Capitalism's Inequities Today

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> Probably no economics book since Naomi Klein's The Shock Doctrine has generated so much controversy or interest as French economist Thomas Piketty's Capital in the 21st Century, with the debate extending downward into the general public.

At the restaurant where I was reading it, a man turned around and said, "Had to wait two weeks for it. I just got it three days ago. It really shows how the system is skewed against us."

And that comment reveals the great appeal of the book because Piketty's prime interest as an economist — perhaps his obsessive interest — is the subject of the inequality in the distribution of wealth, i.e., "how the system is skewed against us." His book is, to my knowledge, the largest and most thorough compendium on the subject.

Piketty examines the subject from a comparative geographical angle, i.e. between regions of the world, and from an historical angle, that is, over the last two centuries. He examines the issue comparatively between nations and then projects the future of inequality.

Near the beginning of the book, the 43-year-old Piketty pointedly reveals why he undertook such an exhaustive study of this topic and why he felt such an examination was necessary. The author wrote his Ph. D. thesis on wealth redistribution while studying in England and France. He then taught in the United States for two years, but says he left America because he felt that the economists were overly concerned with mathematical theories and not enough about the search for empirical data to back those theories up. (See pgs. 31-32)

Because of this gap between statistics and theory, Piketty found his American colleagues' work unconvincing. Or as he puts it rather eloquently and forcefully: "The discipline of economics has yet to get over its childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with other social sciences."

He continued, "The truth is that economics should never have sought to divorce itself from the other social sciences and can advance only in conjunction with them." He then hammers this point home in two sentences which actually express the overall theme of his book:

"If we are to progress in our understanding of the historical dynamics of the wealth distribution and the structure of social classes, we must obviously take a pragmatic approach and avail ourselves of the methods of historians, sociologists, and political scientists as well as economists. We must start with fundamental questions and try to answer them." (p. 33)

Piketty felt that American economists did not do this to a large extent; they did not interact with other disciplines to find out the answers to fundamental questions about economic problems of the modern world. Or as he put it, after being an American academic economist in the 1990s, "I was only too aware of the fact that I knew nothing at all about the world's economic problems."

Detecting Flaws

Piketty concluded that this was so, in part, because there had been no serious attempt to collect historical data since Simon Kuznets's flawed and incomplete attempt in the 1950s. Therefore, "the profession continued to churn out purely theoretical results without even knowing what facts needed to be explained. And it expected me to do the same." (p. 32)

Thus, Piketty returned to Paris where he felt he could pursue this quest more efficiently. After winning a prize in 2002 for being the best young economist in France, he became head of the economics department at the Paris School of Economics.

It was upon his return to France that he began to work with like-thinking economists like Anthony Atkinson in England and Emmanuel Saez in America. Their common goal was to find and accumulate the largest and most accurate information database concerning the history of national and personal income.

This database did not just pertain to the major Western economies like Great Britain, France and America. It is a far-flung database spreading as far away as India and Indonesia, since Piketty was not just interested in mature, post-industrial economies; he also wanted to examine how economies developed in the post-colonial Third World.

Although the information he has dug up and archived is unprecedented, the author is candid about its shortcomings because data has evolved over time, with some countries, such as France and Great Britain, having a longer record of reliable statistics than others and some countries having gaps due to war or social instability. He qualifies his judgments in the face of these gaps and limitations.

For instance, in his discussion of the German economy, he admits there are "serious lacunae in German tax records." (p. 325) The quality of scholarship and honesty of the book is that Piketty then spends a paragraph explaining why the German record is not complete. What this reveals is that the author went searching for the complete history of modern German tax records but could not locate it.

Without doubt, it is this archival work — done in conjunction with Saez and Atkinson — that forms the backbone of Piketty's book. And it is this work that the author adroitly uses to strike a blow at the theorists he decided to leave behind in America in the 1990s.

Two of the men Piketty takes aim at are Simon Kuznets and his disciple Arthur Laffer – the first directly, the second indirectly. Nobel Prize winner Kuznets, way before Laffer, had his own economics curve. (See pgs. 13-17) Kuznets described what he called a natural cycle of economic inequality driven by market forces. During the first phase inequality increased, and then the inequality decreased as the economy matured: average incomes were attained and the trickle down of benefits from rapid growth increased overall per capita income.

