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Political Economy of Disparities Re-expanded

– Comments on *Capital in the Twenty-First Century* –

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The Uno Newsletter: Rejuvenating Marxian Economics through Uno Theory

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Thomas Piketty's *Capital in the Twenty-First Century* is making a hit also in Japan following in the USA. Its Japanese version is selling around 150 thousand copies in a month or two soon after its publication in December 2014. Newspapers, TV, and journals widely report and discuss its contents as well as interviews with the author. Such popularity is quite unusual in the field of economics. To some extent, in my view, this comes from the title's attraction to remind many people Karl Marx's major work anew in relation with basic recurrent tendencies of capitalism to oppress workers.

Although Piketty is not a Marxian economist, he clearly refers to Marx's *Capital* several times in his book, and stands for political economy in a broad sense. He brings us back to a central issue on causes and remedies of economic disparities in the long history of political economy since the Classical school. This subject naturally attracts people's attention broadly concerning the actual background behind the popular dissatisfaction or angry among people against economic inequality in many countries, typically expressed by the street occupy movement in the USA with a slogan 'we are 99%'.

While welcoming Piketty's contribution in this regard, this paper begins with summing up characteristic analyses in the first section, and then comments on significance and problems in them to be followed up from a Marxian perspective in the second and third sections.

1 T. Piketty's Analyses of Disparities Re-expanded

Capital in the Twenty-First Century is composed from four Parts. Part one 'Income and Capital' and Part two 'The Dynamics of Capital/Income Ratio' define and analyze the historical trajectories of ratio between national income and capital as national asset in major advanced capitalist countries. Part three demonstrates shifts in 'The Structure of Inequality' derived mainly from changes in capital/income ratios. Part four presents policies for 'Regulating Capital in the Twenty-First Century' necessary to prevent re-expanding income disparities in our age.

National capital against national income is a central notion for the whole analyses. National capital is defined 'as the total market value of everything owned by the residents and government of a given country at a given point of time' (Piketty[2014]p.48. Only page numbers are shown below for this book). It consists of nonfinancial assets (land, dwellings, other buildings, machinery, inventory, patents, etc.) and financial assets(bank account, mutual funds, stocks, bonds, insurance policies, pension funds, etc.), less the total amount of debt. Thus, it is almost identical to the net national assets (or national wealth) in the stock section of national economic account.

In Britain and France, data on national assets and national income were collected as a foundation of tax system since the 17th century. Estimation of historical statistics on national income has recently been collected more and more widely also on other countries in the world as exemplified by A. Madison[2007]. Utilizing them, Piketty presents original analyses of long historical trends in capital/ income ratios, and estimated trends therefrom of proportions in national incomes distributed between capital and labor.

The ratio of national capital (assets) against national income is indicted as β, and given an important significance. As it is an essential factor, together with the rate of return on capital (r), to determine the capital's share in national income (α). The first fundamental law of capitalism is thus formulated as $\alpha = r \times \beta$ (p.52).

As we see on the Figure 3.1 and 3.2 following such preparatory formulation, the total amount of national capital in Britain and France used to be 6-7 times of annual national income continuously since the 18th century until the First World War (p.116-17). In the 19th century, the proportions of capital other than agricultural land sharply increased, but the total capital/income ratios (β) were maintained almost unchanged.

The average rate of return on capital used to be 4-5% in long history since ancient periods. Novels by J.Austen and H. de Balzac clearly exemplify this as a commonsense around the beginning of 19th century. Thus the proportion of national income being gained by capital (α) was over 30% in most years in 18th and 19th century.

After the First World War, however, the capital/income ratios fell down dramatically to 200-300 % by about 1950. They recovered slowly thereafter, and then regained rapidly since around 1980 to a level over 600% by 2010 almost the same level as before the First World War period.

