

From Social Democracy to Democratic Socialism: Lessons from a Brief History of Equality

Thomas Piketty

Columbia University, September 18 2023

A
BRIEF
HISTORY
of
EQUALITY
THOMAS
PIKETTY

*Author of the New York Times Bestsellers
Capital and Ideology and Capital in the Twenty-First Century*


WORLD
INEQUALITY
REPORT
2022



Coordinated by
Lucas Chancel Lead author
Thomas Piketty
Emmanuel Saez
Gabriel Zucman
Assisted by
Julien Delpla and Abhijeet Banerjee

WORLD
INEQUALITY
LAB

wir2022.wid.world

 [@WIL_inequality](https://twitter.com/WIL_inequality) | [#InequalityReport](https://twitter.com/InequalityReport)

From social democracy to democratic socialism

1. The (very) successful rise of social-democratic capitalism (welfare state & progressive income taxation) in the West during 20c

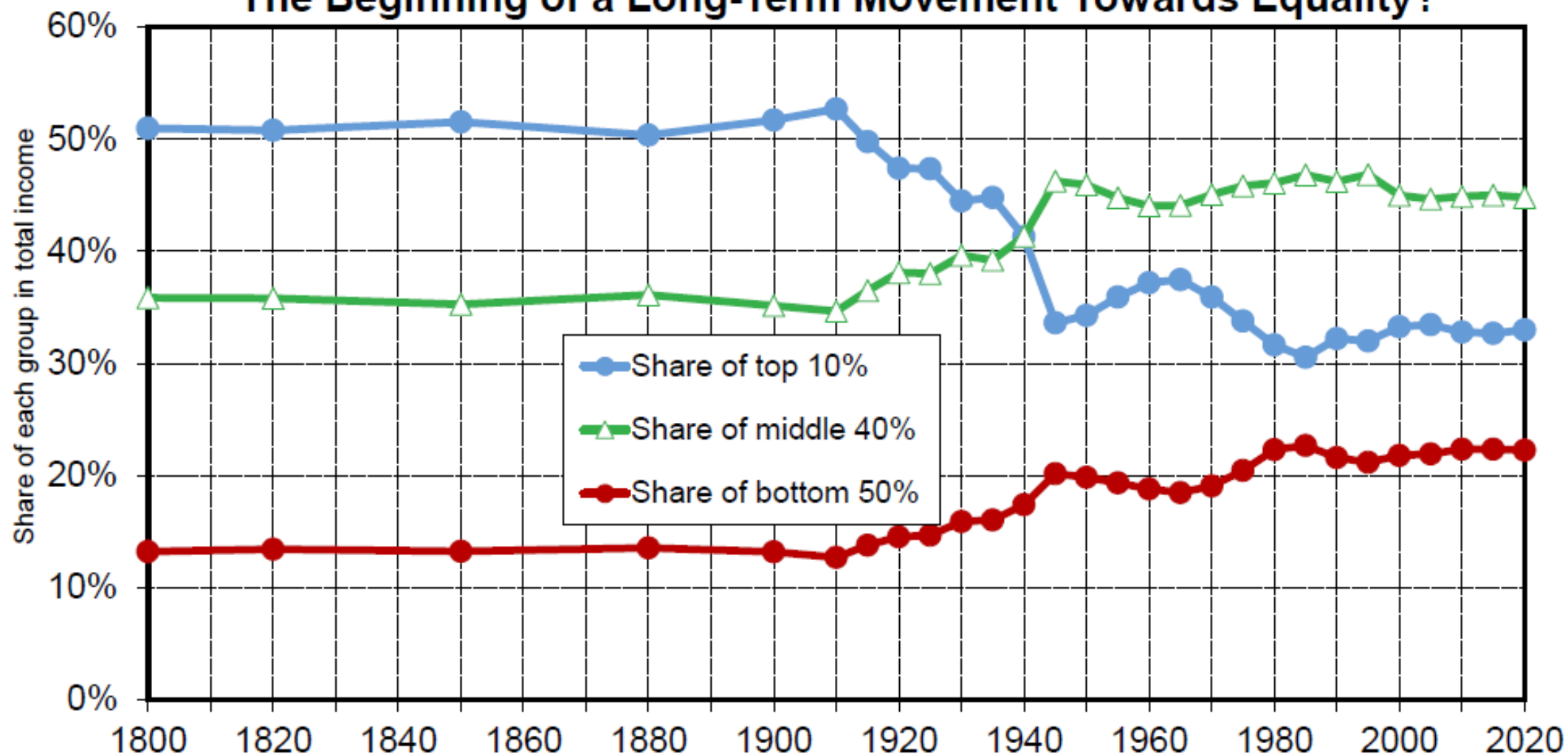
2. From social democracy to participatory socialism: permanent circulation of power, property and opportunities via progressive wealth taxation, workers rights & educational fairness

