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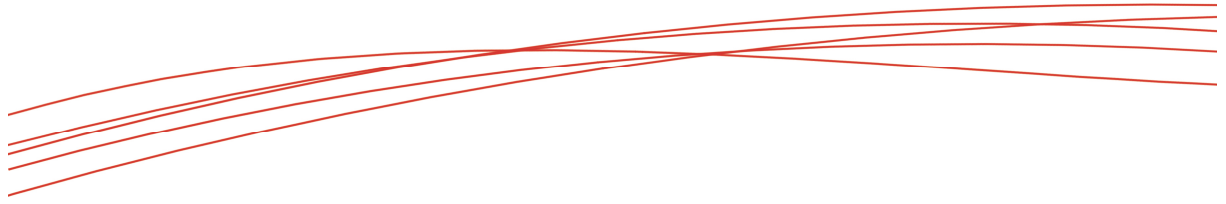
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**Sociology and political science in the  
patrimonial society: implications of  
*Piketty's Capital***

Francois Bonnet and Clement Thery

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# **Sociology and political science in the patrimonial society: implications of Piketty's *Capital***

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Abstract. *What are the implications of Piketty's Capital for sociology and political science? Capital's argument focuses on the evolution of the  $r/g$  ratio (capital returns over growth rate) and outlines two modes of economic inequalities. One is characteristic of affluent ( $g > r$ ) societies and the other is characteristic of patrimonial ( $r > g$ ) societies. With the current return to a patrimonial society, corporations become political actors; occupational status and education's relevance are declining; the meaning of poverty is transformed, and welfare and punishment become interdependent means to social order; in politics, elitist theories gain traction; immigration is less about assimilation, and more about transnationalism and nationalist politics. We show that some theories are more relevant in an affluent society, and others are more adequate to a patrimonial society.*

Word count: 8200

## Key words

inequality, capitalism, corporate governance, education, social structure, power

## JEL classification

P10 Capitalists system

N30 Labor and consumers, demography, education, health, welfare, income, wealth, religion, and philanthropy

I24 Education and inequality

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## Sociology and political science in the patrimonial society: implications of Piketty's *Capital*

### Introduction

This is not a review of Thomas Piketty's *Capital in the Twenty-First Century*, but a commentary on the implications that the book holds for sociology and political science. *Capital* is a history of capital returns over two centuries. The main finding of the book is that capital returns ( $r$ ) have exceeded growth rates ( $g$ ) ( $r > g$ ) over most of the past two centuries. When  $r > g$ , economic inequalities increase indefinitely. In the few decades when  $g > r$ , inequalities decreased significantly.

Reading *Capital* suggests a simple yet useful image of two ideal-types of modern societies (Piketty himself does not make this claim). The first is the society of  $g > r$ : a society with high economic growth, low unemployment and relative equality. In this society, the wealthiest 10% “only” owns 50% of the capital, workers receive a growing share of the national income and social mobility redistributes positions in the social space. In the United States, this is the postwar prosperity of the *Affluent Society* (Galbraith 1958). In the regulation school parlance, this is the Fordist society; it refers to the French “Trente Glorieuses” between 1945 and 1975, the “Italian miracle”, the “German miracle”, and so on. But, as Piketty shows, this is a historical anomaly. High growth is a temporary bump caused by catching-up effects. Long-term growth rates over centuries are stable at 1.5%. In the long term, capital returns are higher than growth rates:  $r > g$ .  $r > g$  societies are extremely unequal: the wealthiest 10% of the population own 90% of capital, and the wealthiest 1% own 60% of capital. Most of the national income rewards capital owners, not workers.  $r > g$  societies are *patrimonial* societies, where inheritance trumps work, exemplified by Europe pre-World War I and the Gilded Age in the United States. Piketty's data show that Western societies have ended their spell with high growth, and are coming back to being patrimonial societies—barring other major events, such as global taxation, another world war, or catastrophic climate change.

Our point is that key concepts and theories in sociology and political sciences have been developed both in an era of affluence, when  $g > r$ , and in a period of patrimonialization of societies, when  $r > g$ . But these two societies are different, and they each require a specific set of analytical tools. In this article, we discuss the social and political structure of both societies, and their corresponding sociology and political science. We look at the social groups, and economic and political actors of  $r$  and  $g$ . Piketty's approach in this regard is abstract:  $r$  and  $g$  are conceptual constructs, not empirical entities. In *Capital*, the  $r/g$  ratio depicts the mathematical logic of inequality generation. With the relevant social scientific literature, we bring back social groups and actors in.

