

# Capital in the Twenty-First Century

## Some Theological Reflections

*Bill Mash examines Thomas Piketty's Capital in the Twenty-First Century and finds that although there are inconsistencies and unsubstantiated statements, the popularity of the book indicates that there are genuine problems, particularly inequality, within capitalism today, which Christians are in a position to address.*

Unusually for a work of economic scholarship that explores vast amounts of data in detail, Thomas Piketty's *Capital in the Twenty-First Century*, published in English in March 2014, enjoyed very high sales. It rose to the top of the Amazon and other lists of best-selling books. This may be because it is a timely book addressing a widespread moral concern, which came to prominence in the early years of this century and found conspicuous popular expression in the Occupy movement.

I offer these comments as a Christian minister with a working knowledge of theology and as an interested, though unqualified, reader of economics. In particular, I am not qualified to challenge Piketty's economic analysis, and I am sure others will be able to improve on my comments. I welcome any discussion they may stimulate.

Piketty offers a detailed analysis of the history of capital, and the propensity of the income it generates to increase inequality. The greater

the difference between the rate of return on capital and the country's economic growth rate, the more inequality will increase. As Owen Jones puts it, recording an interview with Piketty, "modern capitalism is an engine of exploding inequality."<sup>1</sup>

Piketty goes on to offer proposals for reducing what is now an apparently inexorable growth of inequality. My thoughts set key areas of his book alongside insights from the Christian scriptures and modern authors in this field. Page numbers in brackets





'Elijah Meeting Ahab and Jezebel in Naboth's Vineyard'; Sir Francis Bernard Dicksee, 1873

refer to the 2014 edition of *Capital in the Twenty-First Century*.

### Piketty's Analysis

Much of the analysis in *Capital in the Twenty-First Century* takes us back to around 1700. Then the bulk of capital was in the form of agricultural land. In one respect – a society relying on the produce of land – this is closer to the biblical pattern of subsistence agriculture than it is to our own day.

There is an important difference however. The biblical picture is of the land belonging to God and held by individual families, rather than being amassed by wealthy landowners acting as rentiers. It was not to be sold permanently (Lev 25: 23) because private property was given to mortals by God to be used for his glory. People were seen as “foreigners and strangers” or, as the New Living Translation puts it, “foreigners and tenant farmers”. Interestingly, the one reference to tenancy in the New Testament is found in Jesus’ parable

of the tenants in the vineyard (Matthew 21: 33-44, Luke 20: 9 – 19). The attitude and actions which Jesus attributes to the tenants (“wretches” in Matthew, NIV) point to a danger of this form of landholding, although here, to make Jesus’ point, it is the tenants rather than an exploitative landowner who are condemned.

The importance of the family, with land passed down the generations through inheritance, is shown in the story of Naboth’s vineyard in 1 Kings 21. Naboth answers the rapacious king Ahab, “The Lord forbid that I should give you the inheritance of my ancestors.” Inheritance is seen as something positive (Prov 19: 14). However if this is unchecked and combined with buying and selling land, it could lead, over generations, to an undue concentration of wealth. Piketty sees inheritance and work as the two main ways of accumulating wealth (p. 379) devoting a chapter to “Merit and Inheritance in the Long Run” (pp. 377-429). He points out that “The significance of inequalities

of wealth differs depending on whether those inequalities derive from inherited wealth or savings” (p. 19) and that today, inherited wealth accounts for more than half the total amount of the largest fortunes worldwide (p. 443).

Reference has already been made to Leviticus 25. It is there that we find the provisions for the Year of Jubilee. After “seven times seven years”, people were to be able to return to the land originally held by their family. Any land sales were to be on the basis of the number of years’ harvests remaining before the next Jubilee. It was a form of leasehold. If implemented, this would provide an effective check on accumulation through inheritance. These provisions offer clear evidence of God’s will that inequalities should not be allowed to develop amongst his people over successive generations. This is the God who throughout the scriptures expresses his concern for the poor, something which finds succinct expression in Mary’s

Magnificat, “You have filled the hungry with good things, but the rich you have sent empty away.” Jesus takes up the same theme of reversal of fortunes being part of the fulfilment of God’s reign in his Sermon on the Plain, recorded in Luke 6.

