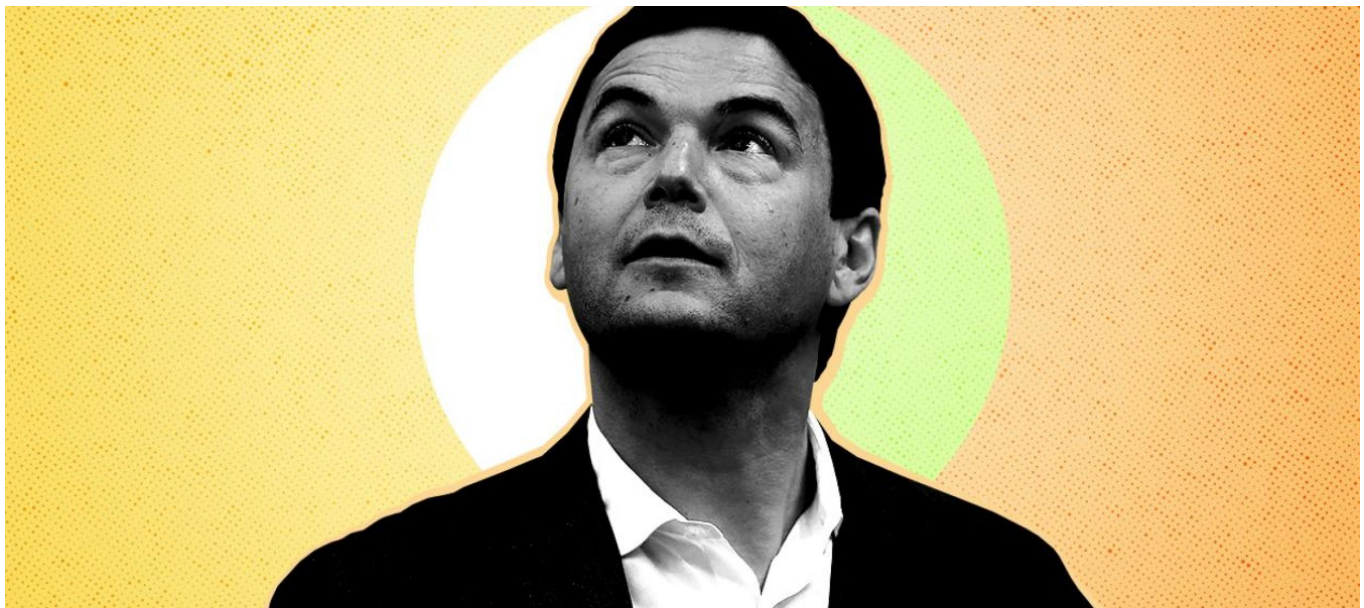


## The world's dominant ideology is breaking. What will replace it?



[Ryan Cooper](#)



*Illustrated | Getty Images, iStock*

April 14, 2020

In late 19th-century Sweden, money quite literally bought votes. The country had "adopted an audacious system of proportional representation based on the amount of property each voter owned (or the amount of tax paid)," the French economist Thomas Piketty writes in his new book *Capital and Ideology*. The voting formula was complicated and had some limits in cities, but still, "in the municipal elections of 1871, there were 54 rural towns in Sweden where one voter cast more than 50 percent of the votes." The economy resulting from this system was naturally horrendously unequal — in 1910 the top tenth of Swedish society owned nearly 90 percent of the country's wealth, and the top one-hundredth owned 60 percent.

But this political system was manifestly unfair and unpopular — part of why hundreds of thousands of Swedes emigrated to the United States during this period — and the Swedish population mobilized against it. An organized mass movement demanded reform and universal suffrage, and when that was

fully achieved by 1921 (after several rounds of reforms), the Swedish Social Democratic Party (SDP) came to power on the strength of overwhelming support from workers and farmers who had been largely locked out of the previous political system. The SDP catered to their voters with stiff taxes on the rich, new protections for unions, and a cutting-edge welfare state — none of which interfered with ongoing economic growth. They proceeded to win every subsequent election until 2006.

