

# THOMAS PIKETTY ON THE DEMOCRATIC PRIMARY

In an article in *The Guardian*, Thomas Piketty says that Bernie Sanders represents a real hope for the adoption of the tax policies Piketty lays out in *Capital in the Twenty-First Century*. Piketty calls for higher and steeply progressive income taxes and a high estate tax, which he thinks will lead to a reduction in income and wealth inequality, and to a better democracy, one less favorable to the interests of the rich and more open to the needs of society as a whole. He calls for a return to the ideals of the Democratic Party, ideals forged in response to an earlier awful financial debacle, and says that even if Sanders doesn't win the nomination, he has opened the door for someone else to bring these ideas to fruition.

Piketty reminds us of the history of the Democratic Party starting with Franklin Roosevelt. He points out that FDR did not want to follow in the path of European nations, but instead forged a uniquely US path forward, including heavy regulation of the financial sector, a reasonably strong safety net, and a highly progressive system of taxation, including both a high marginal tax rate on outlandish income and a steep and a heavy estate tax that broke up fortunes quickly. After the financial problems of the 1970s, the disastrous loss of the War in Viet Nam, and due in part to the desires of the very rich, the nation turned its back on those ideals, and Ronald Reagan and his band of wreckers led the nation backwards towards a "mythical capitalism said to have existed in the past." The Democrats did not resist these changes, but made peace with them.

Piketty says that the important thing Sanders wants to do is to restore the taxation system to previous levels, and to return to the uniquely US version of social democracy.

Sanders makes clear he wants to restore progressive taxation and a higher minimum wage (\$15 an hour). To this he adds free healthcare and higher education in a country where inequality in access to education has reached unprecedented heights, highlighting a gulf standing between the lives of most Americans, and the soothing meritocratic speeches pronounced by the winners of the system.

Savor that last part, the part about the “gulf standing between the lives of most Americans and the soothing meritocratic speeches pronounced by the winners of the system.” The Clintons stand on the far side of that gulf with their huge fortune, their enormous foundation, and the hedge fund set up for their son-in-law whose meritocratic standing is open to serious question.

The last few weeks have sharpened our understanding of the differences between Sanders supporters and supporters of Hillary Clinton. Clinton is part of the neoliberal consensus described in Piketty’s article, which has governed the elite hive mind for decades. Sanders represents a break with that ideology. He is in the tradition of Franklin D. Roosevelt, the New Deal President, who established the US welfare state that was torn down by the neoliberals. Piketty too represents a break with the neoliberal consensus.

It is instructive to see where this divide lies. Take, for example, Paul Krugman. He is 62 years old, compared with Piketty, who is 44. Krugman is certainly liberal, but he has made it clear that he favors the incremental approach of Hillary Clinton. Krugman was trained in the mathematical school of economics, and even today insists that the use of mathematical models based on past history should be the central method of the discipline. Piketty was trained in the US, and is really good with those math techniques. However, he doesn’t accept the

standard approach to the area, which he claims is closer to an ideology than a science. Instead, he adopts the methods of the social sciences. His book is a triumph of dogged efforts to read and understand 200 years of wealth and income inequality in Europe and the US.

Over the past several weeks Krugman has praised Clinton's stand on Obamacare and financial regulation, and has derided Sander's policies on both issues. He claims that Sanders cannot implement his plans and that they are somehow flawed. His comment sections are full of shocked people. Some call names, but many have more substantive issues: Krugman supported single payer in the past, and called for stronger financial regulation. Now he claims neither is possible.

What Krugman means is that the Republicans will never allow any tax increases. It's that simple. He asserts that the ideas of Piketty and Sanders are never going to be possible because taxes cannot be raised. He accepts as a fact that there is no practical way to undo wealth and income inequality, that these are the immutable facts of our new normal. That is the dividing line between the neoliberal and the progressive wings of the Democratic party. One side says we need higher taxes and a larger social commons, areas of life not dominated by the rich people sucking up as much profit as possible. The other says we have to settle for whatever the rich will give us.

Krugman and most of the Democratic establishment is on one side of that line. And it isn't an age thing. There are plenty of young wonks on the move who work inside the neoliberal consensus. Piketty and Sanders are on the other. And this isn't an age thing either. There are plenty of people in all age groups, from Millennials to white-haired Boomers, who agree with Sanders.

This is the fight in the Democratic Party. Either you believe that we can change our government and our economy to work for all the

people and not just the few, or you believe that we are doomed to remain under the thumb those who rule us from the far side of the money gulf with their laughable claim that they are the meritocracy and not a plutocracy.