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Discussing the views of Piketty on inequality, with an eye towards Henry George

By Scott Baker

(Video included) I was asked to be a co-host for a Webinar discussion by president of the Henry George School of Social Sciences in New York City, Andrew Mazzone on April 22, 2015. We discussed the views of Thomas Piketty, Yanis Varoufakis and Henry George on the economic issues of today.

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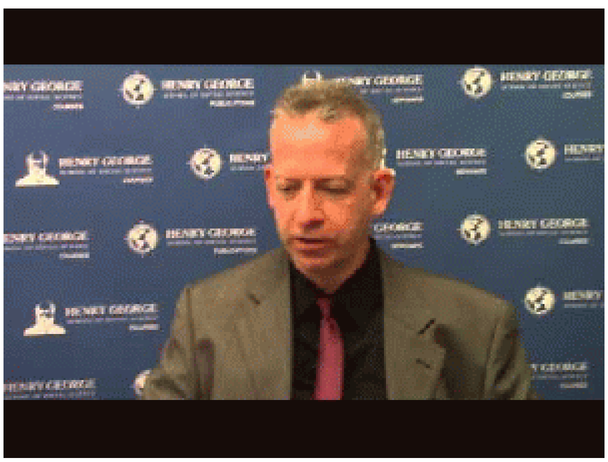

The Webinar lasted 2 hours and can be seen here

Mazzone had asked me to join him as a follow-up both to my appearance with him on the first of his increasingly popular Smart Talks with economists, in which we both interviewed Yanis Varoufakis when he was just a well-known economist in the Fall of 2013, and to his own later follow-up with Varoufakis on Piketty. You can see the first interview with all three of us here: From the Henry George School: Debating Economics And a sub-portion of the hour plus long video was highlighted when I wrote a follow-up after Varoufakis became Greek Finance Minister, wherein I had discussed with him the possibility of Greece issuing endogenous debt-free Sovereign Money, and then written a brief Mazzone/Baker plan for fixing Greece's economy.

The Mazzone/Baker Plan:

1. Issue drachmas for local consumption and spending. The amount should be enough to meet the 30% Output Gap, but not enough to cause too much inflation; the problem now, of course, is rampant deflation caused by too little money in circulation.
2. Agree to pay off the debt over 100 years, 1/100th per year. In reality, this will be the basis for negotiation, but it is a concrete one, something that has not been offered so far.

3. Use the devalued currency to encourage cheap tourism to Greece and exports. Tourism growth estimates vary considerably but 16.7% is a good mid-range calculation in 2014, and tourism remains Greece's main economic engine, supporting 53 job categories.
4. Tax the large landowners with a Land Value Tax. It turns out that the Greek Orthodox Church is the country's second largest land owner, after the government, but actually, this is imprecise, because in Greece, the church is *part* of the government, and its priests also collect a salary from government and the church owns stock in publicly traded companies like the Bank of Greece.

This article was put online at the school's website a few weeks before the Webinar and future students were encouraged to read it and watch the embedded video snippet to understand some of the issues that might come up in the Webinar better. It was pre-Webinar homework. That article was originally published here: Will Greece or the EU Blink first?

As preparation for the Webinar I re-watched the follow-up interview Mazzone had with Varoufakis in which he discussed the recent economics best-seller from Dr. Thomas Piketty: "Capital in the 21 Century," just before Varoufakis was appointed Greece's Finance Minister. Though Varoufakis is probably, and understandably, too busy to have joined us for this Webinar on Thomas Piketty, Mazzone and I met to discuss his views, our own interpretation of Piketty's important work, and also to put it in contrast to the solutions offered by Henry George, especially in his 1879 best-selling opus, Progress and Poverty (see video above), while interacting with the students. Mazzone's second interview with Varoufakis, discussing Piketty, can be found on the school's website, here: Smart Talk with Andrew Mazzone and Dr. Yanis Varoufakis.

Varoufakis also wrote a review in 2014 of Thomas Piketty's book, in which he said:

The commercial and discursive triumph of Thomas Piketty's *Capital in the 21st Century* symbolizes this turning point in the public's mood both in the United States and in Europe. Capitalism is, suddenly, portrayed as the purveyor of intolerable inequality which destabilizes liberal democracy and, in the limit, begets chaos. Dissident economists, who spent long years arguing in isolation against the trickle-down fantasy, are naturally tempted to welcome Professor Piketty's publishing phenomenon.

