Evolutionary History but Thin Geography? Piketty's *Capital in the Twenty-First Century*

Piketty's bestseller has deservedly received much praise as well as some substantial criticism. The book mixes excellent characteristics with important limitations. However, it would be churlish not to start this discussion by recognizing the impressive achievements of this text. It is a significant example of historical scholarship and reveals long-term wealth accumulation among the richest groups in many societies. The book confirms that inequality in most states has increased since 1980 as wealth has accumulated at the top, and that this reflects a long-term U shaped pattern in the share of capital in national income. Both are explained by a law of capitalism in which the rate of return to capital *(r)* is greater than the rate of output growth *(g)*. The consequence is a return to 'patrimonial capitalism', which has proceeded by stealth with limited public discussion. This book questions this process, highlights some of its unwelcome undemocratic and petrifying consequences, and changes the terms of debate around long-run inequality (Krugman, 2014). The book warns that modern economies are on course to an extreme and unprecedented concentration of wealth in which the middle classes have to make do with stagnant real incomes. Moreover, the huge rewards of corporate 'super-managers' seen in recent decades are not justified by their unmeasurable contributions to productivity. It is a testament to the richness and depth of the book that it appears to be so many different things to different reviewers. Reviewers have highlighted various dimensions of the book, engaging with those things that they like, themes that they recognize, or even old enemies that they re-encounter in its pages (which range from a return to Marxism, a modern update of David Ricardo, to a thinly disguised neoclassical growth model). I will continue in this selective vein by focusing on the relationships between the text and some of the recent debates in evolutionary economic geography, particularly on how evolutionary economic approaches can be best reconciled and combined with a revived political economy. One of the most attractive features of Piketty's book is its search for a return to a classical political economy, based on the recovery of a serial economic history of the longue durée. So the obvious question is what an evolutionary economic geography might learn from Piketty?

Piketty's comments on method and economics echo some important themes in recent economic geography. He criticises orthodox economics for its childish obsession with mathematics and argues for a political economy that engages with other social sciences, and yet retains a quantitative rigour and use of numbers to help the interests of the less powerful. His long term historical perspective indicates that there are similarities between the late nineteen the century and the current age. Consequently the worlds of Austen and Balzac may have surprising contemporary relevance and marriage and inheritance may become increasingly significant in a new Belle Époque. Underlying these similarities are his fundamental laws of capitalism which mean that the rate of return on capital, defined as all accumulated wealth, tends to be faster than the rate of growth. As Savage (2014) has argued, this represents a slow process which is a useful challenge to the presentism and excessive sense of speed and transition in much recent social science. With some resemblance to economic geographers' engagement with path dependence, Piketty is also interested in how the past constrains the future. As accumulated wealth builds up and is passed down through the generations it tends to cement oligarchy and erode entrepreneurial, meritocratic and democratic values. Thus in his words "the past tends to devour the future" (2014: 378). Inequality created in the past has a cumulative and disproportionate influence as inheritance dominates over earnings and wages.

However, Piketty is less helpful in understanding the evolution of economic paths as his work is ambiguous both about their strength and the roles that institutions and politics play. In places he argues against deterministic views and contends that, since history always invents its own pathways, lessons from the past my not apply in the future. However, as critics have noted, his laws of capitalism appear deterministic, so that capital always transforms itself into rents "as that is its vocation, its logical destination" (115). On this basis, his predictions for the next century are confident and stark. Piketty is similarly contradictory on institutions. Despite admitting that that history of the distribution of wealth is deeply political and cannot be determined by economic mechanisms, ironically he prioritises these slow economic mechanisms. They have only been interrupted during the twentieth century by two World Wars which destroyed capital and yielded a new relatively wealthy middle class, thereby creating the illusion that capitalism lowers inequality as it matures. Current low tax rates are an equilibrium, in his view, that can only be broken by a shock. Yet this episodic view is inadequate and similar to punctuated equilibrium, and it does not explain why institutions are so important only during this exceptional period? Others have persuasively argued that capitalism is shaped more profoundly and continually by institutions so that we need to take regulatory choices more seriously (Acemoglu and Robinson, 2014; Stiglitz, 2014). Certainly, economic geography needs a better and more coherent view of regulatory institutions and how they are assembled and structured in specific times and places.

