ON PIKETTY'S CRITIQUE OF CAPITALISM

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ABSTRACT

Thomas Piketty has caused a stir with his predictions about increasing inequality and private and inherited wealth growing at higher rates than incomes. This essay discusses the assumptions behind Piketty's projections, which are far less certain than Piketty often implies. As this essay will show, even if private fortunes should continue to grow as predicted, Piketty is still unable to substantiate his "grand narrative" about the postulated threats to democracy. Furthermore, this essay will show that Piketty's calls for steep increases in taxes on income and capital would have adverse economic effects – not only for savers, but wage earners as well. Like Piketty's "Capital in the 21st Century," this essay aims to be accessible to the general public.

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Growth theory is an important part of economic theory. It is a method for keeping track of one's reasoning. Growth theory concerns itself with how a limited number of pivotal factors – such as population growth, savings, investments, and incomes – are likely to develop relative to each other over time.

But growth theory can also easily seduce. A single minor change in the system can alter the outcomes dramatically. Some of the great pioneers of economic theory fell victim to this problem. As is well-known, Thomas Malthus (1798) predicted that population growth would eventually outstrip production growth, which would sooner or later result in a general state of impoverishment. However, since 1800, the population of the world has grown by a factor of seven, while production has increased by a factor of 200. The world has decisively broken free of the inevitable vicious cycle that Malthus believed he had identified. David Ricardo (1817) predicted that landowners' share of income would displace the increased returns from labor and machines, since it is possible for the number of people and machines to grow over time, while the amount of land is destined to remain fixed. Ricardo would have been right if not for the technological innovations that fostered a surge in the productivity of land. Karl Marx (1867) predicted that returns on capital would displace the returns from labor, leaving laborers with the prospect of wages dwindling toward the subsistence minimum. Marx's fault lay in overlooking increases in the productivity of labor that were made possible by, among other factors, the growth of capital. More recently still, one of the founders of formal growth theory, Roy Harrod (1939), predicted that the economy would continuously experience major instability, since the need for investments is determined by the supply of labor while savings vary according to incomes. Investments and savings will therefore at best be able to maintain a precarious equilibrium and can easily be knocked off balance at any time. Harrod's grim prediction was only abandoned when it was later realized that capital and labor need not be employed in a fixed ratio.

Furthermore, when used as a planning tool, growth theory can lead to spectacular practical failures. India's miserable experiences with economic planning prior to the reform era were largely bound up with the injunctions of growth theory.

Piketty's (2014) much-discussed theories also hinge upon growth theory. To what extent does this methodological commitment further his argument or lead him off track?

The answer must fall in several parts.

Piketty's Fundamental Critique

Piketty spells out his fundamental critique of capitalism in two growth-theoretical equations (an identity that is always true, and a so-called *steady-state* condition which is true in the long term, given a specific set of circumstances). With only a minor rearrangement of Piketty's original rendition, we can present his "Contradiction of Capitalism" very simply:

- On the one hand, the rate of return on capital depends negatively on the savings rate: As the rate of savings declines, the rate of return on capital will increase.
- But on the other hand, the wealth-income ratio (total capital as a percentage of GDP) depends positively on the savings rate. As savings increase, so does the wealth-income ratio.

However, since Piketty is in favor of keeping both the rate of return on capital *and* the wealth-income ratio as low as possible, these two diverging laws lead him to see a "contradiction" (which is really more of a dilemma): As a result of the two "laws" mentioned above, low rates of return on capital will tend to foster high rates of capital accumulation in a capitalist economy and *vice versa*.[1]

How big of a problem is Piketty pointing to here?

The answer depends on the orders of magnitude involved, as well as the consequences he predicts.

First we consider the orders of magnitude.

How Much Will the Wealth-Income Ratio and Inheritances Grow?

To Piketty, the rate of return is especially problematic when it significantly exceeds the rate of economic growth (i.e. when $r>g$). And according to Piketty, the gap between the rate of return on capital and economic

[1] For those interested in the mathematics: Piketty proposes two fundamental "laws": $\alpha = r\beta$ and $\beta = s/g$, where α is the capital share, β is the wealth-income ratio, r is the rate of return, s is the savings ratio and g is an exogenous increase in the productivity of labor.

