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Book review:

What can we do with what Thomas Piketty teaches us about capital in the twenty-first century?

- Reviews section -

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Eric Toussaint believes that the recently published *Capital in the Twenty-First Century* by Thomas Piketty is an indispensable book for anyone interested in learning more about the unequal distribution of wealth in the world today. Eric argues that as one reads this major 950-page study, which is supplemented by a large amount of statistical data and tables available on Internet, it becomes obvious that the Occupy Wall Street movement is completely right to target the richest 1%.

Indeed, in 2013, in France the wealthiest 1% owned 25% of the total wealth, [3] 30% in the United Kingdom, 20% in Sweden, and 32% in the United States. [4] If we include the portion of wealth that is hidden in tax havens or in other ways, that percentage would increase by at least 2 or 3 points. To simplify, the wealthiest 1% represents the capitalist class that possesses an impressive amount of the total wealth. [5]

If we increase that number to the richest 10%, we arrive at the following percentages: in France, the wealthiest 10% own 60% of the wealth; in the UK, 70%; in Sweden, 60%; and in the US, 70%. Overall, we can consider that the additional 9% represent the circle or allies -in the broad sense of the term "Euros" of the capitalist class.

Popular movements should make precise claims in terms of the measures that should be taken with respect to the richest 1% and the next 9%. The amount of tangible and intangible assets that this 10% possesses reveals to what extent wealth is unequally distributed. It also shows where a left-wing government could find the necessary resources in great abundance for implementing policies that would

1) improve the living conditions of most people, and

2) bring about the profound structural changes needed to move beyond productivist capitalism, and launch the ecological transition process.

In a compelling table, Piketty sums up the share of wealth owned by the richest 10%, the next 40%, and the poorest 50%.

Table 1. The unequal ownership of capital in Europe and the United States [6]

[<https://internationalviewpoint.org/IMG/jpg/etable1.jpg>]

50% of the population in Northern countries owns but 5% of the total wealth. When the left argues for a tax on wealth, this is obviously an important figure to mention in favour of not taxing the poorest 50%. Meanwhile, the middle 40% in Piketty's model, who own 35% of the total wealth in Continental Western Europe, and 25% in the US and the UK, are mainly employees, even if a small percentage are self-employed.

If we go from percentages to amounts in euros, we can understand even better what it means when we say that wealth is concentrated in a very small fraction of the population.

An idea of wealth according to different groups

According to Piketty, in several European countries where the standard of living is close to the French standard, the average wealth of the poorest 50% is about € 20,000; however, the fact that many of these households have no wealth or are in debt is also an important consideration.

The middle 40% have an average personal wealth of € 175,000 (ranging from € 100,000 to € 400,000). The next 9% have € 800,000, and the upper 1% owns € 5 million. Of course, at the top of this 1%, there are super-wealthy individuals like Liliane Bettencourt, [7] who is worth more than € 20 billion.

From the unequal distribution of private wealth in the European Union to its necessary redistribution

It is worth analysing the case of the European Union, which in 2013 had a GDP of € 14,700 billion. [8] The total private wealth of European households amounted to approximately € 70,000 billion. The richest 1% had € 17,500 billion [9] (25% of € 70,000 billion). The next 9% owned € 24,500 billion (35%), as did the middle 40%. The remaining 50% had € 3,500 billion or 5% of the total. [10]

The annual budget of the European commission (€ 145 billion) is equivalent to approximately 1% of the EU's GDP. Meanwhile, a 1% annual tax on the wealth of the richest Europeans would raise € 175 billion (€ 30 billion more than the annual budget). How about a 5% wealth tax? This simple illustration gives a concrete example of what is potentially achievable, if social movements can succeed in obtaining radical change in European policies or even of the policies in only one EU country. [11]

An exceptional tax of 33% (i.e., once in the lifetime of a generation) on the wealth of the richest 1% in the EU would raise nearly € 6,000 billion (i.e., 40 times the annual EU budget!). Imagine the result of a confiscatory rate of 80%?

These examples help us to size up the issues at stake in terms of taxing the private wealth of the capitalist class and the possibilities that exist for coming up with propositions so that we can find money where it is plentiful, in order to put it to use to bring about social justice.

Many economists keep repeating that it is of no use to tax the wealthiest, because as there are so few of them the amount raised would not be very significant. On the contrary, Piketty shows that the richest 1% has concentrated such a phenomenal amount of tangible and intangible assets that a tax policy targeting the richest 1%, 2.5%, or even 10% would provide substantial means for breaking with neoliberalism. [12]

To those who claim that wealth is inaccessible, because it can cross borders easily, we must respond that sequestration, the freezing of financial assets, heavy fines, and the control of capital movements are powerful tools that could be applied if there is the public will and political determination.

The unequal distribution of private wealth throughout the world

What has just been said about the European Union could be extended to the rest of the world, because from the North to the South there has been a substantial increase in the personal wealth of the richest.

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We could also focus on an even smaller minority of wealthy individuals as Piketty does: In 1987, there were 150 people in the 1/20,000,000 richest part of the adult population worldwide, with an average personal fortune of \$1.5 billion. | [13] Twenty-six years later, in 2013, the 1/20,000,000 richest part of the population numbered 225 people with an average personal fortune of \$15 billion, which represents a 6.4% increase per year. [14] The .1% (1/1000 of the world population [15]) richest in the world own 20% of the wealth in the world, the richest 1% own 50%. If we take into account the wealth of the richest 10%, Piketty estimates that it holds 80% to 90% of the total world wealth, while the poorest 50% certainly have less than 5%. [16] These figures allow us to understand just how much redistribution must take place, and that this redistribution would require the confiscation of a very significant share of the personal wealth owned by the richest.

Piketty observes that the wealth of the richest 1/1000 on the planet increased by a rate of 6% per year in recent decades, whereas the wealth of the overall population increased by only 2%. If a radical shift does not occur, and all else remains the same, in 30 years, the .1% will own 60% of total world wealth, three times the 20% they possessed in 2013! [17]

The distribution of income is also extremely unequal

Piketty also analyses labour income, and shows that the 10% who earn the most take home 25% of the income from labour in Europe, and 35% in the United States.

Table 2. Total labour income inequality [18]

[<https://internationalviewpoint.org/IMG/jpg/ettable2.jpg>]

If we add labour income and other forms of income (rent, interest on savings, corporate profits, dividends, and so on), the distribution is even more unequal, as shown in Table 3.

Table 3. Total inequality of income from labour and capital [19]

[<https://internationalviewpoint.org/IMG/jpg/ettable3.jpg>]

The evolution of wealth inequalities over the last two centuries

In France just before the Revolution of 1789, the proportion of national wealth held by the richest 10% was about 90%, and the fraction possessed by the richest 1% was as much as 60%. [20] After the Revolution, the proportion held by the richest 10% fell slightly due to the redistribution of land belonging to the aristocracy and clergy in favour of the bourgeoisie (a little over 9%).

Concerning the lion's share possessed by the richest 1% in 1789, Piketty underlines that the denunciation of the 1% by Occupy Wall Street combined with the proclamation "We are the 99%" is somewhat reminiscent of the famous pamphlet "Qu'est-ce que le tiers état?" ("What is the Third Estate") published in January 1789 by Abbot Sieyès. [21]

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Piketty has created a graph showing the evolution of the share possessed by the richest 10% and 1% between 1810 and 2010. He groups together the principal European countries in the category "Europe," and presents the United States separately.