The story of how Sweden transformed itself from a pseudo-democratic oligarchy to one of the world's foremost social democracies, is at the heart of Piketty's massive [new book](#), which clocks in at 1,041 pages. (It has been out in French for months but us uncultured English-speaking types have had to wait until now for the English translation, again done excellently by Arthur Goldhammer.) It is a very different book than his previous one, 2013's *Capital in the Twenty-First Century*, and somewhat to my surprise, not really about economics as such at all. *Capital and Ideology* is a work of political economy

in the broadest sense — a staggeringly ambitious effort attempting to synthesize centuries of history, economics, and politics into one grand picture.

It's not perfect. It is perhaps too long and digressive, and Piketty's conception of ideology is not as original or worked-out as he seems to think. At times he struggles with organizing his titanic collection of arguments and evidence. Phrases like "I will return to this" appear dozens of times. But Piketty has once again assembled a gargantuan collection of data and freely published it online, which other writers and scholars can make use of. Overall, *Capital and Ideology* is a fascinating, essential study both of where we came from and of two possible paths forward: how we might create a better future for all human society, and the dark possibilities should we fail.

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Seven years ago, Piketty became about as close to a rock star as academic nerds can get. His book *Capital in the Twenty-First Century* — a doorstop tome clocking in at 577 pages (not including notes), with oceans of original data and a striking theory of how capitalism works — became the best-selling work in the history of Harvard University Press. Economists the world over, both on the left and the right, discussed it in minute detail. That book, as its name suggests, hearkened back to Karl Marx's book *Capital*. Piketty collected a huge data set of wealth and income in various countries going back over a century, which showed a marked tendency of wealth to concentrate, and inequality to increase. Under typical conditions, the rate of return on wealth exceeds the economy's rate of growth, causing the richest individuals to collect more and more of the national wealth and income. Absent countervailing forces like a wealth tax, capitalist economies will eventually become nightmarishly unequal — where a tiny minority of wealth owners enjoy unearned income beyond the dreams of avarice, and a majority of the population lives hand-to-mouth.

Notably, this future is the opposite of what Marx predicted in *Capital, Volume III*, where he said the rate of profit would tend to *fall* over time, eventually sparking a revolutionary crisis. As [John Judis writes](#) at *The New Republic*, "Marx's revolutionary end point — where everything devolves into crisis and revolution — is when the rate of profit approaches

zero. Piketty's is when capital [profits grow] so large as a percentage of annual income that it absorbs all of national income."

The only time in which this accumulation process was seriously disrupted in the countries Piketty studied was the period between 1914 and 1945 — when the belligerent powers of the First and Second World Wars were forced to tax their citizens to the utmost, and often destroyed much of their capital stock during the fighting. It is bleak to imagine that the most clearly-proved way of reducing inequality is to have a gigantic world war.

*Capital and Ideology*, however, is not an economic analysis, but is primarily about human politics and agency, and as such is considerably more optimistic. Though Piketty does not disavow his previous work, again and again he emphasizes the importance of contingency and choice in human affairs. A dystopia of inequality is not some automatic process — it requires continual effort and maintenance, both through legal policies, and critically, through ideological conviction. "Inequality is neither economic nor technological; it is ideological and political," he writes.

Again in contrast to Marx, Piketty insists that human argument and belief are centrally important in historical development. Marx argued that economic structures were ultimately the deciding factor in his materialist conception of history, with ideology being a byproduct of how the economy is organized. Piketty writes that ideology in itself can and often does become the determining factor in history: "I insist that the realm of ideas, the political-ideological sphere, is truly autonomous."

