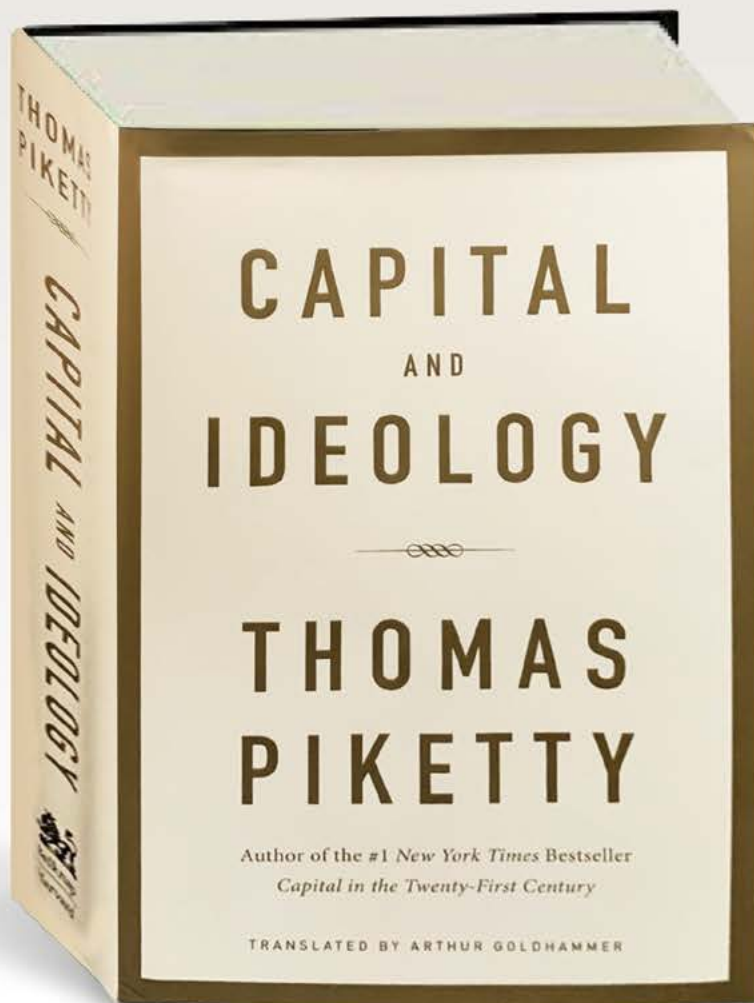


READING PIKETTY I

A CONCISE AND
COMPREHENSIVE
SUMMARY OF
CAPITAL AND IDEOLOGY



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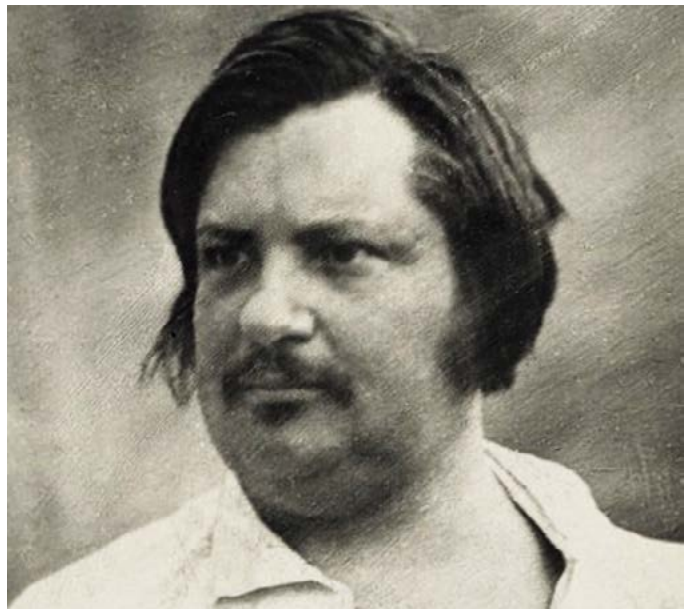
INTRODUCTION

Thomas Piketty's *Capital and Ideology* is a monumental piece of work. In this sprawling book, one of today's most distinguished economists deploys his formidable analytical skills and wealth of global data in pursuit of the following objectives:

1. to continue his statistical and theoretical explorations of the different dimensions of contemporary inequality in western societies that he began in *Capital in the 21st Century*;
2. to engage in a comparative and historical analysis of selected "inequality regimes," drawing not only from the West but from Eastern Europe and Russia and from societies of the global South such as India, China, Haiti, Algeria, and Iran;
3. to examine the way ideologies justifying inequality or challenging it combine with "switch points" to create the conditions for transforming inequality regimes; and,
4. to offer elements for putting together a program of "participatory socialism" as an alternative to the current regime of "hypercapitalism" or "neoproprietarianism."

Capital and Ideology makes for deeply rewarding reading but only if you follow the author's warning not to skip over 965 pages and simply read the final chapters. To those looking for a pithy summary formula like the famous $r > g$ (annual rate of return on capital is greater than the rate of growth of the economy) in his earlier book, *Capital in the 21st Century*, be forewarned: there is none here.

Capital and Ideology is not, however, an imaginative work of fiction like Tolstoy's *War and Peace* or *Anna Karenina* that sweeps you off your feet. Someone made the claim that Piketty's earlier book had the distinction of being the world's "most unread bestseller." This was certainly made in jest, but it had a grain of truth: *Capital in the 20th Century* might have been lucidly written but almost every one of its 577 pages of text was weighty. Now comes *Capitalism and Ideology*, and working one's way through its 1041 insightful but ponderous pages is something that only a very small number of readers would dare, most of them academic specialists in socio-economic inequality. It is for the vast majority of people who need to read Piketty but do not have the time or energy to slog through over



For Piketty, valuable insights into past and present inequality regimes are found in the works of acclaimed authors such as Jane Austen, Honore de Balzac, Promoedya Ananta Toer, and Chimananda Ngozi Adiche (*Wikimedia Commons and Wikipedia*)

a thousand pages that I have prepared this summary, knowing full well that I am doing

an injustice to the richness of the data and analysis that Piketty has brought together.

So let me make this point loud and clear at the outset. There is no substitute for reading *Capital and Ideology* directly and in full, and I would consider it the biggest accomplishment of this summary if it were to nudge a significant number of its readers to read and grapple with Piketty directly.¹ It is for purposes of direct verification and follow-on reading that after all quotes from the book, I have placed the page numbers of the excellent English translation by Arthur Goldhammer published by Harvard University Press edition.²

Another point to stress before we begin. Part I of *Reading Piketty* is a straight summary, with very little critical commentary, and what there is of the latter serves mainly to point to an omission on the part of Piketty or to strengthen an observation or argument he makes. Unfortunately, many people's acquaintance with Piketty comes from their reading critiques of his work made by others, so that it comes colored with the interpretations of the latter. And it is also unfortunate that much critical response to Piketty turns on the question of whether he is or is not a Marxist. The fact is that whether or not Piketty is a Marxist, he has a number of good insights into past and present social inequality systems—ideas that may become inaccessible to people who do not read him directly but have preconceived notions derived from critical commentaries of his work by Marxologists. Part II of *Reading Piketty* will be devoted to our critique of his oeuvre, but so as not to contribute to the dangers of second-hand “familiarity” with Piketty, this will be released several weeks after Part 1.

Finally, a note on Piketty's methodology. He is not the first to point to many of the phenomena or developments he deals with in the book, and

indeed, he is careful to cite the works that have influenced him. His originality lies in the way he buttresses observations made by others with statistical data whenever these are available, then makes further theoretical explorations in directions suggested by the data.

Lack of quantifiable data does not deter Piketty from exploring social relationships, especially when it comes to inequality regimes in the past or those aspects of contemporary regimes for which statistics are either unavailable or unreliable. His guides in such uncharted or ill charted territory become the observations of the great novelists of manners or social novelists such as Jane Austen, Honoré de Balzac, and Émile Zola, and more recent celebrated writers such Pramoedya Ananta Toer, Carlos Fuentes, Chimamanda Ngozi Adichie, and Yu Hua.

Speaking of Austen and Balzac, in particular, Piketty makes the observation that when it comes to offering insights into the “deep structure of inequality—how it was justified, how it impinged on the lives of individuals,” great writers have done so “with an evocative power that no political speech or social scientific treatise can rival.” (15) Further, while they possessed “intimate knowledge of their era's hierarchy of wealth and lifestyles” and “perfect mastery of the various forms of ownership and relations of power and domination,” it is these novelists' “ability not to make heroes of their characters, whom they neither condemn nor glorify [that] enables them to convey both their complexity and humanity.” (171) In other words, their art is, in Piketty's opinion, credible and resonant partly owing to their attempting an attitude of detached observation akin to that of the social scientist.

