
CAPITAL

in the Twenty-First Century

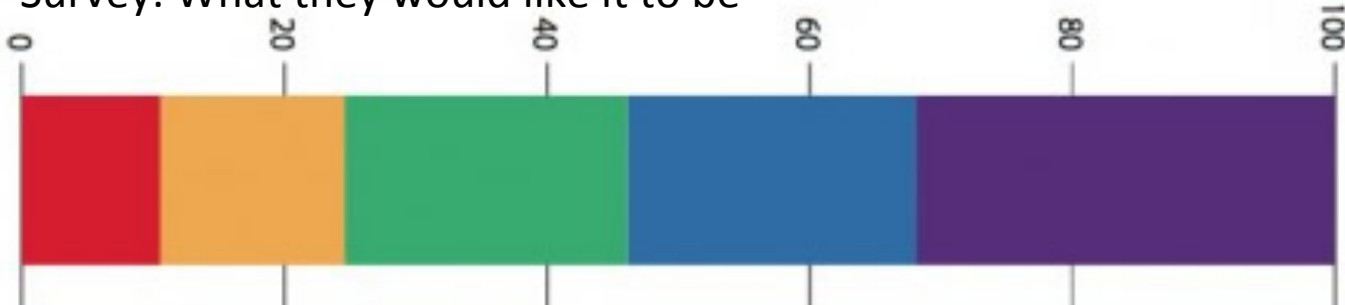
THOMAS
PIKETTY

TRANSLATED BY ARTHUR GOLDHAMMER



Distribution of Wealth – U.S.

Survey: What they would like it to be



Survey: What they believe it to be



Reality: What it is – Where is the bottom 40%?



Reality: Distribution of Wealth – U.S.

Bracket	Wealth Owned
Top 20%	84.8%
2 nd 20%	10.9%
3 rd 20%	4.0%
4 th 20%	0.2%
5 th 20%	0.1%

Piketty's core points:

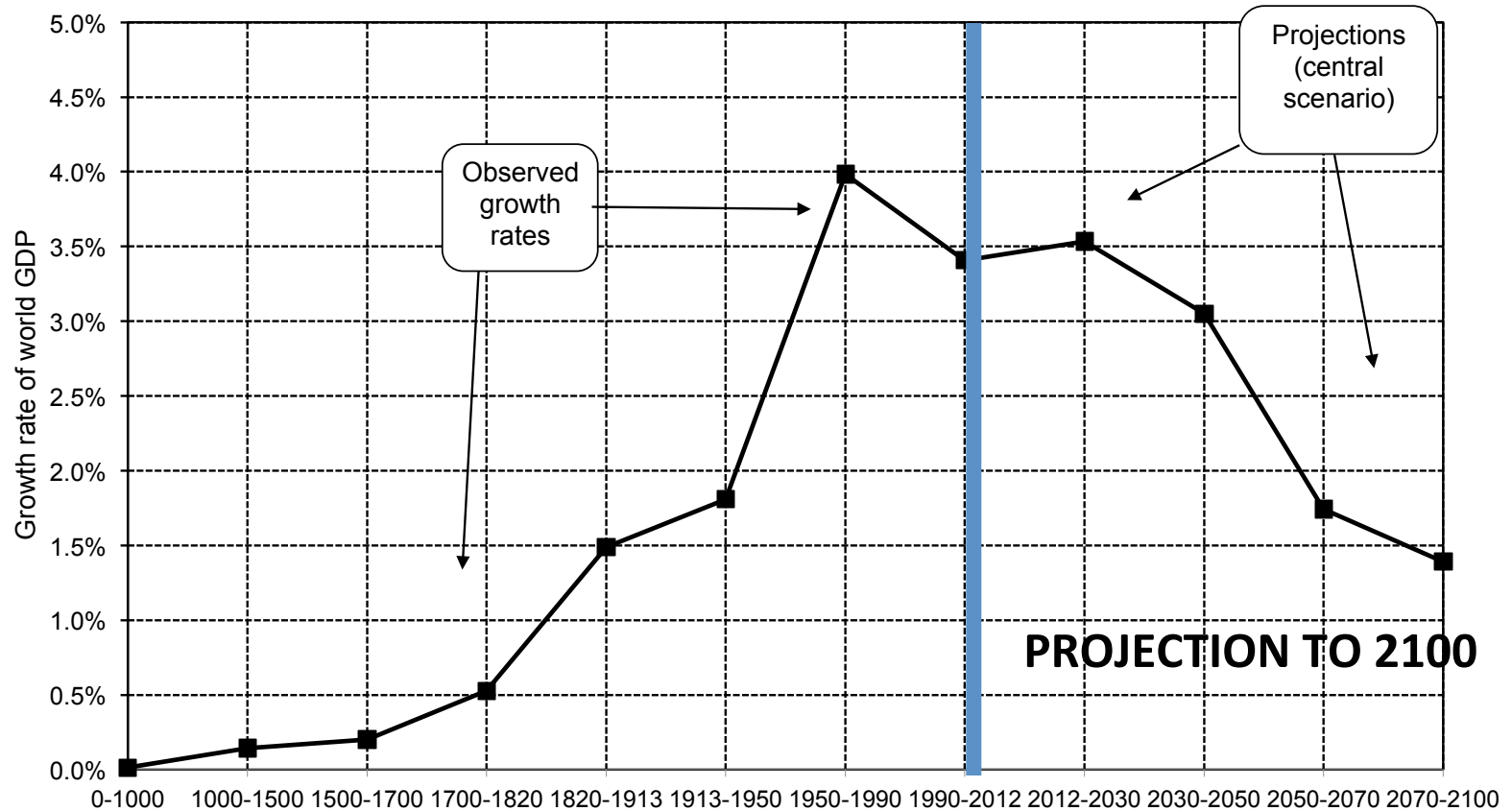
A. Global economic growth is slowing. Wealth inequality will increase. Social tensions will likely increase.

B. Peaceful remedies to increasing social tension require increased government revenue.

C. Democratic societies need serious discussion when choosing the best remedies.

Projected Decline of Economic Growth in 21st Century

Figure 2.5. The growth rate of world output from Antiquity until 2100



The growth rate of world output surpassed 4% from 1950 to 1990. If the convergence process goes on it will drop below 2% by 2050. Sources and series: see piketty.pse.ens.fr/capital21c.

World Economic Growth

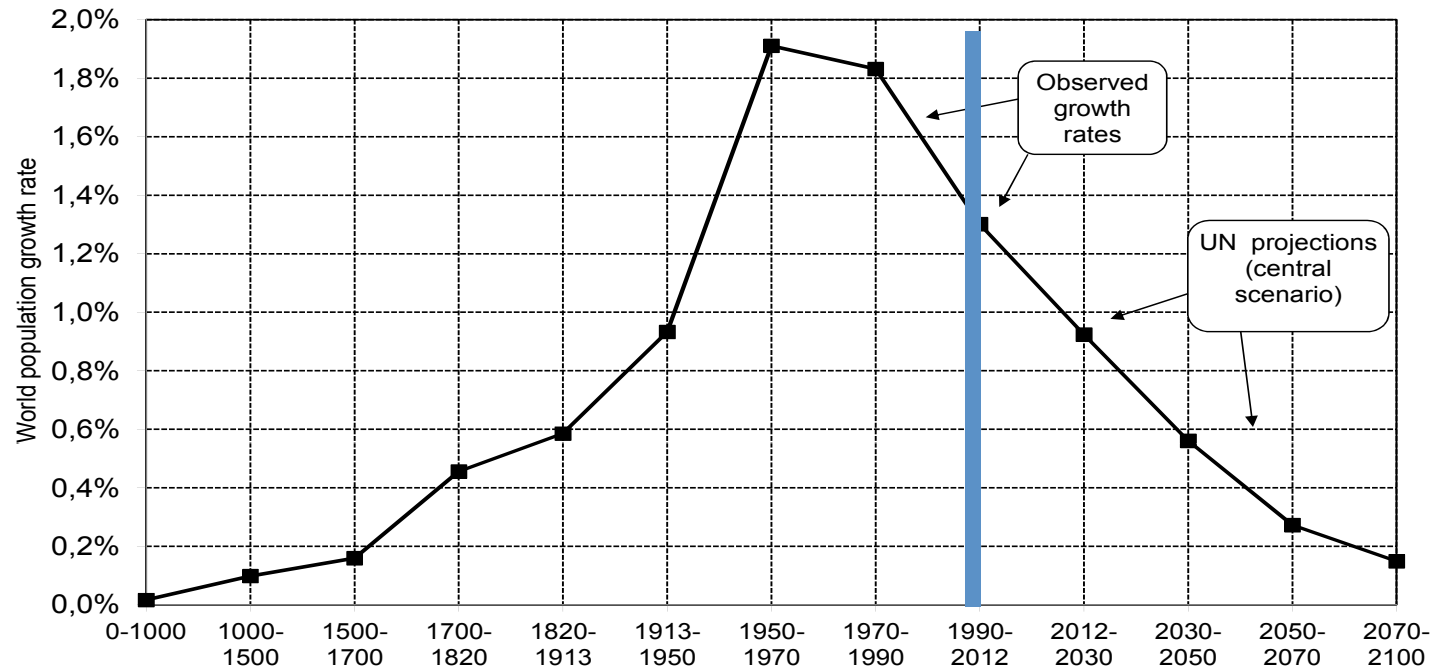
Projected decline

	<u>Output</u>	<u>Population</u>	<u>Technological Productivity</u>
1700-1820	0.5%	0.4 (80%)	0.1 (20%)
1820-1913	1.5%	0.6 (40%)	0.9 (60%)
1913-2012	3.0%	1.4 (47%)	1.6 (53%)
2012-2100	2.0%	0.4 (21%)	1.6 (79%)
1950-2012	3.8%	1.9 (50%)	1.9 (50%)

World Population Growth

Projected decline

Figure 2.2. The growth rate of world population from Antiquity to 2100



The growth rate of world population was above 1% per year from 1950 to 2012 and should return toward 0% by the end of the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c.