The sudden resurgence of the fundamental truth that the best predictor of socio-economic success is the success of one's parents, in contrast to the inanities of human capital models, is undoubtedly uplifting. Similarly with the air of disillusionment with mainstream economics' toleration of increasing inequality evident throughout Professor Piketty's book. And yet, despite the soothing effect of Professor Piketty's anti-inequality narrative, this paper will be arguing that *Capital in the 21st Century* constitutes a disservice to the cause of pragmatic egalitarianism.

Underpinning this controversial, and seemingly harsh, verdict is the judgment that the book's:

- Chief theoretical thesis requires several indefensible axioms to animate and mobilize three economic 'laws' of which the first is a tautology (SB - Piketty himself admits this in his early pages), the second is based on an heroic assumption, and the third is a triviality
- Economic method employs the logically incoherent tricks that have allowed mainstream economic theory to disguise grand theoretical failure as relevant, scientific modeling
- Vast data confuses rather than enlightens the reader, as a direct result of the poor theory underpinning its interpretation
- Policy recommendations soothe our ears but, in the end, empower those who are eager to impose policies that will further boost inequality
- Political philosophy invites a future retort from the neoliberal camp that will prove devastating to those who will allow themselves to be lured by this book's arguments, philosophy and method.

Varoufakis' complete 18-page paper, which has some moderately involved math regarding Piketty's 3 main formulas, may be found here: http://www.paecon.net/PAEReview/issue69/Varoufakis69.pdf

Varoufakis details one of the most damaging charges against Piketty in both his writing and in interviews: that Piketty conflates too many things into Capital that shouldn't be there. There is more about this in the Piketty -- Varoufakis -- George Notes below, and in the later category (George, as in Henry George), many Georgists, whether formal economists or not (like me) almost immediately noted that Piketty's failure to disaggregate returns on *non-capital* Land is a major failing in his analysis, actually fatal to his opening 'Law' (Separately, Georgist professor Mason Gaffney writes in his own critique that this 'Law' does not even rise to the level of hypothesis, let alone theory, or 'Law'). But even beyond that, there is another area involving labor which *both* Piketty and Varoufakis overlook as a major contributor to wealth, albeit for a limited historical period, Varoufakis by omission, and Piketty by commission because it is Piketty that "folds in" ***slave*** labor from America during 1770-1860. He uses U.S. Census data to include the value of slaves during this critical period in our then-young country's history, concluding that in 1860, according to the last census before the Civil War that would end slavery, that slaves constituted 40% of the wealth in the South.

This is a big asterisk then, and while it shows Piketty's consistency, it also shows how willing he is to include virtually anything that is considered, however hideously, as Capital, in his calculations. This genuflection to a legal definition of capital over an economic one should give us serious pause when considering what other factors might be mislabeled "Capital."

What else has Piketty included as capital that shouldn't be? Land.

In a thorough critique of Piketty, "A note on Piketty and diminishing returns to capital" by Matthew Rognlie, the 26-year old MIT student argues that Piketty's return to capital is entirely due to Land appreciation, not capital, which in any case, loses its value faster than ever in today's rapidly changing technological environment (he cites the Apple iPod as one simple but instructive example). This is in sharp contrast to Piketty, who argues technological achievement is one of the things that gives modern "capitalists" greater returns on their investments than Laborers can get through wages.

Supporting this view further is former OMB Director under Obama, Peter Orzag's Bloomberg column "To Fight Inequality, Tax Land" in which he argues:

In the lasting debate over Thomas Piketty's book on outsized returns on capital, a significant fact has been obscured: If you exclude land and housing, capital has not risen as a share of the U.S. economy.

If you're surprised, you're not the only one. Intuition suggests this capital-output ratio should be higher today than it was in the early 1900s. Yet, in the U.S., capital excluding land and housing has been roughly constant as a share of the economy since the mid-1950s, and is lower today than at the turn of the 20th century.

What has skyrocketed over the past several decades is the value of land and housing.

