

Oskar-Morgenstern-Medal 2023

Laudation

Univ.-Prof. Dipl.-Ing. Dr. Gerhard Sorger (Department of Economics)



It is a great honor for me to deliver the laudation for this year's Oskar Morgenstern laureate, Professor Thomas Piketty. Thomas Piketty is a name that has become synonymous with the study of inequality and its consequences for society. His research and writings have had an enormous impact not only on the academic community but also on policymakers, journalists, and the general public. In what follows, I will provide some information on the academic career of Professor Piketty, discuss some of his academic achievements, and illustrate how his work has transformed our understanding of the economy.



Thomas Piketty

Professor of Economics at the Paris School of Economics and L'École des hautes études en sciences sociales (EHESS)

Co-director, World Inequality Lab & World Inequality Database

L'ÉCOLE
DES HAUTES
ÉTUDES EN
SCIENCES
SOCIALES



After receiving his MSc degree in mathematics from École Normale Supérieure in Paris, Thomas Piketty enrolled in the European Doctoral Program in Economics. He wrote his PhD thesis under the supervision of Roger Guesnerie at the School for Advanced Studies in the Social Sciences in Paris and at the London School of Economics. His thesis with the title “Essays on the theory of the redistribution of wealth” was selected as the best thesis of the year by the French Economics Association. After his PhD, Thomas Piketty spent two years as an assistant professor at MIT. He returned to France in 1995 to become a research fellow at the French National Center for Scientific Research. In the year 2000 he was appointed as professor at the School for Advanced Studies in the Social Sciences in Paris and since 2007 he has also been a professor at the Paris School of Economics PSE, which he helped to set up and for which he served as the very first director. In addition, Professor Piketty has held the position of co-director of the World Inequality Lab, a research laboratory based at PSE and UC Berkeley, which focuses on the study of inequality around the world.

The list of scientific writings of Thomas Piketty is long and impressive. So far, he has published more than 50 articles in international refereed journals, whereby about one third of these papers appeared in the so-called top-five journals of economics; he wrote more than a dozen books including *Capital in the 21st Century*, which stayed on the best seller list of the *New York Times* for almost half a year; and he wrote many more articles and reports in various other outlets. Let me try to assess Thomas Piketty’s scientific work by addressing three questions: What are all these papers and books about? What makes them so special for our profession? And why did they have such a tremendous impact?

Thomas Piketty: Scientific work

What are all these papers and books about?

What makes them so special for our profession?

Why did they have such a tremendous impact?

[illegible]

He studies the inequality of income, the inequality of wealth, the dynamic evolution of inequality, and economic policies against too much inequality, especially tax policies. I think that there is no better way to describe the focus of Thomas Piketty's research than to cite the title of one of his own papers, which appeared in 2015 in the *Journal of Economic Perspectives*. It is called "Putting distribution back at the center of economics".

“Putting distribution back at the center of economics.”

Thomas Piketty, *Journal of Economic Perspectives* (2015)

This really is the essence of Piketty's work. His research has shown that income and wealth inequality have been on the rise in many developed countries over the past few decades. He has demonstrated that this trend is the result of several factors, including globalization, technological change, and changes in tax policies. Piketty's work has also shown that the concentration of wealth is much higher than previously thought, and he has argued that this concentration of wealth is not only unfair but that it also has negative consequences for economic growth and social stability.

I now turn to the question of what makes the work of Thomas Piketty so special. Again, one can get a good impression of his typical approach by looking at some of the titles of his papers. Here is a short sample: “Income inequality in France, 1901-1998”, “Income inequality in the United States, 1913-1998”, “Wealth concentration in a developing economy: Paris and France, 1807-1994”, “On the long-run evolution of inheritance: France 1820-2050”, “Capital is back: wealth-income ratios in rich countries 1700-2010”, or “Capital accumulation, private property and rising inequality in China, 1978-2015”.

Thomas Piketty: Approach

"Income inequality in France, 1901-1998"
Journal of Political Economy (2003)

"Income inequality in the United States, 1913-1998"
Quarterly Journal of Economics (2003) (with E. Saez)

"Wealth concentration in a developing economy: Paris and France, 1807-1994"
American Economic Review (2006) (with G. Postel-Vinay, J.-L. Rosenthal)

"On the long-run evolution of inheritance: France 1820-2050"
Quarterly Journal of Economics (2011)

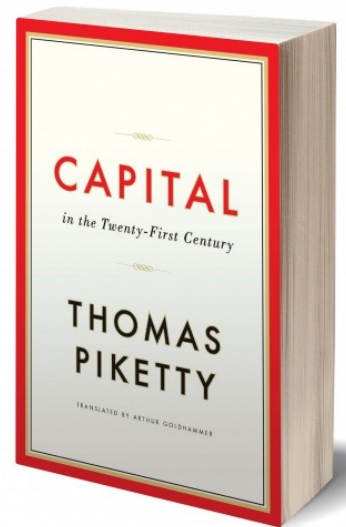
"Capital is back: wealth-income ratios in rich countries 1700-2010"
Quarterly Journal of Economics (2014) (with G. Zucman)

