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Content

Note from the editor

Inequality: A *Piketty et al.* Moment in the Social Sciences

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What does the world success of Piketty's *Capital in the 21st Century* (2014) reveal? This book is not just one of the most astonishing bestsellers in the social sciences in recent years, but it may also signal an important shift in the way we consider inequality in economics and sociology, in the social sciences and the public arena, in political debate and day-to-day conversations.

Piketty warns the reader that the book should not be considered a one-off one-man opus. It is the sediment of a decade of collective research involving many scholars, including Anthony Atkinson, Emmanuel Saez, Gabriel Zucman, Gilles Postel-Vinay, and Facundo Alvaredo. It started at the turn of the millennium with publications about the evolution of income inequality during the course of a century in the United States and France (Piketty and Saez, 2001 & 2003; Piketty, 2001 & 2003). Piketty and Saez's 2001 NBER Working Paper (published in 2003 in the *Quarterly Journal of Economics*) made the return of inequality in the United States visible to many through an extremely simple and striking U-shaped graph plotting the income share of the top one percent, which peaked at 20% in 1928, dropped after World War II, stabilized at a low of 8% in the early 1970s, and grew rapidly in the 1980s and 1990s, reaching 14% in 1998. This single graph helped to definitively bury Kuznets' (1955) optimistic argument of an inverted U-shaped evolution of inequality under capitalism: low before the Industrial Revolution, very high during it, and decreasing in the post-industrial era.

Although this simple message may seem revolutionary not only in political terms, but also as a groundbreaking scientific contribution, it was not that novel. The

data (US tax data), the method (top income shares), and the result (the return of income inequality) could already be found in previous works (Kuznets and Jenks, 1953; Feenberg and Poterba, 1993; Cutler and Katz, 1992). So how did *Piketty et al.*'s incremental innovations – e.g. greater historical depth, a more homogeneous dataset, a richer description of top incomes, a decomposition of the respective contribution of wages and property income – become a turning point in the social sciences? It is not merely because this research, which may only have been incrementally innovative in regard to our knowledge of the United States in 2001, led to the establishment of ignored facts when replicated in other countries – China, India, Germany, and so on – and led to the development of a unique comparative dataset on world income and wealth inequalities. It is also because it helped to shift the way we view inequality in the distribution of affluence, whether in terms of income, wages, or wealth.

The top one percent and statistical measures of inequality

Asking whether inequality has increased or decreased seems like a fairly simple question that should have a simple and unequivocal answer. However, it requires a statistical comparison of not just two distinct figures, but two full distributions. Answers might differ depending on the area one focuses on most (top, middle, or bottom) and on the metric that one prioritizes in order to summarize a full distribution. This is the famous problem of Lorenz curves comparisons. The "Gini coefficient" (1921) is notoriously famous for being an all-encompassing measure that solves this comparison puzzle. As shown in Figure 1, it is one of the most used statistical measures of inequality, and it has enjoyed rapid growth, especially in the 1960s and 1970s. The fact that it could be implemented easily on limited samples of the population contributed to its adoption. However, it was criticized for not being decomposable and not being fully in line with basic axioms of welfare theory (Atkinson, 1970), which led to alternative inequality coefficients (i.e. the Theil and Atkinson coefficients). Nevertheless, those coefficients share with the Gini the fact that they overlook the heterogeneity in the evolution of inequality at different levels of the income distribution.

In contrast, the *Piketty et al.* approach to inequality contributed to fully tackling the heterogeneity of the inequality evolutions: the rhythm of the evolution of the top one percent share might differ from that of the F95-99 or the F90-95. Without formulating any explicit criticisms of other measures, it provided the level of detail required to turn the quest for a per-

