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Philosophy and Public Policy after Piketty*

MARTIN O'NEILL

Politics, University of York

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I. THOMAS PIKETTY'S *CAPITAL IN THE TWENTY-FIRST CENTURY*

Thomas Piketty's *Capital in the Twenty-First Century*[1] has, in the words of Paul Krugman, "transformed our economic discourse" about wealth and inequality.[2] It is difficult to think of a recent work of social science that has received as much attention, or had so much impact, both within academic debates and in terms of broader public discourse. Piketty's work clearly carries weighty implications not only for economics, but also for many neighboring disciplines, among which we can count political philosophy.[3] Now that the dust has settled

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[1]Piketty 2014a; references to this book in the main text are indicated by "C."

[2]Krugman 2017, p. 71.

[3]Responses to Piketty have come from law (Grewal 2014; Moyn 2014; Purdy 2014; Murphy 2015), from sociology (Savage 2014), from political science (Hopkin 2014), and from political theory and political philosophy (Vrousalis 2015; Widerquist 2015; Wollner 2015; Allen 2016; Anderson 2016; Bertram 2016; Ronzoni 2015, 2016; Thomas 2016). As Piketty mischievously put it, regarding the critical response to his book, "the more interesting critiques come from social scientists outside economics, who read books more carefully, generally speaking" (Goldhammer and Piketty 2016, p. 68).

after the initial round of scholarly engagement with Piketty's book, and after Piketty himself has had the opportunity to refine and finesse the central points of his analysis in a slew of post-*Capital* writings,[4] the time is ripe for an assessment of the book's full significance from the standpoint of political philosophy, and to consider its full implications in terms of how we should think about public policy.

In this article I will examine the main conceptual, historical, and normative claims of Piketty's *Capital*, and show how the book provides an important impetus towards an egalitarian research agenda in political philosophy and public policy. I begin in sections II through IV by considering Piketty's main conceptual and historical claims about the dynamics of inequality. In section V, I consider the normative commitments of Piketty's account of inequality, look at the (partially submerged or implicit) ways in which *Capital in the Twenty-First Century* can itself be read as a work of political philosophy, and relate Piketty's egalitarianism to philosophical accounts of the badness of socio-economic inequality. Section VI addresses some aspects of the general significance of *Capital* for the discipline of political philosophy. Finally, sections VII and VIII consider a range of strategies for egalitarian public policy, showing the role of political philosophy in laying out the space of possible alternative approaches, and maps an agenda for future research.

II. PIKETTY ON THE LAWS OF CAPITALISM

Piketty's basic account of the "fundamental laws" of capitalism is relatively straightforward, and it provides the background explanation to his account of the strongest force for "divergence"—that is, for greater inequality—within capitalist economies over time. It would be useful, therefore, to begin with Piketty's account of capitalism's "fundamental laws."

Piketty's First Fundamental Law of Capitalism: $\alpha = r \times \beta$

This first law links the share of income from capital[5] in national income, α, to the capital/income ratio, β. Piketty's first law simply tells us that the share of overall income

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[4]See Piketty 2014b, 2015b, 2015c, 2015d, 2015e, 2015g, 2015h, 2016, 2017 and Goldhammer and Piketty 2016.

[5]Much ink has been spilt on the definition of what counts as "capital," and there has been some criticism of Piketty for eliding the categories of capital (conceived of as a factor of production) and wealth more generally (which includes assets that may have no productive use) (see Galbraith 2014). These

within an economy that accrues to capital (rather than to labor) is the product of the rate of return on capital, *r*, and the size of the capital stock expressed as its value as a multiple of one year of national income. The idea is simple enough: if the value of the capital stock is, say, around 600% of yearly income, meaning a β of 6 (roughly the level in Europe in the early twentieth century[6]), then a rate of return on capital of 5% would mean that returns to capital would account for 30% of national income (that is, 5% multiplied by the capital/income ratio of 6). If, on the other hand, the value of the capital stock were closer to, say 300% of annual income (that is, a capital/income ratio of 3), as was its approximate level in the Europe of the immediate post-war period, then a rate of return of capital of the same 5% would deliver a capital share of national income of only 15% (leaving 85% as labor income).

Piketty's "first law of capitalism" is not a law in the sense of a general empirical regularity, but is in fact simply an accounting identity. It is important nevertheless for making clear this relationship between the capital/income ratio and the share of national income going to capital rather than to wages. Given that capital is held so unevenly, with prior inequalities of wealth in general much greater than inequalities in labor income, we may have reason to be concerned about a substantial shift in the share of national income going as capital returns. If we are concerned about the inequalities that might be associated with an increasing capital share of national income, then we need to examine what determines the capital/income ratio in the long run. This brings us to Piketty's second "fundamental law."

Piketty's Second Fundamental Law of Capitalism: $\beta = s/g$

This second law states that, in the long run, the capital/income ratio (that is, the size of the capital stock relative to one year of national income) is positively related to the rate of savings, *s*, and negatively related to the rate of growth of the economy as a whole (that is, the rate of growth in national income). What this shows us, as Piketty puts it, is that "a country that saves a lot and grows slowly will over the long run accumulate an enormous stock of capital (relative to its income), which can in turn have a significant effect on the social structure and distribution of wealth. Let me put it another way: in a quasi-stagnant society,

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controversies are outside the scope of the present discussion. For the sake of the argument of this article, I shall be relying on Robert Solow's judgment that this is only "a small ambiguity" and that "as long as we stick to longer-run trends, as Piketty generally does, this difficulty can safely be disregarded" (Solow 2017, pp. 49–50).

[6]See Piketty 2014a, p. 165, fig. 5.2.

wealth accumulated in the past will inevitably acquire disproportionate importance" (C, p. 166).

While the first fundamental law is simply an accounting identity, the second fundamental law is quite different—it is, as Piketty puts it, an "asymptotic law" (C, p. 168), regarding the long-term trend in the capital-income ratio of a society, for a given level of savings and a given level of economic growth. Obviously the capital stock takes years or even decades to build up, so $\beta = s/g$ indicates a long-run equilibrium at which that capital stock will be stable as a multiple of national income, rather than a specification of its level at any one point. To illustrate how this equilibrium would be achieved, consider conditions under which the overall savings rate is 10% of national income, and the rate of growth of the economy is just 1%. Under such conditions, the equilibrium level for the capital/income ratio would be at 10:1, that is, for the capital stock to be worth ten times national annual income. This 10:1 level would represent a stable resting point for this level of savings and growth because, if we imagine the capital ratio being under 10:1, then a saving rate of 10% of national income would constitute more than a 1% addition to the stock of capital, which would therefore grow quicker than national income as a whole. Conversely, if the capital/income ratio (under these conditions) were above 10:1, then 10% of national income would constitute less than 1% of existing wealth, and therefore the growth in the value of the capital stock would be less than the growth in national income, and correspondingly the capital/income ratio would fall back down towards its equilibrium level.

When combined by substitution, Piketty's two "laws of capitalism" give this equation showing the relationship between the capital share (α), the rate of return on capital, the savings rate, and the growth rate of the economy:

The Piketty Equation: $$\alpha = \frac{r \text{ x } s}{g}$$

Let us call this the *Piketty Equation*. It tells us that the share of national income going to capital (α) rather than to labor will tend towards an equilibrium level determined by the product of the savings rate and the rate of return to capital, divided by the rate of growth of the economy as a whole. Put simply, the higher the value of r and s, and the lower the value of g, the more income will accrue to the holders of wealth rather than to those who work for a living.

Now, if the *distribution* of wealth were not itself so inegalitarian (and thereby itself a matter for acute political concern), then there would be nothing about an increase in the proportion of national income going to capital rather than to labor that would give us pause to worry. In an economic model peopled by representative agents who derive common proportions of their income from labor and from investment returns, one might even think that such a shift in the capital share of national income would be straightforwardly good news. In a society where most or all citizens drew their income from both labor *and* capital, with holdings of capital broadly dispersed throughout society, a rise in the capital share of national income would carry the welcome implication that individuals could happily come to be less fully reliant on their labor income then they would be in a world with a less valuable capital stock, in which everyone had to work the better part of their living.[7] Considering a rising capital share Piketty remarks "[i]n one respect, this is good news: capital is potentially useful to everyone, and provided that things are properly organized, everyone can benefit from it. In another respect, however, what this means is that the owners of capital—for a given distribution of wealth—potentially control a larger share of total economic resources" (C, p. 167).

