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Reflections on Thomas Piketty's *Capital in the Twenty-First Century*: Inequality, Sustainable Development and Power Relations

Tidings P. Ndhlovu
Manchester Metropolitan University Business School
Visiting Research Fellow, Graduate School of Business Leadership, University of South Africa
E-mail: T.Ndhlovu@mmu.ac.uk

Abstract

Professor Thomas Piketty's impressive historical work, "Capital in the Twenty-First Century", has raised many issues concerning inequality, the role of rentiers and "supermanagers", while identifying "patrimonial capitalism" as the main cause of inequality. Increased marginal rates of taxation, amongst others, are seen as a way of ensuring redistributive social justice. This paper critically examines Piketty's enquiry on inequality from a political economy perspective, suggesting that the former's analysis is reformist rather than revolutionary. We point out to some problems concerning economic growth (industrialisation) and environmental protection, as well as Piketty's inability to incorporate structurally institutionalised power relations and class struggle into his analysis.

Key words: Inequality, Sustainable Development, Power Relations

Introduction

Thomas Carlyle, that doyen of doom and gloom, described Economics (or, more accurately, Political Economy) as "the dismal science". He bemoaned the failure of supply and demand to compel "the idle Black man in the West Indies" (Carlyle 1888: 83-84) to work. According to Carlyle, because the 'freed' slave was content with satisfying his demand for pumpkins and saccharine juices, he no longer felt any compulsion to supply his own time to satisfy "the less fortunate white man's demand" (ibid) for profit that was garnered from the cane-crop. Carlyle appeared to yearn for the halcyon days of institutional slavery and detested the new dispensation of laissez faire economics. Arguably, a return to slavery would not only re-establish the unequal relationship between the "inferior negro" and his "superior white master", thus obligating the former to work, but it would also ensure stable employment and the accompanying profits for the latter.

Whereas racist ideology was unquestionably present in the thinking of many classical political economists of the time (Ndhlovu and Khalema, 2015), this was not necessarily the basic reasoning behind Carlyle's thinking. The best way to describe the position adopted by Carlyle and other analysts of a radical Tory persuasion by the mid-19th century, is that it was not slavery *per se* they advocated as their abhorrence of the direction that modern free market capitalism was taking. For example, Carlyle went so far as to advocate a return to serfdom as an alternative to the system prevailing. His key point was to highlight that even something as grotesque as serfdom or slavery was preferable to free market capitalism based on principles of political economy. However, he had, among many others, a real crisis of conscience when the American Civil War erupted and the whole question of slavery became a central issue. Notwithstanding this, Carlyle's epithet and "world weariness" (Groenewegen, 2001: 74) highlighted questions of inequality - whether conceptualised in terms of choice and opportunity, technology and distribution, or ownership and control of the means of production and power relations between capitalist and worker. One reason why Karl Marx, coming from the study of jurisprudence, became fixated with the study of political economy was the tendency to separate economics from the role played by institutional structures in valuation, and he felt that this field of study was devoid of any institutional compass. Latterly, one economist who also did not subscribe to the view that institutions had little place in economics was the eminent British academic, John Maynard Keynes (Ndhlovu and Cameron, 2013).

During negotiations of the Bretton Woods Agreement in 1943-44, his radical views concerning "state regulation of capitalism" (as the solution to a structural tendency to economic depression) were listened to politely but ultimately rejected in favour of Harry Dexter White's (a non-academic and "practical economist" who was Assistant Secretary to the US Treasury) plan that virtually sealed the dominance of the more free market institutional "American capitalism" over emerging welfare state institutions of "British capitalism". It is also noteworthy that, for Marx, inequality is a necessary precondition of capitalism. In fact, the very nature of the institutional control of the means of production necessitates that the workforce must be kept 'elastic' and subservient; hence his famous dictum in *The German Ideology* (Marx and Engels, 1989): "Philosophers have only hitherto *interpreted* the world in various ways: the point is to *change* it".

