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Considering Thomas Piketty's *Capital in the Twenty-First Century*

Introduction by Kenneth Mouré, University of Alberta

Thomas Piketty's *Capital in the Twenty-First Century* is a global best-seller. Worldwide sales have now (late December 2014) passed 1.5 million copies, with publication in thirty-nine languages at last count. In France, the weekly *L'Obs* put Piketty on the cover of its November 20-26 issue with the caption "Gouru mondial," and included an article on his book tour in China, where the Chinese translation sold more than 200,000 copies in its first two months since publication.

Global attention to inequality in incomes and wealth has grown significantly since the Occupy Wall Street movement of 2011 and the public distinction made by OWS between the 1% wealthiest and the rest of us, "We are the 99%." That distinction of "the 1%" was drawn from the attention to this issue following work by Piketty and his collaborators on inequalities in wealth.[1] His new book, distilling the findings from fifteen years of collaborative research on global inequalities, has achieved phenomenal success and global attention because it brings massive new data to a major question that had for a very long time attracted little new research. Simon Kuznets provided "preliminary speculations" on the issues of income inequality and economic growth in the 1950s. In his presidential address to the American Economic Association he called for more research in the field to provide better data for analysis of issues fundamental to understanding economic growth.[2] Piketty picks up both the impulse and the import of Kuznets' early speculations, adding a vast compilation of new data and vital new arguments that demonstrate a consistent, long-term trend of increasing inequality.

The question has vital policy importance for economic policy and planning. In the aftermath of the Great Recession that began in 2008, and its enduring impact on employment and output, there is new attention to how and why the new wealth created since then has gone almost exclusively to the top 1%. Piketty's distinction between the 1% and the 99% has both significance and durability. It is based on hard data, brings to light long-term trends in the creation and distribution of wealth, and has important implications for policies that will affect economic growth, wealth, inequality, and both political and economic stability in the future. It is rooted in historical research that, in Piketty's modest claim, can "help us to see a little more clearly what kinds of choices we will face in the coming century and what shorts of dynamics will be at work" (p. 35).

Capital in the Twenty-First Century is much more than a work of economic history presenting new historical research. Piketty makes his extensive and growing database available online to stimulate further historical research. He challenges economists to move beyond a "childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with the other social sciences" (p. 32). Likewise, he urges that social scientists, and historians in particular, must not abandon the field of economic history to the economists

[1] The key article being Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," *Quarterly Journal of Economics* 118, no. 1 (2003): 1-39.
[2] Simon Kuznets, "Economic Growth and Income Inequality," *American Economic Review* 45, no. 1 (1955): 1-28; and idem., *Shares of Upper Groups in Income and Savings* (New York: NBER, 1953).

(p. 575).[3] Above all, Piketty seeks to foster better-informed public debate on the growth of inequality and its perverse impacts on capitalist economies and democratic societies.

Capital in the Twenty-First Century is also a major work of policy advocacy. Piketty's book is receiving global attention because the issues and trends he documents for the natural (but not inevitable) growth of inequality are becoming too big for governments to ignore or disguise. Piketty's data and analysis can provide clearer understanding of how much is at stake. Problems of declining voter participation in democratic regimes, the regulatory capture of state agencies to monitor business and market behavior, and increasing social tensions can all be seen as products linked to growing inequality. As the parties and politics of the center fail to find solutions to problems of economic stagnation, unemployment (especially youth unemployment), immigration, and social exclusion. Parties that would in better circumstances remain on the margins of political life have new opportunity to win adherents who have lost faith in a failing center. Witness the growing electoral strength of parties on the extreme right, advocating a politics of more authoritarian government and of social exclusion, including the Front National in France. There are also movements to restore genuine alternatives on the radical left, calling for social and economic policies to increase social solidarity and challenge policies of austerity that have weakened economic growth, such as the Spanish party Podemos and the Greek coalition Syriza. Inequality will be a fundamental policy issue in the years to come. Piketty provides new data and provocative analysis to explain how inequality and economic growth are linked.

The four reviewers for this *H-France Forum* bring a range of interests and expertise to their reading of *Capital in the Twenty-First Century* that will give H-France readers a multi-dimensional overview of the strengths of Piketty's research and analysis, the importance of his findings and arguments, and discussion of the areas in which further research is needed to provide greater insight into historical developments in the twentieth century and the potential to influence the path of inequality in the twenty-first.

