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Thomas Piketty Thinks America Is Primed for Wealth Redistribution

By David Marchese

In 2013, the French economist Thomas Piketty, in his best seller "Capital in the Twenty-First Century," a book eagerly received in the wake of the 2008 economic collapse, put forth the notion that returns on capital historically outstrip economic growth (his famous r>g formula). The upshot? The rich get richer, while the rest of us stay stuck in the mud. Now, nearly a decade later, Piketty is set to publish "A Brief History of Equality," in which he argues that we're on a trajectory of greater, not less, equality and lays out his prescriptions for remedying our current corrosive wealth disparities. (In short: Tax the rich.) If the line from one book to the other looks slightly askew given the state of the world, then, Piketty suggests, you're looking from the wrong vantage point. "I am relatively optimistic," says Piketty, who is 50, "about the fact that there is a long-run movement toward more equality, which goes beyond the little details of what happens within a specific decade."

In the time since "Capital in the Twenty-First Century" was published, there has been a huge proliferation in the number of American billionaires. Something like 130 new ones were added between 2020 and 2021 alone. That happened in the context of growing public discussion — and anger — about economic inequality. So what the hell happened? What enabled the ultrawealthy to flourish in the face of such widespread antipathy? Let me put this very clearly: I understand that each year and each decade is tremendously important, but it's also important not to forget about the general evolution. We have become much more equal societies in terms of political equality, economic equality, social equality, as compared with 100 years ago, 200 years ago. This movement, which began with the French and U.S. revolutions, I think it is going to continue.

Of course there are structural factors that make it difficult: the system of political finance, the structure of media finance, the basic democratic institutions are less democratic than they should be. This makes things complicated. But it's always been complicated. The Supreme Court for decades made it impossible to create a progressive income tax. They were fine with the racial segregation, but having a progressive income tax was unconstitutional. In the end, it took 20 years to change the Constitution, but then it happened and contributed to reduced inequality.

OK, so you're saying that the long-term trend is toward more equality. But in 1990 there were 66 U.S. billionaires. Now there are more than 700. Over the last 40 years or so, chief-executive pay is up more than 900 percent, even accounting for inflation. The average worker's pay over the same period is up only 12 percent. You believe we should be thinking of those facts as road bumps on the path to greater economic equality? If you take the big picture, yes. But the other lesson from the big picture, from history, is that it takes major political mobilization to keep moving in the direction of equality. In the United States today, the democratic institutions, the rules of the game, are set up in a manner that, indeed, the rich are entrenched. But if you look at opinion polls about a billionaire tax in the U.S. — among Democratic and also Republican voters — you have huge approval. So is the political system able to respond to this, or is it rigged? The lesson from history is that when the political system is rigged, at some point you have a reaction, you have a mobilization.

What did you think of the billionaire tax that Biden just proposed? It would have been better before his election. If you had told the American public before the elections that he wanted a wealth tax — which again is something that is very high in opinion polls — this would have been much easier. This could have forced the Democratic Congress to take a stand. It's more complicated now. But if it works, it's better than nothing.

I understand what you're saying about the popularity of a proposed billionaire tax, but do you believe America is at a place where a phrase like "wealth redistribution," which is what you're talking about, is broadly politically plausible? When you say Americans don't like redistribution, some certainly don't like it, but in the 20th century, high, progressive taxation of income and inherited wealth was to a large extent invented in the United States. That's why it always makes me skeptical when people say, Americans don't like this, don't like that. Look at history! There's no deterministic reason why a given country should be this or that. Sometimes, in my country and in the U.S. also, people tell you, "Look, we are not Swedes." This is used as an argument to say that there is a culture of equality in Sweden, which we would never have.

But Swedes themselves weren't always "Swedes." Exactly. Sweden until 1910, 1920 was one of the most unequal countries in the world, with a special sophistication in the way inequality was organized. You could have between one and 100 votes, depending on the size of your wealth. Even corporations had the right to vote in municipal elections in Sweden until 1910. Sweden was like this but then moved to something else.

This is only a half-joking question: Let's say in the United States the billionaires get sick of being the bad guys and don't want to be taxed the way Biden is proposing, so they move to Ireland or some other tax haven. Then what happens? But that's the point: These people *don't* live in an autarchy. They rely on the rest of the world, which means that we have to impose rules on the conditions in which they can enjoy these assets — which were produced by the collective. All wealth is collective by nature in the sense that it relies on the work of hundreds, thousands, millions of engineers, technicians, the accumulation of knowledge. Then, private property is a social construction that we invent in order to organize economic and social relations. It's a very useful social invention as long as you keep under control how much you can accumulate, how much power you can concentrate, etc. But none of these assets are *their* assets. They are a product of a collective process. No one invented anything by himself or herself.

That kind of ontological argument might be a hard sell for some Americans. For some, but this has nothing to do with the American spirit, American values. It has something to do with a small subset of people who are just pushing their interests. If you ask the American public about who is working hard, is it the normal people or the elite? Whose effort created everything? You will be surprised by the answer.

My sense is that in the very recent past a lot of the growth in wealth has resulted from entrepreneurship rather than the accumulation of inherited wealth. That's in conjunction with skyrocketing rates of return for the wealthy. Do those factors have any implications for how we understand the accumulation of capital generally or r>g specifically? If you go back to the beginning of the 20th century, late 19th century, you also had lots of new innovation and new wealth. We invented the automobile, electricity, trans-Atlantic radio. People in every time period tend to say today is different, this is big innovation, new wealth, but in a changing economy where we make technological discoveries, you always have this process. But the thing is, if it's not regulated, if we don't design institutions in order to spread the wealth — on the contrary, we have an institutional setup where you accumulate wealth by using public infrastructure, public education, the health system, and then once you have accumulated the wealth, you push a button and you transfer it somewhere else. Remember the ProPublica study before the summer of 2021 where they looked at billionaires in the U.S.? They pay almost zero federal income tax, as compared with their wealth. If you pay no tax, it's easier to accumulate more wealth, and that's what continues.

