

# **Wealth Taxation and Redistribution in the 21<sup>st</sup> century**

Thomas Piketty

AEA Conference, January 4<sup>th</sup> 2021

**Statement 1:** « Market competition reduces inequality and spreads the wealth over time » **NOT TRUE**

**Statement 2:** « Market competition comes with extreme wealth concentration, but this is a necessary condition for economic prosperity » **NOT TRUE**

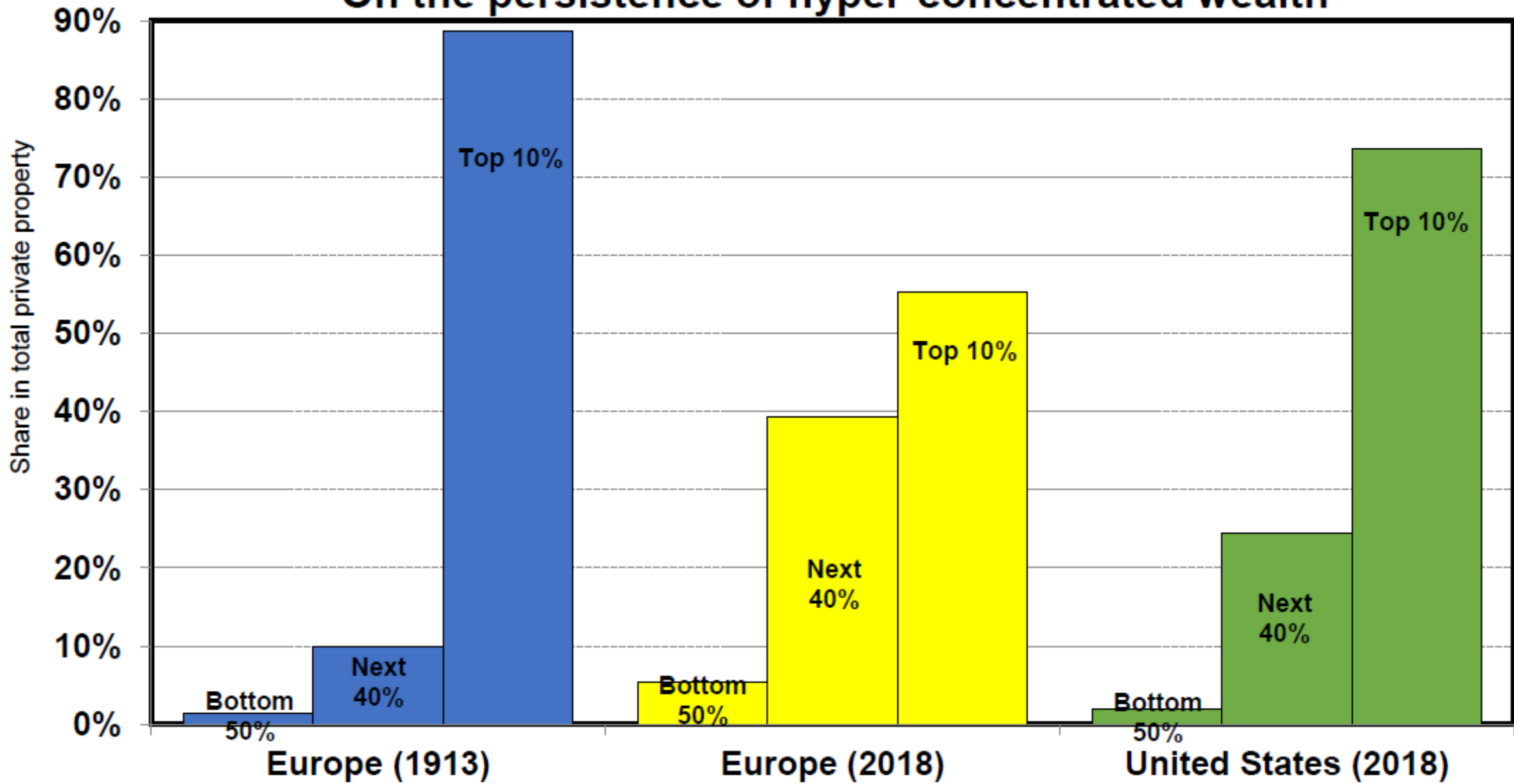
**Statement 3:** « Wealth taxation and redistribution is the most efficient way to reduce wealth inequality » **TRUE**

**Statement 1:** « Market competition reduces inequality and spreads the wealth over time » **NOT TRUE**

Wealth concentration ↓ in mid-20c (due to specific shocks & policies), but ↑ again in late 20c/early 21c, and in any case it has always been extremely high:

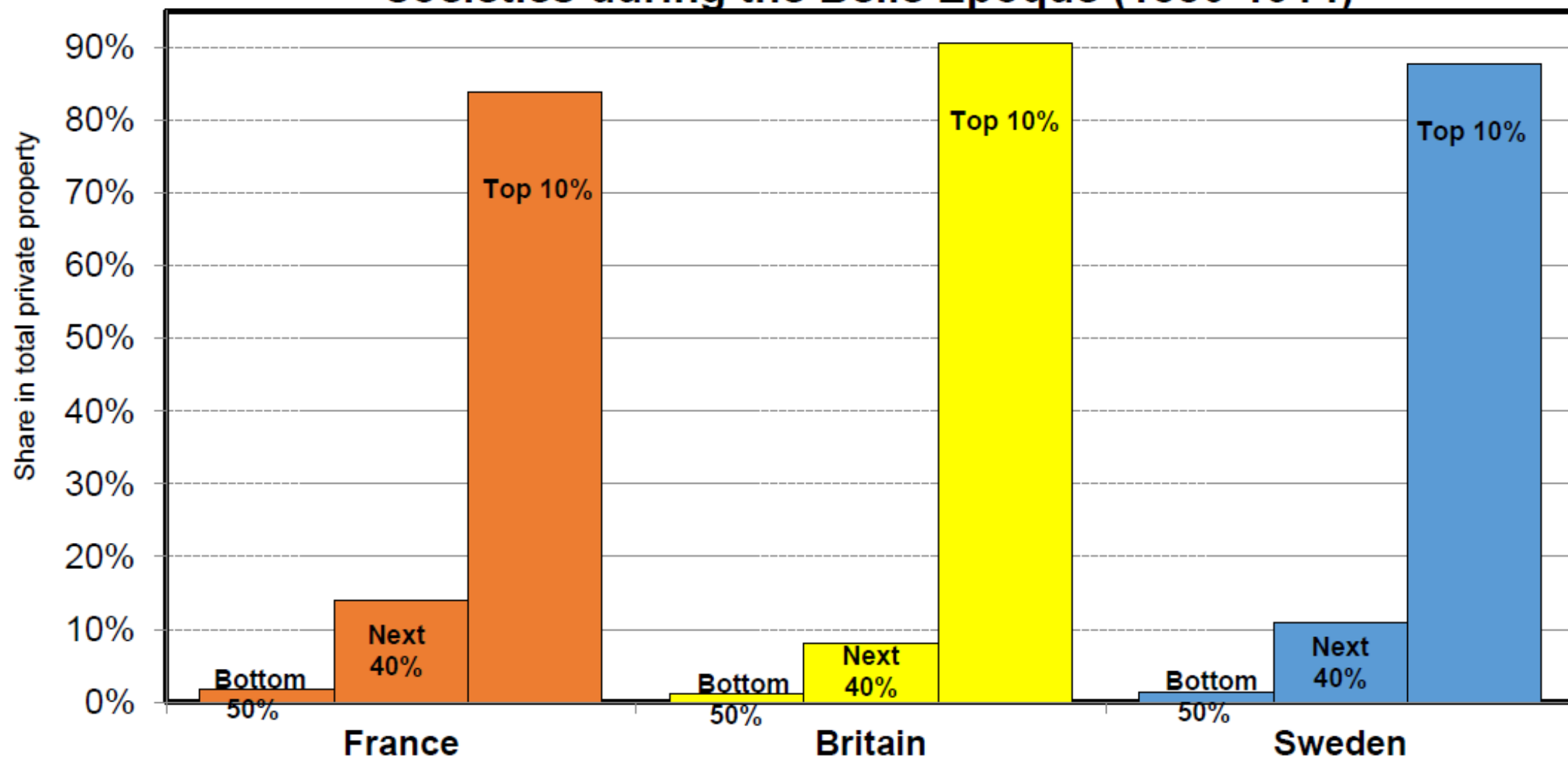
Top 10% share ≈ 50-90%, Bottom 50% share ≈ 0-10%