This U shape curve in β characterizes 20th century. It is observable also in other advanced countries. Its amplitude was smaller in the USA, but still β declined from nearly 500% in 1930 to lower than 350% in 1970, and then recovered to more than 400% by 2010. In Japan, β declined from 600-700% in 1910-30 to 200-300% in 1950-60, and then recovered after 1980 to come back to 600-700% since 1990, showing a typical U shape curve (p.195).

As an annual increase of national capital is theoretically balanced to national saving in the same year in national economic accounts, the capital/income ratios β must move in proportion to the national saving rare (s). At the same time, the ratios β must be lowered inversely with the national economic (or income) growth rate (g). Therefore, the second fundamental law of capitalism is formulated as $\beta = s/g$ (p.175). For instance, the Japanese high saving rate did not much elevated β in the period of high economic growth until the beginning of 1970s. However, her saving rate still maintains about 15%, while the average growth rate became widely lowered to a little over 2%. As a result it is no wonder to see a recovery of β to the high level of 6-7 times of the national income in Japan.

So long as the rate of return on capital (r) has historically tended to keep 4-5% in average (though it varies in different types of assets and in different ages) since ancient period, it was generally higher than the economic growth rate ($r > g$) (p.353-54).

Combining these analyses, Piketty underlines that the capital's share in national income (α) has recovered naturally after its exceptional decline in the 20th century. We should recognize that the recovery clearly coincides with the age of neoliberalism.

S. Kuznets [1953] presented a Bell-curve theory on economic inequality, expecting that the much elevated level of in equality in income distribution since the beginning of industrialization in the 19th century was now being lowered after the middle of 20th century along with the maturation of industrialization. According to Piketty's analyses, this expectation is betrayed, and the capital's share (α) is coming back to 30-40% like in the 18th and 19th century, and may even go up further beyond it (p.242).

As we read in Part three of *Capital in the Twenty-First Century*, distribution of national capital is unevenly structured and tends to be concentrated into top 10%, and further 1% of wealthier social strata, while the middle class strata is declining. The proportions of national capital owned by top 10% reach 50% even in Scandinavian countries, 60% in other European countries, and so much as 72% in the USA. Contrastingly, the portions of national capital owned by lower 50% among people in European countries remain less than 10%, or mostly less than 5%, and in the USA just 2%.

Such uneven distribution of national capital is further promoted by inheritance. The share of inherited capital occupies 50-60% of private national capital of the USA in 1979-80. It is higher in Europe. In rapidly aging societies like Japan, the share of the inherited assets must increase as mortality rate rises in the 21st century.

Unevenness in labor income is also expanding, as much elevated high salaries of super-managers are spreading especially from the US giant corporations.

Thus the shares of combined national income (form capital and labor) of top 10% are now 35% even in Germany and France, and 50% in the USA. The wealthiest 1% in the USA gains 20% of national income. Although the USA has traditionally been regarded as a competitive society based upon meritocracy, such recognition is deeply dubious in view of the highly uneven and structured income distribution. The average income of parents of Harvard University students to reproduce top elites is now around 450 thousand dollars a year, or top 2% of income strata.

In Part four, Piketty proposes policies to correct such disparities re-expanded, and to reconstruct 'social states' to redistribute income so as to guarantee public spending for needs in education, health care, and pensions. Together with necessity to re-strengthen progressive income tax and inheritance tax, a new plan of annual tax on capital under international cooperation is presented. As an example, a blueprint for a European wealth tax of 0% on fortunes below 1 million euros, 1% on fortunes between 1 and 5 million euros, and 2% on fortunes above 5 million euros is proposed (p.528). This will earn about 2% of European GNP from 2.5% of population to serve for social state.

2 The Issues to be followed up from a Marxian Perspective

What to estimate the analyses and proposals in *Capital in the Twenty-First Century* upon the ground of Marxian political economy?

