Capital and Capability

The ethical aspects of economic inequality

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Summary

This thesis aims to reconstruct the moral arguments that remain implicit in Thomas Piketty's book *Capital in the Twenty-First Century*. It will be argued that the growth of inequality is being shaped by a self-reinforcing dynamic between political institutions and economic developments. Based on the principle of justice as fairness, institutions should regulate inequalities so that they are beneficial to all members of society, and most importantly the least well-off. Instead, inequality of income has resulted in political inequalities. The growth of income inequality jeopardizes the political and economic institutions tasked with protecting justice in society.

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Introduction

Capital in the Twenty-First Century is a misleading title. The title of Thomas Piketty's surprise best seller is misleading in that it does not name the subject with which the work is concerned. Although there is a significant role for the development of capital in the coming century, it only serves as an example. Instead the book is focused on a far more problematic and far more insidious development: a self-reinforcing dynamic between political institutions and economic developments.

It is difficult to conclude that this development is the central problem with which the book is concerned. *Capital in the Twenty-First Century* touches on a variety of different subjects: economic mechanisms, literary examples, political processes and historical developments. For starters, the book is much more concerned with income inequalities in the period between 1700 and 2010, than in addressing capital in the coming century. Secondly, there is a very specific role for the *Declaration des Droits de l'Homme et du Citoyen* of 1789. It is the first thing that Piketty mentions in the introduction of his book and one of the last things he addresses in his conclusion. Finally, there is a curious policy recommendation at the centre of the book: a progressive, global tax on capital. All in all, it is never clearly stated how all these different elements tie together.

This thesis aims to prove that there is a complex moral argument connecting to all these different elements. This unifying argument can however not be found in *Capital in the Twenty-First Century*. As diligent as Piketty is in his analysis of economic distribution, he remains negligent in his normative assessment of it. The moral claims that Piketty is defending are never explicated. Instead he claims his approach follows a comparable basic logic as the 'difference principle' of John Rawls and the 'capability approach' of Amartya Sen, while begging the question in which ways it differs.

By reconstructing the ethical assumptions in *Capital in the Twenty-First Century*, this thesis aims to show Piketty's main concern: the threat that capital poses for the basic structure of our society. The issue is not just the income inequalities that capital might create. Even though the role of capital in income inequality is still poorly understood, and its impact is significant, it has the potential to have a fundamental negative effect on society's basic principles.

The first chapter of this thesis will provide some insight into Piketty's analysis of the development of income inequality in the previous centuries. It will show what the specific role of capital is in this development and what lessons can be drawn for the future. The second chapter is concerned with the ethical aspects of income inequality. First, it will provide an overview of the philosophical work of John Rawls and Amartya Sen. It will explain the role of the 'difference principle' in Rawls' philosophy as a way to provide justification for certain forms of inequality. It will also show the way in which Sen's 'capability approach' gives a specific interpretation of the moral relevant factors in social arrangements. Second, it will show that Piketty's interpretation of their works is not straightforward. Instead they serve as inspiration for Piketty's own moral claims. The purpose of the third chapter is to illustrate how Piketty's moral claim can be combined with his empirical findings. Chapter three aims to show what threat capital poses to society and how a progressive, global tax on capital is a useful utopia.

The main aim of this thesis is to show the connection between the distribution of income and the role of justice in society. The problem with the dynamics that govern the growth of capital lies in the negative effects it can have on the relation between economics and the democratic political process. As such, the dynamic of economic inequality conflicts with a fundamental ethical demand: the demand for justice. This conflict helps us understand that although economic inequality in itself does not need to be an ethical problem, the dynamic governing economic inequality certainly is.

Chapter I: Income Inequality

Capital in the Twenty-First Century

A Historic Narrative of Economic Distribution

To show the problem that Piketty sees in the growing importance of capital, it is necessary to look at the actual development of economic distribution. The focus of Piketty's research in *Capital in the Twenty-First Century* was "[…] to collect as complete and consistent a set of historical sources as possible in order to study the dynamic of income and wealth distribution over the long run." (Piketty, 2014, p. 19) In order to find the historical tendencies in economic distribution, Piketty created the largest set of historical data on the subject. He illustrates his findings by using specific historical examples from different nations and periods. Furthermore, he draws on other historical sources, most notably literature, to give a historical context to the economic data. Piketty's history of economic distribution thus becomes an analysis of the historic development of wealth and income distribution.

Although Piketty named the book *Capital in the Twenty-First Century* the majority of its content is instead focused on history, most notably the past three centuries. He chooses this period mainly due to the restriction in data. For example, the earliest attempts to measuring national income and capital only developed in the late seventeenth and early eighteenth century (Piketty, 2014, p. 56). No reliable data can be found from before that period. More importantly, the period spans the two major historical periods Piketty focuses on: the Industrial Revolution and the post-war period. With respect to capital, these two events mark a fundamental shift with respect to the previous period. The industrial revolution changed the very role of capital in the economy and in society. The period after the First and Second World War showed a significant drop in the centrality of capital within the economy and within society. This approach adds one further element to the discussion of income and wealth distribution: historical context.

This emphasis on history means that Piketty's analysis should not be seen as purely economical, but also as historical and social. He would later call it an 'analytical historical narrative'. (Piketty, 2015, p. 69). His main argument is therefore centered around the interpretation of the economic data and the evaluation of its development. By providing the historical data, dynamic of economic developments and their historical context, Piketty hopes to gain insight into the actual development of income and wealth. This should allow us to better understand possible future scenarios, so as to plan our actions accordingly.

Income: Labor and Capital

In order to understand Piketty's analysis of historical data, it is necessary to define some of the major concepts of his economic analysis. Piketty often uses terms that are directly taken from the field of economics. However, some terms are given a very different emphasis than their original use.

In his analysis, the major component of Piketty's approach focuses on the economic distribution of income. His primary focus in this analysis is on the income of a single nation or several nations put together. National income is, as Piketty defines it, "[…] the sum of all available income to the residents of a given country in a given year, regardless of the legal classification of that income." (Piketty, 2014, p. 43) In other words, the national income is similar to the income of a household, only on a different scale. What is important is the relation between income, capital and labor. Income is always composed as the sum of income from capital and income from labor.

It should be noted that the definition of capital as used by Piketty is significantly different from the use of the term by economists[1]. He defines capital as: "[…] the sum total of non-human assets that can be owned and exchanged on some market." (Piketty, 2014, p. 46) He includes in this definition all forms of property as well as financial and professional capital, assets that can be owned or traded on a permanent basis. By doing so, Piketty excludes the idea of 'human capital', the skills, training, abilities and labor power of an individual. He argues that the difference between human- and nonhuman capital is so great that it would make little sense to try to calculate the sum of their value. More importantly, in order to understand the growth and distribution of capital assets it is better to focus on the latter.

Piketty also has a very different interpretation of capital when it is contrasted with the concept of wealth. The former, in the economic interpretation, is related to the accumulation of wealth by individuals. Some definition of 'capital' only include those forms of wealth that are directly employed in the production process. This refers to machines, buildings, infrastructure, etc. but excludes land, natural resources and the like. However, for Piketty, the distinction between wealth and capital is unhelpful since this distinction is often hard to make. For example, it is difficult to make a distinction between the value of a land itself and the value of that land after it was improved by human labor, for instance through fertilization and irrigation. The similar argument can be made for the value of natural resources. It is almost impossible to distinguish their value from the investment and labor required to uncover and obtain them.

Most notably, Piketty even includes residential real estate into his definition of capital. To him it shows the two major economic functions of capital, first as a store of value and second as a factor of production. Normally real estate, like land and natural resources, is considered to be unproductive. But even for real estate this distinction is not that easily made and Piketty argues that real estate can be interpreted as both (Piketty, 2014, p. 49). On the one hand, residential real estate can function as a store of value, but it can also be seen as a productive capital asset that yields housing services. On the other hand real estate can be a factor of production when it is an office, factory, etc. These are relevant factors for the production of goods and services by both companies and governments.

Because of this dual role Piketty argues that the difference between wealth and capital is unimportant. For the sake of simplicity, Piketty uses the terms wealth and capital interchangeably "[…] as if they were perfectly synonymous." (Piketty, 2014, p. 47). By taking wealth and capital to be synonymous it becomes possible to relate income from labor to accumulated wealth. As such, all the necessary data to analyze the distribution of wealth and income can be found in the distribution of capital and labor as part of the total income.

[1] Capital usually only refers to those goods or non-financial assets that are directly employed in the production process. (Piketty, 2014, p. 47)

The Two Laws of Capitalism

It is this relation between income and capital that Piketty is interested in. Income can be seen as a flow of produced goods and their distribution. Capital, on the other hand, is a stock. It shows the concentration of wealth, accumulated or appropriated, in all prior years. Combining these two makes it possible to measure the share of capital as part of the total income.

The calculation is tautological, since it follows from the given definitions. Piketty therefore also refers to it as the first fundamental law of capitalism. This law states that the share of capital in the national income is the multiplication of the rate of return on capital by the capital/income ratio. The capital/income ratio is denoted with the Greek letter **β**. It is measured as the equivalent of the national income. For example, if the national wealth is 7 times the value of the national income, than β is 7. The rate of return on capital is denoted simply as ***r***. The rate of return on capital is the percentage of income that is generated by a capital investment. In other words, *r* of 5 means that the invested capital will return 5% of the original investment per year. The share of capital in the national income is denoted with α. So the denotation of the first law of capitalism is:

$$\boldsymbol{\alpha = r \times \beta}$$

With the given examples, this gives: α = 35%. This means that a 35% share of the national income is coming from capital. The rest of the national income is therefore derived from labor.

The capital/income ratio is of great importance to the calculation of the share of capital in the national income. The ratio between capital and income indicates how capitalistic an economy is[2]. In order to understand this ratio, Piketty introduces what he considers to be the second fundamental law of capitalism. This law is a simple representation of the ratio between capital and income measured in relation to the growth of total income. This is done by relating the savings rate and the growth rate, given as percentages of the national income.

The height of a national savings rate is determined by looking at the percentage of national income that is saved rather than spent. As such, the heights of saving rates can vary significantly. It gives some insight in a population's view of the future. It is influenced by cultural background, national history and predictions of the future. The savings rate is denoted with the letter ***s***, and indicates how much of the national income is set aside. The rate of growth measures the growth of the national income and is denoted as **g.** The second law states that the savings rate divided by the growth rate determines the capital/income ratio. So the other denotation of the second law of capitalism is:

$$\boldsymbol{\beta = s / g}$$

This means that a higher savings rate leads to a greater capital/income ratio, and that a growth in the economy leads to a smaller ratio. Piketty argues that this second law should be seen as the "potential equilibrium level toward which the capital/income ratio tends in the long run." (Piketty, 2014, p. 170) Only if it is assumed that a country saves '***s***' and the sustained growth is '**g**' can it be argued that **β = *s* / g** is achieved. It does not take into account external 'shocks' that could affect the height of **s** and **g** on the short term such as war, political upheaval or economic crises. The second law is an approximation of the stable relation between the growth rates and the savings rates of an economy.

[2] I use the term 'capitalistic' here without any of its political connotations. It does not stand as an opposition to communistic. Instead, it refers to the levels of influence of capital has on the production of wealth in an economy. Higher shares of capital indicate that value is created as an effect of capital accumulation, rather than an effect of production.

The two laws of capitalism are the fundamentals with which Piketty analyses the economy. By looking at the rate of return on capital, the savings rate and growth rate, we can get an understanding of the importance of either labor or capital in a given economy over a given period. For example: a society with a high growth rate, a low savings rate and a low return on capital will have a national income that is mostly derived from labor. On the other hand, a high savings rate and a high return on capital will lead to a larger share of capital in the national economy. The latter of these economies would be much more capitalistic than the former.

However, the laws themselves do not give any information as to how the magnitude of the variables are created. Economic, political and social influences are all relevant in determining the actual scope of growth, savings rates and rates of return. This is why Piketty emphasizes the role of non-economic historical data in his research. Although his dataset can give us some insight into the role of capital and labor, they are incomplete without their historical context. For example: the savings rate of a country is dependent on the population’s view of the future. This is informed by the political, social and historical situation of a nation at a given time in history. Nevertheless, the laws show the interdependence of the rate of return, the savings rates and the growth rate, regardless of these non-economic factors.

Measuring Inequality

A History of Inequalities

In order to gain insight into the actual forms of inequality of an economy, it is necessary to look more closely at the historical data. In their paper *Inequality in the long run* Piketty and co-author Emmanuel Saez try to show how the economic distribution changed in the last century. Their primary focus is on the differences in income, the way it has changed and the dynamics that govern this distribution. In this analysis, they explicate the roles of private capital and labor in the context dynamic of income inequality. The article uses the same data set as Piketty's *Capital in the Twenty-First Century* and presents many of the same arguments.

In this article Piketty and Saez look at the growth of income and wealth that is owned by the upper class. This upper class is not meant is a social-economic way (with all its connotations) but rather serves as a name for the top 10% of highest earners of a nation. By adding the income of the top 10% of the distribution together, it can be demonstrated how great their share of the total national income is[3]. This gives an indication of how concentrated income is.

These percentages of income and wealth distribution need some context. Only in a theoretical strict equalitarian society would the top 10% of earners be nonsensical. In such a society every percentage of the population would earn an equivalent percentage of total income and own an equivalent share of private capital. However, no historical precedent exists for such a society. Instead Piketty focuses on real historical examples in order to come to an informed conclusion about the dynamics of income distribution.