## On the persistence of hyper-concentrated wealth



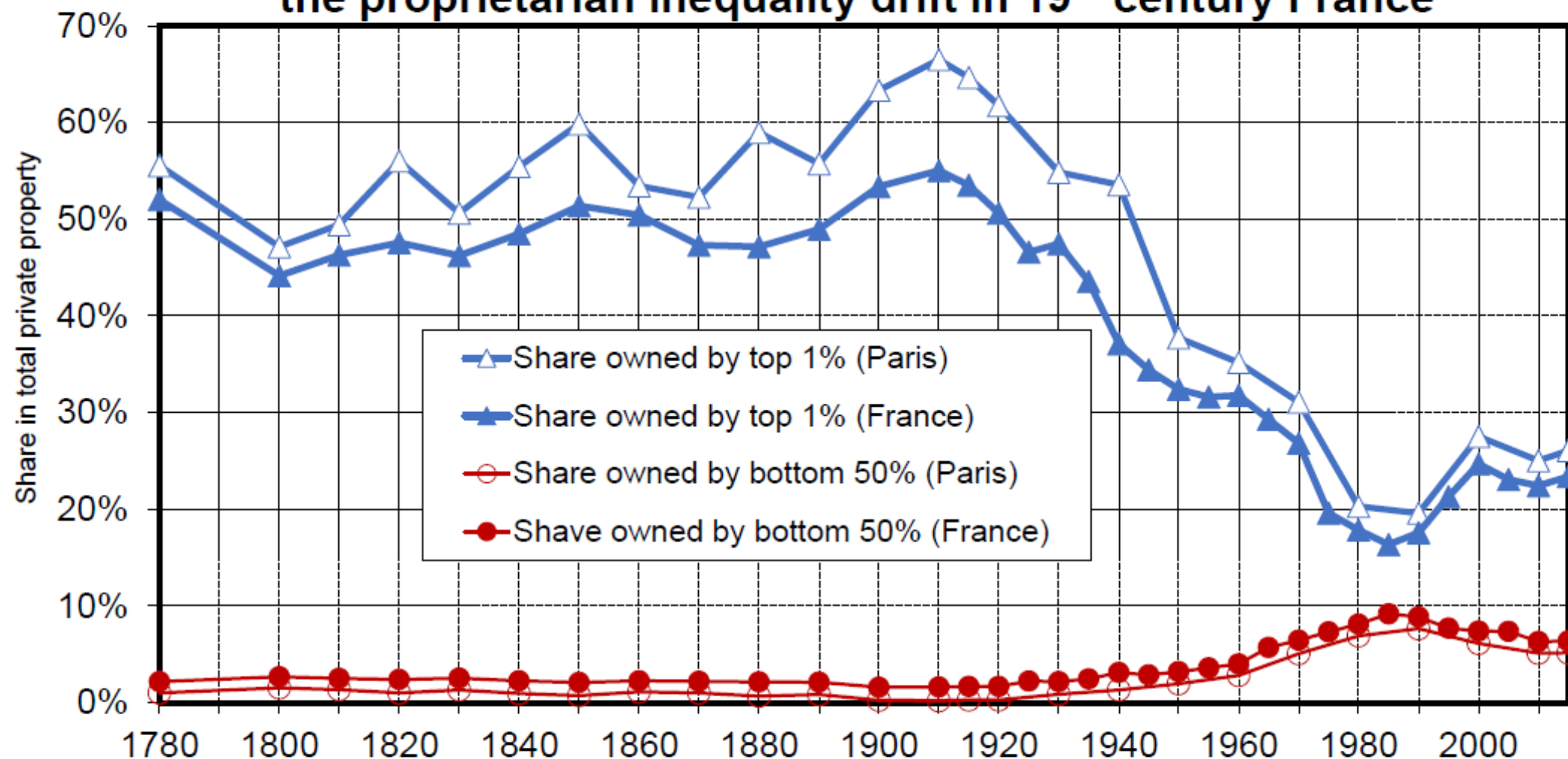
**Reading.** The share of the richest 10% in total private property was 89% in Europe (average of Britain, France and Sweden) in 1913 (compared with 1% for the bottom 50%), 55% in Europe in 2018 (compared to 5% for the bottom 50%) and 74% in the United States in 2018 (compared to 2% for the bottom 50%). **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 13.10).