[<https://internationalviewpoint.org/IMG/jpg/etgraph2.jpg>]

In Europe, the proportion of national wealth held by the richest 10% was equivalent to more than 80% in 1810, and rose during the 19th century and early 20th century, reaching 90% in 1910. It then started to fall because of World War I and the concessions that the bourgeoisie were obliged to make in the face of the class struggles that followed 1914-1918. [22] The decrease continued after World War II for the same reasons and the share possessed by the richest 10% reached its lowest point in 1975 (slightly less than 60%). After that, it started to rise again, reaching nearly 65% in 2010. The share of the richest 1% followed the same general trend, going from a little over 50% in 1810 to just over 60% in 1910. It started to fall in 1910, and reached its lowest point in 1970-1975 (20%) then started to go up again. In the United States, the evolution followed the same chronological pattern, but it is important to underline that whereas the share possessed by the richest 1% and 10% was less than that of their European counterparts in the 19th century, this situation changed as of the 1960s: today their slice of the cake is now greater than that of their European counterparts.

There are two obvious conclusions:

1. The trend is toward greater inequality, with a significant increase in the wealth held by the richest 1% and 10%;
2. The evolution of wealth distribution can be rigorously explained by the evolution of social struggles and power relations between different classes.

Piketty sums up the reasons that led to the reduction in the proportion of wealth possessed by the richest groups between World War I and 1970, and those that subsequently caused it to rise again: "To sum up: the shocks of the "first twentieth century" (1914-1945) - that is to say World War I, the Bolshevik revolution of 1917, the 1929 financial crisis, World War II, and the new policies of regulation, taxation and public control of capital that arose from those upheavals - led to historically low levels of private capital during the 1950s and 1960s. The wealth reconstitution processes appeared very quickly, then accelerated with the American-British conservative revolution of 1979-1980, the collapse of the Soviet bloc in 1989-1990, the financial globalisation and deregulation of the 1990s and 2000s, an event that marked a political watershed, reversing the previous trend, and giving holders of private capital in the early 2010s, despite the financial crisis that started in 2007-2008, levels of prosperity unknown since 1913." [23]

It is clear that the world wars produced both profound popular resentment against the capitalist class, and were followed by major social struggles, which in several countries took the form of revolutionary crises. The 1929 financial crisis also resulted in radicalisation and significant social struggles (particularly in the United States). Those in power had to make concessions to popular demands. We shall see below, for example, the actions that were taken by the governments of the main countries after World War I and II with regard to taxation, influencing to various degrees the proportion of wealth and income appropriated by the richest 1%. We then observe, as from the offensive triggered by the capitalist class against the working classes during the 1970s and 1980s, [24] a radical change in the policies of those governments, particularly with regard to taxation.

To measure the evolution of wealth, [25] Piketty compares it to national income [26] "At the start of the 1970s, the total value of private wealth - net of debt - was between two and three-and-a-half years' worth of national income in all rich countries, on all continents. Forty years later, at the start of the 2010s, private wealth represents between four and seven years of national income, [27] again in all the countries studied. There can be no doubt about the general

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trend: aside from the financial bubbles, we have witnessed the large-scale return of private capital in rich countries since the 1970s, or rather the emergence of a new form of wealth-based capitalism." [28]

We also observe that public wealth has considerably decreased in the last 40 years, after having increased in several countries, particularly after World War II. In France, the government nationalised the Bank of France in 1945 together with the four largest deposit banks, the *Crédit Lyonnais*, *Société Générale*, *National Bank for Trade and Industry*, and *Comptoir national d'escompte de Paris*. Louis Renault, head of the Renault car company, was arrested in September 1944 for his collaboration under the Nazi occupation, and the company was nationalised in January 1945. [29] The British government nationalised the Bank of England in 1946. According to Piketty, in the industrial and financial sectors, in France, "the State's share of national wealth exceeded 50% from the 1950s to the 1970s." [30]

As Piketty also writes, we have observed: "... on the one hand, a movement of privatisation and gradual transfer of public wealth towards private wealth since the 1970s and 1980s; and on the other hand, a phenomenon of long-term adjustment of the prices of real estate and financial assets, which also accelerated in the 1980s and 1990s, in a political context globally very favourable to private wealth, in comparison with the decades immediately after the war." [31] This second phenomenon is clearly connected with the financialisation of the economy.

Evolution of low and high salaries since the 1960s

We do not have room to sum up the evolution of income inequalities over the last two centuries. We shall limit ourselves to highlighting the evolution in France since 1968. The May 1968 general strike in France, and the Grenelle accords that followed it, led to a considerable increase in the minimum wage over 15 years: "That is how the buying power of the minimum wage rose in all by more than 130% between 1968 and 1983, while at the same time average wages increased by only about 50%, hence a very considerable compression in wage inequalities. The break with the previous period was clear and massive: the buying power of the minimum wage had risen by barely 25% between 1950 and 1968." [32]

The turning point occurred in 1982-1983 when François Mitterrand's government veered to the right. In a context of stagnating wages, the highest salaries, those of the richest 1%, rose by 30% between the end of the 1990s and 2010, and those of the richest 0.1 % increased by 50%. [33]

On the other side of the Atlantic, a legal minimum wage was introduced in 1933 at the start of the Franklin D. Roosevelt's presidency, 20 years before France. It reached its peak in 1969 (under Lyndon Johnson) when it was the equivalent of \$10 per hour at 2013 prices. Since then, it has fallen, and in 2013 under Barack Obama, it was barely \$7.25 an hour. [34] Also in the United States, with regard to all sources of income (wages, rent, profits, dividends, etc.), we observe that from 1977 to 2007, the richest 10% appropriated three quarters of the increase in national income; the richest 1% absorbing 60%. For the remaining 90%, growth has been less than 0.5% per annum. [35]

If we take into account the distribution of national income in several key countries, we observe everywhere over the course of the last decades that the richest 1% and 0.1% have increased their share.

Proportion of national income going to the richest 1% in 2010: United States approximately 20%, Canada and UK 14-15%, Germany 11%, Australia 9-10%, Japan + France + Spain + Italy 9%, Sweden + Denmark 7%. [36]

Proportion of national income going to the richest 0.1 %: during the 1970s, US 2%, France and Japan 1.5%; in 2010, US 10% (12% if we include capital gain on shares), France and Japan 2.5%. [37]

Let us examine several so-called emerging countries for which Piketty was able to gather reliable data. [38] Proportion of national income going to the richest 1%: China 4-5% in 1980, and 10-11% in 2010; India 4% in 1980, and 12% in 2010; Argentina 10% in 1970, and 18% in 2010; Colombia 18% in 2000, and 20% in 2010.

The interest of this data, apart from concerning a central aspect of the description of inequalities, is that we can demonstrate that the evolution of income is really linked to social struggles and the politics of the governments in power. This is one more reason for stating that collective action is the key for improving wages, in particular the lowest, and for reducing inequalities. Action is decisive for shaping government decisions and gaining concessions from employers.

The evolution of tax rates is also linked to social struggles

In France, whereas in 1914 the top tax rate on the highest income brackets was just 2%, it rose to 50% in 1920, 60% in 1924, and even 72% in 1925. In 1920, the decision to apply a sudden and very sharp increase was taken by a National Assembly with a right-wing majority that was afraid of the general strike and radicalisation that could have ensued due to a refusal to make concessions. In Germany, it went from 3% (1891-1914) to 40% in 1919-1920 at the height of the revolutionary crisis. In the US, it progressed from 8% before the 1914-18 war to 77% after the war. [39]

[<https://internationalviewpoint.org/IMG/jpg/etgraph1.jpg>]

We see the same evolution with regard to inheritance tax rates. Legislators have imposed very high rates in response to popular pressure. This began just after 1914-18 and continued after the financial crisis in the 1930s. While the highest rate in France was just 6.5% before the war (in practice, it was reduced to 1%), it shot up to 30%. In Germany, it went from 0% before the war to 35% afterwards. In the United States, inheritance tax reached 70% in 1937-1939. [40] The rate of tax on inheritance is important and considered vital by the richest 10%, because 60-70% of major fortunes are inherited. [41]

Returning to the top income tax rate. Just before the crisis of October 1929, President Hoover cut the top rate to 25%. In 1933, Roosevelt notched it up to 63% in the first year of his presidency, then to 79% in 1937 (thus exceeding the 70% applied after 1919), then to 88% in 1942, and finally to 94% in 1944. The top rate remained at 90% until the mid-1960s. In his 1972 presidential campaign, the Democratic candidate George McGovern proposed to raise the top income tax rate to 100%, [42] but Nixon won the election. The rate fell progressively to 70% in the early 1980s. Ronald Reagan then lowered it to 60%. In the late 1980s, it dropped to 40%, then under George W. Bush to 35%. Over the period 1932-1980, the average top rate was 81% (to which should be added the 5% to 10% in state tax).

