Thomas Piketty, *Le Capital au XXI siècle*

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Piketty's Provocative Contradiction: Economic Determinism versus Historical Contigency in Capital in the Twenty-First Century

Since its release in 2013, Thomas Piketty's *Le Capital au XXI siècle* has become an unlikely international sensation. Now translated into over thirty languages, this nearly 700-page tome about wealth distribution – thick with charts, tables and formulas – has swept across universities, think tanks, the blogosphere and even the mainstream media. The English edition alone, *Capital in the Twenty-First Century*, has sold in the millions, becoming Harvard University Press's all-time bestseller. Clearly, the book has tapped into the global zeitgeist, which worries increasingly about inequality. These days old pieties about de-regulated capitalism raising all boats and bolstering democracy appear at best threadbare, at worst a sham. Grassroots grievances, expressed in the Occupy Movement's mantra «We are the 99%», are trickling up: the Pope, the United States president and the director of the International Monetary Fund are all warning that growing inequality is threatening democracy.[1] Piketty substantiates these

T. Piketty, *Le Capital au XXI siècle*, Seuil, Paris 2013; trad. it. di S. Arecco, Bompiani, Milano 2014.

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1 *Pope Francis: Inequality between rich and poor threatens democracy*, «Rome Reports», October 2nd, 2014: http://www.romereports.com/pg158544-pope-francis-inequality-between-rich-and-poor-threatens-democracy-en (accessed on May 7, 2015); P. Wehner and R.P. Beschel, *How to Think about Inequality*, «National Affairs», Spring 2012: http://www.nationalaffairs.com/publications/detail/how-to-think-about-inequality (accessed May 7, 2015); E. Eichelberger, *The Head of the IMF Says Inequality Threatens Democracy*, «Mother Jones», May 28, 2014: http://www.motherjones.com/mojo/2014/05/imf-christine-lagarde-income-inequality (accessed June 15, 2015); L. Elliott, *So much for trickle down: Only bold reforms will tackle inequality*, «The Guardian», June 21, 2015: http://

concerns. Marshalling mountains of economic data, he shows that the wealthiest 1% are indeed in the process of possessing an ever greater share of aggregate wealth.

But Piketty does more than document rising inequality. He also tries to explain it. His thesis, at once provocative and problematic, combines quite different strands of argumentation: on the one hand, economic determinism (the now famous theorem «$r > g$», explained below), on the other, historical contingency (crises, politics). The strands pull in different directions, creating tension in the analysis. The tension appears already in the introduction, where the author states the book's two main conclusions. In the first, he eschews determinism and embraces historical contingency and the political choices of historical actors: «The history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms».[2] In the second, he emphasises economic mechanisms: «the dynamics of wealth distribution reveal powerful mechanisms pushing alternately toward convergence [equality] and divergence [inequality]».[3] Ultimately, it is the divergent mechanism of $r > g$ that matters most in the book. Left unchecked, this mechanism is capable, Piketty argues, of generating ever greater inequality: «there is no natural, spontaneous process to prevent destabilizing, inegalitarian forces [$r > g$] from prevailing permanently».[4]

Throughout the book, Piketty wavers over just how much force he wants to ascribe to $r > g$. At times he refers to the theorem as a «fundamental inequality», a process by which greater wealth disparities are «almost inevitable», and he places it at the centre of the thesis: «It sums up the overall logic of my conclusions».[5] At other times, he pulls back from such determinism. «The inequality $r > g$ is a contingent historical proposition, which is true in some periods and political contexts and not in others».[6] Some may find this ambivalence to be problematic, even contradictory, especially those in the "harder" social sciences who like to fit the world into neat formulas, factoring out messy contingencies. Historians, *bricoleurs* by nature, are methodologically eclectic; we tend to embrace multifaceted explanations that incorporate theory *and* contingency, even if some prefer to use theory discreetly, following the dictum that theory is like underwear: it should be worn but not seen.

Regardless of whether one views Piketty's twofold analysis as a fatal contradiction or a productive tension, its political implications, it seems to me,

www.theguardian.com/business/economics-blog/2015/jun/21/so-much-for-trickle-down-bold-reforms-are-required-to-tackle-inequality (accessed June 23, 2015).