## Extreme patrimonial inequality: Europe's proprietarian societies during the Belle Epoque (1880-1914)



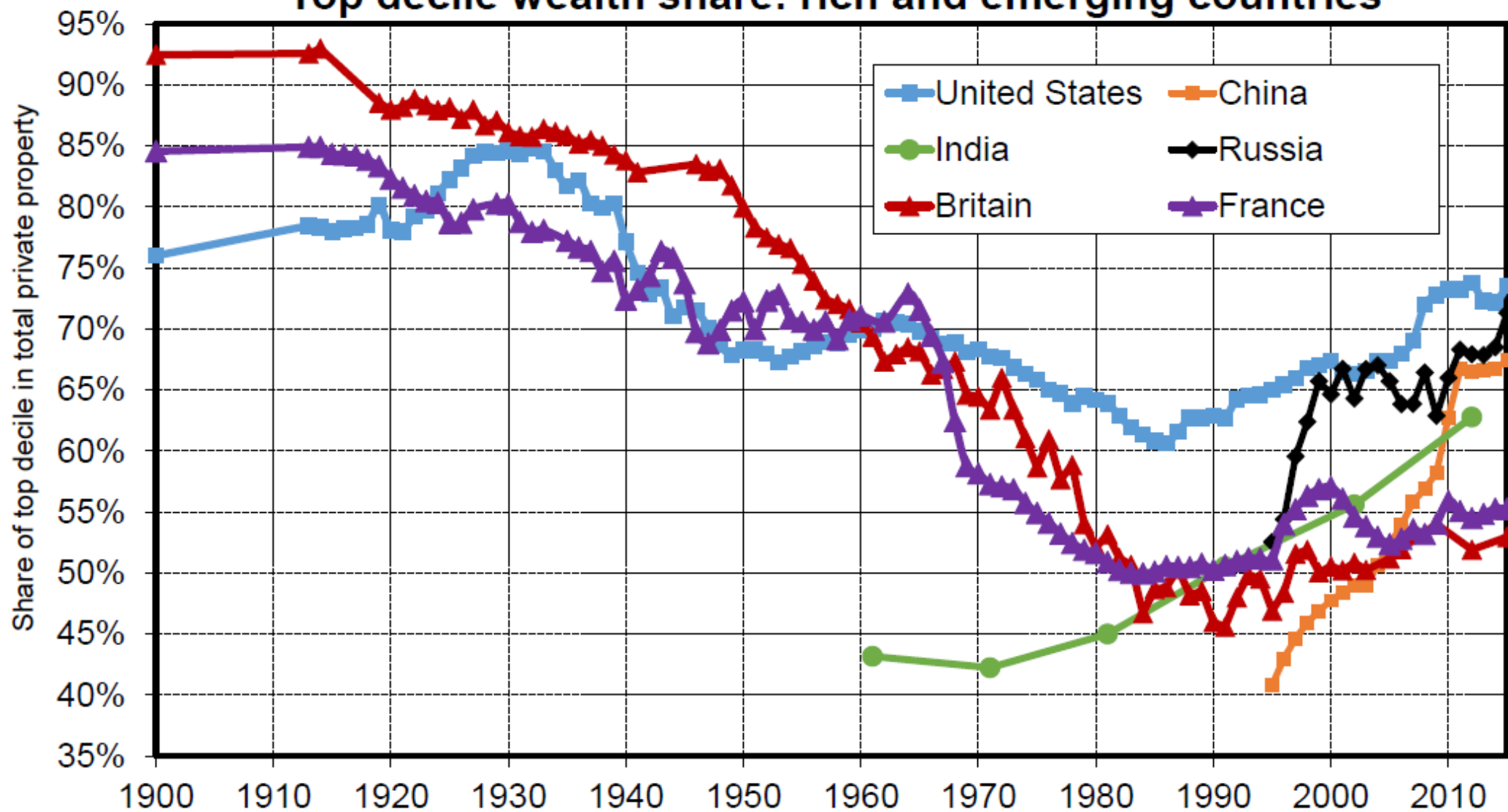
**Interpretation.** The share the richest 10% in total private property (all assets combined: real estate, business and financial assets, net of debt) was on average 84% in France between 1880 and 1914 (vs. 14% for the next 40% and 2% for the bottom 50%), 91% in Britain (vs 8% and 1%) and 88% in Sweden (vs 11% and 1%). **Sources and series:** see piketty.pse.ens.fr/ideology (figure 5.6).

## The failure of the French Revolution: the proprietarian inequality drift in 19<sup>th</sup> century France



**Interpretation.** In Paris, the richest 1% owned about 67% of total private property in 1910 (all assets combined: real, financial, business, etc.), vs. 49% in 1810 and 55% in 1780. After a small drop during the French Revolution, the concentration of property rose in France (and particularly in Paris) during the 19th century and until World War I. In the long run, the fall in inequality occurred following the world wars (1914-1945), rather than following the Revolution of 1789. **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 4.1)..

## Top decile wealth share: rich and emerging countries



**Reading.** The share of the top decile (the 10% largest wealth owners) in total private property (all assets combined: real estate, business and financial assets, net of debt) increased strongly in China, Russia, India and the United States since the 1980s-1990s, and to a lesser extent in Britain and France. **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 13.8).

**Statement 2:** « Market competition comes with extreme wealth concentration, but this is a necessary condition for economic prosperity » **NOT TRUE**

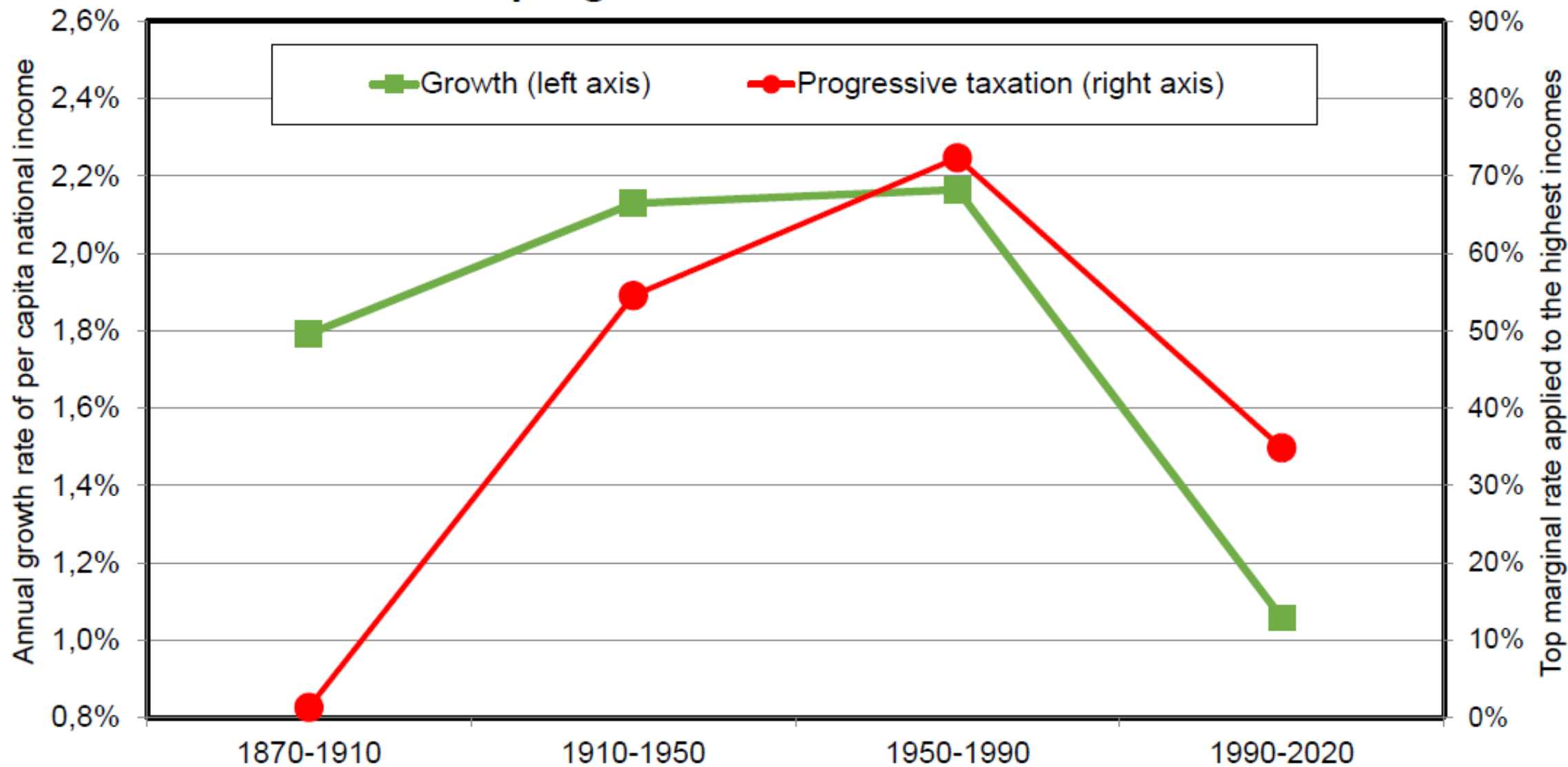
Historical periods with highest wealth concentration, e.g. Europe 1870-1910, US 1990-2020, do not look like the periods with highest growth, quite the opposite.