Greeted with media fanfare, the recent publication of Thomas Piketty's *Capital in the Twenty-First Century* sets out to *interpret* the history of inequality by "draw[ing] from the past a few modest keys to the future [regarding 'changes' in social organisation]" (Piketty, 2014a: 35). Feted by the White House and Nobel Laureates such as Professor Robert Solow, Piketty has also been described as having "entered rock stardom – economist style" (Professor George Akerlof, another Nobel Prize Winner in Economics). Being routinely referred to as the "rock star economist" (*London Evening Standard*) or the "rock star of economics" (right-leaning *The Telegraph*) is no mean feat, especially for one hailing from the Left of "the dismal science"; more so, one whose huge tome runs to 685 pages! However, such praise has been tinged with a stinging rebuke for Piketty having the temerity to propose a (Tobin) wealth tax (Heath, 2014). Presumably, this frightening spectre for the Right of the political spectrum evokes former UK Labour Party Chancellor of the Exchequer Denis Healey's alleged nightmarish promise to "squeeze the rich until the pips squeak".

Ironically, Piketty's first steps on his "Road to Damascus" started with an article on mathematical modelling in 1993 that was steeped in Pareto Optimality, game theory and Bayesian models of sustainable risk taking. His transformation from mainstream econometrician was complete when he became economic advisor to then (in 2007) French Socialist Party presidential candidate Segolene Royal and later supported the French (Socialist Party) President, Francois Hollande. Indeed, Piketty now dismisses mathematical models as often "no more than an excuse for occupying the terrain and masking the vacuity of the content". It is to this "content" that I will now turn my attention. What follows is an examination of the implications of Piketty's analysis for sustainable development and power relations.

The Content

Piketty's (2014a) central concern is to prevent a slide back to *patrimonial* (inheritance) capitalism that occurred between the 18th century and *La Belle Epoque Europe* in the 19th century. According to him, a few *rentiers* who had inherited wealth and never did a stroke of work dominated society. By the time the First World War broke, 10 per cent of the population in the USA owned 80 per cent of capital, while the figure for Europe stood at 90 per cent. Like Keynes, preserving capitalism and saving it from its worst excesses is paramount in his mind. He is also concerned that economic growth lags behind returns on capital. In his quest to ex plain the reasons behind this, he sets clear blue water between what he actually means by "capital" and the ideas of mainstream economists, whilst seeking to distance himself from Marx's analysis, especially since the title of his book seems to mimic Karl Marx's (1977a: 1977b; 1977c) three volumes of *Capital: A Critique of Political Economy*.

Let me refresh your memory, particularly on Marx who argued that the concept of capital as an institutional relationship was needed to understand the very foundations of bourgeois society. It was the wherewithal (relation to means of production) by which the dominant class uneasily imposed their power and authority to extract surplus value from the working class. In this sense, capital took many varied forms, starting with money (moneyed wealth) which, in turn, is used to purchase machines etc. and to hire labour power (and thus could either be constant or variable capital), through the production of commodities. Thus for Marx, capital can take several forms while the ownership and power derived from it remains in the same hands. The neoclassical or free market conception, on the other hand, stripped capital of its social and political content to merely becoming a (physical) factor of production that is combined with labour to produce final products.

Piketty rejects Marx's conception and is also wary of the neoclassical one, although he faces the same problem as the latter on how to add up and value the capital stock. He devotes a great deal of the book (Parts One and Two, Piketty, 2014a: 39-234) in marshalling an impressive array of data to corroborate what he means by "capital". Wealth is defined as physical capital equipment plus land (and housing), and wealth is often used interchangeably with capital. According to Erik Olin Wright, such a combination of homeownership and capitalist property into one category "capital" does not make much "sense if we want to identify the social mechanism through which this return [on capital] is generated" (Wright, 2014; also see Fremeaux, 2014). Piketty also disregards the neoclassical "human capital" in the estimation of the total value of wealth.

