

Social Equality & Economic Development

Reflections on the Great Divergence and the Long-Run Trend toward more Equality & Prosperity

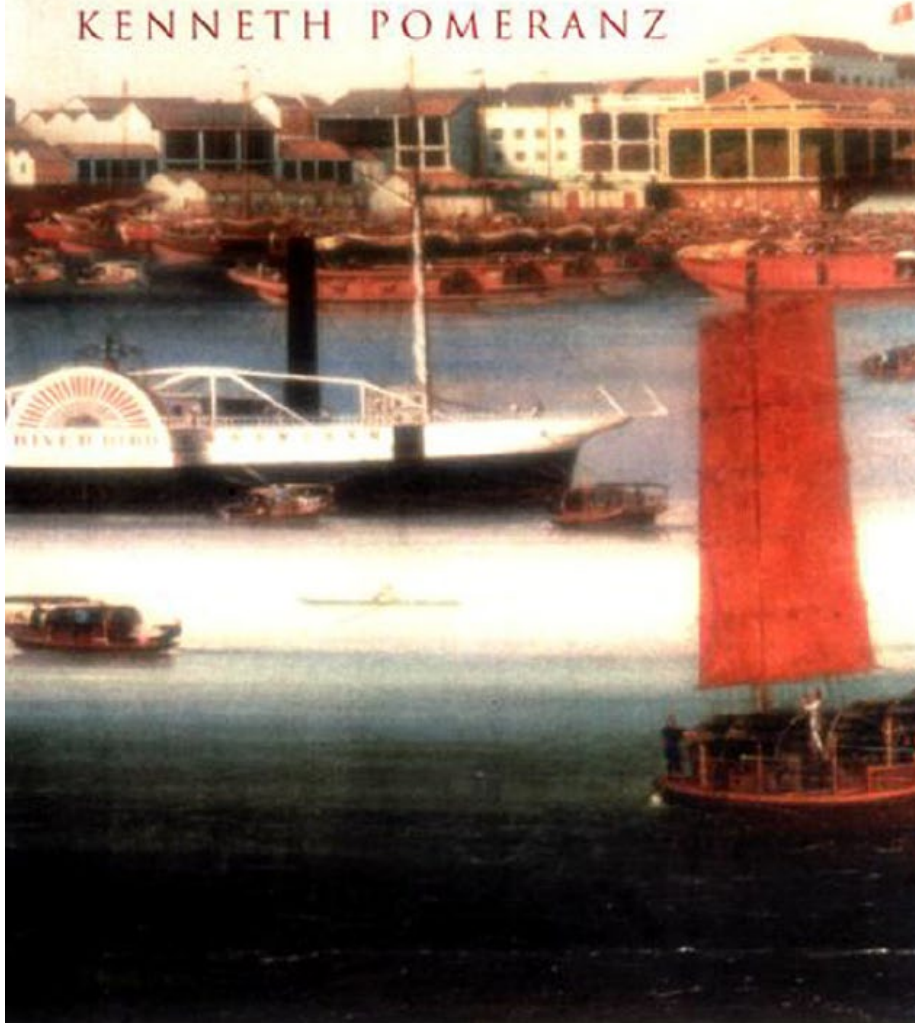
Thomas Piketty

PSE, May 16 2023

THE GREAT DIVERGENCE

KENNETH POMERANZ

China,
Europe,
and the
Making
of the
Modern
World
Economy



A BRIEF HISTORY *of* EQUALITY THOMAS PIKETTY

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

TOP INCOMES
IN FRANCE
IN THE
TWENTIETH
CENTURY

INEQUALITY AND REDISTRIBUTION, 1901-1998

THOMAS PIKETTY

TRANSLATED BY SETH ACKERMAN

—
CAPITAL

in the Twenty-First Century

—
**THOMAS
PIKETTY**

TRANSLATED BY ARTHUR GOLDHAMMER

CAPITAL
AND
IDEOLOGY

—
**THOMAS
PIKETTY**

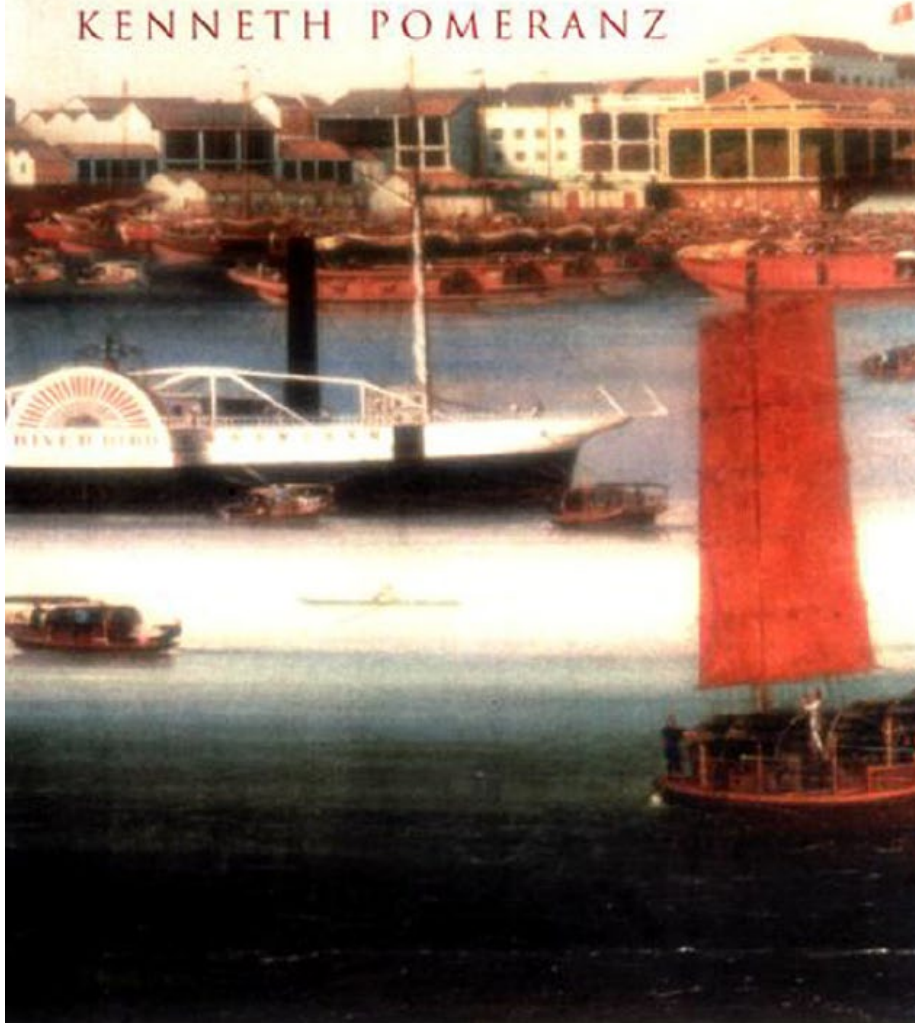
