CAPITAL AND IDEOLOGY

THOMAS PIKETTY

Author of the #1 New York Times Bestseller
Capital in the Twenty-First Century

TRANSLATED BY ARTHUR GOLDHAMMER

From reviews of Capital in the Twenty-First Century

“The most important economics book of the year—and maybe of the decade.”
—PAUL KRIEGMAN, New York Times

“A book that nobody interested in defining issue of our era can afford to ignore.”
—RICHARD FROST, New Yorker

“Piketty is now the most talked about economist on the planet.”
—RANA FOROOHAR, Time

“[Piketty] has now the most talked-about economist on the planet.”
—MARKETS PROOFS, Capital in the Twenty-First Century

Our economy, Piketty observes, is not a natural fact. Markets, profits, and capital are all historical constructs that depend on choices. Piketty explores the material and ideological interactions of conflicting social groups that have given us slavery, serfdom, colonialism, communism, and hypercapitalism, shaping the lives of billions. He concludes that the great driver of human progress over the centuries has been the struggle for equality and education and not, as often argued, the sacralization of property rights or the pursuit of stability.

The new era of extreme inequality that has derailed that progress since the nineties, he shows, is partly a reaction against communism, but it is also the fruit of ignorance, intellectual specialization, and our drift toward the dead-end politics of identity. Once we understand this, we can begin to envision a more balanced approach to economics and politics. Piketty argues for a new “participatory” socialism, a system founded on an ideology of equality, social property, education, and the sharing of knowledge and power.

Capital and Ideology is destined to be one of the indispensable books of our time, a work that not only will help us understand the world, but will change it.

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Translated by Arthur Goldhammer

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This book is in large part a sequel to Capital in the Twenty-First Century (French edition, 2013; English, 2014), but it can be read independently. Like the previous work, it is the culmination of a collective effort in the sense that it would never have seen the light of day without the help and support of numerous friends and colleagues. I am of course solely responsible for the interpretations and analyses developed in the pages that follow, but by myself I would never have been able to assemble the historical sources on which this research rests.

I rely in particular on the data collected in the World Inequality Database (http://WID.world). This project represents the combined effort of more than a hundred researchers in more than eighty countries around the world. It is currently the largest database available for the historical study of income and wealth inequality both between and within countries. For the purposes of this book I have also collected numerous other sources and documents concerning periods, countries, and aspects of inequality not well covered by WID.world, including, for example, data on preindustrial and colonial societies; on inequalities of education, gender, race, religion, and status; and also on religious beliefs, political attitudes, and electoral behavior.

Only the principal references are cited in the text and footnotes. Readers interested in detailed information regarding the whole range of historical sources, bibliographic references, and methods used in this book are urged to consult the online technical appendix at http://piketty.pse.ens.fr/ideology.

Interested readers will also find in the online appendix many graphs and data series not included in the text due to space limitations. I sometimes refer to these sources in the footnotes.

The glossary at the end of this book contains definitions for several terms that may be unfamiliar to readers, which are marked with an asterisk in the text.

I am particularly grateful to Facundo Alvaredo, Lucas Chancel, Emmanuel Saez, and Gabriel Zucman, with whom I codirected the WID.world project and the World Inequality Lab at the Paris School of Economics and the University of California at Berkeley. Out of this joint venture came the recent World Inequality Report 2018 (http://wir2018.wid.world), of which I make abundant use in this book. I also wish to thank the institutions that
made this project possible, first and foremost the École des Hautes Études en Sciences Sociales (EHESS), where I have taught since 2000—one of the few institutions in the world where social scientists of all stripes can listen to and exchange ideas with one another. I also wish to thank the École Normale Supérieure and all the other institutions that joined forces in 2007 to create the Paris School of Economics, which I hope will contribute to the development of the economics of the twenty-first century, an economics that is at once political and historical, multipolar and multidisciplinary.


I also owe special thanks to Arthur Goldhammer. Every time I go through the pages of the English version of Capital in the Twenty-First Century or Capital and Ideology, I realize how fortunate I was to have Art as my translator. Without his help, I would never have been able to communicate with English-speaking readers with the same precision and elegance.

This book has also benefited from the numerous debates and discussions in which I have had the good fortune to participate since the publication of Capital in the Twenty-First Century. I spent much of 2014–2016 traveling around the world, meeting readers, researchers, dissenters, and citizens eager to join the debate. I participated in hundreds of discussions about my book and the questions
it raised. From these many encounters I learned an immense amount, which has helped me to delve deeper into the historical dynamics of inequality.

Among the many shortcomings of my previous book, two deserve special mention. First, that work focused too exclusively on the historical experience of the wealthy countries of the world (in Western Europe, North America, and Japan). This was due in part to the difficulty of accessing historical sources adequate for the study of other countries and regions. It was nevertheless a choice that sharply restricted my focus and thinking. Second, the earlier book tended to treat the political and ideological changes associated with inequality and redistribution as a sort of black box. I did propose a number of hypotheses concerning, for example, changes in political ideas and attitudes in regard to inequality and private property as a result of the two world wars of the twentieth century, economic crises, and the communist challenge, but I never tackled head-on the question of how inegalitarian ideologies evolved. In this new work I attempt to do this much more explicitly by examining the question in a much broader temporal, spatial, and comparative perspective.

Thanks to the success of the earlier book and the support of numerous citizens, researchers, and journalists, I was able to gain access to tax records and other historical documents previously restricted by the governments of Brazil, India, South Africa, Tunisia, Lebanon, Ivory Coast, Korea, Taiwan, Poland, Hungary, and many other countries around the world. Access to similar records in China and Russia was unfortunately more limited, but we were nevertheless able to make some progress. With this information it was possible to break out of the largely Western framework of the previous book and develop a deeper analysis of the nature of inequality regimes* and their possible trajectories and switch points. Importantly, these years of encounters, discussions, and reading gave me an opportunity to learn more about the political and ideological dynamics of inequality and thus to write a book that is, I believe, richer than the one it follows. The result is now in your hands, and you, the reader, are free to judge for yourself.

None of this would have been possible without my close family. Six years of happiness have passed since the publication of Capital in the Twenty-First Century. My three darling daughters have become young adults (or almost: just two more years, Hélène, and you will join the club with Déborah and Juliette!). Without their love and energy, life would not be the same. And Julia and I have not stopped traveling, meeting people, exchanging ideas, rereading and rewriting each other’s work, and remaking the world. She alone knows how much both this book and its author owe to her. And the best is yet to come!
Introduction

Every human society must justify its inequalities: unless reasons for them are found, the whole political and social edifice stands in danger of collapse. Every epoch therefore develops a range of contradictory discourses and ideologies for the purpose of legitimizing the inequality that already exists or that people believe should exist. From these discourses emerge certain economic, social, and political rules, which people then use to make sense of the ambient social structure. Out of the clash of contradictory discourses—a clash that is at once economic, social, and political—comes a dominant narrative or narratives, which bolster the existing inequality regime.

In today's societies, these justificatory narratives comprise themes of property, entrepreneurship, and meritocracy: modern inequality is said to be just because it is the result of a freely chosen process in which everyone enjoys equal access to the market and to property and automatically benefits from the wealth accumulated by the wealthiest individuals, who are also the most enterprising, deserving, and useful. Hence modern inequality is said to be diametrically opposed to the kind of inequality found in premodern societies, which was based on rigid, arbitrary, and often despotic differences of status.

The problem is that this proprietarian* and meritocratic narrative, which first flourished in the nineteenth century after the collapse of the Old Regime and its society of orders and which was radically revised for a global audience at the end of the twentieth century following the fall of Soviet communism and the triumph of hypercapitalism, is looking more and more fragile. From it a variety of contradictions have emerged—contradictions which take very different forms in Europe and the United States, in India and Brazil, in China and South Africa, in Venezuela and the Middle East. And yet today, two decades into the twenty-first century, the various trajectories of these different countries are increasingly interconnected, their distinctive individual histories notwithstanding. Only by adopting a transnational perspective can we hope to understand the weaknesses of these narratives and begin to construct an alternative.

Indeed, socioeconomic inequality has increased in all regions of the world since the 1980s. In some cases it has become so extreme that it is difficult to
justify in terms of the general interest. Nearly everywhere a gaping chasm divides the official meritocratic discourse from the reality of access to education and wealth for society’s least-favored classes. The discourse of meritocracy and entrepreneurship often seems to serve primarily as a way for the winners in today’s economy to justify any level of inequality whatsoever while peremptorily blaming the losers for lacking talent, virtue, and diligence. In previous inequality regimes, the poor were not blamed for their own poverty, or at any rate not to the same extent; earlier justificatory narratives stressed instead the functional complementarity of different social groups.

Modern inequality also exhibits a range of discriminatory practices based on status, race, and religion, practices pursued with a violence that the meritocratic fairy tale utterly fails to acknowledge. In these respects, modern society can be as brutal as the premodern societies from which it likes to distinguish itself. Consider, for example, the discrimination faced by the homeless, immigrants, and people of color. Think, too, of the many migrants who have drowned while trying to cross the Mediterranean. Without a credible new universalistic and egalitarian narrative, it is all too likely that the challenges of rising inequality, immigration, and climate change will precipitate a retreat into identitarian nationalist politics based on fears of a “great replacement” of one population by another. We saw this in Europe in the first half of the twentieth century, and it seems to be happening again in various parts of the world in the first decades of the twenty-first century.

It was World War I that spelled the end of the so-called Belle Époque (1880–1914), which was belle only when compared with the explosion of violence that followed. In fact, it was belle primarily for those who owned property, especially if they were white males. If we do not radically transform the present economic system to make it less inegalitarian, more equitable, and more sustainable, xenophobic “populism” could well triumph at the ballot box and initiate changes that will destroy the global, hypercapitalist, digital economy that has dominated the world since 1990.

To avoid this danger, historical understanding remains our best tool. Every human society needs to justify its inequalities, and every justification contains its share of truth and exaggeration, boldness and cowardice, idealism and self-interest. For the purposes of this book, an inequality regime will be defined as a set of discourses and institutional arrangements intended to justify and structure the economic, social, and political inequalities of a given society. Every such regime has its weaknesses. In order to survive, it must permanently rede-
fine itself, often by way of violent conflict but also by availing itself of shared experience and knowledge. The subject of this book is the history and evolution of inequality regimes. By bringing together historical data bearing on societies of many different types, societies which have not previously been subjected to this sort of comparison, I hope to shed light on ongoing transformations in a global and transnational perspective.

From this historical analysis one important conclusion emerges: what made economic development and human progress possible was the struggle for equality and education and not the sanctification of property, stability, or inequality. The hyper-egalitarian narrative that took hold after 1980 was in part a product of history, most notably the failure of communism. But it was also the fruit of ignorance and of disciplinary division in the academy. The excesses of identity politics and fatalist resignation that plague us today are in large part consequences of that narrative’s success. By turning to history from a multidisciplinary perspective, we can construct a more balanced narrative and sketch the outlines of a new participatory socialism for the twenty-first century.

By this I mean a new universalistic egalitarian narrative, a new ideology of equality, social ownership, education, and knowledge and power sharing. This new narrative presents a more optimistic picture of human nature than did its predecessors—and not only more optimistic but also more precise and convincing because it is more firmly rooted in the lessons of global history. Of course, it is up to each of us to judge the merits of these tentative and provisional lessons, to rework them as necessary, and to carry them forward.

What Is an Ideology?

Before I explain how this book is organized, I want to discuss the principal sources on which I rely and how the present work relates to Capital in the Twenty-First Century. But first I need to say a few words about the notion of ideology as I use it in this study.

I use “ideology” in a positive and constructive sense to refer to a set of a priori plausible ideas and discourses describing how society should be structured. An ideology has social, economic, and political dimensions. It is an attempt to respond to a broad set of questions concerning the desirable or ideal organization of society. Given the complexity of the issues, it should be obvious that no ideology can ever command full and total assent: ideological conflict and disagreement are inherent in the very notion of ideology. Nevertheless,
every society must attempt to answer questions about how it should be organized, usually on the basis of its own historical experience but sometimes also on the experiences of other societies. Individuals will usually also feel called on to form opinions of their own on these fundamental existential issues, however vague or unsatisfactory they may be.

What are these fundamental issues? One is the question of what the nature of the political regime should be. By “political regime” I mean the set of rules describing the boundaries of the community and its territory, the mechanisms of collective decision making, and the political rights of members. These rules govern forms of political participation and specify the respective roles of citizens and foreigners as well as the functions of executives and legislators, ministers and kings, parties and elections, empires and colonies.

Another fundamental issue has to do with the property regime, by which I mean the set of rules describing the different possible forms of ownership as well as the legal and practical procedures for regulating property relations between different social groups. Such rules may pertain to private or public property, real estate, financial assets, land or mineral resources, slaves or serfs, intellectual and other immaterial forms of property, and relations between landlords and tenants, nobles and peasants, masters and slaves, or shareholders and wage earners.

Every society, every inequality regime, is characterized by a set of more or less coherent and persistent answers to these questions about its political and property regimes. These two sets of answers are often closely related because they depend in large part on some theory of inequality between different social groups (whether real or imagined, legitimate or illegitimate). The answers generally imply a range of other intellectual and institutional commitments: for instance, commitments to an educational regime (that is, the rules governing institutions and organizations responsible for transmitting spiritual values, knowledge, and ideas, including families, churches, parents, and schools and universities) and a tax regime (that is, arrangements for providing states or regions; towns or empires; and social, religious, or other collective organizations with adequate resources). The answers to these questions can vary widely. People can agree about the political regime but not the property regime or about certain fiscal or educational arrangements but not others. Ideological conflict is almost always multidimensional, even if one axis takes priority for a time, giving the illusion of majoritarian consensus allowing broad collective mobilization and historical transformations of great magnitude.
 Borders and Property

To simplify, we can say that every inequality regime, every inegalitarian ideology, rests on both a theory of borders and a theory of property.

The border question is of primary importance. Every society must explain who belongs to the human political community it comprises and who does not, what territory it governs under what institutions, and how it will organize its relations with other communities within the universal human community (which, depending on the ideology involved, may or may not be explicitly acknowledged). The border question and the political regime question are of course closely linked. The answer to the border question also has significant implications for social inequality, especially between citizens and noncitizens.

The property question must also be answered. What is a person allowed to own? Can one person own others? Can he or she own land, buildings, firms, natural resources, knowledge, financial assets, and public debt? What practical guidelines and laws should govern relations between owners of property and nonowners? How should ownership be transmitted across generations? Along with the educational and fiscal regime, the property regime determines the structure and evolution of social inequality.

In most premodern societies, the questions of the political regime and the property regime are intimately related. In other words, power over individuals and power over things are not independent. Here, “things” refers to possessed objects, which may be persons in the case of slavery. Furthermore, power over things may imply power over persons. This is obviously true in slave societies, where the two questions essentially merge into one: some individuals own others and therefore also rule over them.

The same is true, but in more subtle fashion, in what I call ternary or “trifunctional” societies (that is, societies divided into three functional classes—a clerical and religious class, a noble and warrior class, and a common and laboring class). In this historical form, which we find in most premodern civilizations, the two dominant classes are both ruling classes, in the senses of exercising the regalian powers of security and justice, and property-owning classes. For centuries, the “landlord” was also the “ruler” (seigneur) of the people who lived and worked on his land, just as much as he was the seigneur (“lord”) of the land itself.

By contrast, ownership (or proprietarian) societies of the sort that flourished in Europe in the nineteenth century drew a sharp distinction between
the property question (with universal property rights theoretically open to all) and the power question (with the centralized state claiming a monopoly of regalian rights*). The political regime and the property regime were nevertheless closely related, in part because political rights were long restricted to property owners and in part because constitutional restrictions then and now severely limited the possibility for political majorities to modify the property regime by legal and peaceful means.

As we shall see, political and property regimes have remained inextricably intertwined from premodern* ternary* and slave societies to modern postcolonial and hypercapitalist ones, including, along the way, the communist and social-democratic societies that arose in reaction to the crises of inequality and identity that ownership society provoked.

To analyze these historical transformations I therefore rely on the notion of an “inequality regime”* which encompasses both the political regime and the property regime (as well as the educational and fiscal regimes) and clarifies the relation between them. To illustrate the persistent structural links between the political regime and the property regime in today’s world, consider the absence of any democratic mechanism that would allow a majority of citizens of the European Union (and a fortiori citizens of the world) to adopt a common tax or a redistributive or developmental scheme. This is because each member state, no matter how small its population or what benefits it derives from commercial and financial integration, has the right to veto all forms of fiscal legislation.

More generally, inequality today is strongly influenced by the system of borders and national sovereignty, which determines the allocation of social and political rights. This has given rise to intractable multidimensional ideological conflicts over inequality, immigration, and national identity, conflicts that have made it very difficult to achieve majority coalitions capable of countering the rise of inequality. Specifically, ethno-religious and national cleavages often prevent people of different ethnic and national origins from coming together politically, thus strengthening the hand of the rich and contributing to the growth of inequality. The reason for this failure is the lack of an ideology capable of persuading disadvantaged social groups that what unites them is more important than what divides them. I will examine these issues in due course. Here I want simply to emphasize the fact that political and property regimes have been intimately related for a very long time. This durable structural relationship cannot be properly analyzed without adopting a long-run transnational historical perspective.
Taking Ideology Seriously

Inequality is neither economic nor technological; it is ideological and political. This is no doubt the most striking conclusion to emerge from the historical approach I take in this book. In other words, the market and competition, profits and wages, capital and debt, skilled and unskilled workers, natives and aliens, tax havens and competitiveness—none of these things exist as such. All are social and historical constructs, which depend entirely on the legal, fiscal, educational, and political systems that people choose to adopt and the conceptual definitions they choose to work with. These choices are shaped by each society’s conception of social justice and economic fairness and by the relative political and ideological power of contending groups and discourses. Importantly, this relative power is not exclusively material; it is also intellectual and ideological. In other words, ideas and ideologies count in history. They enable us to imagine new worlds and different types of society. Many paths are possible.

This approach runs counter to the common conservative argument that inequality has a basis in “nature.” It is hardly surprising that the elites of many societies, in all periods and climes, have sought to “naturalize” inequality. They argue that existing social disparities benefit not only the poor but also society as a whole and that any attempt to alter the existing order of things will cause great pain. History proves the opposite: inequality varies widely in time and space, in structure as well as magnitude. Changes have occurred rapidly in ways that contemporaries could not have imagined only a short while before they came about. Misfortune did sometimes follow. Broadly speaking, however, political processes, including revolutionary transformations, that led to a reduction of inequality proved to be immensely successful. From them came our most precious institutions—those that have made human progress a reality, including universal suffrage, free and compulsory public schools, universal health insurance, and progressive taxation. In all likelihood the future will be no different. The inequalities and institutions that exist today are not the only ones possible, whatever conservatives may say to the contrary. Change is permanent and inevitable.

Nevertheless, the approach taken in this book—based on ideologies, institutions, and the possibility of alternative pathways—also differs from approaches sometimes characterized as “Marxist,” according to which the state of the economic forces and relations of production determines a society’s ideological “superstructure” in an almost mechanical fashion. In contrast, I insist that the realm of ideas, the political-ideological sphere, is truly autonomous.
Given an economy and a set of productive forces in a certain state of development (supposing one can attach a definite meaning to those words, which is by no means certain), a range of possible ideological, political, and inequality regimes always exists. For instance, the theory that holds that a transition from “feudalism” to “capitalism” occurred as a more or less mechanical response to the Industrial Revolution cannot explain the complexity and multiplicity of the political and ideological pathways we actually observe in different countries and regions. In particular, it fails to explain the differences that exist between and within colonizing and colonized regions. Above all, it fails to impart lessons useful for understanding subsequent stages of history. When we look closely at what followed, we find that alternatives always existed—and always will. At every level of development, economic, social, and political systems can be structured in many different ways; property relations can be organized differently; different fiscal and educational regimes are possible; problems of public and private debt can be handled differently; numerous ways to manage relations between human communities exist; and so on. There are always several ways of organizing a society and its constitutive power and property relations. More specifically, today, in the twenty-first century, property relations can be organized in many ways. Clearly stating the alternatives may be more useful in transcending capitalism than simply threatening to destroy it without explaining what comes next.

The study of these different historical pathways, as well as of the many paths not taken, is the best antidote to both the conservatism of the elite and the alibis of would-be revolutionaries who argue that nothing can be done until the conditions for revolution are ripe. The problem with these alibis is that they indefinitely defer all thinking about the postrevolutionary future. What this usually means in practice is that all power is granted to a hypertrophied state, which may turn out to be just as dangerous as the quasi-sacred property relations that the revolution sought to overthrow. In the twentieth century such thinking did considerable human and political damage for which we are still paying the price. Today, the postcommunist societies of Russia, China, and to a certain extent Eastern Europe (despite their different historical trajectories) have become hypercapitalism’s staunchest allies. This is a direct consequence of the disasters of Stalinism and Maoism and the consequent rejection of all egalitarian internationalist ambitions. So great was the communist disaster that it overshadowed even the damage done by the ideologies of slavery, colonialism, and racialism and obscured the strong ties between those ideologies and the ideologies of ownership and hypercapitalism—no mean feat.
In this book I take ideology very seriously. I try to reconstruct the internal coherence of different types of ideology, with special emphasis on six main categories which I will call proprietarian, social-democratic, communist, trifunctional, slaveist (esclavagiste), and colonialist ideologies. I start with the hypothesis that every ideology, no matter how extreme it may seem in its defense of inequality, expresses a certain idea of social justice. There is always some plausible basis for this idea, some sincere and consistent foundation, from which it is possible to draw useful lessons. But we cannot do this unless we take a concrete rather than an abstract (which is to say, ahistorical and noninstitutional) approach to the study of political and ideological structures. We must look at concrete societies and specific historical periods and at specific institutions defined by specific forms of property and specific fiscal and educational regimes. These must be rigorously analyzed. We must not shrink from investigating legal systems, tax schedules, and educational resources—the conditions and rules under which societies function. Without these, institutions and ideologies are mere empty shells, incapable of effecting real social change or inspiring lasting allegiance.

I am of course well aware that the word “ideology” can be used pejoratively, sometimes with good reason. Dogmatic ideas divorced from facts are frequently characterized as ideological. Yet often it is those who claim to be purely pragmatic who are in fact most “ideological” (in the pejorative sense): their claim to be post-ideological barely conceals their disdain for evidence, historical ignorance, distorting biases, and class interests. This book will therefore lean heavily on “facts.” I will discuss the history of inequality in several societies, partly because this was my original specialty and partly because I am convinced that unbiased examination of the available sources is the only way to make progress. In so doing I will compare societies which are very different from one another. Some are even said to be “exceptional” and therefore unsuitable for comparative study, but this is incorrect.

I am well placed to know, however, that the available sources are never sufficient to resolve every dispute. From “facts” alone we will never be able to deduce the ideal political regime or property regime or fiscal or educational regime. Why? Because “facts” are largely the products of institutions (such as censuses, surveys, tax records, and so on). Societies create social, fiscal, and legal categories to describe, measure, and transform themselves. Hence “facts” are themselves constructs. To appreciate them properly we must understand their context, which consists of complex, overlapping, selfinterested interactions between the observational apparatus and the society under study. This of course
does not mean that these cognitive constructs have nothing to teach us. It means, rather, that to learn from them, we must take this complexity and reflexivity into account.

Furthermore, the questions that interest us, which pertain to the nature of the ideal social, economic, and political organization, are far too complex to allow answers to emerge from a simple “objective” examination of the “facts,” which inevitably reflect the limitations of past experiences and the incompleteness of our knowledge and of the deliberative processes to which we were exposed. Finally, it is entirely conceivable that the “ideal” regime (however we interpret the word “ideal”) is not unique and depends on specific characteristics of each society.

**Collective Learning and the Social Sciences**

Nevertheless, my position is not one of indiscriminate relativism. It is too easy for the social scientist to avoid taking a stand. So I will eventually make my position clear, especially in the final part of the book, but in so doing I will attempt to explain how and why I reached my conclusions.

Social ideologies usually evolve in response to historical experience. For instance, the French Revolution stemmed in part from the injustices and frustrations of the Ancien Régime. The Revolution in turn brought about changes that permanently altered perceptions of the ideal inequality regime as various social groups judged the success or failure of revolutionary experiments with different forms of political organization, property regimes, and social, fiscal, and educational systems. What was learned from this experience inevitably influenced future political transformations and so on down the line. Each nation’s political and ideological trajectory can be seen as a vast process of collective learning and historical experimentation. Conflict is inherent in the process because different social and political groups have not only different interests and aspirations but also different memories. Hence they interpret past events differently and draw from them different implications regarding the future. From such learning experiences, national consensus on certain points can nevertheless emerge, at least for a time.

Though partly rational, these collective learning processes nevertheless have their limits. Nations tend to have short memories (people often forget their own country’s experiences after a few decades or else remember only scattered bits, seldom chosen at random). Worse than that, memory is usually strictly nationalistic. Perhaps that is putting it too strongly: every country occasion-
ally learns from the experiences of other countries, whether indirectly or through direct contact (in the form of war, colonization, occupation, or treaty—forms of learning that may be neither welcome nor beneficial). For the most part, however, nations form their visions of the ideal political or property regime or just legal, fiscal, or educational system from their own experiences and are almost completely unaware of the experiences of other countries, particularly when they are geographically remote or thought to belong to a distinct civilization or religious or moral tradition or, again, when contact with the other has been violent (which can reinforce the sense of radical foreignness). More generally, collective learning experiences are often based on relatively crude or imprecise notions of the institutional arrangements that exist in other societies (or even within the same country or in neighboring countries). This is true not only in the political realm but also in regard to legal, fiscal, and educational institutions. The usefulness of the lessons derived from such collective learning experiences is therefore somewhat limited.

This limitation is not inevitable, however. Many factors can enhance the learning process: schools and books, immigration and intermarriage, parties and trade unions, travel and encounters, newspapers and other media, to name a few. The social sciences can also play a part. I am convinced that social scientists can contribute to the understanding of ongoing changes by carefully comparing the histories of countries with different cultural traditions, systematically exploiting all available resources, and studying the evolution of inequality and of political and ideological regimes in different parts of the world. Such a comparative, historical, transnational approach can help us to form a more accurate picture of what a better political, economic, and social organization might look like and especially what a better global society might look like, since the global community is the one political community to which we all belong. Of course, I do not claim that the conclusions I offer throughout the book are the only ones possible, but they are, in my view, the best conclusions we can draw from the sources I have explored. I will try to explain in detail which events and comparisons I found most persuasive in reaching these conclusions. I will not hide the uncertainties that remain. Obviously, however, these conclusions depend on the very limited state of our present knowledge. This book is but one small step in a vast process of collective learning. I am impatient to discover what the next steps in the human adventure will be.

I hasten to add, for the benefit of those who lament the rise of inequality and of identity politics as well as for those who think that I protest too much, that this book is in no way a book of lamentations. I am an optimist by nature,
and my primary goal is to seek solutions to our common problems. Human beings have demonstrated an astonishing capacity to imagine new institutions and develop new forms of cooperation, to forge bonds among millions (or hundreds of millions or even billions) of people who have never met and will never meet and who might well choose to annihilate one another rather than live together in peace. This is admirable. What is more, societies can accomplish these feats even though we know little about what an ideal regime might look like and therefore about what rules are justifiable. Nevertheless, our ability to imagine new institutions has its limits. We therefore need the assistance of rational analysis. To say that inequality is ideological and political rather than economic or technological does not mean that it can be eliminated by a wave of some magic wand. It means, more modestly, that we must take seriously the ideological and institutional diversity of human society. We must beware of anyone who tries to naturalize inequality or deny the existence of alternative forms of social organization. It means, too, that we must carefully study in detail the institutional arrangements and legal, fiscal, and educational systems of other countries, for it is these details that determine whether cooperation succeeds or fails and whether equality increases or decreases. Good will is not enough without solid conceptual and institutional underpinnings. If I can communicate to you, the reader, a little of my educated amazement at the successes of the past and persuade you that knowledge of history and economics is too important to leave to historians and economists, then I will have achieved my goal.

The Sources Used in This Book: Inequalities and Ideologies

This book is based on historical sources of two kinds: first, sources that enable us to measure the evolution of inequality in a multidimensional historical and comparative perspective (including inequalities of income, wages, wealth, education, gender, age, profession, origin, religion, race, status, etc.) and second, sources that allow us to study changes in ideology, political beliefs, and representations of inequality and of the economic, social, and political institutions that shape them.

Regarding inequality, I rely in particular on the data collected in the World Inequality Database (WID.world). This project represents the combined effort of more than a hundred researchers in eighty countries around the world. It is currently the largest database available for the historical study of wealth and income inequality both within and between countries. The WID.world project
 grew out of work I did with Anthony Atkinson and Emmanuel Saez in the early 2000s, which sought to extend and generalize research begun in the 1950s and 1970s by Atkinson, Simon Kuznets, and Alan Harrison.1 This project is based on systematic comparison of available sources, including national accounts data, survey data, and fiscal and estate data. With these data it is generally possible to go back as far as the late nineteenth and early twentieth centuries, when many countries established progressive income and estate taxes. From the same data we can also infer conclusions about the distribution of wealth (taxes invariably give rise to new sources of knowledge and not only to tax receipts and popular discontent). For some countries we can push the limits of our knowledge back as far as the late eighteenth or early nineteenth centuries. This is true, for instance, of France, where the Revolution established an early version of a unified system of property and estate records. By drawing on this research I was able to set the post-1980 rise of inequality in a long-term historical perspective. This spurred a global debate on inequality, as the interest aroused by the publication in 2013 of Capital in the Twenty-First Century illustrates. The World Inequality Report 2018 continued this debate.2 People want to participate in the democratic process and therefore demand a more democratic diffusion of economic knowledge, as the enthusiastic reception of the WID.world project shows. As people become better educated and informed, economic and financial issues can no longer be left to a small group of experts whose competence is, in any case, dubious. It is only natural for more and more citizens to want to form their own opinions and participate in public debate. The economy is at the heart of politics; responsibility for it cannot be delegated, any more than democracy itself can.


