

Thomas Piketty's book *Capital in the Twenty-First Century* has created a very new platform for a discussion of the global economy. There is possibly no other book on economy which has been published in so many languages, printed in so many copies, and has found its way to such a varied global public. Piketty's *Capital* has been discussed in many high ranked academic journals, and at the same time, it has come out to a broader audience with advertisements in places like the underground public transportation in metropolises around the world. The title of the book is also very ambitious in so far as the title *Capital* claims to be a follow up of Karl Marx's *Das Kapital* for the twenty-first century. Piketty is similar to Marx in his ambition to give a large historical, or a world historical perspective on the significance of capitalist economy for the development of global society. Given this background it could be interesting to consider the relations between Piketty's *Capital* and Marx's *Das Kapital*.

### **Main Thesis**

My main thesis is that although Piketty gives a very essential theoretical and historically based prognosis and critique of the development of inequality as he expects it to increase in the twenty-first century. Ultimately, he is not able to provide a conceptual critique of capitalism which can surpass the basic market perspective in Adam Smith's tradition of classical and neoclassical economy.

On this basis my thesis is that Marx's conceptual determination of the capital, *das Kapital*, the capitalist mode of production, and capitalism in general could contribute to sharpen the outcome of Piketty's enormous empirical and historical research on the development of inequality in capitalist societies beginning from the French Revolution. In addition, Piketty has also presented a calculated prognosis for the exacerbation of inequality in global capitalism during the twenty-first century.

According to Marx, the development of inequality is not accidental but inherent in the principle of capital and the capitalist mode of production. Therefore, Piketty's empirically documented development of inequality should lead to a fundamental critique of capitalism. However, this is not the case.

On this background, I would like to consider a change of perspective from Adam Smith's liberal market perspective to Marx's productive perspective on capitalism. For Marx, capitalism is seen as an autopoietic bureaucratic and productive machinery or social system, which not only determines the production of inequality but also the basis for all social relations on a global scale.

### **Outline of the paper**

In the following paper, I would like to substantiate this thesis with a presentation of Piketty's theory, method and main results. I would further like to present Marx's critical concept of the capital and capitalism. Finally, I would like to illustrate some of the consequences of Marx's critical theory for the understanding of Piketty's empirical work.

### **Piketty's Capital**

#### **Piketty's theory is situated in Adam Smith's liberal tradition.**

Piketty's work is situated in Adam Smith's liberal tradition. Adam Smith's main work *Wealth of Nations* (1776 I-II) from 1776 is interesting because it represents the foundation of modern economy. Smith's theory can be read in many ways and it has brought inspiration to many different perspectives on ethics, societal ethics, common moral, political philosophy, political theory, sociology and economy. Normally the economic perspective has been emphasized, but one could say the same regarding the other perspectives.

*Wealth of Nations* begins with a presentation of the division of labor as the basis for creation of wealth in a nation. Therefore, it should be emphasized that Smith has a general concept of work as the basis for his economic theory. Smith formulated this generalization on the basis of the Physiocrats' more restricted idea that only agricultural work created value.

The second essential line of thought by Smith is that the products of work should be sold at a price determined in an open market, which on a larger scale implies the world market as its perspective. Therefore, the free market is essential for Smith.

The third line of thought is that the price of the commodity is determined by the work behind the creation of the product. However, Smith is not completely clear on this topic. The other perspective in *Wealth of Nations* is that the price is determined by the exchange in the market. In other words, Smith's theory is ambivalent concerning the creation of value.

It is this ambivalence in Smith's theory, which is in the center of discussion during the next two hundred years among economists, especially in the neoclassical economic tradition.

On the one hand, the work perspective leads to an internal understanding of the fundamental role of work in comprehending societal relations and institutions. This is what leads to the sociological perspective on the relationship between economy and society. Marx's, Durkheim's and Weber's theories should also be mentioned here.

On the other hand, we have the price and market perspectives, which become the dominant perspectives in later economic traditions. It is in these traditions that we find the most economists having an influence on economic practice and on economic education. Thomas Piketty should be placed in these traditions.

### **Piketty's research method: economy as part of the social sciences**

Piketty is a market economist based in Adam Smith's liberal tradition and the later neoclassical liberal tradition. However, Piketty has a much broader theoretical and methodical horizon, which should be understood on the background of Piketty's French formation.