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- Pomeranz 2000: **extreme inequality, slavery & colonial domination played a central role in the rise of Europe and the industrial revolution.**

In 1860, 75% of cotton used in European textile came from US South slavery plantations

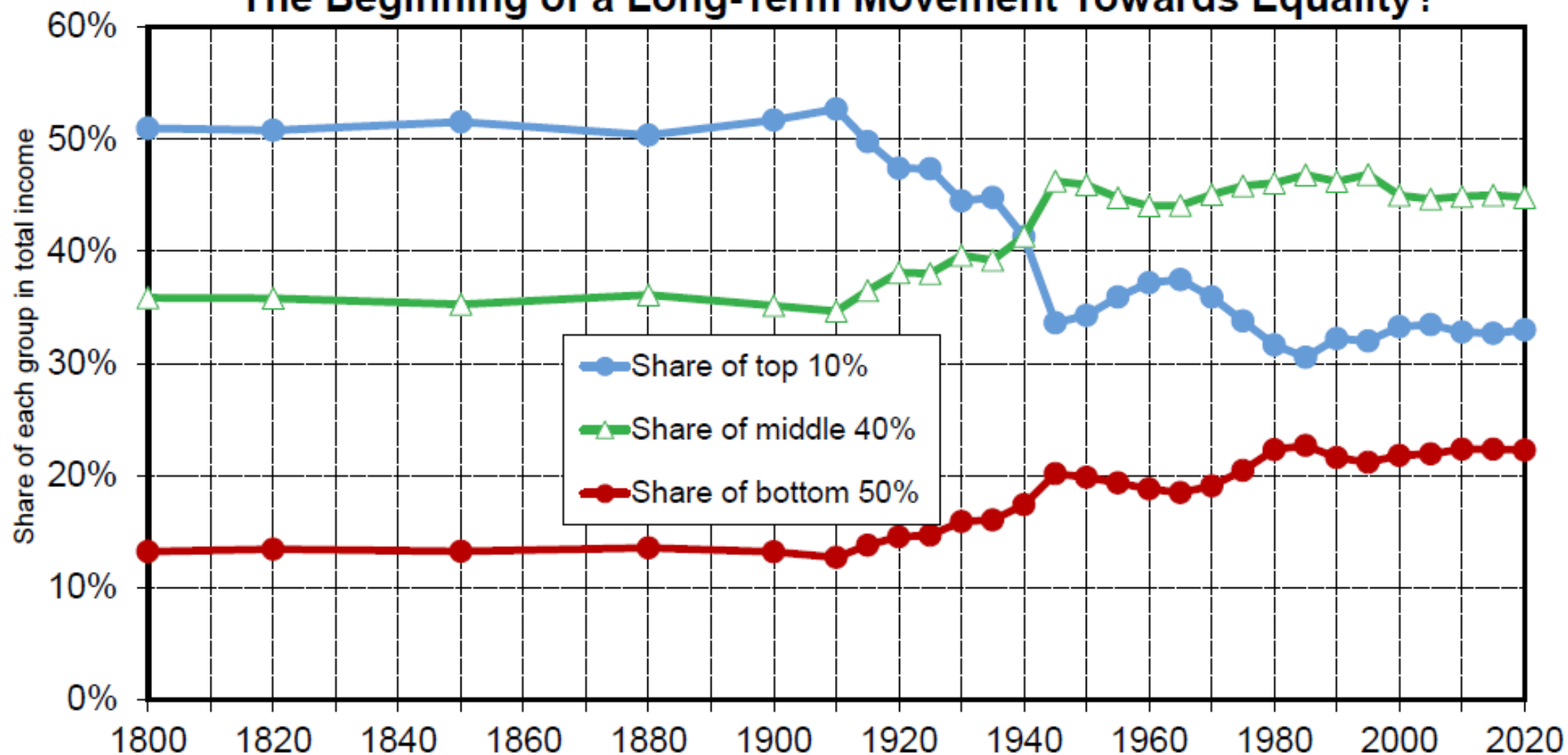
- **Key role of « ecological constraint ».** Very fast deforestation 1500-1800. Globalization & colonialism allowed to relax the constraint.
In 1830s, total British imports = 10 millions ha land, i.e. the equivalent of 1.5-2 additional Britain in arable land.
**Ecological accounting more suitable than monetary accounting for the study of long run development:
relative price fallacy**