Above all the book gathered broad attention to economic disparities re-expanded in capitalist economies. This is certainly welcome. Uneven dynamism in distribution of income and wealth (or capital) to social classes in capitalist economies used to form a central subject in classical and Marxian political economy. So long as the mainstream neo-classical economics generally works on methodological individualism with a belief in natural order of liberty, rationality and efficiency within capitalist market economy, it tends to miss or neglect this research topic, especially in its excessively specialized and fragmented theoretical models and analyses. Piketty revived the traditional political economic research program as an exceptional case in neo-classical economists.

As T. Tachibanaki [2014] points out, analyses of re-expansion of unevenness in income flow have already attempted. Piketty comprehensively analyzed trends in disparities in ownership of national capital or stock of wealth in structural combination with re-expanded disparities in income flow in quite a long history of capitalist economies over centuries.

He recognizes that 'the principle of infinite accumulation' and the resultant growth with concentration of capital have strongly promoted inequality in distribution of wealth and income so as to widen economic disparities. As D. Harvey [2014] points out, this principle was already theorized in Marx's *Capital.* Piketty also refers to it, and states that Marx's insight on this point is 'valid for the study of the twenty-first century as it was for the nineteenth century' (p.10).

In addition his study is close to Marx's approach also in its long historical perspective. He strived in particular to collect historically long statistical data on national assets and national income as far as possible including data stored in tax offices. On this aspect his contribution should be highly estimated and appreciated.

Nevertheless his theories and analyses leave several issues to be followed up in view of political economy based on Marx's *Capital.* Let me discuss five issues below.

[1] The social foundation of return on capital.

In view of Marxian political economy, which succeeded the labor theory of value from the classical school, the social foundation of return on capital is in surplus labor of wage workers (and socially weaker small producers like peasants). Piketty avoids such a theory and analysis. As a result, in his analyses the uneven re-concentration of wealth and income to upper social strata with economic disparities re-expanded tends to be conceived just as re-distribution from the declining middle class. The important trend which is revealed in his statistical analyses must broadly be related in Marxian approaches clearly with the current tendencies of capitals to make labor conditions severer among a wide range of wage workers, by reducing the social substance of value of labor-power or necessary labor-time to maintain their living, increasing number of cheap casual workers, and globally utilizing more and more cheaper workers in abroad.

Theoretical attempts to see the logical relation between the labor theory of value and national economic accounts have already been presented as I have discussed elsewhere (Itoh, Makoto [2005]). Such attempts may further be applied to the analyses of structural economic disparities in wealth and income in our societies.

There remains also a problem how to understand the relation between concentration of national capital and increasing disparities within labor income including extremely high salaries for super-managers such as in the USA, as P. Krugman [2014] suggests. It is dubious if such high salaries for super-managers are really labor income, or a part of distribution of return on capital, as Mituharu Itoh [2015] points out.

Piketty's proposition that return on capital is usually higher than the economic growth rate (r ＞ g) also requires us more of examination. This is understandable in view of the labor theory of value in simple cases. For instance, under the assumption of constant technologies without difficulty of realization of values in a market, the substance of value of total capital, being composed from constant capital (C) and variable capital (V), as well as national income, basically derived from value of labor-power (V) and surplus-value (M), increase all proportionally at an equal rate. So long as national income grows by converting only a part of surplus-value into capital, the economic growth rate (g) must be smaller than the rate of return on capital (r). It must be worth trying to clarify under what conditions the proposition r ＞ g stands valid more generally from the view of labor theory of value.

Though Piketty's analyses contain international comparative studies, they are mainly based on each individual national economic accounts. There remain not so easy problems further to analyze the world economy as organically integrated system both theoretically and empirically. As the Oxfam report in January 2015 points out that the share of assets owned by top 1% persons in the world reached 48%, and will soon surpass 50% in 2016, more than the rest of 99% of people, the uneven concentration of wealth and income must be more obvious in a global scale. We have to endeavor critically to analyze also the logic of such an world economic order in view of labor theory of value.

[2] The notion of capital

As we read, Piketty defined national capital as the total market value of all nonfinancial and financial assets owned by the residents and government of a given country minus the total amount of debt.

