Wealth, Population, and Inequality: A Review Essay*

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This journal is devoted to addressing the central issues of population and development, the subject of a continuous discourse between the academy and public policy since the foundational texts of political economy by Smith, Malthus, Say, and Ricardo. Thomas Piketty's 2014 book has delivered one of the most re-invigorating intellectual charges to this discourse in living memory. *Capital* challenges forcefully the consensus assumption that there is a mutually supportive relationship between the competitive liberal capitalist recipe for world economic development that has enjoyed dominance during the last three decades or more and the continuing health and prosperity of the world's democracies and their citizens. It does so by presenting an empirical study giving new information on the long-run relationship between wealth accumulation and inequality in France, Britain, the United States, and several other countries. Piketty's analysis postulates a problematic tendency within under-regulated, under-taxed liberal capitalism to produce oligarchy not democracy, plutocracy not meritocracy, and an asset-accumulating, rent-holding hereditary class at the socioeconomic apex, rather than the fondly cherished myth of a meritocracy of entrepreneurial or otherwise talented individuals.

With its important, new, long-run findings on inequality, *Capital* has resonated widely, engendering so many careful, diverse, and stimulating reviews from colleagues within the social sciences and humanities that, for once, it is no exaggeration to say that this text is truly agenda-setting. Furthermore, this has occurred in a genuinely cross-disciplinary way with economists, sociologists, political scientists, and historians all now in dialogue on the is-

*Review of Thomas Piketty, *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer. Cambridge, MA and London: The Belknap Press of Harvard University Press, 2014. viii+ 685 p. $39.95.

Published on behalf of the Population Council by Wiley-Blackwell.

sues raised.[1] Although there have been many significant and valid criticisms of *Capital*, virtually all reviewers have applauded, implicitly or explicitly, the boldness, clarity, comprehensive vision, and ambition of the text, which, as I will return to below, is reminiscent in some ways of Malthus's seminal *Essay*. Piketty seeks to re-establish the global dialogue initiated by Malthus and his peers between economics, politics, and history. This is a political economy approach that combines and mobilizes these important bodies of scholarship to address the crucial problems we collectively face in the twenty-first century. Piketty insists that we place inequality—a subject that the world's wealthy, the influential, and too many social scientists have long avoided discussing—at the center of our focus.

Piketty's analysis draws from the fruits of a major international collaborative project in economic history. This has resulted in a new historical dataset, still being supplemented, that enables us to see for the first time crucial long-run characteristics of wealth accumulation in many countries, some extending over the last 2–3 centuries of capitalist economic development. This hard-won new knowledge, published online as the World Top Incomes Database, provides the empirical basis for a revisionist breakthrough in our understanding analogous to that offered 35 years ago in a closely related field by the Cambridge Group's reconstruction of several centuries of England's demographic history during its pioneering episode of economic development. This is a book by a scholar trained in economics but refreshingly focused on evidence. It relates its historical evidence directly to an economic problem of major significance in the world as it is, not as theory presumes it to be.

Piketty's primary analytic tool for making sense of this new body of historical evidence is a robust relative ratio for making comparisons over time and space. This is his wealth : income ratio. It is derived from historical data on the absolute values of these two economic aggregates measured in the contemporary local currency of each country studied. Wealth is defined as everything owned either by residents or by the government of a country, provided that it can be traded in a market, and so it includes land and housing property values as well as productive facilities and financial capital. The ratio then expresses this figure for a given country and time period in relation to that country's national income (i.e., the value of the flow of goods and services distributed in one year in that country). This measure of wealth is certainly not an economics textbook definition of capital since it combines both revenue-generating productive capital and valued assets that are a store of wealth. It is therefore a comprehensive descriptive measure with which to track overall differences in time and space in the degree of wealth accumulation in different societies. But while the wealth : income ratio is a robust measure of overall inequality, by the same token it is clearly problematic to refer to wealth as capital, in the economists' sense of a factor of production. The book might have been more accurately titled *Wealth in the Twenty-First Century*.

