Capital in the 21st Century
Book Passages on Social Stability

"When the rate of return on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based." (1)

"Hence there will always be a fundamentally subjective and psychological dimension to inequality, which inevitably gives rise to political conflict that no purportedly scientific analysis can alleviate." (1)

Discussion of Marx: "If the rates of population and productivity growth are relatively low, then accumulated wealth naturally takes on considerable importance, especially if it grows to extreme proportions and becomes socially destabilizing." (10)

"To be clear, my purpose here is not to plead the case of workers against owners but rather to gain as clear as possible a view of reality. Symbolically, the inequality of capital and labor is an issue that arouses strong emotions. It clashes with widely held ideas of what is and is not justice, and it is hardly surprising if this sometimes leads to physical violence." (40)

… "It is difficult to accept that the owners of capital—some of whom have inherited at least part of their wealth—are able to appropriate so much of the wealth produced by their labor." Argument for social stability. "What is the 'right' split between capital and labor?" (41)

"The central thesis of this book is precisely that an apparently small gap between the return on capital and the rate of growth can in the long run have powerful and destabilizing effects on the structure and dynamics of social inequality. In a sense, everything follows from the laws of cumulative growth and cumulative returns, and that is why the reader will find it useful at this point to become familiar with these notions." (77)

"Is it possible to imagine societies in which the concentration of income is much greater? Probably not. If, for example, the top decile appropriates 90 percent of each year's output (and the top centile took 50 percent just for itself, as in the case of wealth), a revolution will likely occur, unless some peculiarly effective repressive apparatus exists to keep it from happening. When it comes to the ownership of capital, such a high degree of concentration is already a source of powerful political tensions, which are often difficult to reconcile with universal suffrage." (263)

"In my view, there is absolutely no doubt that the increase of inequality in the United States contributed to the nation's financial instability. The reason is simple: one consequence of increasing inequality was virtual stagnation of the purchasing power of the lower and middle classes in the United States, which inevitably made it more likely that modest households would take on debt, especially since unscrupulous banks and financial intermediaries, freed from regulation and eager to earn good yields on the enormous savings injected into the system by the well-to-do, offered credit on increasingly generous terms." (297)

"Whatever one thinks about the fundamental legitimacy of income inequality, the numbers deserve close scrutiny. It is hard to imagine an economy and society that can continue functioning indefinitely with such extreme divergence between social groups." (297, remember ft. 34)

"Second, there is no guarantee that the distribution of inherited capital will not ultimately become as inegalitarian in the twenty-first century as it was in the nineteenth." (422)

“If this were to happen, I believe that it would lead to significant political upheaval. Our democratic societies rest on a meritocratic worldview, or at any rate a meritocratic hope, by which I mean a belief in a society in which inequality is based more on merit and effort than on kinship and rents. This belief and this hope play a very crucial role in modern society, for a simple reason: in a democracy, the professed equality of rights of all citizens contrasts sharply with the very real inequality of living conditions, and in order to overcome this contradiction it is vital to make sure that social inequalities derive from rational and universal principles rather than arbitrary contingencies. Inequalities must therefore be just and useful to all, at least in the realm of discourse and as far as possible in reality as well. (“Social distinctions can be based only on common utility …” (422) …

“The crisis of 2008 was the first crisis of the globalized patrimonial capitalism of the twenty-first century. It is unlikely to be the last.” (473)

Regressive taxation undermines social trust and cooperation: “Individualism and selfishness would flourish: since the system as a whole would be unjust, why continue to pay for others?” (497)

second to impose effective regulation on the financial and banking system in order to avoid crises. To achieve these two ends, the capital tax must first promote democracy and financial transparency: there should be clarity about who owns what assets around the world.” (518)

Stability: “In all civilizations, the fact that the owners of capital claim a substantial share of national income without working and that the rate of return on capital is generally 4-5 percent a year has provoked vehement, often indignant, reactions as well as a variety of political responses.” (530)

Stability: “It is not up to me to calculate the optimal schedule for the tax on petroleum capital that would ideally exist in a global political community based on social justice and utility, or even in a Middle Eastern political community. I observe simply that the unequal distribution of wealth in this region has attained unprecedented levels of injustice, which would surely have ceased to exist long ago were it not for foreign military protection.” (538)

Instability: “The consequences for the long-term dynamics of the wealth distribution are potentially terrifying, especially when one adds that the return on capital varies directly with the size of the initial stake and that the divergence in the wealth distribution is occurring on a global scale.” (571)

Instability: “This would contain the unlimited growth of global inequality of wealth, which is currently increasing at a rate that cannot be sustained in the long run and that ought to worry even the most fervent champions of the self-regulated market. Historical experience shows, moreover, that such immense inequalities of wealth have little to do with the entrepreneurial spirit and are of no use in promoting growth.” (572)