2 T. Piketty, *Le Capital au XXI siècle*, Seuil, Paris 2013; eng. trans. by A. Goldhammer, *Capital in the Twenty-First Century*, the Belknap Press of Harvard University Press, Cambridge (Mass.) 2014, p. 20.

3 *Ivi*, p. 21.

4 *Ibidem*.

5 *Ivi*, pp. 27-28.

6 *Ivi*, p. 358.

are the most interesting to reflect upon. In mixing a mechanistic treatment of numbers with historical contingency, Piketty performs a kind of epistemological jūjitsu on economists: he draws them in with big data, statistics and theorems (would they have taken the book seriously without them?) but ends up telling them a quite different story, one driven by unforeseeable crises and political choices. His analysis combines determinism and contingency in such a way as to produce a political lesson, which boils down to this: the only way we can break free of capital's inherent tendency to produce inequality ($r > g$) is through a heroic act of political will: redistribution through taxation. Framed like this, what might have been merely a study of historical wealth distributions becomes a much more dramatic story about the epic struggle between modernity's two driving forces, capital and democracy. The moral of the story is clear: if democracy fails to restrain and redistribute capital, capital may well destroy it.

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Before considering the political implications of Piketty's argument, it is worth reviewing its mechanistic and contingent components.

1. First thesis: the deterministic r > g

Piketty's theorem $r > g$ is not difficult to grasp. It describes the divergent properties of capital, that is, properties that tend towards inequality, as opposed to convergent forces which tend towards equality. How does the theorem work?

Piketty argues that, historically (i.e., for millennia), the rate of return on invested wealth (r) has usually been greater than the rate of economic growth (g). Whereas r has hovered around 4% to 5% for centuries, economic growth has rarely exceeded 1%-1. 5%. Growth was well-nigh 0% throughout most of history, but even then, wealth tended to grow by at least 2-3% annually. The high growth rates surpassing 5% in the West during the twentieth century (and some Asian countries in the twenty-first) were exceptional, and Piketty predicts they will drop in the twenty-first century to between 1% and 1.5%. How, then, does $r > g$ produce inequality? According to the theorem, the greater the gap between the rate of return on wealth and the rate of economic growth ($r - g$), the greater the acceleration of inequality, since income from capital will rise faster than income from labour, which is more closely related to g. Once a fortune is made or inherited, there is little incentive to work since one will earn much more through investments. The long-term effect of $r > g$ is that, as invested wealth begets still greater wealth (all the greater in function of its size – a crucial point in the analysis), it becomes more concentrated and represents an ever greater proportion of a nation's total income. «If $r - g$ surpasses a certain threshold,» he speculates, «there is no equilibrium distribution: inequality of wealth will increase without limit».[7]

7 *Ivi*, p. 366.

This may sound technical and abstract, but Piketty assures us that people of the early nineteenth century intuitively understood the divergent logic of capital. They knew they lived in a world starkly divided between rentiers and workers, where those with vast wealth maintained lives of leisure and expanded their fortunes while those who worked struggled to stay afloat and often sank into misery. Awareness of how patrimonial capitalism functioned was so common that it formed the backdrop to plots in the novels of Jane Austen and Honoré de Balzac. Taking a detour into literature, Piketty shows us how it was expressed in Balzac's *Père Goriot*, specifically, the passage in which the vicious ex-convict Vautrin gives his famously cynical advice to the wide-eyed young law student Rastignac.[8] Vautrin warns Rastignac that he will never realise his ambition of securing a permanent place in high society by becoming a lawyer, even a successful one. Instead, Vautrin proposes that Rastignac marry Victorine, whose father was rich, and he, Vautrin, will (for a price) kill Victorine's brother, so that Rastignac and Victorine are in line to inherit her father's million franc fortune.

Vautrin churns through the numbers with astonishing historical accuracy, according to Piketty. The villain speculates that even if Rastignac were lucky enough to earn 50,000 francs per year as a high-ranking judge at career's end (and few lawyers were so lucky), he would earn far less over his entire career than he would by investing the million-franc inheritance and abandoning work. The inheritance would generate the standard rate of return of 5% (invested mostly in land or government bonds), or 50,000 francs in the first year. Reinvesting part of those earnings would expand the size of the fortune and, with it, the annual rents. Piketty, who reminds us that economic growth at the time was barely 1%, concludes that, sadly, the despicable Vautrin was right: better to "marry up" and inherit a fortune than to work in the hopes of building one.

