

**The Lawyerly Schemes
of Thomas Piketty**

Deirdre Nansen McCloskey

[McCloskey's latest book is *Beyond Positivism, Behaviorism, and Neo-Institutionalism in Economics*]

Thomas Piketty. *Time for Socialism: Dispatches from a World on Fire, 2016-2021*. New Haven: Yale University Press. 2021.

Thomas Piketty. *A Brief History of Inequality*. Cambridge: Harvard University Press. 2022.

Thomas Piketty, the 51-year old rock star of the French and now the international left, gathers in *Time for Socialism* his monthly columns in *Le Monde*, and in *A Brief History of Inequality* he gives an interpretation of the ups and downs within a few countries of inequality of wealth. His worldwide bestseller *Capital in the Twenty-First Century* (2013, English 2014), was justly admired for its ambitions, though most of the economists who read it did not so much admire its accomplishments. The pair of volumes here continue Piketty's vigorously argued case that any inequality is quite fearful and that the state is the right instrument to allay the fear.

He has written also in the past decade *Capital and Ideology* (English 2020) saying that liberalism, defined in the correct and French way as recommending a society with no coercing masters, in effect supports inequality. *Top Incomes in France in the Twentieth Century* (English 2018) said that the very rich, especially such wretches as Liliane Bettencourt, heiress to the L'Oréal cosmetics fortune, account for the inequality. With his students and colleagues at the Paris School of Economics, the group of French quantitative economists of the left, he issued in 2018 *World Inequality Report*.

Time for Socialism and *A Brief History* say it again. Piketty's ideas are not numerous: inequality of result heads up his calculations, with occasional comments on inequality of opportunity. He does not mention the liberal equality of *permission* since 1789, and its astonishing fruit in permitting the wretched of the earth to raise themselves up.

He tells early in *Time for Socialism* that "I was more liberal [in the French sense] than socialist in the 1990s." But now he believes that "hypercapitalism has gone much too far . . . We need to think about a new way of going beyond capitalism, a new form of socialism, participative and decentralized, federal and democratic, ecological,

multiracial, and feminist." A majority of voters in the commune are to decide, not you standing in the marketplace.

His vision of the ideal society is one "where everyone would own a few hundred thousand euros [of financial capital, which is what most of his calculations concern], where a few people would perhaps own a few million, but where the higher holdings . . . would only be temporary and would quickly be brought down by the tax system to more rational and socially more useful levels." He does not, that is, understand the social use of unusual profit, such as the unusually large profit earned by the new chippy in your neighborhood, or the fortune of Bezos coming from your Amazon account. Such profits cry out, "For Lord's sake, dears, do more of that!" Piketty likewise does not understand that entry from liberal equality of permission soon drives down such profits, the way the old local fortunes in department stores were. He does not understand that equality of outcome destroys incentives to become a nurse or an airplane pilot or a professor of economics at the *École des hautes études en sciences sociales*; or that, considering the glorious variety of human gifts and parents and chances, an exact equality of opportunity is impossible. Especially he does not understand that an exact equality of permission, the liberal ideal, is indeed possible, and in its partial implementation since 1789 has made the formerly poor of, say, Ireland and Finland and Botswana quite rich by historical standards and reasonably virtuous.

The French liberal of the mid-19th century, Frédéric Bastiat, distinguished what he called the seen from the unseen. The seen is the existing structure, estimated by Piketty to justify this or that scheme of regulation or expropriation. The unseen is the behavioral response of the people taxed, nudged, regulated, expropriated, subjected to the majority decisions of the commune.

Bastiat declared that someone who does not carry the analysis beyond seen, given, initial, legal structures is "not an economist." The epithet is harsh, but true. Piketty is in Bastiat's terms not an economist, but a quantitative lawyer, imagining this or that move on the seen board of a chess game. This many millionaires exist now, he says. Tax them, with calculable, first-move result. It is a mere matter of arithmetic. Adam Smith wrote of "the man of system," who is "enamored with the supposed beauty of his own ideal plan of government . . . He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion." A Bastiat economist does so consider.

Not being an economist, though professing economics and offering to arrange the pieces of the economy, is not the worst of sins. Some of my best friends are lawyers. But as an earlier liberal, Montaigne, noted "anyone who meddles" with changing the

laws “must be very sure that he sees the weakness of what he is casting out and the goodness of what he is bringing in.” Such prudence would not describe Piketty.

Consider one example among dozens of the left ignoring the unseen. Piketty admits that inequalities within, say, France have in fact decreased. He attributes the decrease, however, to social programs. So far, so good, in lawyerly fashion. Child allowance. Council houses. Seen.

But wait. Social programs crowd out private insurance and inside-family redistributions, to a degree to be determined by an economist recognizing the unseen. Piketty speaks of “investment in education, health, retirement and disability pensions, and social insurance (unemployment, family, housing, etc.)” All of these have private, especially familial, substitutes. When in 1911 the UK introduced unemployment insurance, fully 9 million of the 11 million were already covered by trade-union and other insurance. Or again, higher education in the U.S. is largely financed directly by tuition payments from the beneficiaries and their parents, not by taxes on the generality. Yet higher education gets done there, and pretty well. French lawyers and professors and other nobles of the robe produce children who riot in the streets if it is proposed to charge them or their parents for their tickets into the haute bourgeoisie. Pensions in former times, and still everywhere in good part, were either self-financed by the beneficiary or given by the children, the “grandfather house” for Amish retirees, of a three-generation family living under one roof. The rise of state financing of transfers, in other words, is not obviously a net gain. That’s accounting, the first thing seen that an economist needs to get right, on her way to the unseen.

Piketty demurs. Public expenditure – that is, the socialization of consumption by our coercing masters in Paris and London and Brussels – has risen to 40-50% of GDP. Piketty laments that it does not continue to rise, declaring that “the stagnation of the welfare state since the 1980s and 1990s . . . shows that nothing can ever be taken for granted.” In other words, the substitution for individual and familial and commercial provision by the state is to go on and on. He wishes “the march toward the social state” to resume. He wants the state to undertake, say, 70 percent of your choices.

Piketty commits numerous seen-economics errors similar to these, and has, too, a lawyer’s political vision favoring collective coercion over voluntary choice.

But the oddest feature of Piketty’s obsession with the redivision of the social pie is that he never mentions the enormous increase in the per person size of the pie since 1800 or 1900 or 1960. *Pas une fois*. It is an oddity shared with most of the left. In historical fact, the coming of liberalism in the early 19th century eventually raised the welfare of the poorest shot up by a factor of 30, three thousand percent over *les misérables*.

Such is the main story of the past two centuries, not Piketty's little ups and downs in the envy-inducing shares of the pie going to Liliane Bettencourt. Indeed, if one does the measurement person-by-person not in one country, such as France or the U.S.A., but in the world *tout court*, which is the ethically cosmopolitan way to think of it, the Great Enrichment has caused inequality to fall like a stone. China and now even India are catching up.

Piketty wants a "participatory socialism." But participation is more quickly achieved through bidding in the economy than through voting in politics. Take you dry cleaning or your education elsewhere. Herbert Spencer, when liberalism was just beginning, asked, "Which will be the most healthful community – that in which agents who perform their functions badly, immediately suffer by the withdrawal of public patronage; or that in which such agents can be made to suffer only through an apparatus of meetings, petitions, polling-booths, parliamentary divisions, cabinet-councils, and red-tape documents? Is it not an absurdly utopian hope that men will behave better when correction is far removed and uncertain than when it is near at hand and inevitable? Yet this is the hope which most political schemers unconsciously cherish."

It is Piketty's hope.