On Piketty: Gravediggers wanted

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This post summarizes my longer review of Piketty's *Capital in the 21st Century*, forthcoming in *Capital & Class*.

Social democratic lamentation about rising inequality is often clouded in nostalgia for the mid-twentieth century 'golden age' of capitalism, which combined low unemployment and increasing wages with falling inequality. Thomas Piketty, author of the explosive *Capital in the 21st Century* (2014), does not share the optimism of garden-variety social democrats. The 'golden age', he argues, was an anomaly made possible by very specific historical conditions—conditions that no one would wish to see return (notably, the two world wars, which destroyed vast amounts of capital and set the stage for accelerated 'catch-up' growth between 1945 and 1970). But if we cannot simply return to twentieth century social democracy, how are we to halt the seemingly inexorable rise of inequality?

Piketty's proposed solution is a global tax on wealth. On the assumption that the rate of return on capital for the top centile ranges between 5 and 6%, and that growth ranges between 1 and 1.5%, a progressive tax of between 5 and 10% on total capital can bring the gross rate of return down, and stabilise, or reduce, the capital share of national income. Such a tax may be ambitious enough in one country, but Piketty is clear that it must have a global, or at least transnational, reach, to prevent capitalists from simply evading it. Piketty thus envisages a European 'budgetary parliament' vested with control over taxation throughout the EU, along with enhanced accountability and spending powers.

What Piketty does not say is which complementary set of policies his tax scheme necessitates. Notably, a capital tax will do little to reduce the capital share of income unless it is supplemented by a policy of full employment. In the absence of such a policy, or something like it, capitalists can recoup their losses through wage cuts and layoffs, thereby preserving their share of national income. This sustains the trajectory towards the kind of ‘patrimonial’ inequality that social democrats regret. Piketty’s policy agenda therefore comprises an international tax on capital (528-30), robust commitment to public services such as health, education, housing (479-81), an international commitment to full employment… Piketty’s list of reforms is beginning to look much more exigent than standard social democratic remedies.

An important question therefore arises: who would implement such an-effectively anti-capitalist-set of policies?

Unlike Piketty, Marx offered an answer to this question, through a theory of counter-agency. On Marx’s account, capitalism has an inherent tendency to undermine itself through the twin processes of centralisation of the means of production and socialisation of labour. Centralisation makes it easier to wrest control of the means of production from the capitalists, and socialisation makes it easier to organise and reproduce that control. This is the familiar story of capitalism producing its own gravediggers. Piketty does not speculate on the agency question. But an answer to this question is a litmus test for the feasibility of his proposal. For why would Europe’s capitalists and their allies implement fiscal harmonisation stabilising, or reducing, their slice of the pie, in the absence of a powerful popular movement forcing their hand? The question becomes especially poignant in light of Piketty’s statistics: given that the top 1 percent in the US (and the top 5 percent in Europe) makes about as much as the bottom

50 percent, a small minority can consistently buy itself the repressive mechanisms and majorities it needs to continue to dominate the rest of us.

The upshot of Piketty’s analysis, in the short- to medium-term, is increasing inequality. To this we must add increasing volatility, through increasing financialisation of capitalism. Whether more frequent, and perhaps more severe, finance-induced crises will give birth to a sufficiently robust counter-agency remains to be seen.