Colonial capitalism 1910

→ Social-democratic capitalism 1980

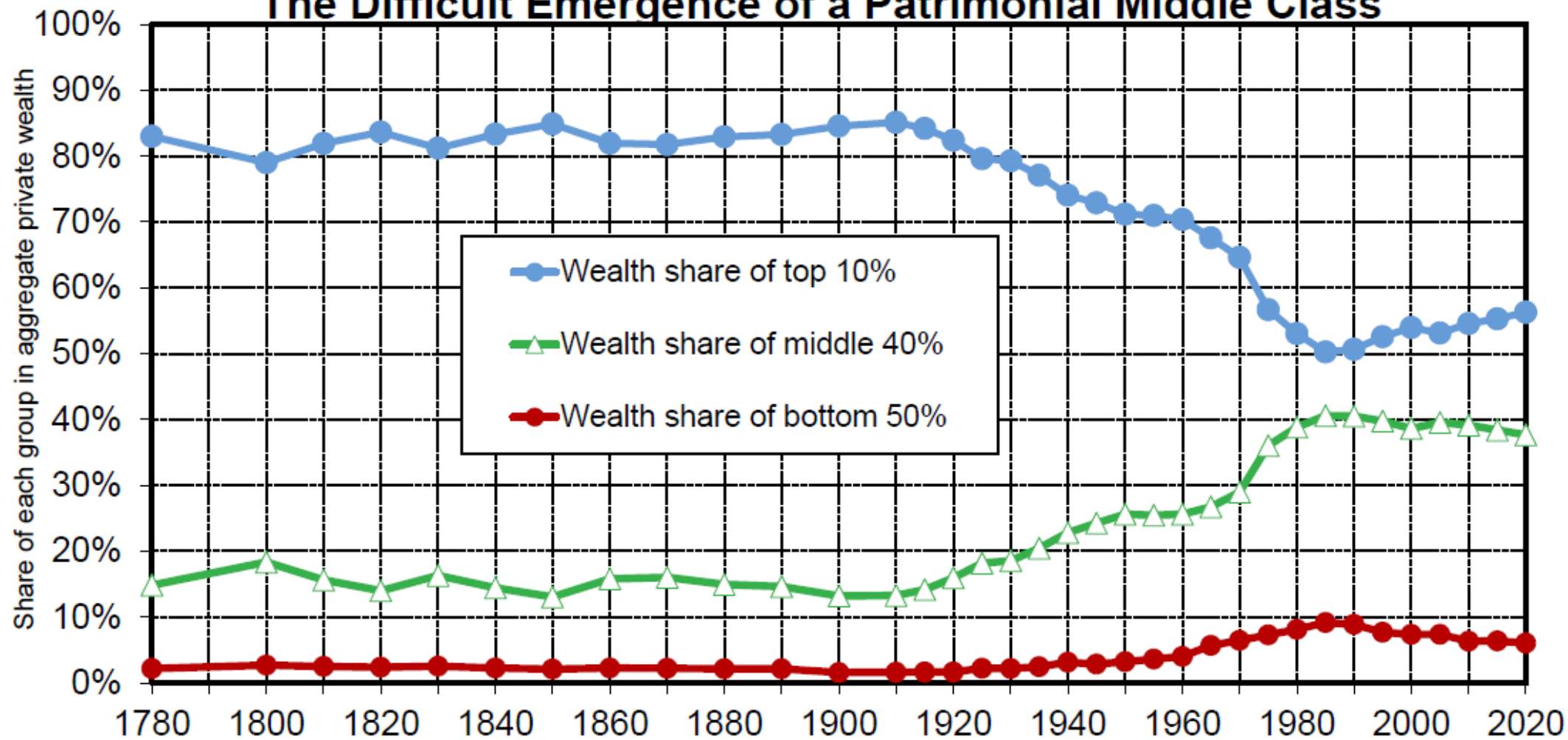
→ Democratic socialism 2050

Income Distribution in France, 1800-2020: The Beginning of a Long-Term Movement Towards Equality?



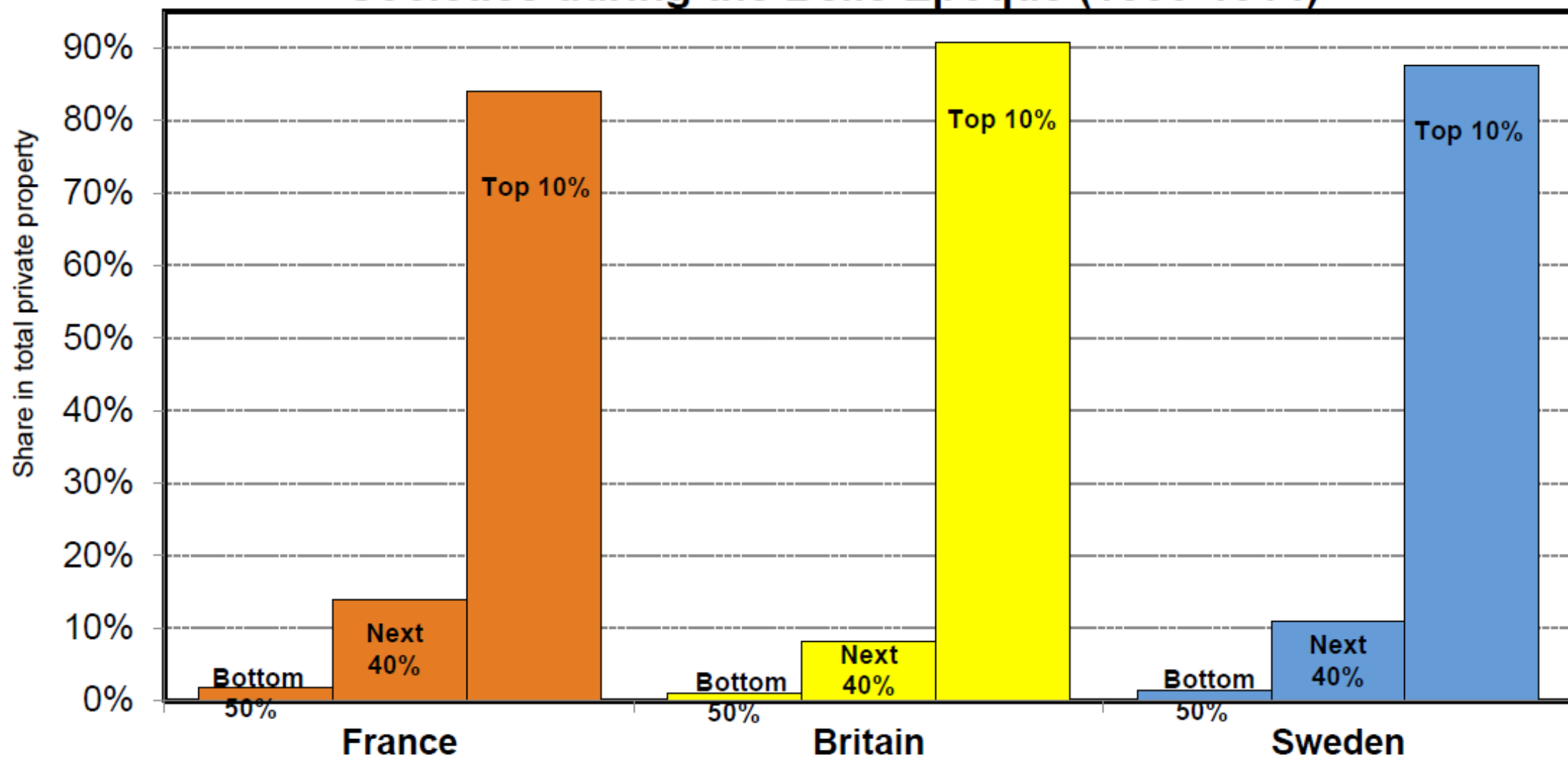
Interpretation. The share of the top 10% highest incomes in total income (including capital income - rent, dividends, interest, profits - & labour income - wages, self-employment income, pensions, unemployment benefits) was about 50% in France from the 1780s to the 1910s. The fall in the concentration of income started after World War 1 and occurred to the benefit of the "lower classes" (the bottom 50% lowest incomes) and the "middle classes" (the next 40%), at the expense of the "upper classes" (the top 10%). **Sources and series:** see piketty.pse.ens.fr/equality (figure 7)

Wealth Distribution in France, 1780-2020: The Difficult Emergence of a Patrimonial Middle Class



