Capital and Ideology

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Pulling from wide historical knowledge and the latest data from the World Inequality Database, French economist Thomas Piketty sets out to explain the historical, ideological, and social framework of economic inequalities in his thousand-page tome *Capital and Ideology.* As he recapitulates in the last chapter:

> In this book I have tried to present a reasoned history of inequality regimes from early trifunctional and slave societies to modern hypercapitalist and post-colonial ones. All human societies need to justify their inequalities. Their histories are organized around the ideologies they develop to regulate, by means of complex and changing institutional arrangements, social relations, property rights and borders. The search for a just inequality is of course not exempt from hypocrisy on the part of dominant groups, but every ideology contains plausible and sincere elements from which we can derive useful lessons. (p. 966)

The scope of the book is truly impressive – covering various societies around the globe over a period of at least two thousand years in an engaging mix of history, sociology, and economic analysis.

Part I looks at "inequality regimes in history," including trifunctional societies (comprised of religious, noble/warrior, and common/laboring classes) and various "ownership societies." The concept of ownership is central to the book since every "inegalitarian ideology rests on both a theory of borders and a theory of property" (p. 5). Indeed, "market and competition, profits and wage, capital and debt, skilled and unskilled workers, natives and aliens, tax havens and competitiveness—none of these things exist as such. All are social and historical constructs" which depend on people's choices (p. 7).

This fluidity is evident enough in church history (pp. 95–97), where the church's rules and theologies for the "proper use of wealth" (p. 96) continually changed depending on the situation. As the book later shows, Islam and Hindu theology is as economically flexible as Christianity's (p.

407), although one finds a common thread of wealth redistribution (p. 409). Piketty also argues, that "…modern property law…does not date from 1688…or from 1789…It originated instead with Christian doctrine, which sought over many centuries to secure the property rights of the Church as both a religious and a property-owning organization" (p. 97).

Stemming from such European theologies, classical liberals and "intransigent proprietarians" argued that an ideology of property based on social justice is too risky: "redistribution is a Pandora's box, which should never be opened" (p. 123). In the context of critical modernity, this meant elevating property to a divine status. "The sacralization of private property is basically a natural response to fear of the void," for once the religious class lost power in societies "new ways of ensuring social stability had to be found. Absolute respect for property rights acquired in the past offered a new form of transcendence… The sacralization of property was in some ways a response to the end of religion as an explicit political ideology" (p. 123).

But "the problem is that the arguments and facts advanced in support of these positions are not always convincing" (p. 125):

> …hard-core proprietarian ideology [e.g., right-wing libertarianism, Rothbardian anarcho-capitalism, etc.] should be analyzed for what it is: a sophisticated discourse, which is potentially convincing in certain respects… But… in its harshest, most extreme forms seeks simply to justify a specific form of social domination, often in excessive and caricatural fashion. Indeed, it is a very useful ideology for people and countries that find themselves at the top of the heap. The wealthiest individuals can use it to justify their position vis-à-vis the poorest: they deserve what they have, they say, because of their talent and effort, and in any case inequality contributes to social stability, which supposedly benefits everything. The wealthiest countries can also justify their domination over the poorest on the grounds that their laws and institutions are superior. (p. 125)

This problem becomes all the more evident in Part II, which looks at slave and colonial societies. It examines several countries and case studies throughout history where the property ideology required reparations not for slaves, but for slave-owners after abolition. "Former slaves," Piketty writes, "once emancipated, were obliged to sign relatively rigid and undercompensated long-term labor contracts, which left most of them in semi-forced labor for long periods after their official liberation. By contrast, in the British case slave owners were entitled to full compensation for their loss of property" (p. 208). The case of Haiti under French colonialism is particularly disturbing (pp. 218–219): "By refusing any discussion of the debt Haiti was forced to pay back to France because it no longer wished to be enslaved, even though the payments made from 1825 to 1950 are well documented and wholly uncontested, one inevitably runs the risk of giving the impression that some crimes are more deserving of punishment than others" (p. 226). This orientation also trumped many Christian abolition efforts (pp. 211ff). It virtually never occurred to capitalists that maybe "it was the slaves who ought to be indemnified for centuries of unpaid labor" (p. 222). Similarly, the promise that Southern slaves would receive "forty acres and a mule" after the Civil War ended up being "a symbol of Yankee deception and hypocrisy" (p. 235).

