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CAPITAL IN THE TWENTY-FIRST CENTURY,
By Thomas Piketty
(2014 Cambridge, Massachusetts and London, England: The Belnap Press of Harvard University Press. Viii + 685 pp)

Reviewed by Herbert Barry III, Ph.D., Pittsburgh, PA, for the July 2014 Western Pennsylvania Mensa Phoenix magazine.

This book contains many graphs and tables of financial information on contemporary nations, including the USA, during recent years. The author is a French economist. His writings in French were translated into English. The book has attracted much attention and mostly approval by economists.

The author is strongly in favor of the graduated tax, a higher tax rate on larger incomes than on smaller incomes. The increasing gap between great wealth owned by less than 1% of the population and poverty of much larger numbers of people is a dangerous trend. A violent revolution is a possible consequence.

The author advocates a global tax on wealth, which includes all financial resources, also material possessions such as a computer, automobile, yacht, jewelry, and expensive clothes. It requires international cooperation to defeat efforts to hide resources in a foreign country that does not tax wealth. The global tax on wealth is proposed because conventional taxes on income and sales do (concluded on page 15)

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not yield enough revenue to fund governments. A low percentage tax on global wealth, such as less than 5%, would yield sufficient government revenues.

I believe that Piketty's proposal for a global tax on wealth will increase support for adequate taxation of a more limited form of wealth. This wealth is the value of land owned by an individual or corporation. In the USA, taxation of the value of land is limited to local governments, such as municipalities, school districts, and counties. The annual tax rate is much less than the value for the owners and therefore less than their ability to pay. States and the federal government also should obtain most of their revenue from this source.

More government revenue from owners of valuable land enables reduction of other sources of revenue. Taxes on the value of buildings, constructed and maintained by humans, should be abolished. Taxes on income, sales, and other financial transactions should be reduced or abolished.

Contrary to most other sources of government revenue, higher tax on the value of land would have beneficial effects for the economy. The most valuable land is owned by wealthy individuals and corporations. The cost of higher tax rates would stimulate sales at lower prices, thereby making land more affordable for buyers who need it.

A plot of land is an especially taxable form of wealth because it cannot be hidden or moved to a foreign location. All levels of government with jurisdiction over a plot of land should obtain revenues from it. Taxation should be reduced or abolished on wages, salaries, sales, and buildings. Governments should encourage and protect instead of tax products of human exertion and enterprise.

(Herb Barry may be emailed at barryh@pitt.edu)

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