In France and the UK, the value of this stock of wealth rose to a peak of about 7 years' worth of national income c.1870–1910, then fell dramatically to a recorded nadir of just 2–3 years by 1950 as a result of the destruction of wealth in two world wars and the intervening Great Depression. It has since climbed back to about 5.5 years by 2010. The US follows a similar but less extreme trajectory, starting with a less dense endowment of capital than the two long-settled and imperial nations of Europe. The US was also relatively unaffected by the mobilization and destruction of World War I, so that its ratio rose more gradually to a later peak of just over 5 years' worth of national income by 1930, falling back below 4 by 1950, while its more recent rise had only reached 4.5 years by 2010 but is also on a definite upward trajectory.

Next, Piketty is able to provide long-run empirical estimates of the rate of return on capital for the UK since 1770 and for France since 1820, which is found to oscillate consistently around 4–5 percent over these centuries (with extreme values ranging between 3 percent and 7 percent). Piketty then relates what he has found empirically about the relatively stable long-term rate of return to capital of 4–5 percent to the national economic growth rates of these and other economies during the last two centuries. While there has of course been considerable variation, with some economies achieving growth rates of 5–10 percent per annum—occasionally even higher for short periods while they were industrializing and urbanizing most intensively—nevertheless, it is clear that the *long-term* growth rates of all known economies consistently fall in the vicinity of 2 percent per annum. This finding results in the iconic Piketty logo, now available on T-shirts, expressing this fundamental tendency of a capitalist economy, that over the long term the rate of return on capital exceeds the growth rate of the economy: $r > g$.

This means that, ceteris paribus, the income and wealth of the asset-holding and capital-owning rich will typically tend to grow faster than workers' incomes from labor, which track, at a slightly lower average figure of about 1.5 percent, the annual growth rate of the economy. If correct, this aspect of Piketty's analysis and the historical research it draws from indicate that rising inequality is not a problem peculiar to the last three decades of globalizing capitalism; it is an intrinsic tendency in capitalist economies. However, although rising inequality is claimed to be intrinsic to the internal workings of *unregulated* capitalism, Piketty is by no means arguing that it is either necessary or inevitable, as Karl Marx once did. Because Piketty is concerned to show that the dominant tendency within capitalism is toward growing inequality, it is easy to misrepresent this as a determinist position. As Piketty is well aware, with the patterns of inequality moving first one way then back another more than once during the last two centuries, the inegalitarian tendency, though strong, is not inevitable. Nevertheless, Piketty *is* challenging a longstanding postwar liberal economic orthodoxy that the *opposite* is, indeed, inevitable. This orthodoxy is the belief that a tendency toward equality, at least in the sense of meritocratic just rewards for the skilled and the hard-working, is a necessary, intrinsic property of competitive liberal economic development in its more advanced stages.

Given this widely held belief, the possible problem of rising inequality under free market capitalism has not been one that the economics profession in the postwar era, with the honorable exception of the scholars associated with Anthony Atkinson (including Piketty himself), has researched or discussed much (though there has certainly been plenty of socio-medical research).[2] There was widespread acceptance among economists of the notion of the Kuznets curve, which would posit that free market capitalism has an inbuilt democratic—or at least meritocratic—tendency. Writing in 1953 on the basis of a pioneering analysis of data reporting the trend of income inequality in the US during 1913–48, Kuznets suggested that after initially rising during early industrial capitalism, inequality automatically decreased in the advanced phase of capitalist economic development. This view was uncritically accepted because it chimed with the then-new concept of human capital, which held that returns to meritocratic skilled labor would rise under conditions of advanced capitalism in an economy servicing growing demand for more complex consumer and public goods.