But of course such a world of happy representative agents, sharing a common split between labor and capital income, is not any world even approximately close to the world that we inhabit ourselves.[8] In fact, as Piketty explains, "in every country and time period for which we have data, wealth distribution within each age group is substantially more unequal than income distribution."[9] A background of significant wealth inequality is not a merely local or passing phenomenon, but a pervasive feature of every society at every time period for which data is available. And so the reason that we should be troubled by a rising value for α, is that in the process of the capital/income ratio rising, we see an amplification of pre-existing wealth inequalities, and therefore also an amplification of pre-existing inequalities in the degree to which individuals can achieve a given level of income from investments rather than from labor market participation.

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[7]Piketty 2016, pp. 93–4; see also Piketty 2015b, pp. 73–5.

[8]Anthony Atkinson notes that the "conventional wisdom" in economics often makes use of such representative-agent models. Atkinson, like Piketty, thinks that we should instead ask "Who gains and who loses?" As Atkinson (2015, p. 5) puts it, "This is a question that is often missing from today's media discussion and policy debate. Many economic models assume identical representative agents carrying out sophisticated decision-making, where distributional issues are suppressed, leaving no space to consider the justice of the resulting outcome. For me, there should be room for such discussion. There is not just one Economics."

[9]Piketty 2016, p. 94; 2015b, p. 74.

Insofar as we are concerned about inequality, we therefore have very good reason to be interested in changes in the value of α, because a rising capital share will be associated with an entrenchment and exacerbation of background inequalities. Given this, we also have reason to be interested in the values of *r*, *s*, and *g*—that is, of the rate of return on capital, the savings rate, and the rate of growth of the economy—as these values together are what determine the equilibrium level of the capital share. It is worth noting here that seeing α as a variable that is likely to vary change significantly over time is a matter of considerable significance, for it had been a general assumption of much twentieth century macroeconomics that the capital-labor split in national income was remarkably constant, with its stability being treated as, in Nicholas Kaldor's terms, as a "stylized fact" of macroeconomics.[10] John Maynard Keynes talked about the regularity of the labor-capital split in national income as a "one of the most surprising, yet best-established, facts in the whole of economic statistics."[11] Piketty's analysis of historical changes in the value of the variables that determine α have dethroned that assumption about these stylized economic facts, thereby forcing the issue of the distribution of economic rewards between capital and labor forcefully onto the agenda.[12] It is to the issue of the historical development of these variables that I now turn.

III. THE HISTORY (AND FUTURE) OF CAPITALISM? R > G

The claim that *r* > *g*—a mathematical inequality now so well-known that one can buy mugs and T-shirts on which it is emblazoned[13]—represents as Piketty puts it "the principal destabilising force" under capitalism (C, p. 571), by which he means the principle force towards greater inequality. It is the claim that the return on capital (that is, the rate of investment return to capital holders on their investments), *r*, is greater than the rate of growth

[10]In Kaldor 1961. For an early skeptical view on the stability of factor shares, see Solow (1958). More recently, developing insights from Kalecki (1943) the work of Andrew Glyn called into question the stability of factor shares, with his analysis of the "profit squeeze" of the 1960s and '70s. See: Glyn and Sutcliffe 1972; Glyn 2009; Atkinson 2009; White 2008b, 2009; and Van Parijs 1995, p. 291, fn. 28.

[11]Keynes 1939, p. 48. See also Piketty 2015a, p. 40.

[12]It is interesting to see that Piketty himself treated the stability of the labor-capital split as just such a reliable background fact in his earlier book (Piketty 1997; 2015a), where he claimed that "It appears that profits and wages always divide in such a way to award one-third of national income to capital and two-thirds to labour." (Piketty 2015a, p. 40) The empirical data marshalled in *Capital in the Twenty-First Century* banishes that previous impression of a historically stable split between factor incomes.

[13]Goldhammer 2017.

of the economy, *g*, and that, therefore, the fundamental tendency of capitalism in the long-run is towards an extremely high level of economic inequality. Now, it may be that this claim has in fact received disproportionate attention for, although Piketty does emphasize its significance, he also says the he “does not view $r > g$ as the only or even primary tool for considering changes in income and wealth in the twentieth century, or for forecasting the path of inequality in the twenty-first century.”[14] But in any case the relationship between growth and capital returns is clearly of central concern to anyone interested in the dynamics of capitalism and in the distributive consequences of those dynamics.

Piketty’s historical analysis shows that, for most of recorded human history, this inequality has held. In some ways, this is not at all surprising, as can be seen by considering the situation where the reverse inequality were to hold, and where $r < g$ in the long-run. Where that reverse inequality held, capital holders would need to keep re-investing at a rate higher than the return they received from their capital holdings, in order to ensure that the size of their capital stock kept pace with the growth of the economy. Under such conditions, were they to obtain over time, rather than being the result of a particular external shock, one would likely judge that there had been an over-accumulation of capital, and it would seem reasonable for capital holders to disinvest at least part of their capital holdings.

Piketty’s reconstruction (and extrapolation) of the historical development of *r* and *g* at the global scale, based on the available data, gives a picture in which for most of human history, the level of *g* was very low, staying below 1% from the first millennium CE until the beginning of the industrial revolution, while the level of *r* remained steady at somewhere around 4–5% over the same period. While the level of *g* rose steadily from the industrial revolution to the second half of the twentieth century, reaching about 2% by the eve of the First World War, and accelerating to over 3% in the decades after the Second World War, the level of *g* went in the opposite direction, plummeting from its historical baseline around 5% to a level of around 1% during 1913–50, and then staying below the rate of *g* during the post-war period, only recovering to around 4% in the twenty-first century.[15] Thus, the great exception to the long-run conditions of $r >$ g was the middle period of the twentieth century, during which economic growth accelerated while the rate of return to capital fell precipitously, as the result of a unique concatenation of factors, not least of which was the capital destruction involved in the period of two world wars. In this period, with *r* falling

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[14] Piketty 2016, p. 92.
[15] See Piketty 2014a, fig. 10.10, p. 356.

sharply and g rising, inequality fell drastically. As summarizes, "the inequality $r > g$ has clearly been true throughout most of human history, right up to the eve of World War I, and it will probably be true again in the twenty-first century. Its truth depends, however, on the shocks to which capital is subject, as well as on what public policies and institutions are put in place to regulate the relationship between capital and labor" (C, p. 358).

Now, if we cast our minds back to the equation describing the equilibrium level of the capital share, α, we recall that it varies positively with the rate of return to capital, r, and the savings rate, s, and negatively with the rate of growth of the economy, g. Therefore, what matters for setting the level of α (if we, for the time being, hold the savings rate constant) is not so much the mere fact that $r > g$, as the comparative magnitude of the two variables, and the difference between them (that is, the size of $r - g$), given that the force towards greater inequality would be relatively weak if the difference between the two magnitudes were relatively small. As Piketty puts it, "the finite inequality level will be a steeply rising function of the gap $r - g$. Intuitively, a higher gap between r and g works as an amplifier mechanism for wealth inequality for a given variance of other shocks. To put it differently: a higher gap between r and g allows an economy to sustain a level of wealth inequality that is higher and more persistent over time (that is, a higher gap $r - g$ leads both to higher inequality and lower mobility)."[16] To render the significance of the $r - g$ gap vivid, Piketty shows how even a small shift in the gap can correspond to a huge shift in the level of wealth inequality. A shift from a gap of 2% to a gap of 3% would, Piketty tells us, "[correspond] to a shift from an economy with moderate wealth inequality—say, with a top 1 percent wealth share of 20–30 percent, such as present-day Europe or the United States—to an economy with very high wealth inequality with a top 1 percent wealth share of around 50–60 percent, such as pre-World War I Europe."[17]

The potential for runaway wealth inequality in a world where overall economic growth is stagnant, but where capital returns through rents, corporate profits, and other avenues remain comparatively robust, is stark and disturbing. Indeed, Piketty's prognosis is a potentially bleak one: "In the future, several forces might push towards a higher $r - g$ gap (particularly the slowdown of population growth, and rising global competition to attract capital)."[18] Given the sensitivity of outcomes in terms of wealth inequality to even small changes in the $r - g$ gap, this presents a strikingly worrisome prospectus. Wealth inequality

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[16]Piketty 2015b, p. 75; 2016, p. 95.
[17]Piketty 2015b, pp. 75–6; 2016, pp. 95–6.
[18]Piketty 2016, p. 96.

may be a disfiguring feature of modern capitalism, but the signs seem to be pointing towards a far deeper level of future wealth inequality—a return to something akin to a global *Belle Époque*.

