



TECHNIUM
SOCIAL SCIENCES JOURNAL

Vol. 12, 2020

**A new decade
for social changes**

www.techniumscience.com

ISSN 2668-7798



9 772668 779000

Capital in The Twenty – First Century by Thomas Piketty: Book Review

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Abstract. In *Capital in the Twenty-First Century*, Thomas Piketty depicted the evolution of wealth distribution and explained the way aggregated and unequal distribution resulted in the escalation of the rate of inequality. Also, Piketty analyzed potential solutions for accumulation and distribution of wealth by considering historical data. Therefore, he tracked the historical publications of many economists who analyzed wealth distribution and inequality to understand the origin of the problem of wealth distribution inequality, such as Malthus' *Essay on the Principle of Population*, 1798, Ricardo's principle of scarcity in *Principles of Political Economy and Taxation*, 1817, Marx's principle of infinite Accumulation in *Capital*, 1867, and Simon Kuznets's *Shares of Upper Income Groups in Income and Savings*, 1953. Piketty suggested a new taxation system is the solution to inequality in wealth distribution and to avoid unstable socio-economic trends. Piketty divided his book into four parts, and each part is comprised of chapters.

Keywords. Wealth distribution, wealth distribution and inequality, economic crisis, progressive taxation

Piketty's findings included two key points that connect inequality to political movements, especially in taxation and funding. Secondly, the driving force in wealth distribution reveals that the effective mechanism drives toward convergence once and divergence in another. Also, no natural power prevents society from falling into instability or preventing inequality from having permanent control (Piketty, 2017, pp. 27-28). Piketty addresses the economic situations of France, Great Britain, and the United States, all of which experienced public debt. The debt of those countries arrived at 100% of the gross of domestic product in the eighteenth century of national income, and 200% of GDP in the nineteenth century as a result of their policies in funding an army in wartime (Piketty, 2017, pp. 160- 161). As a result, the national wealth became owned by limited people, at the cost of decreasing the government debt. Both countries compelled tax on real estate in France and tax on expenditures in Great Britain to decrease wealth concentration with limited hands (Piketty, 2017, pp. 162-163). Therefore, the debt paralyzed governments for expenditure on the public because of a magnitude of debt. That also happened in the United States in the nineteenth and twentieth centuries, which its debt magnified as a result of wars and economic crisis; however, by applying progressive taxation, its debt decreased. The rate of debt progressively decreased from 50 to 30% after the nationalization of the industry and money sectors as well, creating a new policy of taxation on

inherited wealth (Piketty, 2017. pp,186-191). Then regression occurred when the countries shared the private sector because of privatization, which calls for liberation from restrictions of government intervention (Piketty, 2017, pp, 228-232). Also, he explains that technology transmission led to the demand for skilled workers, as well as for more construction, such as housing, and administration equipment which helped to increase production and national capital in the long-term. Piketty sees that there is an imbalance in global distribution that is because of the worldwide income distribution more than output distribution. Distribution output per capita in rich countries is higher than the output per capita in developing countries. That is because they owned their capital and some parts of the foreign capital, while in developing countries, the output per capita is low because foreign countries are invested in developing countries and owned a big part of their capital in the industrial fields. So, the economies of developing countries get negatively affected as a result of distribution inequality (Piketty, 2017, pp, 86- 88). Piketty mentioned that increasing the inequality of wealth distribution in the United States is the result of a decrease of the progressive tax on the high wages which led to concentrated wealth in limited classes in the United States and Europe. Also, Piketty believes that high wages and wealth distribution inequality contributed to the nation's financial instability. Which 10% of the population had 60% of national wealth about 60%, while 90% of the population had 40- 30 % portion of the national wealth which presents a clear picture of inequality (Piketty, 2017. pp, 374-377). Piketty states that there is ownership concentration of capital at the beginning of the twenty-first century less than what was in an eighteen century that because of the taxation system on capital and profits gained from capital. Piketty believes that widening the gap amongst rich, middle-income and poor will widen in the future (Piketty, 2017. pp, 420-423). Piketty sees that democracies should regulate capital in the twenty-first century by applying progressive global taxation on the capital with a high level of global financial transparency to avoid inequality. He also calls the world to welcome a global tax on capital to encourage continuing open economy between countries to gain and ensure the benefit of fairness in economic distribution. Also, individuals who owned massive wealth should be compelled to obey a system of progressive taxation annually (Piketty, 2017. pp, 663- 671).

Author's review

Piketty mentions that the growth of technology has increased demand for skilled workers (Piketty, 2017. pp, 293- 294). However, skilled workers require a big volume of efforts, funding and training and the workplace to absorb those number of skilled workers and give them equal opportunities. When it comes to real life, capitalism is controlling the market and making it difficult for people who do not have support or do not have inherited wealth to contribute to the economic growth. These citizens feel they are not part of their country because of the greed of the capitalists who know only figures language, and they appreciate people by what they own. Citizens accept democratic policy because they think it supports only equal opportunity in their country, and they think their rights are protected which motivates them to work together for the benefit of the people. In reality, the market controls countries and weakens the role of democratic governments. The government gave their fate to the free market which prevents individuals who do not have more than their effort or a high salary to enter a market. Government pushes its people to face the Ghost of the market to face their fate, and it just watches people dividing between upper class who control 60 to 70% of the national wealth of their countries and the middle and lower-class who face the results of the childish adventures of the market (Reich, 2007, pp. 93-40). My question is here, why Piketty did not call liberal policy to retrieve its power and use its role to protect its people. Is not this one of its principles? Why is a democratic society standing hands tied and powerless in front

of the market, just watching a limited number of people controlling the national wealth willing their wealth to their children in the second generation and crumbs go to the rest of the people? According to Wilkins, capitalism deals with the role of the Market, companies, and trade includes different legal systems and methods to apply its policy in any nation in the world ignoring the role of government (Wilkins, 2010.p P639-640).

Piketty tried to find a solution to decrease inequality between social classes by trying to put on a dress of a free market on democracy even if it does not fit to convince people this is a democracy and the market is the rescuer from failing in an economic crisis, so people should be more resistant to live. Piketty's theory shows to the world that countries are going down the path of inequality now more than in previous centuries because of putting the national wealth in limited hands. Also, the world has controlled the economy by the mentality of calculating profit and loss without considering human side. As a result, inequality limited people from accessing social services and obtaining their rights in education and health care and job opportunities which increases poverty in many countries and pushes people to seek social reform. Therefore, Piketty's perspective is that countries should compel taxation reforms and apply progressive taxes to limit concentrated wealth and reconsider market and trade to provide job opportunities to decrease inequality and ensure people their right to live in security (Piketty, 2017. pp, 663- 671). I agreed with Piketty when he said that to apply a taxation system, takes time, but the trip of a thousand miles is starting with a first step; along with changes in economic and political policies for the sake of bettering people lives. Developing countries, such as in India and China which compelled progressive income taxation in their countries, have gained economic achievement. For example, China has increased the income tax from less than 0.1 percent of the population in 1986 to about 15 to 20 percent of the population by 2003-2008. In India, whereas their economy is less than 3% but more than 1% in 1986. The growth happened because those countries put this goal on the top of their policy seeking to grow their economy. (Piketty and Qian,2009 pp, 60.61).

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