Arthur Laffer, a key figure in President Ronald Reagan's "supply-side economics" of sweeping tax cuts tilted to the wealthy, essentially modified Kuznets by saying that if one helps capital development along by reducing taxes, especially on the rich, the benefits would be even more munificent. In selling this theory to Reagan's team, Laffer once famously sketched his "Laffer curve" on a cocktail napkin.

Make no mistake: Piketty is fair to Kuznets. He praises the man for trying to accumulate data into his work. But he then adds that the data was incomplete and Kuznets misinterpreted what he had.

There can be little doubt that Piketty plunges another harpoon into the Kuznets curve. The author demonstrates that any convergence of wealth from the time period 1914 to approximately 1970 did not originate with any kind of “maturation of capitalism.”

The convergence of capital into more equal distribution of wealth in those years came from the massive capital outlays to fight two world wars, the evaporation of much capital because of the Wall Street crash of 1929, and the welfare outlays that took place during the Great Depression and in efforts to rebuild Europe after World War II.

But most crucially, after this, from about 1980 onward, the divergence of capital – that is the growth of inequality – became more pronounced to the point that today, the concentration of capital in the upper classes is almost as high as before World War I; as it was during the Gilded Age. Piketty explains this as being primarily political in its inception. Owing to the initiation of policies by people like Margaret Thatcher and Ronald Reagan, (p. 42) inspired by Laffer’s curve, a derivative of the Kuznets curve.

Piketty’s Approach

Piketty’s book divides into four parts with 16 chapters. In Part One and his introduction, he discusses and reviews past theories about the accumulation of income and capital. Therefore, here he analyzes prior ideas on these subjects written by luminaries like Kuznets and Karl Marx.

As with Kuznets, Piketty is fair to Marx but critical. He gives Marx credit for shifting the analytic focus from the era of land ownership and rents to understanding the dynamics of industrial capitalism. (p. 7) Marx understood that although the accumulation of capital and industrial profits radically increased during the Industrial Revolution, wages stagnated and therefore there was no development of a middle class. As a result, from 1870 to 1914, there was a “stabilization of inequality at an extremely high level.” (p. 8)

Piketty gives Marx further credit for seeing that, under those conditions, no stable socioeconomic or political equilibrium was possible. (p. 9) But Piketty adds, in the last third of the Nineteenth Century, wages did begin to increase.

Differing with Marx, Piketty said his study would concentrate not so much on the importance of accumulated capital, but on inherited capital. And further, how this compares with the rate of national income. (pgs. 18-19) He added that he could do this because, unlike Marx, he had a much wider array of data to draw upon. And beyond what Marx could even dream of, Piketty has the computer technology to create enlightening matrixes for comparison purposes. (An appealing aspect of the book is the many charts Piketty uses to illustrate his points visually and dramatically.)

Agreeing with Marx, Piketty wrote that due to his research he found that inequality is not just economic in origin. It is also strongly influenced by political and social forces. (p. 20) He then adds that, unlike what Kuznets implied, “there is no natural, spontaneous process to prevent destabilizing, inegalitarian forces from prevailing permanently.” (p. 21)

This is a key point because later in the book Piketty argues that it was this inequality which was at least, in part, a direct cause of the economic blowout of 2007-08. But perhaps more importantly, that blowout, which was the closest parallel we have had with 1929, has not stopped the growth in inequality. (p. 296)

One of the key points Piketty makes is why he feels this is the case and has continued to be the case.

He writes that one of the key problems he discovered was that of slow economic growth, which he pegs as about 1.6 percent in the Twentieth Century. (p. 86)

What this does is accent and aggrandize the importance of inherited wealth. For if the growth of output in the economy does not match the rate of return that capital can maintain in the market, then the economy will stagnate due to a lack of technological innovation and educational skills to diversify and grow the economy and provide more jobs and benefits for more people.

Piketty's study proved to him that this indeed was the case, which is why annual national income is much, much less in any developed country than the amount of accumulated capital. As Piketty notes, this discovery, which he expresses as the formula $r > g$, "will play a crucial role in this book. In a sense, it sums up the overall logic of my conclusions." (p. 25)

Piketty's long introduction serves as a kind of overture to what the author will get at in the heart of his work. And it is here that Piketty makes clear how his work differs in aim from both the economics establishment in America and from failed experiments to achieve more economic equality in Europe, America and Russia. He writes:

"By contrast, I am interested in contributing, however modestly, to the debate about the best way to organize society and the most appropriate institutions and policies to achieve a just social order."