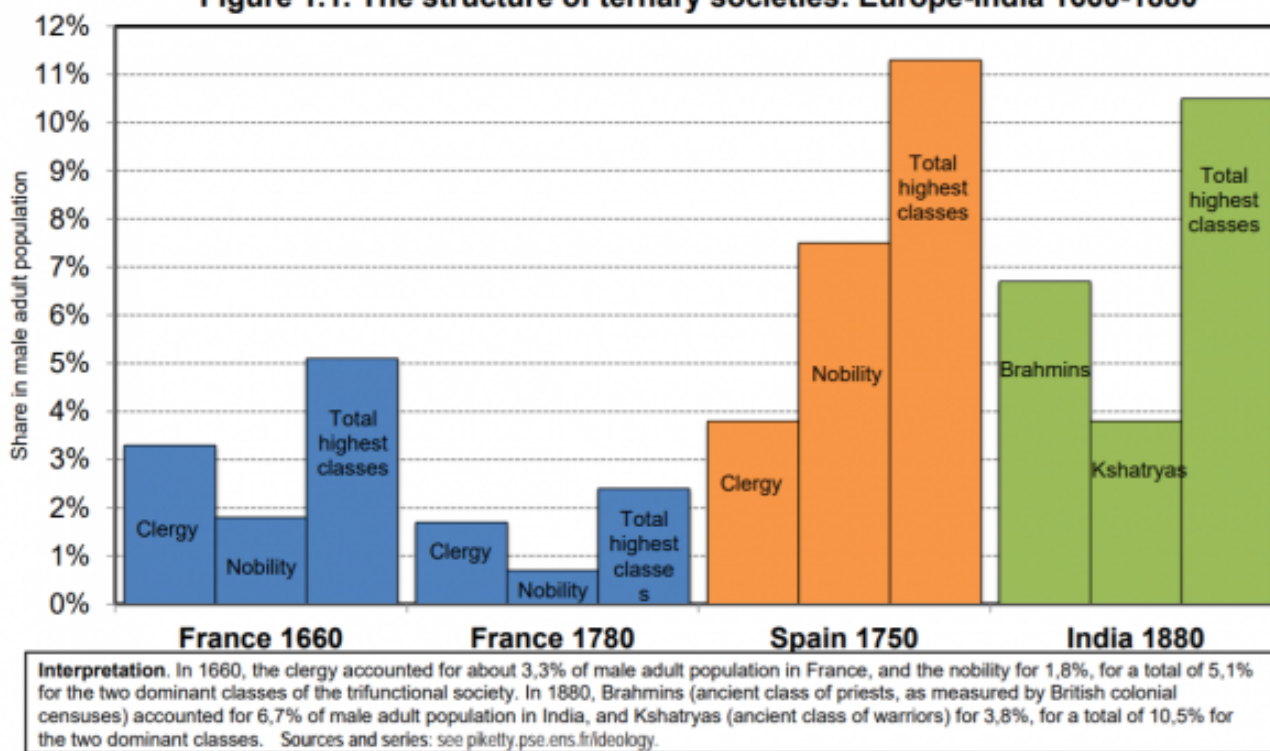
Piketty starts his historical investigation with what he calls "ternary societies," his name for pre-modern feudal countries with a three-class "trifunctional order": peasants, nobles, and clergy. These provide a window into his view of how societies constitute and perpetuate themselves. All societies have been unequal to varying degrees, and all societies need some kind of legitimating ideology that justifies why that inequality exists. In feudal times, that was generally some kind of chivalry — the idea that the peasants do the work, the nobles protect the community, and the clergy provide religious and intellectual guidance.

One could argue against Piketty's emphasis on "autonomous" ideology here, given the plain fact that chivalrous ideology was ludicrously slanted in favor of noble property owners. Even if we grant that ideologies have their own force, Marx surely had a point in that which ones succeed are heavily influenced by who has the money and power. (Indeed, this is basically the conception of "hegemony" as developed by Antonio Gramsci.)

But Piketty makes a more subtle point about ternary societies that provides an inarguable corrective to

Marx. Though they all had similar structures, his detailed investigation shows there was *enormous* diversity between different feudal countries. For instance, the France of the 1660s had noble and clerical classes that were roughly twice as large as the France of the 1780s. And where the noble class was generally about half the size of the clergy in most feudal countries, in the Spain of 1750 it was almost twice as large — or about 10 times the size of the 1780s French nobility.

**Figure 1.1. The structure of ternary societies: Europe-India 1660-1880**



(Courtesy Thomas Piketty)

So contrary to Marx and Engels' notion that the "history of all hitherto existing society is the history of class struggles," Piketty shows that the vast differences between the structures of feudal countries had huge influences on the histories of those societies. In 18th-century France, for instance, the noble class was tiny and had enormous wealth and power — but in Spain about the same time, it was huge and most nobles were not at all rich. Many were effectively just farmers or laborers, scraping by as peasants did.

At any rate, ternary societies struggled to adapt to changing economic conditions as the Industrial Revolution gathered strength in the late 18th century. Feudal countries having no clear place for the rising capitalist class was a major impetus behind the French Revolution — but as Piketty argues, the peculiar characteristics of France at the time also played an important role. As noted above, the French aristocracy was exceptionally tiny, and the economy was therefore exceptionally unequal — and had been getting more so for the previous 200 years. Any "justification of inequality," Piketty writes, "must



enjoy a minimum degree of plausibility if the system is to endure." And in France at that time, "rising inequality ... clearly exacerbated the unpopularity of the nobility and the political regime."

