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Editor's Remarks
"THE TRUE UNIVERSITY OF THESE DAYS IS A COLLECTION OF BOOKS"

The Library of Congress thought well enough of this claim to display it in stone, as did the San Francisco Library (now the Asian Art Museum). Yet fifteen years ago a noted statistician, an expert on the AIDS epidemic, glanced up at these words emblazoned at the entrance to a large university library, and smirked, mocking its earnest sentiment. "'The True University is a Collection of Books'? Obsolete technology!" the expert said with a smile, recalling long student days spent in just such a monumental building. "Obsolete" indeed, at least in part, for such a researcher, tied for life to the computer, alienated from the baronial chambers and overstuffed stacks of the conventional academic library.

When Thomas Carlyle (1795-1881) gave the lecture that concluded with this famous phrase on Tuesday, May 19, 1840 ("The Hero as Man of Letters: Johnson, Rousseau, Burns"), he also smirked. Carlyle rejected the medieval notion that formal education occurred only in a classroom, where the robed professor spoke in Latin to obliging, silent students, most of whom could not afford to buy the canonical books from which the professor lifted his lecture material. Instead, Carlyle urged his readers to indulge in the Google of their era: "If we think of it, all that a University, or final highest School can do for us, is still but what the first School began doing,—teach us to *read*" (Carlyle 1908: 390). Books were becoming plentiful and cheaper, public libraries were beginning to open, so Carlyle urged his middle-class audience to edify themselves, by reading. And they did. Huge numbers of books were printed in the nineteenth century, and periodicals thrived as well, many of them bound by subscribers at the end of each year for ongoing reference in the "permanent" family library.

Without electronic diversions, the printed word became every civilized person's best friend: "EVERYMAN, I will go with thee, and be thy guide, In thy most need to go by thy side"—the knowing slogan J.M. Dent chose in 1908 to appear on the first page of his many subsequent Everyman volumes. The original was composed anonymously around 1485 wherein "Goode dedes" informs "Every man" that she cannot defend him at the Final Judgement, but offers solace: "I haue a syster that shall with you also / Called knowlege whiche shall with you abyde / To helpe you to make that dredfull rekenynge / Every man I wyll go with thee and be thy gyde / In thy moost nede to go by thy syde." To which noble gesture "Every man" replies: "In good condycyon I am now in euery thynge / And am hole content with this good thynge / Thanked by god my creature."

There was a time not long ago, stretching, say, from the period of Carlyle and Marx, both zealous devotees of libraries, when Knowledge gave sustenance and inspiration to scholars, and the Knowledge they sought did indeed live within "a Collection of Books." There are many readers today, especially those eager minds dwelling hundreds or thousands of miles from a great library, who believe that digitized books—30 million so far we are told—remain "books" even if on a screen, and even if in many cases not wholly readable due to copyright restrictions. Viewpoints of this type struggle hopefully at making a virtue of technological necessity, but the ultimate outcome for scholarship of digitization remains to be understood—whether a Good Dede for Every man, or nothing of the sort.

Every scholar has by now been faced with the inscrutable workings of electronic "books" in a research library's "holdings." The library buys a "book" in electronic form from a publisher, which charges considerably more for the "book" than it does for the printed version, arguing that since more readers are *in theory* capable of using the screenal version, it is only fair to charge,

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say, $250 for the same title that in paper form is merely $125. (Never mind that the actual production costs of the printed version hover around $5.00, and that authors' royalties are negligible.) The scholar summons the electronic manifestation to whatever screen is handy and capable, and provided all systems are working properly (not guaranteed by any means), is informed that out of 400 pages or so of monographic text, 50 printed pages and never more will be granted to said scholar should a copy be needed for annotation or as a sentimental keepsake.

Should the scholar need more than this sorry limit, there is always Interlibrary Loan, which can be called upon to find a printed copy at some other library that chose not to buy the electronic ghost of the desired title. Should all libraries elect, as they are being vigorously pushed to do, to buy only the electronic version, then the scholar might apply for a "book grant" in order to buy the printed version, or perhaps could join with friend-colleagues, and share a collectively purchased copy, the way poor undergraduates do when confronted by a $300 chemistry textbook. Springer, the German firm which prides itself on being a "leading scientific publisher," just offered *Models of God and Alternative Ultimate Realities* (2013) in e-book form at the bargain price of $109.50, half the usual cost. The printed version can be had for $279 (free shipping). It is a large edited work, assembled by an emeritus professor in Israel and an assistant professor in Toledo, Ohio. Its Amazon book sales ranking is at 1,266,259 at this writing. Sad to say, the reduced price is available only until September 8, 2014, two weeks after the initial offer. Perhaps the ultimate "ultimate reality" lies in the publisher's realization that prices such as these attract remarkably few buyers.

Why are academic libraries "electing" electronic versus printed monographs in ever growing numbers? In part because librarians, particularly administrators who must worry about budgets and buildings, seem to love this technological innovation: no space concerns, no maintenance, no replacement costs when lost or damaged, and no reference librarians to pay since everybody becomes their own source of wisdom. "Expertise is unnecessary now; we have Google and Wiki," as one young scholar was heard to say. The ancillary claim surely will be that "Libraries are unnecessary now; we have electronic 'books'." A few institutions of higher learning have already dispensed with their "bricks and mortar" libraries—a symptom of cultural thoughtlessness that appeals only to servants of the "bottom line" who would be lost in a university library.

When Robert K. Merton wrote about the role of "serendipity" in scholarly discovery—which in part at least concerns the luck of "stumbling upon" the deciding book or journal article "buried in the stacks," an experience most college students now will never know—he did not regard the phenomenon as trivial or incidental to the growth of knowledge. We are tactile creatures, and holding books "in the flesh" carries more weight and inspires more ideas than hoping to find something meaningful as one scans screenal representations. Flipping through bound journals or the random monograph has been the great privilege and inspiration to untold scholarship ever since stacks were opened to researchers in the 19th century. Recall George Gissing's sentiments along these lines: "I know every book of mine by its *scent*, and I have but to put my nose between the pages to be reminded of all sorts of things. My Gibbon, for example, my well-bound eight-volume Milman edition, which I have read and read and read again for more than thirty years—never do I open it but the scent of noble pages restores to me all the exultant happiness of that moment when I received it as a prize. Or my Shakespeare, the great Cambridge Shakespeare…" (Gissing 1914: 5-6). Perhaps you feel just this way when you return to your copy of *Capital* or *Suicide* or *The Protestant Ethic*, covered in your youthful annotations.

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One pertinent book which no-one is able to print from Google Books (though there is another source, happy to report, which makes it available: *archive.org*) appeared in 1923, self-published by Upton Sinclair. He is known, of course, for the novel *The Jungle* (1906), which he dedicated "To the Workingmen of America," and therewith prompted the U.S. government to begin monitoring meat production. Recently his novel *Oil!*

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(1926) was converted into a very fine film, *There Will be Blood*, though it bears a weak relation to the novel as written. In *Oil!* Sinclair composed a *Fathers and Sons* type of work, pitting an idealistic son against his hard-bitten capitalist father, with lots of pro-union sentiment thrown in, little of which appeared in the film (brilliantly acted by Daniel Day-Lewis as a demented tycoon). Sinclair also ran for governor in California, and tried to sustain a utopian community when not writing muck-raking exposés and novels.

His less famous book first appeared under the author's own imprint as *The Goose-Step: A Study of American Education* (Sinclair 1923). The publishing entrepreneur Emanuel Haldeman-Julius in Girard, Kansas (famous for printing 300 million copies of "Little Blue Books"), reissued a revised version in four pamplets a year later. It was reissued again (this time with a good index) in 1970 by AMS Press, a reprint house which sold mostly to libraries. Even though Google Books scanned copies of the work, none of them is available for downloading from this source. (For interesting details, see the Wiki article, "*The Goose-Step* (book)".) The best way to acquire the book as printed, then, is through the vast used-book market if one wishes a full text on paper.

Why care? Because the book has been called an "honest effort to find out the truth" (Clarence W. Alvord, 1923), "indispensable to any student of present American life" (Robert Morss Lovett, 1923), and "muckraking at its best" (Granville Hicks, 1943). It constituted one-sixth of the "Dead Hand Series" in which Sinclair analyzed major American social institutions: journalism, art, and education. He reported that "For the past year I have been studying American Education. I have read on the subject—books, pamphlets, reports, speeches, letters, newspaper and magazine articles—not less than five or six millions words. I have traveled over America from coast to coast and back again, for the sole purpose of talking with educators and those interested in education. I have stopped in 25 American cities and have questioned not less than a thousand people—school teachers and principals, superintendents and board members, pupils and parents, college professors and students and alumni, presidents and chancellors and deans and regents and trustees and governors and curators and fellows and overseers and founders, and donors and whatever else they call themselves" (Sinclair 1923: ix).