Lest readers think this dominating property ideology just disappeared with abolition, Piketty explains how it continues in less direct forms of exploitation today, and how other social constructs – like the caste system in India, establishes inequality in similar ways. Overall, "it is impossible to understand the structure of inequality today without taking into account the heavy inegalitarian legacy of slavery and colonialism" (p. 249).

Unsurprisingly, the book debunks a number of stock Eurocentric ideas. For example, despite all the hubbub about economic liberalism, "Chinese institutions in the eighteenth century were far more Smithian than the United Kingdom's" (p. 374); joint-stock companies were "more a sophisticated militarized form of highway robbery than a productive entrepreneurial venture" (p. 377); the British industrial revolution was clearly financed and launched by centuries of colonialist exploitation and facilitated by Asian economic decline (pp. 377ff), not because of Europe's cultural, religious, racial, or institutional superiority; "oriental despotism" in China is an oversimplification (pp. 390–391), as is the idea that only Europeans value and fight for "freedom" (pp. 396ff.); the idea what western democracies have achieved some kind of "unsurpassable perfection" is "absurd" (p. 627). Etc. Although Piketty doesn't quite cover all J. M. Blaut's "Thirty Reasons Why Europe is Better Than Everyone Else,"[1] he does thankfully write from a global, historical perspective that recognizes the existence (and relevance) of an economic world outside modern Europe.

Part III continues to look at the above themes but in the twentieth century. "Between 1914 and 1950," we read:

> it was the very concept of property that changed due to the effects of war and social and political conflict. Existing property rights, which had seemed unquestionably solid in 1914, had by 1950 given way to a more social and instrumental concept of property, according to which the purpose of productive capital was to further the cause of economic development, social justice, and/or national independence. (pp. 433–434)

Prior to this period, Europe "embarked on a long phase of sacralization of private property and monetary stability, during which the very idea of not repaying a debt was considered totally taboo and unthinkable" (p. 443). Nevertheless, attitudes changed. By 1919, the American Economic Association president was open in telling colleagues that, "increasing concentration of wealth was on the brink of becoming America's foremost economic problem" (p. 456), posing the risk of oligarchy which "threatened the very foundation of American society."

Leaning on Polanyi, Piketty observes that "it is illusory to think that supply and demand alone can ensure rational social utilization via the market… it makes no sense to give all power to the 'first' owners of land and natural capital and even less sense to guarantee their power until the end of time" (p. 470). And, leaning on Hannah Arendt, he also observes that, "states were no longer able to control and regulate economic forces or their social consequences" (p. 479). He goes as far as to say: "the only way to transcend capitalism and ownership society is to work out some way of transcending the nation state" (p. 485).

Piketty then looks at the proposals and empirical effects of various tax measures throughout the twentieth century. He argues that the progressive program "explains why the long-run decrease in the concentration of wealth did not hinder continued investment and accumulation" (p. 462). The situation today, from 1990 to 2020, is the opposite and thus had the opposite effect: "rising inequality, reduced support for the tax system, and low overall accumulation." At any rate, this entire shift in the twentieth century – a "transformation of the inequality regime" – was the "encounter between this intellectual evolution and a range of military, financial, and political crises, which were themselves due in part to tensions stemming from inequality" (p. 468).

Piketty then turns to the successes and failures of social democratic, communist, and hypercapitalist societies, with Sweden, Soviet Russia, and the Middle East as quintessential examples respectively. The section examines global inequality increases since 1980, and also concisely answers the previous question of how to transcend capitalism: "a mix of public ownership, social ownership, and temporary ownership" (p. 494). It matters greatly "how the corporate governance of public firms is organized," for example (p. 495).