PROJECTION TO 2100

Population Growth

2050-2100:

<u>World</u>	0.2%
<u>Europe</u>	- 0.1%
<u>America</u>	0.0%
<u>Africa</u>	1.0%
<u>Asia</u>	-0.2%

Economic

Growth: 1.5%

(“middle scenario”

**predicted global economic
growth rate 2050-2100)**

Historically:

- The slower the economic growth, the greater the capital/ income ratio (and therefore the greater the inequality of capital ownership.)

- The faster the economic growth, the smaller the capital/income ratio (and therefore the smaller the inequality of capital ownership.)

**Slow growing
economies**

**Fast growing
economies**

**Profit from capital
reinvested in wage
producing jobs**

less

more

**Profit from capital
accumulated as
savings**

more

less

Capital/income ratio:

rises

declines

Capital and Wealth:

“Any asset that can be owned and exchanged in some market.”

National Income:

A year's worth of GDP

Composed of:

Income from Labor (wage)

Income from Capital (rent)

Historically, the higher the capital / income ratio,
the greater the inequality of wealth.

Share of Private Capital Owned by Different Wealth Segments in:

(Europe)

(Scandinavia)

(USA)

1910:

1970:

2010:

The ratio:

700%

250%

500%

Wealth Distribution

Top 10% 90%

50%

70%

Middle 40% 5%

40%

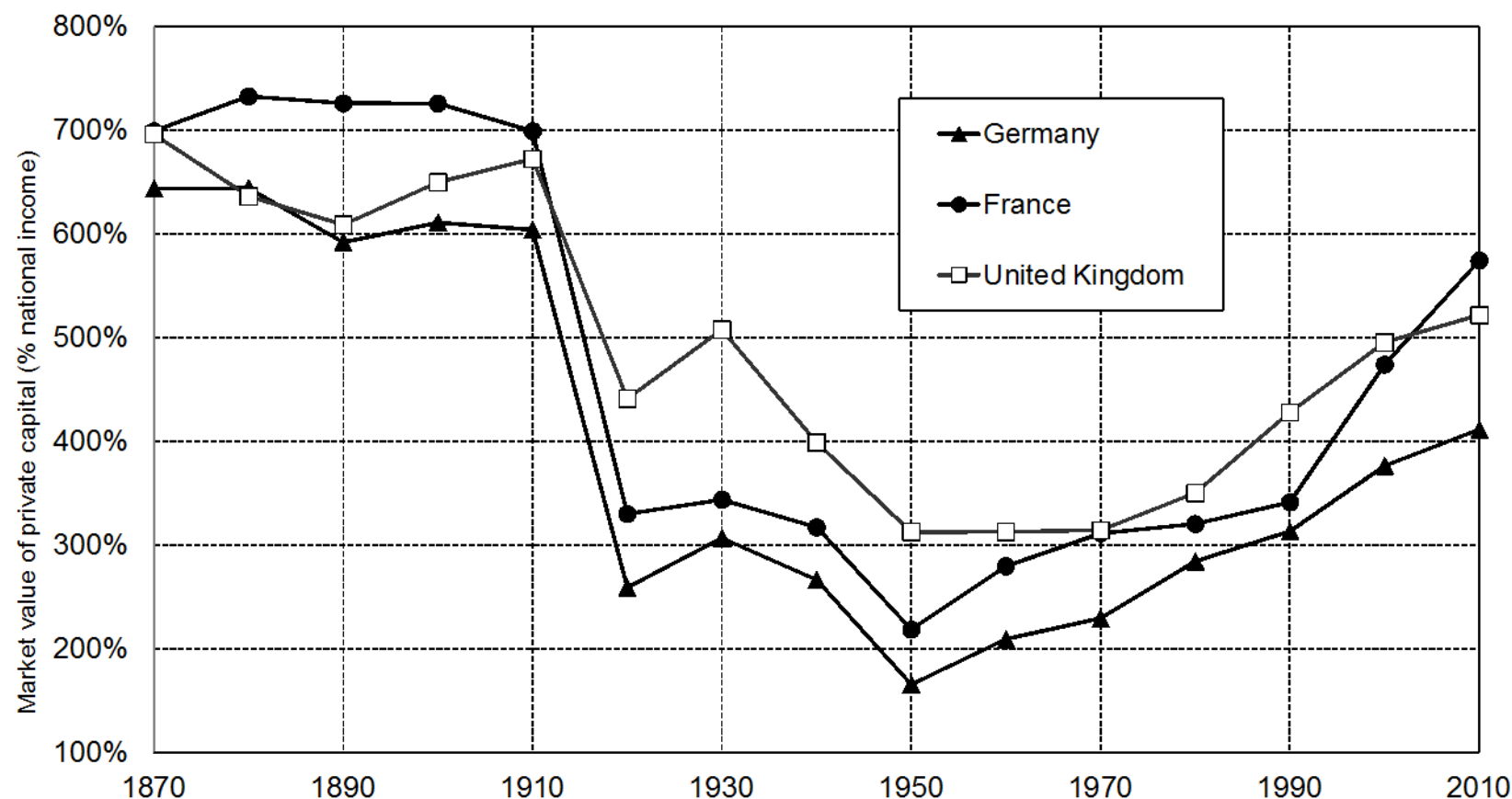
25%

Bottom 50% 5%

10%

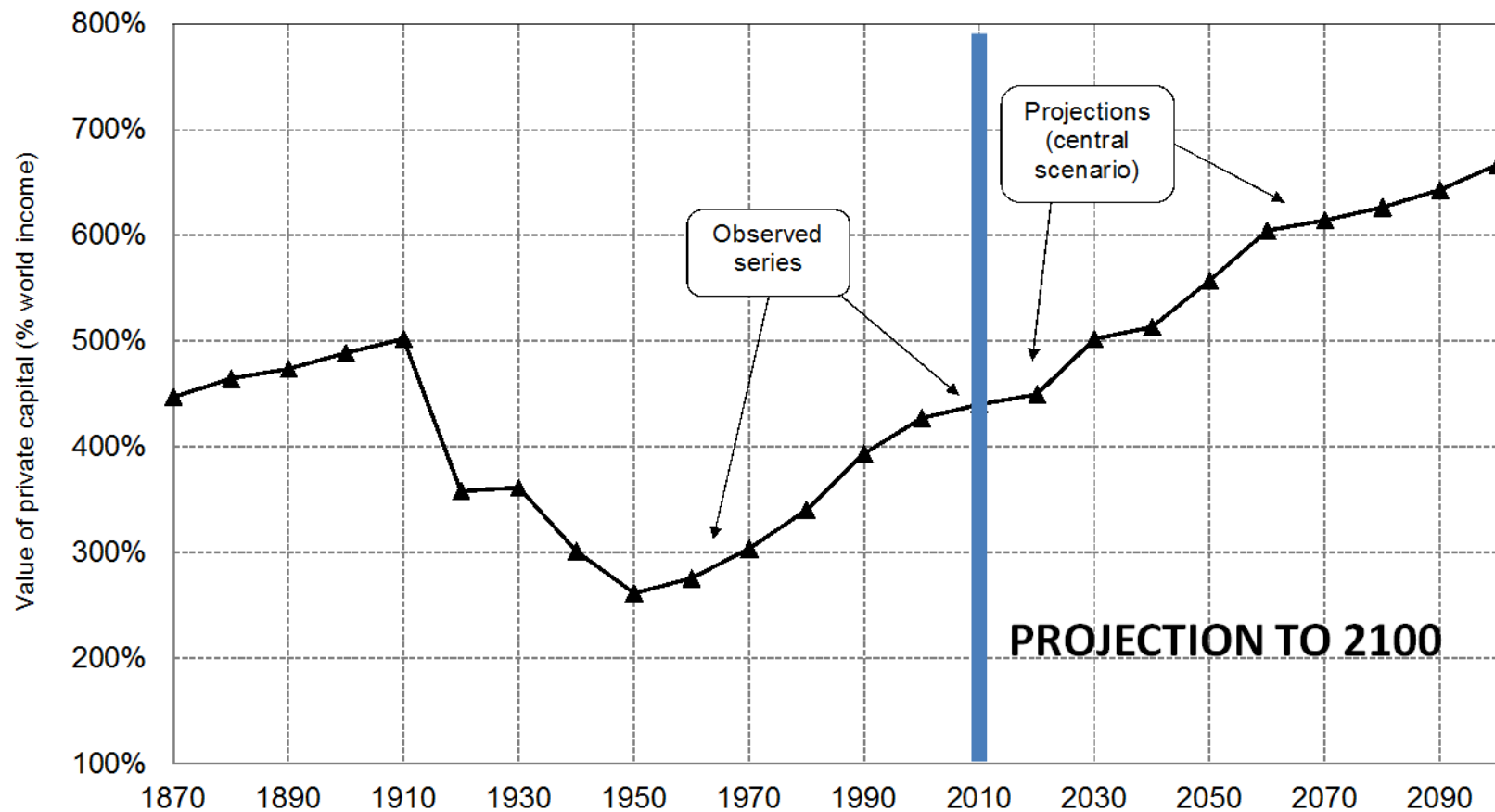
5%

CAPITAL/INCOME RATIO IN EUROPE, 1870-2010



Aggregate private wealth was worth about 6-7 years of national income in Europe in 1910, between 2 and 3 years in 1950, and between 4 and 6 years in 2010. Sources and series: see piketty.pse.ens.fr/capital21c.

