

Book Review

Thomas Picketty

A Brief History of Equality

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The issue of inequality has received attention from top economists, whose voices have been projected through the book edited by Blanchard and Rodrik (2021). The editors make a strong case by arguing that economists should be at the forefront of combating inequality instead of making the usual naysaying arguments that “we can’t afford it”, “we don’t have enough evidence” or that “incentives will be distorted” (p. xx). In a Canadian context, Osberg (2018) emphasizes addressing inequality as a pressing issue, stating that the Top 1% instigate narratives in their favour through think tanks and policy institutes. He proposes policies to combat inequality including guaranteed annual income, raising the top tax rates, and supporting higher wages. However, Picketty seems to have had the greatest impact on highlighting the issue of inequality, especially in mainstream newspapers, where his work has been challenged through arguments including that “inequality did not rise” and that “inequality does not matter” (Grisold and Theine, 2020). Picketty (2021) counters the mainstream, arguing that if we keep stating that it is impossible to make the richest individuals pay, we run the risk of future rebellions. In making this stand, he expresses that “there is no universal law of economics” and that everyone must “draw their own conclusions without allowing themselves to be intimidated by the well-argued opinions of others” (p. 42).

Picketty (2022) sustains this line of thought by providing an abridged reflection of his voluminous work over the last two decades. In line with Earle, Moran, and Ward-Perkins (2017), he states that economic issues are too important to be relinquished to a “small class” of experts (p. viii). In the introduction, he highlights that capitalism is connected to the “exploitation of natural resources” and “colonial domination” (p. 3). However, he adds that while it is easy to critique existing institutions that stoke inequality and oppression, it is much harder to agree on “alternative institutions” (p. 11). Additionally, in terms of combating inequality, he highlights access to education and healthcare, progressive taxes and wealth redistribution, and power sharing with employees in “business enterprises” (p. 12). Overall, he is against ceding economic issues to experts, links capitalism with exploitation, and supports access to education and healthcare, progressive taxes and wealth redistribution, and power sharing with firm employees to combat inequality.

In Chapter 1, he critiques the concept of the GDP, stating that it does not account for the depletion of natural resources or the inequality of income distribution and that even measures that account for them are problematic, as they provide the impression that damage can be “counterbalanced” by money (p. 23-24). He adds that a majority of those who contribute the greatest to carbon emissions reside in North America, whereas a majority of those who contribute the least reside in Sub-Saharan Africa and South Asia where they experience the

brunt of global warming (p. 25). By highlighting this differential impact of global warming, he argues that addressing climate change necessitates combating inequality (p. 26). Finally, he advises against the use of like the indices Gini coefficient and instead favours measures like the income proportion that goes to the bottom 50% or the top 1% (p. 29). Overall, he critiques measures that give the impression that damage can be balanced by money, indices like the Gini coefficient, the inequality in the impact of global warming, and argues that addressing climate change necessitates combating inequality.

In Chapter 2, he states that while the wealth of the middle class is concentrated in housing, the rich also have financial assets and that access to such resources allows the latter to influence politics, media, and think tanks to achieve favourable policies (p. 39-40). In Chapter 3, he states that the prescriptions of Adam Smith to uphold property rights, keep low taxes, and have balanced budgets were followed more by China than the U.K. in the 18th century (p. 52). This is because the latter accumulated significant public debt for being in a perpetual state of war and imposed taxes that accounted for 6% to 8% of the national income, which facilitated military innovations and colonial domination (p. 52-55). On free trade, he states that it was only after developing comparative advantage in the textile industry by banning imports of Indian textiles in the 18th century that the U.K. pushed towards free trade and that the same protectionist strategy was followed by Japan in the 19th century, South Korea and Taiwan in the mid 20th century, and China in the late 20th century (p. 58, 59). He adds that free trade discourse allows advanced economies to make developing countries dependent on them, as in the case of China that has made several Asian and African countries dependent on it (p. 59).

Generally, he reiterates that the wealth in western economies has been built on slavery, colonialism, and extraction of natural resources (p. 48-49). Continuing with this line of thought in Chapter 4, he highlights that reparations for slavery were paid to slaveholders and not slaves and that this payment was financed by public debt in the U.K. (p. 68, 76). Similarly, in the next chapter, he states that the French Revolution, while eliminating the privileges of the nobility, retained their property rights, as they were paid about 15% of the national income financed by taxes and public debt (p. 97, 99). Moreover, he states that reparations alone are not enough and that the damage of colonialism should be comprehensively addressed by reducing inequality through ensuring equitable access to education, employment, and property (p. 94). In this regard, he proposes the idea that every citizen on the planet should have access to tax revenues imposed on the world's billionaires, as the prosperity of the rich would not exist without the exploitation of the world's natural and human resources (p. 94). Overall, he emphasizes the impact of the wealthy on extracting favourable policies, questions the prescriptions of low taxes, balanced budgets, and free trade that the colonial powers avoided, reiterates that wealth is based on the exploitation of the world's natural and human resources, and proposes equitable access to education, employment, and property for the world's citizens funded by taxes on the world's billionaires.

