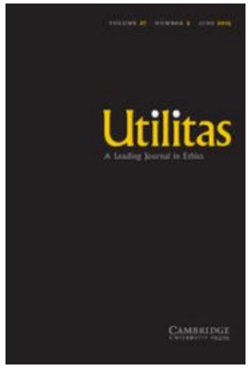

Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014), pp. viii + 685.

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properties that are supposed to be mystifying. This objection notwithstanding, Gert's book is well worth reading. It contains many insights and is sure to advance the debate about response-dependence.

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Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: Harvard University Press, 2014), pp. viii + 685.

In 2014, in a twist on the traditional 'summer reads' lists of books, *The Wall Street Journal* ranked 'summer *non-reads*' – books people think they'll read at the beach but don't. The methodology used the Amazon Kindle's 'popular highlights' feature, figuring that the closer to the beginning of a book its top few highlighted passages are clustered, the sooner most readers must have given up. Stephen Hawking's *A Brief History of Time* used to be considered 'the most unread book of all time', with readers quitting after an estimated 13 per cent of the book. But preliminary data suggested the rise of a new titleholder: Thomas Piketty's *Capital in the Twenty-First Century*, with the top five highlights all falling within the first 5 per cent of the book.

Obviously such under-reading can be expected to follow when a weighty academic tome (translated from French, no less) has exceptionally wide sales. Apparently due largely to mentions in major newspapers, Piketty's treatise quickly rose to the top of the Amazon and *New York Times* bestsellers lists, and within two months of publication, its sales had surpassed the first-*year* sales of every previous Harvard University Press book. (A couple of months later, *Fortune* said sales were forty times HUP's initial estimate.) International media attention continued; *The Spectator* published 'Ten Handy Phrases for Bluffing' about the book (perhaps anticipating the reader fatigue documented by *The Wall Street Journal*). In 2015, after US President Barack Obama focused on economic inequality in his State of the Union address, *The Washington Post* said he was finally having 'his Piketty moment'.

Piketty writes that 'this book is as much a work of history as of economics' (p. 33), and he draws on massive data sets he and colleagues assembled concerning income, wealth, inheritance and taxation, mostly for Western European countries and the United States for approximately the past 300 years. Piketty describes the eighteenth and nineteenth centuries as times of steady growth undisturbed by major upheavals, with the past century being more volatile. On the eve of the First World War, in Western Europe and the United States, the top-earning 1 per cent of the population pocketed 18–22 per cent of all income. Although this figure fell by more than two-thirds by around 1980 and remained low in Continental Europe, it subsequently rose in Britain and the United States, regaining its previous peak by 2010 (pp. 316–17). Because of the obvious correlation between income and wealth, the resurgence of high-end incomes also augmented the wealth of the already rich. The rich got richer – even relative to everyone else – and they continue to do so.

Many people have mythologized the three decades after the Second World War as a time when enlightened approaches to economic policy took hold and permanently reconfigured the playing field so that intelligence and hard work would be more important than inherited wealth; undeserved inequalities, which all but dictated people's life prospects in earlier eras, would be eroded by meritocracy and social mobility. For reasons represented by the income statistics just mentioned, Piketty takes a darker view: those decades were just an aberration (pp. 101 and 356). To be sure, the two world wars and the intervening depression destroyed a lot of wealth (hitting the rich especially hard) and motivated the policy changes just alluded to (such as high top tax rates and some elements of socialism). In addition, post-war rebuilding led to rapid output growth, quickly enlarging the pie for everybody. But output growth has since slowed, the rich have had time to rebuild their fortunes, and with the help of Reagan and Thatcher and other allies, they have had the muscle to reverse the economic policies they've found most bothersome. Capital is back (as Piketty put it in the title of a 2014 journal article).

