

BOOK REVIEW

Piketty, T. (2022). *A Brief History of Equality*. Cambridge, Massachusetts: Harvard University Press.

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Thomas Piketty, the ‘rock star’ French economist and author of three seminal works on the history of inequality, *Top Income over the Twentieth Century* (2007), *Capital in the Twenty-First Century* (2014) and *Capital and Ideology* (2020), is hailed as one of the most progressive, influential and modern thinkers in the discipline.

Capitalism’s inherent contradictions, Piketty argues, has given rise to the average return on capital exceeding the rate of economic growth, leading to an upsurge in income and wealth inequality. This inequality will continue to persist if there are no counter-vailing mitigating forces, such as World Wars I and II, the Great Depression of the 1930s, or other such catastrophic events. Capitalism’s excessive and destructive forces, according to Piketty, are bolstered by a powerfully and asymmetrically integrated global, national, and societal hierarchical system. He notes that inequalities of income and wealth could not have happened without the global division of labour and frenetic exploitation of the planet’s natural and human resources (p. 216). The global economic polarisation of societies has contributed to widespread social injustice and economic insecurity.

Piketty’s study untangles the array of antecedents of global inequality, while also highlighting the role played by neoliberalism and free market economic policies, including on environmental degradation. In the last four decades, pro-capital policies were primarily responsible for the acute rise of this phenomenon between and within nations. The policies, though controversial, were peddled by the works of Nobel laureate economists Milton Friedman and Robert Lucas. Their respective pre-eminent contributions were shareholders’ primacy and the focus on distributive philosophy. Further, their free-market capitalism became the mantra for the prosperity of the global economy. ‘Freedom of choice’, the logic of choosing profits over people, has wrought a vicious circle of poverty and underperformance.

Piketty says historically-rooted national and international policies have acted both as great levellers during the major part of the 20th century, and contributors to the debilitating disparity in income and wealth polarisation since the 1980s. This is deeply rooted in the historical past. In particular, the relationship between global capitalism and empire, combined with the wealth drain to the metropolis, underpinned a Western-dominated global economic system anchored in empire, racism, slavery and colonial capitalism (p. 203). Thus, to entangle the opposing phenomena, “[k]nowledge of this past is indispensable for improving our understanding of the origins and injustices of the present economic system.”

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Piketty's analysis of the historical evolution of social movements in Western societies highlights the distinct political and social trends over the past two centuries responsible for both equality and inequality (p. 203). These trends were buttressed by the differential rise in the nature and structure of the fiscal features of states. Between 1700 and 1850, the national income of states through tax receipts had risen from 1% to 2% to approximately 6% to 8%. The revenue increase was chiefly utilised by the ruling aristocrats and financial elites for military and state expenditure to sustain their colonial occupation that extracted and exported natural resources for capital accumulation. The appropriation was primarily executed on the backs of their colonial subjects, who were coerced to work for subsistence wages under degraded working conditions (p. 144). Concomitantly, to protect their profitable trade, it used violence as an integral part of colonial logic.

Piketty's study demonstrates that between 1914 and 1980, there was a spectacular emergence of the welfare state and people-centred progressive policies, mainly, the overturn of the power relationship between labour and capital, the introduction of progressive taxation, and finally, the liquidation of their foreign and colonial assets.

With these remarkable growth initiatives, comparatively targeted egalitarian policies were rolled out. Investments were in education and health care; expansion in transportation and other community infrastructure; the replacement of income, such as retirement pensions, necessary for supporting an aging population; and reserves, such as unemployment insurance, for stabilising the economy and society in the event of a recession (p. 122).

Capitalist United States was an exception. In the aftermath of the devastating Great Depression of the late 1920s and early 1930s, "a popular coalition carried the Democrats and the New Deal to power in 1932" (p. 127). The major reform challenge posed by the popular coalition "to the dogmas of laissez-faire and the power of economic and financial elites" brought about a two-fold anthropological revolution to capitalist America. Thus, the fight for equality and education has contributed to more economic development than the reverence for property, stability and inequalities (p. 139).