What, then, was so special about the middle of the twentieth century when, for the very first time, a comparatively egalitarian form of capitalism emerged and even came to seem normal? If we are able to see clearly what happened during this period, before the return of capitalism's inegalitarian dynamics, then we could, perhaps, have a better idea of how to reform our current economic system so as to create a more equitable form of economic life. Piketty's diagnosis of the causal origins of the exceptional changes of the early-to-mid twentieth century is a complicated one: "During the 20th century, it is a very unusual combination of events which transformed the relation between *r* and *g* (large capital shocks during the 1914–1945 period, including destruction, nationalization, inflation; high growth during the reconstruction period and demographic transition; higher bargaining power for organized labor)."[19] As we can see, among this heterogeneous set of factors, some depressed *r* while others raised *g*; some could be recreated via changes in public policy, while others (such as the demographic transition) were one-off occurrences; and others, in particular the appalling destruction of two world wars, which devastated Europe's capital stock as well as its people, were disastrous historical events which had long-run consequences in reducing the economic domination of capital over labor. (Terrible historical events can sometimes have just such positive side-effects in terms of lessening economic inequality: the Black Death of 1348–49 drove-up the bargaining power of surviving laborers, thereby increasing the labor income that they were able to command.)

The lessons that can be drawn from the "egalitarian exceptionalism" of the early-to-mid twentieth century are therefore rather mixed. The pessimistic conclusion to draw would be to think that an inclusive, relatively egalitarian form of capitalism, which many of us would have been ready to imagine as the constantly accessible default option for how advanced economies function, can actually be seen as a historical anomaly, made possible only in the wake of a terrible period of sustained international conflict and capital destruction. On the other hand, decisions to nationalize, tax or regulate private capital, to run monetary policy in a way that would allow moderate inflation, or to regulate labor unions in a way that created a framework for robust collective bargaining, were political decisions about public policy, not "external" shocks working their way through the economic system.

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[19]Piketty 2016, p. 96.

It may therefore be an uphill task to tame the inegalitarian tendencies of capitalism during the twenty-first century, but we are not helpless in the face of blind economic forces that we are unable to control. The values of r, s, and g are each responsive to a broad mixture of causal factors, some of which are beyond the control of political decision-making, but others of which are within our reach to modulate.

Before turning to an assessment of possibly strategies for taming economic inequality, I want first to examine Piketty's treatment of the other, secondary mechanisms for driving up inequality, separate from the rise in the capital share. The parallel operation of these secondary inegalitarian forces will need to be taken into account in how we assess the relative plausibility and attractiveness of different imaginable forms of egalitarian public policy.

IV. PIKETTY ON THE OTHER INEGALITARIAN PATHOLOGIES OF CAPITALISM: "SUPERMANAGERS" AND "SUPERINVESTORS"

As we have seen above, in Piketty's account of the inegalitarian trends of contemporary capitalism, the centerpiece of the historical story is the long-run change in the capital share of national income, α. This measure was high during the nineteenth century *Belle Époque*, but then fell considerably during the era of the two world wars, remaining low during the *Trentes Glorieuses* of the immediate post-war years, but then taking off again in the period from the late nineteen seventies onwards. But alongside this there are two other parallel mechanisms driving greater inequality, operating *within* the pattern of returns to each factor of production. We see in recent capitalist economies a growing inequality within labor income, in particular with a small group at the top of the distribution of labor incomes pulling away from the rest. Alongside this, there is also a divergence in capital returns between bigger and smaller investors, with those who already have substantial holdings of capital seeing a much bigger return on their investments than do those who have only small investments. Thus, just as the rise in the value of α shifts economic rewards from labor to capital, so at the same time the profile of economic rewards within the income distribution become increasing skewed to the top end, while the pattern of investment returns across capital owners also develops in a way that concentrates and exacerbates existing inequalities. I will briefly discuss both parts of these parallel secondary dynamics of inequality, starting with the case of runaway inequality in labor incomes.

A. Inequality of Labor Income—The Case of "Supermanagers"

Piketty's book has a trans-Atlantic focus, with the two countries put under closest scrutiny being the United States and France. In the US, despite the background effects of a rising capital share of national income, the largest part of the explanation for increased income inequality since 1980 has actually been due to the vertiginous acceleration of inequalities in the distribution of labor income, with the largest effects being attributable to the way in which the top end of the distribution has broken away from the rest.[20] The immediate cause for this remarkable change in the income distribution has been the advent of "supermanagers," that is, top executives of large firms who have managed to obtain extremely high, historically unprecedented compensation packages for their labor" (C, p. 302).

The emergence of "supermanagers" has a number of distinct explanations, each of which probably does some independent explanatory work. One striking contributory factor is the increasing size of the financial sector, with Piketty noting that "the financial professions (including both managers of banks and other financial institutions and traders operating on the financial markets) are about twice as common in the very high income groups as in the economy overall (roughly 20 percent of the top 0.1 percent, whereas finance accounts for less than 10 percent of GDP [in the United States])" (C, p. 303).[21]

Another factor is ideological, with the transformation of norms around top incomes in the financial and corporate sectors, associated with what Piketty calls an ideal of a "hypermeritocratic" society, "or," as he puts it with an admirably deadpan skepticism, "at any rate a society that the people at the top like to describe as hypermeritocratic" (C, p. 265). His idea here seems to be that the general acceptance of such very large salaries as rewards for merit itself can both explain why corporate executives would feel able to seek and accept such salaries, and why they might be regarded by the broader society as being justified in having done so, for "it is hardly surprising that the winners in such a society would wish to describe the social hierarchy in this way [i.e., as rewarding individual merit], and sometimes they succeed in convincing some of the losers" (C, p. 265).

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[20]See, e.g., Piketty 2014a, p. 300, fig. 8.8.

[21]On broader issues of the interlinked growth of the financial sector and levels of economic inequality, see Turner 2015.

A third factor is down to changes in the tax system, with a decline in taxation of top labor incomes in the period since the late 1970s, not only in the United States but also in other countries. Interestingly, Piketty's analysis of the effects of changes in top income taxation across different jurisdictions, involving joint work with Emmanuel Saez and Stefanie Stantcheva, shows that the most powerful effects of lowering marginal tax rates on high incomes are not perhaps the effects that would strike us first, or those which receive most political attention.[22] For it isn't just that reductions in top tax rates increase the net income of corporate executives at any particular pay level, but that the reduction of top marginal rates gives these elite workers a strong incentive to bargain harder for ever higher salaries. When top rates were at 80–90 per cent, executives had little incentive to push up their pay at the margins, or in persuading others that such raises would be justifiable, instead making do with the already more-than-adequate material rewards of their jobs combined with the social prestige and economic power that goes with a senior managerial occupation. But with the decline in top marginal rates, "after 1980, the game was utterly transformed, however, and the evidence suggests that executives went to considerable lengths to persuade other interested parties to grant them substantial raises" (C, p. 510).

As this suggests, the fiscal and ideological origins of the rise of the "supermanagers" are not so much fully distinct explanations as complementary explanations that create a certain degree of mutual feedback. Whatever the fine-grained explanations of why top pay has taken off in the United States (and to a lesser degree in the United Kingdom), Piketty and his co-authors make a powerful and convincing case for a "bargaining theory" as an alternative to the standard marginal productivity theory of economic orthodoxy. As they show, we have decisive reasons to reject the standard economists' view of top pay, not least given the formidable epistemic barriers to determining what the marginal contribution of corporate managers or other very highly paid workers actually is, at least outside of specific domains such as the entertainment industry or professional sports. Piketty seems barely to be suppressing a sardonic smile when he describes marginal productivity theory as "suffering from a certain naïveté … when it comes to explaining how pay is determined at the top of the income hierarchy" (C, p. 509). (One might think that disingenuousness was as likely as naïveté.) In any event, his conclusion is that—contrary to the claims embedded in the ideology of "hypermeritocracy"—these increases do not "have much to do with a hypothetical increase in managerial productivity" (C, p. 512).

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[22]Piketty, Saez and Stantcheva 2014. See also Segal 2014, esp. p. 141.

B. "Superinvestors"—Inequalities in Capital Returns

Whatever the economics textbooks might tell us about the theoretical efficiency of a well-operating system of financial intermediation, it is perhaps not any great surprise to discover that wealthier, better-connected investors will systematically do better in terms of the returns that they see on their investments than will smaller, less sophisticated investors. As Piketty puts it, "there is the fact that a very large portfolio can manage to get a 7 or 8 per cent return, whereas people with £100,000 can hardly get the inflation rate."[23] This seems obviously to get at an important truth about how the economy works, but it is a particularly difficult truth to establish beyond doubt because, although it is easy enough to discover the kinds of capital returns that are available to retail investors in high street financial products, or even buy-to-let landlords, it is very difficult to know quite how well the world's richest investors are doing. Such individuals are understandably reluctant, in the absence of compulsion, to publish detailed records of the performance of their portfolios.

