
Reviewed by Omar Darwazah

In his *Magnum Opus, Capital and Ideology*, Thomas Piketty argues that rising inequality is explained by politics, not economics. He proposes that to alleviate this rising inequality, radical solutions are required to reverse this systemic trend. In normative terms, Piketty states that modern society should create a new “participatory socialism” in which capitalism is gradually abolished through two main avenues: 1) a progressive income tax, and 2) a tax on inherited wealth. These tax sources are to finance a basic universal income and a “capital endowment” for every global citizen. Moreover, a “participatory socialist” system will involve a more democratic economy, a fairer tax system, and a new set of rules to ensure free and fair global trade.

According to Piketty, the relationship between ideology and inequality is highly intertwined, with a tendency for the former to defend the latter and for the latter to feed the former. Moreover, at its core, ideology is based on a set of discourses that can be contradictory in nature, a “narrative” that dominates the status quo in society. This narrative then leads to rules that are codified into law by capitalists, landowners, and slave-owners. The rules and laws help bolster inequality, which then creates more ideology. As Piketty shows, this vicious cycle has been dramatically exacerbated throughout history. In the 21st century, the global elite represent a microcosm of such exacerbation. Hyper-capitalism, bolstered by the billionaires’ greed it has produced, represents the epitome of inequality. Today’s culture of secrecy around taxes paid by wealthy individuals and corporates further cements the author’s argument.

The book has four main parts: 1) Inequality Regimes in History, 2) Slave and Colonial Societies, 3) The Great Transformation of the Twentieth Century, and 4) Rethinking Dimensions of the Political Conflict.

In Part 1, Piketty describes the development of modern ideology centered on inequality and property. He begins by describing the trifunctional inequality, such as feudalism, in which societies were divided into clerical, military, and working classes. The discussion shifts to “ownership societies,” which developed throughout the 18th century and became dominant by the end of the 19th century. The case of France and

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the French revolution, according to Piketty, shows how income and wealth became concentrated in the hands of landowning families and the new bourgeoisie.

In Part 2, Piketty discusses the historical cases of extreme inequality, those of slave societies where slave-owners were made whole by the state at the expense of the people. For example, 4 million slaves, constituting the largest concentration of slaves that ever existed, were exploited in the southern United States on the eve of the Civil War (1861–1865), an exploitation sanctioned by the state. When slavery was outlawed in Britain, slave-owners were compensated for the loss of their property based on the estimated value of each slave they had owned. The case of the Haitian Revolution, discussed in Part 2, also delineates the same phenomenon: the freed slaves were indebted to their slave-owners and had to pay dearly after fighting for liberation. In the case of India, which had a quaternary order, divisions were based on four varnas (classes): Brahmins, Kshatriyas, Vaishya, Shudras, and the Untouchables, who were lower than the lowest varna. India’s caste system was a quintessential case of extreme inequality, which is still very much alive today.

Europe of the 16th to the 20th centuries and its two great leaps forward are also explored vis-à-vis the fragmentation of the continent into several states and their rivalries, which led to technological innovations in artillery and military prowess. Piketty concludes Part 2 by focusing on the cases of Japan during the Meiji era, the imperial Chinese society, and the Middle East (ME). The ME exemplifies extreme inegalitarianism where oil resources are captured and controlled by a handful of individuals who use fascist religious dogma to mask their amoral and unethical lifestyles and financial decisions.

Part 3 shifts over to the modern nation-state and the crises in ownership societies. Based on the historical backdrop of the ideologies which spurred inequality, discussed in Parts 1 and 2, Piketty argues that the exacerbation of inequality between 1914 and 1945 was a consequence of three elements: 1) the emergence of socialism, 2) the twilight of colonialism, and 3) the extremity of nationalism/racialism.

Finally, in Part 4, Piketty revisits the dimensions of political conflict. Data regarding voting is significant, according to the author. He explains that abstention, which is higher among the less advantaged classes, and high voting turnout of the socially advantaged voters created a discrepancy. Over time, this phenomenon led to the collapse of the working-class vote, eroding the trust between social-democratic parties and the working class they were meant to represent. Piketty calls for a new ideology to respond to the growing inequality across the globe and believes that a new concept of globalization, rooted in progressive fiscal policies, could rectify the economic imbalances.

