CHAPTER 1

Class and Inequality in Piketty

Eric Olin Wright

Introduction

Until recently, the only context in which inequality was treated as a problem was in discussions of opportunities and rights. Equal opportunity and equal rights are deeply held American values, and certain kinds of inequalities were seen as violating these ideals. Racial and gender discrimination, for example, are viewed as problems because they create unfair competitive advantages for some people. They violate the ideal of a level playing field. Likewise, poverty is viewed as an important problem, but the main issue has not generally been the distance between the poor and the rich. Rather, it has been the absolute material deprivations of people living in poverty and how their unmet needs harm them. Not surprisingly, then, the LBJ-era “War on Poverty” led to the creation of an office of economic opportunity, not an office for the reduction of inequality. The way poverty constitutes a disadvantage was of great concern, but almost no public attention was given to the degree of inequality of resources or conditions of life across the income distribution as a whole. Inequality was not an important publicly recognized problem.

Even among scholars, discussions of inequality have historically focused on social mobility and the social production of advantages and disadvantages. There was a great deal of concern about inequalities in the way people got access to social positions and certainly much study of how hard life was for people living below the poverty line, but almost no concern with the magnitude of inequalities among the positions themselves. Inequality was not an important academically recognized problem.

Conservatives and liberals shared this inattention. To be concerned with the distance between the rich, the poor, and the middle class was seen as a thin veil for envy and resentment. So long as fortunes and high income were acquired legally, the degree of inequality generated was unobjectionable. And what’s more, as many argue even today, in the long run, the high incomes of

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the wealthy were said to benefit everyone. Out of this high income, people said, new investments were made, and these filled a necessary condition for proverbial “rising tide” that lifts all boats. Inequality was not an important politically recognized problem, either.

This situation has changed dramatically: today, talk about inequality is everywhere. The media, the academy, and politicians all speak to the problem of inequality in its own right. The slogan of the Occupy Movement is exemplary: We are the 99%. The 1% versus the 99% logic indicates an antagonism between those at the very top of the income distribution and everyone else. Now politicians and pundits speak of the dangers of increasing inequality. Scholars have begun to study it systematically.

It is in this context that Thomas Piketty’s book *Capital in the Twentieth Century* appeared. Nearly 600 pages long and published by an academic press, it is a serious, scholarly work (some lively bits notwithstanding)—not the sort of book anyone expects to be a bestseller. And yet, it is. This reflects the salience of inequality as an issue of broad concern.

Piketty’s book is built around the detailed analysis of the trajectory of two dimensions of economic inequality: income and wealth. Previous research on these issues has been severely hampered by lack of data on the richest people. The people at the very top are not selected in survey samples, so it has been impossible to systematically study the historical trajectory of inequality for more than a few decades because of a lack of good data before the mid-20th century. Piketty has solved these problems, to a significant extent, by assembling a massive dataset that goes back to the early 1900s and is based on tax and estate data.

### The Trajectory of Income Inequality

The central observation of Piketty’s analysis seen in the now-familiar U-shaped graph of the share of national income going to the top layers of the income distribution. A version is reproduced below, showing the percentage of national income in the United States going to the richest 10% and 1% from 1913 to 2012. The share of the top decile in total national income reached an early peak of 49% in 1928, and then hovered around 45% until WWII, when it dropped precipitously to around 35%. There it remained for four decades, until it began to rise rapidly in the 1980s, reaching a new high of just over 50% in 2012. That is, in 2012 the richest 10% of the population received just over half of *all* income generated in the American economy.