Piketty believes that Western societies today, though they have attained a much better ratio between capital income and labour income, risk lapsing back into nineteenth-century patrimonial capitalism. Why? Because large fortunes are growing at a faster rate than the overall economy. Even successful entrepreneurs who earn vast fortunes through work and ingenuity will eventually realise – or their heirs will – that they can make more money by simply letting their fortunes accumulate without working. «The entrepreneur inevitably tends to become a rentier, more and more dominant over those who own nothing but their labour. Once constituted, capital reproduces itself faster than output increases». Piketty concludes with what is arguably the most memorable line of the book, «The past devours the future», as a society dominated by new wealth and work is transformed into a society dominated by inherited wealth and rents.[9]

8 *Ivi*, p. 238-242.
9 *Ivi*, p. 571.

And rentiers, Piketty insists, are the enemies of democracy. Their search for ever higher returns puts downward pressures on labour costs, reinforcing divergences and undermining democracy's core principle of meritocracy. In addition, the increasingly thick layer of financial intermediaries between investors and companies, which a highly financialised global economy creates, tends to «separate owners from managers more and more and to sharpen the distinction between pure capital income and labour income».[10] Rentiers are less likely to empathise with – or even see – the managers and workers producing their returns, especially when those returns come from a multitude of sources, some of which investors may not even be aware of owning. How many pension contributors know if their contributions are being invested in companies that exploit children half-way across the world? The global dimensions of financial rent-seeking also make it difficult for democracies, grounded in nation states, to define the common interests of their own citizens and protect them from fickle and rapacious movements of capital.

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There is more than a whiff of Marxism in much of this, and indeed, Piketty (who claims in interviews not to have read Marx's *Das Kapital*) sees himself in the book as substantiating many of Marx's intuitions, particularly Marx's belief in the harmful effects of on-going capital accumulation.[11] An important difference between Marx and Piketty, however, lies in their respective visions of democracy. Whereas Marx imagined a world where workers control the means of production, Piketty imagines a world of social justice and meritocracy, where every individual is given the opportunity to get ahead through work and not only by inheritance. Piketty is more concerned about the imbalances between *income from labour* and *income from capital* than with overall wealth imbalances per se. Meritocracy is undermined, he believes, when, for example, a sixth of France's population born after 1970 will inherit fortunes that surpass the lifetime incomes of the bottom 50% of the income distribution – unless, of course, historical contingencies intervene to disrupt the otherwise inexorable logic of $r > g$.[12]

2. Second thesis: contingency matters

Since the release of *Capital in the Twenty-First Century*, Piketty's claims have been thoroughly picked over. Some have uncovered errors in the data.[13] Others have taken issue with his concepts and methods, especially his con-

10 *Ivi*, p. 424.
11 *Ivi*, p. 10, pp. 229-230. Whereas Marx thought capital accumulation could be infinite, Piketty believes that it is probably finite but can reach levels that are destabilising for society.
12 *Ivi*, p. 421.
13 C. Giles, *Thomas Piketty's exhaustive inequality data turns out to be flawed*, «Financial Times», May 23, 2014. The errors are minor and do not undermine the thesis.

flation of «wealth» and «capital».[14] A PhD student at MIT has recently become a mini-celebrity for pointing out Piketty's failure to consider asset-depreciation, which, if factored in, shows that capital's rising share of total wealth is lower than Piketty's estimates and is fully accounted for by the rise in housing prices.[15] Still others, notably libertarians, refute Piketty's central claim that inequality threatens democracy. In their view, democracy is about civil liberties and the right to vote, which economic inequality in no way undermines.

