In this thought-provoking sequel to his bestselling *Capital in the Twenty-First Century*, economist Thomas Piketty expands his focus on inequality to the prodigious “political-ideological repertoire” that constitutes the economic narratives of major nations. This description helps explain the book’s length of more than 1,000 pages, but even the more ponderous sections of Piketty’s tome reward the reader with refreshing and singular slants on history and ideology. Echoing the truism that change is the only inevitability, Piketty calls for more circumspection and greater discussion of the wider causes and remedies of inequality.

**Take-Aways**

- Throughout history, political systems have justified economic inequality in different ways.
- The 21st century’s dominant ideology centers on property ownership and meritocracy.
- Political elites are the winners of the meritocracy and globalization sweepstakes.
- Fears that corporations and the ultrarich will leave countries explain the international competition that worsens inequality.
- Ideologies evolve and shift in response to events and crises.
- Growing inequality across the globe calls for a new ideology.
- Progressive fiscal policies and a new concept of globalization could begin to rectify economic imbalances.

**Summary**

*Throughout history, political systems have justified economic inequality in different ways.*

To study different civilizations across time is to realize that nearly every major society produces economic inequality. And because inequality is inherently controversial, leaders always
strive to construct narratives that legitimize the factors, systems or rules that generate the inequity. Ideologies – or the collections of beliefs and theories that together rationalize the trade-offs and compromises societies make – play a crucial role. An ideology shapes the way a society is organized and therefore informs the arguments for an “inequality regime.”

“Choices are shaped by each society’s conception of social justice and economic fairness and by the relative political and ideological power of contending groups and discourses... Many paths are possible.”

Those who benefit from a specific structure contend that inequality arises organically. But history attests that societies adopt inequality regimes through the competition of interests among their politically and economically powerful members. For example, in the feudal society of medieval Europe, regional nobles held sway over both the land they owned and the peasants who lived and worked on their properties. The tithes paid to the church, plus the large amounts of prime real estate it owned, made the clergy rich and powerful as well. To justify their legitimacy, the lords provided military protection and law and order through a system of local courts, while the church offered education and charitable care. In this way, religion and concepts of harmony, based on the functional complementarity of people’s roles, maintained the status quo.

“The property rights of clergy and nobility went hand in hand with essential...powers necessary for maintaining order and exercising military and police functions.”

To modern Western observers, societies from different cultures or past eras may seem grossly unfair. It is important to understand, though, that their underlying ideologies possessed an internal coherence and a sincere belief in “social justice” that enabled communities to function. But that prompts the observation that today’s dominant narratives could lose their legitimacy in the eyes of future generations.

“If I can communicate to you, the reader, a little of my educated amazement at the successes of the past and persuade you that knowledge of history and economics is too important to leave to historians and economists, then I will have achieved my goal.”

While medieval literature praised bravery and chivalry, by the early 19th century, only the sum of an individual’s wealth mattered. The feudal order of the Middle Ages gave way to the 1800s’ “proprietarian” structures and the fledgling democracies that established voting rights based on property holdings.

Entrepreneurship entered the ideology during the first Industrial Revolution, when a few individuals with capital built vast production industries with newly invented machines, materials obtained from colonies and unskilled labor. The propertied classes expanded from the aristocratic heirs of the old nobility to include those who made their money in industry, commerce or finance.
The 21st century's dominant ideology centers on property ownership and meritocracy.

In Western countries, property ownership has been a fundamental pillar of society through successive political systems. The legal possession of property underpins the hypercapitalism of the 2000s, and it is the sacrosanct cornerstone of a modern ideology shaping people’s attitudes about economic fairness, inequality and social cohesion. Justifications for property ownership link the notion of social justice to political stability and the general welfare. Proponents argue that wealth redistribution to address the natural imbalances that property ownership causes could destabilize the entire system and harm the most vulnerable.

“The history of all hitherto existing society is the history of class struggles,” wrote Karl Marx...I am tempted to reformulate it as follows: The history of all hitherto existing societies is the history of the struggle of ideologies and the quest for justice.”

