Economy & patriarchy: How Gender Changes Piketty's 'Capital in the Twenty-First Century'

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How Gender Changes Piketty's 'Capital in the Twenty-First Century'

In this installment of *The Curve*, we asked our contributors to examine Thomas Piketty's *Capital in the Twenty-First Century*. If economic inequality continues to soar, as Piketty says it will, and inherited wealth plays a growing role in our economy, in what ways does that affect women specifically? And what weaknesses arise in Piketty's own analysis due to the absence of gender and race from his book? Where can we, as feminists, build on Piketty's analysis? –Kathleen Geier

Our participants are Kate Bahn, a PhD candidate in economics at the New School for Social Research and co-founder of LadyEconomists.com, with a forthcoming review of *Capital in the Twenty-First Century* in the *Women's Review of Books*; Joelle Gamble, national director of the Roosevelt Institute Campus Network, a nationwide student policy organization; Zillah Eisenstein, an internationally renowned writer and activist and Distinguished Scholar of Anti-Racist Feminist Political Theory at Ithaca College, Ithaca, New York; and Heather Boushey, executive director and chief economist at the Washington Center for Equitable Growth and a senior fellow at the Center for American Progress.

Kathleen Geier: Does Thomas Piketty's *Capital in the Twenty-First Century* have anything useful to say about feminism? Thus far, discourse about this watershed book has been overwhelmingly male-dominated (the only feminist critique that I am aware of, before this round table, has been Zillah Eisenstein's). Though *Capital* has many virtues, attention to gender, alas, is not one of them. Like most mainstream economists, Piketty does not deploy gender as a category of analysis, nor does he engage with the work of feminist economists. Nevertheless, he offers insights about the nature of economic inequality that feminists can build on to advance both gender and economic justice.

As the historian Stephanie Coontz recently observed, during the past forty years our economy has been shaped by two overwhelmingly important trends: the rise of gender equity on the one hand, and the decline of economic equality on the other. These phenomena may appear to be unrelated, but in fact they are linked. During the 1970s and '80s, women's labor force participation soared, driven in part by families' needs for additional income as economic inequality began to spiral and most men's wages declined. As women's average educational attainment and years in the workforce increased, so did their wages. Even so, economists Francine Blau and Lawrence Kahn argue that during this period, women were "swimming upstream" in a context of rising wage inequality.

During the 1990s and 2000s, economic inequality continued to skyrocket, but gender equity began to stall. As leading feminist intellectuals such as Coontz, Arlie Hochschild and Paula England have noted, during this period the growth in American women's labor force participation began to fall off, and so did their advancement in managerial and professional occupations. Low-income women also fared poorly, as they lost the right to welfare as an entitlement, and extreme poverty among female-headed households tripled. For a while, the gender pay gap continued to narrow, until progress there began to slow as well.

How can Piketty help us understand these important developments? Piketty's argument is that absent extraordinary government intervention, economic inequality will continue to soar, because the return on capital is likely to outpace the rate of economic growth. In short, economic inequality is a feature of capitalism, not a bug.

If, as Piketty predicts, economic inequality continues to grow, this bodes ill for women. Evidence that suggests that there is a strong link between gender equity and economic equality, and that women are more likely to prosper in more egalitarian economies. As Blau and Kahn have shown, in countries with more equitable wage structures, women enjoy a narrower gender pay gap. Blau and Kahn have also found that women's labor force participation in the United States is slowing relative to other economically advanced countries, and they identify our lack of family-friendly work policies as the chief culprit.

Blau and Kahn don't directly link the decline in American women's labor participation to rising economic inequality, but their findings suggest a possible pathway. A number of researchers, most notably political scientist Martin Gilens, have found that in America today the preferences of the rich overwhelmingly drive policy outcomes and that economic elites are disproportionately likely to oppose egalitarian, pro-worker economic reform. This suggests that as that the increasing concentration of wealth in our society is a major threat to feminist work and family policies. Growing economic inequality may well be the powerful obstacle blocking women's economic advancement in our society.

Piketty suggests that to curb economic inequality, we need to reduce the rate of return on capital. He argues that the best way to do so would be via a tax on global capital, an idea that he admits is "utopian." The other major remedy he advocates is a steeply progressive income tax. He doesn't explicitly analyze other anti-inequality policies, but he suggests that they would not be nearly nearly as effective. Why not? This brings us to a fascinating question, which he doesn't fully answer: What causes the rate of return on capital to be so high in the first place?