Though this notion of capital conventionally facilitates to identify the total net assets in national economic account data on stock with (fetish) capital as a source of non-labor income flow in annual national income, it is theoretically incorrect in view of Marx's *Capital* as noted by Harvey [2014] and Mituharu Itoh [2015]. So long as Piketty assumes an average return on capital as such assets has been 4-5% since the ancient period, such a notion of capital seems applicable to all the stock of assets including land, means of production and houses even in pre-capitalist societies. Capital in forms of merchant and money-lenders did appeared surely from very ancient period as self-expanding motion of monetary accumulation. However, it used to be on the periphery of pre-capitalist communal societies, based on market economic order originating from an inter-social trading. Within communal pre-capitalist societies, the most of assets such as farm land, agricultural means production, and houses were not owned and used as capital.

In the process of forming a modern capitalist society, as Marx discovered, primitive accumulation of capital (often with violent enclosure movement) decomposed communal ownership of farm land into modern private ownership of land, by expropriating the traditional right to use and live on the land from peasants, and thus socially created free workers without having means of production for capitals to utilize them as wage workers. For the first time in long human history, capital was enabled to organize the social process of production by utilizing labor-power as a commodity, and to convert the whole society into a complete market economy.

In such a capitalist society, the central basic relation of production is organized by capitals to hire wage workers, and to earn surplus-value by exploiting surplus-labor beyond necessary labor for maintaining workers' living through wages. The major forms of return on capital and land such as profit, interest, and rent became more and more social redistribution of surplus-value.

At the same time, the fetish notion of capital spreads socially to believe that all the non-financial and financial assets in a society automatically and naturally earn more or less an average rate of return in a market.

In Marx's theoretical analyses of capital, such historical specificities of capitalist society are revealed systematically. Piketty's historical concern is not qualitatively deepened enough to such a level, and remains just quantitatively within a neo-classical conventional naturalist notion and fetish commonsense by confusing all the kinds of assets with capital.

Even in our age, small peasants' farming land, assets for small-scaled family-run businesses, workers' own houses for living, or state-owned public land and various facilities cannot in themselves form capital in accord with 'the principle of infinite accumulation' as a source of non-labor (unearned) income for top wealthier class of people. Therefore, Piketty's important discovery of the U shape trend in the capital/income ratio and the resultant economic disparities re-expanded in recent decades must be re-examined carefully by taking note of these weaknesses.

It must be desirable to promote researches further what portions of national capital in Piketty's analyses are to be excluded from the statistical data in order to see more actual features in concentration of private capital serving as the source of unearned income for the capitalist and rentier classes.

In relation to this sort of project, Piketty's analyses have also to be supplemented by the effect of much financialized aspect of capitalism in our age. As he concentrates mainly on net national capital assets by deducing total debt, the function of enormously expanded financial assets seems neglected. As Mamiya [2015] refers to it, the total amount of financial assets in major countries increased from 4-5 times of national income in the first half of the 1970s to 10-15 times in 2010, and particularly in UK it reached 20 times of national income. Even though the huge increase in financial assets is largely cancelled out by similarly increased debt in net national wealth in national economic account, actually the increased amount of state bonds, for instance, causes a lot of redistribution of income in the form of interest payment positively to wealthier persons who are afford to purchase sate bonds directly or indirectly in various investment trust funds, whereas workers have to bear consumer tax more and more with negative impact on income. Financialisation of labor-power as a result of increased housing loan and other forms of consumer credit must surely have certainly a negative effect to both net assets and disposable real income of mass of working people.

[3] Self-contradiction of capital

Another weakness in Piketty's notion of capital is in its ahistorical neglect of self-contradiction in the process of accumulation of capital. In contrast, Marx's theory of principles of infinite accumulation of capital systematically attempts to demonstrate logical necessity to cause self-destruction of capital in periodic crises due to its inner contradiction based on commodification of labor-power being combined with the fundamental instability in monetary and financial mechanism.

