Elements for a Participatory Socialism

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1. The (very) successful rise of the social state and progressive taxation in the West during 20c

2. Toward participatory socialism: permanent circulation of power and property via progressive taxation and workers rights

   Colonial capitalism 1910
   → Social-democratic capitalism 1980
   → Democratic socialism 2050

3. Forces of change: global warming and environmental damage.. or competition with China’s state socialism: the perfect digital dictatorship? Battle of capitalisms or war of socialisms?
The rise of the social State in Europe, 1870-2015

Interpretation. In 2015, fiscal revenues represented 47% of national income on average in Western Europe and were used as follows: 10% of national income for regalian expenditure (army, police, justice, general administration, basic infrastructure: roads, etc.); 6% for education; 11% for pensions; 9% for health; 5% for social transfers (other than pensions); 6% for other social spending (housing, etc.). Before 1914, regalian expenditure absorbed almost all fiscal revenues. Note. The evolution depicted here is the average of Germany, France, Britain and Sweden (see figure 10.14). Sources and series: see piketty.pse.ens.fr/ideology (figure 10.15).
The invention of progressive taxation: the top income tax rate, 1900-2018

**Interpretation.** The marginal income tax rate applied to the highest incomes was on average 23% in the U.S. from 1900 to 1932, 81% from 1932 to 1980 and 39% from 1980 to 2018. Over these same periods, the top rate was equal to 30%, 89% and 46% in Britain, 26%, 68% and 53% in Japan, 18%, 58% and 50% in Germany, and 23%, 60% and 57% in France. Progressive taxation peaked in mid-century, especially in the U.S. and in Britain. Sources and series, see piketty.pse.ens.fr/ideology (figure 10.11).
Effective rates and progressivity in the U.S. 1910-2020

**Interpretation.** From 1915 to 1980, the tax system was highly progressive in the U.S., in the sense that effective tax rates paid by the highest income groups (all taxes included, and as % of pretax income) was significantly larger than the average effective tax rate paid by the total population (and particularly by the bottom 50% incomes). Since 1980, the tax system has not been very progressive, with little differences in effective tax rates across groups. **Sources and series:** see piketty.pse.ens.fr/ideology (figure 10.13).
The invention of progressive taxation: the top inheritance tax rate, 1900-2018

Interpretation: The marginal inheritance tax rate applied to the highest inheritances was on average 12% in the U.S. from 1900 to 1932, 75% from 1932 to 1980 and 50% from 1980 to 2018. Over these same periods, the top rate was equal to 25%, 72% and 46% in Britain, 9%, 64% and 63% in Japan, 8%, 23% and 32% in Germany, and 15%, 22% and 39% in France. Progressivity was maximal in mid-century, especially in the U.S. and in Britain. 

Sources and series: see piketty.pse.ens.fr/ideology (figure 10.12)
Growth and progressive taxation in the U.S. 1870-2020

**Interpretation.** In the U.S., the growth rate of per capita national income dropped from 2.2% per year between 1950 and 1990 to 1.1% between 1990 and 2020, while the top marginal tax rate applied to the highest incomes dropped from 72% to 35% over the same period.

**Sources and series:** piketty.pse.ens.fr/ideology (figure 11.13).
The share of the richest 10% in total private property was 89% in Europe (average of Britain, France and Sweden) in 1913 (compared with 1% for the bottom 50%), 55% in Europe in 2018 (compared to 5% for the bottom 50%) and 74% in the United States in 2018 (compared to 2% for the bottom 50%). Sources and series: see piketty.pse.ens.fr/ideology (figure 13.10).
## The circulation of property and progressive taxation

<table>
<thead>
<tr>
<th>Progressive tax on property (funding of the capital endowment allocated to each young adult)</th>
<th>Progressive tax on income (funding of basic income and social and ecological State)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multiple of average wealth</strong></td>
<td><strong>Annual tax on property (effective tax rate)</strong></td>
</tr>
<tr>
<td>0.5</td>
<td>0.1%</td>
</tr>
<tr>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>5</td>
<td>2%</td>
</tr>
<tr>
<td>10</td>
<td>5%</td>
</tr>
<tr>
<td>100</td>
<td>10%</td>
</tr>
<tr>
<td>1000</td>
<td>60%</td>
</tr>
<tr>
<td>10000</td>
<td>90%</td>
</tr>
</tbody>
</table>