He therefore pays special attention to the highly successful model of co-management in Germany, which was initially established in law in the 1950s and gained more momentum under the Social Democrats in the 1970s. A law from 1976 (still in effect today) "requires all firms with more than 2,000 employees to reserve half their board seats (and voting rights) for worker representatives" (p. 496). These laws were energized by a more substantial change from 1919, when the Weimar Constitution redefined property so "that property was no longer considered a sacred natural right," but something instrumentalized by society and defined by law (p. 497).

Piketty also looks at Nordic co-management and explains how the statist tendencies of France and the capitalist ideologies of Britain and the United States prevented them from promoting co-management (pp. 502–503); after all, co-management challenges the sacredness of property rights, despite being so successful. The challenge is whether (and how much) voting power to give to those who own shares. (Piketty is oddly cool towards worker-owned cooperatives, cf. p. 594, perhaps because he appears to have a rather elementary and limited understanding of cooperative equity structures, p. 511, and perhaps because of cooperative failures in France, see p. 512.) He provisionally concludes (rightly, I think): "there is no reason to restrict oneself to a choice between a pure cooperative model (one person, one vote) and a pure shareholder model (one share, on vote)" (p. 512).

He also concludes more broadly that alternative models to proprietarianism and "new thinking about the forms of property was blocked by the bipolar opposition of Soviet Communism and American capitalism. One was either for unlimited state ownership or for full private shareholder ownership. This helps to explain why alternatives such as co-management and self-management were not explored as fully as they might have been" (p. 513; it also explains the American allergy towards the word "socialism"). Piketty implores readers to set aside the extremities and start "with the German and Nordic experiments with co-management" (p. 513).

Piketty examines the importance of education and how access to higher education is largely determined by parental income (and thus by inequalities). In the United States, "the best American universities are very rich… and second, the system of higher education is extremely stratified" (p. 537). The bigger problem is "that the gap between resources available to the best universities and those available to less well-endowed public universities and community colleges has grown to abyssal proportions in recent decades" (p. 537) – which is "exacerbated by the financial dynamics of global capitalism." He suggests that a head start in education – not property rights and lower taxes – was a key reason for American growth in the late 1800s and early 1900s (pp. 546–577). He then explains how some taxes made a difference in curbing wealth inequality and how others did not, and why "a permanent and annual progressive wealth tax is necessary" (p. 561). (Hence the 7-year Jubilee and land-redistribution in ancient Israel and other such traditions: corrections must be systemic and regular to have any real effect.)

In analyzing the failures of Soviet and Chinese communism, he looks at how freed serfs had to make annual payments for their freedom, similar to slaves after abolition (p. 583). Statism is ultimately a mirror image of proprietarianism: "Soviet ideology refused to allow anything but strict state ownership lest private property find a way into some small crevice and end up infecting the whole system" (pp. 591–592). The 1990s whipsawed Russia, propelling it as one of the most capitalist, inegalitarian countries in the world (p. 597); "By the 2000s, the total wealth of Russian billionaires listed in *Forbes* amounted to 30-40 percent of the country's national income, three or four times the level observed in the United States, Germany, France, and China" (p. 598). However, Piketty reserves the label "hypercapitalism" for the Middle East.

China's mixed approach seems to have been more successful, where 30% of all property is still publicly held (p. 607) and central planning has actually proven quite useful. Piketty also takes a critical look at central banking and monetary policy (pp. 699ff), exploring the absurd numbers involved in money creation, the illusion of control, and the vast inequalities created by it. He also counters the "illusion" that philanthropy really addresses economic equality (p. 716).