Forms of Inequality

Just like the national income, individuals incomes can be made up of either income from labor or income from capital. Income from labor is often equated to wages. The term wage inequality is often used, but this usually refers to the income from labor rather than just the inequality from wages. This means that the income from nonwage labor[4] should also be included. Like Piketty and Saez, I will use the terms as if they were equal: wage inequality refers to the inequality of income from all forms of labor. Income from capital is made up of all income for the private ownership of capital, like rents, dividends, interest, profits, etc. This income is therefore not directly dependent on labor.

This distinction also makes clear that possible inequalities of income can be multifaceted. First, there is the inequality of total income, i.e. the total income from both capital and labor. Second, there can be inequalities of those parts individually. The greater the inequality of both income from capital and income from labor, the greater the total inequality will be. However it is possible that income of capital is equally distributed and income from labor is not, or vice versa. Both parts of the totality can themselves be equally or unequally divided. This leads to a third form of income inequality. It concerns the relation between the inequality of labor and capital income and their share of the total income. This can make insightful that a high total income depends on both a high income from capital and labor, or it can rely on the income from either capital or labor.

[3] Piketty defines the middle-class as the middle 40% and the lower-class as the lowest 50%. Although in some cases the highest 1% of earners is also used.
[4] Labor that is not part of the employer/employee structure often as independent contractor. This type of work is often found in small businesses and in the professions, e.g. merchants, craftsmen, doctors, lawyers.

Piketty argues that the focus on these different aspects of income inequality is necessary for two reasons. First, the dynamics that govern the distribution of capital and labor income are very different. Different political, social and economic aspects help to shape the height of both types of income. The demands of the labor market as well as the state of the educational system help shape the distribution of labor income. Furthermore, the height of wages are also determined by the institutions and rules that regulate the labor market. These are very different for the distribution of capital income, which is determined by savings and investment behaviors, developments in real estate and the financial market and the laws and regulations of inheritance and gift giving. Secondly, there is a normative and moral reason for this distinction. Since the distribution of capital and labor income is governed by different principles the justification given for these will differ as well.

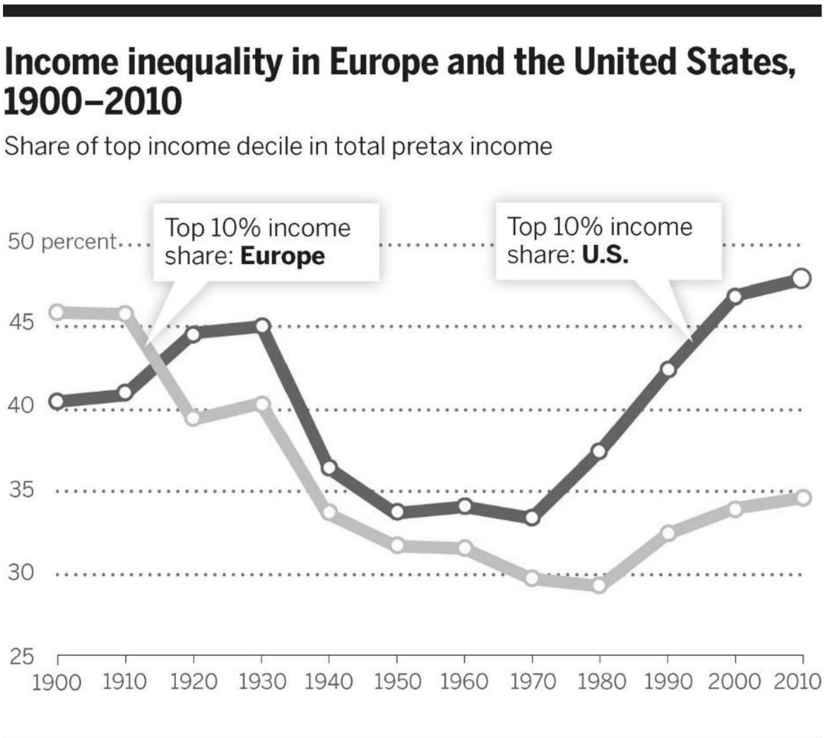
By comparing the concentration of income and the division of wealth, Piketty and Saez are able to draw some valuable conclusions. The combination of these two elements helps to understand the role of capital as share of the totality of income. Since income is a combination of income from capital and income from labor, it shows what role both play in the dynamic of income distribution. Piketty and Saez therefore argue that: “This ratio is of critical importance for the analysis of inequality, as it measures the overall importance of wealth in a given society, as well as the capital intensity of production.” (Piketty & Saez, 2014, p. 840) This allows us to look more closely at the underlining dynamics and what this means for our normative valuation of these inequalities.

Distribution of Income

Piketty and Saez took the collected data on the pre-tax income of the upper-class from Europe[5] and the United States and compared them to each other (figure 1). The historical changes in the distribution of income in Europe and the United States show three conclusions. First, the previous century saw significant changes in the inequality of income. These changes take the shape of a distinct u-line. In both Europe and the United States a drop in the inequality of is seen in the first half of the twentieth century, lasting to roughly the 1970’s. However, this tendency towards greater equality did not last. Both Europe and the United States show a remarkable growth in concentration of income in the last few decades.

[5] In their article Piketty and Saez use the average of the United Kingdom, France, Germany, and Sweden to create their findings of Europe (Piketty & Saez, 2014, p. 839). These findings are the same as those presented in Capital in the Twenty-First Century (Piketty, 2014, pp. 323, 324).

Figure 1



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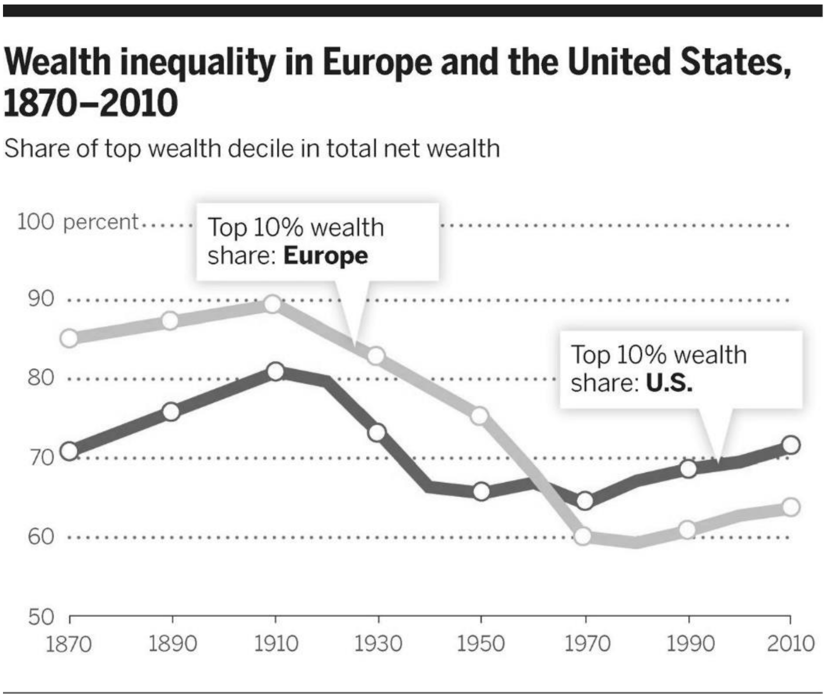
Secondly, the growth of inequality has been much more significant in the United States than it has been in Europe. Around 2010 more than 45% of the total income of the United States was concentrated within the upper-class, compared to around 30% in Europe. Because of this, the levels of concentration of income in the United States have not only returned to the levels that were observed at the dawn of the twentieth century, they in fact have even surpassed them.

Thirdly, there has been a reversal of positions with respect to income concentration. Europe was more inegalitarian than the United States at the beginning of the twentieth century. However, during the 1910s the level of income concentration in Europe dropped. In the United States the level continued to grow, reaching levels of concentration of income during the 1920s comparable to Europe in the 1910's.

Distribution of Wealth

This reversal of position between Europe and the United States is also true for the concentration of wealth. The data on the concentration of wealth (figure 2) also shows a drop at the beginning of the twentieth century and a growth in the latter half. These developments are nonetheless different. First, the concentration of wealth is much more extreme than that of income. Piketty states that this is a regularity that can be observed in all countries in all periods for which data are available. (Piketty, 2014, p. 244)

Figure 2



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He illustrates these extreme forms of wealth concentration by comparing them to the concentration of income from labor. The top 10% of the labor distribution receives a total of 25-30% of total labor income, whereas the share of the top 10% of the capital distribution is always more than 50% of the total wealth. As shown in figure 2, in Europe at the start of the twentieth century this percentage was as high as 90% of total wealth.[6] The middle class and lower class owned only 5% of the total wealth respectively. (Piketty & Saez, 2014, p. 839) In other words, the upper class owned almost all of the wealth, the lower and middle class were almost equally poor.[7]

Additionally, this distribution is also more unequal for the rest of the population. When the distribution of income and wealth between the lower class (the lowest earning or wealth owning 50%) and the middle class (the middle 40%) are taken into account, the inequalities persist. Piketty notes that with respect to wealth, in general, the share of the lowest 50% of the capital distribution is generally only 5% of total wealth, whereas their share of the income distribution measures around 20-30%. (Piketty, 2014, p. 244) This means that in most countries throughout history almost half the population has had no or a very limited idea of the role and the effect of capital. This creates a problematic difference in perspective. Piketty concludes: "[…] wealth is so concentrated that a large segment of society is virtually unaware of its existence […]." (Piketty, 2014, p. 259)

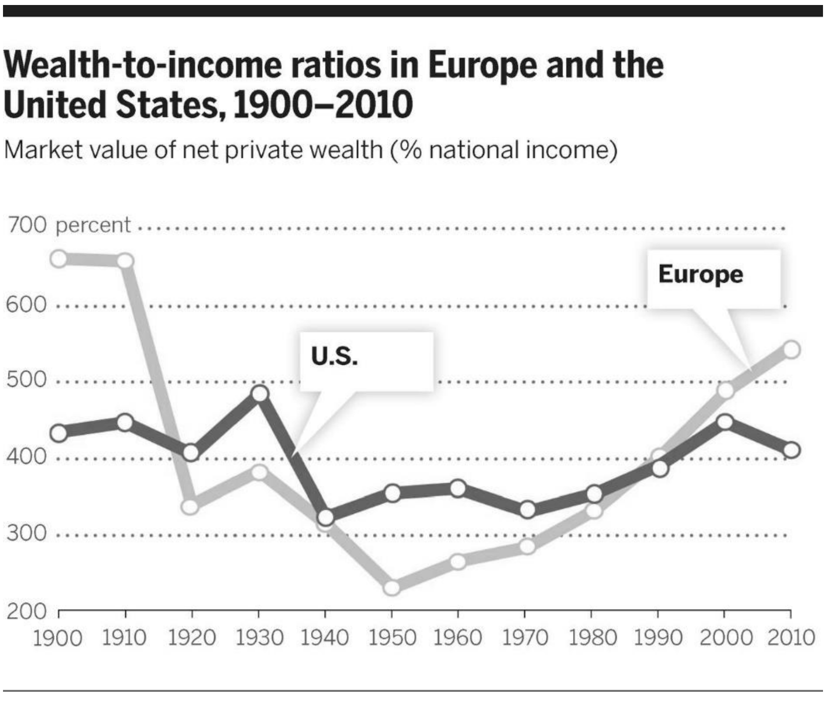
[6] For the same argument in *Capital in the Twenty-First Century*, see Piketty, 2014, pp. 343-345.
[7] Although the share of capital ownership of the middle- and lower class seem equal, they are not. Since the lower class is 10% larger in size than the middle class, their individual shares in the total wealth are lower.

In this regard, there is a significant difference between the United States and Europe. Piketty and Saez argue that, in the United States, a decent share of the wealth was concentrated in the middle-class. Since the share of wealth owned by the lower-class has always been negligible, the middle 40% of the distribution has always laid claim to at least 20-30% to the total wealth in the United States. Although such a share might seem minor in comparison to the 70-80% owned by the upper-class, it is a lot in comparison to the 5-10% owned by the middle-class of 1900s Europe. Piketty and Saez conclude that, in an important sense, the United States has always known a patrimonial middle-class (2014, p. 839).

The Wealth-to-Income Ratio

In order to contextualize this difference Piketty and Saez look at the role of private wealth with respect to the income differences. To illustrate this, they use the aggregate income-to-wealth ratio (see figure 3). This ratio is calculated by comparing the value of total private wealth to the height of the national income. This is similar to Piketty's capital/income ratio, with the difference being that the latter includes national capital, while the former only looks at the value of private owned wealth. It is therefore natural that the growth of the wealth to income ratios in Europe and the United States follow a similar path to the development of the capital/income ratio.

Figure 3



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The changes of the wealth-to-income ratio in Europe are much more volatile than those of the United States. Piketty and Saez note that the data for Europe follows the same pronounced U-shape for all the different countries that they could find data for. (Piketty & Saez, 2014, p. 840). From a height of almost 7 years of national income, the European net value of private wealth dropped to a historic low of almost 2 years of national income in the 1950's only to rebound to more than 5 years of national income in 2010. In the United States a dip can be seen in the mid-20th century but the value of private wealth remains around 4 to 5 years of national income.

In contrast, the United States show a relatively low wealth-to-income rate. This clearly shows that the role of capital in the United States is much less prominent. This also means that the explosive growth of income inequality in the United States is not directly related to the accumulation of private wealth, but to significant inequalities in labor income.