Piketty argues that with the much longer-term comparative evidence now available on both wealth and income inequality, the four decades studied by Kuznets appear as the first part of a temporary, anomalous period lasting until the 1970s, both in Europe and the US. First, the value of the stock of capital was severely depleted by the costs and destruction of two world wars and the 1929 financial crash and subsequent business failures of the Great Depression. These events also placed enormous successive demands on the national finances of all the world's advanced economies, which necessitated taxing the elites and their capital in unprecedented ways. Second, the new, democratically endorsed principle of steeply progressive taxation on inheritance, capital, and highest incomes was extended and prolonged after World War II by a postwar generation of returning GIs and European citizens collectively endorsing the shared goal of more equitably rebuilding their societies and economies. This, the first generation with a fully democratic franchise in many European states, believed in and voted for a redistributionist social state funded by strongly progressive taxation on incomes and capital to deliver a widely spread prosperity among a predominantly wage-earning and—initially in 1945—largely property-less electorate.

Who now recalls that during 1952–64, the same decade that witnessed McCarthyite paranoia about Communism, there was also a widely supported 90 percent rate of tax on the highest incomes in the US and an even higher rate (92 percent) on unearned income from capital—that is, rent, interest, and dividends? This highly progressive tax regime, which in fact prevailed for four decades from 1942 to 1982, was also incidentally true of the UK during this period (p. 499). To recommend such rates today is to be considered… well, Communist! Yet the US economy grew at least as strongly in this period of high taxes on the wealthy as it has since, while the British economy in fact experienced its highest historic growth rates during the three postwar decades of high progressive taxation. The removal of such taxes was supposed to stimulate wealth creation and higher growth rates. As the evidence on top CEO pay-bargaining has confirmed, this shift in taxation from progressive to merely proportional has certainly stimulated wealth creation for individuals in the super-manager class, but it has not led to any long-term uplift in overall growth rates in the economy.

Evidently, an interesting question is: how was this progressive taxation on capital and income justified as not just acceptable but even desirable, in the land of the free? Piketty is quite clear that, in explaining both differences between countries and change over time in levels of inequality, "the key issue is the justification of the inequalities rather than their magnitude as such" (p. 264), and here he points to a crucial role for historians. The justification in the US was precisely in terms of the promotion of the liberal, Jeffersonian American dream of a land of equally independent, property-owning individuals pursuing their happiness. As Piketty notes, confiscatory taxation of excessive incomes was an American invention (pp. 505–8). Thus, the eminently respectable president of the American Economic Association, Irving Fisher, in his address of 1919 proposed that the kind of concentration of wealth that had been accumulated by the robber barons like Carnegie and Rockefeller was an undemocratic threat that should be remedied by his proposed 100 percent tax on any estates passed on to the third generation, so as to avoid the fear of the US coming to resemble Old Europe. Almost one hundred years later, most in the American elite seem to have entirely lost that fear—aside from some disquiet expressed by a concerned few, such as Warren Buffett and George Soros. Indeed, it is extraordinary to learn that, in the decades since progressive taxation was abandoned, the top 10 percent of households between 1977 and 2007 have taken 75 percent of all US growth (pp. 297–8), leaving the share in the national product of the other 90 percent of the American population relatively stationary for three decades.

Piketty uses a distinctive approach to show how developments before 1980 produced an historically novel configuration of wealth distribution in most OECD countries, with important political, sociological, and electoral implications that may help to explain the supine response of their electorates to their predicament today. Refusing to measure changes in inequality of income or wealth by the more conventional Gini coefficient, he insists instead on deciles and centiles as providing greater comprehension of the changing fortunes of different sections of society (following an approach also favored by the proponents of the Palma index). Piketty is able to show (Ch. 10) that by around 1910, the top decile (10 percent) of wealth-owners commanded about 90 percent of all capital in France and Britain (the figure was 80 percent in the US). However, by the 1970s the distribution of wealth-holding had been transformed in both societies, with the top decile losing over 25 percent of its share. In the US the loss was 15 percent, so that in all three countries the top decile owned just 60–65 percent of capital by the early 1970s (at a time when the comparable figure in Sweden was 50 percent, which Piketty reckons is the record for an egalitarian distribution of wealth, which tends always to be more unequally distributed than income, a reflection of $r > g$).