The available data on inequality are unfortunately incomplete, largely because of the difficulty of gaining access to fiscal, administrative, and banking records in many countries. There is a general lack of transparency in economic and financial matters. With the help of hundreds of citizens, researchers, and journalists in many countries, I was able to gain access to previously closed sources in Brazil, India, South Africa, Tunisia, Lebanon, Ivory Coast, Korea, Taiwan, Poland, and Hungary and, to a lesser extent, China and Russia. Among the many shortcomings of my previous book, two deserve special mention. First, that work focused too exclusively on the historical experience of the wealthy countries of the world (that is, in Western Europe, North America, and Japan), partly because it was so difficult to access historical data for other countries and regions. The newly available data enabled me to go beyond the largely Western framework of my previous book and delve more deeply into the nature of inequality regimes and their possible trajectories. Despite this progress, numerous deficiencies remain in the data from rich countries as well as poor.

For the present book I also collected many other sources and documents dealing with periods, countries, or aspects of inequality not well covered by WID.world, including data about preindustrial and colonial societies as well as inequalities of status, profession, education, gender, race, and religion. For the study of ideology I naturally relied on a wide range of sources. Some will be familiar to scholars: minutes of parliamentary debates, transcripts of speeches, and party platforms. I look at the writings of both theorists and political actors to see how inequalities were justified in different times and places. In the eleventh century, for example, bishops wrote in justification the trifunctional society, which consisted of three classes: clergy, warriors, and laborers. In the early 1980s Friedrich von Hayek published *Law, Legislation, and Liberty*, an influential neo-proprietarian and semi-dictatorial treatise. In between those dates, in the 1830s, John Calhoun, a Democratic senator from South Carolina and vice president of the United States, justified “slavery as a positive good.” Xi Jinping’s writings on China’s neo-communist dream or op-eds published in the *Global Times* are no less revealing than Donald Trump’s tweets or articles in praise of Anglo-American hypercapitalism in the *Wall Street Journal* or the *Financial Times*. All these ideologies must be taken seriously, not only because of their influence on the course of events but also because every ideology attempts (more or less successfully) to impose meaning on a complex social reality. Human beings will inevitably attempt to make sense of the societies they live in, no matter how unequal or unjust they may be. I start from the
premise that there is always something to learn from such attempts. Studying them in historical perspective may yield lessons that can help guide our steps in the future.

I will also make use of literature, which is often one of our best sources when it comes to understanding how representations of inequality change. In *Capital in the Twenty-First Century* I drew on classic nineteenth-century novels by Honoré de Balzac and Jane Austen, which offer matchless insights into the ownership societies that flourished in France and England between 1790 and 1840. Both novelists possessed intimate knowledge of the property hierarchies of their time. They had deeper insight than others into the secret motives and hidden boundaries that existed in their day and understood how these affected people’s hopes and fears and determined who met whom and how men and women plotted marital strategies. Writers analyzed the deep structure of inequality—how it was justified, how it impinged on the lives of individuals—and they did so with an evocative power that no political speech or social scientific treatise can rival.

Literature’s unique ability to capture the relations of power and domination between social groups and to detect the way in which inequalities are experienced by individuals exists, as we shall see, in all societies. We will therefore draw heavily on literary works for invaluable insights into a wide variety of inequality regimes. In *Destiny and Desire*, the splendid fresco that Carlos Fuentes published in 2008 a few years before his death, we discover a revealing portrait of Mexican capitalism and endemic social violence. In *This Earth of Mankind*, published in 1980, Pramoedya Ananta Toer shows us how the egalitarian Dutch colonial regime worked in Indonesia in the late nineteenth and early twentieth centuries; his book achieves a brutal truthfulness unmatched by any other source. In *Americanah* (2013), Chimamanda Ngozi Adichie offers us a proud, ironic view of the migratory routes his characters Ifemelu and Obinze follow from Nigeria to the United States and Europe, providing unique insight into one of the most important aspects of today’s inequality regime.

To study ideologies and their transformations, I also make systematic and novel use of the postelection surveys that have been carried out since the end of World War II in most countries where elections are held. Despite their limitations, these surveys offer an incomparable view of the structure of political, ideological, and electoral conflict from the 1940s to the present, not only in most Western countries (including France, the United States, and the United Kingdom, to which I will devote special attention) but also in many
other countries, including India, Brazil, and South Africa. One of the most important shortcomings of my previous book, apart from its focus on the rich countries, was its tendency to treat political and ideological changes associated with inequality and redistribution as a black box. I proposed a number of hypotheses concerning, for example, changing political attitudes toward inequality and private property owing to world war, economic crisis, and the communist challenge in the twentieth century, but I never really tackled head on the question of how inegalitarian ideologies evolve. In the present work I try to do this much more explicitly by situating the question in a broader temporal and spatial perspective. In doing so I make extensive use of postelection surveys and other relevant sources.

**Human Progress, the Revival of Inequality, and Global Diversity**

Now to the heart of the matter: human progress exists, but it is fragile. It is constantly threatened by inegalitarian and identitarian tendencies. To believe that human progress exists, it suffices to look at statistics for health and education worldwide over the past two centuries (Fig. I.1). Average life expectancy at birth rose from around 26 years in 1820 to 72 years in 2020. At the turn of the nineteenth century, around 20 percent of all newborns died in their first year, compared with 1 percent today. The life expectancy of children who reach the age of 1 has increased from roughly 32 years in 1820 to 73 today. We could focus on any number of other indicators: the probability of a newborn surviving until age 10, of an adult reaching age 60, or of a retiree enjoying five or ten years of good health. Using any of these indicators, the long-run improvement is impressive. It is of course possible to cite countries or periods in which life expectancy declined even in peacetime, as in the Soviet Union in the 1970s or the United States in the 2010s. This is generally not a good sign for the regimes in which it occurs. In the long run, however, there can be no doubt that things have improved everywhere in the world, notwithstanding the limitations of available demographic sources.3

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3. Circa 1820, the life expectancy of a child who survived to the age of 1 was roughly 30 years in Africa and Asia and 41 in Western Europe, for a global average of about 32. In 2020 it was 56 in sub-Saharan Africa and more than 80 in the wealthiest countries of Europe and Asia, for a world average of about 73. Although these estimates are imperfect, the orders of magnitude are clear. All life expectancies are based on mortality by age in the year considered (the life expectancy of a person born in that year is therefore slightly higher). See the online appendix.
People are healthier today than ever before. They also have more access to education and culture. UNESCO defines literacy as the “ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts.” Although no such definition existed at the turn of the nineteenth century, we can deduce from various surveys and census data that barely 10 percent of the world’s population aged 15 and older could be classified as literate compared with more than 85 percent today. This finding is confirmed by more precise indices such as years of schooling, which has risen from barely one year two centuries ago to eight years today and to more than twelve years in the most advanced countries. In the age of Austen and Balzac, fewer than 10 percent of the world’s population attended primary school; in the age of Adichie and Fuentes, more than half of all children in the wealthiest countries attend university. What had always been a class privilege is now available to the majority.

To gauge the magnitude of these changes, it is also important to note that the world’s population is more than ten times larger today than it was in the

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eighteenth century, and the average per capita income is ten times higher. From 600 million in 1700 the population of the world has grown to more than 7 billion today, while average income, insofar as it can be measured, has grown from a purchasing power of less than 100 (expressed in 2020 euros) a month in 1700 to roughly 1,000 euros per month per person in 2020 (Fig. I.2). This is a significant quantitative gain, although it should be noted that it corresponds to an annual growth rate of just 0.8 percent (extended over three centuries, which proves, if proof were needed, that earthly paradise can be achieved without a growth rate of 5 percent). Whether this increase in population and average monthly income represents “progress” as indubitable as that achieved in health and education is open to question, however.

It is difficult to interpret the meaning of these changes and their future implications. The growth of the world’s population is due in part to the decline in infant mortality and the fact that growing numbers of parents lived long enough to care for their children to the brink of adulthood. If this rate of population growth continues for another three centuries, however, the population of the planet will grow to more than 70 billion, which seems neither de-
sirable nor sustainable. The growth of average per capita income has meant a very substantial improvement in standards of living: three-quarters of the globe’s inhabitants lived close to the subsistence threshold in the eighteenth century compared with less than a fifth today. People today enjoy unprecedented opportunities for travel and recreation and for meeting other people and achieving emancipation. Yet several issues bedevil the national accounts I rely on to describe the long-term trajectory of average income. Because national accounts deal with aggregates, they take no account of inequality and have been slow to incorporate data on sustainability, human capital, and natural capital. Because they try to sum up the economy in a single-figure, total national income, they are not very useful for studying long-run changes in such multidimensional variables as standards of living and purchasing power.4

While the progress made in the areas of health, education, and purchasing power has been real, it has masked vast inequalities and vulnerabilities. In 2018, the infant mortality rate was less than 0.1 percent in the wealthiest countries of Europe, North America, and Asia, but nearly 10 percent in the poorest African countries. Average per capita income rose to 1,000 euros per month, but it was barely 100–200 euros a month in the poorest countries and more than 3,000–4,000 a month in the wealthiest. In a few tiny tax havens, which are suspected (rightly) of robbing the rest of the planet, it is even higher, as is also the case in certain petro-monarchies whose wealth comes at the price of future global warming. There has been real progress, but we can always do better, so we would be foolish to rest on our laurels.

Although there can be no doubt about the progress made between the eighteenth century and now, there have also been phases of regression, during which inequality increased and civilization declined. The Euro-American Enlightenment and the Industrial Revolution coincided with extremely violent systems of property ownership, slavery, and colonialism, which attained historic proportions in the eighteenth, nineteenth, and twentieth centuries. Between 1914 and 1945 the European powers themselves succumbed to a phase of genocidal self-destruction. In the 1950s and 1960s the colonial powers were

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4. National income is defined as gross domestic product (GDP) minus capital depreciation (which in practice amounts to 10–15 percent of GDP), plus net income from abroad (which can be positive or negative for a given country but sums to zero globally). See Piketty, *Capital in the Twenty-First Century*, chaps. 1–2. I will return several times to the social and political issues raised by national accounts and their various shortcomings, especially in regard to durable and equitable development. See esp. Chap. 13.
obliged to decolonize, while at the same time the United States finally granted civil rights to the descendants of slaves. Owing to the conflict between capitalism and communism, the world had long lived with fears of nuclear annihilation. With the collapse of the Soviet empire in 1989–1991, those fears dissipated. South African apartheid was abolished in 1991–1994. Yet soon thereafter, in the early 2000s, a new regressive phase began, as the climate warmed and xenophobic identity politics gained a foothold in many countries. All of this took place against a background of growing socioeconomic inequality after 1980–1990, propelled by a particularly radical form of neo-proprietarian ideology. It would make little sense to assert that everything that happened between the eighteenth century and today was somehow necessary to achieve the progress noted above. Other paths could have been followed; other inequality regimes could have been chosen. More just and egalitarian societies are always possible.

If there is a lesson to be learned from the past three centuries of world history, it is that human progress is not linear. It is wrong to assume that every change will always be for the best or that free competition between states and among economic actors will somehow miraculously lead to universal social harmony. Progress exists, but it is a struggle, and it depends above all on rational analysis of historical changes and all their consequences, positive as well as negative.

The Return of Inequality: Initial Bearings

Among the most worrisome structural changes facing us today is the revival of inequality nearly everywhere since the 1980s. It is hard to envision solutions to other major problems such as immigration and climate change if we cannot both reduce inequality and establish a standard of justice acceptable to a majority of the world’s people.

Let us begin by looking at a simple indicator, the share of the top decile (that is, the top 10 percent) of the income distribution in various places since 1980. If perfect social equality existed, the top decile’s share would be exactly 10 percent. If perfect inequality prevailed, it would be 100 percent. In reality it falls somewhere between these two extremes, but the exact figure varies widely in time and space. Over the past few decades we find that the top decile’s share has risen almost everywhere. Take, for example, India, the United States, Russia, China, and Europe. The share of the top decile in each of these five regions stood at around 25–35 percent in 1980 but by 2018 had risen to between 35 and 55 percent (Fig. I.3). How much higher can it go? Could it rise to 55 or even
75 percent over the next few decades? Note, too, that there is considerable variation in the magnitude of the increase from region to region, even at comparable levels of development. The top decile’s share has risen much more rapidly in the United States than in Europe (enlarged European Union, 540 million inhabitants) and much more in India than in China.

When we look more closely at the data, we find that the increase in inequality has come at the expense of the bottom 50 percent of the distribution, whose share of total income stood at about 20–25 percent in 1980 in all five regions but had fallen to 15–20 percent in 2018 (and, indeed, as low as 10 percent in the United States, which is particularly worrisome).  

5. For the purposes of Fig. I.3 (and in the remainder of the book unless otherwise specified), Europe is defined as the European Union plus allied countries such as Switzerland and Norway, with a total population of 540 million, roughly 420 million of whom live in Western Europe, 120 million in Eastern Europe, and 520 million...
If we take a longer view, we find that the five major regions of the world represented in Fig. I.3 enjoyed a relatively egalitarian phase between 1950 and 1980 before entering a phase of rising inequality since then. The egalitarian phase was marked by different political regimes in different regions: communist regimes in China and Russia and social-democratic regimes in Europe and to a certain extent in the United States and India. We will be looking much more closely at the differences among these various political regimes in what follows, but for now we can say that all favored some degree of socioeconomic equality (which does not mean that other forms of inequality can be ignored).

If we now expand our view to include other parts of the world, we see that inequalities were even greater elsewhere (Fig. I.4). For instance, the top decile claimed 54 percent of total income in sub-Saharan Africa (and as much as 65 percent in South Africa), 56 percent in Brazil, and 64 percent in the Middle East, which stands out as the world’s most inegalitarian region in 2018 (almost on a par with South Africa). There, the bottom 50 percent of the distribution earns less than 10 percent of total income. The causes of inequality vary widely from region to region. For instance, the historical legacy of racial and colonial discrimination and slavery weighs heavily in Brazil and South Africa as well as in the United States. In the Middle East more “modern” factors are at play: petroleum wealth and the financial assets into which it has been converted are concentrated in very few hands thanks to the workings of global markets and sophisticated legal systems. South Africa, Brazil, and the Middle East stand at the frontier of modern inequality, with top decile shares of 55–65 percent. Despite deficiencies in the available historical data, moreover, it appears that inequality in these regions has always been high: they never experienced a relatively egalitarian “social-democratic” phase (much less a communist one).

To sum up, inequality has increased in nearly every region of the world since 1980, except in those countries that have always been highly inegalitarian. In a sense, what is happening is that regions that enjoyed a phase of relative equality...
between 1950 and 1980 are moving back toward the inequalitarian frontier, albeit with large variations from country to country.

The Elephant Curve: A Sober Debate about Globalization

The revival of within-country inequality after 1980 is by now a well-established and widely recognized phenomenon. There is, however, no agreement on what to do about it. The key question is not the level of inequality but rather its origin and justification. For instance, it is perfectly possible to argue that the level of income inequality was kept artificially and excessively low under Russian and Chinese Communism before 1980. Hence there is nothing wrong with the growing income inequality observed since then; inequality has actually stimulated innovation and growth for the benefit of all, especially in China, where the poverty rate has decreased dramatically. But to what extent is this argument correct? Care is necessary in evaluating the data. Was it justifiable, for example, for Russian and Chinese oligarchs to capture so much natural wealth and so many formerly public enterprises in the period 2000–2020, especially when those oligarchs frequently failed to demonstrate much talent.

**Fig. I.4.** Inequality in different regions of the world in 2018

*Interpretation:* In 2018, the share of the top decile (the highest 10 percent of earners) in national income was 34 percent in Europe, 41 percent in China, 46 percent in Russia, 48 percent in the United States, 54 percent in sub-Saharan Africa, 55 percent in India, 56 percent in Brazil, and 64 percent in the Middle East. *Sources and series:* piketty.pse. ens.fr/ideology.
for innovation, except when it came to inventing legal and fiscal stratagems to secure the wealth they appropriated? To fully answer this question one cannot simply say that there was too little inequality prior to 1980.

A similar argument could be made about India, Europe, and the United States—namely, that equality had gone too far in the period 1950–1980 and had to be curtailed for the sake of the poor. Here, however, the problems are even greater than in the case of Russia or China. Even if this argument were partly correct, would it justify a priori any level of inequality whatsoever, without so much as a glance at the data? Growth rates in both Europe and the United States were higher, for example, in the egalitarian period (1950–1980) than in the subsequent phase of rising inequality. This casts doubt on the argument that greater inequality is always socially useful. After 1980, inequality increased more in the United States than in Europe, but this did not lead to a higher rate of growth, much less benefit the bottom 50 percent of the income distribution, whose standard of living stagnated in absolute terms and fell sharply compared to that of top earners. In other words, overall growth of national income decreased in the United States, as did the share of the bottom half. In India, inequality increased much more sharply after 1980 than in China, but India’s growth rate was lower so that the bottom 50 percent was doubly penalized by both a lower growth rate and a decreased share of national income. Clearly, then, the argument that the income gap between high and low earners had been compressed too much in the period 1950–1980, thus calling for a corrective, has its shortcomings. Nevertheless, it should be taken seriously, up to a point, and we will do so in what follows.

One clear way of representing the distribution of global growth in the period 1980–2018 is to plot the cumulative income growth of each decile of the global income distribution. The result is sometimes referred to as “the elephant curve” (Fig. I.5). This can be summarized as follows. The sixth to ninth deciles of global income (comprising people who belonged to neither the bottom 60 percent nor the top 10 percent of the income distribution or, in other words, the global middle class) did not benefit much at all from global economic growth in this period. By contrast, the groups above and below this global middle class benefited a great deal. Some relatively poor households (in the

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7. The “elephant curve” was first formulated by C. Lakner and B. Milanovic in “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession,” *World Bank Economic Review*, 2015. The estimates given here are from the *World Inequality Report 2018* and the WID.world database, which give a better picture of the top end of the distribution.
second, third, and fourth deciles of the world income distribution) did improve their position; some of the wealthiest households in the wealthiest countries gained even more (namely, those in the tip of the elephant’s trunk, the ninetieth percentile or top 1 percent, and especially the tenth and one-hundredth of a percent, whose incomes rose by several hundred percent). If the global income distribution were stable, this curve would be flat: each percentile would progress at the same rate as all the others. There would still be rich people and poor people as well as upward and downward mobility, but the average income of each percentile would increase at the same rate. In other words, “a rising tide would lift all boats,” to use an expression that became popular in the postwar era, when the tide did seem to be rising. The fact that the elephant curve is so far from flat illustrates the magnitude of the change we have been witnessing over the past three decades.

8. The elephant curve plots the growth of average income for a given percentile of the distribution between two dates. Of course, a given percentile group does not contain the same individuals at both dates, as a given individual may move to a different group or be born or die between the start and end dates.
The elephant curve is fundamental because it explains why globalization is so politically controversial: for some observers the most striking fact is that the remarkable growth of certain less-developed countries has so dramatically reduced global poverty and inequality while others deplore the sharp increase of inequality at the top due to the excesses of global hypercapitalism. Both sides have a point: inequality between the bottom and middle of the global income distribution has decreased, while inequality between the middle and top has increased. Both aspects of the globalization story are real. The point is not to deny either part of the story but rather to figure out how to retain the good features of globalization while getting rid of the bad. Here we see the importance of choosing the right terminology and conceptual framework. If we tried to describe inequality using a single indicator, such as the Gini coefficient, we could easily deceive ourselves. Because we would then lack the means to perceive complex, multidimensional changes, we might think that nothing had changed at all: with a single indicator, several disparate phenomena can cancel one another out. For that reason, I avoid relying on any single “synthetic” index. I will always be careful to distinguish the various deciles and percentiles of the relevant wealth and income distributions (and thus the social groups to which they correspond).

Some critics object that the elephant curve focuses too much attention on the top 1 or 0.1 percent of the global population, where the gains have been highest. It is foolish, they say, to arouse envy of such a tiny group rather than rejoice in the manifest growth at the lower end of the distribution. In fact, recent research confirms the importance of looking at top incomes; indeed, it shows that the gains at the top are even larger than the original elephant curve suggested. Between 1980 and 2018, the top 1 percent captured 27 percent

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9. The Gini coefficient was invented in the early twentieth century by the Italian economist and statistician Corrado Gini, who shared with his compatriot Vilfredo Pareto a relatively conservative view of inequality as a permanent feature of all economies. See Piketty, *Capital in the Twenty-First Century*, pp. 266–270. I will have more to say about the importance of statistical indices and the ambiguous role played in these debates by national and international statistical agencies (see Chap. 13). All Gini coefficients for distributions of wealth and income mentioned in this book are available in the online appendix. Simply stated: the Gini coefficient, which by definition always lies between zero (total equality) and one (total inequality), generally lies between 0.8 and 0.9 when the top decile’s share is 80–90 percent, and falls to 0.1–0.2 when the top decile’s share drops to 10–20 percent. We learn much more, however, from the shares captured by different groups (such as the bottom 50 percent, the top 10 percent, and so on), so I urge the reader to think in these terms, focusing on orders of magnitude rather than on Gini coefficients.
of global income growth, versus just 12 percent for the bottom 50 percent (Fig. I.5). In other words, the tip of the pachyderm’s trunk may concern only a tiny segment of the population, but it has captured an elephant-sized portion of the world’s growth—its share is twice as large as that of the 3.5 billion individuals at the bottom end.10 In other words, a growth model only slightly less beneficial to those at the top would have permitted a much more rapid reduction in global poverty (and could still do so in the future).

Although this type of data can clarify the issues, it cannot end the debate. Everything depends on the causes of inequality and how it is justified. How much can the growth of top incomes be justified by the benefits the wealthy contribute to the rest of society? If one believes that greater inequality always and everywhere leads to higher income and better living standards for the poorest 50 percent, can one justify the 27 percent of world income growth captured by the top 1 percent—or perhaps even at higher percentages—why not 40 or 60 or even 80 percent? The cases mentioned earlier—the United States versus Europe and India versus China—suggest that this is not a very persuasive argument, however, because the countries where top earners gained the most are not those where the poor reaped the largest benefits. Analysis of these cases suggests that the share going to the top 1 percent could have been reduced to 10 or 20 percent, or perhaps even less, while still allowing significant improvement in the living standards of the bottom 50 percent. These issues are important enough to call for more detailed investigation. In any case, the data suggest that there is no reason to believe that there is just one way to organize the global economy. There is no reason to believe that the top 1 percent must capture precisely 27 percent of income growth (versus 12 percent for the bottom 50). What the global growth figures reveal is that the distribution of gains is just as important as overall growth. Hence there is ample room for debate about the political and institutional choices that affect distribution.

On the Justification of Extreme Inequality

The world’s largest fortunes have grown since 1980 at even faster rates than the world’s top incomes depicted in Fig. I.5. Great fortunes grew extremely rapidly in all parts of the world: among the leading beneficiaries were Russian oligarchs,

10. The scale adopted in Fig. I.5 overstates the size of the top 1 percent in terms of population but understates its share of total growth. See the World Inequality Report 2018 (wir2018.wid.world).
Mexican magnates, Chinese billionaires, Indonesian financiers, Saudi investors, Indian industrialists, European rentiers, and wealthy Americans. In the period 1980–2018, large fortunes grew at rates three to four times the growth rate of the global economy. Such phenomenal growth cannot continue indefinitely, unless one is prepared to believe that nearly all global wealth is destined to end up in the hands of billionaires. Nevertheless, the gap between top fortunes and the rest continued to grow even in the decade after the financial crisis of 2008 at virtually the same rate as in the two previous decades, which suggests that we may not yet have seen the end of a massive change in the structure of the world’s wealth.11

In the face of such spectacular change, many justifications of wealth inequality have been proposed, some of them quite surprising. In the West, for example, apologists like to divide the rich into two categories. On the one hand, there are Russian oligarchs, Middle Eastern oil sheiks, and billionaires of various nationalities, be they Chinese, Mexican, Guinean, Indian, or Indonesian. Critics question whether such people “deserve” their wealth, which they allegedly owe to close ties to the powers that be in their respective countries: for example, it is often insinuated that these fortunes originated with unfair appropriation of natural resources or illegitimate licensing arrangements. The beneficiaries supposedly did little to stimulate economic growth. On the other hand, there are entrepreneurs, usually European or American, of whom Silicon Valley innovators serve as a paradigmatic example. Their contributions to global prosperity are widely praised. If they were properly rewarded for their efforts, some say, they would be even richer than they are. Society, their champions argue, owes them a moral debt, which it should perhaps repay in the form of tax breaks or political influence (which in some countries they may already have achieved on their own). Such hyper-meritocratic, Western-centric justifications of inequality demonstrate the irrepressible human need to make sense of social inequality, at times in ways that stretch credulity. This quasi-Beatific view of wealth often ignores inconvenient facts. Would Bill Gates and his fellow techno-billionaires have been able to build their businesses without the hundreds of billions of dollars of public money invested in basic research over many decades? Would the quasi-monopolies they have built by patenting public knowledge have reaped such enormous profits without the active support of legal and tax codes?

Most justifications of extreme wealth inequality are less grandiose, however. The need for stability and protection of property rights is often emphasized.

11. See Fig. 13.1.
In other words, defenders admit that inequality of wealth may not be entirely just or invariably useful, especially when it reaches the level observed in places like California. But, they argue, challenging the status quo might initiate a self-reinforcing process whose effect on the poorest members of society would ultimately be negative. This quasi-religious defense of property rights as the sine qua non of social and political stability was characteristic of the ownership societies that flourished in Europe and the United States in the nineteenth and early twentieth centuries. The need for stability also figured in justifications of trifunctional and slave societies. Lately, the stability argument has been augmented by the claim that states are less inefficient than private philanthropy—an old argument that has recently regained prominence. All of these justifications of inequality deserve a hearing, but they can be refuted by applying the lessons of history.

Learning from History: The Lessons of the Twentieth Century

To understand and learn from what has been happening in the world since 1980, we must adopt a long-term historical and comparative perspective. The current inequality regime, which I call neo-proprietarian, bears traces of all the regimes that preceded it. To study it properly, we must begin by examining how the trifunctional societies of the premodern era, which were based on a ternary structure (clergy, nobility, and third estate), evolved into the ownership societies of the eighteenth and nineteenth centuries and then how those societies collapsed in the twentieth century in the face of challenges from communism and social democracy, world war, and, finally, wars of national liberation, which put an end to centuries of colonial domination. All human societies need to make sense of their inequalities, and the justifications given in the past turn out, if studied carefully, to be no more incoherent than those of the present. By examining them all in their concrete historical contexts, paying close attention to the multiplicity of possible trajectories and forks in the road, we can shed light on the present inequality regime and begin to see how it might be transformed.

The collapse of ownership and colonialist society in the twentieth century plays an especially important role in this history. It radically transformed the structure and justification of inequality, leading directly to the present state of affairs. The countries of Western Europe—most notably France, the United Kingdom, and Germany, which had been more inegalitarian than the United States on the eve of World War I—became more egalitarian over
the course of the twentieth century, partly because the shocks of the period 1914–1945 resulted in a greater compression of inequalities there and partly because inequality increased more in the United States after 1980 (Fig. I.6). \(^{12}\)

In both Europe and the United States, the compression of inequality in the period 1914–1970 can be explained by legal, social, and fiscal changes hastened by two world wars, the Bolshevik Revolution of 1917, and the Great Depression of 1929. In an intellectual and political sense, however, those changes were already under way by the end of the nineteenth century, and it is reasonable to think that they would have occurred in one form or another even if those crises had not occurred. Historical change takes place when evolving ideas confront

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\(^{12}\) For the purposes of Fig. I.6, Western Europe is defined as the average of the United Kingdom, France, Germany, and Sweden. See Figs. 10.1–10.3 for a separate analysis of long-term developments in the various countries of Europe. See also the online appendix, Fig. S0.6, for the corresponding annual series.
the logic of events: neither has much effect without the other. We will encounter this lesson numerous times in what follows, for example, when we analyze the events of the French Revolution or changes in the structure of inequality in India since the end of the colonial era.

Among the changes that contributed to the reduction of inequality in the twentieth century was the widespread emergence of a system of progressive taxation of both income and inherited wealth. The highest incomes and largest fortunes were taxed more heavily than smaller ones. In this the United States led the way: in the Gilded Age (1865–1900) and beyond, as industrial and financial wealth accumulated, Americans worried that their country might one day become as inegalitarian as the societies of the Old World, which they viewed as oligarchic and therefore at odds with the democratic spirit of the United States. The United Kingdom also turned to progressive taxation. Although the United Kingdom experienced much less destruction of wealth than either France or Germany between 1914 and 1945, it nevertheless chose (in calmer political circumstances than prevailed on the continent) to reject its highly inegalitarian past by imposing steeply progressive taxes on income and estates.

In the period 1932–1980, the top marginal income rate averaged 81 percent in the United States and 89 percent in the United Kingdom compared with “only” 58 percent in German and 60 percent in France (Fig. I.7). Note that these rates include only the income tax (and not other levies such as consumption taxes). In the United States they include only the federal income tax and not state income taxes (which can add 5–10 percent on top of the federal tax). Clearly, the fact that top marginal rates remained above 80 percent for nearly half a century did not destroy capitalism in the United States—quite the opposite.

As we will see, highly progressive taxation contributed strongly to the reduction of inequality in the twentieth century. We will also analyze in detail how progressive taxation was undone in the 1980s, especially in the United States and United Kingdom, and investigate what lessons can be drawn from this. The drastic reduction of top tax rates was the signature issue of the “conservative revolution” waged by the Republican Party under Ronald Reagan in the United States and the Conservative Party under Margaret Thatcher in Britain in the late 1970s and early 1980s. The ensuing political and ideological shift had a marked impact on taxes and inequality not only in the United States and United Kingdom but also around the world. Moreover, the turn to the right was never really challenged by the parties and governments that followed
Reagan and Thatcher. In the United States the top marginal federal income tax rate has fluctuated between 30 and 40 percent since the end of the 1980s. In the United Kingdom it has ranged from 40 to 45 percent, with a slight upward trend since the crisis of 2008. In both cases, the top rate between 1980 and 2018 has remained at roughly half that of the period 1932–1980 (40 percent compared with 80 percent; see Fig. I.7).

