BOOK REVIEW

THOMAS PIKETTY
Capital in the Twenty-First Century
Litera Publishing, Bucharest, 2015
Translation from French by Irina Brateş and Lucia Popovici

Thomas Piketty's book, Capital in the Twenty-First Century, appeared in France in 2013 and translated into Romanian in 2015 is a book about inequality. Although voluminous, it can be summed up in few words. Throughout the four parts and sixteen chapters, the author (scientific director of the School of Higher Studies in Social Sciences and professor at the Paris School of Economics) makes an analysis of the long term distribution of income and assets. The analysis is based on a huge amount of data collected mainly in the United States but also in France, Britain, Japan, Germany and many other countries, data obtained from the income statements, national accounts and inheritance taxes (succession fiscality). Therefore, the conclusions drawn by Piketty gain high credibility.

The first conclusion is that "the history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms" (Thomas Piketty, p. 69). There is no natural and spontaneous process that would lead either to increasing or to reducing the inequalities. There are both mechanisms that lead to income convergence (the process of dissemination of knowledge and investment in skills and training or replacing "the war of classes" with "the war of ages") as well as mechanisms that lead to income divergence. The second conclusion and the main thesis of the book is that economic growth alone is not enough to oppose the mechanisms that lead to greater inequalities. These mechanisms are three in number:

1) The historic trend by which the return on capital (*r* – which brings capital during one year in the form of dividends, interest, rents, etc.) is strongly and durably higher than the growth rate (g – the annual growth of income and production). Consequence of the fact that $r > g$ is an inherent domination of the inherited patrimonies over the patrimonies established in a lifetime.

2) The increased disparity between wages as a result of the very rapid growth of the wages of the persons in higher positions (a recent phenomenon dating from the 1980s).

3) An even more recent inequality between the financial incomes that directly correlates *r* to the initial size of the investment portfolio. In other words, the higher the initial investment the higher is the return on capital.

In the end, Piketty also provides solution to this problem of growth inequality to incompatible levels with the meritocratic values and the principles of social justice that are the basis of the modern democratic societies. Mainly, he proposes an annual progressive taxation on capital established at a globally rate accepted. But the author himself acknowledges that such a taxation may seem a utopia, since it implies "a very high level of international cooperation and regional political integration".

22.06.2015
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Bun de tipar: 26.06.2015; Coli tipar: 6
Format: 16/70×100

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