**Prosperity comes from education, not from inequality.**

Historical evidence is imperfect, but this is the best evidence we have, & it ought to be taken seriously.



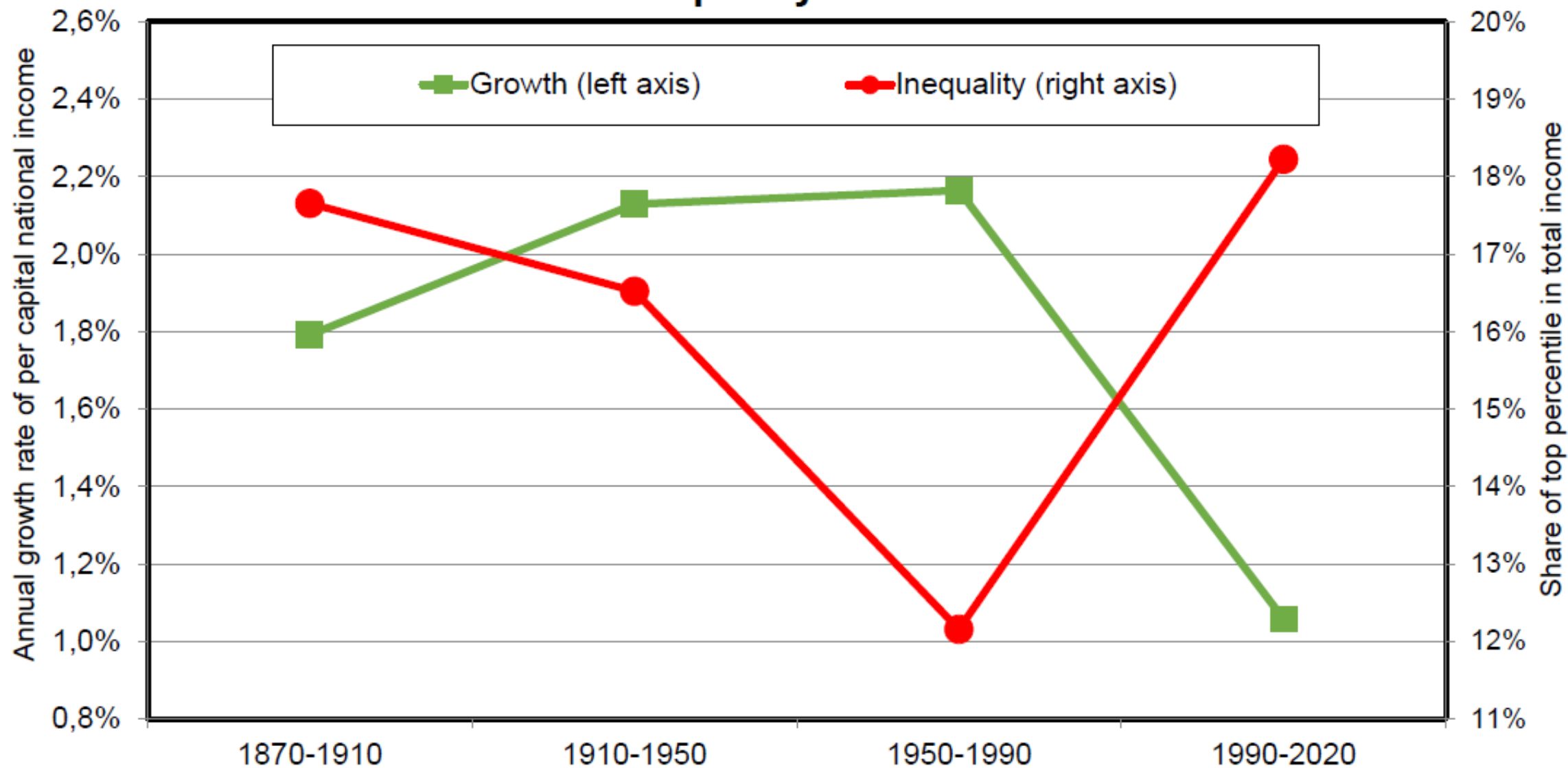
## Growth and progressive taxation in the U.S. 1870-2020