The interesting thing about Piketty's method is that he wants to integrate economics as a sub discipline of social sciences, alongside history, sociology, anthropology, political science and even literature (Piketty 2014: 573 ff.). Piketty has his specific methodological perspective from the French Annales School and from Francois Furet's quantitative historical method, which gives him a long and convincing historical perspective (Bouvier & Furet 1965; Piketty 1998; Piketty 2001; Piketty 2004; Piketty 2006). Piketty would not have been able to come to his results, if he had not integrated all these different perspectives.

Following this, Piketty wants to reconstruct the classical political economy as a value based

science, which is connected to its political, normative and moral purpose (Piketty 2014: 573 ff.). This is the same ambition found in Adam Smith and further back in classical political philosophy by Aristotle and Thomas Aquinas. The fundamental question according to Piketty is, how public policies and institutions can bring us closer to an ideal society (Piketty 2014: 574). This was also the question raised by Aristotle, Aquinas, Adam Smith, Hegel and Marx. They had very different answers to this question, but they all had in common that the economy should be subordinated to the political, normative and moral value horizon. Economy could not be sustained independent of the moral, social and political interpretation.

According to Piketty, political economy should be a part of public discussion meaning that the shared values should be found in public democratic discussion. According to Piketty, this is not the case in most economic theory and practice in which economic models are used without regard to the political, social, cultural and historical context.

### **Piketty's basic thesis: $r > g$ - revenue is bigger than growth in a long historical perspective**

Although Piketty has these critical perspectives on economy, he is in many ways still a traditional market economist based in Adam Smith's liberal tradition and the neoclassical tradition. Piketty's focus is price, market and equality in the distribution of goods. It is in this background that Piketty is concerned with the liberal discussion of inequality.

Piketty's basic thesis is that revenue,  $r$ , has been bigger than growth,  $g$ , during the last two hundred years in Europe and the US, and more generally in all higher developed societies in recent history. Therefore, there has been a tendency towards a strong inequality in the last two hundred years in Europe. In general, this has also been a tendency throughout European history and in all higher developed societies. In that sense, all societies in history have been class based societies, albeit in different forms.

### **Patrimonial Capitalism**

It is Piketty's expectation that a new form of capitalism has been created, which he calls patrimonial capitalism (Piketty 2014: 173). It could seem to be a new form of capitalism, but in fact, it is a form of capitalism, which was known from the late 1800s until 1914. It is characterized on a huge accumulation of private wealth among a small part of the

population, the upper 10%, 1%, 0.1% and 0.01%. At the beginning of the 1970s, the total value of private wealth in the Western societies stood between two to three and a half years of national income. Forty years later, in 2010, private wealth represented between four to seven years of national income in the Western world. The general evolution is clear: This is a strong comeback of private capital in the rich countries since 1970 (Piketty 2014: 173). This concentration of wealth is what Piketty calls 'patrimonial capitalism'.

Piketty regards the new patrimonial capitalism as a repetition of something, which was formerly known in history from the late 19<sup>th</sup> to early 20<sup>th</sup> century. It is characterized by a high concentration of wealth in a low-growth environment like the nineteenth century (Piketty 2014: 237). The crisis of 2008 was according to Piketty the first crisis of the globalized patrimonial capitalism of the twenty-first century (Piketty 2014: 473). He expects that it will be followed by other crises. This is the scenario that Piketty expects for the twenty-first century.

### **Patrimonial capitalism, heirs and entrepreneurs**

Consequently, the strong concentration of wealth can give rise to a tendency where the 'entrepreneur' transitions to the 'heir' as the basic figure of capitalism. According to Piketty, all large fortunes, whether inherited or entrepreneurial in origin, grow at extremely high rates, regardless of whether the owner of the fortune works or not (Piketty 2014: 439ff.).

Piketty gives a very illustrative example comparing Bill Gates, the entrepreneur among all entrepreneurs, and Liliane Bettencourt, the heiress of the cosmetics company L'Oréal. Between 1990 and 2010, Bill Gates' fortune increased from \$4 billion to \$50 billion. In the same period, Liliane Bettencourt's fortune increased from \$2 billion to \$25 billion. Both fortunes thus grew at an annual rate of more than 13 percent from 1990 to 2010.