As such, the economic development of inequality in the United States and Europe becomes emblematic. Both point towards a growth of income inequality for very different reasons. The first, in the case of the United States, points towards a fundamental difference of labor. The second, in the case of Europe, points towards inequalities in ownership of wealth.

These wealth-to-income ratios become relevant when comparted with the development of income inequality (figure 3). This comparison shows how much of a role private wealth has played in the growth of income inequality. And since the rest of income inequality will be related to income from labor, it illustrates the dynamics that govern the changes in income inequality. Here, the differences between the United States and Europe become exemplary. It becomes clear that, historically, the role of capital has been much more prominent in Europe than it has been in the United States[8]. At the beginning of the 20th century, the large difference between income in Europe was largely due to wealth inequality. And the graph clearly shows that the rise of income inequality in Europe is again down to the distribution of capital.

Inequality of Labor Income: Supermanagers

In *Capital in the Twenty-First Century*, Piketty argues that the increase of wage inequalities in the United States in 2010 cannot satisfactorily be explained by the standard economic interpretation. In standard economic theory, changes in wages are explained by the theory of marginal productivity and the race between education and technology. (Piketty, 2014, p. 330) The theory of marginal productivity argues that the way income of labor is divided is largely dependent on the productivity of individuals. This, combined with the skills of workers and the supply and demands of those skills, should explain wage inequalities according to the widely accepted theory.

Although this theory gives some insight in the dynamics of wage inequality, it does not explain the explosive growth of inequality in the United States, or why the inequality is so extreme. For example: the levels observed in the United States in 2010 are greater than those of India and South Africa in the last century. Piketty argues that if the theory of marginal productivity is correct, this would mean that even with the high levels of illiteracy in India in the recent past and during the apartheid regime in South Africa, the level of skills and productivity in the United States in 2010 was somehow still lower. (Piketty, 2014, p. 330)

[8]This can be illustrated by comparing figure 2 and figure 3. Although the distribution of wealth in Europe is more equal than that of the United States, its wealth-to-income ratio is greater. This is not a mistake. The upper-class of wealth ownership can be a different group from the upper class of the income distribution. This change of position means that in Europe there are more households that are both part of the upper class of wealth ownership and also part of the top 10% of the income distribution, the United States has less.

Furthermore, the explosive growth of wage inequality has occurred in some countries while not in others, even though the levels of productivity and education are comparable. Aside from the United States other counties like Great Britain, Australia and Canada see a similarly sharp increase in the levels of income inequality. In all countries this is down to a significant growth of top incomes. (Piketty, 2014, p. 315) In contrast, wealthy nations such as France, Germany, Japan and Sweden do not show such a sharp increase. Piketty notes that their inequality of wage income has not changed much since 1945. (Piketty, 2014, p. 321)

Piketty attempts to explain these differences by arguing that the Anglo-Saxon countries have seen a rise of what he calls "supermanagers". This is the name Piketty gives to the group of top executives who have been able to gain historically unprecedented levels of pay for their labor. In the upper branches of management, the height of wages is not simply measured by productivity and skill. Rather, as Piketty states, it is determined by hierarchical superiors, the executives themselves or corporate compensations committees whose members usually are among the highest earners themselves. (Piketty, 2014, p. 331) This dynamic is not the result of some economic law. When comparing the extreme high pay of the top executives there are big differences which are difficult to explain based on the observed performances of the companies. (Piketty, 2014, p. 334) Instead it should be seen as the result of political decisions and the social acceptance of certain types of inequality. The praxis that top executives are able to determine their own or each other's pay has no logical limits and will likely result in growing income inequality.

Inequality of Capital Income: 'r>g'

The second powerful dynamic pushing towards the growth of income inequality is the growth of private wealth. The fact that private wealth can lead to massive differences in income is clearly shown by looking at the data of all major European countries up until 1910. The data have shown that the levels of private wealth owned by the top 10% of the population of some European countries was almost as high as 90%. (Piketty & Saez, 2014, p. 839) In Capital, Piketty notes that this concentration was even more clearly visible at the very top: the share of the 1% in Britain's wealth distribution in 1910 was almost 70%. (Piketty, 2014, p. 334) This high concentration of wealth at the very top was also visible in France and Sweden.

The reason Piketty gives for the massive inequalities in the shares of private wealth is down to the fact that historically the economic growth rates have been low. A historical analysis of the growth rates[9] has shown that throughout history these have not been above 0.2%. (Piketty, 2014, p. 353) Piketty points out that, in contrast, the rates of return on capital have been relatively stable at around 4 to 5%. Even in the most generous of estimates the rate of return has never been lower than 2-3% (Piketty, 2014, p. 353) Which means that the return of capital has always been much higher in the long run than the growth of the economy.

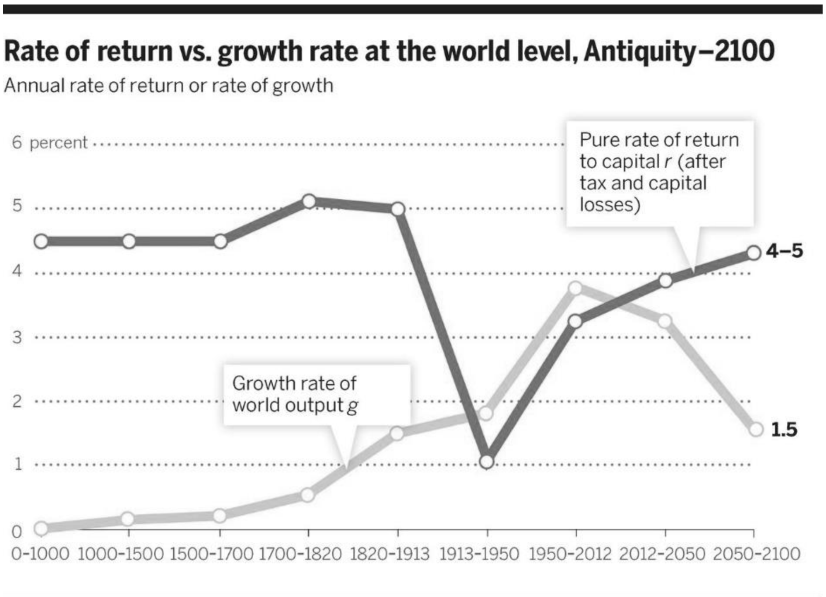
[9] The overall growth rate is based on the demographic growth and the economic growth. Economic growth is, as explained, based on the per capita output. The relation to demographic growth is simple: the more people there are, the more people can produce goods and services, the larger the economy. It is assumed that throughout history this levels of growth have been relatively stable.

Since this difference between growth and return on capital is so significant and durable, Piketty argues that it is all but inevitable that inheritance predominates over saving. (Piketty, 2014, p. 378) This is why the two laws of capitalism are important. The second law shows that the savings rate is related to growth, while the rate of return on capital is related to capital stock. Because of the low economic growth rates, the savings rate has been of negligible effect, while the high rate of return on capital has been high. In other words, the accumulation of capital through labor has been negligible when compared to the accumulation of inherited wealth. Inherited wealth created more wealth, showing that throughout most of history, the growth of inequality has been shaped by a self-reinforcing dynamic[10]. Piketty formulates this difference between the historical levels of growth and the historical rates of return as the dynamic 'r>g'. (Piketty, 2014, p. 353) It is important to emphasize that this is not some economic law or logical necessity. It is very much possible to imagine a society in which r>g is not the case. Still, it is a matter of historical fact that the rate of return on capital has been significantly higher than the growth of the economy.

The Twentieth Century in Perspective

When these historical figures are compared with the data Piketty has collected for the twentieth century, it becomes clear that the previous century has been very different (see figure 4).

Figure 4



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[10] This means that r>g is an amplifier for inequality. Given a completely egalitarian distribution of both wealth and labour income, the fact r>g would not directly lead to any form of income inequality. Instead, Piketty's argument is that random shocks to individual inheritances and rates of return create inequalities that are amplified on a long term by r>g (Piketty, 2015, p.74)

The levels of inequality of the *Belle Époque* were severely diminished in the period of, and following, the two World Wars. This drop of capital value can be attributed to three factors: the physical destruction of capital as result of the wars, a lack of investments and a drop in the value of asset prices. The physical destruction of capital played only a minor role compared to the political and budgetary shocks. It claims only one-third of the decline in Germany, one-fifth to a quarter in France and not much more than 10% in Great-Britain. (Piketty, 2014, p. 147) On top of this, there were further social and political aspects that helped to diminish capital/income ratio. First, the period was marked by a very low savings rate. Second, the value of assets (e.g. real estate and investments in the stock market) were low due the political climate of the 1950s and 1960s. Rent control, nationalization, capital controls, and various forms of financial repression policies reduced the value of assets and the power of their owners.

Because of this collapse in the value of capital, wealth became more equally distributed among the population. Although the lower class still received a minor share of the total wealth, it did lead to an increase in the owned wealth of the middle class. This is especially true for Europe. The collapse of capital value fundamentally changed the distribution of wealth in society. However, in the United States the value of capital has always been lower. Because of this, it can be argued that a wealth owning middle-class has always existed. From this perspective, the middle-class suffered a setback at the end of the nineteenth century. The twentieth century saw them regain some status, only to suffer another setback after the 1980s.

Furthermore, due to technological and medical developments, both the per capita output and the demographic growth increased rapidly. These developments led to the observed high rates of economic growth. The combination of the destruction of capital, the political climate of the time, and exceptional growth created what Piketty rightly calls a "historically unprecedented situation." (Piketty, 2014, p. 356) For the first time in history economic growth became a factor in the distribution of wealth and income.

A Future of Capital.

During the twentieth century there has been a combination of non-economic factors that have helped to create a short period in history in which income inequality diminished. But this appears to be an exception rather than a rule. The massive drop in the capital/income ratio is the consequence of external shocks: the World Wars and the Great Depression. Or, more accurately, the drop of the capital/income ratio is down to the political and social changes these events brought about. The value and the composition of the total stock of capital changed dramatically. The accumulated wealth of the previous centuries was forcefully altered, but the closing decades of the century show that the capital/income is returning to previous levels.

As can be seen in figure 4, this is in part due to diminishing growth of the economy. Piketty estimates that the rate of growth of worldwide rates of production in the next century will slow down significantly, dropping to as low as 1.5% in the second half of the next century. Piketty argues that this is a relatively optimistic view. It assumes that the wealthiest countries of the world would have a sustained growth of productivity around 1% and the emerging economies will continue to converge with the rich economies without major hindrances, none of which is guaranteed. (Piketty, 2014, pp. 99-102) The exact timing and the severity of this drop of growth might be disputed, but what is clear is that the high growth rates of the twentieth century will not return. This, in combination with a high savings-rate, will naturally lead to an increase of the capital/income ratio in the long run.

The other aspect of this development is the high rate of return on capital. Piketty notes that there are two major reasons for this development. First, an increase in privatization and the transfer of public wealth to the private sector. After the shocks of the great depression, a greater degree of interventionism was adopted by many countries. This led to an increase in the share of public owned capital. However, many of these interventions have been overturned in the previous decades, leading to a shift in the balance between private and public capital. Piketty notes that there is an observable decrease of the public capital in the period 1970-2010 which is accompanied by an increase in the private capital. (Piketty, 2014, p. 184) A development that is observable in all of the richest 8 economies. Second, there has been a rebound of asset prices. In the aftermath of the World War II, the prices of real estate and the stocks fell to a historical low. The value of such assets hit a historic low point in the 1950s due to financial regulation, a political climate unfavorable to private wealth and rent control laws. However, the asset prices increased rapidly after 1980 and have since recovered. (Piketty, 2014, p. 188)

It is the combination of these three factors that have led to the increase in the role of capital in income distribution. However, the future of this development remains uncertain. Not only because any future scenarios remain unpredictable, but also because the historical data concerning this subject is limited. Nevertheless, the most extensive data set on the subject points toward a return of capital as the important power in the distribution of income.

Inequality in the Long Run

The previous chapter shows how Piketty analyzes the development of income inequality in the previous centuries. He concludes is that there is not one single dynamic that governs the whole of the distribution of income. Instead, there are simultaneously different forces that push towards growing or decreasing inequalities of income. Important is, that these forces cannot be reduced to purely economic mechanisms. Social, historical and political changes can have just as much effect.

It is therefore impossible to predict with certainty how the future will look. Yet, if history can teach us anything, it is that there is a substantial role for capital in the dynamics governing income inequality. Although the data on capital is limited, some conclusions can be drawn concerning its effect. The return to low rates of economic growth means that capital will likely play a more prominent role in the economy. Due to relatively high rates of return on capital, the consistency ‘r>g’ will not remain a historical fact, it will also be our future. Capital accumulation forms a self-reinforcing dynamic pushing towards greater inequality and there is no natural, spontaneous process that would sufficiently counteract this force of divergence.

In order to understand Piketty’s defense for a global tax on capital, it is necessary to understand which elements of this dynamic are morally relevant. The following chapter will look at the philosophical work of John Rawls and Amartya Sen and what they consider the role of justice in society. It will show how economic inequalities can pose a significant moral problem.