As economist Suresh Naidu has noted, there are, broadly speaking, two possible answers to this question. The neoclassical interpretation would be that the rate of return is mechanistically determined by the market: by the forces of supply and demand. If this is the case, then tax policy is the only effective remedy. According to Piketty, the elasticity of substitution between labor and capital is high; this theory, if true, implies that labor market reforms would have little impact on inequality. The enactment of a policy such as a high minimum wage would merely give the capitalist an incentive to replace workers with technology in order to maintain high profits.

But elsewhere, Piketty argues that the return on capital "is always in part a social and political construct" that "depends on national rules and institutions." As he notes, in Germany, where worker representatives sit on corporate boards, the market value of firms' capital is lower than in other advanced economies. If capital is indeed primarily a social and political construct, then consequently a much broader array of anti-inequality policies would be effective. On the whole, Piketty's institutionalist analysis is more persuasive than the neoclassicist version, because it is a better fit for his evidence. He shows, for example, that war and progressive taxes weren't the only factors that caused economic inequality to decline after World War I; political transformations such as the rise of labor unions also played a major role.

An institutionalist perspective suggests that one promising approach to fighting economic inequality would be labor policies targeted at women. A large body of research (including this study) shows that increasing female employment and earnings would reduce household income inequality. This suggests that anti-inequality advocates should champion policies that improve women's labor force participation, such as paid family leave and other flexible work arrangements.

Increasing economic growth would also, as per Piketty's analysis, reduce economic inequality. Economic growth, as he defines it, consists of two important factors: productivity growth and population growth. In economically advanced countries, the fertility rate is positively correlated with the female labor force participation rate. This suggests that besides increasing women's employment, flexible workplace policies would offer the additional advantage of boosting economic growth by increasing the birth rate. There is also evidence that family-friendly policies enhance productivity, which is another way they could increase economic growth.

Capital in the Twenty-First Century is an exciting and groundbreaking book that forces us to look at economic inequality in a new way. Unfortunately, it is seriously flawed by Piketty's policy imagination, which is confined by the neoclassical straightjacket. Moving beyond the neoclassical framework suggests a richer array of anti-inequality policy alternatives, of which the feminist response I've described is just one subset. Opening up *Capital* to heterodox analyses such as those provided by feminist and institutional economics allows us to imagine a pro-equality political program that is a better match for the book's bold vision.

Kate Bahn: One of Piketty's subtle successes in *Capital in the Twenty-First Century* is his sensitivity to the limits of economics theory and the imperfection of the economic data. He gains credibility by admitting the shortcomings of his calculations, and perhaps this rhetorical style contributes to the popularity of *Capital* in comparison to efforts by other renowned economists, like Joseph Stiglitz's 2012 book, *The Price of Inequality*, and Robert Reich's 2013 documentary, *Inequality For All*. Throughout the book, Piketty cautions that his data is the best available (and it really is impressive), but that it should not be judged complete. He tells us that income tax returns are conservative low estimates of income because of tax evasion, offshoring and tax exemptions that obscure the earnings of those at the top. Economic theory, he says, may provide a general story, and economic models can be useful metaphors, but there are many ways that economic theory does not describe the real world.

Piketty's subtlety does not extend to the gender biases (as well as racial biases and ethnocentric biases) underlying economic theory and data collection. Piketty points out that certain data, particularly measures of capital income, are incomplete because it can be hard to measure things that are purposefully obscured to the benefit of those in power. Similarly, data collection organized and carried out by male-dominated institutions has a long history of devaluing women's economic contributions and economic lives.

One simple example of the gender bias in data collection comes from the findings of a 1983 economics dissertation by Penelope Ciancanelli at the New School for Social Research. Ciancanelli describes how the US Census has historically undercounted women's work in the labor market. Early census takers at the turn of the twentieth century were instructed not to consider women as employed if they were not earning at least a majority of the family's income. Men were not subject to the same strict definition of employment. Because a lot of the work women did to earn money was done within their homes, it was not considered actual work unless it brought in money above a certain threshold. Its value to the economy was disregarded. With data collection like this, it is no wonder that women's labor force participation measurements were so low.

Women's work continues to be undercounted. The *2012 World Development Report on Gender and*

Development demonstrated that women are more likely than men to work in informal sectors of the labor market, meaning their income from labor cannot be counted using tax data like that on which Piketty relies. While Piketty notes that tax data is insufficient for describing economies in the developing world, where all people are more likely to work in the informal sector, he ignores that women's informal or uncounted work is important throughout the global economy. In the United States, women are 70 percent of the workers in tipped industries like restaurants, making their earnings from labor difficult to measure. Piketty would remind us again that his calculations highlight relative measures of magnitude between different periods in history rather than precise descriptions. He might argue that informal work is not a big enough piece of economic activity to skew relative magnitudes. However, if what isn't counted is gender-biased, then the relative magnitudes between genders does shift and presents a more complicated story about inequality.