In all three societies during the period 1910–80, the capacity of the elite decile to perpetuate its privileged position had been dramatically reduced by the introduction of progressive death duties and taxes on the unearned incomes from ownership of capital, so that "inheritance collapsed" and in its place something more like meritocracy and upward social mobility arose. With the social state spending more on education, a more genuinely meritocratic form of wealth-creation through earned incomes became widespread. The new middle class of relatively higher-earning managers and professionals—*cadres superieurs* in France—and even the lower middle class of more junior professional grades, small business proprietors, and the *cadres moyennes* in France all found they could now earn their way into the patrimonial, capital-owning class. This was achieved mainly through mortgage-facilitated home-ownership and the savings flowing into their occupational pensions in economies whose growth depended proportionately ever more on service-sector human and social capital, rather than on manufacturing physical capital.

As a result of these developments, by the 1980s the elite 10 percent of capital-owners had been joined by a further four deciles of the population, those who had converted their meritocratic lifetime earnings from their own labor into modest wealth. According to Piketty, this additional 40 percent, representing "the growth of a true 'patrimonial (or propertied) middle class,' was the principal structural transformation of the distribution of wealth in the developed countries in the twentieth century" (p. 260). However, the success of the postwar social state in diffusing human capital and prosperity had thereby created a different mass electorate from that of the pre-1945 proletarian working class. By the 1980s the electorate were increasingly home-owning, small property-holders with taxable incomes (the median voter did not pay income tax in 1918 in UK but did by 1980). To promote their own interests, those influential and wealthy individuals in the top 1 percent, the "embattled" capital-owning elite, could now appeal to this wider voting mass of taxpayers and property owners by fashioning populist calls for policies reducing the burdens on individuals of taxation on both incomes and wealth. In this project the top 1 percent have been politically highly successful, being the principal beneficiaries of the radical tax reductions introduced.

The history of escalating inequalities in wealth and income since 1980, particularly in the two countries (the US and UK) that have proved most responsive to the rhetoric of the New Right, has provided conclusive demonstration that the previously popular imposition of progressive taxation on capital and incomes had been effective in holding down the highest incomes and reducing the elite's share of wealth during the anomalous mid-twentieth-century decades. Complementary to this tax policy was the increased redistributive spending on education made possible with this revenue—for instance, in Britain the provision of free secondary education for all from 1944 and mandatory grants for university maintenance and fees from 1962. This redistributive spending provided a tax-funded means of meritocratic uplift for the next four deciles below the top 10 percent (as the GI bills did in the US). This has now been replaced by a new source of funding: government debt and repayable loans to students in the UK, and direct personal debt in the US.

In looking to the future, demography comes to the fore in Piketty's analysis of the seriousness of the problem he poses of spiraling inequality facing liberal democracies. He points out that population growth historically has provided almost as large a component of long-term economic growth rates as productivity improvements (output per worker). With fertility rates forecast to remain below replacement among most OECD countries in the twenty-first century, it will be difficult enough for them to maintain average annual economic growth rates of 2 percent in conditions of demographic stagnation, while returns to capital are claimed to remain at around double that rate. In these circumstances capital accumulates, and inheritances, for those in a position to benefit from them, tend to become much more important sources of major personal wealth than anything that can be earned by most individuals in their lifetime. The tendency will be for the top 1 percent to pull away further still from the rest, and indeed the top 0.1 percent will do so even more. The means whereby this is achieved by the 0.1 percent is demonstrated by an ingenious analysis of the public information available on the recent investment performances of the top private universities in the US, such as Harvard, Yale, and Princeton (pp. 447–9). Their strategy in the capital markets approximates that of the less easily interrogated strategies of the highest-net-wealth individuals (with whom the Ivy League universities share a pool of specialist expertise that only the super-wealthy can afford to employ). This shows how the richest universities outdo others, and indeed Harvard outdoes them all through its capacity to engage as much as 60 percent of its capital in high-yield alternative investments (i.e., private equity and hedge funds, derivatives, specialized real estate, and unlisted foreign stocks).

