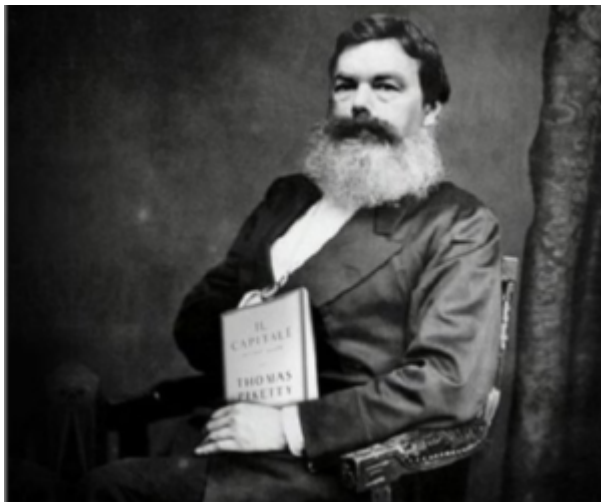
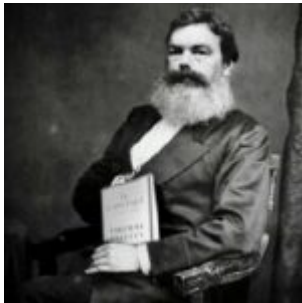


# Thomas Piketty and Karl Marx: Two totally different visions of Capital

March 13, 2021



In his book *Capital in the Twenty-First Century*, [1] Thomas Piketty has gathered his data meticulously and provided a useful analysis of the unequal distribution of wealth and income, yet some of his definitions are somewhat confusing and even questionable. Consider, for instance, his definition of capital: *“In all civilizations, capital has served two great economic functions: on the one hand to provide dwellings (that is to say, to produce “housing services,” the value of which is measured in terms of the rental value of the dwellings: this is the value of well-being of having a roof over one’s head as opposed to being outside); and, on the other hand, as a factor of production for producing other goods and services.”* He continues: *“Historically, the early forms of capitalistic accumulation seem to concern tools (from flint, etc.), agricultural infrastructure (fences, irrigation, draining, etc.), and rudimentary dwellings, before evolving into more sophisticated forms, such as industrial and professional capital and increasingly elaborate dwellings.* [2] Piketty proposes a scenario that suggests capital has been present from the origins of humanity and that revenue from a savings account held by a limited-income retired person is the same as revenue derived from capital.

## Capital according to Thomas Piketty

This major confusion is present in the heart of his analysis he develops in *Capital in the Twenty-First Century*. For Piketty, an apartment worth €80,000 or €2,000 on a savings account [3] may be defined as capital, in the same way as a factory or commercial premises worth €125 million. The ordinary citizen who owns an apartment, has some reserves in a savings account and a life insurance policy worth, say, €10,000 will readily agree with Piketty’s definition, which corresponds with those found in standard economic textbooks and repeated by their bank manager. However, they are wrong, because capital in our capitalist society is much more complex than these simple definitions.

Capital is a social relationship that enables a minority (the richest 1%), to get richer by exploiting the labor of others (see below).

Yet when Piketty talks of a progressive tax on capital, he makes no distinction between the kind of “wealth” represented by a €1,000 savings account and the fortune of a Jeff Bezos, a Bill Gates or an Elon Musk.

The same confusion is to be found in his analysis of income: Piketty considers that the income from renting out an €80,000 apartment is a capital gain of the same kind as the income Mark Zuckerberg, the boss of Facebook, derives from his empire.

As far as wages are concerned, Piketty considers that all income declared as wages is wages, whether this means the €3 million salary package of the CEO of a banking group (an amount that is in fact **revenue** from capital and not a wage or salary [4]) or the €30,000 salary of a bank employee.

## Capital according to Karl Marx

We should question the meaning Piketty gives to words like “capital” and define revenue from capital and revenue from labor differently. Piketty presents capital as something that exists in all civilizations and that has necessarily always existed. In this he is in tune with the political economy of the 18<sup>th</sup> and early 19<sup>th</sup> century, as found in the writings of Adam Smith in particular, before Karl Marx threw light on what Capital (and wages) really are and developed his critique of the political economy of his time.