Our objective is twofold: to look at the social, political and economic reality of the affluent and patrimonial societies, and at the theories and concepts of these realities. We do not aim at conceptualizing correspondences between the two; instead, we show that some theories, concepts and debates are more relevant in a  $g > r$  (or *affluent*) society,

and others are more adequate to a  $r > g$  (or *patrimonial*) society. *Capital's* strength is to offer the possibility of constructing such perspective on the history of postwar social sciences. The article does not aim at providing a new history of ideas. Our goal is to stimulate novel questions and hypotheses about the current return to the patrimonial society, to push for original connections between fields, and to allow for inventive casing (Ragin 1992). In this paper, we move from one field to another, from the United States to Western Europe, and from one historical context to the next in just a few pages. We hope the resulting broad span will stimulate new objects of studies and theories.

The article assumes that the  $r/g$  ratio drives the organization of society. We plead guilty of economic determinism, with mitigating circumstances. We do not claim to demonstrate causal relationships between the  $r/g$  ratio and other macro-social trends. We give substance to the ratio by showing the social actors that exist behind  $r$  and  $g$ . To do so, we mobilize canonic scholarly works for which we explain how their inner reasoning is (unbeknownst to them) conditioned by the processes that  $r/g$  captures. We are therefore not determinist in the strictest sense. Moreover, not all social facts and scholarly debates need to be related to the dynamics of economic inequalities captured by  $r$  and  $g$ . Our argument is that a number of key debates in social sciences should take into account the return to a patrimonial society—in particular, questions around the distribution of economic rewards. These debates have in common to discuss processes which overlap and are closely related to the formation of economic inequalities as described by Piketty. We have selected four broad questions for this article. (1) What is the nature of market competition, the nature of the firm, and the role of corporations in the allocation of economic rewards? (2) How do non-economic dimensions of social stratification—education, cultural capital—relate to economic inequalities? (3) How to think about poverty and its regulation? (4) How do the possession of economic resources and political power relate to each other? For each question, we study how the passage from an affluent society to a patrimonial society transforms scholars' posture and conceptualizations, and we suggest issues for future research.

### **The large corporation: from institution to political player**

The  $r/g$  ratio is a mathematical abstraction. In the material world, the main economic actors who are busy maximizing  $r$  and indirectly producing interdecile inequality are corporations. The evolution of  $r$  and  $g$  coincides with the transformations of corporate governance and of the nature of the corporation as an economic actor.

In a  $g > r$  society, a significant social innovation has been the rise of managers running large corporations with a scientific outlook toward productivity gains and mass markets (Piore and Sabel 1984). This represented a departure from the Gilded Age, when financiers and industrialists ran the firms they owned and were looking for unfair competitive advantages to create monopolistic situations—the “robber barons”. Leading sociologists such as Ralf Dahrendorf, Daniel Bell and David Riesman lauded the demise of owner control as an improvement of democracy (Mizruchi 2004). The scientific manager was the epitome of a meritocratic system that rewards education and competence. The large corporation provided jobs, including many unskilled positions in manufacturing, healthcare benefits, retirement plans, and opportunities for social mobility by climbing the organizational ladder (Davis 2013). In the United States,

lowest levels of income inequality have coincided with highest levels of employment in large corporations. This was a situation where the strength of unions, the “scientific” organization of production and the legitimacy of both enabled workers and capitalists to work out compromises, and when the ideas of “people’s capitalism”, “soulful corporation”, “post-capitalist society” or “what’s good for General Motors is good for the country” made sense (Mizruchi 2004: 583, 607).

Because it had become such a fundamental organizing force of postwar American society, economists and sociologists questioned the corporation as *a site of production and work*. Alfred Chandler in *The Visible Hand* (1977) emphasized that the corporation exists because it makes possible productivity gains. Neo-institutionalists uncovered the hidden logic of integrating production (Williamson 1975). Sociologists analyzed the work process as a series of dialectic oppositions, between integration and conflict, formal and informal organization, alienation and motivation.

The return to a  $r > g$  society at the end of the 1970s transforms this setting entirely. Since 1997, the number of public corporations in the US has declined by 55% (Davis 2013). Corporations are increasingly owned by investment management firms such as BlackRock (which owned in 2011 at least 5% of the shares of more than 40% of the companies listed on American stock markets) and Fidelity (the largest shareholder of one in ten American corporations) (Davis 2013: 289). “Even at the height of “finance capitalism” in the early twentieth century, the United States has never before seen corporate ownership this concentrated in the hands of a small number of financial institutions” (Davis 2013: 289). This shift toward the maximization of the “shareholder value” leads to the decline of the large, stable corporation. It is enormously detrimental to workers. Flat hierarchies in small firms make internal social mobility less likely; short-lived companies have no reason “to build strong corporate cultures with generous employee benefits intended to ensure commitment” (Davis 2013: 290); employment becomes more uncertain. Globalization, cheap foreign labor and low shipping costs enable corporations to function without a large workforce. Nike or Apple’s production lines are entirely outsourced and only retain “core competence” (design, marketing, etc.). Manufacturing jobs only remain in military industries, and 9 out of 12 largest US employers are retailers: “To oversimplify only slightly, big firms prefer investing in machines to people, and small firms rely on outside vendors for much of the heavy lifting of production and distribution” (Davis 2013: 295).

