The future of capitalism

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Published in:
Idee

Citation for published version (APA):
What can Piketty’s book tell us about the future of capitalism itself? The crucial question for the future of capitalism is how we can achieve a more balanced wealth distribution without impeding the growth of capital. Remarkably, this question is seldom considered.

By Paul de Beer

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Thomas Piketty’s Capital in the Twenty-First Century is a book full of paradoxes and incongruities, starting with the title. Actually, the book is neither about capital nor really about the twenty-first century, but mainly about wealth in the 19th and 20th century. Moreover, what many consider to be the central message of the book – that the inequality of wealth is again approaching the concentration among the happy few that characterised the 19th century – is in no way supported by Piketty’s own data. For example, the share in total wealth of the richest 1% in the United Kingdom increased from 23 percent in 1970 to 28 percent in 2010, while it stood at 69 percent around 1910. What he does show is that the income share of the top 1% is now, at least in the US and the UK, of similar size to what it was in the early 20th century. But, although he presents a much discussed theory about the growth and concentration of wealth, he has nothing new to add to the already abundant literature on increasing income inequality. And his theory of wealth accumulation and concentration has been rightfully criticized by many commentaries as overly simple and even naive. Asking the question of how to cope with Piketty’s conclusions should then always be preceded by the question to what extent those conclusions are accurate and why they seem to be so widely supported.

So, what is the fuss all about? Why is this book such a huge success? And why do some of the world’s most famous economists – Krugman, Stiglitz – praise the book and hardly conceal their envy that they haven’t written it? I think the book offers two important contributions. First, Piketty has collected, in collaboration with some other economists, a very rich data set – wealth and income data spanning over a century. Secondly, he offers an explanation for the trend in wealth and income, and, thus, for the evolution of capitalist society itself, over a period of two centuries. Even though his theory may be wrong, or at least incomplete, the attempt shows that it is still possible to tell a grand story of global developments. In this respect, the book could be compared to Fukuyama’s The End of History, which appealed to a widely felt need for a new interpre-
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