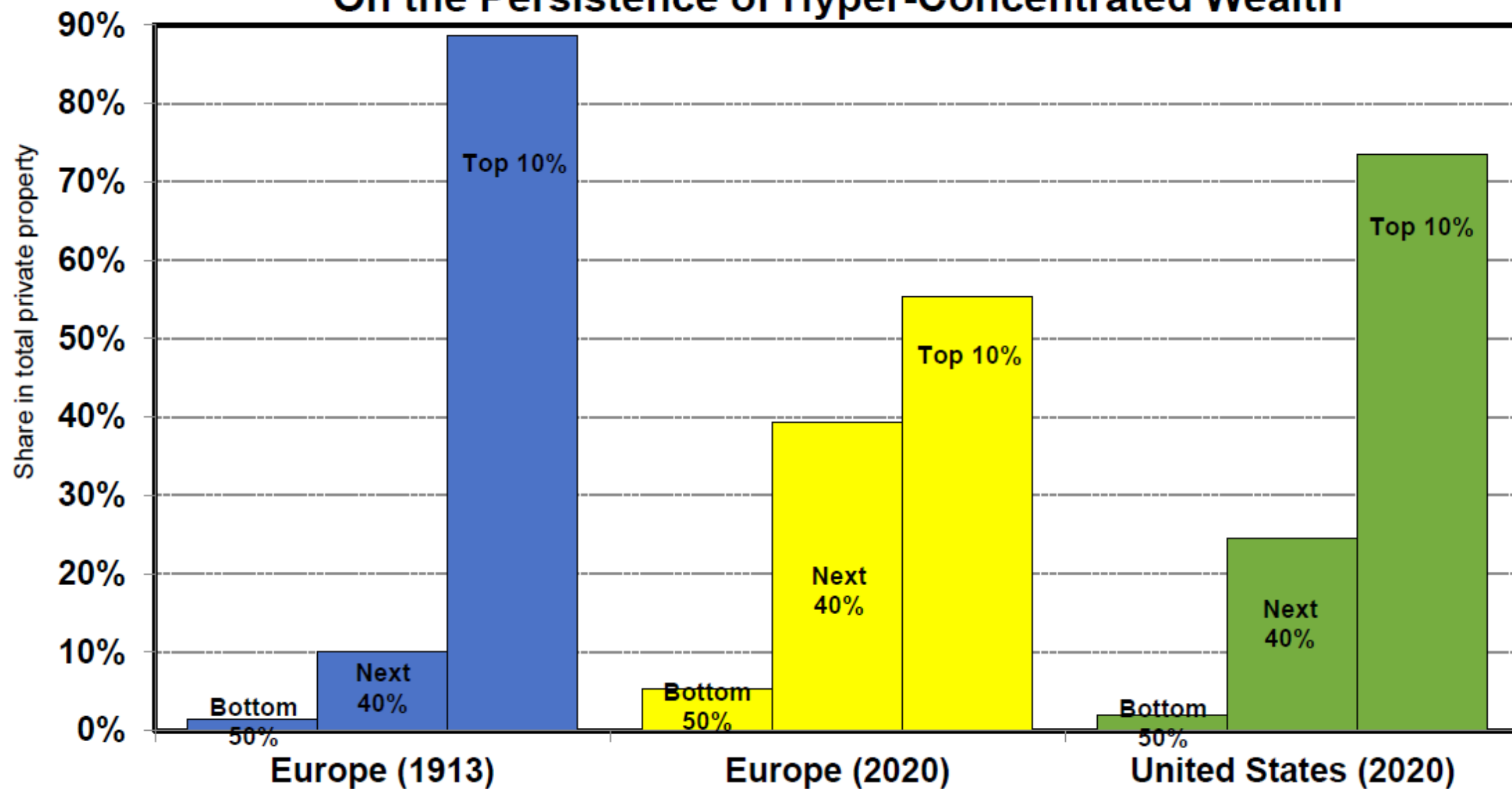
Interpretation. The share of top 10% wealth holders in aggregate private wealth (real estate, business and financial assets, net of debt) was around 80%-90% in France between 1780 and 1910. The decline in wealth concentration begins with World War I and stops in the 1980s. It benefited mostly to the "patrimonial middle class" (the middle 40%), which is defined here as the intermediate group between the top 10% and the bottom 50% of the wealth distribution. **Sources and series:** see piketty.pse.ens.fr/equality (figure 6)

Extreme Patrimonial Inequality: Europe's Proprietarian Societies during the Belle Epoque (1880-1914)



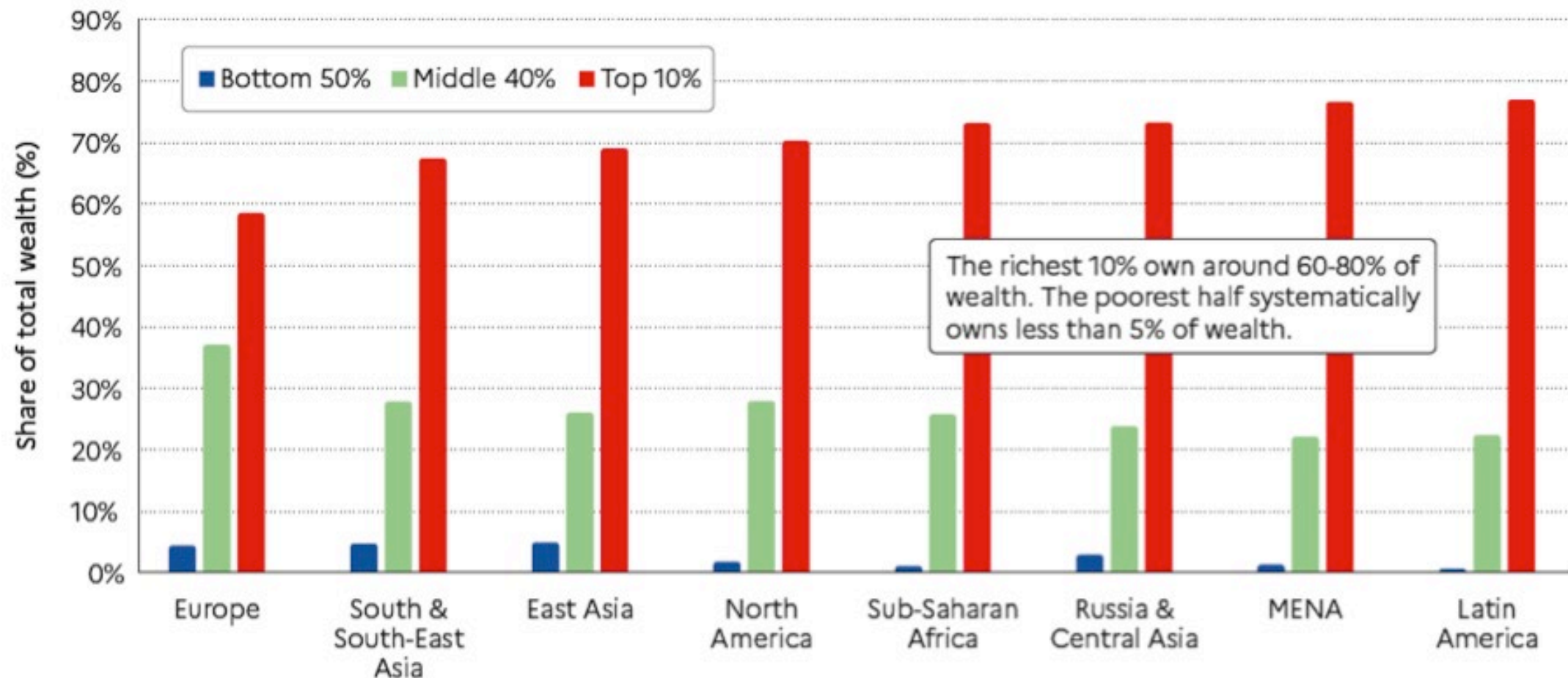
Interpretation. The share the richest 10% in total private property (all assets combined: real estate, business and financial assets, net of debt) was on average 84% in France between 1880 and 1914 (vs. 14% for the next 40% and 2% for the bottom 50%), 91% in Britain (vs 8% and 1%) and 88% in Sweden (vs 11% and 1%). **Sources and series:** see piketty.pse.ens.fr/equality (figure 17)