**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.

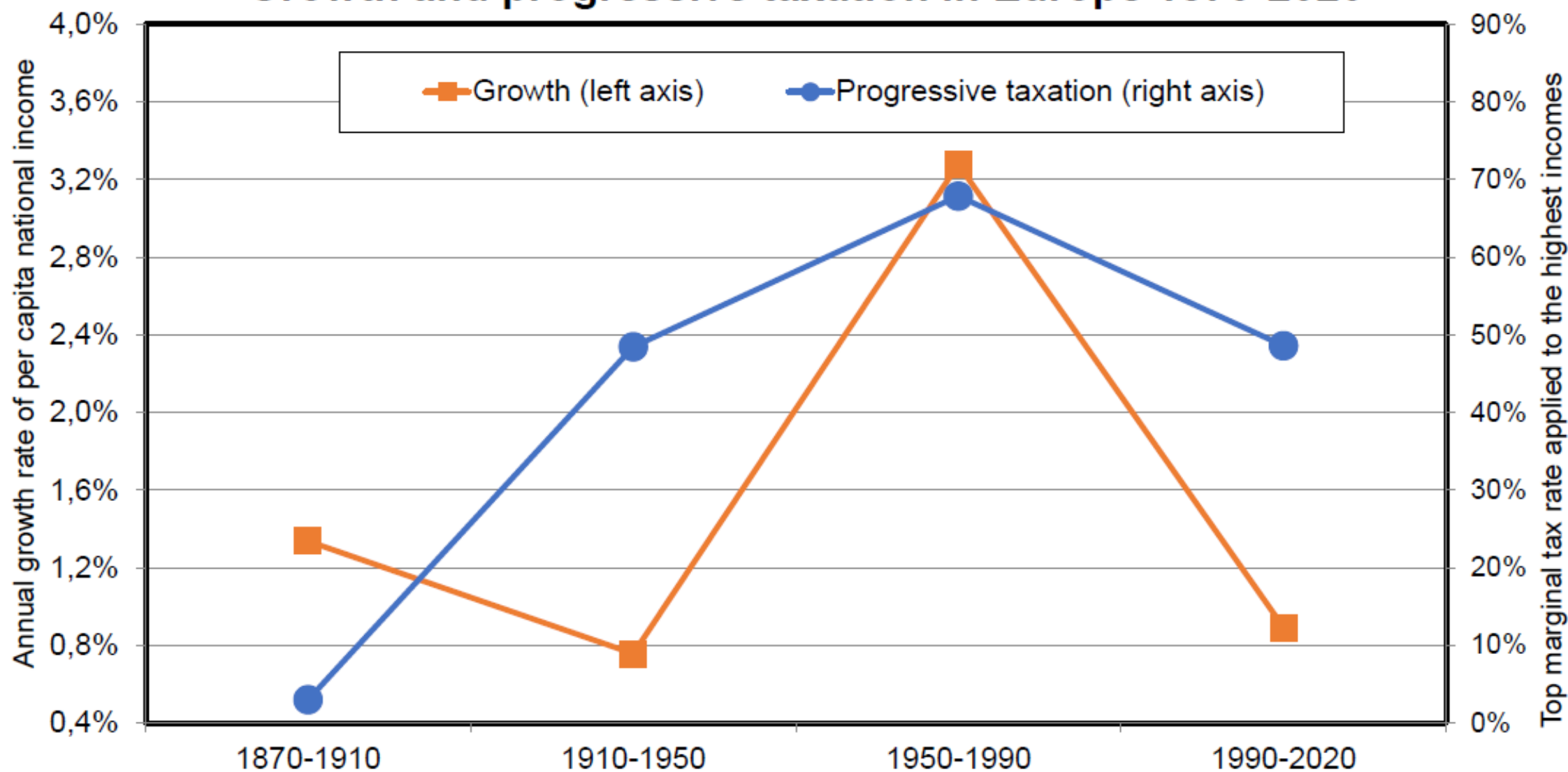
**Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 11.13).

## Growth and inequality in the U.S. 1870-2020



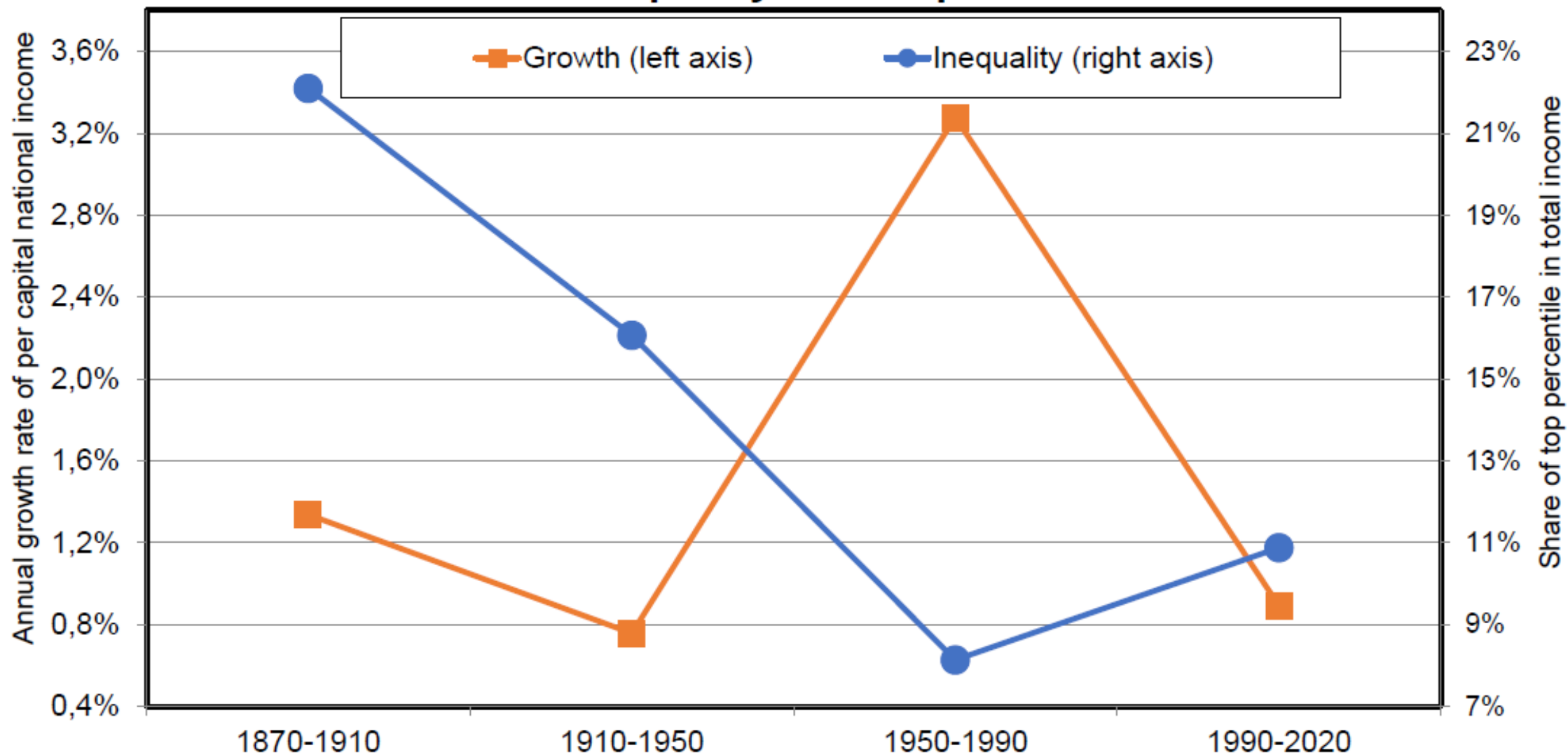
**Interpretation.** in the U.S., the growth rate of per capita national income dropped from 2,2% per year between 1950 and 1990 to 1,1% between 1990 and 2020, while the share of the top percentile (the 1% highest incomes) in national income rose from 12% to 18% over the same period. **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 11.12).

