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The Politics Of Piketty: What Political Science Can Learn From, and Contribute To, the Debate on Capital in the Twenty-First Century

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Introduction

Thomas Piketty's imposing volume has both brought serious economics firmly into the mainstream of public debate, and at the same time thrown down the gauntlet to the economics profession, allegedly guilty of a 'childish passion for mathematics and for purely theoretical and ideological speculation' (Piketty 2014: 32). But Piketty's entreaty to his colleagues to 'start with fundamental questions and try to answer them', and indeed his contempt for 'foolish disciplinary squabbles' could easily have been directed at political scientists. Certainly, no recent contribution by political scientists can claim to have made such a major impact on our understanding of the nature of contemporary capitalism and the inequalities that characterize it. Indeed, political scientists have tended to neglect the role of inequality in political life, and broader debates on the contradictory nature of capitalism petered out in the 1980s. Although Piketty's denunciation of an increasingly mathematical economics detached from real world concerns is well taken, economists have in fact been at the forefront of the study of inequality in the recent period. Political scientists, in contrast, have been largely absent. But inequality is too important to be left to the economists, and political science, as well as the other social sciences, can make an essential contribution to the debate. This article will develop this argument by first assessing and critiquing the changing nature of political science and its account of contemporary capitalism, and then suggesting how Piketty's thesis can be complemented, extended and challenged by focusing on the ways in which politics and collective action shape the economy and the distribution of income and wealth.

Capitalism, Inequality and Political Science

Economics' turn away from distributional questions in the early twentieth century has been attributed to general equilibrium theory and its vision of freely contracting individual agents. The assumption that incomes from labour derive from individual marginal productivity essentially removed questions of distributive justice from the mainstream of economics. Models based on representative agents tended to elide the fundamental imbalances between high and low earners, and between owners of capital and sellers of labour. Alongside the role of the economics profession in training the managerial elite in advanced capitalist countries and the conspicuous rewards offered to economists within the market system (Haring and Douglas 2012), it could be said that economists' lack of interest in inequality is overdetermined.

Understanding political science's relative neglect of inequality is rather more puzzling. One can speculate that the emergence of political science as an institutionalized academic discipline in the 1950s, a period of low inequality marked by a confidence that Western mixed economies had resolved the central contradiction of capitalism, distracted from the historical importance of distributional tensions in driving political development. Piketty's interpretation of Kuznets' famous curve as a 'product of the Cold War' (Kuznets 1955; Piketty 2014: 14), can be matched by similar developments in political science. The dominant 'structural-functionalist' theories of the emergent academic field of political science stressed the harmonious integration of various moving parts into a cohesive and stable 'system', rather than the conflict-riven instability of the Marxist understanding of politics in a capitalist world (Blyth 2006). Just as Kuznets predicted that inequality would decline as capitalism matured, the 'modernization theorists' of political science saw economic development as a route to social peace and democratization, with the dominant middle classes entrenching the rational and cooperative resolution of (essentially manageable) social conflicts (Dahl 1956, Lipset 1960, Huntington 1968). Where the working class made an appearance, it was as a willing participant in neocorporatist arrangements that institutionalized class cooperation (Schmitter and Lehmbruch 1979). The replacement of the functionalist paradigm by rational actor theory, which became dominant in American political science by the 1990s, has also been interpreted as an intellectual front in the Cold War, opened by ideologically motivated scholars (Amadae 2003). It would be a simplification, but not an entirely misleading one, to summarize the mainstream of political science in its formative post-war period as being underpinned by a broadly benign, even complacent, interpretation of capitalist democracy, neatly condensed in Francis Fukuyama's (in)famous post-Cold War book, *The End of History and the Last Man* (1992).