Piketty also mentions Steve Jobs, who is regarded as a more creative entrepreneur than Bill Gates. But at the top of his career, his fortune was only \$8 billion in 2011.

Piketty's conclusion is that inheritance becomes the main access to the creation or growth of fortunes, and not the entrepreneurial spirit. Therefore, wealth is not just a matter of merit, and capital grows according to its own dynamic, when it has passed a certain size. The reason for this is the simple fact that the return on inherited fortunes is often very high

solely because of their initial size.

### **Inequality - The economic system is the problem**

It is a common discussion in liberal political theory that inequalities are acceptable if they serve the common good. This is also what has been stated in §1 of the *Declaration 1789*: "Men are born and remain free and equal in rights. Social distinctions may be found only upon the common utility". It is on this basis that entrepreneurs becoming extremely rich while compared to other people becomes acceptable.

However, Piketty claims that the entrepreneurial argument cannot justify all the inequalities of wealth, no matter how extreme (Piketty 2014: 443). This is a claim that we find in Rawls' liberal theory as well (Rawls 1971). As we have seen, the general class based inequality  $r > g$  combined with better returns on capital as a function of initial wealth makes it possible that fortunes can grow and perpetuate themselves beyond all rational limits and beyond any possible rational justification in terms of common utility.

In this way, it does even not take one generation to move from an entrepreneur to a rentier. Entrepreneurs can be transformed into rentiers in their own lifetime, and their wealth can be multiplied more than tenfold in twenty years as in the case of Bill Gates and Liliane Bettencourt (Piketty 2014: 443ff.).

The consequence is that even the merit criteria in §1 of *Declaration* that social distinctions are acceptable if they serve the common utility or the common good is very difficult not to say impossible to concretize. It is very difficult in praxis to sustain the distinction between the entrepreneur and the rentier when the first can be transformed into the second in a very short time as has been exemplified with the case of Bill Gates.

As I understand Piketty, he draws the conclusion that the most important problem is not to clarify whether inequality serves the common utility or not? The most important problem is that the accumulation of wealth among the 1%, the 0.1% and not at least the 0.01% tends to represent 70%-90% of all the countable wealth in global societies. It is this enormous concentration of wealth that justifies Piketty's use of the concept of patrimonial capitalism.

## **Patrimonial Capitalism**

The concept of 'patrimonialism' is situated in Max Weber's classification as a traditional form of governance (Weber 1980: 682 ff). It has its origins in the specific patriarchal form of authority in the family. Following up, it can be broadened out to concern patrimonial forms of government in which political and or economic power can be concentrated. In this form of government, authority and power form a political unity. It is this traditional unity which transgresses into the power and authority of economic wealth in the patrimonial form of capitalism, as has been described above.

## **Problems with Patrimonial Capitalism**

Per my observations, Piketty draws the following conclusions concerning the patrimonial form of capitalism.

### ***Society will fall behind the French Revolution***

Piketty's perspective is overall that patrimonial capitalism will bring society back to before the French Revolution. Some of the modern institutions may formally be maintained but the reality may be different.

### ***Suspension of basic principles of Human Rights***

The second point is that the basic values of modern society are suspended as they are formulated § 1 of the *Declaration*: "Men are born and remain free and equal in rights. Social distinctions may be found only upon the common utility". In patrimonial capitalism, there are basic distinctions which are bound to inheritance and which therefore are transferred from generation to generation. This is exactly what characterizes a traditional pre-modern society. In such a society, men are not equal in rights, because wealth is the basic structuring parameter for the life chances of people in all matters concerning wealth, education, health, work, and political, social and other positions in society. In short, human rights are suspended in such a society.

### ***Suspension of democracy***

The third point is that democracy will be strongly weakened or even suspended in such a society, and there can be no possibilities to develop democracy in such a society.

### ***Stagnation of society***

The fourth point is that patrimonial capitalism will not be able to develop a society because the entrepreneur and innovator will lose their possibilities compared to the primacy of secure reproduction and accumulation of the inheritance.