(This is not the first time this idea about slow growth and how it benefits inherited wealth has been expressed. As Professor Donald Gibson, who has done much work on the inherited fortunes of America, has noted, an article by David Deitch in The Nation argued a similar thesis in the Aug. 31, 1974 issue.)

Skyrocketing Inequality

At the start of Part One, Piketty hammers home two points of his research. First, the rise of income inequality has skyrocketed in the Western world since about 1980, and most prominently in the United States. (See the graph on page 24 for an illustration.)

Secondly, the indications of slow growth are obvious because of the comparison of annual national income with accumulated capital stock. Piketty writes that, generally speaking, in modernized countries, it now takes about 5 to 6 years of national income to equal the accumulated capital. (p. 50)

From there, the author goes on to compare different regions of the world in rates of per capita income. He comes to a startling conclusion: the rate of growth in the West is so slow that parts of what we call the undeveloped world are now catching up to the West in both capital accumulation and personal income. Piketty identifies countries like China and South Korea as examples.

Piketty notes that this is not due to any help by the industrialized world; it is simply a function of the international spread of knowledge and skills as developed around a government that wishes to utilize them as part of a national aim. He contrasts this with what has happened in the West where the promise of economic and social progress inherited from the Enlightment has now been all but extinguished, largely because of chronic slow growth. He writes:

"Economic growth is quite simply incapable of satisfying this democratic and meritocratic hope, which must create specific institutions for the purpose and not rely solely on market forces or technological progress." This is a point the author will return to in his final section where he

discusses recommendations for reform.

Piketty concludes Part One of his book with a cogent and relevant observation based on his historical research. He writes that prior to World War I, the concept of inflation did not really exist. (p. 103) Inflation began because of the enormous amount of debt incurred by combatants of the war to supply their military efforts. After the war, all the countries involved "resorted to the printing press to deal with their enormous public debts." (p. 107)

This begins another theme of the book: the decades-long transfer of wealth from the government and the lower classes to the economic elites, which, of course, is another prime cause of inequality.

So far, all of this has been interesting. But, as the author writes in his introduction, the heart of the book, its reason d'être, is in Parts Two and Three, respectively, entitled, "The Dynamics of the Capital/Income Ratio" and "The Structure of Inequality."

The Role of War

For Piketty, the ration of national income to capital stock is a key measure. And on pages 116 and 117, he features two important graphs illustrating the curve of that ratio in England and France from 1700 to 2010. These two graphs chart an inverted bell curve.

Piketty's historical research reveals that in 1700 the ration was about seven years of national income to equal accumulated capital, or 7 to 1. Because of the economic factors of war and the Great Depression, this dropped in the 1900s to a low point of about 2.5 to 1 in the 1940s, a decline that took almost two centuries to complete.

The incredible part of the two graphs is this: It took just 60 years for the ratio to return to 6 to 1! And according to the author it is still on the upswing. In other words, in relation to national income versus accumulated capital, England and France are almost back to a point in history when there were no unions, no middle class and no public pensions. Piketty writes:

"Broadly speaking, it was the wars of the twentieth century that wiped away the past to create the illusion that capitalism had been structurally transformed." (p. 118)

Piketty then goes inside the numbers, writing that a major difference between 1700 and today is that the center of value for capital back then was farmland. Today, the largest values in capital are in housing and in financial assets, i.e., stocks and bonds. (pgs. 119-120) He also notes that another major difference between the two eras is the decline in importance of the value of foreign assets.

For instance, prior to World War I, England had imperial assets worth about two years of national income, but that wealth evaporated by 1950 when England lost control over its far-flung empire.

Another point the author brings up is the comparison between private wealth and public wealth, i.e., how much surplus revenue the national government has. This is an important point since governments can do much to encourage economic equality if they have the revenue to do it.

Today, in France and England, this number is negligible. In France, public wealth amounts to about 5 percent of total national wealth. In England it's even less, about 1 percent. (p. 125)

Piketty also points out that the loans made to governments by the upper classes – to cover debts from the wars and other needs – worked out quite well for the rich. The great public debt incurred

by England and France due to warfare in the Twentieth Century returned to the private creditors at a rate of about 4-5 percent per annum. (p. 131)

This remarkably high ratio of capital to national income varies very little from advanced country to advanced country. For example, in Germany the ratio is 6.5 to 1. (p. 141) This relative value from government bonds diverts money from riskier investments, meaning that the rate of innovation and new job creation is relatively low in regards to inherited wealth.