Nobody else did that before and no-one has done it since. Veblen's far more famous book on the same subject, *The Higher Learning in America: A Memorandum on the Conduct of Universities by Business Men* (1918), brilliant as it is, rests on a thin empirical base compared with Sinclair's. Veblen wrote it around 1906 using as data his own experiences at Carleton College, Johns Hopkins, Stanford, Chicago, and Missouri (for background, see Diggins 1999: 170-183). Sinclair appreciatively quotes and cites Veblen in seven different parts of his book, and they arrive at the same destination. (*The Goose-Step* was also the subject of at least one dissertation: Blinderman, 1963.)

Sinclair, indifferent to academic politics and unafraid of the people who ran the "higher learning," reported exactly what he discovered without the hedges and hesitations that dull the edge of ordinary academic writing. Mrs. Leland Stanford fired E. A. Ross in 1898 because she did not want his opinions broadcast from the campus she and her husband had recently founded to honor their young, deceased son, and which she controlled as a fiefdom. Ross, then identified as an economist, wrote and spoke in favor of Free Silver, a fiscal change that would have halved the value of Mrs. Stanford's stock. His pamphlet, *Honest Dollars*, was published by Charles H. Kerr (also Marx's American publisher) in 1896 when Ross was only 30, in which the Robber Barons are portrayed as enemies of the people's welfare. More importantly, Ross also opposed the exploitation of Chinese laborers as railroad workers, the root of the Stanfords' huge riches. Her expulsion of Ross from the university became a lasting national scandal, seriously damaged Stanford's reputation, and inspired formation of the American Association of University Professors.

Sinclair analyzed these events, which had become a nationally known scandal, in detail ("The Story of Stanford," and "The Stanford Skeleton," pp. 152-168), using as data letters from many participants, e.g., the great intellectual historian, Arthur O. Lovejoy, who

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resigned from Stanford rather than be coerced into supporting Ross' firing. The acting president of Stanford at the time referred to the need for "shaking off the loose plaster": firing all faculty who sided with Ross and academic freedom (p. 157) against the higher administrators, who served Mrs. Stanford and the party line. What Sinclair could not have known was that Mrs. Stanford was murdered with strychnine in 1905, and did not die from an alleged heart-attack, a cover-up orchestrated by the president of her University which lasted until the 1980s. In itself this is historical trivia, but it indicates how far administrators will go to "protect the brand." Somehow the image of Mrs. Stanford agonizing under the "tetanic contractions" produced by strychnine in its victims, and the very notion that a close associate tried to murder her twice, once in Stanford, and again in Hawaii, did not square with the image the administrators of Stanford wanted to convey.

Sinclair's *The Goose-Step* is nearly 500 pages long, therefore defying capsulization. Due to his heroic fieldwork and reading, he is able to position the educational system in relation to everyone with a vested interest in it. This mattered to him because at the time, as has since become well known, rich people founded colleges and universities to gratify their egos and for various religious purposes, such that these institutions were wholly owned by the founders, and run by the trustees they chose. Everyone from the presidents to the visiting lecturers owed their sustenance to the donor(s), and took orders from them in unambiguous terms. A few skillful presidents outmaneuvered the founders and their minions with personal charm and a certain high-minded duplicity, protecting their faculty from the various prejudices of the donors as much as they could. But most simply followed orders in terms of what to teach, whom to hire, what to build, and so on. Not until the 1920s when competition for good faculty warmed up did some measure of faculty autonomy surface, aided by the deaths of the donors.

The chapter titles in the first hundred pages of Sinclair's book tell the tale: "Interlocking Directorates," "The University of the House of Morgan" (Columbia), "Nicholas Miraculous" (President Butler at Columbia), "The Twilight Zone," "The Empire of Dullness," "The Academic Department Store," "The University of Lee-Higginson" (Harvard), "Free Speech But—," "The Laski Lampoon," "The University of U.G.I." (Penn), and "Stealing a Trust Fund." Fearlessly, Sinclair writes "A well known American scientist made to me the statement that there has not been a man of distinction called to Columbia in ten years, nor has one arisen there. To attribute so much to Butler and his interlocking trustees might seem to credit them with superhuman maleficence; but the scientist explained the phenomenon. . . Exactly how does the plutocratic regime operate to eliminate originality and power?" (pp. 49, 52). Sinclair bitterly refers to "my old teacher, James Harvey Robinson" (p. 56) who was fired by Nicholas Butler along with many others whose left-leaning politics disturbed the president's sense of reality. The famous psychologist James McKeen Cattell, in a furious battle with Butler, "referred to the trustees as 'men whose horizon is bounded by the two sides of Wall Street with Trinity Church at the end. . . [Butler] has run the university like a department store, playing the part of both proprietor and floor walker to the faculty, while an errand boy to the trustees'" (p. 56).

Chapter 58 (pp. 306-313) is called "Intellectual Dry-Rot," which begins by referring to Cornell as operating under "as choice an outfit of trustees as a plutocratic imagination could invent" (p. 306). It included George F. Baker (richest man in America after Rockefeller), Charles F. Schwab (Bethlehem Steel, and the man for whom a fine auditorium on the Penn State campus is named), H. H. Westinghouse, plus many others of similar wealth and power. Sinclair tells the story of Veblen being appointed to teach at Cornell, but the trustees firing him before he arrived on the basis of his published work (p. 308). Over the next few pages Sinclair airs the extremely dirty laundry (including at Cornell a manure spreader, p. 309) at Brown and Wesleyan. His detailed argument, which names many participants, holds that institutions, formerly the site of excellent scholarship and teaching, once they fall under the control of the plutocrats, uniformly degenerate "to the intellectual level of the Garrett Bible Institute of Evanston, Illinois!" (p. 313). When one

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reflects on recent events at the University of Virginia, where the sociologist and president Terry Sullivan was temporarily deposed by a trustee whose expertise lies in beach real estate transactions, the continuing relevance of Sinclair's work ninety years ago becomes apparent. An enterprising publisher, reprinting *The Goose-Step* today, would not lose money.

The contemporary version of Sinclair's book, though wrung from a much thinner empirical base, and without systematic interviewing across the country, is Ben Ginsberg's *The Fall of the Faculty*. His story is heavily anchored in his long experiences at Cornell and Johns Hopkins, where he has been a political scientist. He also followed current research norms by making frequent use of *The Chronicle of Higher Education*, *insidehighered.com*, *mindingthecampus.com*, plus the usual monographs and scholarly journal articles. He also cites Sinclair once (p. 233, n. 23). Ginsberg's important book points out with hard data what everyone who works in higher education has known for the last 20 years or so: as tenured faculty lines have disappeared and been replaced by temporary laborers, the ranks of administrators have exploded, as have their salaries. Administration, once the begrudged, short-term duty of all senior faculty, has become the favored career path of those academics who decide to cut down significantly on their teaching, research, and student-contact hours, and instead attend meetings to decide how their former colleagues should carry out their duties in some improved mode.

Ginsberg finds this situation repellant on many levels, and goes into extraordinary detail explaining how this has happened at dozens of colleges and universities (all of which he names). If Sinclair's book is essential for understanding the academic sphere a century ago, Ginsberg's plays a similar role in today's university environment. It goes without saying that both Sinclair and Ginsberg are polemicists, and that even they admit that honorable, altruistic, and hard-working administrators do exist. But both books unintentionally document Max Weber's theory of bureaucratization: once offices are founded for this or that function, they grow "naturally" in size, scope, and budget, whether or not they can be shown to improve education or institutional fructification. In most large complex organizations this is taken as "progress" toward some unnamed goal, but within the university setting, there are plenty of analysts who notice this, seeing it as a pathological excrescence. Ginsberg concludes with "What is To Be Done" (pp. 202-219), and one suggestion—that faculty become members of Boards of Trustees—sounds particularly useful today.

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Thus concludes my plea for the continuing significance of printed books, for the unending charm and scholarly necessity of large, airy buildings filled with paper and print, for the "Life of the Mind" (Hannah Arendt's modestly titled final work) as it has developed over the last three centuries, ever since Vico wrote *The New Science*. Beginning in January, 2009, *CS* has included 33 "Editor's Remarks," which began with brief observations and lately have grown to somewhat longer meditations. Creating *CS* every two months is a privilege and a duty to books and their authors, and my staff has carried their responsibilities to both with undiminished vigor and enthusiasm over our six-year term. We are leaving a large backlog of material ready for use in the able hands of our successors, and trust that the journal and the books for which it exists continue to flourish.

There are few sensations so stimulating as the smell of a new book.

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SYMPOSIUM

Piketty's Nightmare Capitalism: The Return of Rentier Society and De-democratization

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The tradition of all the dead generations weighs like a nightmare on the brain of the living.

(Marx 1852)

I am not particularly optimistic about the future.

(Piketty 2014)

Capital in the Twenty-First Century, by **Thomas Piketty.** Translated by Arthur Goldhammer. Cambridge, MA: Belknap Press of Harvard University Press, 2014. 685pp. $39.95 cloth. ISBN: 9780674430006.