An economic argument in favor of billionaires is that their doing well is a sign that our system of capitalism is working and that it means growth for everyone. But growth has been slowing down at the exact same time that billionaires have been rolling in it. Has that given definitive lie to the idea that the success of the 0.1 percent is good for the rest of us, too? It's proof as far as proof can get in the social and political sciences. The evidence that we have is that if you take the United States, the growth rate of national income per capita has been divided by two following the Reagan decade. It's been a little more than 1 to 1.2 percent per year — the national income per capita real growth rate between 1990 and 2020. It used to be more than 2, 2.5 percent between 1950 and 1980. The tax performance in the Reagan decade was supposed to boost growth: Maybe you would have more inequality, but the size of the pie is going to grow so much faster than before that the average wages and income of average Americans will grow like you've never seen. This is *not* what we've seen.

The big lesson from this is that the period of maximum prosperity of the U.S. economy in the middle of the century was a period where you had a top income-tax rate of 90 percent, 80 percent, and this was not a problem because income gaps of 1 to 100 or 1 to 200 are not necessary for growth. The other big conclusion is that what really matters for economic prosperity is education and relative equality in education. The key reason the U.S. economy was so productive historically in the middle of the 20th century was because of a huge educational advance over Europe. In the 1950s, you have 90 percent of the young generation going to high school in the U.S. At the same time, it's 20 to 30 percent in Germany, France, Britain, Japan. The story that Reagan tried to tell the country in the '80s, which is basically forget about equality, the key to prosperity is to let the top become richer and richer — it doesn't work.

Have you seen any structural or ideological changes that you think make our moment different from historically comparable ones? Well, the dominant ideology has been moving toward the view that we've gone too far in terms of market liberalization, in terms of globalization without regulation and the superrich getting richer. The problem is that we're still stuck with institutions that were set up in the '80s and '90s in terms of limited tax progressivity, free capital flows without any common collective regulation, without financial cadastre so that you can track who owns what where — which is a big problem when you want to impose sanctions on oligarchs.

In the United States, this institutional setup has been reinforced because of Trump's big tax cut on corporations. There are many dramas we associated with Trump, but part of the drama is that he has been able to tell the middle class and lower middle class, "Look, we are going to continue with tax dumping, but I'm going to protect you in another way by protecting you against Chinese and Mexicans, the Muslims." He was able to be elected on an ideology where you don't redistribute between the rich and the poor but rather you protect Americans, especially white male Americans, against anybody who looks foreign. The risk is that neoliberalism is replaced by this form of neo-nationalism in order to avoid redistribution. Sometimes people like Trump can be successful with this strategy because it's a much clearer message than saying, "Let's look at the history of progressive taxation."

You mentioned oligarchs. In America, we don't like to think that we have them — that's for a country like Russia. Instead we like to think we have entrepreneurs who achieved through merit. But the similarities are obvious: They're all taking advantage of the free global movement of capital and have a disproportionate amount of political influence. Do you see America as being as securely in the grip of the oligarchic class as other countries we think of as being less democratic? The U.S. oligarchs have less control of the political system than the Putin clique in Russia, that's for sure. In terms of what fraction of wealth accumulation is due to individual effort, individual merit, as opposed to a legal and institutional system that is working for them more than for the rest of the country, it's difficult to say. Many Russian oligarchs bought the right assets at the right time, resold it. This is business life.

To me, maybe the best comparison between the U.S. is not so much with Russia today but with Europe and the Belle Époque before 1914: a system which is nominally democratic but where the concentration of wealth is so high and lacking proper rules about political finance, political influence, that the democratic system is not enabled to have a common-sense reaction to this excessive level of inequality that, in the long run, is not good for U.S. prosperity. Particularly because when other countries get more educated than the U.S., then its economic leadership will be gone forever. U.S. economic leadership came from mass education, not from a small elite of billionaires. They have never been the source of U.S. prosperity, and they will never be.

You know, I do find it hard to wrap my head around the idea that after 40 years of worsening inequality, you — the inequality guy, Mr. r>g — are publishing a book saying we're on the right track historically. It's sort of cold comfort to know we're more equal today than we were 100 or 200 years ago. Really give me a reason to feel as optimistic as you do. "Give me a reason to be optimistic?" By looking at my historical evidence, by thinking about the big picture, I have become more optimistic. I was a bit puzzled that many people looking at "Capital in the Twenty-First Century" came away with a pessimistic conclusion. I'm trying to show that the key in history is not the big catastrophes but the positive political construction of an alternative, and this process started with the French Revolution, the U.S. revolution. This process toward more equality is more deeply rooted in our modern ethos and modern political cultures than most people believe. I remember in 2014 having a public discussion with Elizabeth Warren in Boston. I was talking about a progressive wealth tax with a rate of 5 percent per year or 10 percent per year on billionaires. She looked at me like, *Wow, that's too much*. Joe Biden today, a centrist Democrat — who voted for the Tax Reform Act of 1986 — is coming in with a wealth tax. Things can change pretty fast.

This interview has been edited and condensed from two conversations.

David Marchese is a staff writer for the magazine and the columnist for Talk. Recently he interviewed Neal Stephenson about portraying a utopian future, Laurie Santos about happiness and Christopher Walken about acting.