That is not to suggest that the biblical world was ever an egalitarian paradise, with everyone able to “sit under their own vine and under their own fig tree” (Micah 4: 4). Though there “need be no poor among you” (Deut 15: 4), in fact, “there will always be poor people in the land.” (Deut 15: 11). Perhaps this is because there is no evidence that the Jubilee regulations were ever implemented with respect to land ownership. It is unlikely therefore that slaves, servants and hired workers benefited from the opportunities which the Jubilee would have offered to gain their freedom.

References to them, including both Israelites and foreigners (see Exodus 21: 2-11 and Lev 25: 39), would provide an example to support Piketty’s sweeping comment (p.336) that, “In all known societies, at all times, the least wealthy half of the population own virtually nothing (generally little more than 5 percent

of total wealth)...” With ownership dispersed amongst families however, it is unlikely that the top decile owned “generally more than 60 per cent of total wealth and sometimes as much as 90 per cent.” (Ibid)

There must have been some acquisition and accumulation of land. Psalm 73 observes “This is what the wicked are like – always free of care, they go on amassing wealth”. Samuel warned the people that, if they were to have a king, he would take the best of their land (1 Sam 8: 14) and Isaiah found it necessary to pronounce “woe to you who join field to field” (5: 8). The extreme conclusion of this, “till no space is left and you dwell alone in the land...” may not have happened, but sometime between biblical times and the eighteenth century, land ownership became concentrated in a way that, for Piketty, is exemplified by “the vast Norland estate that John Dashwood inherits in *Sense and Sensibility*” (p. 113). This was the era when inequality was at its highest levels, “... the eighteenth and nineteenth centuries when the top centile owned 50 – 60 per cent of total wealth (or as much as 70 per cent in Britain or Belle Époque Paris)” (p. 410).

Piketty’s historical survey shows how since that period, in Britain and France, agricultural land declined from a value of between four and five times the value of annual income to less than one tenth of it today.

Agricultural land has been “replaced by buildings, business capital, and financial capital invested in firms and government organisations” (p. 118).