Rearrange the two laws, and we have $r = \alpha g/s$ and $\beta = s/g$ (still). Thus, if s increases, the rate of return will drop and the wealth-income ratio will rise. In fact, g impacts the two factors differently too; however, Piketty's interest lies in whether the gap between r and g is increasing, and thus g poses less of a dilemma for him.

growth in general is increasing – partly because the rate of return is unlikely to undergo significant decreases in the foreseeable future, and partly because the rate of economic growth is generally assumed to be diminishing. As Piketty readily acknowledges, however, both assumptions are based on conjectures – that is to say, guesswork. There are economists who agree that long-term growth is abating (e.g. Robert Gordon). Others predict a somewhat long, but ultimately only temporary slowdown (e.g. Tyler Cowen). And finally, there are others still who argue that an increase in the rate of growth is either imminent or already here (e.g. Robin Hansen, who points to the effect of Moore's Law, i.e. the continuously declining price of computing power). Who is right? Only the economic historians of the future will know the answer to that question.

Besides the uncertainties associated with predicting future growth, Piketty's assumption that the real interest rate will remain high and stable for the foreseeable future is also far from certain. Piketty's claim is that we experienced a temporary drop in the wealth-income ratio during the 20th century because the World Wars and the Depression destroyed parts of the stock of capital. But such a claim would suggest that there is a considerable component of risk premium involved in determining the rate of return, as well as a considerable risk that investors will not see the full returns of their investments realized. If true, this would entail that the present rate of return reflects investors' expectations of major losses, similar to those of the 20th century. Those expectations will either prove accurate, or investors will begin to accept investment opportunities with lower risk premiums. Thus, current interest rates cannot be taken to reflect a permanent, predictable rate of return for the foreseeable future.

Piketty expects a sharp increase in the wealth-income ratio before seeing it eventually stabilize.[2] But to a very large degree, this prediction rests on his assumptions concerning the behavior of savers – that is, to the extent that Piketty's savers exhibit behavior at all. In his calculations, Piketty simply assumes that net saving makes up a constant share of incomes. There has been considerable criticism leveled at this assumption. Per Krusell and Tony Smith (2014)[3] remark that Piketty's method is not consistent with the assumption of utility-maximizing individuals, or with the empirical evidence from the United States on this point. Growth theory's standard assumption of constant gross saving rates is far more plausible. 'Gross savings' refers to savings before depreciations, while 'net savings' are savings after depreciations. When private wealth grows at a faster pace than incomes, capital depreciations tend to do the same. This connection between private wealth and capital depreciations entails that gross savings will have to grow at a faster pace than incomes if net savings are to keep up with incomes. The difference between keeping gross or net savings constant as a share of incomes is therefore particularly important when dealing with scenarios where growth is in decline. (At this point it might be remarked that one implication of Piketty's model is that all income would go into savings if economic growth were to grind to a halt.) In a model that supposes a constant rate of gross savings, decreasing economic growth will still lead to increasing wealth-income ratios, but not nearly as much as in Piketty's account.

[2] According to Piketty's "central scenario," the wealth share of global income will increase from just under 4.5 to 5 in 2030 (the same level as in 1910) and rise further to 6.5 in 2100.
[3] "Is Piketty's 'Second Law of Capitalism' Fundamental?" Working paper (2014).
http://aida.wss.yale.edu/smith/piketty1.pdf

All in all, it is therefore far from certain that the gap between the rate of return to capital and economic growth will widen or that we will see a dramatic rise in the wealth-income ratio. For his part, Piketty *does* sprinkle a few reservations here and there, scattered in between his otherwise categorical proclamations. For instance, he first refers to the gap between the rate of return and economic growth as a "fundamental force of divergence," only to moderate this assertion later on with the qualification that "the risk of divergence is very high." By softening his original statement in this manner, Piketty is implying, of course, that his original assertion is not a given after all (2014, p. 25).

Consequences of Increased Private Wealth

Let us now examine the alleged consequences of an increasing wealth-income ratio as well as a widening gap between the rate of return and economic growth. That is to say: Even if Piketty's predictions turn out to be true, does that mean that we are faced with a problem?

Piketty has three major arguments.