For champions of the fiscal turn, the spectacular decrease of progressivity was justified by the idea that top marginal rates had risen to unconscionable levels prior to 1980. Some argued that high top rates had sapped the entrepreneurial spirit of British and American innovators, allowing the United States and United Kingdom to be overtaken by West European and Japanese competitors (a prominent campaign issue in both countries in the 1970s and 1980s). In hindsight, these arguments cannot withstand scrutiny. The issue deserves a fresh look. Many other factors explain why Germany, France, Sweden, and
Japan caught up with the United States and United Kingdom in the period 1950–1980. Those countries had fallen seriously behind the leaders, especially the United States, and a growth spurt was all but inevitable. Growth was also spurred by institutional factors, including relatively ambitious (and egalitarian) social and educational policies adopted after World War II. These policies helped rivals catch up with the United States and surge ahead of the United Kingdom, where the educational system had been seriously neglected since the late nineteenth century. And once again, it should be stressed that productivity growth in the United States and United Kingdom was higher in the period 1950–1990 than in 1990–2020, thus casting serious doubt on the argument that reducing top marginal tax rates spurs economic growth.

In the end, it is fair to say that the move to a less progressive tax system in the 1980s played a large part in the unprecedented growth of inequality in the United States and United Kingdom between 1980 and 2018. The share of national income going to the bottom half of the income distribution collapsed, contributing perhaps to the feeling on the part of the middle and lower classes that they had been abandoned in addition to fueling the rise of xenophobia and identity politics in both countries. These developments came to a head in 2016, with the British vote to leave the European Union (Brexit) and the election of Donald Trump. With this recent history in mind, the time has come to rethink the wisdom of progressive taxation of both income and wealth, in rich countries as well as poor—the latter being the first to suffer from fiscal competition and lack of financial transparency. The free and unchecked circulation of capital without sharing of information between national tax authorities has been one of the primary means by which the conservative fiscal revolution of the 1980s has been protected and extended. It has adversely affected the process of state building and the development of just tax systems everywhere. Which raises another key question: Why have the social-democratic coalitions that emerged in the postwar era proved so unable to respond to these challenges? In particular, why have social democrats been so inept at constructing a progressive transnational tax system? Why have they not promoted the idea of social and temporary private ownership? If there were a sufficiently progressive tax on the largest holders of private property, such an idea would emerge naturally, because property owners would then be obliged to return a significant fraction of what they owned to the community every year. This political, intellectual, and ideological failure of social democracy must count among the reasons for the revival of inequality, reversing the historic trend toward ever greater equality.
On the Ideological Freeze and New Educational Inequalities

To understand what is happening, we will also need to look at political and ideological changes affecting other political and social institutions that have contributed to the reduction and regulation of inequality. I am thinking primarily of economic power sharing and employee involvement in business decision making and strategy setting. In the 1950s, several countries, including Germany and Sweden, were pioneers in this area, but until recently their innovations were not widely adopted or improved on. The reasons for this failure surely have to do with the specific histories of individual countries. Until the 1980s, for instance, the British Labour Party and French Socialists favored programs of nationalization, but after the fall of the Berlin Wall and the collapse of communism they abruptly gave up on redistribution altogether. Moreover, in no region has enough attention been paid to transcending private property in its present form.

Everyone is familiar with the effects of the Cold War on the system of international relations, but its consequences did not end there. In many ways the Cold War also created an ideological freeze, which discouraged new thinking about ways of transcending capitalism. The anticommunist euphoria that followed the fall of the Berlin Wall similarly discouraged fresh thinking right up to the Great Recession of 2008. Hence it is only recently that people have begun to think once again about imposing firmer social controls on capitalist economic forces.

This is particularly true when it comes to the crucial issue of investment in and access to education. The most striking fact about the increase of inequality in the United States is the collapse of the share of total national income going to the bottom 50 percent, which fell from about 20 percent in 1980 to a little more than 12 in 2018. Such a dramatic collapse from an already low level can only be explained by a multiplicity of factors. One such factor was the sharp decrease in the federal minimum wage (in real terms) since 1980. Another was significant inequality of access to education. It is striking to discover the degree to which access to a university education in the United States depends on parental income. It has been shown that the probability of access to higher education (including two-year junior college degrees) was just slightly above 20 percent for the 10 percent of young adults whose parents had the lowest income, increasing linearly to more than 90 percent for those whose parents had the highest income (Fig. I.8). Furthermore, access to higher education does not mean the same thing for those at the top and bottom of the distribu-

13. This is based on the work of Raj Chetty and Emmanuel Saez. See the online appendix.
Introduction. The concentration of educational investment in elitist institutions is particularly extreme in the United States, where admissions procedures are opaque and public regulation is almost entirely lacking.

These results are striking because they illustrate the wide gap that separates official meritocratic pronouncements (which emphasize—theoretically and rhetorically, at any rate—equality of opportunity) from the realities facing the most disadvantaged students. Inequality of access to and financing of education is somewhat less extreme in Europe and Japan, and this may account for part of the extreme gap between top and bottom incomes in the United States. Nevertheless, educational inequality and absence of democratic transparency in this area are issues everywhere. And here again, as with rethinking private property, social democracy has failed.

The Return of Multiple Elites and the Difficulty of Forging an Egalitarian Coalition

In what follows we will try to understand the conditions under which egalitarian coalitions came to exist in the mid-twentieth century and why, after a period of success in reducing inequality, they ultimately stalled. We will also

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FIG. I.8. Parental income and university access, United States, 2014
Interpretation: In 2014, the rate of access to higher education (percentage of individuals age 19–21 enrolled in a college, university, or other institution of higher education) was barely 30 percent for children of the poorest 10 percent in the United States and 90 percent for the richest 10 percent. Sources and series: piketty.pse.ens.fr/ideology.
try to imagine the conditions under which new egalitarian coalitions might emerge today.

We must first be clear about one thing. The broadly social-democratic redistributive coalitions that arose in the mid-twentieth century were not just electoral or institutional or party coalitions but also intellectual and ideological. The battle was fought and won above all on the battleground of ideas. It was of course essential that those ideas found embodiment in political parties, whether explicitly social-democratic parties such as the Swedish SAP or the German SPD (which both occupied key positions in the 1920s)\(^{14}\) or parties like Labour (which won an absolute majority in the United Kingdom in 1945) or the Democrats (who held the presidency in the United States from 1932 until 1952 under Roosevelt and then Truman). In France and elsewhere, moreover, one finds alliances of one kind or another between socialists and communists (who came to power in France, for example, in 1936 and 1945). Details aside, however, the fact remains that the real seizure of power was ideological and intellectual before it was political. In the period 1930–1980, even right-wing parties were influenced by ideas for reducing inequality and transforming legal, fiscal, and social systems. This transformation of politics depended not only on mobilizing (broadly) social-democratic coalitions but also on the involvement of civil society (including unions, activists, media, and intellectuals) and on a sweeping transformation of the dominant ideology, which throughout the long nineteenth century had been shaped by a quasi-religious theology of markets, inequality, and private property.

The most important factor in the emergence of this new coalition of ideas and new vision of the state’s role was the discrediting of the system of private property and free markets. This began in the late nineteenth and early twentieth centuries owing to the enormous concentration of industrial wealth and the consequent sense of injustice; it picked up speed after World War I and the Great Depression. The existence of a communist countermodel in the Soviet Union also played a crucial role, not only by obliging reluctant conservatives to embrace an ambitious redistributive agenda but also by accelerating decol-

\(^{14}\) The SAP (Sveriges Socialdemokratiska Arbetareparti) first came to power in the early 1920s and ruled more or less continuously after 1932. The SPD (Sozialdemokratische Partei Deutschlands) was the party of Friedrich Ebert, the first president of the Weimar Republic. The party has usually been either in opposition or part of a governing coalition, especially during the long period of Christian Democratic domination between 1949 and 1966.
onization in Europe’s empires and spurring the extension of civil rights in the United States.

When we look at the evolution of (broadly) social-democratic electorates after 1945, it is striking to see how similar developments were in Europe and the United States. In view of the very different histories of national party systems, it is by no means obvious why this should have been the case. Between 1950 and 1970, the Democratic Party’s share of the vote in the United States was especially high among less-educated voters with relatively low incomes and little if any wealth, whereas the Republican vote share was higher among the more highly educated with relatively high incomes and large fortunes. We find the same electoral structure in France, in almost identical proportions: between 1950 and 1970 the Socialist, Communist, and Radical parties attracted more votes among less-educated, lower-income, and less wealthy voters and conversely for the parties of the center-right and right. This electoral structure began to change in the late 1960s and 1970s, and in the period 1980–2000 we find a noticeably different structure, once again almost identical in France and the United States: both the Democrats and the Socialist-Communist alliance began to attract voters who were better educated but not among the highest earners. This pattern did not last, however. In the US presidential election of 2016, not only the best-educated but also the highest-income voters preferred the Democrats to the Republicans, thus completely reversing the social structure of the vote compared with the period 1950–1970 (Fig. I.9).

In other words, the decomposition of the left-right cleavage of the postwar era, on which the mid-twentieth-century reduction of inequality depended, has been a long time coming. To see it properly, we must view it in long-term historical perspective.

We find similar transformations (at least with respect to education levels) in the Labour vote in the United Kingdom and the social-democratic vote in various places in Europe.15 Between 1950 and 1980 the (broadly) social-democratic vote corresponded to the workers’ party; between 1990 and 2010 it mainly reflected the choice of the educated. Nevertheless, the wealthiest voters continued to be wary of social-democratic, workers, and socialist parties, including the Democratic Party in the United States (though to a dimin-

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15. See Chaps. 14–16. One observes similar transformations by comparing not the top 10 percent and the bottom 90 percent (as we do in Fig. I.9) but rather the top 50 percent and the bottom 50 percent or, for that matter, any other division of the distribution of educational degrees, income, or wealth.
The key point is that these different dimensions of social inequality (education, income, and wealth) have always been imperfectly correlated. In both periods one finds many people whose position in the educational hierarchy is higher than their position in the wealth hierarchy and vice versa. What matters is the ability of a political party or coalition to integrate or differentiate the various dimensions of social inequality.

16. The correlation of education, income, and wealth does not appear to have changed substantially during the period under study. See Chap. 14.
Concretely, in the period 1950–1980 the various dimensions of social inequality were politically aligned. The people at the bottom of the social hierarchy on all three axes (education, income, and wealth) tended to vote for the same party or coalition. Standing at a lower position along several axes had a cumulative effect on a person’s vote. Political conflict was therefore structured along class lines, in the sense that classes placed lower in the social hierarchy opposed classes placed higher, no matter what axis one chose to define their class (even though class identity is in practice highly complex and multidimensional, which is why forging majority coalitions is so complicated).

In the period 1980–2000, however, the various dimensions of social inequality ceased to line up with one another. The resulting division of the elite changed the structure of political conflict: one party or coalition attracts the votes of the more highly educated (the intellectual and cultural elite), while another draws the votes of the wealthiest and also (to some extent) of the highest income group (the commercial and financial elite). From this came many problems, including the fact that people without either an advanced degree, a large fortune, or a high income began to feel entirely left out, which may explain why voter turnout has collapsed in this group in recent decades in contrast to the period 1950–1970, when people in this group were as likely to vote as their better-off counterparts. If one wants to explain the rise of “populism” (a catch-all term frequently used by elites to discredit political movements they deem to be insufficiently under their control), it might not be a bad idea to begin by looking at the rise of “elitist” political parties. Note, too, that the modern multiple-elites regime bears a certain resemblance to the old trifunctional regime, in which the clerical elite and warrior elite counterbalanced each other, although the discourse of legitimation was obviously different in the distant past.

Rethinking Justice in Ownership, Education, and Immigration

We will attempt to delve in detail into the origins and implications of these changes in political cleavage structures and voting patterns after 1970. The story is complex, and one can analyze the relevant political changes as either a cause or a consequence of rising inequality. To deal with this in a totally satisfactory way would require drawing on a wider range of documents and research than I have been able to do in this book. On the one hand, one might argue that inequality increased because of the conservative revolution of the 1980s and the social and financial deregulation that followed, with a significant assist from the failure of social-democratic parties to devote sufficient
thought to alternative ways of organizing the global economy and transcending
the nation-state. As a result, the existing social-democratic parties and co-
alitions gradually abandoned any real ambition to reduce inequality and
redistribute wealth. Indeed, they themselves helped to promote greater
fiscal competition and free movement of goods and capital in exchange for
which they received nothing in the way of fiscal justice or greater social ben-
efits. As a result, they forfeited the support of the least well-off voters and
began to focus more and more on the better educated, the primary beneficiaries
of globalization.

On the other hand, however, one might also argue that deep racial and
ethno-religious divisions developed within the working class, first in the United
States in the wake of the civil rights movement of the 1960s and later in Eu-
rope, as issues connected with immigration and postcolonialism gained prom-
ience in the 1980s. Ultimately, these divisions led to the breakup of the egalit-
tarian coalition that had prevailed from 1950 until 1980, as the white native-born
working class succumbed to nativist xenophobia. In short, the first argument
holds that the social-democratic parties abandoned the working class, while the
second holds that it was the other way around.

Both arguments are partly correct, but if we compare many different na-
tional histories, we find that both can be subsumed in a more general argument,

namely that the egalitarian social-democratic coalition of the postwar era
proved incapable of revising and renewing its program and ideology. Instead
of blaming either liberal globalization (which did not fall from the sky) or
working-class racism (which is no more inevitable than elitist racism), we would
do better to explore the ideological failures of the egalitarian coalition.

Prominent among those ideological failures was the inability to conceptu-
alize or organize progressive taxation and redistribution at the transnational
level. During the period of successful redistribution at the national level, social
democrats largely avoided this issue. To date they have never really grappled with it even at the level of the European Union, much less globally. They also failed to grapple with the issue of ethnic diversity as it relates to redistribution—an issue that did not really arise prior to 1960, because people of different national, racial, or ethno-religious backgrounds seldom came into contact within national borders except in the context of colonial rule or con-

flict between states. Both ideological failures point to the same fundamental
question: What defines the boundaries of the human community in terms of
which collective life is organized, especially when it comes to reducing inequality
and establishing norms of equality acceptable to a majority? As technological
advances in transportation and communication bring formerly remote parts of the world into closer contact, the frame within which political action is imagined must be permanently rethought. The context of social justice must be explicitly global and transnational.

Furthermore, social democrats never really reconsidered the issue of just ownership after the collapse of communism. The postwar social-democratic compromise was built in haste, and issues such as progressive taxation, temporary ownership, circulation of ownership (for example, by means of a universal capital grant financed by a progressive tax on property and inheritances), power sharing in firms (via co-management or self-management), democratic budgeting, and public ownership were never explored as fully or systematically as they might have been.

When higher education ceased to be limited to a tiny elite, moreover, new issues of educational justice arose. Progressive educational policy was simple when it involved nothing more than allocating the resources necessary to ensure that all students would receive first primary and later secondary schooling. Expanding access to higher education then raised new problems. An ideology said to be based on equal opportunity quickly emerged, but its real purpose was to glorify the winners of the educational sweepstakes, with the result that educational resources were allocated in a particularly unequal and hypocritical fashion (Fig. I.8). The inability of social democrats to persuade the less well-off that they cared not only about elite institutions for their own children but also about schools for the rest helps to explain why social-democratic parties became parties of the educated elite. In view of the failure to develop a just and transparent set of educational policies, none of this is surprising.

In the final part of this book, I reflect on how we might use the lessons of history to achieve greater justice in ownership, education, and immigration. My conclusions should be taken for what they are: incomplete, tentative, and provisional. Together they point toward a form of participatory socialism and social federalism. One of the most important lessons of this book is the following: ideas and ideologies count in history, but unless they are set against the logic of events, with due attention to historical experimentation and concrete institutional practices (to say nothing of potentially violent crises), they are useless. One thing is certain: given the profound transformation of political cleavage structures and voting patterns since 1980, a new egalitarian coalition is unlikely to emerge in the absence of a radical redefinition of its intellectual, ideological and programmatic basis.
The Diversity of the World: The Indispensability of the Longue Durée

Before returning to these recent changes, this book begins with a lengthy detour in which I delve into the history of several different inequality regimes. Specifically, I look first at how premodern trifunctional societies were transformed into ownership societies and then at how contact with European ownership and colonialist societies influenced the development of non-European societies. I have already explained why this detour via the longue durée is necessary. It will allow us to explore the political and ideological diversity of inequality regimes that followed numerous different trajectories. Human beings have demonstrated great creativity in devising ways to justify and organize social inequality, and it would be wrong to view the resulting ideological and political constructs as mere veils intended only to conceal the perpetual domination of ruling elites. In fact, these constructs reflect struggles between contending social visions, each of which is to some extent sincere and plausible. From them we can therefore draw useful lessons. Large-scale social organization is never simple, and criticism of an existing regime is never enough to ensure that something better will replace it. The ideological constructs of the past must be taken seriously in part because they are not always more incoherent than those of the present and in part because our distance from them offers an opportunity for more objective analysis. We will also discover that many current debates have roots in the remote past: during the French Revolution, for example, people were already discussing progressive taxation and redistribution. We need to study this genealogy to gain a better understanding of how to deal with future conflicts.

Above all, a long detour through history is indispensable because the various regions of the world have only gradually come into contact with one another. For centuries most societies had little to do with foreigners. Trade in goods and ideas broke down barriers, and some states conquered others or established colonies on foreign soil. Only since the end of the Cold War and the era of decolonization have the various parts of the world become intimately intertwined, however, not only through financial and economic interactions but also to a greater degree through human and cultural exchange. Before 1960–1970, for example, many European countries had little contact with people from other continents or different religious backgrounds. The migrant flows of the post-colonial era changed this, and the effect on ideological and political conflict within Europe has been considerable. Other parts of the world such as India,
the United States, Brazil, and South Africa have had longer experience with the mingling of populations that see themselves as radically different for religious, social, or religious reasons. To one degree or another they have dealt with the ensuing problems through compromise and intermarriage, yet hostility has in some cases proved to be persistent and difficult to overcome. Without studying such encounters and the inequality regimes that developed from them in historical perspective, we have no hope of imagining the next stages of this long shared history of interconnected human societies.

On the Complementarity of Natural Language and Mathematical Language

I next want to clarify a point about method. This book will rely primarily on natural language (about which there is nothing particularly natural). To a lesser degree I will also make use of the language of mathematics and statistics. For instance, I will frequently refer to deciles and percentiles when discussing inequality of income, wealth, or education. My intent is not to replace class warfare with war between the deciles. Social identities are always flexible and multidimensional. In each society various social groups use natural language to designate professions and occupations and identify the qualifications, expectations, and experiences associated with each. There is no substitute for natural language when it comes to expressing social identities or defining political ideologies. By the same token there is no substitute for natural language when it comes to doing research in social science or thinking about the just society. Those who believe that we will one day be able to rely on a mathematical formula, algorithm, or econometric model to determine the “socially optimal” level of inequality are destined to be disappointed. This will thankfully never happen. Only open, democratic deliberation, conducted in plain natural language (or rather in several natural languages—not a minor point), can promise the level of nuance and subtlety necessary to make choices of such magnitude.

Nevertheless, this book relies heavily on the language of mathematics, statistical series, graphs, and tables. These devices also play an important role in political deliberation and historical change. Once again, however, it bears repeating that the statistics, historical data, and other quantitative measures presented in this book are imperfect, provisional, tentative social constructs. I do not contend that “truth” is found only in numbers or certainty only in “facts.” In my view, the primary purpose of statistics is to establish orders of magnitude.
and to compare different and perhaps remote periods, societies, and cultures as meaningfully as possible. Perfect comparison of societies remote in space and time is never possible. Despite the radical uniqueness of every society, however, it may not be unreasonable to attempt comparisons. It may make sense, for example, to compare the concentration of wealth in the United States in 2018 with that of France in 1914 or Britain in 1800.

To be sure, the conditions under which property rights were exercised were different in each case. The relevant legal, fiscal, and social systems differed in many ways, as did asset categories (land, buildings, financial assets, immaterial goods, and so on). Nevertheless, if one is aware of all these differences and never loses sight of the social and political conditions under which the source documents were constructed, comparison may still make sense. For instance, one can estimate the share of wealth held by the wealthiest 10 percent and the poorest 50 percent in each of these three societies. Historical statistics are also the best measure of our ignorance. Citing data always reveals the need for additional data, which usually cannot be found, and it is important to explain why it cannot. One can then be explicit about which comparisons are possible and which are not. In practice, some comparisons always make sense, even between societies that think of themselves as exceptional or as so radically different from others that learning from them is impossible. One of the main goals of social science research is to identify possible comparisons while excluding impossible ones.

Comparison is useful because it can extract lessons from different political experiences and historical paths, analyze the effects of different legal and fiscal systems, establish common norms of social and economic justice, and build institutions acceptable to the majority. Social scientists too often settle for saying that every statistic is a social construct. This is of course true, but it cannot be left at that, because to do so is to abandon key debates—on economic issues, for example—to others. It is fundamentally a conservative attitude or at any rate an attitude that betrays deep skepticism about the possibility of deriving lessons from imperfect historical sources.

Many historical processes of social and political emancipation have relied on statistical and mathematical constructs of one sort or another. For instance, it is difficult to organize a fair system of universal suffrage without the census data necessary to draw district boundaries in such a way as to ensure that each voter has identical weight. Mathematics can also help when it comes to defining rules for translating votes into decisions. Fiscal justice is impossible without tax schedules, which rely on well-defined rules instead of the discretionary judg-
ments of the tax collector. Those rules are derived in turn from abstract theoretical concepts such as income and capital. These are difficult to define, but without them it is hard to get different social groups to negotiate the compromises needed to devise an acceptably fair fiscal system. In the future, people may come to realize that educational justice is impossible without similar concepts for measuring whether the public resources available to less-favored groups are at least equivalent to those available to the favored (rather than markedly inferior, as is the case today in most countries). When used carefully and in moderation, the language of mathematics and statistics is an indispensable complement to natural language when it comes to combating intellectual nationalism and overcoming elite resistance.

Outline of the Book

The remainder of this book is divided into four parts comprising seventeen chapters. Part One, entitled “Inequality Regimes in History,” consists of five chapters. Chapter 1 is a general introduction to what I call ternary (or trifunctional) societies, that is, societies comprising three functional groups (clergy, nobility, and third estate). Chapter 2 is devoted to European “societies of orders,” based on an equilibrium between intellectual and warrior elites and on specific forms of ownership and power relations. Chapter 3 looks at the advent of ownership society, especially in the symbolic rupture of the French Revolution, which attempted to establish a radical division between property rights (theoretically open to all) and regalian rights (henceforth the monopoly of the state) but which came to grief over the issue of persistent inequality of wealth. Chapter 4 examines the development of a hyper-egalitarian form of ownership society in nineteenth-century France (up to the eve of World War I). Chapter 5 studies European variants of the transition from trifunctional to proprietarian logics, focusing on the British and Swedish cases. This will illustrate the variety of possible trajectories as well as the importance of collective mobilizations and help us to understand the influence of political and ideological differences on the transformation of inequality regimes.

Part Two, entitled “Slave and Colonial Societies,” consists of four chapters. Chapter 6 looks at slave society, the most extreme type of inequality regime. I focus particularly on the abolition of slavery in the nineteenth century and on the types of compensation offered to slaveowners. This will help us to appreciate the power of the quasi-sacred ownership regime that existed in this period, which has left its stamp on the world we live in today. Chapter 7 looks at
the structure of inequality in postslavery colonial societies, which, though less extreme than the slave societies they supplanted, nevertheless also profoundly influenced the structure of today's inequality, both between and within countries. Chapters 8 and 9 examine the way in which non-European trifunctional societies were affected by contact with European colonial and proprietarian powers. I focus first on the case of India (where ancient status divisions proved unusually tenacious, partly because of their rigid codification by the British colonizers). I then take a broader Eurasian perspective, looking at China, Japan, and Iran.

Part Three, entitled "The Great Transformation of the Twentieth Century," has four chapters. Chapter 10 analyzes the collapse of ownership society in the wake of two world wars, the Great Depression, the communist challenge, and decolonization, combined with popular and ideological mobilizations (including the rise of trade unions and social democracy) that had been brewing since the late nineteenth century. The result was a type of society less unequal than the ownership society that preceded it. Chapter 11 looks at the achievements and limitations of postwar social democracy. Among social democracy's shortcomings were its failure to develop a more just idea of property, its inability to confront the challenge of inequality in higher education, and its lack of a theory of transnational redistribution. Chapter 12 considers the communist and postcommunist societies of Russia, China, and Eastern Europe, including the postcommunist contribution to the recent rise of inequality and turn to identity politics. Chapter 13 views the current global hypercapitalist inequality regime in historical perspective, with an emphasis on its inability to respond adequately to the two crises that are undermining it: the crisis of inequality and the environmental crisis.

Part Four, entitled "Rethinking the Dimensions of Political Conflict," consists of four chapters, in which I study the changing social structure of party electorates and political movements since the mid-twentieth century and speculate about changes yet to come. Chapter 14 looks at the historical conditions under which an egalitarian coalition first developed and later fell apart. In France the redistributive program of social democracy was convincing enough to draw support from working-class people of different backgrounds. Chapter 15 considers the disaggregation, gentrification, and “Brahminization” of postwar social democracy in the United States and United Kingdom and finds common structural causes in both countries. Chapter 16 extends the analysis to other Western democracies as well as to Eastern Europe, India, and Brazil. I also consider the emergence of a social-nativist trap in the first two decades of the
twenty-first century. Today’s identity politics is fueled, I argue, by the lack of a persuasive internationalist egalitarian platform—in other words, by the absence of a truly credible social federalism. Chapter 17 derives lessons from the historical experiences recounted in the previous chapters and envisions a participatory form of socialism for the present century. In particular, I consider a possible basis for a just property regime resting on two main pillars: first, authentic power sharing and voting rights within firms as steps beyond co-management and self-management and toward true social ownership, and second, a strongly progressive tax on property, the proceeds of which would finance capital grants to every young adult, thereby instituting a system of provisional ownership and permanent circulation of wealth. I also look into how educational and fiscal justice might be guaranteed by citizen oversight. Finally, I investigate what is necessary to ensure a just democracy and a just border system. The key issue here is how to reorganize the global economy along social federalist lines so as to allow the emergence of new forms of fiscal, social, and environmental solidarity, with the ultimate goal of substituting true global governance for the treaties that today mandate free movement of goods and capital.

Hurried readers might be tempted to turn directly to the final chapter and conclusion. Although I cannot stop them, I warn them that they may find it difficult to follow the argument without at least glancing at Parts One through Four. Others may feel that the material presented in Parts One and Two deals with such ancient history that they fail to grasp its relevance and therefore prefer to focus on Parts Three and Four. I have tried to begin each section and chapter with enough recapitulations and references to allow the book to be read in more than one way. Each reader is thus free to choose a path, even though the most logical sequence is to read the chapters in the order they are presented.

Only the principal sources and references are cited in the text and footnotes. Readers seeking more detailed information about the historical sources, bibliographic references, and methods used in this book are invited to consult the online technical appendix at http://piketty.pse.ens.fr/ideology.17

17. All statistical series, graphs, and tables in this book are also available online at http://piketty.pse.ens.fr/ideology.
{ SEVENTEEN }

Elements for a Participatory Socialism
for the Twenty-First Century

In this book I have tried to present a reasoned history of inequality regimes from early trifunctional and slave societies to modern hypercapitalist and post-colonial ones. All human societies need to justify their inequalities. Their histories are organized around the ideologies they develop to regulate, by means of complex and changing institutional arrangements, social relations, property rights, and borders. The search for a just inequality is of course not exempt from hypocrisy on the part of dominant groups, but every ideology contains plausible and sincere elements from which we can derive useful lessons.

In the last few chapters, I have tried to highlight the significant dangers posed by the rise of socioeconomic inequality since 1980. In a period marked by internationalization of trade and rapid expansion of higher education, social-democratic parties failed to adapt quickly enough, and the left-right cleavage that had made possible the mid-twentieth-century reduction of inequality gradually fell apart. The conservative revolution of the 1980s, the collapse of Soviet communism, and the development of neo-proprietarian ideology vastly increased the concentration of income and wealth in the first two decades of the twenty-first century. Inequality has in turn heightened social tensions almost everywhere. For want of a constructive egalitarian and universal political outlet, these tensions have fostered the kinds of nationalist identity cleavages that we see today in practically every part of the world: in the United States and Europe, India and Brazil, China and the Middle East. When people are told that there is no credible alternative to the socioeconomic organization and class inequality that exist today, it is not surprising that they invest their hopes in defending their borders and identities instead.

Yet the new hyper-inegalitarian narrative that has taken hold since the 1980s is not ordained by fate. While it is partly a product of history and of the communist debacle, it is also a consequence of the failure to disseminate knowledge, of disciplinary barriers that are too rigid, and of insufficient citizen appropriation of economic and financial issues, which are too often left to others.
The study of history has convinced me that it is possible to transcend today’s capitalist system and to outline the contours of a new participatory socialism for the twenty-first century—a new universalist egalitarian perspective based on social ownership, education, and shared knowledge and power. In this final chapter, I will attempt to gather up some of the elements that I believe will help us to progress toward this goal, based on the lessons of the past highlighted in previous chapters. I will begin by looking at the conditions of just ownership. New forms of social ownership will need to be developed, along with new ways of apportioning voting rights and decision-making powers within firms. The notion of permanent private ownership will need to be replaced by temporary private ownership, which will require steeply progressive taxes on large concentrations of property. The proceeds of the wealth tax will then be parcelled out to every citizen in the form of a universal capital endowment, thus ensuring permanent circulation of property and wealth. I will also consider the role of progressive income taxes, universal basic incomes, and educational justice. Finally, I will look at the issue of democracy and borders and ask how it might be possible to reorganize the global economy so as to favor a transnational democratic system aimed at achieving social, fiscal, and environmental justice.

