

Chapter 10: The Meritocracy Problem That Isn't Meritocracy

"To be attached to the subdivision, to love the little platoon we belong to in society, is the first principle (the germ as it were) of public affections."

— **Edmund Burke**, *Reflections on the Revolution in France* (1790)

Few words have fallen so quickly from promise to accusation as *meritocracy*. Once a term of aspiration, it now circulates as a synonym for hypocrisy, cruelty, and exclusion. It is blamed for inequality, alienation, resentment, and the moral exhaustion of modern life. The charge sheet is long: meritocracy humiliates the unsuccessful, flatters the fortunate, sanctifies privilege, and disguises inherited advantage as earned desert.

And yet this indictment contains a profound misidentification of the culprit.

The problem is not merit. The problem is not the belief that effort, competence, and contribution should matter. The problem is not that societies attempt—imperfectly, unevenly, and often clumsily—to reward skill and responsibility. The problem is that the institutions claiming to reward merit have increasingly ceased to do so. The ladder still bears the sign “meritocracy,” but the rungs have been quietly removed, the entry gates locked, and the ascent reserved for those already inside the walls.⁴¹

Meritocracy becomes hated not when it functions, but when it is falsified. When access is rigged, when credentials replace competence, when networks close, when regulation becomes protection, when scarcity is engineered, and when privilege is laundered through procedure, people do not rebel against excellence. They rebel against fraud.

This chapter argues that the contemporary crisis attributed to meritocracy is, in fact, a crisis of access. The rage directed at merit is misdirected anger at closure. The moral language of equality has been deployed to obscure the mechanical reality of capture. And the result is a

⁴¹ **Chetty et al. (2014/2017)**, *The Fading American Dream*. Raj Chetty's defining work on absolute income mobility. It shows that the probability of a child earning more than their parents (at age 30) fell from ~90% for children born in 1940 to ~50% for children born in the 1980s. This empirical collapse of the "ladder" fuels the meritocracy backlash.

politics that attacks ladders rather than rebuilding them—flattening outcomes while leaving entry unchanged.

I. What meritocracy was meant to do

At its core, meritocracy is not a moral theory. It is an allocation mechanism. It is an attempt—always partial, always corrigible—to align rewards with contribution rather than birth, tribe, or favour. It is a rejection of aristocracy by blood and a rejection of caste by fiat.

Meritocracy does not promise fairness in outcomes. It promises contestability of position. It asserts that status should be *earned* through some combination of effort, skill, judgment, and responsibility, rather than assigned through lineage or political favour.

This promise was never absolute. Every society has frictions, biases, and inherited advantages. But the direction mattered. A society that widens access, lowers barriers, and rewards competence can tolerate inequality because inequality is seen as provisional, contestable, and reversible. People accept that some rise higher if they believe the race is real.

Meritocracy fails not when outcomes differ, but when outcomes become fixed.

II. The psychological bargain of merit

Meritocracy rests on a tacit psychological contract.

For those who succeed, it offers conditional legitimacy: your success is tolerated because it is presumed earned and replicable. For those who fail or fall behind, it offers dignity in effort: even if you did not win, the rules were not stacked, and improvement remains possible.

Break this contract, and the entire structure collapses.

When people see that effort does not lead to advancement, they do not become humble. They become resentful. When people see that credentials substitute for competence, they do not respect expertise. They suspect it. When people see that networks are closed, they do not aspire. They disengage or radicalise.

This is why the legitimacy crisis attributed to “meritocracy” is in fact a legitimacy crisis of institutions that claim to be meritocratic while functioning as protection rackets.

III. Credential inflation: when signals replace substance

Credential inflation is one of the most corrosive forces undermining merit-based systems.

Originally, credentials served as signals: imperfect proxies for competence when direct evaluation was costly. Over time, as risk aversion increased and trust declined, credentials became substitutes for judgment rather than aids to it. Employers, institutions, and regulators outsourced evaluation to certificates, degrees, and formalised markers that could be audited rather than assessed.

The result is perverse.

Jobs that once required training now require degrees. Degrees that once indicated mastery now indicate endurance. Educational institutions respond by expanding administrative structures, diluting standards, and selling prestige rather than skill. Students accumulate debt not to gain competence, but to purchase eligibility.⁴²

This does not reward merit. It rewards compliance, resources, and time. It filters out the talented poor, the late bloomers, the unconventional, and the practically skilled. It narrows the pipeline while pretending to professionalise it.

Credential inflation does not make society smarter. It makes it more exclusionary—and more cynical.

IV. Closed networks and inherited advantage

Meritocracy assumes open competition. Closed networks destroy it.