As a consequence, corporations are no longer to be studied as sites of production and work. With the crisis of the affluent society, the scholarship’s focus has shifted toward the growing networks of cooperation, sub-contracting and outsourcing between corporations of various sizes. This is the rise of the literature on “flexible accumulation” depicted in the *Second Industrial Divide* (Piore and Sabel 1984), the “network form of governance” (Powell 1990), or regional ecosystems fostering innovations by opposition to the stifling effects of large corporations (Saxenian 1996). More importantly, the blurring of the firms’ boundaries and the gutting of their production process go beyond the restructuring of a value chain. Scholars are now documenting how corporations have become active towards lobbying the state in order to manipulate legal norms and public subsidies to their advantage. In a society of  $r > g$ , the corporation is more and more an political actor targeting the state for private profit in an economic game that has less and

less to do with market competition and production (King and Pearce 2010) (one recent legal translation of the new status of corporations is the Citizens United decision).

Such shift raises questions and problems. How did the bargaining structure between the state, the corporations and social movements tilt in favor of corporations? In the affluent society, many worried about the military-industrial complex, because they perceived the overlap of economic and political power as a democratic anomaly. With the reversal to a patrimonial society, such intermingling has become the norm. Corporations started to heavily invest in lobbying in the 1970s; the driving force behind the strategy of lobbying the state was Procter and Gamble, not a weapons manufacturer (Hacker and Pierson 2010). What is the content of the lobbying?

Piketty makes an implicit critique of the mainstream explanation for growing inequalities, that is, technological progress empower a few workers to be highly productive (and therefore highly paid), while the rest are made redundant. *Capital* argues that inequality depends on  $r$  and  $g$ , not technology. For economists defending the “skill-biased technical change hypothesis of income inequality”, the only contribution of corporate lobbying to inequality is tax cuts; the bulk of inequality generation happens before tax, because of technology. Political scientists suggest instead that corporations actively seek to maximize their economic activity through corporate lobbying before tax; they lobby for lawmaking that undermines consumer protection and creates direct business opportunities. Recent work suggests that corporate lobbies have successfully fought against the Consumer Protection Agency for thirty years and the regulation of top executives’ remuneration (Hacker and Pierson 2010) and obtain the privatization of public prerogatives (in education, energy, security, healthcare, and so on) at the expense of consumers and citizens and for private profit, not to mention criminal banking practices at the expense of the taxpayer (Galbraith 2008).

Finally, what enabled corporations to become opportunistic political? Davis argues that corporations owned by hedge funds have less employees, are more likely to be restructured, sold, renamed, and are less embedded in communities. They do not have to “bear the costs of being a social institution” anymore (Davis, quoted in King 2014). The key point is that “The larger an organization’s employee base, the more obligations it likely has to those employees and the communities in which they live, and so the more constraints there are on its behavior. [These organizations] are also those most likely to violate societal expectations of what it means to be a good, responsible company” (King 2014). Further research needs to investigate how corporate power expresses itself in other countries where rules are different; for instance Culpepper (2010) has studied the cases of Europe and Japan where campaign donations play little role.

### **Economic and non-economic inequalities: the declining significance of education and cultural capital?**

How do non-economic dimensions of social stratification, such as education, human capital, or cultural capital, relate to economic inequalities? The answer to this question is markedly different in  $g > r$  and  $r > g$  societies.

The social structure and stratification of the  $g > r$  (affluent) society is difficult to read. High GDP growth associated with lower income inequality and full employment

equalize social conditions, lifting the working classes to the consumerist lifestyle of the growing middle-class. In affluent societies, occupation is more salient than capital ownership in the determination of social position. This era produced two major intellectual innovations. First, the reduction of the social hierarchy to occupational status opens up the possibility for individuals' mobility in society through their career, their job history. This is Blau and Duncan (1967)'s point when they recommended studying occupational attainment from father to son, rather than class belonging. Blau and Duncan's Socio-Economic Index of occupations is continuous and captures both the economic and the prestige dimensions of social position. In  $g > r$  societies, such a stratificationist perspectives, where social hierarchies are gradual and open, make more sense than classist perspectives, where social positions are discrete and ascribed. Second, Gary Becker (1962) redefines work as the exercise of human capital: something that requires an investment (education and job training) and yields rewards (wage and productivity). The number of years of schooling is for the first time linked to income. In the  $g > r$  society, education trumps inherited economic capital in the making of one's social position: workers with the right degrees may earn as much, and command more respect, than many business owners. The image of a fluid and meritocratic society, where individuals who invest in the right skill sets are rewarded, has taken roots. This is the society in which it is meaningful for Bourdieu to write *Distinction* (1984) and to introduce the notion of "cultural capital".