### ***Violence and corruption will dominate society***

The fifth point is that such a society will be built on violence and corruption instead of legal and deliberative political institutions.

### ***The rule of war between states***

The rule of war between states will be dominant because interstate conflicts cannot be solved through diplomacy and international law.

### **Patrimonial capitalism does already exist in many societies in the world**

The description of patrimonial capitalism may seem like a doomsday prophecy, a description of the last days. But in fact, the reality is that this form of capitalism does already exist in different forms in many societies in the world and maybe even the most societies with a developed economy combined with a strong authoritarian and corrupt regime. Even in the US we find signs of patrimonial capitalism, when wealthy people have enormous possibilities to influence elections, political life, allocation of resources and social decisions.

### **Piketty's *Capital*: A platform for a critique of capitalism and its perspectives**

In the end, the interesting thing about Piketty's analysis is in the end that it is an economic analysis on the basis of the fundamental principles of the French Revolution. Piketty's own conclusion is that the French Revolution failed and is an illusion.

With this background, one could have expected that Piketty had been critical toward capitalism as an economic system. But this is not the case. Piketty is worried about the historical consequences of capitalism, but he does not criticize capitalism in itself as an economic and social system. However, this seems to be a relevant topic as he has at least created a new platform for a discussion of capitalism, because he has uncovered some of the historical destructive perspectives in capitalism.



## **Marx's Das Kapital**

### **Introduction to Marx**

It is in this background that I would like to discuss Marx's concept of capital, das Kapital, and some of his perspectives on capitalism. Marx is such an interesting thinker in this context because no one has delivered such a strong critique of capitalism and political economy as him.

If we want to understand Marx's critique of capitalism, we have to look shortly at his intellectual background and development. Marx (1818-1883) is a German intellectual strongly influenced primarily by Hegel's political philosophy. Marx is a Hegelian who criticizes Hegel's perspective on state, civil society, politics, and economy in *Kritik der Hegelschen Staatsphilosophie 1844* (Marx 1841/42: 20-149). His basic critique of Hegel's *Philosophy of Law* (Hegel 1955; 1991) is that Hegel 'aufhebt', lifts up or sublates the basic contradictions in civil society into a reconciliation, 'eine Versöhnung', in the State as an all-encompassing unity of the contradictions in civil society. According to Hegel, the contradictions in civil society were first of all constituted through the struggle between economic agents, who were only concerned with their own business. This is an insight Hegel had acquired through Adam Smith's *Wealth of Nations* (Smith I-II 1981) and David Ricardo's *Principles of Political Economy and Taxation* from 1817 (Ricardo 1996).

In his *Kritik der Hegelschen Staatsphilosophie 1844*, Marx mostly criticized Hegel's *Aufhebung* and *Versöhnung*. Later on, his project became to reconstruct this political and political-philosophical critique of Hegel as a critique of political economy. Therefore, it would be right also to consider Marx as a Hegelian in this later period of his life after 1849, when he arrived as a political refugee to London. This is also what Marx remarks in his postscript to the second edition of *Das Kapital* (Marx 1970: 27f.). Marx comments on his method and claims that there must be made a distinction between the research (*die Forschungsweise*), in which the subject is taken in consideration, and the presentation (*die Darstellungsweise*), in which the topic is reconstructed as it has taken place. *Die Darstellung*, the presentation, means for Marx the same as how the subject can be developed in an idealized way which gives the impression that it could be a pure construction. One could say that it could give the impression of being a pure construction without relation to the reality in so far as it should present the essential (*das Wesen*) of the topic. In that sense, 'die Darstellung' could also be considered as a form of presentation and

interpretation at the same time. Although Marx claims to be a materialist, he has such a style of presentation that it does remind us of a constructed model in the idealistic tradition of Plato and Hegel.

### **Marx's Hegelian method**

It is very essential to understand Marx's Hegelian method, because it indicates that for Marx and for Hegel there are always two levels in the understanding of social phenomena. On the one hand, we have the surface, 'die Erscheinung'; this is the empirical level, where the events happen. On the other hand, we have the understanding of the phenomena; this is the level where the essence, 'das Wesen', is expressed. As the third step, Hegel and Marx claim that it is only from the perspective of the essence, 'das Wesen', that we can understand the empirical level, where the events take place. According to Marx and Hegel, this was the meaning of dialectics.