WORLD CAPITAL/INCOME RATIO, 1870-2100

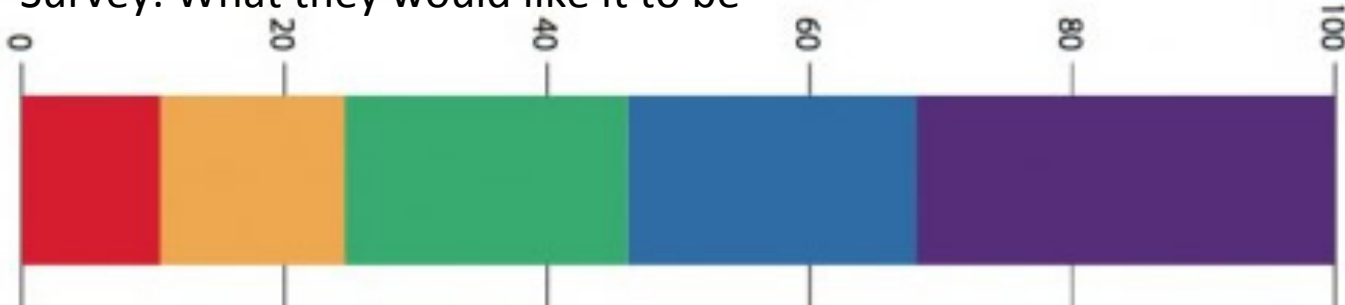


According to the simulations (central scenario), the world capital/income ratio might be near to 700% by the end of the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c.

Piketty: “The history of the distribution of wealth has always been deeply political ...it cannot be reduced to purely economic mechanisms” (p. 20)

Distribution of Wealth – U.S.

Survey: What they would like it to be



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Berlin Wall

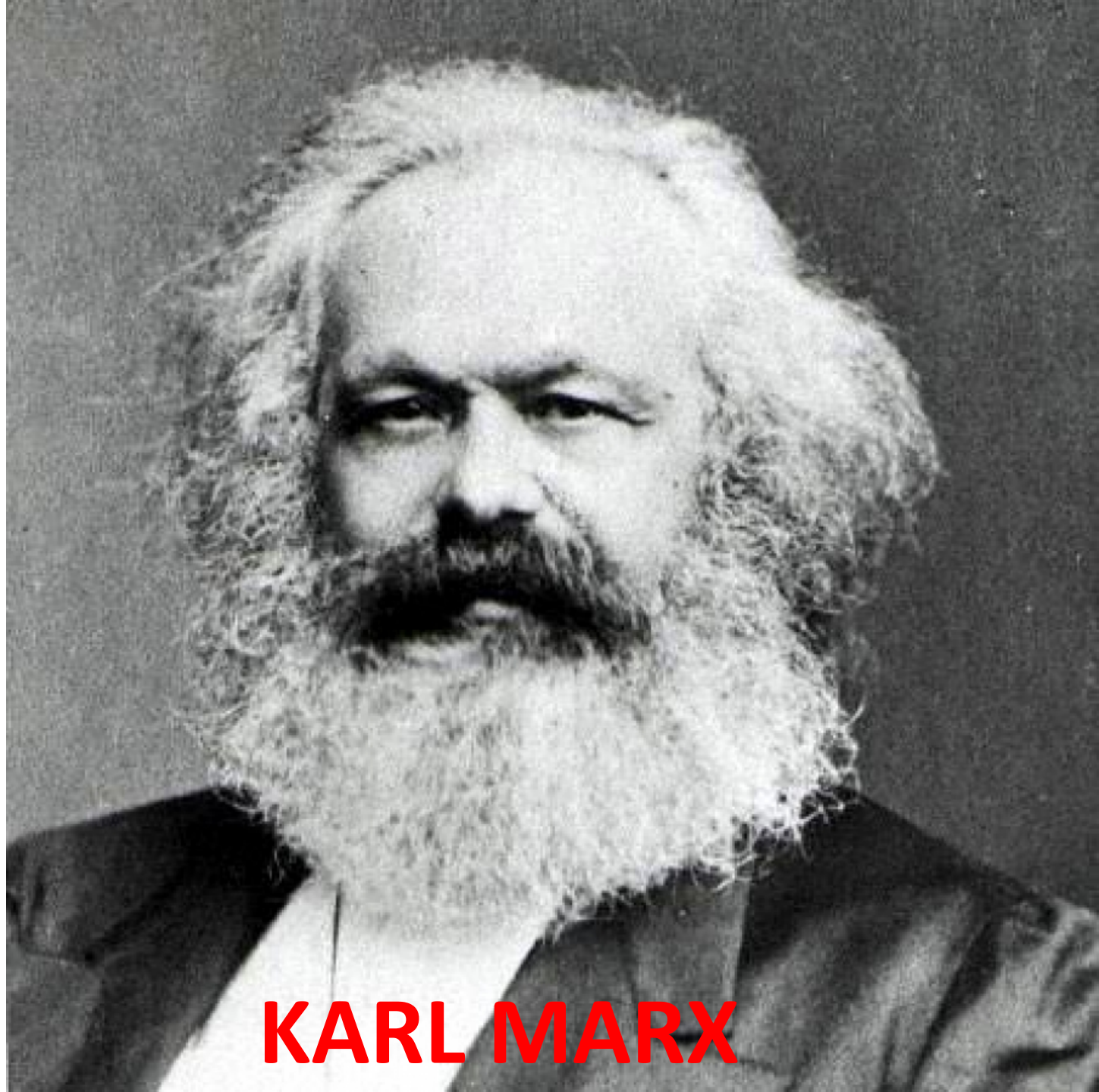
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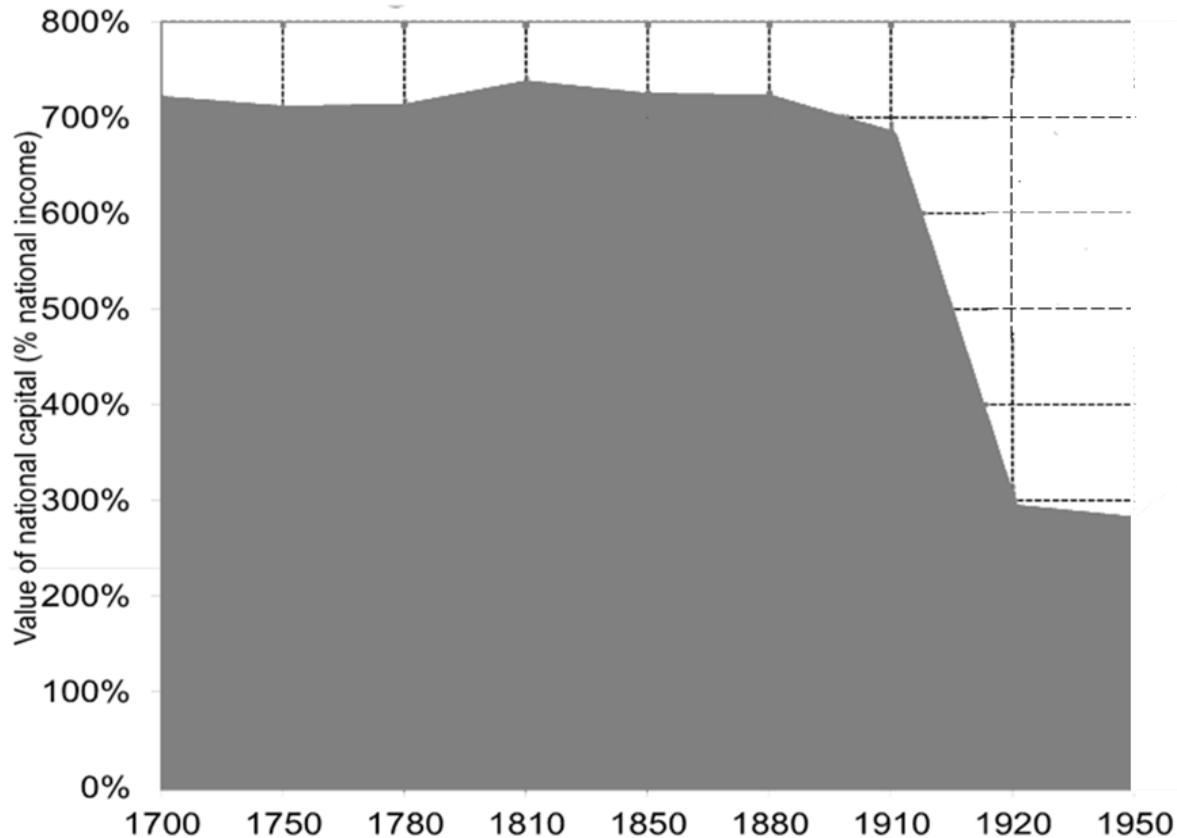


