The Legal Architecture of Globalization:  
Money, Debt, and Development

Professor Christine Desan   
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Discussion Questions for Class 23

Wealth and Inequality:

Debating Distribution in a Financialized Order

Readings:

Piketty, Thomas. *Capital in the Twenty-First Century*. Translated by Arthur Goldhammer.  Cambridge: Harvard University Press, 2014:   
Reading 1 (on inequality) pp. 20-27.

Reading 2 (on public debt and central banking) pp. 540-553, 569-570.

Krippner, Greta. *Capitalizing on Crisis:  The Political Origins of the Rise of Finance*.  Cambridge, MA: Harvard University Press, 2011, 27-34, 39-41, 50-52.  
  
Blyth, Mark. *Austerity:  The History of a Dangerous Idea*.  New York: Oxford University Press, 2013, 45-50.

Scheve, Kenneth, and David Stasavage. *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe*. Princeton: Princeton University Press, 2017, 1-23. (Graphics available at [URL](https://theconversation.com/are-we-ready-to-raise-taxes-on-the-rich-history-says-no-57777).)

Background:

The financialized orders of the late 19th and late 20th centuries are associated with rising rates of inequality, a point starkly made by Thomas Piketty in his book, *Capital in the Twenty-First Century*. Piketty’s book responded to an argument advanced by Simon Kuznets some 75 years ago. According to Kuznets, capitalism brought increasing inequality initially, but resulted in decreasing inequality as the benefits from expanded productivity spread. By extending the time frame of analysis to pick up the latter part of the 20th century, Piketty demonstrated that the dropping rates of inequality that had occurred in the 1940s and 1950s were anomalous: the World Wars destroyed wealth at the top while post-war reconstruction induced widespread productivity.   
  
 At the same time, the modern political economy has brought rising rates of growth in output per capita. Although it is notoriously difficult to measure growth in constant terms over centuries, Piketty and others agree that the effective purchasing power of most individuals has risen significantly over the last three centuries, improving overall material well-being. Recall the Cypher reading we read in Class 1: by many indicators, extreme poverty has dropped world-wide, including in the last 30 years.

These trends set up a puzzle: can we understand how the legal architecture we studied this term has contributed both to engendering productivity and, all too often, increasing inequality? When does the latter occur and in what ways may it endanger well-being, material, social, and political? Piketty introduces our discussion and begins theorizing about both public debt and central banking. Krippner, Blyth, Stasavage, and Shreve add a number of theorists relevant to our discussion. In closing, we consider whether and how it might be possible to revise and redesign the institutions we have inherited.

Questions:

1. According to Adam Smith and other classical political economists, modern market societies would generate new forms of inequality that displaced older forms, like slavery and feudalism. Is that argument persuasive and, if so, does it matter what kind of inequality exists? Note that Smith thought the benefits from the expansion of wealth would outweigh any disadvantages. That is, there might be an uneven distribution of the pie, but the pie would be larger.
2. Should we understand Piketty’s argument in this way, *i.e.,* that capitalism generates particular forms of inequality? Note that Piketty himself seems to treat the forces that create inequality as long-standing, extrapolating backwards to suggest fairly constant returns to capital and rates of economic growth. If modern capitalism does generate particular forms of inequality, how might we characterize those forms? Please draw from the accounts of Krippner, Blyth, Stasavage and Scheve (along with others we have read previously) to support your argument.
3. How do the forms of inequality that we have now shape the distribution of political voice?
4. Piketty’s argument that inequality has been long-standing does not exclude the possibility that it will increase in the future. Might that be the case -- why or why not?
5. After putting forth his finding, Piketty argues that inequality would be best redressed by the imposition of a global wealth tax (pp. 471-492, 515-539). What do you think of that solution?
6. Given the salience of taxation as a means of redressing inequality, consider the arguments of Scheve and Stasavage. How does their work affect your thinking about the policy and/or advocacy options?
7. Can you enlarge the prescriptive frame? What if you were asked to re-design one or more institutions within the Quartet (money produced by central banks, circulating public debt, capital markets, and commercial banking) – where would you focus your design remedy? Can you sketch, at least roughly, the kind of reform you would like to see?