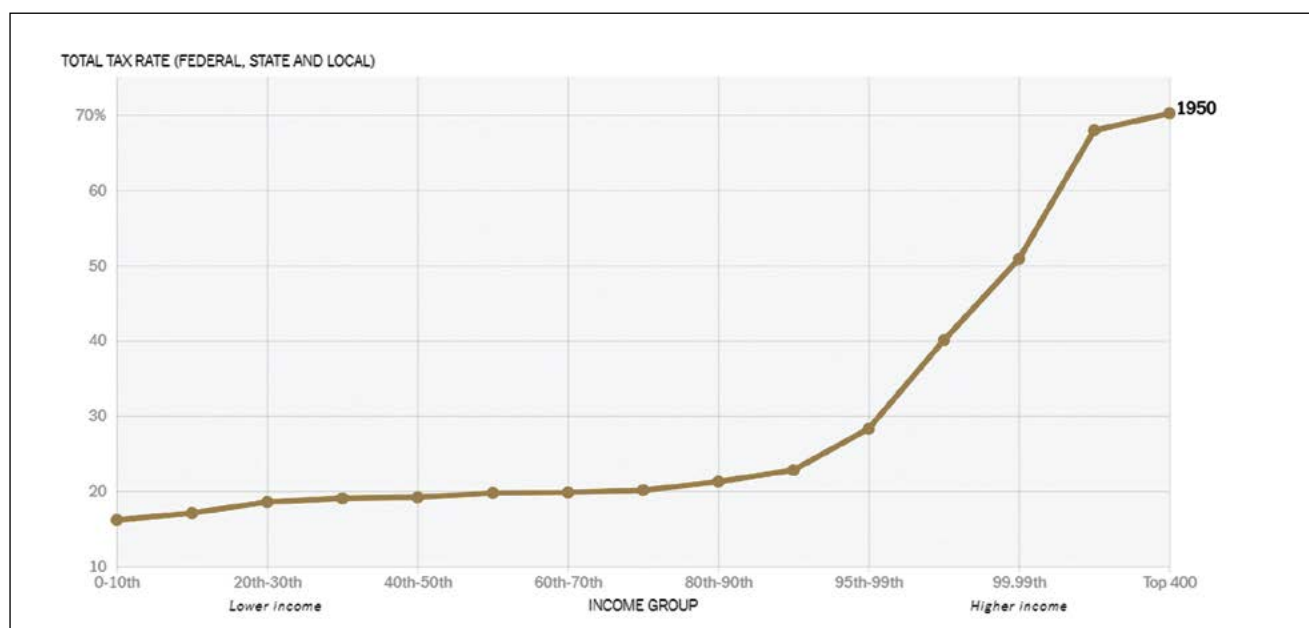
TRANSFORMATION OF INEQUALITY REGIMES IN THE WEST

In *Capital and Ideology*, Piketty reprises and adds more detail to some of the key findings of his earlier book. Among these is the sharp rise in inequality in Europe and the United States in the period since 1980, with the US being worst in this regard:

{I} want to stress that the word “collapse” [in the case of the US] is no exaggeration. The bottom 50 per cent of the income distribution claimed around 20 per cent

of national income from 1960 to 1980; but that share has been divided almost in half, falling to just 12 per cent in 2010-2015. The top centile’s share has moved in the opposite direction, from barely 11 per cent to more than 20 per cent. (523)

Expressed in constant 2015 dollars, the ratio of the average income of the top one per cent to that of the lowest 50 per cent went from roughly



The rich were subjected to vastly higher tax rates than the middle class or the poor during the heyday of progressive taxation in the first decades after the Second World War. (Graph from New York Times, <https://www.nytimes.com/interactive/2019/10/06/opinion/income-tax-rate-wealthy.html>)

\$400,000 a year to \$15,000 in 1980 to \$1.3 million to \$15,000 in 2015, or from 25 times more to more than 80 times more. In fact, before taxes and transfers, the average income of the bottom 50 per cent has remained roughly the same since the late 1960's.

The Crisis of the Early 20th Century Inequality Regime in the West

Another important theme of the earlier book that Piketty takes up is why significant redistribution of wealth and income took place in the period 1914 to 1980. While in *Capitalism in the 21st Century*, he dwelt mainly on the causes of this in wars and revolutions, in *Capital and Ideology* he focuses on the mechanisms through which redistribution took place in the leading capitalist countries. These were progressive income taxes, progressive inheritance taxes, and progressive educational policies. The regimes that undertook these reforms Piketty calls “social democratic societies” led by “fiscal social states.” The fiscal reforms varied in their progressivity among the western societies, but, contrary to common unfavorable comparisons of the US to most European social democracies of the period 1932-1980, income and inheritance taxes were more steeply progressive in the US than in Europe (with the exception of Britain), with the top marginal rate applicable to the highest incomes being 81 per cent and top marginal rate applicable to the highest inheritances being 75 per cent. The combination of relatively steep progressivity in income and inheritance taxes and relatively less generous (in relation to Western Europe) social programs, such as health insurance, prompts Piketty to call the “New Deal” regime that reigned in the US from the 1930's to the late sixties as “a bargain-basement social democracy.”

Nationalization, usually considered the trade mark of social democracy, was not as important a mechanism for wealth redistribution during this period in Europe—and certainly not in the US where it was anathema. However, “co-determination” or workers’ participation in management, consisting of filling a third to half of the seats in the boards of directors of the largest firms in Germany, Sweden, Denmark, and Norway, enjoyed a limited success, being responsible for producing “a high standard of living, high productivity, and moderate inequality.” (501). Piketty proposes a number of reasons why other European social democracies failed to adopt the co-management model when it was so close at hand, but the main one, he feels, is the fixation on nationalization—that is, that “both French Socialists and British Laborites long believed that nationalization and state ownership of large firms was the only way to truly alter the balance of power and move beyond capitalism.” (504)

Looking at the dynamics that led to the crisis of what he terms “ownership societies” and the emergence social democratic societies that effected a significant redistribution of income and wealth in the period 1932 to 1980 is important for Piketty because this might provide the key to the dynamics or confluence of factors that led to the reemergence of ownership societies with “hyperconcentrated wealth” justified by the ideology of neoliberalism or “neoproprietary ideology” post-1980. And this, in turn, might suggest a possible combination of factors that could lead to a break with the latter.

In the case of the transition from the 19th century ownership regimes to the 20th century social democratic societies, wars and revolutionary strife, both of which stemmed fundamentally



Statue of Lenin and other Soviet era sculptures parked in a park near Moscow are reminders of the collapse of state-centered socialism in the last decade of the 20th century. (*Creative Commons*)

from popular protest against an extremely unequal ownership regime, were critical. But also of vital importance was the role of ideology or “a set of a priori plausible ideas and discourses describing how society should be structured.” (3) Here Piketty refers to the ideologies of socialism, communism, and decolonization that provided a formidable challenge to the existing proprietary or capitalist order from the late 19th century on. In this conjunction of events and ideas, he emphasizes the priority of the ideological offensive from the left:

In both Europe and the United States, the compression of inequality in the

period 1914-1970 can be explained by legal, social, and fiscal changes hastened by two world wars, the Bolshevik Revolution of 1917, and the Great Depression of 1929. In an intellectual and political sense, however, those changes were already underway by the end of the 19th century, and it is reasonable to think that they would have occurred in one form or another even if those crises had not occurred. Historical change takes place when evolving ideas confront the logic of events; neither has much effect without the other. (30)

The impact of wars, internal crises, and potent ideological challenges in the period 1914 to 1970 did bring about really significant changes in the distribution of income in western societies. But Piketty has an important qualification: the beneficiaries were those in the middle of the income scale:

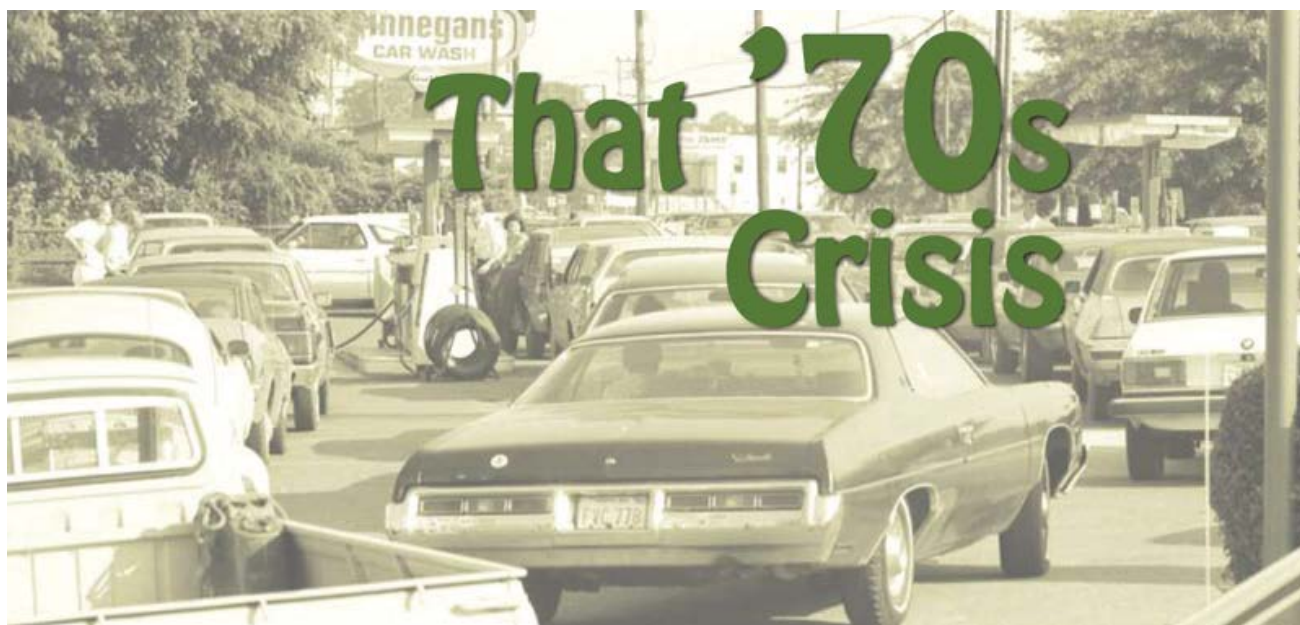
[T]his profound transformation has not benefited the “lower classes” (the bottom 50 per cent), whose share remains quite limited. The benefits have gone almost exclusively to...the “patrimonial (or property-owning) middle class,” by which I mean the middle of the distribution, between the poorest 50 per cent and the wealthiest 10 per cent, whose share of total wealth was less than 50 per cent in the nineteenth century and stands at around 40 per cent today. The emergence of this “middle class” of owners, who individually are not very rich but collectively over the course

of the twentieth century acquired wealth greater than that of the top centile [one percent]...was a social, economic, and political transformation of fundamental importance. (129)

The Crisis of Reformed Capitalism in the Late 20th and Early 21st Centuries

What constituted the equivalent of the fusion of crises and ideas that brought an end to the credibility of ideologies of egalitarianism in the late 20th century and early 21st century?