It is exactly this phenomenological double perspective with the movement from Erscheinung to Wesen and from Wesen to Erscheinung, which is so strange for the American and English way of thinking, and is also the dominant perspective in modern liberal economy. However, it is this double perspective, which gives Marx the possibility to make a critical reconstruction of the political economy and present a new perspective on the relation between economy and society.

### **Marx's project is to reconstruct the classical political economy**

With this background we can discuss what Marx is concerned with in *Das Kapital*. Here we should remark on the subtitle of *Das Kapital*, which is *Kritik der politischen Ökonomie* - Marx wanted to criticize and reconstruct the political economy because it did not present what should be its essence, das Wesen. One could say that Marx wanted to write a new edition of Smith's *Wealth of Nations*. According to Marx, political economy had moved away from a scientific project to a political project that was only concerned with price and market, the surface, 'die Erscheinung', because it served to hide that the dominant economy's 'Wesen', the workproces, was based on exploitation of the workforce, who produced value and surplus-value.

Marx did not finish his project; he did not finish the presentation of the total reproduction of the economic system. In that sense, we cannot say that Marx has presented a model for the

total reproduction of the economic system. Marx edited only the first volume of *Das Kapital* in 1867. Friedrich Engels edited the next two volumes with support from Marx's remaining manuscripts. Therefore, the question is what status can Marx's theory have, when it is not finished in the same sense as Adam Smith's *Wealth of Nations* is a finished work?

The three edited volumes of *Das Kapital*, the collection of Marx's preparatory work papers collected in *Grundrisse der Kritik der Politischen Ökonomie* (Marx 196-?), combined with the rest of Marx's work give a sufficient basis to understand Marx's new theoretical contribution to the political economy. Marx presented the basic principles in a critical theory with a new perspective on political economy understood as the reproduction of what he called the capitalistic mode of production or the capitalistic economic system. Broadly speaking, it gives a new understanding of the basic principles in a capitalistic society. In that sense, Marx's theory provides the basis for a sociological understanding of the relation between economy and society, and in a wider perspective for the interpretation of history.

The glorious and tragic days of Marxism have ended. Therefore, today Marx's theory should be seen in line with other economic and sociological theories, and it should be seen as part of a hermeneutical work, which in the end determines the integration of the different possible scientific perspectives.

With this background, I would like to present some of the essential topics in Marx's theory in *Das Kapital* and *Grundrisse*, which will be relevant for a discussion of Piketty's *Capital*. I will concentrate on the first chapters of *Das Kapital* as it is here that we find the basis for all of Marx's theoretical construction.

### **The concept of Capital - The constitution of das Kapital**

It already becomes clear from the title page itself that Marx's *Das Kapital* is a very special treatise. On the one hand, it is in fact very similar to Hegel's *Philosophy of Right* (Hegel 1955), and on the other hand, it is very different compared to Adam Smith's *Wealth of Nations* and Piketty's *Capital*. Therefore, it can be enlightening to compare it with these treatises.

Smith's theme is the nature and causes of the wealth of nations, and chapter 1 begins immediately with a presentation of the division of labor as what has mostly improved the

production of wealth (Smith 1981, I: 13 ff.). All the categories here and in the rest of the treatise refer to empirical matters. All of Smith's categories have an empirical reference.

The same could be said about Piketty's subject, which is equality and inequality with reference to the distribution of wealth.

Marx's Introduction does not have this character. The title of the book, *Das Kapital*, is an abstraction and does not have an immediate empirical reference. The subtitle is *Critique of the Political Economy*. This means that the treatise is concerned with a critique and reconstruction of political economy as we know it from Smith and Ricardo. The subtitle of the first volume of *Das Kapital* is the Capital's Production Process. The subject in *Das Kapital* is the capital. This is very strange in itself. How should capital be understood in a determined form? Normally we understand capital in quantitative terms, however, in Marx's determination of das Kapital (Marx 1970: 12) we have to do with a concept. Capital is a conceptual abstraction, and it is the production and reproduction process of this subject, which is the topic of *Das Kapital*. This is also, what Marx emphasizes in the introduction to the first edition of *Das Kapital* in 1867 (Marx 1970: 11-17). In the postscript to the second edition from 1875, Marx comes back to the same theme concerning his method, which he designates as being the same as Hegel's method, although turned around, because Marx claims that Hegel is an idealist, and Marx claims to be a materialist (Marx 1970: 27). I think that the two methods are very closely connected, and I find it difficult from a methodological perspective to see the difference between the beginnings of Hegel's *Philosophy of Right* and Marx's *Das Kapital*.