KARL MARX



Simon Kuznets and the “Kuznets” curve

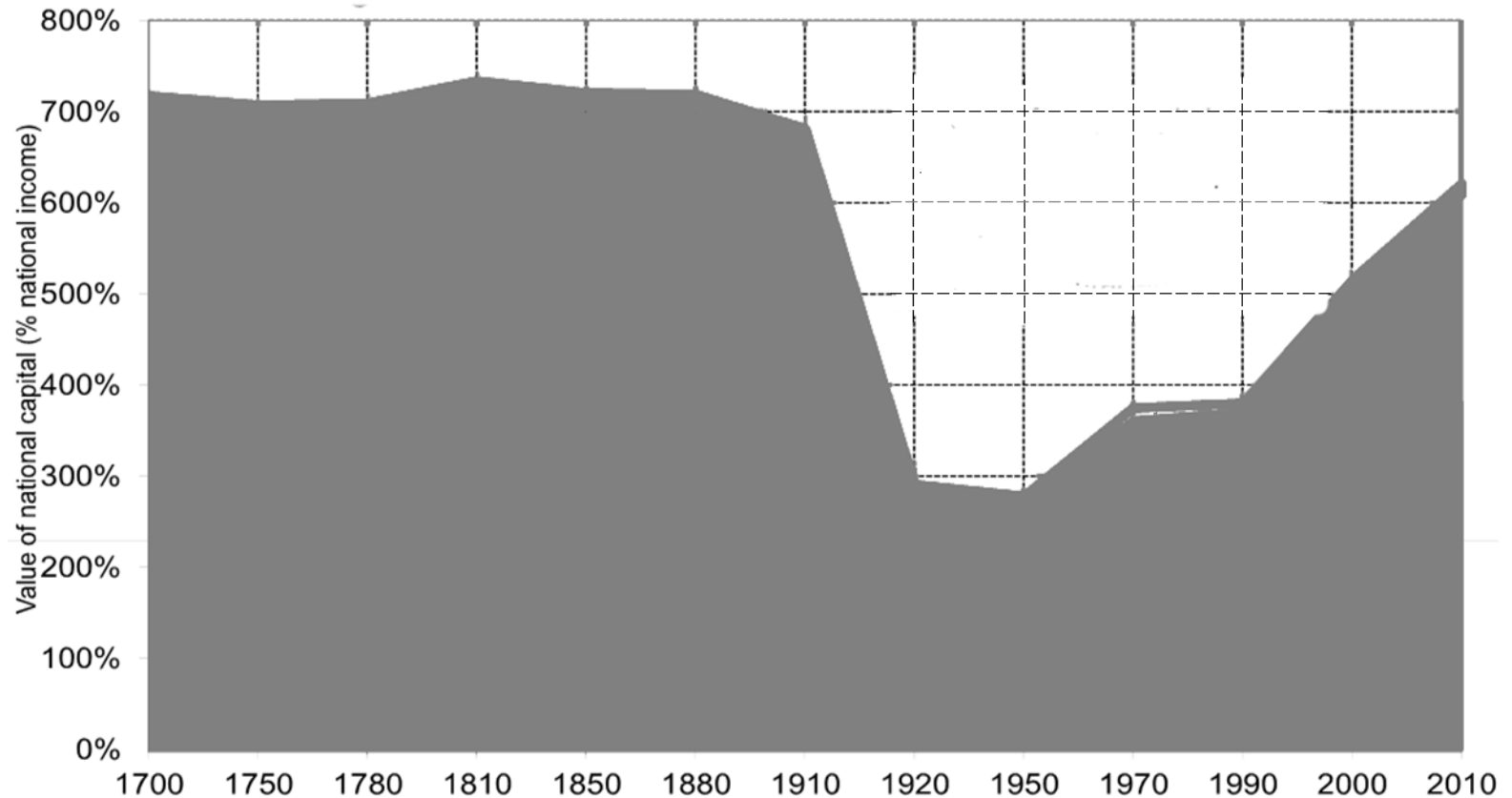
CAPITAL/INCOME RATIO IN FRANCE, 1700 TO 1950



National capital is worth almost 7 years of national income in France in 1910

Sources and series: see piketty.pse.ens.fr/capital21c.

CAPITAL/INCOME RATIO IN FRANCE, 1700 TO 2010



National capital is worth almost 7 years of national income in France in 1910 (including 1 invested abroad).

Sources and series: see piketty.pse.ens.fr/capital21c.













Post World War II

Social Contract:

Citizens accept private property

In return for

Massive increase social rights.

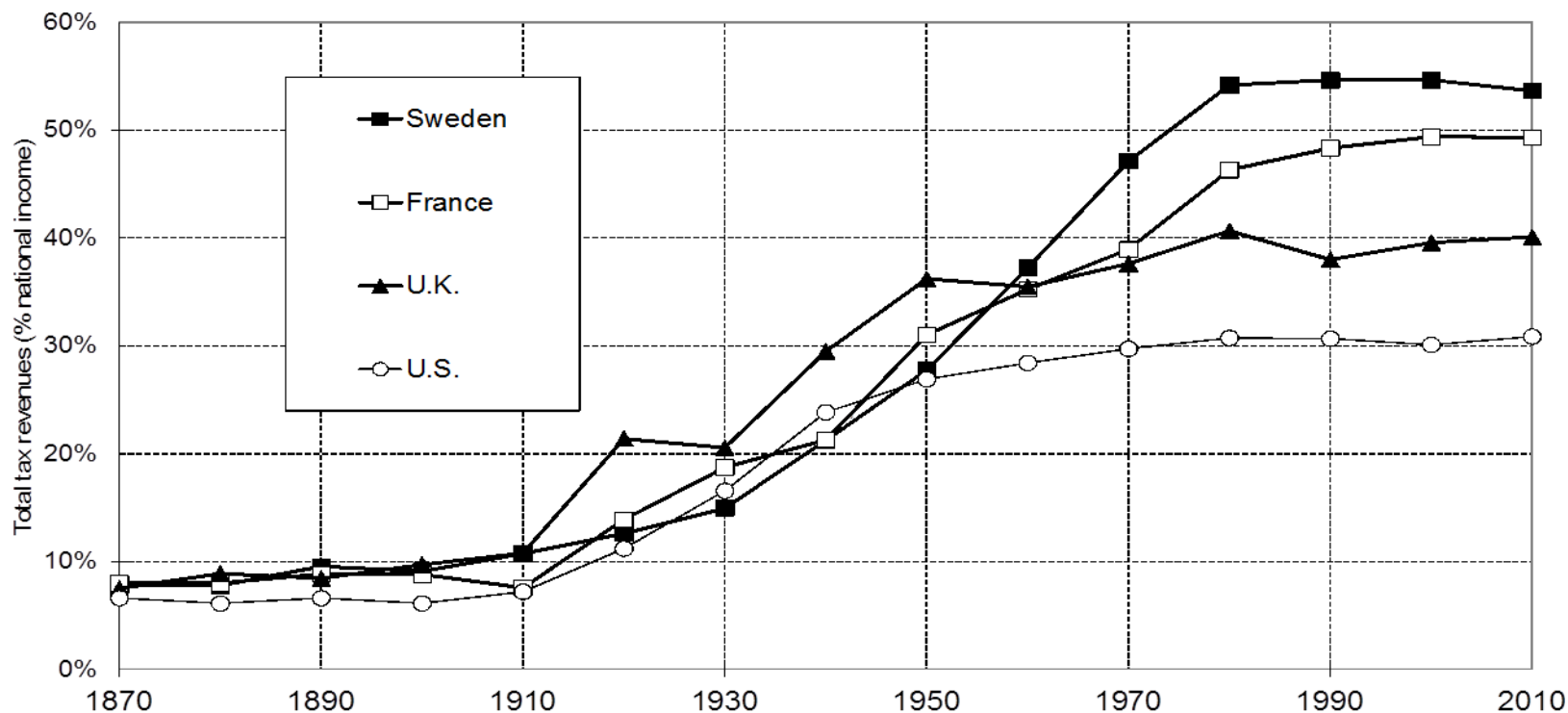
Social Rights:

Education

Health Care

Retirement

Tax Revenues in Rich Countries 1870-2010

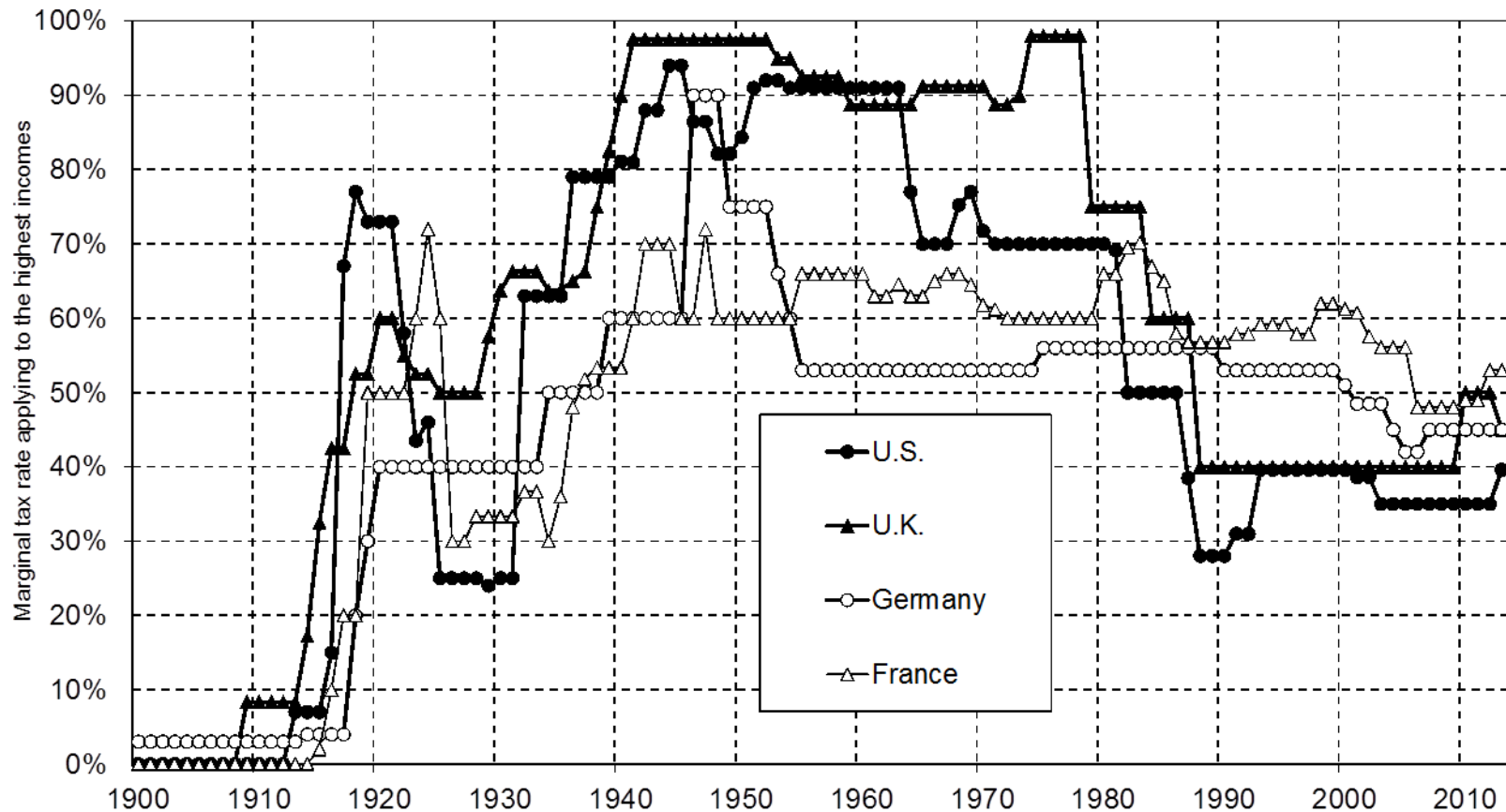


Total tax revenues were less than 10% of national income in rich countries until 1900-1910; they represent between 30% and 55% of national income in 2000-2010. Sources and series: see piketty.pse.ens.fr/capital21c.

1945 to 1975

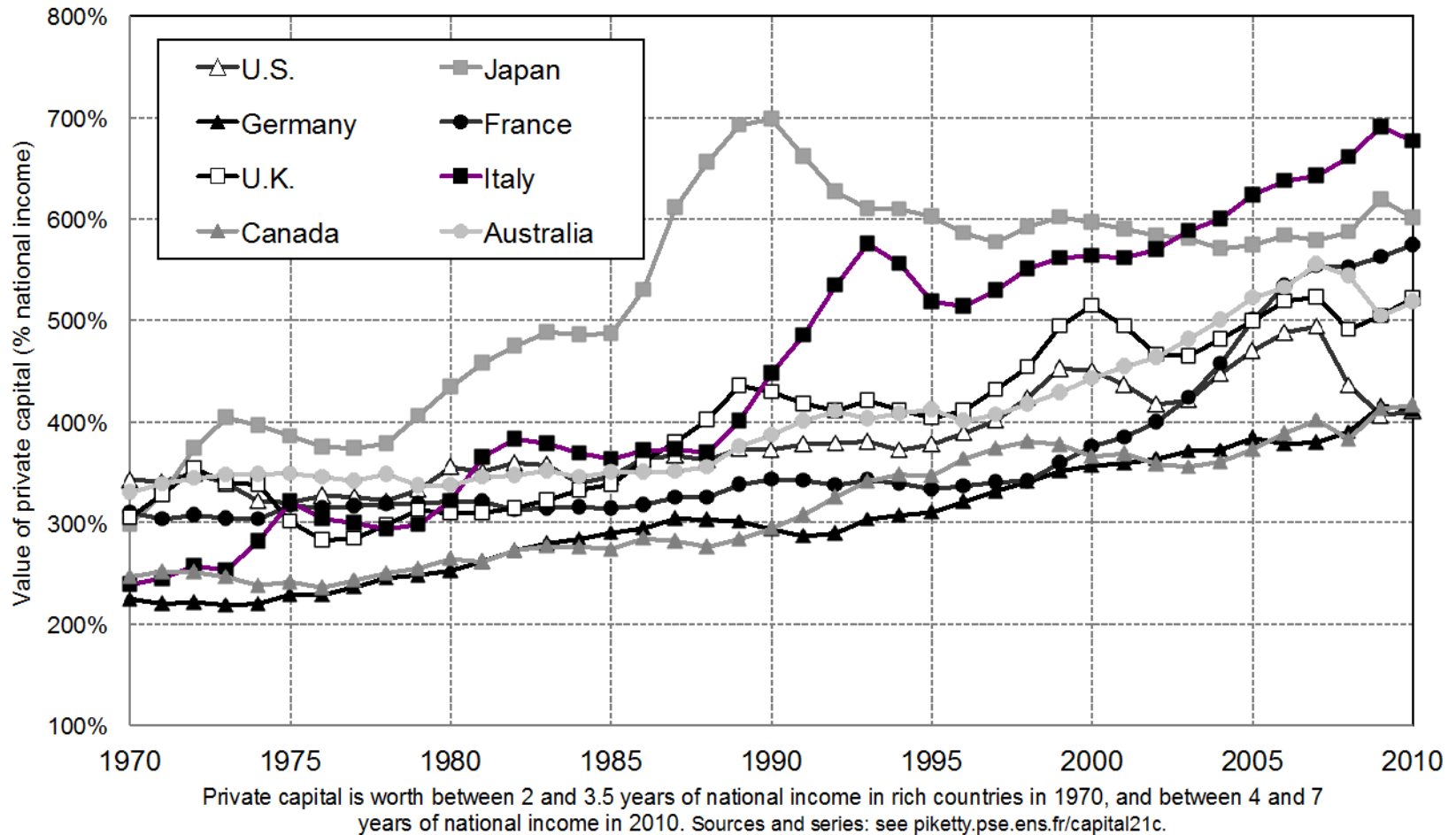
- **France: Trente Glorieuses**
- **Germany: Wirtschaftswunder**
- **Japan: Post WWII Economic Miracle**
- **The Four Tigers emerge**
- **U.S.: American dream**