There were of course many challenges to this mainstream view. In the US, critiques of the pluralist school focused on inequalities of access to political decision-making (Schattschneider 1960, Crenson 1971). Scholars connecting to the Marxian tradition emphasized the essentially conflictual relations between capital and labour, and by implication, the contradictory nature of capitalist democracy, based on an awkward mix of equal voting rights and unequal property rights. Korpi (1983), Esping-Andersen (1990) and others (Huber and Stephens 2001, Brady 2009) interpreted the rise of the welfare state, and its assault on inequality, in terms of the ability of the working class to mobilize its electoral strength and form alliances with other forces to secure redistribution. Indeed, whilst economics was ignoring inequality political scientists, alongside sociologists, were at the forefront of research into the effects of institutions on the distribution of income, although the dearth of data meant that the dependent variable was often welfare spending or 'decommodification' (Scruggs and Allan 2006) rather than inequality as such. Much early work on voting behaviour adopted a class-based perspective on electoral democracy (Lipset and Rokkan 1967, Butler and Stokes 1974, Przeworksi and Sprague 1986), although by the 1980s and 1990s the dominant approaches in the field of electoral studies – such as 'issue' and 'valence' voting – had essentially dropped class position as a relevant explanatory variable (see Evans 1999).

An important challenge to pluralism and modernization theory came in the form of the debate about the role of the capitalist class in postwar democracy, a debate animated largely by sociologists (Offe and Wiesenthal 1980, Therborn 1978, Poulantzas 1976, Miliband 1969) but which also saw important interventions by political scientists such as Charles Lindblom and (again) Adam Przeworski. Lindblom's analysis of capitalist systems (1977) viewed large capitalist corporations as a threat to democracy, and 'the Market as Prison' (1982) he went further, suggesting that capitalists enjoyed the 'automatic recoil mechanisms' of disinvestment and capital flight, that disciplined the working class without any need for the capitalist class to resort to conspiratorial acts or political organization. Przeworksi's work with Michael Wallerstein (1982, 1988) modelled the dynamics of class compromise between capital and labour, drawing quite different conclusions to Lindblom: that democratic capitalism could develop into a stable and mutually beneficial equilibrium, under certain specific conditions.

With the fall of the Berlin Wall, the neo-Marxist debate quickly lost relevance. Social class, the relationship between the state and capitalist elites, and the contradictions of capitalist accumulation disappeared from view. In political science, this entrenched a dominant scholarship concerned with formal political institutions such as executives and legislatures, political parties and competitive elections, or the institutions of the welfare state, often within a game theoretical framework, borrowing models of strategic behaviour and statistic analysis from economics (Green and Shapiro 1994). Alternatives to the mainstream focused on identity politics and their related social movements, rather than the fundamental contradiction between labour and capital (Fraser 1995). Canonical models such as the median voter theory of elections (Downs 1957, Meltzer and Richard 1981) were quite consistent with an essentially benign view of capitalist democracy as a system capable of rewarding and integrating the vast majority of the population, whose survival was not in doubt. With the partial exception of work on globalization within the field of international political economy, by the time of the great financial crisis of 2007-8 political science appeared to have pretty much given up on fundamental critiques of capitalism.

Instead, research on capitalism, class and inequality morphed into a rather more circumscribed, and at times defensive, scholarship about the prospects for preserving the institutional arrangements that had emerged in advanced democracies in the post-war period (Ruggie 1982's 'embedded liberalism'). The dominant paradigm of comparative political economy became historical institutionalism, which built on the foundations of a more sociological political economy to bring institutions back into the frame (Thelen and Steinmo 1992). The historical institutionalist research agenda certainly had as its implicit focus the politics of class compromise, but took a less macro-social approach to analysing the institutional dynamics of capitalism (Hall and Soskice 2001, Thelen 2004). Welfare state studies increasingly focused on new lines of cleavage beyond traditional class divisions (Lewis 1992, Lynch 2006, Rueda 2007, Béland and Lecours 2008). Research into trade unions and corporatism began to focus increasingly on the role of skills and the impact of globalization and technological change on the institutions of embedded liberalism (Boix 1998, Garrett 1998, Iversen 2005, Kenworthy 2008). The scholarship on political parties increasingly viewed them as part of the state machinery rather than representatives of class interests (Katz and Mair 1995) and political participation was studied more from the point of view of how to integrate marginalized groups into the social mainstream than as a route to fundamental political change (Putnam 2000).