It is difficult not to agree with Piketty’s compelling thesis – that inequality is a “man-made” construct rooted in ideologies that have historically been dominated by the elite. This is in stark contrast to the immediate intuitive explanation that
inequality emanates from conventional economic theories. He makes it clear that identity and class have become the main lines of conflict in society. Politics, the author believes, is no longer determined by a linear continuum of left and right, but by a quadrant encompassing the following camps: 1) social internationalists, 2) social nationalists, 3) elitist internationalists, and 4) elitist nationalists. For example, leftist parties which ignore class conflict run the risk of losing working-class votes to the right. Right-wing parties which are able to galvanize a form of social nationalism will win the votes of these working classes. Piketty’s concept of “participative socialism” charts a new path forward that will resist the right’s elitist and non-inclusive politics and the left’s hypocritical policies, and it would allow for rampant social inequality to be reduced.

A global tax system advocating for a top income tax rate of 90% and a wealth tax that is higher than the average increase in wealth are calls for radical change. More progressive fiscal policies, coupled with a redistribution of wealth through a fairer tax system, is a starting point to reverse centuries worth of inequality. However, this is much easier said than done. Several modern anecdotes point to the difficulty of implementing such radical policies. For example, while the US Democratic Party has consistently called for an increase in the Federal minimum wage, it has done very little to do so (the Biden administration has proposed radical tax changes at the time of writing – a start!). In France, President Macron increased taxes on fuel for cars which spurred the Gilets Jaune movement – what was supposed to be a policy to meet environmental goals was in fact masked by a reduction of taxes on high-income earners. More broadly, international competition emanating from the fear that corporations and the ultrarich will leave certain jurisdictions to move to others has exacerbated inequality even further – i.e., countries need to make sure that their taxation policies are friendly to the wealthy so that they keep their capital within their borders to supposedly spur investment and job creation. This leads to “fiscal dumping” – a race to the bottom on who can undercut taxes the most in order to stay competitive.

Hyper-capitalism is in itself an ideology that is exceptionally difficult to counter with radical policies. It has been built on globalization which thrives under international competition. As aforementioned, international competition promotes inequality, which leads to a vicious downward cycle that is difficult to eject from. It is important to note that it is the political elites who are the winners in the meritocracy and globalization sweepstake. To introduce a “participative socialist” path, as suggested by Piketty, society will need to overcome a myriad of structural, ideological, and systemic changes to even begin to reverse centuries of inequality that have been seeded and rooted in the global socio-economic system.

Despite these difficulties, history has taught us that ideologies evolve and shift in response to global events, wars, and crises. It is not necessarily an impossibility
to achieve a “participative socialist” system. For example, the Great Depression and the two World Wars decimated proprietorian regimes while reintroducing the importance of central governments. After World War II, socialist and communist dogmas pressured the West into transforming its ideology to attract low-income workers. That was then quickly reversed after the fall of the former Soviet Union, which ushered in a new era of cross border international trade, finance, and business. The recent 2008 financial crisis has yet again called into question the modern state of capitalism. These ebbs and flows in Western capitalist ideology have been shaped by an undulating series of events in history, and they will continue to do so. In 2020/2021, a global movement of people seeking financial inclusion has ushered a new financial system running in parallel to Wall Street. For example, the rise of cryptocurrencies, initially among a small group of technology nerds, has now taken the world by storm, pushing elitist institutions, banks, and corporations to join the bandwagon.

In conclusion, growing inequality across the globe is calling for a new ideology. Piketty’s proposal of “participative socialism” is bold, radical, and likely to encounter significant resistance from the global ruling elite. However, the publication of the book is timely. If society doesn’t take a stance against inequality, the world economic system will no doubt implode. Today, the richest 1% of global households own 43% of the world’s wealth – a quintessential fact elucidating Piketty’s concern. Hyper-capitalism, like its communist counterpart, cannot be the answer. The answer lies in a system that is more inclusive, fairer, meritocratic, and one that acknowledges that the playing field has never been equal.

*Capital and Ideology* is a highly recommended study for scholars and students in economics, history, government studies, and the social sciences. Government officials and policymakers would find it useful in charting new economic policies for the future.