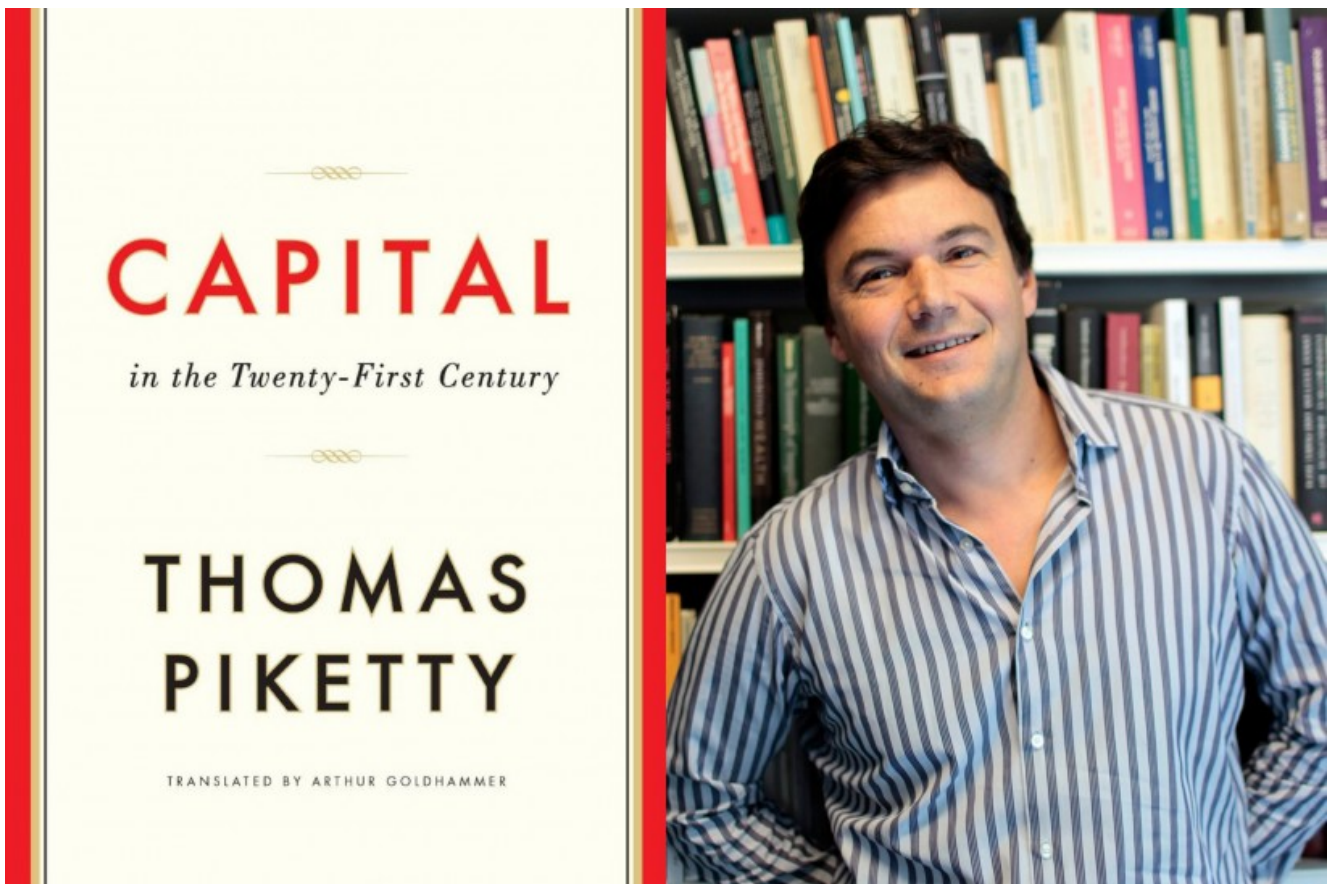




Piketty: “We want markets and capitalism to be the slaves of democracy!”

written by Allegra
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A little while ago, we ran a thematic week on [#economics](#). This coincided with French economist Thomas Piketty's visit in Helsinki, where he was invited to take part in the 60th Anniversary Congress of the Yrjö Jahnsson Foundation. Allegra jumped on the opportunity and sent one of its reporters to the press conference organised in hotel «Katajanokka». Even though Piketty, also nicknamed 'the modern Marx', is not as charismatic as Zizek, he too has become a kind of academic rockstar. Since the publication of the English translation of his



monumental book [*Capital in the 21st Century*](#) (soon to be reviewed in Allegra! Keep an eye on our review section!) in April 2014, Piketty has been touring the world, giving public talks in universities and interviews for the world media. At the press conference that took place in Helsinki on June, 12th 2014, he shared his concerns about growing inequality. His already classic book is built on more than a decade of research by Piketty and a handful of other economists, detailing historical changes in the concentration of income and wealth. This pile of data allows the economist to sketch out the evolution of inequality since the beginning of the industrial revolution.

Below is the recording of the press conference together with a summary. Enjoy!

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1.35 - A book about the history of income and wealth over 20 countries over two centuries.

What I am trying to tell in the book is a very readable history of money. It is not a technical economic history. It is a history of politics and social representations. I think it can be read by everyone.

3.00 - You don't have to agree with all the conclusions I draw about the future. I am better at analysing the past than analysing the future. The main objective of the book is to give all this historical material - and it is by far the largest existing historical database on the commonwealth since the 1980s that we put together with 30 scholars from 20 countries - to everyone so that people can make their own mind about the future.