The collapse of the socialist experiment in the Soviet Union and Eastern Europe is a central part of the story. The constriction of the horizon of creative imagining of alternative futures created by this catastrophe must not be underestimated, says Piketty:



The crisis of Keynesian capitalism in the US and Europe in the 1970's led to the rise of neoliberal ideology that promoted a redistribution of income from the middle class and the poor to the rich. (*Dollars and Sense*)

Soviet Communism was based on the complete elimination of private property and its replacement by comprehensive state ownership. In practice, this challenge to the ideology of private property ultimately reinforced it. The dramatic failure of the Communist experiment in the Soviet Union (1917-1991) was one of the most potent factors contributing to the return of economic liberalism since 1980-1990 and to the development of new forms of sacralization of private property. (578)

The Soviet failure and its equally disastrous aftermath of unrestrained oligarchic capitalism “inspired a new kind of disillusionment, a pervasive doubt about the very possibility of a just economy which encourages identitarian disengagement.” (578)

Though Piketty focuses his record of ideological disenchantment and radical policy reversal mainly on Eastern Europe and the West, the impact of the socialist collapse also severely undercut the appeal of socialism of both the Marxist-Leninist variety and that of reformist Social Democracy as a vision for the future in the global South. This ideological crisis of the left severely weakened the resistance of civil society to the structural adjustment programs imposed by the World Bank and the International Monetary Fund from the early eighties on.

The collapse of Soviet Communism was important in explaining the strength of the ideological offensive of neoliberalism. The focus of Piketty’s analysis is, however, on the ideological retreat of social democracy. Surprisingly, he hardly mentions the underlying cause of this retreat: the crisis of the Keynesian

social democratic economy that manifested itself in the simultaneous rise of inflation and unemployment in the 1970’s, which was not supposed to take place according to the ruling Keynesian orthodoxy. Though Piketty hardly takes it up, the crisis of the 1970’s was both a real crisis and an ideological crisis, and one that devastated the hegemony of Keynesianism, which had effectively served as the ideology of Social Democracy in place of Marxism. The depth of this crisis was expressed by then British Prime Minister James Callaghan at a Labor Party Conference in 1976:

We used to think that you could spend your way out of a recession by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists, and in so far as it did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation in the economy, followed by a higher level of unemployment as the next step.³

Callaghan’s words expressed Social Democracy’s painful retreat—some would say surrender—before the forces of neoliberalism that had been chomping at the bit to acquire and use state power to reverse redistributionist policies. The counterrevolution was launched in earnest in the US and Britain by Ronald Reagan and Margaret Thatcher in the early 1980’s. Piketty notes that neoliberalism’s tenet that egalitarian distribution of income was a barrier to the rise in economic productivity was not supported by research, but he admits this was only in retrospect. Meantime, the “Clinton and Obama administrations basically validated and perpetuated the basic thrust of policy under Reagan...because both Democratic

presidents, who lacked the hindsight we have today, were partly convinced by the Reagan narrative.” (835)

The Social Democrats’ failure to develop a counter-narrative to neoliberalism—indeed, their being “partly convinced” by it—was a key factor in the latter becoming so supremely hegemonic. The Social Democratic failure to develop a counter-narrative to neoliberalism—indeed, its “partial acceptance” of it—was a key factor in the latter’s becoming so supremely hegemonic. That was not, however, the whole story. The power of Piketty’s analysis lies in his tying in the mainstream left’s ideological retreat to changes in the class interests of the voting base of the Social Democratic parties, in particular the Socialist Party in France, the Labor Party in Britain, and the Democratic Party in the US.

Correlating income levels with voting behavior reveals a major transformation in the voting base of the social democratic parties: in the post-war years, the people who voted for the left were likely to be the less well-educated wage and salary workers, but over the last half century a greater and greater proportion of their voting base was people with higher levels of education, including managers and people in the intellectual professions. Paradoxically, this transformation owed itself partly to the fact that many of those who benefited from the opening up of educational opportunities at the university and post-graduate levels felt “grateful to the parties of the left, which always stressed the importance of education as a means to emancipation and social advancement.” (755)

The unforeseen result, however, was that these parties were increasingly regarded by

less well-educated working-class people as no longer representing their interests but those of the better educated who belonged to the professional middle classes, leading the former to feel abandoned and ripe for recruitment by other forces, like those with nativist “identitarian” agenda. In the United States in particular, the Democratic Party became the party of the educated in a country where the university system was highly inegalitarian and stratified, with few opportunities for the children of the disadvantaged to gain access to elite universities.

There was a further momentous development: the increasing acceptance of the neoliberal fiscal and social agenda by the influential educated sectors of the Democratic Party “who may have found the turn to less redistributive policies personally advantageous.” (835) The upshot was that “the ‘Brahmin left,’ which is what the Democratic Party had become by the period 1990-2010, basically shared common interests with the ‘merchant right’ that had ruled under Reagan and George H.W. Bush.” (835)

Piketty’s hypothesis appears to find further confirmation in the 2020 US elections, which took place after the book was written. Trump’s attributing his defeat to Big Tech and Wall Street was a wild conspiracy theory but there was a grain of truth in his ravings: winning candidate Joe Biden and his party, in fact, enjoyed significant support, both material and ideological, from the highly educated Silicon Valley elite and the highly educated Wall Street elite and the technocratic professional classes as a whole. This was the force that enabled Biden to leave Trump in the dust in terms of fundraising throughout the campaign.⁴

COMPARATIVE EVOLUTION OF TRADITIONAL SOCIETIES⁵

Understanding the dynamics of most of today's inequality regimes, says Piketty, necessitates understanding their historical evolution from a common matrix that he terms the "ternary" or "trifunctional" society, the ideological logic of which was the "function" that each of three social groups performed in enabling a community to survive and reproduce itself. (Piketty does not use the term "pre-capitalist" to cover such ternary societies in both the West and elsewhere, so I shall take the liberty of using "traditional" as a synonym for them.)

19th Century Europe: From Ternary Society to Ownership Society

In its incarnation in the European "middle ages," the ternary inequality regime was composed of the clergy that supposedly provided spiritual leadership, the nobility that supposedly provided security, and the common people or peasants that did the work, the greater part of the fruit of which was appropriated by the other two estates. Control of property was integrally bound up with control of people ("regalian rights").

The great break with the European ternary regime was triggered mainly by the French Revolution of 1789 which separated control of property from control of people, with the former evolving into private property, which was the consolidation of different rights to control of land that had been exercised by the nobility and clergy, and control of people devolving to the transformed central state produced by the revolution. Expropriation of a large part of the land of the nobility and clergy produced a lessening of inequality in the control of land in the immediate aftermath of the revolution, while the central state assumed monopoly of the exercise of force, enforcement of the law, and dispensation of justice, and also engaged in the provision of elementary social welfare along with the Church.

Piketty engages in a rich discussion of the different variants of this process in France, England, Ireland, and the Scandinavian countries, but in all these countries, the end result was the emergence of an ownership society that "sacralized" private property and legitimized it with a "proprietary ideology." This sought to establish and legitimize the

rights of the new, more diverse propertied elite not only to land but to new, emerging, mobile, and exchangeable forms of property such as investment, stocks, and bonds. While inequality lessened slightly in France in the immediate aftermath of the French Revolution, it worsened in the course of the nineteenth century, becoming especially acute during the so-called *Belle Époque* (1880-1914), contrary to popular impressions about the more egalitarian character of post-revolutionary society.

It was during the *Belle Époque* that capitalism became the dominant economic system. Viewing it from the perspective of the evolution of private property rather than that of the means

of production, which was Marx's focus, Piketty sees capitalism as a "historical movement that seeks constantly to expand the limits of private property and asset accumulation beyond the traditional forms of ownership and existing state boundaries." (154).

Emphasizing the role of ideology, Piketty says that capitalism might be said to be an outgrowth of proprietorship, which originally legitimized traditional forms of property holding, largely landed property. Proprietorship, however, facilitated a societal logic of creation and accumulation of new "forms" of material and immaterial property. This process, in turn, called forth the development of an increasingly



Contrary to popular impression, inequality during the so-called *Belle Époque* in Europe was greater than in the immediate aftermath of the French Revolution (*Wikimedia Commons*)

sophisticated and trans-territorial legal system, which codified the traditional and new forms “so as to protect ownership claims as long as possible while concealing those activities from those who might wish to challenge those claims...as well as from states and national courts.” (154)

Pre-Independence India: A “Quarternary” Society

There are a number of other traditional societies that Piketty deals with, specifically pre-British and British India, pre-20th century China, and Shiite Iran. We shall focus on his analysis of India and China. If in western Europe, elite rule in prior to the emergence of the ownership society rested jointly with the nobility and the clergy, in India, the Brahmins, who functioned as an ideological elite, were clearly dominant. They were on the top of a quarternary inequality regime (in contrast to the European ternary system), with them and the three other *varnas* or social groups that were idealized in the ancient canonical Manusmriti, or Code of Laws of Manu, having a functional relationship to one another:

Brahmins functioned as priests, scholars, and men of letters; Kshatriyas were warriors responsible for maintaining order and providing security for the community; Vaishyas were farmers, herders, craftsmen and merchants; and Shudras were the lowest level of workers, whose only mission was to serve the three other classes. (312)

In practice, there were thousands of *jatis* or occupational or cultural micro-groups throughout India, that the Brahmin elite tried

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to organize hierarchically into the four varnas for purposes of stable rule. While this process enjoyed some success, it was neither total nor lasting. In practice, the inequality regime evolved constantly as the balance of power shifted among social groups in the context of rapid economic, demographic, and territorial development accompanied by the emergence of new commercial and financial elites.

What froze social categories were the censuses conducted by the British when the Crown took over control of the subcontinent from the British East India Company in the mid-19th century. These censuses were conducted to provide social handles to enable the British to rule more effectively by identifying which groups could be relied on to fill administrative

posts, serve in the military, and provide taxes. Thousands of *jatis* across India were then pigeonholed into the four classical *varnas*. Thus, they classified every local group they believed to be related to the Brahmins under the head “Brahmin.” Frequently bearing little relation to actual social identities, “the policy of assigning identities disrupted existing social structures and in many cases solidified once-flexible boundaries between groups, thus fostering new antagonisms and tensions.” (341)

There was a double movement to this process. Social categorization for colonial administrative purposes impacted on actual social relations, materially disorganizing and reorganizing them. Then this material reorganization became the basis for the Orientalist ideology that was used to advance the “progressive” character of colonialism. Following Edward Said,⁶ Piketty writes that Orientalism was based on the refusal to historicize “oriental” societies, insisting on “essentializing” them and depicting them as frozen in time, eternally flawed, and structurally incapable of governing themselves. Orientalism “yielded scholarship and knowledge along with specific ways of looking at remote societies, specific modes of knowledge that for a long time explicitly served the political purposes of colonial domination....” (330)

In sum, we can say that the major contribution of Piketty’s analysis of the “caste system” in India, pieced together from a number of sources, is how it painstakingly reveals the mutually reinforcing effects of real developments and ideological conceptualization in the creation and transformation of social structures.

