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**Review of *Capital in the Twenty-First Century*. Thomas Piketty.
Reviewed by Charles Levenstein**

Charles Levenstein

University of Massachusetts Lowell, charles_levenstein@uml.edu

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Book Reviews

Thomas Piketty, *Capital in the Twenty-First Century*. Harvard University Press (2014). Translated by Arthur Goldhammer. \$39.95 (hardcover), 696 pages.

Thomas Piketty's book is a critique of mainstream economics but is particularly addressed to the work of Simon Kuznetz and subsequent related work that argued that income inequality is reduced with industrialization. Of course, the title gives away the audacious challenge to the work of Karl Marx. This is a unique and ambitious book that has received great attention in academic economics as well as in the popular press.

After an introduction, the book is presented in three sections. Part one is essentially addressed to economists who are interested in returns to labor and capital as factors of production. Piketty and his colleagues have amassed an enormous amount of national data on income and wealth in industrialized countries and have made estimates for less developed economies. This is a great contribution to the study of political economy, with the caveat (pointed out by Piketty) that such data are deeply influenced by social and political conditions as well as interpretation. The critical message of this part of the book is that there is no inherent tendency in capitalism toward equality; rather, Piketty argues that the evidence he and his colleagues have gathered indicates that inequality is likely to increase with economic growth.

The next part of the book addresses what Piketty calls "individual" income disparity. These chapters treat inequality in labor incomes as well as inequality of incomes resulting from returns on capital. The inclusion of investment in residential housing confuses this discussion. Piketty conflates income distribution with social and/or political notions of class.

In the third section of the book, Piketty discusses global inequality. His contribution to social criticism is to disabuse us of the importance of "merit" for income in the long run.

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Although the data are thin for the less industrially developed countries, he reiterates the conclusion that there is no innate tendency in globalization of capitalism toward equality with growth.

Finally, Piketty comes up with policies on a global level to deal with inequality. This involves discussion of progressive income taxes, wealth or inheritance taxes and the “austerity” promoted by global financial institutions. The tendency of capitalist development to intensify inequality requires global solutions. Although he argues for the need to understand economic development with a political, institutional and historical orientation, the proposals he discusses seem utopian given the current (im)balance of political forces.

I have been so influenced by the study of epidemiology that I am shocked by the cavalier use of statistics by economists. Epidemiologists are very careful—perhaps too cautious—in their use of the word “cause.” Economists run long series of data that are admittedly patched together and make grandiose statements—the self-described Queen of the social sciences is a harlot for politics. Piketty is not naïve about the social/political nature of economic data, yet he proceeds to use such data to make statements of historical proportions. He proposes a global system of taxation and yet ignores the most basic issues—the collapse of labor unions and labor politics. Others have pointed out his paucity of knowledge of the development the U.S. welfare state.

What is good about Piketty is that he writes about inequality not just of income but also of wealth. Occupy Wall Street put such issues on the contemporary political map, but Piketty fails to give the grassroots movement its earned credit. Rather, he devotes some small attention to the usual economist’s hair-splitting over dubious data. (Is it really the 99% or not?)

Piketty shows that there is no necessary trend toward more equitable distribution of income. That is important because it re-emphasizes the importance of political action. But he really offers no help on what to do or how to it.

Charles Levenstein, Emeritus, Department of Work & Environment, University of Massachusetts Lowell