A new component of modern-day economic creeds is meritocracy: Its narrative claims that today’s rich include the most capable individuals from all backgrounds, and that those less well-off are responsible for their own failures due to their lack of talent, hard work or moral virtue. This idea stands out from those of all previous inequality regimes, which stressed the different societal roles of the rich and the poor – for instance, the medieval serf carried no blame for his poverty but understood it as part of a natural order. To emphasize the value of personal achievement and advancement, the United States began in the 1980s to roll back the progressivity of its income tax system, leading to skyrocketing levels of income inequality.

“Society, [technobillionaires’] champions argue, owes them a moral debt, which it should perhaps repay in the form of tax breaks or political influence.”

The ideology of the 2000s lauds Silicon Valley entrepreneurs as lone heroes who build immense internet businesses and deserve their extreme wealth. It advances the idea that no amount of riches is enough to reward them for “their contributions to global prosperity.”

Political elites are the winners in the meritocracy and globalization sweepstakes.

Across many countries, parties of the left have largely bought into the hypercapitalist–meritocratic belief system. They now represent those who progress through education, obtain well-paying jobs and maintain socially liberal views, instead of their traditionally blue-collar constituency of workers.

“If one wants to explain the rise of ‘populism’ (a catch-all term frequently used by elites to discredit political movements they deem to be insufficiently under their control), it might not be a bad idea to begin by looking at the rise of ‘elitist’ political parties.”
For example, the US Democratic Party has done little to maintain the value of the minimum wage or tackle educational disadvantages. When French president Emmanuel Macron raised taxes on fuel for cars – ostensibly to meet environmental goals but in actuality to reduce taxes on high-income individuals – dissatisfied French citizens turned out in the streets, motivated by their perception of a “bourgeois bloc” of left and right elites that ignore the less affluent.

**Fears that corporations and the ultrarich will leave countries explain the international competition that worsens inequality.**

The ideology of hypercapitalism entails the promotion of globalization, which rationalizes the practice of countries vying for the capital investment and location of successful companies, along with the presumption that nations must be careful not to frighten off the mobile wealthy with high taxes. This narrative leads to “fiscal dumping,” in which states compete for business by undercutting taxes. The result of the European Union following such policies since the 1980s is that EU inequality has increased while economic growth has slowed.

> “Over the past few decades, the feeling has spread that 'Europe' (a word that has come to refer to the bureaucracy in Brussels...) penalizes the lower and middle classes for the benefit of the wealthy and large corporations.”

Further arguments in defense of the rich, such as describing them as “job creators,” serve the interests of elites, but they do not bear economic scrutiny from a global perspective. History shows that the wealthy hold their bounty in financial assets, and that when governments and the public really want to collect taxes, they can do so. Fears of an exodus of wealthy individuals and corporations are overrated, as both groups favor healthy, prosperous societies.

> “At a time when rising inequality and rapid climate change threaten the entire planet, to say that financial assets cannot be taxed because their owners cannot be forced to comply with the law is both unconscionable and a sign of historical ignorance.”

If some assumptions made by mainstream economists are wrong, then, as in any science, the rational thing to do is to return to the raw data and try to deduce better assumptions. In the case of economics, these raw data are woven into the fabric of all countries’ histories and constitute a vast amount of historical knowledge for all to observe and interpret, including more open-minded specialists in other social sciences. Responses to crises need to draw from a robust pool of concepts. For this reason, societies need to experiment with progressive social justice alternatives to inequality regimes.

**Ideologies evolve and shift in response to events and crises.**

Western capitalist ideology has ebbed and flowed, influenced and buffeted by domestic and global events, threats to sovereignty, and public opinion. In the 20th century, the Great Depression and two world wars destroyed proprietorian regimes while boosting the perceived capabilities and
responsibilities of governments. Later in the postwar years, the competing dogmas of socialism and communism pressured the West into transforming its ideology to attract low-income workers.