Curiously, the critics have had little to say about the role historical contingency plays in Piketty's analysis, despite its central importance. For starters, and quite ironically, it explains, Piketty believes, why economists have failed to appreciate the divergent force of $r > g$ in the first place! The unusual economic circumstances of the post WWII period, together with the onset of the Cold War, skewed the views of a generation of post-war economists, who made the mistake of extrapolating general economic laws of convergence (equality) from what were essentially exceptional conditions. In 1954, Simon Kuznets argued that the discernible rise of equality in the United States between 1913 and 1948, which he discovered in his analysis of US tax records, was the natural result of industrialization and economic development. His famous «Kuznets curve», which is still influential in economic analysis today, held that industrial development brings about an initial phase of heightened inequality (e.g., the late nineteenth century) but eventually gives way to increased equality (e.g., 1948). The Kuznets curve, Piketty suggests, served Cold War purposes. It explained to poor countries tempted by socialism why inequality initially rises with capitalistic modernization while assuring them that greater equality and happiness were around the corner.

Capital in the Twenty-First Century flips Kuznets' thesis on its head. In Piketty's view, the relative equality of the mid twentieth century owed to historical contingencies of the first half of the twentieth century, not to any "natural" forces of convergence inherent in industrial capitalism. (He notes that Kuznets seemed initially to recognize the importance of contingency but got carried away, as did his followers, by the trans-historical potential of the curve's logic).[16] Two world wars, the Great Depression and rampant inflation had all but destroyed many pre-WWI fortunes. Meanwhile, confiscatory tax rates, imposed initially to fund wars and later

14 Y. Varoufakis, *Egalitarianism's latest foe: a critical review of Thomas Piketty's «Capital in the Twenty-First Century»*, «Real-World Economics Review», 69, 2014, pp. 18-35.

15 It is not clear that these observations undermine Piketty's thesis: whether housing constitutes «capital» is an unresolved issue in economics, as is the question of whether rises in housing prices benefit all homeowners or only wealthy ones. See M. Yglesias, *This 26-year old grad student didn't really debunk Piketty, but what he did do is just as important*, «Vox», April 1, 2015: http://www.vox.com/2015/4/1/8320937/this-26-year-old-grad-student-didnt-really-debunk-piketty-but-what-he (accessed on May 9, 2015).

16 Piketty, *Capital*, pp. 14-15.

to fund social welfare, public services and infrastructure, slowed the rate of wealth concentration. The impact of all this on fortunes was huge, both in the United State and Europe. On the eve of World War I, the wealthiest 1% in France owned 60% of national wealth and the wealthiest 10% owned 90% of the wealth. By 1970, the top 1% owned little more the 20% of total wealth, with the top 10% owning around 60%.

In pre-tax terms, *r* was still greater than *g* in the inter-war and post-WWII periods, but less so than usual as the economic boom of *les trente glorieuses* sent *g* skyrocketing in many countries. This meant that the relative advantage of income from capital over income from work was less pronounced and that the speed of wealth concentration was slowed (but not halted). In addition, the strengthening of collective bargaining rights (another contingency) helped buoy wages, distributing gains more widely and narrowing the spread between *r* and *g*. All this, together with steady inflation, diminished the relative preponderance of patrimonial wealth as a proportion of total wealth in many Western nations.

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It was only a matter of time, however, before patrimonial fortunes could be reconstituted, thanks to the implacable logic of capital accumulation. But here again, contingency played a role: the neo-liberal economic policies of the 1980s and 1990s facilitated their reconstitution. Confiscatory tax rates were abolished, which helped keep fortunes intact, allowing them to grow at faster rates (the larger the fortune, the greater the return). Meanwhile, economic growth slowed by the turn of the twenty-first century. In the European Union, growth over the past five years has ranged between 0% and 2%.[17] All this is now contributing to rising inequality, and although wealth concentrations have not returned to the high levels of pre-WWI Europe, Piketty warns that current trends are pointed in that direction.

3. Analytical tension as political provocation

In Piketty's analysis, historical contingencies inflect the importance of $r > g$, so much so that one may wonder what purpose the theorem really serves, aside from attracting the attention of economists. Some critics, such as the Marxist David Harvey and the self-described "erratic Marxist" Yanis Varoufakis (Greece's Finance Minister between January and July 2015) are critical of Piketty's deterministic theorem.[18] They do not appear to have noticed that Piketty – probably anticipating such criticism – states that there is

17 World Bank, *GDP growth (annual %)*, http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/EU? display = graph (consulted on May 7, 2015).

