How Thomas Piketty Ignores Class Struggle

jacobinmag.com/2020/10/thomas-piketty-class-struggle-book-review

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Offering a welcome rejoinder to many neoliberal orthodoxies, French economist Thomas Piketty has established himself as a sharp critic of growing inequality. But when he presents these ills just as a result of wrong choices, he ends up erasing the realities of class struggle — leaving him unable to explain how neoliberalism imposes its power.

Thomas Piketty, 2017. (Greg Salibian / Wikimedia Commons)

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The media impact of Thomas Piketty's *Capital and Ideology* — and its 1,200 pages — don't make it an easy subject of criticism, especially on the Left. He has become such a star economist that he now appears weekly on France's leading public radio station,

matched up against the editor of the country's top financial daily, *Les Échos*, who previously monopolized the broadcaster's economics coverage. This might even lead us to think that Piketty alone embodies left-wing economic thinking.

But such an assumption would be quite mistaken. For even apart from the weak political echo of Piketty's book — notwithstanding its final chapter, which presents a platform for a "participatory socialism" for the twenty-first century — at a more intellectual level, heterodox economists have never rallied en masse behind Piketty's theses. This was already noticeable when he published his previous bestseller, *Capital in the Twenty-First Century* (issued in French in 2013 and in English the following year).

Indeed, the opposition to Piketty isn't just a matter of liberal circles crying bloody murder over his attacks on property or his tax proposals. A number of discussions on the Left have highlighted debates and divergences, for instance, Piketty's debate with Frédéric Lordon organized by *l'Humanité* this January, that with Benoît Borrits last September, or another with Cédric Durand.

But, as we go back to the classroom after summer and the lockdown, a new book offers a systematic rejoinder to *Capital and Ideology*. Cowritten by economists Alain Bihr and Michel Husson, *Thomas Piketty: Une Critique Illusoire du Capital* is clearly a mostly negative characterization of Piketty. And that's just why it's interesting. It seeks to put a finger on the shortfalls and inconsistencies in this bestselling work, in order to tell us what problems it can't put right.

The two authors' sharp Marxist vision strips off the sheen from Piketty's book — and sets its importance in much more relative terms. The two authors bring out the dead ends and the ellipses in Piketty's work, as well as problems to which he offers no response. But the main interest, here, is the fact that this is a fundamental critique which closely follows Piketty's own line of argument. The tone is sometimes cutting, but this is far from a militant text or bad-faith accusation: rather, it puts Piketty in his proper place in the history of economic thinking.

Describing Not Analyzing

The main criticism the authors raise is Piketty's "conceptual weakness." Because he refuses to confront the conditions of production, he is reduced to describing the resulting phenomena of inequality, rather than truly understanding them. This raises doubts over the star economist's apparent main contribution: namely, the idea that inequalities are above all the product of the ideologies justifying them and the policies that result.

From the outset, Bihr and Husson underline Piketty's rather odd — and ambiguous — relationship with Karl Marx. The title of both his previous book and this new opus make direct reference to the German thinker. So, it would seem that the economist is

presenting himself as a type of successor to Marx, or else as his modern transcendence. But he refuses any dialogue with him at all.

As the authors note — and work to demonstrate — Piketty uses the notions of capital and ideology "as if Marx had never addressed them." At a general level, what Piketty overlooks in Marx's contribution is the fact that capital is, above all, a "social relation of production."

The whole first part of Bihr and Husson's critique thus zeroes in on the purely phenomenal vision inherent to the concepts Piketty mobilizes. The concept of capital is employed only sparingly, never truly defined, and used as a container for any form of asset that grants wealth and power to whoever possesses it.

This is, the authors emphasize, "a fetishist conception of capital, typical of those whom Marx called the 'vulgar economists.'" With this label, Marx was not making a value judgment, but rather pointing to those economists who went no further than looking at external phenomena, without shining a light on what lay underneath them. What is it, for instance, that makes capital into a power?

For Piketty, capital is ultimately just a basis for inequalities — and his true subject is, indeed, inequalities. As the authors emphasize, his book ought to have been called "Inequalities and Ideology."