The theoretical project of *Distinction* is to salvage a class analysis of social structure from the blurring of social groups in  $g > r$  societies. In interviews and conferences, Bourdieu has repeatedly stated that he had become impatient with the then-prevailing stratificationist wisdom, according to which diminishing profits had not happen and had not led to society's polarization. Indeed, many sociologists were abandoning the classist perspective and were embracing an integration (versus conflict) perspective on social structure. Bourdieu went for the contrarian argument that (a) social mobility is an illusion (*The Inheritors, Reproduction*) and (b) the mechanics of social reproduction has just become more insidious and involves the unequal distribution in society of "cultural capital" (*Distinction*). Cultural capital is the subtle competences in the consumption of cultural goods, from table manners to musical tastes, inherited from one's family that school implicitly demands from its students, and sanctions, without ever teaching these competences. Schooling is not about investing in one's human capital with the expectation of future upward mobility. It is about the conversion of inherited cultural capital into formal education and diploma that can be valorized on the labor market – a process of social "certification" rather than accumulation of valuable skills. In *Distinction*, Bourdieu develops an understanding of macro-social differentiation and reproduction where cultural and economic capitals are complementary forces.

It is striking how both Bourdieu's position and the stratificationism of Blau and Duncan are similar in their fundamental diagnosis about society. In the  $g > r$  society, the social structure becomes so economically homogenous through education and labor markets that we need *Distinction* to explain its inner workings. Social positions are objectively defined by occupational status and subjectively lived through everyday consumption and cultural practices. Consumption becomes a key status marker: the foods, clothes, music and movies that people consume are signals of their group belonging, relative group position and can be understood as boundary-making. This is the key insight of



*Distinction*: we enact our social class (or, more tellingly, our “class fraction”) with our myriad particular consumptions. We are (were) fascinated with *Distinction* because it deciphers the “thin differences” (*Die feine Unterschiede*, *Distinction*’s German title) that make up social structure.

Such complicated social structure is radically simplified in  $r > g$  societies, which rest on the ownership of material capital. The happy few who own capital enjoy comfortable lives, regardless of their occupational status; the rest who does not own capital has to work for those who do, and only top earners manage to reach the ease and comfort of capital owners. Piketty notes that today in France, a lifetime of earning minimum wage and the associated retirement equals 750,000 euros—the price of a three-bedroom apartment in Paris. Thus, a first consequence of the return to  $r > g$  is the questioning of whether educational and occupational attainment are good indicators of social position. Piketty’s *Capital* is a virulent indictment of the notion of human capital and more generally of occupation as a significant variable for understanding economic stratification. According to Piketty, workers’ skills and competences do not have the key property that defines capital. They are factors of production, as material capital is, but they cannot store economic value and they cannot be owned and sold. Therefore, they cannot produce income by themselves, unlike (material) capitalists, who can live off rent. This difference would explain why technological advancements and the increasing demand for high level human capital has not produced the convergence of economic standings that economists were expecting. Following Piketty, using education and occupation as explaining variables for economic inequalities in  $r > g$  societies is a quaint anachronism: the true measure of economic reproduction is the inheritance of capital.

This is controversial. Documenting an increasing polarization of the labor market after 1980, Kalleberg in *Good Jobs, Bad Jobs* (2011) insists that the critical divide in society is between highly skilled workers who can reap the benefit of the modern economy with its ever-shifting labor market, and low-skill workers whose life is worsened by the new economic behaviors of corporations. Kalleberg keeps alive the idea of human capital. To what extent, then, education and occupational attainment really matter for understanding economic inequalities in a patrimonial society? Piketty’s critique of the concept of human capital may be extended to *Distinction*. In this view, *Distinction* rests on a historical anomaly,  $g > r$ , where cultural capital and education mattered. In the return to normalcy of  $r > g$  societies,  $r > g$  suggests, therefore, the declining significance of Bourdieu’s *Distinction*, sociology’s most cited work.

The diminishing relevance of education and occupation in a patrimonial society raises concern over meritocracy. Meritocracy is the idea that individual talent, hard work, entrepreneurial spirit and above all school-sanctioned intelligence find its just reward on the marketplace, and is the legitimizing ideology of economic inequality in affluent societies. The empirical assessment of meritocracy (social mobility studies) is an important scientific endeavor in  $g > r$  scholarship. This stands in stark contrast with previous experiences of  $r > g$  societies. In *Social Darwinism in American Thought* (1955), Hofstadter depicts the peculiar ideology of holders of great fortunes during the American Gilded Age. The automatic transmission of social position through inheritance of immense fortunes during the Gilded Age was not justified by meritocracy

but by social Darwinism, imported from *Belle Epoque* Europe. To survive and dominate the economic struggles was the mark of an exceptional genetic quality. The legitimacy of inherited wealth went without saying: it rewarded one's superior innate genetic character. Transmission of name, wealth and genetic make-up was going hand-in-hand, inseparably.