Since the 1980s, with the introduction of neoliberal economic policies, there was a resurgence of income and wealth inequality. The share of the richest 10% dropped from 52% of the total income in 1910 to 28% in 1980, before climbing to 36% in 2020. The share going to the poorest 50% increased from 13% in 1910 to 24% in 1980, then fell again to 21% in 2020 (p. 154).

Neoliberalism was fundamentally underpinned by the free market doctrine, disdain for big government, a deregulated economy, and spending cuts with a complete liberalisation of capital flows, bolstered by international treaties to depoliticise national economies. The adoption of neoliberalism by the Reagan-Thatcher ideological-cum-political revolution, with the strong lobby of private capital, led this dominant economic doctrine to be termed the 'Washington Consensus', justified as a global standard for economic development. With its relationship between the deep state and the capitalist ruling class, the doctrine underpinned by market fundamentalism permeated worldwide and reversed the trend in income and wealth distribution.

To achieve greater egalitarian and progressive outcomes, it is crucial to develop concrete alternative policies globally. For this to happen, there must be better understanding of the limitations encountered by the institutions in the earlier welfare state and fiscal policy revolutions, the factors that weakened them, and the reasons for the resurgence of inequality (p. 155). Thus, new policies have to be instituted to entangle and limit the forces of hardcore liberalism, the spread of uneven economic competition and the political forces that blunted the earlier pillars of egalitarianism. The most natural path towards equality for Piketty are the twin pillars of welfare state and progressive taxation.

To achieve greater equality there must be fiscal progressivity, progressive taxation, basic income, guaranteed employment and the elimination of the hyper-concentration of property. These policies were the best, effective and the most peaceful way to achieve equality.

The most natural way for the poor to extricate themselves from this drudgery is for them “to imagine a system of inheritance redistribution that enable[s] everyone to receive a minimal inheritance” (p. 160). The primary objective for an inheritance for all is to increase the negotiating power of every citizen, as almost half of them own almost nothing.

Highly progressive taxes have been levied during major post-war episodes in Germany and Japan. For Piketty, this is absolutely essential for redistribution beyond what was achieved in the 20th century (p. 163).

Therefore, if the welfare state and progressive taxation are pushed to their logical conclusion, it will lay the foundation for a new form of democratic socialism that is self-managed and decentralised (pp. 166–167). He states that the welfare state experiment was for nations to free themselves from their undemocratic framework and move towards a deeper conception of democracy. The only way to achieve this and move forward is for states to undertake substantial constitutional revision, strengthen their administrative structures, and embed explicit fiscal and social justice terms to facilitate the circulation of capital and free trade (p. 173).

The current theoretical principle of equality practised by states does not reflect reality, but is based on a libertarian principle of the rigidities of individual identities, rights and opportunities, devoid of social origins. This has resulted in unequal access for most students from disadvantaged backgrounds to advantageous courses in the education system, particularly in higher education. To attain real equality, indicators and processes have to develop into a general social policy framework that will counter the prejudices and discriminations against gender, social class, and ethnic and racial groups. Thus, “affirmative action based on universal social criteria such as income, wealth, or territory has many advantages. It has the merit of avoiding the rigidification of ethno-racial identities” (pp. 195–196).

Worldwide inequality between countries and societies remains very great, despite the fact that since the 2008 economic crisis, the International Monetary Fund, World Bank and Western governments have become aware of the excesses of liberalisation. Despite this, they have not been replaced by alternative liberal policy strategies.

Today, the harmful consequences of the acute global Covid-19 pandemic of 2020 and 2021, Piketty states, has further exacerbated existing economic inequalities and

generated new ones. A simultaneous global outcome to the pandemic was massive unemployment, low wages, rising inflation and millions unable to pay for their basic necessities – food, rent and health facilities. Thus, millions of ordinary people with small saving accounts were ruined (p. 147).

A comprehensive overview of inequality facing society today looms large through-out Piketty's study. Using well-reasoned data from his previous landmark studies, and in combination with other related works, Piketty highlights the devastating impact income and wealth inequality, as well as manmade climate change has had and continues to have on human security. This study is timely, important and necessary. It challenges the very ethos of both academics and the public to come to grips with this debilitating issue of inequality that continues to devastate the lives of billions.