Orzag has some pretty good backup too, citing former World Bank president and noble prize winner, Joseph Stiglitz"

Stiglitz also argues for imposing a land value tax, to directly address this source of increasing wealth inequality. Economists have long favored such a tax, because it does little or nothing to distort incentives: Since land is roughly fixed in supply, there's little one can do to escape a land tax. Indeed, from the perspective of economic efficiency, a land value tax scores higher than even a value-added tax, which is typically seen as the most efficient form of taxation.

Also cited is the political economist/journalist who started a serious theory of Land as the basis for just and sound economic policy: Henry George

Sometimes old ideas are good ideas. [Henry George] advocated forcefully for a land tax in his 1879 book, "Progress and Poverty." More than 135 years later, perhaps its time is ripe.

Orzag concludes:

So here is a bold idea for a national candidate: Propose a national land value tax. It would highlight the fact that, except for land and housing, capital ratios have not risen here, despite Piketty's rhetoric. It would also be economically efficient and reduce wealth inequality. The revenue could be used to reduce other taxes, or to help close the actuarial deficits in our entitlement programs, or some combination thereof.

As I re-watched the November 24, 2014 Smart Talk interview between Andy Mazzone and Yanis Varoufakis, I took the following notes and added more thoughts parenthetically:

Piketty -- Varoufakis -- George Notes

Mazzone points:

1. We have a broken neoclassical model

2. Capitalism has inexorable outcomes but no empirical explanation for them is provided by Piketty

3. There are accidental good times (e.g. WWI -- apx. 1980) but these are treated as exogenously caused and without explanation

4. Piketty conflates wealth and capital -- Varoufakis agrees

Varoufakis and Mazzone points:

1. Piketty is helpfully bringing inequality into established mainstream of economics profession. In neoclassical economics there is no place for inequality due to [Utility Theory]. This solves the disconnect between what most Americans thought and how economics has been practiced.

2. Inequality was banned from neo-classical economics because it uses a Utilitarian model where utility justifies all levels of inequality based on intelligent consumer preference and that one's output cannot be compared to anyone else's outside of this ranking.

3. Piketty finally made it so that the economics can say something about inequality after all.

4. (Andy/Yanis) Piketty offers no theoretical basis for inequality (In Piketty's defense, it should be noted that he says his book is as much a work of history as economics. It would be interesting to see an historical critique of Piketty then, not just economic critiques), but Varoufakis says the theoretical construct is consistent with neo-classical textbook, but it can be disregarded eventually because it has no substance: 3 laws.

a. Law 1 is a tautology r>g (capital grows faster than national product)

b. Law 2 based on assumption that can't hold in reality

c. Law 3 is trivial

5. Conclusion is weak, just a wealth tax with no distinction between capital, labor and land wealth.

6. Very few read all the way through Piketty's book (Amazon reviews confirm this "early pages" bias).

7. Paul Krugman praised the book, though he should know better (Andy). Krugman is an academic economist who sees the world as a single sector economy model (Yanis) and is coached in terms of the IS-LM model (Investment Saving-Liquidity Preference Money Supply) -- a macroeconomic tool that demonstrates the relationship between interest rates and real output, in the goods and services market and the money market. IS-LM acts as if there is only one "capital good" (Yanis) and it just interplay between availability of money vs. other capital goods. Returns to capital are not difficult to envisage in one-capital good model. This model does not need money, only trade.

8. Neoclassical models not capable of "handling money." It is too complicated a concept. The models predict anything is possible and so are "useless" and not predictive.

9. (Yanis) Krugman uses his simply IS-LM model to do good things. Piketty much less interested in changing the world than Krugman, more a describer. Both Krugman and Piketty share an over-simplified view of capitalism.

10.What policy prescriptions can you take from Piketty? (Andy). There's no bargaining power in Piketty's formulation because we're all "cogs in the machine" (e.g. The Matrix). This is not capitalism (Yanis). Piketty assumes prices are given and the "market" has determined them to everyone's satisfaction.

11.(Andy) Piketty says tax all wealth, including money (which is most wealth these days, at least on paper), and he doesn't disaggregate it (e.g. Land, true Capital),

12."Rooseveltian reforms are off-the-table"

13. Piketty is writing "propaganda" not solutions (Yanis). Problem is we "can't measure capital" as long as we live in a multi-commodity world. Doomed to mis-appreciation like love or beauty. Piketty chooses to measure wealth instead, not measuring capital at all. Everything is the same -- Grandmother's silverware to robotic assembly line, to stocks and bonds. Would force grandmother to sell silverware to pay the wealth tax.