For Piketty, this is a grave threat because wealth holdings do not tend to dissipate over time; rather, they tend to concentrate, because they tend to grow faster than overall output. 'The central thesis of this book' is the destabilizing effect of this trend (p. 77), which Piketty sums up with the inequality $r > g$. (Bear with me; *The Spectator* says this is for 'advanced bluffers only'.) Here r is the rate of return on wealth, and g is the output growth rate. Piketty claims that for the foreseeable future, r can be expected to be 5 per cent or higher for wealthy people all over the world (pp. 359 and 431), but g will probably be in the range of 1.5–3 per cent globally (p. 101), and only 1–1.5 per cent in advanced economies (p. 572). Consequently, in the absence of countermeasures, high-net-worth individuals and families will see their shares of national and global wealth grow. This is how we get to predictions, such as one by Oxfam in 2015, that 1 per cent of the world's population will soon own half of the world's wealth.

The potential countermeasure Piketty emphasizes is for all nations to enact taxes on wealth, to supplement their current income taxes. (At present, real-estate taxes are the only wealth taxes widely used; under a general wealth tax, real estate would be counted as just one of the many forms of wealth.) Piketty leaves the details up to legislative deliberation but the general idea is that rates would be graduated; they could be as low as 0 per cent or 0.1 per cent for holdings under €1 million, rising to 5 or 10 per cent for holdings in excess of €1 billion. Rates could be aimed at actually chipping away at the wealth of the richest people a little bit each year or, less ambitiously, they could be aimed at merely slowing the growth of such fortunes over time (pp. 517–30).

This proposal is likely to strike a chord with readers sympathetic to the utilitarian orientation of this journal. If wealth were less concentrated, well-being could be expected to rise, in several ways. Some would be relatively direct, because of the diminishing marginal utility of money, and some would be more indirect, in so far as electoral and legislative processes would be less corrupted by the lobbyist class and more geared to the common good.

But the way Piketty arrives at this proposal has some unsatisfying aspects. First, Piketty's analysis of income inequality focuses exclusively on pre-tax income and ignores taxes and non-monetary benefits such as government-provided health care. He notes this limitation of his methodology breezily (pp. 255 and 602, n. 9), disregarding the magnitudes of its distortions. For example, in the United States, Medicare spends an average of about $10,000 annually for each of its 45 million recipients, and Obama's health-care reforms have additional redistributive effects. Similar remarks could be made about Britain's National Health Service. Moreover, Piketty's lack of interest in after-tax data is especially odd in light of his embrace of more taxes as his main remedial instrument: by definition, it is after-tax income where the most direct effects of taxes are to be seen.

Second, readers interested in moral analysis and argument are likely to be disappointed by the dearth of such material. In regard to the moral evaluation of inequality, Piketty distances himself from utilitarianism and expresses some sympathy for Rawls's difference principle, but almost all of what he has to say on this point is confined to just one page (p. 480) and its endnotes. Terms omitted from the index (correctly, in my view) include not only 'utilitarianism' and 'consequentialism', but also 'ethics', 'morality', 'justice' and 'distributive justice'. There is an index entry for 'justification of inequality', but it points to a page (p. 264) whose text – somewhat emblematic of the book as a whole – is concerned not with any normative question, but with the empirical question of how public opinion affects the persistence or termination of extreme inequality.

So, should you read this book? As with any book, the answer depends not only on the book's own merits, but also on the availability of what economists call substitute goods. As it happens, in the 23 May 2014 issue of *Science* magazine, Piketty and his long-time collaborator Emmanuel Saez published an article, 'Inequality in the Long Run', which summarizes the historical facts and economic theory of Piketty's book. (At about 7,000 words, it's got the space to cover a lot of material, and by packing that space densely, it delivers.) For Piketty's key policy recommendation – the global tax on wealth – there may be no substitute for chapter 15 of the book, which contains Piketty's discussion of that topic in just about 5 per cent of the book. Those two items, I think, capture most of the value of the book. It must be noted that there is much to admire about Piketty's treatise, including of course its extensive historical research and its illuminating economic analysis, conveyed in fluid prose of uncommon verve. It has also enlivened public debate fruitfully. With all due respect, however, I would say the optimal choice for most moral philosophers is to join those who have decided to make *Capital in the Twenty-First Century* one of their 'unread' books.

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