For Piketty there is a need for change – for nation states to extricate themselves from the incapacitating onslaught of income and wealth inequality, as well as accelerated degradation of the planet by climate change. However, he says, the march towards equality and climate change is a long-drawn-out battle, one that began long ago and needs to be continued into the 21st century.

Piketty's arguments against inequality, lack of opportunity and security in human societies are persuasive. However, the criticisms levelled by efficiency-oriented 'rational' and 'objective' critics appear to be varied – from problems of effective policy realisation to difficulties in implementation, particularly with participatory socialism. To achieve greater equality universally, especially across nation states with deep-rooted and differing political incarnations, is an uphill task. Influential liberal critics of Piketty do not reject income and wealth egalitarianism in societies in totality. They do subscribe to notions of equal rights, equal opportunities and equal treatment under the law (Stringham, 2017). Liberal democrats, like Paul Samuelson, in his highly influential textbook *Economics*, emphasised "that the political health of a democracy is tied up in a crucial way with the successful maintenance of stable high employment and living opportunities" (p. 3) and "no free lunches." Thus, for the conservative economist, unemployment and poverty were essentially individual failings rather than the failure of the labour market. In other words, to the neo-conservatives, socialism will essentially undermine individualism by promoting 'womb-to-tomb' security policies and coddling those who cannot compete in the free market at the expense of hard-working taxpayers. The underpinning for these ideologies is reinforced by the current and universally dominant neoliberal philosophy that unencumbered market competition produces incentives for maximising overall resources and individual responsibility, thereby making society better off in the long run, despite the harsh short-term effects on some sections of the population.

Thus, the existing deep-rooted differences between the political and economic policy framework of countries is a major impediment for the establishment of an egalitarian system (Mann, 2020). In particular, the overriding deep-rooted 'rational' norm that has historically operated in most liberal democracies is the principle of individual choice rather than forcing their diverse population into a universal economic framework.

In societies reinforced by liberal democracy and individual choices, people are motivated to increase their work skills, work more, work in jobs that are in higher

demand, contribute to saving and investing, as well as push society towards more equal wealth and income (Stringham, 2017). Therefore, higher taxation for both high-income individuals and businesses will reduce the motivation to work hard and excel, as well as retard capital investment for development and economic growth. The US Council of Economic Advisers, in its October 2018 report *The Opportunity Cost of Socialism*, emphasised that socialism and high taxes would “disincentivise effort and innovation and substantially reduce the quantity and quality of nation’s output” and would be thus untenable (see Mann, 2020).

Further, Piketty’s proposal on wealth tax would face major political inconceivability, particularly from the hands of the visible dominant bastions of power and privilege, as well as from well-entrenched social and political institutions. Apart from an entailment of constitutional amendments in each individual nation state, a wealth tax would require a massive entanglement of ownership of real estate, bank holdings, and private corporations. All these reform strategies would face massive political hurdles. Instead of a global wealth tax, critics propose a series of national-level alternative policy strategies, such as “smaller-scale remedies to control disproportionate wealth accumulation,” “relatively flat consumption taxes, with a large deductible for progressivity,” and “higher inheritance taxes” (Blain, 2022).

The merit of Piketty’s book is that it succinctly summarises and highlights capitalism’s inherent social forces, its contradictions and importance that societies have inherited. Paradoxically, though neoliberalism and market fundamentalism underpinned by capitalism have globally driven most countries to experience sustained economic growth, its continuing economic dominance, power structure and drive for profitability have also been achieved through the continuous exploitation of the working class. Thus, Piketty’s study has thrown into doubt the continuing viability of the neoliberal ideology of free market fundamentalism – an ideology that has dominated political and economic policies since the 1980s with deregulated markets, austerity drives, and ‘trickle-down’ policies that have not just exacerbated income and wealth inequalities, but also devastated the environment. The study has breathed new life into the scholarship of income and wealth inequality and climate change, and will echo among policy pundits in search of new solutions to these pressing issues facing mankind. As Piketty points out, without democratic political solidarity and reforms, there can be no remedy to these issues.

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