14. No distinction for productive vs. non-productive assets. Would tax machinery as well as Land, stocks and bonds.

15.(Yanis) Piketty not interested in solving inequality, but in becoming the guru of inequality and connecting to the social sentiment that there is something wrong with inequality. This makes Piketty a great enemy in the end of pragmatic egalitarianism (perhaps this is why his book was so heavily promoted? -- SB)

16. Piketty has formed economic committee to address how to change inequality.

17.(Yanis) Piketty has formed another group in France to do something about collapsing Eurozone. Have published a manifesto. However, (Andy) his book does not support direct gov't intervention. But (Yanis) he is allowing this because he knows democracy is imperiled.

18.Reminds Yanis of debate between John Rawls and Libertarian Robert Nozick. "Piketty is a second rate version of John Rawls (book "Theory of Justice", pub. 1971). Rawls mechanism for passing judgment on the justice of society was to imagine random scattering of rich and poor etc. Rawls was a re-distributionist as well, like Piketty (SB -- Robert Reich too). Nozick destroyed Rawls in his 1974 "Anarchy, State, And Utopia" by saying: "Well, OK, we have distributed wealth as Rawls says, but what happens if someone develops wonderful skills at Basketball? And everyone wants to pay large amts of money to this star player. But allowing people to pay excessive amounts to player would allow skewing of wealth. So, allow it and destroy distribution or disallow it and prevent talent?" But market is not fair (Yanis -- and me). Piketty too will be destroyed by Libertarian argument, even more so. Piketty has nothing to say about the process, only the outcome, and it is too late then.

My thoughts after watching the video:

Piketty may be sincere, despite what Varoufakis says, but his analysis is shallow and data-dependent on the easiest data to obtain. That is, he relies on data to drive his theoretical construct, which is at times incoherent anyway, rather than building a construct supported by data. This produces a result that shows what happened from a historical-economic perspective, but not why. He conflates anything that is remotely wealth as "capital" as both a way to explain inequality and also to enhance his book's impact (it would be far less powerful if his book was entitled "Capital in the 21 Century" but had an asterisk saying "*Includes: Land, Slaves, and makes no distinction between earned wealth and rent wealth due to monopoly." Such an asterisk would give away the game right there.)

Piketty's data-driven model is so weak it invites anti-progressive libertarian attack, even by nominally progressive people, since it doesn't allow for wealth based on production, or even for disallowing taxing Grandmother's silverware set. The more recent ad-hoc Piketty economic committees are fine as a concept, but may not support Piketty's limited viewpoint, so in the end are not going to be effective due to lack of clear theory.

But, the Georgist model was not given enough thought by Varoufakis either, and he too glibly conflates wealth and land value (which is never mentioned at all in the interview). Disaggregating land value and then suggesting taxing that would open the door to a new form of equality -- based on *process, not result* -- that in the end would produce something more fair than we have now. There would still be relatively poor, but not nearly the extremes as we have now. These extremes cannot exist without some form of unearned income from monopoly. The innovative market simply will not allow for it if it is allowed to function as it should. Piketty ignores this, or, at best, just assumes it is an unavoidable part of capitalism, except for great wars when everything is disrupted. Gaffney makes the point in his critique that Piketty is ignoring "non-shooting wars" in his period of relative equality -- 1914-1980. Policy plays no part in Piketty's world, or at best is a very weak and temporary brake on the rampant accumulation of capital at the top (again, conflated in his analysis) over national growth.

Notes on Piketty's book: Capital in the Twenty-First Century

Reviews can be like a second article or book. The Reviewer, consciously or unconsciously reveals his bias in selecting what to highlight or critique. There is no substitute for reading the original, especially in the case of a tome like Thomas Piketty's 685-page "Capital in the Twenty-First Century, even if "only" 577 pages are text and the rest mostly endnotes; some of those endnotes can be important too!).

In preparation for the Webinar I reviewed the notes I had taken when reading the book, though doubtless I note-took with my own biases, unquestionably in the Georgist direction to disaggregate Land from Capital, and in the Greenbacker direction to question the monopoly on money-creation by private parties. Still, I believe the notes have value, especially if one isn't going to read the "original source," Piketty himself.

