The Republican Party, by contrast, has tacitly endorsed Trump’s thuggish capitalism, a model nothing like the rules-based market economy that conservatives used to endorse.

It is thus no surprise—but very worrying—that the Trump administration is reportedly in **discussions** that could lead Anthropic, OpenAI, and other AI firms “voluntarily” to cede “shares to the government,” just as Putin has “voluntarily” received support from Russia’s oligarchs.

From Russia and China to Saudi Arabia (where wealthy elites were detained in the Riyadh Ritz-Carlton for three months in 2017-18, until they handed over sufficient shares in their holdings), businesspeople have learned not to challenge the government.

Alibaba founder Jack Ma and former Russian oligarchs like Mikhail Khodorkovsky and Boris Berezovsky can attest to that.

The influence of tech oligarchs

Trump may not go to the same extremes as Putin or Xi, but his basic approach is the same.

His administration’s **treatment of Anthropic** is reminiscent of how the Chinese government dealt with Ma when he dared to criticize regulators.

After suddenly slapping an export ban on Anthropic’s most advanced tools earlier this month, the administration is holding new “discussions,” presumably to extract additional concessions from the country’s fastest-growing AI lab.

The administration already took decisive steps in this direction last August, when it demanded that Nvidia and AMD give the US government a 15% cut of their sales to China in return for lifting export bans.

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In this case, Trump openly traded national security (the purported justification for the bans) for a few billion dollars of extorted

revenue.

Less than two weeks later, Intel “voluntarily” gave the government a 10% stake in exchange for financial support that it was already supposed to receive under the CHIPS and Science Act, enacted in 2022.

Meanwhile, in response to the growing public demand for AI regulation of some kind, Trump recently signed an **executive order** calling for AI developers to subject themselves to regulation in limited contexts.

But the text of the document clearly reflects the influence of tech oligarchs like Mark Zuckerberg and Elon Musk.

For example, it states explicitly that: “Nothing in this section shall be construed to authorize the creation of a mandatory governmental licensing, preclearance, or permitting requirement for the development, publication, release, or distribution of new AI models, including frontier models.”

Corporate taxation

Administration officials claim that these moves toward state capitalism will ensure that everyone benefits from AI.

But if that was really the goal, they would support taxes on corporate profits, which exist to ensure that the benefits of economic activity are shared, in recognition of the fact that corporations themselves have benefited from public goods. Instead, this administration has undermined corporate taxation.

This is the most corrupt administration in US history—by orders of magnitude

In the 1970s, **taxes on corporate profits** generated revenues equal to 2.6% of GDP, whereas today they raise only half that, even though corporate profits as a share of GDP have almost doubled.

In any case, for anyone who thinks Trump and his cronies are acting out of concern for the average American, I have a bridge in Brooklyn to sell you.

This is the most corrupt administration in US history—by orders of magnitude.

Nothing this government does is above board. Every stake it takes in the private sector is driven by favoritism or senior officials’ **personal investments**, and the resulting economic distortions will only continue to mount.

The winners in the new oligarchic competition

The GOP’s brand of capitalism has far-reaching implications. First, and most importantly, it undermines democracy, moving us ever closer to oligarchy, where politically connected elites determine policy.

Second, it also undermines American prosperity. A core insight from modern economics and economic history is that strong institutions, including the rule of law, are essential to achieve sustained improvements in living standards.

Trump’s thuggery is the antithesis of the institutional foundation on which the US economy was built.



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The winners in the new oligarchic competition

are not those who make the best products or are the most innovative (in terms of AI, that title would seem to belong to Anthropic at the moment).

Rather, it is those who are the least principled, and the best at flattering the mad king.

Is anyone surprised that [Sam Altman](#), the CEO of Anthropic's flailing competitor, OpenAI, first pitched the idea of government shares to the Trump administration?

The government has legitimate reasons both to promote nascent industries and to regulate those where private profits could be misaligned with the public interest—as is manifestly the case with AI.

But these market interventions must adhere to the rule of law and submit to oversight from independent institutions, rather than being conducted through opaque, ad hoc self-dealing.

With Trump at the helm, America is doomed to join all the other countries suffering under crony capitalism, rather than those that have demonstrated what a successful industrial strategy looks like. Its economy, democracy, and national security are all being sacrificed to satisfy the bottomless cupidity of Trump and his flatterers.

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