In  $r > g$  societies, education and occupation have less explaining power on economic inequalities, which questions the function of the meritocratic discourse. With the return to a patrimonial society, will the class of capital owners develop a new legitimizing discourse about the fairness of economic disparities? Or will they cling to the old meritocratic story? In *Privilege*, Shamus Khan (2011) documents the attachment of the current elites to the discourse of hard work and individual achievement in full contradiction with what their privileged environment should indicate to them. Can this disconnection be sustained in the long-term? Will the current elites mimic their ancestors and develop a modernized social Darwinism, where a difference in quality is created between capital owners and non-capital owners?

### **From 'the poor and the middle-class' to 'non-capital owners'**

Piketty's *Capital* focuses on the upper strata of income and wealth's hierarchy, but it can also inform how to study the rest of society. The transition towards a patrimonial society has consequences for the study of the middle class and the poor. Prolonging Piketty's approach, we analyze the poor and the middle class not as qualitatively distinct, but through the hypothesis of their common lack of ownership of capital.

The modern sociology of poverty is born in the US in the 1960s, when  $g > r$ , around the debates about the culture of poverty. It was a society of middle-class affluence and general optimism and scholars asked the following questions: why do poor people not benefit from the general prosperity of modern capitalism? Why don't poor people move up to a middle-class status? Culture of poverty theorists argued that poverty makes the poor act in ways that perpetuate poverty (Lewis 1966); structuralists analyzed this as an instance of "blaming the victim" and focused on explanations based on cumulative disadvantage on the labor market, discrimination and racism, etc. Doing so culturalists and structuralists defined poverty in relative terms, not by the income below which the most basic needs (food and shelter) are met, but by the lack of participation to mainstream rituals and middle-class lifestyle: drug use, teen pregnancies, hostile attitudes towards the police, absentee fathers and crime. Culturalists and structuralists also emphasized the barriers that the poor face to become middle-class: culturalists focused on childhood socialization, the inception of inadequate values, and the generous welfare policies that prevent the poor from seizing the ever present economic opportunities of an affluent society; and structuralists focused on spatial and social isolation that preclude the poor from having access to the pool of jobs of the modern capitalist economy (Wilson 1987, 1996). For both culturalists and structuralists, the poor were middle-class in the making. The general optimism of the era and the influence of the economic context on the study of poverty are captured in *The Affluent Society*: "The poverty-stricken are further forgotten because it is assumed that with increasing output poverty must disappear. Increased output eliminated the general poverty of all who worked. Accordingly, it must, sooner or later, eliminate the special poverty that still remains" (Galbraith 1958: 255).

Such a conceptualization of poverty is obsolete in a society where  $r > g$ . In a patrimonial society, the poor cannot be considered middle-class in the making anymore. The changing economic behaviors of corporations has made obsolete the classic portrait of the economically secure middle-class of Mills' *White Collar* (1951) and Whyte's *The Organization Man* (1956). Countless studies chronicle the increasing precariousness of the American middle-class, from Sennett's *The Corrosion of Character* (1998) to Hacker, who writes in 2006 that job insecurity "isn't just a problem of the poor and uneducated ... Increasingly it affects ... educated, upper-middle class Americans" (cited in Kalleberg 2011: 15).

The context of  $r > g$  creates therefore a new population of study: the people who do not own capital, and who cannot realistically aspire to become capital owners in ways that would significantly alter their economic standing in society. This group is much larger than the minority officially living in poverty and includes most of the middle-class that face a new economic environment. In a patrimonial society, what defines non-capital owners' common social position is their dependence on capital owners' resources and lobbying capacity of the state. Through technology, regulation and globalization, capital owners recombine the economic circuits in which non-capital owners make a living. Capital owners can put to work their growing resources in reformatting the economic life of non-capital owners so that, in spite of sluggish economic output, " $r$ " is maintained at the highest level possible. Technological progress plays an important role in this story; the examples of Uber for car services and taxis, AirBnB for the hotel industry, and Kindle-Amazon for publishing show how these corporations rely on new technologies, in association with heavy legal resources, to challenge economic circuits in which regulations and unions previously had a major role. The sociology of non-capital owners would be then a sociology of an emerging class replacing the slowly fading divisions between the poor, the working-class and the middle-class. The hypothesis of a rising new class of non-capital owners would be tested and amended by analysis of patterns of inter-marriage and socio-political movements that cut across previously existing boundaries between the poor, the working-class and the middle-class.