In short, by the turn of the millenium 'class' had almost entirely disappeared from political science research, and income inequality was anything but centre stage. This lack of attention for class can certainly be in part attributed to the declining appeal of Marxist analysis in the post-Cold War world, but there are other reasons too: professional envy of the 'scientitic' status and methodological prowess of economists, and the highly American identity of political science as a discipline, probably also contributed (Steinmo 2008). Whatever the reason, mainstream political science appeared mostly unconcerned about both the steady increase in inequality in advanced market economies, and particularly the spectacular growth of top incomes documented by Piketty and others. But when the global financial crisis hit, leading governments to bail out capital and largely pass on the bill to the wage-earning population (Blyth 2013), it became clear that inequality could no longer be ignored.

Bringing Inequality Back In: The Challenge to Political Science

There is a certain irony in the fact that economics, the academic field which has been widely blamed for the unstable and unequal form of capitalism that has grown to dominate in the early part of the 21st century (Haring and Douglas 2012), should have also been at the forefront of research into rising inequality. Over the past two decades or so economists have built on the work of pioneers such as Tony Atkinson to produce a rapidly growing body of work on the distribution of income and wealth in advanced democratic nations. Before *Capital in the 21st Century,* Piketty had been part of a group of economists working with Atkinson that published important work (Piketty and Saez 2003, Atkinson, Piketty and Saez 2011) documenting the rapid rise in the share of income accruing to the very top of the distribution. The OECD, often seen as part of the vanguard of the push towards liberalization, had also published voluminous studies of inequality (2008, 2011). The Luxembourg Income Study, involving sociologists and political scientists as well as economists, was crucial in building an infrastructure for work on the income distribution in advanced countries. But the bulk of new research on inequality has been produced by economics, and high profile economists such as Paul Krugman and Joseph Stiglitz have been instrumental in popularizing and publicizing these findings.

Political science, on the other hand, has been slow to pick up the baton. By focusing mainly on levels of public spending and the relative generosity of particular welfare programmes, scholars of the welfare state have been slow to pick up on both the broader trend towards high levels of overall income inequality in general, and the spectacular growth of top incomes in particular. They have also tended to miss the impact of regulatory changes – so-called 'structural reforms' involving liberalization of markets and changes to employment rights – on the overall distributive picture. Again, the exception comes from a perhaps unexpected source: US political scientists working in the mainstream of American politics, a field normally associated with bone-dry studies of voting behaviour or the interactions between elites in the three arms of government, rather than any radical critique of American democracy. Reflecting no doubt the dramatic rise in the wealth and income at the top of US society, a number of well-established American scholars have addressed the threats inequality poses to democracy. Larry Bartels has used survey research to show that the American public is both aware of inequality and uncertain how to respond to it, and also to demonstrate the gulf separating elite opinion from mass opinion on issues of economic justice (2005, 2008). Scholars working on congressional voting behaviour have argued that economic inequality is driving an increasing polarization of party competition in the US (McCarthy, Poole and Rosenthal 2006). Martin Gilens has demonstrated that American public policy systematically reflects the interests of wealthy groups rather than the citizenry as a whole (2012), and Jacob Hacker and Paul Pierson's powerful book *Winner-Take-All Politics* (2010) documents the various mechanisms through which wealthy interests subvert the policy process in the United States, showing that 'predistribution' and 'market-making' can be as important, or more so, than patterns of redistribution in determining the changing shares of income between different parts of the population.