- **But this certainly does not imply that extreme inequality was necessary for development to take place in 18c-19c:**
a more egalitarian globalization could have delivered even faster development (& more sustainable), with a more equitable labour regime and a less hierarchical international order, without slavery and colonialism
- To a large extent this is what happened during 20c: **thanks to the rise of the labor movement and major social-political change** (rise of social state, democratisation of education, progressive taxation), **we see during the 20c a long-run evolution toward more equality & more prosperity**, at the domestic level and to some extent at the international level
- **This could & should continue during 21c. Narratives matter.**

Contents of « A Brief History of Equality »

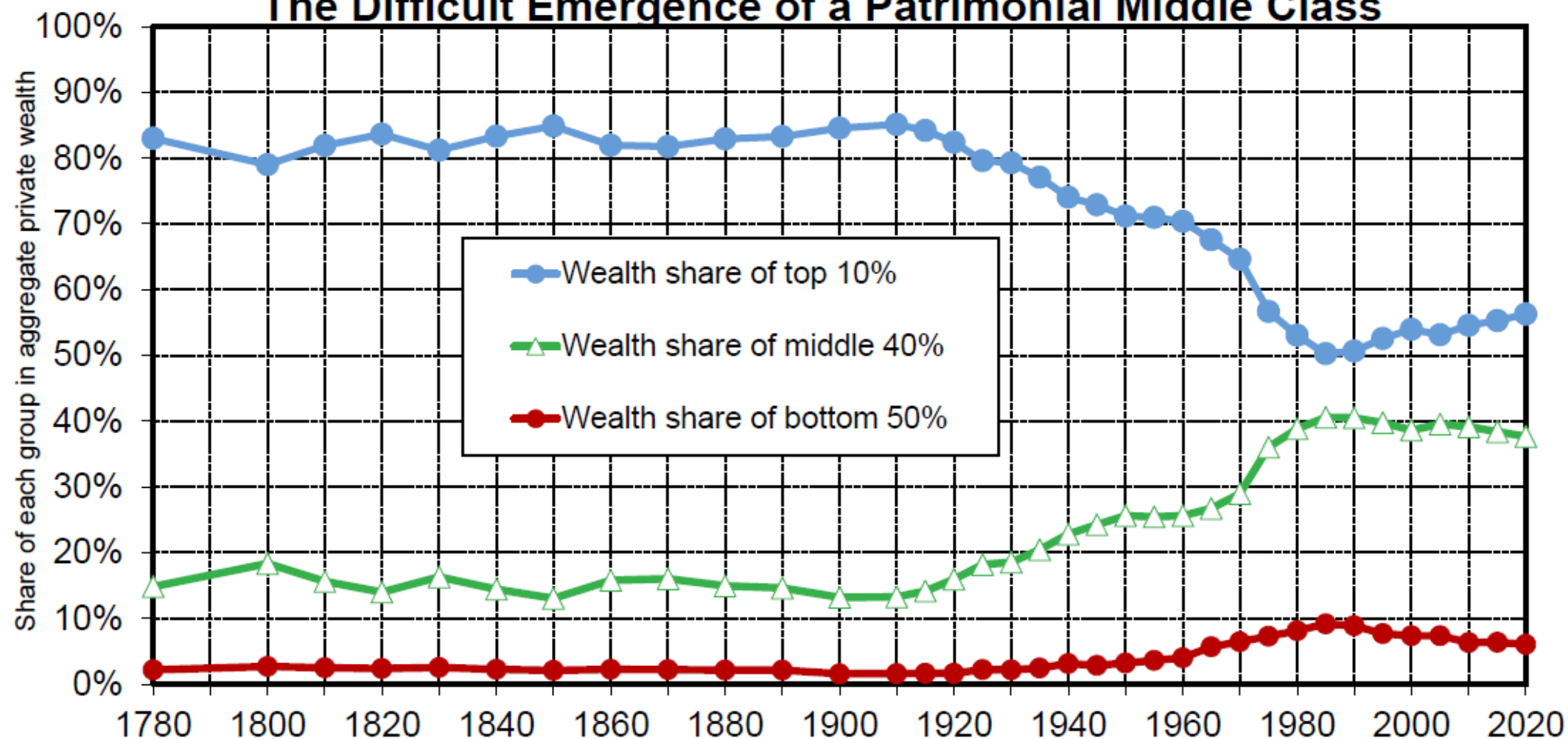
- **Chapter 1. The Movement toward Equality: The First Milestones**
- **Chapter 2. The Slow Deconcentration of Power and Property**
- **Chapter 3. The Heritage of Slavery and Colonialism**
- **Chapter 4. The Question of Reparations**
- **Chapter 5. Revolution, Status, and Class**
- **Chapter 6. The “Great Redistribution”: 1914–1980**
- **Chapter 7. Democracy, Socialism, and Progressive Taxation**
- **Chapter 8. Real Equality against Discrimination**
- **Chapter 9. Exiting Neocolonialism**
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Income Distribution in France, 1800-2020: The Beginning of a Long-Term Movement Towards Equality?