Thomas Piketty contends that the sharp reduction of economic inequality in rich nations, which culminated in the celebrated post-World War II era expanded middle class, is being reversed and hardening into enduring oligarchy. In the wake of the Great Recession, Occupy Movement, and slow job and wage growth, it is not surprising that his scenario would resonate with American fears. Still the U.S. reception of the English language translation of Piketty's hefty tome seems remarkable. Shortly after *Capital in the Twenty-First Century*'s March 10th release, it shot to the top of the Amazon.com list for all books and of other best-seller lists (e.g., *The New York Times*, *The Wall Street Journal*, *Washington Post*, *Chicago Tribune*, *Los Angeles Times*, and NPR). In about one month it outsold all other Harvard University Press books. Piketty interviews, reviews, commentaries, critiques, and companion pieces flooded the media for three months. *Science* (May 23, 2014) devoted a special issue to inequality, reporting on Piketty's book and publishing a coauthored article by Piketty and Emmanuel Saez (2014) on its core themes. Coverage of Piketty's every move (e.g., visits to the U.N., Obama Administration, and Council of Economic Advisors, interview with Senator Elizabeth Warren, sold out talks in New York and London, ad infinitum) accorded him celebrity status. Though low-keyed and modest in demeanor, media pundits billed him as "*the* rock-star economist" and compared "Pikettymania" to "Beatlemania"; *Bloomberg Businessweek* (May 29, 2014) satirized him on a teenage fan magazine motif cover; *The Financial Times* reported a nine stage "Piketty bubble" (Shrimsley 2014), and the *The Wall Street Journal* crowned his book the least read, best-seller ever (Ellenberg 2014). Unflappable, he took the attention and criticism in stride, with a sense of humor and proportion.[1]

Nobel Laureate Paul Krugman (2014) declared that Piketty's book "will change both the way we think about society and the way we do economics." Former World Bank economist, Branko Milanovic (2014: 17) called it "a book of huge scope and breadth of vision. . . . unabashedly classical in its approach, but. . . based on incomparably better and richer data than ever available." Conservative George Mason economist and Piketty critic Tyler Cowen (2014) said that it "will put wealth back at the center of public debate. . . and revolutionize how people view the history of income inequality." Other luminaries criticized the work from divergent positions (e.g., Summers 2014, Galbraith 2014, Harvey

[1] See e.g., http://thecolbertreport.cc.com/videos/e301vf/thomas-piketty.

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2014), but concurred about its importance and policy relevance. Apoplectic about Piketty's proposed "confiscatory" 82 percent top marginal rate and progressive wealth tax, business media critics denounced the work as retrograde Marxism. Calling it a "bizarre ideological screed," a *Wall Street Journal* reviewer (Shuchman 2014) advised Piketty to read Orwell and Koestler, while a *Forbes* reviewer (Weiner 2014) branded it a twenty-first century "Communist Manifesto" and planted a big hammer and sickle mid-article. Similar themes were often repeated vociferously in reader comments and on blogs. After *The Financial Times'* (*FT*) Chris Giles (2014) supposedly exposed Piketty's carelessness, dishonesty, and cherry-picked data, a business media chorus chortled that his defrocking burst his bubble; that is, until his devastating point-by-point rebuttal.[2] Intense, often hyperventilated responses appeared across the political spectrum, piquing curiosity about the book. A proposal for a Piketty ASA convention session set off weeks of intense exchanges on the Marxist Sociology Section listserv. Many desired heady critiques and discussion to locate the work in relation to Marxism, but some declared Piketty a conventional liberal too uncritical of capitalism to be worthy of attention. Cooler heads held sway, suggesting that those dismissing the book out of hand ought to first read it.

Some commentators call Piketty a newcomer, but he and his main collaborators have been well-known in U.S. policy circles for more than a decade. His work with Emmanuel Saez (e.g., 2003) helped initiate a U.S. policy debate over income inequality; they have been attacked before on the *The Wall Street Journal* opinion page (Reynolds 2006), contributed to Occupy Wall Street atmospherics, and attracted Obama Administration attention (Lowrey 2012). Piketty and Saez operate *The World Top Incomes Database*[3] with Facundo Alvaredo and Anthony Atkinson and they all are part of a larger team (Piketty pp. vii-viii, 16) striving to refine methods and datasets to illuminate income inequality and take fuller account of underestimated ultrahigh incomes. The Piketty Circle makes their data available to other researchers, and aims to stir public discussion and political deliberation about economic inequality. Fashioning the book to be accessible to "professional social scientists" and others who know relatively little about economics, Piketty (pp. 32-33) employs economic theory sparingly, explains and illustrates analytical moves carefully and simply, and repeats core ideas. He also summarizes his argument and findings in the introduction; appends a detailed topical outline after the endnotes; and provides an online appendix to explain the methods and allow access to the data.[4] Arthur Goldhammer's translation is lucid and a pleasure to read. Yet this is a big complex book, very rich in data, ideas, and qualifications (76 pages of endnotes) and with some key doors left open. It is *not* the easy read some reviewers imply, and it is a formidable text to summarize and take stock of.

Now at the Paris School of Economics, Piketty (pp. 31-32; 573-575) first taught at MIT, but did not feel at home with mainstream U.S. economics' preoccupation with mathematized theory, which he considers to be "purely theoretical and often highly ideological speculation" and generally oblivious to historical and institutional contexts. He does not reject mathematical models per se, but objects to immoderate reliance on them and their all too often insufficient connection to facts and public issues (e.g., distribution).[5] He says that his own mathematical theorizing gained professional

[2] *FT* published a brief Piketty response with Giles' critique. However, Piketty held that Giles neither interviewed him nor provided him complete materials in advance and that he was given less than 24 hours to respond. Giles was reported to have affirmed these points, but held that Piketty did not to use the full time allotted to address the parts of the critique he did receive. Giles said that an independent expert vetted his critique and that his paper's legal team gave him the go ahead before publishing it (Goodman 2014). About a week later *FT* published Piketty's long rebuttal, now included in his online technical appendix. http://piketty.pse.ens.fr/files/capital21c/en/Piketty2014TechnicalAppendixResponsetoFT.pdf.

[3] http://topincomes.parisschoolofeconomics.eu/

[4] http://piketty.pse.ens.fr/en/capital21c2

[5] See Piketty's (pp. 16, 581, n. 18; 359-361) critical comments on "representative agent models." On the contrasting U.S. and French economics traditions, see Fourcade 2009: 61-128; 185-236.

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recognition in the United States without his knowing anything about global economic problems. Piketty rejects neoclassical economists' claims that they are more scientific than other social scientists, and implies that their high professional status accords them too much influence on public policy. He (p. 514) declares that their "enviable place in the U.S. income hierarchy" fuels an "unfortunate tendency" of some to conflate their "private interest" with the "general interest." Piketty (pp. 20, 35, 573-575) prefers the classical term "political economy," because major "economic" problems are irreducible to purely economic drivers, especially, distributional matters, which are "deeply political," shaped by power relations, sociocultural forces, state policies, and ideals of justice. He sees economics to be a reluctant subfield of social science, and asserts that economics would be enhanced by collaboration with sociology, anthropology, political science, and related disciplines. Implying that mainstream economists favor top-down policymaking, Piketty (pp. 479-481, 512-513, 562, 569-570) argues that mathematical certainties are no substitute for democratic deliberation and experimentation. The Piketty Circle makes their work bear on public issues, stresses transparent reportage and, overall, practices the type of public social science that John Dewey preached and hoped would one day arrive. Other similarities to Dewey's progressivism and ardent belief that justice in the economic and social means of participation is essential for sustaining democracy are scattered throughout Piketty's book and suffuse its normative chapters (Part Four).[6]

Piketty's dust-jacket design—its red borders and *Capital* in a big red font with the rest of the title in a much smaller black font—conjures up Marx's magnum opus. This likely marketing strategy aside, Piketty's book has little to do with Marx's classic. He (pp. 10, 15) shares Marxian concerns about income distribution and concentrated wealth, which are ignored by mainstream economists. However, Piketty (2014b) says he "never managed to really read" Marx's economic works and that *Capital* had little impact on him. He still criticizes Marx's crisis theory and some other facets of his work, but not in depth.[7] By contrast to Marx, he neither focuses on the labor process and "exploitation" (extraction of "surplus value") nor defines capital in a way to illuminate commodity production and distinctly capitalist accumulation. Piketty (pp. 45-48, 422-424) frames his conception of capital to distinguish between labor income and capital income (based on ownership of nonhuman assets) and to make comparisons across historical epochs and divergent socioeconomic systems. For example, he (p. 164) explains how the Ancien Régime's dominant form of agricultural capital was later replaced by industrial, financial, and urban real estate capital and points to parallel dynamics and structures that reproduce sharp inequalities in capital incomes in both eras. Piketty stresses the fundamental importance of the capital/labor split, treats all capital incomes (e.g., rental property, interest, dividends, profits, royalties) as rent,[8] and acknowledges the importance of the normative question: is it

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[6] Piketty's (pp. 363; 630 n. 19) references to Thomas Jefferson's "the land belongs to the living" and substitution of happiness for the Lockean Triad's property parallel Dewey's moves and argument that property is a social right, which can be redistributed to avert extreme inequality.