For one, the development sketched by Piketty may lead to increased inequality. This prediction of a future marked by increasing inequality has drawn a lot of attention, especially in the United States where left-wing groupings had already zeroed in on inequality. An increase in inequality does not, however, seem to be of central concern to Piketty, especially not in the academic paper (2010)[4] that elaborates on the research behind his book. At the same time, nor is it certain that inequality will increase even if the wealth-income ratio does. Piketty is again engaged in guesswork when he claims that this is so. Piketty makes the claim that capital incomes are, in general, more unequally distributed than wages. But this is not a necessary consequence of an increase in savings, and nor with regard to incomes across the entire life cycle.[5] More widespread private pensions, as we have seen in Denmark, as well as a decreased reliance on pay-as-you-go redistribution schemes will entail a diminished disparity in income from capital returns. It is furthermore important to keep in mind that (in contrast to the Marxian vision of an economy characterized by subsistence wages) everyone in a modern economy does in fact have the option of saving money and thus of deriving an income from returns on capital. Saving is a personal choice.

Furthermore, as Larry Summers (2014)[6] has pointed out, it is not plausible that capital incomes will grow at a faster pace than wages. In fact, in his own paper, Piketty makes use of a model that keeps the ratio of capital returns and wages constant, no matter the size of the stock of capital. In technical terms, Piketty relies on a so-called Cobb-Douglas function; an economic production function which has proven remarkably reliable at

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[4] "On the Long-Run Evolution of Inheritance: France 1820-2050," Working paper, 2010. http://piketty.pse.ens.fr/files/Piketty2010WP.pdf

[5] It is natural for capital income to be less evenly distributed over lifetimes than wages. It takes time to save money, so capital income will, all else being equal, peak around the age of retirement. Even given a population where everyone were identical and earned and saved the exact same amount of money throughout their lives, capital incomes would be unequal at any given time simply because people had different ages.

[6] "The Inequality Puzzle," Democracy no. 33, Summer 2014. http://www.democracyjournal.org/33/the-inequality-puzzle.php

describing real-life economies over long stretches of time. In a Cobb-Douglas world, a larger stock of capital will increase capital and wage incomes equally. And since wages make up the bulk of the two, the lion's share of those increases will be dispensed to labor. (In Denmark, about two-thirds of these increases went to labor.) Piketty's counterargument is that labor's share of income has been declining for a number of decades (as has been the case in the United States among other countries). However, one would do well to remember that the figures substantiating this claim were extracted prior to depreciations being taken into account. In the real world, what is left for the owners of capital to collect is the gross return minus depreciations.

Even if inequality did somehow increase, it is still not obvious that this would be a problem. Contrary to widespread perception, an increase in inequality is not a matter of the rich getting richer and the poor getting poorer. In the case of increased capital incomes, everyone simply grows richer. Piketty acknowledges this (2014, p. 167):

> "In one respect, this is good news: capital is potentially useful to everyone, and provided that things are properly organized, everyone can benefit from it."

But then:

> "In another respect, however, what this means is that the owners of capital – for a given distribution of wealth – potentially control a larger share of total economic resources. In any event, the economic, social, and political repercussions of such a change [i.e. an increased wealth-income ratio] are considerable."

Now we approach the gist of Piketty's main undertaking.

Piketty is thus predicting that an increasing share of incomes will come from inheritances. He sees this as a major problem because, according to his own reckoning, inheritances are not "deserved" in the same way as earnings from labor and entrepreneurial activities are. But again, it is far from certain that incomes from inheritances will increase: Such an increase will only take place if people choose to leave more money for their heirs. In Piketty's work, this is (mostly) what happens. He arrives at this conclusion as a result of his assumption that people will, as a rule, bequeath a pre-defined share of their fortunes to their heirs. However, this assumption is not a particularly plausible one in a scenario where incomes are growing at a slower rate than fortunes.[7] And, as mentioned before, the option of saving money in order to leave an inheritance is equally available to everyone – it is not the privilege of any particular class. Furthermore, nor is it certain – as Piketty otherwise suggests – that it will be any particular group of families who will see their fortunes continuing to expand: Modern capitalism is a process of creative destruction where individual fortunes are made and lost. As the history of the 20th century demonstrates, politics is a risky business in the long term, with rare but tremendous losses from political revolutions and war. Heirs also have a tendency to multiply as generations

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[7] On the contrary, it must be assumed that capital owners' choice between consumption during their own lifetime and passing on wealth to their heirs depends on their total income, not on how their income is distributed between wages and inheritances already received.

pass, thus diminishing the share of the estate that will accrue to each heir. And finally, it has become an established convention among the owners of very large estates to donate sizeable shares of their fortunes to charitable foundations and organizations, which diminishes the wealth of even their immediate heirs.