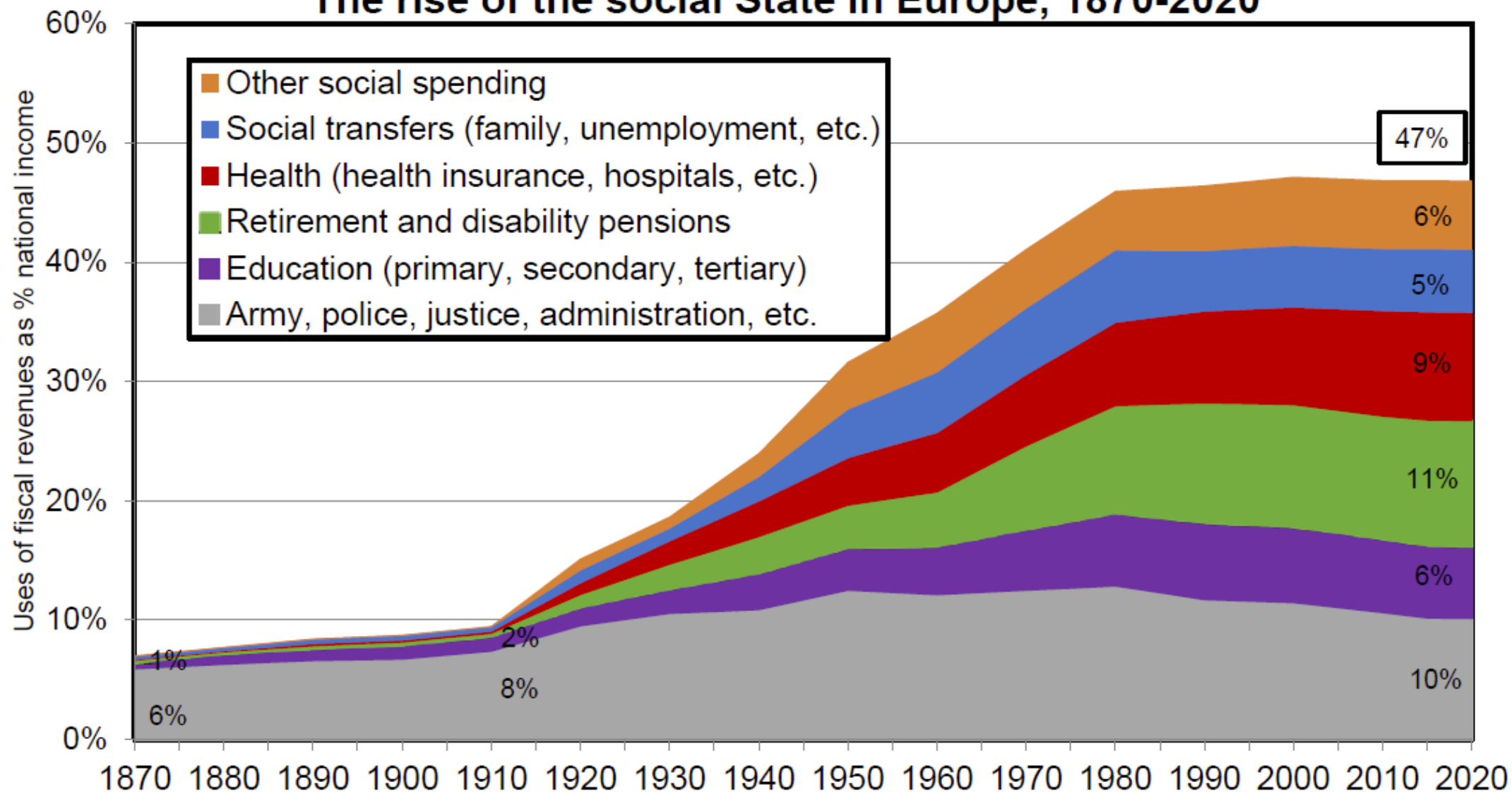
Interpretation. The share of the top 10% highest incomes in total income (including capital income - rent, dividends, interest, profits - & labour income - wages, self-employment income, pensions, unemployment benefits) was about 50% in France from the 1780s to the 1910s. The fall in the concentration 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)