However, inequality remains a minority interest of political scientists, and outside the US few political scientists have researched the politics of inequality and the distribution of income, and even fewer the distribution of capital assets. Yet Piketty's *Capital*, although clearly a work of economics, is also a very political book. True, the central thesis of the book is that capital's share of national income will tend to rise unless economic growth exceeds the historic rate of return ($r > g$), but Piketty's description of the ebbs and flows of capital in western countries over the past two centuries is replete with references to political institutions, trends and events, such as wars, empires, regime transformations, political movements and ideologies, laws and regulations, governments, parties, and elections. It is true that Piketty's analysis of the rate of return r and the description of trends in economic growth remain within the conceptual world of economics, with exogenous technology change and population growth carrying much of the explanatory burden, but there is a recognition of the role of politics throughout the book. The political choices of whether governments should take ownership of capital, issue public debt, allow or restrain inflation and so on are a constant presence throughout Part Two of *Capital*, lying beneath the broad sweep of impersonal economic forces it describes.

So in short, although *Capital*'s principal message is that 'capital is back' and that absent any active political interventions will continue to grow, Piketty also recognizes the political foundations of the rise and fall of capital through the 19th and 20th centuries. To a degree the book can be read as a political and social, as well as economic, history of this period. However the politics is only occasionally made explicit, as for example when he mentions French voters opting for a Socialist government in 1981, 'displaying a certain desire to sail against the wind' (p.139). The rest of the time it remains in the background, occasionally reemerging as 'exogenous' shocks such as the First and Second World Wars, or in the ad hoc references to political institutions such as different taxation and welfare arrangements, or labour market regulations, that account for differences in inequality between advanced nations. Political scientists, of course, tend not to see political events as exogenous shocks, but as phenomena worthy of explanation in their own right. To this extent, political science can not only complement and complete, but also challenge key aspects of Piketty's thesis.

Politics, Institutions and Inequality: How Capital is Constructed by Politics

One of the key assumptions underpinning Piketty's argument, and perhaps the one most questioned by critics so far, is the estimate of a historical rate of return, r, that remains broadly constant across a range of quite different historical periods in which the economies studied have undergone root-and-branch transformations. It is this stability of r which drives the rise of the capital/income ratio, given that g (economic growth) is rather more variable, particularly as a result of demographic changes (the relatively narrow fluctuations in productivity growth charted by Piketty turn out to play a surprisingly limited role in explaining overall growth). As basic yet powerful models go, $r > g$ is doing an awful lot of work, and indeed many economists have reacted skeptically (see Kervick 2014 for a summary).

The political economy perspective would suggest another rather more fundamental critique however. As an economist, Piketty believes that market economies have a kind of underlying dynamic that leads to the concentration of capital independently of whatever political forces may be dominant. Politics can only come along to disturb this dynamic through large-scale shocks such as wars, revolutions, democratic transitions or the pressure of radicalized organized labour. But in fact the political dimension goes much deeper: the very economic forces Piketty describes are embedded in institutional arrangements which can only be properly understood as political phenomena. *Capital* does refer to these arrangements on occasion, but they are far from centre stage. Yet in a sense capital itself – the central concept of the book – is almost meaningless without proper consideration of its political foundations.

The key inspiration for such a critique is Karl Polanyi's *Great Transformation* (1957), an achievement whose extraordinary ambition and reach Piketty comes close to matching. Polanyi's fundamental insight was that the market system, contrary to the 'common sense' of our liberal age, was not a natural result of humans' innate propensity to barter or trade, but instead a political project driven by purposive actors, using all the political resources of the state and the ruling elites, including violent coercion. Of particular importance is Polanyi's identification of the creation and formalization of property rights over the commons as a key building block of the market system. Land once given over to the community as a whole for grazing and cultivation became private property, backed by state power. Polanyi's description of the enclosures in late 18th century England is a powerful example of how capital – in the sense of assets with defined owners able to make claims on the resulting flow of income – is a political creation. To understand the dynamics of $r > g$, we need to understand the politics of how r is allocated and the ownership of K is institutionalized and protected.