Here they are, in slightly cleaned up form with page numbers referring to the hard cover edition and my reactions to Piketty's thoughts in *italics*. Especially important points are in **bold**. I provided some links for the uninitiated.

1. Difference between property in 1900-1910 and now shown -- page vii

2. Return on capital exceeds return on output and income -- page 1

3. Inequality used to be even larger than today. Piketty refers to Jane Austin and de Balzac as good and accurate literary sources for early 19th century.

4. Land rent increases during Thomas Malthus' time due to population growth -- page 4

5. Malthus wrote during time of European revolutions -- France, England (potential) -- page 5

6. David Ricardo failed to appreciate the rise of technology and industry when he was writing his thesis. Too much emphasis on agricultural land -- page 6

7. Urban land disequilibrium discussed -- page 6

8. Inequality was extreme up until WWI -- page 8

9. Says law -- "Production creates its own demand" -- page 9

10. Marx failed to use all sources available to him at the time or to account for continued technological progress.

11. Kuznet's curve -- the early to mid-20th Century tendency for all incomes to equalize due to technological progress. But this optimistic outcome was disproven by the 1980s -- page 13. This lack of progress may be due to the cold war -- page 14 or world wars -- page 15 says Piketty, *but I believe has more to do with profound policy changes favoring rentiers over producers.*

12. Piketty relied on tax records for income calculations -- page 17. *But these can be incomplete and subject to evasion, particularly by those with the most to tax. Gaffney notes this in his critique too.*

13. World Top Incomes Database (WTID) is Piketty's primary source of data -- page 17

14. Income is defined by Piketty as deriving from both wages and capital income *(rent is included in his calculations, though much of this is based on land and not the result of labor)* -- page 18

15. Piketty also uses estate taxes in calculations -- page 18

16. 2 optimistic assumptions have been proven wrong:

a. Class warfare will be replaced by generational warfare.

b. Education will equalize opportunity -- page 22

17. Slow growth correlates with high income and wealth inequality, *but Piketty does not emphasize that connection enough or its socially destructive potential* -- pages 25, 42

18. **r>g: formula meaning rate of capital growth exceeds rate of national growth. -- page 25**

19. Piketty discusses mostly U.S., Japan, Germany, Italy, France and the U.K. because that's where the long-term data is best. *But does this mean the results might be different in other countries with different systems? Also, Gaffney points out that data for Germany, France and Italy is non-existent before ca. 1850 when they became countries, and sketchy at best for the U.S. before then too.*

20. Inheritance played a smaller role in U.S. inequality historically due to early explosive population growth. -- pages 28-29 *Also, unmentioned, the presence of a large amount of free land in the frontier with which to build wealth.*

21. Piketty says his book is as much a work of history as economics -- page 33

22. ***Piketty's example of conflict between labor and capital in Johannesburg is really between Labor and Land (mine) owners -- page 39. 34 miners were killed for striking. What if rent on gold was distributed to the community whose land it was found on instead?***

23. Piketty fails to distinguish between land and capital again* -- page 42. *Does Piketty understand locational value?

24. *What is capital to Piketty?* -- page 46. *He says it is not human capital (except when he includes slaves 1770-1860), but he includes Real Estate, which includes land (page 42). He doesn't separate land and other capital because he says it is too hard to separate them, but this is a fatal methodological flaw!*

25. **No distinction between wealth and capital because it is simpler that way -- p. 48**

26. **Fixed capital includes buildings, infrastructure and land (to Piketty). Equals - total capital in developed countries -- page 48.**

27. Claims (*falsely*) that private wealth is almost all national wealth because debts balance out assets -- page 48.

28. Foreign assets balance out between countries -- page 50

29. Output growth broken into 2 parts population growth, and per person output growth -- page 72. The latter is historically under 2%

30. Piketty believes growth will slow to historic norm of .1%/year due to population slowdown-- page 74. *But there is no evidence that rapid population growth necessarily leads to high output growth (e.g. See Malthus), so why should reverse be true?*

31. Inheritance is less important when there is strong demographic growth -- page 84. Lower demographic growth means more inequality due to relative higher importance of inherited wealth.

