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# Capital in the Twenty-First Century: A Tale Without Morality

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# CAPITAL IN THE TWENTY-FIRST CENTURY

TALE WITHOUT MORALITY

*Bruce Baker*

**T**homas Piketty has given economists a lot to argue about, but their arguments miss the point of the book's success. *Capital in the Twenty-First Century* is not a bestseller based on its economic merits. It's a bestseller because it speaks to a deep moral anxiety which has animated the early part of this century. We sorely need a story that places capitalism within the larger context of transcendent human dignity.

The story has grown complicated of late. During the second half of the twentieth century of capitalism seemed more straight-forward. Post-war growth "lifted all boats" and benefited a growing middle class. To be sure, there were cycles of expansion and contraction, even a troubling spell of "stagflation," but overall those decades told a story of undaunted progress: capitalism created phenomenal wealth, re-shaped the world political order, and lifted masses of people out of poverty. The fall of the Berlin Wall in 1989 vindicated this view, and sealed the victory of the free market as the most dominant force on earth.

Yet for all this, confidence in capitalism has been shaken. The crisis of 2008 exposed weaknesses in the most sophisticated and technologically advanced financial products. Recovery has been slow and uneven. By some measures, wage stagnation and inequality have increased. Nationwide, debate swirls around a move to increase the federal minimum wage. Here in Seattle, rallies have marched in sup-

port of boosting the city's minimum wage to \$15 per hour. Meanwhile, globalization has left billions in poverty.

How are we to make sense of these things? As moral beings, we find meaning within the context of stories. We judge the morality of an act—whether someone is being helped or hurt—by how it fits into the narrative context. Here Piketty connects with our deeply felt need for a story. Moreover, he tackles the most pressing issue—growing inequality. He explains inequality in a simple equation:  $r > g$ . In other words, the return on capital ( $r$ ) continually exceeds the rate of economic growth ( $g$ ) linked to pay.

Piketty worries that this “inequality of returns” leads to an “excessive and lasting concentration of capital”, in which “fortunes can grow and perpetuate themselves beyond all reasonable limits and beyond any possible rational justification in terms of social utility.” Given the popular concern over rising inequality, it is no wonder that Piketty's thesis is attracting so much attention. Controversy is heightened by his nod in the direction of Karl Marx, who set the original bench-mark for historical criticism of capitalism. Like Marx, Piketty offers a storyline to explain why the rich get richer, and the poor poorer. Extrapolating from this simplistic premise, he proposes a global progressive tax on capital, even while admitting this to be utopian and unrealistic. He seems to apologize for his failure to offer workable advice.

**T**he real weakness in Piketty's book however, lies not in its wonkish proposals, but rather in its lack of moral substance. There is no moral to the story. There is only data. Piketty's empiricism succumbs to the same fatal flaw John Paul II diagnosed in Marxism—it leads to an incoherent statement of moral order, because “The visible world, in and of itself, cannot offer a scientific basis for an aesthetic interpretation of reality.” Human dignity is not reducible to natural philosophy. As John Paul argues, the moral life of man becomes “the central problem under discussion” in defense of economic theory, and natural philosophy fails to deliver a workable understanding of human freedom, because “Man affirms himself most completely by giving of himself.” John Paul II goes on to say, “If we deprive human freedom of this possibility, if man does not commit himself to becoming a gift for others, then this freedom can become

dangerous. ... If we cannot accept the prospect of giving ourselves as a gift, then the danger of a selfish freedom will always be present."

Piketty attempts to elide the larger moral questions by refusing to "indulge in constructing a moral hierarchy of wealth." Aye, but there's the rub. For until and unless we are willing to cross over the threshold from sterile empiricism to the larger context of spiritual reality, we will not be able to weigh market effects on the scale that matters most—the moral scale.

The need for a new, more robust, more realistic story of capitalism is apparent. Piketty's book merely raises the question. To make sense of the moral legitimacy of capitalism we need a story capable of dealing with good and evil, greed and sympathy. Adam Smith insisted upon sympathy and benevolence as the guiding influences of a moral society in *The Theory of Moral Sentiments*. He never countenanced a story of capital divorced of these moral guardrails.

The transcendent significance of human dignity, rooted in relationship, neighborly love, and spiritual commitment to higher purpose gives the story meaning. Apart from this overarching context, economics fails to engage with questions of morality. To address the moral implications of capitalism, we must cross the threshold that Piketty avoids, and consider God's will for humankind. This requires a more holistic understanding of business as a co-creator of shalom, and wealth as a responsibility for justice.

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