### **Biblical forms of capital**

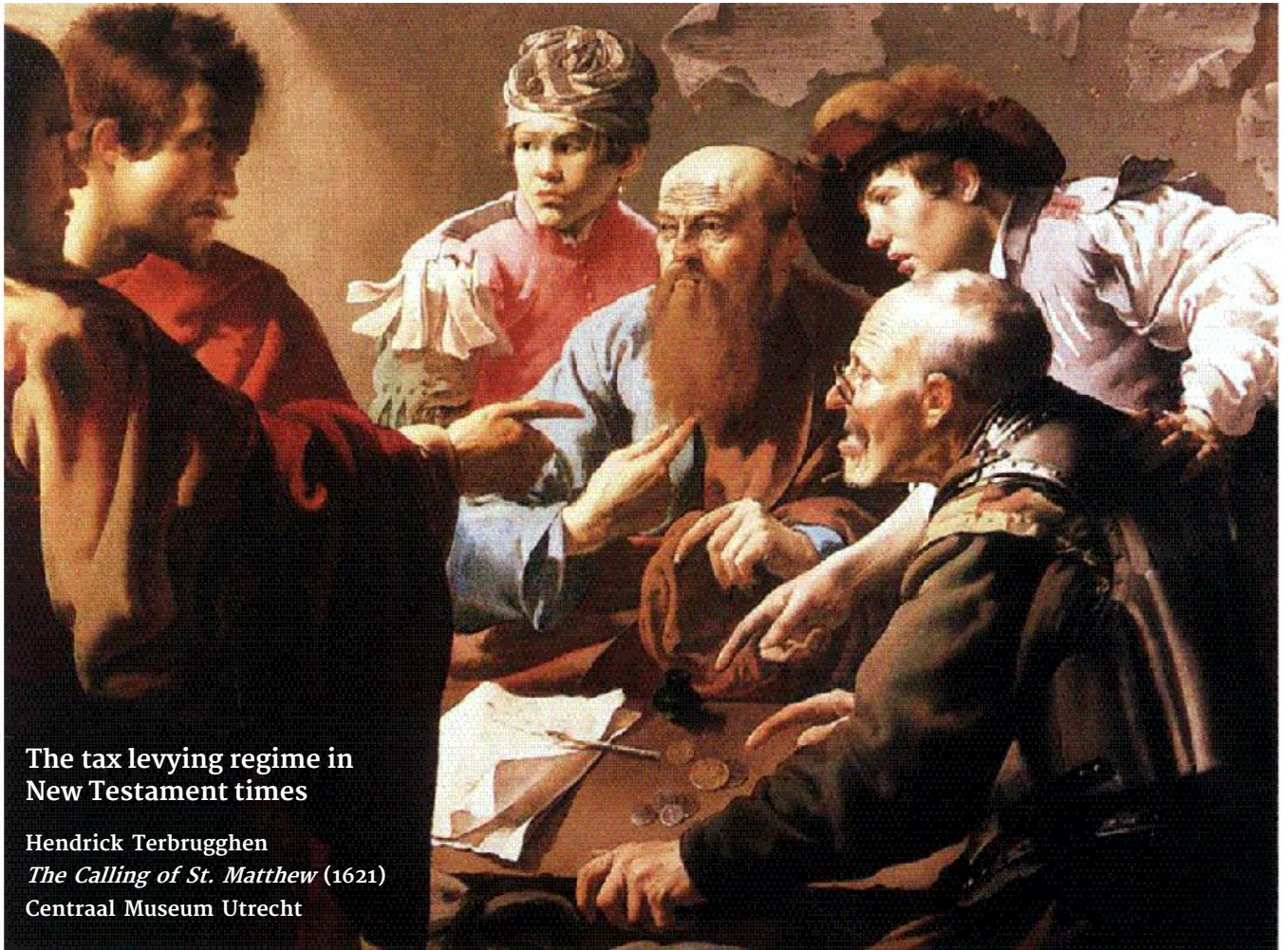
It is a subject which would reward more detailed analysis, but there appears to be some development of the notion of capital within the scriptures. In the Old Testament, capital is chiefly in the form of livestock before the community became settled, and then land, together with its produce and livestock after settlement.

In the New Testament we find that wealth takes a form which can more easily be distributed. The father was able to give the prodigal son his share of the estate in a form which could be transported and squandered. Servants were entrusted with talents (NIV: “bags of gold”) which were to be invested as working capital for small businesses. There is even a reference to “bankers” and “interest” (Matthew 25; 27).



John Dashwood’s vast Norland Estate.  
Scene from the 1995 film (Columbia Pictures)





**The tax levying regime in New Testament times**

Hendrick Terbrugghen  
*The Calling of St. Matthew* (1621)  
 Centraal Museum Utrecht

Taxation, paid in money rather than produce, had become a fact of life in New Testament times. It may have been imperfectly administered: we have only to think of the unreformed Zacchaeus in Luke 19. Very little of the taxes would have been redistributive: there was certainly no welfare state. Money collected would have been for the maintenance of the ruling regime or to fund public buildings or religious practice. Paul enjoins the payment of taxes in order that the authorities, as God’s servants, could give their full time to governing (Romans 13: 6,7). The tax levying regime to which Paul refers would scarcely have been popular with most of his readers, but he points to the positive role of government in preserving law and order.