32. No country's growth is >1.5%/year over long periods -- page 93. *Does China or India disprove this now that they have exceeded this level for over two decades?*

33. Oil must be replaced to maintain growth -- page 95

34. There was strong growth post-WWII because of strong State intervention in the economy until about 1980. *But then why doesn't Piketty call for more intervention now, instead of assuming a slowdown in growth is inevitable?* -- pages 98-99

35. There was no change in money conversion rates in 19th century. -- page 105

36. Great levels of debt began after WWI -- page 106

37. High inflation began in 1913 (Federal Reserve Act came slightly before inflation due to WWI) and until 1950 -- page 107

38. 19th century wealth was in land or bonds -- page 113

39. Piketty admits land is a special form of wealth -- page 114 *But still does not treat it separately when discussing capital accumulation.*

40. First identification of rent-seeking -- page 116

41. Housing chart on page 116-117 disguises land wealth. Also, agricultural land has been replaced by buildings, business capital, financial capital -- page 118

42. Government debt nets to zero because it is an asset to private sector (*this mirrors the philosophy of Modern Monetary Theory).* -- page 118. *But not all debt is actually sovereign and Piketty misses that.*

43. Piketty *finally* acknowledges that "housing" can be broken down into land + actual houses -- page 119

44. National Capital = farmland + housing + other domestic capital + net foreign capital -- page 119

45. French and British rents transferred abroad -- pages 120-121

46. Capital is defined as difference between what one owns vs. what one owes*, but Piketty does not project out to future ownings and future debt where the ratio might change* -- page 123

47. **Sovereign wealth funds have arisen to manage sovereign wealth. *This disproves Piketty's earlier contention that governments are essentially without assets because debts balance out assets and net to zero -* page 124**

48. France paid debt by inflating it away or defaulting on 2/3 of it during revolution in 1790 -- page 130. *Is this a lesson for Greece and others today? Countries aren't allowed to "reset" so easily anymore.*

49. Public and private debts grew to unprecedented levels in early 19th century. Bonds replaced land as income -- page 130

50. 19th century France paid more in interest on bonds than on education -- page 132. Taxes went in large part to bond holders.

51. Landlord wealth is only 3 times national wealth in the U.S. vs. 7 times in the U.K.

52. **Slavery was added to wealth and increased 10 times from 1770-1860 according to census -- page 158. This amounted to 40% of the South's wealth in 1860.**

53. *Is Piketty's capital/income the best measure of national inequality? It doesn't account for large individual discrepancies in capital/income ratios. -- page 166*

54. Capital accrues faster to wealthy people in a slower growing economy. Faster growing economies will have less savings *but more opportunities* -- page 167.

55. **Second fundamental Law of Capitalism: -'= s/g Formula: capital/income = -' Savings rate = s; growth rate = g. "If s = 12% and g = 2%, then -' = s/g = 600%...meaning in the long run a country will have accumulated 6 years of national income as capital. Piketty says this formula does not work if natural resources are included -- page 169. *Georgists say natural resources SHOULD be included!***

56. **-' = s/g also does not work if asset prices grown faster than consumer prices -- page 169.**

57. The formula also does not account for shocks like world wars.

58. Piketty acknowledges speculation drives asset market prices -- page 172. *But he does not provide an alternative to dampen speculation such as Land Value Taxation.*

59. Retained earnings are put back into stocks as a greater rate than economic growth, long term -- page 176 - 177

60. Durable household goods not counted as savings, but *corporate* durable goods are so counted and their depreciation is written off taxes -- page 179

61. Distinction between public and private wealth may be arbitrary, e.g. charities like foundations -- page 182

62. In most rich countries, borrowing exceeded public savings/investments

63. All countries are privatizing assets -- page 186

64. Rise in value of pure urban land does not account for rise in capital/income -- page 198

65. Returns on capital higher than from labor -- pages 205-206 and were 4-5% in the 19^{th} century.

66. Rental value of housing is 3-4% but housing is - total national wealth -- page 209

67. Real estate and financial wealth account for "bulk of private wealth."

68. Too much capital kills return on capital -- page 215

69. 30% return to capital was the norm after WWII -- page 218 *(But this is too simplistic)*

70. Capital tends to replace labor over time page 221 *Gaffney makes the point that tractors (capital) actually replaced the land that was used to feed draft horses on farms -- about 1/3 of the typical farm -- and not labor. There are other such examples that contradict Piketty's big pronouncement.*