Scarcity for the Commonwealth

Since public wealth is also low, governments have little money to pay for programs that will help spur employment and restore growth, a situation exacerbated by the large amounts of money spent by governments to counteract the 2007-08 recession, funds that went disproportionately to bailing out banks and stabilizing the financial systems, not to building infrastructure or funding research or other activities that would benefit working people and the broader society.

The vast expenditures were largely made simply to save the economic system from further damage, not to create employment and wealth. And, as Piketty notes, the ratio of this formula has not abated since the blowout, continuing to grow in the eight wealthiest countries, i.e. the United States, Germany, England, Canada, Japan, France, Italy and Australia. (p. 171)

Piketty is at pains to stress just how important this current trend is. He writes that at the advent of the 1970s, total value of private wealth stood at about 2 to 3.5 years of national income in all the wealthiest nations. Today that figure has doubled to 4 to 7 years. (p. 173) He writes:

“What we are witnessing is a strong comeback of private capital in the rich countries … the emergence of a new patrimonial capitalism.”

What makes it worse is that in most cases, government has not been a force to counteract this disturbing trend, often serving as an agent abetting it. Or as the author writes, “The revival of private wealth is partly due to the privatization of national wealth.” (p. 184)

And since the ration of public wealth to private wealth is declining, there seems to be little hope that the former will be able to do anything to reverse that trend in the near future, especially since the main method of privatization — the selling of government bonds — increases private wealth without increasing national wealth. (p. 185)

What has accelerated this runaway factor is that since World War II, the prime assets of the upper classes — real estate and stocks — have steadily risen in value., especially from 1980 to 2007 when they greatly accelerated in value. At the same time, the elites began to lobby for lower taxes on capital gains and estates, especially in America.

Division of National Income

Piketty next moves to an examination of the division of national income between labor and capital. (p. 199) In his studies, the author has found that overall, in England and France, the annual rate of return on capital has averaged about 5 to 6 percent annually. (p. 200) In his graphs illustrating the split in annual income between the two, a familiar trend manifests itself. In 1940, the share going to labor peaked out at about 87 percent. Today, it is about 74 percent.

Again, Piketty takes us inside the numbers, computing the average tax rate on capital at about 30

percent. (p. 208) He then figures that the total of all wealth in checking and savings accounts is about 5 percent of total wealth, which is a remarkably low figure considering the amount of the population which keeps much of its cash assets in those accounts. In comparison, the return on investment of rental housing is half of total national wealth, with most of that income going to the upper classes.

The author ends this section of his book by concluding that there seems to be no visible means today to halt, or even slow down, the trend of a rising capital versus labor share of national income, either as a split in annual national income or as a ratio of national income to accumulated stock capital. (p. 233) As he puts it:

"The principal lesson of this second part of the book is surely that there is no natural force that inevitably reduces the importance of capital and of income flowing from ownership of capital over the course of history." (p. 234)

The implicit message is that government – especially democratic ones that have a responsibility to "promote the general Welfare" as the U.S. Constitution states – is supposed to do this. But, with few exceptions, it has not done a very effective job.

Structure of Inequality

For me, the most important part of the book is Part Three, "The Structure of Inequality." In reading this section, I felt it was unfortunate that the Occupy Wall Street movement rose and fell before Piketty's book was published. His work could have served as both intellectual support for Occupy's warnings about the "One Percent" and an explanation of the harm that concentration of wealth is doing to the United States and the industrialized world.

In fact, Piketty's research would have negated a common criticism of the naysayers who criticized Occupy Wall Street by saying that its message was not specific enough and was not backed up by data. In Part 3, Piketty furnishes both of those in spades.

He begins this section by repeating a recurrent message: the dislocations of 1914-45 only delayed and retarded the rise and domination of capital. Today, that march toward the patrimony of wealth is rampant again. (p. 237) This rise was not a natural one, a la Kuznets. Institutions and political factions played a prominent role in activating it.

Piketty next turns to the inequality in the distribution of capital, which he says is always more unequal than that of labor. (p. 244) He demonstrates this by summoning up another figure from his database: The top ten per cent of labor gets about 25 to 30 percent of total labor income, while the top ten percent of recipients of capital income gets about 50 percent. The bottom 50 percent of capital recipients gets almost nothing. For Piketty, this very high concentration of wealth is explained by the importance of inherited wealth.