**Piketty’s Proposals**

It is taxation, specifically a global tax on wealth, which Piketty advocates

as “the ideal policy for avoiding an endless inegalitarian spiral and regaining control over the dynamics of accumulation”(p.471). This has been called naïve<sup>2</sup>. Piketty himself admits it is utopian(Ibid); indeed, “It is hard to imagine the nations of the world agreeing on any such thing anytime soon”(p.515). However, he makes the general and important point that “Without tax, society has no common destiny, and no collective action is possible. At the heart of every major political upheaval lies a fiscal revolution” (p.493). A further benefit of a global tax is that “it would expose wealth to democratic scrutiny, which is a necessary condition for effective regulation of the banking system and international capital flows”(p.471).

Some alternatives to this tax are considered: higher top marginal rates of income tax (pp.512-514); protectionism and capital controls (p.534); immigration (p.538) and

inflation (pp.544-547). All are found wanting, and, when Piketty suggests that the real alternative is “to await the next crisis or the next war (this time truly global)” (p.471) we see something of his concern about the dangers of growing inequality. The sales of his book suggest that this concern is widely shared, and is not confined to the Occupy movement (see p. 254) which claimed to represent the 99% who are not members of the top centile to which Piketty so often refers in his analysis.

**Is Inequality a bad thing?**

But is inequality as bad as Piketty implies? Though he writes that “a market economy based on private property, if left to itself, ... contains powerful forces of divergence, which are potentially threatening to democratic societies and to the values of social justice on which they are based”, something which is “potentially terrifying” (p.571) and

“shameful” (p.567), he offers little detail as to why this is so.

*Capital* will be read by people who share a moral concern for society. Indeed the book seems to be on the threshold of making moral points throughout, but there is little or no basis for them, other than a utilitarianism which constantly appeals to notions of social justice, without defining what this means. Piketty specifically says that he does not intend to “indulge in constructing a moral hierarchy of wealth”(p.444). We are asked to accept this: morality is not his field. But how can Piketty make a strong moral case without establishing the foundations of morality? A Christian response will be to see where his arguments converge on the scriptural principles which form the basis of our moral values. Donald Hay sets out eight such principles in his book *Economics Today*.<sup>3</sup>

Indeed, at one point Piketty offers a defence of inequality. Using examples from nineteenth century novelists, he suggests that inequality played a part in the development of modern civilization.

Without it, it would have been impossible for a very small elite to concern themselves with something other than subsistence. Indeed, it may be that “Extreme inequality is almost a condition of civilization” (p.415). He notes that even recent American TV series offer a “hymn to just inequality, based on merit, education, and the social utility of elites”(p.419).

We might note that Margaret Thatcher offered a similar defence of inequality, saying that ‘Nations depend for their health, economically, culturally and psychologically, upon the achievements of a comparatively small number of talented and determined people’<sup>4</sup> Brian Walden, a former Labour MP and television

interviewer, commented that she was “a woman who believes in inequality, passionately.”<sup>5</sup>

To find specific arguments about why inequality is bad for society, one must turn to other writers. There is a growing body of scholarship inspired by a widespread concern about the divergence of income and wealth groups within societies. *The Spirit Level* by Richard Wilkinson and Kate Pickett demonstrates a correlation between the level of inequality in a society and numerous poor social indicators. These include high infant mortality, increased drug dependence, high crime and imprisonment levels, low levels of trust, poor health, both physical and mental, high teenage pregnancy rates, and low overall educational achievement.

*The Spirit Level* is an important book and, as the conclusions it reaches are very challenging, it has been the subject of some criticism. James Bartholomew examines some of the data it offers and suggests that the correlations are not as strong as Wilkinson and Pickett suggest. He reminds us that

correlation does not imply causation. He concludes, “It appears that the argument that inequality causes bad social effects is not backed up by good evidence.”<sup>6</sup>

Stewart Lansley’s less well known book *The Cost of Inequality* shows how the reduction of purchasing power of some sections of society adversely affects overall demand for goods and services and reduces economic growth. In *The Price of Inequality*, Joseph Stiglitz shows how inequality emerges when political systems fail to correct the shortcomings of markets and points out that the fate of the top centile is closely bound up with that of the other 99%. Markets would work better with a more level playing field, he says.

