Responding to China: the case for global justice and democratic socialism

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1. The (very) successful rise of equality, the social state and progressive taxation over the 19c-20c

2. Toward participatory & democratic 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... & competition with China’s state socialism → the right response to autocracies is to pursue the movement toward equality & global justice: sanctions against oligarchs, sharing of global tax revenues, etc.
Bottom 50% national income share

Share of total (%)
- 5.3 - 11.6
- 12 - 14
- 14 - 16
- 16 - 19
- 19 - 29
Wealth distribution in France, 1780-2020: the rise of a patrimonial middle class

Interpretation. The share of top 10% wealth holders in aggregate private wealth (real estate, business and financial assets, net of debt) was around 80%-90% in France between 1780 and 1910. The decline in wealth concentration begins with World War I and stops in the 1990s. It benefited mostly to the "patrimonial middle class" (the middle 40%), which is defined here as the intermediate group between the top 10% and the bottom 50% of the wealth distribution. Sources and series: see piketty.pse.ens.fr/equality (figure 6)
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 extreme concentration of capital: wealth inequality across the world, 2021

Interpretation: The Top 10% in Latin America captures 77% of total household wealth, versus 22% for the Middle 40% and 1% for the Bottom 50%. In Europe, the Top 10% owns 58% of total wealth, versus 38% for the Middle 40% and 4% for the Bottom 50%. Sources and series: wir2022.wid.world/methodology.
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: 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: see piketty.pse.ens.fr/ideology (figure 11.13).
**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 10%. 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/equality (figure 30)
Participatory socialism and power sharing

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

**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 (6.2t 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).
Figure 15  Per capita emissions across the world, 2019

Interpretation: Personal carbon footprints include emissions from domestic consumption, public and private investments as well as imports and exports of carbon embedded in goods and services traded with the rest of the world. Modeled estimates based on the systematic combination of tax data, household surveys and input-output tables. Emissions split equally within households. Sources and series: wir2022.wid.world/methodology and Chancel (2021).
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)
Concluding comments

The right response to autocracies in China, Russia & elsewhere is to pursue the long-run movement toward equality & global justice.

Instead of uniform trade sanctions or financial sanctions (Swift disconnection), what about targeting sanctions against oligarchs, say the 20k Russians with net worth over 10m€ (incl. a large share in the West) ?

Instead of North-North arrangements like the 2021 tax deal, what about sharing at least a fraction of global tax revenues paid by the world’s most powerful economic actors (multinationals, billionaires) between all countries according to population?