In his book and subsequent TED (Technology, Entertainment and Design) conference address, Piketty (2014b) argues that as long as $r > g$ (i.e. the rate of return on capital is greater than the rate of economic growth), then the capital/income ratio (i.e. β or the ratio of capital to national income) will rise, thus resulting in increased inequality. He contends that the 18th and 19th centuries had global economic growth rates per capita that were close to zero while the rate of return (primarily on land) stood at around 5 per cent. He goes on to argue that throughout history r has mostly been around 4 or 5 per cent, while g has oscillated around the 1 or 2 per cent mark. To use Myrdal's (1957) "circular cumulative causation" language where "backwash effects" (divergence) squeeze out "spread effects" (convergence), whenever growth slows down, some sections of the rich get richer while the workers get poorer as they struggle to keep roofs over their heads (also see Cameron and Ndhlovu, 2001).

In his TED conference address, Piketty merely asserts that r and g depend on technology (capital-intensive sectors, real estate, energy, robots), saving behaviour (s) and scale effects (e.g. de/regulation). He does not address the capital controversy which showed the futility of measuring and accounting for Solow's (1956; 1997; 2000) physical capital *vis a vis* changes in prices and rates of profit. Although Piketty ignores the problem, the outcome of the capital debate, accepted by Samuelson (1966; 1987), was that there can be no measure of aggregate capital that is independent of changes in distribution (also see Cohen and Harcourt, 2003).

In his book, Piketty adds that we can link the capital/income ratio (β) to the social savings rate (s) and the growth rate (g) so that we end up with the equation β = s/g (or g = s/v as in the textbooks). Venturing into the terrain of the Harrod-Domar growth model (which in fairness is a short-run model as compared to Piketty's long-run model), Piketty (2014a: 166) argues that an annual savings rate (s) of 12 per cent that is accompanied by a growth rate (g) of 2 per cent will result in a capital/income ratio (β) of 600 per cent. The country would have accumulated capital that is equivalent to 6 years of national income. It stands to reason that the lower the growth rate (g), the higher the capital/income ratio (β).

While everyone can potentially benefit from increased capital, so Piketty notes, "what this [also] means is that the owners of capital – for a given distribution of wealth – potentially control a larger share of total economic resources" (Piketty, 2014a: 167). However, the equation β = s/g is an accounting identity and not a theory ("The Second Fundamental Law of Capitalism"), unless further assumptions about casualties are added.

For Harrod, if g is fixed at the rate of population growth (n), then equilibrium is only possible if saving and investment (whose causes are independent) both happen to grow at a rate of n – a very Keynesian argument. Solow also assumes g = n, but allows β to vary (variable K/L ratios) to allow for multiple equilibria. Is Piketty (2014a: 166-167) also assuming that his 2 per cent economic growth rate is fixed by the rate of population growth; if not, where does it come from? Apart from some notable exceptions, Piketty's enduring contention is that r > g has held throughout most of the history of mankind. Left to its own devices, (free-market) capitalism will continue to drive a wedge between the rich and poor. Thus, there is no natural tendency towards convergence as Solow argues; instead, divergence is often the order of the day.

The fall in the capital/income ratio in Europe during World War 1 is to some extent explicable from the relatively little or no physical destruction of capital that was accompanied by a rise in incomes as people were employed in military service. In addition, the low rate of return and rapid reductions in inequality in the period 1914-1945 is best explained by high levels of government intervention, particularly regarding some more progressive taxation (taxation of wealth/capital) and the destruction of some inherited wealth through bankruptcies. In fact, the most notable exception to r > g was the “long boom” (1945-1970) where there was unusually high economic growth, with reconstruction after World War 2 and investment in global post-colonial “development”, resulting in a fall in inequality in the USA and Europe. In his view, this created an illusion that a solution had been found to the problem of inequality.