One of the negative effects of inequality which Piketty identifies closely follows the theme of Lansley’s book. He notes the stagnation in the purchasing power of the middle income groups which leads to them borrowing money and goes on, “In my view there is absolutely no doubt that the increase of inequality in the US contributed to the nation’s financial instability” (p.297).

Christians have always maintained that the laws provided by God are for the well-being of his people, and reveal his character as God of justice, who is especially concerned for the welfare of the poor, and for a fair distribution of wealth and income. The writers cited above have provided arguments which confirm the validity of a biblical view on this subject. Even Bartholomew is concerned for the well-being of society as whole. However he would see the modern welfare state, the principal mechanism by which income is redistributed by taxation, as part of the problem, not the solution.<sup>7</sup>

### Christian Response

How should Christians respond to Piketty’s principal remedy, the proposal of a global tax on capital?

Piketty’s high view of taxation, as something which offers society cohesiveness and the possibility of collective action is echoed in scripture, especially in Romans 13. Matthew may have been called away from the tax collector’s booth and Zacchaeus’ encounter with Jesus moves him to moral reform and restitution, but Jesus pays his Temple Tax (Matt 17: 27) and implies that Caesar should be paid his due. (Matt 22: 21, Mark 12: 17)

But Christians would probably agree with Piketty that a global tax on wealth is utopian. He has his reasons for this. We would contribute a perspective informed by the biblical understanding of the

**“Extreme inequality is almost a condition of civilization.”**



fallen nature of humanity. This is a factor behind the growing inequality, just as much as Piketty's central argument that inequality will increase where the rate of return on capital is greater than growth ("r > g"). Put simply, greed is at the very centre of much wealth accumulation. It was certainly at the centre of the recent financial crisis.

No amount of legislation, even with international co-operation, can curb or reform this tendency to greed. People, especially those with economic power, will find ways to circumvent controls and taxes which may be imposed upon them. This is amply demonstrated by companies' and individuals' creative manoeuvres around the tax system today. The recent publication of the Panama Papers has revealed what is probably just a very small part of this.

The early church demonstrated a concern for the poor by a practical redistribution of wealth which was well in advance of the times in which they lived. People were "selling land and setting the proceeds at the feet of the apostles"(Acts 4: 34ff). A voluntary change of heart, a

consequence of their new convictions, produced a social order within the group which gained the approval of those around them (Acts 2: 47). It led to collections being taken for other churches experiencing financial need: the plenty of one would supply the need of another, where "the goal is equality"(2 Cor 8: 14).

To suggest this change of heart as the way to promote redistribution of wealth and reduce inequality within communities and nations would appear to be as utopian as is Piketty's proposed global tax on wealth. It would mean people putting into practice St Paul's injunction in Philippians 2: "In humility value others above yourselves, not looking to your own interests but each of you to the interests of others." This may also be naïve, but we are not alone in offering this as a way forward. Joseph Stiglitz, the Nobel Prize winning economist, who consistently brings a moral perspective to his work, concluded his book *The Price of Inequality*, "Paying attention to everyone else's self-interest – in other words the common welfare – is in fact a precondition for one's own ultimate well-being." <sup>8</sup>

Stiglitz does not offer any insights about how this change of attitude, his own utopian solution, might be achieved. Here the Christian understanding of faith in a loving God motivating us to live in better relationships with those around us, has much to contribute. Similar themes are found in other faiths. Christianity goes further: our attitudes are to be shaped by our gratitude for God's grace and we may be transformed by the Holy Spirit, given to all believers. Here is the key to fulfilling the maxim that we should treat others as we would expect them to treat us, the so-called Golden Rule.

The convergence of economists with Christian understanding about the need for greater equality and social justice, together with ways in which these might be achieved, should encourage us. We have something very positive to bring to the table.