This is important because income from capital (the interest that one receives from assets) has become even more unequal between classes than income from labor. Piketty argues that this schism follows the simple law of r>g: a higher rate of return on capital than the rate of economic growth leads to widening inequality as the wealthy watch their savings expand. One interesting effect of the growing importance of capital that Piketty does not explicitly acknowledge is that it may exacerbate wealth inequality between genders, too.

The US Small Business Administration, in discussing access to financial planning resources, has noted that women have lower access to these tools. Piketty demonstrates that access to different types of financial investment sources has huge implications for the rate of return, which in turn affects growing inequality. Not only are women likely to have less wealth to invest, but at any given level of wealth, they are less likely than men to have access to financial instruments, exacerbating capital inequality because of gender discrimination.

This criticism of Piketty should not demean his work but rather indicate where the discussion can go deeper. His assessment of the changing nature of inequality is quite alarming. The next step is to understand what exists beyond these broad contours. What things are not being counted. His analysis provides a basis to continue the discourse of inequality and looking at other factors that influence where a person falls in the distribution.

Joelle Gamble: It's easy to write off a 700-page economics book as an impenetrable tome destined to litter the shelves of prestigious institutions or serve as a conversation piece on the coffee tables of educated elites. However, Thomas Piketty's Capital in the Twenty-first Century presents an analysis of power and wealth that, despite little mention of marginalized groups in the text, shines light on the urgent concerns of women and people of color in the United States.

Consider the main takeaway of Piketty's work: capitalism will not solve wealth inequality on its own. His now-famous equation r>g asserts that during times of slow economic growth, the rate of the return on capital (r) will exceed the rate of economic growth (g). This process leads to a booming wealth stock that will be increasingly concentrated in the hands of capital owners.

Since the 1970s, the United States has experienced less-than-stellar economic growth. Wealth inequality has also increased steadily after a brief and anomalous respite in the 1950s. This matters because the people who benefit from the accumulating returns on capital in this country represent a small and homogeneous portion of society. (I'm talking about the truly wealthy, not just rich people. As Chris Rock put it: Shaquille O'Neil is rich; the guy who signs his paycheck is wealthy.)

To make matters worse, the wealth gap between black and white America has increased over the past few decades. For proof, just look at the Unbearable Whiteness of Being that is the Forbes list of the top 400 wealthiest people in the United States.

One could argue that the United States isn't a rentier society like eighteenth-century France, and that the solution to getting too small a piece of the economic pie is to work harder and earn a higher wage. But there are some problems with that suggestion. We distribute wages in this economy based on the productivity of workers, or at least that's the theory. In reality, wage inequality has remained relatively stagnant through much of US history, even as American workers have become increasingly productive.

Raising the minimum wage and investing in education are important policies that, if robustly developed, can support women and people of color in the workforce. But these efforts would not be enough. In Capital, Piketty discusses the "super-manager" bracket (think CEOs and others in top decile of earners). These super-managers earn exorbitant wages compared to the rest of the population, and even to other top earners with similar skills and education, yet there is no strong correlation between their performance and their pay.

It is at this point that the labor market reveals itself to be a system shaped by social norms and biases rather than objective criteria alone, like marginal productivity. We've developed social markers for what makes a "high-tier" worker. For example, big financial firms tend to hire and reward predominantly white men from a small slice of the economic strata. Earners assigned arbitrary value by wealthy institutions benefit from the productivity of the larger workforce.

Wealth distribution and high-tier wage distribution in the United States can be attributed, essentially, to discrimination. This misleading valuation of worker productivity and the resulting wealth inequality create a pressing need for political action. Whether that means raising the minimum wage, correcting gender imbalances in wages and fields of employment, investing in education, or directly redistributing wealth, there is a clear need for policy to step in where the market has failed.

On the question of redistribution, we have solutions. In *Capital*, Piketty proposes a global wealth tax to spread the economic benefits of returns on capital more equitably, which, theoretically, would close the wealth gap between classes. But there are also ways to target the wealth and wage gaps amongst women and people of color specifically. As Dean Starkman notes in *The New Republic*, targeted redistribution can close the white-black wealth gap and a wide set of solutions already exist that target equal pay and equal opportunity for women.