Traditional China: Convergence with and Divergence from the West

In contrast to India and much like the West, traditional China was a ternary society. Also in contrast to pre-colonial India, where the Brahmin scholarly/administrative elite was for the most part dominant in the ruling circles of various kingdoms, the Chinese inequality regime “relied on a complex and evolving relationship of compromise and competition between literary and warrior elites; the former did not dominate the latter.” (392) Having said that, the literati or Mandarins, the warrior elites, and the landlords, Piketty claims, “overlapped to a degree: the literary and administrative elites were also landowners who collected rents from the rest of the population just as the warrior elites did, and there were many alliances among these groups.” (396)

Much of Piketty’s discussion of traditional China is sidetracked into the once raging academic discussion about why Europe and China’s economic trajectories diverged from the 15th century on, with Europe embarking on overseas expansion and China not only refraining from it but eventually becoming besieged by the western powers. Piketty follows Kenneth Pomeranz⁷ in attributing the “Great Divergence” to two things: 1) deforestation and the discovery of coal deposits in Europe, which enabled the switch to a new energy source that facilitated technological innovation; and 2) interstate wars among European kingdoms gave rise to powerful centralized European states that effectively taxed their populations to support the development of both military and financial innovations, and, as a spinoff from these technologies, the formidable coercive



Superior western military force forged in rampant inter-state conflicts among European states was one of the key factors that led to the collapse of the Qing Dynasty in China. (*Wikipedia*)

power that enabled the European states in the eighteenth and nineteenth to organize the international division of labor. Military power enabled the creation of trade routes that linked Europe, Africa, and Asia, and literally battered down Chinese walls against European exports.⁸

It is not surprising that, given his preoccupation with levels of taxation and the transformation of inequality regimes, Piketty's contribution to this scholarship is his observations on the relationship between state strength and taxation. Despite the long reach of its imperial power, China was a weak state relative to the European states knocking at its door. Taxes came to barely 1-2 per cent of national income in China, compared to 6-8 per cent in Europe during the

eighteenth century, and even that high level of taxation did not satisfy Europe's states, who borrowed from financial elites to support their continental rivalries and international expansion. Piketty makes the provocative observation that "the imperial Chinese state utterly lacked the means to be despotic." (390). It was a weakly centralized state, incapable of autonomously maintaining public order and securing property rights throughout the territory that was theoretically under its control and having to rely on local landed and warlord elites to perform these tasks. In any event, the weak Chinese state could hardly cope with the joint challenge of a massive internal revolt, the Taiping Rebellion, and the European powers in the second half of the 19th century.

SLAVE AND COLONIAL SOCIETIES

The drive of European societies to global domination beginning in the 15th century was based partly on the tremendous profits derived from the creation of slave societies or economies in the Americas that were provisioned with slaves brought over from Africa. Here Piketty adopts Moses Finley's distinction between "societies with slaves," where there were slaves but they did not play a major role in the economy and "slave societies," where slaves served as the central pillar in the structure of production and power and made up a significant part of the population.⁹ The plantation economies of the Americas were clearly on the second type.

Slave Societies as the Most Unequal in History

Slave societies such as Saint-Domingue (Haiti) in the Americas were the most unequal in history, with the top decile accounting for 70 to 80 per cent of total income. And they were very profitable. Piketty estimates that in the 1780's, seven per cent of France's national income—three per cent from Haiti alone—was accounted for by profits from the slave system in the

Americas. In the case of the United Kingdom, the profits from the British slave islands were of the order of 4-5 per cent of national income.

As slavery became more and more morally repugnant and seen as competition with "free" wage labor associated with the spread of industrial capitalism, its abolition became a central political issue in France, the United Kingdom, and the United States. Owing to the sacralization of private property, compensation for slaveowners became a central concern, while hardly any thought was paid to compensation for those who had been slaves.

The compensation of slaveowners had fateful consequences for Haiti, which, threatened with the possibility of being retaken by force after it had won independence during the French Revolution, agreed to pay slaveowners 150 million gold francs for the loss of their slaves and properties in 1825. At the time, 150 million gold francs came to 300 per cent of Haiti's national income, or three years of production. French creditors managed to extract an average of five per cent of Haiti's national income from 1849 to 1915, and the debt was not officially repaid and

wiped from the books till the early 1950's. The tragic consequences this deal imposed on Haiti are underlined by Piketty: "For more than a century, from 1825 to 1950, the price that France insisted Haiti pay for its freedom had one main consequence: namely, that the island's economic and political development was subordinated to the question of indemnity..." (219)

When it came to the United States, both the South and the North knew that Lincoln's pre-Civil War proposal of slow emancipation with compensation was unworkable since it would have bankrupted the country were it based on the market value of slaves in 1860, which

could have come to 100 per cent of national income or three or four times the cost of the eventual civil war that unfolded. Compensation of slaveowners was avoided as a result of the South's defeat in war, but it is surprising that Piketty does not bring up the fact that in place of compensation, the South was allowed the restoration of semi-slavery in the form of a "convict leasing" system that complemented a system of share tenancy and debt peonage that became the dominant mode of production of the Southern economy after Reconstruction. Convict leasing was a system of ensnaring Blacks so they could be convicted of crimes that would allow states throughout the South



Piketty supports the payment of reparations to descendants of former slaves in Haiti, who overthrew slavery while the Revolution raged in France. (Wikimedia Commons)

to lease them as unpaid slave labor, a practice that was sanctioned by a legal loophole in the same constitutional amendment that outlawed slavery. It is worthwhile quoting Ian Haney Lopez here to fill the analytical space left vacant by Piketty:

Convict leasing recreated a facsimile of slavery directly, with convict laborers held and exploited under the terror of the lash in fields, factories, and mines. But it also reconstituted pre-Civil War racial stratification by undergirding the rise of debt peonage and sharecropping across the rural South. The system's ubiquity and caprice assured that virtually no African American man was safe unless under the protection and control of a white landowner or employer. If you wanted to be sure you would make it home from town—rather than being swept up, imprisoned under spurious charges, and sold into the convict leasing system—you needed the surety provided by a powerful white man. Blacks went into sharecropping, a relationship itself akin to slavery, partly because they needed white bosses to protect them from the lethal convict labor system. The mortal threat of convict leasing and the chain gang subjugated African Americans to an agricultural peonage system at least until the mid-1940's.¹⁰

As for compensation for former slaves, Piketty notes that while the proverbial "40 acres and a mule" by Northern occupation authorities was held out to Blacks and inspired hope in them, it quickly dissolved into nothingness when Southern whites took over control of state and

local governments throughout the South as federal troops left at the end of Reconstruction, leaving whites to manage their own affairs and abandoning African Americans to their tender mercies.

PIKETTY'S DATA MAKE CLEAR THAT THERE IS VERY LITTLE TRUTH TO THE REVISIONIST CLAIM BY IMPERIAL APOLOGISTS THAT COLONIALISM WAS MORE OF A BURDEN FOR THE COLONIZERS THEN THE COLONIZED, AN ABSURD THESIS THAT TOOK SERIOUSLY THE JOCULAR OBSERVATION OF SIR JOHN ROBERT SEELEY THAT THE BRITISH "SEEM, AS IT WERE, TO HAVE CONQUERED AND PEOPLED HALF THE WORLD IN A FIT OF ABSENCE OF MIND."

But, always the optimist—one of his disarming qualities—Piketty still holds out the possibility that compensation for African-Americans is not completely off the table: “Yet to judge by the indemnification of Japanese Americans, which American leaders resisted for decades, or that of French Jews whose property was confiscated during the war...it is quite possible that agitation around...outstanding slavery related issues will someday succeed and lead to reparations that seem unthinkable today.” (228)

Colonialism as a Profitable Enterprise

Piketty follows the standard rough division of the history of colonialism into two periods, the first period lasting from around 1500 to 1850, the second beginning in the period 1800 to 1850 and ending with decolonization in the 1960's. He touches on different aspects of colonial rule in non-settler colonies like Zambia, Indochina, and the Dutch East Indies and in settler-colonies in British America, Australia, New Zealand, and South Africa. He has nothing to add to progressive analysis of these societies except perhaps to provide estimates that confirm that colonialism was extremely profitable in both periods. The extractive colonialism of the first period, which was largely dependent on slavery, came to four to seven percent of national income, while the colonialism depending on the returns on capital investment in the colonies came to five to eight per cent.

What accounted for the greater profitability of colonialism in the second period? Piketty says that while extraction was brutal in the first period, the scale of the seemingly more acceptable method of capital accumulation

via profits of the second period ultimately dwarfed the first. Moreover, the result of capital accumulation in the second period was to allow France and Britain to run persistent trade deficits while accumulating claims on the rest of the world at an accelerated pace. In short,

the rest of the world labored to increase the consumption and standard of living of the colonial powers even as it became increasingly indebted to those powers. This situation is like that of a worker who must devote a large portion of his salary to pay rent to his landlord, which the landlord then uses to buy the rest of the building while leading a life of luxury compared to the family of the worker, which has only his wages to live on. This comparison may shock some readers (which I think would be healthy), but one must realize that the purpose of property is to increase the owner's ability to consume and accumulate in the future. Similarly, the purpose of accumulating foreign assets, whether from trade surpluses or colonial appropriations, is to be able to run subsequent trade deficits. This is the principle of all wealth accumulation, whether domestic or international. (284-285)

Piketty's data make clear that there is very little truth to the revisionist claim by imperial apologists that colonialism was more of a burden for the colonizers than the colonized, an absurd thesis that took seriously the jocular observation of Sir John Robert Seeley that the British “seem, as it were, to have conquered and peopled half the world in a fit of absence of mind.”