Karl Marx has ironical comments on contemporary writers who, like Piketty does, considered the first silex tools to be the original form of capital or just capital: *“By a wonderful feat of logical acumen, Colonel Torrens has discovered, in this stone of the savage the origin of capital. “In the first stone which he [the savage] flings at the wild animal he pursues, in the first stick that he seizes to strike down the fruit which hangs above his reach, we see the appropriation of one article for the purpose of aiding in the acquisition of another, and thus discover the origin of capital.”* (R. Torrens: *“An Essay on the Production of Wealth”* &c., pp. 70-71.)» [5]

In his *Capital*, he states: *“We know that the means of production and subsistence, while they remain the property of the immediate producer, are not capital. They become capital only under circumstances in which they serve at the same time as means of exploitation and subjection of the laborer.”* [6] Marx explains that an artisan who owns his/her own tools and works for her/himself does not own capital and does not receive a wage. During the centuries that preceded the victory of the capitalist class over the old order, the overwhelming majority of producers worked for themselves, both in towns and in the country. Artisans organized into corporations and peasant families made up the majority of producers, who owned their tools of production, and in the countryside the majority of peasant families owned land, and in addition could make use of communal lands to feed their livestock or glean firewood. Between the end of the 15<sup>th</sup> century and the end of the 18<sup>th</sup> century in Western Europe, the developing capitalist class needed the support of the State to dispossess this mass of producers of their tools and/or their land [7] and force them to submit to becoming wage-workers in order to survive. The capitalist class needed to take organized action in order to impoverish and dispossess the working classes and thus force them to accept being wage-workers. That process did not take place all by itself. Karl Marx analyzes the methods that enabled the primitive accumulation of capital in a detailed and rigorous way. In Volume One of *Capital*, he reviews all the methods used to dispossess producers of the means of production, and thus of their means of subsistence. [8]

Marx draws an anecdote from a book by Edward Gibbon Wakefield (20 March 1796 - 16 May 1862)

to illustrate the idea: *“Mr. Peel, he moans, took with him from England to Swan River, West Australia, means of subsistence and of production to the amount of £50,000. Mr. Peel had the foresight to bring with him, besides, 300 persons of the working class, men, women, and children. Once arrived at his destination, ‘Mr. Peel was left without a servant to make his bed or fetch him water from the river.’”* [9] Marx comments ironically: *“Unhappy Mr. Peel who provided for everything except the export of English modes of production to Swan River!”* This is because in Australia at the time there was a profusion of land available and the workers were able to find a patch of land on which to set themselves up. Marx, through his comment regarding this fiasco experienced by the capitalist Peel, wants to show that as long as producers have access to the means of subsistence — in this case land —, they are not forced to submit to serving a capitalist. [10]

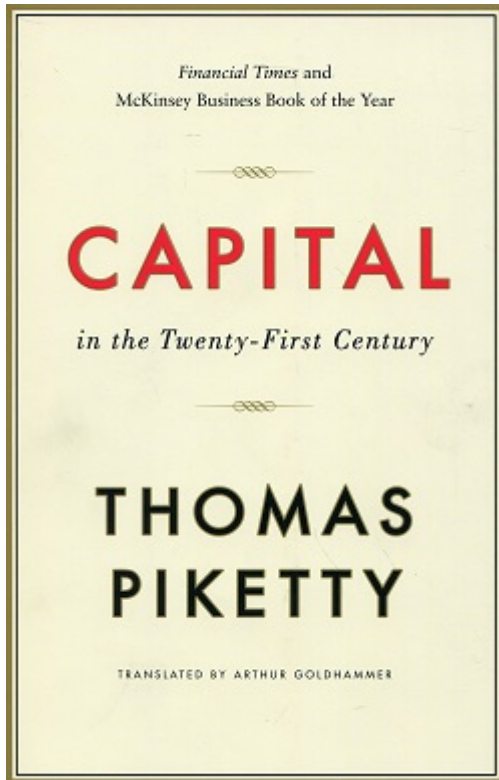
Marx concludes *“So long, therefore, as the laborer can accumulate for himself — and this he can do so long as he remains possessor of his means of production — capitalist accumulation and the capitalistic mode of production are impossible. The class of wage laborers, essential to these, is wanting.”*(...) *“the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production.”*