The final section provides political commentary and concrete proposals. He explains, for example, why voter turnouts are directly related to inequality (rich people vote more than poor), and why the political left went from the party of workers in the 1950s to the party of the educated since the 1990s – not just in America but as a "well-known phenomenon that exists in all Western countries" (p. 751). The section examines similar movements in India and the political situation of Catholics in France, and the challenges of "social-nativism" and post-colonial politics. (Piketty particularly loathes the word "populism" and refuses to use it, p. 962).

Piketty's overarching goal is "the just society," which he defines as "one that allows all of its members access to the widest possible range of fundamental goods" (p. 967). It "in no way requires absolute uniformity or equality" (p. 968), and his disposition is measured and self-critical; "no book and no single human being can ever define the ideal property regime, the perfect voting system, or the miraculous tax schedule. Progress towards justice can occur only as the result of a vast collective experiment" (p. 971).

Nevertheless, he proposes four policies of redistribution (all based on multiples of average wealth/income; the first two go towards universal capital endowment, which is given to all citizens at age 25):

1. Progressive inheritance taxes (E.g., 2 times average wealth at 20 percent; 10 times at 60 percent... 10,000 times at 90 percent)
2. Progressive income taxes, includes ecological offset (.5 times at 10 percent; 2 times at 40 percent ... 10,000 times at 90 percent)
3. Annual property taxes (2 times at 1 percent; 5 times at 2 percent... 10,000 times at 90 percent)
4. "Social ownership of capital by more extensive power sharing within firms" (p. 972), for "all available evidence shows that co-management has been a great success" (p. 973).[2]

In zooming out to the planetary level, he envisions a "transnational assembly" that "could be composed of members of the national parliaments of member states or of transnational deputies expressly elected to serve in this capacity, or a mixture of the two" (p. 1026). He compares and contrasts it to the European Union, but it would be "in charge of global public goods (climate, research, etc.) and global fiscal justice (common taxes on the largest fortunes and highest incomes, largest firms, carbon taxes)" (p. 1027):

> What I have just described is a cooperative and ideal (not to say idyllic) scenario that would lead via concentric circles to a vast transnational democracy, ultimately resulting in just common taxes, a universal right to education and a capital endowment, free circulation of people, and de facto virtual abolition of borders. (p. 1031)

I had no idea what to expect reading *Capital and Ideology* – especially since I had never read anything of Piketty before. I only intended to skim it (for obvious reasons!). But the title grabbed my attention, and I ended up reading the entire work, as it was just too hard to put down.

If I could broadly summarize the work into three themes in my own assessment, they would be:

1. Private property is legitimate and important but not sacred or absolute. All kinds of suffering and violence result when it becomes idolized instead of instrumentalized for the common good. Similar to Graeber[3] and others, Piketty is offering an alternative to natural law theorists and economic fundamentalism that is overdue, as well as historically, socially, ethically, and empirically grounded.
2. Ideologies justify inequalities, and our species should consider the consequences of when ideologies become an end in and of themselves. Those influenced by Western capitalism need to expand their definition of what constitutes "unjust inequality."
3. Due to (1) and (2) above, the world we live in is one branch of many failed possibilities. People can and do change the course of history. Over and over again, Piketty stresses how things could have easily been different, and that the reason things are the way they are today is not because of some inevitability or transcendent law but because real human beings have made real fallible choices to treat people and think about economics in particular ways. Thus: "There is always a need to reinvent democracy in its concrete forms, and to that end it is useful to compare different models and historical experiences…" (p. 636).

Most of this is summarized by the author himself in a short paragraph on page 706:

> Today's neo-proprietarian ideology relies on grand narratives and solid institutions, including the story of communism's failure, the 'Pandorian' refusal to redistribute wealth, and the free circulation of capital without regulation, information sharing, or a common tax system. Nevertheless, it is also important to bear in mind that this political-ideological regime has many weaknesses, or to put it the other way around, there are many forces pushing to change and to overcome it. Financial opacity and rising inequality significantly complicate the response to the challenge of climate change. More generally, transparency and more redistribution, without which identitarian tensions will grow increasingly strong. Like all inegalitarian regimes, this one is unstable and evolving. (p. 706)

I found it difficult to disagree with any of these theses, and compared to other economic works on inequality, found the historical grounding combined with empirical research both refreshing and persuasive.