[7] On Marx, see Piketty pp. 8-11, 31, 52, 131-132, 227-230; 40-41 online technical appendix; 2014a:106-107. Piketty (p. 10) holds that Marx ignored "durable technological progress and steadily increasing productivity," but Marx's core argument about the shift from "manufacture" to "modern industry" portrays science and technology as the driver of continuous innovation.

[8] Piketty 422-425. Beyond payments made for temporary use of an asset, economists employ "rent" to mean a type of market imperfection. "An excess payment made to or for a factor of production over and above the amount expected by its owner. Economic rent is the positive difference between the actual payment made for a factor of production (such as land, labor or capital) to its owner and the payment level expected by the owner, due to its exclusivity or scarcity. Economic rent... would not exist if markets were perfect, since competitive pressures would drive down prices." See http://www.investopedia.com/terms/e/economicrent.asp.

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"useful and just" for owners to receive "marginal product" for investment alone? However, Piketty (p. 215) asserts that this "crucial question" is "not the one I am asking here." His inquiry addresses long-term historical vicissitudes of economic inequality, which overlap Marx's normative and substantive concerns and some of his fears, but is clearly distinct from the latter's focus in *Capital*—an historically determinate analysis and criticism of the capitalist mode of production.

Piketty (pp. 250-252) says his "fundamental goal is to compare the structure of inequality in societies remote from each other in space and time." He employs varied temporalities in his many comparisons; most traverse periods from about one hundred to three hundred years and a few extend two thousand years. He speaks of the top centile ("dominant class"), top decile ("upper class"), the middle 40 percent ("middle class"), and bottom fifty percent ("lower class") to compare labor income and wealth hierarchies of societies with diverse groups, institutions, and cultures.[9] For example, at the peak of the postwar class convergence, he (pp. 249, 263) explains, egalitarian Sweden's top decile received about 25 percent of the nation's total income (from labor and capital) and the bottom fifty percent about 30 percent, while in France, during the inegalitarian Ancien Régime and Belle Époque (Gilded Age), and the 2010 United States, the top decile received 50 percent of total income and top centile about 20 percent. In 1910 Europe and today's United States the lower fifty percent get about 20 percent of total income. Explaining that capital ownership and incomes are always more concentrated than labor income, Piketty (pp. 248, 257-258; 602, n. 11) reports that, in the Scandinavian nations' peak postwar egalitarian moment, the top decile owned 50 percent of the wealth and bottom half 10 percent, while the U.S. top decile today likely owns about 75 percent of the wealth and the lower 50 percent only 2 percent. Piketty stresses the exceptional incomes and power of the top 0.1 and 0.01 percent of the dominant class or top centile, which mushroom across generations with the extent of their inherited capital.

Piketty (pp. 11-20) followed postwar U.S. economist, Simon Kuznets' pathbreaking use of tax data and estimates of national income to study economic inequality. Kuznets' postwar classic tracked rising and then falling U.S. economic inequality from 1913 – 1948. He speculated that other nations, taking the U.S. industrial path, would experience the same bell-shaped curve (Kuznets Curve).[10] Extending the U.S. inquiry to 1998, Piketty and Saez (2003) found a U-shaped curve of decreasing then increasing inequality. Piketty's book carries on this project, but comparatively, with longer time frames and innovative analytical twists. He (pp. 13, 146-150) sees the trend toward equality that Kuznets and other postwar liberal pundits believed inheres in progressive modernization to be "accidental" or driven by exceptional crises (e.g., a Great Depression and two World Wars) demanding unusual political responses (e.g., confiscatory taxation, capital controls, welfare state development), which destroyed inherited wealth and compressed labor incomes. Piketty's coup de grâce heralds a return to the rule of inherited wealth and rigid hierarchy, paralleling old worlds described by Jane Austen and Honoré de Balzac in which kinship and strategic marriage trump "study, talent, and effort" (pp. 238-242, 404-415). Pikietty (pp. 115-6 implies that adventure capitalists and entrepreneurs, after beginning as risk-takers, "always" tend to become rentiers as their fortunes grow large. This "vocation" of great wealth and rise of rentiers, Piketty insists, holds today as it did in Austen's and Balzac's times. He (pp. 264) argues that, within these "rentier societies," the upper decile usually owned 90 percent of the wealth and the upper centile half of it. He believes (p. 514) only another "radical shock" could stem their reappearance and "drift into

[9] Piketty (p. 250) notes the terms are for "illustrative purposes" and open to challenge.

[10] Piketty holds that Kuznets' universalizing his study's results helped fuel Cold War ideology. See Piketty's (pp. 217-220, 384-392) related criticism of the "Cobb-Douglas production function" and Modigliani's "life-cycle theory of wealth."

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oligarchy." His pessimism echoes Marx of *The Eighteenth Brumaire*.

Piketty contends that the long-term average rate of return on capital (r) has always exceeded the rate of growth (g). He says his "central thesis" is that even a "small gap" between the two has enormous long-run impacts on inequality's structure and dynamics (pp. 25-27, 77). From antiquity to the 1600s, he states, growth did not exceed 0.1 to 0.2 percent for long, while the rate of return on capital averaged 4 to 5 percent. In his view, $r>g$ is the decisive force generating divergence and rentier societies.[11] He (pp. 86, 94-96) notes that global growth averaged 0.8 percent from 1700 to 2012 and 1.6 percent during the twentieth century, and has slowed sharply in the United States and Europe after the postwar boom. He projects it to slow to 1.2 percent this century as population growth declines and newly industrialized nations catch up technologically and end their growth spurts. Rejecting the neoliberal growth imperative, Piketty holds that efforts to accelerate growth face technical and ecological limits. He adds that nations have achieved a lot with only 1 percent growth and that expansive growth does not ensure justice or democracy. He (pp. 567-569) argues that climate change and erosion of natural capital could curtail growth sharply and are "clearly the world's principle long-term worry." Piketty seems unaware of recent science stressing that climate change is proceeding very rapidly and is already generating serious risks, high costs, and irreversible impacts (e.g., AAAS 2014). Triggered by recent vast expansion of the global economy relative to the biosphere, major spikes in resource usage and waste production could produce the radical shock of which Piketty speaks.

Piketty (p. 265) says that "record level" labor income inequality in the United States is likely higher than any society ever. He (302-303, 607, n. 43) rejects claims that the trend has been driven by a profusion of "superstars" and "superentrepreneurs." By contrast, he (pp. 314-335; 416-419) contends that CEOs and other top managers receive the "vast majority" of ultrahigh (0.1 percent) incomes. Stratospheric managerial compensation, he explains, is mostly limited to the United States and Anglo-Saxon countries. Holding that their GDP and technology per capita are similar to other wealthy nations with much lower managerial incomes, Piketty sees claims that the exceptional rewards are driven by marginal productivity to be a "pure ideological construct." He argues that CEOs and other top managers basically set their own salaries; reduced top marginal tax rates, which they help set via their sociopolitical power, motivate them to "bargain" hard with compliant salary boards. He adds that the "conservative revolution" increased tolerance for such high salaries.[12] Piketty decries U.S. "meritocratic extremism," which reduces the great divergence to "winners" being "justly" rewarded for special virtue, merit, and productivity and "losers" getting their just deserts. He (p. 447-455) holds that elite fractions of the top centile or dominant class enjoy very high rates of return on capital due to their access to teams of top tax lawyers and advisors, hedge funds, tax shelters, and tax avoidance strategies and opportunities open only to them. Piketty (465-466) reports that 10 percent of Global GDP is hidden in tax havens and that some analysts estimate two to three times more. He believes that the class divide is even greater than tax figures reveal and that no force inheres in capitalism to slow "oligarchic divergence."[13]

Piketty (pp. 32, 600, n. 28; 575-577) asserts that he admires (more than top economists he respects) social historians Lucien Febvre and Fernand Braudel, cites Ernest Labrousse's quantitative historical work, and bemoans "serial history's" demise. These key figures of the Annales School and their historical method stress the longue durée: long-term inquiries probing enduring and slow changing social structures and processes, which impact the present and can drive its contradictions, but are obscured by

[11] Piketty's (pp. 52, 166) $r > g$ depends on his two "fundamental laws of capitalism" ($\alpha = r \times \beta$ and $\beta = s/g$) and strategies for measuring the capital-income ratio and growth. See Solow 2014.

[12] See Piketty, Saez, and Stantcheva (2014) on top labor incomes.

[13] See Winters 2006 for complementary analysis of oligarchy and wealth.