Yet another important precondition for Piketty's prediction that we will see a future increase in inherited wealth is his assumption that economic growth will peter out. To understand how economic growth ties into the equation, imagine an extreme scenario in which all future production grinds to a halt: In such a scenario, we would then be forced to live entirely off the savings of past generations. Now consider the opposite scenario: A future in which an extreme upsurge in economic growth has made old fortunes seem like mere pittances. In such a scenario, no one would care about the savings of past generations when compared to modern products. Thus, economic growth clearly has a part to play in determining the importance of inheritances and the formation of fortunes. But as we have seen, it is far from certain that growth rates are losing steam or even that they will remain lackluster for the foreseeable future. Piketty simply assumes that economic growth will recede: If that does not turn out to be the case, inheritances and private fortunes will not develop as Piketty predicts.

Fundamentally, there is reason to question Piketty's poorly supported normative theory that inheritances are somehow "undeserved." We might consider heirs to be lucky, but what should be kept in mind is that their inheritance was earned by the person who worked to create it in the first place. Why should it be considered less honorable to set one's earnings aside for the benefit of one's descendants than to spend them on oneself? In any case, the consequences of limiting the right to pass on wealth would be the same as the consequences of limiting the right to spend income, which, according to Piketty, is to be regarded as "deserved": In either case there would be a decrease in productive and entrepreneurial activity. Taxation stifles economic activity regardless of the motive for earning entrepreneurial income and regardless of whether the collection of taxes is delayed until the next generation. This means less prosperity for entrepreneurs as well as for everyone else. Furthermore, if receiving support from an earlier generation is to be considered "undeserved" (and therefore unfair) we might as well question the considerable inheritance of human capital that most people receive from their parents during their upbringing. Why should one form of inheritance be deserved and the other not?

A wealth tax – which, of course, is Piketty's main policy recommendation – would not distinguish between "deserved" and "undeserved" wealth. And the entire line of reasoning fizzles out at the end of his discussion when Piketty dismisses:

> "[the] futile debate about the moral hierarchy of wealth. Every fortune is partially justified yet potentially excessive" (2014, p. 444)

"The Threat to Democracy" – Piketty's Grand Narrative

Third, and perhaps most important to him, Piketty is alarmed by the growth in the wealth-income ratio that he expects will take place on the basis of his calculations. Hence, it is no coincidence that his book is titled *Capital in the 21st Century*: Fundamentally, Piketty shares Karl Marx's understanding of politics under capitalism as a class struggle between workers and capitalists.[8] Picking up where Marx left off, the "grand narrative" in Piketty's work is as follows: Democracy blossomed in the 20th century due to the relative displacement of capital, as aided by wars, depressions, and high economic growth. Therefore, according to Piketty, a future hike in the wealth-income ratio will force democratic institutions back on the defensive. Piketty presents these assertions with a certitude that belies his lack of supporting evidence. For instance, he writes:

> "The rentier, enemy of democracy" (p. 422)
>
> "Under such conditions, it is almost inevitable that inherited wealth will dominate … and the concentration of capital will attain extremely high levels – levels potentially incompatible with the meritocratic values and social justice fundamental to modern democratic societies" (p. 26)
>
> "[C]apitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based" (p. 2)

Remarkably, the negative consequences postulated by Piketty here are mostly illustrated by references to 19th century literary authors, such as Austen, Balzac, and Tolstoy.

Despite the fact that "capital's" share of incomes is unlikely to increase, even if the wealth-income ratio were to do so, it seems that the size of the wealth-income ratio is by itself enough to worry Piketty. Hence, in Piketty's view, the wealth-income ratio practically becomes a measure of how poorly democracy will fare.

I see a number of problems with this "grand narrative."

It is worth repeating that, rather than stifling it, the stock of capital complements labor. More capital makes labor more productive, which in turn increases the demand for it. Hence, the idea of seeing labor as being displaced by capital is misguided. Perhaps the most significant historical example of a sudden and dramatic spike in the wealth-income ratio was the advent of the Black Death in Europe that took place in the middle of the 14th century. Here the supply of labor declined precipitously, in absolute terms as well as relative to the stock of capital. In other words, the wealth-income ratio rose dramatically. Yet many economic historians (such as Acemoglu & Robinson 2012)[9] identify this shock as a pivotal contribution to the development of the individual and political rights that we consider fundamental in the West today. Competition for labor intensified, and landlords, cities, and states were forced to offer more appealing terms in their attempts to attract laborers. This increase in the wealth-income ratio did not aid the "capitalists" in intensifying their "exploitation" – quite the opposite, in fact.