The imposition of swinging tax rates on the rich only postponed the day of reckoning. However, long run reality would reassert itself with a tendency towards rising inequality. Piketty’s findings are in contrast to Kuznets’ (1955) Inverted-U Hypothesis that posits a tendency of income inequality to rise in the early stages of development (as measured by GNP per capita), reaching a peak and then declining in the latter stages. Instead, his historical data shows an initial rise in inequality, particularly in Europe and the USA, but one which fell and stabilised in the 1910-1970 period, before rising again and is continuing to rise in the contemporary period.It is noteworthy that the physical destruction of capital that Piketty alludes to is not necessarily the same as the oscillation of market values (prices), although Piketty does not seem to make this distinction. This is perhaps why he arrives at the conclusion that financial crises from the 1970s and rising inequality have both been due to unsustainable rises in r relative to g in the USA and Europe (his magical r > g formula). However, this conclusion needs to be couched in a more global context by bringing in the massive movement of physical manufacturing capital to Asia. In this regard, Piketty could take a leaf out of Arthur Lewis’ (1954) work in seeking more encompassing explanations rather than ones that are focused on Europe and the USA at the exclusion of the rest of the world.

Apparently, the situation has been exacerbated by the rise of the “supermanager” in the USA and the reappearance of *patrimonial* capitalism in Europe (Piketty, 2014a: 315: 377). “Supermanagers” are corporate or financial executives that do not necessarily inherit wealth but still command astronomical incomes, or what Hutton (2014) describes as “super-salaries”. The fall in marginal rates of taxation on the rich has arguably strengthened their bargaining power for high salaries and bonuses and thus reinforced their perceived importance in society. Like Hutton, Piketty is perturbed by the tendency of “supermanagers” to take reckless risks.

Chang (2011: 14) also notes that: “Marx had foresight to call the joint stock company ‘capitalist production in its highest development’. Marx was aware of, and criticized, the tendency for limited liability to encourage excessive risk-taking by managers”. But Marx would also have argued that “supermanagers” or CEOs, as Piketty himself seems to acknowledge, are no ordinary “workers” - they set their own astronomical salaries, hire and fire workers, and give commands and instructions to workers. As Wright (2014) notes, “their [the “supermanagers”] capitalist-derived power” sets them apart and enables them to appropriate part of the profits for their own purposes. In the circumstances, these top managers’ earnings can be categorised within the context of “a return on capital”, even if this takes “a different form from dividends derived from ownership of a stock” (ibid; also see Folbre, 2014). Notwithstanding this, Piketty is less

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concerned about the role played by "super-managers" in explaining the ever-widening gulf particularly in the USA. Instead, he sees *patrimonial* capitalism as the primary cause for inequality. In his TED conference address, he asserts that new data on tax receipts shows that inequality in the USA is even higher than the results of his findings in his book.

Piketty (2014a: 377) also identifies a new phenomenon of a *patrimonial* middle class that owns up to a third of the total wealth which consists of property, including houses, and financial largess that have been passed on to them by previous generations who generally constitute a pro-capital political vote bank. As indicated before, capital in Piketty's hands has thus metamorphosed from primarily land to encompassing "industrial, financial and real estate" (ibid.). But what fundamentally worries Piketty is the disproportionate share of wealth in the hands of a few increasingly dynastic families. Indeed, the share of income of the top 1 per cent in Europe and the USA (the so-called "fat cats") has rapidly increased particularly from 1980.

According to Piketty, the period 1987-2013 saw wealth rising by around 7 per cent per annum, while average incomes rose by approximately 2 per cent. In his view, while wealth inequality is not as extreme today as it was a century ago, it still has "not recovered" (in a social justice/stability evaluative sense?) to pre-World War (WW) 1 levels, although he also points out that "total quantity of wealth is now close to the pre-WW 1 level". He reiterates that one of the main reasons why wealth inequality is more than income inequality is because of the transmission of wealth from generation to generation and the prospects of high returns, as well as the societal prestige that accumulated wealth accords the families that are involved.