In theory, networks transmit opportunity. In practice, when they harden into exclusive circles, they become gatekeeping mechanisms. Internships circulate through family ties. Jobs are filled through referrals that never reach the open market. Cultural fluency substitutes for capability. Accent, habit, and familiarity become sorting devices.⁴³

This is not new. What is new is the hypocrisy: the insistence that such systems represent merit rather than inherited advantage. Aristocracy at least acknowledged itself. The modern elite denies its own reproduction while perfecting it.

When access is closed, meritocracy becomes a performance staged after the casting is complete.

⁴² **Fuller et al. (2017)**, *Dismissed by Degrees*. Investigated "degree inflation" in 26 million job postings. Found that 67% of postings for production supervisors required a college degree, while only 16% of current supervisors had one. This proves the "gatekeeping" thesis: the job hasn't changed, the barrier has.

⁴³ **Rivera (2015)**, *Pedigree: How Elite Students Get Elite Jobs*. An ethnographic study of hiring in top-tier law and consulting firms. It found that hiring decisions were heavily biased toward "cultural fit" (hobbies, sports, shared background) and university prestige, effectively closing the network to high-competence candidates from lower-status backgrounds.

V. Regulatory capture and protected scarcity

Merit also depends on contestability at the level of enterprise.

Regulatory capture—the process by which industries shape rules to exclude competitors—undermines merit far more effectively than any philosophical critique. Zoning laws that inflate housing costs, licensing regimes that restrict entry, compliance burdens that crush small firms, and subsidies that entrench incumbents all function to freeze advantage.

These mechanisms are defended in the language of safety, quality, and stability. Sometimes these concerns are real. Often they are exaggerated. Almost always they are asymmetrically enforced.

Protected scarcity rewards those already positioned. It punishes innovation, experimentation, and entry. It converts markets into clubs.⁴⁴

A society that blocks enterprise while preaching merit invites contempt.

VI. Monopoly privilege and the illusion of competition

Monopoly privilege further erodes merit-based allocation.

When markets concentrate, rewards detach from contribution. Rent extraction replaces value creation. Political influence replaces entrepreneurial risk. The path to success runs through regulation rather than innovation.

People sense this instinctively. They may not articulate it in economic terms, but they recognise when the game is rigged. Their anger is not at wealth per se, but at wealth divorced from service.

The mistake of contemporary populism is to confuse this diagnosis with a condemnation of merit itself. The remedy is not to abandon merit, but to restore competition.

VII. Zoning, housing, and the geography of exclusion

Housing policy illustrates the meritocracy collapse with brutal clarity.

In many advanced societies, housing scarcity is not a natural condition but a regulatory one. Zoning restrictions, planning delays, and veto politics artificially limit supply in high-

⁴⁴ **Lindsey & Teles (2017)**, *The Captured Economy*. Argues that rising inequality is driven largely by "regressive regulation"—specifically occupational licensing, zoning, and IP laws—that protects high-income incumbents from competition, effectively creating a "moat" around the upper middle class.

opportunity areas. Prices rise. Entry becomes impossible for newcomers without capital or inheritance.

This has cascading effects.

Talented individuals cannot move to opportunity. Labour markets freeze. Families delay formation. Wealth inequality hardens across generations. The ladder is not merely missing rungs; it is geographically fenced.

When young people see that work will not buy proximity to opportunity, faith in merit erodes. They do not reject effort. They reject a system that converts effort into rent payments.

VIII. Meritocracy and dignity

One of the most potent critiques of meritocracy is that it humiliates those who do not succeed. This critique is only partially correct.

Meritocracy humiliates only when it lies.

A functioning merit system allows failure without disgrace because it preserves the possibility of improvement. A rigged system humiliates because it presents exclusion as personal inadequacy.

People can tolerate losing a fair contest. They cannot tolerate being told they lost a contest that never existed.

This is why the attack on merit often comes from those who sense—accurately—that the system is dishonest. Their anger is moral, not lazy.

IX. Burke’s “little platoons” and real merit

Burke’s insight about the “little platoon” reminds us that merit does not emerge in abstraction. It is cultivated in small, concrete institutions: families, workshops, congregations, associations, neighbourhoods. These are where habits are formed, skills learned, and character tested.

When these platoons weaken, merit becomes abstract and bureaucratic. It is measured by distant authorities rather than observed in lived cooperation. People are sorted by paper rather than reputation.

Restoring merit therefore requires strengthening the institutions that produce it. Education that teaches competence rather than credentialism. Workplaces that train rather than filter. Communities that transmit norms rather than outsource discipline.

Merit is not born in spreadsheets. It is grown in practice.

X. Why meritocracy becomes the scapegoat

Meritocracy becomes hated when it is asked to justify outcomes it did not produce.

Inequality generated by capture, scarcity, monopoly, and inheritance is rhetorically laundered through meritocratic language. When people see the mismatch, they attack the language rather than the mechanisms.

This is a mistake—but an understandable one.