To be perfectly frank, it would be absurd for anyone to claim to have perfectly satisfactory and convincing answers to such complex questions or to present ready-made, easily applicable solutions. That is obviously not the purpose of the pages that follow. The whole history of inequality regimes shows that what makes historical change possible is above all the existence of social and political mobilizations for change and concrete experimentation with alternative arrangements. History is the product of crises; it never unfolds as textbooks might lead one to expect. Nevertheless, it seems useful to devote this final chapter to the lessons one can draw from the available sources and to the positions I would be inclined to defend if I had all the time in the world to deliberate. I have no idea what the crises to come might look like or what ideas will be drawn upon to propose new paths forward. But there is no doubt that ideology will continue to play a central role, for better and for worse.

Justice as Participation and Deliberation

What is a just society? For the purposes of this book, I propose the following imperfect definition. A just society is one that allows all of its members access to the widest possible range of fundamental goods. Fundamental goods include education, health, the right to vote, and more generally to participate as fully
as possible in the various forms of social, cultural, economic, civic, and political life. A just society organizes socioeconomic relations, property rights, and the distribution of income and wealth in such a way as to allow its least advantaged members to enjoy the highest possible life conditions. A just society in no way requires absolute uniformity or equality. To the extent that income and wealth inequalities are the result of different aspirations and distinct life choices or permit improvement of the standard of living and expansion of the opportunities available to the disadvantaged, they may be considered just. But this must be demonstrated, not assumed, and this argument cannot be invoked to justify any degree of inequality whatsoever, as it too often is.

This imprecise definition of the just society does not resolve all issues—far from it. But to go further requires collective deliberation on the basis of each citizen's historical and individual experience with participation by all members of society. That is why deliberation is both an end and a means. The definition is nevertheless useful because it allows us to lay down certain principles. In particular, equality of access to fundamental goods must be absolute: one cannot offer greater political participation, extended education, or higher income to certain groups while depriving others of the right to vote, attend school, or receive health care. Where do fundamental goods such as education, health, housing, culture, and so on end? That is obviously a matter for debate and cannot be decided outside the framework of a particular society in a particular historical context.

To my way of thinking, the interesting questions arise when one begins to look at the idea of justice in particular historical societies and to analyze how conflicts over justice are embodied in discourse, institutions, and specific social, fiscal, and educational arrangements. Some readers may find that the principles of justice I set forth here are similar to those formulated by John Rawls in 1971. There is some truth to this, provided one adds that similar principles can be found in much earlier forms in many civilizations: for instance, in Article I of the Declaration of the Rights of Man and the Citizen of 1789.

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1. Especially his “difference principle”: “Social and economic inequalities are to be to the greatest benefit of the least advantaged members of society.” This formula, taken from J. Rawls, Theory of Justice (1971), was repeated in J. Rawls’s Political Liberalism (1993). The theory is sometimes summarized as “maximin” (the ultimate social objective is to maximize minimum well-being), even though it also insists on absolute equality of fundamental rights.

2. “Men are born and remain free and equal in rights. Social distinctions can only be based on common social utility.” The second part of this proposition has often
Nevertheless, grand declarations of principle like those formulated during the French Revolution or in the US’s Declaration of Independence did nothing to prevent the persistence and exacerbation of large social inequalities in both countries throughout the nineteenth and into the twentieth centuries, nor did they prevent the establishment of systems of colonial domination, slavery, and racial segregation that endured until the 1960s. Hence it is wise to be wary of abstract and general principles of social justice and to concentrate instead on the way in which those principles are embodied in specific societies and concrete policies and institutions.

The elements of a participatory socialism that I will present below are based primarily on the historical lessons presented in this book—especially the lessons that can be drawn from the major transformations of inequality regimes that took place in the twentieth century. In reflecting on how to apply those lessons, I have had in mind today’s societies, the societies of the early twenty-first century. Some of the items discussed below demand significant state, administrative, and fiscal capacities if they are to be implemented, and in that sense they are most directly applicable to Western societies and to the more developed non-Western ones. But I have tried to think about them in a universal perspective, and they may gradually become applicable to poor and emerging countries as well. The proposals I examine here derive from the democratic socialist tradition, notably in the emphasis I place on transcending private ownership and involving workers and their representatives in corporate governance (a practice that has already played an important role in German and Nordic social democracy). I prefer to speak of “participatory socialism” to emphasize the goal of participation and decentralization and to sharply distinguish this project from the hypercentralized state socialism that was tried in the twentieth century in the Soviet Union and other communist states (and is still widely practiced in the Chinese public sector). I also envision a central role for the educational system and emphasize the themes of temporary ownership been interpreted as opening the way to just inequality. See T. Piketty, Capital in the Twenty-First Century, trans. A. Goldhammer (Harvard University Press, 2014), pp. 479–481.

3. The principal limitation of the Rawlsian approach is that it remains fairly abstract and says nothing precise about the levels of inequality and fiscal progressivity the principles imply. Thus Friedrich A. von Hayek was able to write in the preface to Law, Legislation, and Liberty (1982) that he felt close to Rawls and his “difference principle,” which in practice has often been used to justify high levels of inequality to act as a useful incentive (on the basis of little evidence).
and progressive taxation (bearing in mind that progressive taxes played an important role in British and American progressivism and were widely debated though never implemented during the French Revolution).

In view of the largely positive results of democratic socialism and social democracy in the twentieth century, especially in Western Europe, I think that the word “socialism” still deserves to be used in the twenty-first century to evoke that tradition even as we seek to move beyond it. And move beyond it we must if we are to overcome the most glaring deficiencies of the social-democratic response of the past four decades. In any case, the substance of the proposals we will discuss matters more than any label one might attach to them. It is perfectly comprehensible that for some readers the word “socialism” will have been permanently tarnished by the Soviet experience (or by the actions of more recent governments that were “socialist” in name only). Therefore, they would prefer a different word. Nevertheless, I hope that such readers will at least follow my argument and the propositions that flow from it, which in fact draw on experiences and traditions of many kinds.4

Note, finally, that the options defended here reflect the following thought experiment. Suppose that we have unlimited time for debate in an immense global agora. The subject of debate is how best to organize the property regime, fiscal and educational systems, borders, and the democratic regime itself. The choices I make below are the ones I would defend in such a setting on the basis of the historical knowledge I acquired to write this book and in the hope of persuading the largest possible number of people that these are the policies that should be implemented. However useful such a thought experiment might be, it is clearly artificial in several respects. First, no one has unlimited time for debate. In particular, political movements and parties often have very little time to communicate their ideas and proposals to citizens, who in turn have limited

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4. Some of the ideas presented here, in particular on the subject of circulation of property and taxation of inheritances and wealth, are similar in spirit to the ideas of authors in the French Solidarist Socialist tradition such as Léon Bourgeois and Émile Durkheim (see Chap. 11). Note, too, the proximity to the notion of “property-owning democracy” developed by James Meade. The problem is that this notion (like Rawls’s concepts) has at times been invoked for conservative purposes. See, for example, B. Jackson, “Property-Owning Democracy: A Short History,” in Property-Owning Democracy: Rawls and Beyond, ed. M. O’Neill and T. Williamson (Blackwell, 2012). By design, the options defended here are based on the historical experience of many countries since the nineteenth century and therefore combine a number of intellectual traditions.
patience for hearing them (often for good reasons, because people have other priorities in life besides listening to their political arguments).

Last but not least, if this endless deliberation were ever to take place in reality, I would no doubt have reason to revise the positions I am about to defend, which inevitably reflect the limited range of arguments, data, and historical sources to which I have been exposed to date. Each new discussion further enriches the fund of material on which I base my reflections. I have already revised my positions profoundly as a result of the readings, encounters, and debates in which I have been fortunate to participate, and I will continue to revise my views in the future. In other words, justice must always be conceived as the result of ongoing collective deliberation. No book and no single human being can ever define the ideal property regime, the perfect voting system, or the miraculous tax schedule. Progress toward justice can occur only as the result of a vast collective experiment. As history unfolds, the experience of each individual must be brought to bear in the widest possible deliberation. The elements I will explore here are meant merely to indicate possible paths for experimentation, derived from analysis of the histories recounted in the preceding chapters.

On the Transcendence of Capitalism and Private Property

What is just ownership? This is the most complex and central question we must try to answer if the goal is to define participatory socialism and imagine the transcendence of capitalism. For the purposes of this book, I have defined proprietorism as a political ideology based on the absolute defense of private property; capitalism is the extension of proprietorism to the age of large-scale industry, international finance, and more recently to the digital economy. At bottom capitalism rests on the concentration of economic power in the hands of the owners of capital. In principle, the owners of real estate capital can decide to whom they wish to rent and at what price while the owners of financial and professional capital govern corporations according to the principle of “one share, one vote,” which entitles them, among other things, to decide by themselves whom to hire and at what wage.

In practice, this strict capitalist model has been altered and modified in various ways, and the notion of private property has therefore evolved since the nineteenth century, owing to changes in the legal and social system and the tax system. Changes in the legal and social system limited the power of the owners of property: for instance, renters were given long-term guarantees
against evictions and rent increases, and some were even granted the right to purchase at a low price apartments or land that they had occupied for a sufficiently long period of time—a veritable redistribution of wealth. Similarly, the power of shareholders in firms was strictly limited by labor codes and social legislation; in some countries, worker representatives were granted seats and voting rights alongside shareholders on boards of directors, a move that if carried to its logical conclusion would amount to a veritable redefinition of property rights.

The tax system also curtailed the rights of property owners. Progressive inheritance taxes, which attained rates as high as 30–40 percent in most developed countries in the twentieth century (and 70–80 percent in the United States and United Kingdom for many decades) amounted in practice to transforming permanent ownership into temporary ownership. In other words, each generation is allowed to accumulate considerable wealth, but part of that wealth must be returned to the community at that generation’s passing or shared with other potential heirs, who thus get a fresh start in life. Furthermore, progressive income taxes, assessed at rates comparable to the inheritance tax (or even higher in the United Kingdom and United States), which historically were directed at high capital incomes, also made it increasingly difficult to perpetuate large fortunes across generations (without a significant reduction in expenditure).

In order to transcend capitalism and private property and bring participatory socialism into being, I propose to rely on and improve these two instruments. Briefly, much more can be done with the legal and fiscal systems than has been done thus far: first, we can establish true social ownership of capital by more extensive power sharing within firms, and second, we can make ownership of capital temporary by establishing progressive taxes on large fortunes and using the proceeds to finance a universal capital endowment, thus promoting permanent circulation of property.

**Sharing Power in Firms: An Experimentation Strategy**

Begin with social ownership. Systems for sharing voting rights within firms have existed in Germanic and Nordic Europe since the late 1940s and early 1950s. Workers’ representatives hold half the seats on boards of directors in German companies and a third of the seats in Sweden (including small business in the Swedish case), regardless of whether they own any capital.5 These so-called

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5. See Chap. 11 for a more detailed analysis.
co-management (or codetermination) arrangements were the result of hard-fought battles waged by unions and their political allies. The struggle began in the late nineteenth century. The balance of power began to shift after World War I and changed decisively after World War II. Substantial changes in the law went hand in hand with major constitutional innovations. Specifically, the German constitutions of 1919 and 1949 adopted a social definition of the rights of ownership, which took into account the general interest and the good of the community. Property rights ceased to be held sacred. Though shareholders initially fought these changes tooth and nail, the new rules have now been in force for more than half a century and enjoy widespread public approval.

All available evidence shows that co-management has been a great success. It has encouraged greater worker involvement in shaping the long-term strategies of employers and counterbalanced the often harmful short-term focus of shareholders and financial interests. It has helped the Germanic and Nordic countries to develop an economic and social model that is more productive and less egalitarian than other models. It should therefore be adopted without delay in other countries in its maximal version, with half the board seats in all private firms, large or small, given to workers.  

As promising as Germano-Nordic co-management is, it suffers from numerous limitations, starting with the fact that shareholders have the decisive vote in case of a tie. Two possible improvements are worth considering. First, if wealth inequality is reduced by way of progressive taxation, capital endowments, and circulation of property, which I will discuss in due course, workers may be able to acquire shares in their firm and thus shift the balance of power by adding shareholder votes to the half they already hold as members of the board. Second, the rules apportioning votes on the basis of capital invested should also be rethought. As noted earlier, it would not be in the general interest to entirely eliminate the link between capital invested and economic power in the firm, at least in the smallest companies. If a person invests all her savings in a project of passionate interest, there is nothing wrong with her being able to cast more votes than a worker hired the day before, who may be setting aside his earnings to develop a project of his own.

6. Depending on the country, the legal system, and the size of a firm, the body responsible for setting the overall direction of the company may by a simple oversight committee or management council rather than a board of directors in the usual sense.

7. See Chaps. 11 and 12.
Might it not be justifiable, however, to place a ceiling on the votes of large shareholders in major corporations? One recent proposal along these lines concerns “nonprofit media organizations”: investments beyond 10 percent of a firm's capital would obtain voting rights corresponding to one-third of the amount invested, with the voting rights of smaller investors (including journalists, readers, crowd funders, and so on) augmented accordingly. Initially conceived for nonprofit media organizations, this proposal could be extended to other sectors, including profit-making ones. A good formula might be to apply a similar vote ceiling to investments above 10 percent of capital in firms above a certain size. The justification for this is that there is no reason why a large firm should leave power concentrated in the hands of a single individual and deprive itself of the benefits of collective deliberation.

Note in passing that many organizations in both the private and public sector function perfectly well without shareholders. For instance, most private universities are organized as foundations. The generous donors who contribute to their capital may derive some benefit from their contributions (such as preferential admission for their children or even a seat on the board), which incidentally should be regulated more strictly. There are other problems with this model, which ought to be corrected. Nevertheless, donors are in a much weaker position than shareholders. Their contributions become part of the university’s capital, and compensation such as seats on the board can be withdrawn at any time; with shareholders and their heirs this is not possible. Yet contributors continue to give, and private universities continue to function. To be sure, attempts have been made to organize universities as profit-making corporations (think of Trump University), but the results have been so disastrous

8. See J. Cagé, Saving the Media, trans. Arthur Goldhammer (Harvard University Press, 2016). Profit taking would not be allowed (nor could shares beyond a certain threshold be sold). In exchange, investors in the media could be granted tax deductions similar to those granted to contributors to nonprofit organization in education and the arts. I will say more later about taxing contributions.

9. For example, the investment threshold above which vote reductions apply could be set at 90 percent for small firms (fewer than ten employees), decreasingly gradually to 10 percent for larger firms (more than one hundred employees). Obviously, these thresholds are open to debate and experimentation, and the numbers given here should not be taken as definitive.

10. This educational model has given rise to growing inequalities in the university system, which should be corrected. I will come back to this.
that the practice has virtually disappeared.\textsuperscript{11} This clearly shows that it is not only possible to drastically limit the influence of investors but also that organizations often work better when investor power is limited. Similar observations could be made about the health, culture, transportation, and environmental sectors, which will likely play a central role in the future. In general, the idea that the “one share, one vote” model of corporate organization is indisputably the best cannot withstand close scrutiny.

Reducing wealth inequality and capping large shareholder voting rights are the two most natural ways of extending the Germano-Nordic co-management model. There are others, such as a recent British proposal to have some board members elected by a mixed assembly of shareholders and workers.\textsuperscript{12} This could allow novel deliberations to unfold and new coalitions to emerge, breaking out of the stereotypical roles that co-management sometimes forces on participants. But the debate does not end there: concrete experimentation is the only way to develop new organizational forms and social relations. What is certain is that there are many ways to improve on co-management as it currently exists so that social ownership and corporate power sharing can contribute to the goal of transcending capitalism.

\textit{Progressive Wealth Taxes and Circulation of Capital}

Social ownership and shared voting rights in firms are important tools for transcending capitalism, but by themselves they are not enough. Once one accepts the idea that private property will continue to play a role in a just society, especially in small and medium firms, it becomes essential to find institutional arrangements that will prevent unlimited concentration of ownership which does not serve the general interest, regardless of the reasons for such concentration. In this respect, the lessons of history are quite clear: the extreme concentration of wealth that we observe in nearly all societies (and especially in Europe) up to the early twentieth century, when the wealthiest 10 percent owned 80–90

\textsuperscript{11} Why have such attempts failed? Perhaps because the profit motive tends to undermine the values of disinterestedness and intrinsic motivation that are essential to the educational enterprise. For similar reasons, experiments with offering students monetary bonuses based on exam results have generally produced very negative results (with intensive cramming on frequently posed questions and accelerated loss of competence in other areas). See the online appendix (piketty.pse.ens.fr/ideology).

\textsuperscript{12} See Chap. 11.
percent of all property (and the wealthiest 1 percent owned 60–70 percent), did not serve the general interest at all. The clearest proof of this assertion is that the very significant reduction of inequality that followed the shocks and political-ideological changes of the period 1914–1945 did not inhibit economic development. The concentration of wealth was significantly lower after World War II (with the top decile reduced to owning around 50–60 percent and the top centile 20–30 percent) than before 1914, yet growth accelerated. Whatever the wealthy of the Belle Époque (1880–1914) may have thought to the contrary, extreme inequality was not the necessary price of prosperity and industrial development. Indeed, all signs are that the excessive concentration of wealth exacerbated social and nationalist tensions while blocking the social and educational investments that made the balanced postwar development model possible. Furthermore, the increased concentration of wealth that we have seen since the 1980s in the United States, Russia, India, and China and to a lesser extent in Europe shows that extreme wealth inequality can reconstitute itself for many different reasons, from profiteering on privatizations to the fact that large portfolios earn higher returns than small ones, without necessarily yielding higher growth for the majority of the population—far from it.

To prevent a return to such extreme wealth concentration, progressive taxes on inheritances and income must again play the role that they used to play in the twentieth century when rates in the United States and United Kingdom ran as high as 70–90 percent on the highest incomes and largest fortunes for decades—decades in which growth rose to unprecedented levels. Historical experience shows, however, that inheritance and income taxes alone are not enough; they need to be complemented by a progressive annual tax on wealth, which I see as the central tool for achieving true circulation of capital.

There are several reasons for this. First, the wealth tax is more difficult to manipulate than the income tax, particularly for the very wealthy, whose taxable income is often a small fraction of their wealth, while their actual economic income accumulates in family holdings or special-purpose vehicles. If a progressive income tax is the only available tool, it is almost inevitable that wealthy individuals will pay risibly small taxes compared to the size of their fortunes.

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13. See Figs. 10.4–10.5 and Figs. 11.12–11.15.
14. See Figs. 13.8–13.9 and Table 13.1.
15. See Figs. 10.11–10.12.
16. For instance, Warren Buffett paid $1.8 million in federal income tax in 2015 on a fortune estimated at $65 billion or a tax rate of 0.003 percent of his wealth. See E.
Note, moreover, that wealth is in itself an indicator of capacity to contribute to common expenditures—an indicator at least as relevant and consistent as annual income, which can vary for all sorts of reasons (some of which are irrelevant to deciding what a just tax should be). For example, if a person owns important properties (such as houses, apartments, warehouses, and factories) that for one reason or another legitimately generate no significant income, perhaps because they have been set aside for some purpose or have not been maintained, he should still be required to pay taxes. In fact, in all countries where there is a tax on real estate (whether housing or offices or professional equipment of any kind), such as the property tax in the United States or the *taxe foncière* (real estate tax) in France, no one would think of exempting large owners (whether private individuals or firms) on the grounds that they derive no income from their property. But these taxes date from the eighteenth or nineteenth centuries, and for historical reasons many types of assets are exempt (such as intangible and financial assets). What is more, the tax is strictly proportional: the same tax rate is applied to all assets, no matter how large the portfolio to which they belong. Hence the redistributive effect is much smaller than it would be if total assets of all kinds (net of debt) were taxed at progressive rates.

Saez and G. Zucman, *The Triumph of Injustice* (Norton, 2019), pp. 155–156. Public data on billionaires in other countries, such as Liliane Bettencourt in France in the early 2010s, paint a similar picture: taxable income of a few million euros compared with a fortune of several billion. One possibility would be to apply the income tax schedule to an “economic income” estimated on the basis of wealth (for example, by assuming a realistic yield), but this would require accurate declaration and registration of wealth (and not simply of income).

17. Except where the property owned is of little value. But no one would think of giving a property tax exemption to the owner of numerous apartment buildings, warehouses, or offices on the grounds that she was not deriving significant income from them when it would suffice to sell a small portion of the property to pay the tax. What is more, this would contribute to circulating wealth into the hands of more dynamic owners. This is the classic argument in favor of the property tax, independent of income, and it is relevant here to a certain extent. If the whole system depended on capital owned, then a firm making temporary losses would pay as much tax as another making enormous profits (on equivalent capital), which could push the first firm into bankruptcy for the wrong reasons. That is why an ideal tax system should always strike a balance between taxing property and taxing income.

18. On the history of property taxes in the eighteenth and nineteenth centuries and debates surrounding them, see Chaps. 4 and 11.
Compared with the progressive inheritance tax, which is also a tax on wealth (in that it depends solely on ownership and not on income), the advantage of the annual wealth tax is that it can adapt much more quickly to changes in wealth and in the ability of each taxpayer to pay. There is no need to wait for Mark Zuckerberg or Jeff Bezos to turn 90 years old and pass their wealth to their heirs in order to collect taxes. The inheritance tax is by its very nature not a good tool for taxing newly amassed fortunes. The annual wealth tax is better suited to the task, especially in view of today’s longer life expectancy. Note, moreover, that current wealth taxes (such as the property or real estate tax), for all their limitations, have always generated more revenues than inheritance taxes, yet they are less unpopular. Indeed, it is striking to see how unpopular inheritance taxes are in all surveys, while property and income taxes are relatively well tolerated. Progressive wealth taxes (such as the ISF in France or the “millionaire tax” mentioned in US polling on the subject) are very popular. In other words, taxpayers would prefer to pay an annual tax on the order of 1–2 percent of the value of their property over a period of decades rather than having to pay 20–30 percent when they pass their estate on to their heirs.

Of course, the hostility of some lower- and middle-class taxpayers to the inheritance tax may be due to a misperception of the actual incidence of that tax (a misperception that those hostile to progressive taxation naturally do what they can to sustain). But it also reflects a comprehensible fear on the part of people who have recently purchased property and who may have limited cash reserves and financial assets that their children will be obliged to pay a lump-sum tax so large that they may be forced to sell the property (be it a home, a vacation house, or a small business) in order to pay the tax. In fact, when one considers all these aspects of the issue, it seems reasonable that the annual prop-

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19. On this subject, see A. Spire, Résistance à l’impôt, attachement à l’Etat (La Découverte, 2018). This survey also shows that lower- and middle-class taxpayers have a fairly accurate understanding of the overall low progressivity of the tax system and of the regressivity at the top (given the weight of indirect taxes such as value-added taxes, gas taxes, and so on and of social security taxes on low and medium wages as well as opportunities for tax avoidance and manipulation at the top of the hierarchy) as well as the inequality of access to certain public expenditures (such as education and health). See also M. Forse and M. Parodi, “Les Français et la justice fiscale,” Revue de l’OFCE, 2015. On the tax structure and the issue of progressivity, see Fig. 11.19.

20. On the composition of small, medium, and large fortunes, see Fig. 11.17.
Elements for a Participatory Socialism

Property tax should play a larger role than the inheritance tax (in terms of tax revenue), provided that the annual tax is made progressive.21

The Diffusion of Wealth and the Universal Capital Endowment

Last but not least, a progressive wealth tax is an indispensable tool for ensuring a greater circulation of wealth and broader diffusion of property than in the past. To be sure, the progressive inheritance and income taxes that were developed in the twentieth century significantly reduced income and wealth inequality in Europe, the United States, and Japan. Despite the historical importance of this change, it is important not to lose sight of the fact that wealth nevertheless remained extremely concentrated. In Europe, the top decile’s share of private wealth decreased from 80–90 percent in 1900–1910 to 50–60 percent in 2010–2020. Not only is that still a considerable share for just 10 percent of the population, but the fact is that the beneficiaries of this reduction of wealth inequality were almost exclusively people in the fiftieth to ninetieth percentile (whose share rose from barely 10 percent to 30–40 percent of the total). By contrast, the diffusion of wealth never really touched the bottom 50 percent, whose share of total private wealth has always been around 5–10 percent (or even lower) in all countries and periods for which data are available.22 Since the 1980s, moreover, the share of private wealth held by the disadvantaged classes (the bottom 50 percent of the distribution) and by the patrimonial middle class (as I call the next, or “middle,” 40 percent—the fiftieth to ninetieth percentile of the distribution) has shrunk nearly everywhere. This is true in particular in the United States, where the share of wealth owned by the well-to-do (the top decile) has risen above 70 percent in the 2010s. It is also the case in Europe, though to a lesser degree, as well as in India, China, and Russia, where the concentration of wealth is rapidly approaching that of the United States (or surpassing it, in the case of Russia).23

21. In theoretical terms, when one introduces credit constraints or future variations in asset values and yields (unpredictable at the moment of transmission), it becomes preferable to collect a large share of the inheritance tax in the form of an annual wealth tax. See E. Saez and T. Piketty, “A Theory of Optimal Inheritance Taxation,” *Econometrica*, 2013.

22. See Figs. 4.1–4.2 and Figs. 5.4–5.5. Furthermore, we find the same low share (around 5–10 percent) for the bottom 50 percent of each age cohort. See the online appendix, Fig. S11.18.

23. See Figs. 10.4–10.5 and Figs. 13.8–13.10.
This limited diffusion of wealth implies that the bottom 50 percent have minimal opportunity to participate in economic life by creating and running a business. This is not the ideal of participation that a just society should strive to achieve. Many attempts have been made to diffuse wealth more broadly, including agrarian reform intended to break up large farms of hundreds or thousands of acres to allow more modest farmers to work their own land and reap the fruits thereof instead of paying rent to landlords. The French Revolution witnessed a number of more or less ambitious efforts of land reform, although poor peasants were not always the primary beneficiaries. More ambitious agrarian reforms have been carried out in other countries over the past two centuries: in Ireland and Spain in the late nineteenth and early twentieth centuries, in Mexico after the revolution of 1910, in Japan and Korea after World War II, and in certain Indian states (such as West Bengal or Kerala) in the 1970s and 1980s.

Agrarian reform has thus played a significant role in diffusing wealth in a variety of contexts. Yet if faces a number of structural problems. First, there is no obvious reason why wealth redistribution should be limited to property in land (other than simplicity, especially in largely rural societies). In practice, different forms of capital are complementary, and the hyperconcentration of other assets (such as equipment, tools, warehouses, offices, buildings, cash, and financial assets of all kinds) poses similar problems to the concentration of landed wealth. In particular, it leads to hyperconcentration of economic power in the hands of a few. Furthermore, agrarian reformers tend to assume that it will suffice to redistribute property once and for all, after which economic development will proceed harmoniously forever after. Historical experience shows, however, that extreme inequality of wealth tends to reproduce itself in other forms as the agrarian societies of the past give way to societies based on industrial and financial wealth and real estate. Wealth can become reconcentrated for many reasons, including economic upheavals that benefit a minority (such as profitable privatizations or technological revolutions) and various cumulative mechanisms that allow the largest initial stakes to grow more rapidly.

24. See Chaps. 3 and 4.
25. See Chaps. 5 and 11. By contrast, in the United States and South Africa, no land was redistributed to former slaves (despite their having worked for centuries without pay and despite promises of “forty acres and a mule” made to encourage the slaves to rise up against the confederacy at the end of the Civil War) or to victims of apartheid (about which debate continues). See Chap. 6.
than smaller fortunes (by achieving higher yields, using market power, or pursuing strategies of legal and fiscal optimization).

If one truly wants to diffuse wealth so as to allow the bottom 50 percent to acquire significant assets and participate fully in economic and social life, it is therefore essential to generalize and transform agrarian reform into a permanent process affecting the whole panoply of private capital. The most logical way to proceed would be to establish a capital endowment to be given to each young adult (at age 25, say), financed by a progressive tax on private wealth. By design, such a system would diffuse wealth at the base while limiting concentration at the summit.

The Progressive Tax Triptych: Property, Inheritance, Income

To clarify these ideas, I have indicated in Table 17.1 what a tax system capable of financing such a universal endowment might look like. In the broadest terms, the tax system of the just society would rest on three principal progressive taxes: a progressive annual tax on property, a progressive tax on inheritances, and a progressive tax on income. As indicated here, the annual property tax and the inheritance tax would together yield about 5 percent of national income, all of which would be used to finance the capital endowment. The progressive income tax, which would include social security taxes and a progressive carbon tax, would yield about 45 percent of national income, which would be used to finance all other public expenditures, including the basic income and, above all, the welfare state (which would cover health, education, pensions, and so on). I will begin by discussing the wealth component—that is, the progressive

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26. Over the course of history, annual property taxes (based on property owned) have gone by a variety of names, such as property tax, wealth tax, capital tax, tax on fortune, real estate tax, and so on. See Chap. 11. I prefer to speak of a property tax (impôt sur la propriété) because it emphasizes the importance of property as a social relation. The progressive property tax that I envision is based on all forms of property (real estate, business and financial assets, net of debt). Later, I will also say more about the role of corporate taxes, which are included here under the head of the progressive tax on income.

27. Of which roughly 4 percent would come from the annual property tax and 1 percent from the inheritance tax.

28. In the tax system presented here, there are no indirect taxes (except when needed to correct an externality, as with the carbon tax, which I will discuss later). Broadly speaking, indirect taxes (such as the VAT) are extremely regressive, and I prefer to
Rethinking the Dimensions of Political Conflict

Several points call for further comment. The figures given here are for illustrative purposes only. Setting precise parameters will require extensive discussion and broad democratic deliberation; it is not my intention to end all debate with this book. Note, too, that the wealth component includes a rela-

taxes on property and inheritances and the universal capital endowment. I defer discussion of the income and welfare state component until later.