FROM COMMUNISM TO POST-COMMUNISM

Piketty studies the evolution of Communist regimes in Russia, China, and Eastern Europe but he repeats many of the same arguments of others about why they entered severe and, in the case of some, terminal crisis in the late 20th century. He does have one original insight though, and that relates to the psychology of an ideology in power. This is the “fear of the void,” which leads to the failure to know “when to stop” and the “sacralization” of the mode of ownership one advocates. Just as neoliberals have created destabilizing levels of inequality owing to their congenital ideological allergy to state ownership, so did the Communist regimes go overboard in their fear of private property or capitalist restoration. It is worth quoting Piketty *in extenso* here:

Criminalizing carters and food peddlers to the point of incarcerating them may seem absurd, but there was a certain logic to the policy. Most important was the fear of not knowing where to stop. If one began by authorizing private ownership of small businesses, would one be able to set limits? And if not, would this not lead step by step

to a revival of capitalism? Just as proprietary ideology rejected any attempt to challenge existing property rights for fear of opening Pandora’s box, twentieth century Soviet ideology refused to allow anything but strict state ownership lest private property find its way into some small crevice and end up infecting the whole system. Ultimately, every ideology is the victim of some form of sacralization—of private property in one case, of state property in another; and fear of the void always looms large. (591-592)

The Soviet Tragedy

Focusing on Soviet Russia, Piketty speculates that this fear of the void prevented consideration of more workable property regimes that could have addressed concerns about inequality while at the same time dissipating fears about loss of productivity and efficiency. Piketty has in mind the possibility that had they been more open to other experiences and acted at the right moment

or “switch point,” the Soviets could have avoided totalistic socialism and learned from progressive income taxation and Nordic and German co-determination or co-management models that were available from Western Europe in the mid-20th century. He admits, however, that this is a possibility that emerges only in hindsight. But there was an even bigger obstacle, and that lay at the level not of practical mechanisms to balance equality and productivity and but of ideology. One cannot reduce human needs to just a few basic ones that can be easily satisfied by a centralized

socialist state. There are many legitimate differences among individuals that the Soviet regime did not recognize, and the “only way such legitimate differences could be expressed and made to interact with one another would have been through decentralized organization. A centralized state could not do the job, not only because no state could ever gather enough relevant information about every individual but also because the mere attempt to do so would negatively affect the social process through which individuals come to know themselves.” (593-594)



Russian President Vladimir Putin with some of the Russian oligarchs who ended up controlling vast chunks of the Russian economy in the post-Soviet era. (*Creative Commons*)

The story of the collapse of communism, followed by IMF-imposed “shock therapy,” and the “fire sale” of Soviet assets that enterprising individuals who came to be known as “oligarchs” manipulated and channeled to their own hands is well known. Piketty’s contribution to this grim story of radical privatization is his arriving at the best estimates around for the level of inequality in Russia today. His research and that of his colleagues show that the top 10 per cent in the income scale increased its share of total income from just over 25 per cent in 1990, when communism collapsed, to 45-50 per cent in 2000. Even more dramatic was the rise in the income share of the top one per cent, which rose from barely five per cent to 25 per cent in 2000. While the income shares of the top centile and decile have probably declined since then, they are likely to remain extremely high, prompting Piketty to comment that Russia’s transition from a relatively low level of inequality in the Soviet period to extremely high inequality is “a transition without precedent anywhere else in the world.” (597)

The other contribution Piketty makes to understanding post-Soviet realities is his revelation that the systems of taxation and capital controls are extremely weak. There is no inheritance tax and, while there is an income tax, it is a proportional tax, with no progressivity at all. The rate is 13 per cent of income, whether one makes a thousand roubles or 100,000. As for capital controls, the operations of the system are opaque. However, using available foreign trade and official reserves data, Piketty estimates that the amount of Russian assets hidden in tax havens was between 70 to 110 per cent of national income in 2015, with an average estimated value of 90 per cent!

In one of the most vivid descriptions of how what is actually a racket passing itself off as a financial system operates, Piketty writes that

In fact, what has distinguished Russia in the period 2000-2020 is that the country’s wealth is largely in the hands of a small group of very wealthy individuals who either reside entirely in Russia or divide their time between Russia and London, Monaco, Paris, or Switzerland. Their wealth is for the most part hidden in screen corporations, trusts, and the like, ostensibly located in tax havens so as to escape future changes in Russia’s legal and tax systems. (598)

Yet this state of affairs is not solely a product of inefficiency or corruption on the Russian side. “Light touch” regulation promoted by neoliberal ideology governed both domestic and international financial systems. International treaties and agreements liberalized capital flows without instituting regulatory mechanisms or provisions for the exchange of information that would have addressed illegal practices and abuses. Even with this caveat about broadly shared responsibility, however, “Russian abuse of the system has attained unheard of proportions.” (599)

From Cultural Revolution to “Capitalism with Chinese Characteristics”

There are many key respects in which China’s experience of post-communist transition differed from that of Russia. One of them is that only 70 per cent of all property has been

privatized, leaving 30 per cent still owned by the state. This 30 per cent is enough for the state to steer the economy in whichever direction it wishes, especially since it continues to own 55 to 60 per cent of total capital in firms or in non-housing stock.

When it comes to inequality, however, China has seen a dramatic rise. From available estimates, China has seen a rise in inequality higher than Europe but lower than the United States, with the top 10 per cent cornering over 40 per cent of the wealth in 2020, compared to close to 50 per cent in the case of the US and less than 35 per cent in the case of Europe. When it comes to the share of total private wealth (as opposed to total income), the situation is perhaps even more serious, with the top 10 per cent's share rising from 40 to 50 per cent in the early 1990's to close to 70 per cent in the 2010's, a level close to that of the US.

With his hound's nose for income tax data unable to sniff out a trail, Piketty complains that "public information about the workings of the income tax system is even scarcer in China than in Russia, which is setting the bar quite low." (621). The situation is even worse when it comes to data on wealth since there is no inheritance tax in China. The implications of what he considers a grand anomaly are laid out by Piketty:

It is truly paradoxical that a country led by a communist party...could make such a choice. But now that two thirds of Chinese capital is in private hands, it is surprising that those who have benefited most from privatization and economic liberalization are allowed to pass all of their wealth on to their

children without any tax, even a minimal one. (621)

Given this situation, Piketty sarcastically suggests that an Asian billionaire who would like to pass on his fortune intact to his or her heirs should move to China—and that he is, indeed, being only half facetious is indicated by the fact that there are Taiwanese businesspeople who would favor integration of the Republic of China with the People's Republic solely for the purpose of avoiding an inheritance tax.

Piketty poses the question: What are "the limits of Chinese tolerance of inequality"? He suggests that there is not so much resentment at present owing to the possibility that people, and not least many of the current leaders of the People's Republic, are still reacting to the traumatic experience of the Cultural Revolution of the late sixties and seventies which was an often violent attempt to do away with the intergenerational transmission of wealth.

Perhaps a better explanation is one he does not entertain but many specialists on China do: that while inequality has grown, incomes have risen even faster. Average per capita income in China rose between 1988 and 2008 by 229 per cent, ten times the global average of 24 per cent and far ahead of rates for India and other developing Asian economies.¹¹ "For most of the past three decades, all boats have been rising," one analyst speculates, "and most people pay more attention to their own boat than the boats that have risen higher... They may, in short, have bought into Deng Xiaoping's motto early in the reform era that 'some people and regions should be allowed to prosper before others.'"¹²

SOCIAL NATIVISM AND THE FUTURE OF POLITICS

“Social nativism” is a movement that proposes redistributionist policies to the middle and lower classes but only to those with the “right” color, ethnicity, or culture.

Social Nativism in Europe and the US

There are many social nativist movements in Europe, but nowhere has social nativism been as successful in winning power and forging policy than in Hungary, with Viktor Orbán and his conservative nationalist Fidesz Party. Orbán has combined provocative anti-refugee, anti-Muslim, anti-Jewish, and anti-European Union propaganda with increased family benefits, subsidization of jobs aimed at putting the unemployed back to work, offering Hungarian entrepreneurs and companies government contracts in exchange for political loyalty, and flouting restrictive European Union budget and competition rules.

Piketty is skeptical of racial or ethnic differences being the main cause of the rise of nativist phenomena such as Orbán, Marine Le Pen

in France, Brexit, and Donald Trump. Rather he places as the central factor the increasing “Brahminization” of the parties of the left, that is, the fact that they have become largely the parties of the educated, well-off professional classes and have ceased to be seen as representing the interests of the old working classes that used to be the secure base of social democratic parties in Europe and the Democratic Party in the US. This is the crisis of representation of the left in the West that was referred to earlier in our summary of Piketty’s discussion of social democracy in Europe and the Democratic Party in the US. It would be useful to revisit and elaborate more on this to provide the context for Piketty’s analysis of the rise of social nativism.

Two challenges emerged over the last 50 years that the parties of the left failed to adapt to: the expansion of education and the rise of the global economy. The left was not able to discern the impact of the two developments on the social and political structure, including the transformation of their own base:

With the unprecedented growth of higher education, little by little the

electoral left became the party of the highly educated (the “Brahmin left”) while the electoral right remained the party of the highly paid and wealthy (the “merchant right”), though less so over time. As a result, the social and fiscal policies of the two coalitions have converged. Furthermore, as commercial, financial, and cultural exchanges began to develop on a global scale, many countries experienced the pressure of heightened social and fiscal competition, which benefited those with the most educational capital on the one hand and the most financial capital on the other. Yet the social democratic parties (in the broadest sense of the term) never really revised their redistributive thinking so as to transcend the limits of the nation state and meet the challenges of the global economy...Instead, the social democratic parties contributed in the 1980’s-1990’s to liberalize the flow of capital everywhere without regulation, compulsory information sharing, or common fiscal policy (even on the European level). (869-870)

Here, perhaps, Piketty understates the case for his thesis of convergence, since the Social Democrats in Europe and the Democrats in the US did not simply “contribute to” but led the process of liberalization. In Britain, for instance, Labor’s Gordon Brown championed “light touch regulation” in his quest to get London to supplant New York as the world’s financial center. In Germany, the Social Democratic Party (SPD) accomplished what the Christian Democrats was never able to do: weakening the labor regulatory regime. In the

US, the Democratic administration of Bill Clinton pushed the North American Free Trade Area (NAFTA) and was the main force behind the formation of the World Trade Organization.