France and Germany applied top rates between 50% and 70% from the 1940s to 1980s. In the UK, the top rate reached 98% in the 1940s, and then again during the 1970s. [43]

Finally, we should note that the top rate applies in practice to the incomes of the richest 1% of the population.

The radical reduction in the top rates, particularly in the US and UK since the 1980s, has led to a major increase in the salaries of senior business executives and in the proportion of national income and wealth held by the richest 1%. [44]

After having reviewed the evolution of taxes on the highest incomes, Piketty concludes that a very high top rate is

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needed, more than 80% (82% to be exact) to be applied above \$500,000 or \$1 million; [45] 50% or 60% for incomes above \$200,000. [46]

Piketty recognises that this will not be easy to obtain in the current context. In the United States, Congress acts largely in favour of the 1%. And with good reason: according to a serious estimate, the average wealth of the members of the US Congress stood at \$15 million in 2012. [47]

Once again, the results of Piketty's research show that a combination of two decisive actions is required. [48]

1. a broad-based information and training campaign to spread as much as possible the lessons of twentieth century history about how taxation policies have been directly influenced by the pressure of popular movements;
2. mobilisation within the framework of a platform to pursue a group of priority objectives.

Piketty and public debt

Piketty devotes a dozen or so very interesting pages to the question of public debt over the last two centuries, focusing his analysis mainly on France and the United Kingdom. He rightly states that in discussing public debt, studying the past is worthwhile for understanding and dealing with the challenges of the current crisis: "This complex question of the indebtedness of States and the nature of the corresponding wealth is at least as much a concern today as it was in 1800, and examining the past can enlighten us about this phenomenon, which is so significant in the world today. For even if public debt in the early twenty-first century is still far from attaining the astronomical levels of the early nineteenth century (at least in the UK); on the contrary, in France, and in many other countries it is near its historic record levels, and is probably the cause of more confusion today than during the Napoleonic era." [49]

Between the end of the 18th century and the beginning of the 19th century, France and the United Kingdom adopted policies that were quite different regarding public debt. Whereas in the years 1760-1770, public debt stood at nearly 100% of national income in both countries, forty or fifty years later the situation had changed completely. France's public debt was only 20% of its national income in 1815, whereas Britain's debt had skyrocketed to 200% of national income.

How did that happen? In France, the burden of paying off public debt and the people's refusal to bear that burden alone played a central role in the revolutionary explosion of 1789. Measures taken during the Revolution radically reduced the burden of public debt. Piketty sums up the sequence of events as follows: "The French monarchy's inability to modernize its taxes and end the fiscal privileges of the nobility is well known, as is the ultimate revolutionary outcome, with the convening of the Estates-General in 1789, which led to the implementation of a new taxation system in 1790-1791 (including a real-estate tax affecting all landowners, and an inheritance tax on all estates) and the 'two-thirds bankruptcy' in 1797 (which in reality was an even more massive default, with the episode of the assignats [50] and the resulting inflation), which closed the books on the Old Regime. That is why France's public debt was suddenly reduced to extremely low levels at the start of the 19th century (to less than 20% of national income in 1815)." [51]

Britain took a completely different path. In order to finance its war to oppose the Declaration of Independence signed by the 13 British colonies in North America, and "above all, the multiple wars with France during the Revolutionary and Napoleonic periods, the British monarchy chose to borrow without limit. Public debt went from approximately

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100% of national income in the early 1770s to nearly 200% in the years after 1810 - ten times that of France in the same period." [52]

Piketty explains that it took the United Kingdom a century of austerity and budget surpluses to reduce its indebtedness gradually to less than 30% of national income at the beginning of the second decade of the 20th century.

What lessons can be drawn from Britain's experience? First, there is no doubt, according to Piketty, that the heavy public debt increased the extent of private wealth in British society. Wealthy Englishmen readily lent money to the State.

Piketty goes on: "This heavy public indebtedness generally served the interests of the lenders and their descendants quite well - at least in comparison to a situation in which the British monarchy would have covered its expenditures by making them pay taxes. From the point of view of those who have the means to do it, it is obviously much more advantageous to lend a given sum to the State (and then to receive interest on it for decades) than to pay it in the form of taxes (without compensation). [53] He adds that the massive recourse to public debt by the State enabled the bankers to raise interest rates, which was beneficial to the wealthy lenders such as entrepreneurs, the independently wealthy, and bankers.

According to Piketty, the essential difference with the 20th century (see below) is that public debt was reimbursed at a premium in the 19th century: "Inflation was quasi nil between 1815 and 1914, and the interest rate on government certificates was very substantial (generally around 4%-5%), and in particular was well above the growth rate. Under such conditions, public debt can be a very good deal for the affluent and their heirs." [54]

Piketty offers a hypothetical case in which: "cumulative public debt ... is equal to 100% of the GDP. Suppose that the government does not seek to reimburse the principal, but only pays the interest each year ... if the interest rate is 5%, every year it will have to pay 5% of the GDP to the holders of this additional public debt, endlessly. That is basically what happened in the United Kingdom in the 19th century." [55] Now, let us travel in time and space: today in Greece, public debt is in excess of 160% of GDP. If we entertain the hypothesis that the State will reimburse that debt to the Troika and its other creditors at a rate of around 5% [56] on average, and if we also take into consideration that growth is non-existent [57] and that the rate of inflation is also nil, Greece will have to pay its creditors, indefinitely, the equivalent of 8% of its GDP without reducing the debt, since only the interest on it is being paid off. [58]

Now let us return to the 19th century: total public debt in France, which was very limited in 1815, increased rapidly over the next decades, in particular during the period of the censitary monarchies (1815-1848). After the defeat at Waterloo in 1815, the French State went deeply into debt to finance the compensation paid to the armies of occupation, then again in 1825, to finance the famous "émigrés' billion" [59] paid to the aristocrats who went into exile during the Revolution (to compensate them for the consequences of the Revolution, and in particular the confiscation of part of their land holdings). In all, public debt increased to the equivalent of over 30% of the national income. Under the Second Empire, debts were paid "cash on the nail".

Piketty recalls the short work *The Class Struggles in France*, written in 1849-1850, in which Karl Marx denounces Louis-Napoléon Bonaparte's Minister of Finance, Achille Fould - a worthy representative of the bankers and high finance -, who decided to increase taxes on beverages in order to pay off wealthy holders of government bonds. Twenty years later, following the defeat at the hands of Prussia in 1870-1871, the French State further increased public debt to pay a war tribute equivalent to some 30% of national income. Finally, the indebtedness policy conducted between 1880 and 1914, which was favourable to creditors, brought public debt to a higher level in France than in the United Kingdom - around 70-80% of national income, compared to less than 50% previously.