On the Persistence of Hyper-Concentrated Wealth



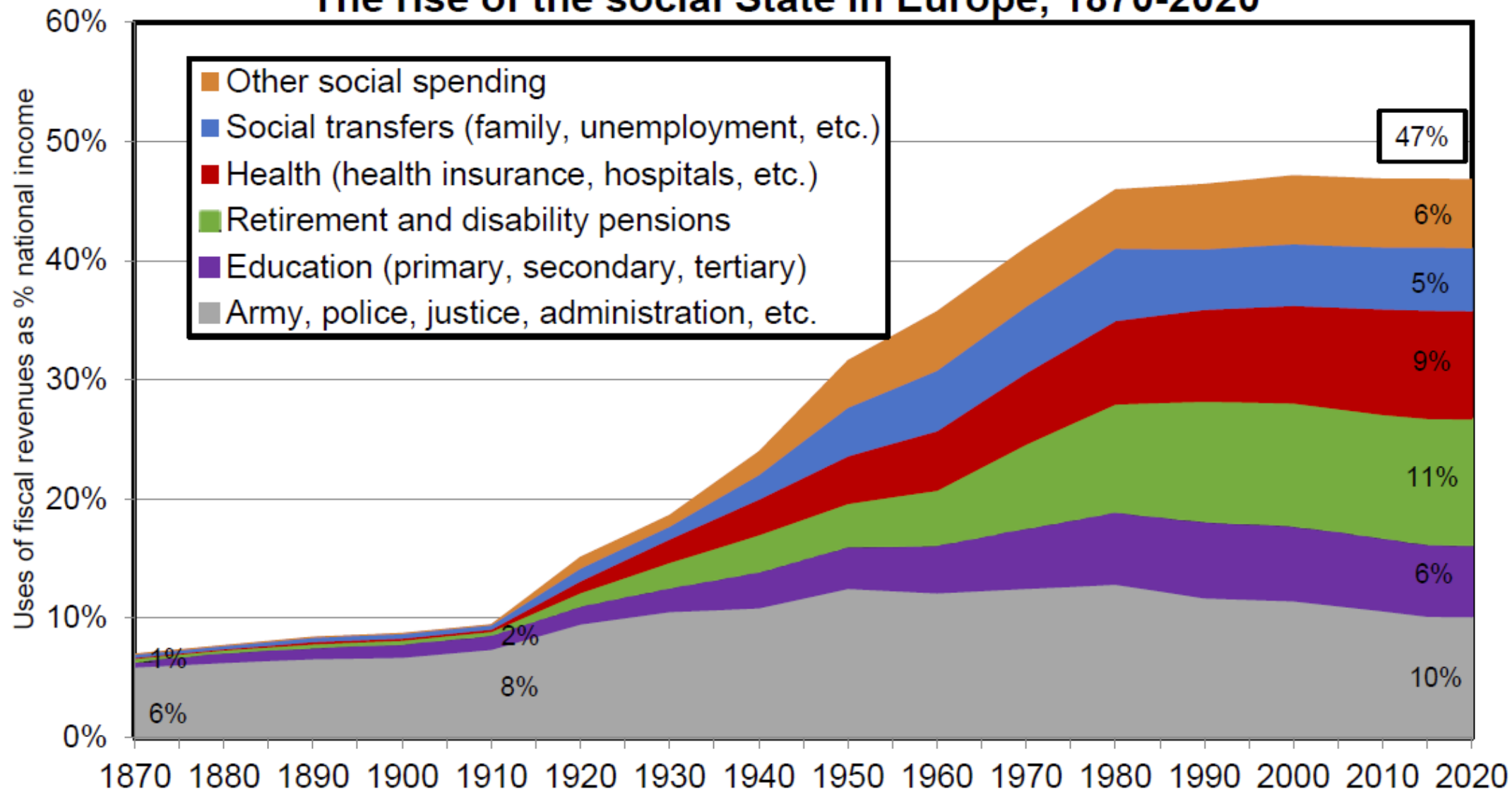
Reading. The share of the richest 10% in total private property was 89% in Europe (average of Britain, France and Sweden) in 1913 (compared with 1% for the bottom 50%), 55% in Europe in 2020 (compared to 5% for the bottom 50%) and 74% in the United States in 2020 (compared to 2% for the bottom 50%). **Sources and series:** see piketty.pse.ens.fr/equality (figure 27)

Figure 4 The extreme concentration of capital: wealth inequality across the world, 2021



Interpretation: The Top 10% in Latin America captures 77% of total household wealth, versus 22% for the Middle 40% and 1% for the Bottom 50%. In Europe, the Top 10% owns 58% of total wealth, versus 38% for the Middle 40% and 4% for the Bottom 50%. **Sources and series:** wir2022.wid.world/methodology.

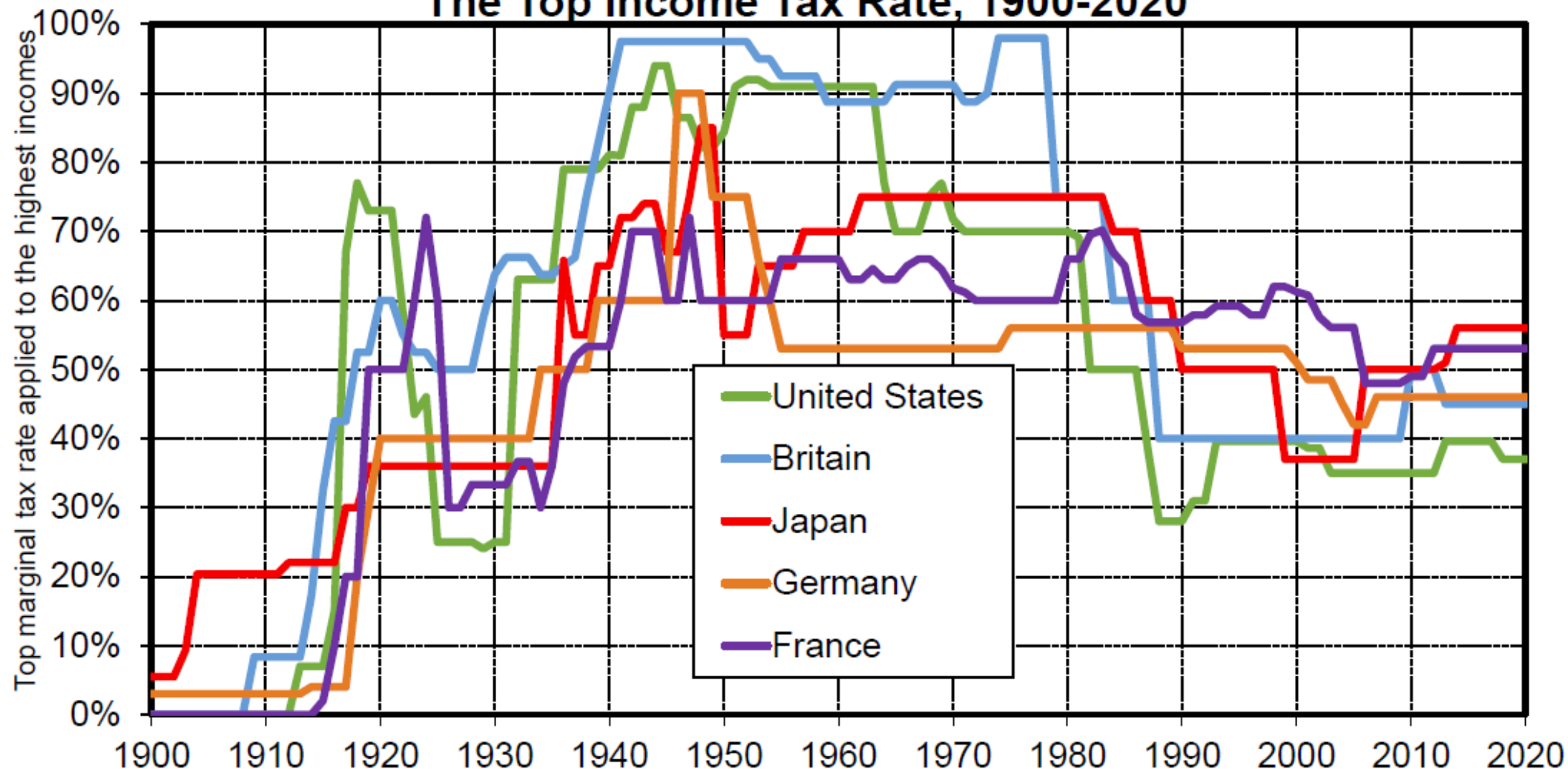
The rise of the social State in Europe, 1870-2020