The electoral effects of this convergence of the interests of the Brahmin left and the merchant right were already on display during the 2016 elections in the United States when Wall Street was a vital base of financial support for Hillary Clinton. But it was probably even more evident during the 2020 contest between Donald Trump and Joe Biden. Trump’s post-election claim attributing his defeat to Big Tech and Wall Street was a wild conspiracy theory but there was a grain of truth in his ravings: the Democratic candidate and his party enjoyed significant support, both material and ideological, from the highly educated Silicon Valley elite and the highly educated Wall Street elite and the technocratic professional classes as a whole. This was the force that enabled Biden to leave Trump in the dust in terms of fundraising throughout the campaign.

Piketty argues that with the parties of the left becoming the parties of the educated and the well off, a vacuum was created that was exploited by anti-immigrant and racist groups to stoke identity cleavages to win over working-class people who felt abandoned. This was not a case of identity differences having a natural appeal to the white working class.

In any event, the Social Democratic desertion of middle- and working-class people and the rise of racial and ethnic identity politics have scrambled the once stable left-right continuum. The left is now divided into well-heeled Brahmins and their rich allies and those

who want more radical distributionist change, and the right is split between its traditional base in the economic elite and social nationalists who are turned on not only by appeals against minorities but against the rich. These forces may sometimes be mobilized around separate parties but they may also coexist uneasily in the same party, as in the United States where social nationalist and corporate factions are housed in the Republican Party. Political alliances have become very fluid, as in the case of France, where “the more prosperous elements of the old electoral left and right joined together in a new coalition of the highly educated and highest paid,” to turn back the social nationalist Marine Le Pen and elect Emmanuel Macron president. (848)

Despite their opportunistic distributionist rhetoric, Piketty is skeptical that social nationalists will be able to live up to their promises, owing partly to the same reasons that the Social Democrats foundered, and partly to their nationalist ideology. Taking the case of Marine Le Pen’s Rassemblement National (National Front) in France, Piketty asserts that:

The most probable outcome is that once they arrive in power, they will find themselves (whether they like it or not) caught up in the mechanism of fiscal and social competition and thus be forced to do whatever it takes to promote their national economies. Only for opportunistic reasons did the Rassemblement National in France oppose abolition of the wealth tax during the Yellow Vest crisis. (887-888)

If ever Marine Le Pen’s party came to power, claims Piketty,

it would likely cut taxes on the rich to attract new investment, not only because such a course would be in keeping with its old anti-tax instincts and its ideology of national competition but also because its hostility to international cooperation and a federal Europe would force it to engage in fiscal dumping. More generally, the disintegration of the EU (or just the reinforcement of state power and anti-migrant ideology within the EU) to which the accession of nationalist parties to power could lead would intensify social and fiscal competition, increase inequality, and encourage identitarian retreat. (887-888)

Social Nativism in India

Social nativism is also on the rise in India, and Piketty’s focus here is on how the Hindu nationalist politics of the dominant BJP party led by Prime Minister Narendra Modi is reconfiguring the social and political system. As in his treatment of social nativism in Europe and the United States, Piketty contends that it is the growing inequality triggered by its pro-market, pro-business strategy that is leading the BJP to turn up the volume on the identitarian, Hindu nationalist rhetoric that demonizes Islam. Others have pointed out, however, that the situation is more complex. Pro-market business policies have created both losers and winners, and among the winners are not only the upper and middle classes but an “aspirational middle class” that see themselves as beneficiaries of Modi’s neoliberal policies.¹³ Modi’s appeal to this growing sector lies mainly in their perception of his serving

their economic interests, though this does not exclude their being attracted to Hindu nationalism.

The rise to dominance of the BJP, says Piketty, has been accompanied by a long-term trend of India moving from a “casteist” to class-based or “classist” political alignments, where the BJP has received a disproportionate share of upper caste votes while the formerly hegemonic Congress Party and the parties of the left have captured the bulk of lower caste and Muslim votes. He notes though that in recent years, the BJP under the leadership of Modi has aggressively competed for the votes of the Dalit (“Untouchables”) and other lower-

caste groups and “successfully split the lower-caste Hindu vote from the Muslim vote.” (944)

Indeed, in the 2019 elections to the lower House of Parliament, the Lok Sabha, Congress was reduced to less than 10 per cent of the vote, the left was almost totally eliminated, and the BJP won a bigger absolute majority of the vote than it did in the elections of 2014. For Piketty, however, these developments are mainly qualifications to the long-term direction of politics in India, which is toward class-based politics—a development that contrasts with the move away from traditional classist politics in Europe and the United States.



“Social nativists” Narendra Modi and Donald Trump at the “Howdy Mody” rally in Houston, Texas in September 2019. (Official White House Photo by Shealah Craighead)

PIKETTY'S THEORY OF WEALTH AND INCOME SHARES "IN A NUTSHELL"

At the beginning of this article, we stated that unlike *Capital in the 20th Century*, there is no summary formula like the famous $r > g$ (annual rate of return on capital is greater than the rate of growth of the economy) in *Capital and Ideology*. Piketty's thinking process moves in many directions, many of them seeming digressions, some further iterations of points already made, some directed at pleasing academic experts, and all interesting. But there are two paragraphs that may not have the same pithiness as the formula $r > g$ but together come close to it—passages that distill the key conclusion of Piketty's comparative and trans-historical, synchronic and diachronic, statistical explorations.

The first has to do with the distinction between income and wealth when it comes to shares of the lowest and the highest deciles on the income scale:

In practice, the share of total income going to the poorest 50 percent is always at least 5-10 per cent (and generally on the order of 10-20 per cent), whereas the share of property

owned by the poorest 50 per cent can be close to zero (often barely 1-2 per cent or even negative). Similarly, the share of total income going to the wealthiest 10 per cent is generally no more than 50-60 per cent even in the most inegalitarian societies (with the exception of a few slave and colonial societies of the eighteenth, nineteenth, and twentieth centuries, in which this share rose as high as 70-80 per cent), whereas the share of property owned by the wealthiest 10 per cent regularly reaches 80-90 per cent, especially in the proprietary societies of the nineteenth and early twentieth centuries, and it could rapidly regain such levels in the neo-proprietary societies in full flower today." (266)

The second paragraph underlines that while these shares of income and income across contemporary and historical societies may come across as statistical regularities, there is nothing natural about them. Piketty insists on the priority of the ideological:

THESE TWO
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OR ARE “IN A NUTSHELL”
THE CENTRAL
ARGUMENT RUNNING
THROUGH THE 1041
PAGES OF CAPITAL
AND IDEOLOGY: THERE
ARE STATISTICAL
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APPEAR IN INCOME
DISTRIBUTION ACROSS
BOTH CONTEMPORARY
AND HISTORICAL
SOCIETIES BUT THESE
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IN ORIGIN BUT ARE
SOCIALY CREATED
AND IDEOLOGICALLY
PERPETUATED BY
DOMINANT ELITES.

Inequality is determined primarily by ideological and political factors, not by economic or technological constraints. Why did slave and colonial societies attain such exceptionally high levels of inequality? Because they were constructed around specific political and ideological projects and relied on specific power relations and legal and institutional systems. The same is true of ownership societies, trifunctional societies, social democratic societies and communist societies, and indeed of human societies in general. (268-269)

These two paragraphs sum up or are “in a nutshell” the central argument running through the 1041 pages of *Capital and Ideology*: there are statistical regularities that appear in income distribution across both contemporary and historical societies but these are not natural in origin but are socially created and ideologically perpetuated by dominant elites.

THE DYNAMICS OF CHANGE IN INEQUALITY REGIMES

Before we go into Piketty's proposal for change, a system of "participatory socialism," it would be useful to discuss how he sees significant change occurring in inequality regimes. Two conditions are important here: ideas that challenge the system or promote innovative change and "switch points." Switch points are those times in the crisis of a system where things can go in different directions, depending on, among others, the existence of ideas or ideologies that challenge a system and push it either to reform or more fundamental change. While Piketty does not use the term, this conjunction of challenging ideas and switch points appears to be akin to Althusser's concept of "overdetermined contradiction."¹⁴

Conjunction of Crisis and Ideology in post-1914 Europe and the US

Ideas are the more critical of the two. Piketty is very clear about this when he discusses the transition from classical capitalism to social democracy in Western Europe in from 1914 to the post-World War II period:

To be sure, the various financial, legal, social, and fiscal decisions taken between 1914 and 1950 grew out of a specific series of events. They bear the mark of the rather chaotic politics of the period and attest to the way in which the groups in power at the time tried to cope with unprecedented circumstances, for which they were often ill-prepared. But, to an even greater degree, those decisions stemmed from profound and lasting changes in perceptions of the system of private property and its legitimacy and ability to bring prosperity and offer protection against crisis and war. This challenge to capitalism had been in gestation since the middle of the nineteenth century before crystallizing as majority opinion in the wake of two world wars, the Bolshevik Revolution, and the Great Depression of the 1930's. After such shocks, it was no longer possible to fall back on the ideology that had been dominant until 1914, which relied on the quasi-sacralization of private property and the unquestioned

beliefs of generalized competition, whether among individuals or among states. (417)

These challenging ideas were the different varieties of socialism—specifically, Marxism Leninism or communism, social democracy, and the “New Deal,” or what Piketty terms “bargain basement Social Democracy.”

Crisis, Ideology, and Radical Transformation in Early 20th Century Sweden

The crisis of the old order brought about by the conjunction of economic unraveling and ideological challenge was so deep that in some societies, what had been unthinkable became not only thinkable but political reality. Sweden, for instance, was one of the least advanced countries in Europe in 1900, with only a little more than 20 per cent of adult males qualified to vote. Yet, this country that had the most “extreme hyper-inegalitarian proprietarian system” moved rapidly from 1911 on to the “quintessential egalitarian social democratic

society.” Two factors appeared to be central. The first was ideological, with Piketty speculating that the Swedes “were exposed to an extreme form of proprietarianism, and this may have persuaded them that it was time to get rid of this hypocritical ideology and move on to something else, in this instance by adopting a radically different ideology.” (189). The second was the well-developed fiscal or extractive capacity of the Swedish central state.

