

[Piketty's Plight and the Global Future](#) by Philip McShane, Vancouver, Canada: Axial Publishing, 2014, 71 pages.

Thomas Piketty's *Capital in the Twenty-First Century*

When Thomas Piketty was a young professor at MIT (2000-2001), he realized that there was little effort aimed at collecting historical data on income and wealth, and that by and large academic economics was focused on getting the econometrics and the statistical technique correct. Piketty said that the shortcoming of such a focus is that “you don’t really think, you don’t dare to ask the big questions” and that writing a “real book that could speak to everyone meant I could not choose my questions. I had to take the important issues in a frontal manner — I could not escape.”<sup>1</sup>

As of January 2015, Piketty’s blockbuster best-seller *Capital in the Twenty-First Century* had sold 1.5 million copies in French, English, German, Chinese and Spanish. The book is primarily about the history of the distribution of income and wealth. Based upon extensive data research, Piketty believes he has uncovered a tendency toward an increasing concentration of wealth in the hands of a few, and argues that without government intervention, the higher savings of the rich will simply lead to the wealthy getting wealthier. “I hope this work can contribute to put the study of distribution and of the long run back at the center of economic thinking.”<sup>2</sup>

The centerpiece of Piketty’s analysis is the ratio of an economy’s capital to its annual output, and the argument pivots on the central equation “ $r > g$ ” ( $r$  = rate of return on capital;  $g$  = the economy’s rate of growth) and a statistical study beginning in 1700. According to Piketty, the accumulation of capital grows at a greater rate than economic expansion. For Piketty this evolution represents a threat to democratic societies and to the values of social justice on which such societies are founded. He believes his book reveals the need to democratize economic debates and to incorporate issues and problems that really matter to those without an increasing concentration of wealth.

Since the book’s publication, a number of major economists have weighed into the debate concerning the central equation ( $r > g$ ) and its implications for policy making, while commentary continues to flow forth.<sup>3</sup> On March 23, 2014, Nobel Prize-winning economist Paul Krugman of Princeton University said it was safe to say the book “will be the most important economics book of the year – and maybe of the decade.” On November 11, 2014, Piketty’s *Capital in the Twenty-First Century* was named the 2014 Financial Times and McKinsey Business Book of the Year. Financial Times editor Lionel Barber said in a press release: “While not everyone agreed on the policy prescription, we recognised the quality of the scholarship. It’s a challenging but ultimately important book.”<sup>4</sup>

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<sup>1</sup> Quoted in Steven Erlanger, “[Taking on Adam Smith \(and Karl Marx\)](#),” *New York Times*, April 19, 2014.

<sup>2</sup> “[About Capital in the Twenty-First Century](#),” *American Economic Review: Papers & Proceedings* 2015, 105(5): 1–6.

<sup>3</sup> An incomplete list of those weighing in on the debate is found in Jeff Madrick, “[Piketty Review Roundup: ‘Capital in the 21st Century](#).”

<sup>4</sup> Andrew Hill, “[Thomas Piketty’s ‘Capital’ wins Business Book of the Year](#),” *Financial Times*, November 11, 2014.

Among various critics is *Financial Times* editor Chris Giles, who remarked in May 2014 that Piketty's book was "undercut by errors".<sup>5</sup> On May 7, 2014, Jason Furman, the chairman of the Council of Economic Advisers, called the thesis of Piketty's book "intriguing and an important source of concern," but expressed doubts about its likelihood. At the time Furman was giving a speech on the global economy in Ireland.<sup>6</sup> Later, on November 11, 2014, in a Policy Exchange Panel discussion, Giles commented: "Truth-telling with data is important, and I don't think this book does it."<sup>7</sup> In reply to the *Financial Times*, Piketty commented: "I have no doubt that my historical data series can be improved and will be improved in the future (this is why I put everything on line)."<sup>8</sup>

### Philip McShane's *Piketty's Plight and the Global Future*

The title of Piketty's best-seller is an allusion to Marx's magnum opus, but he possesses, apparently, an advantage that Marx lacked: two centuries' worth of hard data. Nearly all agree that the greatest strength of Piketty's book is, without doubt, his empirical data.

Really?

That is a big question.

In a *New York Times* interview Piketty stated that because of his age "it's easier in a way to reopen these big issues about capitalism and inequality with a fresh eye, because I was too young for that fight. I don't have to justify myself as being pro-communist or pro-capitalist."<sup>9</sup> Did Piketty successfully reach behind Marxists, Neo-Marxists, Keynesian, Post-Keynesian, Neo-Keynesian, and Neo-Classical viewpoints? An answer would depend upon one's answer to the big question: "What is hard economic data?"

Is  $r > g$  seriously explanatory or is it descriptive symbolism that permeates Piketty's opinion about Western societies and their economic rules?