The same insight underpins a more recent philosophical analysis of property rights by Murphy and Nagel, who point out that 'we are all born into an elaborately structured legal system governing the acquisition, exchange, and transmission of property rights, and ownership comes to seem the most natural thing in the world' (2002: 8). Murphy and Nagel's book focuses on the legitimacy of taxation and takes aim at the insistence of some right-wing 'libertarians' that ownership can in some ways exist prior to the state apparatus which defines it, and which must be paid for. Piketty, of course, is well aware of the importance of taxation, and advocates heavy taxation of some forms of capital as essential for capitalism's survival (in Part Four). But by presenting income and wealth data in 'pre-tax' form, and explaining their dynamics in terms of broad market forces, he runs the risk of understating the very political nature of the ownership of capital, and of the basic institutions of the capitalist order.

The politics of property ownership underpin all the different kinds of capital that Piketty analyzes. For example, land and real estate are a substantial part of total capital throughout the periods discussed in the book; agricultural land was around half of total capital at the end of the eighteenth century in the countries studied, whilst housing has supplanted it, constituting close to half of total capital in the United State in 2010 (p.151). Yet although the value of agricultural land and of the buildings in which people live and work does reflect in part someone's productive effort, a considerable part of the value of land and real estate is allocated on non-economic grounds: after all, at some point in its history all land was nobody's property, and land itself can be neither produced (with few exceptions) nor transported. The allocation of initial property rights is more or less arbitrary from an economic point of view, and the result of some kind of political process (often involving a resolution through violence). The subsequent trading of property rights is also highly politicized, with various regulations having major consequences for ownership. One way to illustrate these points is to cite the example of the Duke of Westminster, Gerald Grosvenor, who is the wealthiest individual in Britain, owing his fortune to lands that have been owned by his family for nine centuries. In the late 1980s, the Duke resigned from the UK Conservative Party in protest at legislation introduced by Margaret Thatcher's government which enhanced the rights of leasehold tenants to buy the freeholds of their properties, thus forcing him to sell many freehold titles[1]. We can only speculate whether his frustration at these changes was perhaps tempered by his membership, as a hereditary peer, of the Upper House of the Westminster Parliament, with voting rights that were only abolished by the House of Lords reform of 1999.

So even if the fact of capital accumulation may respond to an economic logic, the process is embedded in a very political logic. Piketty recognizes this, as is shown by his frequent references to the importance of inherited wealth and its threat to the legitimacy of the capitalist system. But the book rather understates the possibilities of using the regulation of property rights as a means of dealing with unequal distribution of capital, taking it as read that extremes of wealth inequality are an immutable fact of life. The distribution of real estate wealth, which has become a very visible source of extreme wealth inequality in Britain in recent years, is in large part an artefact of a series of political decisions regulating the ownership of land, the right to build on it, and the large variety of public interventions affecting the desirability of the place where each piece of land sits, including the fact that often public authorities built the buildings themselves. The rapid expansion of both private home ownership and the availability of social housing in the UK in the post-war period was the result of specific political choices regarding planning permissions to build private housing, decisions to use public money to build social housing and to subsidize rents, new rules imposing greater obligations on landlords, regulations restricting, but also subsidizing home loans, and a myriad of other institutions and policies.

The case of housing policy is a perfect example of how government can use strategies of what Jacob Hacker (2013) has called 'predistribution' to change the way markets are regulated to achieve greater equality, rather than simply taxing and redistributing through cash transfers. The rapid expansion of home ownership in post-war Britain, and the replacement of private by public rented housing, was in large part the result of regulatory actions (although there was a strong element of fiscal redistribution too). The result was to provide the baby-boomer generation in Britain with either secure public rented housing, or relatively cheap (and in part subsidized, through mortgage interest tax relief) privately owned housing. But policy shifts in the 1980s reversed the trend: the Thatcher government not only ceased building social housing, it also encouraged local authorities to sell existing units to their tenants at knock-down prices. Alongside a reluctance to address bottlenecks in the planning process which restricted the building of new homes for private buyers, this policy had the effect of both forcing real estate prices up as the population grew, and preventing new cohorts from enjoying the access to property enjoyed by the post-war generation. In the recent period, private rentals have reemerged as a major form of tenancy for younger Britons, enriching buy-to-let landlords who are able to deduct mortgage interest payments as a business expense and enjoy wide freedom to raise rents and evict tenants. In short, political choices generated a very egalitarian distribution of residential property for several decades, but then policy shifts dictated an increasingly unequal allocation, which has mostly favoured wealthy groups.