## Growth and progressive taxation in Europe 1870-2020



**Interpretation.** In Western Europe, the growth rate of per capita national income dropped from 3,3% per year between 1950 and 1990 to 0,9% per year between 1990 and 2020, while the top marginal tax rate applied to the highest incomes dropped from 98% to 49% over the same period (average Germany-Britain-France). **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 11.15).

## Growth and inequality in Europe 1870-2020



**Interpretation.** In Western Europe, the growth rate of per capita national income dropped from 3,3% per year between 1950 and 1990 to 0,9% per year between 1990 and 2020, while the share of the top percentile (the 1% highest incomes) in national income rose from 8% to 11% over the same period (average Germany-Britain-France). **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 11.14).

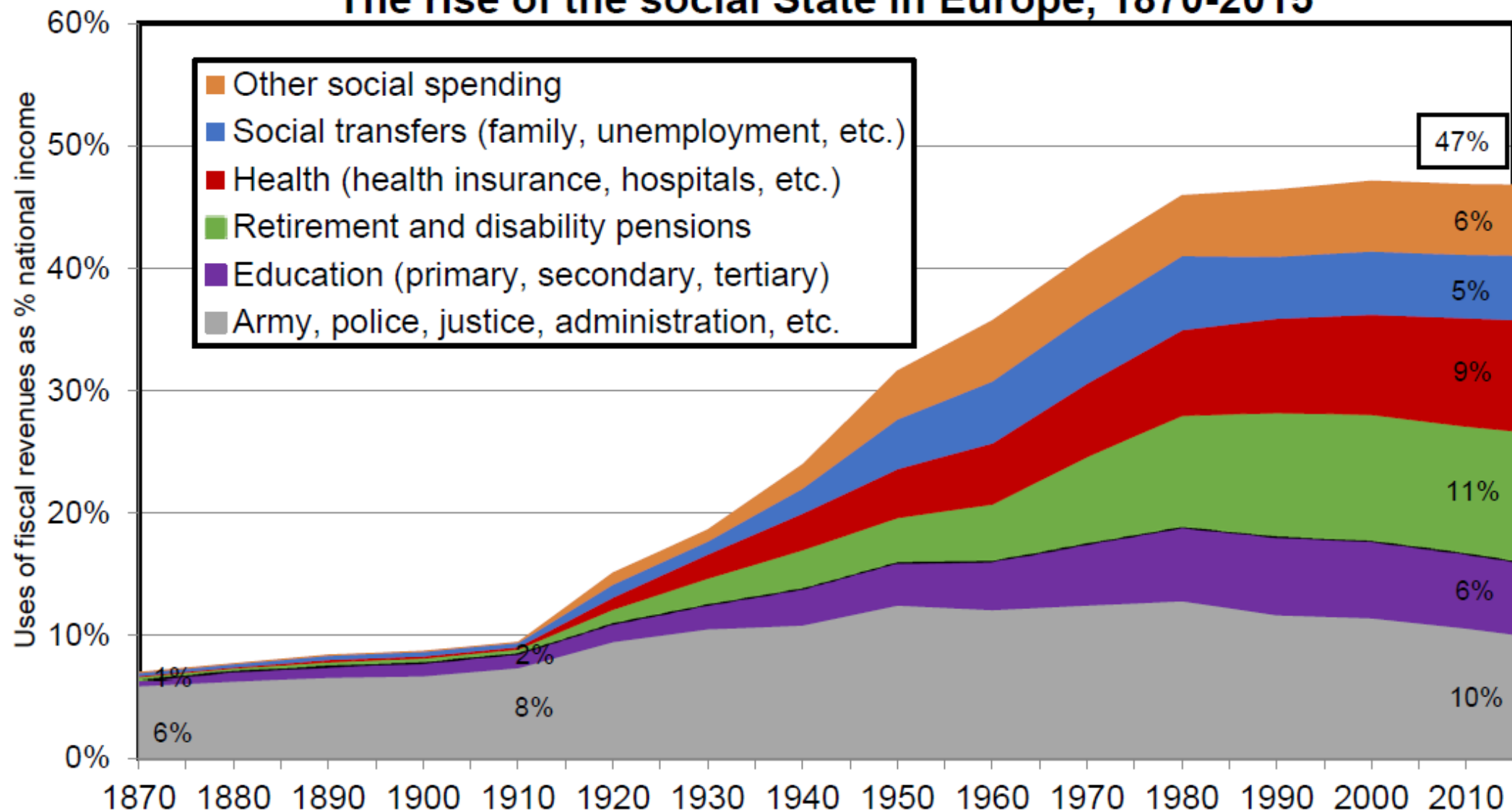
**Statement 3:** « Wealth taxation and redistribution is the most efficient way to reduce wealth inequality » **TRUE**

The rise of progressive taxation & social spending played a major role in the reduction of inequality & the rise of shared prosperity in 20c.

But it did not go far enough to spread the wealth.

Best option for 21c: mixture of progressive wealth & inheritance taxes in order to finance minimum inheritance for all (say, 60% of average wealth).