That is another big question.

McShane's introductory, suggestive, and proleptic book is an invitation to dare to ask these big questions. In the spirit of Alfred North Whitehead's remark "it requires a very unusual mind to undertake the analysis of the obvious"<sup>10</sup> and Joan Robinson's claim that "it is time to go back to the beginning and start again,"<sup>11</sup> he asks the seemingly well-answered question: "What is economic

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<sup>5</sup> "[Piketty findings undercut by errors](#)" *Financial Times*, May 23, 2014

<sup>6</sup> Neil Irwin, "[Obama's Top Economist Has Some Problems with Piketty's Book](#)," *The New York Times*, May 7, 2014.

<sup>7</sup> Speakers included Professor Deirdre McCloskey (Economic Historian), John McTernan (Political Commentator and Strategist), and Chris Giles (Economics Editor, *Financial Times*). Audio of the Policy Exchange is available online: [https://soundcloud.com/policy\\_exchange/sets/pxpiketty](https://soundcloud.com/policy_exchange/sets/pxpiketty)

<sup>8</sup> "[Technical appendix of the book \*Capital in the Twenty-First Century\* Appendix to chapter 10. Inequality of Capital Ownership Addendum: Response to Financial Times](#)".

<sup>9</sup> See note #1 above.

<sup>10</sup> Alfred North Whitehead, *Science in the Modern World*, New York: Simon & Schuster, 1997, p. 4.

<sup>11</sup> Joan Robinson and John Eatwell, *An Introduction to Modern Economics* (London and New York: McGraw Hill, 1973), 52. Quoted on pages 68-69 of *Piketty's Plight and the Global Future*.

data?” Like Piketty, McShane wrote a book for everyone, with the possible exception of learned economists who do not enjoy a drink now and then.<sup>12</sup>

*Piketty's Plight and the Global Future* is synthetic in that McShane begins by asking about simpler economic phenomenon before tackling the complexities of democratically managing local and global exchange economies. He maintains that dealing with familiar things, like the processes of preparing shells to collect berries and replace hand-collecting (18, 25) and the sets of adjustments required when a wise lady comes up with the idea to put a plough behind a horse to cultivate potatoes (31, 34, 49, 51, 70), requires the prior distinction between two distinct firms, which is “the key issue” that he treats in the first chapter. A restaurant in Chinatown is in the business of providing Chinese meals; the firm that provides ovens and kitchen utensils to the Chinese restaurant and others throughout the borough is a different kind of firm. Likewise, buying and selling haircuts, on the one hand, and buying and selling barber chairs, on the other, are significantly distinct types of firms. McShane’s position is that without reaching clarity on this seemingly obvious distinction, it is all too easy to deal with familiar things, such as capital, production, credit, and wealth, in familiar ways.

In a similar vein, the book is pedagogical or “student friendly” in that McShane begins by asking about elements that do not require understanding of other elements, then assembles further questions in order to add elements, and later attempts to ask about the grounds of inequality in history. For example, the question about the meaning of money is postponed until chapter 4 “Promising Notes,” since the claim that the normative meaning of “money”—two flows that harmoniously meet basic and surplus flows—presuppose the existence of the latter. Neither the question of genuine democratic control of economic processes nor the fine, unorthodox distinction between three economic periods —“upper surge,” “lower surge,” and “leveling”—emerge until chapter 6 “Productive Surges and Their Measurement.” Envisaging strategies for avoiding unbridled upper surges pivots on a distinction between basic and surplus goods and services.<sup>13</sup> Likewise, the plight of Piketty is put off until the final chapter when the group of elements named in the table of contents have been treated.

*Piketty's Plight and the Global Future* is also highly and helpfully analogical. The central analogue is with a successful science that enjoys an ethos of collaboration. McShane writes that Piketty’s well-intentioned selecting and ordering of hard data “is like a physicist searching data for traces of the Higgs particle without eyes laden with the standard model.”(62)<sup>14</sup> There are also delightful analogies to Wimbledon, World Cup Soccer, and the television program *House*. At both Wimbledon and World Cup, one finds aggregates of activities that start from the potentialities present at the beginning of the game and end in a victory, a loss, or, in the case of a

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<sup>12</sup> “Late in the day, after they have had two or three drinks, many economics professors will begin to admit to their own reservations about the theory which forms the core of the economics curriculum. Their theory, they will acknowledge, is at odds with much that is known about the behavior of economic institutions. ‘But what else is there to teach our students?’ they will ask.” Alfred Eichner, *A Guide to Post-Keynesian Economics*, New York, M. Sharpe, 1979, p. vii.

<sup>13</sup> McShane notes that “Kalecki is startlingly—though only embryonically—clear on the need for a general two-sector analysis” (69) that flies in the face of orthodox economics.