71. Income from Capital defined as any income not from labor, including rent -- page 242 *(but see important "slavery" exception 1770-1860)*

72. Inequality resulting from difference in capital returns always greater than inequality resulting from difference in labor returns -- page 244

73. Top 10% of labor receives 25-30% of labor income. Top 10% of capital receives 50% of capital income, up to 98% in some societies. See charts of labor and capital inequality -- pages 246-249

74. In U.S., top 10% of laborers make greater return than bottom 50%

75. Half of population own virtually nothing -- page 257

76. No society has ever existed in which capital inequality is only mild -- page 258

77. Wealth is so concentrated that the bottom 50% is almost unaware of its existence. -- page 259

78. The truly wealthy become that way through stock and business partnerships -- page 260 *Prof. William Lazonick and others have documented that as much as 90% of corporate profits are plowed back into buybacks and dividends, leaving just 10% to grow the business, so this makes Piketty's observation much less benign*

79. 1900-1910 Europe -- The richest 1% owned 75% of all wealth -- page 261 *This puts into question the commonly assumed "revolution tipping point" at lower GINI ratios or when the wealthy 1% own about 40% of the wealth. Why the difference? Might historical royalty allow for greater wealth inequality?*

80. Today's middle class lays claim to - to 1/3 of national wealth. Middle class in Europe gained at expense of wealthy -- page 262

81. Piketty says revolution probable when wealth gets too concentrated -- e.g. 90% of wealth in top decile -- page 263. But 50% makes it more likely too.

82. Inequality is more achievable through rentier societies, "patrimonial societies" that pass wealth through inheritance -- page 264

83. One can be both a "super manager" and a rentier -- page 265

84. How inequality is measured is not a neutral phenomena -- page 270. *You don't say"*

85. Rentier income fell by 2/3 in France in the 20th century -- page 274

86. Today, unlike in the past, only the very top derive income from capital -- page 277

87. Rentiers fell behind super-managers -- page 278 *Is this really true? What about rent from intellectual property via patents, or from stock options, or from mineral resources or pollution a company produces that it is not paying a fair price for (externalities)?*

88. The next 9% under the top 1% enjoy an 80/20 income/capital splits, but capital income is under-reported for the top 1% - page 281

89. Income taxes are becoming an unreliable source of income statistics. *Gaffney argues they have been that for some time.*

90. The 9% under the 1% fared better during the depression -- page 285

91. Capital gains taxes are at unsustainable low levels -- page 285

92. Increase in inequality contributed to instability -- page 297

93. From 1977-2007 the top 10% got 3/4 of the income growth and the top 1% got 60% of that -- page 297

94. The rise in inequality is <u>not</u> explained by changes in education and technology -- page 304

95. Power of special groups may determine wages, not their productivity -- page 305

96. Education can't explain gap between the top 1% and next 9% - page 314

97. Japan and Europe are not as unequal despite being as technologically advanced as the U.S., so technology and education premium does not make sense as a cause of inequality -- page 330

98. Compensation changes since 1980 largely responsible for CEO wealth gains -- page 333

99. Superior corporate performance does *not* correlate with high CEO pay -- page 334 *Also, my article here: http://www.opednews.com/articles/High-CEO-Pay--Low-Company-by-Scott-Baker-091231-794.html*

100. Top 1% owned 60% of the wealth in 1900-1910 -- page 339

101. Top decile in France owned 80-90% of total wealth -- page 342

102. Piketty conflates rent with capital -- pages 353, 359

103. Inequality dropped from 1914-1945 and has not yet returned to previous levels -- page 372 *But the trend is in that direction!*

104. Rentiers no longer make up top 1%, but super-managers do -- page 373

105. Inheritance tax rates went from 1-5% to 20-30% during WWI, leading to more equality -- page 374

106. In Germany, estate tax is half that of France -- 15-20% - page 374

107. Piketty claims capital was once land but is now industrial, financial and real estate, *but isn't Real Estate mostly land?* -- page 377

108. In the 21 century, one can be a small or medium rentier and a super-manager -- page 378

109. Lower mortality in second half of 20th century partly explains lower inheritance rate -- page 387

110. "The logic of r>g implies that an entrepreneur always tends to turn into a rentier." -- pages 395, 411, 420. *This contradicts his earlier statement that rent-seeking has given way to running businesses and being a super-manager.*