Yet another problem with this narrative is its implicit assumption that "capitalists" share a common interest, and that the concept of class is a relevant category in this context. It is hard to discern how this should be the

[8] "The question of what share of output should go to wages and what share to profits – in other words how should the income from production be divided between labor and capital – has always been at the heart of distributional conflict." (2014, p. 39)
[9] Acemoglu, D. & Robinson, J.: "Why Nations Fail" (2012)

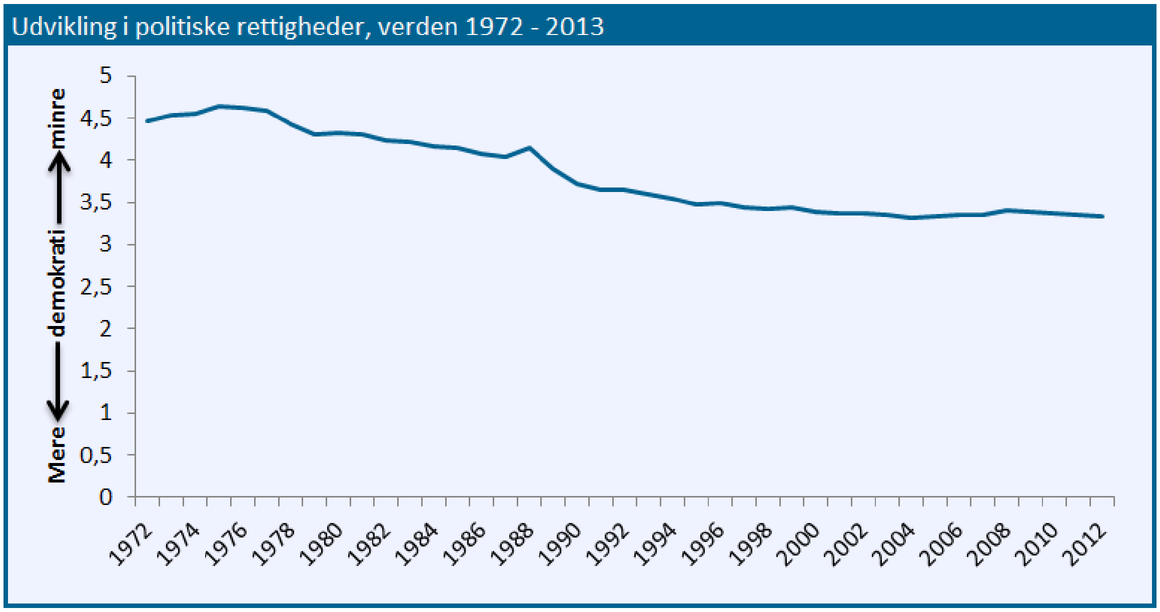
case: The owners of farmland might have an interest in agricultural subsidies, while owners of manufacturing companies have the opposite interest. Some types of businesses might have an interest in open international trade, while others would be in favor of protectionism. Businesses compete against each other in several respects. Thus they have differing political interests by virtue of that competition. Frequently, businesses can even share a common interest with their employees. Pharmacies and their employees may have a common interest in preserving the monopoly laws that some countries uphold on the sales of pharmaceuticals insofar as they share the rents of that monopoly. In such a case, employers and employees would thus have a common political interest that ran contrary to everyone else. And so on and so forth.

In any case, the distinction between capitalists and workers is purely functional. Marx was able to argue that the workers constituted a proletariat without capital, and *vice versa* for the capitalists, since he expected workers' wages to be pushed towards a subsistence minimum. Since Piketty cannot claim that modern workers are (or will be) entirely deprived of capital, it is harder for him to uphold the distinction between capitalists and workers. He thus finds himself having to resort to considerable sleights of hand in order to account for a series of circumstances, including, for instance, the fact that the much-discussed richest "1 percent" in the United States is largely composed of highly paid executives (whom Piketty portrays as having practically cheated their way to a share of the capitalists' earnings).

Overall, it is quite remarkable that Piketty, in spite of accepting parts of modern economic theory, apparently has not considered the Public Choice theory of how political decisions are made. In questions of political economy, Piketty references the old school in lieu of the contemporary economic theory. Consequently, his ideas about what the political process can achieve are not always beyond the naïve. For example, if Western countries are indeed becoming "oligarchies" (as Piketty claims is the case with the United States [p. 514]), would it not be rather risky to empower the government as much as he suggests?