Political, rather than economic, analysis is needed to understand these developments. For example, the expansion of housing supply in post-war Britain reflected a political consensus around public provision and intervention in the economy as a whole, backed by a suspicion of unfettered markets after the experiences of the 1930s and the success of the Labour party in mobilizing broad working class support. The rise of Thatcherism and the divisions within the Labour party in the 1970s and 1980s reflected a shift in the dominant political and economic ideas (Hall 1989, Blyth 2002) and a decline in working class organization (Rose and McAllister 1986, Heath, Jowell and Curtice 2001). These trends, although present to some extent in other countries, played out in a particularly dramatic fashion in the UK. Comparative political analysis is needed to explain why. A variety of alternative ways of allocating housing capital can be observed in other European countries, such as the predominance of social or heavily regulated private renting in Northern Europe, or the family-oriented capitalism in Southern Europe in which the informal economy and creative interpretations of property law (as well as redistributive agrarian reforms in the past) have led to widespread private home ownership. The broad trends in the share of housing capital in the economy may follow the patterns charted by Piketty, but institutional traditions and patterns of political mobilization in different countries can explain why the returns to this form of capital are allocated in more or less unequal ways. Housing inequality is above all a political phenomenon, and political power determines market outcomes to a large degree.

The Financial Crisis and the One Per Cent: Changing Politics, Changing Capital

Perhaps the most spectacular illustration of the role of politics in the growth and distribution of capital is offered by the financial markets. Piketty has been criticized for his choice to measure capital in terms of wealth (the market values of assets at a point in time), rather than as factors of production (Solow 2014), which can be measured in other ways (Silverberg 2014). This definitional choice highlights once again, as in the case of housing, the institutional foundations of inequality. Asset values fluctuate significantly over time to a much greater degree than economic growth, and although it can be argued that over the long run such fluctuations wash out, leaving wealth roughly equivalent to productive capital, this does not mean that the distribution of wealth is unaffected. In fact, the way in which the financial system determines claims on productive assets has major distributional consequences, and again we observe the role of political power.

The global financial crisis of 2007-8 provides us with some insights here. Although to a significant degree the collapse of markets in financial assets left the volume of real productive capital largely intact, there was the potential for major destruction of paper wealth had the financial sector not been bailed out by the governments of the advanced world. Of course, the collapse of the financial system could have had caused catastrophic damage to the real economy (beyond the major damage that did in fact take place) which could have destroyed real productive capital. But to the extent that government interventions had the effect of conserving a range of existing property rights, the bailouts had a major impact on the distribution of wealth. The possibilities for different outcomes can be seen by comparing responses to the financial collapse in the US, the UK, the euro zone and Iceland. In the US, the TARP bailout simply handed over cash to troubled institutions, without any change in ownership. In the UK, there was bailouts of some institutions through state guarantees but also nationalizations of troubled banks, which brought ownership of assets into public control. In the euro zone, bailouts of sovereign debtors using cash from international organizations as well as European institutions had the indirect effect of bailing out banks in creditor countries (in Ireland, government panicked under EU pressure and bailed out failed banks itself, effectively bankrupting the state). Finally in Iceland major over-leveraged institutions were simply allowed to fail, wiping out stockholders.

The diverse distributional effects of these measures are clear, and what is also clear is that the decisions taken, although they had the character of emergency measures taken under duress, were eminently political. Who had the power to ensure that policy protected their interests in a moment of great turbulence? In the US policy reflected the tight connections between politics and Wall Street (the key policy-maker Hank Paulson's career taking him from Goldman Sachs to the US Treasury), which facilitated a bailout with no strings attached. In the UK, the Labour government was certainly subject to heavy influence from the financial sector, but was sufficiently independent of it to socialize ownership of part of the banking system. In the eurozone policy reflected the overwhelming weight of Germany and France in the EU decision-making process, whilst the Irish bailout illustrated the incestuous relationship between elected politicians and real estate speculators. In short, diverse responses to a common set of problems (the basic logic of crisis – investor panic as over-leveraged banks suddenly realized the extent of their losses – was similar across the cases) can only be properly understood by analyzing the power resources available to the different actors, power resources that did not solely reflect their economic clout (particularly since economic clout was itself subject to the decisions being taken).