One of the empirical triumphs of *Capital* is to put that plausible hunch, about how financial intermediation serves different investors more or less well in proportion to their existing wealth, onto a sound footing. Piketty's examination of returns on university endowments, which unlike rich private individual investors do actually publish good records of their investment performance, duly shows that absolute size matters when it comes to the rate of capital return (what we might think of as their own private level of *r*) that different institutional investors can expect to reap. In what must be one of the most arresting and significant tables in a book full of extraordinary charts and statistics, Piketty shows that, whereas the world's richest universities, Harvard, Yale, and Princeton, have averaged a capital return (after management fees and inflation) of 10.2% per annum during the period 1980–2010, and the sixty U.S. universities with endowments over $1 billion have averaged a return of 8.8%, those five hundred institutions with endowments of less than $100 million have averaged a return of only 6.2%, much closer to the rates that mere retail investors could have commanded over the same period.[24]

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[23]See O'Neill and Pearce 2014, at p. 104.
[24]See Piketty 2014a, table 12.2, at p. 448.

The combination of the rise of the "supermanagers" and the rise of the "superinvestors," both associated with the enlargement of the financial sector during the past thirty years, creates two powerful additional forces towards greater inequality. Both operate in particular at the top end of the distributions of income and wealth, attenuating the distribution of both labor income and investment income so as to benefit the richest and most successful, advantaging the top 1% of recent notoriety and, in particular, the top 0.1%.[25] These twin processes can be seen as superchargers placed on top of the main engine of growing inequality—that is, the rise of the capital share that has been discussed in the previous section. The composite effect of these different processes working in tandem is to threaten a twenty-first century that may well be even more inegalitarian that the nineteenth (see C, pp. 375–6).

We have now laid out Piketty's general account of the laws of capitalism, his account of some significant trends in capitalism's history, and his account of the driving forces—both primary and secondary—behind growing inequality. I turn now to questions of the significance of inequality.

V. WHY INEQUALITY MATTERS: PIKETTY AS POLITICAL PHILOSOPHER

Piketty is an economist rather than a philosopher, and his book, while it displays a number of interesting normative commitments, does not engage in a sustained way with the literature in political philosophy. Despite the apparent homage in the title of his book, Piketty's treatment of the work of Marx is relatively brisk, emphasizing the shortcomings of a writer who "probably suffered … from having decided on his conclusions in 1848, before embarking on the research needed to justify them," and casting a cool but scathing empiricist's eye on the nineteenth century namesake of *Capital*, which "Marx evidently wrote in great political fervor, which at times led him to issue hasty pronouncements from which it was difficult to escape" (C, p. 10). Piketty's scorn for more recent Marxist thinkers is much hotter, saying of Jean-Paul Sartre, Louis Althusser, and Alain Badiou that "one sometimes has the impression that questions of capital and class inequality are of only moderate interest to them and serve mainly as a pretext for jousts of a different nature entirely" (C, p. 655).

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[25] See Stiglitz 2011, 2012.

Piketty's positive references to the work of political philosophers are rather limited. There is an approving citation of Jacques Rancière's *La Haine de la Democratie*, endorsing Rancière's "exigent attitude towards democracy" in a footnote to the closing lines of *Capital*'s final substantive chapter (C, p. 655, n. 59), in which Piketty emphasizes the need, "if democracy is someday to regain control of capitalism," for the "concrete institutions in which democracy and capitalism are embodied" to be "reinvented again and again" (C, p. 570).[26] There are also sympathetic references to the work of Amartya Sen, albeit only rather briefly, and with one of his two references to Sen being connected not with Sen's philosophical work on inequality and distributive justice but with his work, alongside Joseph Stiglitz and Jean-Paul Fittousi, on a French government report examining alternative aggregate measures to replace GDP in the measure of economic performance and social progress (C, p. 603, n. 25).[27]

The political philosopher to whom Piketty's substantive views about inequality most closely approximates, though, is certainly John Rawls. Indeed, I want to advance the claim that, although this may be a rather underappreciated aspect of Piketty's overall argument, there is a high degree to which Piketty's substantive normative view is in its specifics a remarkably Rawlsian one. Most explicitly, there is Piketty's claim that inequality is permissible only if it "benefits in particular the most disadvantaged groups in society,"[28] which of course closely echoes Rawls's difference principle. Moreover, in discussing the central idea of "common utility" invoked in Article 1 of the Declaration of the Rights of Man and of the Citizen passed by France's revolutionary National Constituent Assembly in 1789, Piketty suggests that "one reasonable interpretation is that social inequalities are acceptable only if they are in the interest of all and in particular of the most disadvantaged social groups", noting that "the "difference principle" introduced by the US philosopher John Rawls in his *A Theory of Justice* is similar in intent" (C, p. 480, and p. 631, fn. 22).

Moving beyond these explicit endorsements of a broadly Rawlsian approach to inequality, the Rawlsian nature of Piketty's view goes deeper, in that as we shall see Piketty's core normative complaints against inequality seem to be that it undermines equality of opportunity in the next generation and that it undercuts the political equality needed for a well-functioning democracy, in addition to the claims that inequality is often counterproductive in terms of growth and economic efficiency. These are in essence

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[26]Rancière 2005, published in English as Rancière 2006.
[27]Stiglitz, Sen, and Fittousi, 2009.
[28]Piketty, quoted in O'Neill and Pearce 2014, p. 107.

equivalent to the case against inequality associated with Rawls's commitment to the Fair Value of Political Liberties (that is, as a subordinate condition of his first principle of justice), and with his principle of Fair Equality of Opportunity (that is, the first part of Rawls's second principle of justice), in addition to the objection to inequality associated with the difference principle. Thus, while Piketty talks only about the difference principle when he discusses the "similarity in intent" between his approach and Rawls's, the structural alignment of his normative commitments and Rawls's runs much deeper than Piketty may realize. I shall take in Piketty's main objections to inequality in turn, following the equivalent ordering of Rawls's principles of justice, taking first the democratic objection to inequality, and second his meritocratic objection, before returning briefly to the "common utility" objection to inequality, which Piketty holds in two separate and distinct varieties.

A. The Democratic Objection to Inequality

In his influential and strongly positive review of *Capital*, the *Financial Times* economic commentator Martin Wolf charged that a shortcoming of Piketty's book was that "it does not deal with why soaring inequality … matters. Essentially, Piketty simply assumes that it does."[29] Piketty's response to Wolf's slightly uncharitable charge bears examination: "… when it is really extreme, inequality can be a real threat for our democratic institutions. I am not saying that we are there yet, particularly in Europe, but I think that on the other side of the Atlantic this has become an issue. The influence of private money in politics has become quite frightening. In Europe, the rise in inequality has been less extreme, and we also have rules governing the financing of political parties. These rules are important, and we should not take them for granted. I would say that, while markets and private property are great at producing innovation and producing new wealth, extreme inequality of income and wealth is not only useless for growth but is bad for the basic working of our democratic institutions."[30] The democratic objection to inequality that Piketty adumbrates here is best read not simply as an ad hoc or improvised response to Wolf. Rather, it fits closely with what Piketty says at the

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[29]Wolf 2014.

[30]Piketty quoted in O'Neill and Pearce 2014, pp. 107–8. It is worth noting that these claims about the disturbingly oligarchic character of U.S. politics were made even before the 2016 presidential election. On U.S. oligarchy, see Gilens 2012 and Bartels 2016. On Rawls's own worries regarding how democratic polities can slide into oligarchy, see: Rawls 1999, pp. 198–9; Rawls 2001, pp. 137–8; O'Neill 2012, pp. 77–8, 81–4.

very start of the book about the need for "democracy to retain control over capitalism and ensure that the general interest takes precedence over private interests" (C, p. 1), what he says later on about the threat that significant inequalities of wealth create "the risk of drift toward oligarchy" (C, p. 514), and his message in a section with the striking title: "The Rentier, Enemy of Democracy" (C, p. 422).