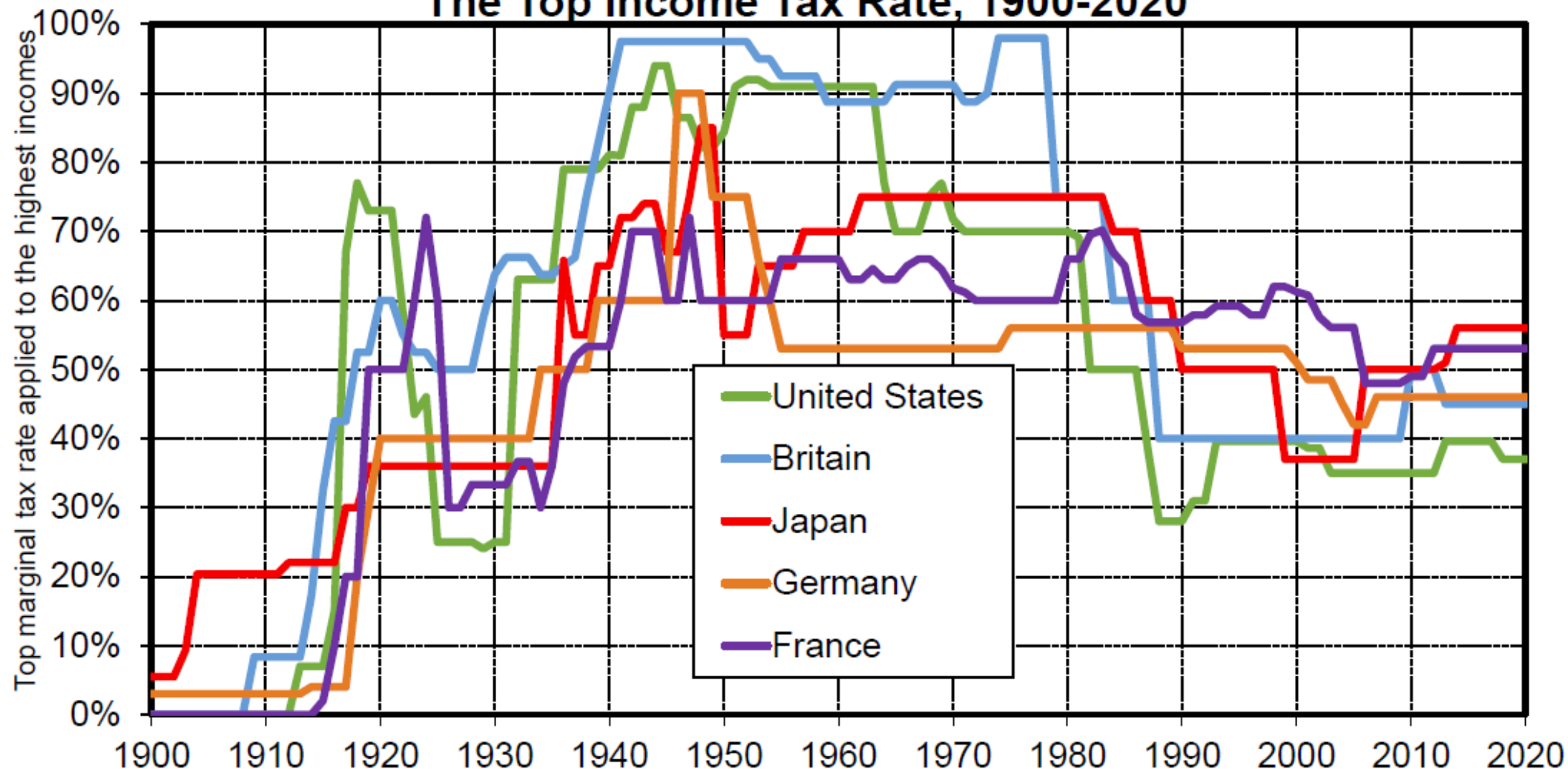
The rise of the social State in Europe, 1870-2020



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.