What is to be done? Having started with such a bang, this is perhaps the weakest part of Piketty's (2014a: 471-570) book where he seems to end with a whimper. Clearly, interventionist policies are required to reduce inequality, although what he offers is a shopping list and even he admits that some of the items are probably politically unattainable. He advocates for financial transparency, the international transmission of bank information and a global registry of financial assets. Chang (2011) goes even further in advocating the banning of "complex financial instruments [such as derivatives], unless they can be unambiguously shown to benefit society in the long run". However, Chang also faces the same problems that confronted Piketty on how realistic such a proposition is in the face of institutionally-secure vested interests.

Given his stance on redistributive social justice, Piketty places particular emphasis on increased marginal rates of taxation on the rich (as much as 80 per cent income tax rates for those with incomes of more than US$500,000 per annum). This involves a global coordinated strategy on wealth taxation, starting with those whose assets are worth around US$200,000, and progressively increasing until the tax rate peaks at around 10 per cent for the assets of wealthy billionaires (the controversial proposed "mansion tax" in Britain may have relevance here), a tax on private capital, and generally tackling *patrimonial* capitalism (through inheritance tax) head-on.

While Piketty recognises the problems concerning tax havens and tax evasion, he appeals to common sense, reason and historical precedent to come to the rescue. In his TED conference address, he says that history shows that initial scepticism did not prevent the implementation of progressive taxation. Moreover, while increasing overall inequality may arguably fuel growth as "decent shares" go to the consuming middle classes, Piketty feels that in the long-run this is "bad for our democratic institutions" (also see Piketty, 2014a: 10). Indeed, Keynes would have come to the same conclusion. The reformist agenda has also gone down well with the advisers of the former Labour Party Leader in Britain, Ed Miliband.

Implications of Piketty's analysis for sustainable development and power relations

In his book and subsequent TED conference address, Piketty is more or less silent on what constitutes destabilisation in society and, more importantly, why there is an increased risk of instability in the era of reemerging and rejuvenated *patrimonial* capitalism. We can surmise that he means that widening disparities create social resentment and tensions that threaten the very fabric of capitalist society. In a separate wide-ranging polemic against bankers, *laissez faire* advocates and such-like *vis a vis* the financial crisis, and a call for more regulation, John Kenneth Galbraith best captures the mood in Piketty's book:

> *Perhaps as a slight, not wholly inconsequential service, it can be said that we have here had the chance to see and in some small measure to understand the present discontent and dissonance and the not inconsiderable likelihood of an eventual shock to the contentment (Galbraith, 1993: 183).*

Piketty himself states that social democratic policies will not only ensure the survival of democratic institutions, but these policies have also the added merit of being "less violent and more efficient" in curbing the excesses of private capital and its incessant thirst for a return on capital. However, we already know that Piketty's r (the rate of return on capital/profit) has stayed more or less the same throughout the history of mankind, and at a level that has been higher than the growth rate ($r > g$). Little wonder that he calls for redistribution to rectify the situation.

Piketty reiterates that he is not interested in revolutionary struggles, rather, he is only concerned with "the best way to organise society and the most appropriate institutions and policies to achieve a just social order". This is a far cry from the opening statements in chapter one, where Piketty posited antagonistic class relations, and even went so far as citing the case of the eighteenth century peasantry as well as the struggle between owners of the Marikana platinum mine in South Africa and the mineworkers which ended in 34 miners being shot dead by the police in August 2012. Wright (2014) observes that class or the exploitation of "the labour of workers" either "disappears" after these opening proclamations or "is treated as simply a convenient way of talking about regions of the distribution of incomes and wealth".

Having hinted on his concern with functional distribution of income (i.e. shares that go to land, capital and labour), one would have thought that Piketty would follow through Ricardo's analysis of "the laws which regulate this distribution" (Ricardo, 1817), that is, rent, profit and wages. In Ricardo's eyes, these distributional struggles lead to the squeezing out of capitalists' profits.