B. The Meritocratic Objection to Inequality

One of the glories of *Capital* is its rich and evocative engagement with a number of novels and films that depict what life was like under conditions of extreme inequality, such as existed in the eighteenth and nineteenth centuries in Britain and in France. The purpose of this engagement is, of course, not mere ornamentation, but rendering vivid what is so grotesquely unattractive about such societies of "patrimonial" wealth. In the world of Jane Austen or Honoré de Balzac, wealth came not from effort or talent or innovation, but from social positioning, and the hope of marrying into an already wealthy family. Hence Piketty presents us with the case of the scoundrel Vautrin in Balzac's *Père Goriot*, telling the (relatively) impoverished law student Rastignac, a scion of the impecunious minor regional aristocracy, that, as Piketty puts it, "it is illusory to think that social success can be achieved through study, talent and effort" (C, p. 239). Instead, in a society of deep wealth inequality, where the rentiers rule, if Rastignac wants to find any kind of social advancement then he has to find himself an heiress. Or to take a lower-brow example, we may consider, as Piketty also does, Disney's *The Aristocats* (a great favorite of my own children) set during the waning years of the Belle Époque just before the outbreak of the First World War, in which the eccentric heiress Adélaïde de Bonnefamille finds herself so flush with capital income that she can think only to lavish it on piano and painting lessons for her cats, and her butler Edgar can only see a promising future for himself if he can supplant the cats in her affections and hope to inherit her estate (C, pp. 365–6).

These worlds of extreme wealth inequality are normatively repellent, as they create social systems in which human creative drives and excellences, talent and ability, become of only marginal significance, and instead social maneuvering to become a beneficiary of inherited wealth is the order of the day. Such worlds have a kind of deadening, dehumanizing quality, as "capital reproduces itself faster than output increases. The past devours the future." (C, p. 571). Men and women become not the creators of their own fates, but merely the beneficiaries of frozen wealth from years gone by. By contrast, "our democratic societies rest on a meritocratic worldview, or at any rate a meritocratic hope, by which I mean a society in which inequality is based more on merit and effort than on kinship and rents" (C, p. 422).

Piketty evidently holds that a democratic, relatively egalitarian society is to be preferred over a society of rentiers not least because there is a "meritocratic hope" at the very heart of how we think about a justifiable socio-economic system. Just as Rawls endorses a principle of fair equality of opportunity, so Piketty sees meritocracy as at the center of a vision of democratic justice. But, more even than this similarity, it is striking that, again like Rawls, Piketty is a moderate rather than an extremist believer in meritocracy. Just as Rawls rejects the view he calls "Liberal Equality," in which the principle of fair equality of opportunity is unaccompanied by the difference principle, and where "merit"-based inequalities are thereby allowed to grow to whatever magnitude the economic system will sustain, so too Piketty rejects the "meritocratic extremism" that he sees at work in the ideological justifications for the emergence of the supermanagers (C, pp. 418–20) [31]. Both Rawls and Piketty approvingly refer to the work of Michael Young who, in his dystopian fable *The Rise of the Meritocracy*,[32] imagines a future society of (what Piketty would call) "meritocratic extremism," in which there is no place (as Rawls would put it) for the "idea of fraternity" and in which, as Rawls imagines such a society, the "social bases of self-respect" would be undermined, through the message that society would send to its less successful members that their lack of material success was the outward sign of a lack of inner value.[33] Piketty's discussion of Michael Young shows his vivid fear of an outcome he sees taking shape in the U.S. in particular, in which society is so acutely hard on its "losers" "because it seeks to justify domination on the grounds of justice, virtue and merit" (C, p. 416). Here, as elsewhere, Rawls and Piketty march in surprisingly close alignment.

An economist who saw socio-economic inequality in purely distributive terms might look to offer a simple formula showing the "optimal level of inequality." Piketty by contrast is much more of a social egalitarian. When its somewhat inchoate elements are brought together, Piketty's account of the normative significance of inequality registers a diversity of egalitarian considerations that include concerns about both procedural unfairness and oligarchic political *domination* in both the political and economic spheres, and, particularly in his critique of hypermeritocracy, a concern for the harms to *status* and *self-respect* that can

[31]See Rawls 1999, §§12, 17, pp. 57–65, 86–93.
[32]Young 1958; see also Young 2001.
[33]Rawls 1999, §17, esp. pp. 90–1 and ch. IX, pp. 450–514.

come with particular institutionalized forms of economic inequality. He is, in philosophical terms, a relational rather than a distributive egalitarian, and when its elements are marshaled together and brought into focus, his pluralistic view of the normative significance of inequality falls within the remit of the view I have described elsewhere as “non-intrinsic egalitarianism.”[34]

C. Two Varieties of the “Common Utility” Objection to Inequality

In the epigraph to *Capital*, Piketty quotes Article 1 of the 1789 French declaration of the Rights of Man and of the Citizen, which declares that “social distinctions can be based only on common utility” (C, p. 1). In other words, the guiding idea that Piketty wants at the very start of the book is that, in general, socio-economic inequalities stand in need of justification. As he says later, we should follow Article 1 of the declaration in holding that “equality is the norm, and inequality is justifiable only if based on ‘common utility’” (C, p. 480). While the framers of the declaration were thinking of the special orders and privileges of the *Ancien Régime*, “one can interpret the phrase more broadly, however. One reasonable interpretation is that social inequalities are acceptable only if they are *in the interest of all and in particular of the most disadvantaged* social groups” (C, p. 480, my italics).

My suggestion is that Piketty is fully serious about both sides of this disjunction: he thinks that extreme inequality is unjustifiable *both* because it goes against the general interest *and* because in particular it goes against the interests of the least well-off. The first variety of the “common utility” objection to inequality is relatively uncontroversial: to return to his response to Wolf, Piketty points out that that “when inequality is too extreme, it’s not useful any more for growth.”[35] This is a view that might at one time have seemed unusual for an economist to hold, but it has now become something close to the economic orthodoxy as the growth-retarding effects of inequality, operating through the suppression of aggregate demand, and a reduction of economic opportunities of the more disadvantaged, have become clearer to discern in the workings of the economy. Indeed, we have reached a point when even official OECD publications argue that “higher inequality drags down economic

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[34]For the characterization of non-intrinsic egalitarianism, see O’Neill 2008a, esp. 121–34. See also: Rawls 2001, pp. 130–1; Scanlon 1996; O’Neill 2013, 2016c. For loci classici of recent social or relational egalitarianism, see: Anderson 1999; Scheffler 200, 2005. See also Neuhouser 2013, 2014.

[35]O’Neill and Pearce 2014, p. 107.

growth," and so this variety of the "common utility" argument can be seen as a straightforward expression of economic common sense.[36]

Piketty's position, though, goes beyond accepting only the "aggregate" version of the "common utility" objection to inequality. At the end of *Capital*, where Piketty is defending the virtues of his own brand of quantitative, historical social science, his closing claim is that "refusing to deal with numbers rarely serves the interest of the least well-off" (C, p. 577). This fits entirely with the central idea of the need for justification to the least well-off members of society, and with Piketty's normative interpretation of the founding document of the French revolution. As a historian and economist rather than a political philosopher, Piketty does not have all that much interest in the details of philosophical debates about inequality and social justice, but the basic alignment of his normative outlook is made fully vivid at both the opening and the close of *Capital*.

VI. WHY PIKETTY MATTERS TO POLITICAL PHILOSOPHY: REFOCUSING BEYOND THE *TRENTES GLORIEUSES*

A great deal of discussion in political philosophy since Rawls has unthinkingly inherited a kind of middle twentieth century framing, in which "income and wealth" can be treated as a combined category, rather than treated distinctly, and in which there is often an unexamined assumption that inequality is mostly to do with labor market income. Hence there is in the discipline a great deal more discussion of how to reward effort and talent in the labor market, of marginal income tax rates, and so on, with much less on the taxation and regulation of capital holdings, inheritance, and capital transfers.[37] That focus clearly needs to change in light of Piketty's work. We are no longer in the territory of mid twentieth century assumptions about the basic functioning of the economy: a world of high growth, moderate

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[36]See OECD 2015, which makes the case that "the rise in income inequality between 1985 and 2005 … is estimated to have knocked 4.7 percentage points off cumulative growth between 1990 and 2010, on average across OECD countries for which long time series are available." See also Stiglitz 2012, 2016 and Miliband 2016.

[37]This is of course not to say that work on these topics is wholly absent. For leading examples of "asset-based egalitarianism" see, for example: Ackerman and Alstott 1999; Ackerman, Alstott, and Van Parijs 2005. See also: Wright 2010; Atkinson 2015.

rather than extreme inequality, and a stable and relatively low value for α. Those days have gone, and the discipline of political philosophy needs to catch up to that fact.