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quotidian events and conventions. Piketty operates in the tracks of this tradition, its recent carriers, and its cultural atmospherics. The longue durée strategy is timely and arguably on the return, because it provides critical distance needed to come to terms with nascent crises and forge fresh standpoints and new normative bearings.[14] Piketty (2014a: 110) says his book is motivated by his "fear that little by little, social structures are irremediably changing, without us taking account" and that, because the "dynamics are not readily intelligible," we might not identify them until our societies become more unequal than those of the Belle Époque. He (p. 419) holds that rentiers have disappeared in recent U.S. fiction and that extreme meritocratic ideology renders them invisible. As celebrated in *The Wall Street Journal* weekly "Mansion" section, they are transfigured into superstars and superentrepreneurs deserving commodious refuge from high pressure lives and living large.

The Piketty Circle has employed the types of methods and data used in this work for years and much has been vetted by other specialists, revised, and improved. However, it will take time to determine how well this work withstands the wave of serious criticism likely to come and if its status as a "watershed" book holds up. Piketty often is criticized for what he did not attempt to do in this book. He stresses that institutional and sociocultural factors condition and shape "economic" structures and dynamics, but as he often states, his inquiry is limited by the data, methods, and foci of this work. His long-term comparative strategy precludes detailed analysis of the myriad forces and events that shape shorter historical conjunctures. Leaving the task to other social scientists, he provides only a suggestive summary of the shocks and politics that shaped the twentieth century class convergence. Piketty's methodology also precludes exploration of the many status attributes (e.g., race, gender, ethnicity, religion) that intersect with class and help provide different socioeconomic hierarchies their distinctive shapes in diverse eras and locales. For example, race has enormous salience for the constitution of class in the United States today, and should be entertained seriously in efforts to come to terms with Piketty's findings. Moreover, he sees socioeconomic and political power to condition long-term reproduction of $r>g$, but as with shorter historical conjunctures, he does not elaborate the topic in this book, which would require detailed analyses of highly divergent social formations. Piketty (p. 571) treats capitalism "as a market economy based on private property," but does not analyze or periodize it as a political economic regime. He calls $r>g$ the "central contradiction of capitalism," yet employs it in comparisons with nonmarket-centered societies having divergent types of property rights and modes of exchange. The same point applies to his two "fundamental laws of capitalism" ($\alpha = r \times \beta$ and $\beta = s/g$). This ambiguity would be helped by analysis of how capitalism as an historical regime bears upon the long-term comparisons and central argument.[15]

Piketty fears that formal democratic institutions cannot withstand extreme economic inequality (still on the increase) and its consequent erosion of substantive equal opportunity and broader democratic culture. Especially pessimistic about the United States, he (p. 514) declares that its "egalitarian pioneer ideal has faded into oblivion" and that it is well on its way to becoming a twenty-first century "Old Europe." He (p. 424) implies that we suffer the consequences of the still reigning Enlightenment myth that "democratic rationality" flows from "economic and technological rationality," asserted often and resolutely in the postwar U.S. great compression, and more cynically today. He argues that "true democracy and social justice require specific institutions of their own," not just the market, parliament, or formally democratic institutions. Piketty stresses the urgent need for genuine "democratic deliberation" and "democratic control

[14] See Armitage and Guldi (2014) for in-depth analysis of this approach's nascent return and its resources for engagement of moments of perceived crisis. They mention the Piketty Circle.

[15] An example of resultant tensions, see Piketty's (pp. 46, 158-163) points on slaves and slave societies to qualify his definition of capital, which precludes human capital.

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of capital," but he does not expect fundamental changes anytime soon. He proposes progressive policies to extend the social state and defend hard-won social rights (e.g., pensions, health care, higher education), instituted by postwar welfare states. Piketty proposes raising the top marginal tax rate to its New Deal peak to stem class divergence and instituting a progressive tax on wealth for the same purpose and to foster transparency of large fortunes. Although modest in light of the ongoing great reversal's looming de-democratizing threats, he calls his proposals "utopian" and even his friendly reviewers treat them as fanciful and impossible. Piketty states that $r>g$ is an historically contingent process, dependent on politics, but his contrary, highly pessimistic core theoretical argument, treating oligarchic divergence as a nearly inevitable process, holds sway in the text. He does not detect imminent signs of historical forces that can change his grim scenario.

Piketty's rentier thesis taps public fears that the "new normal" of declining opportunity, mobility, fairness, and political efficacy is here to stay. The impressive array of comparative data that he deploys to make his case illuminates the enormous scale of economic inequality, radical rupture from the postwar Trente Glorieuses, and prospect of a much more unequal, undemocratic future should divergence continue unopposed.[16] His dark vision of the nascent return of rentier society challenges us to see and think critically about the disquieting realities already in front of us and consequences of the widespread sensibility or active belief that "there is no alternative" to the neoliberal regime. The Piketty Circle hopes to motivate efforts to envision a political way forward. The unexpected sales and media reaction to the book's release, stirred conservative reviewer James Pethokoukis (2014) to warn his readers at *National Review* that Piketty and Saez are "arguably the most important public intellectuals in the world today" and that their ideas unchallenged may "spread among the clerisy and reshape the political economic landscape on which all future policy battles will be waged." We will see if Pethokoukis' fear is confirmed!

Piketty's tome manifests the best thread of the modern social theory tradition, advancing a big picture with normative intent and employing systematically empirical-historical data to advance the overall argument and its political policy aims. The work should be of special interest to social theorists, socioeconomic inequality scholars, and economic sociologists, and is necessary reading for them. However, it is provocative, worthwhile reading for a more general audience. I find the work compelling and cannot stop thinking about it.

[16] Lower 90 percent tax units (single and joint filers) average market incomes for salary and capital gains (in 2012 dollars) reached its peak of $35,600 in 1973 and by 2012 fell to $31,000. Top one percent incomes for the period rose from $440,150 to $1,264,100 and the top 0.01 percent from $4,532,000 to $30,785,700. See http://topincomes.parisschoolofeconomics.eu/.

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The Sociology of Picketty's Capital

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Capital in the Twenty-First Century, by **Thomas Picketty.** Translated by Arthur Goldhammer. Cambridge, MA: Belknap Press of Harvard University Press, 2014. 685pp. $39.95 cloth. ISBN: 9780674430006.

Thomas Picketty's book swept through the zeitgeist of the United States in the spring of 2014. By mid- July, it reportedly had sold over 400,000 copies. It was reviewed by every important national publication. Heavy hitters in the economics profession like Paul Krugman, Joseph Stiglitz, and Larry Summers have all weighed in. Picketty has personally been attacked for being both a Marxist and someone jealous of rich people by *New York Times* columnist David Brooks (who although a conservative, usually does not resort to Fox Network-style name calling). He has been assaulted by *Financial Times* reporters who have created their own dataset that can only make some of his results go away by drawing very sketchy assumptions. By the time this review of the book hits *Contemporary Sociology*, it will have been dissected, analyzed, and passionately attacked and defended. As a late reviewer and one whose audience is sociologists, it is a daunting task to try and say something interesting about the book. But let me try.

Here, I will focus on three aspects of the book. First, its stunning accomplishment in gathering together data on income and wealth inequality across a number of societies that stretches back, in some cases, to the late eighteenth century. Second, its novel theoretical claim that has been the focus of most of the reviews of the book is that the share of income being converted into wealth tends to be higher than the share of income accruing to labor, resulting in long-run growth in income and wealth inequality. Third, I want to mostly focus on something that has not been mentioned much in the reviews: his explanation of why income and wealth inequality went up in the nineteenth century, down from 1930–1980, and has risen subsequently.

It is here that Picketty is at his most ambiguous. On the one hand, he wants to attribute most of the tendency of inequality to increase to economic processes. But, when he turns his attention to the changing nature of inequality, he ends up arguing that the political response to organizing capitalism is really the determinative factor in whether inequality is increasing or decreasing in a particular society. Governments confiscate and destroy property, have effects on minimum and maximum incomes, produce tax rates, and determine the ability of workers to organize. In democratic societies, the winners of elections get to dictate who the economic winners and losers are. In this way, while there may be a tendency for inequality to increase, the degree to which inequality has changed across time and place is explained substantially by politics.

First, let me praise Picketty. I have been aware of the work that he and his colleague Emmanuel Saenz have been doing for years. It is simply wonderful. If you teach social stratification, political economy, or economic sociology, you should visit their websites. There are a wide variety of graphs and charts across countries and over time that you can give to students to ponder.

The most stunning part of Picketty's book is the work that went into collecting the various data sets that underlay the project. This book was 15 years in the making. Larry Summers has argued that the creation of this data alone merits a Noble Prize in economics. One is hard pressed to disagree. Picketty has used data from all U.S. tax returns since 1913. The task of preparing this data for analysis is daunting not just because of the sheer amount of data, but also its complexity. For example, the number of people who

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actually submitted those returns in the first 20 years was low because the income threshold for doing so was high. This means that comparing these tax returns to contemporary ones requires that one make reasonable assumptions about what the rest of the distribution looked like. Now multiply this kind of problem over the course of 100 years of American history, then attempt to do this in other countries as well, and work to make the data comparable across countries. When one considers how hard this kind of data is to gather and then when one realizes how hard it is to put together consistent times series on income distribution over time, one comes away in awe of the accomplishment.