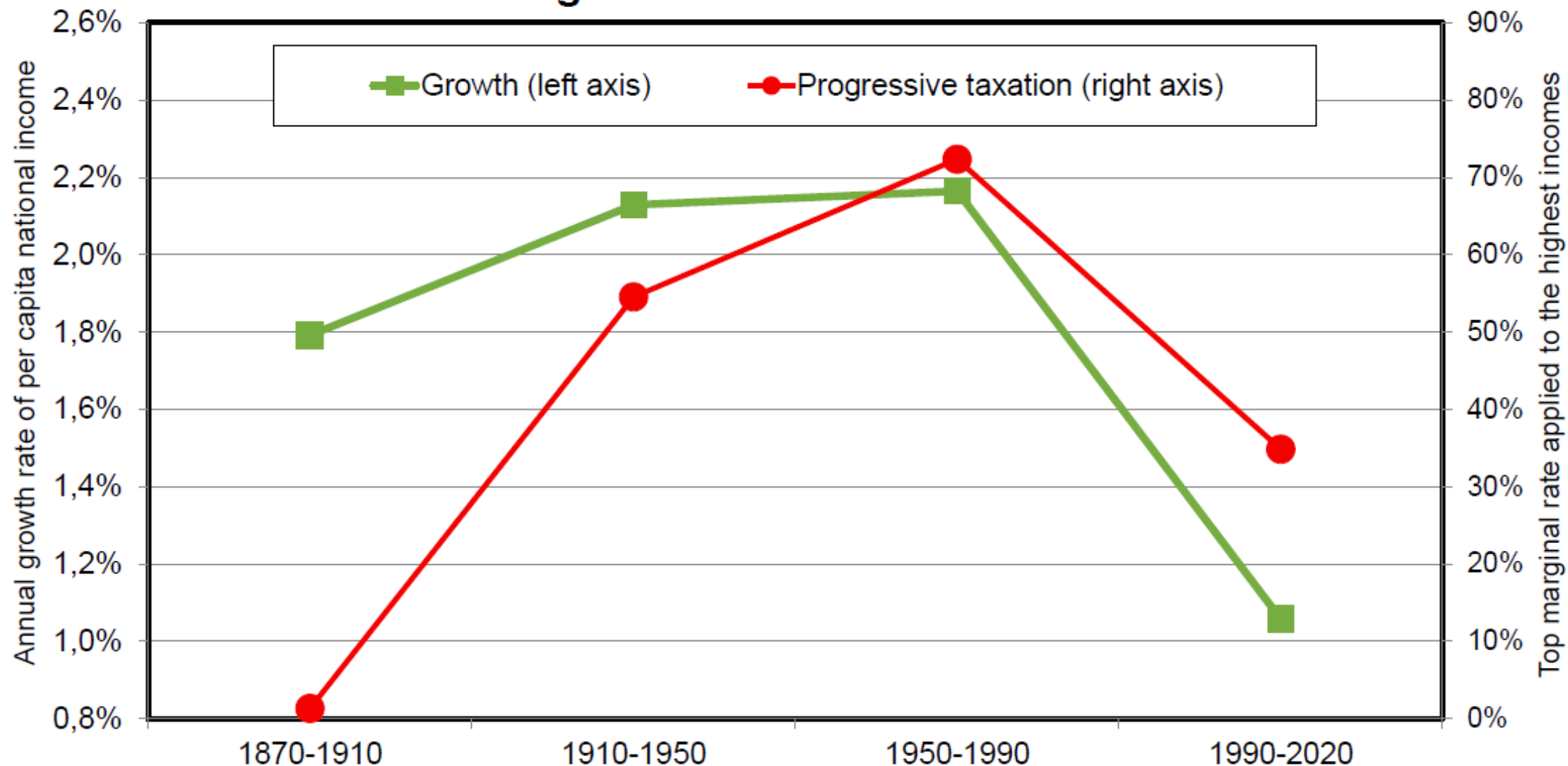
Note. The evolution depicted here is the average of Germany, France, Britain and Sweden. **Sources and séries:** see piketty.pse.ens.fr/equality (figure 19)