## Other aspects

### Pay and Rewards

There are other resonances with Piketty's work. When it comes to pay and rewards, he notes that "It is



### Apple under the spotlight for tax avoidance.

Executives, including former CFO Peter Oppenheimer (left), giving evidence.

when sales and profits increase for external reasons that executive pay rises most rapidly” (p.335). This he calls “pay for luck.” The Biblical understanding of wages (Rom 4: 4, 1 Tim 5: 18) is that there should be a link between the work done and the rewards gained. Paul’s instruction in 2 Thessalonians 3:10 that “The one who is unwilling to work shall not eat” would not sit well with the eighteenth-century rentiers enjoying their five per cent returns whom Piketty repeatedly uses as an example of inequality.

Today’s top centile, or top thousandth, might well reject suggestions that they are not working for their rewards, but pay at those levels is out of all proportion to work done. We may never return to the idyllic description of Psalm 128: 2, “You will eat the fruit of your labour; blessings and prosperity will be yours,” but it is a commendable principle.

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### **Austerity**

Contemporary economics is a discipline carried out under the shadow of the 2007-08 financial crisis. Many governments are seeking to repair the damage with austerity measures. Piketty is particularly scathing in his criticism of this:

How can a public debt as large as today’s European debt be significantly reduced? .... The worst solution in terms of both justice and efficiency is a prolonged dose of austerity – yet that is the course Europe is currently following. (p.541)

Piketty appeals to both justice and efficiency. Considerations of efficiency are for economists to

assess, and inevitably opinions will differ. Piketty would find support from David Stuckler and Sanjay Basu in *The Body Economic – Why Austerity Kills* and Mark Blyth in *Austerity – The History of a Dangerous Idea*. Stiglitz would agree. In *The Price of Inequality*, he compares austerity to “medieval bloodletting” and asserts, “The worst myths are that austerity will bring recovery and that more government spending will not.” Indeed, “History shows that austerity has almost never worked.”<sup>9</sup>

These writers make a strong case that austerity is both inefficient and unjust.

Christians have a view to offer when it comes to justice. Although some cuts required by austerity may be made in subsidies to the arts, which affect more wealthy people, most measures hit poorer people hardest, and add to inequality. Spending on welfare benefits is cut, and

public sector jobs, often at lower rates of pay, are reduced in number. Basic services, such as publicly provided care for the elderly, are downgraded. Is this fair? Can it be just to expect those who had no part in causing the financial crisis to bear a disproportionate part of the burden when it comes to remedying its effects?

It is important that rulers and authorities both maintain justice and act justly (Romans 13: 4). It was the Christian churches that once took the lead in promoting social justice and supporting the vulnerable and weak. Over the years we have ceded much of this to government, but we have every right to question when we believe they are falling short of basic

responsibilities and to hold them accountable to what we believe are God’s standards.

There are different opinions about how our national debt might be reduced, or at least how its increase might be curbed, and whether austerity has a place in that. Anecdotes and personal observation will combine with published studies as we seek to find a way forward. We will come across people who have been encouraged to find work as a result of a strict benefits regime, and note the ways in which it contributes to their dignity and self-confidence rather than perpetuating dependency. But we will hear of people in genuine need through no fault of their own, whose plight may be worsened by increasing austerity.

Our new Prime Minister, Theresa May, speaks in terms of “living within our means” rather than “austerity”. This is appropriate if our national economy is comparable to the workings of a household or a limited company. The Quaker economist Richard Murphy is one who would differ. He contends that a sovereign government with its own currency can never run out of money, as it always has the ability to create money<sup>10</sup>. This is no excuse for profligacy which would rapidly lead to damaging inflation. Progressive taxation can absorb the money created, avoiding this and redistributing income in a way that the government believes to be fair. Murphy also opposes austerity, offering a mathematical justification for his view that “the pursuit of austerity actually guarantees that the government will fail in its objective of balancing the books.”<sup>11</sup> One policy he suggests is People’s Quantitative Easing which stimulates the economy by directing government – created money to infrastructure projects.