Now why does all of this matter? The conventional wisdom of the economics profession about the direction of inequality and economic development for the past 50 years has been summed up by the Kuznets curve. Simon Kuznets, writing in the 1950s, argued that at the beginning of capitalist development, one could expect income inequality to increase as those who made fortunes left most of their fellow countrymen behind. Kuznets thought that as economic development proceeded, a middle class would emerge and income inequality would decline. Kuznets gathered data on income inequality in several advanced industrial countries to buttress his thesis. Picketty utterly destroys Kuznets' argument by showing that post-1980, inequality increased dramatically. It is no longer possible for economists and (by implication) conservative politicians and their talking heads to assert that income inequality will take care of itself through economic growth. This use of the data demolishes one of the most closely-held beliefs of those who support an unfettered capitalism. It is for this reason, I believe, that conservative economists and columnists have taken out after Picketty. When they cannot attack his actual data, they are only left with smearing the man.

But of course, Picketty's empirical results need explanation. He proposes to use economic theory to understand why economic inequality is ubiquitous and likely to increase over time: his basic argument is that over time, one can expect that the returns on capital will exceed GDP growth per capita. Because of this, people who depend on income from work will never be able to convert their earnings into wealth at a fast enough pace to keep up with those who already possess wealth and who are generating relatively high long-term returns on that wealth. The arguments that support this assertion are quite dense and it is in this part of the book that Picketty sounds quite like Karl Marx in Volume One of *Capital*. Marx noted that if the amount of money produced every year in an economy was divided into the share for labor and capital, capital's share would accumulate dramatically over time. This is because the flow of this year's capital would be added to the stock of last year's, while labor's share would remain relatively constant as they would consume most of their income in order to live. Thus, even at a constant and relatively low rate of return, capital's share of national income would grow relative to labor's because its size was increasing every year. These arguments have been dissected at great length by people like Paul Krugman and Larry Summers. I suggest interested readers pursue the critiques of Picketty's position by reading those reviews.

The part of the book that has drawn less attention and should be of great interest to sociologists, is why income inequality decreased between 1929 and 1980 and why has it increased since then. If we take Picketty seriously, his argument about the tendency of capital to earn more than labor implies that we should <u>not</u> have observed the wide swings in the concentration of income and wealth in the most developed countries. That economic process should mean a steady increase in inequality over time and not ups and downs.

Picketty's initial answer to this question in the book is that the exogenous shocks of the Depression and the two World Wars destroyed a great deal of wealth. By viewing these shocks as exogenous to his argument, he could keep his economics driven answer of the causes of increasing inequality intact. But, Picketty is just too good an empirical social scientist (and theorist!) to accept this argument. He says "In fact, the budgetary and political shocks of two wars and the Depression proved far more destructive to capital than combat itself" (p. 148).

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There are two empirical problems. First, the patterns of changes in the income distribution in each country do not entirely match up with the two World Wars or the Depression (p. 147). Second, there is quite a bit of variability across country in changing patterns of inequality across time (p. 271). In Chapter Eight, Picketty takes up the historical patterns in France and the United States. In France, the share of income going to the top 10 percent was 46 percent in 1910, dropped to about 40 percent after World War I, increased during the 1920s, dropped slightly from 1929–32, and actually rose from 1932–38 when it peaked again at 46 percent (implying that inequality rose during the Depression!).

To understand this, Picketty stops being the economist and starts being a sociologist. The basic story he ends up telling is how during the Depression, managers and civil service employees and particularly school teachers, benefitted greatly from more secure employment and higher wages which is why their incomes did not drop and inequality did not decrease (pp. 284–86). But, when the socialist Popular Front came to power in 1936, they increased taxes and raised wages for those who were in the bottom half of the income distribution. Indeed, by the end of World War II, the top 10 percent of the income distribution took only about 30 percent of national income. While their share increased slowly after that war to almost 37 percent in the late 1960s, the political events of 1968 caused the government to undertake more redistributive policies (p. 289) and by 1980, the share had fallen again to about 30 percent. In essence, politics and the actions of government were the main causes of the changes in income inequality in France. Since 1980, the share in France that goes to the top decile has risen to about 33 percent—a rise, but not anywhere near that experienced in the United States.

The U.S. story is quite different. The 1920s increased the share of national income going to the top 10 percent from about 40 percent to almost 50 percent. During the Depression it fell to 45 percent, but the real drop occurred during World War II when the share dropped in the space of five years to about 30 percent. The main cause of that huge decrease was government wage and price controls during the war and large increases in taxes to support the war effort. Between 1945 and 1980, the share of national income going to the top 10 percent stayed in the range of 30–35 percent. In 1980, the top decile of earners in the United States got 33 percent, scarcely more than the top earners in France.

But beginning in 1980, that share increased dramatically, and it now stands at 47–50 percent. The most dramatic part of that increase occurred for the top 1 percent of the income distribution whose share doubled from 10 percent to 20 percent in that period. Picketty's explanation of what happened follows what sociologists would call the "shareholder value" revolution (pp. 294–96). Beginning in the 1980s, top managers and corporate investors increasingly directed the fruits of corporate profits to themselves. Successive governments lowered tax rates, particularly for capital gains, allowing those who reaped these benefits to keep more of their income.

These two cases illustrate that while income inequality has changed over time, they have done so to a different degree and at different times. They show the importance of politics in the changes that have occurred. While war and depression mattered, the way that governments responded to those situations had the most profound impact on inequality. Democratically elected governments that included elements of the organized working class clearly worked to keep inequality down, while governments that were more funded by and oriented toward the interests of business (capital) tended to undertake actions that made inequality worse. While Picketty might be right in some abstract sense that capitalism might tend to produce increased inequality, the actual history suggests that the ability of capital to hold onto or increase those gains is really about who controls the political process.

So what should sociologists take away from all of this? Picketty ends the book with a set of policy prescriptions. He proposes a worldwide wealth tax rate so that rich people cannot avoid paying their fair share of taxes by moving their money to tax havens or countries that will tax them less.

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Those of us who live in the United States can get behind such things as raising the minimum wage and indexing it to inflation, make it easier to form unions, increasing taxes on capital gains and large estates, providing universal healthcare, and have the government underwrite higher education to the level that existed before the past 10 years of budget cuts by state governments. The chance of any of this happening in the next 2 years in the United States is of course, virtually zero.

As researchers, sociologists can do more. We have collectively lost our voice in most of these discussions. Part of the reason is that sociologists, particularly those interested in stratification, have failed to connect how the underlying changes in the way the economy has worked have had a profound impact on who gets what and why. During the 1980s, when large corporations were downsizing and offshoring their production, it was economists who mostly documented the decline of blue-collar workers and its impact on inequality. Since inequality began to increase in the 1980s as a result of shareholder value strategies, economists have also more thoroughly debated and analyzed the causes of these trends (although to be fair, a substantial portion of the profession has accepted the skill-based technological explanation and views the huge increases in CEO pay as justified by the returns to shareholders). Economists have returned to the question of social mobility and shown that the possibility of exiting the bottom 20 percent of the income distribution and entering the top 20 percent has decreased dramatically in the past generation.

In the last couple of years, work has begun to appear in sociology journals that tries to link the changes in politics, tax rates, shareholder value, and what now has come to be called financialization to income inequality. There is also an interesting comparative literature that argues that these processes have worked differently in different societies as a result of politics. This is a great start. But we can do more. For example, in the United States we should try to understand better the mechanisms by which the changes in CEO pay have affected inequality. Picketty claims that this is the main cause of the increase in income inequality in the United States. But he does not really present definitive data on this.

It is my belief that we have not yet offered a good account of the conservative turn in American politics. Our theory that focuses on ''neoliberalism'' is not so much an explanation as a slogan. We have yet to connect the dots between the Civil Rights movement and the desertion of whites (particularly working-class white men) to the Republican cause in the South and Midwest to the Republican Party. This change has brought over 30 years of support for policies that supported business and cut taxes for the well off. Picketty's magnificent book should serve as an inspiration to all of us. There is much to be done.

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Is the Past in Our Future?

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Capital in the Twenty-First Century, by **Thomas Piketty.** Translated by Arthur Goldhammer**.** Cambridge, MA: Belknap Press of Harvard University Press, 2014. 685 pp. $39.95 cloth. ISBN: 9780674430006.

Every year a few books stir up serious public controversy, and a few have a deep impact on the social sciences. Thomas Piketty's *Capital in the Twenty-First Century* will be one of the rare books to do both, though not exactly for the same reasons. In the public arena, the book has set off debate about whether inequality is rising, but in the social sciences the recent direction of change is no longer in question. The public controversy has also concerned Piketty's stark forecast of a return to "patrimonial capitalism"—to a society where inherited wealth becomes increasingly dominant. Although Piketty shows that forecast to be plausible, his long-run contribution will not hinge on whether it turns out to be correct.