18 D. Harvey, *Afterthoughts on Piketty's Capital*, http://davidharvey.org/2014/05/afterthoughts-pikettys-capital/ (accessed on April 15, 2015); Varoufakis, *Egalitarianism's latest foe*, p. 21.

no logical reason why *r* must be greater than *g* but that, as a matter of fact, it has tended to be «the norm… throughout history until the eve of World War I».[19] Perhaps, but the empirical evidence substantiating the claim is thin.[20] The data covering the late eighteenth and nineteenth centuries concerns mostly France and is limited to records reporting estate holdings and inheritance. One has to wait until the twentieth century and the creation of a progressive income tax before substantial records documenting fortunes on an annual basis are available. And although several of Piketty's graphs span both the nineteenth and twentieth centuries, his discussions of those graphs are almost entirely focused on the twentieth.

Yet – and this is the most astonishing aspect of Piketty's argument – the twentieth century is precisely the period when *r* (after taxes) was *less than, not greater than, g*! His graphs show this to have been the case from roughly 1913 to the present.[21] He predicts that, globally, *r* will again surpass *g* in the twenty-first century, but this is only a prediction, and it is based on bold but debatable projections: a 1.5% economic growth rate over the twenty-first century and an eventual abolition of taxes on capital, as nations compete to attract wealth. His graph charting tax rates on wealth between 1913 and 2100 puts those rates at 30% for the period between 1913 and 2012, 10% for the period between 2012 to 2050, and 0% (!) from 2050 to 2100.

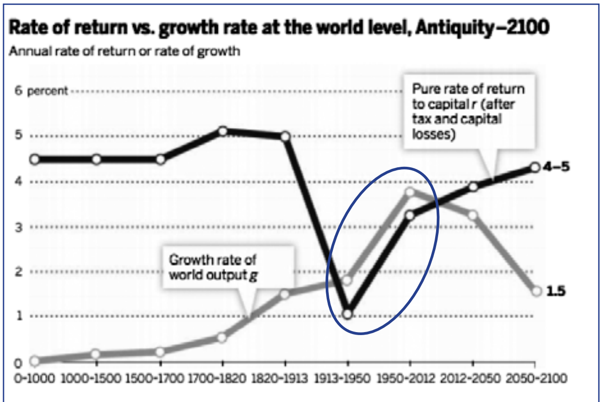

Fig. 4. Rate of return versus growth rate at the global level, from Antiquity until 2100. The average rate of return to capital (after tax and capital losses) fell below the growth rate in the 20th century. It may again surpass it in the 21st century, as it did throughout human history except in the 20th century. The series was constructed using national accounts for 1700 and after and historical sources on growth and rent to land values for the period before 1700. See (*24*), chapter 10, Fig. 10.10. Series available online at piketty.pse.ens.fr/capital21c. The future values for *g* are based upon UN demographic projections (median scenario) for population growth and on the assumption that between-country convergence in productivity growth rates will continue at its current pace. The future values for *r* are simply based upon the continuation of current pretax values and the assumption that tax competition will continue. See (*24*), chapter 10, Fig. 10.10. Series available online at piketty.pse.ens.fr/capital21c.

19 Piketty, *Capital*, p. 572.
20 This point was made by Professor Andrew Graham (Oxford University) during a critical discussion of Piketty's book, organised by Maxine Berg, at the University of Warwick on November 14, 2014.
21 Piketty, *Capital*, p. 356.

In the above graph, note how r is less than, not greater than, g for the period most closely examined in the study: 1913-2012. Piketty's thesis, $r > g$, appears true only for the period before a substantial amount of data exists (pre 1913) and is projected to be true in the future, based on a 0% tax on capital after 2050.

The central theorem of the book, $r > g$, thus has a limited evidentiary basis for the period before 1913 and is reversed for the period closely analysed (1913 to present). Of course, the reality of $r < g$ (less than) does not mean that fortunes did not accumulate in the post-WWII period; they simply did so at a much slower rate. Piketty's point is that, when r (after taxes) does surpass g, wealth divergences accelerate much more quickly.

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What might really be key here is less the theorem $r > g$ than the politics of r, which is not the same for everyone. In a lengthy analysis of the returns of Ivy League university endowments, Piketty shows that while universities have received an r substantially higher than g (endowments over one billion dollars received an average of 8.8% annual interest between 1980 and 2010), the rate of return on the capital savings of ordinary individuals has been much lower than g (generally 0% these days).