Piketty's *Capital* throws down the gauntlet for political philosophers who are interested in the relationship between the theory and practice of social justice. It shows us that capitalist economies are structurally recalcitrant to reform in the direction of greater equality, and it shows us that we need to think much more about the ownership and control of capital. I shall turn now to an examination of some of the details of what this post-Piketty egalitarian agenda for political philosophy and public policy might look like.

VII. OVERCOMING INEQUALITY: REDISTRIBUTION AND PREDISTRIBUTION

A. Piketty's Proposals: The Global Wealth Tax and Beyond

A common reaction to Piketty's work, especially among egalitarians, is one of resignation or even despair. The sardonic good humor and caution optimism displayed by Piketty himself can seem oddly out of place against the background picture of capitalism's dynamics. The sense that Piketty's book should be seen as a deeply pessimistic one is brought into full focus when we consider the single policy proposal for which he is best known: that is, the idea of a progressive global wealth tax (see C, pp. 515–39). Such a tax would involve unprecedented levels of cooperation between international tax authorities, alongside a massive shift in the level of detail in reporting the ownership and transfer of both financial and non-financial wealth. Such a proposal sounds like pie in the sky: a wonderful policy if we somehow had a magic wand to change the nature of both the world financial system and of its various (often highly competitive) fiscal systems overnight, but a position inaccessible any time soon from our current circumstances. If we imagine states that could enact the policy that Piketty endorses, then we seem at the same time to be imagining a world in which the concrete problems of unequal power and unequal political influence that are created by large economic inequalities are somehow dissolved. Piketty's hoped-for fiscal fix would seem to involve an impossible act of political bootstrapping.[38]

However, commentators have been too quick both to reduce the implications of Piketty's book to the headline proposals of more aggressive fiscal transfers, and to accuse

[38]For related concerns, see Ronzoni 2015.

him of utopianism in putting too much faith in such a solution. Piketty himself is not naïve about the short-run possibilities for a technocratic fix for runaway inequality through the actions of some international fiscal authority, seeing his global wealth tax proposal in strategic terms as a "worthwhile reference point, a standard against which alternative proposals can be measured" (C, p. 515). Moreover, and more importantly, he also has a more ambitious agenda, speaking of the need for "the development of new forms of property and democratic control of capital", with regard to which "new forms of participation and governance remain to be invented" (C, p. 569). Such an agenda already has some roots within egalitarian political philosophy, and the best hope for its further development resides in an interdisciplinary research effort that combines insights from different traditions.

Instead of giving too much attention to the global wealth tax proposal, it is more illuminating to read Piketty as calling for a broad and comprehensive research program that would involve finding new ways in which the balance between democracy and capitalism can be reset. Piketty, whose contempt for the "childish passion for mathematics and for purely theoretical and often highly ideological speculation" (C, p. 32) of contemporary economics is both creditable and amusing for someone of his disciplinary background and training, seems to realize that this can only be a broad-based research program across the social sciences, incorporating insights from history, sociology, law, political science, and philosophy as well as economics itself.

B. Piketty, Meade, and Predistribution[39]

Before saying more about where the road from Piketty's book should lead, I want first to take a step back, and to discuss the relationship between Piketty's weighty volume and an earlier, contrastingly concise book by the economist James Meade. Published fifty years before Piketty's *Capital in the Twenty-First Century*, Meade's 1964 book, *Efficiency, Equality and the Ownership of Property* is an astonishingly prescient book that is centrally concerned with the same problems of inequality that drive Piketty's work.[40]

Where Piketty has a team of multinational researchers armed with a wealth of historical data, Meade had to make do with no more than some inspired armchair hunches about the

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[39] This sub-section draws on O'Neill 2016a.
[40] Meade 1964. See also O'Neill 2015.

evolution of capitalism, made all the more remarkable by the fact that he was writing at the very high watermark of the *Trentes Glorieuses*, at a time when the labor share of economic returns was high, and inequality was historically low. Gazing into his crystal ball, Meade predicted that the relentless consequence of technological advances would be greatly to increase the productivity of capital relative to labor. He also suspected that (as Piketty and his colleagues were to go on to demonstrate) inequalities in capital returns between large and small investors would lead to the increasing growth of inequality even among the holders of capital.[41]

These twin forces of divergence would lead, Meade thought, to what would be a horrific social outcome, identical in its main features to Piketty's prediction of a return to a new *Belle Époque*. Meade named his dystopia "The Brave New Capitalists' Paradise." Here is his vivid description of it:

> But what of the future? … There would be a limited number of exceedingly wealthy property owners; the proportion of the working population required to man the extremely profitable automated industries would be small; wage rates would thus be depressed; there would have to be a large expansion of the production of the labor-intensive goods and services which were in demand by the few multi-multi-multi-millionaires; we would be back in a super-world of an immiserized proletariat and of butlers, footmen, kitchen maids, and other hangers-on. Let us call this the Brave New Capitalists' Paradise.
>
> It is to me a hideous outlook. What could we do about it?[42]

Meade's problem—that is, the problem of what could be done to prevent the realization of the Brave New Capitalists' Paradise—is in effect the same as Piketty's problem of how to stop the emergence of a new *Belle Époque*. Meade's solution to this problem was an intriguing one. He thought that the state should take any reasonable means necessary to prevent this dystopian outcome, pursuing three strategies simultaneously. A single egalitarian aim should be realized by a plurality of egalitarian means. Meade's vision was of a new kind of egalitarian social democracy, using a novel combination of both socialist and popular capitalist institutions to create a society that combined economic dynamism with a huge reduction in economic inequality.

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[41]Meade 1964, pp. 24–6, 44–5.
[42]Meade 1964, p. 33.

Firstly, the traditional forms of redistribution through the welfare state should be protected, both with regard to transfers to the badly-off and the provision of collective public services. But Meade thought that no strategy that did not address the underlying pattern of ownership and control of wealth would go far enough. Public policy could not be concerned only with the flow of income streams, but with the sources of wealth from which they came. Traditional methods of redistribution simply did not go deep enough, dealing with the symptoms of underlying inequality, rather than providing a more fundamental cure by restructuring patterns of individual and collective ownership within the economy. Only the more fundamental strategy could ensure, stably and in the long run, that the increase in the capital share of national income would be made to work for everyone, and not just for a narrow class of plutocrats. Egalitarian strategy had to be proactive, rather than merely defensive.

Meade's view was that attacking fundamental inequalities of wealth had therefore to involve an additional double-barreled strategy, consisting in the creation of a range of private and public institutions and policies, which he brought under the headings of (i) a property-owning democracy and (ii) liberal socialism. The state's function in shaping the economy should instead be to restructure the rules of the capitalist game from the very start, through these varieties of both private and public forms of what I'll call "capital *predistribution*."[43]

Meade's property-owning democracy involves, in effect, changing the nature of property rights such that wealth is much less easily transferable across generations, subjecting it to high rates of taxation with regard to both inheritance and gifts *inter vivos*. Wealth would be dispersed across the population, with individual capital holdings for all viewed as an entitlement of citizenship, and the use of a myriad of mechanisms that would spread the returns to capital as broadly as possible. Such mechanisms could take a large number of different forms, including "the encouragement of financial intermediaries in which small savings can be pooled for investment in high-earning risk bearing securities; measures to promote employee share schemes whereby workers can gain a property interest in business firms; and measures whereby municipally built houses can be bought on the installment principle by their occupants."[44] The goal would be both to spread capital returns widely across society, and to overcome the forces for divergence between larger and smaller investors.

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[43]See O'Neill and Williamson 2012b.
[44]Meade 1964, p. 59.

This "property-owning democracy" was, though, just half of Meade's strategy of (in my terms) "capital predistribution." The other half—his "Socialist State"—involved the creation of forms of collective, democratic wealth. Meade envisaged the creation of public institutions akin to the sovereign wealth funds that have come to play an increasingly important role in the world economy, such as the Alaskan Permanent Fund or, most impressively, the Norwegian *Statens Pensjonsfond Utland* (SPU), a collective investment vehicle that owns roughly 1% of global equities.[45] Such forms of public and democratic wealth ownership could be used to fund a citizens' income (as in the Alaskan case), or in any other democratically authorized way that allowed the socialization of increasing returns to capital, and the decoupling of individual life-chances from excessive dependence on outcomes in the labor market.