<sup>14</sup> See also Philip McShane, “[Elevating Insight: Space-Time as Paradigm Problem](#),” *METHOD: Journal of Lonergan Studies*, 19 (2001), 203–229.

soccer match, possibly a tie. Something analogous happens in the aggregate of activities that proceeds from the potentialities of nature and terminates in a standard of living.

Finally, the book is fantastic. McShane's paralleling of global hydrodynamics with global economic dynamics in chapter 7 "The Global Future" is quite a challenge to the dominant and dominating academic ethos. It is fantastic to claim that Piketty, like Galbraith, is engaged in a kind of pre-paradigmatic chatter that permeates textbooks and undergraduate and graduate programs alike, and that the way out of "the mess of finances that has destroyed businesses and nations and cultures in the past one hundred years" (11) is to begin a program that efficiently recycles timely ideas and compares findings to a shared perspective instead of comparing viewpoints.<sup>15</sup> Likewise, it is fantastic to claim that empirically verifiable micro-, meso-, and macro-dynamic perspectives are to replace the "disguised centralist economic statics" of "a pre-scientific world of statistics-layered journalism slim on theoretical content" (57-58).<sup>16</sup>

*Piketty's Plight and the Global Future*, McShane's latest and certainly last effort to popularize the achievement of Bernard Lonergan in the area of economics<sup>17</sup> without vulgarizing them,<sup>18</sup> is leaner and a better primer than previous efforts.<sup>19</sup> While he would welcome responses from

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<sup>15</sup> "Were I to treat the stuff of this little book in a thematic and systematic fashion, I would home in very quickly on the contrast between the procedure of comparing that is regular in undeveloped fields with the procedure of appealing to a standard model to which contemporary empirical work is compared in a mature zone. Academic disciplines compare viewpoints; developed sciences compare findings to an established perspective. The reflections of Galbraith on Piketty's efforts are in the nature of academic discourse." Note #97, page 64.

<sup>16</sup> If McShane is right about the need to systematically distinguish two firms, then the 114 laudations for Piketty's *Capital in the Twenty-First Century* on [Harvard University Press](#) are much like Galbraith's critical evaluation of Piketty, i.e., they fall into the category of viewpoint comparison.

<sup>17</sup> Lonergan's two major works in economics are *For a New Political Economy*, vol. 21, *Collected Works of Bernard Lonergan*, ed. Philip McShane (Toronto: University of Toronto Press, 1998) and *Macroeconomic Dynamics: An Essay in Circulation Analysis* vol. 15, *Collected Works of Bernard Lonergan*, ed. Frederick Lawrence, et al. (Toronto: University of Toronto Press, 1999). There are 39 footnote references to the works of Bernard Lonergan in *Piketty's Plight and the Global Future*. The hope of a diffusion of Lonergan's perspective that would parallel the diffusion of Keynes is expressed at the end of note #54, page 41.

<sup>18</sup> "I am indulging in *haute vulgarization* that has a positive twist, a strategy that good teachers develop to lead students to greater effort. This is quite different from standard *haute vulgarization* that was spread into culture from the writings of Fontenelle." Note #63, page 48.

<sup>19</sup> Prior book efforts include *Sane Economics and Fusionism* (Vancouver: Axial Publishing, 2010), *Pastkeynes Pastmodern Economics* (Vancouver: Axial Publishing, 2002), *Beyond Establishment Economics* (co-author Bruce Anderson, Vancouver: Axial Publishing, 2002), and *Economics for Everyone* (Vancouver: Axial Publishing, 1998). See also "The Meaning of Credit," "Edging Towards a Later Global Stage," and "The Global Economy and My Little Corner" in *Do You Want a Sane Economics?*, book-length issue of *Divyadaan: Journal of Philosophy and Education* vol. 21, Nashik, India, 2010; and "[Imaging International Credit](#)," *The Lonergan Review*, 2 (2010): *Forging a New Economic Paradigm: Perspectives from Bernard Lonergan*, ed. Richard M. Liddy, 214-223; and "[The Implementation of Lonergan's Economics](#)," *The Lonergan Review*, 2 (2010): *Forging a New Economic Paradigm: Perspectives from Bernard Lonergan*, ed. Richard M. Liddy, 374-377.

Piketty and other renowned economists,<sup>20</sup> McShane wrote this book for novices, Socratic “Dummies” who are genuinely concerned about reviving weak economies.<sup>21</sup>

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<sup>20</sup> “The effectiveness I seek is, not immediately among the learned economists, though indeed serious public replies from Piketty, Galbraith, Mankiw, and others that I write of here would be an encouraging outcome.” (4)

<sup>21</sup> In early January of 2015, Piketty turned down the Legion of Honor, one of France’s highest distinctions. He said that the government should focus on reviving the country’s weak economy rather than “decide who is honorable.”