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Piketty adds, "Government annuities were a very secure investment throughout the 19th century in France, and contributed to reinforcing the extent and level of private fortunes, as was also the case in the United Kingdom." He concludes that the policy of public indebtedness pursued during the 19th century in France and the United Kingdom "explains why the socialists of the 19th century, beginning with Karl Marx, were extremely mistrustful of public debt, which they perceived - rather clairvoyantly - as an instrument used to encourage the accumulation of private capital." [60] He goes on to say, very accurately, "A large portion of the public debt (...) is held in practice by a minority of the population, so that the debt results in a major redistribution of wealth within a country (...). Given the very high concentration that has always characterized the distribution of wealth (...), studying these questions while ignoring the inequalities between social groups amounts to disregarding de facto a major aspect of the subject and the realities that are at play." [61]

Piketty explains that over the course of the 20th century, France underwent a major change in the way public debt is managed. The public authorities benefited from inflation, and then made use of it to reduce the real value of the debt. "The consequence for the State is that, despite a large initial public debt (close to 80% of national income in 1913) and very high deficits during the period 1913-1950, in particular during the war years, in 1950 France's public debt was again at a relatively low level (approximately 30% of national income), as in 1815. In particular, the huge deficits of the Liberation were almost immediately wiped out by inflation in excess of 50% per year for four consecutive years, from 1945 to 1948, in a supercharged political atmosphere. In a way, it was like the 'two-thirds bankruptcy' of 1797 - the books were closed on the past in order to proceed with the reconstruction of the country with a low public debt." [62]

Based on this experience in the second half of the 20th century, a very different vision from that of Marx and the socialists during the 19th century was developed, founded on the conviction that indebtedness can be an instrument in the interest of a policy of public spending and redistribution of wealth in favour of the poorest citizens.

"The difference between the two visions is quite simple: In the 19th century, debt was reimbursed at a premium, which was to the advantage of the lenders and tended to bolster private fortunes; in the 20th century, debt was diluted by inflation and reimbursed in "funny money," making it possible de facto to put the burden of financing the deficits on those who had lent their wealth to the State, without having to increase taxes as much. This "progressive" vision of public debt in fact continues to hold sway with many thinkers in the early 21st century, even though inflation has long since fallen back to levels that are not far from what they were during the 19th century, and its distributive effects are relatively obscure." [63] Thomas Piketty is quite right to stress the dangers of a unilaterally positive vision of public debt.

Piketty's proposals

Let us now analyse what Piketty proposes. From the outset, he makes it clear that he does not defend public debt in anyway: "I have repeatedly stated that it often results in reverse redistributions, from those who have less to those who can afford to make loans to the State (and who as a rule ought to pay taxes instead)." [64] We can only agree with this statement. He adds that "national capital is very poorly distributed, with private wealth exploiting public poverty, which means that we currently spend much more paying interest on debt than we invest in higher education. This is actually a rather old situation: considering the rather slow growth since the 1970s-1980s, we are in a historical era in which debt is a heavy burden on the treasury. This is the main reason it must be reduced as quickly as possible (...)" [65]

Piketty considers (but rejects) two solutions for reducing public debt, before proposing a third one. The first rejected solution is to privatize public assets to repay the debt. The second consists in cancelling the debt. The third one, which he supports, is to levy an exceptional progressive tax "so as to spare those with the least amount of wealth,

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and ask more of those with the most." [66] I will not spend much time on the first solution, because it is so clear to me that it must be rejected. This is the solution currently being rolled out by governments that are merely extending the wave of privatisations undertaken in the 1980s-1990s.

As for the second solution, which Piketty also rejects, it is obvious that he does not fully explore all possible scenarios for debt cancellation. The only model he mentions explicitly is the one applied to Greek debt in March 2012, a so-called haircut operation, while there are other possibilities.

He is right to reject this kind of partial debt cancellation devised by the Troika (the European Commission, ECB, and IMF) for Greece. In this case, debt cancellation was based on measures that run against the civic, political, social, and economic rights of the Greek people, and it contributed to dragging Greece even further into a downward spiral. The operation aimed at making it possible for foreign private banks (mainly French and German ones) to pull out while limiting their losses, for private Greek banks to get fresh capital from the public treasury, and for the Troika to tighten its long-term grip on Greece. While Greek public debt amounted to 130% of GDP in 2009, and 157% in 2012 after partial debt cancellation, it reached 175% in 2013! The unemployment rate, which was 12.6% in 2010, was 27% in 2013 (50% among youths under 25). Piketty is thus completely right when he rejects such haircuts, which merely aim to keep the victim alive in order to bleed it longer.

On the other hand, he is wrong to not give serious consideration to the idea of debt cancellation or the suspension of debt payments as decided on by the debtor country, on its own terms, and under citizen control. This is what Ecuador in 2008-9 and Iceland from 2008 onward did in two different sets of circumstances. Based on an audit decided on by the government and carried out with the active participation of citizens in 2007-2008, Ecuador unilaterally suspended payment on the portion of its public debt owed as securities maturing in 2012 and 2030, which were mainly held by foreign banks. [67] The outcome was positive: Ecuador bought back 91% of these securities at less than 35% of their market value. Thanks to what the country had saved in debt repayment, it could greatly increase social spending, particularly in the fields of education and healthcare (see Appendix 2 for a more detailed presentation of Ecuador's experience). In the case of Ecuador, we should not simply take the current process as a model: it is essential to continue analysing the situation there. However, it does demonstrate that a State can take a unilateral sovereign decision in terms of debt auditing and suspension of payment, and consequently increase public spending in fields such as education and health.

From the end of 2008, Iceland unilaterally refused to pay for the debts of private banks that owed money to foreign creditors. This occurred in the context of strong citizen mobilisation that put pressure on Iceland's government to refuse the claims of foreign creditors, especially the UK and the Netherlands.

What happened in Iceland? Because of the collapse of the banking system in 2008, Iceland refused to pay compensations to people in the UK and in the Netherlands, who had deposited a total of \pounds 3.9 billion in subsidiaries of private Icelandic banks that had just collapsed. The British and Dutch authorities compensated their own citizens, and demanded that Iceland pay them back. Under popular pressure (demonstrations, sit-ins, referenda), the Icelandic government refused. As a result, Iceland was listed as a terrorist organization, Icelandic assets were frozen in the UK, and the Icelandic government was sued by London and The Hague in the Court of Justice of the European Free Trade Association States (EFTA). [68] In addition, Iceland completely blocked the outflow of capital. Ultimately, it fared much better than many other European countries that had met their creditors' demands. Of course, we should not simply take Iceland as a model to be emulated, but we should draw lessons from its experience.

Ecuador and Iceland are two recent examples that should be examined carefully for they show that there are solutions for debt cancellation other than the Greek haircut. [69] Those two examples offer proof that if you do not comply with creditors' demands your country does not simply collapse, quite the opposite.

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Let us return to Piketty's position. He is convinced that cancellation will hardly affect the richer creditors, because they will manage to "restructure their portfolios on time" and consequently he claims that "there is no guarantee that those who will have to pay are those who should." [70] However, he produces no evidence that is based on concrete examples or statistical data to support this, while history shows that when a country hints that it might stop repaying its debt or when it actually does, the market value of its debt securities plummets, and it is very difficult for stockholders to unload them at a good price. [71] This is what occurred between 2007 and 2009 in Ecuador, and all those who follow what is happening on the debt market know that it is virtually impossible to get rid of a large amount of securities without significant losses in the case of unilateral debt cancellation or suspension. Moreover, it is easy for a country taking such measures to provide compensation and protection to those with limited income, assets, and savings. It is quite possible to make sure that those who should pay do while protecting those who deserve to be protected.

Let us now examine Piketty's proposal on finding the means necessary to reduce the burden of public debt. After considering the possibility of "a 15% proportional tax on all private assets," [72] he rejects this idea, because as he writes "it would not make much sense to levy a proportional tax [73] on all European private assets." [74] He claims that "it would be better to use a progressive schedule so as to spare those with the least amount of wealth, and levy more on those who have the most wealth." [75]

Piketty is favourable to a partial reduction of the debt, amounting to 20% of the GDP. In order to reach this objective, he suggests that a progressive exceptional tax be levied: "0% under \hat{a} -1 million, 10% between \hat{a} -1 and \hat{a} -5 million, and 20% beyond \hat{a} -5 million," [76] while recognising that other rates could be used.