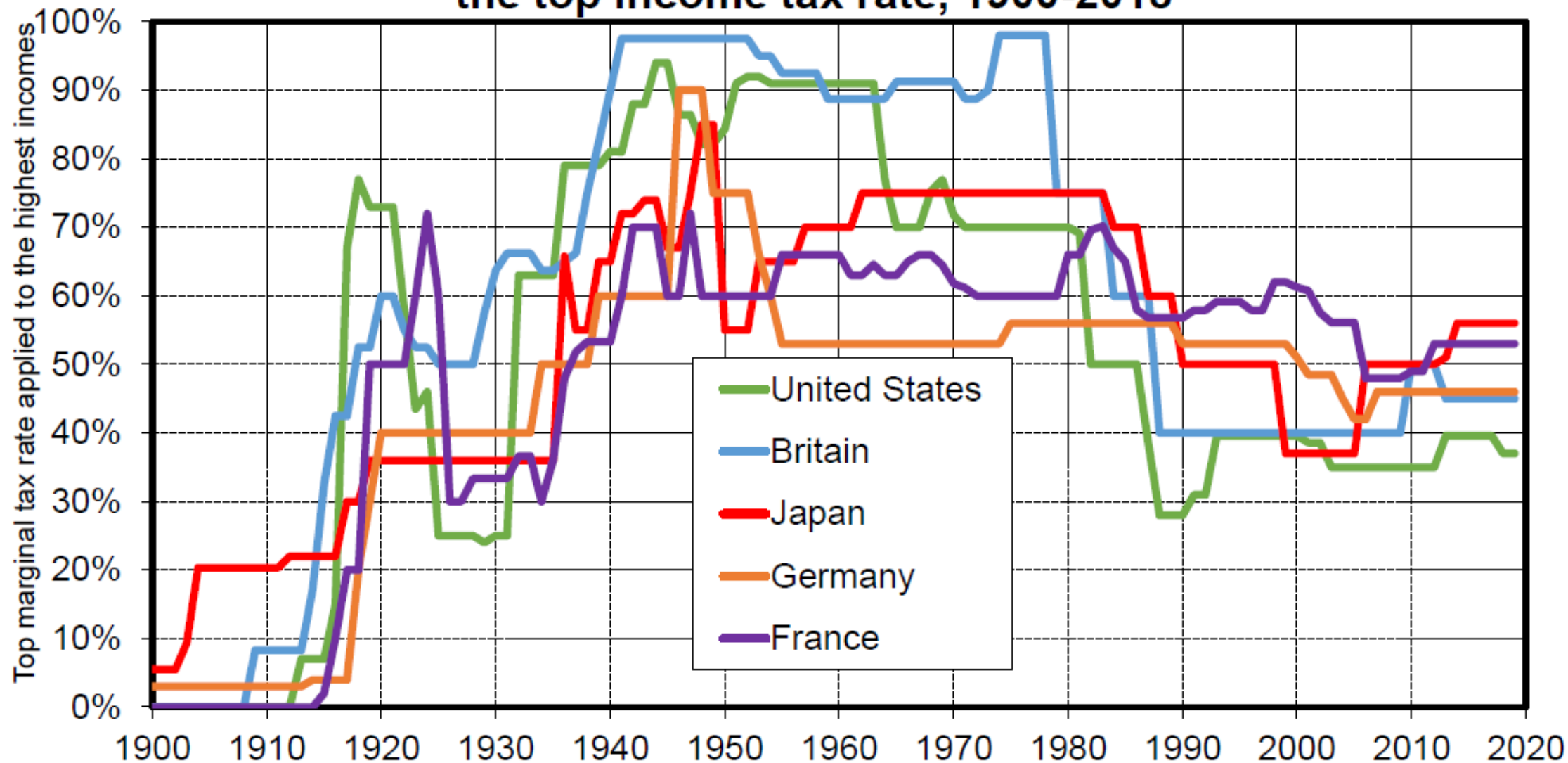
## The rise of the social State in Europe, 1870-2015



**Interpretation.** In 2015, 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 (see figure 10.14). **Sources and séries:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 10.15).