There are some small critiques that cropped up as I read:

First, it seems to be a true observation that "the only way to transcend capitalism and ownership society is to work out some way of transcending the nation state" (p. 485). It's questionable how many of the book's proposals actually do that since they mostly amount to dramatic reforms *within* a social democratic nation-state. Yes, property is relativized and democracy is elevated in a way that is antagonistic to laissez-faire capitalism, and Piketty attends to this issue in general (e.g., pp. 101, 115, 251). But the book remains rather unaware of (or at least less engaged in) the rich tradition of anarcho-syndicalism/anarcho-socialism and democratic confederalism that answers his own concerns as good as or better than his own proposals.[4] Piketty also knows full-well that "taxes" have historically been a distinct feature of states – unjust penalties levied against conquered peoples.[5] Yet, he never questions taxation as such (whether in favor of "fees" or "charges" within a democratic organization or not), and stops short of really fleshing out how this "transcending the nation state" and "virtual abolition of borders" is any different or better then Marxism's ambiguous "withering away of the state," or why his models of "concentric circles" of democracy is much different (or better) than workers' councils in (say) Noam Chomsky's anarchism. Nevertheless, I remain intrigued and excited that a celebrity economist like Piketty strongly shares similar ideas and aspirations.

Second, Piketty's taxation proposal (or, its non-state democratic equivalent, "membership fees based on an asset-based sliding scale") makes sense in many ways. The general wealth-based, average-calculated progressive scheme and universal endowment is compelling. But what puzzles me is why income taxes are necessary since they exist as "cash-in-accounts" on a balance sheet and are, therefore, subject to the wealth tax. (This is important considering the massive resources and bureaucracy needed to effectively and regularly harvest income taxes from a population.)

In a similar accounting problem, Piketty makes what appears to be (unless I'm misunderstanding) a strategic error in taxing net worth instead of assets outstanding to mitigate extreme wealth inequality. He gives the following example:

> … a person who owned a home or business valued at 300,000 euros but with a debt of 250,000 euros would be taxed on the basis of her net wealth of only 50,000 euros, which with a progressive schedule such as the one shown in Table 17.1 would result in a tax close to zero and therefore a significant tax cut compared with the current real estate tax. By contrast, another person who owned a similar property worth 300,000 euros together with a financial portfolio worth 2 million euros, who currently pays the same real estate tax as the former…would face a sharp increase in his wealth tax.
>
> With such a system, the only tax avoidance strategy available to the owners of residential or business property in France would be to sell the assets and leave the country. (p. 994)

This cannot be right. The tax avoidance strategy that any business person would use is *increasing liabilities* (e.g. borrowing), not liquidating assets. When a tax is levied on net worth, the only thing a person has to do to reduce the tax is to increase liabilities, just as Amazon (and any business) can avoid paying income taxes by increasing its expenses. To use the same example, the second person in the above analogy could simply borrow 2,300,000 euros from a bank (or another wealthy person) to buy a piece of real estate, making their net worth an effective 0 euros, avoiding all wealth taxes entirely for the year. (Ironic, indeed, since this law compels the wealthy to *expand* their wealth, not shrink it!). It is a puzzle to me how Piketty could miss this loophole.[6] Any wealth tax or wealth-based redistribution should, to be effective, target wealth *regardless* of liabilities, not assets after *deducting* liabilities.

Fourth, as indicated above, Piketty's understanding of cooperative economics seems somewhat warped. There is virtually no substantive discussion of the role of credit unions throughout history, or any other client cooperative, or even producers' cooperatives, despite the huge role they have played in private healthcare and agriculture throughout the modern economy.[7] He seems unfamiliar with worker cooperatives that are (say) 60% owned by workers and 40% owned by private investors – and how such a model could effectively address some of the problems the book raises.[8] Like Yanis Varoufakis and Richard Wolff, Piketty seems to care less about who owns what (the state? private investors?) than ensuring that democratic management is there and working.