The political danger is that attacking merit clears the path for systems that do not widen access but eliminate standards. Equality of outcome becomes the substitute for equality of opportunity. Levelling replaces mobility. The ladder is not rebuilt; it is denounced.

The result is not justice, but stagnation.

XI. The real alternative: widening entry

The genuine alternative to a corrupted meritocracy is not anti-merit. It is open merit.

Open merit requires:

- lowering artificial barriers to entry,
- dismantling credential inflation,
- restoring competition,
- simplifying legal access to enterprise,
- expanding housing supply near opportunity,
- rewarding demonstrated competence over symbolic status,
- protecting voluntary institutions that cultivate skill and character.

These reforms are harder than slogans. They threaten incumbents. They lack theatrical villains. But they address the real problem.

A society does not become fair by denying excellence. It becomes fair by making excellence attainable.

XII. The lesson

Merit is not the enemy of justice. Fraud is.

When access is open, merit legitimises inequality. When access is closed, merit becomes a lie—and lies breed revolt. The task is not to abolish ladders, but to put them back where they belong.

The Lesson Line

Meritocracy fails not because merit matters, but because access does—and when access is rigged, merit becomes the mask of privilege rather than its remedy.

Chapter 10 Notes:

[1] The Crisis of Access (Mobility Collapse) Chetty et al., "The Fading American Dream: Trends in Absolute Income Mobility Since 1940," *Science* (2017). Raj Chetty's defining work on absolute income mobility. It shows that the probability of a child earning more than their parents (at age 30) fell from ~90% for children born in 1940 to ~50% for children born in the 1980s. This empirical collapse of the "ladder" fuels the meritocracy backlash.

[2] Credential Inflation (The Gatekeeper) Fuller et al., "Dismissed by Degrees," *Harvard Business School Publishing* (2017). Investigated "degree inflation" in 26 million job postings. Found that 67% of postings for production supervisors required a college degree, while only 16% of current supervisors had one. This proves the "gatekeeping" thesis: the job hasn't changed, the barrier has.

[3] Closed Networks (Elite Reproduction) Rivera, *Pedigree: How Elite Students Get Elite Jobs* (2015). An ethnographic study of hiring in top-tier law and consulting firms. It found that hiring decisions were heavily biased toward "cultural fit" (hobbies, sports, shared background) and university prestige, effectively closing the network to high-competence candidates from lower-status backgrounds.

[4] Regulatory Capture (The Merit Trap) Lindsey & Teles, *The Captured Economy* (2017). Argues that rising inequality is driven largely by "regressive regulation"—specifically occupational licensing, zoning, and intellectual property laws—that protects high-income incumbents from competition, effectively creating a "moat" around the upper middle class.

Governing Claim The "crisis of meritocracy" is not a crisis of the ideal itself, but a crisis of access. When institutions are rigged by credentialism, closed networks, and regulatory capture, meritocracy ceases to be an allocation mechanism and becomes a mask for privilege—provoking a rage that attacks the ladder rather than the locked gate.

The "Hazlitt" Examples (Primary)

1. Credential Inflation (The Paper Ceiling):

- o *Claim:* Raising degree requirements professionalises the workforce and ensures quality.
- o *Hidden Assumption:* A degree is a perfect proxy for competence and skill.
- o *Mechanism:* Employers use degrees as lazy filters for jobs that do not require them. This locks out the talented poor who have the skill but not the paper, turning education into an expensive toll booth rather than a training ground.
- o *Lesson:* Credentialism does not make society smarter; it makes it more exclusionary by replacing competence with eligibility.

2. Regulatory Capture (Protected Scarcity):

- o *Claim:* Complex regulations ensure fairness and safety in the market.
- o *Hidden Assumption:* Regulators are neutral arbiters who cannot be influenced by incumbents.
- o *Mechanism:* Incumbents help write rules that are expensive to comply with, creating a "moat" that protects them from new competitors. Success becomes a function of political influence rather than customer service.
- o *Lesson:* Protected scarcity rewards those already positioned and punishes innovation; it converts markets into clubs.

3. Zoning and Housing (The Geography of Exclusion):

- o *Claim:* Planning laws protect community character and property values.
- o *Hidden Assumption:* The cost of exclusion is zero or borne only by "outsiders" who don't matter.

- o *Mechanism:* Artificial scarcity drives up prices in high-opportunity areas, preventing talented people from moving to where their skills are most valuable. The ladder is geographically fenced.
- o *Lesson:* When young people see that work cannot buy proximity to opportunity, faith in merit collapses not because they hate effort, but because the system blocks it.

Part IV — Taxation, Capital, and the Wealth-Tax Illusion

"The government can only take to give if it first takes from the creators of wealth. But when the taking becomes confiscatory, the creators stop creating."

— **Ludwig von Mises**, *Human Action* (1949)