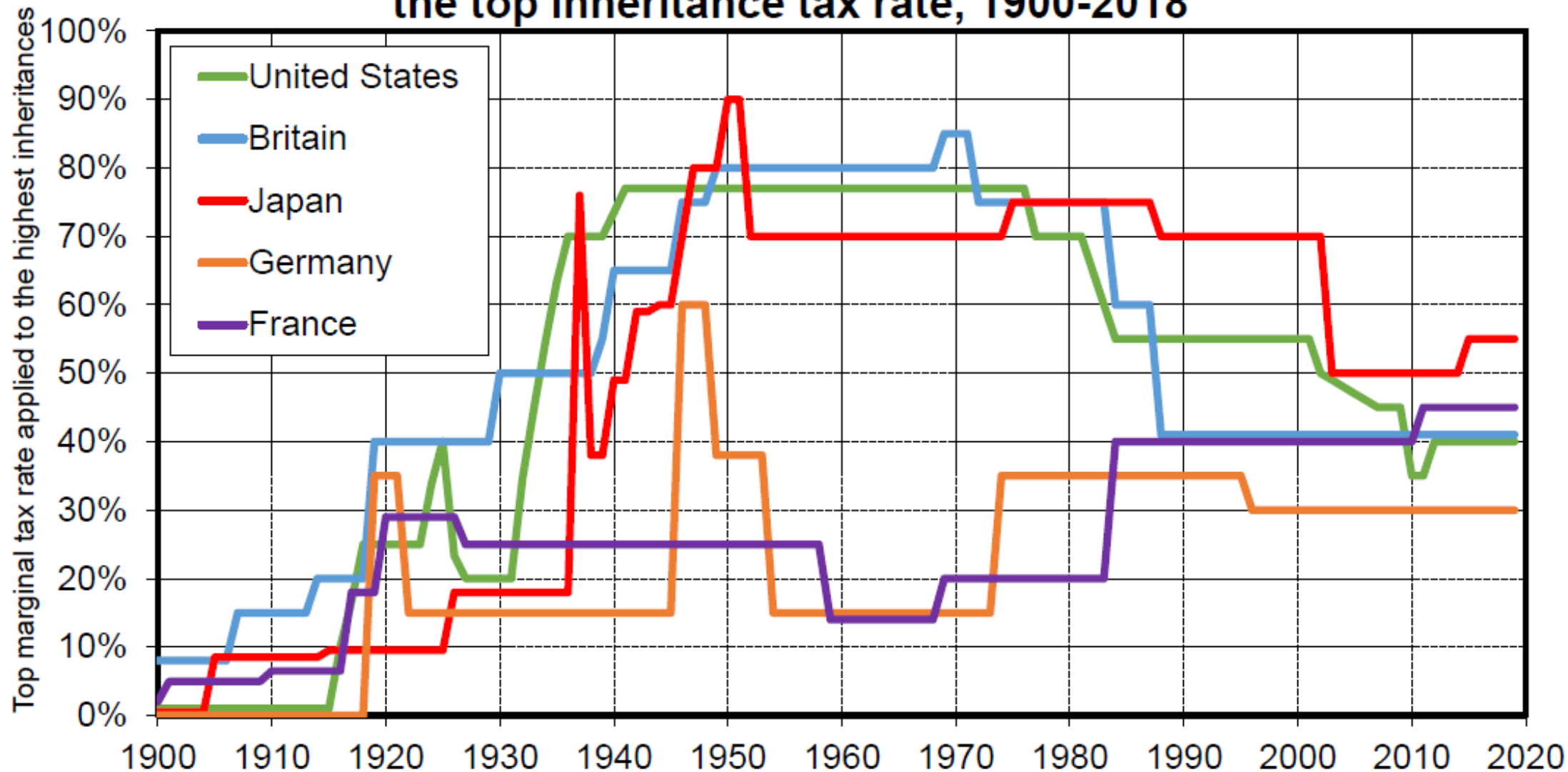


## The invention of progressive taxation: the top income tax rate, 1900-2018



**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/ideology](http://piketty.pse.ens.fr/ideology) (figure 10.11).

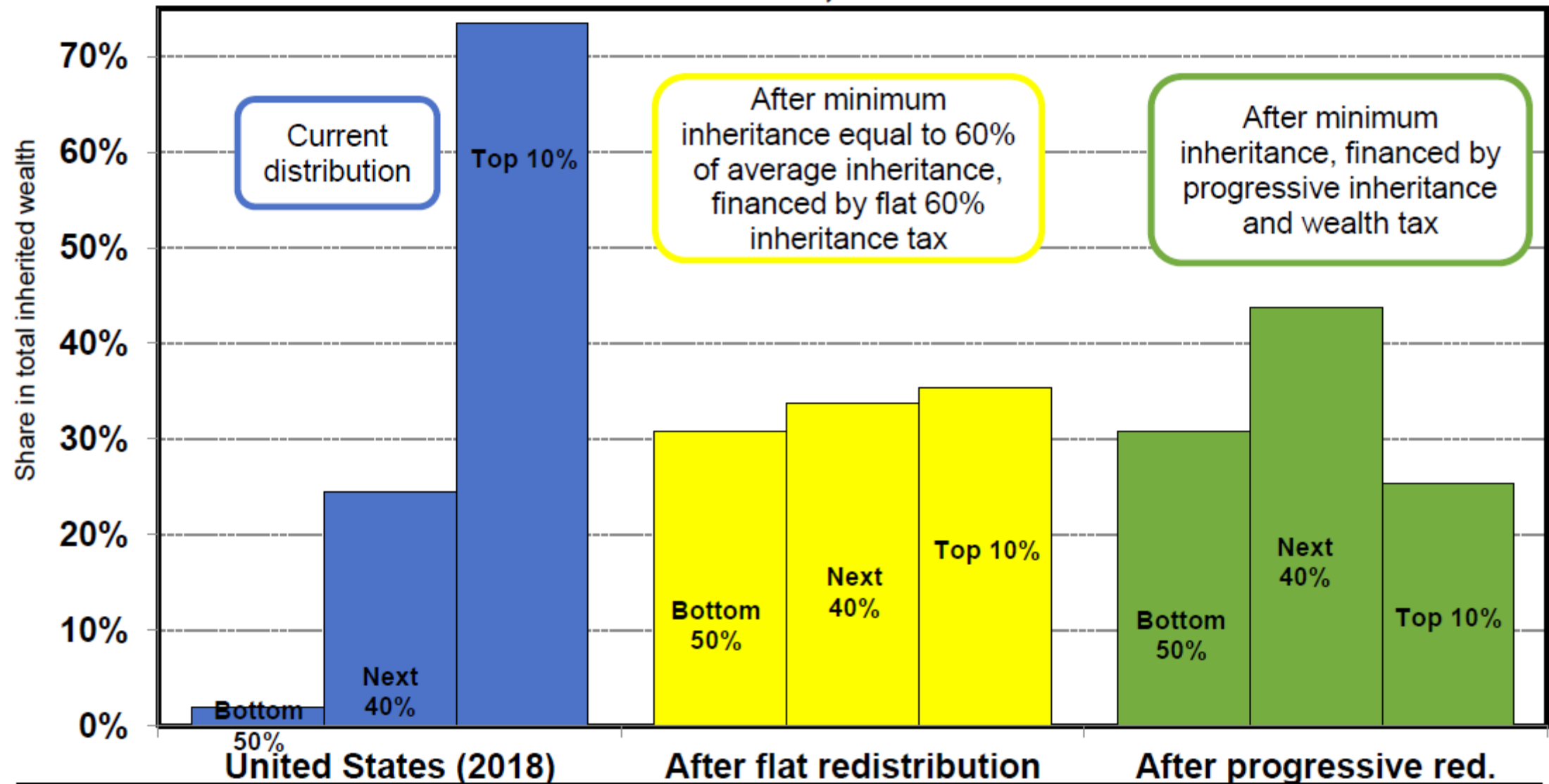
## The invention of progressive taxation: the top inheritance tax rate, 1900-2018



**Interpretation.** The marginal inheritance tax rate applied to the highest inheritances was on average 12% in the U.S. from 1900 to 1932, 75% from 1932 to 1980 and 50% from 1980 to 2018. Over these same periods, the top rate was equal to 25%, 72% and 46% in Britain, 9%, 64% and 63% in Japan, 8%, 23% and 32% in Germany, and 15%, 22% and 39% in France. Progressivity was maximal in mid-century, especially in the U.S. and in Britain. **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (figure 10.12).



## Concentration of inherited wealth, before & after minimum inheritance



**Reading.** The share of the bottom 50% in total inherited wealth was 2% in the US in 2018 (vs 24% for the next 40% and 74% for the top 10%). With a minimum inheritance equal to 60% of average inheritance, financed by a flat 60% inheritance tax, the bottom 50% share would rise to 31% (vs 34% for next 40% and 35% for top 10%). If the minimum inheritance was financed by progressive inheritance and wealth taxes, then the share of the next 40% could rise to 44% (vs 25% for top 10%). **Sources and series:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology).

## The circulation of property and progressive taxation

### Progressive tax on property (funding of the capital endowment allocated to each young adult)

Multiple of average wealth	Annual tax on property (effective tax rate)	Tax on inheritances (effective tax rate)
0,5	0,1%	5%
2	1%	20%
5	2%	50%
10	5%	60%
100	10%	70%
1000	60%	80%
10000	90%	90%

### Progressive tax on income (funding of basic income and social and ecological State)

Multiple of average income	Effective tax rate (including social contributions and carbon tax)
0,5	10%
2	40%
5	50%
10	60%
100	70%
1000	80%
10000	90%

**Interpretation.** The proposed tax system includes a progressive tax on property (annual tax and inheritance tax) funding a capital endowment for all young adults and a progressive tax on income (including social contributions and progressive tax on carbon emissions) funding the basic income and the social and ecological State (health, education, pensions, unemployment, energy, etc.). This system favouring the circulation of property is one of the constituting elements of participatory socialism, together with a 50-50 split of voting rights among workers representatives and shareholders in corporations. **Note:** in the exemple given here, the progressive property tax raises about 5% of national income (allowing to fund a capital endowment of about 60% of average net wealth, to be allocated to each young adult at 25-year of age) and the progressive income tax about 45% of national income (allowing to fund an annual basic income of about 60% of after-tax income, costing about 5% of national income, and the social and ecological State for about 40% of national income). **Sources:** see [piketty.pse.ens.fr/ideology](http://piketty.pse.ens.fr/ideology) (table 17.1).

# CAPITAL AND IDEOLOGY

THOMAS  
PIKETTY

Author of the #1 *New York Times* Bestseller  
*Capital in the Twenty-First Century*

TRANSLATED BY ARTHUR GOLDHAMMER

In this talk, I have presented some of the ideas gathered in my book *Capital and ideology* (2020)

**An economic, social & political history of inequality regimes**, from trifunctional and colonial societies to post-communist, post-colonial hyper-capitalist societies

As compared to *Capital in the 21st century* (2014): *Capital and ideology* is less western-centered, more political and focuses on the fragilities and the transformation of inequality ideologies

A much better book (I believe!)

**If you want to know more, read this book!**

(figures & series: see [piketty.pse.ens.fr/ideology](https://piketty.pse.ens.fr/ideology))