He adds: *“the capitalist mode of production and accumulation, and therefore capitalist private property, have for their fundamental condition the annihilation of self-earned private property; in other words, the expropriation of the laborer.”*

Karl Marx writes: *“property in money, means of subsistence, machines, and other means of production, does not as yet stamp a man as a capitalist if there be wanting the correlative — the wage-worker, the other man who is compelled to sell himself of his own free will.”*

We should also point out that Marx, in the same section of *Capital* dedicated to primitive accumulation, vehemently denounced the extermination or forcible subjugation of the indigenous peoples of North America and the other regions that fell victim to colonial domination and the primitive accumulation of capital: *“The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalized the rosy dawn of the era of capitalist production.”*

## **Consequences of Thomas Piketty’s definition of capital**



To return to Piketty, the definition of capital he gives introduces complete confusion. Let's look at his definition again: *"In all civilizations, capital has served two great economic functions: on the one hand to provide dwellings (...) and, on the other hand, as a factor of production for producing other goods and services."* So, for Piketty, Capital has existed in all civilizations; he goes all the way back to prehistory when he writes: *"Historically, the early forms of **capitalistic accumulation** [11] seem to concern tools (from flint, etc.) (...) and rudimentary dwellings, before evolving into more sophisticated forms, such as industrial and professional capital and increasingly elaborate dwellings."* For Piketty, a prehistoric flint tool, a cave, and a computer assembly plant are all capital. If we believe him, "capitalistic" [sic] accumulation goes back as far as the first assembly of a few pieces of flint that had been chipped and shaped. That definition throws no light on the historic specificity of capital, its genesis, how it is reproduced and accumulated, to which class it belongs, or the social and property relations to which it corresponds. The list of examples of capital Thomas Piketty gives resembles a supermarket catalogue; in a way it's an inventory like the one in Jacques Prévert's poem "Inventory" ... with only the raccoons missing. [12]

Speaking of capitalist accumulation today, Piketty limits the discussion almost exclusively to the role of inheritance and fiscal policies that are favorable to capitalists; but in reality these factors, though they play a tangible role in transmitting and strengthening capital, are not what create it. Historically, for the capital held by the capitalist to begin a process of enormous accumulation, it was necessary to forcibly dispossess producers of their tools and their means of subsistence and exploit their labor power. The accumulation of capital as it continues today requires the continuing exploitation of working people and of Nature. Capital plays no useful role for society; on the contrary, continuing the accumulation of capital and the activities that generate it is literally deadly. Piketty's failure to acknowledge that leads him to make a statement such as this: *"If capital plays a useful role in the production process it is natural that it earns a return."* [13]

Piketty's confusion is undoubtedly the result of his fundamental convictions: *"I am not interested in denouncing inequalities or capitalism as such (...) social inequalities are not a problem in themselves if they may be justified, that is to say for the common good. (...)"* [14]

My critique of Piketty's definitions in no way minimizes the interest of the monumental portrait his

research has drawn of the wealth and income inequalities that have developed over the last two centuries. And, putting aside undeniable fundamental disagreements regarding the notion of capital, it is important, if anti-neoliberal fiscal reform is to be achieved, that we endeavour to bring together a broad spectrum of movements and individuals ranging from Thomas Piketty to movements of the anticapitalist Left. And if it is also possible to come together to demand cancellation of the public debts held by the European Central Bank (for a total amount of over 2,500 billion euros), it must be done. I do not regret having co-signed the call for the cancellation of sovereign debts held by the ECB [15] in February 2021 along with Thomas Piketty. But like the other members of the CADTM who signed that text, I consider that more must be done — beginning, for example, with levying a large CoViD tax on wealthy individuals and major corporations. The CADTM feels that cancellation of public debts must be accompanied by a series of anticapitalist measures, and it is not certain that Thomas Piketty would support all of them.