The other recent ingredient in the emergence of the super-rich that Piketty identifies, in common with many other analysts, is the phenomenon of super-managers—the CEOs of transnational corporations whose pay differential over the rest of their company's workforce now constitutes multiples of hundreds in the US and UK. As Piketty notes, there has been no discernible contribution of this new pattern of corporate management to enhanced growth in the US or UK economies that might socially justify these much higher levels of remuneration than existed 30 years ago (p. 510). As Daniel Kahneman has shown, there is a similar story in the bonus-laden world of financial arbitrage and banking, where statistical analysis indicates absence of evidence of a skill premium on the part of traders and where the financial crisis exposed an entire industry eager to admit it did not understand the products it was happy to be handsomely paid for.[3] By contrast the populist press, owned by members of the wealth elite, tends to emphasize the comforting myth that democracy is a meritocracy: that riches are earned by supremely talented or hard-working individuals. Favorite paragons are found in the sports and entertainment industries, along with a scattering of entrepreneurs who conform to the stereotype of having earned their wealth, like Dyson, Branson, and Gates. As Piketty points out, however, most of the super-rich have simply inherited their privilege, and most of the trickle of CEOs and entrepreneurs joining them do so by immediately converting their remuneration packages into high-yielding financial portfolios. Successful entrepreneurs, like Gates, become rentiers, deriving most of their wealth from their ownership of finance capital and access to returns from financial instruments, rather than their continuing innovative abilities (pp. 440–1).

For readers of *PDR*, concerned with problems of population and development, Piketty's text is a highly fecund conceptual heuristic in a way similar to Malthus's *Essay*. Both propose a relationship between population and economy, under currently prevailing conditions, that is expressed through elementary quantitative statements about proportional relativities. Piketty proposes that his review of the historical and comparative evidence shows that the central problem facing capitalist democracies is how to redress the tendency entailed by the inequality $r > g$: the rate of return to capital tends, ceteris paribus, to be greater than the growth rate of the overall economy. Malthus could have written that his review of the evidence of human history had revealed the tendency entailed by the inequality $f > g$ (human society's rate of biological return, its net fertility, tended, ceteris paribus, to be greater than the growth rate of the economy). Piketty's heuristic framework is in principle open—as was Malthus's, witness the five successively revised editions of the *Essay*—to exploration of the full range of wider influences on the central relationship on which he has focused. The social, the ideological, the cultural, the institutional, the environmental, and the political must all be fully investigated and related to one another to help both to explain and to redress, through effective remedial public policy, the central conundrum facing today's liberal democracies: that $r > g$ if capitalism is insufficiently regulated and taxed.

By identifying with such provocative clarity the inconvenient truth $f > g$, Malthus successfully provoked seminal, fructifying public policy and social science debates about population and development that have continued through many phases and with many further elaborations ever since. Darwin and Marx, for instance, were among the diverse subsequent responses, each directly acknowledging Malthus—as stimulus and antagonist, respectively. Malthus's preferred solution to the problem he had identified was that government should do all in its power to encourage what he believed to be an intrinsic custom of the British people to observe the conventions of prudential, late marriage so that each couple tailored their fertility to what they could reasonably afford. This built into Malthus's view the possibility of gradually rising living standards for all, if such prudential restraint was referenced against gradually rising household aspirations. Consequently his great policy anxiety was the need to radically reform the country's Poor Laws, instituted 200 years earlier as an extraordinarily far-sighted apparatus to protect the population from personal misfortune and dearth (famine). For Malthus this social security system had recently become dysfunctionally over-generous and was systematically encouraging too many of the poor to marry too early, which could endanger the whole development project as he saw it, choking off the possibility of rising aspirations as the masses became permanently mired in merely maintaining subsistence levels of consumption for their over-sized families, and also gradually draining the resources of their superiors, who funded the Poor Law.