With these solutions and others, we can begin to correct the widening inequalities that are pushing out women and people of color. And, the effects of wealth and wage inequalities on marginalized groups is multiplied many times over. Exercising the political will to correct inequalities is not just a matter of economics; it's a matter of social justice.

Zillah Eisenstein: It is disappointing in 2014 to once again have to return to decades-old arguments about the relationships between capitalism and patriarchy and racism. All the celebration of Thomas Piketty's book *Capital in the Twenty-First Century* reminds me of what has not changed when it comes to understanding how women's many forms of labor are not recognized as integral to the patriarchal structuring of the economy. And, sadly, Piketty is not alone in this.

I begrudgingly have more to say about what Piketty, and Pope Francis and even Barack Obama do not say, than what they do say. Their silences and omissions weigh heavily on me. And although I promised myself many years ago that I would no longer dialogue with progressives who ignored issues of race and gender, here I am again, doing just that.

Each of these men denounces excessive inequality, but without recognizing the way that structural racism and patriarchy intimately define economic injustice. They act as though capitalism is a singular system—rather than an overlapping and multiple structural nexus of power. And even when Obama articulates his *My Brother's Keeper* initiative designed to offer "opportunity" to black boys and young men, there is no recognition of how racism is implanted in patriarchy. His signature program on race does not recognize the inequality that affects girls and women of color. Instead, Obama fractures the connection between patriarchy and racism to capitalism.

Piketty is deeply critical of the distribution of wealth and its concentration. Maybe if he focused more on the production of wealth—via its many routes—domestic unpaid and underpaid labor, consumer labor especially in its invisible digitized forms, the sexual and racial ghettoes of the working poor, and so on, he would realize that income distribution emanates from at least a tripartite structuring of labor and capital—by race, gender and class.

Girls and women do the majority of the labor across the globe of every sort—domestic, peasant, migrant, farming, reproductive, consumer, affective, slave and waged. Birthing is done exclusively by women. Most of this labor goes unrecognized, and is poorly paid, if paid at all. This sexual class of diverse women remains an open secret.

Piketty worries about the concentration of wealth. I worry about how and why wealth is so particularly concentrated across the globe in terms of people's color and sex, with the attendant levels of poverty. He writes that his analysis is "imperfect and incomplete." He also wonders what we can know "about how wealth and income have evolved since the eighteenth century, and what lessons can be derived from that knowledge for the century under way." But one cannot do this without fully recognizing the particular role of chattel slave trade and its continuing remnants in the structural racism and sexism that has become a problematic system of wealth inheritance. Black enslaved women as a group added more (unrecognized) wealth to the economy than anyone, and had the least recompense to show for it. Proof of this labor-plunder remain today.

Piketty says that wealth disparity will continue to increase because of patterns of inheritance vs. merit. For women of all colors and men of most colors their inheritance is defined by structures of power not recognized in the mainstreamed notion of capital, or labor or the economy itself. So why start with such a partial and incomplete approach to capital accumulation to begin with?

Of course, Piketty is not alone here. Pope Francis has gained enormous popularity by focusing on the excesses of capitalism, the horrors of poverty etc. while fully endorsing patriarchal choices for girls and women in terms of their reproductive lives and health. The very person promising to limit inequality cocoons them into misogyny. It is a well-known and documented fact that the world the pope condones, one without contraception or abortion is a world with more poverty.

Pope Francis criticizes unbridled capitalism much like Piketty, for its injustice. But a critique of unbridled patriarchy and misogyny is needed as well. It is common knowledge that the majority of the poor across the globe, including 70 percent of the world's refugees, are women and children. Yet, Pope Francis stays far from these realities. Women remain hidden for him while in plain sight.

The newest fashions of unfettered capitalism have their own new unfettered racialized patriarchy. The tyranny is male-centric and heterosexist. It breeds a culture of exclusion that Piketty, maybe unwittingly, and the pope openly endorses. It is significant that Piketty denies being a Marxist throughout the book. He instead embraces J.J.Rousseau's critique of excessive accumulation. I want to remind the reader that Rousseau's so-called radical egalitarianism explicitly endorsed traditional patriarchy—women were not citizens, nor should be given their uncontrolled sexual passion. He lumped women with children and "cripples."

Piketty, as well as Pope Francis, perpetuates the notion that the political economy is not sexual, that personal life is not intimately connected to the public "market" and its many forms of labor. They bifurcate the locations of capital that privatize and depoliticize women's bodies in their non-laboring forms—unpaid labor, domestic labor, consumer labor, affective/caring labor. This viewing of capital as both contained and singular leaves us with an inadequate rendering of the present crisis of racialized capitalist patriarchy.