An incompetent ruling class hoarding almost all wealth while the masses starve dissolves away the legitimacy of the ruling order, and when the *Ancien Régime* ran into a budget crisis in the 1780s, rising discontent and mass protest cracked apart its political edifice in revolution in 1789. Republican France inaugurated Piketty's second type of national archetype — the "ownership society." This is a society dominated not by nobles and clergy but by owners of property, and Piketty calls the ideology of such a society "proprietaryism" — the idea that property rights are a quasi-sacred institution which must be preserved at any cost. And because this kind of society could theoretically occur at any time, Piketty argues that capitalism is a sort of special form of proprietaryism: "I propose to think of capitalism as the particular form that proprietaryism assumed in the era of heavy industry and international financial investment, that is, primarily in the second half of the nineteenth and early twentieth centuries."

The remarkable thing about post-revolution France is that despite all the talk of "*liberté, égalité, fraternité*," it ended up being *even more* unequal than the *Ancien Régime*. Whereas the top one-hundredth richest French citizens owned about 55 percent of France's national wealth in 1780, in 1910 they owned a whopping 67 percent. That is because, as Piketty showed in his previous work, in a capitalist-dominated economy wealth flows inexorably to the very richest. But because it could function better than the previous French monarchy, it remained stable — at least for awhile.

But once again, this was not inevitable. French republicans had to reestablish basically the entire system of ownership, and early in the revolution some radicals attempted to question the fundamental basis of property rights. Richer, more conservative elements in the revolution argued that whoever has owned property before should get new, modern-style rights over that property — that is, permanent and transferable to do whatever they wished with it. But this was at odds with the actual basis of the *Ancien Régime* property system, which had complex and overlapping rights granted to different parties. A lord

might have a right to extract rent from a property, but local peasants might have a right to work that land for their own benefit aside from that, for instance. In other words, feudal property systems, while biased towards the rich, still had social welfare functions for the poor built in.

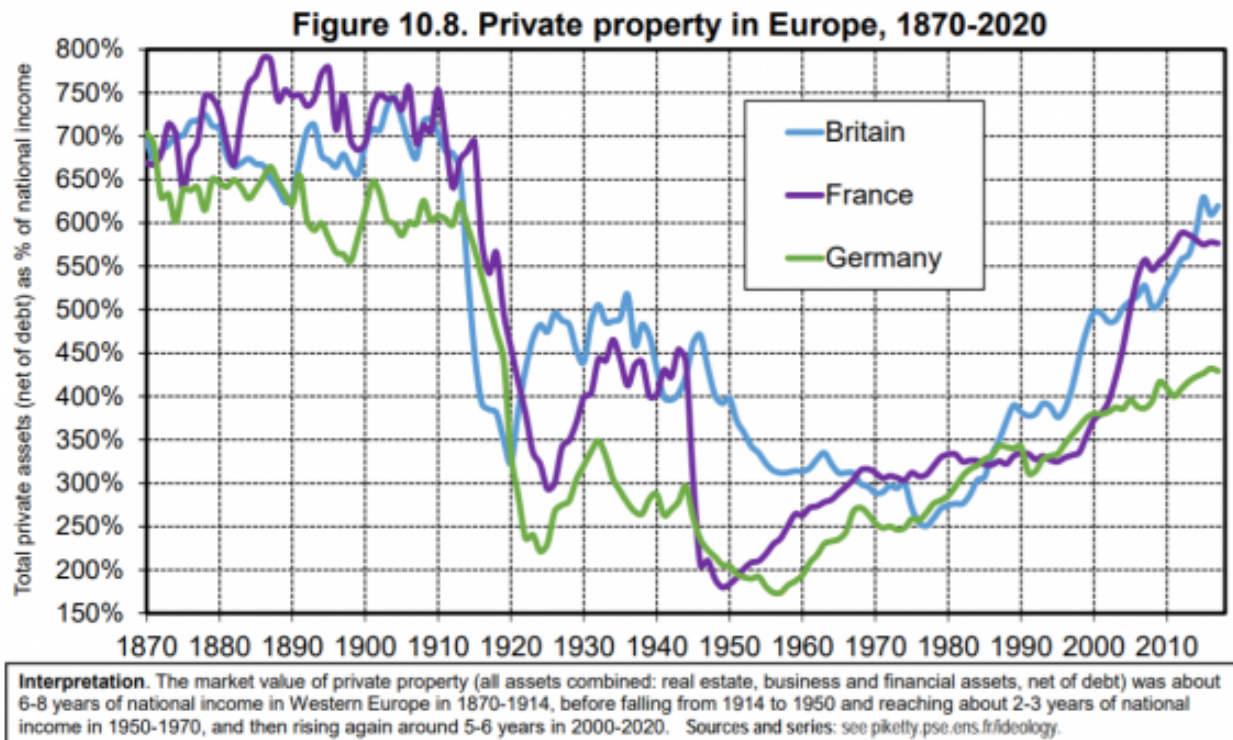
Besides, the source of all these property rights were not any sort of contract between peasants and lords, as conservatives argued. "Provided one went far enough, perhaps several centuries, back in time, it was obvious to everyone that violence played a part in the acquisition of most seigneurial rights, which stemmed from conquest and serfdom," Piketty writes. In that case, why not think of property like the exercise of state power it in fact is, and put it to the use of the common good — perhaps with a tax on income or wealth itself to fund social services?

