

## **Piketty, two critiques and one invitation**

Book proposes prescription to transcend capitalism and inequalities

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There should only be one reason why you should not read 'Capital and Ideology', a new work by Thomas Piketty - the fear of thinking and speculating about what a less unequal, more just society could look like. Even the most disinterested in the topic, the most inflexible of conservatives, or the most orthodox of liberals, will not fail to appreciate the historical, political and sociological (and yes, also economic) reflections contained in this admirable book, which in the Brazilian edition boasts 1,056 pages. I would like to begin by warning the reader: in this brief review, I will give high praise to the work, build two critiques and, from them, dare to present a public invitation to the author.

'Capital and Ideology' brings a simple argument: inequalities – economic (income or wealth), political (of power in collective decision-making processes, public or private), or social (of access to public goods and services such as education and health) – are not a natural product of the economy or technology. Inequalities are a product of a human, political construction. In the author's logic, to understand inequality, we must first of all understand the ideologies, systems of ideas that, over time, have sought to justify it.

But the title carries a much greater ambition. It is not "just" an analytical description of capitalism and inequality; it is a proposition, a prescription to transcend them. In Piketty's words, the aim of the book is "to convince the reader that one can draw on the lessons of history to develop more satisfactory norms of social justice and equality, of economic regulation and redistribution of wealth." The phrase that opens the thousand-page book sets the tone for the journey ahead: "Every human society must justify its inequalities: unless reasons for them are found, the whole political and social edifice stands in danger of collapse."

His previous opus, the best selling 'Capital in the 21st Century', highlighted the unequal economic dynamics described by the now famous inequality formula,  $r > g$ , printed on activists' shirts in the streets and university campuses around the world. In a capitalist economy, where the return on private capital ( $r$ ) is consistently greater than the growth rate of the economy ( $g$ ) the concentration of wealth is inevitable. The thesis, eloquent and persuasive for its simplicity and robustness, raised the theme of inequality to the center of public debate and made Piketty a world celebrity.

In the new book, the starting point is medieval societies, composed of three distinct social groups: clergy, nobility and the third state. The clerics establish spiritual direction and define community values; they give meaning to its history and its future. Aristocrats (nobility) make up the warrior class, handle weapons and provide security. The third state is the working class: it brings together peasants, artisans and traders who, with their work, allow the community as a whole to function and reproduce.

Well, for Piketty, we transitioned from this 'ternary' society, based on fundamentally religious principles in the Old Regime – where clergy and nobility exercise sovereignty over the people – to a society in which the secular state sanctifies private property. This transition establishes, from the eighteenth century onwards, the emancipation of the previously oppressed bourgeoisie, thus generating a new social balance. In subsequent centuries, despite the growing awareness of the problems generated by

the excessive concentration of wealth, the fear of the unknown has always hampered a necessary redefinition of property rights. In the twentieth century, the collapse of the communist model – continues Piketty, drawing a great arch from the Middle Ages to the present day – aggravates this fear, due to the traumas left by Soviet hyperstatism in the collective memory.

This great narrative about the construction of the owners' societies initially involves the European trajectories (Part 1). It then moves on to colonial and slave societies, also embracing ternary societies outside Europe (Part 2). Parts 3 and 4 contain the central, descriptive and prescriptive contributions, which I freely list as spoilers that, I hope, will serve as an incentive for the reading of the entire work. They contain innovative information and insights, made visible and intelligible due to a perspective reading, with Pikettian signature, of economic data and long-term political cycles.

In the analytical-descriptive sections, I highlight three arguments:

- Between 1932 and 1980, the tax rate on the highest income bracket averaged 81% in the USA and 89% in the United Kingdom. This half century of Anglo-Saxon tax progressivity - which was established due to the loss of legitimacy of the private property and free competition system, which was hegemonic in the 19th century and the beginning of the 20th century - was only interrupted by the so-called Reagan's Thatcher's conservative revolution, which caused the rates for the most affluent layers to drop to 30-40% in the United States and to 40-45% in the United Kingdom, which are still in force today.
- In the 1950s to the 1970s, voting in favor of parties with distributive concerns (Democrats in the USA and Socialist-Communists in France) was composed of voters with less education, income and wealth. In the years 1980-2000, the structure of this progressive vote changed: it started to count on an increasing participation of the most educated, but still with a low participation among the highest incomes. This transformation points to the radical change that occurs in the American elections in 2016, when a large part of the great wealth and income also migrates to the Democratic vote in the USA (a fact that – as per this reviewer – made the Republican Party become a party of the workers, as Steve Bannon infamously remarked).
- This evolution is similar in the vote of the Labor Party in the United Kingdom and of the different currents of social democracy in Europe, which results in the polarization of the political conflict between two elites: on the one hand, the more educated ones congregate around the more progressive coalitions and, on the other hand, the high-wealth elite adheres to the more conservative agenda. People with low schooling, with reduced wealth and income, feel abandoned – a phenomenon that explains, at least in part, the recent reemergence of right-wing populism.