Interpretation. In 2020, fiscal revenues represented 47% of national income on average in Western Europe et were used as follows: 10% of national income for regalian expenditure (army, police, justice, general administration, basic infrastructure: roads, etc.); 6% for education; 11% for pensions; 9% for health; 5% for social transfers (other than pensions); 6% for other social spending (housing, etc.). Before 1914, regalian expenditure absorbed almost all fiscal revenues.

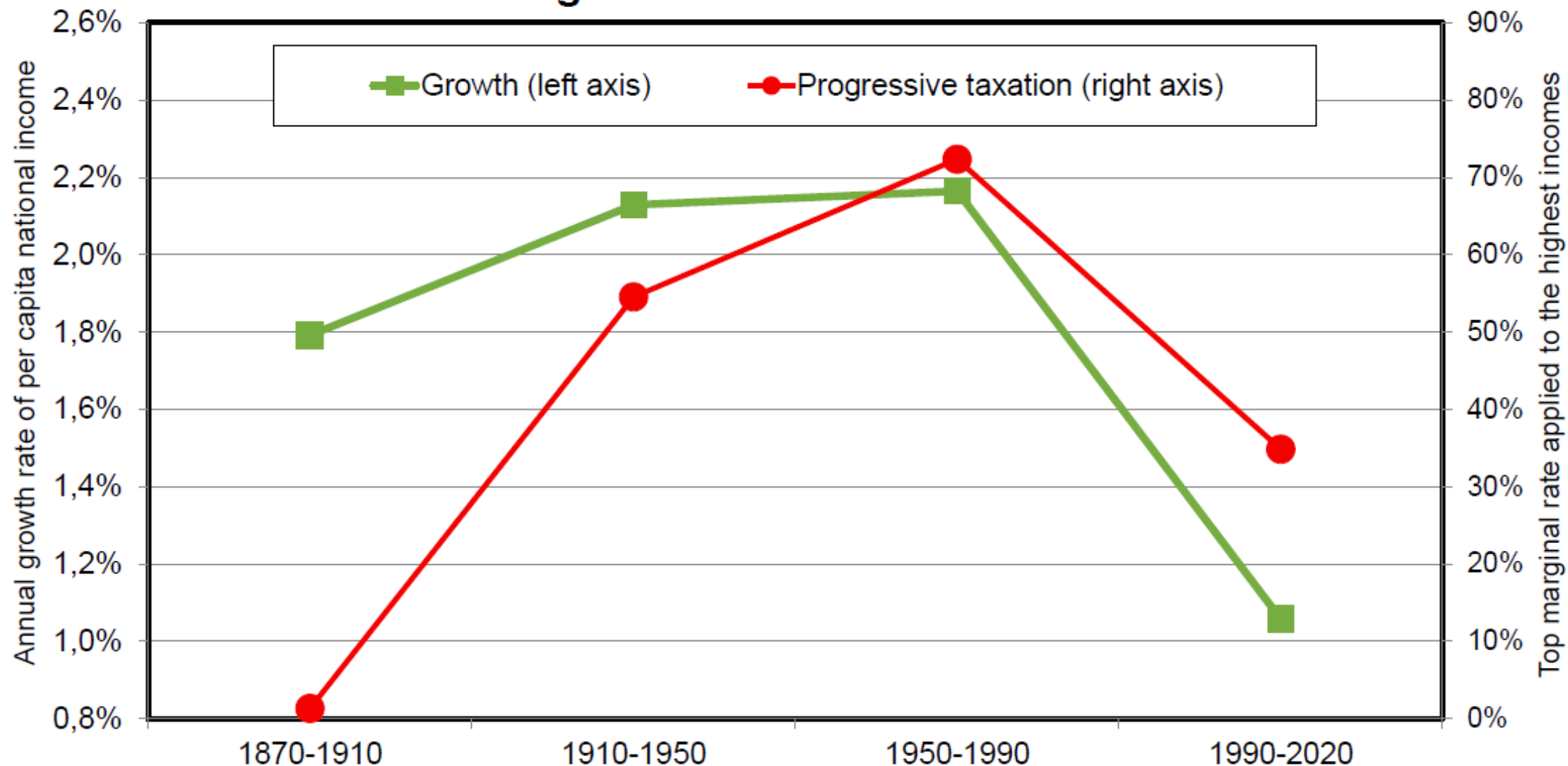
Note. The evolution depicted here is the average of Germany, France, Britain and Sweden. **Sources and séries:** see piketty.pse.ens.fr/equality (figure 19)