Table 17.1

Circulation of property and progressive taxation

<table>
<thead>
<tr>
<th>Multiple of average wealth</th>
<th>Annual property tax (effective rate)</th>
<th>Inheritance tax (effective rate)</th>
<th>Progressive income tax (financing the basic income scheme and the social and ecological state)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>0.1%</td>
<td>5%</td>
<td>0.5 10%</td>
</tr>
<tr>
<td>2</td>
<td>1%</td>
<td>20%</td>
<td>2 40%</td>
</tr>
<tr>
<td>5</td>
<td>2%</td>
<td>50%</td>
<td>5 50%</td>
</tr>
<tr>
<td>10</td>
<td>5%</td>
<td>60%</td>
<td>10 60%</td>
</tr>
<tr>
<td>100</td>
<td>10%</td>
<td>70%</td>
<td>100 70%</td>
</tr>
<tr>
<td>1,000</td>
<td>60%</td>
<td>80%</td>
<td>1,000 80%</td>
</tr>
<tr>
<td>10,000</td>
<td>90%</td>
<td>90%</td>
<td>10,000 90%</td>
</tr>
</tbody>
</table>

*Interpretation:* The proposed tax system includes a progressive tax on property (annual tax + inheritance tax) financing a capital endowment for each young adult and a progressive income tax (including social contributions and a progressive tax on carbon emissions) financing the basic income and the social and ecological state (health, education, pensions, unemployment, energy, etc.). This system of circulating property is one of the constituent elements of participatory socialism, with voting rights on corporate boards shared fifty-fifty between workers and stockholders. Note: In the example shown here, the progressive tax on property brings in roughly 5 percent of national income (allowing a capital endowment equivalent to 60 percent of the average wealth at age 25) while the progressive income tax brings in roughly 45 percent of national income (allowing an annual basic income equivalent to 60 percent of average income after taxes—5 percent of national income) and the social and ecological state (40 percent of national income).
Elements for a Participatory Socialism

A relatively ambitious version of the capital endowment. Specifically, with revenues on the order of 5 percent of national income from the property and inheritance taxes, it is possible to pay for an endowment of approximately 60 percent of average adult wealth to be given to each young adult at age 25.30

Consider an example. In the rich countries (Western Europe, United States, Japan), average private wealth in the late 2010s was roughly 200,000 euros per adult.31 Thus, the capital endowment would amount to 120,000 euros. In essence, this system would provide every individual with the equivalent of an inheritance. Today, owing to the extreme concentration of wealth, the poorest 50 percent receive virtually nothing (barely 5–10 percent of average wealth); the richest 10 percent of young adults inherit several hundreds of thousands of euros, while others receive millions or tens of millions. With the system proposed here, every young adult could begin his or her personal and professional life with a fortune equal to 60 percent of the national average, which would open up new possibilities such as purchasing a house or starting a business. Note that this system of public inheritance for all would guarantee every individual a sum of capital at the age of 25, whereas private inheritance entails considerable uncertainty as to the age at which children will inherit from their parents (owing

wealth and average income and because wealth and income distributions are fairly similar in India, China, and Russia (to a first approximation), the tax schedules that would need to be applied in those countries to yield equivalent revenues (in proportion to national income) would also be fairly similar. The goal here is to fix orders of magnitude, not to provided definitive results. In countries where wealth and income are more concentrated (like the United States), the highest rates could be reduced slightly and still yield the same revenues. By contrast, they would have to be increased slightly in countries where concentration is lower (as in Europe). See the online appendix.

30. The size of a generation (that is, the number of persons reaching age 25 every year) is approximately 1.5 percent of the adult population in Europe, the United States, and China and slightly higher in India (where life expectancy is lower). For example, in France, each generation represents 750,000–800,000 individuals out of an adult population of roughly 50 million (and a total population of 67 million in 2018). Total private wealth is on the order of five to six years of national income in these countries. A capital endowment of 60 percent of average wealth per adult is therefore equivalent to 3–3.5 years of average national income per adult for a total cost on the order of 5 percent of national income if that sum is distributed every year to 1.5 percent of the adult population.

31. For an average national income on the order of 35,000–40,000 euros per year per adult (for a wealth / income ratio on the order of five to six). On the distribution and composition of wealth by type of asset and resources, see Figs. 11.16–11.17.
to wide variance in age of death and age at which parents have children). In practice, this means that children are inheriting later and later in life. Note, too, that the system proposed here would greatly reduce the average age of wealth holders, which could infuse new energy into society and the economy.\(^\text{32}\)

The system I am proposing has a long pedigree. In 1795, Thomas Paine, in his book *Agrarian Justice*, proposed an inheritance tax to finance a basic income.\(^\text{33}\) More recently, Anthony Atkinson proposed using the receipts from a progressive inheritance tax to finance a capital endowment for every young adult.\(^\text{34}\) The principal novelty of my proposal is to use the proceeds of both an inheritance tax and an annual property tax to pay for the capital endowment; this would make much larger endowments possible and ensure permanent circulation of wealth.\(^\text{35}\) Note that the sums I am proposing to mobilize to finance the capital endowment are substantial (5 percent of national income) and would entail a significant increase of both the property and inheritance taxes for the wealthiest individuals.\(^\text{36}\) Still, this is a small amount compared

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\(^{32}\) Currently, average wealth at age 25 is barely 30 percent of average wealth per adult (and very unequally distributed). See the online appendix. Note that the public inheritance system proposed here would still be of interest in a society where wealth was perfectly egalitarian within generations, in the sense that it would equalize inheritance ages and the average age of wealth holders and therefore the distribution of economic power.


\(^{34}\) See A. Atkinson, *Inequality* (Harvard University Press, 2015). The originality of Atkinson’s proposal, which I draw on and extend here, is that the capital endowment should be coupled to an ambitious basic income plan (rather than be seen as a substitute for one). For interesting proposals regarding both the basic income and capital endowment, see Van Parijs and Vanderborght, *Basic Income*, and B. Ackerman and A. Alstott, *The Stakeholder Society* (Yale University Press, 1999).

\(^{35}\) In Atkinson’s proposal, the capital endowment finance by the inheritance tax, even after that tax was increased, would amount to barely 5–10 percent of average wealth (10,000–20,000 euros in the United Kingdom or France), a sum close to the average inheritance received today by the poorest 50 percent, which would be a significant boost. Under my proposal, an endowment financed by both an inheritance tax and an annual wealth tax would come to 60 percent of average wealth (or 120,000 euros in the United Kingdom or France today).

\(^{36}\) Currently, wealth taxes in the form of the US property tax or the French real estate tax yield 2–3 percent of national income while the inheritance tax yields less than 0.5 percent. On average in the European Union, the various types of wealth tax
with the total tax bill (here set at 50 percent of national income). In the abstract, there is nothing to prevent an even more ambitious system of capital endowment than I am proposing here; for example, one might consider a transfer equal to the average wealth per adult in any given society.  

In my view, this system should be used together with the new rules for power sharing on corporate boards and caps on the influence of large shareholders, which I discussed earlier. That way, the diffusion and rejuvenation of wealth will have an even greater effect on the distribution of economic power.

**On the Return to Fiscal Progressivity and Permanent Land Reform**

I turn now to the progressive tax rates and schedules needed to finance all of these innovations. I propose that the rates to be assessed on the largest inheritances and highest incomes should be on the order of 60–70 percent on fortunes or incomes greater than ten times the average wealth or income and on the order of 80–90 percent for those above one hundred times the average (Table 17.1). These rates are consistent with those assessed in the twentieth century in a number of countries (including the United States and United Kingdom in the period 1930–1980). In retrospect, we can see that those decades witnessed some of the strongest growth ever observed. It therefore

(whether collected annually or at the time of death or on transactions) yield nearly 3 percent of national income. See European Commission, *Taxation Trends in the EU*, 2018 ed. (Publications Office of the European Union, 2018), p. 41, Graph 22. In the system proposed here, the annual property tax would yield roughly 4 percent of national income and the inheritance tax 1 percent for a total of 5 percent but with much greater progressivity than existing taxes, which would make it possible to reduce taxes on the lower and middle classes.

37. In particular, even if the inheritance tax will never be as important as the annual property tax and even if it is carefully explained and made especially transparent, it is natural to think of increasing it somewhat in the future in view of the growing share of inherited wealth in total wealth in recent years. See F. Alvaredo, B. Garbitti, and T. Piketty, "On the Share of Inheritance in Aggregate Wealth: Europe and the USA, 1900–2010," *Economica*, 2017.

38. One might want to set tax brackets in terms of the median rather than the average. The problem is that the median income is often very close to zero, so this wouldn’t make much sense. Furthermore, measuring income and wealth relative to the average gives a better idea of the amount of revenue and extent of redistribution involved.

39. See Figs. 11.12–11.15.
seems reasonable to try such high rates again.\textsuperscript{40} To do so would indicate a clear determination to reduce inequality and break with Reaganism, which could have an important effect on transforming the structure of electoral and political conflict.

The most innovative aspect of the new taxes I am proposing, which of course call for further discussion, relates to the annual progressive wealth tax. Looking to the past, we find that wealth taxes tended to be rather haphazardly designed. Taxes like the property tax in the United States or the real estate tax in France, which originated in the nineteenth century, generally have effective rates today of about 1 percent. They generally do not factor in financial assets (which constitute the bulk of large fortunes) or debt (which is of course a heavier burden on the less wealthy). Hence they are in fact steeply regressive wealth taxes, with much higher effective rates on the smallest fortunes than on the largest ones.\textsuperscript{41}

As for the wealth taxes that were tested in the twentieth century, especially in Germanic and Nordic Europe as well as in France in recent decades with the ISF, rates have generally varied from 0 percent for the smallest fortunes to 2–3 percent for the largest.\textsuperscript{42}

Where land reform was implemented, implicit tax rates on the largest estates were sometimes a great deal higher. For example, if agrarian reformers decide that all farms of 500 acres or more must be redistributed to landless peasants, then the effective tax rate on a 2,000-acre property works out to 75 percent.\textsuperscript{43} Hypothetically, one might imagine that all of Ireland belonged

\textsuperscript{40.} Furthermore, if one tries to model that various effects at work (on equality, mobility, and incentives to work and save) with all the caution and rigor appropriate to such exercises, one can show that the ideal inheritance tax (for a Rawlsian type of social objective) should assess very high rates (70–80 percent or more) on the largest inheritances. See Saez and Piketty, “A Theory of Optimal Inheritance Taxation.” Similarly, the optimal rate on the highest incomes is above 80 percent. See T. Piketty, E. Saez, and S. Stantcheva, “Optimal Taxation of Top Labour Incomes: A Tale of Three Elasticities,” \textit{American Economic Journal}, 2014.

\textsuperscript{41.} Note that a proportional tax of 1 percent on all private wealth (including financial assets, which amounts to 500–600 percent of national income) would bring in 5–6 percent of national income in revenue, which shows that there is nothing extravagant about the revenues I am anticipating from the progressive property tax.

\textsuperscript{42.} See Figs. 11.12–11.15.

\textsuperscript{43.} Note that the tax rates shown in Table 17.1 are expressed in terms of effective rates directly applicable at the level of wealth or income considered (with a linear progression of the effective rate between the indicated levels). For implicit marginal rates corresponding to each bracket, see the online appendix.
to one person or that a single individual possessed a formula of infinite value to all mankind, in which case common sense would clearly dictate a redistribution rate close to 100 percent.\textsuperscript{44} When one-time taxes were levied on real estate and financial capital at the end of World War II, rates as high as 40–50 percent (or even higher) were applied to the largest fortunes.\textsuperscript{45}

The tax schedule shown in Table 17.1 for the progressive property tax tries to combine these previous experiments in a consistent way. The tax rate is 0.1 percent for wealth below the national average, rising gradually to 1 percent at twice the national average, 10 percent at one hundred times the national average, 60 percent at 1,000 times the national average (or 200 million euros if the average wealth per adult is 100,000 euros), and 90 percent at 10,000 times the national average (which would be 2 billion euros). Compared with the current system of taxing property at a flat rate, which is in use in a number of countries, this schedule would result in a substantial tax decrease for the 80–90 percent of least wealthy people and would therefore make it easier for them to acquire property. By contrast, the wealthiest people would face very heavy tax increases. The 90 percent tax on billionaires would immediately reduce their wealth to one-tenth of what it was and reduce the share of national wealth held by billionaires to a level below what it was in the period 1950–1980.\textsuperscript{46}

I want to emphasize once again that the tax rates indicated here are for illustrative purposes only; they should be subject to collective deliberation and extensive experimentation. One of the virtues of the progressive property tax

\textsuperscript{44} See Chap. 11. The metaphor of a treasure of infinite value was explored in the film \textit{Black Panther} (dir. R. Coogler, Marvel Studios, 2018). The small African country of Wakanda decides in the end to allow the planet to share in its wealth (which consists of vibranium, a substance that the nation was able to profit from thanks to its research and wise organization) in contrast to Norway with its polluting hydrocarbons.

\textsuperscript{45} See Chap. 11.

\textsuperscript{46} See the online appendix. In the United States, the share of top 0.001 percent of the wealth distribution (around 2,300 people out of a total adult population of 230 million) was 6 percent of total wealth in the late 2010s (or roughly 6,000 times the average wealth for each member of this group), compared with about 1 percent in the period 1950–1980 (roughly 1,000 times the average). The share of the top centile (roughly 2.3 million people) reached 40 percent in the late 2010s (around forty times the average) compared with 20–25 percent in 1950–1980 (twenty to twenty-five times the national average). The proposed tax schedule would immediately reduce the share of the top 0.001 percent to its previous level and would have the same effect on the top 1 percent after ten to fifteen years.
is to promote transparency in regard to wealth. In other words, establishing such a tax, possibly with lower rates than those indicated here, would yield more information about the rate of growth of fortunes of different sizes, and rates could then be adjusted as necessary to achieve whatever goal of wealth deconcentration society chooses to set. The evidence available at this stage shows that the largest fortunes have been growing at rates on the order of 6–8 percent a year since the 1980s. This suggests that tax rates of at least 5–10 percent are necessary to reduce the concentration of wealth at the top of the distribution or at least to stabilize it. Note, too, that it is not strictly necessary (absent some special emergency) to tax the largest fortunes immediately at rates of 60 to 90 percent: rates of 10–20 percent would achieve the same result within a few years. The rates indicated in Table 17.1 are intended to show the range of possibilities and stimulate debate.

Note, finally, that it is in any case essential that the progressive property and inheritance taxes proposed here apply to overall wealth—that is, the total value of real estate and business and financial assets (net of debt) held or received by a given individual, without exception. Similarly, the progressive income tax should apply to total income, including income from both labor (wages, pensions, nonwage income, etc.) and capital (dividends, interest, profits, rents, etc.).

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47. See Table 13.1.
48. See Saez and Zucman, *The Triumph of Injustice*, pp. 204–208 for simulations analyzing how much wealth concentration in the United States would be decreased by rates of 5 percent on wealth about $1 billion and 8 percent above $100 billion.
49. In general, inheritances can be taxed either on the basis of the amount received by each heir or of the total value of the estate bequeathed by the deceased. I prefer the first method, and it is the one I have chosen here: progressive rates are applied on the basis of total transfers throughout an individual’s life, including both gifts and inheritances. A person who receives during the course of his life the equivalent of 0.5 times the average wealth (100,000 euros) would pay an inheritance tax of 5 percent (5,000 euros) and would thus receive a total inheritance of 125,000 euros (including the capital endowment of 120,000 euros). A person receiving twice the average wealth (400,000 euros in France currently) would pay a tax of 20 percent (80,000 euros) for a total inheritance of 440,000 euros when the endowment is added. By contrast, a person receiving five times the national average (1 million euros) would pay a tax of 50 percent (500,000 euros), leaving a total inheritance of 620,000 euros when the endowment is factored in. The rates indicated in Table 17.1 are for illustrative purposes only and call for extensive discussion.
50. When applying the tax schedules indicated here, the joint income of couples can be divided in half since the brackets are defined in terms of individual income and
History shows that if different types of assets and different forms of income are not treated identically by the tax code, taxpayers will respond by optimizing, creating a sense of injustice that can undermine the system, not only technically but also by making it less democratically acceptable. In particular, it would make little sense to exempt specific types of assets from the property or inheritance tax, because to do so would only encourage tax avoidance.

**Toward Social and Temporary Ownership**

To recapitulate: the model of participatory socialism proposed here rests on two key pillars: first, social ownership and shared voting rights in firms, and second, temporary ownership and circulation of capital. These are the essential tools for transcending the current system of private ownership. By combining them, we can achieve a system of ownership that has little in common with today’s private capitalism; indeed, it amounts to a genuine transcendence of capitalism.

These proposals may seem radical. In fact, they are the culmination of an evolution that began in the late nineteenth and early twentieth centuries. Both power sharing in firms and progressive taxation originated in that period. In recent decades, this evolution has come to a halt, in part because social democrats failed to innovate and internationalize their project and in part because the dramatic collapse of Soviet-style communism plunged the world into a phase of unlimited deregulation and abandonment of all egalitarian ambitions in the 1980s (Russia and its oligarchs are no doubt the most glaring illustration of this change). The skill with which the resulting political-ideological vacuum was

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51. For instance, setting lower rates on capital income than on labor income (as Sweden did in 1991) led to totally fictitious and economically useless shifting of income between different categories; for example, from salaries to dividends. On this subject, see Saez and Zucman, *The Triumph of Injustice*; they propose to tax all capital income (including undistributed corporate profits and capital gains) at the same rates as labor income.

52. In particular, the idea of granting exemptions to “productive” capital is undercut by the fact that capital is always productive in one way or another, just as labor is: for instance, having a roof over one’s head is at least as useful as having offices or warehouses for producing goods and services. If one begins by exempting this or that type of capital or labor on the grounds that it is productive, one risks ending up very quickly with nothing left to tax.

53. See Chap. 12.
filled by the promoters of the conservative revolution of the 1980s and of the nationalist anti-immigrant line in more recent times did the rest. Since the crisis of 2008, however, the first glimmers of a new movement have become visible, and many proposals for new forms of power sharing and progressive taxation have emerged and are being debated widely.54 Of course, neo-proprietarian ideology remains tenacious, and nativist retreat remains tempting, but there has been clear change. The proposals I am making here merely add to that movement, which I have tried to set in a broad historical perspective.

In particular, the notion of temporary ownership embodied in the progressive property tax described above is ultimately just an extension of forms of temporary ownership implicit in the progressive inheritance and income taxes that were tried in the twentieth century. In general, these fiscal institutions looked at property as a social relation, which therefore had to be regulated as such. The idea that strictly private property exists and that certain people have an inviolable natural right to it cannot withstand analysis. The accumulation of wealth is always the fruit of a social process, which depends, among other things, on public infrastructures (such as legal, fiscal, and educational systems), the social division of labor, and the knowledge accumulated by humanity over centuries. Under such conditions, it is perfectly logical that people who have accumulated large amounts of wealth should return a fraction of it to the community every year: ownership thus becomes temporary rather than permanent. Ultimately, the only real argument against this logic is the “Pandora’s box argument” to which I have alluded several times: namely, that any challenge to private property will inevitably unleash uncontrollable chaos so that it is better never to open the box. But the experience of the twentieth century showed that this argument is bogus: not only are steeply progressive taxes compatible with rapid growth; more than that, they are an important component of a developmental strategy based on relatively equal access to education and an overall reduction in inequality.

Once again, I want to stress that the purpose of citing the lessons of history is to suggest possible avenues of experimentation, not ready-made solutions. On issues like power sharing in corporations, progressive taxation, and permanent circulation of wealth, thinking will not change until successful experiments show that the innovations I am proposing can work. This is the way it has always been when it comes to changing inequality regimes.55

54. See Chap. 11.
55. I am thinking here of large-scale experimentation to be undertaken after new governments have come to power. I am not neglecting the importance of local experi-
On Transparency of Wealth in One Country

Ideally, the return to social progressivity and the implementation of a progressive property tax should take place in as broad an international setting as possible. It would be best to establish a public financial register that would allow governments and tax authorities to exchange all pertinent information about the ultimate owners of the financial assets issued in various countries. Such registers exist already, but they are largely in the hands of private intermediaries. However, there is no reason why governments in Europe, the United States, and elsewhere could not agree to change the terms of certain treaties to require the recording of assets in a public register; there is no technical obstacle to doing so.56

I will say more later about how one might think about transforming the legal foundations of the global economy and rewriting the treaties that regulate commercial and financial exchanges to foster a form of social federalism at the global level. At this stage, I simply want to point out that governments have considerable freedom to maneuver. They can make progress toward reducing inequality and establishing more just forms of ownership without waiting for international cooperation to be achieved. This is obvious for very large states such as the United States and China (and soon for India). In the United States there is no doubt whatsoever that the federal government, if it has the will to do so, has the means to enforce any decisions it makes in regard to taxes. I alluded earlier to the threat of US sanctions on Swiss banks in 2010, which led immediately to changes in Swiss banking laws.57 This could be done much more systematically.

Note, too, that much of US tax law applies to US citizens no matter where they live. In other words, anyone wishing to escape the US tax authorities would have to give up US citizenship or even in some cases give up doing business in the United States (or even doing business in dollars, directly or indirectly, anywhere in the world). This can become very costly for an individual or business.58 To sum up: whether the United States will or will not move to a more

56. See Chap. 13.
57. See Chap. 11.
58. The ability of the US federal government to enforce its decisions is often used on behalf of business interests or in the geopolitical interest of the United States (sometimes in ways that come close to exacting what in the past would have been called military tributes). An instance of this is the use of sanctions to punish Euro-
progressive tax structure (possibly including a progressive property tax leading to circulation of capital as described above) is a purely political and ideological question; there is no technical reason why it cannot be done.

It is also important to note that while smaller states, such as France, obviously have more to gain from international cooperation, they, too, have a great deal of room to maneuver if they wish to pursue new policies at the national level. Not only can they adopt new rules concerning power sharing and voting rights in firms (as countries such as Germany and Sweden did decades ago, without waiting for other countries to move); they can also adopt progressive property taxes and take other steps to reduce inequality of income and wealth. This is important, especially since it runs counter to the fatalistic view, common in recent decades, that globalization imposes one unique policy on everyone (which just happens to be the policy that proponents of this view favor). Such fatalism is largely responsible for the abandonment of ambitious economic reforms and the retreat into nativism and nationalism. In practice, however, receipts from the French wealth tax (ISF) more than quadrupled between 1990 and 2018, growing more than twice as fast as gross domestic product (GDP), which is a fairly clear sign that it is possible to levy such a tax in one country and derive significant revenues from it.\footnote{This was true, moreover, even though enforcement of the wealth tax was always notoriously lax. Audits were woefully inadequate, and successive governments chose to allow individuals to declare their own assets without systematic checks, although they could have instituted a system based on pre-filled wealth declarations using information about financial assets supplied by banks and other financial institutions (while relying on the existing real estate register, with valuations updated to reflect recent transactions). Such pre-filled declarations are already standard practice in the case of the income tax. Had this been done, receipts from the ISF would have grown even more rapidly.}

More generally, there is no reason why a medium-sized state (such as France) cannot move toward greater wealth transparency even in the absence of international cooperation. This is obviously true for real estate located inside the European firms accused of circumventing US embargos on Iran and other countries. This state capacity could easily be used on behalf of more universal objectives, such as enforcing a steeply progressive tax on the highest incomes and largest fortunes.\footnote{See Chap. 14, and the online appendix, Fig. S14.20. Recall, too, that large holdings of financial assets added value more rapidly than real estate, which itself grew faster than GDP.}
country, whether it is housing or business real estate (offices, factories, warehouses, shops, restaurants, etc.). More generally, it is also true for all firms doing business in the country or having economic interests there. Take the case of the French real estate tax (taxe foncière). Like the US property tax and similar levies in other countries, this tax must be paid by anyone who owns real estate (residential or business) on French soil.

Note that the real estate tax must be paid by property owners (individuals and firms) whether they themselves are based in France or abroad (or are held by individuals based in France or abroad). Currently, the amount of the real estate tax does not depend on the identity of the owner or the owner’s total wealth (since it is a strictly proportional tax) so that the tax authorities have no need of additional information (other than the name of the owner or entity to whom the bill should be sent). But the authorities could easily require corporations, holding companies, foundations, and other legal entities listed as owners to submit the names of their shareholders and the number of shares owned by each, failing which punitive sanctions would be applied. With this information, coupled with information on financial assets submitted by banks and other financial institutions, tax authorities could easily transform the real estate tax into a progressive tax on individual net wealth, automatically accounting for all residential and business property in France, whether owned directly or by way of stock, partnership shares, or other types of financial intermediation. The tax authorities could also require all firms doing business in France or having economic interests in the country to submit information about their owners if such information would be useful for enforcing fiscal legislation.

60. The most obvious sanction to apply to a firm or other legal entity is the progressive rates applicable to individual owners, as if the firm were owned entirely by a single individual (in the absence of further information).

61. Stockholders in publicly listed firms are recorded by (private) custodial banks and other institutions. Any company that refused to take the steps necessary to transmit adequate information about their stockholders to the fiscal authorities would be subject to sanctions proportional to the damage done (which could be based on available estimates of the international wealth structure or on sales and services invoiced in France, as in the case of the corporate tax; see Chap. 16). Stockholders in unlisted companies are generally known to the companies themselves, but other problems may arise, such as the difficulty of evaluating the share price (which could be estimated on the basis of company books or on the valuations of comparable listed companies).
Such wealth transparency would make it possible to establish a uniform progressive tax on property (a direct descendant of the existing real estate tax and former wealth tax) while sharply decreasing taxes on people of modest means or without property and increasing taxes on those who already own large amounts. For example, a person who owned a home or business valued at 300,000 euros but with a debt of 250,000 euros would be taxed on the basis of her net wealth of only 50,000 euros, which with a progressive schedule such as the one shown in Table 17.1 would result in a tax close to zero and therefore a significant tax cut compared with the current real estate tax. By contrast, another person who owned a similar property worth 300,000 euros together with a financial portfolio worth 2 million euros, who currently pays the same real estate tax as the former (which says a great deal about the absurdity, injustice, and archaic nature of the current fiscal system, which dates all the way back to the turn of the nineteenth century), would face a sharp increase in his wealth tax.

With such a system, the only tax avoidance strategy available to the owners of residential or business property in France would be to sell the assets and leave the country. To combat that, an exit tax could be put in place. In any case, such a tax avoidance strategy would imply selling the property (residence or

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62. The general principle could be to apply the tax to the global wealth of all people residing in France and all owners of wealth part of which is situated in France (residents and businesses), who would be obliged to declare their wealth (under penalty of punitive sanctions). Agreements could be worked out to avoid double taxation if it can be proven that the owner in question pays a wealth tax equal to or greater than the French tax in some other country (with the understanding that what we want to avoid is the current situation where transborder wealth is not taxed at all).

63. Such a reform could be done without reducing tax revenues, given that the real estate tax currently yields about 40 billion euros in France (nearly 2 percent of GDP), while the ISF yielded about 5 billion euros (less than 0.3 percent of GDP) before it was transformed into the IFI in 2018–2019. Given the concentration of wealth, the top centile (which holds about 20–25 percent of total wealth) would yield revenues of at least 10–15 billion euros. This reform could also be made to yield greater revenues if coupled with an increase in the progressivity of the inheritance tax, in order to finance a universal capital endowment of the type I described earlier (Table 17.1).

64. The justification for an exit tax is that there is no natural right to enrich oneself by taking advantage of a country’s legal and educational systems, and so on, and then extracting the wealth without returning part of it to the community. The exit tax system established in 2008, although much less rigorous than the one currently under debate in the United States (because it dealt solely with latent capital gains and not with total wealth and allowed for numerous exemptions) was almost totally rescinded in 2018–2019 as revenues from the wealth tax were cut by 80 percent.
business), which would decrease the corresponding price and lead to purchase by people remaining in the country (presumably much larger in number, including millions of highly competent individuals). Indeed, the possible decrease in asset prices would be an excellent thing, at least up to a point. In France and elsewhere, skyrocketing real estate prices (especially in large cities) have been driven in part by French and foreign buyers acquiring property they have no use for, which could usefully be purchased by less wealthy individuals. The important point is that, even without agreement with other countries, a country like France could easily impose new transparency rules on firms (and other “moral persons”) owning property on French soil.65

On Writing Fiscal Justice into the Constitution

Finally, it is important to add that developing new forms of fiscal progressivity in order to move from private ownership to social and temporary ownership may require constitutional changes. This is not new. In 1913, the US Constitution had to be amended to allow the creation of a federal income tax and, later, a federal inheritance tax. The development of co-management and the inclusion of unions in corporate governance structures led to a new social and collective definition of property being written into the German constitutions of 1919 and 1949.66 Similarly, to institute the power sharing in corporations and progressive wealth and income taxes described above, it may be necessary to amend existing constitutions in some countries.

Broadly speaking, the constitutions and declarations of rights that emerged in the late eighteenth century or the following century were steeped in the proprietarian ideology of the era. Existing property rights enjoyed veritable constitutional protection, which could not be challenged for any reason, no matter what the politics of the government in power. It was also in this climate that the United Kingdom and France chose to compensate slaveowners when slavery was abolished in 1833 and 1848. In the mind of the ruling class at the time, it was simply unthinkable to deprive anyone of property without just compensation. By contrast, no one considered it useful to compensate the slaves for the wrongs they had suffered.67 Respect for property owners continues to permeate

65. Although it would obviously be preferable to move toward wealth transparency in an international social-federalist framework, as we will see in a moment.