In Chapter 5, he emphasizes the co-management system where half the seats in the board of directors belong to employee representatives, as they are invested in the firm's long-term viability in comparison to shareholders (p. 113-114). In Chapter 6, he states that inequality was reduced in the Western world between 1914 and 1980 through progressive taxes on income and inheritance, and the welfare state that invested in education, healthcare, pensions, public transportation, and employment insurance (p. 121-122). He highlights that confiscatory tax rates of 80% to 90% not only compel the wealthy to curb their conspicuous consumption but also create conditions against generous remunerations of top executives (p. 137-139). He adds

that there is not much of a relationship between high executive compensation and their economic performance and that their exorbitant compensation has a negative impact on the salaries of the workers below them (p. 139). Furthermore, he justifies progressive taxes by arguing that they do not discourage “innovation or productivity” and reiterates that it is education and equality that lead to development and not private property and inequality (p. 139). Overall, he highlights addressing income and wealth inequality through public investment in education and healthcare, the co-management system in firms, and progressive confiscatory taxes, which he justifies by arguing that such rates curb conspicuous consumption, that they do not impede productivity and innovation, that exorbitant executive compensation is not connected to economic performance, and that such compensation has a negative impact on the salaries of workers.

In Chapter 7, he critiques state socialism, stating that both “state ownership of the means of production and centralized planning” have failed (p. 155). Instead, he emphasizes the alternative of decentralized, democratic, and participatory socialism based on confiscatory tax rates, having employees on board of directors, and the provision of education and healthcare “beyond commercial logic” (p. 156-157, 165). Additionally, he proposes the idea of minimal inheritance for all funded by progressive wealth and inheritance taxes in conjunction with “basic income and guaranteed employment”, which would empower recipients to “reject certain jobs, buy an apartment, or create a small business” (p. 160, 162, 164). Overall, he critiques state socialism and instead supports democratic, decentralized, and participatory socialism that is based on confiscatory tax rates, having employees on board of directors, the provision of education and healthcare, basic income, guaranteed employment, and inheritance for all funded by progressive wealth and inheritance taxes.

In Chapter 8, he states that encouraging women to pursue the same lifestyle as men, who earn high salaries but have limited time for family and civic participation and who contribute to consumerism and environmental damage, is not a solution to the issue of discrimination (p. 188-189). In Chapter 9, he projects the Washington Consensus that rests on budget austerity, liberalization, deregulation, and free flow of capital as neocolonialism (p. 207-208). He adds that tariffs can be justifiably reduced if they are replaced by wealth taxes, higher taxes on top incomes, and corporate taxes on multinational companies (p. 208). Additionally, he reiterates that world citizens should have access to healthcare and education funded by taxes on multinational companies and billionaires, as the wealth of the rich would not exist without the labour and resources of the poor countries (p. 215, 216). Overall, he critiques addressing discrimination through strategies that instigate consumerism and environmental damage, rejects budget austerity, liberalization, deregulation, and free flow of capital, and instead supports universal access to healthcare and education funded by taxes on multinational companies and billionaires.

In Chapter 10, he critiques Chinese socialism as “statist and authoritarian” that is at odds with his proposition of democratic, decentralized, ecological, and participatory socialism (p. 226). Additionally, he states that the only limit to monetary policy is inflation and that it can be used to achieve full employment, reduce inequality, and save the planet, but that it has often fuelled higher prices in the stock and the real estate markets, thereby adding to the wealth of the rich (p. 240-241). Overall, he critiques Chinese socialism, highlights the limits of monetary policy, and upholds his vision of participatory socialism that rests on progressive taxes, power sharing in firms, guaranteed employment, access to healthcare and education, and inheritance for all (p. 237).

To recapitulate, Piketty argues against ceding economic issues to experts and argues that addressing climate change necessitates combating inequality. He links capitalism with exploitation, reiterates that wealth is based on the exploitation of the world's natural and human resources, and questions the neoliberal prescriptions of low taxes, balanced budgets, free trade, budget austerity, liberalization, deregulation, and free flow of capital. He critiques both state socialism and Chinese socialism, and instead supports democratic, decentralized, and participatory socialism that is based on confiscatory tax rates, having employees on board of directors, the provision of universal education and healthcare, basic income, guaranteed employment, and inheritance for all to address income and wealth inequality. Overall, he favours progressive wealth and inheritance taxes, and taxes on multinational companies and billionaires to allow all the citizens of the world access to education and healthcare, based on the argument that wealth is collective and that the riches of the wealthy are dependent on the labour of the poor and the resources of the poor countries. Thus, Piketty offers a narrative that rejects both capitalism and state socialism and instead upholds a democratic, decentralized, ecological, and participatory socialism.

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