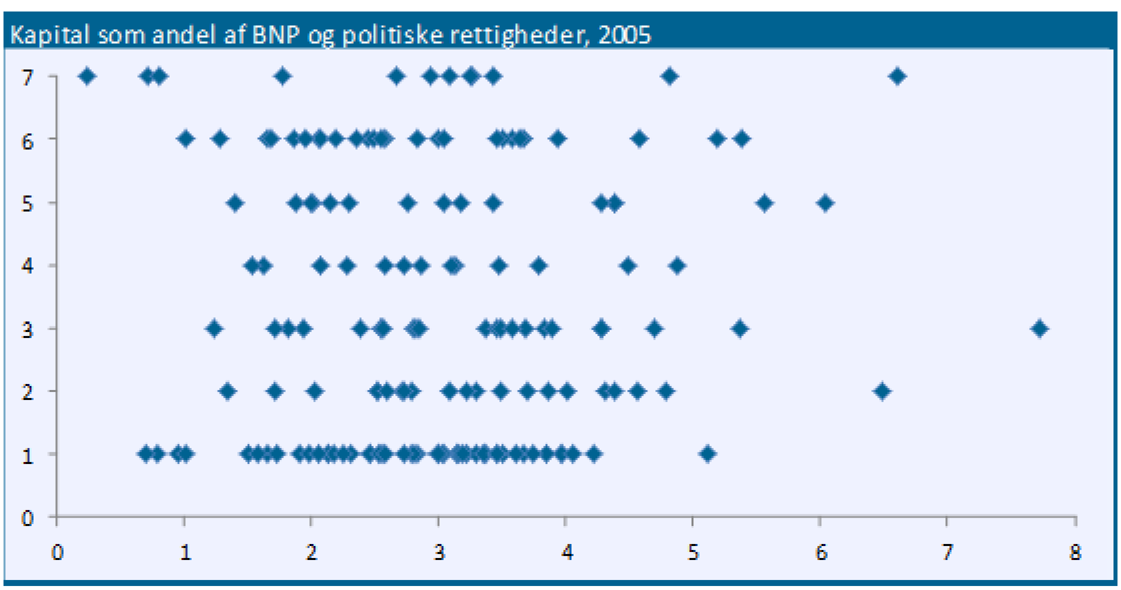
In contrast to his extensive collection of data on historical wealth levels, Piketty makes no effort to empirically substantiate his claims about the threat to democracy. Of course, measuring the degree of democracy within a given country is no simple task, but we do have one often-cited rating of world governments from 1972 to today (Freedom House 2014).[10] As Figure 1 shows, there has been an upward trend in democratic rights in the period from 1972-2013 (note that 1 indicates the highest possible score for democratic rights and 7 the worst). Figure 1 thus details a development in favor of increased democracy during a period which, according to Piketty, has also seen a general upward trend in the wealth-income ratio in the (albeit few) countries included in his analysis.

[10] http://www.freedomhouse.org/



Kilde: Freedom House

Nor does comparing private fortunes and democracy ratings across countries furnish us with any obvious pattern. As mentioned above, we do not have data on wealth-income ratios for a great many countries. Nevertheless, there are estimations of the values of total fixed capital inputs relative to GDP, which are presumably correlated with the wealth-income ratios of those countries. Figure 2 plots fixed capital inputs as a percentage of GDP against the country's democracy score. The figure reveals that there is no apparent connection between the two.



Kilde: Freedom House & Penn World Table 8.0

All things considered, it is a pity that Piketty does not do more to substantiate his "grand narrative" about the threat to democracy. Perhaps it is because the book was intended for an audience of French intellectuals who were hostile to capitalism from the outset that Piketty did not feel the need to go further in convincing the reader of the negative political consequences of capitalism.

Socialism's Second Line of Retreat

While Piketty is strongly inspired by Marx, his work is clearly superior in a number of ways, and indeed he does not shy away from leveling criticisms at Marx. (But of course, Piketty benefits from having access to 150 years of economic theorization and experience that were unavailable to Marx.) In particular, Piketty criticizes Marx for failing to recognize the complexity involved in organizing a socialist planned economy.

