European Journal of Economics and Economic Policies: Intervention, Vol. 19 No. 3, 2022, pp. 415–418

Book review

Piketty, Thomas (2021): *Time for Socialism. Dispatches from a World on Fire, 2016–2021*, New Haven and London (360 pages, Yale University Press, hardcover, ISBN 978-0300259667)

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Blanchard and Rodrik (2021) edited a collection of articles in their book *Combating Inequality* that featured the voices of cutting-edge scholars like Lucas Chancel, Emmanuel Saez and Gabriel Zucman, amongst others. The editors expressed that economists should be at the forefront of tackling inequality instead of making the usual naysaying arguments that 'we can't afford it', 'we don't have enough evidence' or that 'incentives will be distorted'. Conspicuously absent was the voice of Thomas Piketty, whose book *Capital in the Twenty-First Century* brought the topic of inequality into mainstream public discourse. His seminal work has been challenged in mainstream newspapers through arguments including that 'inequality did not rise' and that 'inequality does not matter' (Grisold/Theine 2020: 1082). Therefore, it is heartening to see his latest book, which is a collection of his newspaper articles from 2016 to 2021. Piketty's book transcends the mainstream naysaying that is stuck on 'why is economic inequality bad; how is it harmful?' to offer a vision for the future based on socialism. His book reflects his academic research on inequality, which he has carefully presented to the broader public over the years. This is significant especially for ECON 101 students, who are either not taught about inequality or indoctrinated with the mainstream neoclassical perspective that the whole issue is moot or simply based on envy. Thus, assigning articles, which he has collected in one place in this book, is a welcome approach towards teaching undergraduate economics students about one of the most pressing issues of our times after climate change.

In the introductory article, Piketty says that he was more of a liberal than a socialist in the 1990s, but feels that in 2020, hyper-capitalism should be replaced by socialism that is characterized by democratic participation and equitable and sustainable development. He emphasizes that instead of just being against capitalism or neoliberalism, we must offer an alternative solution. In terms of framing inequality, he sees it as less of an economic or technological problem (where inequality is explained by globalization and technological development), and more of an ideological and political problem (where inequality is explained through the tax and transfer system). He adds that stagnation in educational investment has contributed to the rise in inequality and the fall in the growth rate of average income. Rejecting the trickle-down economics of Reagan and Thatcher in the 1980s, he reiterates that economic prosperity is based on education and not inequality.

In terms of participatory socialism, Piketty says change will not come from the top and that it would require reappropriation by citizens. For instance, he highlights co-management systems where employee representatives have up to half the seats as board of directors in large companies. Overall, he expresses support for a minimum inheritance for all, lowering of

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property taxes for indebted households, spending on education, healthcare, pensions, and basic income, and supporting the transition to green energy, all of which are to be financed by common taxes on the profits of large companies, increasing taxes on financial incomes, instituting wealth taxes, inheritance taxes, carbon taxes and progressive income taxes. Mentioning income taxes, he favours imposing 80–90 percent tax rates on the highest incomes, estates and assets, arguing that growth in the U.S. became anaemic when such rates were brought down under Reagan in the 1980s. Finally, contrary to mainstream neoclassical arguments, he opines that 'we need to turn our backs on the ideology of absolute free trade that has guided globalization' (p. 20).

The ideas expressed in the opening article are reinforced through various newspaper articles that are divided into four time periods from 2016–2017 to 2020–2021. In contrast to the mainstream understanding that markets and free competition yield a fair distribution of wealth, he clearly defines the 'main challenges of our times' as the 'rise in inequalities and global warming' that directly feeds into populism. He explains that populism arises because the working classes in developed countries feel they have been left behind due to globalization and the associated rise of inequalities. In this context, he states that liberals and centrists primarily appeal to the educated classes of high-skilled workers that have gained from globalization. He adds that the Trump strategy, or more generally the right-wing strategy, has been to exploit the grievances of the working classes. This has been done by aggravating racial and identity conflict to avoid class conflict, as 'it is easier to attack immigrants than financial capitalism' (p. 30). Similarly, he states that the left-wing also focusses predominantly on race and identity instead of the local working classes. However, he reiterates that, without equitable and sustainable development and tackling inequality through progressive taxation, Trumpism will prevail.

On free trade, he rejects treaties like the EU–Canada Comprehensive Economic and Trade Agreement (CETA), arguing that it contains no binding measures on addressing fair taxation and climate issues and instead has considerable reference on protecting investors and facilitating multinational companies to sue governments. He reiterates that 'there is no future for unfettered free trade' (p. 309) and that it is important to emphasize equitable and sustainable development that rests on public provision of infrastructure, healthcare and education. Likewise, on current account deficits, he adds that it is incorrect to harp on the French trade deficit and German trade surplus, as younger countries like the U.S., the U.K. and France consume and invest more that gives rise to trade deficit whereas aging countries like Germany have trade surplus, as it allows them to hold reserves in foreign assets (pp. 76–77). Moreover, he mentions that having a permanent trade surplus is pointless, as it would mean 'eternally producing for the benefit of the rest of the world' (p. 77). Similarly, he questions the Russian trade surpluses, mentioning how the concomitant financial reserves are held by wealthy oligarchs in offshore assets. Thus, as in the case of populism, he views the issues of free trade through the structural issue of inequality.