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



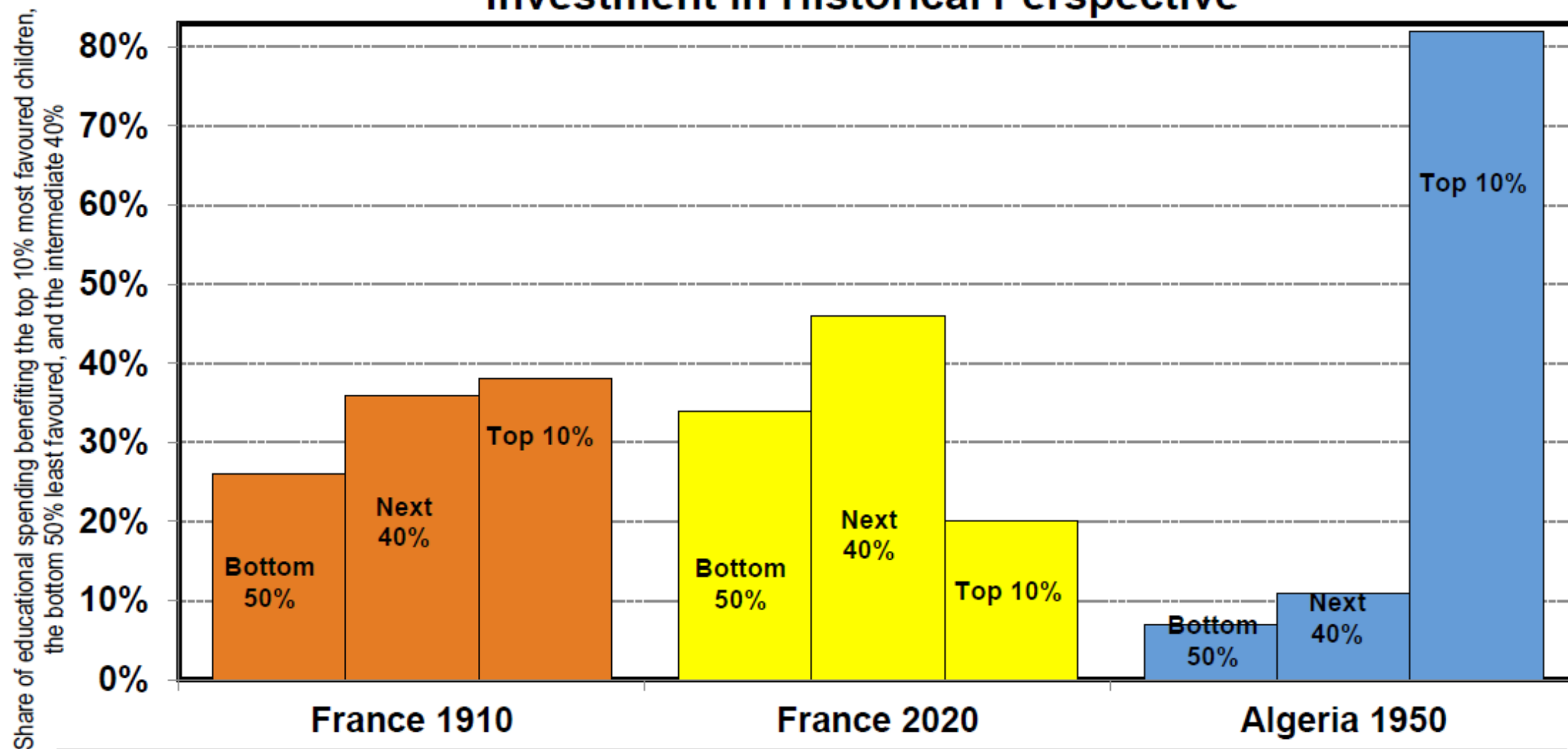
Interpretation. The marginal income tax rate applied to the highest incomes was on average 23% in the U.S. from 1900 to 1932, 81% from 1932 to 1980 and 39% from 1980 to 2018. Over these same periods, the top rate was equal to 30%, 89% and 46% in Britain, 26%, 68% and 53% in Japan, 18%, 58% and 50% in 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



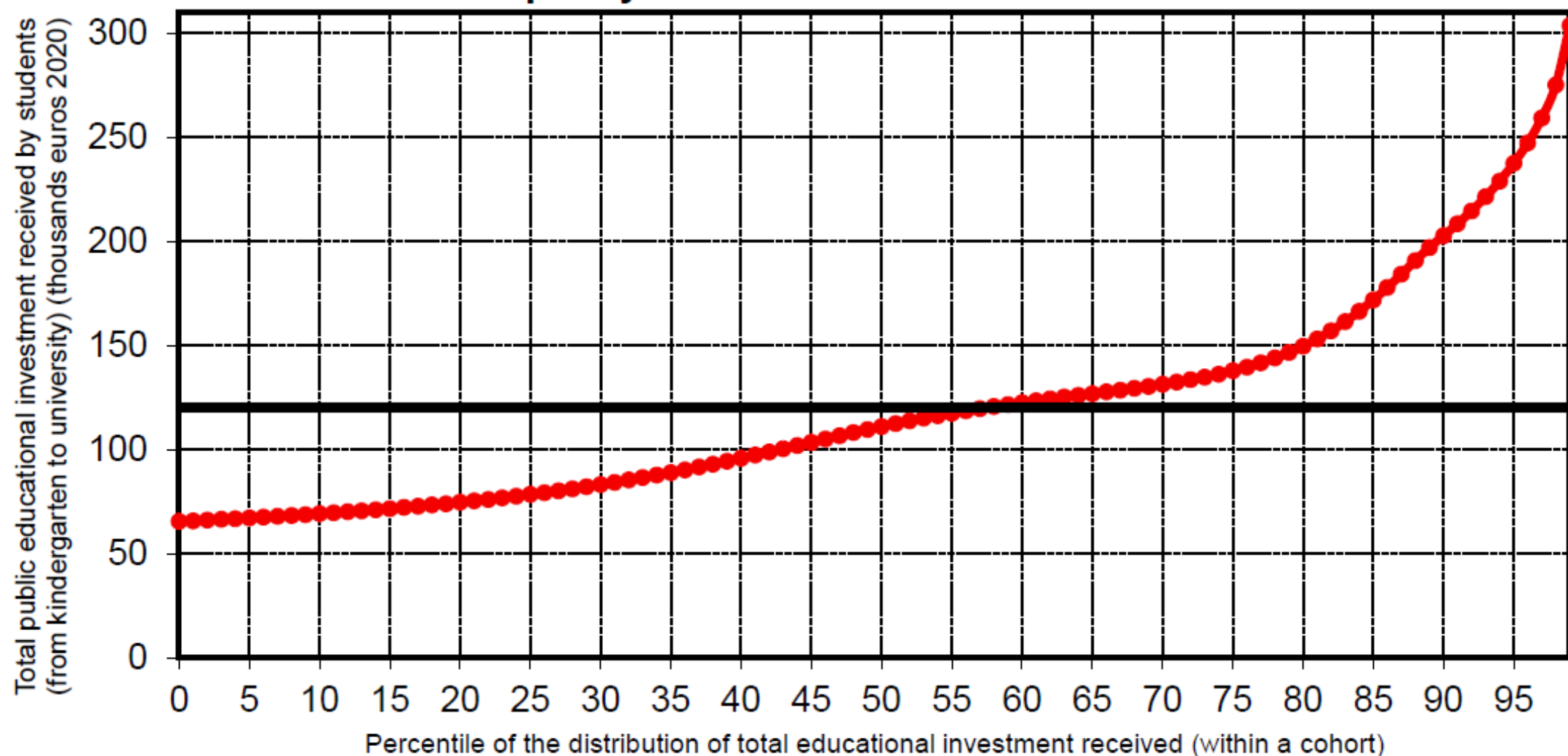
Interpretation. in the U.S., the growth rate of per capita national income dropped from 2,2% per year between 1950 and 1990 to 1,1% between 1990 and 2020, while the top marginal tax rate applied to the highest incomes dropped from 72% to 35% over the same period. The promised resurgence of growth following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