66. See Chap. 11 for more on this.

67. See Chap. 6.
any number of constitutions around the world today. These will need to be amended before circulation of property and universal capital endowments can become a reality. It would also be a good idea to constitutionally enshrine an explicit principle of fiscal justice based on progressive taxation so that it will be impossible for the rich to pay proportionately less in taxes than the poor (and possible for them to pay more, if legislators so decide; no constitutional judge should be allowed to obstruct the will of the majority in this regard). 68

In the same spirit, the constitution (or other fundamental law) should require the government to publish accurate annual estimates of the amounts of tax actually paid by different classes of income and wealth so that citizens can participate in informed debates on tax issues and their representatives can have reliable figures on which to base adjustments to the parameters of the tax system. This is especially important because the lack of sufficiently detailed information is one of the major factors preventing citizens from mobilizing and monitoring government action on these issues. This is true not only in capitalist democracies (where the lack of fiscal transparency is manifest, for example, in Europe, the United States, and India) but also in other political systems, such as Russia and communist China, where official rhetoric about combating corruption stands in stark contrast to the paucity of published fiscal data. 69

Recall, moreover, that the US Supreme Court and other constitutional tribunals that have the last word on constitutional issues in the various Western countries have often shown themselves to be extremely conservative on social and economic issues. Wherever the constitution leaves a crack through which they can inject their partisan views, justices are quick to pass their opinions off as law. Hence it is essential for the constitution to define fiscal justice and the principle of progressivity as precisely as possible while leaving it up to elected legislative bodies to determine how much progressivity there should be, allowing no room for judges to insert themselves into the process. Any number of episodes in constitutional history from the nine-

68. Here is possible wording: “The law sets the conditions of ownership and seeks to encourage the diffusion of property if need be through a system of progressive taxation of wealth coupled with capital endowments. In general, the tax should be apportioned among all citizens in proportion to their ability to pay. If one expresses the amount of tax actually paid as a proportion of property owned or income received by each citizen, that proportion may not be smaller for wealthier citizens than for poorer ones. It may be higher, under terms to be set by law.”

teenth century to the present show the need to be cautious and wary of the power of judges in economic and social matters. In 1895, the US Supreme Court chose to interpret the ambiguous terms of the constitution in a clearly conservative manner when they decided that a federal income tax would be unconstitutional (initiating a lengthy process that led to the Sixteenth Amendment in 1913). The following year, the same judges held in the sinister *Plessy v. Ferguson* case that it was perfectly legal for the southern states to practice racial segregation.\(^{70}\)

During the 1930s, the Supreme Court once again distinguished itself by striking down New Deal social and fiscal legislation on the grounds that certain new regulations unconstitutionally infringed on freedom of enterprise and private contract.\(^{71}\) Reelected in November 1936 with 61 percent of the vote and furious at having to delay implementation of his program, President Franklin D. Roosevelt announced in early 1937 that he intended to submit a bill that would allow him to appoint additional justices to the Supreme Court to end the stalemate.\(^{72}\) Ultimately, under pressure from the political branches, the court approved a key minimum wage law that it had previously struck down, ending the crisis.\(^{73}\)

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70. In *Plessy* (1896), the Supreme Court by a seven-to-one vote found in favor of Ferguson, a Louisiana judge, against Plessy, the plaintiff, a person of mixed race (specifically, an “octoroon,” that is, a person whose ancestors were seven-eighths European and one-eighth African). Plessy had challenged an 1890 Louisiana law banning any person with black blood from entering a train car reserved for whites. This decision had the force of law and served as the legal foundation of the segregationist order in the United States until *Brown v. Board of Education* in 1954 and the civil rights laws of 1964–1965.

71. Note, however, that the Supreme Court could not block the steeply progressive tax that Roosevelt put in place, notably his 1935 “wealth tax” setting a 75 percent rate on top incomes. Since the Sixteenth Amendment of 1913 and the strong push for progressivity in the late 1910s, it was established that the government was free to set tax rates.

72. Since the US Constitution says nothing about the number of Supreme Court justices, it was only by statute and tradition that that number was set at nine, nominated for life, with no age limit (like the Pope or the Supreme Leader in Iran). The Judicial Procedures Reform Bill of 1937 (commonly referred to as the “court-packing plan”) allowed Roosevelt to appoint up to six new justices (for each justice over the age of 70) and thus to change the majority in his favor.

73. This key 1937 decision is generally considered to mark the beginning of a new era in the history of the Supreme Court, which became more amenable to government intervention in the economy. Note, however, that the Democratic majority in the
Since the 1970s, thanks to justices appointed by Republican presidents, the Supreme Court has taken an increasingly conservative turn, striking down all legislation aimed at limiting the influence of private money in politics and campaign financing, all in the name of “free speech” as interpreted by the justices.74 If the Democrats should decide in the future to legislate in this area, they will need to begin by amending the constitution (which is difficult, but it has been done many times in the past and should be kept in mind as a possible option when needed), or else they must change the composition of the Supreme Court, which is easier but generally viewed with suspicion.75

Examples of abuse of judicial power are unfortunately not limited to the US Supreme Court. The Kirchhoff affair in Germany is a particularly egregious case in point. A tax lawyer clearly angry about the tax system, Paul Kirchhoff was presented as the person who would be named Angela Merkel’s finance minister if her party won the 2005 elections. He proposed limiting the tax rate on top earners to 25 percent. In politics, everyone is of course entitled to an opinion, but German voters were not impressed by Kirchhoff’s ideas: his flat tax proposal significantly reduced the Christian Democratic Union’s margin of vict-


75. As a general rule, intellectuals in the United States who are close to the Democrats have become fairly conservative on constitutional issues. In regard to the Supreme Court, many think that the best one can do is to restore the previous equilibrium by allowing each president to appoint the justices of his choosing (an equilibrium disrupted in 2016 when the Republican Senate refused to consider President Barack Obama’s appointment of the centrist Merrick Garland in order to allow Trump to appoint the next justice). See, for example, S. Levitsky and D. Ziblatt, How Democracies Die (Penguin, 2018), pp. 118–119, which delivers a very harsh judgment of FDR’s “court-packing plan.” Yet there was nothing particularly virtuous or rational about the status quo prior to 2016. Depending on the health of elderly judges and the dates of presidential elections, the composition of the Court can change quickly and block the political process for decades.
tory so that Merkel was eventually forced to form a coalition with the Social Democratic Party and jettison her would-be adviser. But the interesting point is that in 1995, when Kirchhof acted as a judge on the German constitutional court, he was able to condemn any tax above 50 percent as unconstitutional. This caused a scandal, and the decision was eventually overturned by other judges in 1999, who confirmed in 2006 that it was not within the power of judges to set quantitative limits on taxes.

In France, a former president of the Constitutional Council who served in several ministerial posts under conservative governments recently explained that the decision he was most proud of was a 2012 judgment declaring that a marginal tax rate of 75 percent on income above 1 million euros was unconstitutional. The decision was justified, he argued, because under the French constitution a tax is a “contribution” and cannot be “confiscatory.” But nowhere does the constitution mention any specific figure, so this judgment rested on a purely personal interpretation by the judge. Like any citizen, the former president of the Constitutional Council is obviously entitled to regard tax rates of 70–90 percent, which were assessed for decades on top incomes and inheritances in many countries in the twentieth century (including the United States and United Kingdom), as having failed to yield the desired results or as poor policy. He is free to publish his arguments in the press, deliver them in speeches, share them with his friends, or even write a book. But to use his position as a constitutional judge to enforce his opinion without the slightest argument to support it represents a clear abuse of power.

To round out this discussion, let me add that constitutional courts are invaluable but fragile institutions. It is important to limit the ability of elected governments to instrumentalize them for their own purposes. Yet precisely because these institutions are so invaluable and fragile, it is also important to prevent judges to whom such eminent functions are entrusted from instrumentalizing them for their own purposes. It is therefore crucial to be clear about what belongs to the juridical realm and what to the political. In my view, the wisest course would be to write into the constitution a minimal principle of

76. See interview with J.-L. Debré on France Inter, February 16, 2019.
77. In this instance, there was an additional problem: the François Hollande government did not really want to enact this last-minute campaign promise by candidate Hollande and specifically refused to apply it to all incomes as a permanent new income tax bracket. Ultimately, the measure was applied in 2013–2014 as an exceptional tax on firms paying salaries above 1 million euros.
78. See Figs. 10.11–10.12.
fiscal justice based on nonregressivity (that is, the proportionate burden of the wealth or income tax on the wealthiest segment of the population should not be lower than the proportionate burden on the poorest segment) and requiring the government to publish adequate information on how the tax is apportioned so that citizens can judge whether the principle of nonregressivity has been respected. It is essential to leave it to elected parliaments to set the desirable degree of progressivity after public deliberation and on the basis of historical and personal experience; judges should not be allowed to intervene.

**Basic Income and Just Wage: The Role of the Progressive Income Tax**

I have thus far concentrated on the question of diffusion of wealth. As important as this is, it is far from the only goal of inequality reduction. Under the tax system shown in Table 17.1, the progressive property tax (combining both the annual tax and the inheritance tax) would yield annual revenues equivalent to 5 percent of national income, compared with the 45 percent of national income generated by the progressive income tax. Of course, this does not mean that the wealth tax is only one-ninth as important as the income tax. The wealth component of my plan, which consists of the progressive property tax plus the universal capital endowment, will have a long-term structural effect on the distribution of wealth and economic power, which far outweighs its purely fiscal significance. Nevertheless, the progressive income tax remains, in my view, the principal source of financing of the welfare state and of public expenses in general (education, health, pensions, etc.). To simplify matters, I have included under the head of income tax not just the income tax in the strict sense but also social security and other payroll and self-employment taxes and compulsory social contributions that are based on labor income (and in some instances on capital income).

These social taxes are in fact a form of income tax, in the sense that their amount depends on income, in some cases with rates that vary with income. The key difference is that the revenues from social taxes usually flow not to the state treasury but to special funds created to finance health insurance, pensions, unemployment insurance, and so on. It is essential, I believe, that such special funds continue as the repository for social taxes. In view of the very high level of total taxation (set here at 50 percent of national income, but which could be even higher if justified by need), it is important to ensure that citizens have a better idea of how their money is being used and in particular of the social purposes to which it is being put. Having separate funds for different types of
Expenditure might be one way of achieving that goal. In general, we need the greatest possible transparency as to the source and destination of all tax monies.

In practice, we find great diversity in sources of tax revenues from country to country. In Western Europe, where revenues have stabilized at 40–50 percent of national income in the period 1990–2020, we find that the income tax (including the corporate income tax) brings in 10–15 percent of national income while social contributions amount to 15–20 percent of national income; indirect taxes (such as the value-added tax, or VAT, and other consumption taxes) yield 10–15 percent of national income. Broadly speaking, indirect taxes (especially customs duties) were dominant until the nineteenth century in all countries but were gradually replaced by income taxes and social contributions as the main sources of revenue. In my view, there is no real justification for indirect taxes (except when necessary to correct an externality, as in the case of the carbon tax, about which I will say more later); they should therefore be replaced by taxes on income or wealth. Indirect taxes such as the VAT do not allow taxes to be apportioned as a function of income or wealth, which is a major limitation in terms of both economic and democratic transparency.

79. I am including the corporate tax in the progressive income tax system because it is better to analyze the two taxes together. Ideally, the corporate tax could be a sort of deduction from the income tax to be paid by stockholders on their dividends. In practice, owing to the lack of international cooperation and transparency regarding the ultimate ownership of firms, some taxpayers escape paying any taxes on their capital income so that it is crucial to maintain a direct tax on corporations. I will say more later about this issue.

80. See Chaps. 10–11 (and especially Figs. 10.15–10.15 and 11.9) for a more detailed analysis of the various types of taxes and expenditures. In some countries, such as Denmark, social contributions are formally integrated into the income tax so that the income tax alone yields about 35 percent of national income. See European Commission, Taxation Trends in the EU, 2018 ed., pp. 76–77, Table DK.1.

81. An externality occurs when the consumption of a good or service by an individual imposes undesirable costs on other individuals, typically by way of pollution or greenhouse gas emission.

82. With the VAT and other indirect taxes, it is of course possible to tax some goods at a lower rate than others, but this is a cruder way to target specific social groups than a direct tax on income or wealth. The other argument in favor of the VAT has to do with the ability to tax imports while exempting exports, but there is no real reason for this, and in any case it is more a sign of lack of international fiscal coordination (particularly where intra-European tax competition is concerned). I will say more later about the possible use of an import tax to compensate for the lack of international cooperation. Finally, note that the VAT in practice exempts many
Detailed analysis of the best way to organize public expenditure and the many components of the social state (universal health insurance, unified pension system, etc.) would take us far beyond the scope of this book. I will say more later about allocating spending on education, which plays a central role in generating and perpetuating inequality. Here, I will focus on the role of the basic income as an element of the social state and the just society. The fact that a basic (or minimum guaranteed) income exists in many countries and in particular in most Western European countries is an excellent thing. Basic income systems can and should be improved specifically by making them more automatic and universal, especially for the homeless, many of whom face great difficulty in obtaining access to the basic income, housing, and, more generally, the help they need to find work and secure a place for themselves in society. It is also essential to extend the basic income to people earning very low wages or receiving activity bonuses (that is, welfare-to-work supplements); the basic stipend should be automatically added to their wages without requiring them to apply for it (this can be linked to the progressive income tax, which is already withheld on paychecks).

Consider, for example, the relatively ambitious basic income shown in Table 17.1. We set the minimum basic income for individuals with no other resources at 60 percent of average after-tax income; this amount would decline as other income increased. It would apply to about 30 percent of the population for a total cost of about 5 percent of national income.83 Once again, these figures are given for illustrative purposes only; any decision would come only after wide deliberation, and it is not the purpose of this book to say what the exact outcome of that debate should be.84

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83. The average amount paid would be on the order of 30 percent of average after-tax income, or about 16.5 percent of average national income per adult (given an average income tax of 45 percent, counting social contributions and carbon taxes), for a total cost of 5 percent of national income if that amount is paid out to 30 percent of the population. See the online appendix.

84. For a more detailed description of such a system in the French case, including automatic inclusion of the basic income on pay stubs, see for example P. A. Muet, Un impôt juste, c’est possible! (Seuil, 2018). In the United States, an ambitious proposal to increase the Earned Income Tax Credit (EITC) (which is in effect a boost to low wages) was
The point I want to emphasize here is that even after the basic income is established, much more needs to be done to achieve social justice. In the example shown in Table 17.1, public spending on the social state represents about 40 percent of national income (covering health, education, pensions, unemployment insurance, family benefits, etc.), compared with just 5 percent for the basic income and 5 percent of the capital endowment. These orders of magnitude are important. They express the fact that a just society must be based on universal access to fundamental goods, foremost among which are health, education, employment, the wage relation, and deferred wages for the elderly and unemployed. The goal should be to transform the entire distribution of income and wealth and, beyond that, the distribution of power and opportunities; it goes far beyond just setting a floor on income. The ambition must be to create a society based on just remuneration of labor—in other words, a just wage. The basic income can contribute to that goal by raising the income of individuals who are otherwise poorly paid. More than that, however, justice also requires a thorough reconsideration of a whole range of mutually complementary institutional arrangements.

One of those institutions is the educational system. If every individual is to have a chance of finding decently remunerated employment, we must put an end to the hypocritical practice of investing more in elitist educational programs and institutions than in institutions that cater to the disadvantaged. The labor code and, more generally, the entire legal system need to be overhauled. New systems of wage bargaining, a higher minimum wage, a fairer wage scale, and sharing of voting rights within firms between workers and shareholders can all contribute to the establishment of a just wage, a more equal distribution of economic power, and a deeper involvement of workers in shaping the strategy of their employers.

The other important institution I want to discuss is the fiscal system itself. In addition to the progressive property tax and the universal capital endowment, recently put forward by L. Kenworthy, Social Democratic Capitalism (Oxford University Press, 2019), p. 210, Fig. 7.15. One important difference is that the EITC would continue to be paid separately. In general, the advantage of automatic payment is that it links the basic income idea to a vision of the just society based on the wage relation and the right to work and unionize. By contrast, a system based on separate payment of the basic income (as proposed, for example, by Van Parijs and Vanderborght, Basic Income, who envisage a payment to each adult, independent of wages) risks weakening that link and might be instrumentalized to favor hyper-flexibilization and the fragmentation of labor. This could lead to an artificial inflation of the tax level, with the danger of decreasing resources available for the social state.
which encourages worker participation, the progressive income tax can help to achieve a just wage by reducing the income gap to a level consistent with a just society. History shows that marginal rates on the order of 70–90 percent on the highest incomes made it possible to eliminate pointless high salaries, much to the great benefit of workers lower down in the distribution, while at the same time increasing overall economic and social efficiency.\textsuperscript{85} Indeed, all signs are that a tax schedule like the one shown in Table 17.1 would compress the pay scale and increase the pay of people at the bottom and in the middle of the distribution.\textsuperscript{86}

Note, moreover, that the proposed schedule rises quickly to fairly high levels, with an effective overall rate on the order of 40 percent (including social contributions) on incomes twice the national average. Such high rates are necessary to pay for an ambitious universal social state and especially for health care and pensions. Note, however, that in the absence of such public systems, workers would have to pay large sums to private pension funds and health insurance companies, which in practice can prove to be more costly than public equivalents.\textsuperscript{87}

To sum up, one should avoid looking at the basic income as a sort of miraculous solution that would make all these other institutions unnecessary. In the past, the idea of a basic income was sometimes instrumentalized as a form of “payment in full” of all social obligations and invoked to justify cuts to other social programs.\textsuperscript{88} Hence it is important to think of the basic income as one component of a more ambitious package, which should include progressive taxes on wealth and income, a universal capital endowment, and an ambitious social state.

\textbf{On Progressive Taxation of Carbon Emissions}

I turn now to the carbon tax. As I said earlier, along with rising inequality, global warming is the greatest challenge the planet faces today. There are several reasons to believe that these two challenges are intimately related and can be re-

\textsuperscript{85.} See Chap. 11.
\textsuperscript{86.} Obviously, I do not mean to imply that the purely illustrative figures given in Table 17.1 completely settle the question of just inequality. How much the pay scale needs to be compressed for the benefit of the disadvantaged remains an open question; the only way to make progress is to engage in realistic experiments.
\textsuperscript{87.} In the United States, if one counts the cost of private insurance as though it were tax, the schedule of payments becomes highly regressive to the detriment of the lower and middle classes. See Saez and Zucman, \textit{The Triumph of Injustice}, p. 213.
\textsuperscript{88.} This was the spirit in which Milton Friedman proposed a basic income and negative income tax in his book with R. D. Friedman, \textit{Free to Choose} (Harcourt, 1980).
solved only if dealt with simultaneously. First, carbon emissions are strongly concentrated among a small group of people, primarily individuals with high incomes and large fortunes living in the wealthiest countries in the world (especially in the United States). Second, the magnitude of the lifestyle changes required to cope with the climate crisis is so great that it is hard to imagine how to make those changes socially and politically acceptable without establishing stringent and verifiable norms of justice. In other words, it is hard to see why the lower and middle classes in the rich countries would be willing to make a major effort to curtail emissions if they feel that the upper class is free to go on living and emitting greenhouse gases as before.

The inequality reduction measures I discussed earlier, including a sharp increase in the progressivity of taxes on high incomes and large fortunes, are therefore a necessary condition for combating climate change. They are not a sufficient condition, however. Among the other tools that have been widely discussed is a tax on carbon emissions. Several conditions have to be met, however, for such a solution to become viable. First, the carbon tax must not be seen as the only approach to dealing with the problem. Often, the most effective way to reduce emissions is to establish norms; prohibit certain practices; and agree on strict standards for automobile emissions, heating equipment, building insulation, and so on. In many cases these are more effective choices than just placeing a high tax on carbon.

Second, no carbon tax will be fully accepted and effective unless all of the revenue it generates is used to compensate lower- and middle-class households affected by the tax and to pay for the transition to renewable sources of energy. The most natural way to do this would be to integrate the carbon tax into the progressive income tax, as I have done in Table 17.1. With each increase in the carbon tax, one has to calculate the average impact on people at different income levels as a function of the structure of average expenditures; one can then automatically adjust the income tax schedule and basic income transfer system to neutralize the effect. That way, one would preserve the price signal (because consuming items with high carbon content would cost more than consuming items low in carbon, thus giving consumers incentives to change their behavior) but without diminishing the purchasing power of people of modest means.  

89. See Fig. 13.7.
90. In some cases, the calculation of compensatory transfers will need to consider not only income but also type and place of residence, existence of public transportation, and so on.
By contrast, the method used in France in 2017–2018 consists in increasing carbon taxes on people of modest means to pay for tax cuts for the rich, leading to the so-called Yellow Vests uprising and the breakdown of the whole French carbon tax system. This is the method to avoid at all costs.91

Finally, it is legitimate to ask whether it would be a good idea to implement a progressive tax on carbon emissions. To date, carbon taxes have been basically proportional. All emissions are taxed at the same rate, whether the person or persons responsible emit five to ten tons of carbon (CO2 equivalent) per year, which is roughly the world average, or 100–150 tons, which is the amount emitted by the top 1 percent of individual emitters globally. The problem with such a system is that if the heaviest emitters have the means, they can avoid making any effort to reduce their emissions, which is not necessarily the best way to establish a norm of environmental justice acceptable to the majority. Reducing overall levels of wealth and income inequality through progressive taxation can diminish these disparities and make them more acceptable, but by itself that might still not be enough. One proposed solution is to issue every individual a “carbon card” authorizing an annual quota of emissions (of, say, five to ten tons); each person would then be entitled to sell all or part of this quota. The problem is that anyone with modest resources or low emissions would then have a financial interest in allowing the wealthy and heavier polluters to emit more, which once again would mean that those with sufficient financial resources would be able to emit as much carbon as they pleased. What is more, experience with businesses purchasing the right to pollute on the open market suggests that if that market were extended to private individuals, it would likely prove to be extremely volatile and easy to manipulate, giving rise to waves of speculation and allowing some to reap enormous profits at the expense of others; meanwhile, the price signal emanating from such a market would be a particularly noisy one.

A better solution might be a true progressive tax on carbon emissions at the level of individual consumers. For example, the first five tons of individual emissions might be taxed little if at all, the next ten tons somewhat more, and so on up to some maximum level beyond which all emissions would be prohibited, with violations subject to fines (such as a confiscatory tax on income and/or wealth).92 Like the “carbon card,” this solution assumes that one can

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92. This carbon tax schedule is intended for illustrative purposes only and may be taken as a starting point, given that the average emission level worldwide is around
measure emissions at the individual level. This raises complex issues, which could nevertheless be overcome (for example, by using credit card information) if the issue were deemed important enough for the future of the planet.\textsuperscript{93} Carbon content is already measured for certain types of consumption, such as electricity (it is reflected in electric bills). Initially, it might be possible to approximate a progressive carbon tax by setting higher tax rates on goods and services associated with high carbon emissions, such as jet fuel or, better yet, business class airline tickets. What is certain is that the development of a sustainable climate policy will require new norms of environmental and fiscal justice that the majority can accept, which is definitely not the case today.\textsuperscript{94}

\textit{On Constructing a Norm of Educational Justice}

I turn next to the question of educational justice. Emancipation through education and diffusion of knowledge must be at the heart of any project to build a just society and participatory socialism. History shows that economic development and human progress depend on education and not on the sacralization of inequality and property.\textsuperscript{95} In previous chapters we saw how the expansion of five to six tons per person. It should be rapidly increased, however, if one wants to meet the goal of limiting global warming to 1.5–2 degrees (which according to estimates will require reducing carbon emissions to one to two tons per person by the end of the century).

\textsuperscript{93} In the past, every new tax has been accused of being impractical, impossibly complex, and inquisitorial. This was true, for instance, of the income tax in the nineteenth century and beyond. That said, the idea of using credit card data does raise serious privacy issues. In my view, however, it is strange not to consider the possibility of developing procedures for making use of such information in a controlled way, just as we have learned to trust private banks not to use the same information for nefarious purposes.

\textsuperscript{94} Another question is whether the progressive carbon tax should apply only to individual consumption (which might seem logical given the need to make consumers behave responsibly, especially in the rich countries) or whether one should also look into the possible of a progressive tax on individual production (based on individual income—wages and profits—generated by the production of goods and services responsible for the emission of carbon), which might be more effective in some cases. The two types of taxes (on consumption and production) are in principle equivalent when the tax is proportional. This is no longer the case when the tax is progressive.

of education and the development of higher education coincided with a complete reversal of political cleavages. In the period 1950–1980, the Democratic Party, the Labour Party, and various socialist and social-democratic parties realized their best scores among voters with the least education. This cleavage gradually reversed, and by the period 1990–2020, the same parties were achieving their best results among voters with the most education. In sum, the political forces that constituted workers’ parties in the years after World War II gradually turned into parties of the highly educated in the late twentieth and early twenty-first centuries. The most natural explanation is that less educated voters felt that these parties had abandoned them by shifting their attention and priorities to the winners of the educational system and to some extent of globalization. This political-ideological transformation is crucially important for our study. It is especially important for understanding the collapse of the postwar left-right system and the rise of inequality since the 1980s.96

I have already discussed at some length the very significant inequality of access to higher education in the United States, where the likelihood of attending college is linked to the parents’ standing in the income distribution and where the system is highly stratified, with a wide gap separating the best universities from the rest.97 If the Democratic Party wants to win back the voters it has lost, it will no doubt need to offer tangible proof that it is more concerned with the children of the lower and middle classes and somewhat less focused on the children of parents who are themselves graduates of the most elitist schools and universities. I also noted that educational inequality and hypocritical talk about meritocracy is common also in countries where the educational system is mainly public and supposedly egalitarian, such as France, even if the mechanisms of discrimination are different.98

Before delving further into this point, I want to call attention to Fig. 17.1, which shows the current distribution of educational investment in France. If one looks at the entire cohort of young people turning 20 in 2018, one can estimate (using available data and trends) that each of them will have benefited on average from about 120,000 euros in educational investment (from preschool to university), which corresponds to fifteen years of schooling at an average cost of approximately 8,000 euros per year. But this average conceals enormous disparities within the group related primarily to the age when schooling ends and to

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96. See Chaps. 14–16.
97. See Fig. I.8 and Chap. 15.
course selection in high school and above all in the higher education system.\textsuperscript{99} Within this cohort, the 10 percent of students in whom public investment was smallest received 65,000–70,000 euros each, while the 10 percent in whom most was invested received 200,000–300,000 euros each. The first group

\textsuperscript{99} Variations in preschool attendance are also significant. Preschool is available to children aged 3 to 6 but is not compulsory; in some years and some places it has been available as early as age 2. In any case, its role in creating disparities is far less than the factors mentioned in the text. The estimates given here are based on household surveys that allow us to estimate the distribution of educational choices in each age cohort. The method is to assign a constant cost per year depending on the type of education (primary, middle school, lycée, etc.). All details on the construction of the data set are available online. See also S. Zuber, \textit{Linégalité de la dépense publique d'éducation en France: 1900–2000} (EHESS, working paper, 2003), and C. Bonneau, \textit{The Concentration of Educational Investment in the US (1970–2018), with a Comparison to France} (EHESS and PSE, working paper, 2019).

\textbf{FIG. 17.1.} Inequality of educational investment in France, 2018

\textit{Interpretation}: The total public educational investment per student over the course of an educational career (preschool to university) for the generation of students turning 20 in 2018 averages out to around 120,000 euros (or about 8,000 euros per year over fifteen years). Within this generation, the 10 percent of students receiving the smallest public investment received 65,000–70,000 euros, while the 10 percent receiving the most received 200,000–300,000 euros. \textit{Note}: The average cost per track per year of schooling in 2015–2018 works out to 5,000–6,000 euros in preschool and primary school, 8,000–10,000 euros in secondary school, 9,000–10,000 euros in university, and 15,000–16,000 euros in preparatory classes for the grandes écoles. \textit{Sources and series}: piketty.pse.ens.fr/ideology.

Total public educational investment received per student in the course of an educational career (from preschool to higher education)

Percentile of distribution of  total investment received over course of educational career

(Thousands of euros)
consists of people who left school at age 16 (the minimum legal age) after just ten years of schooling for an average cost of 6,000–7,000 euros per year. By contrast, the second group consists of students who took advanced degrees and in some cases remained in school until age 25 for a total of twenty years or more of education. Apart from the length of study, the other distinctive feature of this group is that its members followed highly selective tracks, usually passing through the preparatory classes for the *grandes écoles*, where students receive much more intense instruction than in the nonselective university tracks.100

Ultimately, these disparities are quite substantial: the inequality of public expenditure per student is 150,000 euros if one compares students in the top decile to those in the bottom decile and more than 200,000 euros if one compares students in the top centile to those in the bottom decile—the equivalent of the average wealth per adult in France today. It is as if some children receive an additional inheritance compared with others, and inheritances are already very unequally distributed.101 Furthermore, although the students who stay in school for the shortest time are not systematically those from disadvantaged families and students who stay in school longest are not always the most advantaged, there is of course a significant positive correlation between these two dimensions so that in many cases the effect of public educational investment combines with the effect of private inheritance.102 Finally, note that the assumptions we made to calculate these estimates probably lead to seriously understating the actual size of these spending disparities. Specifically, the official estimates of the cost of selective and nonselective tracks that we use here likely strongly understate the actual gap.103

100. According to official data, the cost per student in the preparatory classes is 15,000–16,000 euros per year, compared with 9,000–10,000 euros in the universities. Note, moreover, that real investment per student in higher education decreased by about 10 percent between 2010 and 2018 because budgets did not increase as rapidly as the number of students. See Ministère de l’éducation nationale, *Repères et références statistiques 2018* (2019), p. 325, section 10.5. See also the online appendix, Fig. S14.11e.

101. Recall that the 50 percent of individuals inheriting the least receive virtually nothing (barely 10,000–20,000 euros on average), while the 10 percent inheriting the most receive hundreds of thousands of euros and in some cases millions or even tens of millions of euros.

102. Available data show that the link between parental income and access to higher education is less extreme in France than in the United States but still high. See the online appendix.