Chapter II: Ethics

Ethics and Inequality

A Useful Utopia

Piketty argues that this self-reinforcing growth of capital is problematic. It shows that economic growth is naturally balanced. Instead, the historical distribution of wealth only benefited a very small percentage of the population. The development of income distribution in the last decades points towards a return of such high levels of inequality. Since there is no economic force that naturally counteracts this development, Piketty argues in favor of a political intervention: a progressive, global tax on capital. This defense should be interpreted as a theoretical exercise. It points towards those elements that Piketty finds unsettling about the growth of capital. He therefore refers to this global tax as an 'utopian idea'. (Piketty, 2014, p. 515) It can serve as a benchmark that can be useful to test other ideas against. The reason for a progressive taxation on capital is based on two main arguments.

The first reason for Piketty to defend taxation of capital is its effect as an element that balances the distribution of wealth. It does so in two ways. First, by directly suppressing the rates of return on capital. In fact, the low rate of return on capital in the twentieth century was largely down to taxation. Figure 2 shows the ***pure*** rates of return on capital. That means, after taxation and considering the physical destruction of capital during the period 1913-1950. When taxation is taken out of the equation, the estimated rate of return on capital remains around 4,5%. (Piketty, 2014, p. 354) But Piketty thinks it is doubtful that the current levels of taxation that are applied to high incomes, profit and wealth will remain. Since the 1980s there has been a change in the ideological climate concerning taxation. The need to compete in a globalized economy has created historically unprecedented levels of competition. The consequence has been that tax rates have dropped rapidly, and in some cases, have almost entirely disappeared. (Piketty, 2014, p. 355) Piketty fears that, without some new form of political intervention, this competition will eventually drive down the levels of taxation to virtually nothing.

The second way taxation balances the distribution of wealth is by financing public services. Piketty notes that all governments of the richest countries developed into "social states" in the Twentieth Century. (p.477) Rather than only limited involvement in economic and social life[11], governments took on a broader social function. Modern redistribution is not just aimed at transferring income from the rich to the poor. Taxation was increased by governments to provide public services in the areas of health, education and pensions. This development created greater equality by ensuring specific goods and services are accessible to all citizens. This is specifically helpful to the least well off in society, who would not have been able to afford these goods and services without this intervention.

The second argument for Piketty to defend a global tax on capital is that it would expose wealth to democratic scrutiny (p.471). The relevance of democratic scrutiny of the economic system seems self-evident to Piketty. The effects of the economic distribution shape the lives individuals can live and shape society in a fundamental way. Piketty argues that it is natural that this leads to sharp, but often conflicting political opinions. These conflicting opinions cannot be easily solved by expert opinions, theories or economic equations. He concludes that there is no way to answer the question of the right economic distribution other than '[…] democratic deliberation and political confrontation.

[11] In the nineteenth century had a 'regalian' function. It limited itself to police, army, courts, foreign affairs, generals administration, etc.

A global taxation of capital would aid this democratic scrutiny by creating insight in the actual distribution and concentration of capital. One of the main issues Piketty encountered in his research is the lack of available data. This is not only due to the limited historical accounts that kept track of the development of the concentration of capital. The current collection of data on the subject is still limited. (Piketty, 2014, p. 281) Income from investments is easier to hide from taxation than the income from wages: for example by using foreign bank accounts. And some categories of capital income are even legally exempt from taxation. For all intents and purposes the estimated top share of capital income should be seen as a low estimate. A global taxation of capital assets would provide an opportunity to counteract international forms of tax avoidance. Even a very low taxation of capital[12] would provide some form of declaration of ownership of all assets, providing a transparent picture of the flow and concentration of capital.

Such a global tax on capital would be an immense international undertaking. Although it is exactly this point that makes its realization unlikely, it simultaneously points towards a specific problem with the current situation; a lack of international cooperation. For example, Piketty notes that a global tax would force some sort of international agreements concerning the sharing of banking data. (Piketty, 2014, p. 521) It would force current tax havens to comply with an international standard and as such limit the possibility of taxation through foreign accounts. Regaining democratic control on the global economic system cannot be achieved by national policies alone, international cooperation is also necessary.

Descriptive and Normative Claims

The point of Piketty's global tax is not just to increase information and to enforce global cooperation, these two arguments only support his main argument. To make informed decisions on the subject of the role of capital in income distribution information and political cooperation are necessary. By creating a clear of picture of the actual concentration of capital and by enforcing global cooperation, financial regulation would be much easier to implement. The exact content of this regulation is still to be determined. Only through democratic deliberation and political confrontation can society determine which form of economic distribution is justifiable. When we understand the role of capital more thoroughly are we able to see what, if anything, is problematic about it and what can be done to counteract it.

This is where Piketty's argument makes a monumental shift. The majority of his work was concerned with what he called 'the historical narrative of income and wealth inequality'. It concerned itself with the multidimensional history that drove the dynamics of distribution towards greater equality or to greater inequality. This has largely been a descriptive claim about the historical state of wealth and income. Piketty argues that this study of the distribution of wealth and income is an integral part of economic theory. Differences in income and wealth are not natural or value free. They are a consequence of specific evaluation of which forms of inequality in a society are justifiable. In much of his work, Piketty operates as a historian of economics. He only gives a description of the historical levels of inequality. He sketches the justifications for these distributions and their historical context. Piketty believes that to understand the dynamics of distribution, it is necessary to understand these representations and beliefs systems about income and wealth. He would call them an integral and indispensable part of the study of income and wealth dynamics. (2015, p.69)

[12] Piketty argues in favour of a relatively low progressive taxation: 0.1-0.5% for assets under 1 million euros, 1% for everything between 1 and 5 million and 2% above 5 million. (Piketty, 2014, p. 572)

The problem with his arguments for a global tax is that it seems to muddle the water between normative and descriptive claims. On the one hand, his defense for a global tax on capital is based on the descriptive claim that there is a lack of data, current and historical, on the role of capital in the distribution of income. Piketty follows this by a functional normative claim. He argues that in order to gain a better understanding of the dynamics more information is required. By implementing a global tax on capital this lack of information would be addressed. It would give a clearer picture of the actual developments. In turn, this would make any decision made on what ought to be done much better informed.

However, Piketty then continues his argumentation with two distinctive ethical claims. First, he argues there is a necessity for more information on the role of capital. We ought to be able to regulate the dynamic of income distribution, and therefore we should be well informed about it. Secondly, there is a valuation of the described dynamic of capital as part of the income distribution. Piketty concludes that this growing importance of capital is problematic and needs to be counteracted. Surprisingly, in a later work, he emphasizes the first ethical claim over the latter (Piketty, 2015). Although *Capital in the Twenty-First Century* is thoroughly concerned with the growing inequality of wealth and income, its main focus is on the dynamic itself and our understanding of it.

The importance of Moral Reasoning

In order to understand this shift it is necessary to understand the different normative aspects that are relevant when discussing inequality. In her review of Piketty's *Capital in the Twenty-First Century,* Ingrid Robeyns, addresses the fundamental importance of normative questions about inequality. (2015, p. 76) The normative analysis of inequality has a double purpose. First, it helps determine the forms of inequality we find inexcusable and provide reasons why this is the case. In order to establish that inequalities exist in the first place it needs to be determined what is measured and why those measurements are relevant. Moreover, these measurements are relevant for the second type of questions. These second type of questions are concerned with what we ought to do about the inequalities we find relevant. Only if there is some agreement on which forms of inequality are relevant, can they be measured and if necessary be counteracted.

Piketty is negligent in his analysis the first type of normative questions about inequality. It is often unclear what the relevant forms of inequality are to Piketty. A clue to the fact that it is not only limited to the inequalities of income can be found in the introduction of *Capital in the Twenty-First Century*. The introduction starts with the second sentence of the first article of the *Declaration des Droits de l'Homme et du Citoyen* (1789)[13], which is translated as: Social distinctions can be based only on common utility.

[13] Hereafter referred to as the *Declaration*.

The explanation given for this introduction is sparse. It is limited to a mere 2 pages of his 577 page book (Piketty, 2014, pp. 479-481) Piketty focusses on the tension between the first and the second part of the first article. The full article reads: men are born free and remain free and equal in rights. Social distinctions can be based only on common utility[14]. Piketty asks: How to balance the theoretical equality of rights of everyone with very real forms of inequality? (Piketty, 2014, p. 480) By pointing out this article in the *Declaration*, Piketty implies two things. First, that there is a tension between liberty and inequality. The regulation of inequalities is necessary to certain liberties that are equal to all. Secondly, by referring to the *Declaration*, he implies that the justification of inequalities is a societal matter. There is a distinctive role for social and political evaluation and decision-making when it comes to answering the question which forms of inequality are justifiable.

This idea accepts that equality should be seen as the norm and puts the burden of proof with the justifications of existing inequalities. Important is that the differences that Piketty is thinking about are not only the inequalities of income. Social inequalities are also included. In this broad interpretation of the first article of the Declaration the point is that "[…] basic rights and material advantages must be extended insofar as possible to everyone, as long as it is in the interest of those who have the fewest rights and opportunities to do so. (Piketty, 2014, p. 480). Piketty does not go into much detail as to what these 'basic rights' and 'material advantages' exist of. Instead, his defence for this interpretation is little more than referencing the 'difference principle' of John Rawls and the 'capabilities approach' of Amartya Sen, arguing that his interpretation follows a similar basic logic and has the same intent. (Piketty, 2015, p. 480) Because of this, Piketty does not discuss two of the fundamental aspects of the normative questions about inequality: what forms of inequality we find inexcusable, and why we find them inexcusable. The answers to these questions are never made explicit, they are only implied.

It can be argued that, as a historian or an economist, these normative questions are not a primary concern to Piketty's work. However, I would claim that such an attitude would be incompatible with some of Piketty's arguments in *Capital in the Twenty-First Century*. First, Piketty argues that the questions surrounding the distribution of wealth should be addressed with an interdisciplinary approach. Concerning the dynamic of wealth distribution and the structure of social classes he states: "Disciplinary disputes and turf wars are of little or no importance." (Piketty, 2014, p. 33) In addition, he states it is time to "[…] start with the fundamental questions and try to answer them." (Piketty, 2014, p. 33) When addressing the questions concerning income inequality the normative questions are fundamental. They provide the explanation of what is being measured and why this is important. Consequently, these fundamental normative questions are also a concern to Piketty's historical analysis of inequality.

I argue that this makes Piketty's shift from his historical analyses to his policy recommendation problematic. He undermines his own analysis by claiming that a system of beliefs concerning income and wealth are of fundamental importance, while simultaneously never making his own normative assumptions explicit. His plea for a global tax on capital is an argument for ***what*** we ought to do: create democratic regulation of the economic system and counteract the growth of income inequality. Piketty does not explain ***why*** we ought to do this.

[14] In its original French from, the article reads: *Les hommes naissent et demeurent libres et égaux en droits. Les distinctions sociales ne peuvent être fondées que sur l'utilité commune.*

Because of this, the interpretation that Piketty gives to the first article of the Declaration of Rights of the Man and the Citizens is ambiguous. He does not explain why this article of the declaration is of such importance. He only argues that points towards the similarity of his interpretation with the philosophical works of Rawls and Sen. It remains unclear how much of his argumentation is directly inspired by their work[15]. Piketty makes a distinctive ethical claim with his global tax on capital, which should be accompanied with its own argumentation. Without an explanation about the relevant forms of inequality, it remains unclear how global taxation of capital is a solution. The next few chapters will provide an analysis of the works of Rawls and Sen, and the ethical claim they make therein. This will help explicate Piketty's normative assumptions and understand his defence of a global tax on capital.

[15] Robeyns however mentions that in personal correspondence Piketty admits that Rawls and Sen have been important for his argumentation. (2015, p. 80)

A Theory of Justice

Justice as an Ideal

The reference Piketty makes to the 'difference principle' of John Rawls is not a complete argument. Rather, it is a very specific aspect of a much larger project. In an attempt to get a clear definition and understanding of the role of justice in society, John Rawls wrote what would become one of the most influential philosophical works on the concept of justice: *A Theory of Justice* (1999). He summarized the importance of justice by nothing that: "Justice is the first virtue of social institutions, as truth is of systems of thought." (Rawls, 1999, p. 3) Just as a scientific theory needs to be reformed in order to accommodate the truth, social institutions should be reformed in order to accommodate justice. No matter how well functioning or effective they might be, if social institutions are unjust they should be reformed or simply abolished.

This claim is based on an abstract theoretical analysis of the concept of justice. Rawls' concept of justice is a narrow understanding of justice. It is aimed at what Jon Mandle called 'basic social justice' (2009). Rawls attempts to describe the most fundamental principles of justice which could function as regulatory guidelines for social cooperation. In this sense, his work has a similar goal as the *Declaration* of 1789. Both attempt to give an abstract foundation upon which a fair and just society could be built. Rawls' theory of justice is also much indebted to the traditional social contract theories. Like the traditional social contract theories, he tries to describe the process by which a group of people come to decide what form of social cooperation they will adopt. However, Rawls attempts to takes this idea of the social contract to a higher level of abstraction.

Rawls' aim is not to look at the constitutive moment in which the governing principles for a particular society or government are created. Instead, he tries to define the fundamental principles of justice that should form the fundamentals of cooperation, or as he calls it, the basic structure of society. These principles, according to Rawls, regulate "[…]all further agreements; they specify the kind of social cooperation that can be entered into and the forms of government that can be established." (Rawls, 1999, p. 10) Here, Rawls' project differs from that of the writers of the *Declaration* of 1789. Much like the philosophers of the social contract, the writers of the *Declaration* aimed to formulate the abstract principles for a particular society. But Rawls' aim is to find the abstract principles of justice that would be agreed to by everyone and would thus apply to all societies.