TOP INCOME TAX RATES, 1900-2013



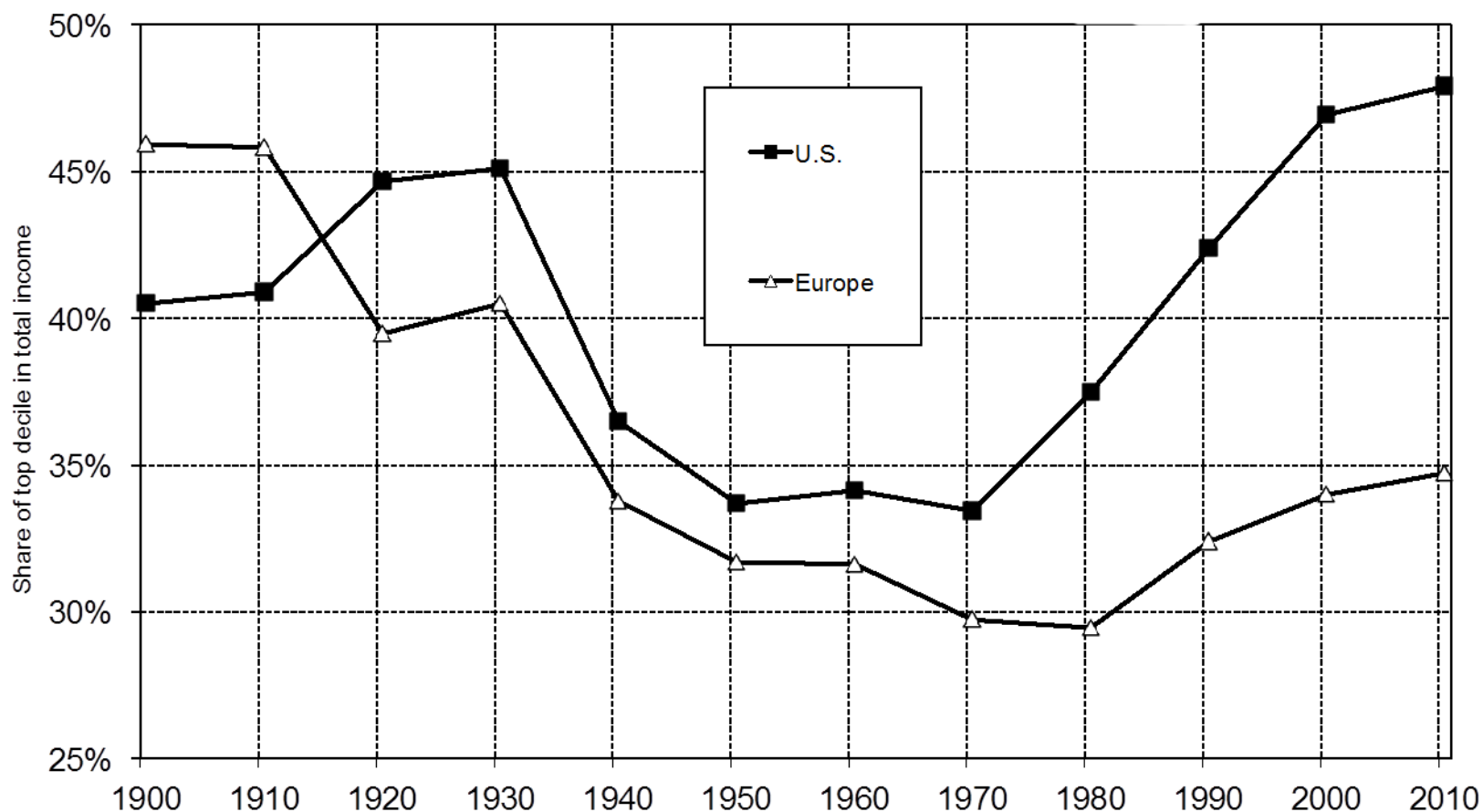
The top marginal tax rate of the income tax (applying to the highest incomes) in the U.S. dropped from 70% in 1980 to 28% in 1988. Sources and series: see piketty.pse.ens.fr/capital21c.

PRIVATE CAPITAL IN RICH COUNTRIES 1970-2010



Economic Growth slows; tax rates drop; privatization of public wealth

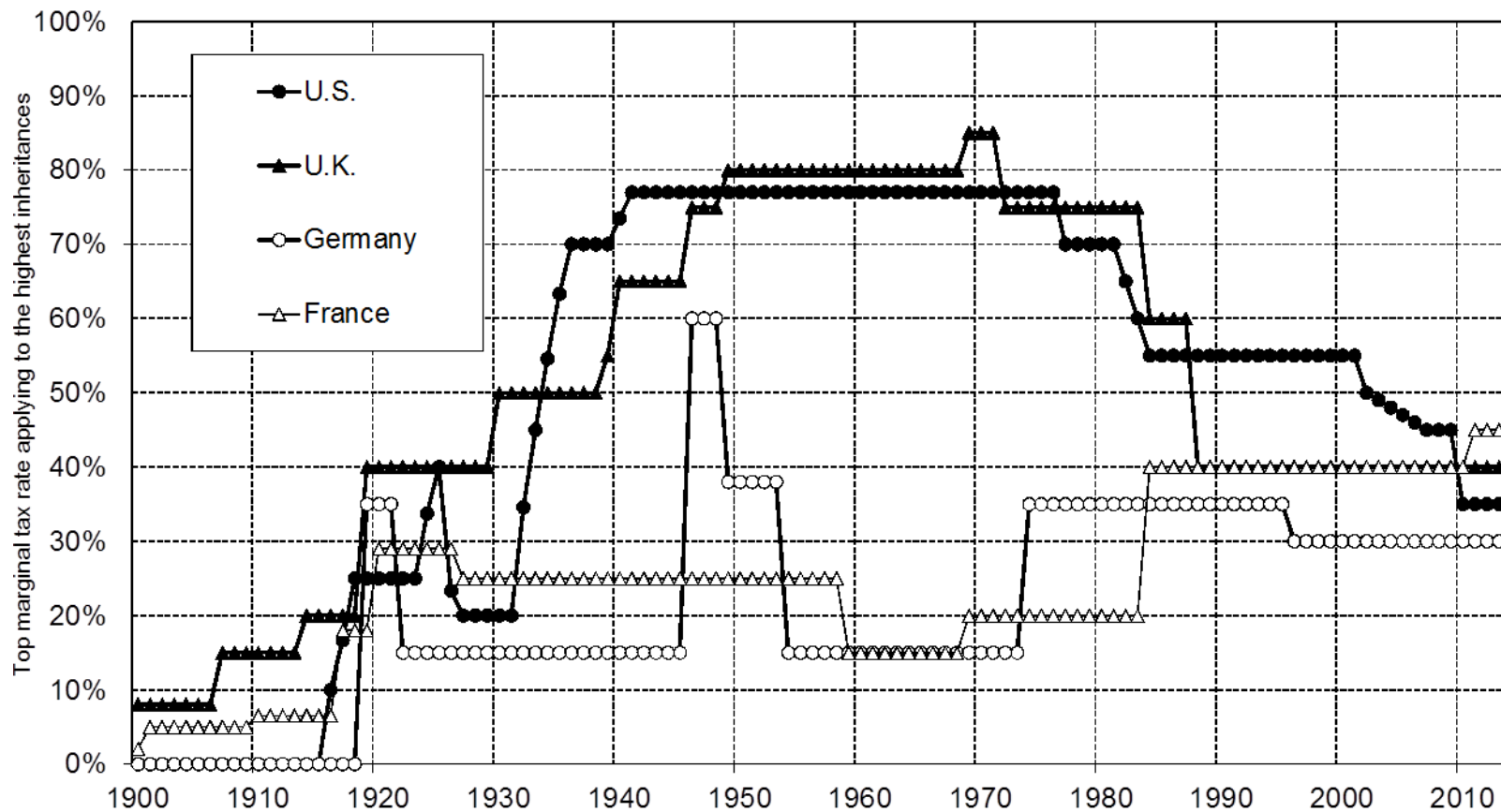
Income Inequality: Europe and U.S. 1900-2010



The top decile income share was higher in Europe than in the U.S. in 1900-1910; it is a lot higher in the U.S. in 2000-2010. Sources and series: see piketty.pse.ens.fr/capital21c.