A more sinister possibility: some people's r is being sacrificed or siphoned off for the benefit of other people's r. There is some evidence for this. Goldman Sachs has been accused of enticing customers to buy bad investments while secretly betting against them.[22] And when "haircuts" were imposed on the Greek state's creditors in 2012 as part of a second bailout package (funded by Eurozone taxpayers), they were imposed unevenly, hitting Greek pensioners and individual bond holders of Greek debt hard while scarcely touching banks holding Greek debt, which were fully recapitalised in the name of saving the financial sector.[23] (Ironically, many of those banks had been bailed-out by the Greek state after the financial crisis of 2008, which precipitated its near collapse). In short, there seems to be a kind of war going on within r, which the aggregate coefficient conceals. If this is the case, then it strikes me that the politics surrounding r, and the history of those politics, are in great need of attention.

If, as Piketty argues, contingencies during the twentieth and early twenty-first centuries suspended the "natural" logic of capital ($r > g$), one may well suspect that contingencies have always inflected wealth-accumu-

22 D. ElBoghdady, *Jury finds Goldman executive liable for misleading investors*, «The Washington Post», August 1, 2013: http://www.washingtonpost.com/business/economy/jury-finds-goldman-executive-liable-for-misleading-investors/2013/08/01/63e6e34e-fae0-11e2-a369-d1954abcb7e3_story.html (accessed on June 22, 2015); B. McLean, J. Nocera, *All the Devils are Here: The Hidden Story of the Financial Crisis*, Penguin, New York 2011.

23 J. Zettelmeyer, C. Trebesch, M. Gulati, *The Greek Debt Restructuring: An Autopsy*, July 2013, at http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=5343&context=faculty_scholarship (accessed July 3, 2015), especially p. 17, fn 30.

lation patterns. Had they not and had the theorem guided history in all periods but our own, we would have become a society of oligarchs and slaves long ago. Capital would have become so consolidated and inequality so extreme that democracy would have become unthinkable. Ultimately, the history of inequality must be told as a story of contingencies and politics, especially the politics of various kinds of redistribution – upwards, downwards, across national borders. Wealth distributions have been influenced by economic policies, but those policies have been shaped by myriad forces and events: ideologies, wars, corruption, revolutions, bankruptcies, technological innovations, demographic changes and environmental catastrophes.

Piketty clearly knows this. He concedes from time to time that $r > g$ is a contingent proposition, sometimes true, sometimes not. So why insist on the theorem? Arguably, because it instils a sense of urgency in readers, spurring them to political action. For either we do nothing and allow inequality to rise indefinitely as the theorem predicts (or wait for some catastrophe to wipe out fortunes, along with much else), or we use the democracy we still have to rein in wealth accumulation before it is too late and wealth comes to control politics. Only through a heroic act of democratic will, it seems, can we alter the sad fate that capital has in store for us.

Piketty thus leads us to the edge of an abyss with his depressing theorem, then proposes an alternative: redistribution through a progressive global tax on capital. He presents his case with all the due qualifications and nods to pessimism that our pessimistic age requires in order to be taken seriously. Is the proposal utopian? He is the first to admit that it is. But before dismissing it (he seems to say), take another look at the abyss.

One does not need to fear the abyss or subscribe to $r > g$ to recognise the many merits of Piketty's proposal for a global tax on wealth. Those merits are economic (wealth can be redirected towards convergent forces of growth, such as education and infrastructure), moral (it reinforces meritocracy by funding and strengthening equal opportunities), social (it slows down wealth concentration and class tensions) and political (it gives states leverage over cancerous rent-seeking forces). The important question, it seems to me, is whether democracy can, as Piketty hopes, check the rising power of rent-seeking in today's globalised financial world and mitigate – or reverse – concentrations of capital.

