

On Thomas Piketty's Capital in the Twenty-First Century

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In 2014, the world of social science publications was marked by the appearance of Thomas Piketty's book, *Capital in the Twenty-First Century*. The book's global success, which is rare for a rather difficult work originally published in French, led to renewed debate on the distribution of wealth and income. Contrary to the widespread view that economic growth diminishes inequality and sooner or later leads to a balanced society with a large middle class (Kuznets' hypothesis), Thomas Piketty uses long-term historical data, some of it new, to show that the norm is instead a widening gap between the rich and everyone else. Periods of falling inequality appear conversely to be related to accidents of political and social history (war, ideological upheaval, etc.). Therefore, and unless another countervailing accident were to occur, Western society seems doomed to suffer an increasingly severe imbalance in the distribution of wealth. Piketty believes that structural changes in taxation could contain this tendency, which is unsustainable in the long-term.

It is hardly surprising that this analysis has upset the applecart of the received wisdom and occasionally provoked strong reactions, and even denial that inequality is real – in other words, criticism that Piketty's analysis is overly pessimistic. It was obvious that the OFCE needed to participate in this public debate. Several OFCE researchers have contributed by offering additional insights to Piketty's arguments or critical analysis. These contributions can be found in a special dossier in [issue 137 of the *Revue de l'OFCE on Le capital au XXI^e si cle*](#) [in French]. Jean-Luc Gaffard's observations focus on issues related to the nature

of capital and the relationship between its productive component, its remuneration and the regulation of the system as a whole, which could affect pessimistic conclusions about the long-term difference between the rate of profit and the rate of growth in output. Guillaume Allègre and Xavier Timbeau seek to deepen the analysis of the nature of capital, focussing on the rise in the compensation of property rights, which has led to the emergence of a new type of technological *rentier*. They also analyse the contribution of housing wealth before concluding, as does Piketty himself, that it is a key factor in inequality.

Thomas Piketty agreed to participate in this discussion by writing a response for the [Revue de l'OFCE](#), in which he clarifies his thinking about a number of issues, such as the hybrid nature of capital, which mixes productive capital, housing wealth and intellectual property rights, whose yield has more to do with a process of social construction than with a simple technical relationship between capital and production.

[This dossier](#) also reflects the OFCE's commitment to promote scientific debate around key issues in economics. Our thanks go to the authors who contributed to this discussion, and to Thomas Piketty who has engaged in this process of constructive criticism. Finally, we hope that this dossier will help give readers a better understanding of the importance of the issue of inequality and the role it plays in long-term social cohesion.