“The balance of power at any moment depends on the interaction of the short-term logic of events with long-term intellectual evolutions from which come a wide range of ideas that can be drawn on in moments of crisis.”

After the 1980s, the failure of the Soviet Union led to a rejection of communism and a hardening of support for “neo-proprietarian” thinking, which posits that “extensive cross-border financial holdings can in theory be beneficial to all.” The 2008 Great Recession, though, has revived interest in questioning capitalist economies.

**Growing inequality across the globe calls for a new ideology.**

Beginning in the 1980s, a trend of increasing inequality followed the spread of hypercapitalism around the world. Its narrative – that capitalism’s inequities serve the general prosperity – is failing in light of its extreme outcomes. History is tipping once again. An alternative ideology, with egalitarianism at its core, is “participatory socialism,” a new construct for organizing society in the 21st century. It would adapt some historical views and modern-day practices in legal structures to achieve the “social ownership of capital,” and it could implement fiscal policies that would “make ownership of capital temporary.”

“A just society is one that allows all of its members access to the widest possible range of fundamental goods.”

A few nations offer attainable models of social ownership. For example, workers in Germany and Sweden maintain seats on corporate boards of directors. These employees, who might or might not own company shares, participate in managing the businesses. They share power and contribute to decisions about strategy. This successful, widely accepted arrangement has been in place for decades. Further improvements in equality are possible by making it easier for employees to acquire ownership shares. This inclusion affects the allocation of votes among those with long- and short-term interests in the firm.

“It would not be in the general interest to entirely eliminate the link between capital invested and economic power in the firm.”

Today, a small minority enjoys the benefits of retaining large concentrations of capital. A more egalitarian state of affairs would ensure that more people had the opportunity to own assets. The whole economic community provides the environment in which capitalist businesses and investments can earn returns, so it is unjust for a lucky few to keep all the benefits.
Progressive fiscal policies and a new concept of globalization could begin to rectify economic imbalances.

Giving every adult at the age of 25 a capital endowment from the proceeds of a wealth tax is one way to remedy the imbalance. Imposing a yearly wealth tax is necessary, because many of the richest post relatively small taxable income figures, often by using manipulative financial techniques. Evidence suggests that the greatest pockets of wealth have been increasing at 6% to 8% per year since the 1980s. A wealth tax could mitigate this growth. The ultrarich are the worst carbon emitters, so a wealth tax indirectly helps address climate change, and it might complement carbon-consumption tax policies that would encourage behavioral changes without the costs falling on those who can’t afford to pay them.

“The accumulation of wealth is always the fruit of a social process, which depends, among other things, on public infrastructures (such as legal, fiscal and educational systems), the social division of labor and the knowledge accumulated by humanity over centuries.”

A more progressive income tax could fund education and safety net programs. Inheritance levies – such as those that were in effect in the 20th century in most advanced countries – are essential to combating inequality, as they limit the duration of capital ownership. With inheritance taxes, whole generations, rather than individual heirs, can benefit from past accretions of wealth.

“Ultimately, this book has only one goal: to enable citizens to reclaim possession of economic and historical knowledge. Whether or not the reader agrees with my specific conclusions basically does not matter because my purpose is to begin debate, not to end it.”

Internationally, a new form of globalization could reduce inequality. “Social federalism” is about countries working together, perhaps in transnational assemblies, to provide a common front to the rich and to large corporations, rather than letting these interests make the rules. In 2017, President Macron, concerned about competitiveness, abandoned France’s wealth tax. In 2005, Sweden eliminated its inheritance taxes, bending to fear of capital flight. Both nations could have done more to pressure other countries to level up, rather than giving in to fatalistic notions of losing competitiveness and investment-friendliness. Change is possible – as when the United States leaned on the Swiss to improve banking secrecy rules – but nations must do more.
About the Author

Thomas Piketty, a professor at the Paris School of Economics, is the author of the best-selling Capital in the Twenty-First Century.