It must also be mentioned, and deplored, that Piketty never considers the issue of the legitimacy of public debt. It is actually astonishing, because throughout the book he shows that a regressive tax policy results in an increase in public debt, and that, as he states repeatedly, those who pay back the debt are for the most part lower-income people, given the share of taxes they pay, while those in the higher income brackets lend to the State, since this is a safe investment. He does not suggest either that citizens should organise and audit the debt, while he must know that in France (and elsewhere in Europe), since 2011 citizen debt audit initiatives have been developing with a certain amount of success. [77]

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The CADTM's proposition on public debt

To contribute to the debate needed to find solutions to the public debt crisis, the CADTM argues that the portion of public debt identified as being illegitimate (or illegal) should be repudiated instead of being repaid.

The CADTM adds that the following measures should be instituted:

1. Those who own small quantities of government bonds will be completely reimbursed;
2. The following rule of thumb should be applied in line with point 1: "When public debts are cancelled, small savers who have invested in government bonds, and wage earners and old-age pensioners who have part of their social security contributions (pension, unemployment, health-care, and family benefits) invested in institutions or bodies that manage the same kind of bonds must be protected." [78]

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3. The portion of public debt that has not been identified as illegitimate should be decreased by making those who gained from it contribute to paying it back. One possible option to do this would be to levy an exceptional progressive tax on the richest 10%. The revenues from this tax could be used to prepay a portion of the debt that is not considered to be illegitimate. There are other possible solutions, and the CADTM remains open to discussion.

The procedure used to identify the illegitimate part of public debt that must be cancelled will be based on a far-reaching citizen debt audit, which must mobilize people and ultimately lead public authorities to formally repudiate this debt. The CADTM is making concrete propositions while participating actively in different citizen debt audit initiatives. It is through a democratic debate linked to the debt audit process that we will be able to more precisely define propositions leading to a popular consensus, and thanks to the mobilization of as many people as possible that these ideas will be put into practice by our government leaders.

The different forms of responsibility in the debt process must also be determined during the citizen debt audit, and those responsible for running up debt nationally and internationally must be held legally accountable. If the audit demonstrates that there are offences linked to the illegitimate part of the debt, the perpetrators (natural or legal person(s)) must be severely sanctioned and forced to pay reparations.

They should not be allowed to work in any credit or banking sector jobs (any banks found to be guilty could have their banking license revoked), and should be given jail sentences if their actions deserve such punishment. Furthermore, the public authorities who committed to any illegitimate loans must be held legally accountable. A legal framework must also be established to avoid crises like the one that started in 2007-2008, and should include the following five measures.

- 1) It must be illegal to socialise private debt;
- 2) An obligation to conduct continuous auditing of the public debt with citizen participation;
- 3) The non-applicability of statutory limitations to offences linked to illegitimate debt;
- 4) Illegitimate debt must be considered null and void; [\[79\]](#)
- 5) A golden rule must be adopted according to which it is illegal to cut any public spending needed to guarantee fundamental human rights, which take precedence over spending to repay debts.

A State must be able to borrow so that it can improve the living conditions of its people, by improving public infrastructure and investing in renewable energies. Some of these projects can be funded by its current budget thanks to determined political choices, but government borrowing can make other more far-reaching projects possible. For instance, such money would be needed to make a transition from the "car culture" to the large-scale development of public transport, to definitively close nuclear power plants and replace them by renewable energy sources, to build or re-open local railways throughout the country, starting in urban and peri-urban areas, or even to renovate, rehabilitate, and construct high-quality low-energy public buildings and social housing.

The CADTM argues that a transparent public borrowing policy must be established, and would like to make the following propositions:

1. All public borrowing must be used in a way that guarantees improved living conditions, and breaks with the logic of environmental destruction;

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2. All public borrowing must contribute to a wealth redistribution process aimed at reducing wealth inequalities. This is why the CADTM argues that all financial institutions, major private corporations, and wealthy households should be legally bound to purchase government bonds in amounts proportional to their wealth and income, which earn 0% interest and are not indexed on inflation. The remainder of the population could purchase these bonds on a volunteer basis, and would be guaranteed a real positive yield (for example 3%) that is greater than inflation. In this case, if the annual inflation rate were 3%, the interest rate paid by the government would be 6% for that same year.

Such affirmative financial action (comparable to the policies adopted to fight racial discrimination in the United States, the caste system in India, and gender-based inequalities) would help us to move toward more tax justice and a more egalitarian distribution of wealth.

The CADTM also argues that national banks and the ECB (for eurozone countries) must offer countries 0% loans to fund their national budgets.

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Piketty's central idea to create a worldwide, progressive tax on capital

Piketty declares that it is essential "to adequately revamp the 20th century social-democratic and neo-liberal fiscal programme." He believes that we must defend and improve both the welfare state and the progressive income tax system. We must also innovate "by establishing a progressive worldwide tax on capital, accompanied by a high degree of financial transparency." This "institution would enable us to avoid a spiral of perpetually increasing inequality and effectively regulate the disturbing wealth concentration dynamic that has been developing throughout the world." [\[80\]](#)

Piketty has no illusions about how fast his proposition will be put into practice: "A worldwide tax on capital is utopian: it is hard to imagine in the near future all the nations on earth agreeing to put it in place, establishing a tax schedule that would apply to all the great fortunes on the planet, then harmoniously distributing the revenues raised to all countries. However, it is a useful utopia (...)." [\[81\]](#)

Piketty specifies that "In my opinion, the goal must be to levy an annual, progressive tax on capital [\[82\]](#) at the individual level, i.e., on the net value of the assets each person owns." [\[83\]](#) He proposes three variants for this progressive tax on private capital.

Variant 1: a rate of 0% below \hat{a} \approx 1 million; 1% from \hat{a} \approx 1 to \hat{a} \approx 5 million; 2% more than \hat{a} \approx 5 million

Variant 2: upward adjustment, 5% or 10% beyond \hat{a} \approx 1 billion

Variant 3: downward adjustment, 0.1% below \hat{a} \approx 200,000, and 0.5% from \hat{a} \approx 200,000 to \hat{a} \approx 1 million.

This tax is complementary to what already exists, but it could be used to decrease the current tax payments (or to reduce the national debt, note 1, p.840). It would result in a relatively small increase in current national incomes. Even if it were very low, this tax would give authorities knowledge on the wealth of the inhabitants in the areas concerned.

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Piketty adds: "At the present time, the international organisations in charge of regulating and monitoring the world financial system, such as the International Monetary Fund, have only extremely approximate knowledge on the distribution of financial assets throughout the world, and in particular the amount of assets based in tax havens." [84] If it were established, "the tax on capital would be a kind of world finance registry, which does not exist today." [85]

We fully support Piketty's proposition for a progressive tax on private wealth or capital to employ the term he uses; however, we do not agree with him when he argues that the highest priority must be placed on this objective. Instead, a programme with complementary measures must be created. A progressive tax on capital, along with the cancellation of illegitimate debt and a drastic reduction in the portion of public debt not found to be illegitimate, must be included in a comprehensive programme that would enable society to make a transition toward a post-capitalist and post-productivist system. First implemented in one or two countries, such a programme should also have European and worldwide ambitions. It should put an end to austerity measures, reduce the amount of time worked by hiring new employees while maintaining wages, and socialise the banking sector. There must also be a general fiscal reform, measures to ensure gender equality, and the implementation of a well-defined policy that will ensure the ecological transition. [86]

Piketty is under the illusion that he will be able to convince others of the need to give highest priority to his proposition, whereas what would be truly effective and unite people would be to define a common platform, bringing together the maximum number of people in favour of radical democratic change that will foster social justice.