The expansion of the logic of economic recombination by capital owners ("disruption" in business lingo) to previously untouched corners of the economy is of particular interest. The literature suggests that work instability and limited economic prospects begin to homogenize various social profiles. Low-income minority individuals are constantly in and out low-paying job, often without benefits, alternating period of relative economic ease with spells of poverty. Educated artists and creative workers accumulate transient work experience, filling the gaps with alimentary jobs in order to support themselves. Employees at technology firms face a risk/reward profile that put them outside the common categories of employee and equity partner. There is a growing sense of a shared work experience between these non-capital owners. A key illustration of how previously upper-middle jobs come to gradually look-like low-income jobs is close to home: the college professor. Galbraith concludes the *Affluent Society* with a prophetic call of a rising new class, with leisure, autonomy, education, economic stability, and benefits. The vanguard of this new class is the tenured college professor, he says. But the changes of the past thirty years in the academic labor market have

falsified Galbraith's prophecy. The tenured professor is being replaced by the adjunct and the clinical visiting position. MOOCs, the flipped classroom and recent legal challenges on tenure suggest that the dynamics will amplify in the next years. For all these often-young people, the challenge is to make it from one job to another without falling into the cracks of unemployment for too long, always trying to be ahead of the curve of economic restructuration.

The shared economic fate of non-capital owners suggests a renewed attention to the concept of informal economy. We tend to associate the informal economy with the Third World or the urban poor. In fact, Venkatesh already documents in *Off the Books* (2006) the surprisingly long ramifications of the underground economy in the Chicago's South Side, in which the lower rungs of the African-American ghetto and the black bourgeoisie are tied together. The normalization of work instability and low economic prospects for an ever greater share of the active population would suggest the extension of the underground economy to populations that we previously assumed were living their whole life on the formal side of the economy. It is not just that many may have to engage in informal economic activities to make ends meet; it is also that "informalization" may become to mean something slightly different. In the new economic world of non-capital owners, employment is precarious, labor regulations are undone and rules are rewritten. In short, capital owners have the power to informalize the economic life of non-capital owners (Portes and Sassen-Koob 1987).

The difference between today's class structure and the *Belle Epoque's* or the Gilded Age's is the contemporary presence of the "patrimonial middle class". With this expression, Piketty refers to the households whose income is constituted by both rent from capital and wage from labor, for comparable amounts. Among the 10% highest income, the patrimonial middle class is the first 9%, while for the 1%, rent largely dominates households' income. These are households that cannot be *passive rentiers*; they need to work, but they combine work with revenues generated by capital ownership. To be middle class today is to own capital, which in itself is a vast redefinition of the term. But one central sociological problem for this group remains the same: what are their strategies to avoid downward mobility and to integrate the 1%? By contrast with the affluent society's middle class, upward mobility for the patrimonial middle class cannot be achieved by education alone, and capital can be used to prevent downward mobility. An authentic patrimonial strategy becomes necessary. Scholars should therefore study, among others, intergenerational strategies aiming at preserving capital's unity, matrimonial strategies with the 1%, and entrepreneurial strategies coupled with educational trajectories. For members of the patrimonial middle class, long-term and especially intergenerational stability of their social position is the critical concern.

Finally, the capacity of capital owners to recombine economic circuits through technology makes human work less necessary, raising the issue of the useless poor. Technological progress, Piketty writes, is a good thing: humans do less of the repetitive, dirty, dangerous and unhealthy work, robots do more, and humans have more time for other endeavors. The problem is: who own the robots? Robots are capital. The productivity gains they enable benefit capitalists in the first place, and a few highly skilled workers; meanwhile, a lot of unskilled workers are made less employable.

Combined with slow growth, this runs the risk of creating a class of permanently unemployed humans, who live off informal economic activities and government benefits, while productivity gains make capitalists wealthier, increasing overall inequality. In the 2010s, in the United States, 16 million children grow up in poverty; their father often are cycled in and out of prison; it is unlikely that they will be part of the “knowledge economy”. In the Euro zone, 19 million people are unemployed—many more do not even appear in official statistics, because they have long ceased to look for a job. What is to be made of them? A logical consequence of the creation of a large reserve army of labor is the lowering of the minimum wage.

All this creates threats of unrest and disorder from the poorest. Here again we may need to update our concepts. In the  $g > r$  scholarship, welfare and punishment have become decoupled. Affluence did so much to solve the social question that welfare has been increasingly conceptualized as poverty reduction and as a component of advanced citizenship (Esping-Andersen 1990), while punishment has become concerned with the technical concern of crime control and rehabilitation. But this way of thinking misses the fundamental problem of *lesser eligibility*, which cannot be escaped in a  $r > g$  society. The principle of lesser eligibility is the iron law of social engineering: punishment has to be worse than welfare, and welfare has to be worse than minimum wage (Rusche and Kirchheimer 1939). Otherwise, rational individuals will prefer welfare over work, and crime over welfare. Welfare has always been a means to maintain the social order by distributing relief in ways that keep the poor quiet and incentivize low-wage work (Piven and Cloward 1971); welfare and punishment are part of the same project of social engineering. Welfare and punishment are both tools to regulate the labor markets; declining living standards necessarily implies less welfare and harsher punishment. Welfare reform (towards “workfare”) and the rise of mass incarceration in the United States exemplify our point (Pierson 2001, Western and Beckett 1999).