What will come after this great cycle? What can be done given that (a) social democracies have lost the base of the pyramid, (b) the communist experiment collapsed, and (c) different “identitarianisms” undermine the possibility of an universalist coalition, capable of facing the deepening of the hyper-concentration of wealth? The suggestions pointed out by Piketty may not be definitive, but gradually they are incorporated in agendas, political platforms and in the imagination of the population. They are:

- the increase in taxes on income and inheritance of the upper income brackets at rates of up to 90%, and the constitutionalization of the principle of progressive taxation;
- the creation of a progressive annual property tax, the rates of which vary from 0.1% for small assets (up to 100,000 euros) to 90% for large assets (above 2 billion euros);
- the institution of an "inheritance for all", whereby every citizen, at age 25, receives € 120,000, equivalent to 60% of France's average assets, financed by the progressive property tax;

- joint management of companies: employees receive 50% of the seats on the boards of directors, and the voting rights of the largest shareholders are limited (for example, to 10% in large companies), following the model in force in Germany and in the Nordic countries;
- rebalancing educational expenses in favor of disadvantaged areas for greater educational justice;
- the introduction of an individual and progressive tax on carbon emitted;
- the financing of political life through "democracy vouchers" that citizens receive via government bonds and use to finance the parties of their choice;
- the definition of quantified and binding fiscal and ecological objectives in international trade agreements and treaties;
- the establishment of an international financial register that allows authorities to know who owns what.

Would these policy recommendations be plausible? I reach the end of the reading convinced of two central arguments: (a) the dangers we face in the face of the new neoproprietarist ideology that legitimizes the unrestrained increase in the concentration of income and wealth in the last decades and (b) the power of ideologies in shaping societies and their respective socioeconomic realities, for better or for worse. In this context, Piketty's proposals open the door of the imagination to the construction of the future, and allow politicians (and voters) to conceive other possible futures, breaking the inertia of the fears massively spread by conservative robots. On the contrary, they expand the collective cognitive universe by making accessible to politicians and non-specialized audiences the understanding of realities inscribed in long economic and political cycles.

Faced with a work of this magnitude, I will not stick to inaccuracies here or there, which in no way harm the logic of central propositions. As the popular adage goes, one who only sees trees does not see the forest. For example, when reading the specific excerpts about Colonial Brazil or Brazil today, it is possible to identify inaccuracies, analytical superficialities or to disagree with the assessment of more recent political processes. None of this jeopardizes the coherence of the whole argument. I would record, as a critique, two absences.

Given the work's ambition, it would seem interesting to me to start the book's narrative not by medieval ternary societies, but by the fundamental origin of the inequalities that happened in the Neolithic. It is at that moment that, according to archeology and anthropology, the separation between agriculture and herding determined the first social division of labor. Were these first exchanges of wheat for sheep, rye for goats, fair and symmetrical? Are the primary germs of inequality here?

The division of labor between shepherds and farmers, the rise of merchants and markets, will have given rise to cities - the central stage of inequality, which in turn gives rise to another division of labor essential in the formation of the inequality process: among those who specialize in production and exchanges (the "market" forces) and, on the other hand, the groups that take care of the physical protection of the community and then start to receive taxes and subservience from the others (the "government" forces) . The emergence of the Market, State and Society, as ontological categories that precede the ternary society, would therefore deserve a specific conceptual reflection in a part of 'Capital and Ideology.'

Second critique: in the prescriptive segment, the work moves "upwards", to the transnational scope, with suggestions for changes in global mechanisms of taxation and capital control, but does not go "downwards", to the subnational spheres. Given that inequalities materialize in the territory, and the spatial organization of cities are the most concrete expressions of inequalities, it would be desirable for the book to devote attention to local urban policy tools aimed at reducing inequalities.

An important part of wealth - notably land and real estate - is the subject of local policies. In Brazil, urban policies such as construction rights concessions, zoning and other instruments that act upon real estate assets are powerful and underutilized, from both the point of view of revenue and the perspective of investment in urban goods and services capable of mitigating effects of inequality that cruelly affect the daily lives of the vast majority of the Brazilian population - housing, sanitation, transport and digital infrastructure for the new economy.

Here is this double criticism and the invitation to Piketty (and his legion of followers) to devote attention to both themes; who knows, in the second topic, using São Paulo, one of the largest metropolises in the Global South, as a locus of investigation, reflection and action!

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