Unlike Rawls, whose own influences from Meade are clear even from the names which he gives to different kinds of socio-economic regime, Meade did not think that we need to choose *between* private and public forms of capital predistribution (and neither did he think that either strategy was a replacement for, rather than a supplement to, the traditional welfare state).[46] Instead, Meade believed that a more egalitarian future would involve the state doing three things—(i) strengthening the provision of public goods and income transfers through the traditional mechanisms of the social state, whilst simultaneously pursuing "capital predistribution" in both its (ii) individual and (iii) collective forms. Meade thought that what we need "is a combination of measures for some socialization of net property ownership and for a more equal distribution of the property that is privately owned,"[47] taken as measures "to supplement rather than to replace existing welfare state policies."[48]

It is only now, fifty years after the publication of Meade's prescient classic, that the full force of his diagnosis of capitalism's inegalitarian ills has become clear. It may also be time to pay more attention to his proposals for how those ills might be cured. This brings us back to Piketty, who describes himself as "following in the footsteps" (C, p. 582) of Meade (and of Meade's student and Piketty's collaborator, Tony Atkinson). Piketty elaborates on the relationship of his thinking to Meade's proposals as follows: "James Meade, just like me, believed that progressive taxation *and* the development of other forms of property relationships and of other forms of governance are complementary institutions. In the book I

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[45]On the Alaskan Permanent Fund, see Widerquist and Howard 2012.
[46]See Rawls 2001 and O'Neill and Williamson 2012a.
[47]Meade 1964, p. 71.
[48]Ibid., p. 75.

probably place too much emphasis on progressive taxation, but I do talk about the development of new forms of governance and property structure, but probably not sufficiently."[49] Along similar lines, in his post-*Capital* writing, Piketty has returned to what one might describe as the unwritten, Meadean parts of his argument for institutional change to combat inequality, allowing that "I may have devoted too much attention to progressive capital taxation and too little attention to a number of institutional evolutions that could prove equally important, such as the development of alternative forms of property arrangements and participatory governance."[50]

This agenda is firmly in a territory shared with, and already partially developed by, egalitarian political philosophy. Its leading expression thus far in the twenty-first century is in the magisterial final book of the late Tony Atkinson, a figure midway between Meade and Piketty in a direct intellectual lineage. Atkinson's *Inequality*: *What Can Be Done?* can be viewed as an elaboration of the egalitarian institutional agenda begun by Meade, combining redistribution with both public and private forms of capital predistribution.[51] Where Atkinson goes even further than Meade in terms advocating a pluralism of means is in also finding space, among fifteen concrete proposals for creating a more equal society, to include for proposals to strengthen union bargaining and to support wages, something that Meade was reluctant to do. (This difference may reflect the different prevailing economic circumstances, as much as any deeper theoretical disagreement.)

VIII. AN EGALITARIAN INSTITUTIONAL AGENDA FOR POLITICAL PHILOSOPHY AND PUBLIC POLICY

A. How Do You Solve a Problem Like the Rise in α?

What, then, should a post-Piketty agenda for egalitarian political philosophy and public policy look like? In order to answer this question, one needs a map of the possible policy options for dealing with the growth in inequality. One fundamental issue relates to the

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[49] O'Neill and Pearce 2014, p. 108.
[50] Piketty 2015b, p. 87.
[51] Atkinson 2015. See also Atkinson 2014 and Piketty 2015f. The structural similarities between Atkinson (2015) and Meade (1964) run deep, although Atkinson's book is much the more detailed and comprehensive (as well as being up to date). Atkinson remarked to me that he wrote his book "with a copy of James's book in front of me" (personal correspondence, 4 January 2016).

normative assessment of two different kinds of responses to the likely significant growth of the capital share, α, in the twenty-first century. Put simply, the question is whether to try to beat it, or join it; resist it, or embrace it? Should egalitarian public policy be concerned with retarding or reversing the growth in α, or should it instead accept or even welcome the growth in α, whilst finding other ways to ensure that a growing capital share does not lead to the creation of a society of excessively objectionable inequalities? Now, this is not to say that the choice between resisting and accommodating the growth of α need be a wholly exclusive one at the level of policy (in fact, the pursuit of a "pure" strategy would seem to be extremely unlikely as a matter of both politics and policy), and we may judge that a radically pluralist egalitarian strategy such as Atkinson's presents the best way forward, but it does mean that we need to bear in mind the normative costs and benefits of two conceptually distinct approaches to thinking about the future of the capital share.

B. Resisting the Rise in the Capital Share

One strategy for egalitarians to consider would be to try to stop or even reverse the rise in α. Recall the *Piketty Equation* from section II, which demonstrates that there would be rather different ways of doing this. One could target policies that looked to reduce the return on capital, *r*, or to reduce the savings rate, *s*, or which sought to drive up the underlying level of growth, *g*. I will not have much to say about the third of those options, for three reasons: first, because the level of growth has been targeted by politicians for so long, such that of the three options this is in some way the most familiar and unremarkable of the three (although nevertheless it is remarkable to see the degree to which democratic politicians have in recent years been pursuing self-defeating policies of economic austerity that throw out even the simplest common sense of pro-growth policies[52]); secondly because the scope for shifting the underlying growth level is likely to be both relatively limited and hence to have only a restricted influence on the level of α; and thirdly because we may have strong reasons to favor a steady-state economy, or even to target "degrowth," given environmental constrains. So instead I want to concentrate on *r* and *s*, examining what policies could do to target either the rate of return on capital or the savings rate.

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[52]See: Blyth 2013; Stiglitz 2016.

1. Reducing r? Approaches to Reducing the Rate of Return to Capital

It may sound perverse to look to reduce the profitability of business enterprises, but that sense of perversity soon evaporates when one considers the equilibrium effects of some policy measures to do so. In Piketty's treatment of "Rhenish capitalism" and the German social model, he discusses the way in which German forms of corporate governance—with workers on corporate boards and the "codetermination" of industrial policy ("Mitbestimmung")—allows more of the value of firms to be captured by stakeholders other than shareholders, as interestingly demonstrated by the differences between the stock market value and "book value" of German firms. In such a model of capitalism, a lower market valuation for corporate assets is not associated with "a lower social valuation"; in fact, quite the opposite (C, pp. 145–6). So in thinking here about ways of reducing the capital share, and thereby driving down inequality, there is a need to engage with the normative assessment of the background institutional ordering within which capitalist enterprises are embedded, and for political philosophy to engage more fully with issues of corporate governance, codetermination, and the rich discussions in political economy regarding the "varieties of capitalism."[53]

When considering the form of "social ownership" involved in the German model of capitalism, one particular issue that should come immediately into focus is the status and significance of trade unions. Egalitarian political philosophy has had surprisingly little to say about the normative assessment of trade unions, yet these are the organizations that have historically been the most significant actors both in making sure that labor receives its share of the social product (that is, stopping the rise in α) and, through their connection with political parties, in taming capitalism by democratic means. There is a rich territory here regarding the operation and regulation of unions, and their links to parties and partisanship, for political philosophers to explore more fully.[54]

Efforts to reduce *r* through these kinds of "labor predistribution," whether through the political agency of unions or through the operation of corporatist models of economic

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[53]An important contribution to the political philosophy of codetermination comes from Waheed Hussain. See Hussain 2009, 2012.

[54]See: Cohen and Rogers 1992; Cohen and Rogers 1995; White 1998; White, Butt and O'Neill 2012. On arguments for change to employment relations to give employees more power in the workplace (proposals which might in some cases help to raise the labor share of income) see, e.g.: Cohen 1989; Hsieh 2005, 2007, 2012; O'Neill 2008b.

management, present one kind of option for further exploration. Another, perhaps more simple, approach would simply be to think more about how corporate profits are taxed, and to consider that there are standard redistributive fiscal means for reducing *r*, to be considered alongside these more institutionally complicated predistributive mechanisms.[55] Here, though, any discussion of corporate taxation or business taxation within political philosophy needs to proceed from a careful appreciation of the empirical complexities involved in the implementation of taxes, in particular the capacity of businesses to shift the incidence of taxation onto workers or consumers. There is no doubt that the tax system can be an important means for reducing excessive returns to capital, but it needs to be thought about in full engagement with our best empirical models of how tax systems function in practice, and with an eye to the possibility of unintended consequences (as when, for example, a rise in business taxation might be passed on directly to workers in the form of lower wages).[56]

2. Savings, Inheritance, and Inequality

The optimal social savings rate, *s*, is a matter of considerable normative complexity, connected closely to difficult issues of intergenerational justice. One thing to be borne in mind when considering the normative desirability of policy interventions designed to target savings is that, as regards inequality, our interest is often not so much with the aggregate savings rate, as with the particular distribution of savings. If one considers the scheme of aggressive inheritance and capital transfer taxes endorsed by both Meade and Rawls, one should remember that their primary purpose is to reduce inequalities in the intergenerational transmission of inherited advantage, rather than to reduce savings overall. Yet it is worth bearing in mind that such taxes would not be without their consequences for individuals' propensities to save rather than to consume, and these consequences would have to be kept in view when undertaking a clear-eyed assessment of the normative justifiability of different forms of capital or wealth taxation.