At any rate, these are small quibbles given how incredibly enlightening *Capital and Ideology* remains. The book is essential for those who want comparative knowledge of inequality throughout history –something the nearly *two hundred* graphs and illustrations competently communicate (and something that I could hardly touch upon in this brief review!). Whether one agrees with the author's particular solutions or not, readers cannot dismiss the basic theses and direction he develops, much less the unique, thorough, and multi-faceted engagement of the subject matter.

Notes

1. J. M. Blaut, *Eight Eurocentric Historians* (New York, NY: Guilford Press, 2000). I cannot recommend the importance of this book to economists enough – along with the first volume in this series, *The Colonizer's Model of the World* (New York, NY: Guilford Press, 1993).
2. Such tax schemas are not extreme in Piketty's view since many high rates existed throughout history (p. 976). (And for those who are wondering, "these high rates would eliminate some billionaires entirely!" *That is precisely the point*.) The genius of Piketty's system, of course, is that it is based on averages, automatically adjusting

according to proportionate wealth and income. He fully explains the benefits of this system in the rest of the book, and the principle it embodies (which he argues should be written into the constitution): "the proportionate burden of the wealth or income tax on the wealthiest segment of the population should not be lower than the proportionate burden on the poorest segment" (p. 1000).

3. David Graeber, *Debt: The First 5000 Years* (New York, NY: Melville House, 2011).
4. Rudolph Rocker, *Anarcho-Syndicalism: Theory and Practice,* foreword by Noam Chomsky (Oakland, CA: AK Press, 2004, orig. 1934); Abdullah Öcalan, *Manifesto for a Democratic Civilization: The Age of Masked Gods and Disguised Kings* (Porsgrunn, Norway: New Compass Press, 2015); Abdullah Öcalan, *The Political Thought of Abdullah Öcalan: Kurdistan, Woman's Revolution, and Democratic Confederalism* (London: Pluto Press, 2017); David Graeber, *The Democracy Project* (New York, NY: Random House, 2013); David Graeber, *Anarchy – In a Manner of Speaking* (Berlin: Diaphanes, 2020).
5. Note Warren Carter. Taxation. In *The New Interpreter's Dictionary of the Bible* (Nashville, TN: Abingdon Press, 2006), 4:478.
6. He repeats it on p. 988: "property and inheritance taxes proposed here apply to… the total value of real estate and business and financial assets (*net of debt*)," emphasis mine.
7. On this topic, see Nathan Schneider, *Everything for Everyone* (New York, NY: Nation Books, 2018); John Restakis, *Humanizing the Economy: Cooperatives in an Age of Capital* (Gabriola, BC: New Society Publishers, 2010); Jessica Gordon-Nembhard, *Collective Courage: A History of African American Cooperative Economic Thought* (University Park, PA: Pennsylvania State University Press, 2014); Marjorie Kelly and Ted Howard, *The Making of a Democratic Economy* (Oakland, CA: Berrett-Koehler, 2019); Race Mathews, *Jobs of Our Own: Building a Stakeholder Society* (Irving, TX: Distributist Review Press, 2009); Richard Wolff, *Democracy at Work: A Cure for Capitalism* (Chicago, IL: Haymarket Books, 2013); Jamin Andreas Hübner, "Owning up to it: Why cooperatives create the humane economy our world needs," *Faith & Economics* 76 (Fall, 2020): 133–208; Jamin Andreas Hübner, "Production for the

common good: A Christian case for cooperatives," *The Journal of Religious Leadership 20* (2) (2021), 41–72.

8. He is right, nevertheless, that private contractors and small businesses are essential, and are incompatible in a society that requires all economic actors to be factory owners (p. 580). ■