

Book Review

Capital in the Twenty-First Century, Thomas Piketty; Trans. Arthur Goldhammer; Cambridge, MA: The Belknap Press imprint of Harvard University Press, 2014; 685 p. ISBN 978-0-674-97985-7 (pbk.) 2017, \$17.1

A 30-year-old self-confident social philosopher wrote a 12,000-word document in 1888. He took only 6 weeks to change the world. Karl Marx's and Friedrich Engels' *The Communist Manifesto* replaced the Quran, the Bible, and the Gita in many societies. While ghosts of Marx (and Mao) haunt, the resilience of his "scientific" approach to history continues to guide everywhere. Self-acclaimed *socialist* Senator Bernie Sanders nearly brought a revolution in the United States. Thomas Piketty, a relatively young economist, has written two books that have influenced world economies more than any other economist has done toward universalizing social and economic equality. A brief account of his monumental work is to self-examine how social development has succeeded in an otherwise divided world.

"This book" as the learned economist states, "is based on fifteen years of research (1998–2013) devoted essentially to understanding the historical dynamics of wealth and income" (p. vii). Like Ricardo, Piketty affirms:

Marx based his work on an analysis of the internal logical contradictions of the capitalist system.... In short, Marx took the Ricardian model of the price of capital and the principle of scarcity as the basis of a more thorough analysis of the dynamics of capitalism in a world where capital was primarily industrial (machinery, plants, etc.) rather than landed property, so that in principle there was no limit to the amount of capital that could be accumulated. In fact, his principal conclusion was that one might call

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the “principle of infinite accumulation,” that is, the inexorable tendency for capital to accumulate and become concentrated in ever fewer hands, with no natural limit to the process. This is the basis of Marx’s prediction of an apocalyptic end to capitalism: either the rate of return on capital would steadily diminish (thereby killing the engines of accumulation and leading to violent conflict among capitalists), or capital’s share of national income would increase indefinitely (which sooner or later would unite the workers in revolt). In either case, no stable socioeconomic or political equilibrium was possible. (Piketty, 2014, p. 9)

Piketty’s conclusions are based on data and their studious analysis:

The overall conclusion of this study is that a market economy based on private property if left to itself, contains powerful forces of convergence, associated in particular with the diffusion of knowledge and skills; but it also contains powerful sources of divergence, which are potentially threatening to democratic societies and to the values of social justice on which they are based.... The principal destabilizing force has to do with the fact that the private rate of return on capital, r , can be significantly higher for long periods of time than the rate of growth of income and output. (Piketty, 2014, p. 571)

“The inequality,” Piketty (2014, p. 571) explains, “ $r > g$ implies that wealth accumulated in the past grows more rapidly than output and wages. This inequality expresses a fundamental logical contradiction. ... The past devours the future.”

The tendency of returns on capital to exceed the rate of economic growth tends to generate extreme inequality and discontent, which threatens democratic practices. “*But economic trends are not acts of God. Political action has curbed dangerous inequalities in the past,*” Piketty says and may do so again (emphasis mine). Past can devour the future.

Ideology and Capital, Thomas Piketty; Trans. Arthur Goldhammer; Cambridge, MA: The Belknap Press imprint of Harvard University Press, 2020. 1093pp; 2020. 9780674980822 (cloth); \$28.23

People’s actions are colored by their belief systems that define a particular ideology. A commitment to universal equality at the expense of a predatory economic system is the founding stone of *socialism* that Marx validated in his groundbreaking *Das Kapital*. Piketty does not repudiate Marx; he, more than any serious scholar, simply updates his interpretations in a post-industrial society.

Hegelian philosophy, as A.J.P. Taylor puts it, “was a stroke of enlightenment ([1888], 1967, p. 8). He sums up:

The conflict which Hegel postulated was between ideas. Marx found the conflict in the world itself, and ideas sprang from the conflict instead of

causing it. In his own words, he found Hegelianism standing on its head and put it right way up. He called the result dialectical materialism. (Taylor, [1888], 1967, p. 9)

To a certain extent, Piketty does the same to Marx without substantial refutation. The cry for *socialism* was an outcome of feudal–industrial marginalization of the people who produced wealth but remained alienated from the fruits of their toil and sweat. Revolutions don’t occur on their own. They are fired up by seemingly impenetrable forces of injustice. Ideology is thus a driving force behind the production and distribution of wealth (aka capital). Indeed, the economic system and its policies are not determined in heaven. Paul Krugman (2020), missed the point when he could not find a focus in the thickness of these pages:

What excited them was Piketty’s novel hypothesis about the growing importance of disparities in wealth, especially inherited wealth, as opposed to earnings. We are, Piketty suggested, returning to the kind of dynastic, “patrimonial” capitalism that prevailed in the late 19th century.... His new book, *Capital and Ideology*, weighs in at more than 1,000 pages. There is, of course, nothing necessarily wrong with writing a large book to propound important ideas: Charles Darwin’s *On the Origin of Species* was a pretty big book too (although only half as long as Piketty’s latest). The problem is that the length of *Capital and Ideology* seems, at least to me, to reflect in part a lack of focus.

I wonder whether Krugman appreciated the crux of the book. Ideologies do impact the reviewers’ perceptions. I nominate, and predict, this economist for the future Nobel Prize. I do so purely on professional and academic grounds reinforced by pragmatic-egalitarian values and humanism. Economic and social development cannot be separated in progressive polity that democracies have come to embody. Progress was the offspring of the Enlightenment. Times have changed to rekindle those Enlightenment values and practices.