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



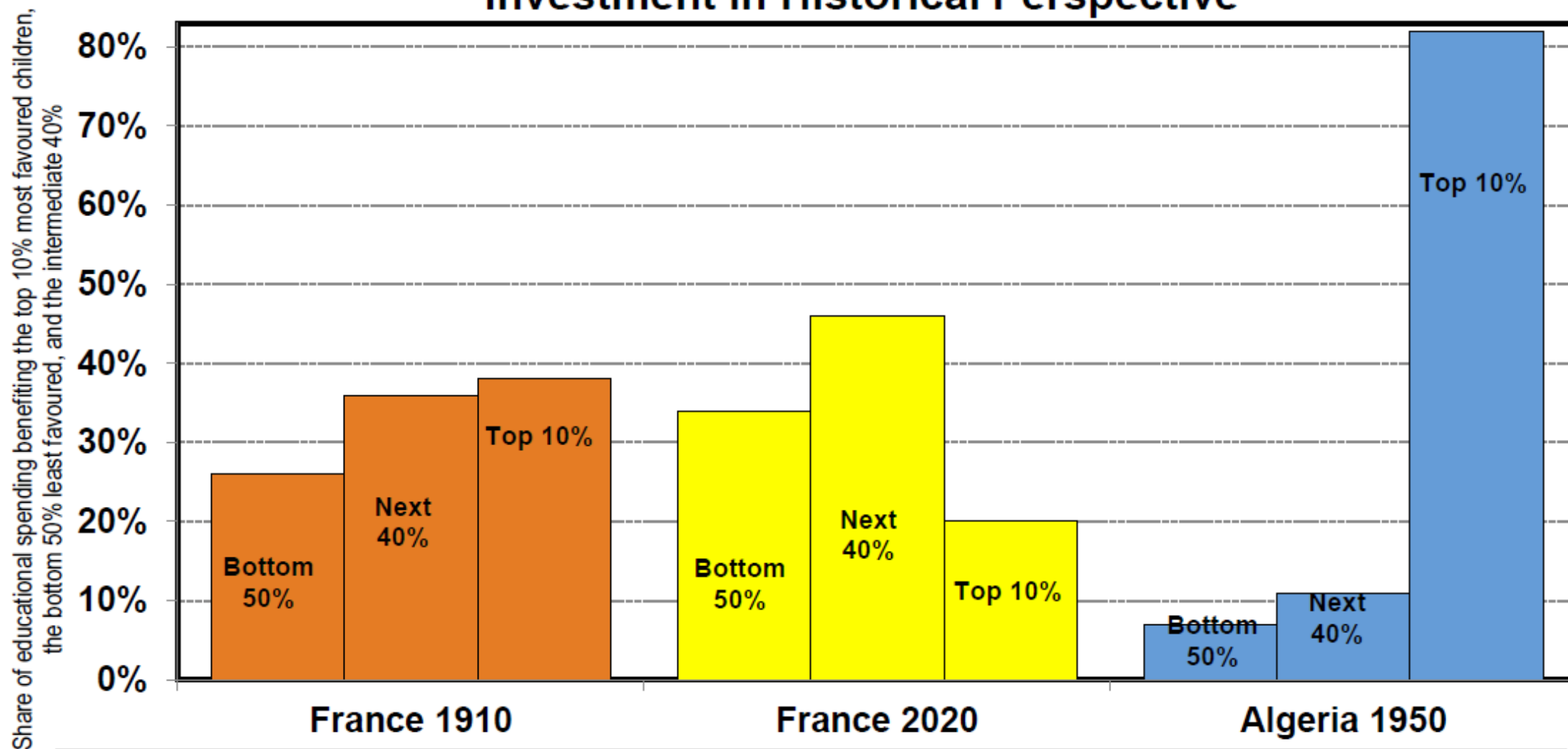
Interpretation. In Algeria in 1950, the 10% the most favoured (the settlers) benefited from 82% of total educational spending. By comparison, the share of total educational spending benefiting the top 10% of the population which benefited from the highest educational investment (i.e. those children which 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).

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)

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