The central issue of inequality is at the heart of Piketty's book — and it is clearly explained with a large collection of often original tables and data. However, it is always income inequalities that are highlighted — i.e. those inequalities that are apparent to the restricted vision of capital on which he bases his work. "Piketty never relates statistical inequalities to the structural social relations that give rise to them, which both manifest and partly mask them." His vision, here, is again a phenomenal one: the book's abundance of statistics could well be the symptom of this.

So, the reality described by Piketty's work is simplistic, even tautological. As he presents things, capital is poorly distributed and hence there is sharp inequality, but it is covered up by ideological justifications. For Piketty, it would, then, suffice to break with the ideological framework in order to allow for the best distribution of capital and put an end to inequality. This vision of ideology as central in the formation of inequality is presented as the great novelty of *Capital and Ideology*. Crucially, it stands directly opposed to Marx's materialist vision.

However, such an offensive against Marx's vision would at least need a solid foundation. This is because, here again — as Bihr and Husson note — one sees the mark of a philosophical "idealism" that Marx fought throughout his early years.

The notion that ideas alone have the power to change a production relation was typical of the left-Hegelians. Precisely what made for Marx's political strength, was his foregrounding of the economic and social frameworks in which the ideological struggle takes place. So, the struggle first has to take place at that level — something which

Piketty looks at only extremely briefly.

Piketty's historical description thus remains at a superficial level. The dominant ideology — that of the ruling classes — is taken as a direct representation of reality, sometimes with astonishing shortcuts such as the idea of "tri-functional societies" [the notion of societies organized around religious, military and economic "functions"]. This concept is borrowed from Georges Dumézil's (long contested) analysis of Indo-European societies and then generalized to all pre-capitalist societies.

In a similar vein, in his analysis of the "social and fiscal state" starting in the 1920s, Piketty profoundly underestimates the importance of social struggles and the economic context, describing such a state as a mere effect of a "coalition of ideas." But we know that even Roosevelt's New Deal took place during a context of extreme social unrest. This, without doubt, pressured the American administration of the time to take stronger measures than those it had originally planned on enacting.

For Alain Bihr and Michel Husson, the central weakness of Thomas Piketty's thought is thus its "ill-understanding of the concept of social relations of production" — in other words, that which for Marx makes for the essential essence of capitalism. This misunderstanding leads to an "undervaluing of the objective relations of production and the consequent overvaluing of the autonomy and power of politics and ideology."

Piketty's vision would, then, amount to denying or at least undervaluing the internal tensions within production regimes, which are often at the origin of the ideological choices and political changes that Piketty describes. In chapters two through four of the book, Bihr — who in his earlier works *La Préhistoire du Capital* and *Le Premier Âge Capitaliste* intricately studied the birth of capitalism and its evolution — similarly carefully dismantles Piketty's shortcuts regarding the evolution of economic history from the feudal age until the emergence of neoliberalism (imprudently baptized as "hypercapitalism").

This is an essential part of the authors' line of argument, which makes it possible to counterpose two major works on the history of capitalism.

To support his idealism, Thomas Piketty is reduced to a classic critique that reduces Marxism to economic determinism. This critique is an old one, but as Bihr and Husson remind us, it doesn't stand up to a serious reading: for Marx was the first thinker to clearly conceive of the relations of production as social, and therefore human, constructs. However, he also knew that these structures objectively impose themselves on the men who form them, and it is through this phenomenon that they resist change.

The revolutionary challenge is, therefore, to make people conscious of this fetishism, so that they can both realize that social relations can change, and act accordingly. This is why Marx undertakes a "critique of political economy," the subtitle of *Capital*, in other

words a critique of the objectivity of the relations of production. Marx's approach is preciously a struggle against the market fetishism at the heart of capitalism, while also being aware of the objective power of this fetishism.