The result was that the power of a centralized state that had formerly been used to extract resources for a propertied elite could be put to serve different ends when infused by a different ideology:

[T]hanks to significant ideological transformations and social-democratic control of the state apparatus, the same state capacity could be put to use by the modern welfare state. In any event, the very rapid transformation that took place in Sweden demonstrates the importance of popular mobilization, political parties, and reformist programs in the transformation of inequality

THIS IS THE CURRENT SWITCH POINT, AND UNLESS PROGRESSIVES CAN COME UP WITH ATTRACTIVE IDEAS FOR ECONOMIC TRANSFORMATION THAT WOULD REVERSE INEQUALITY AT BOTH THE NATIONAL AND INTERNATIONAL LEVEL IN AN INCREASINGLY GLOBALIZED WORLD, THINGS CAN GO IN ANOTHER DIRECTION—FOR INSTANCE, IN THE ASCENDANCY OF SOCIAL NATIVIST GOVERNMENTS. THIS IS THE CONTEXT IN WHICH PIKETTY OFFERS HIS IDEAS OF “PARTICIPATORY SOCIALISM.”

regimes. When conditions are right, these processes can lead to rapid radical transformation by legal parliamentary means, without violent upheaval. (189)

Stagnation and Ideological Collapse in the Soviet Union

With respect to the crisis of communism in the Soviet Union in the seventies, which manifested itself in economic stagnation, the main problem at this critical switch point was that Soviets had simply run out of ideas. Had they not been so ideologically blinded and had they been open to other experiences, they could have appropriated the ideas of progressive taxation of income and wealth and the Nordic and German models of management co-determination, possibly enabling them to devise a system that would have promoted productivity while keeping income and wealth inequality at relatively low levels.

Economic Crisis and the Poverty of Social Democratic Ideology

As for the crisis of social democracy in the 1970's, another major switch point, Piketty says this was also a case of exhaustion of ideas or a limiting of horizons of what was possible. Social democrats could have been bolder in coming up with new programs to promote both growth and equality, but “they almost entirely gave up even thinking about moving beyond private property.” (495). For instance, social democrats in Britain and France could have adopted the relatively successful Nordic/German co-determination arrangement, where workers filled up to one-half of the seats of the Board;

and they could have gone even further and pushed for workers not only to sit on boards but to own stocks. However, the Labor Party in Britain and the Socialist Party in France were too fixated on nationalization that when this could not deliver the results they had expected, they were left with nothing to replace it, leading some of them to buy, at least in part, into the neoliberal narrative.

As noted earlier, it is strange that Piketty neither mentions the crisis of stagflation that gripped the western economies in the 1970's nor analyzes the crisis of the Keynesianism that had served as the ideological prop of social democracy in Europe and the Democratic Party in the United States. Adopting Piketty's model of system change, this dual crisis paved the way for the entry of neoliberalism that had been waiting in the wings, cultivated by thinkers like Friedrich von Hayek, while Keynesianism was the reigning ideology.

Today, that radical proprietary order that was brought into being from the 1980's not only by conservatives but by Social Democrats who bought into the neoliberal narrative is itself in deep crisis, having been rocked by a succession of financial crises, recessions, and the emergence of extreme inequality. A key feature of the crisis is that owing to globalization,

solutions that are national in scope, such as the Social Democratic responses to the crisis of ownership societies in the period 1914 to the late 1970's, are no longer adequate.

The problem is precisely that when the world moved in the 1980's to free circulation of goods and capital on a global scale under the influence of the United States and Europe, it did so without any fiscal or social objectives in mind, as if globalization could do without fiscal revenues, educational investments, or social and environmental rules. The implicit hypothesis seems to have been that each nation-state would have to deal with these minor problems on its own and that the sole purpose of international treaties was to arrange for free circulation and prevent states from interfering with it. (553)

This is the current switch point, and unless progressives can come up with attractive ideas for economic transformation that would reverse inequality at both the national and international level in an increasingly globalized world, things can go in another direction—for instance, in the ascendancy of social nativist governments. This is the context in which Piketty offers his ideas of “participatory socialism.”

PARTICIPATORY SOCIALISM

For Piketty, “socialism” may be a word tainted by the Soviet experience, but it is still important to use the term to emphasize the importance of “transcending private ownership” in order to bring about a “just society.” A just society is one that “allows all of its members access to the widest possible range of fundamental goods” by organizing “socioeconomic relations, property rights, and the distribution of income and wealth in such a way as to allow its least advantaged members to enjoy the highest possible conditions of life.” (967-968) The qualifier “participatory” underlines the importance of decentralization and “involving workers and their representatives in corporate governance,” and sets off this project “from the old and discredited “hypercentralized state socialism.”

Co-Determination

The first proposal Piketty makes is adoption of the Nordic-German model of co-management or co-determination, which he claims has been a great success. As noted earlier, according to him, one of the big mistakes Social Democracy

made during its crisis period was not diffusing this model more broadly. In one of the most enthusiastic passages in the book, Piketty writes that co-management

has encouraged greater worker involvement in shaping the long-term strategies of employers and counterbalanced the often short-term focus of shareholders and financial interests. It has helped the Germanic and Nordic countries to develop an economic and social model that is more productive and less inegalitarian than other models. It should therefore be adopted without delay in other countries in its maximal version, with half the board seats in all private firms, large or small, given to workers. (973)

There are, however, two improvements to the current model that he suggests. One is that individual workers should be allowed to buy shares in their firms; these will allow the votes from those shares to be added to the one half of total votes that they, as a collective, would already have. The other modification



CODETERMINATION IN GERMANY

a role model for the UK and the US?

BLOG | BY BENNET BERGER AND ELENA VACCARINO

Co-determination, which allows workers to participate in management in Germany and the Nordic countries, is seen by Piketty as a prototype for Participatory Socialism. (@Bruegel_org)

is that investments beyond 10 per cent of a firm's capital would translate to voting rights corresponding to one third of the amount invested, thus setting a limit to the power of big investors.

Financing the Social State

Social ownership and shared voting rights, however, are not enough to limit and reduce inequality. Progressive taxes on inheritance and high marginal tax rates on those with the highest incomes must be reinstated. But more than that, there must be a wealth tax, a proposal that Piketty originally made in *Capital in the 21st Century*. A progressive wealth tax that is imposed on all forms of wealth, not just real estate but intangible and financial assets as well.

To erode the sacralization of private property that is at the center of neoliberal ideology,

Piketty proposes advancing the concept of "social and temporary ownership." Though sounding radical, it is not, he argues. It is

ultimately just an extension of forms of temporary ownership implicit in the progressive inheritance and income taxes that were tried in the twentieth century. In general, these fiscal institutions looked at property as a social relation, which therefore had to be regulated as such. The idea that strictly private property exists and that certain people have an inviolable natural right to it cannot withstand analysis. The accumulation of wealth is always the fruit of a social process, which depends, among other things, on public infrastructures (such as legal, fiscal, and educational systems), the social division of labor, and the knowledge accumulated by humanity over centuries. Under such conditions,

it is perfectly logical that people who have accumulated large amounts of wealth should return a fraction of it to the community every year: ownership thus becomes temporary rather than permanent. (990)

Along with proceeds from a progressive carbon tax (preferably levied on individual consumers according to carbon emissions from their consumption of goods and services), the transfer payments from a progressive income tax, a progressive inheritance tax, and a progressive wealth tax would, Piketty estimates, produce enough revenue to support various kinds of social security benefits from the “social state,” a basic income, and a “universal capital endowment” for each citizen.

Piketty has an interesting discussion of the basic or minimum guaranteed income. While cautioning that the particular conditions of each society need to be taken into account in estimating proportions, using generic figures derived from income levels of advanced capitalist countries, he suggests that the basic income could start at 60 per cent of the average after-tax income for those with few or no resources and this percentage would decline as other income increased. He offers a set of calculations that suggest that the basic income could cover 30 per cent of the population—presumably the poor and struggling working and middle classes—at a cost of only five per cent of national income.

Transfer payments for a variety of social security benefits and for the basic income, Piketty estimates, could come to 45 per cent of national income, which he considers a reasonable figure.

The Universal Capital Endowment

Separate from the foregoing proposals is a very innovative and radical idea: “the universal capital endowment.” This capital endowment would be given to all young people when they reach a certain age, say 25. The idea is to give them significant assets early on so they can “participate fully in economic and social life.” (981). Relying mainly on generic income and wealth estimates in the rich countries, Piketty proposes that in the advanced capitalist societies, the universal capital endowment be set at 60 per cent of average adult wealth. He explains why:

In the rich countries (Western Europe, United States, Japan), average private wealth in the late 2010’s was roughly 200,000 euros per adult. Thus the capital endowment would amount to 120,000 euros. In essence, this system would provide every individual with the equivalent of an inheritance. Today, owing to the extreme concentration of wealth, the poorest 50 per cent receive virtually nothing (barely 5-10 per cent of average wealth); the richest 10 per cent of young adults inherit several hundreds of thousands of euros, while others receive millions or tens of millions. With the system proposed here, every young adult could begin his or her personal and professional life with a fortune equal to 60 per cent of the national average, which would open up new possibilities such as purchasing a house or starting a business. (983)

He estimates that a progressive tax on property or wealth tax would bring in an amount equal to five per cent of national income, a sum that could finance the whole project of making a capital endowment equivalent to 60 per cent of average wealth available to young people upon their reaching the age of 25.