One could also go further. The politics of the crisis also reflected a great degree of uncertainty as policy-makers and market actors had to confront, at great speed, a set of largely unanticipated problems. This meant decision-making under Knightian uncertainty, in other words where policy was subject to 'unknown unknowns' in Donald Rumsfeld's celebrated phrase. In these circumstances, actors have no certain way of knowing where their interests lie and are likely to fall back on pre-conceived templates for action rather than informed rational calculation (Blyth 2003). An adequate explanation for action therefore requires that we go beyond a basic assessment of apparently self-evident economic interests and power resources, to consider also the ideas and theories that govern political action. The subsequent evolution of policy after the immediate bailout events followed a pattern which could not have easily been predicted at the time and which is the outcome of a political battle in which changing power resources and changing interpretations of the situation produced a largely unanticipated outcome.

When the financial collapse took place it was widely hailed as bringing to a close the neoliberal transformation which had began in the late 1970s and early 1980s with the Thatcher-Reagan revolutions (Krugman 2009, Stiglitz 2009, Posner 2009). It was expected that the discrediting of neoliberal ideas by the abject failure of liberalized financial markets would hasten some kind of alternative to the neoliberal consensus, and the Keynesian measures that followed on from financial bailouts seemed to indicate that such a change was taking place (Skidelsky 2010). But after little more than 18 months, policy quickly reverted to type, as policy flipped back to an emphasis on reducing fiscal deficits and securing the low inflation entrenched by independent central banks in the decade prior to the crash. By 2010, Keynesianism was in retreat, and the only government interventions remaining involved central bank injections of funds into the financial markets to aid balance sheet reconstruction. In short, from the point of view of opponents of neoliberalism, the 'crisis had gone to waste' (Mirowski 2013), and the main political beneficiaries of crisis were right-wing populist parties rather than the progressive centre-left.

Piketty's work suggests a straightforward answer to this paradox: as capital grows in size relative to the economy, the holders of capital – the 'one per cent' targeted by the Occupy movement – acquire ever greater political power and influence, allowing them to divert the policy process towards the protection of their assets as a first priority (Hacker and Pierson 2010). However this raises as many questions as it answers. First of all, if the growth in the capital/output ratio is a common trend affecting all advanced democracies to a greater or lesser extent, why did policy responses vary across nations? Clearly some political institutions do a better job of constraining the power of capital than others (Acemoglu and Robinson 2014), and this is not solely a function of the level of income concentration. But the rise of the richest one per cent and its growing political influence begs another question: why does the remaining 99 per cent allow this to happen, given the overwhelming numerical superiority of those who own no or negligible capital?

The unexpected failure of the global financial crisis to seriously undermine the neoliberal settlement poses a fundamental question about the political consequences of the rise of capital described by Piketty. Certainly Piketty himself attributes great importance to twentieth century political trends such as the rise of democracy and the labour movement, as well as wars, in explaining the temporary decline of capital (see Milanovic 2014). But the theory of inexorable capital share in itself tells us little about its likely political effects. Piketty's Part Four provides a number of policy proposals aimed at curbing growing inequality, but the likelihood of these proposals prospering depends on the political defeat of the owners of most capital by those that have less. What can political science tell us about the prospects for reform?