In *Capital in the Twenty-First Century,* Piketty argues that 'the financial crisis as such seems not to have had an impact on the structural increase of inequality' (p.297). Nevertheless he also recognizes that the increase of inequality caused stagnation of purchasing power of the lower and middle classes in the USA, and induced a lot of unstable debt among these classes from the enormous saving by the well-to-do. He thus suggests that the main causes of global financial instability to have brought about the subprime economic crisis in 2008 were in the structured increase in the capital/income ratio, not just in the global imbalances.

We have to investigate deeper on this issue, and rethink the basic theory of crises including innate instability in the financial system as Marx attempted to show as a part of theory of accumulation of capital, and try to analyze why and how such innate basic principle of economic crises presents itself in the form of frequent swells and collapses of speculative bubbles such as the subprime crisis in our age. The roles of government and the central banks to mobilize public money and finance to rescue operation of financial and industrial corporations in acute crises in our day, for example, surely characterize the contemporary impact of economic crises on the structured increase of inequality.

[4] The rate of return on capital

In Piketty's analyses, mostly the rate of return on capital is assumed stably as 4-5% since ancient period, as we have seen. However, so long as the source of surplus-value and the notion of capital remain unclear, theoretical ground for such an assumption is not presented. Therefore, his treatment of the average rate of return on capital contains inconsistent fluctuation or variation. In so far as he emphasize the formula $r > g$, he implies that the average rate of return on capital (r) can and does fall along with a fall in economic growth rate (g).

Actually he presents a sort of theory of falling tendency of the rate of return as Matoba [2014] notices. However, its foundation seems rather weak, and in an abstract social (or political) necessity to prevent excessive increase in the share of capital income against labor income (α) so much as 40-50% of total national income when β goes up to 10 times of national income with 4-5% of r.

In contrast Marx's theory of tendential fall in the rate of profit was based on logically stronger foundation in the labor theory of value. So long as the principle of infinite accumulation results in increase in the ratio of constant capital (C) as past dead labor in the means of production against variable capital (V) as living labor to produce annual total national income (V + M), the rate of profit $r = M/(C + V)$ must have tendentially fall down. Because $r = M/(C + V)$ is always smaller than $(V + M)/C$. In this formulation, however, the tendential fall in the rate of profit due to a rise in β and the resultant fall in the rate of economic growth (g) may go along with a rise or constant rate of surplus-value $m' = M/V$, or α.

N. Okishio [1976] showed that Marx's law of tendential fall in the rate of profit cannot stand under certain presumptions, and has globally gathered much attention and arguments among Marxian economists. Including such arguments, Piketty's presentation requires us anew how to analyze both theoretically and empirically the social average rate of return on capital in relation with actual trajectory of statistical data in national economic accounts among others in order to see the share of capital income in the national income. There must be a series of interesting problems to analyze; what proportion of capital income is actually derived from abroad in our globalized economies, what effects do the political operation of the rate of interest have on the total rate of return on capital, what about capital gains or loss in speculative trading, how far the structurally diversified labor market works for the rete of total return on capital, etc. In performing such research projects, we have to take care on the fact that our capitalist society is not composed and moved not just by individual persons but organized in main by profit-making corporations (often supported by government) as Marx treated as socially particular relations of production and trading as capitals. The structural factors to determine the total average rate of return on various kinds of national assets must therefore be analyzed by considering the central role of capitalist business enterprises to produce and distribute social surplus-value.

[5] The Historical Significance of the U Shape Curve of β

One of major contributions by Piketty's work is in the impressive discovery of the U shape curve in the long history of statistical data of β or the national capital/income ratio as a basic cause of the resultant similar U shape change in disparity between capital and labor in capitalist countries. This interesting discovery, if it is more or less correct, needs further investigations.