This bold proposal can only work, however, if there are major revisions to current property tax regimes, so that they tax all forms of wealth and not just land, they are not limited to taxing inheritance, and they are radically progressive and not simply levied at the same proportion for different levels of wealth. As an example, again with a generic estimates for rich countries, he takes us through an exercise in which there is a tax rate of 0.1 per cent of wealth below the national average, rising gradually to 1 per cent at twice the national average, 10 per cent at one hundred times the national average, 60 per cent at 1000 times the national average (or 200 million euros if the average wealth per adult is 200,000 euros), and 90 per cent at 10,000 times the national average (which would be 2 billion euros). Concretely, such a tax schedule,

would result in a substantial tax decrease for the 80 to 90 per cent of least wealthy people and would therefore make it easier for them to acquire property. By contrast, the wealthiest people would face very heavy tax increases. The 90 per cent tax on billionaires would immediately reduce their wealth to one-tenth of what it was and reduce the share of national wealth held by billionaires to a level below what it was in the period 1950-1980. (987)

The politics underlying what would undoubtedly be a bitter struggle is the 90 per

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cent versus the 10 per cent. That it would undoubtedly be a tough fight is underlined by the fact that the 10 per cent would face high marginal tax rates on both their wealth and their income whereas during the Social Democratic and New Deal periods, most faced such high marginal tax rates only on their income. Ideology thus would play a crucial role to counter what the very rich would undoubtedly denounce as confiscatory rates on what they have “earned” with their sweat and skills. The ideological ammunition for the 90 per cent, Piketty would say, is the idea of “temporary ownership” we referred to earlier: since the accumulation of wealth is at heart a social process, “it is perfectly logical that people who have accumulated large amounts of wealth

should return a fraction of it to the community every year; ownership thus becomes temporary rather than permanent.” (990). To this, one can only say, perfectly logical, yes, but good luck!

Educational Justice

Since educational access and quality is fast becoming a key axis of inequality, Piketty prioritizes addressing this, though his suggestions in this area are more tentative. One is that every child should have the right to the same educational funding which could be used for either schooling or other training, like vocational training. Thus, a person who quits school at age 16 or 18 would have only consumed



Piketty proposes a social quota to allow more low-income students to attend elite universities like Princeton University (*Creative Commons*)

only 70,000 to 100,000 euros of the sum invested in the education of someone who goes on to and completes university training. A universal educational fund would afford such individuals, whom Piketty estimates as at around 40 per cent of each age cohort, a further sum of educational capital of 100,000 to 150,000 euros, to match the level of education enjoyed by the best-funded 10 per cent of her cohort. With this capital, the beneficiary “could acquire additional training at age 25 or at any other point in her life.” (1012)

Another proposal addresses the limited access to elite institutions, especially in the United States. He speaks positively about a proposal that would have students that score above a certain level draw lots to enter such institutions, which is, in effect, applying a social quota.

Such randomization has the advantage of discouraging parents from overinvesting financially and emotionally in seeking ways for their children to achieve ever higher test scores, such as paying for extra coaching at earlier and earlier ages...A good compromise might be to take grades into account to a limited extent (above a certain threshold) while retaining a high level of social mixing as a priority goal. (1015)

Democracy Equality Vouchers

The problem of campaign finance has been an increasingly vexing one, especially in the United States, since important Supreme Court rulings like the Citizens United decision have eliminated practically all barriers to the flow of massive amounts of corporate capital to support

preferred candidates. One solution Piketty thinks is promising is that of providing citizens with “democracy vouchers” proposed by his partner Julia Cage. In a nutshell,

the idea would be to provide every citizen with an annual voucher worth, say, 5 euros, which could be assigned to the political party or movement of his or her choosing. The choice would be made online, for instance, when validating one’s income or wealth declaration. Only movements supported by some minimal percentage of the population (which might be set at, say, 1 per cent) would be eligible. If an individual chooses not to support any party (or if support for the chosen party falls below the threshold), the value of his or her voucher would be allocated in proportion to the choices made by other citizens. (1018-1019)

What about the Global South?

It should be clear by now that all of the above proposals, from the social state benefits and the universal capital endowment to the democratic equality voucher, can be afforded mainly by higher income countries owing to different levels of development and different capabilities to successfully collect the tax revenues that would support them. Piketty, in fact, is quite explicit about this. “Some of the items...demand significant state, administrative, and fiscal capacities if they are to be implemented, and in that sense they are most directly applicable to Western societies and to the more developed non-Western ones,” he writes. Nonetheless, “I have tried to think about them in a universal

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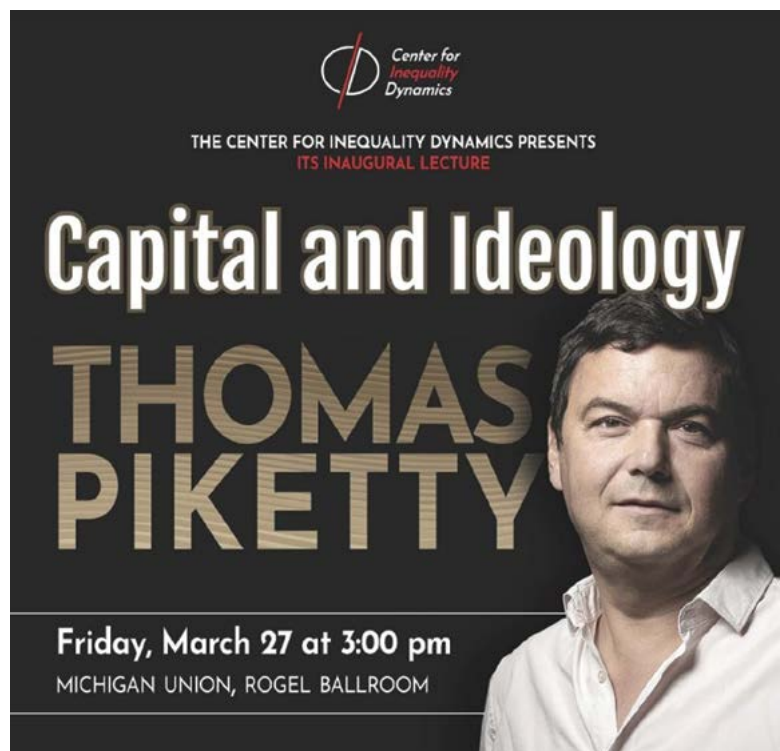
perspective, and they may gradually become applicable to poor and emerging countries as well.” (p. 969)

It is fitting, therefore, that Piketty ends his book with some initial ideas of how to frame the demand of “transnational justice” and come up with concrete proposals to meet it, which is one of the imperatives of socialism in the 21st century—especially since, as pointed out earlier, globalization has created many global inequalities via the free circulation of transnational corporate and finance capital but efforts to alleviate them are woefully inadequate because they are only national in coverage. One proposal he advances, though admittedly still sketchy, is the establishment of a “Euro-African Assembly” that might be responsible for decisions on taxing European transnational corporations investing in Africa, combatting global warming with compensatory measures, and promoting measures that would lead to the free circulation of people.

The ending of his chapter on the elements of participatory socialism fuses his conviction of the necessity of a socialist internationalist perspective and his confidence that a theoretical imagination that is not intimidated by the here and now will provide the means to an international socialist future.

In view of the impending collapse of both liberal and nationalist ideologies, the only way to overcome...contradictions is to move toward a true participatory and internationalist socialism based on social-federalist political structures and a new cooperative organization of the world economy. Given the magnitude of the challenges, I have tried to outline

solutions that could gradually make progress toward that goal possible. These proposals are not intended to answer every question. Their only purpose is to show that human societies have yet to exhaust their capacity to imagine new ideological and institutional solutions. As the histories of the various inequality regimes...show, the political-ideological repertoire is vast. Change comes when the short-term logic of events intersects with the long-term evolution of ideas. Every ideology has its weaknesses, but no human society can live without an ideology to make sense of its inequalities. The future will be no different, but from now on the scale will be transnational. (1034)



A poster advertising an event featuring Piketty at the University of Michigan. (Center for Inequality Dynamics, University of Michigan)

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ENDNOTES

- 1 I certainly hope this summary would persuade my good friend Lidy Nacpil, a much-respected but super-busy climate activist, to go on and read the original. Lidy was the one who gave me the idea of summarizing *Capital and Ideology*, when she wrote on Facebook that she wished she had the time to read Piketty, but having little of that, she “would wait” for my summary of Piketty.
- 2 Thomas Piketty, *Capital and Ideology*, translated by Arthur Goldhammer (Cambridge: Harvard University Press, 2020).
- 3 Quoted in Ravi Palat, “Neoliberalism, Migration, and the Rise of Populism in the Contemporary World,” *Refugee World*, Vol 54 (Dec 2019), p. 67.
- 4 See Walden Bello, “The Biden Presidency: A Fragile Centrist Interregnum in an Era of Radicalization,” in Shalmali Guttal, ed., *After Trump: What the Global South Can Expect from Joe Biden* (Bangkok: Focus on the Global South, 2020), pp. 14-17.
- 5 Piketty does not use the term “pre-capitalist” to cover such “ternary” societies in both the West and elsewhere, so I shall take the liberty of using “traditional societies” as a synonym for “ternary” or “quarternary” societies, with the understanding that Piketty himself does not use the term.
- 6 Edward Said, *Orientalism* (New York: Vintage, 1979)
- 7 Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000).
- 8 In the case of Europe’s advances in military technology in the pre-colonial and post-colonial periods, Pomeranz and others such as the eminent world system theorist Giovanni Arrighi drew from the so-called “Revolutionary in Military Affairs School,” of which the following are representative works: Michael Roberts, “Military Revolution: 1560-1660,” in Clifford Rodgers, editor, *The Military Revolution Debate: Readings on the Military Transformation of Early Modern Europe* (Boulder, CO: Westview Press, 1995), pp. 13-36) and Geoffrey Parker, *The Military Revolution: Military Innovation and the Rise of the West, 1500-1800* (Cambridge: Cambridge University Press, 1996).
- 9 Moses Finley, *Ancient Slavery and Modern Ideology* (London: Penguin, 1980).
- 10 Ian Haney Lopez, *Dog Whistle Politics* (New York: Oxford University Press, 2014), pp. 40-41.
- 11 Arthur Kroeber, *China’s Economy* (New York: Oxford University Press, 2016), p. 199.
- 12 *Ibid.*
- 13 Christophe Jaffrelot, “What Gujarat Model?—Growth without Development and with Social Political Polarization,” *South Asia: Journal of South Asian Studies*, Vol 38, No. 4, <https://www.tandfonline.com/doi/abs/10.1080/00856401.2015.1087456?journalCode=csas20>.
- 14 See Louis Althusser, “Contradiction and Overdetermination,” <https://www.marxists.org/reference/archive/althusser/1962/overdetermination.htm>



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