3.39 - One of the conclusions is a tendency towards rising inequality of income and wealth. But this does not have to be this way. You have different forces going



on at the same time. You have different evolutions. Rising inequalities has been much stronger in the US than in Europe and in Europe our problem today has much to do with our attempts to modernise the social system and make our monetary union work better. We have problems with our pension system and with our public debt.

4.41 - There is a lot to learn from the history of public debt. (...) We have already had large public debts in the past. We have a lot to learn for the future from this historical account.

5.20 - 1st question: What is your opinion on inequality in Finland?

2nd question: Some politicians came up with idea to abolish the inheritance tax. What do you think of that?

7.05 - Inequality is less important in Finland and in most European countries than in the US. Now there has been a tendency toward an increase of lower income groups over the past decade.

8.15 - What is particular of Europe in general is that there has been a bigger rise in the total value of wealth relative to income. Which is not totally bad per se because it's always good to have wealth and not only public debt.

Private wealth has never been as large as a fraction of GDP in most European countries for a very long time. It is a good news except that the inequality in access to wealth is extremely high. And in this context I think we have to find a balance between taxation of labour income and taxation of wealth.

10.00 - We want to give people the possibility to accumulate income out of labour. But we need to find some balance in our tax. To me, a complete abolition of the inheritance tax would be a big mistake.

10.30 - Large number of countries in Europe and North America still have inheritance tax.



11.00 - and in Finland + if we are in small country it is very easy to control wealth.

11.25 - There is the same temptation with the taxation of corporate profit.

12.21 - My own view on this is that we should have a closer political and fiscal union in Europe and in particular in the Eurozone. It is very difficult to have a single currency with 18 different tax and social systems that are competing with one another in order to attract the taxpayers of their neighbours.

16.00 - 4th question: How realistic do you think it is for governments to diminish inequality through taxation?

16.23 - There is a lot that can be done at the national level. It is too easy to say: 'we cannot do anything on our own'. There is a lot that can be done: For instance reforming the property tax so that individuals are taxed on their net wealth rather than on their growth property value is something that we can do without asking the permission of Brussels.

17.00 - I think we should have a Eurozone parliament to which to delegate the fiscal decisions that we cannot take anymore on our own. Take the example of the corporate income tax: If you have 18 different corporate income taxes in the Eurozone, all that you have is that multinationals won't pay income taxes anyway. National sovereignty in the domain of corporate taxation has become an illusion. (...) At least for big multinational companies, it would be much better to delegate corporate taxation to the Eurozone parliament.

21.00 - Question on the Financial Times controversy around the mistakes Piketty would have made when analyzing his data.

Everybody can see, particularly in the US, that top managerial compensations is a lot higher today than 20 years ago. And if you look at wealth statistics it is pretty clear: you can see that the top wealth holders are rising a lot faster than middle class and average wealth. It is a bit ridiculous to deny this.



22.33 - The main conclusion of my book is that we should work towards greater financial transparency. Given the difficulties to measure offshore wealth and cross-border financial assets, we should not overestimate our ability to measure that.

23.45 - One of the reasons why I am in favour of wealth tax is that it is also a way to produce information, to produce statistics and more democratic knowledge about where we are going.

24.16 - What is really at stake is to convince our public opinion that globalisation is a positive sum game and that everybody can benefit from it. Otherwise we have a risk that a rising faction of our population thinks that a disproportionate share of the gains of globalisation goes to the elite and this can trigger nationalists responses. That is why we need global regulations so that we make sure that everybody pays a fair share of taxes.

25.31 - You have been criticized by some academics because of your assumption that rate of return will continue to grow faster than income. Will you answer to this critique?

26.40 - we keep collecting data on a weekly basis. We have regular updates about countries. It is going to continue.

27.11 - It could be that we are going to make a lot of innovations, that we are going to have a lot of children so that the total growth rate of our economy is going to be 4 or 5 % in the future and in line with the rate of return to capital. But this would be incredible considering all that has happened. It would be a mistake just to count on that. I think we have to make another plan in case this does not happen. Of course we need to do all we can to promote higher growth without wasting all our sources of energy...and I think we can make it...but it would be a mistake to think that this is going to be sufficient to bring us back to the 3-4-5% growth per year. There is no historical reason for the growth rate and the rate of return to coincide.



28.36 - what my book is saying is that instead of waiting for this incredible coincidence to happen, we should make another plan.

We should have more democratic transparency about wealth and income. (...)
From the data we have, I can say that the top wealth holders in the world are rising three times faster than the size of the world economy

30.52 - we should not take for granted that inequality will remain at a reasonable level.

31. 25 - Other question: you say that you are not anti capitalist but there is the strong political message in your book.

*I belong to generation that turned 18 with the fall of the Berlin wall. I never had any temptation with communism. I belong to the post-Cold War generation. I believe in private property. I have no problems at all with capitalism per se. I am just saying that markets and capitalism are not enough to prevent inequality from rising to excessive levels. **We want markets and capitalism to be the slaves of democracy** rather than the opposite.*

32.40 - It is important to remember that progressive taxation of income and inherited wealth was invented not in the European Union but in the USA in the 1920s and 1930s. Between 1930 and 1980, the top income tax rate in the US was 82%. This happened for half a century and apparently this did not destroy American capitalism. This is only because this was applied to very high incomes of above 1 or 2 million dollars.

33.40 - It is interesting to see that in Europe, more precisely in Germany, the only time when you had 85% of income tax rate was actually from 1945 to 1948 and this rate was set by the Americans. This was not to punish Germany. They did the same in Japan but they also did the same at home in the US. This is because at that time, if you want, this was part of the civilisation package between democratic institutions and financial institutions...in order to prevent democracy



from becoming a plutocracy. So this is not Marxist in any way, this is just trying to re-read history. This is part of our common history.