As these issues relate to the wellbeing of millions of our fellow citizens, the exchange of views on

this should not be an academic or a purely political discussion. Throughout the Old Testament, God's compassion was repeatedly aroused by the suffering of his people. Compassion is a powerful motivator today for practical Christian concern expressed in service and care. It should also provoke Christians to raise their voices wherever people are excluded from sharing in God's provision for humankind. This may involve supporting some policies, challenging others and proposing alternatives. Donald Hay points out that, though Christians may offer different solutions, "A Christian will approach the issue somewhat differently from secular analysts"<sup>12</sup>. Christian economists, ready to engage in this debate, could well be taking on the mantle of the Old Testament prophet.

### Corporate Taxation

Piketty makes reference to multinational corporations who contrive to pay very small amounts of tax in higher tax jurisdictions (p.561), and suggests ways of combatting this. The apostle Paul offers no such detail, but his general principle in


Romans 13: 6f is in full accord with those, Christians amongst them, who campaign for tax justice.<sup>13</sup>

### Conclusion

At the centre of Piketty's argument lies the concept of the inequality  $r > g$ : if the rate of return on capital is greater than the rate of growth, financial inequality will increase. This "implies that the past devours the future" (p.378). Peter Selby makes a similar point in *Grace and Mortgage* about the contrast between debts, which limit people's present and future, and the grace of God which opens up new possibilities and unlocks potential.

The columnist Caitlin Moran has written powerfully about her early life of poverty in a family receiving welfare benefits, with the corrosive effects of debt and the ever present dread of further benefit cuts.<sup>14</sup> Fear dominated her life and that of millions like her. If we believe in God's love which casts out fear (1 John 4: 18), then we have a powerful motive to support any measures that will reduce inequality, and especially to question austerity policies which further reduce the opportunities of the poor.

The German theologian Jürgen Moltmann wrote "The neglect of economics is a wound in the side of the church."<sup>15</sup> Many churches are good at reacting to the immediate effects of poverty and inequality, serving their communities and showing the grace and love of God in practical ways.

But, additionally, churches which heed Moltmann's words and are attentive to economics and the questions the discipline poses for society will be better equipped to question why huge inequalities arise. They will then seek to do everything possible to curb them, both now and in the future. They will point to the possibilities and potential of more equal societies and the people who live in them. They will use their networks to maintain 'lines of sight' connecting richer and poorer communities.<sup>16</sup> They will make common cause with those of all backgrounds who campaign to see a more just and equal world. They will be churches who share in the kingdom purposes of God as they point to the grace and love of the God who cares for all his people, both rich and poor, offering a future of new possibilities and unlocked potential. 

1 The Guardian, 22.12.14

2 See, amongst others, Thomas Palley, "Social Europe" <http://www.social-europe.eu/2014/04/thomas-piketty-capital/> .

3 Donald Hay, "Economics Today", Apollos, 1989, pp. 72 -76

4 Charles Moore, "Margaret Thatcher: The Authorized Biography, Volume One: Not For Turning", Allen Lane 2013, p.465

5 Quoted in the Daily Telegraph, 21 April 2013.

6 James Bartholomew, "The Welfare of Nations", Biteback Publishing 2015, p.324

7 Ibid, preface, p. xv

8 Joseph Stiglitz, The Price of Inequality, Penguin 2012, p. 361

9 Ibid, pages 290/1 and 288

10 Richard Murphy, "The Joy of Tax", Bantam Press, 2015, pp 86/87

11 Ibid, p.95

12 Op cit, p.174

13 See especially [www.taxresearch.org.uk](http://www.taxresearch.org.uk), and <http://www.christianaid.org.uk/ActNow/trace-the-tax/>

14 Sunday Times 29.1.12

15 Quoted in E Philip Davis, "The Crisis and the Kingdom" xiv

16 "The Condition of Britain", IPPR, 2014, p.14



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