But conservatives won the argument, by invoking fear of chaos. If you start questioning property rights, where might it stop? They insisted that redistribution via progressive taxation "is a Pandora's box, which should never be opened," he writes. Only tiny taxes were implemented, which did not dent inequality in the slightest. It's an argument one continues to hear today.

Ironically, the extreme inequality created by capitalist ownership societies in France and Britain created the very social instability they were supposed to avoid. During the century after the French Revolution both countries amassed gigantic colonial empires, especially the U.K., which at its height controlled about a quarter of the Earth's landmass. These created a double inequality — both through the colonial regimes themselves, which created some of the most unequal societies ever measured in the imperial periphery, and through the property holdings at the imperial center, the profits of which flowed to a tiny elite.

Competition over colonies was one of the main underlying causes of the tensions that would break out in the First World War — inaugurating an unprecedented period of declining inequality in all rich countries which would continue through 1945. One important factor in this decline was a sharp decrease in measured national wealth across all combatant countries, which reduced capital profits and hence the income of the rich. (Piketty measures this by comparing total national wealth to total

national income, which gives a good way of viewing the structure of wealth over time.)



(Courtesy Thomas Piketty)

Interestingly, Piketty proves that the destruction of physical capital was not the most important factor in this decline — not even in France and Germany where the devastation was worst. On the contrary, destruction "can explain only part of the loss of property: between a quarter and a third in France and Germany, and at most a few percent in the United Kingdom." The rest of it was caused by taxation, nationalization, and wartime private lending. The combatant nations were stressed to the utmost, and forced to harness every available resource to fight the wars. And unlike in the U.K. after the Napoleonic wars, where the British state taxed its non-rich citizens for a century to pay off the resulting debt (almost all of which was held by the wealthy), after 1914 and 1945 nations either repudiated their debt, got it canceled, or inflated it away.

Meanwhile, the chaos and destruction of wars and the Great Depression obliterated proprietarian ideology. For a century capitalist apologists had argued that

their rule ensured both social harmony and economic prosperity, only for the countries they controlled to fall into the worst war and economic collapse in history.

All this inaugurated Piketty's third type of society: social democracy. After the Second World War, most rich nations across the world set up expansive welfare states to provide income and services to the whole population — national health insurance, paid family and sick leave, retirement pensions, disability and unemployment insurance, and so on. These were funded by stiff progressive taxes that both mobilized enormous resources and helped tamp down inequality. If the rich are taxed enough, capital will not accumulate at the top.

Moreover, Piketty emphasizes that there were no noticeable negative later effects on the broader economy from this large-scale reduction of wealth. On the contrary, the three decades after 1945 saw the most powerful surge of growth ever recorded across

the rich world. Economists often argue that wealth represents physical capital, thus more wealth means more factories, machinery, and so forth, and therefore more production and growth. But as Piketty writes, wealth claims can easily be established in areas that have no clear relationship to production at all, like "colonial riches, natural resources, and patents and intellectual property." In practice, a high wealth-to-income ratio has pretty much always meant property owners have colonized great parts of the economy, using market structures to extract income from the rest of society.