This marks a further distinction between Rawls' principles of justice and the traditional social contract theories: the way he achieves his level of abstraction through the use of thought experiments. Rawls states that what he calls 'the original position' is similar to the state of nature of the traditional social contract theories, but he emphasizes one specific element: the veil of ignorance. In his thought experiment, Rawls states that it is essential that in the original position "[…] no one knows his place in society, his class position or social status, nor does anyone know his fortune in distribution of natural assets and abilities, his intelligence, strength and the like." (Rawls, 1999, p. 11) With this addition, Rawls wants to set the influence of luck, natural chance or contingent social circumstances aside. Since nobody would have any knowledge of the position they will take in society beyond the original position, no one will be able to design situations that will benefit their eventual condition. The relations between individuals in the original situation are based on their equal state to each other as moral beings. For Rawls, this means that they are able to determine their own ends in a rational way; moreover he assumes that all have some sense of justice.

It is this equality of situation and the symmetry of everyone's relation towards everyone else that Rawls sees as the appropriate starting position to determine the fundamental principles of justice. The principles of justice that are agreed upon in the original position are agreed upon in a situation in which everyone is free and equal. The principles that are formulated in the original position behind the veil of ignorance are agreed upon because of the fairness of the situation. Rawls therefore names this concept 'justice as fairness'.

This is a fundamental insight. It makes fairness a criterion in and of itself by which social choices can be justified. The claim expressed in the first article of the *Declaration* of 1789, is an expression of this fundamental argument. On the basis of the principles of fairness it is argued that on the most abstract level there is equality for all. This concept of justice is more abstract and more fundamental than the different ways individuals determine what they understand to be good. It is the basic agreement of what justice should be. It formulates the most general principles of the cooperation between people. These principles can be measured by looking at how the concepts of fairness, freedom and equality are translated from the original position into actual rights and liberties. The formulation of these principles plays a fundamental role in the way Rawls thinks about justice in society. These principles will form the basic guidelines for the major social institutions that make up the basic structure of society.

Two Principles of Justice

Rawls has a very specific understanding of what he calls social institutions. He states: "[…] by an institution I shall understand a public system of rules which defines offices and positions with their rights and duties, powers and immunities, and the like." (Rawls, 1999, p. 47) This understanding of institutions as a 'public system of rules' is a broad and abstract use of the term. It extends the meaning of institutions to a whole range of social practices. Not only does Rawls think of political institutions, such as parliaments or economic institutions, such as markets and systems of property, he also includes games, rituals, trials and the like. The idea of institutions as public systems of rules implies, according to Rawls, that everyone is aware of the rules formulated by the system as if it were part of an agreement. (Rawls, 1991, p.48) That means: Participants are aware of the demands put forward by the system. Not only the demands put on them, but also the demands put on others. This public system of social institutions is what Rawls calls the basic structure of society.

In the original position, Rawls argues, people would arrive at two main principles of justice. In its most tentative form. he formulates them as follows:

> "First: Each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others. Second: Social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all."
> (Rawls, 1991, p. 53)

These principles are refined throughout *A Theory of Justice* in order to further determine their exact meaning. The most important aspect of the two principles is that the basic structure of society can be divided into two parts. The first principle is aimed at ensuring equality of basic liberties. The second principle is there to determine what forms of economic and social inequality can be seen as justifiable.

For Rawls, the basic liberties that constitute the first principle of justice are nothing more than a list of particular liberties. He mentions political liberty, liberty of conscience, freedom of speech, freedom of assembly and freedom of thought. Also important to mention are the freedom of the person, the right to hold property and the freedom from arbitrary arrest and seizure. The second principle is aimed at the distribution of income and wealth on the one hand and positions of responsibility and authority on the other. It should be noted that Rawls emphasizes the role of open positions and offices before arranging social and economic inequalities. He states "One applies the second principle by holding the positions open, and then, subject to this constraint, arranges social and economic inequalities so that everyone benefits." (Rawls, 1991, p. 53).

A well-ordered society would follow the principles of justice in the creation of the framework of institutions that would make up the basic structure of society. Although the meaning of these two principles needs to be further established, their similarities with Piketty's interpretation of the *Declaration* of 1789 are apparent. The combination of these two principles of justice gives a framework that would allow for the justification of unequal distribution of social values, while maintaining the value and the importance of liberty. Of course, this is an idealized version of institutions and society.

It is very possible that these conditions are not fulfilled or that people have different conceptions of what justice is. But, as Jon Mandle, points out the conflicts that are created because of differences are what "[…] gives rise to the need of justice in the first place." (Mandle, 2009, p. 37) Rawls argues that if we first consider the possibility of justice in these ideal conditions, it might give us a better insight in how to handle the more complex situations in which the conditions are less than perfect. Such a shared idea of a well-ordered society with just social institutions can be put forward as an ideal. With his further analysis of the two principles of justice, Rawls attempts to show how in an ideal society the inherent tension between individual freedom, equality of rights and inequalities should be organized.

The Priority of Liberty

It is important to understand how Rawls interprets these basic liberties. The basic liberties that are distributed in the original position according to the first principle of justice are an intricate combination of different rights and duties. Rawls argues that liberty can be described by three different aspects: First, there is the agent who can be free. Second, there are restrictions and limitations that might limit the scope of liberty of an agent. Third, there is the specific action the agent is free to do (or not to do). Rawls states that liberty can be formulated in the following form: "[…] this or that person (or persons) is free (or not free) from this or that constraint (or set of constraints) to do (or not do) so and so." (Rawls, 1999, p.177) Rawls focuses his analysis of liberty on the structure of institutions. This means he is focused on the permissible actions individuals can undertake, given the constraints of constitutional and legal restrictions.

This concept of liberty, centered around permissibility and restrictions, is important. Even in the most ideal of situations it might not be possible to exercise different liberties without conflict. Freedom of speech and thought, for example, will not lead to a fruitful exchange of ideas if there are no order or rules to regulate discussions. This idea of conflicting basic liberties has certain consequences for our understanding of liberty as whole. The worth of any single liberty is measured in relation to all other liberties. In other words, the first principle prescribes that society strives to give each person the most extensive possible set of basic liberties (without them conflicting) and it states that every person has an equal right to that scheme of liberties.

In a way, this argument is a direct result of the way the thought experiment of the original position is defined. The veil of ignorance removes all possible knowledge of how a social position will be valued. This means that any preference for a specific liberty will always need to be extended to all members of society. It is in everybody's interest that the largest amount of liberties for all members of society is chosen. Rawls therefore states in his final formulation of the first principle: "Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all." (Rawls, 1999, p. 266)

The importance Rawls gives to liberty in the original position has a further consequence. Not only does it help us understand the reason for equality of basic liberties, it also shows that liberty is prioritized over social and economic gain. The order in which the principle of justice is presented is not merely for the sake of clarity. Rawls argues that there can be no infringement on liberty in the attempt to optimize or improve economic or social positions. The limitation or compromise of any, or all, of the basic liberties is only justified when they would conflict with other basic liberties. Greater social or economic advantage cannot be justified if it would cause a loss of basic liberties.

Rawls refers to this priority of liberty over greater social or economic gain as the 'priority rule'. He further specifies this priority rule in order to give the specific circumstances when basic liberties need to be limited in order to attain a greater total system of liberties. He does so by invoking the idea of the common good. He defines this common good as "[…] certain ideal general conditions that are in an appropriate sense equally to everyone's advantage." (Rawls, 1999, p. 217) Public order, for example, can be defined as a common good. Although it limits, and sometimes even restricts, basic liberties, it allows for a greater system of total basic liberties to be accessible to everyone. This is in no small part a result of fact that the establishment of public order limits and restricts these liberties equally for everyone.

Liberties can therefore be limited or restricted for two reasons: When a less extensive liberty strengthens the total system of basic liberties or when those who endure the less extensive liberty find this inequality acceptable. This means that inequality in itself is not to be considered unjustifiable. Some differences, even in basic liberties, can be justified as long as they ensure more basic liberties for everyone or protect the liberties of those less well off. These differences are therefore to be considered as a part of the conception of an ideal society. However, these inequities should be seen as an exception to the rule. As a first principle all members of society should be seen as equals from a moral point of view.

Difference Principle & Equality of Opportunity

This analysis of the scheme of basic liberties also shows that even in a well-ordered society certain inequalities will exist. The role of the second principle of justice is precisely to clarify the conditions that would justify certain differences within society. Rawls splits these differences into two categories; social and economic. His elucidation of this second principle starts with the two more ambiguous elements; the phrases 'everyone's advantage' and 'equally open to all'. These phrases correspond roughly to the economic inequality on the one hand and social inequality on the other. For both these phrases Rawls starts by distinguishing two ways to interpret their meaning. First, open to all could mean that there are no restrictions to apply for specific functions. The other reading of 'equally open to all' states that equality lies in the fair opportunity to attain a position. A position can only be considered 'open' if this openness is based on a principle that is fair to all.

It is clear why Rawls gives preference to this latter interpretation. This broader interpretation of 'equally open to all' ensures that no matter the social and economic inequalities are persistent in the structure of society, people of equal talent and conviction should be given the same opportunities. Important here is that Rawls does not state that everyone *should* have the same opportunities. There will be differences between individuals as a consequence of natural talent and innate ability. Rawls states that the expectations of those with "[…] equal ability and aspiration should not be affected by their social class." (Rawls, 1999, p. 63) Rawls implies that social class is both an effect of social and economic differences. The liberal interpretation tries to mitigate these inequalities by imposing further structural demands on society. The mitigation implies that the distributive share within society needs to be controlled in order to preserve equality within society. To Rawls, this means the free market arrangements need to be "[…] set within a framework of political and legal institutions which regulates the overall trends of economic events […]"(Rawls, 1999, p. 63).

On the other hand, the meaning of 'everyone's advantage' is a bit more complex. In order to explain the difference interpretations of the phrase, Rawls looks into what he calls 'the principle of efficiency'. Rawls borrows the Pareto principle of efficiency from economics. This principle's original intention had little to do with the analysis of ideal social institutions. However, Rawls reformulates it to help in the assessment of social and economic arrangements. He states: "The principle holds that a configuration is efficient whenever it is impossible to change it so as to make some persons (at least one) better off without at the same time making other persons (at least one) worse off." (Rawls, 1999, p. 58) By formulating the principle in this way, efficiency is measured by the expectation any one person in the original position has for social and economic arrangements. In the ideal society, those arrangements will be such, that no change can be made that would improve the prospect of anyone without worsening the prospect of someone else.

The principle of efficiency, however, is not sufficient in and of itself. It does not single out one solution to the problem of efficiency. Many different forms of social and economic arrangements can be efficient. Rawls argues that it is possible to think of a society in which serfdom might be an effective arrangement. (Rawls, 1999, p. 61) In such a society it will certainly lower the prospect of landowners if serfdom is abolished. Although it would improve the situation of all serfs, this improvement would come at the expense of the landowner. This shows that serfdom can satisfy the principle of efficiency. To Rawls, this example intuitively shows that the principle of efficiency itself is not enough to serve as a concept of justice. In a society that would allow for the existence of serfdom, there is no place for equal liberty and although it may be efficient it cannot be considered just.

Rawls therefore points to another interpretation of the phrase 'to everyone's advantage' which he calls 'the difference principle'. This principle states that: "The higher expectations of those better situated are just if and only if they work as part of a scheme which improves the expectations of the least advantaged members of society." (Rawls, 1999, p. 65) This definition of 'to everyone's advantage' takes a different perspective to dynamics also applied in the principle of efficiency. It allows for the existence of different inequalities if they create greater efficiency, but it prevents that efficiency comes at the expense of the party that already has a disadvantaged position. The difference principle tries to satisfy the efficiency principle from the perspective of the most disadvantaged.

Democratic Equality

Rawls argues in favor of an interpretation of the phrases into a system that he calls the system of 'Democratic Equality'. (Rawls, 1999, p. 57) It combines the broad interpretation of 'equally open to all' with an interpretation of 'to everyone's advantage' in accordance with the difference principle. While the first ensures equality of opportunity despite cultural or economic background, the latter addresses the inequality that arises for natural contingencies. Irrespective of the initial differences in life, the endeavor of a democratic society is to improve the situation of those worse off. Such an interpretation of the phrases 'everyone's advantage' and 'equally open to all' is the only one that is acceptable for everyone from the original position. Only the democratic interpretation of the second principle of justice would lead to a society in which differences are divided in such a way that they are beneficial to all members of society.

This interpretation of the second principle of justice shows that Piketty's reference to Rawls' difference principle is incomplete. The difference principle indeed argues that material inequalities are unjustified unless they improve the position of those least well-off. But this interpretation only makes sense when it is put into the context of Rawls entire argument. First, Rawls' argument shows why the difference principle is preferable over the principle of efficiency. Although both work in 'everyone's advantage' the former is the only interpretation that would hold up to scrutiny in the original position. The reason to defend the 'difference principle' is a consequence of the concept of justice as fairness. The 'difference principle' is not in and of itself an argument to counteract specific inequalities.