A Façade of Anti-capitalism

Piketty's idealism is not neutral. The overvaluation of politics for the sake of politics — rather than for its capacity to alter the bases of the production regime — is a path to superficial changes which, rather than undermining the bases of the production regime, instead strengthen them. The efficiency argument often put forward by economists — always quick to denounce those who want too much and get nothing — is classic of reformist thinkers, from Eduard Bernstein to Tony Blair.

But here again, Piketty's approach doesn't stand up to scrutiny — and Bihr and Husson's analysis forcefully shows us its weaknesses. Since what ideology shapes is the regime of inequalities — rather than the relations of production that produced these inequalities — the conditions from which these inequalities emerge are perpetuated. "Political reforms" within capitalism are thus "the very conditions of the reproduction" of the capitalist relations of production, the authors emphasize.

By way of illustration, we can look at Piketty's reading of the "social-democratic moment" and its end. His position is based on the notion that these famous "coalitions of ideas" made it possible to overthrow inegalitarian ideologies and to put in place structures for redistribution and the reduction of property-owners' power, i.e. through tax policy and co-management. Sweden, which has gone from an ultra-inegalitarian regime to an ultra-egalitarian one, is the author's main reference point, here.

From there, Thomas Piketty advances the following reading of the situation: the return of inequality in the 1970s and 80s corresponds to an ideological defeat of social-democratic thought. Therefore, it is necessary take up the torch of social-democratic thinking from four decades ago in order to "finish the work" of that moment.

Bihr and Husson provide very sharp responses to that vision. First and foremost, the social-democratic moment and the birth of the "social and fiscal state" were the fruits of an internal evolution of the regime of capital accumulation, which, under the pressure of social struggles, made it possible to find a compromise between social-democratic reformism and bourgeois parties concerned with the maintenance of capitalism.

The authors explain that, between 1880 and 1920, there was a shift from an "extensive" accumulation regime (in which priority was given to increasing the duration and quantity of work) to an "intensive" regime (in which priority was given to increasing productivity).

> It is indeed true that once capital adopts a regime of intensive accumulation based on a constant productivity gains, it becomes necessary to establish mechanisms for sharing these gains between increases in wages (real, direct, and indirect) and increases in profits, so as to ensure the intersectional equilibria which condition the reproduction of social capital as a whole.

Meanwhile, as class struggle intensified due to the massification of production, this need of capital's crossed paths with the reformist demands advanced by social democracy. The intensity and nature of class struggle in each country made it possible to develop different kinds of welfare states. In short, this was from just a political or ideological shift won by means of powerful arguments. On the contrary, there was a dynamic relationship between the new needs of capital and the intensity of class struggle, determining a new regime of capitalist exploitation and political compromise.

This explains why even where social-democratic ideology did not prevail — such as in Germany during the 1950s, where ordoliberalism ruled the day — the welfare state nevertheless established itself as necessary to the mode of production of the time. However, this evolution did not at any point — even through the tax policy and co-management which Piketty so focuses on — modify the capitalist nature of the mode of production.

But similarly, in the 1970s, the welfare state found itself under new pressure, leading to the establishment of neoliberalism. The period that began at that point was characterized by one central fact, according to Bihr and Husson: "the exhaustion of productivity gains." This fact — something forgotten by Thomas Piketty in his 1,200 pages — is important because it, too, changed the regime of capital accumulation.

In theory, this should have led to a decrease in profit margins. But these margins actually continued to rise thanks to an increase in the rate of exploitation (in other words, through the changed ratio of wages to productivity). To compensate for the relative fall in wages caused by high rates of unemployment and precariousness, the fallback solution was credit.

However, this increase in profit margins has not led to an increase in investment, which continues to stagnate due to a lack of opportunities and through the tertiarization of the economy. Profits were thus distributed as dividends and reinvested in the financial markets.

All of this increases inequality: "The rise in inequality is not an add-on but an essential element of neoliberal capitalism, faced with a depletion of productivity gains." Here, we are far from a simple political regime, or from Piketty's assertion that inequalities are not economic in origin. Therefore, to dream of the possible rehabilitation of a social-democratic history that went off the rails only for purely ideological reasons, is illusory. Logically enough, such illusions put the real ambitiousness of Piketty's proposals into rather more relative terms — even if they did cause a great deal of concern among mainstream economists last year.