The Invention of Progressive Taxation: The Top Income Tax Rate, 1900-2020



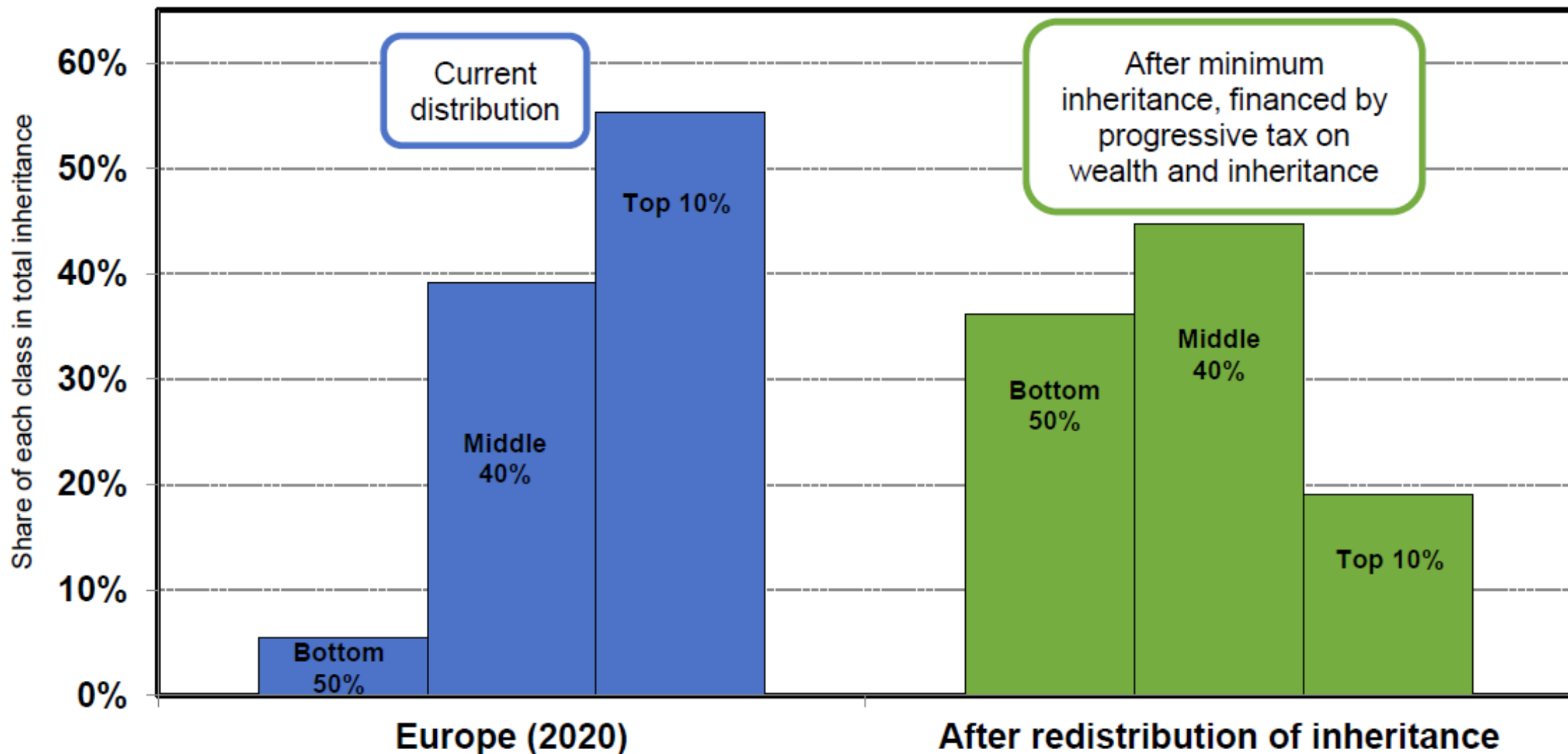
Interpretation. The marginal income tax rate applied to the highest incomes was on average 23% in the U.S. from 1900 to 1932, 81% from 1932 to 1980 and 39% from 1980 to 2018. Over these same periods, the top rate was equal to 30%, 89% and 46% in Britain, 26%, 68% and 53% in Japan, 18%, 58% and 50% in Germany, and 23%, 60% and 57% in France. Progressive taxation peaked in mid-century, especially in the U.S. and in Britain. **Sources and series:** see piketty.pse.ens.fr/equality (figure 20)

Growth and Progressive Taxation in the U.S. 1870-2020



Interpretation. in the U.S., the growth rate of per capita national income dropped from 2,2% per year between 1950 and 1990 to 1,1% between 1990 and 2020, while the top marginal tax rate applied to the highest incomes dropped from 72% to 35% over the same period. The promised resurgence of growth following the cut in top tax rates did not occur. **Sources and series:** see piketty.pse.ens.fr/equality (figure 23)

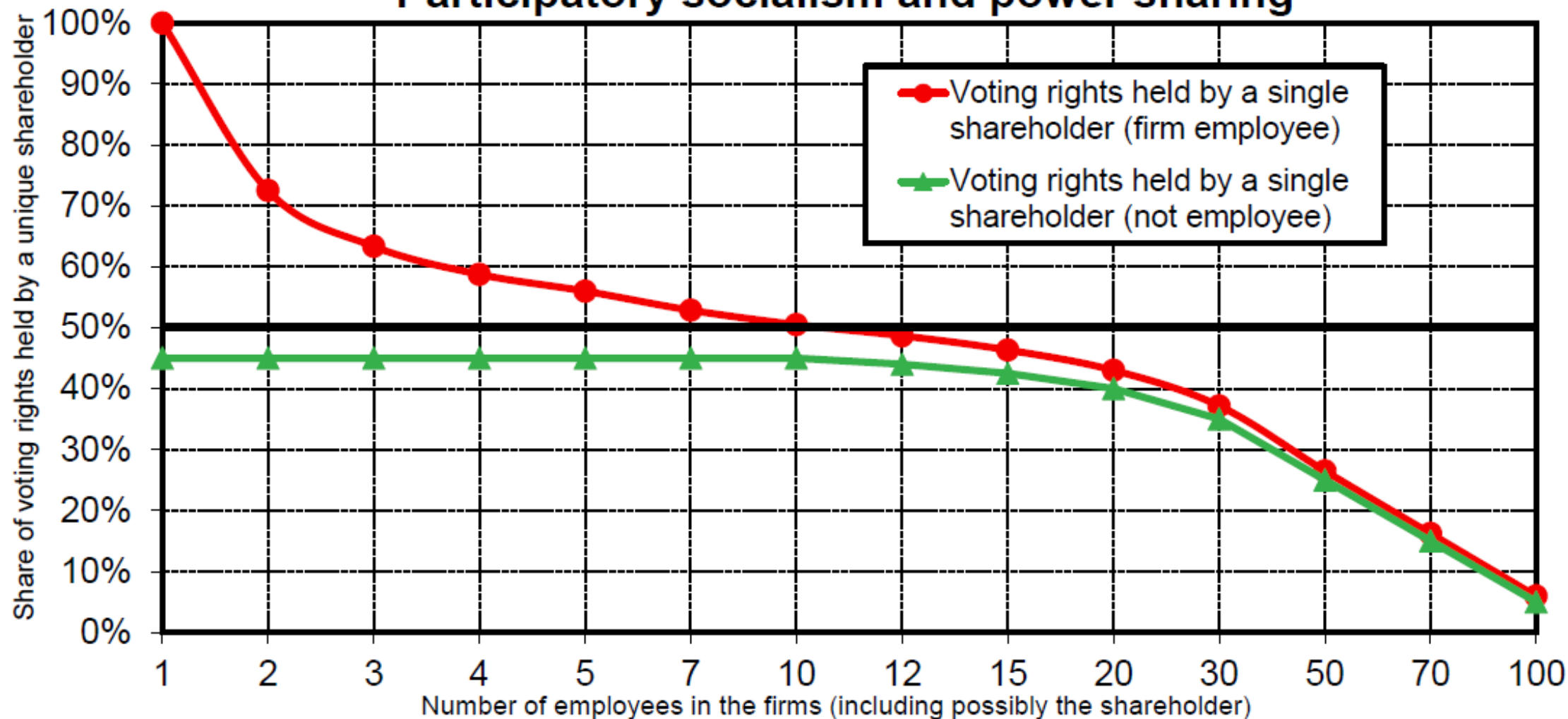
The Redistribution of Inheritance



Interpretation. The share of the poorest 50% in total inheritance is 6% in Europe in 2020, vs 39% for the next 40% and 55% for the richest 10%. After implementation of inheritance for all (minimum inheritance equal to 60% of average wealth, allocated at 25-year-old), financed by a progressive tax on wealth and inheritance, this share would be equal to 36% (vs 45% and 19%).