### **Marx's development of the concept of capital**

The first chapter of *Das Kapital* begins in the same abstract style with an analysis of the wealth in a society dominated by the capitalist mode of production, which presents itself as an amazing collection of commodities. The skeleton, 'die Elementarform', the basic element of such a society is the commodity. This is the reason why Marx begins his analysis with an analysis of the commodity.

In chapters 1-3, Marx develops all the basic concepts of work such as the production of the commodity, the use and exchange value of the commodity, the equal exchange of commodities, and the invention of money as the means of exchange of equal values.

I would especially like to emphasize chapter 1, section 4, where Marx introduces the fetish character of the commodity and its secret. In a commodity producing society, all social relations become hidden in the commodities, which are all a product of the work process. It is the commodities that seem to be the real actors in society (Marx 1970: 86). This is the beginning of the creation of the alienation in a society dominated by the capitalist mode of production.

In the third chapter, Marx describes how money becomes the general presentation of the circulation of commodities. There is a change from the form 'commodity - money - commodity' to the form 'money - commodity - money'. In this way, money comes into the center of society and becomes an aim in itself.

In the fourth chapter, *The Transformation of Money into Capital*, Marx questions the addition of value when only equivalents are being exchanged all the time. Marx's simple answer is that the workforce, 'die Arbeitskraft', is a commodity, which has the ability to produce more value, a surplus value or 'Mehrwert', than it costs to reproduce it.

Marx speaks about the transformation of money into capital, when the production takes the character of a production of surplus value, 'Mehrwert', and in that sense a production of Capital (Marx 1970: 180 ff.). Marx speaks about society as a capitalist society when the production of capital dominates society.

The term 'capitalism' is a technical term, a concept for a specific form for economy and society. The concept capitalism has its origin in the Late Latin word *capitale* derived from *caput*, meaning 'head', which is also the origin for *chattel* and *cattle* in the sense of moveable property. *Capitale* emerged in the 12<sup>th</sup> to 13<sup>th</sup> centuries in the sense of referring to funds, stock of merchandise, sum of money, or money carrying interest. In English language, the word capitalism is used since the 1850s as the determination of a specific form of society, in which capital and capitalist modes of production have a determined significance.

On the basis of the concept of capital, Marx's project is to develop an all-encompassing description of the reproduction of a society dominated by the capitalistic mode of production. As mentioned, Marx did not finish this project. In this sense we could say that Marx did not succeed. However, this would not be a correct judgement, because Marx

developed the base for a new understanding of economic significance in a modern society.

I will not go in detail with a further presentation of *Das Kapital*, but would only like present some of the consequences of Marx's perspective. I speak here about the abstract theory in itself and not about the specific historical forms, which are determined by many other historical and social factors. In that sense, the abstract principle of capital does only indicate the determinate productive principle in a specific historical form of society.

### **Marx gives a totally new perspective on liberal economy**

The essence is that Marx determines a new perspective on economy and society. *Das Kapital*, the capital, is a driving machine or subject, which aims to produce capital in an escalating intensity and quantum. This is also determined as accumulation of capital.

### ***Das Kapital* is a critique of the liberal market economy**

Marx theory is a critique of political economy. The word 'critique' could be mystifying. Therefore, let me first express what I think critique means in this context. It primarily means to show what is inconsistent, hidden or suppressed in the understanding of a liberal market economy, and secondarily to present a reconstruction of a basis for another understanding of economy. In the liberal economic perspective, the economy does only *mediate* social relations; it *does not produce* social relations. The basic categories are therefore price, market and commodity. In this perspective, the economy is in itself a neutral mediator. In Marx's perspective, it is different.