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*Translated by Snake Arbusto*

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### **To find out more:**

- “What can we do with what Thomas Piketty teaches us about capital in the twenty-first century?”, published 19 January 2014, <https://cadtm.org/What-can-we-do-with-what-Thomas>
- Thomas Coutrot, Patrick Saurin and Éric Toussaint “Cancelling debt or taxing capital: why should we choose?”, published 2 November 2013, <https://cadtm.org/Cancelling-debt-or-taxing-capital>
- Call for the cancellation of sovereign debts held by the ECB <https://www.euractiv.com/section/economy-jobs/opinion/cancel-the-public-debt-held-by-the-ech-and-take-back-control-of-our-destiny/> (French version : “Annuler les dettes publiques détenues par la BCE pour reprendre en main notre destin,” <https://www.cadtm.org/TRIBUNE-Annuler-les-dettes-publiques-detenees-par-la-BCE-pour-reprendre-en-main> )

### **Footnotes**

[1] Thomas Piketty, *Capital in the Twenty-first Century*, trans. Arthur Goldhammer, Cambridge (MA): Harvard University Press, 2013.

[2] Thomas Piketty, *Capital in the Twenty-first Century*, p. 337.

[3] Note that according to Piketty, the amounts held in France in savings accounts, check-book accounts, etc. account for only 5% of (private) assets!

[4] It's very convenient for capitalists to include the very high revenues of a corporation's executives, which also include dividends and stock options, in calculating total payroll.

[5] Source: Note 9 to *Capital, Book One: The process of production of capital. Part VII, Part III: The Production of absolute surplus-value, Chapter 7: The Labor-Process and the Process of Producing Surplus-Value*, available on the Internet:

<https://www.marxists.org/archive/marx/works/1867-c1/ch07.htm>. Also available in audiobook form, see next note. In the German original and the French translation, Marx jokingly adds a note of wild etymology, suggesting that *stock* as a reference to capital derives from the German word for *stick*.

[6] Karl Marx, *Capital - Book One: The process of production of capital. Part VIII: Primitive accumulation. Chapter Thirty-Three: The Modern Theory of Colonization*. The text from which the excerpts quoted in this article is available on the Internet:

<https://www.marxists.org/archive/marx/works/1867-c1/ch33.htm> ; it is available in audiobook form at <https://www.marxists.org/audiobooks/archive/marx-engels/capital-vol1/index.htm>

[7] Confiscation of land by capitalists began in England in the 15<sup>th</sup> century with what is known as the "Enclosure Movement," which consisted in ending the traditional right of use of the land and the commons via the Enclosure Acts and turning them over as private property to wealthy aristocrats and bourgeois. Read Chapter 27 of Volume 1 of Marx's *Capital: Expropriation of the Agricultural Population From the Land*: <https://www.marxists.org/archive/marx/works/1867-c1/ch27.htm>, available as audio -

[http://www.archive.org/download/capital\\_vol1\\_0810\\_librivox/capitalvol1\\_75\\_marx.mp3](http://www.archive.org/download/capital_vol1_0810_librivox/capitalvol1_75_marx.mp3)

[8] The section of *Capital* in which Marx details the various sources of primitive accumulation of capital is *Book One: The Process of Production of Capital -Part VIII: Primitive Accumulation* (First English edition of 1887, translated: Samuel Moore and Edward Aveling, edited by Frederick Engels). There is an audiobook version of Part Eight (see link in earlier note).

[9] E. G. Wakefield: *England and America*, vol. II, p. 33. Cited by Karl Marx.

[10] Writing of the specific situation of North American and Australia in the early 19<sup>th</sup> century, Marx explains that the possibility for colonists from Europe to become owners of land or begin working for themselves enables "The wage-worker of to-day [to become] to-morrow an independent peasant, or artisan, working for himself." In North America, Australia and other regions colonized by Europe, the situation gradually changed over the course of the 19<sup>th</sup> century and the early 20<sup>th</sup> century, and the great mass of independent producers whose ancestors had emigrated from Europe were also dispossessed of their means of production.

[11] Author's bold.

[12] Excerpt from the poem "Inventaire" ("Inventory") by Jacques Prévert (published 1946):

*"A stone*

*two houses*

*three ruins*

*four gravediggers*

*a garden*

*flowers*

*a raccoon (...)*"

<https://coonytanuki.tumblr.com/post/4270990517/inventaire-par-jacques-pr%C3%A9vert>

[13] Thomas Piketty, *Capital in the Twenty-first Century*, p. 674

[14] Idem, p. 62

[15] See the French version :

<https://www.cadtm.org/TRIBUNE-Annuler-les-dettes-publiques-detenues-par-la-BCE-pour-reprendre-en-main> The French version has been published by *Le Monde*, *La Libre Belgique* and *RTBF*