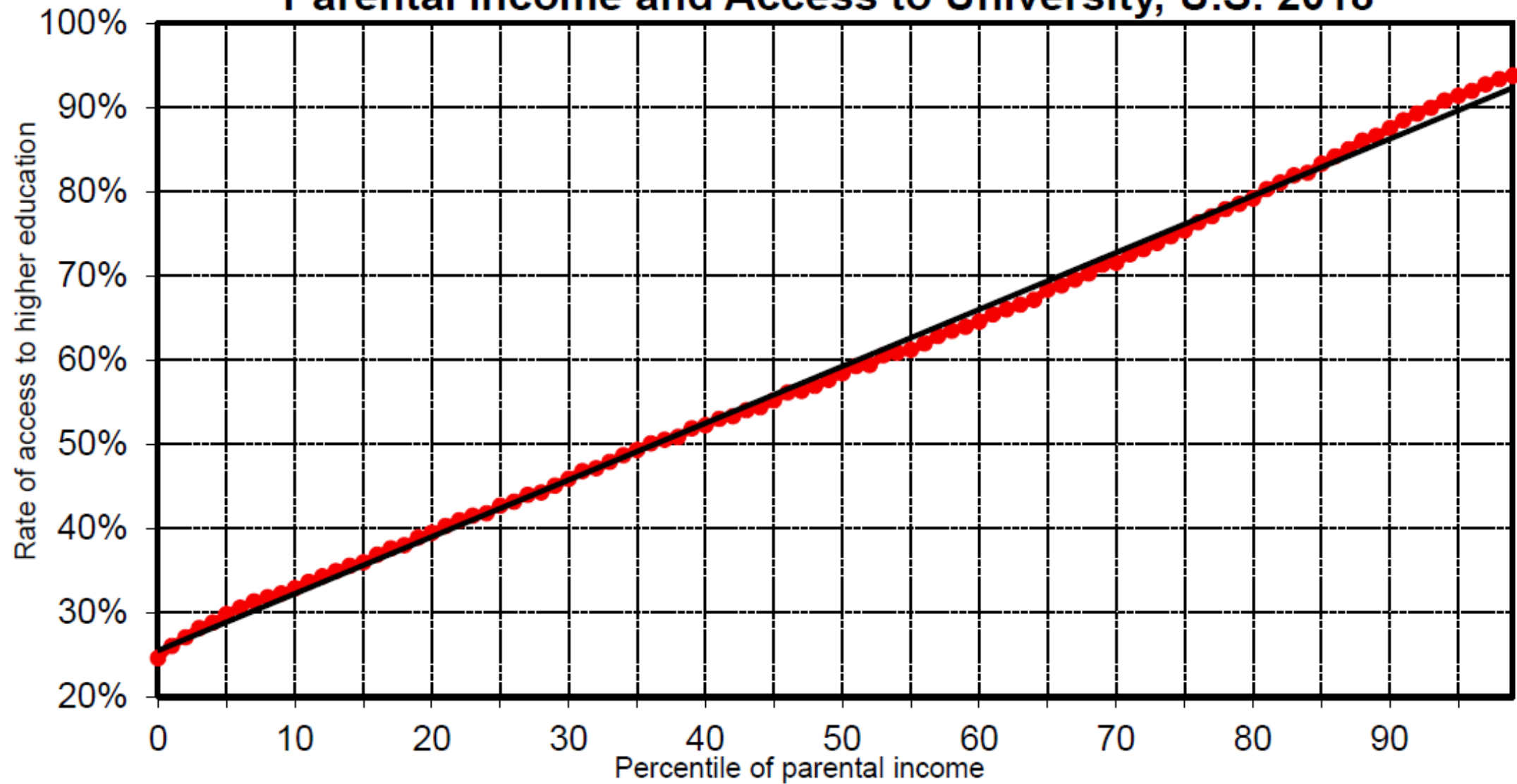
Note: Europe: average Britain-France-Sweden. **Sources and series:** see piketty.pse.ens.fr/equality (figure 30)

Participatory socialism and power sharing



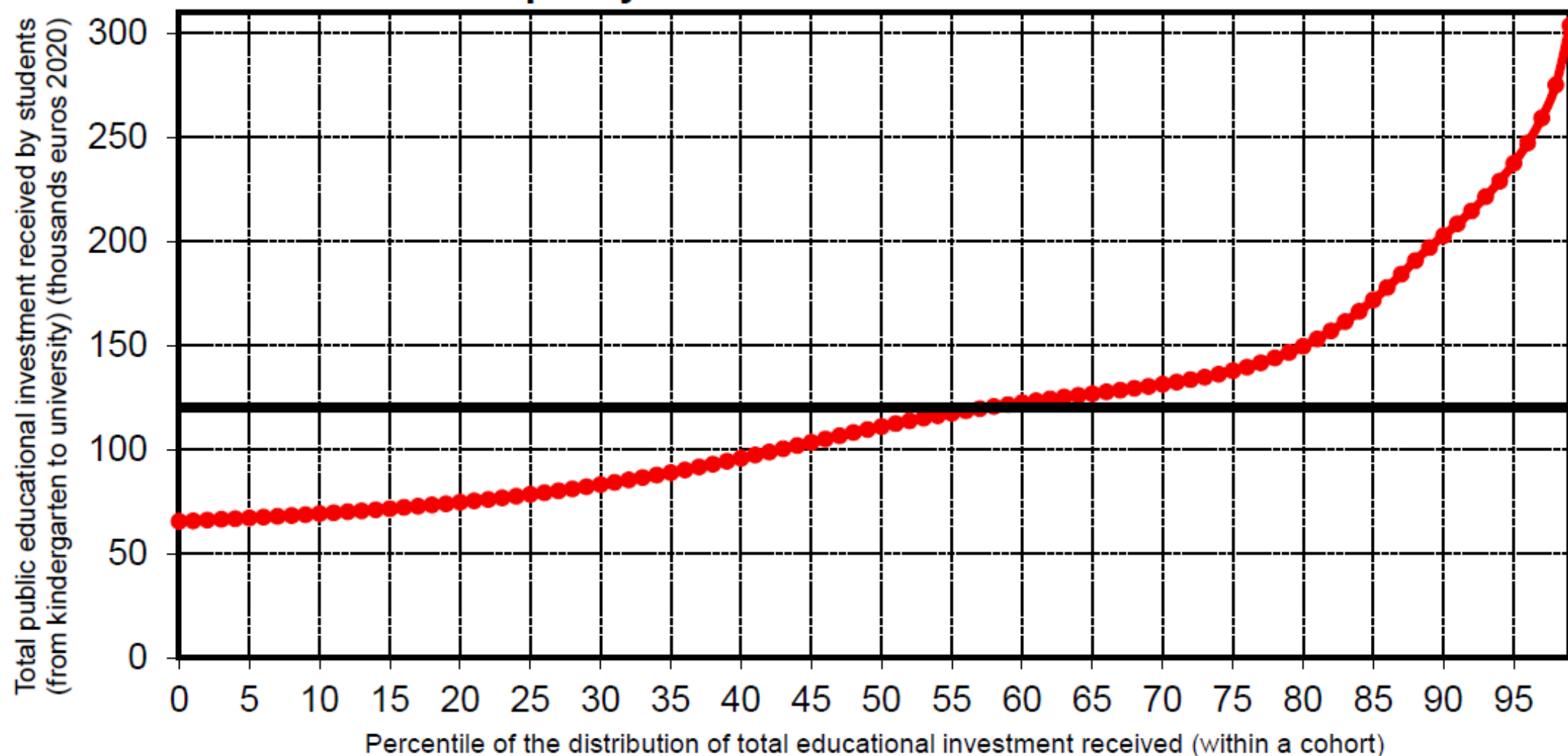
Reading. In the system of participatory socialism, a single shareholder holding 100% of the firm's capital stock holds 73% of voting rights if the firm has 2 employees (including himself), 51% if the firm has 10 employees (including himself), and loses the majority beyond 10 employees (including himself). A single shareholder who is not a firm employee holds 45% of the voting rights if the firm has less than 10 employees; this share then declines linearly and reaches 5% with 100 employees. **Note:** The parameters used here are the following: (i) employees (whether or not they are also shareholders) hold 50% of voting rights; (ii) within the 50% of voting rights going to shareholders, no single shareholder can hold more than 90% of them (i.e. 45% of voting rights) in a firm with less than 10 employees; this fraction declines linearly to 10% (i.e. 5% of voting rights) in firms with more than 90 employees (shareholder voting rights that are not allocated are reallocated to employees). **Sources and series:** see piketty.pse.ens.fr/equality (figure 18)