"Capital accumulation, private property and rising inequality in China, 1978-2015"
American Economic Review (2019) (with L. Yang, G. Zucman)

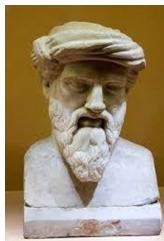
Note that all of these papers appeared in the very top-journals of our profession. They are not simply reports about some new data series, these are full-blown papers that present the data, point out interesting patterns, provide explanations of these patterns (sometimes in the form of theoretical models), and finally draw convincing conclusions and develop policy recommendations. Piketty's team has collected and analyzed data from several countries over several decades to create a comprehensive dataset on income and wealth distributions. This dataset, which is now managed by the World Inequality Lab, has become a valuable resource for researchers who study inequality and economic growth. Making the data publicly available provides a tremendous service to the scientific community at large.

Finally, to understand why Thomas Piketty's research has had such a high impact, I cannot help but talk about his famous book *Capital in the 21st Century*. As most of his work, this book is grounded on comprehensive historical and comparative research and proceeds to theoretical analysis and policy advice. The book is not only accessible to professional economists, but it can be read by the informed public, by people with an interest and some background in economics. It requires, however, a sufficient degree of stamina. After all, Thomas Piketty's arguments and explanations in this book densely fill more than 800 pages.

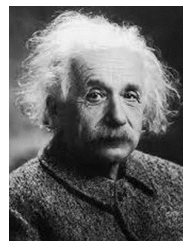
Thomas Piketty: Impact



Perhaps the most hotly debated argument in the book is the r greater than g theory, where r denotes the return on private capital and g denotes the growth rate of the economy. It is one of those instances, in which a certain formula got tightly connected with the name of a scientist.



$$a^2 + b^2 = c^2$$



$$E = mc^2$$



$$e^{\pi i} + 1 = 0$$



$$r > g$$

Let me point out two important differences between Piketty's formula r greater than g and the other three examples on this picture. First of all, r greater than g is neither a formula that can be proved within the usual axioms of mathematics such as the examples by Pythagoras and Euler, nor is it a theory about the world

as in the case of Einstein's equation. Instead, r greater than g is an empirical relation which holds in many countries and many time periods but which may not hold in others. The second difference is that Thomas Piketty was not the first one to discuss the inequality r greater than g . As a matter of fact, the condition has been known at least since the work of Edmund Phelps and Peter Diamond in the 1960ies, and most trained economists would probably be worried if r greater than g does *not* hold, because r greater than g is a condition that ensures the dynamic efficiency of the allocation of output between its uses for consumption and investment. What Thomas Piketty however emphasized in his book *Capital in the 21st Century* as well as in several other publications is that we should *also* be worried *if this condition holds*, because it can be at the root of a mechanism that raises inequality. Repeating what I have already pointed out earlier as the essence of Piketty's work, he has shifted the emphasis from the one-dimensional welfare-theoretic concept of efficiency towards the multifaceted effects of distribution and inequality.

$r > g$ theory

r return on private capital

g growth rate of GDP

The basic logic of the r greater than g theory is rather simple: If the return to private capital exceeds the growth rate of GDP, then it is likely that capital income grows faster than labor income so that the wealth of those people who own most of the capital grows faster over time than the wealth of those who primarily depend on labor income. One reason for the popularity of Piketty's book is probably that this argument expresses what many people consider a serious lack of social justice. Of course, the whole theory is not as simple as I have made it look, because factors such as population growth or differences in

the marginal propensity to consume between rich and poor people have to be taken into account, but the mechanism is potentially a very powerful one. Another relevant aspect in this discussion is taxation, and this is what gave Thomas Piketty's book its explosive political and social nature. The author concluded from his research that more progressive tax systems and a global wealth tax are required in order to contain those forces that might raise inequality above socially accepted levels. Piketty's work has therefore had a significant impact on policy debates around the world. His call for a more progressive tax system has been echoed by policymakers on both sides of the political spectrum, and his work has also highlighted the importance of policies that promote social mobility, such as investments in education and training. So, Thomas Piketty has not only brought distribution and inequality back at the center of economics, but he has also put politics into the spotlight. To say it in his own words: "Politics is ubiquitous and [...] economic and political changes are inextricably intertwined and must be studied together."

"Politics is ubiquitous and [...] economic and political changes are inextricably intertwined and must be studied together."

Thomas Piketty, *Capital in the Twenty-First Century*

Let me conclude. Thomas Piketty is a visionary economist who has transformed our understanding of inequality and the distributions of wealth and income, as well as their impact on society. He has become a leading voice in the fight for a more just and equitable society. His research and writings have had a significant impact on the field of economics in the past, and his work will continue to shape our thinking about the principles and consequences of economic policies for decades to come. His contributions to the study of inequality have been recognized by the academic community and by policymakers as well, and he has

already received numerous awards and honors, including the Yrjö Jahnsson Award of the European Economic Association in 2013 or an honorary doctorate from the University of Johannesburg in 2015. And today, another entry is added to this list. The Faculty of Business, Economics, and Statistics is proud to award Professor Piketty the sixth Oskar Morgenstern Medal. Congratulations!

Congratulations!