Political Science and the Future of Inequality

Of course the point that capitalism has political underpinnings and that policy will determine the extent to which $r > g$ will lead to ever greater inequality is rather trivial unless we can provide some kind of political analysis that goes beyond what Piketty and other economists can tell us. Here political science as a profession faces a dilemma. The desire for greater rigour has led much of the mainstream of American political science in particular to adopt many of the tools of economics, such as game theory models, econometric analysis and, more recently, experimentalism. One problem with this trend is that it becomes difficult for political scientists to carve out a distinctive set of answers to social problems, since economists have long been active in applying their approach to political phenomena such as elections, legislatures, policy-making, redistribution and so on. Yet the politics we observe in Piketty's *Capital* is largely a set of given parameters that remain unexplained, and lack the formal rigour of his 'fundamental laws' of capitalism.

It is probably best not to aspire to a parallel set of simple equations that could explain long-term political developments, but politics is not just noise that occasionally disrupts inexorable economic trends. In fact, as we have seen in the examples of property rights and financial markets discussed earlier, politics is what allows capital accumulation to happen, and determines at least to some degree to whom capital returns are allocated. A circular theory of economic resources begetting political power, which it is tempting to adopt when observing the political interventions of the wealthy, neglects the reality that the '99 per cent', when mobilized, can wield literally irresistible political power. We therefore need some kind of understanding of consent and dissent, of the political dynamics which determine why and when the non-wealthy majority tolerate or react against capital accumulation.

Economics is ill-equipped to answer these questions, and political science needs to avoid narrowing its scope if it is to perform any better. Much contemporary political economy research adopts an essentially structuralist approach to the politics of redistribution. Median voters vote for redistribution because they are net beneficiaries, political parties will converge around the centre because that is where the median voter is, government will trade off the short-term political benefits of redistribution against the long-term benefits of growth, and so on. But in fact what is striking about the *longue durée* of political action that acts as a backdrop to Piketty's *Capital* is that it is rather more variable and aleatory. Just as politics brought revolution and war to the first half of the twentieth century, it then brought a set of benign institutions that allowed a spectacular improvement in the human condition (at least in the advanced countries of Western Europe and North America). We are now in the throes of deciding whether disruption, reform or stagnation constitute the response to current difficulties. The capital/output ratio is entirely indeterminate on this point.

To conclude, I would like to propose two directions political science research can follow in order to provide a better understanding of the politics of *Capital*. The first, already mentioned, is a greater attention to the ways in which political and economic ideas structure the institutional framework in which capitalism operates. Piketty essentially dismisses ideas as epiphenomenal, arguing that his French compatriots who associate government interventionism with the economic growth of the *trente glorieuses* are deluded by the coincidence of a statist policy approach with a period in which reconstruction and demographic growth brought growing prosperity. It is hasty to dismiss these ideas, if only because the dramatic impact of *Capital* on our public debate suggests that ideas do matter, and that even if Piketty's plans for new redistributive taxes do not come to fruition, the book has, at least to some extent, changed the terms of debate. Ideas about the legitimacy of capital accumulation, especially when it results in such great inequality, play a major role in upholding the institutional order in which capitalist development unfolds. A narrowly economistic interpretation can tell us little about how this happens, but political science can draw on both qualitative empirical analysis and normative political theory to offer insights.

The second direction is to focus on collective action. Much of the 'institutionalist' research in both political science and indeed in economics sees institutions as crucial in explaining how the political economy develops (for example Acemoglu and Robinson 2012). But a narrowly rational choice perspective has real trouble explaining how institutions are constructed, and indeed how they evolve over time (Bates 1988). We can observe that collective action follows waves which track the key moments of inflection in the history of the last two centuries and change the nature of the political economy. The reasons for these variations in popular mobilization are little understood (Hirschman 1982), but they are decisive – wars are not 'exogenous shocks' but violent and destructive acts of collective politics. The process whereby large numbers of individuals become convinced of the need to act with others in the service of some kind of political goal has to be a priority for social science, and the sustainability of the form of capitalism Piketty describes will be determined by the degree to which those who have no capital acquiesce or respond.

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Notes

[1] With Westminster's fortune estimated at £1.7 billion, this particular regulatory change cannot be said to have caused lasting damage; see Ane Treneman, 'Profile: The Duke of Westminster. Private Property: Keep Out', *The Independent,* 1 March 1998.

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