In addition, as we argue in "Cancelling debt or taxing capital: why should we choose?": "The essential critique that can be made of Thomas Piketty is that he thinks the solution may be found within the current system. He proposes a progressive tax to redistribute wealth and save democracy, but he does not question the very conditions in which this wealth is produced or the consequences of the current system. His idea is only a solution for one of the negative effects produced by the system, but he does not tackle the true causes of the problem. First of all, if a tax on capital were applied as a result of social struggle, the great danger is that its product would go up in smoke to repay illegitimate debt, if that debt is not first cancelled. Furthermore, can we content ourselves just because the wealth produced by the system is shared more fairly, if this same system remains predatory, has no respect for people or common property, and destroys our ecosystems at an increasingly faster rate? Capital is not only a useful means of production that deserves a regular 5% return on investment as Piketty suggests, it is also an important vector of social relationships of domination by the possessing classes over society as a whole. Capitalism as a mode of production is not only the cause of more and more unbearable social inequalities. It is also a menace to our ecosystem, the justification for the plundering of common property, domination, exploitation, and alienation of the people through materialistic values, and a logic of accumulation that transforms men and women into spiritually enslaved individuals obsessed by material possessions to the detriment of the immaterial basis underlying our humanity." [87]

One of the characteristics and weaknesses of Piketty's approach is that he does not call for a mobilisation of the social movements to try to have an influence on current policies. He is conscious that the people played a decisive role in the orientations taken since World War I, and denounces the repression of the miners in Marikana, South Africa in August, 2012, but in the more than one hundred pages at the end devoted to his own propositions, which reflect on the solutions to the basic problems, no mention is made of organised citizen action, and no allusion is made to the Indignados movement, even if in the pages just before his propositions, he does mention the Occupy Wall Street movement. At best, he expresses the hope that the dissemination of research like his will raise people's awareness and thereby ultimately lead to change. This is a major weakness in Piketty's approach. It comes as no surprise then that he proposes to establish a "Eurozone Budget Parliament" [88] alongside the European Parliament. He suggest that "This Parliament could include about fifty members for each of the big countries in the zone, in proportion to the population. Its members could be chosen from the finance and social affairs commissions of the national Parliaments, or appointed in some other way." [89] In addition, he is favourable to "the election of a European Union President on the basis of the popular vote, a proposition which should be logically accompanied by

an extension of his or her powers." [90] Piketty embarks on a pathway to making reforms that does not question the European treaties and institutions in which the defence of the interests of major capital owners is set in stone. Yet, we all know that fundamental change is necessary, and that it must include the abrogation of those treaties and the initiation of a constituent process with the production of registers of grievances by citizens united in action.

To conclude, Piketty's work is extremely valuable in terms of the clear data it provides on trends in wealth inequalities over the past two centuries. His book gives us a very useful tool for understanding them, and will enlighten the debate on possible alternatives. Unfortunately, he fails to go far enough in terms of the need to join theory and action, issues relating to debt cancellation, and taxation thresholds.

Appendix 1. Capital in the Twenty-First Century: Valuable research despite some basic shortcomings

Piketty has gathered his data meticulously and provided a useful analysis of the unequal distribution of wealth and income, yet some of his definitions are somewhat confusing and even questionable. Consider, for instance, his definition of capital: [91] "In all civilisations, capital has served two great economic functions: on the one hand to provide dwellings (that is to say, to produce "housing services," the value of which is measured in terms of the rental value of the dwellings: this is the value of well-being of having a roof over one's head as opposed to being outside); and, on the other hand, as a factor of production for producing other goods and services." He continues: "Historically, the early forms of capitalistic accumulation seem to concern tools (from flint, etc.), agricultural infrastructure (fences, irrigation, draining, etc.), and rudimentary dwellings, before evolving into more sophisticated forms, such as industrial and professional capital and increasingly elaborate dwellings". Piketty hereby proposes a scenario that suggests capital has been present from the origins of humanity.

This major confusion continues in the heart of his analysis in *Capital in the Twenty-First Century*. For Piketty, an apartment worth \hat{a} \approx 80,000 or \hat{a} \approx 2,000 on a savings account may be defined as capital, in the same way as a factory or commercial premises worth \hat{a} \approx 125 million. The ordinary citizen who owns an apartment, has some reserves in a savings account and a life insurance policy worth, say, \hat{a} \approx 10,000 will readily agree with Piketty's definition, which corresponds with those found in standard economic textbooks and repeated by their bank manager. However, they are wrong, because capital in our capitalist society is much more complex than these simple definitions. Capital is a social relationship that permits a minority (the richest 1%), to get richer by exploiting the labour of others. Yet when Piketty talks of a progressive tax on capital, he confounds the different levels of wealth that are \hat{a} \approx 1,000 on a savings account with the Lakshmi Mittal or Liliane Bettencourt fortunes.

The same confusion continues in his analysis of income: Piketty considers that the income from renting out an \hat{a} \approx 80,000 apartment is a capital gain of the same kind as the income Liliane Bettencourt makes from her corporation L'Oréal.

This also goes for a retired person's savings account, (if \hat{a} \approx 10,000 is deposited at 2% interest it earns \hat{a} \approx 200 a year), but as little as this is Piketty considers it to be capital income.

As far as wages are concerned, Piketty considers that all income declared as wages are wages whether this means the \hat{a} \approx 3 million salary package of the CEO of a banking group or the \hat{a} \approx 30,000 salary of a bank employee.

We must ask ourselves what exactly Piketty means by "capital" and "labour," and better define the difference between capital income and labour income.

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For example, below a certain level income from rent, interest on a bank account, or corporate shares should not be defined as capital. Likewise, personal wealth below a certain level should not be considered as capital either.

In addition, if we want to understand how the 1% accumulates capital, we must go beyond remarks such as this: "If capital plays a useful role in the production process it is natural that it earns a return." [92]

Piketty's confusion is undoubtedly the result of his fundamental convictions: "I am not interested in denouncing inequalities or capitalism as such (...) social inequalities are not a problem in themselves if they may be justified, that is to say for the common good." [93]

My critique of Piketty's definitions in no way minimises the interest of the monumental portrait his research draws of the wealth and income inequalities that have developed over the last two centuries.

Appendix 2. The struggle of the Ecuadorian people against illegitimate public debt

Towards the end of the 1990s, a series of popular movements, particularly Jubilee 2000 Guayaquil (Ecuador's biggest city and port) began a campaign against the unjust debt demanded from the country. At first, the positions of this social movement were moderate and confused. In 1998, they went to the Paris Club hoping to present a case for restructuring Ecuador's debt along with obtaining a significant reduction. After waiting patiently for two years, they realised that the Paris Club did not have the slightest intention of renegotiating, and that it had only agreed to discuss the issue for public relations.

In 2001-2002, CADTM International and the Centre for Economic and Social Rights (CES) began a campaign against Ecuadorian debt specifically centred on the sale of fishing boats to Ecuador by Norway. The two groups mounted a case demonstrating that the debt owed to Norway for this purchase was illegitimate because the sale had been a measure in the interest of Norway's ship building industry, at the time in crisis in need of export orders, and not in the interest of the Ecuadorian people. These boats had hardly been used for their original purpose of fishing, instead they were made available to one of the countries wealthy banana producers to transport bananas. This concrete example illustrates how a campaign against debt can be started: by drawing attention to a specific debt, and linking to it the notion of illegitimate debt. We managed to work with the Norwegian organisation SLUG, and to introduce the idea of debt auditing to clarify what, if anything, Ecuador really owed.