Second, the role of the difference principle in Rawls' whole argument is very specific. Rawls' separation of the two principles of justice, and the priority of liberty, indicate that social and economic inequalities are of secondary importance. It means that Rawls' has separated the discussion about the distribution of basic rights from the discussion about the economic inequalities. The reference to the 'difference principle' is therefore ambiguous. Although *Capital in the Twenty-First Century* is concerned with the problems of growing income inequality, the moral argument Piketty uses has a different aim. This would imply that the inequalities of income are not Piketty's main concern. It is of much greater importance to safeguarding liberty in spite of the real observable forms of inequality in society. This interpretation of Piketty's global tax on capital specifies the implied danger of the growth of capital: it threatens to restrict the accessibility of certain basic liberties. Basic liberties that should be to everyone's advantage and equally open to all.

Political Participation

This potential danger of growing economic inequalities for the basic liberties of society is complex. It demands some more understanding of the way the abstract, theoretical ideal of justice is realized in society. One of the major ways by which Rawls moves his theory from the abstract towards an actual society is through an idealized version of political participation. His focus is on how the interpretation of democratic equality can be applied to the political process, and more fundamentally the formulation of a constitution. Rawls identifies the constitution as "[…] the highest order system of social rules for making rules." (Rawls, 1999, p. 195) In order to secure the principles of justice in the basic structure of society, the constitution should reflect the fair position of equality of the original position. This means that all members of society should be able to participate equally in the political process. This would be the translation of the moral equality of the original position into the constitution in a way that can be practiced.

This first of all means that "[…] all citizens are to have an equal right to take part in, and determine the outcome of, the constitutional process that establishes the laws with which they are to comply." (Rawls, 1999, p.194) In order to ensure this, a few elements are required. Rawls assumes that this would follow the lines of a constitutional democracy to a large extent. First, there is a representative body that decides on policies. This representative body is elected in fair and free elections that are regularly held. Furthermore, this representative body has a claim to the common good. It should not be an interest group that tries to influence government on their own behalf. Elections follow the rule that one person gets one vote. Moreover, the basic liberties of freedom of speech, freedom of assembly and the freedom of political association should be secured.

This equal liberty of participation has further consequences. First, it puts forward the demand that public office is formally open to all. Social or economic inequality should not be relevant to hold public office. Second, it prescribes the fair distribution of electoral constituencies. This is to prevent gerrymandering; the formulation of electoral districts in order to let one political party gain an advantage. Thus, the electoral districts need to be designed in such a way that they give equal weight to individual votes. Third, the openness of political participation also means that all members of society should have equal opportunity to inform themselves on political issues. Rawls states: "The principles protected by the principle of participation lose much of their value whenever those who have greater private means are permitted to use their advantages to control the course of public debate." (Rawls, 1999, p. 198) Such differences in means could become influential to the outcome of the political process which would transform the principle of 'one person one vote' into one controlled by money. This infringement of economic gains on political liberty is clearly a violation of the first principle of justice and the priority rule. To ensure political liberty political, parties should therefore be independent from private economic interests. The structure of society should secure this independence.

This interpretation of the political process however implies three things. First, it puts an immense amount of faith in the formulation of the correct institutions. These are necessary to ensure that the discussions about the basic structure of society are not influenced by real social and economic inequalities. Second, it needs to be assumed that these institutions will be continuous and infallible. If not, growing social and economic inequalities might influence the liberty of political participation. Third, it assumes that all parties concerned agree with the principles of justice as defined in the theoretical original position. However, such a consensus has no historical precedent or foundation in reality. Although the ideal of justice helps to point towards possible issues between the demands of justice and real inequalities, it does not help address the real issues at hand.

This discrepancy between the ideal of justice and its application to acute and real instances of injustice has led to some fundamental criticisms of Rawls' theory. One of the most important criticism of Rawls' theory of justice comes from philosopher and economist Amartya Sen. The connection between Rawls and Sen is also important to understanding Piketty's normative claims. Sen's 'capability approach' has the same 'basic logic' as Piketty's defense for a global tax on capital. The next chapters will analyze Sen's argument and show that it has a fundamental impact on how to interpret Piketty's work.

The Capability Approach

Sufficiency and Necessity

Sen's philosophy is largely influenced by Rawls' work. Sen even argues that his philosophy is only a shift in the 'strategy of practical reason' (Sen, 2009, p. 66). The problem Sen has with the theory of Rawls is that, in his eyes, the theory still belongs to the category of what Sen calls 'transcendental institutionalism'. Although Rawls' theoretical analysis of the concept of justice in the structure of society offers some valuable insights, it does not help to decide between the choices that are actually on offer. It fails to give enough weight to the practical context in which the questions of justice are being asked. Sen therefore tries to reformulate the aims of Rawls' theory of justice towards a more applicable theory of justice. In order to understand this shift in strategy, it is necessary to understand the problem Sen sees with transcendental institutionalism in general.

Sen argues that the implicit belief of the transcendental approach is that finding the right definition of justice will also show how comparative assessments can be made (Sen, 2009, p. 98). It is believed that when such a definition can be given, it is possible to argue what a society should look like and, as a consequence, how our current society should be changed. Sen aims to dispel this belief by showing that when it comes to comparative judgments, no transcendental definition of justice is needed. It is neither necessary nor sufficient. The problem is that injustice can mean many things. The departure from ideal justice can differ in extent, form and severity. Identifying what is right, does not directly inform us about which non-ideal options might be better or worse. As such, it will not suffice in informing us of the merits of different social arrangements when compared to each other.

Nor is such a definition necessary. Sen illustrates this by momentarily changing the subject: He substitutes the greater or lesser realization of justice with the height of mountains. Where the transcendental approach would try and define the height of the highest mountain, the comparative approach would look at two actual mountains to find out which is higher. The point Sen makes is that you do not need to know the height of Mount Everest in order to compare the height of Mount Kilimanjaro with the height of the Matterhorn. Moreover, you do not even need to know that Mount Everest is the highest mountain on earth to make such a comparison. In the same way, the definition of justice or the form of a well-ordered society are unnecessary when evaluating different policies.

Transcendental institutionalism therefore is neither necessary nor sufficient when confronted with questions of comparative justice. Since our practical relation to questions of justice takes the form of comparisons between actual options, Sen argues that any theory of justice should take into account these questions of comparative justice. He states: "A theory of justice must have something to say about the choices that are actually on offer, and not just keep us engrossed in an imagined and implausible world of unbeatable magnificence." (Sen, 2009, p. 106) This points towards the problem with Rawls' theory of justice. Knowing what just institutions might look like might be a worthwhile theoretical exercise. It can create a greater insight into the role of the concept in society. However, it does not inform us about how we can redress actual instances of injustice.

This discrepancy between ideal justice and real inequalities, makes it possible to raise questions about Piketty's formulation of a global tax on capital as an 'utopian ideal'. It would seem that Piketty formulates this tax as an idealized version of a political institution, believing that this would inform us how to address the growth of income inequality. But this is not the case. To understand this, it is vital to understand Sen's shift in practical reasoning.

Social Choice Theory

In order to reformulate practical reasoning so that is able to address the comparative question of justice, Sen looks to the subject of social choice. Social choice theory focuses on the interests, preferences and opinions of individuals and looks at how these can be arranged in order to create a group decision. The aim is to establish a way to aggregate these different opinions in such a way that it takes into account the differences, even when this means that the group decision is not unanimous. The subject of social choice theory was to come to some sort of equilibrium between the choices of the group as a whole and the individual preferences as part of that whole. It aimed to establish a theoretical framework in order to analyze social cooperation.

The history of the field of social choice theory is marked with difficulty. Most notable was the problem that came to be known as Condorcet's paradox, named after the French mathematician Marquis de Condorcet. The paradox is aimed at dispelling the benefits of majority rule voting system. The majority rule is the simple rule that whichever option gains a majority wins the vote. This way of aggregating votes is often used and is often seen as a logical group solution to different opinions. Condorcet proved that if there are more than three options and more than three voters, it is possible that no satisfying majority can be achieved. The paradox shows that an agreement on any social choice does not only depend on the votes cast by different voters. The way these votes are aggregated is of critical importance. Even though a voting system like the majority rule might seem logical and convenient, closer inspections of its premises and outcomes might yield unexpected results.

These results have led to some theoretical and practical changes in the way in which voting was conceptualized. This would later be combined in the single field of study by the work of Kenneth J. Arrow. The voting paradox had shown that even seemingly commonsensical assumptions in social choice theory could lead to paradoxical outcomes. Arrow created a framework that would allow the different assumptions that went into these social decisions to be analyzed. He did this by formalizing the intentions of the early theorists and reformulated them into a system of symbolic logic. In this system, all the terms that are being used need to be explicitly defined. Any argumentation will then need to be based on those chosen definitions or follow the rules of logical argumentation. This allows Arrow's approach to function as a systematic framework. Since all definitions and assumptions need to be explicitly stated, it became easier to analyze the conclusion of any given social decision.

Although this contribution to social choice theory was constructive, Arrow's own conclusions about social choice procedures reaffirmed the pessimism that early pioneers had already established. In his paper *A Difficulty in the Concept of Social Welfare* and later in *Social Choice and Individual Values,* Arrow presents what he called his 'general possibility theorem'. This theorem is focused on a few certain minimal conditions of reasonableness that should lead to appropriate social decisions. These conditions where nothing extraordinary. Rather, they were formulated in such a way that most, if not all, people would consider these demands necessary to ensure that the eventual outcome could be considered fair. Arrow then proceeds to show that given the rules and definitions no conclusion can be achieved that satisfies the combination of even these demands. Sen would summarize this conclusion by stating that the theorem shows: "[…] that even some very mild conditions of reasonable sensitivity of social decision to what the members of society want cannot be simultaneously satisfied by any social choice procedure that can be described as rational and democratic […]." (Sen, 2009, p. 93)

The impossibility theorem shows that even when given some seemingly reasonable criteria, people will not be able to arrive at an outcome that would be agreeable to all. Arrow's impossibility theorem can therefore also be seen as an argument against Rawls' assumptions. It provides a strong counter argument to Rawls' belief that in the original position all participants will come to one agreement on the transcendental principles of justice. Instead a theory of justice should take into account the possibility of fundamental disagreement on certain subjects between individuals while still finding an agreeable solution.

A Different Approach to Practical Reasoning

Although the conclusion of the 'general possibility theorem' seem problematic, Sen does not focus on it. Rather, he points out that Arrow's theorem had a major constructive impact on the field of social choice theory. (Sen, 2009, p. 93) Rather than be paralyzed by this conclusion, it forced theorists to examine the causes of impossible results like the ones pointed out by Arrow. Later theorists of group decisions discovered that, although these problems are common and can have significant impact, they can often be resolved. Crucial in the resolution of such problems was usually to allow the decision-making process to be more inclusive of different kinds of information. By making the process more information-sensitive, problematic outcomes can be averted. According to Sen, this requires a departure from the tendency of theories of social justice to rely on a strict definition of social intuitions. He argues that in this respect there are several aspects that make the social choice theory the more relevant approach to questions of social justice.

First, it is helpful to emphasize how this approach is different from Rawls' theory of justice. Rawls had formulated that justice was the 'first virtue of social institutions'. He explained that this means that, if a social institution is considered unjust, it should be reformed. This formulation implies that there is a positive formulation of the concept of justice, by which institutions are measured as just or unjust. On the other hand, Sen argues that 'the identification of redressable injustice' should be central to the theory of justice (Sen, 2009, p. vii).

Although this definition of the demand of justice might sound the same, there is a significant difference. Rawls' formulation hinges on the concept of justice. The formulation of his approach implies that there is a definition of justice by which all institutions can be judged. Every decision, action and arrangement of the institutions can then be measured against the demands the definition puts in place. Sen's formulation implies that we are able to identify injustice and are driven to redress it, if possible. This does not imply that there is a single definition of justice that everybody will or should agree upon. For him, the question becomes how to accomplish that goal.

Since social choice theory is concerned with viable options and their comparative relation it is much more adept to address current societal questions of justice. Furthermore, social choice theory takes into account the inescapable plurality of competing principles. The approach allows for fundamental disagreements between principles to exist without the claim that these should always be solvable. Social choice theory sees these differences as problematic, but as an inescapable part of the reality of social decision-making.

As a consequence of this shift Sen takes many elements from Rawls' theory of justice, but puts a different emphasis on them. Sen formulates his theory of justice as a capability approach. His idea is that if we want to create a more just society we should focus on the capabilities of individuals "[…] to do those things he or she has reason to value." (Sen, 2009, p. 231) Sen argues that this is the reading that should be given to Rawls' approach of the distribution of social primary goods. Rawls defined those as "the thing every rational man is presumed to want." (Rawls, 1999, p. 44) For Sen, this focus on primary goods puts the focus on the practical aspect of people's individual freedom to do what they want with their lives. The mere formal recognition of such freedom as a consequence of social institutions is inadequate if it does not result in actual opportunities.

For Sen these capabilities can be manifold. He does, however, put a strong emphasis on information and the capacity to judge and compare. He states: "[…] the focus of the approach is on information on individual advantages judged in terms of opportunity […]". (Sen, 2009, p. 232) Social choice theory had shown that in order to arrive at satisfactory social decisions, access to information and scrutinized evidence are fundamental. The capability approach takes the insights of social choice theory and applies them to questions of social justice. The emphasis lies on the "[…] inequality of capabilities in the assessment of social disparities." (Sen, 2009, p. 232) But the way this information is used can vary wildly based on the emergence and the nature of the questions at hand. To continue the pursuit of justice, institutions will need to be reviewed and, if necessary, revised.