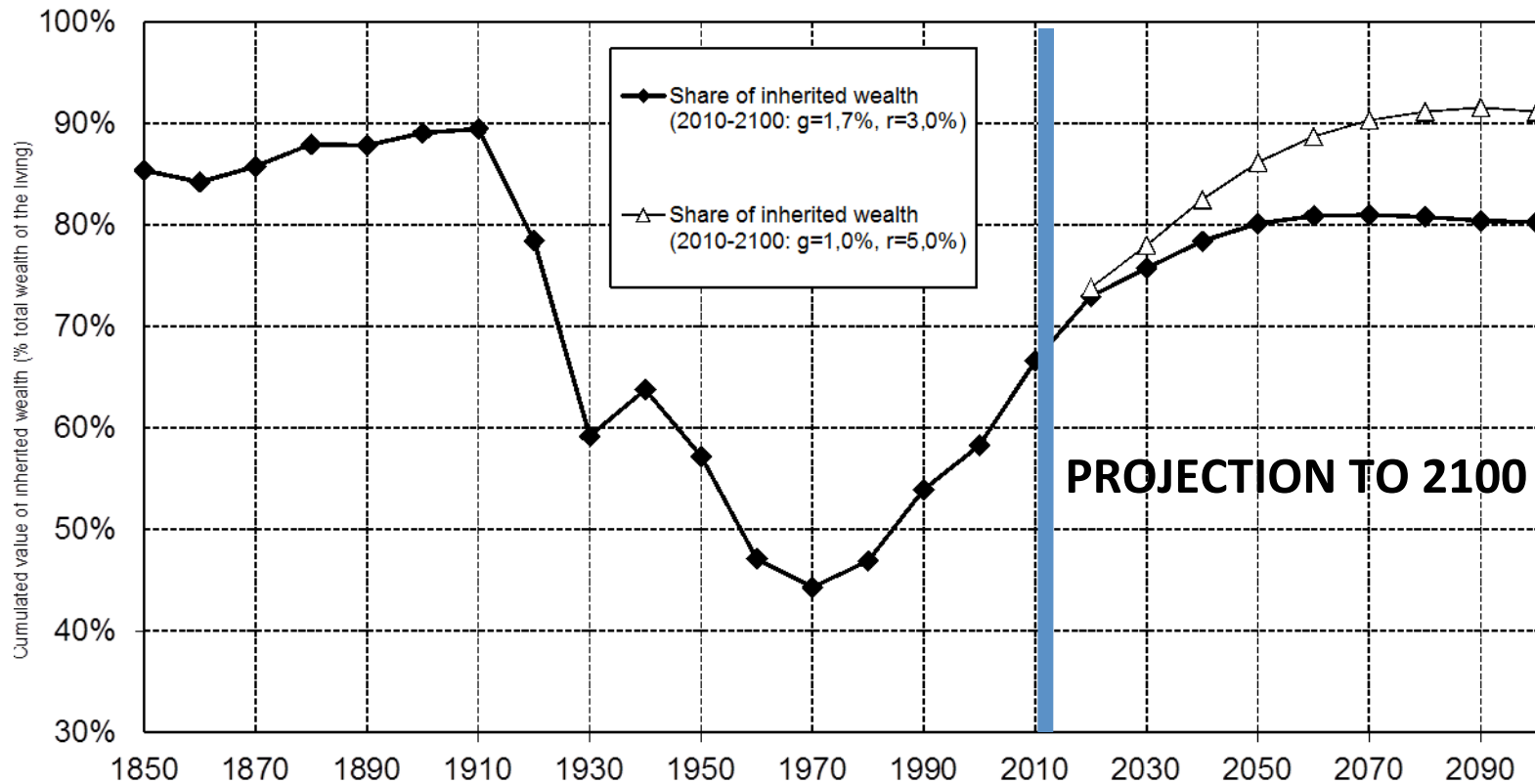
Income share of top ten percent

TOP INHERITANCE TAX RATES, 1900-2013



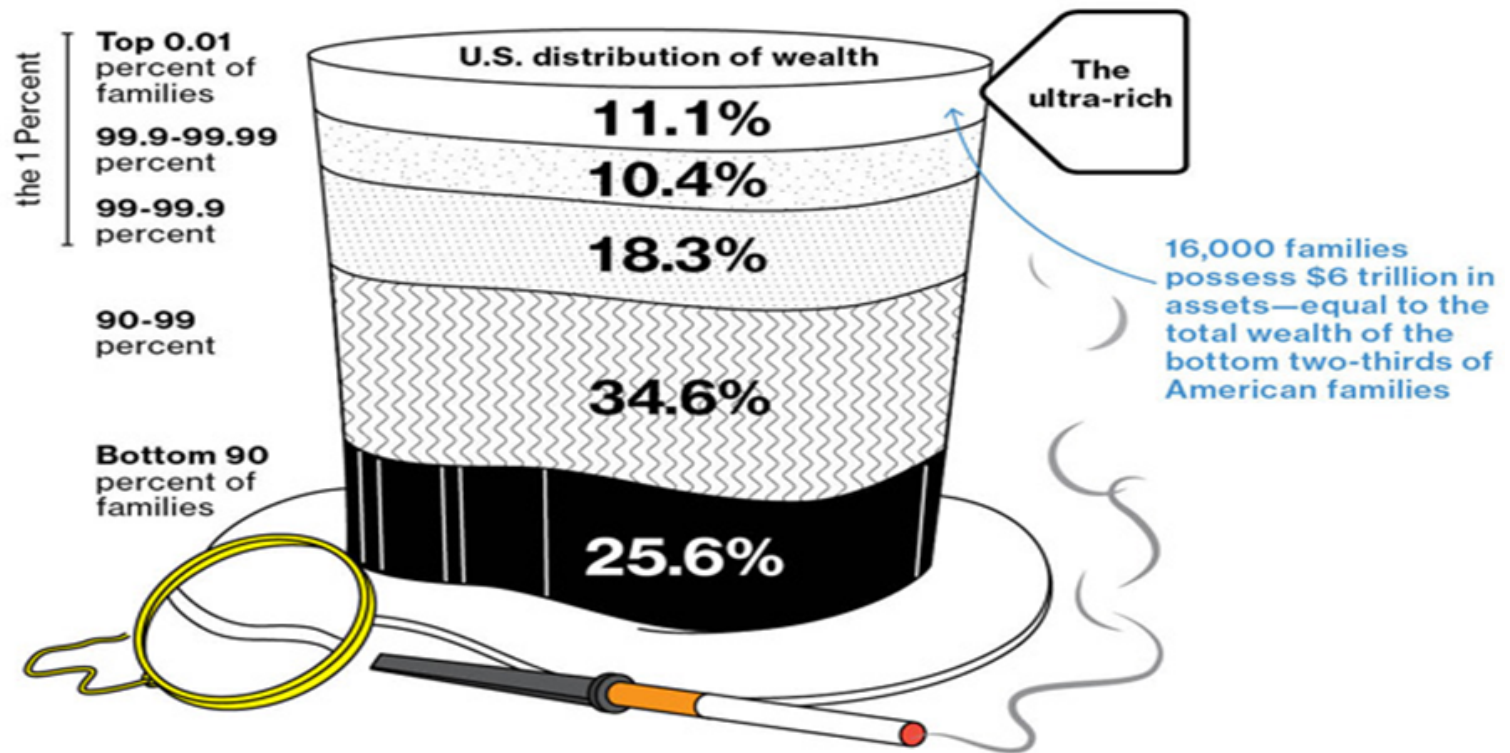
The top marginal tax rate of the inheritance tax (applying to the highest inheritances) in the U.S. dropped from 70% in 1980 to 35% in 2013. Sources and series: see piketty.pse.ens.fr/capital21c.

SHARE OF INHERITED WEALTH IN TOTAL WEALTH IN FRANCE PROJECTED TO 2100



Inherited wealth represents 80-90% of total wealth in France in the 19th century; this share fell to 40%-50% during the 20th century, and might return to 80%-90% during the 21st century. Sources and series: see piketty.pse.ens.fr/capital21c

Top 1% own 39.8% of wealth in **The New Gilded Age**



**The combined
wealth of those
on the Forbes
400 rose 13% in
2014**

To a total of \$2.29 trillion

MEET THE RICHEST



OF THE FORBES 400

**35 + 36 + 38 + 42 + 42 + 50 + 67 + 81
= \$391 BILLION**

The Walton Family Wealth
is more than the bottom
X% in the USA

2007: $X = 31\%$

2014: $X = 41\%$

Percent of New Growth Captured by the top 1%

1993-2012: 68%

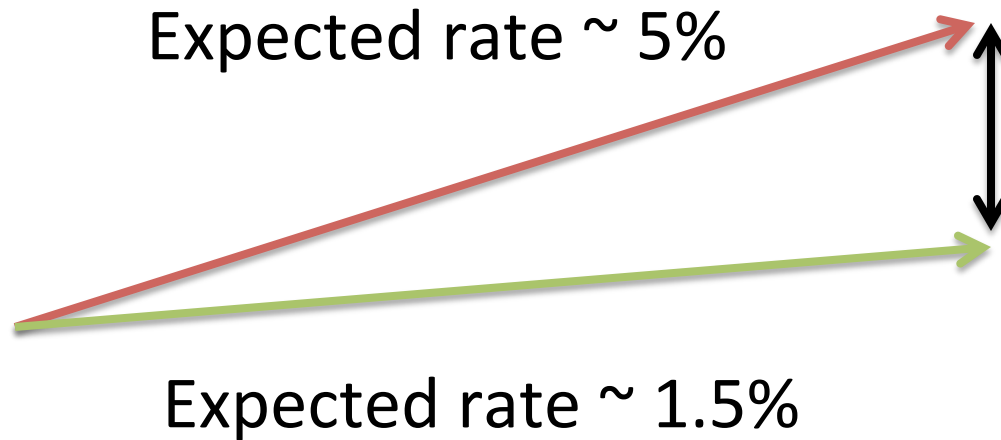
2009-2012: 95%
(recovery)

World Inequality

<u>Percentage of adults</u>	<u>adult population</u>	<u>percentage of world's wealth</u>
Top 0.1%	4.5 million	~ 20%
Top 1.0%	45 million	~ 50%
Top 10%	450 mil.	~ 85%
Middle 40%	1,800 mil.	~ 10 %
Bottom 50%	2,250 mil.	less than 5%