Reading Piketty as an economist and a historian, Philip T. Hoffman admits that "until recently, many economists gave inequality little thought," and that a general belief by economists and others, that over time economic growth will tend to reduce inequality, is "simply wrong." The historical data Piketty and his collaborators have amassed is "absolutely first rate" and Hoffman draws on Piketty to pose a series of challenges to historians for new research to extend the insights and enrich the necessary public debate on how to deal with the growth of inequality as a problem with both national and global dimensions.

Richard F. Kuisel focuses on what Piketty's work offers as history to French historians. The exceptional quality of French tax records and the analysis of changes in wealth and inequality in France over three centuries offer both long-term and comparative perspectives on French economic growth, the sources of French wealth, and the changes in levels of inequality. He appreciates Piketty's wit and his incisive analysis to debunk popular beliefs concerning public debt, state ownership, and the reason for astronomical CEO salaries. Kuisel notes the reversal of attitudes towards inequality exhibited in France and the U.S. over the course of the twentieth century, with France becoming less tolerant of inequality while the U.S. became less egalitarian, and he poses a question for French historians that Piketty does not answer: "How, when, and why did this happen?" Kuisel finds Piketty's coverage of French policymaking "rather inconsistent, even arbitrary," particularly for the role policy played in France's "trente glorieuses" of exceptional economic growth after 1945. The breadth of Piketty's study and his focus on wealth and tax policy result in quick judgments on points where closer attention to historical detail would improve the quality of analysis.

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[3] For the separation of economics from history in economic history research in the United States since the 1970s see William H. Sewell, "A Strange Career: The Historical Study of Economic Life," *History and Theory* 49, no. 4 (2010): 146-66.

Patrice Baubeau emphasizes the breadth of research and the ambitions of Piketty's work, "a new attempt at a grand theory" in analyzing the dynamic for wealth accumulation and the clear tendency for capital income growth to outstrip that of labor income, with increasing inequality as the natural outcome of economic growth over time. Baubeau notes the mostly French connections in Piketty's intellectual influences and regrets that he does not draw more broadly on an international scholarship. He praises the exceptional breadth and detail in Piketty's data and in his analysis of inequality in more than twenty countries, and the importance of the historical dimension to Piketty's analyses of current policy and politics concerning wealth and economic growth. Baubeau also points out areas where more research is needed, particularly on the question of how inequality has an impact on democratic life and social well-being, which is surely critical in demonstrating the urgency of policy changes to check its growth.[4]

As a historian of capitalism, political economy, and public policy, Mary O. Furner has a longstanding interest in issues of poverty and wealth. She finds Piketty's analysis of the relationship between rewards to capital and labor "compelling" and sets *Capital in the Twenty-First Century* alongside John Rawls' *A Theory of Justice* (1971) as a major contribution to public policy. Furner notes that the economic theory of wage income that underlies Piketty's work is neoclassical rather than returning to classical theory that labor creates all value. With her deep knowledge of U.S. policy history, she finds his accounting for changes in U.S. labor and tax policies superficial. She notes in particular the neglect of institutions, the embedded nature of markets in laws and cultures, and the legal forms of business organization that can determine the bargaining power and the political influence of capital versus labor. These in turn influence how policy is made, by whom, and how democratic process and public discourse can be manipulated, distracted, and deceived by the powers of organized interests. Furner provides a brief elucidation of how much is missing in the U.S. case, and needed to understand the changes in U.S. policy. Given Piketty's emphasis on government policy as a means to alter the inherent tendency for inequality to increase, we need greater depth and rigor in analyzing the policy history dimension to declining inequality from 1914 to the 1970s and the resurgence of inequality since then.

Furner and Kuisel find Piketty's policy histories too cursory to explain the critical policy changes in the U.S. and France. But all four reviewers, in raising questions to spur new research, value *Capital in the Twenty-First Century* as an outstanding contribution to economic history and to policy advocacy. Piketty's *Capital* is clearly a landmark volume in its research achievement and its intellectual contribution. In addition it offers a significant point of departure for new research on the history of inequality and economic growth, for broader multi-disciplinary analysis, and for more critical attention to policy and the manipulation of "inequality" as an issue in policy debates. Piketty has established inequality and its increase over time as a fundamental challenge for public policy in the twenty-first century. Historians have much to contribute to understanding the historical linkages between economic growth and inequality, the changes in levels of inequality in the past, and the debates on future policy.

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[4] As well as the work cited by Baubeau, see the contributions of Joseph Stiglitz in his many journal and newspaper articles and *The Price of Inequality: How Today's Divided Society Endangers Our Future* (New York: W.W. Norton, 2012).

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