103. Official estimates (15,000–16,000 euros per year for preparatory classes and 9,000–10,000 euros for university classes) include the cost of university research.
Let me now ask what principles might be invoked to define a just distribution of the educational investment. Once again, as with the question of the just wealth and income taxes, the goal is obviously not to provide a closed solution, which I am incapable of doing, but simply to propose some possible avenues for collective deliberation. First, private educational investment clearly needs to be considered, which would widen the educational spending gap even more. In a country like France, where the educational system is primarily public, the effect of this would be limited. But in the United States it would be hugely important because investment per student there can attain extremely high levels for those who attend the richest and most expensive private universities, whose resources greatly surpass those of public universities and community colleges.104

How should one think about a just distribution of public educational investment in a country like France? A relatively natural norm would be that every child should have the right to the same educational funding, which could be used for either schooling or other training. In other words, a person who quit school at age 16 or 18, who would thus have consumed only 70,000–100,000 euros during her public schooling (which is the case for 40 percent of each age cohort) could then draw on educational capital worth 100,000 to 150,000 euros before reaching the level of the best funded 10 percent of her cohort (Fig. 17.1).105 With this capital she could acquire additional training at age 25 or 35 or at any
point in her life.\textsuperscript{106} Indeed, one could also think of allowing such individuals, under certain conditions, to use part of this sum as financial capital, which could be added to the universal capital endowment. Nevertheless, the priority should be to use these funds to improve educational opportunities for everyone, especially young people from disadvantaged classes.\textsuperscript{107} Of course, many people would probably not take advantage of the opportunity to go back to school, so more should be invested in primary and secondary education in order to foster emancipation through education during the normal years of schooling.

The truth is that there is a great deal of hypocrisy in this area. In France and many other countries, extra funding is supposedly earmarked for socially disadvantaged neighborhoods and schools. In fact, as we saw earlier, it is the socially advantaged schools that benefit from the most experienced, best trained, and highest paid teachers, and this clearly counts for more than the meager extra funds provided to the novice and contract teachers who work in the disadvantaged schools.\textsuperscript{108} If there were any real increase in the resources allocated to the least advantaged primary and secondary schools, this would show up in Fig. 17.1 as an increase in educational investment at the lower end of the distribution, signaling that educational spending had become more egalitarian and more just.

**Renouncing Educational Hypocrisy, Promoting Transparency**

If the goal is really to develop acceptable norms of educational justice, then there is no choice but to demand greater transparency in the allocation of educational resources. In most countries today, the procedures for apportioning

\begin{itemize}
\item support from their parents. It seems preferable to require the latter to pay more for everyone’s children and not just their own.
\item One might also use part of the educational capital as an allotment during years of study, even before age 25 (the age at which basic income becomes available in France), and not simply for free access to classes.
\item If spending on the bottom 90 percent of students in France today were raised to the level of spending on the top 10 percent (currently 200,000 euros a year), the additional cost would be on the order of 2.5–3 percent of national income (compared with a total current educational budget of 5.5–6 percent of national income).
\end{itemize}

This cost would be significant but not insurmountable and justified in view of the stakes and the dangerous stagnation of educational investment in the wealthy countries since the 1980s. See Fig. 10.15.

\textsuperscript{108} See Chap. 14 and the research by A. Benhenda. Disadvantaged schools have fewer students per class, but this merely compensates for the effect of teacher pay, which goes in the opposite direction.
Educational spending are quite opaque, and it is not easy for citizens or communities to understand them. We find ourselves with average teacher pay greater in socially advantaged schools; public educational investment is four times higher for certain groups (who also happen to be among the most favored) than for others in the same cohort. Yet no one has ever made a conscious decision that things should be this way, and the results are never examined or debated or challenged. I am not saying that educational justice is easy to define, and this book is certainly not going to end all debate. But if there is to be a real debate, data of the type I am providing here needs to be made public; indeed, there should be a law (or constitutional obligation) that the facts about educational investment should be available to everyone. Only then can goals be set and progress verified year after year to see how close we come to achieving them.

Two goals strike me as reasonable: first, average teacher pay should no longer be an increasing function of the percentage of better off students in the schools, and second, the amounts invested in the least advantaged primary and secondary schools should be substantially increased to make the overall distribution of educational investment by age cohort more equal (see Fig. 17.1). These changes, which would be significant, need to be publicly verifiable. They should noticeably increase the likelihood that students from disadvantaged backgrounds attend university. All studies show that early intervention, particularly in primary and middle school, is the best way to correct scholastic inequality between students of different social backgrounds.

That said, the allocation of additional resources to less advantaged schools needs to be complemented by admissions procedures at lycées and universities that take the student’s social origins into account. This can be done in two ways: social origins can be considered at the individual level (for example, by assigning points according to parental income or adopting social quotas by track, which is probably preferable), or the neighborhood in which the student resides or the school is located can be used as a criterion (for instance, the best students from each middle school or lycée in designated districts could be admitted automatically to specific programs). Again, it is not up to me to give answers to such delicate questions. Choices like these will require complex social and political compromises, which can come only after sophisticated experiments have been carried out and there has been broad debate with full citizen involvement. Any such choices will need to be reviewed constantly, improved, and adapted as the situation evolves. It is important to stress, however, that coming up with a norm of justice acceptable to all or, more modestly, capable of inspiring a
minimum degree of collective confidence in the system is an extremely delicate and fragile process. Great transparency is essential, and transparency is often foreign to the habits of political officials and school administrators.

Some countries, such as India, have more experience than others in applying quotas and “reservations” to university admissions for specific social categories. In India, quotas were first applied in the 1950s to groups that had been discriminated against in the past; in 1990 they were extended to all socially disadvantaged classes, which played a major role in reshaping the contours of political-ideological conflict in the country. While these experiences are instructive, they obviously cannot be directly copied in different contexts. Many countries in Europe have recently begun to take family background into account in admissions procedures, unfortunately with very little transparency. In France, the algorithms used for admissions to lycées (Affelnet) and higher education (first Admission Post-Bac and then, since 2018, Parcoursup) remain essentially state secrets. Furthermore, the way family background and parental income are taken into account establish sharp social discontinuities, which make it more difficult to reach any social consensus about the procedures. In the United States, the court-ordered ban on the use of racial criteria in admissions procedures is coupled with a similar ban on the use of parental income (which is much more debatable); therefore, social quotas usually rely on neighborhood. Unfortunately, this criterion cannot achieve the desired level of social diversity because the beneficiaries are often the most advantaged residents of the least advantaged neighborhoods. Hence as a general rule it is better to rely on individual characteristics such as parental income. In the United Kingdom, there is a proposal to allow students who score above a certain level on exams to draw

109. See Chaps. 8 and 16.
110. In particular, the quotas of scholarship students who must be accepted into different programs (especially preparatory classes) are not made public.
111. Specifically, scholarship students (roughly the 15–20 percent of students with lowest parental income) receive extra points in Affelnet (or benefit from social quotas in Parcoursup), which increases social diversity to their advantage but is unfair to groups with just slightly higher parental income. A system that adjusted for parental income in a more continuous way would clearly be preferable. See S. T. Ly, E. Maurin, and A. Riegert, La mixité sociale et scolaire dans les lycées d’Ile-de-France (Institut des Politiques Publiques, Working Paper No. 4, June 2014).
lots so as to democratize access to the most elitist institutions, in effect applying social quotas. Such randomization has the advantage of discouraging parents from overinvesting financially and emotionally in seeking ways for their children to achieve ever higher test scores, such as paying for extra coaching at earlier and earlier ages. This of course excludes parents who lack the necessary means to pay for extra help and very likely would not know where to find it if they did have the means. A good compromise might be to take grades into account to a limited extent (above a certain threshold) while retaining a high level of social mixing as a priority goal. There is little doubt that these kinds of debates, which in many ways have only just begun, will play a central role in decades to come. Their politicization is still in the early stages. Ultimately, it could once again transform the educational cleavage structure.

To conclude, let me mention the specific problem posed by the coexistence of public and private schools, not only at the tertiary level but also at the primary and secondary levels. In practice, private schools generally benefit from direct or indirect public financing because they enjoy special legal and fiscal status. They participate in the provision of an essential public service: disseminating knowledge to the young. Hence they should be subject to the same regulations as public schools with respect to both available resources and admissions procedures. Otherwise, the effort to construct acceptable norms of justice in the public sector will be undermined by flight to the private sector. In France, private primary and middle schools and lycées receive substantial public funding, which is combined with additional resources provided by parents; they also enjoy the right to select students from whatever social background they choose. It is hard to see how these advantages can be made compatible with the principles of educational justice. In the United States, private universities refuse to make their admissions procedures and algorithms public and insist on being taken at their word when they claim that preferential admissions for the children of graduates and important donors are used sparingly. Once again, this does not facilitate the task of elaborating a norm of justice acceptable to all.

116. See Chaps. 11 and 15.
In recent decades, the dizzying increase in the capital endowments of the wealthiest private universities, especially in the United States, owing to the high returns their portfolios have yielded on international markets, has also posed specific problems. To prevent these endowments from growing without limit, one proposal is to raise the portion of the endowment that must be spent annually from the current 4–5 percent (depending on the university) to 10 or 15 percent. The problem is that the wealthiest universities already have trouble figuring out how to spend their money while public colleges and universities open to the disadvantaged cruelly lack resources. Under such conditions it would be logical to impose a progressive tax on university endowments to finance an endowment fund for the poorest universities. There is no reason why the schedule of this tax should be the same as that applied to the wealth of private individuals because the socioeconomic context is different. While it is not up to me to say what it should be, I do think that the question is worth pondering. Indeed, it is very hard to imagine any scenario leading to a just educational policy in the United States if one allows the disparities between elitist and poor universities to grow without limit. The same question could also be raised about foundations and other nonprofit entities in other sectors such as culture, health, and the media. In each case the answer should depend on how one defines the general interest.

Just Democracy: Democratic Equality Vouchers

All the historical trajectories we have looked at in this book show how intimately the structure of inequality is related to the nature of the political regime. Whether we were looking at premodern trifunctional societies or nineteenth-century proprietor societies or slave societies or colonial societies, it was the way political power was organized that allowed a certain type of inequality

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117. On this point, see Chap. 11, and Piketty, Capital in the Twenty-First Century, Chap. 12, Table 12.2.
118. To get an idea of the problem, recall that the thirty most elitist US universities admit more students from the wealthiest 1 percent than from the poorest 60 percent of the income distribution. See Chap. 15.
119. In the case of foundations serving the interests of families or private individuals, it is obvious that they should be taxed as private property. The boundary line is not always easy to draw, however, and that is why we need precise rules concerning the governance of foundations (which should not be controlled solely by their generous donor) to determine what foundations deserve special tax treatment.
Elements for a Participatory Socialism

Among the most obvious limitations of the parliamentary model today is its inability to stem the tide of rising inequality. In this book I have tried to show how today’s difficulties need to be seen in the context of a long and complex political and ideological history—the history of inequality regimes. Our present problems cannot be solved without major changes to existing political rules. For example, I noted earlier that to establish social and temporary ownership through corporate power sharing and progressive taxation of wealth, constitutional and legal changes may be needed. This was also true in the past when similar questions arose: for example, the German Constitution of 1949 had to be written in such a way as to allow co-management and social ownership of corporations, and the US Constitution had to be amended in 1913 to authorize federal income and inheritance taxes, which were subsequently made progressive. Other changes of political rules played equally important roles in reducing inequality in other countries. In the United Kingdom, the House of Lords had to be stripped of its veto in the constitutional crisis of 1910–1911 in order for progressive taxation to see the light of day. In France, the social and fiscal reforms of 1945 and 1981 would have been much harder to achieve if the Senate had retained the veto power it enjoyed under the Third Republic—a power that the Socialists and Communists fought hard to eliminate in 1945–1946. It would be a mistake to think that things will be different in the future: transformation of the structure of inequality will continue to go hand in hand with transformation of the political regime. To shrink from changing the rules because it is too complicated is to ignore the lessons of history and forgo any possibility of real change. In Chapter 16 I discussed the EU’s unanimity rule on fiscal matters and the need to rebuild Europe on a social-federalist foundation. I will say more in a moment about the need to change the rules and treaties that govern social and economic relations between states.

Another aspect of the political regime is also in need of urgent attention: the financing of political campaigns and of political life more generally. In theory, universal suffrage is based on a simple principle: one woman (or man), one vote. In practice, financial and economic interests can exert an outsized influence on the political process, either directly by financing parties and campaigns or indirectly through the media, think tanks, or universities. Earlier, I discussed the case of nonprofit media organizations, which could become the
standard for producing news, affording newspaper and other media companies much greater independence from their financiers (including major shareholders, owing to the ceiling on voting rights within the company).\textsuperscript{120} Direct financing of political campaigns and parties can obviously influence the priorities of political parties and complicate the adoption of measures to combat inequality, owing for instance to the radical hostility of many wealthy donors to more steeply progressive taxes.

The question of political financing has never really been considered in a comprehensive way. To be sure, many countries have passed laws limiting the influence of private money in politics. Some countries have engaged in timid efforts of public financing, such as Germany in the 1950s, the United States and Italy in the 1970s and 1980s, and France in the 1990s. But it is striking to see how fragmented and incomplete those efforts have been and how little they have built on one another. In other areas of lawmaking, governments are quick to copy one another (as in the case of progressive taxation, for better and for worse), but when it comes to regulating the influence of money in politics, each country seems to act almost completely independently of the others. Recent work by Julia Cagé has shown, however, that meticulous examination of this complicated history can be highly instructive. In particular, analysis of the various measures that have been tried so far suggests that “democratic equality vouchers” offer an especially promising avenue for exploration.\textsuperscript{121}

In a nutshell, the idea would be to provide every citizen with an annual voucher worth, say, 5 euros, which could be assigned to the political party or movement of his or her choosing. The choice would be made online, for instance, when validating one’s income or wealth declaration. Only movements supported by some minimal percentage of the population (which might be set at, say, 1 percent) would be eligible. If an individual chooses not to support any party (or if support for the chosen party falls below the threshold), the value of his or her voucher would be allocated in proportion to the choices made by

\textsuperscript{120} See Cagé, Saving the Media. In addition to supporting new participatory citizen-controlled media, the public should take control of (or at least strongly regulate) digital platforms in quasi-monopolistic situations and should impose very strict rules to combat sponsored content and unlimited extension of advertising (which today pollutes even the facades of historic monuments). Egalitarian democratic deliberation should be promoted.

\textsuperscript{121} See Cagé, The Price of Democracy. Full disclosure: Julia Cagé is my partner, which does not prevent her from writing excellent books, nor does it prevent me from reading those books in a critical spirit.
other citizens. This last point is important because the absence of a rule of this type led to the collapse of the public financing experiment in the United States, where many citizens chose not to participate in public financing of political parties of any kind. But democracy is not an option: if some people do not wish to participate, that should not reduce the level of public financing (which in any case is not enormous). Apart from the democratic equality vouchers, political contributions by firms and other “moral persons” would be totally prohibited (as is already the case in many European countries, such as France since 1995), and there would be a strict ceiling on private individual donations (which Julia Cagé proposes to limit to 200 euros per year). This new political financing regime would include very strict requirements for parties and movements that want to sponsor candidates; they would be required not only to publish their accounts but also to be totally transparent about their internal statutes and rules of governance, which at present are often extremely opaque.

**Toward a Participatory and Egalitarian Democracy**

The central goal of democratic equality vouchers is to promote participatory and egalitarian democracy. Currently, the prevalence of private financing significantly biases the political process. This is particularly true of the United States where campaign finance laws (always inadequate) have been set aside by recent decisions of the Supreme Court. But it is also true in emerging democracies such as India and Brazil as well as in Europe, where current laws are equally inadequate and in some cases totally scandalous. Take France, for example: political contributions by private individuals are permitted up to 7,500 euros per year per taxpayer, two-thirds of which may be deducting from one’s income tax (yielding a 5,000 euro deduction for a 7,500 euro contribution). It will come as no surprise that the contributors who come close to the ceiling are mainly quite wealthy, from the top centile of the income distribution. In other words, the political preferences of the rich are directly and explicitly subsidized by the rest of the population. The sums in question are far from negligible: total income-tax deductions for political contributions amount to 60–70 million euros per year, roughly equivalent to the total official public financing...
of French parties (which is proportionate to votes received and seats won in the most recent legislative elections). Concretely, the current French system earmarks 2–3 euros per year per citizen for official funding of parties, plus up to 5,000 euros a year to subsidize the preferences of each rich donor. Democratic equality vouchers would make it possible to totally eliminate tax deductions for political contributions; the increase in tax revenues could then be distributed in an egalitarian fashion. Compared with the current system, which is based on the results of the most recent legislative elections, this proposal would also encourage more responsive citizen participation and more rapid renewal of political parties and movements.

As Cagé points out, the logic of democratic equality vouchers could also be applied to issues other than political financing. Indeed, vouchers could replace the existing system of tax deductions for charitable contributions, which in reality is just another way of subsidizing the cultural and philanthropic preferences of the rich. One could start with the sums currently lost to tax deductions and benefits of various kinds and reallocate those amounts in the form of vouchers distributed to each taxpayer. What organizations and foundations in which sectors would be eligible to receive these vouchers? Candidates might include health, culture, the fight against poverty, education, the media, and so on. All these suggestions are worthy of further debate. A similar procedure might also figure in thinking about the thorny issue of financing religious activities.

123. See Cagé, The Price of Democracy. In general, it is striking to see how each country has cobbled together an inconsistent set of rules for dealing with political contributions without seeking to learn from others. For example, France prohibited gifts by “moral persons” but came up with an improbable system for directly subsidizing the political preferences of the wealthy (other countries also allow tax deductions for political contributions but generally less extreme). By contrast, after World War II, Germany pioneered an innovative system for public financing of parties and foundations attached to the parties and devoted to producing political ideas and programs. But Germany also failed to prohibit contributions by moral persons so that all large German firms subsidize all the parties; this may not be without influence on German government positions on exports and trade surpluses.

124. Currently, countries like Italy have a system in which taxpayers can indicate which religion they would like a portion of their taxes to go to (currently 0.8 percent), while in other countries, such as Germany, the tax authorities collect a religion tax (taxpayers who declare affiliation with a religious group pay a tax supplement). In contrast to the Italian system, this raises their tax bill. Note that Islam is excluded in both cases (and in Italy, Muslims pay de facto to subsidize other religions). Officially, the
The question of how much money can be justly allocated this way is also central, and I do not propose to resolve it here. If the sums involved represented a significant fraction of total tax receipts, this would be a highly elaborate form of direct democracy, which would allow citizens to decide themselves how a large portion of the public budget should be spent. This is a promising avenue for promoting greater citizen participation in a democratic process that often seems unresponsive to the desires of ordinary people. In practice, the system of parliamentary deliberation is nevertheless indispensable for deciding how to allocate the vast majority of public funds. Budget decisions call for extensive public deliberation with an opportunity for all sides to be heard and with oversight by media and ordinary citizens. The scope of direct democracy should be expanded through participatory budgeting, egalitarian vouchers, and referenda. But direct democracy is unlikely to replace the deliberative setting afforded by parliamentary democracy. The spirit of the democratic equality voucher is rather to make parliamentary democracy more dynamic and participatory by encouraging all citizens, regardless of their social background or reason for this is that the government has not identified a proper Muslim organization to receive public funds. See F. Messner, ed., Public Funding of Religions in Europe (Ashgate, 2013). See also Cagé, The Price of Democracy, pp. 77–78. In France, the system is particularly hypocritical: religions receive no official public financing other than for religious edifices built prior to 1905 (most of which are Catholic churches) and existing private schools and lycées (the vast majority of which are Catholic). Note, moreover, that the special regime for financing religion in Alsace and Moselle also excludes Islam, just like the rest of the system.

125. The current system of tax deductions for political and charitable gifts amounts to granting the rich greater say in defining the public good. In this respect it resembles the censitary voting system. The transition to an egalitarian voucher would represent a decisive improvement. Taxpaying citizens who do not wish to choose a philanthropic cause could choose to have their voucher allocated in proportion to the wishes of those who do choose, or in accordance with the average allocation of public funds established by parliament.

126. As noted earlier, however, in the case of Brexit and other complex and crucial issues such as debt cancellation, referenda are useful only if precise alternatives are formulated and presented to the voters. This calls for extensive deliberation in an appropriate setting. In practice, the illusion of direct spontaneous democracy without a parliament or intermediary bodies can easily lead to a usurpation of power more extreme than the power imbalance one is seeking to remedy. Hence rules governing the financing of referendum campaigns are essential, failing which the vote may be captured by lobbies and financial interests. All these issues can be dealt with but must be carefully thought through.
financial means, to participate regularly in the renewal of political movements and parties. They can thus shape new ideas and platforms, which can then become the subject of deliberations and decisions by elected assemblies.\textsuperscript{127}

\textit{Just Borders: Rethinking Social Federalism on a Global Scale}

We come now to what is undoubtedly the most delicate question in defining the just society: the question of just borders. We are so accustomed to the principles by which the world is currently organized that they seem impossible to supersede, but in reality they stem from a very specific type of political-ideological regime. On the one hand, goods, services, and capital are supposed to flow freely across borders; to reject this principle is tantamount to seceding from the civilized world. On the other hand, political choices made within a country’s borders, especially in regard to fiscal, social, and legal systems, are matters of strict national sovereignty; no other country is supposed to have a say in them. The problem is that these two principles lead directly to contradictions that have only grown worse in recent decades; these contradictions threaten to blow up the global system as it currently exists. The solution is to organize the system differently: existing trade agreements should be replaced with much more ambitious treaties that seek to promote equitable and sustainable development, which will require setting verifiable common goals in regard to matters such as just taxation and carbon emissions. If necessary, appropriate democratic deliberation procedures can be developed for us in transnational assemblies. I call this new type of international accord a “treaty for codevelopment.” Codevelopment treaties may include measures to facilitate trade, but liberalization of commercial and financial flows should no longer constitute the heart of the global system. Trade and finance would then become what they always should have been: means in the service of higher ends.

One of the most obvious contradictions of the current system is that the free circulation of goods and capital is organized in such a way that it significantly

\textsuperscript{127} Cagé’s proposal also includes the creation of social quotas (based on the Indian model) to ensure better representation of people of different social backgrounds in parliamentary assemblies. See Cagé, \textit{The Price of Democracy}. Greater social diversity in representative bodies could also be achieved by drawing lots, which would avoid the possible social stigma associated with quotas. But this would mean giving up our collective ability to choose the people we believe best qualified to represent us (including within a given social group), which would be rather nihilistic if applied on a large scale.
limits the ability of states to choose their fiscal and social policies. In other words, current international rules do not establish the neutral framework they purport to create but rather compel countries to adopt certain policies and directly restrict national sovereignty. More specifically, we saw earlier that the agreements of the 1980s that liberalized capital flows included no mechanism for fiscal cooperation or automatic transmission of information about cross-border asset flows and the identity of asset owners. In this realm Europe led the world by adopting rules that de facto prevented governments from combating strategies of tax and regulatory avoidance involving offshore structures (or at the very least forced states to abrogate treaties if they wished to impose adequate sanctions). The choice of this specific legal regime to some extent reflects the conscious will of certain actors to promote fiscal competition among European states (deemed to be spendthrifts). It was also a consequence of a certain improvisation around decisions whose consequences had not been fully anticipated in the 1980s, specifically having to do with the growth of tax havens and offshore finance. In short, these agreements were signed in a different era before inequality, the excesses of financial capitalism, and the dangers of identitarian and nationalist retreat were as worrisome as they have become today.

Furthermore, the fiction of strictly national sovereignty over social and fiscal choices has been demolished by the fact that representations of justice are increasingly transnational. Why do wealthy countries aid poor ones (notwithstanding the fact that the aid supplied is insufficient and often ill adapted to

128. See Chaps. 11 and 13.
129. For example, the requirement I described earlier for owners of residences or businesses located in France to declare their ownership might be challenged on the grounds that they would impinge on the free circulation of capital. It is nevertheless urgent that all entities that own assets (under any legal regime whatsoever) be subject to very strict rules of transparency. It should be almost impossible to register a corporation in a territory or jurisdiction where it does virtually no actual business. Currently, the rules governing “conflict of laws” (the situation that arises when two or more jurisdictions apply to the same entity) are very favorable to companies that have the means to circumvent the law in the sense that countries often allow firms to organize their business through entities over which they have no jurisdiction. In a number of cases, the Court of Justice of the European Union has enforced a very strict reading of the capital mobility rules (some of which are imprecisely codified in the Maastricht Treaty), finding, for example, that Germany had to suspend use of the “real seat theory” under which it did not recognize an entity based in the Netherlands as a “moral person.” See K. Pistor, The Code of Capital (Princeton University Press, 2019).
its purpose)? It is not solely for self-interested reasons, such as stanching the flow of immigrants. It is also because residents of the wealthy countries (or at least part of them) believe that it is unjust for people born in the poor countries to have opportunities so much more limited than their own. They want, to a degree at least, to correct this unjust inequality and are willing to sacrifice to that end, provided that the cost is not too high. Exactly how much they are willing to spend depends on complex and changing perceptions, which are shaped by what limited information they possess about the volume of aid and the success or failure of various strategies of development. Today, the norm is the following: a country should devote 1 percent of its GDP to developmental assistance. Although this is not an extraordinarily generous amount, it is nevertheless substantial compared with other forms of international transfer.\textsuperscript{130}

Furthermore, perceptions regarding transnational and global justice play an increasing role in debates about the environment, the Anthropocene, biodiversity, and climate change. Of course, efforts to limit global warming have been notoriously insufficient. But the very fact that certain countries and regions of the world are reducing their emissions without waiting for the rest of the world to follow would be hard to explain in a world where it was every man for himself or every country for itself. Nevertheless, there is a great deal of hypocrisy in these debates and much inconsistency. In December 2015, 196 countries met in Paris and agreed on a theoretical goal of limiting global warming to less than 1.5 degrees above preindustrial levels, which would require leaving in the ground a great deal of hydrocarbon, such as that extracted from the tar sands of Alberta, which Canada wants to resume exploiting. That did not prevent the European Union from signing a new trade agreement with Canada in 2016—the Comprehensive Economic and Trade Agreement, or CETA, which includes all sorts of binding decisions regarding the liberalization of trade and investment flows but none concerning environmental or fiscal issues. It would have been possible,

\textsuperscript{130} Developmental aid is about 1 percent of gross national income in Sweden, 0.7 percent in the United Kingdom, and 0.4 percent in Germany and France. The official objective set by the Organisation for Economic Co-operation and Development is 0.7 percent, but the Swedish figure is often taken as the implicit new goal. These amounts are greater than net transfers within the European Union (roughly 0.2–0.3 percent of gross national income), attacks on which played a non-negligible role in the Brexit debates. See Chaps. 12 and 15. This suggests that such flows are seen differently depending on the level of development of the receiving country and are perhaps more readily accepted when seen as aiding countries perceived to be especially poor.
however, to add carbon emission targets or specify minimum common rates of corporate taxation, together with verification mechanisms and sanctions to ensure enforcement, as was done for trade and financial issues.  

Of course, the most conspicuous contradiction between the way globalization is organized today and ideas of transnational justice has to do with the free circulation of persons. Under the dominant paradigm, civilized states are required to allow free circulation of goods, services, and capital but are perfectly free to block the free movement of people as they see fit. Hence this becomes in a sense the only issue of legitimate political confrontation. The European Union is defined by having achieved free circulation within its borders while maintaining much more restrictive policies with respect to individuals arriving from Africa or the Middle East, including those fleeing poverty and war. Since the refugee crisis of 2015, most European leaders have supported the idea that the migrant influx must be stopped, no matter what the cost, even if it means allowing tens of thousands of people to drown in the Mediterranean to discourage anyone who might be tempted to follow. Part of the European public opposes this policy, but another part evinces great hostility to non-European migrants and supports one or another of the nativist political movements that have cropped up in Europe since the 1980s–1990s to exploit identity issues. This has greatly changed political cleavage structures. As we saw earlier, however, the change began well before the immigration issue became central. Waning support for policies that would redistribute wealth and income and reduce inequality was just as important as hostility to immigrants in bringing about this change.

In sum, ideas of justice are important at the transnational as well as the national level in regard to developmental aid, the environment, and free circulation of persons, but those ideas are often confused and contradictory. The important point is that they are not set in stone: they are historically and politically constructed.

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131. The very name “Comprehensive Economic and Trade Agreement” signifies that this is not a standard trade agreement but an accord that includes measures aimed at “comprehensive” transformation of the economy, which in practice means additional measures of “investor protection” (which allow investors to avoid ordinary courts of law and rely on private arbitrators to settle their disputes with governments). Clearly, there are different conceptions of how treaties should be understood.

132. The International Organization for Migration officially counts 19,000 migrants as having drowned in the Mediterranean between 2014 and 2018 (see their website at www.iom.int).

With these preliminaries in mind, how should transnational justice be defined? It is easiest to begin by discussing countries at approximately the same level of development, such as the countries of Europe. In the previous chapter, we saw how social federalism might work at the European level. The general principle was to delegate to a transnational assembly (in this instance the European Assembly) responsibility for decisions concerning global public goods, such as protecting the environment and promoting research, and for global fiscal justice, including the possibility of imposing common taxes on income and property, large firms, and carbon emissions (Table 17.2). This transnational assembly could be composed of members of the national parliaments of member states or of transnational deputies expressly elected to serve in this capacity, or of a mixture of the two. In the European case I stressed the importance of developing a European parliamentary sovereignty that would rest primarily on the sovereignty of national parliaments so as to involve national deputies in the political process and prevent them from shifting blame for unpopular policies to the federal level, which could doom the whole project. But clearly there are many ways to organize a transnational assembly, and it is reasonable to experiment with different solutions in different contexts.

We also saw that the question of transfer payments was highly sensitive in the European context, even between countries with virtually identical average incomes, such as Germany and France. Establishing trust will take time, and meanwhile it makes sense to impose strict limits on transfers for as long as necessary. The hope is that the importance of joint projects and shared goals, especially in the areas of environmental protection, basic research, justice, and inequality reduction, will ultimately overshadow petty bookkeeping concerns. In general, there is no essential reason why there should be more solidarity between Bavarians and Lower Saxons or between Greater Parisians and Bretons than between all four and Piedmontese or Catalans. None of these solidarities exist spontaneously: they are historically and politically constructed and come into being when people see that the advantages of belonging to the same community outweigh the advantages of maintaining borders.  