### **Das Kapital is the productive and destructive subject of society**

In Marx's perspective, *das Kapital* not only produces 'Mehrwert' and 'Kapital', or is not only an economic productive force. *Das Kapital* forms a society, its institutions and its social relations in a specific adequate way. In this context, the following topics can be emphasized:

### **Commodification**

*Das Kapital* has a tendency to create a commodification of all social relations and all human life.

***Die große Profanierung* - All pre-given norms are broken down and restructured in accordance with the new historical imperatives**

All pre-given norms are broken down, because they are under pressure to be relativized and commoditized. This is 'die große Profanierung', this is the big profanation of the Holy and of all social norms. In *The Communist Manifesto*, it is stated in this way: "All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind" (Marx 1968b: 529).

***Die große Verschleierung* - the big concealment**

The big paradox in capitalism is that its consequences are 'verschleiert' or veiled. The astonishing thing is that this veil is constituted through the liberal market economy, in which all distinctions are 'aufgehoben', lifted up and abolished in the general equivalent, money, at the market. All social distinctions are relativized and hidden on the market. In the end, there is only the distinction more or less of the general equivalent, money.

**The big illusion - the liberal market economy produces the big illusion about society**

The liberal market economy creates or produces the big illusion about this same form of society, because the abolishment of all distinctions becomes a hindrance for critique. We are all equalized in the general equivalent, money. Therefore, there is no internal way from the liberal market economy to a critique of the specific formation of the social relations, because these distinctions are not inherent in the economic theory. The liberal market economy is constituted through an abstraction from the possible distinctions.

**Summing up - Marx has presented a specific theory which can be applied on empirical work with economy and society**

What I have presented are the basic principles in Marx's critique of the political economy. As mentioned, Marx has developed a much broader and differentiated theory compared to, what has been presented here. However, in the end, what we have from Marx is a theory with a specific perspective on economy and society, making it possible to apply it in specific empirical work.

## **From Marx to Piketty - From Piketty back to Marx**

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### **Marx and Piketty on empirical work - What is the difference?**

In this context, it could be interesting to question how empirical research would be different in a Marx perspective compared to a Piketty perspective. Let us imagine that Marx had conducted similar research as Piketty on the development of inequality in France the last 200 years. What would be different? I am not sure that the concrete research method would be different. Piketty has gone down to the sources and tried to give an answer to his question. The difference would lie in how the questions are posed. Piketty poses his questions inside the horizon of the liberal market economic theory and the neoclassical economic theory. He does not pose questions to or discuss this economic perspective. It is as if it were pre-given or impossible to fundamentally question it. Consequently, we do not move outside the framework of this economic perspective.

### **The practical results of Piketty's research are not very significant compared to the enormous research he has done.**

The taxation card is Piketty's only solution to the huge problems created by growing inequality. However, Piketty does not really believe that it is possible to establish the necessary taxation system. Therefore, one could say that there is a lack of critical potential in his theory although he delivers amazing empirical material. The practical results of his research are not very impressive compared to the enormous research he undertook.

### **Marx's perspective on empirical economic research**

On the other hand, Marx has an incomparably stronger critical theory, which can help pose many interesting research questions and could be integrated in an empirical project.

In the end the dividing line between Piketty and Marx is the following. For Piketty, the liberal market economy is regarded in itself as a neutral system. For Marx, the problems of inequality observed by Piketty are an inherent consequence of capitalism. It could simply not be otherwise because a basic principle in capitalism according to Marx is capital accumulation and capital concentration. Piketty remarks that contingent historical events, the first and second world wars combined with a strong left wing policy, created the basis for diminished inequality in the period 1945-1975, and not fundamental changes in the



liberal economic system.

In Marx's perspective, it would also have been a good idea to change inequality through taxation. However, the interesting perspectives are the basic contradictions in the economic system itself, and whether these contradictions can find a practical solution is a political question.

### **Marx and Piketty - research perspectives and strategies**

What to do in a world dominated by the liberal economic perspective?

A basic question would be how one should conduct research in economic oriented topics when most research resources are concentrated around the liberal economic perspective. The strategy could be to integrate research from the liberal economic perspective in a hermeneutical horizon, which is more influenced by critical theory. In this way, it would be possible to use the given empirical resources in another critical hermeneutical perspective in which an inherent critique of capitalism could be formulated.

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