

## I Don't Care for Marx

Thomas Piketty, *New Republic*, May 6, 2014\*



Isaac Chotiner: Why do you think your book has taken off?

Thomas Piketty: Some of the success of the book comes from the fact that there is concern with rising inequality.

IC: One economist said your book was taking off because people no longer believed the problems with the economy were cyclical. Instead, they were structural.

TP: I see that. There is a sense that inequality and wealth in the United States have been widening. People are wondering whether this will continue forever. When you have relatively low growth, 1 percent, 2 percent growth, people are concerned for the future. People are thinking about inequality.

IC: I want to ask you just a little about your own past. Who were your economic heroes?

TP: In a way, I have been doing this research to follow [Kuznets'](#) work and to extend it to many more countries and to longer time periods. When I tapped into the economic tradition, I was surprised that this had not been done before.

IC: Can you talk a little bit about the effect of Marx on your thinking and how you came to start reading him?

TP: Marx?

IC: Yeah.

TP: I never managed really to read it. I mean I don't know if you've tried to read it. Have you tried?

IC: Some of his essays, but not the economics work.

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\* Interview by Isaac Chotiner This interview has been edited and condensed.

TP: *The Communist Manifesto* of 1848 is a short and strong piece. *Das Kapital*, I think, is very difficult to read and for me it was not very influential.

IC: Because your book, obviously with the title, it seemed like you were tipping your hat to him in some ways.

TP: No not at all, not at all! The big difference is that my book is a book about the history of capital. In the books of Marx there's no data.

IC: Are there any critiques of your book that you've read that you thought were particularly smart?

TP: What is your view? What did you think was the best one?

IC: Someone made the argument that people at the very bottom are doing better in absolute terms than you argue in your book. And that we should thus think a little differently about what inequality means because of that fact.

TP: In the United States?

IC: Yes.

TP: Well, it is right that if you take into account the rise of transfers then the bottom half has been doing better than if you only take into account primary income. But I think this confirms that there is something wrong going on: you would like to have an economic system where the bottom half is also getting income growth without transfers, through better access to skills and good paying jobs.

IC: Another critique is that you don't put enough emphasis on the role of finance.

TP: Oh. Yes I think I should have put more stress on finance, although I did talk quite a bit about financial deregulation. Maybe I should have done more. Paul Krugman is right in this. One thing has to do with rising top compensation in the financial sector. And another effect has to do with the fact that financial deregulation seems to have raised inequality in access to good rates of return. This plays a pretty big role in the book.

IC: One thing that people have been critical of is this idea of the global wealth tax. One reason you give for saying something like this could actually happen is that we sent one million troops to Kuwait to fight Saddam in the 1990s, and did so in a matter of months. If we did that, you say, we can surely do something about tax havens. I understand your point but couldn't you argue that the reason that we were able to muster the will to go to war with Iraq was that the war was impacting economic interests? And that that's the same reason we actually can't do something about tax havens?

TP: But then why did we [do something about Swiss banks](#)?

IC: I am not saying all change is impossible, but it is hard.

TP: But look at the [sanctions on] Swiss banks. Five years ago people were saying it could never happen and it happened. So it is difficult but progress can be had. It's not an all or nothing approach. A lot of progress can be done at the national level, especially for large countries like the U.S., which has one quarter of world's GDP. So we don't have to ask permission of other countries to move in the direction of a progressive wealth tax. The United States could transform its property tax system into a progressive tax on net worth without asking permission to the rest of the world.

IC: How do you think of the economics profession in France versus America right now? What are the differences that you see?

TP: You know they are not that different. The main difference is that economists are maybe somewhat less disdainful with other disciplines in France than in the United States. In France there's more of a tradition of historical or sociological research.

IC: One of the reasons I ask you this is because I read that when you were at MIT you were disappointed with the economics profession in America. Is that accurate?

TP: There were many good things about it. I loved American universities. In many ways they are better organized—certainly than French universities. The only thing that I wasn't completely convinced with was the way economists would look down at other fields.

Economists tend to think they are much, much smarter than historians, than everybody. And this is a bit too much because at the end of the day, we don't know very much in economics.

I think in the social sciences we should all be modest and pragmatic and I feel that if I had stayed at MIT's economics department I probably would not have done the historical research that I have done because I would have had some incentives to do sort of pure economic theory. But you know, at the end of the day, I have lots of friends there.

IC: Speaking of the United States and Europe, it seems like the response to the financial crisis has been very different in each place, and I think you can certainly make a strong case that the American response has been better. Did that surprise you?

TP: When you say better, what response are you thinking about?

IC: Just greater resistance to austerity.

TP: That's right. I think this is due to the fact that European federal institutions are deeply different from the U.S. ones. I'm not saying the U.S. institutions are working perfectly. There have been some problems. But the European institutions are much more dysfunctional. If you have a common currency, I think you need more integration, stronger political and fiscal union. With a common currency you lose the ability to devalue. There will always be a lack of confidence as long as the Eurozone countries will keep having 18 different public debts, 18 different corporate tax systems, etc. The only way to restore confidence is to move towards closer political and budgetary union.

IC: If Europe's institutions are failing, how do you create something like a wealth tax that crosses borders?

TP: It is easier for large countries like the United States or China. In Europe, you need closer integration for a smaller number of countries.

IC: When you have something like the financial crisis and the problems with the EU, and then you look at problems like global warming, it almost feels as if our democratic institutions are not capable of solving these things.

TP: You know, I am more optimistic than what many people seem to believe from reading my book. Are these things impossible to solve? No. Look, five years ago people thought it was impossible to fight bank secrecy. But then the United States put sanctions on Swiss banks. The European Union and the United States should be able to unite and do the job.

IC: Speaking of movements arguing that our institutions are not working, there have been two of them from the left in the last several decades in America. One was the anti-

globalization movement and the other was Occupy Wall Street and I was just wondering what you thought of these two movements.

TP: Well you know, I think all these movements are useful. But it's even better if they have specific policy measures to push for.

IC: Do you think crises are going to become more or less common going forward? Some people have suggested that with the role finance plays in the economy, crises are going to become more and more likely. Do you think your analysis understates the role that crises play?

TP: That's a good question. I don't know. There may be more crises but we cannot wait for them to make changes. With the case of the 2008 crisis, the world's response mostly relied on creative monetary policy. That's not enough.

IC: There was a debate in America after the crisis about nationalizing the banks. What did you make of that debate?

TP: I think the best structural response to the crisis that we could have done would have to do with better financial regulation, more social insurance and more progressive taxation. This is the policy response that I would have followed.

IC: Do you have any political heroes?

TP: Political heroes? Not really. No. No.

IC: You mention literature a lot in your book. Is there any literature today that you think captures something about our moment?

TP: Yes, yes. French authors that I don't think American readers would know. I don't know if there has been a Balzac.

IC: It is interesting that it has been a French academic's book who has exploded here.

TP: This is an international project. You have data from twenty countries. We are living in a globalized world and certainly this book comes from a global research project.

IC: Why do you think some of your research hadn't been utilized before?

TP: I think it's partly because the boundaries between disciplines are sometimes too sharp. It was too historical for economists and too economic for historians. So nobody will do it. But good data is much more available today and the book benefits from that. And I have used it to try and give an account of what I have seen.