4. Can democracy check inequality?

Ultimately, Piketty wants us to use democracy to protect democracy. Democracy is both means and ends; it is the means to create a progressive global tax on wealth (since it won't happen if left to elites) and the result towards which such a tax is oriented (meritocracy by funding a greater equality of opportunities). Sadly, it is not clear that history shows a strong correlation between democracy (in terms of political rights) and more equal wealth distributions. The French Revolution of 1789, though it abolished privileges and effected some downward land redistributions, ultimately bequeathed the pitiless economic world of patrimonial capitalism described in Balzac's *Père Goriot*. To the degree that income inequality may have declined between 1789 and 1830 (some economic historians speculate that it did, but on very sketchy evidence),[24] democracy appears to have played almost no role, since the period of universal male suffrage was so short (1792-1794). The nationalization of Church lands in 1789 and their subsequent sale, which initiated the process of downward redistributions, was implemented not in the name of democratic equality but in the name of servicing public debt, that is, in the name of paying financial rentiers. Under Napoleon (1799-1814), political rights were limited to the wealthiest, and even these individuals had virtually no effective power to initiate legislation or overturn the decisions of the emperor and his ministers. After decades of chronic revolution and revolt, France finally established a stable republic by 1880 (officially founded in 1870), but wealth inequality intensified between then and World War I, reaching extremes by 1913, when, as Piketty shows, the top 10% owned 90% of the wealth.

In the United States, women received the right to vote in 1920, but wealth inequalities roared on through the Twenties. They declined slightly in the 1930s – little solace during the Great Depression. Despite Roosevelt's New Deal in 1933, inequality began to substantially decline only in 1942, during World War II, when taxes and inflation got the better of fortunes and workers were fully employed.[25] It is true that robust spending on social welfare, public services and infrastructure in the 1950s and 1960s did spring from commitments to democracy, but these policies must be set in the context of the Cold War, when the US sought to prove to the rest of the world that liberal democracy was better than communism at delivering material happiness. And indeed, once communism declined in the 1980s, the US went headlong into neoliberalism. In any case, the US Civil Rights Act of 1964, which reinforced voting rights for effectively disenfranchised blacks, scarcely improved their economic situation relative to whites. In 1967, blacks earned on average 55% of what whites earned; in 2011, that figure rose by only four points, to 59%.[26]

24 C. Morrisson, W. Snyder, *The income inequality of France in historical perspective*, «European Review of Economic History», 4, 2000, pp. 59-83, esp. 70-72.
25 Piketty, *Capital*, p. 291, fig 8.5.
26 Pew Research, *King's Dream Remains an Elusive Goal; Many Americans See Racial Disparaties*, August 22, 2013: http://www.pewsocialtrends.org/2013/08/22/chapter-3-demographic-economic-data-by-race/ (accessed on May 10, 2015).

This ridiculously brief sketch of modern history is, of course, open to debate. In a recent issue of *Les Annales* devoted to *Capital in the Twenty-first Century*, Nicolas Delalande argues that, in France, the socio-economic achievements of the mid twentieth century grew out of the socially progressive movements that had gained momentum in the pre-WWI period, that is, during the Third Republic, which provided the democratic context necessary to build up demands for social justice.[27] In his response, Piketty concedes that progressive *movements* were underway before 1914 but insists that progressive *policies* were enacted only in the wake of total war, revolutions and economic depression, all of which dramatically reduced fortunes and their preponderant influence on politics.[28] Had Piketty considered historian Philip Nord's recent research on France, he might have added that some of the social welfare and dirigistes policies of the post-WWII period in France grew out of policies developed by the authoritarian Vichy regime (1940-1944), which was otherwise hostile to democracy and socialism and actively persecuted French communists.[29]

All this leaves us with uncomfortable but important questions. Are democracy and wealth distribution independent variables in history or are they related to each other in discernible ways? We may have good reason to be sceptical of Piketty's deterministic theorem $r > g$, but we would do well to look more deeply into the questions and problems he raises, above all, how social inequalities have been produced in the modern era and their relationship with democracy.

27 N. Delalande, *Vers une histoire politique du capital?*, «Annales. Histoire, Sciences Sociales», 70, 1, 2015, pp. 47-59.

28 T. Piketty, *Vers une économie politique et historique: Réflexions sur «Le capital au XXI^e siècle»*, *ivi*, pp. 125-138.

29 P. Nord, *France's New Deal: From the Thirties to the Postwar Era*, Princeton University Press, Princeton 2010.