On education, he states that 'long-term economic performance is primarily determined by investment in training' and not 'the religion of property and inequality' (p. 228). He mentions that it was investment in education in post-war Germany and France that allowed them to catch up with the U.S. between 1950 and 1990. Similarly, he attributes low British productivity to historical weaknesses in the education system, just as he attributes low productivity since the mid 1990s in Italy to lack of investment in education. Additionally, he attributes the glaring inequality in the U.S. since the 1980s to differential access to quality education. He states that becoming a competitive knowledge-based economy requires that we stop reducing investment per student through budgetary cuts. Thus, the thrust of his argument is to reduce inequalities by investing in education, which necessitates rejecting austerity cuts and raising taxes.

Piketty is concerned about the decline in public investment because of the race to the bottom through the reduction of corporate taxes, tax amnesty for multinationals, reduction of inheritance taxes and lower taxes on dividends and interest relative to taxes on employment income. He opines that inequality is exacerbated by fiscal competitiveness that favours the most mobile group of the richest individuals. Additionally, he counters the fatalistic logic that fair and progressive taxation instigate capital flight, as the rich leave taking away jobs and investment, and instead supports common taxes on corporate profits and the highest incomes. He justifies this position by alluding to the fact that there has been a continuous rise in the declaration of estates and wealth since the 1990s in France despite the wealth tax. Moreover, he mentions that since the 1980s the top world fortunes in financial assets have risen three to four times more rapidly than growth in GDP, as the rich obtain high returns through investment in risky and sophisticated assets, which are not available to smaller portfolios of the less wealthy. All of this allows him to reiterate his case for targeting the main beneficiaries of globalization to contribute their fair share of taxes that would support public investment and redistribution.

Piketty states that the 2008 financial crisis originated in a system based on excessive deregulation, rising inequalities and indebtedness of the poor. He argues that money creation without a proper democratic foundation has led to rising stock markets and property prices that has aggravated the problems of the real economy by exacerbating inequality. He alludes to the IMF model based on technocrats meeting behind closed doors as the antithesis of public and democratic participation in decision-making. Therefore, he argues for the same money creation but in support of the public by buttressing the transition to green energy, reduction of inequalities and investment in education and training. However, he cautions that such money creation is problematic because of inflationary pressures and is not a substitute of the eventual structural remedy of taxing the rich.

Piketty states that not tackling inequalities problematizes addressing climate change. This is because the poor will have less of an incentive to bear a carbon tax if the richest continue to pollute with their SUVs and yachts. Indeed, he writes that the 'top 1% alone emit more carbon than the poorest half of the planet' (p. 244). He adds that the 'pro rich ideology' of lowering taxes and removing wealth taxes comes at the expense of tackling global warming (p. 221). Similarly, on the lower end of the income distribution, he expresses that basic income is 'social justice on the cheap', as society should instead be based on a fair return to labour (pp. 54–55). Going against the grain of neoclassical economic theory, he opines that 'we must stop denigrating' the role of public unions and the minimum wage (p. 56). Overall, he views the issue of climate change through the lens of inequality against which he supports heavy taxes on the rich and fair wages for the poor.

Piketty builds the case for participatory socialism, which according to him is built on the pillars of 'educational equality and the social state, the permanent circulation of power and property, social federalism, and sustainable and fair globalization' (p. 22). However, he is critical of the Chinese model of development, as it lacks transparency and represses those that 'condemn the opacity of the regime' (p. 89). He opines that official Chinese data considerably understates the level of inequality in the country, which is rapidly approaching that observed in the U.S. Moreover, he adds that China risks developing a pluto-communism where there is a stronger concentration of private property ownership than in many capitalist countries. He writes that 'today postcommunism has become the worst ally of hypercapitalism' (p. 181).

Overall, Piketty hits on the topic of inequality through multiple avenues of populism, free trade, education, targeting the main beneficiaries of globalization, money creation, climate change and the Chinese model of development. To recapitulate, Piketty argues that identity thumping that rests on strengthening immigration laws and trade protectionism can only be effectively tackled by addressing the structural issue of inequality. This happens by taxing wealth, high incomes and corporate profits, and by investing in education, universal healthcare and transition to green energy. He counters the mainstream neoclassical logic that seemingly defends the status quo, arguing that if we keep stating that it is impossible to make the richest individuals pay, we run the risk of future rebellions. In making this stand against such hegemonic worldviews, he expresses that 'there is no universal law of economics' and that everyone must 'draw their own conclusions without allowing themselves to be intimidated by the well-argued opinions of others' (p. 42).

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