Injustice is defined by more than economic suffering. People—men, women and trans—of all colors suffer from the particular structural identities that intersect with and in the economy. The male-centric heterosexist racialized viewings from Piketty and the pope are disguised in anti-capitalist rhetoric, but they remain intact.

I want new kinds of Marxists who are also anti-racist feminists. Marx de-normalized, denaturalized and historicized class, but did not do so for gender, sex or race. We need to do this: de-naturalize and historically contextualize gender and race and sex intertwined with capital. This contextualization expands and enlarges the meanings of labor and capital beyond production. It begins a historical materialism of racialized capitalist patriarchy so that an inclusive critique of excessive inequality can be crafted.

Piketty says "capital is not an immutable concept," that it reflects prevailing social relations. This is why patriarchy and racism are key to this understanding. The inequality is particularly excessive according to color and sex. Great wealth alongside grinding poverty colludes with a horrific misogyny that defines girls as part of the trafficking of sexual labor and their bodies.

We are witnessing the chaos and cruelty of capital(ism) with its new excesses of the 1 percent. It is now past due to connect the parts—between global capitalism, gross inequality and sexual/gendered and racial oppression. Singularly, they remain piecemeal and protected.

There will be no cure for (economic) inequality as long as capital is severed from its origins in race and sex and gender. All one needs to do is look at the punishing globe to know this.

Heather Boushey: One of my colleagues has B*usiness Week*'s Teen Beat–esque profile of Thomas Piketty on the wall of his cubicle. The cover portrays Piketty as a teen heartthrob, complete with a lipstick kiss.

Ironically, very few women seem to have caught "Pikettymania." While there have been dozens of reviews of Piketty's book, I have found only a few that have been written by women. Is Piketty relevant for women? For feminists? Yes! Capital in the Twenty-First Century is a book that every feminist should read.

Anyone who has read about Piketty is familiar with his equation r > g. Piketty's analysis leads him to conclude that unless the rate of return (r) on capital is brought down, below or at least closer to the rate of growth (g), inequality will continue to rise. In other words, so long as profits are greater than wages, inequality will continue to rise.

Piketty comes to this conclusion by analyzing a treasure trove of data that he, along with his colleagues, pulled together, creating the World's Top Incomes Database. What we learn from this data is that income inequality is now at the same level as it was at the dawn of the twentieth century. His data shows how today's high income inequality becomes tomorrow's greater wealth inequality. An individual who earns a lot of money today may spend it all on yachts or diamond-studded watches, but to the extent they save some of that income or invest it, they will, over time, accumulate a larger and larger stock of wealth. Greater stocks of wealth give those at the top a larger pile of money to pass on to their children. As Piketty says, "The past devours the future."

In order to illustrate how inheritance affects the economy, Piketty points the reader to the novels of Austen, James and Honoré de Balzac, noting that “for Jane Austen’s heroes, the question of work did not arise: all that mattered was the size of one’s fortune, whether acquired through inheritance or marriage.” For one example, he points to the Henry James novel Washington Square, where Catherine Sloper’s fiancé flees after is learning that her dowry is a third of what he thought and tells her, quoting her rich father, “You are too ugly.”

Now, I like Jane Austen (less so Henry James), but I’m certainly glad to have been born in 1970, not 1800. These novels are a testament to the limited choices that women had. The rules over inheritances will again make all the difference for women’s equality. Do inheritances go to the eldest child or to the eldest male child? What happens upon the death of a spouse—does the wife or the child inherit? We already know that women are far behind men in their wealth holdings: in 2014, only one in ten US billionaires were women, but of those, women were more likely than men to inherit that wealth, as one-third of billionaires who inherited their wealth are women (34.1 percent). The female share of self-made billionaires is only 3.1 percent.

The answers to these questions may not be good for women. And if they are not good for women, they are not likely to be good for our economy. Over the past century, and especially past half-century, we have seen greater gender equality, and our economy has benefitted enormously. In the United States, the Civil Rights Act of 1964 made it illegal to discriminate against someone based on the color of their skin or their sex. As women and minorities broke down the barriers to entering professions, this has boosted the United States economy, accounting for up to a fifth of all productivity gains between 1960 and 2008, according to one study.

Women have a lot to gain from an economy that rewards individuals based on what they do with their life, not who they marry or who their parents are. I hope that feminists catch a little Pikettymania.

P.S.

* The Nation. August 6, 2014 - 12:50 PM ET:
http://www.thenation.com/blog/180895/how-gender-changes-pikettys-capital-twenty-first-century#