Piketty calls for a long term history of economic change and he delivers a huge amount of data and graphs on wealth in France, Britain, Germany and the US. This is genuinely a long-term view but perhaps one that does not entirely persuade the reader that such a long-term perspective is necessary to understand the last few decades. To his credit, Piketty provides an inductive approach in which he attempts to develop history-friendly theory from long-term detailed descriptive observations. Despite the value of this strategy, his model lacks an evolutionary theory of economic change and falls short of a reconstructed political economy (Kunkel, 2014; Soskice, 2014). In some contrast to evolutionary economic geography which has been too micro-focused in recent years, Piketty's *Capital* is at the other end of the scale, and provides a broad economic macro-account that leaves out causes and specific forms of political-economic change at a meso-level. To say that *r* exceeds *g* is not really a theory but something that needs to be explained (Harvey, 2014). While Piketty notes how the rise of 'super-managers' has led to intensified inequality since the 1970s he does not explain the other forces which have led to lower real wages such as the destruction of unions, outsourcing, deregulation of labour markets, and monopoly rents in the digital economy (Stiglitz, 2014; Harvey, 2014). The rise of 'super-managers' with huge salary rewards appears rather detached from his key macro-logics, and is explained only in terms of changing social norms and incestuous compensation committees in the confines of the board room, triggered by lower tax rates, rather than embedded in political forces and strategies. Piketty's macroeconomics asserts that the rate of economic growth and the rate of return on saving and investment are independent of each other. Capital accumulation relentlessly benefits from increasing returns and capital can be substituted for labour without end. Nevertheless both this high elasticity of substitution of capital for labour and relentless increasing returns are dubious and several critics point out that most of the evidence here is contrary to these claims

(Rognlie, 2014; Rowthorn 2014; Milanovic, 2014). Furthermore, and perhaps most importantly, his understanding of capital as all types of wealth is too indistinct and lumpy, and fails to note that the build-up of wealth assets in recent decades is largely due to the rise of real estate assets and housing wealth (Rognlie, 2014). This raises the possibility, of course, that capital has been distracted from productive investment by the lucrative returns in speculative and property investments which may have created a scarcity of capital and thus a problem of under-investment rather than over-accumulation (Harvey, 2014; Rowthorn, 2014).

Piketty's explicit engagement with economic geography is quite thin and incidental. As Jones (2014) argues, the roles that space and urbanisation play in the reproduction of capital need much more attention. In places we encounter the role of real estate rents in Paris but in general the text says little on how particular places and cities provide the conditions for the growth of certain types of capital. Globalisation also plays only a supporting role in the book and Piketty is more concerned about what is happening within advanced countries rather than global inequalities. This is partly because he believes that the piling-up of capital in China and oil states, and in their sovereign wealth funds, is less important than that within the rich West. However, he argues that, while privatization and the globalization of finance capital present investors with more opportunities for lucrative returns, global economic growth will slow down as the current phase of catch-up comes to an end. Indeed, he claims that the globalization of capital has produced convergence through the spread of technological knowledge, so that knowledge exchange is evening out the world economy. However, he predicts that economic growth will slow during the next century as the democratic transition spreads and as this phase of catch-up comes to an end. These claims still are highly questionable and premature for many states, and they are based on too simple a reading of globalization that skates over its uneven and contradictory effects. Here, we undoubtedly need more appreciation of the selective nature of structural change and economic growth, and the significance of developmental states. Moreover, as Soskice (2014) argues, the clustered 'sticky' locations of many knowledge-intensive global producers may provide more opportunity for taxation than the book implies.

If distribution is to be central to understanding economic growth then this demands more analysis of the consequences of increasing inequality for economic growth, and an attempt to discuss whether there is an optimal level for entrepreneurial incentives. While Picketty hints that entrepreneurs all too quickly turn into rentiers, he does not consider arguments about whether excessive inequality obstructs and hinders economic growth. There is little sign of the growing evidence that inequality is harmful to economic growth (for example, see Dabla-Norris et al, 2015). Piketty explains inequality as the result of low growth, but there are no strong systemic feedbacks from inequality to growth. However, this weakens his case for a global wealth tax and for a progressive social state. The book argues that both would control excessive inequality and restore distribution, but doesn't really convince on why they are necessary or how they should and could be used. He argues, for example that modern social states need to be modernised and reformed but his recommendations are quite vague.

Piketty's approach seems to assume that capital as wealth enjoys increasing returns everywhere, but at the same time increasing returns have a smaller effect on economic growth. Some of his critics balance this by reasserting the force of diminishing returns to increments of all types of capital. From the perspective of economic geography both these views seem too generalised and universal. A more geographical theory would look at the prevalence of both increasing and diminishing returns for different forms of capital and wealth, and how these are temporarily assembled and sustained in different times and places. Neither logic is predetermined and bound to win but both are based on the contextual and contingent interactions between technology, structural change, practices, institutions and political fortunes. Why is it that increasing returns in some types of capital predominate in some ensembles for a while but then run into diminishing returns? What explain these logics of growth and decline and how does inequality fit into the heart of these changes? The book opens up a series of key debates but the explanation of economic evolution is too macro, uniformitarian and deterministic. Capital is more contingent and more differentiated and institutionally embedded than Piketty suggests so that economic evolutions are more deeply integrated with places. Having said all this, in illuminating the dark corners of the top one-percent, dispelling myths about capitalism's distributional benefits and in stimulating the debate on the need for greater global wealth transparency and taxation, Piketty's book remains a key resource and an inspiration.

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