The book's durable value lies elsewhere. *Capital in the Twenty-First Century* brings together new data and theory into a powerful account of the historical development of capitalism and inequality over the past two centuries. It sheds new light on economic relationships, the historical trajectories of nations and regions, and the emergence of different structures of inequality. Moreover, in its sheer nerve and ambition, Piketty's *Capital* is likely to serve as a model for scholarship unrelated to its immediate subject.

In some respects, however, the book lends itself to misinterpretation. For example, Piketty often uses the term "total income" to refer to the sum of labor and capital income, as he does in a chart (p. 299) that shows the top decile's share of "total income" in the United States returning by the 2000s to the peaks of the 1920s, But "total income" here is market-generated income, as reported in tax returns, before taxes and transfers. "Total income" in the sense many readers may understand it—that is, post-tax-and-transfer income—is more equally distributed than it was before the New Deal. Piketty is perfectly aware of the difference, but the book tends to minimize the significance of the distributive changes brought about through Social Security and other systems of social provision. Piketty's great contribution is his analysis of wealth and top incomes, mostly based on tax data, but partly because of his analytical focus and methods, he does not pay equal attention to changes primarily affecting the middle and lower ranges of the distribution.

This is not a book that sprang full-grown from a French theorist's solitary reflection. It is the culmination of a 15-year, collaborative empirical project that has gathered new data on top incomes and the distribution of wealth in 20 countries over longer periods and with more uniform methods than any previous effort. Among Piketty's collaborators, Anthony Atkinson and Emmanuel Saez have made particularly important contributions to this work, much of which has appeared in journal articles and two previous edited volumes. The original data are available online at the World Top Incomes Database (WTID). Those who have followed this enterprise will already be familiar with many of the findings, but even for them Piketty's book will be eye-opening as a comprehensive synthesis.

Capital in the Twenty-First Century has two separate explanations for rising economic inequality that may be a source of confusion, especially for American readers. The first and principal explanation, which grows out of the book's core theory, involves changes in income from capital; the second explanation involves changes in income

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from labor and applies to recent developments in the United States.

The principal argument of the book is about the long-term tendency of the rate of return on capital, *r*, to exceed the rate of economic growth, *g*, summarized in the now-famous inequality $r > g$. Piketty calls this pattern ''the central contradiction of capitalism,'' though it is not clear in what sense it is a contradiction since Piketty, unlike Marx, is not predicting capitalism will collapse as a result. Piketty, however, does see the excess of *r* over *g* as tending to increase capital's share of national income. And he demonstrates that after the ''shocks'' from war, inflation, and depression during the first half of the twentieth century, capital has returned to the historical levels that it had in relation to national income in Europe before World War I.

But this is not Piketty's explanation for rising income inequality in the United States since the 1980s. That development, he argues, mainly involves increased inequality in income from labor, chiefly due to sharp increases in salaries of CEOs and other ''supermanagers.'' While ''capital's comeback'' results from fundamental systemic tendencies evident for centuries, the spectacular jump in top incomes in the United States (and to a lesser extent in the other English-speaking countries) is a new phenomenon, which Piketty attributes to politics, public policy (especially regarding taxes), and social norms. With different policies and norms, the continental European countries have not witnessed a comparable spiral of top corporate salaries.

Whether these two sources of rising inequality will remain separate is an open question. Corporations in the rest of the world may follow American compensation practices, and America's supermanagers and entrepreneurs (and their children) will become tomorrow's rentiers. In a ''worst of both worlds'' scenario, economic inequalities could increase still further from the combination of a growing capital share and the capture of more labor income by top executives.

Analytically, however, it is best to keep the two arguments separate: on the one hand, Piketty's general analysis of capitalism and, on the other, his comparative historical analysis of national and regional economies, of which his account of recent differences between the United States and Europe is only one part. If Piketty had stayed at a purely abstract level, the book would not have had the depth, richness, or relevance to contemporary politics that his comparative analysis gives it. But if he had provided only a comparative economic history without the theoretical framework, the book would not have had its power and reach.

The two halves of Piketty's account bear somewhat different relationships to the two leading approaches to explaining inequality: (1) the mainstream, neoclassical explanations emphasizing marginal productivity; and (2) what may be broadly grouped together as more political and sociological explanations emphasizing institutions and power. The neoclassical arguments suggest that inequality is rational and conducive to growth and that little can be done about it except to improve education and training, while the more political and sociological accounts typically claim that inequality reflects unequal power in shaping institutions and policies and that more egalitarian alternatives are feasible without impairing growth.

In regard to the recent take-off of top incomes in the United States, Piketty unequivocally and convincingly rejects neoclassical explanations. Growing inequality, he argues, cannot be explained by differences in marginal productivity (due, for example, to the failure of education to keep up with skill-biased technological change); rather, the driving forces have been political and social.

In developing his first argument about capital, however, Piketty may seem more ambiguous because he employs neoclassical logic even as he reaches conclusions about tendencies toward concentrated wealth and the absence of equilibrating forces that break with the mainstream tradition. But, if read carefully, Piketty is clear that capitalism cannot be understood without reference to institutional structures that are inherently political (see, for example, his discussion of the ''stakeholder'' model of German corporations and its effect on stock-market valuations [pp. 140 – 46]). Part of the book's originality and persuasiveness lies in the deft

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way in which it turns neoclassical logic on its head with the use of historical evidence.

Piketty's general analysis of capitalism emerges from a combination of theoretical propositions and empirical findings. After decomposing national income into capital and labor income, he focuses on what determines capital's share of the total. Piketty designates capital's share as α, and the ratio of the total capital stock to national income as β. The core of the theory consists of two equations that he labels, rather extravagantly, "laws of capitalism." The first is just an accounting identity, $\alpha = r \times \beta$, which merely says that capital's share of national income is the product of the rate of return and the capital/income ratio. The point of this tautology is to make clear that capital's share depends on what happens to the rate of return as the capital stock varies in relation to national income. "Too much capital" should kill the return, assuming that capital's marginal productivity drops as the capital stock increases. The key question is then how much r drops (or rises) as the capital/income ratio β increases (or falls). If r drops proportionately less than β rises, capital's share will increase, but if r drops more, capital's share will fall. This, in turn, depends on the demand for capital, which may be affected by technological change that allows for substitution of capital for labor. For example, if the capital/income ratio rises but lucrative new uses for capital are available—say, in making machinery to substitute for workers—the return on capital can stay high.

For France—which he claims is representative of Europe—Piketty calculates that the rate of return r has fluctuated around a central value of 4–5 percent from the eighteenth to the twenty-first century (though he suggests that it may be declining to 3–4 percent). As a result of the "virtual stability" of r, capital's share has depended primarily on the capital/income ratio, which has followed a U-shaped curve. Before World War I, the ratio stood at about 600–700 percent; that is, capital equaled six or seven times annual national income. With the devastating shocks of 1914–1945, capital stocks fell to two to three times national income but then rebounded and are now back up at approximately pre-World War I levels.

Leaving aside "shocks" for the moment, what determines the capital/income ratio over the long run? Piketty's "second fundamental law of capitalism" describes an asymptotic relationship in which the capital/income ratio approaches the ratio of the savings rate to the growth rate: $\beta = s/g$. Or to put it differently, the higher the savings rate and the lower the growth rate, the higher the capital/income ratio.

These relationships help explain why the capital/income ratio in the advanced economies has risen (and may rise further). The rate of economic growth is the sum of the rate of population growth and the growth rate in per capita output. Both components have slowed—population growth with the demographic transition, and growth in per capita output with the end of the three "catch-up" decades after World War II. With growth rates falling below savings rates, the capital/income ratio rises, and as long as r falls proportionately less than β rises, capital's share of national income increases. And since capital income is distributed more unequally than labor income, an increase in capital's share leads almost inevitably to an increase in inequality.

But this is not to say that capital in France or elsewhere in Europe is distributed as unequally as it was before World War I. Piketty uses the terms "capital" and "wealth" interchangeably. Capital, as he defines it, consists of assets that can be owned and exchanged on a market, including not only financial assets such as stocks and bonds, physical assets such as machinery, and intangible assets such as patents, but also real estate, including owner-occupied housing. (Piketty refuses, however, to include "human capital" on the grounds that education and skill cannot be owned and traded and are therefore fundamentally different from capital in the sense that he is using the term.) While the capital/income ratio has returned to earlier levels, the composition of capital has substantially changed. During the twentieth century, residential housing increased as a proportion of national capital, and a "patrimonial (or propertied) middle class" emerged. Summing up the changes in capital ownership, he writes, "The poorest half of the population still owns nothing, but there is now

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a patrimonial middle class that owns between a quarter and a third of total wealth, and the wealthiest 10 percent now own only two-thirds of what there is to own rather than nine-tenths'' (p. 377).

