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'Inheritance for all'

Economist Thomas Piketty on recipes against inequality, the success of the right and a lavish one-off payment for everyone

Read this interview in German.

One of the main arguments in your book is that "inequality is an ideology." Inequality is based on political decisions, and not just a natural development. How did you come to this conclusion?

In my book, the word "ideology" is not used in a negative manner. All societies need ideology to justify their level of inequality or a certain vision of what's good in society. There's no society in history where the rich say, we are rich, you are poor, and that's it. That will not work. Society would collapse immediately.

The dominant groups always need to come up with a more sophisticated narrative saying: maybe we are richer than you but it's actually good for the entire organisation of society because we bring you order and stability, we bring you spiritual guidance in the case of the clergy or the Ancien Régime, or we bring you more innovation, productivity and growth. Of course, these statements are not always completely convincing. Sometimes they are self-serving. There is some hypocrisy, but at least this different discourse needs to have some plausibility. If they are just obviously wrong, it doesn't work.

In the book, I study the history of what I call inequality regimes, which are systems of justification of different levels of inequality. What I show is that there's actually some learning of justice. There is some reduction of inequality in the long run. We've learned how to organise equality – equal access to education, and a more progressive tax system, for instance.

But this progress and the conflict of ideology will continue. Historical change in practice comes from this conflict of ideas and conflict of ideology, and not only class conflict. You had this old Marxist view that your class position determined entirely your view of the world, your ideology, and the economic system you want. But, in fact, it's

much more complicated than that because for a given class position, you have different ways to organise the system of property relations, the education regime, and the fiscal regime. There is some autonomy of ideological evolution and ideas.

Despite all that, in democracies the people collectively decide through voting to live in such unequal societies. Why?

Well, first, it is difficult to determine the right level of equality or inequality. Inequality is not always bad. People can have different objectives in their lives. Some value monetary success a lot, others value other objectives. And so finding the right level of equality is complicated.

When I say the determinants of inequality are ideological and political, I don't mean that they should just disappear and we should have complete equality tomorrow. I think finding the right balance between institutions is a very complicated task for all societies and, in the long run, again, there's been some reduction of inequality. I think we should have more equal access to property, education and we can continue in this direction.

What we learn from history is that it's a non-linear process. There's progress over time towards more equality – and this is what has also created more economic prosperity in the 20th century. But you also have some setbacks. For instance, the collapse of communism created disillusionment about the possibility of a different economic system than capitalism, and this largely explains the rise of inequality since the end of the 1980s.

But today, 30 years later, we start to realise that maybe we've gone too far in the other direction. Therefore, we're starting to rethink how to change the economic system. The new challenge coming from climate change and the environmental crisis also brings more attention to changing the economic system. It's a complex process whereby societies are trying to learn from their experience.

Sometimes they forget about the ancient past and they overreact and go too far in one direction. But I think that by bringing historical experience on the table – and that's the objective of this book – it's possible to get a better understanding of the positive lessons and experiences of the past.

You say that inequality drives nationalism and populism. In Germany and other nations, right-wing parties are indeed on the rise. Why is the right often more successful than the left?

The left has not tried hard enough to propose alternatives. After the

fall of communism, the left has gone through a long period of disillusionment and discouragement about proposing perspectives to change the economic system. The Parti socialiste in France or the SPD in Germany have not really tried to change the rules of the game in Europe as much as they should have.

At some point, they have accepted the idea that free capital flow, free flow of goods and services, market competition between countries will be enough to bring shared prosperity and to benefit everybody. But, in fact, what we've seen is that this has benefited mostly the groups with high human capital, high financial capital and the most mobile economic groups. The groups in the bottom and the middle felt abandoned.

Then you had nationalist and xenophobic parties who proposed a very simple message: we're going to protect you with the border of the nation-state, we are going to kick migrants out, we're going to protect your identity as white Europeans, and so on. Of course, in the end this is not going to work. This is not going to reduce inequality and this is not going to solve the global warming problem. But because there is no alternative discourse, a big part of the electorate moved to these parties.

Of course, an even bigger part of the electorate just decided to stay at home. They just don't vote and we should not forget that. If the lower socio-economic groups were enthusiastic about Le Pen or the AfD, they will all vote with a 90 per cent participation rate. This is not at all what's happening. We have very low participation, especially among lower socio-economic groups. This suggests that they are waiting for a policy platform or a concrete proposal that could really change their life.

You propose a one-off state payment ("inheritance for all") of 120,000 Euros for all citizens when they reach the age of 25. What is this supposed to achieve?

First, this system of "inheritance for all" comes after a system of universal access to fundamental goods and public services, including education, health, pension and basic income. The objective is not to replace all of this, it comes in addition to all these other tools. Why is this important?

If you have a good education, good health, a good job and a good wage, but you need to pay half of your wage in rent to the children of homeowners who receive rent payments their entire life, I think it's a problem. Inequality of property creates huge inequality in life opportunities. Some people have to pay rent their entire life. Some people receive rent their entire life. Some people can create firms or

inherit from the family's firm. Some people are never able to create firms because they don't have even a little bit of capital to begin with. More generally, it's important to realise that the distribution of wealth has remained extremely concentrated in our society.

The bottom half in Germany has less than 3 per cent of total wealth and it has actually declined since the reunification of Germany. Is this the best we can do, or what do we propose in order to change this? Just waiting for economic growth and access to education without doing anything is not an option. This is what we've been doing already for a century and the bottom half still doesn't own anything.

If you want to change the structure of wealth in society, it also means to change the structure of bargaining power in society. Because when you have zero wealth, you are in a very weak bargaining position. You need to find a job to pay your rent and your bills every month, and you have to take whatever is offered to you.

It makes a big difference to have €100,000 or €200,000 rather than €0 or €10,000. People who have millions maybe don't realise this, but for people who have nothing or sometimes who only have debt, it makes a huge difference.

In your home country France, the carbon tax led to the yellow vest protest. What was the political miscalculation here?

In order to make carbon taxation acceptable, it has to come with tax justice and fiscal justice. In France, the carbon tax used to be well accepted and it was increasing year after year. The problem is that the Macron government used the tax revenue from the carbon tax to make a huge tax cut for the richest 1 per cent in France by suppressing the wealth tax, suppressing progressive taxation on capital income, interests and dividends.

This is what made people crazy because they were told that this was for the climate but, in fact, this was just to make a tax cut for the people who paid for his political campaign. This is how you destroy the idea of carbon taxation. One should be very careful in Germany because there could be lots of negative feelings as well, especially in the lower socio-economic groups. In order for a carbon tax to work, it has to include social costs and must be accepted by all parts of society.

This interview was conducted by Nikolaos Gavalakis.



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Thomas Piketty is Professor of Economics at the Paris School of Economics and is known for his work on inequality. He built up the World Top Incomes Database and achieved worldwide success with *Capital in the 21st Century*.