134. See Chap. 16.
135. On the construction of common images as the basis of nation-states linked to the diffusion of printing, see the classic work by B. Anderson, Imagined Communities. Reflection on the Origins and Spread of Modern Nationalism (Verso, 1983; new
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This model of transnational democracy on a European scale could also be extended more broadly. Owing to bonds of proximity stemming from more intense human and economic exchanges, the most logical next step would be to foster collaboration between regional entities: for example, between the European Union and the African Union,136 between the European Union and the United States, and so on. When decisions can be taken directly within the framework of an intergovernmental treaty, there is no reason to delegate them.

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Table 17.2
A new organization of globalization: transnational democracy

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<td>Country A</td>
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Interpretation: Under the proposed organization, the treaties regulating globalization (circulation of goods, capital, and people) will henceforth provide for the states and regional unions concerned to create a transnational assembly in charge of global public goods (climate, research, etc.) and global fiscal justice (common taxes on the largest fortunes, highest incomes, largest firms, carbon taxes). Note: Countries A, B, C, and D may be states like France, Germany, Italy, Spain, and so on, in which case the transnational assembly would be the European Assembly, or they could be regional unions like the European Union, the African Union, and so on, in which case the transnational assembly would be the Euro-African Assembly. The transnational assembly may consist of deputies of national assemblies and/or transnational deputies specially elected for the purpose, as the case may be.

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136. In 2002 the African Union (AU) replaced the Organization for African Unity. During the AU summit meeting in Addis Ababa in 2018, the principles of a trade union and possible common taxes were approved along with a protocol on free circulation of persons within the AU. Despite the success of the ideology of the national state, more or less decentralized imperial or federal polities have actually never ceased to play a central role. See J. Burbank and F. Cooper, Empires in World History (Princeton University Press, 2010); “Un monde d’empires,” in P. Boucheron and N. Delalande, Pour une histoire-monde (Presses Universitaires de France, 2013), pp. 37–48. See also Chap. 7 on the work of F. Cooper on federalist debates in the French empire and Africa in 1945–1960 and Chap. 11 on H. Arendt’s analysis of imperial and federal ideologies. See also U. Beck and E. Grande, Das kosmopolitische Europa (Suhrkamp, 2004).
to a transnational assembly. But the fact is there are many decisions that stand in need of constant revision and updating and should be subject to open public deliberation in a parliamentary setting where all points of view can be heard. Legislators need to hear the diversity of opinions within each member state. This would totally change the nature of the debate compared with the present procedure under which decisions are taken in closed-door meetings of heads of state, where discussion is defined by the clash of national interests (or what the heads of state take their national interests to be). For instance, a Euro-African Assembly might be responsible for deciding how to tax European multinationals investing in Africa (or, someday, African companies operating in Europe), how to combat global warming with compensatory measures, or how to regulate the flow of migrants.

As for transfers, it is important to set limits on their size at the outset without precluding modifications to those limits in the future. Compared with present-day developmental aid, much of which goes to paying Western consultants, the general principle might be that transfers should go directly to the treasuries of the states concerned once certain conditions are met, including respect for individual rights and fair voting procedures (which should be spelled out in detail). Circumvention of state institutions in Africa (and, more generally, in poor countries) by both governmental and nongovernmental organizations has been a factor slowing the process of state formation in recent decades. So has the loss of revenue due to the very rapid elimination of tariffs by the rich countries, which have not generally assisted the poor countries in developing more just taxes to replace them—namely, taxes on profits, income, and wealth.137 If developmental aid money were paid directly to African governments, those governments would have significantly greater resources to pay for better schools and health services. No one can say in advance where such transnational democratic deliberations and procedures would lead, but it is not out of the question that a norm of educational equality (according to which all children, whether born in Europe or Africa, would be entitled to equal investment in their education) might gradually take hold, along with ultimately an equal capital endowment for everyone as well.138

137. See Fig. 13.12.

138. This norm of transnational justice should take price differences into account (that is, the universal capital endowment should be expressed in terms of purchasing power parity). Nevertheless, such a norm at the Euro-African or global level would clearly result in a significant decrease in the capital endowment for
Hypothetically, transnational assemblies could decide to approve rules to move toward free circulation of people. On this point, it is worth noting that there are some important restrictions on free circulation even within the European Union. In practice, citizens of member states have the right to travel and work in other member states without special authorization, which is a significant right, especially when compared with the problems that citizens of other countries (and their prospective employers) face in obtaining work visas. Nevertheless, if they do not find employment, their residency in another member state is generally limited to three months. Furthermore, they must wait up to five years before becoming eligible for social assistance or permanent resident status. In the abstract, there is no reason why European treaties could not be amended to eliminate the waiting period for social assistance. But in that case, there would have to be agreement on mutualizing the corresponding social costs. This example shows why it is important to treat fundamental rights (such as free circulation of people) together with fiscal and budgetary questions. Unless simultaneous progress is made on both fronts, the result will be unbalanced and fragile.

University tuition fees are another case in point. In 2019, the French government decided that only students from the European Union would continue paying the current fees, which are fairly modest (170 euros per year for the licence, 240 euros for the master). Non-European students would be charged much higher amounts (2,800 euros and 3,800 euros, respectively). The government’s order does allow for exceptions but on the express condition young adults in the rich countries (which would be cut roughly in half). Such a norm would be much more satisfactory than the international and intergenerational reparations discussed in the case of relations between France and Haiti (see Chap. 6). But if there were no such norm and reparations would have a similar effect, it would be difficult to oppose them.


140. The development of free circulation in Britain in the eighteenth and nineteenth centuries, which Karl Polanyi analyzed, illustrates this danger. For Polanyi, the limited mobility of the poorest English workers prior to the late eighteenth century was linked to local financing of benefits available under the so-called Poor Laws. Polanyi, who has no intention of idealizing this authoritarian and stingy system, shows how the constitution of a unified national labor market in the nineteenth century coincided with a social disembedding of economic forces and aggravation of inequality.
that they apply to no more than 10 percent of all students. In other words, in the vast majority of cases, students from Mali or Sudan will have to pay ten to twenty times as much as students from Luxembourg or Norway, even if the parents of the latter earn ten to twenty times as much as the parents of the former.\textsuperscript{141} Quite understandably, many French students and academics have a hard time understanding the logic of this new standard—one more brain-child of the current government.

The case is interesting because it shows once again the need to link the question of free circulation to that of mutualized financing of public services and therefore common taxes. In this case, the principle that all European students should be allowed to study in the country of their choosing and pay the same fees as nationals is an excellent thing. But the principle would be make more sense if there were common financing, which could come from a federal tax levied at the European level on the highest earners, with progressive rates and a schedule that would be subject to debate and approval by the European Assembly. Creating rights without worrying about their financing is not a good idea, and the problem becomes even more difficult when common taxes are excluded and fiscal competition is intensified. Under these conditions it becomes more difficult to pay for higher education and for public education in general. Furthermore, if common financing existed, at least among those European states willing to agree to it, it would be possible to find a solution for non-European students as well. Specifically, if Germany and France financed their universities with a common progressive tax based on parental income, it would make sense to propose a similar arrangement for Malian students. Germany, France, and Mali could sign a codevelopment treaty under which Malian students would pay the same tuition as German and French students, provided that the wealthiest Malian parents pay the same progressive tax into a common fund for university financing.\textsuperscript{142} This would be one possible standard of justice. Open public democratic deliberation seems to me the logical way to get there.

\textsuperscript{141} European tuition rates also apply to citizens of states associated with the European Union, such as Norway and Switzerland.

\textsuperscript{142} Because Malian incomes are low (even after adjusting the tax schedule to reflect purchasing power parity), it is likely that the Malian contribution to the common fund would be quite low and no doubt significantly lower than developmental funds paid to Mali.
Elements for a Participatory Socialism

Between Cooperation and Retreat: The Evolution of the Transnational Inequality Regime

What I have just described is a cooperative and ideal (not to say idyllic) scenario that would lead via concentric circles to a vast transnational democracy, ultimately resulting in just common taxes, a universal right to education and a capital endowment, free circulation of people, and de facto virtual abolition of borders. I am aware that other scenarios are possible. As we saw in Chapter 16, there is no assurance that EU member states (or any subset of them) will be able to agree anytime soon on a democratic procedure for levying common taxes. Meanwhile, the Indian Union with its 1.3 billion people has adopted a progressive income tax on all its citizens together with common rules that give the disadvantaged classes access to universities. The Indian model has other problems, however. Still, it shows that democratic federalism can take forms that people in France, Switzerland, or Luxembourg might never imagine. Establishing mutual confidence and norms of transnational justice is a delicate, highly fragile exercise, and no one can predict how cooperative arrangements might evolve.

Between the ideal path to global federalism and the path of generalized nationalist and identitarian retreat, many trajectories are of course possible, with multiple switch points. To make progress toward a more just globalization, two principles should be kept in mind. First, although it is clear that many of the rules and treaties that currently govern international trade and finance must be profoundly reformed, it is important to propose a new international legal framework before dismantling the old one. As we saw in the discussion of European institutional reforms in Chapter 16, political leaders may be tempted to renounce existing treaties without specifying what new ones they would like to put in their place. This is what happened with Brexit. British Conservatives chose to ask voters to decide by referendum whether or not they wished to exit the European Union but did not indicate how they planned to organize their future relations with the European Union in case of exit. Without returning to autarky (which no one wants), there are many ways of regulating these

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To be clear, under the scenario described here, most decisions would continue to be taken and administered by national, regional, or local assemblies, which would also approve most financing. In many cases it is better to organize deliberation at this level (for example, on curricula in different languages, local infrastructure and transportation, health systems, etc.), within the logic of the decentralized participatory socialism I am advocating. Only global public goods and taxing of transnational economic actors are to be regulated directly at the transnational level.
relations; the postreferendum debate has shown how difficult it is to agree on any of them.144

Second, while it is essential to propose a new framework for cooperation before abandoning the old one, it is impossible to wait for the entire world to agree before moving ahead. It is therefore crucial to think of solutions that will allow a few countries to move toward social federalism by signing codevelopment treaties among themselves while remaining open to others who might eventually wish to join them. This is true not only at the European level but at the international level more generally. For example, if one or more countries abrogate one of the treaties that currently mandate the free flow of capital, they must first create a new arrangement that would still allow for international investment and cross-border ownership; then they must invite others to join them, but only on condition that any country joining the agreement abide by the rules for transmitting information about asset ownership. This is necessary to allow proper assessment of taxes based on each person’s ability to contribute (as measured by wealth and income).

Similarly, sanctions imposed on noncooperating states must be reversible; it should be made clear that the goal is to establish a cooperative, egalitarian, and inclusive system and not to heighten international tensions. Ideally, all states, in Europe and elsewhere, would end harmful competition and establish new forms of cooperation. Profits earned by large multinational corporations should be apportioned among states in a transparent manner, with minimal tax rates compatible with the general level of taxation and financing consistent with the social state. In practice, if agreement on apportionment cannot be reached, any group of countries (or even a single country) could act on its own, imposing its share of the global tax on a company in proportion to that company’s sales of goods and services on its territory.145 Some may denounce this

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144. Among the solutions considered was the possibility that the United Kingdom would continue to abide by the same trade rules that applied before Brexit despite having relinquished the right to participate in the elaboration of those rules. Whatever solution is finally adopted, it is likely that relations between the British Isles and the continent will continue to be the subject of debate for decades to come, depending on what new forms of fiscal, social, and environment union EU member states establish (or not) and on their ability to impose new rules of codevelopment linked to free circulation of goods and capital.

145. See Chap. 16 and Saez and Zucman, *The Triumph of Injustice*. In other words, if a company earns $100 billion in profits throughout the world and 10 percent of its sales occur in a given country, and that country levies a 30 percent tax on corpo-
system as a return to protectionism, but in reality it is something quite different: corporate profits are the target, not trade, which simply serves as a verifiable index for apportioning profits (in the absence of adequate cooperation). Once adequate cooperation is achieved, the transitional system can be replaced by a better one.

Corporate taxes are especially important because the current race to the bottom, which could end in exempting corporate profits from all taxation, is undoubtedly the biggest risk currently facing the global fiscal system. Ultimately, if nothing is done to stop it, the very possibility of a progressive income tax will be in jeopardy. The same logic can be applied to other taxes. Earlier I discussed the progressive property tax. Companies that refuse to cooperate by supplying information about their stockholders may have to pay the forgone property tax revenues, again in proportion to their sales of goods and services in a given country. The same goes for the carbon tax. In the absence of an adequate coordinated policy for reduction of emissions, it will be imperative to impose a carbon tax based on sales of goods and services in each country. Once again, it is important to be clear that the desired cooperative solution is different (for instance, it could take the form of coordinated progressive taxation of individual emissions) and to indicate a route for reaching that goal.

To recapitulate: The current ideology of globalization, which first developed in the 1980s, is in crisis and entering a transitional phase. The frustrations rate profits, then that company would have to pay $3 billion to the country in question. A company’s global profits can be estimated from various sources, and each country can impose sanctions on companies that fail to provide required information. Recall that this is how taxable profits are allocated among the several states of the United States.

146. In a perfectly cooperative and transparent system, the tax on corporate profits would play only a limited role: it would simply amount to a prepayment of the income tax due by the stockholder receiving dividends and other income from the company. But in a noncooperative and nontransparent environment, the corporate tax plays a much more important role because this prepayment is often the only tax that the ultimate owners of the company will pay unless the individuals to whom the profits are ultimately distributed can be identified. Furthermore, it is easy to disguise any kind of income as corporate profits. Income from consulting or author royalties can be sheltered in a corporate structure with the active assistance of financial advisers, who take such strategies for granted, or by payment of taxes in another country. That is why it is essential to develop a strategy to end the race to the bottom, which will end in avoidance of all taxes by those with the means to pay for such tax avoidance strategies.
created by rising inequality have little by little made the lower and middle classes of the rich countries wary of international integration and unlimited economic liberalism. The resulting tensions have contributed to the emergence of nationalist and identitarian movements, which could unleash unpredictable challenges to the current trade regime. Nationalist ideology could (and probably will) intensify competition between states, leading to further fiscal and social dumping at the expense of rival states while encouraging authoritarian and anti-immigrant policies at home so as to unite the native-born population against its supposed foreign enemies. This has already begun to happen not only in Europe and the United States but also in India and Brazil and in some ways in China (in its attitude toward dissidents). In view of the impending collapse of both liberal and nationalist ideologies, the only way to overcome these contradictions is to move toward a true participatory and internationalist socialism based on social-federalist political structures and a new cooperative organization of the world economy. Given the magnitude of the challenges, I have tried to outline solutions that could gradually make progress toward that goal possible. These proposals are not intended to answer every question. Their only purpose is to show that human societies have yet to exhaust their capacity to imagine new ideological and institutional solutions. As the histories of the various inequality regimes we have studied in this book show, the political-ideological repertoire is vast. Change comes when the short-term logic of events intersects with the long-term evolution of ideas. Every ideology has its weaknesses, but no human society can live without an ideology to make sense of its inequalities. The future will be no different, but from now on the scale will be transnational.
Conclusion

In this book I have tried to offer an economic, social, intellectual, and political history of inequality regimes; that is, a history of the systems by which inequality is justified and structured, from premodern trifunctional and slave societies to modern postcolonial and hypercapitalist ones. Obviously, such a project is never-ending. No book can exhaust so vast a subject. All my conclusions are tentative and fragile by their very nature. They are based on research that needs to be supplemented and extended in the future. I hope nevertheless that this book will have helped readers clarify their own ideas and their own ideologies of social equality and inequality and will stimulate further reflection on these issues.

History as a Struggle of Ideologies and Quest for Justice

“"The history of all hitherto existing society is the history of class struggles," wrote Karl Marx and Friedrich Engels in The Communist Manifesto (1848). Their assertion remains pertinent, but now that this book is done, I am tempted to reformulate it as follows: The history of all hitherto existing societies is the history of the struggle of ideologies and the quest for justice. In other words, ideas and ideologies count in history. Social position, as important as it is, is not enough to forge a theory of the just society, a theory of property, a theory of borders, a theory of taxes, of education, wages, or democracy. Without precise answers to these complex questions, without a clear strategy of political experimentation and social learning, struggle does not know where to turn politically. Once power is seized, this lacuna may well be filled by political-ideological constructs more oppressive than those that were overthrown.

With the history of the twentieth century and of the communist disaster in mind, it is imperative that we carefully scrutinize today’s inequality regimes and the way they are justified. Above all, we need to understand what institutional arrangements and what types of socioeconomic organization can truly contribute to human and social emancipation. The history of inequality cannot be reduced to an eternal clash between oppressors of the people and proud defenders. On both sides one finds sophisticated intellectual and institutional constructs. To be sure, on the side of the dominant groups, these constructs are not always devoid of hypocrisy and reflect a determination to remain in
power, but they still need to be studied closely. Unlike the class struggle, the
struggle of ideologies involves shared knowledge and experiences, respect for
others, deliberation, and democracy. No one will ever possess the absolute truth
about just ownership, just borders, just democracy, just taxes and education.
The history of human societies can be seen as a quest for justice. Progress is pos-
sible only through detailed comparison of personal and historical experiences
and the widest possible deliberation.

Nevertheless, the struggle of ideologies and the quest for justice also entails
the expression of clearly defined positions and clearly designated antagonists.
Based on the experiences analyzed in this book, I am convinced that capitalism
and private property can be superseded and that a just society can be estab-
lished on the basis of participatory socialism and social federalism. The first
step is to establish a regime of social and temporary ownership. This will re-
quire power sharing between workers and shareholders and a ceiling on the
number of votes that can be cast by any one shareholder. It will also require a
steeply progressive tax on property, a universal capital endowment, and per-
manent circulation of wealth. In addition, it implies a progressive income tax
and collective regulation of carbon emissions, the proceeds from which will
go to pay for social insurance and a basic income, the ecological transition, and
true educational equality. Finally, the global economy will need to be reorga-
nized by means of codevelopment treaties incorporating quantified objectives
of social, fiscal, and environmental justice; liberalization of trade and financial
flows must be conditioned on progress toward meeting those primary goals.
This redefinition of the global legal framework will require abandonment of
some existing treaties, most notably those concerning the free circulation of
capital that came into effect in the 1980s–1990s because these stand in the way
of meeting the above-mentioned goals. Those treaties will need to be replaced
by new rules based on the principles of financial transparency, fiscal coopera-
tion, and transnational democracy.

Some of these conclusions may seem radical. In reality, they stand in the
tradition of democratic socialism, which since the late nineteenth century has
been working toward profound transformations of the legal, social, and fiscal
system. The significant reduction of inequality that took place in the mid-
twentieth century was made possible by the construction of a social state
based on relative educational equality and a number of radical innovations, such
as co-management in the Germanic and Nordic countries and progressive tax-
ation in the United States and United Kingdom. The conservative revolution
of the 1980s and the fall of communism interrupted this movement; the world
entered a new era of self-regulated markets and quasi-sacralization of property. The inability of the social-democratic coalition to move beyond the confines of the nation-state and renew its program in an era of globalized trade and expanded higher education contributed to the collapse of the left-right political system that made the postwar reduction of inequality possible. However, in the face of challenges raised by the historic resumption of inequality, the rejection of globalization, and the development of new forms of identitarian retreat, awareness of the limits of deregulated capitalism has grown rapidly since the financial crisis of 2008. People have once again begun thinking about a new, more equitable, more sustainable economic model. My discussion here of participatory socialism and social federalism draw largely on developments taking place in various parts of the world; my contribution here is simply to place them in a broader historical perspective.

The history of the inequality regimes studied in this book shows that such political-ideological transformations should not be seen as deterministic. Multiple trajectories are always possible. The balance of power at any moment depends on the interaction of the short-term logic of events with long-term intellectual evolutions from which come a wide range of ideas that can be drawn on in moments of crisis. Unfortunately, there is a very real danger that countries will try to avoid fundamental change by intensifying the competition of all against all and engaging in a new round of fiscal and social dumping. This could in turn intensify nationalist and identitarian conflict, which is already conspicuous in Europe, the United States, India, Brazil, and China.

**On the Limits of “De-Westernizing” Our Gaze**

In this book I have tried to decenter our way of looking at the history of inequality regimes. The case of India turns out to be particularly instructive. The Indian Union is an example of very large-scale democratic federalism. More than that, it shows how the state can use legal tools to overcome the heavy inequalitarian legacy of an ancient society of castes made more rigid by the encounter with British colonial power. The institutional tools that India developed to deal with this legacy took the form of quotas and “reservations” of places in universities, public employment, and elective office: places were reserved for individuals born into disadvantaged social classes that had suffered historically from discrimination. This system has not resolved all of India’s problems—far from it. But such experiences are highly instructive for the rest of the world and in particular for Western democracies, which are also dealing
with enormous educational inequalities (which have long been studied) and are just beginning to deal with multiconfessionalism (which India has known for ten centuries). More generally, I have tried to show that, to understand the world today, it is indispensable to study the long history of inequality regimes, and especially the way European proprietarian and colonial powers affected the development of non-European trifunctional societies. The traces of that lengthy history remain quite visible in the structure of contemporary inequality. Beyond that, the study of the sophisticated inegalitarian ideologies of the past helps place today’s ideologies in perspective. One sees that they are not always wiser than the ideologies that preceded them and that they, too, will someday be replaced.

Despite my efforts to decenter our gaze, I have to say that this book remains unbalanced—somewhat less so than my previous book but still quite unbalanced on the whole. The French Revolution comes up repeatedly, and the experiences of Europe and the United States are constantly cited, much more so than their demographic weight warrants. Jack Goody, in his book *The Theft of History*, rightly denounced the often-irresistible temptation to write history from a Western-centric point of view, which afflicts even well-intentioned social scientists. Writers attribute to Europe and America inventions they did not invent or even cultural practices such as courtly love, the love of liberty, filial affection, the nuclear family, humanism, and democracy. I have tried to avoid this bias in this book, but I am not sure I succeeded. The reason is simple: my gaze is profoundly influenced by my cultural roots, the limits of my knowledge, and above all by the serious weakness of my linguistic competence. This book is the work of an author who reads fluently only in French and English and who is familiar with only a limited range of primary sources. Yet this study ranges widely—perhaps too widely—and I beg the pardon of specialists in other fields for the approximations and condensations they will find here. I hope that this work will soon be complemented and superseded by many others, which will add to our understanding of specific inequality regimes, especially those in the many geographical and cultural regions poorly covered by this work.

No doubt my gaze has also been shaped by my personal history, perhaps even more than I imagine. I could describe the diversity of the social milieus and political ideas to which I was exposed by my family background. My two grandmothers suffered from the patriarchal model imposed by their generation. One was unhappy in her bourgeois life and died prematurely in Paris in

1987. The other became a servant on a farm at age 13 during World War II and died in 2018 in Indre-et-Loire. From one of my great-grandmothers, who was born in 1897 and died in 2001, I heard stories of France before 1914, when the country was preparing its revenge against Germany. Born in 1971, I obtained from my parents the freedom I needed to become an adult. As a student in 1989, I listened to the collapse of the communist dictatorships on the radio. In 1991 I listened to reports of the Gulf War. When I look at how my vision of history and economics has evolved since I was 18, I think that it was the study of history—the sources I discovered and the books I read—that led me to change my views significantly (I was initially more liberal and less socialist than I am now). In particular, writing *Top Incomes in France in the Twentieth Century: Inequality and Redistribution, 1901–1998* made me realize in 2001 how much violence accompanied the reduction of inequality in the twentieth century. The crisis of 2008 led me to take a greater interest in the fragilities of global capitalism and the history of capital and its accumulation, subjects at the heart of *Capital in the Twenty-First Century* (2013). The present book is based on new sources—most prominently, colonial histories and postelection surveys—which led me to develop a new political-ideological approach to inequality regimes. It is possible that this reconstruction is too rational; I may neglect the hidden effects of my early and more recent experiences in shaping this or that argument. Nevertheless, I have tried to make the reader aware of at least the conscious part of my progress by citing the historical sources, books, and other readings that led me to the positions I take here, insofar as I am aware of them.

**On the Civic and Political Role of the Social Sciences**

Social scientists are very lucky. Society pays them to write books, explore sources, synthesize what can be learned from archives and surveys, and then try to pay back the people who make their work possible—namely, the rest of society. Now and then researchers in the social sciences waste too much time in sterile disciplinary quarrels and status disputes. Nevertheless, the social sciences play an indispensable role in public debate and democratic dialogue. In this book I have tried to show how the sources and methods of the various social science could be used to analyze the history of inequality regimes in their social, economic, political, and intellectual dimensions.

I am convinced that some of today’s democratic disarray stems from the fact that, insofar as the civic and political sphere is concerned, economics has cut itself free from the other social sciences. This “autonomization” of economics
is partly a result of the technical nature and increasing complexity of the economic sphere. But it is also the result of a recurrent temptation on the part of professional economists, whether in the university or the marketplace, to claim a monopoly of expertise and analytic capacity they do not possess. In reality, it is only by combining economic, historical, sociological, cultural, and political approaches that progress in our understanding of socioeconomic phenomena becomes possible. This is true, of course, for the study of inequalities between social classes and their transformations throughout history, but the lesson seems to me far more general. This book draws on the work of many social scientists in many disciplines, without whom it would not exist.2 I have also tried to show how literature and film can also shed light on our subject in a way that complements the light shed by the social sciences.

Another consequence of the excessive autonomization of economics is that historians, sociologists, political scientists, and philosophers too often abandon the study of economic questions to economists. But political economy and economic history involve all the social sciences, as I have tried to show in this book. All social scientists should try to include socioeconomic trends in their analysis and gather quantitative and historical data whenever useful and should rely on other methods and sources when necessary. The neglect of quantitative and statistical sources by many social scientists is unfortunate, particularly since critical examination of the sources and the conditions under which they are socially, historically, and politically constructed is necessary to make proper use of them. This neglect has contributed not only to the autonomization of economics but also to its impoverishment. I hope that this book will help to remedy that.

Beyond the realm of research, the autonomization of economic knowledge has also been bad for the civic and political sphere because it encourages fatalism and fosters feelings of helplessness. In particular, journalists and citizens all too often bow to the expertise of economists, limited though it is, and hesitate to express opinions about wages and profits, taxes and debts, trade and capital. But if the people are to be sovereign—as democracy says they should

2. Among the researchers whose recent and not-so-recent work I have relied on most heavily, I would like to mention Mathieu Arnoux, Rafe Blaufarb, Erik Bengtsson, Denis Cogneau, Fredrick Cooper, Nicolas Barreyre, Julia Cagé, Noam Maggor, Katrina Pistor, Sanjay Subrahmanyan, Serge Gruzinski, Susan Bayly, Ken Pomeranz, Hannah Arendt, Karl Polanyi, Or Rosenboim, Barbara Wooton, Christophe Jaffrelot, etc. Dozens of other authors are cited in the footnotes to each chapter.
be—these subjects are not optional. Their complexity is such that it is unjustifiable to abandon them to a small caste of experts. The contrary is true. Precisely because they are so complex, only broad collective deliberation, based on reason and on the past history and experience of every citizen, can lead to progress toward resolving these issues. Ultimately, this book has only one goal: to enable citizens to reclaim possession of economic and historical knowledge. Whether or not the reader agrees with my specific conclusions basically does not matter because my purpose is to begin debate, not to end it. If this book has been able to awaken the reader’s interest in new questions and enlighten her with knowledge she did not previously possess, my goal will have been fully achieved.
Glossary

Here is a brief list of terms that may be unfamiliar to the reader. These are marked with an asterisk at the point of first occurrence in the text.

Censitary: A censitary regime (from the French *censitaire*) was a regime in which the right to vote was subject to a property qualification, generally met by paying above a certain amount of property tax. For instance, during the Restoration in France (1815–1830), the right to vote was reserved to men over the age of 30 who paid at least 300 francs in direct taxes (which in practice granted eligibility to vote to about 100,000 people or roughly 1 percent of adult males). The precise requirement varied over time.

Gini coefficient: A statistical measure of distribution which was developed by the Italian statistician Corrado Gini in 1912. It is used as a gauge of economic inequality, measuring income distribution among a population. The coefficient ranges from zero to one, with zero representing perfect equality and one representing perfect inequality.

Great Demarcation: A term introduced by the historian Rafe Blaufarb to describe a shift in the property ownership regime that occurred during the French Revolution, which resulted in a strict separation between regalian functions (henceforth the monopoly of the centralized state) and property rights (henceforth to be granted solely to private individuals), whereas trifunctional society was based on an inextricable imbrication of both.

Identitarian (Fr. *identitaire*): An identitarian ideology is an ideology structured around identification with a specific social group, often based on an ethnic, racial, or religious identity.

Inequality regime: A set of discourses and institutional arrangements intended to justify and structure the economic, social, and political inequalities of a given society.

Livre tournois: Monetary unit of account used in France during the Middle Ages and early modern period.
Ownership society (sometimes called proprietarian society): A social order based on a quasi-religious defense of property rights as the sine qua non of social and political stability. Ownership societies flourished in Europe and the United States in the nineteenth and early twentieth centuries.

Patrimonial middle class: That portion of the wealth distribution extending from the fiftieth to the ninetieth percentile. In other words, the “middle 40 percent” of the wealth distribution standing between the bottom 50 percent and the top 10 percent.

Premodern: As used in this book, “premodern” means prior to the eighteenth century.

Proprietarian: See Ownership society, also called proprietarian society. Proprietarian ideology is the ideology of ownership society, based on the sacralization of property rights.

Regalian rights or powers: The powers of security, justice, and legitimate use of violence.

Society of orders: A type of society based on an equilibrium between intellectual and warrior elites and on specific forms of ownership and power relations. See also Trifunctional society.

Successoral: Pertaining to inheritance.

Ternary society: See Trifunctional society.

Trajectories and switch points: The French text refers to trajectoires et bifurcations to describe the paths taken by different societies in their historical evolutions. Here, bifurcations has been translated as “switch points” to refer to points in time where a crucial turn was taken.

Trifunctional society: A trifunctional society is one whose structure comprises three functional groups: clergy, nobility, and workers (the third estate). The ternary or trifunctional pattern can be found in nearly all premodern societies throughout the world, including China and Japan.
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