Piketty illustrates this with a cogent example from Scandinavia. Sweden has a very high tax rate on wealthy incomes. Therefore, the top ten percent of capital earners get about 30 per cent of the total, per annum. But in the United States, which has all but eliminated the progressive tax rate (through lower tax rates on capital gains and various loopholes allowing the rich to shelter their wealth), that same 10 percent gets about more than twice as much, about 70 per cent. (p. 248)

As Piketty points out, except for Europe in 1910, that figure is the highest percentage rate he could find in his entire database. He makes a parallel observation about the distribution of labor income.

In Scandinavia, from 1970-1990, the top 10 percent of workers received about 20 percent of total wages, while the bottom 50 percent got about 35 percent.

He compares this with the United States where the top 10 percent gets about almost twice as much, about 35 per cent of total income, whereas the bottom half gets about 25 percent. Piketty writes about these last figures that, income for labor in the U.S. "is about as unequally distributed as has ever been observed anywhere." (p. 256)

By getting further inside the numbers, the author makes an important distinction. The further one goes up in the top ten percent, the higher the concentration of wealth gets. The author explains this phenomenon: "The top centile is a large enough group to exert a significant influence on both the social landscape and the political and economic order." (p. 254)

In other words, economic hegemony leads to political and social hegemony. Since the interests of the top 1 percent do not necessarily coincide with the rest of the public, the policies that are later enacted because of this hegemony are not at all, in the best sense of the word, democratic. In fact, they are meant to be anti-democratic, benefiting only that elite which means to preserve its own power and status.

Educational Inequality

Perhaps the best example that Piketty uses in this regard comes about halfway through the book. Readers may recall that one of the most controversial appointments that President Reagan made was William Bennett as Secretary of Education. There is no doubt that the well organized conservative movement clearly supported this appointment, since in the week before his congressional hearings, several columns appeared in support of him, including a prominent one by George Will.

Once Bennett gained office he almost immediately said he supported the administration's efforts to curtail federal programs for college loans and grants. He also favored cutting the amount of loans and grants to those students who had lower incomes. This created a firestorm of controversy in Washington and in the press.

Many Democratic congressmen and senators assailed Bennett and the White House for these new policy proposals. First, they cited that the proposals would limit upward social mobility because the people who most needed sizeable grants and loans to attend the best colleges would not be able to afford to do so. Secondly, many thought by making these proposals for cuts, the social fabric of America would be damaged because education was not viewed as an expense but as an investment.

Bennett brushed aside these concerns by joking that the cuts would only necessitate students sacrificing their Fort Lauderdale spring vacations. From the prospective of several decades, however, Bennett's comedy was not so funny because it began a steady march toward putting college education outside the reach of many families of modest incomes and contributed to the heavy debt burdens that many young Americans were forced to assume in their pursuit of a college degree.

The loss of a college opportunity for many young Americans also coincided with the widening wage gap between those with college degrees and those without. (p. 306) This disparity increased just as the number of college graduates stopped growing, or at least slowed in growth. Piketty argues that the widening gap in wage inequality is at least partly due to the cutback in college investment, since many families could not find alternative ways to send their children on to higher education.

One belief that Piketty is steadfast about through the book is this: investment in higher education and training would allow broader segments of the public to advance upward and into the higher wage scales. It would also decrease the upper decile's share of both wages and total income. (p. 307)

Again, he uses Scandinavia as a point of comparison, writing that there "wage inequality is more moderate than elsewhere" and this is owed "in large part to the fact that their education system is relatively egalitarian and inclusive." (ibid) But he adds that the debate about the cost of education lacks an acceptable database to allow for an informed discussion.

Piketty also complains that the idea that the most prestigious colleges "tend to favor students from privileged social backgrounds" is an issue that should not be bypassed lightly because it is obvious that the students who graduate from those colleges have multiplied their chances of success and affluence by a large factor over those who graduate from public colleges with little name recognition.

An Unprecedented Gap

And again, Piketty brings up more evidence with his statistics to back up this belief. In Scandinavia, the top 10 percent owns about 50 percent of all capital. In Europe the top decile owns about 60 percent of all capital. However, in the United States, the top ten percent owns an astonishing 72 percent of all capital (See page 248), meaning that 90 percent of the public has only 28 percent of the financial assets.