For instance, why did β maintain about 600-700% with 4-5% of the average rate of return on capital so stably and so long since the 18th century until the first World War in major capitalist countries? Why did it not increase despite of a rate of return on capital clearly higher than the rate of economic growth rare ($r > g$)? How did this problem relate to various historical events such as the mercantilist wars, luxurious spending by Kings and aristocrats in the 18th century, civil and industrial revolutions, periodical crises in the 19th century, as well as the growth of trade unions to raise the real wages especially since the late 19th century? Referring to the fact that the internal composition of national capital itself was greatly changed as Piketty pointed out, the relative stability of β together with the rate of return on capital seems so much puzzling.

Similarly the big decline of β in the 20th century cannot easily explained away by

Piketty's own simple summary that 'the decline in the capital/labor ratio between 1913 and 1950 is the history of Europe's suicide, and in particular the euthanasia of European capitalists' (p.149).

In reality the decline was largely due to a series of tragic historical disasters; the damage by the First World War as a result of imperialist development of capitalist countries, the Great world crisis after 1929 including the impact of the distortions in the post-war international politico-economic order, the resultant recovery programs in the form of fascism and new deal, to be followed by the destruction in the second World War. Thereafter social democracy in the line of new deal was established as a capital-labor cooperative social system with egalitarian redistribution welfare policies became a dominant idea among capitalist countries to lead the reconstruction and maintain the high economic growth until the beginning of 1970s.

The Soviet type of socialism was born by the social crisis of the first World War, seemed successfully to continue industrialization without social problem in unemployment in contrast to the Great crisis in the capitalist countries in the 1930s, expanded to the East-European countries in the last phase of the second World War, and former colonial countries tended to follow it during and after anti-colonial liberation wars and revolutions. Even though the Soviet socialism actually contained a lot of social problems hidden internally, it served as a powerful side pressure for capitalist countries to move on social democratic path in those days so as to defend their basic socio-economic order.

As Piketty points out, in the USA the highest rate in progressive income tax used to be 81% in a half century during 1932 and 1980 in average, and the highest progressive inheritance tax was 70-80% in that period, though somewhat lower in Europe and Japan. Such a taxing system was obviously realized and maintained under the social democratic system until the age of post-War high economic growth, and effectively worked to prevent the recovery of β and the economic inequality in the U shape.

Contrastingly, the U shape recovery in β and economic disparities became prominent after the 1980s, when the historical limits of high economic growth in the capitalist countries was revealed, caused stagflation and prompted the turn of basic policies from social democracy to neo-liberalism. The turn of basic policies to neo-liberalism liberated profit-making private capitals from the social democratic regulations in favor of trade unions and working conditions for laborers, as well as through privatization of public enterprises, and induced wide reductions of highest rate of income tax and inheritance tax. The crisis and fall of the Soviet type of socialism clearly facilitated such a shift in basic policies in capitalism.

In this regard, Piketty's warning on the recovery of β and disparities in the U shape curve should be integrated into a part of critique of the historical significance of neo-liberalism in contemporary capitalism.

3 Alternatives to Disparities Re-expanded

Piketty proposes modernization of 'social state' to guarantee fundamental social rights for all residents to receive public support for education, health care, and pension. The proposition requires redistribution of national income against disparities re-expanded. Together with re-strengthening both progressive income tax and inheritance tax, a new international annual tax on capital such as a European wealth tax is recommended as we have seen.

There are some comments criticizing Piketty as a Utopian to dream an alternative impossible to realize. Such comments, however, must assume narrowly the politico-economic order under current neo-liberalism on the ground of globalized competitive capitalist market principles with a tendency for economic disparities as a natural and rational social system.

In fact, more than thirty years of global neo-liberalism has actually failed to realize rational, efficient and ideal economies but caused economic crises, stagnation, new forms of poverty problems such as the increase of working poor persons, together with disparities re-expanded.