### **Patrimonial society and the limits of democratic pluralism**

In the society of  $g > r$ , capital versus labor is the central political conflict. Politically, this means that there is electoral competition between the left and right, representing workers and capital owners (Lipset and Rokkan 1967, Korpi 1983). In each society, this conflict has been complicated by regional particularities, ethnic strife, one-party dominance, and so on, but the basic insight is this:  $g > r$  societies experience genuine political competition for power. This led political scientists of the  $g > r$  era to formulate influential theories in political science. The pluralist paradigm holds that power is not concentrated in the hands of the wealthy few, but fragmented, equilibrated, and above all contested between competitive alternative options. Partisan politics theory perceives political parties as “representative of social constituencies, mostly defined in terms of industrial classes, and as bearers of clear ideological stances for social-democratic or conservative welfare policies” (Häusermann et al. 2012: 222). It assumed that left-wing parties pursued policies favorable to the working class, and that left-wing parties have deep ties with unions. From the point of view of political theory, the affluent society has an affinity with social democracy.

In the return to patrimonial society, extreme inequalities subvert electoral competition. Sociologists now theorize that capitalism and democracy were only compatible in times

of high growth (in Piketty's terms, when  $g > r$ ): "To work properly, capitalism requires a rule-bound economic policy, with protection of markets and property rights constitutionally enshrined against discretionary political interference" (Streeck 2011: 7)—unelected bodies such as courts, central banks or the European Commission. German chancellor Merkel recently spoke of the necessity of a "market-conforming" democracy. In the United States, Gilens and Page (forthcoming) have shown that "economic elites and organized groups representing business interests have substantial independent impact on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence". Such a statement would have sounded like unsophisticated Marxism in the early 1970s, but it now reflects the political condition of the  $r > g$  society. Partisan politics theory also becomes obsolete: political parties are more autonomous from their base (Katz and Mair 1994) and left-wing parties pursue similar economic policies as right-wing parties (Häusermann et al. 2012).

In the  $r > g$  society, political disenchantment and apathy become important topics of study, as elections become increasingly meaningless and governments are perceived as working for private foreign interests. In the developing world, middle classes increasingly perceive democracy as favoring populist demands from the poor, instead of fostering the rule of law and economic development, and protest against elected leaders and calls for military coups (Kurlantzick 2013). In the Western world, elites increasingly believe that electoral populism threatens "responsible" governance and praise authoritarian systems (such as China's) for their efficacy (Streeck 2014).

In short, in the  $r > g$  society, the pluralist paradigm becomes less relevant, and is taken over by the elitist paradigm (Mills 1956). The financial crisis of 2008 has played an important role in making this once-controversial statement obvious. As sociologist Brayden King observes in a blog post, "When I was in grad school, power elite theory seemed antiquated, an explanation founded on paranoid underpinnings. It was an undergrad-ish view of the world. (...) It turns out that the power elite has been really busy while sociologists have been off studying other things." (King 2011). In this society, the ideology of legitimation is Margaret Thatcher's "there is no alternative". Future research needs to investigate the political behavior of disenfranchised citizens, emerging ideologies of contestation and new ways of co-opting social movements.

In *Capital*, Piketty mentions in passing the "nationalist responses" (p. 27), probably referring to far-right European populist parties which have had electoral success in France, Greece, Netherlands, Hungary and Denmark. Piketty's implicit stance here is that electors vote under false consciousness: their objective problem is the concentration of wealth at the top, and their subjective perception of the problem is ethnic minorities and poor migrants. *Capital* brings up a point that complicates conventional post-nationalist wisdom. Free trade means that the ownership of capital will become ever less national. The concentration of capital at the top—the crushing logic of  $r > g$ —means that most capital will be owned by a few wealthy entities. Piketty notes that his reader may soon have to pay her rent to the emir of Qatar; sovereign wealth funds will be major capital owners at the global scale by 2050.

To whom rent is due may be irrelevant; but people over the world value ethnic or national sovereignty, which they often define as not being owned by foreign capitalists. What Piketty suggests here—probably unwillingly—is that nationhood matters.  $r > g$  not only produces extreme inequalities, it also goes with the transnationalization of capital ownership. Foreign-owned capital hurts national feelings. As Piketty writes, “no one knows the precise location of the psychological and political boundaries that must not be crossed when it comes to the ownership of one country by another” (p. 460). Implied here is a theory of sovereignty: the tolerance threshold for asset inequality is greater when assets remain nationally owned. The theory has implications for political stability. Piketty shows that there is no spontaneous economic mechanism that corrects the dynamic of capital accumulation; a venue for research is how nationalism may become a means to reclaim the ownership of capital. For instance, Streeck analyzes “the drama of democratic states being turned into debt-collecting agencies on behalf of a global oligarchy of investors” as translating “class conflicts into international conflicts” (2011: 28), as creditor countries (like Germany) impose austerity on debtor countries (like Greece).

