The Financial Times' attack on Thomas Piketty

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In a series of articles over the past several days, and in a major editorial published on Monday, the *Financial Times* has launched a scurrilous attack on Thomas Piketty and his book, *Capital in the Twenty-First Century*.

The newspaper claims to have discovered serious flaws in data that undermine one of the book's central themes—that wealth concentration is growing throughout the world, and in the United States and Europe in particular. A front-page article published over the weekend, provocatively headlined, "Thomas Piketty's exhaustive inequality data turn out to be flawed," asserts that the authors have found "unexplained data entries and errors in the figures underlying some of the book's key charts."

Before taking into account Piketty's reply to these criticisms, the newspaper concludes that they are "sufficiently serious to undermine Prof. Piketty's claim that the share of wealth owned by the richest in society has been rising and [quoting Piketty] 'the reason why wealth today is not as unequally distributed as in the past is simply that not enough time has passed since 1945.'"

The *World Socialist Web Site* has basic theoretical and political differences with Professor Piketty, an opponent of Marxism who believes that social inequality can be addressed entirely through various reform measures. These criticisms will be treated in a separate review of his book and the response to it. However, the target of the FT's attack is not these limitations, but the main strength of the book and Piketty's work as a whole—the detailed examination of the growth of income and wealth inequality over the past fifty years.

The actual content of the allegations by the FT (focused on only one chapter in the book) bears no relationship to the sweeping conclusions that the newspaper attempts to draw from them. Among the flaws cited by the newspaper are apparent mistakes in data transcription and other minor issues that have no real significance. It also cites what it considers to be unexplained adjustments to data made as part of Piketty's efforts to provide a unified portrait of wealth distribution over time. Such adjustments and assumptions are inevitable in assembling data from disparate sources, accumulated in different ways and in very different time periods—a fact that Piketty himself acknowledges.

Replying to the FT criticisms, Piketty noted that in the effort to be as transparent as possible, he made all his data available online and subject to public examination. Several assumptions that the professor made actually tend to underestimate, rather than overestimate, the level of wealth concentration. He notes, for example, that his estimates of wealth possessed by the rich do not "fully take into account offshore wealth, and are likely to err on the low side."

The driving force behind the FT's criticisms is transparently political in character. In its editorial on the subject, "Big questions hang over Piketty's work," the newspaper editors insist that the supposed problems in Piketty's data "undermine his thesis that capitalism has a natural tendency for wealth to become ever more concentrated in the hands of the rich." Incredibly, the newspaper asserts that because of the flaws in the data, there are "grounds to question the finding that the holding of wealth by the rich in Europe has increased since 1980. Without that result, there cannot be an iron law of capitalism that leads to ever rising inequality."

Despite Piketty's repeated assurances that he does not oppose the capitalist system (and does not, in fact, propose an "iron law" of inequality) the material he has gathered and presented in coherent form has clearly made the FT, and those for whom the newspaper speaks, very nervous. While they never mention the word, it is socialism that is on their minds.

In its attack on Piketty, the *Financial Times* is speaking for powerful sections of the financial aristocracy that sense the immense social tensions building up in Europe, the United States and internationally. They are well aware that they preside over an economic system that has lost credibility in the eyes of millions of people. Any acknowledgment of the illegitimacy of the vast wealth that has been accumulated by a tiny layer of the population is, from their standpoint, dangerous.

Inequality is not really a serious problem, they insist. To the extent that it exists, it is very likely justified. “There is a gulf of a difference between wealth derived from entrepreneurial skills and inheritance,” the editors write.

What “entrepreneurial skills” are responsible for the wealth of the modern-day aristocracy? For decades, the ruling class—led by the financial institutions in London and on Wall Street—have engaged in a massive orgy of speculation, ripping up entire industries to funnel money into the stock markets. Gigantic fortunes have been amassed through financial manipulation and semi-criminal or outright criminal activities. Since the 2008 crash, central banks have opened the taps to flood the financial system with cash at near-zero interest rates, re-inflating the speculative bubbles that produced the crisis.

The product of these policies is amply demonstrated—by Piketty and, as the author noted in his defense, many other sources as well. Most recently, the British *Sunday Times* published its annual rich list revealing that the richest 1,000 people in Britain have a combined wealth of £519 billion, an increase of 15.4 percent since last year and twice what it was in 2008. The wealth of these 1,000 individuals is now equivalent to a third of the entire country’s gross domestic product.

The 85 richest people in the world now control as much wealth as the bottom 50 percent. And the world’s 1,645 billionaires, according to Forbes, possess a combined net worth of $6.4 trillion, an increase of $1 trillion over 2013. In the United States, the richest 400 people increased their wealth in 2013 to $2 trillion, up 17 percent from the year before.

As for income inequality, the FT does not even address the exhaustive data accumulated by Piketty and his collaborators showing that an ever greater proportion of the world’s income is going to the top one and 0.1 percent, particularly in the United States and Europe. In the United States, the top one percent in 2012 monopolized 22.46 percent of all income, up from 19.65 percent a year before.

The FT attack on Piketty is an attempt to deal with the growth of class antagonisms by denying the significance of social inequality. Yet the facts remain—as do their explosive social and political consequences.

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