Piketty suggests another way, however, in which capital income is becoming more concentrated than capital itself: Those with greater financial wealth are able on average to obtain a higher return on their assets. In addition, capital income is underreported because of exemptions and tax evasion. If wealth kept in off-shore tax havens could be properly attributed to its owners, capital and capital income would be even more concentrated at the top than tax records show.

The other half of the story, the growth of labor-income inequality, emerges from Piketty's comparative historical analysis. Although he discusses Great Britain and Germany (and occasionally alludes to Japan and other countries), Piketty focuses primarily on France and the United States in developing the argument. Economic inequality is now greater in American society, but in the nineteenth century the United States—except for the South—was more egalitarian than Europe. Capital/income ratios were substantially lower thanks to the low cost of land and high rates of population growth. Even with industrialization, the United States still had a more equal distribution of wealth and income at the turn of the twentieth century, though inequalities rose to a peak in the 1920s.

In Piketty's comparative account, the critical turns in distributive patterns came at two different points in the twentieth century. Between 1914 and 1945, the shocks of war and depression reduced inequality in both Europe and the United States, but in entirely different ways. In France, inherited wealth suffered devastating losses from the ''destruction caused by two world wars, bankruptcies caused by the Great Depression, and above all new public policies enacted in this period (from rent control to nationalizations and the inflation-induced euthanasia of the rentier class that lived on government debt)'' (p. 275). While wage inequality in France was stable over the long run, total (market) income became more equally distributed ''due entirely to diminished top incomes from capital'' (pp. 272-73). In contrast, capital losses were not as great in the United States as Europe 1914 and 1945; instead, differences in labor incomes narrowed primarily as a result of public policy. Beginning in the New Deal and continuing into the 1950s, the United States enacted higher income and estate taxes than did European countries.

The second turning point came in the 1980s: After having been a pioneer in redistributive taxation, Piketty writes, the United States in the Reagan years became a pioneer in the opposite direction, sharply cutting taxes and unleashing an unprecedented increase in top incomes. On the basis of comparative evidence, Piketty sees tax policy as crucial; in his account, reduced rates in the 1980s gave CEOs and other top corporate managers an incentive to seek huge pay increases, and their handpicked boards did not stand in their way.

In short, Piketty argues that capitalism can produce extreme inequality in two ways: through high concentrations of capital as in ''old'' Europe and the American South before the Civil War, and through high concentrations of labor income as in the United States today. The first he calls ''hyperpatrimonialism,'' the second ''hypermeritocracy'' (pp. 264-5) even though he says merit has less to do with it than what he calls ''meritocratic extremism.'' In some respects, as he acknowledges, this binary story is overdrawn. In the United States, capital income accounts for one-third of the increase in income inequality. Tax calculations influence whether executives are paid in salary or stock options. In the finance industry, much of the revenue supporting the ''labor income'' of top executives comes from the capital income of the firm.

Curiously, Piketty downplays the impact of the growth of the financial industry on inequality, arguing that although financial executives are overrepresented at the top, 80 percent of the top income groups are not in finance. But finance dominates the highest pay levels. In every year since 2004, the 25 top-earning hedge fund managers have together received more income than all of the chief executive officers of the Standard and Poor's 500 companies combined; the average pay (in 2010 dollars) for those 25 top hedge fund managers climbed from

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$134 million in 2002 to $537 million in 2012. (Kaplan and Rauh 2013) Financial deregulation deserves more attention as a causal factor than Piketty gives it.

Another problem, as I mentioned earlier, is that Piketty analyzes historical changes in ''total income'' by using market income before taxes and transfers, a definition that is misleading over periods when public policy radically altered the post-tax-and-transfer distribution. Piketty's U-shaped curve for top (market) incomes in the United States between the 1920s and early 2000s does not, in fact, mean income inequality has returned to the status quo ante. Moreover, market income cannot be considered independently of taxes and transfers. Consider what would happen to market income if Social Security were eliminated overnight. More seniors would go to work and earn wages, and by the definition Piketty uses, inequalities in total income would decline. But the elimination of Social Security would dramatically increase inequality in total disposable income.

In addition, because of his reliance on tax data (which also do not include tax-free fringe benefits such as employer contributions to health insurance) and failure to adjust for changes in household size, Piketty's numbers give a more negative picture than do other analyses of changes in middle-class incomes during the past 40 years (see, e.g., Congressional Budget Office 2011). Such analyses also show rising inequality, but not absolute stagnation in the middle.

These reservations do not invalidate the main thrust of Piketty's argument about rising inequality since the 1980s, nor do they invalidate (though they do qualify) his claim that inherited wealth accounts for a growing share of total wealth. Here we return to the book's principal argument about the rate of return exceeding the rate of economic growth. According to Piketty, the advanced societies cannot realistically expect to grow much faster than they have been since 1980; no country ''at the world technological frontier'' has ever had a long-term growth rate in per capita output exceeding 1.5 percent (p. 93). Assuming a future per capita growth rate of 1.2 percent, Piketty puts aside both the more dire forecasts as well as the optimistic scenarios based in part on the idea that the official data do not capture all the growth from the information economy (see Starr 2014). In Piketty's analysis, ''the return to a historic regime of low growth, and in particular zero or even negative demographic growth, leads logically to the return of capital'' (p. 233). Slow growth implies that capital accumulated in the past gains in importance.

Once again using data for France, Piketty produces another set of U-shaped curves from the nineteenth to the twenty-first centuries. Those who own capital have either inherited it or accumulated it through savings. In the nineteenth century, Piketty estimates, the annual flow of inheritances was equal to 20–25 percent of national income, and inherited wealth accounted for between 80 and 90 percent of private capital. But after the shocks of 1914–1945, inheritance flows dwindled to only a tiny proportion of national income, and by the 1970s inherited wealth was down to about 40 percent of private capital. Since then, however, inheritance flows have grown and inherited wealth has again come to dominate accumulated savings. Looking ahead under two different scenarios, Piketty projects inheritances to account for 80–90 percent of private wealth by the mid-twenty-first century. This is the basis for his forecast of a return to patrimonial capitalism.

But, as with the other U-shaped curves, things would look different if Piketty took taxes and transfers directly into account. Benefits available during disability or retirement have an equivalent wealth value. Including the capitalized value of social insurance programs would significantly raise the share of total assets of the least wealthy. To be sure, ''Social Security wealth'' is not wealth that can be passed on to heirs or accumulate over generations, but it serves some of the same functions as wealth during a lifetime.

Whether Piketty's forecast of a return to patrimonial capitalism proves accurate depends on a variety of unknowns. The rate of return may fall more rapidly in the future than in previous periods of rising capital/income ratios; as the investment ads warn, ''Past performance is no guarantee of future returns.'' The combined effect of taxes, consumption by the wealthy, and

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inflation may cut into or eliminate the savings from capital income and prevent wealth from compounding. In his projections, Piketty assumes no ''shocks'' to capital, but this century will likely have its own shocks, and some of those may result from the very processes that Piketty lays out. In a world with extreme inequalities and falling returns on investment, both politics and business may become more desperate and prone to crisis.

Regardless of whether inherited wealth returns to nineteenth-century proportions, there are important lessons here for social theory and politics. Piketty's historical data help to explain why sociologists in the post-World War II era believed that inherited wealth ceased to be important in modern societies. They overgeneralized from a temporary circumstance. In fact, much of twentieth-century sociology was formulated at precisely the moment when Piketty's U-shaped curves were at their bottom. Theorists looked back and saw downward slopes for inequality and inherited wealth and misinterpreted them as inevitable features of modernization.

Piketty's work also provides a useful corrective to the recent inequality literature, which has focused mainly on the determinants of labor income rather than income from capital. In stratification, political sociology, and other fields, sociologists have been more interested in the extended meanings of capital—social capital, cultural capital—than in the old-fashioned sort. We have been bewitched by our analogies and neglected the rebounding importance of capital in its original sense.

Sociologists should be both humbled and heartened by Piketty's *Capital*—humbled because the discipline has not recently produced a work of comparable ambition, quality, and scope, and heartened because of Piketty's conception of social science and the example he sets of both analytical depth and intellectual courage. Among other things, the book is a rebuke to his home discipline of economics and an invitation and challenge to social scientists in other fields. Economics, he writes, ''has yet to get over its childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with the other social sciences'' (p. 32). In the conclusion, he urges the other disciplines ''not [to] leave the study of economic facts to economists'' (p. 575).

Capital in the Twenty-First Century is a validation of the enterprise of social science conceived of expansively and put to serious purposes. After a long era of uneasiness about ''grand narratives,'' Piketty has produced a new narrative of the origins of our times that we will have to reckon with alongside the classics. When all the criticism has been tallied, the book will remain an affirmation that social inquiry, despite its inevitably political character, is capable of uncovering lawful patterns in human history.

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