This capability approach follows the lessons learned from social choice theory. Since disagreement is to be expected, the entire process itself is open to evaluation and allows reassessment of both the theoretical assumptions and the outcome. It should be emphasized that this means that the capability approach does not offer a specific design of society. There is no defined prescription on how capabilities and opportunities should be used or distributed within society. Nor does the capability approach prescribe that such a distribution should be equal among everyone. Rather, it provides a framework to provide relevant information that could help in the evaluation of social institutions and society as whole.

Furthermore, the way social choice theory was formalized allows for different interpretations and inputs to contribute to the discipline. Sen states: "In general, social choice theory as a discipline is concerned with arriving at overall judgments for social choice based on a diversity of perspectives and priorities." (Sen, 2009, p. 109) This prevents social choice theory to become self-involved and allows considerations from outside the field to claim relevance. This leads to another reason why Sen has a preference for the social choice theory. The theory tries to put into axioms all the rules, arguments and assumptions that inform social choices. Sen concedes that the complexity of the individual preferences and social reasoning might not always be captured in precise axiomatic terms. Still, he maintains that there is some dialogic merit to the attempt to precisely explicate them. (Sen, 2009, p. 110) He argues that the extent to which these questions can be put into axioms is an interactive process, one where social choice theory cannot be but of value.

The Role of Public Reasoning

Sen also claims that social choice theory allows for the possibility of the partial resolution of societal questions. He argues that "[…] even a complete theory of justice can yield incomplete rankings of justice." (Sen, 2009, p. 107) This incompleteness is distinguished as either 'assertive' or 'tentative' incompleteness. Tentative incompleteness means that it is not possible for a ranking between options to take place. This can reflect procedural difficulties rather than fundamental differences in valuation. Sen names limitations of knowledge, complexity of calculations and other practical implications as examples. (Sen, 2009, p. 108) In contrast, assertive incompleteness means that options are fully understood, but *cannot* be ranked comparatively in terms of justice. Since social choice theory focuses on the comparative questions of justice, it is not important that the alternatives that are being compared at any one time are incomplete.

This is why social choice theory puts a great importance on the role of public reasoning. In contrast with the approach of transcendental institutionalism, social choice theory does not assume that there is a single solution to societal problems. It allows for the possibility that any given solution is incomplete. The consequence of this assumption is that changing circumstances, new information or an outside perspective might lead to new insights that can change the perspective on a given problem. By explicitly stating the different assumptions and rules that are being used, the framework social choice theory provides for others to scrutinize any given argument and offer other solutions. The theory is set up in such a way that it remains open to public reasoning.

Sen argues that the capability approach is a framework that follows a similar line of reasoning. Like social choice theory, the capability approach does not directly point to any specific end-all solution. Social choice theory has shown that even reasonable demands on the outcome of social decision-making can have paradoxical effects. However, it also showed that the process of social decision-making can address such issues by fostering informational sensitivity.

This leads Sen to focus on the procedural aspects of open public discourse. He assumes that this shift in reasoning is no great departure from Rawls' intention (Sen, 2009, p. 45). It is clear from Rawls' writing that he puts great emphasis on the importance of unrestricted public reasoning. But the emphasis should be on the actual outcome that is achieved through deliberation, not on the way this deliberation is defined as an institution. Sen, on the other hand, also includes actual effects and behaviors as consequence of these institutions. Because of this, it not only allows for a clear analysis of the outcome of the deliberation, the process of deliberation itself can be scrutinized. This informational focus allows for a truly open impartiality.

Sen's focus on actual behavior however, does not argue against the importance of institutions. He states: "Any theory of justice has to give an important place to the role of institutions, so that the choice of institutions cannot but be a central element in any plausible account of justice." (Sen, 2009, p. 82) However, here the emphasis of actual behavior in the capability approach begins to overlap with the focus on institutions of transcendental institutionalism. Since demands of justice can be assessed only with the help of public reasoning the basic structure of a just society will need to accommodate this. They should be designed in such a way that they provide people with those means that they require in order to achieve their own ends. This means that society should be organized in such a way that individuals have the capabilities to participate in those processes of social decision-making that directly influence the way they can live their lives.

Democracy and Public Reasoning

As we have seen, the capability approach puts great emphasis on democratic institutions as necessary elements of societal justice. Since public reasoning is constitutive for both justice and democracy, it cannot be helped that there is an intimate connection between the two. Sen does point out that this should not be interpreted as an argument in favor of an already established political practice. There is a tendency to see the concept of democracy as a quintessentially Western or European concept. Sen points out that the concept of democracy has a global origin. Moreover, there is a much broader interpretation of democracy that goes beyond the simple institutionalized political practice of holding elections and voting on policies. Such an interpretation would focus too much on the formal aspect of the political process.

Instead, Sen argues that democracy refers to a much broader group of practices that define democracy seen as 'government by discussion'. Here, Sen closely follows the interpretation of deliberative democracy formulated by Rawls and Jürgen Habermas (Sen, 2009, p. 324). Although there is a fundamental role for the political process of elections and voting, much of this process is influenced by practices and institutions that are not directly political. Most notably the role of the media, the press and public reasoning. Sen draws attention to these aspects of democracy in order to more clearly define the role of public reasoning in social decision making.

The importance of this broader perspective can be illustrated by an example: If we imagine a democratic political system with a representative vote, a marginalized group within a given society will only have marginal political influence. But democracy also gives individuals the ability to "[…] take an interest […] in each other's predicaments and to have better understanding of the lives of others." (Sen, 2009, p. 344) Through public reasoning, informed by the press and media, such a situation can gather the attention of the larger population. Our capacity to reason and the desire for a solution to remediable injustice allows even for marginalized ideas to gain prominence.

The example illustrates how the informational role of the media can contribute to social decision-making without being political in and of itself. Because of their contribution to public reasoning, the role of the media and the press as institutions are of fundamental importance to both society and the demands of justice. Their facilitating function helps a society become informed of the problems at hand and it helps the formulation of shared values. (Ideally) the press and the media directly contribute to public reasoning and the capability of individuals to participate in this process, by sharing information and enabling public deliberation. This broader perspective of democracy is not only focused on the right institutions. Instead, it looks at the interplay and mutually dependence of institutions and actual behavior as fundamental aspects of a just society.

Ethical Aspects of Inequality

The previous chapter has shown how income inequality is interpreted from the perspective of moral philosophy by Rawls and Sen. It makes clear that Piketty's claimed allegiance to their philosophical work is strange. The 'difference principle' Piketty refers to is only a part of Rawls' argument and the 'capability approach' is a critique on Rawls' project. They do not necessarily refer to one body of philosophical work. However, these references provide at least one valuable insight: Economic inequalities can form a substantial problem to the principles of justice. Especially when it comes to political participation, social and economic inequalities can lead to inequalities of liberties that are not based on 'common utility'.

This commonality between Rawls and Sen is also important to understand Piketty's defense of a global tax on capital. The fostering of the right institutions and capabilities of its people to participate in this process is not only a demand of a democratic society. It can also be put forward as a demand of justice. At the same time, public reasoning and reasoned scrutiny are the closest we will get to objectivity when it comes to choices about social and political reform. In order to regulate the distribution of wealth and income, democratic scrutiny of its dynamics is required. In turn, this means that the fostering of political institutions and capabilities has special significance.

The effects of income inequality on the persuasive capabilities of different social groups can be considerable. Not only can this negatively affect the political process, it also can harm those institutions designed to protect the basic liberties of political participation. The following chapter aims to show in what ways income inequality can be damaging to these political institutions and capabilities. It will help to show why the self-reinforcing growth of capital poses a significant threat to the demands of justice.

Part III: Capital and Capability

From Income Inequality to Economic Inequality

Rawls' separation of economic inequalities from the political process shows what his priorities are. The separation prevents that inequalities of wealth and income could result in political differences. First, because justice as fairness demands that we give priority to the political process and the capability of people to participate over differences created by economic distribution. Second, because the political and economic institutions regulate the economy and the distribution of wealth and income in order to keep differences to a reasonable level.

This separation means a subtle shift in the morally problematic aspects of income inequality. The relevant moral issue is not simply the growth of economic inequalities. Rather there is other forms of inequality that might be of fundamental influence on the lives of individuals, which are not simply reducible to levels of total income. Sen argues in favour of such a shift, because it draws attention to "[…] the presence of causal influences on individual well-being and freedom that are economic in nature but that are not captured by the simple statistics of incomes and commodity holdings." (Sen, 1997, p. 7) He would call this broader definition of inequalities 'economic inequalities', i.e. inequalities derived from, but not reducible to, income inequalities[16].

This means that from a moral perspective differences created by economic distribution are not problematic in and off themselves. The morally relevant factors are much broader. For example: Unemployment benefits and social benefits might diminish income inequality, but these do not affect other inequalities that are just as important. People who are unemployed for a long duration can suffer forms of deprivation that are not reflected in any income statistics. Their lack of employment might influence their position in society and their subsequent social interactions. A lack of employment can therefore severely affect the lives people are able to live beyond the differences of income. Sen argues that it is clear that unemployment benefits do not solve all issues that are a consequence of unemployment. Although they decrease income inequality, form a broader perspective other moral relevant factors are left untreated.

Rather than focus on just income inequality, it also necessary to look at the other forms of inequality that they create. This is one of the problems Sen sees with Piketty's work. In an interview with the London School of Economic and Political Science, Sen argues that it is important to see what consequences these inequalities have (Brown, sd). Sen points out that the income inequalities in China, are as high, if not higher, than those of India. However, the contexts of these inequalities are different. In China literacy and health coverage are much higher, whereas in India there is a multi-party democratic system. In India people have the opportunity to express their opinion in a way that is not possible in China.

[16] To prevent any confusion between this specific interpretation of economic inequalities and the more general term I will refrain from using it. Throughout this text 'economic inequalities' refers to the differences in economic gains as a consequence of the distribution of economic mechanisms. I will specify when this refers to the inequalities in capabilities as a consequence of income inequalities.

Political Economics

By focussing on capabilities, Piketty's work begins to show a clearer intention. His argument is not directly aimed at the growing inequalities of income. Instead it points towards the precarious relation between basic liberties on the one hand, and observable social and economic differences on the other. The role of capital in the dynamic of income inequality is not well understood but significant nonetheless. The consequences of these income inequalities go beyond the simple differences in income. They have an effect on the possible lives people are able to live. The lack of clear conclusions about the role of capital prevents a critical analysis of these effects and consequences. If the demands of justice are assessed through public reasoning, the lack of information on the development of capital can be put forward as an ethical demand. This claim is a very specific interpretation of the moral arguments of Rawls and Sen. However, this remains implicit throughout Piketty's work.

On the one hand, Piketty follows Rawls in his defence of just institutions and their role in defending basic liberties against social and economic inequalities. The interpretation of the difference principle not only refers to the defence of the least well-off social groups in pure economic terms: it also means the defence of these social groups in terms of their basic liberties. On the other hand, this follows Sen's criticism of Rawls. The demand of justice is not an abstract ideal or a theoretical utopian society. What is relevant is the effect that our institutions have on our lives. In this interpretation, the demand for more information on capital assets is a step towards understanding not only the effect of capital on our economy, but its effect on society as a whole.

However, Piketty puts a very specific emphasis on one aspect: the political process. In the political process, the role of institutions and our actual behaviour is closely interlinked. With regards to the growing income inequalities, he would argue that '[…] what really matters is the interaction between economic forces and institutional responses […]'. (Piketty, 2015, p. 84) Economic forces shape the distribution of income, which lead to economic differences and therefore differences in capabilities. Piketty mentions this as the 'relative power and persuasive capabilities of different social groups' (Piketty, 2014, p. 480) But our capabilities, most notably that of public reasoning, also shape institutions that should regulate the economic forces. From this perspective, it makes sense that he argues that the "[…] history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms". (Piketty, 2014, p. 20) It explains why *Capital in the Twenty-First Century* is focused on the historical narrative of income inequality, rather than the economic mechanisms. At the centre of this interplay is the question how societies create policy, and economic policy specifically.

The growth of wealth and income inequality in the past decades thus form a symptom of a bigger issue. The question is if our institutions are able to safeguard the principle of equality in a democratic society against the inequalities created by different economic forces. The growth of inequality seems to indicate that this is not the case. However, Piketty does not adequately explain how and why these changes have occurred. The next chapters will give some insight into how the growth of income inequality can adversely affect the capabilities of political participation and damage the structure of a democratic society.

The Price of Inequality

The problem that the growth of income inequality poses to the capabilities of political participation is illustrated in Joseph Stiglitz' *The Price of Inequality*. In this work, Stiglitz attempts to summarize some of the causes of the growing inequality in the United States and to explain what the implications of inequality are on the structure of its society. He sees it not just as a failing of the political system but of the economic system as well.

Stiglitz' main argument is that the rich have actively tried, and succeeded, to influence the political decision-making process in order to gain or retain their position. Stiglitz argues, much like Piketty, that the levels of income inequality in the United States have grown to unprecedented levels in the last decades (Stiglitz, 2013, p. 5). The justification for these levels of inequality is that it serves the 'common utility'. As Stiglitz points out: the trickle-down theory of economics from the Reagan era argues that the high incomes at the very top of the economic distribution are beneficial to all members of society. (Stiglitz, 2013, pp. 8) The idea is that high incomes at the top lead to a growth of the economy. Although the top percentage of the distribution gets a larger share, the argument is that the economic growth that is created means that those less well-off also will enjoy a higher income. Stiglitz explains that the theory assumes two specious arguments. First, that a globalized economy will create a greater national output. Second, that through trickle-down economics the economic gains of this process will be beneficial to all. (Stiglitz, 2013, p. 78) The data that Piketty provides shows that these arguments have proven to be false (figure 2).