**Interpretation.** The proposed tax system includes a progressive tax on property (annual tax and inheritance tax) funding a capital endowment for all young adults and a progressive tax on income (including social contributions and progressive tax on carbon emissions) funding the basic income and the social and ecological State (health, education, pensions, unemployment, energy, etc.). This system favouring the circulation of property is one of the constituting elements of participatory socialism, together with a 50-50 split of voting rights among workers representatives and shareholders in corporations. **Note:** in the example given here, the progressive property tax raises about 5% of national income (allowing to fund a capital endowment of about 60% of average net wealth, to be allocated to each young adult at 25-year of age) and the progressive income tax about 45% of national income (allowing to fund an annual basic income of about 60% of after-tax income, costing about 5% of national income, and the social and ecological State for about 40% of national income). **Sources:** see piketty.pse.ens.fr/ideology (table 17.1).
The redistribution of inheritance

Interpretation. The share of the poorest 50% in total inheritance is 6% in Europe in 2020, vs 39% for the next 40% and 55% for the richest 55%. After implementation of inheritance for all (minimum inheritance equal to 60% of average wealth, allocated at 25-year-old), financed by a progressive tax on wealth and inheritance, this share would be equal to 36% (vs 45% and 19%).

Note: Europe: average Britain-France-Sweden. Sources and series: see piketty.pse.ens.fr/inequality
Reading: In the system of participatory socialism, a single shareholder holding 100% of the firm's capital stock holds 73% of voting rights if the firm has 2 employees (including himself), 51% if the firm has 10 employees (including himself), and loses the majority beyond 10 employees (including himself). A single shareholder who is not a firm employee holds 45% of the voting rights if the firm has less than 10 employees; this share then declines linearly and reaches 5% with 100 employees. Note: The parameters used here are the following: (i) employees (whether or not they are also shareholders) hold 50% of voting rights; (ii) within the 50% of voting rights going to shareholders, no single shareholder can hold more than 90% of them (i.e., 45% of voting rights) in a firm with less than 10 employees; this fraction declines linearly to 10% (i.e., 5% of voting rights) in firms with more than 90 employees (shareholder voting rights that are not allocated are reallocated to employees). Sources and series: see piketty.pse.ens.fr/equality
The global distribution of carbon emissions 2010-2018

- **Total carbon emissions**
- **Individual carbon emissions higher than global average**
- **Emissions higher than 2.3x global average (top 10%)**
- **Emissions higher than 9.1x global average (top 1%)**

**Interpretation:** The share of North America (U.S.-Canada) in total global emissions (direct and indirect) was 21% on average in 2010-2018; this share rises to 38% if one looks at emissions greater than global average (6.2 t CO2e per year), 46% for emissions above 2.3 times the global average (i.e. the top 10% of world emitters, accounting for 45% of total emissions, compared to 13% for the bottom 50% of world emitters), and 57% of those emitting over 9.1 times the global average (i.e. the top 1% of world emitters, accounting for 14% of total emissions).

**Sources and series:** see piketty.pse.ens.fr/ideology (figure 13.7).
The fall of public property, 1978-2020

Interpretation: The share of public capital (public assets net of debt, all government levels and asset categories combined: companies, buildings, land, financial assets, etc.) in national capital (i.e. the sum of public and private capital) was about 70% in China in 1978, and it has stabilized around 30% since the mid-2000s. This share was around 15%-30% in capitalist countries in the 1970s and is near zero or negative in 2020. Sources and series: see piketty.pse.ens.fr/equality (figure 39)
Ownership of Chinese firms, 1978-2020

Interpretation. The Chinese State (all government levels combined) owned in 2017 about 55% of total capital of Chinese firms (both listed and unlisted, of all sizes and all sectors), vs 33% for Chinese households and 12% for foreign investors. The foreign share has diminished since 2003, and that of Chinese households increased, while that of the Chinese State stabilized around 55%.

Sources and series: see piketty.pse.ens.fr/equality (figure 40)