This critique arguably places Piketty on socialism's second line of retreat from Marx. The first retreat from Marx came in the form of the market socialism of the 1930s, led by the Polish economist Oskar Lange. The market socialists of the 1930s realized that a planned economy would face calculation problems and proposed to solve them by way of competing state-owned businesses and market prices for consumer goods. Piketty, who refers to himself as "belong[ing] to a generation that came of age listening to news of the collapse of the Communist dictatorships" (p. 31), knows very well that state ownership tends to foster considerable incentive problems. Hence, he allows the capitalists to maintain control of the stock of capital – at least for a time. In this respect, Piketty's proposals do not abolish capitalism. Instead he calls for a high, progressive tax on wealth (as well as a high, progressive income tax of up to 80 percent). The purpose of these policies is to expropriate all increases in fortunes beyond their current level relative to incomes.[11] You might say that Piketty's state would allow the capitalists to borrow and play around with the stock of capital, since such concessions are necessary for economic prosperity. But in a Piketty world, the state would then re-confiscate the stock of capital before the capitalists could pose a political threat.

Yet even after this partial retreat, socialism still comes at a significant cost. Under socialism there would be a reduction in the pace of capital formation, which would lead to lowered economic prosperity in turn. In relative terms, everyone would be equally affected (given an elasticity of substitution close to one). But in absolute terms, the wage earners would have to bear the greater part of the losses (since labor's share of income is the largest). Furthermore, the rate of return on capital would increase in order to compensate for the increase in taxation, just as higher risk premiums would have to be expected, of course, as investors adapt to the risk of even more confiscatory tax schemes.

At this point it is important to recall the main finding of the theory of optimal taxation, namely that capital returns should not be taxed at all (not even in scenarios where politicians are concerned with redistributing

[11] He calls for a 0.1 percent wealth tax on fortunes up to €300,000, a 0.5 percent tax on fortunes up to €1 million; 2 percent up to €5 million, and an unspecified hike for fortunes above that. It should be remembered that this taxation would apply to one's entire wealth and thus soak up a major share of the return. For instance, if we assume a 4 percent rate of return and 2 percent inflation, the real rate of return is 2 percent. In such a case, a 2 percent tax would lay claim to the entire return on capital.

incomes). Capital is accumulated from funds that have already been taxed once, which means that any tax on capital is at the same time an additional tax on the postponement of consumption. Disincentivize the formation of capital and you also reduce the means available to go into investments which in turn increase incomes throughout society in general. Piketty's recommendations defy the gist of this discovery – he discourages the accumulation of wealth to the point where a major loss of economic welfare would have to be expected.

In practice, the implementation of wealth and income taxes of the orders of magnitude that Piketty recommends would be met with a substantial flight of capital and labor. Piketty acknowledges as much and concedes that his tax scheme would need to be global in order for it to be effective. For now his proposal remains – in his own words – utopian. Initially, he therefore calls for a joint European tax provision instead (as well as a pooling of the EU countries' national debts).

But we have to ask: What impact would this curtailment of competition between states have on the constitution of democracy? Historians have traditionally cited interstate competition as one of the major precursors in the emergence of individual and political rights, starting in Western Europe. The strong, supranational concentration of political power that Piketty recommends, as well as the decline in interstate competition that would inevitably follow, would seem to be no less of a threat to democracy than an increase in the wealth-income ratio.

More Growth, Less Rent-Seeking

In sum, it is possible, but in no way certain, that the share of inherited wealth and the wealth-income ratio will increase. In all likelihood, the wealth-income ratio will fail to reach the heights that Piketty predicts. And even if it should do so, Piketty still fails to substantiate his "grand narrative" about the decline of democracy – his account is simply not persuasive. Finally, there would be serious consequences associated with the tax policies recommended by Piketty – policies that are as Draconian as they are utopian.

There is, however, one point where most people should be able to find some common ground.

A large part of the problems predicted by Piketty are based on the expectation that the future will see a decline in economic growth from the productivity of labor. From Piketty's perspective, increased economic growth would contribute towards reducing many of these problems. From a number of other perspectives, increased economic growth would also be a good thing for other reasons as well. Luckily, there are a number of known tools from the realm of structural policy that are capable of doing just that. In the end, combating special-interest regulations, selective business policies, crony capitalism, and the rent-seeking of powerful lobbyists might even turn out to be a more direct way of standing up to questionable capital interests than waging war on savings and the creation of wealth in general.