How the policy problems have changed! Or have they? For Malthus and his generation, land was still by far the most significant and dependable source of wealth; movable capital was a much more fragile and risky source of income for those with assets. However, as Piketty explains, in Britain this situation was changing fast for the landed elite. As the Napoleonic Wars were fought while Malthus revised his *Essay*, taxes were temporarily increased to pay for the military effort, but also government debt was issued as perpetual interest-bearing bonds, on such a scale as to amount to a new way for the elite to invest their surplus wealth with state-guaranteed security. Capital without risk was a welcome new financial instrument: as good as land, perhaps even better, especially if landholders began to resent the increasing tax burdens of an expanding, generous social security system, the Poor Law. Crucially, the decision to fund necessary, government-organized collective action, agreed to be crucial for national survival, by borrowing from the wealthy, rather than by taxing them more, is very evidently in the interests of the elite. It is perhaps not surprising that a non-democratic government of landowning MPs took those decisions. However, it *is* surprising—and testimony to the power today of wealth elites to reassert their control over the fiscal state—that since 1980 democratic governments, especially in the UK and US, have increasingly been borrowing from the rich to conduct even their normal business in peacetime.

This flies in the face of the obvious truth that "From the standpoint of the general interest, it is normally preferable to tax the wealthy rather than borrow from them" (p. 540).

For all that has changed in the last two centuries, it is still financial instruments, government legislation, taxation, demography, and land—today also in the form of its equivalent positional good in an urbanized economy of housing property and land values—that lie at the heart of the problem of inequality, just as these were also central issues during Malthus's lifetime. With its unrivaled, comparative empirical foundation, *Capital* is the most powerful contribution in several generations to place these issues of inequality back on the population and development policy agenda.

Malthus worried that the prolific poor might, thanks to the dysfunctional shift in the operation of a well-intentioned Poor Law, legally dispossess the prudential middling sort and bring to an end hopes of widening prosperity and development. Piketty has argued that a different form of dysfunctional shift, also sanctioned by the laws of states, appears to be threatening to curtail widening prosperity and development today. But the tendency Piketty has identified is an inversion of Malthus's fears. A global super-rich, popularly termed by protesters the 1 percent but in global terms perhaps more accurately the 0.1 percent, has been gradually—but inexorably and legally—expanding its relative wealth-holdings at the expense not only of the property-less poor—those who are always with us—but also increasingly of the middling and lower ranks of property-holders, the contemporary equivalent of Malthus's prudential parents. The 0.1 percent use their far superior resources to search globally for forms of capital-holding that pay the least tax to support the rest of the community they reside in and that attract the legally secure highest rates of return. This is the same essential strategy that has been available to the super-rich since the British government started to offer its perpetual bonds.

Piketty's concluding section of future prognostication and policy recommendations is undoubtedly the least-developed part of the book. Some critics seem to think he is predicting that $r > g$ must hold continuously into the future. This seems to me to be a misinterpretation of the logical status of this proposition for Piketty, which functions as a tendency, not an inevitability. He argues that there is a way to neutralize the tendency. This is for state legislation and coordinated international public policy to lean firmly against this elemental force in capitalism. Not that liberal governments would be advised to stymie all returns to capital, of course, but there is clearly great scope for intervening between the capital-holding elite and their capacity to generate almost double the return to their wealth that is available to the great majority of working citizens. Piketty's preferred solution is the revival of confiscatory high rates of progressive tax on all forms of income from both employment and capital, partly in order to alter the incentive structure of the agents involved. A major UK study of tax reform, the Mirrlees Review of 2011, was strongly in favor of a progressive tax on land and housing values, approvingly quoting Winston Churchill in 1909:

> Roads are made, streets are made, services are improved, electric light turns night into day, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labour and cost of other people and the taxpayers. To not one of those improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived.[4]

This would chime also with economists' criticism that Piketty's capacious definition of capital, though valuable for long-term historical research, has obscured the more contemporary trend that since 1945 it has been primarily housing and land values, rather than productive capital, that have taken a rising share of national income and that should be the focus of policy concern.[5]