If this trend continues in America – by 2030 – the top 1 percent would be earning about 34,000 euros per month, or about $44, 000, while the bottom 50 percent about 800 euros a month or about $1,100 (p. 257), making the wage inequality in America almost unprecedented, according to the available data.

An even wider inequality applies to the issue of net wealth or worth in America, with the poorest sector of society, the bottom 25 percent having little or no personal wealth, if not a negative net worth.

Piketty says the average net worth for the poorest half of the population is about 20,000 euros or about $25,000, really only the equivalent of a few weeks or months to cover expenses like rent, car payments and maybe a small mortgage. (p. 259) By contrast, the top ten per cent has an average wealth of 1.2 million euros or about $1.6 million each and the top one percent is worth about 5 million euros or about $6.5 million. (ibid)

This imbalance is worse in the United States than it is anywhere in the advanced world, with the U.S. conditions actually approaching the conditions in Europe in the fin de siècle age. According to Piketty's database, at that time the top ten percent owned about 90 percent of all wealth within a nation's borders. (p. 261) That means the middle class owned about 5 percent, as did the lower classes. In effect, there really was no middle class as Americans came to understand the concept in the post-World War II era. This extreme imbalance resembled the economic structure of France on the eve of the revolution in 1789.

So, although the construction of a middle class was an important historical development in the Twentieth Century, the author said all this large group had attained by the early Twenty-first Century was about a third of the wealth in Europe and a quarter in the United States. (ibid)

To be specific, the middle class has four times as many people as the top decile, but – depending on

the country – only a half to a third as much wealth. The author's argument is that this split would be even wider except that, by the end of World War II, the upper class had lost about 50 percent of its assets. (p. 262)

Setting a Dubious Record

From there, Piketty depicts the combination of wealth between capital and income. (See graph on page 249) In this category, again the U.S. leads the way in inequality. Piketty projects that if this trend continues the United States will set a record for combined wealth inequality by 2030 when the top decile would "claim about 60 percent of the national income, while the bottom half would get barely 15 percent." (p. 264)

How is such a state of affairs even possible in a country that once prided itself in its Great American Middle Class? The author proffers two reasons: first the sheer weight and influence of inherited wealth passed on from generation to generation; and second, something new, the rise of the super managerial class.

The first point is easy to comprehend, especially given Republican assaults on the "death tax," i.e., the inheritance tax that was designed by earlier generations of American political leaders to prevent the consolidation of an American aristocracy. The second is a fairly new phenomenon, the rise of professions like hedge fund managers and the extraordinary salaries and stock options granted by boards of directors to corporate managers, whether CEOs or CFOs or presidents of the company or vice-presidents.

This uniquely American phenomenon is, in Piketty's database, unprecedented. In fact, he is worth quoting on the subject of labor inequality as exhibited by this new class of super wealthy managers:

"What primarily characterizes the United States at the moment is a record level of inequality of income from labor, probably higher than in any other society at any time in the past, anywhere in the world, including societies in which skill disparities were extremely large." (p. 265)

This rise in this super-manager class has made a real difference in the composition of the wealth of the top ten percent. Prior to this, the largest amount of wealth in the top decile was made up of capital assets, i.e., income on property and financial assets. With the rise of this new class of millionaires, earned income has become a much stronger factor in the composition of this wealth than ever before.

In fact, taking the example of the top ten percent in France, Piketty shows that for the lesser nine percent, income from labor exceeds income from capital. (p. 277) The author maintains that this is a universal rule in the advanced world. The higher one goes in the top ten percent the more income is derived from capital than from labor. (p. 280)

Here, Paketty makes an overdue admission about his database. He and his colleagues have chiefly worked from tax records. But he now admits that in the realm of evaluating capital assets of the richest Americans, these records may be underestimating things. Some of these citizens may break the law and simply not report all they have in order to lower their tax bill. Some will legally exempt some of their income by finding loopholes, including investments in overseas countries which are easier to hide than in America. (p. 282)

The author adds that another shortcoming in the data base is that tax returns do not tell you the specific origin of capital, nor do they reveal inheritances. Because of all these limitations, the author

argues for more and stricter accounting laws so that more specifics about wealth can be revealed and studied.

Yet, in this mixed category of combining capital with income, the author explains that the overall pattern remains the same. The Twentieth Century began with a very high concentration of wealth in the upper classes, which was largely dissipated by the two world wars and the 1929 crash. But it began to rebuild itself in the 1970s and 1980s. (ibid)

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