This campaign was managed against a background of social unrest between the end of the 1990s and beginning of the 2000s. In 2000 and 2005, several important popular movements succeeded in bringing down two neoliberal Presidents. In 2000, the President was removed and new Presidential elections were won by Lucio Gutierrez on a left wing, anti-IMF, and anti-US platform. Once in office, he changed his policies completely announcing, "I am the best friend of the USA, Chavez is our enemy." This caused discontent, frustration, and another popular uprising in 2005 that forced the President to abandon the Presidential palace by helicopter. There followed a transitional government with Rafael Correa in the office of Finance Minister in a period when oil prices were quite high. The question of the debt was important because the social movements had been conducting this campaign for 7 or 8 years.

As Finance Minister, Rafael Correa allocated all the extra oil revenues to health and education spending, with no question of dilapidating them on foreign debt payments. The debt was considered to be illegitimate, and the people must benefit from the export revenues and the taxes earned on them. The World Bank and IMF reacted violently and refused to allow Ecuador to use the oil revenues on social spending. The World Bank threatened to suspend its lending to the country if such measures were taken. However, Correa refused to be pushed around by the World

Bank, and maintained this attitude before the rest of the Ecuadorian government. Ultimately, he preferred to resign and enter into opposition rather than withdraw a decree that was in his country's interest. The interim President who replaced Correa decided to launch a debt audit commission, but with very limited powers. Nevertheless, the results of the study on Ecuadorian debt were interesting and contributed to raising awareness on the question of debt.

Correa ran for President in the 2006 elections proposing a new radically different more democratic constitution, and putting an end to illegitimate debt. "Elect me as President and I promise to take measures so that the country can stop paying for illegitimate debt." He also promised to close the US naval base on Ecuadorian territory and to abandon the negotiations that were leading to a free trade treaty with the US. His objective was to regain Ecuadorian independence with a project for a democratic political system, constitutional change, abolition of illegitimate debt, national sovereignty and independence, and the closing of the foreign military base.

The 2007 - 2008 debt audit and its positive consequences

Correa was elected in December 2006, and immediately started a referendum campaign in February 2007 in favour of a new Constitution. He was victorious in spite of the opposition of all the big media.

The next step, as from May 2007, was to settle the debt question. The first thing the new President did was to expel the World Bank's permanent representative to Ecuador. The message was clear: The WB had not respected Ecuadorian sovereignty in 2005, driving Correa to resignation, it had interfered in Ecuador's internal affairs, Go home! World Bank clear off (to put it nicely)! In July 2007, by Presidential decree, Rafael Correa created a commission to audit the national debt. The Ecuadorian participants were drawn from "grass roots" civil society movements, and from four state institutions: the General Accounting Office, the Anti-corruption Commission, Ministry of Finance, and the Ministry of Justice. In addition, six foreign experts on debt were called upon. It was in this context that I took part in this commission mandated to analyse the internal and external public debt contracted from 1976 to 2006.

We had access to all the information needed to carry out our work as auditors. After fourteen months, a report was established on the debts that were illegitimate and submitted to the government with our conclusions and recommendations. During these fourteen months, we had three meetings with the President and the Government, which then studied our conclusions and recommendations for one and a half months.

In November 2008, Correa announced a unilateral suspension of the reimbursement of two thirds of the commercial debt concerning bonds on the financial markets coming to maturity in 2012 and 2030. For six months, Ecuador remained silent, letting the financial markets stew in incertitude. During this time, the international investment bank "Lazard" was asked to discretely purchase these Ecuadorian bonds on the secondary debt market for the Ecuadorian State. This operation enabled Ecuador to buy back a large share of the bonds and then make an offer to those who still owned bonds that had not yet been sold to Lazard Bank. A large portion of the bonds were bought back in this way at 20% of their nominal value. In April 2009, there followed an offer to buy back the remainder at 35% of nominal value. By the end of the offer period in June 2009, 91% of the concerned bonds had been bought back officially. The remaining 9% were never repurchased. The bond holders had had long enough to sell them back to the State.

In this way, it cost Ecuador only \$900 million buy back \$3.2 billion of its own bonds. The total amount saved including the interest that would have been paid until the maturity of the 2030 bonds is \$7 billion, which became available for social spending for items such as health care, education, and infrastructure development.

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If we consider Ecuador's budget, we see that from 2009 - 2010, the cost of servicing the debt diminished radically and socially useful spending increased considerably, enabling the living conditions of people to be improved. This is why Rafael Correa was re-elected for another term, under the new constitution in 2009. This term finished in 2013, when he was again re-elected with 57% of the votes, a higher score than in either of his previous presidential campaigns!

What lessons can we draw from this experience? Rafael Correa won the 2006 elections on an illegitimate debt and anti-World Bank platform, and at the same time, he created an important base of popular support. This shows that an organisation, a candidate or a collective of organisations such as a Popular Front, which is in the opposition, can gain the support and the votes of a large portion of the general public, so that illegitimate debt can be repudiated. This is possible if there is long-term action and awareness raising by the popular movements. The discourse on debt is extremely important for raising public awareness and demonstrating that alternatives to current government policies do exist.

[1] Thomas Piketty, *Le capital au XXI^e siècle*, Le Seuil, 2013, 970 pp. (Capital in the Twenty-First Century, Harvard University Press, 2014 996 pp. As the English version is not yet available, we have translated the citations ourselves from the French.) Several interesting reviews of this major work have already been published. Therefore, I will not cover a whole series of points analysed in those reviews, preferring instead to begin with some practical information. Among the reviews already published, see: 1. "Réflexions sur « Le capital au XXI^e siècle » de Thomas Piketty" (in French) "Reflections on Thomas Piketty's Capital in the Twenty-First Century" by François Chesnais <http://cadtm.org/Reflexions-sur-Le-...> in the journal *Les Possibles* published by ATTAC France (and "Éléments de réponses À François Chesnais" (in French) "A response to François Chesnais" by Thomas Piketty <http://cadtm.org/Elements-de-repons...>); 2. Jean-Paul Petit in the journal *Inprecor*: <http://gesd.free.fr/jppetit.pdf>; 3. Robert Boyer: <http://gesd.free.fr/boyerpik.pdf>; 4...

[2] <http://piketty.pse.ens.fr/fr/capita...>

[3] A simple definition of wealth is "the total amount of tangible and intangible assets belonging to an individual minus that person's debts". Piketty argues that today the total wealth of a country (private wealth + public wealth) such as France, the United States or Belgium corresponds in reality to total net private wealth, because net public wealth is more or less equal to zero since public debt represents nearly 100% of GDP. See Piketty for a fuller explanation of this notion.

[4] P. 542 "Euros" 555.

[5] Throughout this article, the term "wealth" corresponds to what Piketty takes into account in his calculations (see above). It does not include other items of wealth, which are priceless and vital for the survival of humanity and nature. For a discussion on the wealth and value that are beyond the bounds of this article, see Jean-Marie Harribey *La richesse, la valeur et l'inestimable* (in French) "Wealth, Value, and what is Priceless", 2013.

[6] Table based on table 7.2, p.391 in French edition.

[7] <http://en.wikipedia.org/wiki/Lilian...>

[8] p. 109.

[9] 120% of the EU's GDP!

[10] p.741.

[11] Nota bene: I am entirely responsible for the propositions made in this article, which should in no way be attributed to Piketty. When one of

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Piketty's propositions is presented, this will be stated explicitly.

[12] Piketty writes, "Let us consider for example the case of a wealth tax that would be applied at a rate of 0% on personal wealth of less than \hat{a} 1 million, 1% on the portion of personal wealth between \hat{a} 1 and \hat{a} 5 million, and 2% on the share of personal wealth beyond \hat{a} 5 million. Applied to all countries in the European Union, such a tax would concern about 2.5% of the population, and every year it would raise the equivalent of 2% of European GDP" (p.860). Even putting this modest proposition into practice would raise the equivalent of two times the EU's current budget!

[13] All figures in dollars are expressed in US dollars.