In the  $g > r$  society, nationalism is traditionally analyzed as xenophobia, ignorance and false consciousness. In the  $r > g$  society, nationalism becomes intelligible: it is one of the ways in which societies can reclaim a sense of ownership. Historical fascism was a product of the First World war. But it was also “a reaction against globalization” and the “corrosive effects of transnational capitalism” (Mann 2012:315 et sq), and a solution to the corruption of parliamentary democracy under extreme inequality. Fascism was an “extreme form” of nation-statism; it sought to transcend class conflict and to restore order by way of state despotism. These elements help understand why most countries in Europe, South America and Asia became nationalist, rightist dictatorships between the two world wars, often with electoral support (Mann 2012).

Another implication relates to migration. In the affluent society, high growth allowed for the integration of migrants. This has led  $g > r$  social scientists to formulate the influential assimilation theory (Gordon 1964). Migrants, like the poor, were middle class in the making, and “the major preoccupation of postwar migration studies was to measure and scrutinize the cultural differences between immigrants and nationals and to describe pathways of assimilation (...), in short, to deliver a description of the mechanics of successful nation making process” (Wimmer and Glick Schiller 2002: 310). Nation and society were synonymous: the national society was a discrete totality, as exemplified by Bourdieu’s *Distinction*, theorized to be incomparable to other nations/societies. After industrialization, prosperity was supposed to make nationalism a non-problem (Gellner 1983).

These conceptions are challenged in the patrimonial society. Maximizing  $r$  means making capital more mobile, but also labor: in American corporate lobbying, immigration reform is one of the best funded causes (in particular from high tech industries). In a context of globalization, the  $r > g$  society is less likely to follow a national path of development. From Detroit to the Philippines, transnational capital flows force workers to migration. Migration in the  $r > g$  society becomes less an issue of assimilation and more an issue of transnationalism (Wimmer and Glick Schiller 2002). Low growth makes non-capital owning migrants unlikely candidates for upward

mobility. Growing competition for work fosters conflict with nationals. Moreover, sending states increasingly develops diaspora policies, to maximize revenues from remittances and implement counter-brain drain measures (Varadarajan 2010). Under  $r > g$ , the concept of national society as discrete totality dissolves.

## Conclusion

In short, the evolution of the  $r/g$  ratio seems tremendously influential in structuring societies' social and political structures. Piketty shows how capital returns shape societies, regardless of their polity. In the 19<sup>th</sup> century, France experienced five revolutions and a civil war to end up being a republic, England remained a stable monarchy, and the United States consistently remained a republic: same  $r$ , same  $g$ , and same social structure. In the 20<sup>th</sup> century, when world wars, genocides, destructions and so on tempered with  $r$  and  $g$ , allowing for  $g > r$ , these three societies evolved in similar directions. And the return to the normalcy of  $r > g$  is about to bring back the fundamental social dynamics that we have experienced in the past. *Capital* strongly supports the idea that ownership is the organizing principle of capitalist society. Many have made this claim in the past and present, but Piketty brings particularly convincing supporting data.

We have no data to offer, only conjectures. In this paper, we have tried to flesh out the mechanisms which produce inequality when  $r$  exceeds  $g$ . We have looked into the transformation of the role of corporations, which are key actors in the process of maximizing  $r$ . We have explored the main implications of the return to the  $r > g$  society: the new economic behavior of corporations, the transformation of the class structure, the demise of the relevance of human and cultural capital, the informalization of workers, the new arrangements of welfare and punishment, the end of democratic pluralism and the return of nationalist politics.

All these transformations underline the historical situatedness of the concepts we routinely use to analyze social and political processes: concepts borne out of the affluent society and made obsolete by the return to the  $r > g$  society. It may have become more relevant to study corporations as political actors than sites of work and production. Occupational status and education are losing their relevance in providing an accurate account of one's social position, as inheritance trumps work. Poor people are not middle class in the making any more, and welfare and punishment become conceptually interdependent means to social order. It is increasingly obvious that once-polemical elitist perspective are more useful to account for contemporary politics than pluralist ones. Immigration is less an issue of assimilation, and more one of transnationalist and nationalist politics. Thanks to the wealth of hard results about the functioning of capitalist societies, *Capital* has streamlined entire fields for social research; this is a first sketch in exploring implications.

To conclude: *Capital's* trends about  $r$  and  $g$  have been calculated over the past two centuries. We do not know how  $r$  and  $g$  will be affected by climate change, "peak everything" and the resulting rising prices, declining fossil fuel reserves, losses in biodiversity, and so on. Social and political implications of the interpolation of the patrimonial society with environmental change certainly is one of the most important venue for future research.



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