111. Tax competition among nations and regions can lead to inequality and slower growth -- page 422

112. Rent has been redefined by the 20th century as "income on any capital" -- rent, interest, dividends, profits, royalties -- page 422

113. Rent is now simply return based on ownership, independent of any labor. Rentier has now become an insult -- page 423

114. Piketty makes no distinction between rent on land and rent on true manmade capital -- page 424

115. Inherited wealth likely 50-60% of private capital -- page 428

116. Slowing of population growth means inherited wealth will become more important -- page 428

117. Forbes showed billionaires increased from 5 per million (1987) to 30 per million (2013), from .4% to 5% - page 433

118. Top 1% owns 50% of global wealth -- page 438

119. Merit alone cannot account for wealth inequality and money grows on its own, independent of owner merit -- page 443

120. Entrepreneurs turn into rentiers -- page 443

121. Inflation is not detrimental to assets if it is low and assets are invested wisely -- page 453

122. Rents to sovereign funds are climbing but currently at 1.5%

123. Annual rent on natural resources is currently *just* 5% - page 459

124. Wealthy residents of rich countries are hiding assets and making trade balance appear negative when it isn't -- page 467

125. Piketty calls for a global progressive tax on capitalism, but then dismisses it as utopian himself -- page 471

126. Share of taxes as part of national income rose 3-4X post WWI -- page 476

127. Welfare spending is small -- page 478

128. Growth of social state accounts for growth of state spending -- page 479

129. Tax rates are regressive for top 5% - page 496

130. Absence of progressive tax implies support for globalized economy. Countries with tax cuts at top have most income inequality -- page 508

131. Executives fought for huge raises only after 1980, when tax rates were lowered from 80-90%, but reductions in top rates have not stimulated national growth, just the opposite has occurred -- page 510

132. Growth rates the same in U.S. and Europe over past 3 decades -- page 510

133. U.S. growth rate higher 1950-1970 then from 1990-2010 -- page 511

134. Incomes of over .5 -- 1 million should be taxed at 80%, says Piketty - page 513

135. In favor of Real Estate taxes -- page 517, *but Piketty vastly understates revenue from this at only 1-2% of national wealth*

136. Global wealth tax would force reporting of assets -- page 520 and this should be automated -- page 521

137. Force all banks globally to report holdings.

138. FACTA requires non U.S. banks to report holdings -- page 522

139. Countries less powerful than global patrimonial capitalism -- page 523

140. Impose 30% tariffs on countries that don't release bank data -- page 523

141. Income for the wealthy is hidden in trusts etc. -- page 525

142. Piketty wants to replace property tax with wealth tax -- page 529 *Bad idea. Wealth in non-land forms is easy to hide, compared to land, which also cannot be moved offshore.*

143. Calls for progressivity in taxation -- page 530

144. Land rent seen as stable, good, income in the 19th century

145. Property taxes suffer from bad assessments and lack of progressivity -- page 530. *Actually progressivity is built-in since wealthy people tend to live on more valuable land. Assessments can be made more honest and better.*

146. China has capital control and capital regulation -- page 536

147. Piketty claims public wealth is close to zero due to debt -- page 541. *Apparently, he's never read a CAFR - click here*

148. Inflation would take decades to work down debt -- pages 544-545

149. Taxes far better or reducing debt than inflation -- page 547. *Sovereign, debt-free money is better still - http://www.opednews.com/articles/Debt-No-More-How-Obama-ca-by-Scott-Baker-Banks_Constitution-In-Crisis_Constitution-The_Constitutional-Amendments-131018-391.html*

150. Milton Freidman's "Monetary History of the U.S." in 1963 led to the Chicago School rejection of big government and the conservative revolution of the 1980s -- page 549

151. Central banks do not create wealth, they redistribute it -- page 550

152. ECB, BOE, FRB has doubled to 20% of GDP -- page 552

153. Piketty suggests a corporate tax be deducted from shareholders based on global database of wealth -- page 560. This can be progressive too.

154. Apportion taxes based on sales and wages paid in each country -- page 561

155. **Too much capital accumulation retards growth -- page 563**

156. There should be no prior constraints on Euro debt -- page 566

157. Net private wealth in Europe has never been so high -- page 567

158. Piketty calls for annual tax on capital to be global -- page 572