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Piketty's pretense of morality

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Thomas Piketty, author of the bestseller, "Capital in the Twenty-First Century," would like to see a radical leveling of incomes to ensure social justice. To reduce rising inequality of income and wealth, he would impose highly progressive income and wealth taxes on the rich and near-rich.

There would be a top marginal tax rate of 80 percent on those making more than \$500,000 a year, along with a 5 to 10 percent annual wealth tax on those with very high net worth (in excess of \$1 billion). His plan would effectively confiscate the capital income of high net worth individuals who he assumes have no legitimate claim to such income.

Piketty's mantra is that "capitalism and markets should be the slave of democracy and not the opposite." He wants to promote "progressive" policies so that "democracy can regain control over capitalism and ensure that the general interest takes precedence over private interests, while preserving economic openness."

Yet, his planned redistribution via government taxation of income and wealth would undermine the fabric of civil society, stem economic growth, and diminish economic and personal freedom. Government power would rise and human liberty decline.

As Adam Smith long ago explained, the wealth of a nation is best advanced by liberty and markets, not by government intervention and planning. The "invisible hand" of market competition under a just government protecting persons and property is more apt to lead to social and economic harmony than the "grabbing hand" of the state.

James Madison, the chief architect of the Constitution, made it clear that "persons and property are the two great subjects on which Governments are to act; and that the rights of persons, and the rights of property, are the objects, for the protection of which Government was instituted."

As government power grows and private property rights are attenuated by oppressive taxes and other takings, individual freedom diminishes. Equality under a just rule of law is replaced by some vague criterion of "social justice" and the politicization of economic life. The concept of justice is turned on its head: instead of meaning the protection of individual rights to liberty and property, justice (in Piketty's world) means a democratically sanctioned distribution of income and wealth.

The redistributive state is not only unjust (hence, the pretense of morality); it is detrimental to economic growth. Piketty would improve the plight of the poor more by increasing economic freedom and growth, rather than reducing the return to capital.

A case in point is China's economic liberalization, which began in 1978. The opening of markets and growth of the nonstate sector, along with privatization of housing and other reforms, have led to rapid economic growth, the rise of a large middle class, and the possibility of becoming rich. Income inequality has increased but the power of the state has decreased, and more than 500 million people have lifted themselves out of poverty as economic and personal freedom has advanced.

Martin King White, a scholar at Harvard's Fairbank Center for Chinese Studies, has found that most of the Chinese people "feel optimistic about their own chances to get ahead. A majority also believe that talent, hard work, and schooling are the primary routes to mobility." At the same time, he found that the recent rise of mass citizen protests "are mainly a response to abuses of power and other procedural justice issues, rather than being fueled by feelings of distributive injustice and anger at the rich" ("China's Post-Socialist Inequality," *Current History*, September 2012).

The injustices in China and elsewhere are those of the state against the people, not the rich against the poor. The market is not the enemy of the people; it is the engine of creativity and progress. It is unfortunate that this message does not get the same spotlight in the media as Piketty's call for redistributive justice.

Market exchange based on the "voluntary principle" - the principle of nonintervention or freedom - contrasts sharply with Piketty's "social state" based on government power.

The real issue is where to draw the line between consent and coercion - between the individual and the state.

When government power is limited to the protection of rights to liberty and property, individuals will be free to choose.

History has shown that private free markets bounded by a just rule of law strengthens individual responsibility and improves people's lives. Piketty's redistributive state would do the opposite.

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