Against this experience we are inevitably urged to recall the feasibility of social democratic alternatives in our age. The historical experience in the post-War high economic growth period was characterized by the Fordist regime of accumulation with an egalitarian cooperative custom or social contract to raise real wages in proportion to a rise in labor productivity, forming a virtuous circle for economic growth with increasing effective consumers demand. This period should not be regarded just as a negligible exceptional case. Even thereafter, among the USA, Northern European, and Central European countries, there are different degrees in disparities of distribution of wealth and income according to their different policies and social systems, as Piketty observes. The change of government into Democrat parties with similar New New-Deal type of policies in the USA and Japan in 2009 demonstrated effectiveness of their social democratic policies for economic recovery until the next year even in the globalized contemporary world.

Having in mind such historical facts, alternatives to disparities re-expanded should not be excluded or narrowly limited, but rather be re-conceived widely for selection among people according to each characteristics and historical social conditions of their own countries.

Piketty's proposal for international wealth tax, in addition to re-strengthening progressive income and inheritance tax, for instance, is worth seriously considered as a part of wide attempts of reconstructing social democratic policies in the 21st century. In its spirit, it actually follows a tradition in social democracy against unearned income and wealth obtained by just ownership of land and capital, demanding more respect and social right for labor income. As a brain for French Socialist Party, working in close relation with the roles of EU, Piketty must conceive an international capital tax like a European wealth tax as an actually feasible project to realize.

In the USA and Japan, however, this sort of international capital tax system would seem still unrealistic or difficult to realize in the near future. Re-increase of progressive income tax and inheritance tax must be much easier in such countries. Actually in Japan, the inheritance tax was somewhat elevated in 2014, and in the USA President Obama is proposing to re-raise capital-gain tax mainly on the top 1% wealthiest persons in 2015. Piketty effect may have promoted or facilitated such policies.

However, social democratic alternatives so as to equalize and stabilize economic lives among people against neo-liberalism are certainly not to be confined in such tax reforms recommended by Piketty. Already there are broader and increasing expectations for growth of so-called social economies such as in models of basic income, green recovery strategies, attempt to organize local currencies, workers' cooperative union enterprises, and reconstruction of trade union movements in various countries. Alternative paths for 21st century models of social democracy are gradually and concretely coming afloat with them.

In retrospect, 20th century type of social democracy generally used to expect redistributive and employment policies of the nation states. In accord with globalization of capitalist economies, social democracy in 21st century is required to realize super-national cooperation on various issues including Tobin tax in order to restrict speculative trading of foreign currencies, and international capital tax as Piketty suggests. At the same time, in accord with relatively weakened economic power of the nation states, more grass-rooted cooperative solidarity economies in local regions in favor of local production for local consumption have increased importance. Ecological economic life with initiatives among people in the spirit of mutual assistance and cooperation can be more easily realized in such attempts and direction, sometimes in combination with local governments' assistance, rather than in economic activities by big businesses, or by national wide state policies. In this regard the mayor Park Won-Soon's initiative to promote social economy in Seoul city, and to organize Global Social Economy Forum (GSEF) internationally since 2013 should be highly estimated.

How to think of socialism? Piketty recognizes that the solution suggested by Marx on the problem of capital to cause and increase inequality in a form of socialism to abolish private ownership of means of production and other capitals was more logically consistent than his own. However, in his view the human disaster caused by the Soviet-style of central planning illustrated clearly that the coordination of market economy is indispensable for the future (p.531-32). It is obvious that his total negation of socialism due to the failure of the Soviet Union is too hasty and short-sighted. Even if the coordination function of market economy must remain, various models of democratic market socialism with public ownership of major means of production have been already presented as feasible and desirable as I reviewed elsewhere (Itoh, Makoto [1995]). In such contemporary theories for socialism Marx' thoughts and theories are fully utilized, separate from the Soviet type of failed experiment for socialism. The final solution to the inevitable tendency to increase economic inequality under capitalism as Piketty presented anew, as well as to the fundamental instability and the ecological deepening crisis must still be given most consistently by socialism freed from infinite accumulation principle of private capital.

Thus we should endeavor in international cooperation to explore further alternatives to disparities re-expanded much broadly than Piketty's suggestion, concerning 21st century models of social democracy and socialism in organic combination.

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