Redistributing Fictitious Capital?

In the final chapters of their book, Bihr and Husson underline how Piketty's "participatory socialism" — from co-management to "temporary ownership," and universal basic income — is rather unconvincing, precisely because it does not take into account the specificities of the current mode of production.

Here, we'll do without discussing the usual impasses in Piketty, from the "reform of the European Union" to the lack of any real ecological project. However, what is certain is that co-management has never, in itself, changed the mode of production. On the contrary, it makes it possible to make workers' representatives swallow the higher interests of capital.

Thus, Germany and Sweden have experienced a marked neoliberal shift even *with* co-management — and neoliberal reforms have even been *facilitated by* co-management in these countries. In the end, this is quite logical: in a capitalist enterprise, whether or not it is owned by its employees, the demands of capital rule the day. While the ideological consensus in favor of co-management in these countries has remained, neoliberalism has been imposed, sometimes violently.

Simply put: the unequal regime was imposed by the needs of capital on the co-management structures, which followed along behind it.

As for "temporary property" (which Piketty advocates) which offers a redistribution of 120,000 euros to each adult through a heavy wealth tax (60 percent on fortunes over 200 million euros, 90 percent over 2 billion euros), this, too, is the subject of an interesting critique. Firstly, a check for 120,000 euros to each individual does little in terms of changing the capitalist nature of production. This approach is, instead, an entrepreneurial and individualistic vision of the economy.

But more than criticizing such tax rates, Bihr and Husson instead insist on the need to grasp the peculiarity of this moment: that is, that the financialization of wealth has made it *more difficult for it to be taxed*. Indeed, the biggest fortunes are mainly made up of financial assets which, if they had to be sold in order to pay the tax, would vanish immediately. Such a tax would, therefore, miss its target. This reflects the fact that "a good part of financial assets are fictitious capital, in the sense that their valuation has lost all connection with what is called the real economy."

One could hope that such a tax could *ruin* fictitious capital by bringing it back to reality — but not *redistribute* it. For Bihr and Husson, this is a sign of a major flaw in Thomas Piketty's thinking: the absence of a "theory of value." This is a sign of the superiority of Marx's thought: for him, capitalist value stems only from exploitation. Therefore, "capture" through taxation "is possible only within the available amount of surplus value, created in the last instance by exploitation."

We thus quickly find ourselves at a dead end — that is to say a purely redistributive vision, focused on taxation. In order to redistribute in this way, it is necessary to rely on

the existing, unchanged mode of production. “Piketty’s emphasis on taxation alone has the effect of forgetting the place where inequalities are produced in the first place, namely at the heart of the capitalist mode of production, with the two dimensions we have highlighted: the decline in the wage share [of income] and the redistribution of a larger share of profits to shareholders. It is these two sources that should be dried up,” indicate Bihr and Husson.

Bihr and Husson’s book is certainly quite tough on Piketty’s work; its function is clearly to take the star economist down a peg or two. For sure, this ought not take away from the importance of Piketty’s work as well as his media impact.

Yet, this book also allows us to remember that even if Piketty can be credited with having placed the question of property, power in the economy, and socialism at the center of public debate last year, his thought and his proposals also have serious problems.

Above all, behind his unwillingness to dialogue with Marx lies his refusal to think about the central mode of production in the modern era. It is not at all convincing that co-management and the tax system will, by themselves, make it possible to transcend capitalism. It is for this reason, perhaps, that the authors say that in *Capital and Ideology* there is a bit of a sense of “mis-sold goods.”

However, perhaps the reality is that Thomas Piketty’s book is part of a wider desire for a return to social-democratic ideology. This return presents us with the possibility of confronting the evident crisis of neoliberalism. Yet, this is a scenario which entails the preservation of capitalism, not an eco-socialist rupture with capitalism. The divergence between Bihr and Husson on the one hand, and Piketty on the other, is perhaps proof of the divide between these two paths. This is the perspective from which the present debate must be understood.