As Piketty makes quite clear, whether or not such policies will indeed be pursued is contingent on the beliefs that citizens hold about the justice of different configurations of wealth-holding and the taxes that should be applied to them. One might suppose that the working citizens of democracies would want to elect governments that ensured that their own modest earned incomes from employment were rewarded more and taxed less than unearned incomes due merely to the ownership of land and capital assets. That was certainly a politically popular, electorally feasible approach in both British and American history less than a century ago. But at that point there were comparatively few small homeowners, who today might be especially nervous about proposals to tax more heavily either housing or inheritance. Piketty has shown that in France, for example, the recently created middle class of small-scale property-owners are increasingly using intervivos bequests to their children (p. 392). A tax focused more precisely on the speculative financial instruments that are used only by the top 1 percent and the 0.1 percent might be more electorally feasible today than targeting housing or inheritance. But, of course, the adoption would require considerable international coordination to insist on transparency from corporations and the individuals who currently benefit from the secrecy of jurisdictions offered by tax havens.

Capital is a book about population and development but also about how they relate to democracy and capitalism. There is a consensus that democracy is the least-worst form of government, as Churchill put it in 1947. By democracy we understand a form of government open in principle and on an equal information basis to participation by all adult citizens. In particular we value it as a form of government that does not lie in the exclusive possession of those born into inherited wealth and privilege. The latter was the general pattern of most forms of government across the globe before the new democratic principles proclaimed by the American and French revolutions of the late eighteenth century. Whatever its many forms and despite its flaws in practice, we can all agree that a democracy is not and should not be the rule of a birth-right oligarchy.

The political and ideological depth-charge in Thomas Piketty's scholarly book is its proposition that insufficiently regulated free markets and capitalism lacking a rigorous progressive tax regime constitute just such an oligarchic threat to democracy. Capitalism, when unrestrained, is not the economic twin of democracy. It is not the natural ally that nurtures and strengthens a society espousing liberal values and practices. Democracy—and even meritocracy and also genuine economic competition—are in fact systematically undermined by insufficiently regulated free markets, especially if governments inadequately tax capital and land. The most insidious and unsuspected enemy of democracy and an open, diverse society turns out not to be the obvious external threats, such as Communism or religious fundamentalism. It is the internally corrosive and secretive, unchecked growth and concentration of private capital in the hands of a very few. The accumulating wealth of the 1 percent and the global offshore 0.1 percent can be insidiously converted into power and influence within democratic polities and economies, turning them into an oligarchy of birth.

Notes

1 For an excellent multi-disciplinary collection, see *The British Journal of Sociology*, 65, 4 (Dec. 2014) Special Issue: Piketty Symposium.

2 A. B. Atkinson, ed., *Wealth, Income and Inequality* (London: Penguin Books 1973; 2nd edition Oxford University Press 1980); Peter Townsend and Nick Davidson, eds., *The Black Report* (London: Pelican 1982); Richard G. Wilkinson, ed., *Class and Health* (London: Tavistock 1986); R.G. Wilkinson, *Unhealthy Societies: The Afflictions of Inequality* (London: Routledge 1996); Michael Marmot and Richard Wilkinson, eds., *Social Determinants of Health* (Copenhagen: WHO 1998; 2nd edition Oxford University Press 2006); Ichiro Kawachi and Bruce P. Kennedy, *The Health of Nations: Why Inequality is Harmful to Your Health* (New York: The New Press 2002).

3 Daniel Kahneman, *Thinking, Fast and Slow* (New York: Farrar, Straus and Giroux 2011), ch. 20.

4 Institute for Fiscal Studies, *Tax By Design: The Mirrlees Review* (Oxford University Press 2011), p. 371.

5 Odran Bonnet et al. 2014 "Capital is not back: A comment on Thomas Piketty's *Capital in the 21st Century*," Vox.eu; David Soskice, "Capital in the twenty-first century: A critique," *The British Journal of Sociology* 65, 4 (Dec. 2014), pp. 650–666; Mat Rognlie, "Deciphering the fall and rise in the net capital share," *Brookings Papers on Economic Activities*, 19 March 2015 http://www.brookings.edu/about/projects/bpea/papers/2015/land-prices-evolution-capitals-share.