The latter virtually loose the will to live as their primary motive for expanding business is extinguished, and thus economic growth ceases (for reflections on Ricardo's theories and their later interpretations, see Gibbard, 1994). Unlike Ricardo, Piketty (2014: 10) has no explanation as to why destabilisation, and associated observable crises, have occurred in the first place. Instead, attention is concentrated on how far wealth is bolstered by inheritance.

It was left to Marx to pick up the baton from Ricardo. To be fair, Piketty disassociates himself from Marx's analysis of institutionalised capitalist structural crises in capitalist societies. For Marx, tensions relating to "unlimited expansion of production" are endemic or an ever-present in capitalist societies. Whenever the rate of return on invested capital is considered to be insufficient, the reaction is often to cease investment as well as the purchase of goods (Kliman, 2014; Ndhlovu, 2012; Ndhlovu and Cameron, 2013). This leads to periodic crises and we can refer to this process as the tendency of the rate of profit to fall (TRPF).

Indeed, Kliman (2014) shows that only when there is the devaluation and destruction of capital value can the tendency towards a low rate of profit be temporarily arrested. In fact, Kliman's calculations confirm Marx's TRPF. He also shows that Piketty's reformist policy of downward redistribution of income is no panacea for recurring crises. Because such a policy cuts into profit that drives the capitalist system, it may paradoxically result in further destabilising the system. He asks a rhetorical question that, if downward redistribution was the answer to the problem of both economic growth and inequality, how come the US economy has taken years to dig itself out of the 2007-2009 recession hole in which it found itself?

Earlier we also indicated that Piketty sees capital as no different from wealth, while Marx saw it is the enabler (means of production) to the subjugation of the worker by the capitalist. Wright (2014) reiterates that, the combination of homeownership and ownership of capitalist capital in Piketty's definition of "capital" means that Piketty is unable to distinguish the differential impact of public policies (such as progressive taxation and the proposed global tax) on "different kinds of 'return to capital'", and the social struggles that may accompany the resulting inequalities. In addition, Piketty does not pay much attention to inequalities that are "based on ethnicity, citizenship and gender" (Folbre, 2014). Moreover, as Kliman (2014) rightly points out, Piketty's calculation of income excludes "the social wage", that is, social security such as unemployment benefits, healthcare, pensions, child benefits that, if received "for free at the point of use", would necessarily come out of wages/salaries "up front".

According to Kliman, when Piketty is talking about the top 1 per cent to whom a greater share of income goes (*vis a vis* the remaining 99 per cent), he is actually referring to tax receipts and "not people, not families, not households". Tax receipts will change over time, particularly for poor people. This can only highlight the problems regarding the measurement of "income trends" – how long is a piece of string? As Jerven's (2013) *Poor Numbers* illustrates regarding GDP data, there are collection data problems (reliability and accuracy), problems of comprehensiveness, consistency across time and comparison, as well as conceptual problems. For example, if one takes account of "the social wage", there is reason to believe that the total income of the 99 per cent may actually have risen rather than stagnated. These gains could only have been won by

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people engaging in social struggles for better facilities, for "family planning and government-provided benefits" which, as Kliman (2014) correctly states, "are anathema to much of the right". In other words, we need to go beyond *poor numbers*, to use Jervens (2013) characterisation, and beyond profit into understanding social processes and the implications for fundamental social change. People's social struggles should ideally matter more than profit.

Marx's examination of periodic and worsening crises consequent upon overproduction, that is, the tendency of the rate of profit to fall, is thus inapplicable to Piketty's notion of a constant r at around 5 per cent, while g remains at the 1-2 percentage mark (r > g).
How do we explain a high g and increasing inequality in emerging economies such as China and India? Piketty gazes into the future and sees that, because of an anticipated fall in population growth as well as the slowing down of technological progress, g will eventually go back to the 1-2 percentage mark, while r will rise markedly. Like Keynes (1936) and Chang (2011), his acceptance of the general institutional robustness of capitalism logically leads him to the conclusion that no fundamental social change is required, that greater redistributive justice will be sufficient to iron out the problems of growing inequality in the system.