It follows that reducing wealth can actually *increase* productivity in some areas. In much of Northern Europe after the wars, for instance, governments passed "codetermination" laws which gave a firm's employees seats on the corporate board. This reduced the value of stocks because it limited the power of shareholders to control the firm. But this did not reduce the output or innovation of the firms — on the contrary, "greater worker investment in the long-term strategies of German and Swedish firms seems ... to have increased their productivity." Conversely, in the United States today where there are very few limitations on shareholders, we see an overwhelming focus on short-term profits that often degrades enterprises, or [even destroys them](#).

This leads to perhaps the most compelling piece of evidence for Piketty's thesis about political choice: the case of Sweden. Many have argued throughout the years that Sweden's current social-democratic consensus is the product of some ingrained culture going back centuries. In fact, as noted above, the opposite is the case: "Sweden was, prior to the reforms of 1910-11, one of the most inegalitarian societies in the world, with voting power concentrated in a tiny stratum of the wealthy."

Moreover, Sweden remained neutral in both the First and Second World Wars. It didn't raise taxes to the utter limit because it had to fight off invasion, nor did any of its cities get bombed into ruins. Instead it *chose* to drastically reduce its inequality. No doubt it was influenced by the prevailing political climate, but it is equally true that the Swedish example provided an inspiration to democratic egalitarians around the world. It proved that one did not have to sacrifice prosperity to build a very comfortable welfare state,

and that the state could direct the economy better than capitalists.

The social-democratic system — certainly the best type of large society that has ever existed — got wide acceptance across Europe, and even took partial hold in the United States in a "bargain basement" form. (For all its successes, the New Deal and Great Society system was far, far short of the Swedish level of generosity.) However, there were a few serious weaknesses. First, social democrats did not develop robust international institutions. It is difficult for any country to maintain a high-tax, high-benefit economy by itself, because there will always be the possibility of it being undermined through capital flight and tax competition. If they can, companies will always try to move to a lower-tax jurisdiction to keep more profits. This is doubly true for smaller countries, who have smaller internal markets, less influence over international trade, and greater vulnerability to tax evasion.

Second, social-democratic parties did not deal equitably with higher education. In 1945, only a small minority of people went to college. But that changed quickly in succeeding decades, as much of the postwar generation flooded into universities across the world. The proportion of young people attending universities only continued to climb as the years passed. Yet instead of directing a commensurate share of resources towards higher education, and distributing them equitably, social-democratic countries generally did the opposite. Most of them did not boost state funding at anything like the necessary scale, and continued to direct disproportionate resources and benefits to schools serving the richest students, or to allow private parties to do so. This is obviously the case in the United States, but not only there. In France, the elite *grandes écoles* "benefit from public financing two to three times as high per student as in the [normal] universities," Piketty writes. Something similar holds in the U.K. and Germany.

This was intertwined with a broader resurgence of "neo-proprietarian" ideology across the entire developed world, as libertarian and neoliberal economists advanced an updated version of the Gilded Age economic program that led to the Great Depression and the Second World War. The new moral backing of this resurgence was meritocracy —

the idea that the wealthy and educated deserved their elite status by virtue of their superior brain power and work ethic — and many nominally social-democratic parties, above all the U.S. Democratic Party, were infected with and eventually pushed it as hard or harder than right-wing parties. The policy agenda included various proprietary-inflected trade deals, deregulation, and tax cuts that did indeed undermine the basis of social-democratic systems.

All this profoundly changed the class structure of political parties across the developed world. In the 1950s, parties of the left had a giant advantage among the working class and did less well among better-educated and richer voters, while parties of the right did the opposite. But gradually, left parties took up a greater and greater share of the highly-educated, and made some inroads into higher-income and wealthier voters, while right parties simultaneously started to pick up the working class. Where elites used to be largely housed in right-wing parties, the system that began to take hold around 1980 had multiple elites — the highest-income and wealthiest voters in the right-wing parties, and the best-educated in the left-wing parties.

Piketty argues that this is because "parties of the left totally changed in nature and adopted completely new platforms." As a result, "the less educationally advantaged classes came to believe that the parties of the left now favor the newly advantaged educated classes and their children over people of more modest backgrounds."