[14] p.692.

[15] Approximately 4.5 million adults.

[16] p.698.

[17] p.700.

[18] This table is based on data in Table 7.1, p.390 in the French edition.

[19] This table was created based on data in Table 7.3, p.392 in the French edition

[20] P. 544.

[21] "What is the Third Estate? Everything. What has it been until now in the political order? Nothing. What does it desire to be? Something."

[22] The graph uses time steps of one decade in order to reveal the evolution as clearly as possible. Had it used time steps of one year, it would have certainly shown an increase in the wealth of the richest groups during the late 1920s.

[23] p.76

[24] I have made an analytical summary of the shift that took place in the late 1970s and early 1980s at international level, particularly in the article "In the South as well as the North: from the Great Transformation in the 1980s to the current crisis", <http://cadtm.org/In-the-South-as-well-as-the-North>, 1 October 2009, and in the book *A Glance in the Rearview Mirror: Neoliberal Ideology from its Origins to Today*, Haymarket, Chicago, 2012.

[25] National Wealth (or National Capital as Piketty also calls it, which is a source of confusion, see Appendix 1. Valuable research despite some basic shortcomings) is the "sum total of non-financial assets (housing, land, business assets, buildings, machines, equipment, patents, and other directly held professional assets) and financial assets (bank accounts, savings plans, bonds, shares and other company stock, financial investments of any kind, life insurance contracts, pension funds, etc.), minus liabilities (i.e., net of all debt). If we limit ourselves to the assets and liabilities held by private individuals, we obtain the private wealth or private capital. If we consider the assets and liabilities held by the State and civil services (local authorities, social security organisations, etc.), we obtain the public wealth or public capital." p. 86.

[26] Piketty explains how national income is calculated: subtract from the gross domestic product (GDP) the annual depreciation of capital then add the net income earned abroad (or take away the net payment made abroad if that exceeds income). See pp. 78-79.

[27] Piketty also specifies that if the wealth calculation took into account financial liabilities and assets, the thus inflated wealth would represent 10 to 15 times national income, 20 times in the case of the UK. He reminds us that from the 19th century to the early 1970s, wealth corresponded to from 4 to 5 years of national income. If derivatives were taken into account, the factors would be even much higher (p.305-306).

[28] p. 273.

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[29] pp. 218-219

[30] p. 219.

[31] pp. 273-274

[32] p. 456

[33] p.458-459

[34] p.489

[35] p.469-470

[36] p.501-503

[37] p.506-507

[38] p.517-519

[39] p.805-806

[40] p.811-815

[41] p.707

[42] p. 820.

[43] p. 819.

[44] p.824-826

[45] p. 831.

[46] p. 832.

[47] Note 3, p.834.

[48] This does not imply Piketty's commitment to these actions.

[49] p.185

[50] "The assignats originated with the creation of the Extraordinary Chest in December 1789. This chest was to receive the proceeds from the sale of the property confiscated from the clergy. The assignats were simply advances on the sale of national property. The assignats bore interest. However, events evolved rapidly. In September 1790, the assignats no longer bore interest and became "legal tender for all public and private exchanges." The amounts issued continued to increase through 1796. As this paper currency proliferated, the value of the national property that theoretically backed it was insufficient and the value of the assignats collapsed." <http://sceco.univ-poitiers.fr/hfran...>

[51] p.206-207

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[52] p.206-207

[53] p. 208

[54] p. 208

[55] p. 209

[56] In reality, the rate is higher, but this is only a theoretical hypothesis.

[57] The hypothesis of zero growth is theoretical and used to facilitate calculations. In reality, the GDP decreased by 20% between 2009 and 2013, and it is difficult to predict exactly what will happen in the years ahead.

[58] Let us use the same reasoning with Portugal, whose public debt represents 130% of GDP in 2014, and where the rate of growth is zero (it also decreased between 2011 and 2013) and the rate of inflation is very low. Portugal reimburses its debt at a rate of about 6.5%, and so for many years will have to pay the equivalent of 8.5% of its GDP. Italy reimburses at a rate of 5%, and its public debt is 133% of its GDP. Thus, Italy will have to pay the equivalent of 6.5% of its GDP for many years. Let me again point out that the figures cited above are part of a theoretical hypothesis. They are nonetheless close to reality. The examples given are mine not Piketty's.

[59] See http://fr.wikipedia.org/wiki/Loi_du... (in French)

[60] p. 210

[61] p. 216

[62] p. 212

[63] pp. 211-212

[64] p. 931

[65] p. 933

[66] p. 889

[67] I participated in the auditing process as a representative of CADTM for 14 months in 2007-2008.

[68] The Court of Justice of the European Free Trade Association States, though anything but an anti-globalization association, judged that Iceland was right. See CADTM, "EFTA court dismisses 'EurosÛlcesave' claims against Iceland and its people," <http://cadtm.org/EFTA-court-dismiss...>

[69] Commentators often reply that the situations in these two countries are completely different from countries in the EU. While there are obvious differences, it would be a mistake to disdain such experiences. Those who do, show how ignorant they are of the complex situations the governments had to face and partly overcame.

[70] p. 888.

[71] The function of haircuts advocated by the IMF and the governments of creditor countries is precisely to limit the losses of large private creditors through organized restructuring. In my Ph.D. dissertation, I showed how the Brady plan is a model in these matters. See *Enjeux politiques de l'action de la Banque mondiale et du Fonds monétaire international envers le tiers-monde* (Political Aspects of World Bank and International Monetary Fund Actions toward the Third World), Ph.D. dissertation in political science completed at the universities of Liège and

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Paris VIII in 2004, <http://cadtm.org/Enjeux-politiques-...> . See also The World Bank: a never-ending coup d'état. The hidden agenda of the Washington Consensus, 2008 <http://cadtm.org/The-World-Bank-a-n...>

[72] p. 887.

[73] Here is the definition of proportional tax provided on the official website of the French tax office (our translation): "Proportional tax applies the same tax rate whatever the taxable amount is (e.g., corporation tax). The tax base refers to economic categories (income, assets, turnover...). Advocates of proportionality consider that this is a fair way of calculating tax as everybody contributes the same proportion of their income. (...) Proportional taxes are also easier to calculate and hence cost less to collect. With progressive tax, the tax rate increases according to the tax base (e.g., income tax: the higher the income, the higher the tax rate)." <http://www.vie-publique.fr/decouver...> . Piketty uses the same definition of proportional taxation.

[74] pp. 888-889.

[75] p. 889

[76] p. 890.

[77] See the International Citizen debt Audit Network - ICAN), <http://cadtm.org/ICAN.750>

[78] Thomas Coutrot, Patrick Saurin, and Éric Toussaint, "Canceling debt or taxing capital: why should we choose?", <http://cadtm.org/Canceling-debt-or...>

[79] See Eric Toussaint, Â« La Constitution équatorienne : un modèle en matière d'endettement public Â» ("The Ecuadorian Constitution: a model to follow in terms of public debt," âEuros" in French) <http://cadtm.org/La-constitution-eg...>

[80] p. 835

[81] p. 836

[82] We must remember that Piketty gives a definition of private capital that includes the tangible and intangible assets of the poorest 50% of the population.

[83] p. 838

[84] p. 842.

[85] p. 843.

[86] See the aforementioned text by Thomas Coutrot, Patrick Saurin, and Éric Toussaint, "Cancelling debt or taxing capital: why should we choose?" <http://cadtm.org/Canceling-debt-or...> See also Damien Millet and Eric Toussaint, "Europe: What emergency programme for the crisis?" 1 July, 2012, <http://cadtm.org/Europe-What-emerge...>

[87] <http://cadtm.org/Canceling-debt-or...>

[88] p. 916.

[89] Note 1. p. 916.

[90] p. 917.

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[91] P. 337.

[92] p.674

[93] p. 62