Stiglitz explains why this is the case. First, the argument in favour of globalization is not as positive. The general theory is that globalized free market trade would lead to a more efficient use of the production capabilities of a nation. By opening the national market up to other economies the entire sector would need to become more efficient through competition. However, this is an idealized situation and Stiglitz notes that markets often do not work as such. (Stiglitz, 2013, p. 78) For the United States, is has been the case that a lot of national low-skilled production jobs have been taken over by imports. Rather than leading to a more competitive national production, a large share of employees have become unemployed. Instead of moving to other more lucrative forms of production, companies simply went out of business. As a consequence the national production went down, instead of up.

This shows that there is a fundamental tension between those who benefit from globalization and those who do not. The example of the growing unemployment in the United States makes clear that unskilled and semiskilled work can easily be substituted by similar labour across national borders. Those that are able to benefit are those who are able to move their resources to where they are demanded most.

This tension is one of the problems Dani Rodrik described in his book *Has globalization gone too far?* (1994) In this book Rodrik argues that instead of an improvement to society, globalization has led to increasing tension between social stability and the globalized market. Besides the growing tension in the employment relations, he argues that globalization has also led to a more demanding level of competition between nations and an increased difficulty for governments to maintain social insurance. These tensions are not beneficial for all. Rather, they are beneficial to those who are able to enjoy the division that globalization creates. Rodrik argues that the problem is that these tensions threaten to split social groups and nations along "lines of economic status, mobility, region and social norms." (Rodrik, 1997, p. 69) Although they *could* be beneficial for all, in praxis we see that they only benefit a lucky few.

Secondly, the idea that those at the top of the income distribution could be beneficial to all is flawed. Stiglitz points out that this can only be the case if those at the top also actually contribute to the position of those who are least advantaged, but they often do not. (Stiglitz, 2013, p. 79) As Rodrik points out: this requires that a social structure that is maintained by a national state insulates those least advantaged against the negative effects of a global market. This however is problematic if that nation also wants to maintain a good competitive position. (Rodrik, 1997, p. 6) Governments are able to intervene in the development of the economic system in order to maintain levels of economic equality and redistribute economic gains, for example through taxation. However, the quest for a competitive position in a globalized market means that the levels of government interference become less of a national political affair. Instead it becomes an economical affair, in which social security is bargained for a competitive position in the globalized market. Stiglitz summarizes this problem by stating that the private rewards differ from the social returns. (Stiglitz, 2013, p. 127)

An Enemy of Democracy

According to Stiglitz, the price that the United States pays for the current levels of inequality is twofold (Stiglitz, 2013, p. 2). On the one hand it is damaging to the economy. On the other, the problem of the growing inequality is that it is indeed damaging democracy. It is this latter price that is more concerning. The economic price that is being paid for inequality is not paid by those at the top. Rather, it comes at the expense of the lower and middle classes. Their possibility to correct these issues has to come from the political and economic institutions that are tasked to keep the levels of economic inequality at a reasonable level. But the increase of total income inequality is a sign that these institutions are no longer able to do their job properly. The growth of wealth and income inequality can be seen as symptomatic to growing political inequality.

Stiglitz argues that these political inequalities manifest themselves in three ways. He calls them disillusionment, disenfranchisement and disempowerment. Disillusionment is an inequality in the distribution and the access to information. Rawls and Sen pointed out that the capability to participate in the democratic process should be free and equal. This requires a level of freedom of information. But, as Stiglitz points out: "[…] citizens can't make informed decision as voters if they don't have access to the requisite information." (Stiglitz, 2013, p. 160) This is because the distribution of information is largely controlled by media firms that control the newspapers, radio and TV. Stiglitz argues that this means that the upper-class of society has the upper hand. (Stiglitz, 2013, p. 161) The rich and wealthy have the resources to buy and control critical media outlets, either through direct involvement or through advertisement and the threat of withdrawal. In short, through economic control of the media, economic inequality becomes informational inequality. This informational control can be used as a means to maintain economic position. This does not just create disillusionment in the political and economic system, it creates distrust in the information that is presented.

Disenfranchisement occurs by attempting to repress the votes of those who would disagree with you. By restricting the liberty of participation, the wealthy are able to influence the outcome of the political process. Disenfranchisement of the poor has historical precedence. For a long time, the right to vote was restricted to those who either owned property or where of considerable wealth. Stiglitz notes that these attempts at disenfranchisement are never described that way and are often subtle. (p. 163) For example, the Republican problem with voter fraud is aimed at individuals who would vote but who are not allowed to vote. In order to address this issue they argue that government-issued photo identification is necessary. Stiglitz notes that this problem is disingenuous and creates economic barriers. (Stiglitz, 2013, p. 163) It indirectly discriminates against those who do not have the means, time or access to the information required to procure a driver's licence, an identification card or a birth certificate.

Other methods of discouragement are also used in order to diminish voter turnout. For example, the levels of voter outreach in specific neighbourhoods, differences in the number of easily accessible polling stations and the staffing of polling stations can all effect the actual voter turnout. These options are in a grey area between neglect and actual disenfranchisement. Either way, they do ensure voter exclusion and strengthen the disillusionment in the political system.

Thirdly, there is disempowerment of social groups and political classes by direct influence on the political process. Stiglitz uses the 2010 decision in the case *Citizens United v. Federal Election Commission* as an example. (Stiglitz, 2013, p. 165) In this case the Supreme Court allowed corporations and unions the same levels of 'free speech' of candidates of causes in the political process as citizens. Stiglitz notes: "[…] the decision has the potential to create a class of super-wealthy political campaigners with a one dimensional political interest: enhancing their profits." (Stiglitz, 2013, p. 165) Moreover, these campaigners have vastly more resources than any individual voter. Although there is no direct payment for political decision, the threat of withdrawing campaign contribution has the same effect. The liberty of participation is substituted with a monetized decision making.

These three elements of political alienation of the majority of citizens for the gains of the economical upper class have been detrimental to the democracy in the United States. The 2010 decision in the case *Citizens United v. Federal Election Commission* is emblematic for the process: cooperation and the economic well-to-do ensured the election of politicians, who appointed judges, who in turn created greater economic influence in the political process. This can in turn make it easier for corporations and the wealthy to help elect favourable politicians, creating a vicious circle.

This influence of money in the political system helped to create a favourable environment for the richest segment of society to maintain and increase their economic position. In other words, the relative power and persuasive capabilities of the upper class is much greater than those of the middle- and lower classes. This is also referred to as 'regulatory capture' (Stiglitz, 2013, p. 59) The effect is that economic policies are not aimed at making the economy more efficient or work for the benefit of common utility. Instead, they try to make the accumulation of wealth and income by a select few as efficient as possible. All of this comes at the cost of the political process.

This is the main reasoning behind the explosion of inequality in the United States today. Stiglitz points out that the current state of affairs it is, in part, due to actions of the United States' government (or the lack thereof). (Stiglitz, 2013, p. 35) The concept of corporate governance is in effect little more than the deregulation of top incomes. It becomes clear that a large part of the growth in inequality is not merely the effect of economic dynamics. It is much more the effect of a weakened political system that is no longer able to address these inequalities, justify them and make them beneficial to all.

Putting Distribution back into Economics

Stiglitz' analysis of the growth of income inequality in the United States is not only the result of economic forces, but more so of political decision-making. More specifically, it shows how growing differences in income can affect the ability to participate in the political process and how this influences institutions. The changes to the democratic process of the United States prove that this dynamic certainly is not based on 'common utility'. I argue that this is why Piketty puts such emphasis on the first article of the *Declaration* of 1789. The growth of income inequality seems symptomatic for the influence of economic differences over political equality. The laxation or abolishment of tax regulation and the deregulation of higher incomes in the last decades are examples of this. Money takes over from individual opinions and monetized interest takes over from public reasoning. The growth of inequality is being shaped by a self-reinforcing dynamic between politics and the economic system.

This dynamic gives Piketty's global tax on capital a new dimension. The projected limited growth of the economy indicates that this inequality will only become more prevalent in the future. The growing influence of monetized interest on the political process diminishes the effectiveness of fundamental institution of society, which includes not just economic institutions, but also social and political institutions like public reasoning. Piketty notes that this development is not foreordained. Rather, he emphasis that: "[…] its existence tells us something important about the nature of the economic and social processes that shape the dynamics of capital accumulation and the distribution of wealth." (Piketty, 2014, p. 244) But with only limited information on the actual size and distribution of capital, it is difficult to see how the economic, social and political process should respond.

This is the reason why Piketty's plea for a global tax on capital should not be seen as a form of transcendental intuitionalism. Although Piketty names it a utopian ideal, he does not see this institution as the embodiment of an ideal of justice. It stands in comparison with another option: a *laissez-faire* attitude towards the distribution of wealth and income. An attitude that, in the last decades, has substantially increased the inequalities of wealth and income. It shows that this growth is a redressable injustice and we can choose to counteract it.

Piketty's utopian idea of a global tax on capital should therefore not be seen as a simple solution to growing income inequality. It is aimed at protecting the equal access to basic goods and services that society deems of fundamental importance: goods and services that foster the capabilities to live a life that is worth living. This can include equal access to important functions in society - health care, education and pension - despite differences in social and economic position. But Piketty argues that it is up to democratic deliberation and political confrontation to answer what should be included and to what extent. (Piketty, 2014, p. 480)

Consequently, the main aim of Piketty's global tax is to rebalance the persuasive capabilities of the least well-off in society, honoring the demands of justice. Piketty argues that this question is too important "[…] to be left to economists, sociologist, historians and philosophers." (Piketty, 2015, p. 3) Only with the transparency of the financial information can public discussion decide which forms of inequality society deems justifiable. Piketty provides this study of the economic distribution. But his study of the future of capital also makes an ethical claim; it is aimed at creating new institutions that would help regulate the economic mechanism in the century to come. I argue that it is this latter problem Piketty tries to address in *Capital in the Twenty-First Century*. He concludes the book by stating: "Without real accounting and financial transparency and sharing of information, there can be no economic democracy." (Piketty, 2014, p. 570) A global tax on capital would help to regulate the benefits of the distribution of wealth and regain some democratic control on the economic system.

Such a conclusion can only make sense from the perspective that there is a priority of democratic control over economic differences. And although this conclusion has many parallels to the philosophical work of John Rawls an Amartya Sen, it is specific to Piketty's understanding of the dynamic of wealth and income. It takes different elements of these philosophies to point to a concrete problem for the coming century: the unknown influence of capital accumulation on the equal opportunity of political participation.

Conclusion

"Men are born free and remain free and equal in rights."
"Social distinctions can be based only on common utility."

It is the tension between these two statements that are the focus of Piketty's moral claims in *Capital in the Twenty-First Century.* Through his work his interpretation of these two sentences is constantly at work, although their exact meaning remains implicit. This thesis has aimed to reconstruct Piketty's interpretation of these statements through the work of John Rawls and Amartya Sen. There is a distinct role of justice in society. Based on the principle of justice as fairness, equality is assumed. The burden of justification lies with any form of inequality that would deny this principal demand of justice. As such, any form of inequality should be in the interest of all, in particular the least well-off.

In this sense, the dynamics governing income inequality are problematic. In the long run, there is no natural, spontaneous process that would sufficiently counteract the forces of divergence. The accumulation of capital has historically always been stronger than the growth of the economy. Only during a short period in the twentieth century has the influence of capital in the economy been different. The lesson is that, with the predicted slowing down of growth rates, this is not just our past. It will also be our future. This development however, is by no means preordained. Although no natural process counteracts the law r>g, there are ways to address this possible unrestricted growth of income inequality. The distribution of wealth and income has always been deeply political. Through public reasoning and political action this dynamic needs to be addressed.

There is however an inherent tension between the basic liberty of political participation and economic inequalities. Inequalities of income can lead to fundamental social inequalities; most notably inequalities in the persuasive capabilities of different social groups. It is this influence of economic differences on the political process that can radically transform our social and economic institutions. Instead of protecting basic liberty by regulating social and economic differences, these institutions will become instruments with which the richest segment of society maintains and increases its economic position. The increase of income inequalities in the last three decades proves that this process might already be well under way.

Justice demands that we foster the right institutions and capabilities of people to participate in the political process. A progressive, global tax on capital would address these issues in two ways. First, it would somewhat diminish the concentration of wealth and income. Secondly, it would provide valuable insight into the actual developments and concentration of capital. The role of capital in this dynamic is significant, but not well understood. A global tax on capital could be an institution that would help to regain some democratic control of this dynamic.

For all intents and purposes my reconstruction of Piketty's moral argument is an approximation. There might be details in which Piketty's actual approach differs from the one presented here. But, I would argue, if Piketty has a moral argument that supports his policy recommendation of a progressive, global tax on capital, it should look like this. Alas, this moral argument is glaringly absent in Piketty's argumentation.

It is important to emphasize the moral claims that underpin Piketty's argument. They show what is relevant and what is not when confronted with questions about income inequality. The growing influence of monetized interest on the process of policy-making diminishes the effectiveness of fundamental principles of society; like public reasoning and the role of democracy. The creation of new economic institutions is necessary to regulate the dynamics of economic distribution and safeguard our basic liberties.

A global tax on capital might be a utopian idea, but it might be one of the institutions necessary to satisfy the demands of justice.

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