Parental Income and Access to University, U.S. 2018



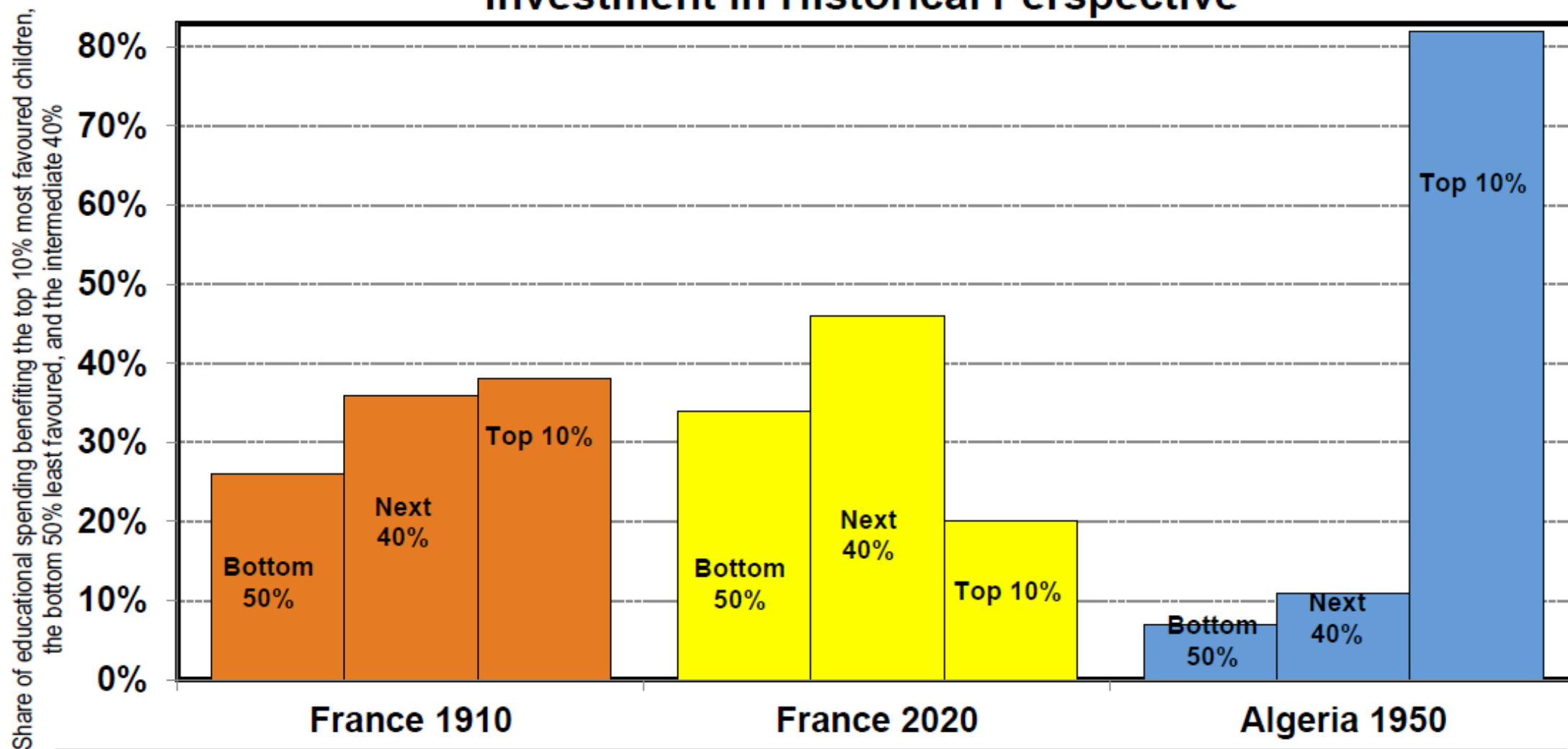
Interpretation. In 2018, the rate of access to higher education (percentage of individuals aged 19-21 enrolled in a university, college or any other institution of higher education) was barely 30% among the bottom 10% poorest children in the United States, and over 90% among the top 10% richest children. **Sources and series:** see piketty.pse.ens.fr/equality (figure 31).

The Inequality of Educational Investment: France 2020



Interpretation. Total public educational investment received during their studies (from kindergarten to university) by the students of the cohort reaching 20-year-old in 2020 will be about 120 k€ (i.e. approximately 15 years of studies for an average cost of 8000€ per year). Within this generation, the 10% of students receiving the smallest educational investment receive about 65-70 k€, while the 10% receiving the most receive between 200 k€ and 300 k€. **Note:** average costs per year of study in the French educational system in 2015-2020 rank from 5-6 k€ in kindergarten-primary to 8-10 k€ in secondary, 9-10 k€ in universities and 15-16 k€ in preparatory classes to *grandes écoles* (elite tracks). **Sources and series:** see piketty.pse.ens.fr/equality (figure 32)

Colonies for the Colonizers: The Inequality of Educational Investment in Historical Perspective



Interpretation. In Algeria in 1950, the 10% the most favoured (the settlers) benefited from 82% of total educational spending. By comparison, the share of total educational spending benefiting the top 10% of the population which benefited from the highest educational investment (i.e. those children which did the longest and most expensive studies) was 38% in France in 1930 and 20% in 2020 (which is still twice as much as their population share). **Sources and series:** voir piketty.pse.ens.fr/equality (figure 14).

Conclusion

The historical movement toward more equality & prosperity has been very successful since the 19c, but there is still a long way to go!

Social democracy is not a finished product!

Thanks for your attention