Also of great relevance here, when one considers the place of savings in an institutional approach towards creating a more equal society, are the background rules of inheritance and bequest, which tend to be entirely different as between "continental" and "Anglo-American"

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[55] See for example Dietsch 2015. For a range of philosophical treatments of taxation, see O'Neill and Orr forthcoming.

[56] There is an excellent discussion of tax incidence in Piketty 2015a, pp. 30–2.

models, with the former involving a model of regulated inheritance in which family members are entitled to more-or-less fixed proportions of a relative's estate, whereas the latter involves a more individualized model of voluntary bequests.[57] There is also a need to think about whether systems of inheritance taxation should be focused, as they currently are in many jurisdictions, on the magnitude of the estate or, as both Rawls and Meade advocated, whether they should instead be "recipient-oriented," with the tax system thereby providing incentives for large fortunes to be split between a number of smaller individual beneficiaries, rather than passed on largely intact.[58]

In his discussion of merit and inheritance, Piketty mentions—with something approaching approval—Émile Durkheim's prediction that "modern democratic society would not put up for long with the existence of inherited wealth and would ultimately see to it that ownership of property ended with death" (C, p. 422). [59] It may be that a view approaching the radical nature of Durkheim's proposal should be under discussion as we work through the problem of how to find a social solution to the problems of runaway inequality. Piketty remarks of the problem of inheritance, which had seemed so vivid to Durkheim writing during the years of the high *Belle Époque*, that "it may be that the wars of the twentieth century merely postponed the problem to the twenty-first" (C, p. 621, n. 55). It is a twenty-first century problem of both urgency and complexity, a solution to which cannot be found by economists alone, but which raises deep and irreducibly normative questions of social justice.

C. Embracing the Rise in the Capital Share

A wholly different approach would be to look to harness the growth of α for more egalitarian ends. This sort of approach might seem in some ways to represent a more long-run strategy than that involved in trying to retard the growth of α for, as the technological frontier (hopefully) continues to advance, it is likely that capital-intensive forms of production will increasingly crowd out labor-intensive forms of production. Seen under a certain light, the growth of the capital share is one of the crowning achievements of civilization, and as a remarkable collective achievement from which we can all benefit.[60] It took the destruction of

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[57]See Beckert 2008.
[58]See discussions in: Cunliffe and Erreygers 2012; Lamb 2014; O'Neill 2007; White 2008a.
[59]In Durkheim [1893] 2013.
[60]For an argument on the role of our collective technological inheritance, see Alperovitz and Daly 2008.

two world wars to drive down α and temporarily to shift the balance back towards labor from capital, but we should hardly favor a lower level of α if it can only be brought at the expense of the destruction of the hard-won achievements of previous generations, as embedded in the infrastructure of our societies. One can in one respect see the rise in α as a welcome peace dividend, achieved through the avoidance of the kind of systematic self-destruction characteristic of the 1914–45 period, and potentially available for the benefit of all if only we can solve the political and policy puzzles of finding a more equitable way to share the advantages that it brings. As Piketty and his co-author Emmanuel Saez put it, "High capital intensity … is not bad in itself. After all, it would be good to have an infinite quantity of robots producing most of the output, so that we can devote more time to leisure activities. The problem is twofold: Can we all find jobs as a robot designer (or in leisure-related activities), and who owns the robots?"[61]

As we've discussed, both Meade and Rawls outlined strategies for thinking about what it would be to share the benefits of a rising capital share in a justifiably egalitarian fashion, through forms of what I have here called "capital predistribution," whereby a right (either individual or collective) over a certain range of productive resources is conceived of as a basic entitlement of all citizens. For Rawls, this led to the rival visions of either a "property-owning democracy," with widely-dispersed private capital holdings, or a form of "liberal socialism," in which most productive capital would be held by the state, with control over specific parts of that collective capital devolved to private citizens. For Meade, the ideal at which to aspire was a combination of private and collective forms of property-ownership, with the coexistence of a number of mechanisms for facilitating individual capital investments (together with mechanisms for democratizing the benefits available currently onto to "superinvestors" through state-regulated vehicles to manage aggregations of individual investments), alongside the development of a "national asset" or sovereign wealth fund. Given the increasing significance of sovereign wealth funds in the global economy, as documented by Piketty who calculates that such funds now own around 5 percent of global assets (C, p. 627, n. 43), this is one further respect in which Meade's work was both insightful and prescient.

There is a challenging task here for political philosophers in assessing the normative desirability of different paths towards socializing the gains associated with the long-run rise in the capital share. Alongside this are questions about how such socialized gains should be

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[61]Piketty and Saez 2014, p. 841.

distributed, whether by means of universal basic income, a basic capital entitlement, or via some other means.[62] At the level of thinking about socio-economic regimes, there is as yet only the beginnings of a systematic assessment of whether we should prefer a property-owning democracy, some form of liberal democratic socialism, or something closer to the complex hybrid system advocated by Meade. Or perhaps there are other, as yet undeveloped ways of thinking about a socio-economic regime that could manage to use the rise in α as a force for good rather than to have to shrink from it as a source of profound political anxiety. At a more fine-grained level, there is much to analyze as regards the legitimate operation and governance of sovereign wealth funds, with pressing questions of how they should be best funded, what kinds of investment strategies they should purse, and how citizens should be able to have some influence on how they are run.[63] Answers to these questions will, either tacitly or explicitly, involve taking substantive positions on a number of controversial topics in normative political philosophy. If we hope that the discussion around the future of these institutions of collective wealth is conducted with a clear eye to the normative issues at stake, then it is the responsibility of political philosophers to engage carefully with these emerging debates.

IX. CONCLUSION—IN THE LONG-RUN, THE ECONOMIC POSSIBILITIES FOR OUR GRANDCHILDREN

There is one question about what the best short-to-medium run strategies for addressing inequality might be, and a separate question about how societies should reorganize themselves in the long-run to prevent the normatively grotesque outcome of a twenty-first century that could be significantly more inegalitarian than the nineteenth, with an overwhelming reversal of the civilizing gains of the more inclusive growth of the twentieth century. It may be that the answer to the first question could involve political strategies to arrest the growth of the capital share, α. But, in the longer-run, if we or our descendants are fortunate enough to inherit a future that has avoided a cataclysm of global capital destruction, then we need to think creatively and systematically about the possibility of socio-economic

[62]See, e.g.: Ackerman and Alstott 1999; Van Parijs 1995; Ackerman, Alstott and Van Parijs 2005; Wright 2010; Atkinson 2015; Van Parijs and Vanderborght 2017.

[63]As excellent places to start, see Cummine 2016 and White and Seth-Smith 2014. See also O'Neill 2016b.

regimes that socialize the gains of rising capital-intensity, and we need moreover also to think about the conditions for political agency that could deliver us there.[64]

In 1930, John Maynard Keynes imagined the "Economic Possibilities for our Grandchildren," conceiving of a society in the early twenty-first century in which the social benefits of increased capital intensive growth were widely dispersed, creating the possibility for a life of leisure and refinement for all. [65] Keynes did not reckon for the complicated social forces that have in general led societies to maintain high working hours even in the face of substantial advances in aggregate economic growth, and neither did he reckon for the role of distributive inequality in preventing the realization of the outcome he imagined. If we are to be as hopeful for our own grandchildren as Keynes was able to be in 1930, then one task for political philosophy will be to imagine the possibility of a future in which we have the political institutions that allow democracy to regain control of capitalism. A second task will be to come to see how such a future might be accessible from where we are, given a clear-eyed understanding of capitalism's dynamics, and its stubborn tendency towards creating severe inequality. Piketty's work shows both why the first task is so important, and why the second task is so difficult.

[64] I am here agreeing both with Ronzoni (2015, pp. 8–9) and to some extent with Waldron (2013). See also White 2015 and Ronzoni 2016 for connected points. For a good place to start on the theory of political agency, see White and Ypi 2011, 2016.

[65] See Pecchi and Piga 2010, which reprints Keynes's 1930 essay; see also Keynes 2010, along with a number of commentaries from contemporary economists. See also Vrousalis 2015.

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