**Oxfam: 85
richest people
as wealthy as
poorest half
of the world**

r: return on capital

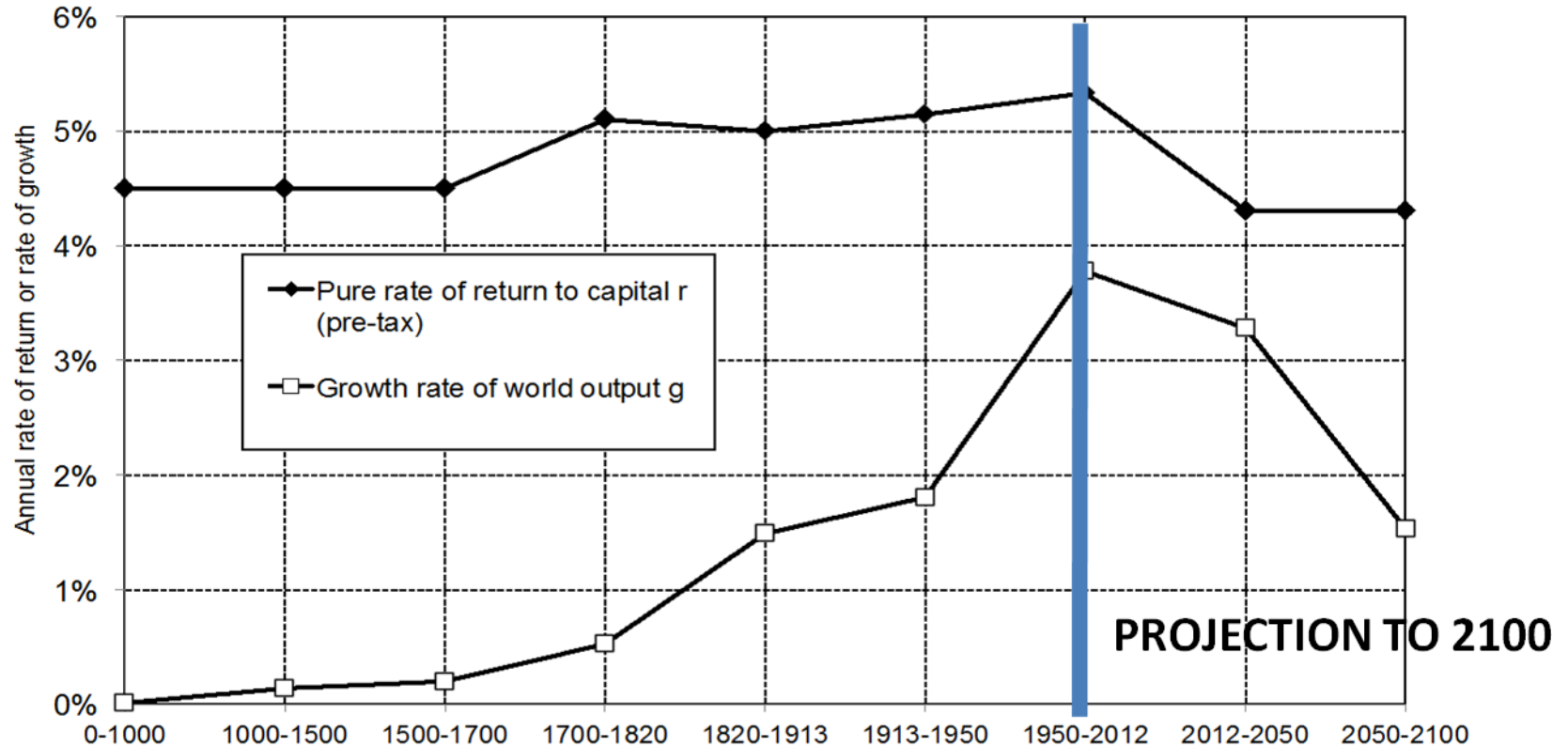


g: growth of economy

IMPACT OF **r** > **g**

RATE OF RETURN vs. GROWTH RATE AT WORLD LEVEL

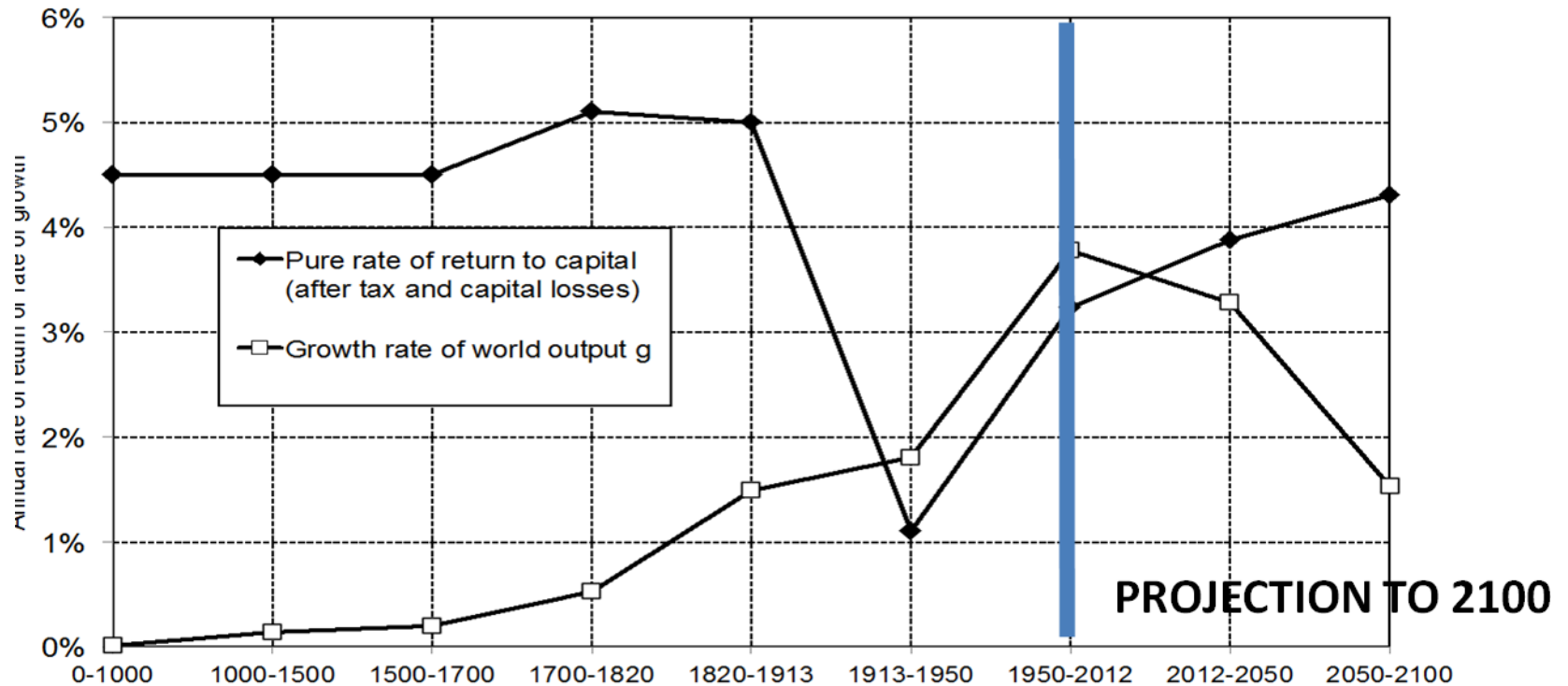
From Antiquity until 2100



The rate of return to capital (pre-tax) has always been higher than the world growth rate, but the gap was reduced during the 20th century, and might widen again in the 21st century.

Sources and series: see piketty.pse.ens.fr/capital21c

After Tax Rate of Return vs. Growth Rate at World Level, From Antiquity until 2100



The rate of return to capital (after tax and capital losses) fell below the growth rate during the 20th century, and may again surpass it in the 21st century. Sources and series : see piketty.pse.ens.fr/capital21c

Advantages of a wealth tax discussion:

- Avoid protectionism**
- Set a standard against which to judge other strategies.**
- An impetus to gather complete data on global wealth.**
- An impetus to take at least baby steps to international standards**

An EU Wealth Tax?

Below 1 million Euros -	0%
Between 1 and 5 million Euros -	1%
Above 5 million Euros -	2%

Social Rights:

Education

Health Care

Retirement

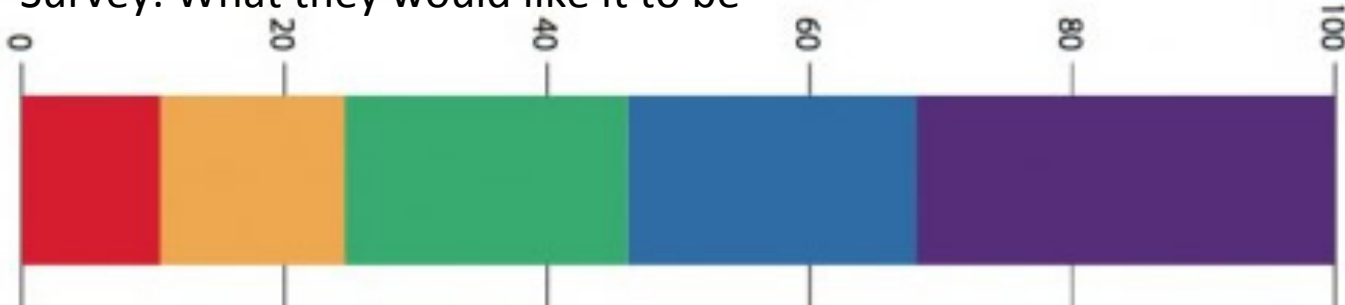
Under Attack

While new Social Rights need Guarantee:

- Housing
- Transportation
- Community Security
- Decent Jobs
- Pollution Free – Air, Water, Food
- And ...

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