It is against this background that debates on sustainable development and/or "Green Economy" (Newton and Cantarello, 2014) have taken place. Piketty's contention has echoes of the "End of Growth" debates which suggest that growth has either slowed down or stagnated as wealth-generating technologies are arguably no longer being rapidly developed as in the Second Industrial Revolution (the Age of High Economic Growth, 1867-1914), or technological pro gress appears to have already come to an end (Gordon, 2012; Jackson, 2011; Wolf, 2012). Like Piketty, analysts of this ilk contend that an aging population has been accompanied by the retirement of "baby boomers" in the USA and Europe, while the problem of distributing income to the bottom 99 per cent is beginning to rear its ugly head again.

As Wolf (2012) puts it, Solow's proposition of "unlimited growth is a heroic assumption". In the circumstances, emphasis is put on reconciling industrialisation (high carbon energy inputs) and environmental concerns (less carbon energy inputs) (Brundtland, 1987), especially since the world is now facing problems of climate change and food security. Whereas Piketty presents his constant g and links inequality (r > g) with technology (including the energy sector and possible introduction of robots in the future), Jackson (2012), on the other hand, goes further in questioning the very need for growth and suggests that prosperity can actually take place without growth (also see Storm, 2009). Just like Keynes (1936), Piketty (2014a; 2014b) and Chang (2011), Porritt (2005) accepts the logic of capitalism, and is only concerned about the levels of dissatisfaction resulting from "grotesque disparities of wealth" or "inequality of income distribution". Indeed, he calls for a "*reform* agenda" that is apparently "radical" rather than "*revolutionary*".

For Porritt (2005; 2013), sustainability should not be just an add-on issue such as increased corporate social responsibility (CSR), nor should we be forced to choose between economic growth and securing the environment for the purposes of achieving social justice. For Porritt, there is no difference between sustainability and social justice. Similarly to the "resource curse" debate and the phenomenon of the "Dutch Disease" that faced the Netherlands State once large quantities of fossil gas supplies were discovered in the 1970s (Ndhlovu and Cameron, 2013), the South African government is now having to grapple with the prospect of large oil deposits off the coast of Durban. How can the South African government, in its *Operation Phakisa* (hurry up or innovative delivery programme), manage these potentially large reserves in a way that does not intensify the use of carbon emissions (pollution), while perpetuating inequalities and social conflict? A strong regulatory system in the Netherlands, that utilised rising gas revenues for institutional support for education and skills development, helped to maintain social cohesion in the short run (ibid).

However, in the face of vested interests, social democratic policies have often been shown to be unable to translate populist declarations into concrete action (ibid). In addition, Burkett (2003: 111) and Lohmann (2011: 650) note that some fractions of capital tend to profit from climate disasters, in terms of producing and selling air conditioners, oxygen masks etc., that is, new business avenues that are opened for construction and real estate at the expense of financial capital (such as the insurance business). In other words, the incessant push for accumulation ("Accumulate, Accumulate, that is Moses and the Prophets!" – Marx, 1977a: 558) leads to recurring crises and conflict within capitalist societies, which tends to deflect political discourse away from environmental concerns towards resolution of crises in the institutional interests of capital (Ndhlovu, 2012; Ndhlovu and Cameron, 2013).

Nevertheless, Piketty must be commended for shaking the pro-capital "institutionalist" economic fairy-tale (Chang, 2011) to its roots, and seeking to demystify "the dismal science" (Carlyle, 1888). However, his re-examination of the return on capital *vis a vis* economic growth - i.e. opulence, inequality and poverty - and/or social justice does not take into account overproduction that is at the root of periodic crises in (*patrimonial*) capitalism. Small wonder that his *Capital in the Twenty-First Century* gives prominence to reform, and income distribution is regarded as the panacea for inequality. Given his distributional stance, it is in any case not surprising that Piketty is unable to include structurally institutionalised power relations and class struggle (including people's anti-capitalist global struggles for social justice) as key elements in understanding *instability in 21st capitalism*.

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