Piketty rightly disagrees with American political scientists who have argued that the rightward movement of the American working class is [entirely driven](#) by ex nihilo bigotry and mindless identity politics. He does not deny that bigotry (especially the anti-immigrant variety) indeed has political traction in many countries. But blaming the rise of the extreme right on the rancid beliefs of the working classes fails to explain the universality and gradualness of the voting shift. Between 1960 and 2019, left parties [slowly went](#) from losing the top 10 percent most highly-educated voters, often by a huge margin, to winning them, in the U.S., U.K., Sweden, France, Germany, Norway, Italy, Switzerland, Canada, Holland, Australia, and New Zealand. The margins vary but the trend is inexorable and consistent. These countries have wildly varying politics around

immigration and racism, but all were subject to the neo-proprietary global economic order.

As Piketty notes, the racism hypothesis also excuses left party elites for bad decisions: "It is obviously very convenient for the elites to explain everything by stigmatizing the supposed racism of the less advantaged." And on the other hand, if the working classes were really fervent adherents of xenophobic politics, one would expect them to vote in large numbers for right-wing parties. In reality, "The fact that [their turnout] is very low clearly shows that many less-advantaged voters are not satisfied with the choices presented to them," he writes.

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Finally, that brings us to the current crisis. The neo-proprietary ideology that dominated global politics from about 1980-2016 is clearly falling apart, torn by the 2008 financial crisis and now in its death throes due to the novel coronavirus pandemic. What will rise in its place is the fundamental political question across the world.

Piketty (writing prior to the coronavirus outbreak but still addressing the fundamental shortcomings it has revealed) suggests a broad sketch of a "participatory socialism" — a new egalitarian vision that would correct the defects of the old social-democratic model. The typical model of high taxes, a generous welfare state, shared worker control of business, and so on, is proven to work, but needs to be bolder. He suggests steeply progressive taxes on both wealth and income, scaling sharply to 90 percent at 10,000 times the average of either figure. This would both wrench down inequality, and fund an all-out assault on climate change. (We might also add some international disease-control efforts as well.)

For this to have a prayer of working, left parties must coordinate across borders to prevent beggar-thy-neighbor tax competition, a regulatory race to the bottom, and tax haven cheating. Piketty suggests, for instance, a new Europe-wide federal parliament, composed of deputies selected from the various national parliaments, which would be empowered to set minimum standards for taxes and corporate regulation across the whole European Union. Countries who have been forced to cut corporate taxes simply because others were doing so would regain some sovereignty over their economies.



Similarly, international trade agreements — which have thus far been ludicrously slanted towards corporations — could contain clauses on taxation, regulation, and climate emissions. It is reasonable to ask foreign countries to adhere to a minimum standard of decency before they can gain access to international markets, so that trade can be reasonably fair, instead of fueling a constant corporate race for the cheapest labor and lowest taxes.

It all sounds pretty good! But there is an alternative: the extreme right. Xenophobic "social nationalist" parties can come to power by whipping up paranoid hysteria about foreigners, minorities, and immigrants, in part by scapegoating them for economic problems. Since 2008, authoritarian or even quasi-fascist parties have taken power in countries across the world, from the United States to the U.K. to India. Indeed, Viktor Orban recently seized on the coronavirus crisis to [turn Hungary into an outright dictatorship](#), though he later [retreated in part](#).

As Piketty notes, right-wing parties are exceedingly unlikely to be able to handle the twin crises of economic dysfunction and climate change. Since they generally rely on the support of the extremely wealthy, they are unlikely to seriously attack inequality, and instead will turn to frenzied bigotry to obtain mass support. Restructuring global trade and

especially tackling climate change will require informed international cooperation — something that is totally at odds with right-wing hatred of foreigners and scientific expertise. Meanwhile, politicians like Joe Biden and Emmanuel Macron represent the dying embers of "third way" neo-protectionism, but even if Biden wins in November, he can only delay the inevitable. The functioning and ideological plausibility of deregulated capitalism has been shattered. Eventually, either the right or the left will replace it.

The left could do this. Its egalitarian ideology includes all humanity as morally important, and rightly views the economy as a collective creation that can be reformed and steered, not some self-regulating pre-political entity. All it would take is ... an unprecedented surge in political organizing across dozens of countries simultaneously.

It's a stiff task indeed. But as Piketty drives home over and over, nothing is preordained. Moments of crisis provide opportunity to chart a new course, and with the pandemic upending the global economy, this is the best time for the left in at least 90 years for political and ideological struggle. And on his key point of the brute necessity of a reborn international left, Piketty is inarguably correct. Put simply, it is socialism or barbarism — so we surely must try.

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