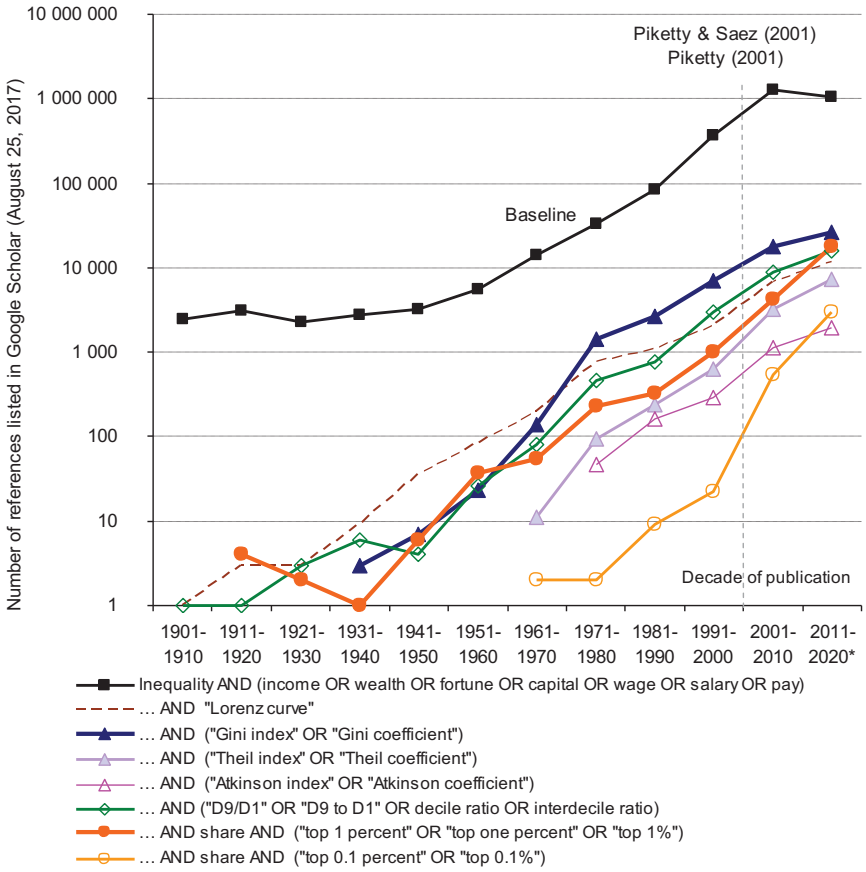

Figure 1. Statistical concepts used to approach inequality

Note and source: I collected the number of references published each decade that are listed on Google Scholar. I used the keywords *inequality AND (income OR wealth OR fortune OR capital OR wage OR salary OR pay)* as the baseline search, to which I added various statistical concepts on the measure of inequality. Hence, the Google Scholar search on the "top one percent share" concept was *inequality AND (income OR wealth OR fortune OR capital OR wage OR salary OR pay) AND share AND ("top 1 percent" OR "top one percent" OR "top 1%")*.

Google Scholar is a publication database based on Google's automated collecting of academic references in online scientific books and articles. It therefore comes with some limitations, including imprecise, undefined, and potentially inconsistent temporal coverage and some referencing errors, especially dating errors, especially for the earliest decades. However, besides being free of charge and easy to use, Google Scholar has the great advantage of providing a comprehensive list of publications, including books (Harzing and van der Val 2008). This graph has been included mainly to compare the evolution of the use of different measures of inequality. Absolute levels and evolutions where the number of references <10 should be treated with caution.

* The number of references for the full decade 2011–2020 has been estimated by multiplying the actual number of publications for 2011–August 2017 (6.5 years) by 1.54 (=10/6.5).

fect all-encompassing measure of inequality into an unnecessary illusion.

By focusing on the top of the affluence distribution, the *Piketty et al.* approach also uncovered a skewed world that had largely been ignored, especially when one used the more traditional inter-decile ratios: the gap separating the richest of the rich from the rest of the rich is as large as the one separating the rich from the rest of the population. Hence, the *Piketty et al.* approach not only popularized a "top one percent share" measure of inequality – which had already been abundantly used by Kuznets and Jenks (1953) – but even more importantly, it promoted a "top 0.1% share" (and "top 0.01% share") measure of inequality that had been very rare before their work (Figure 1). Thanks to the level of detail provided by tax records and administrative datasets, it became possible to say something robust about the super-rich beyond unempirical Marxist concepts or anecdotal evidence provided by the press.

Finally, the great virtue of this approach lies in its proximity to ordinary people's understanding of inequality. The sentence "In 20 years, the top one percent increased its share of the national income from 8% to 14%" is much more concrete and easier for non-statisticians to understand than "the Gini coefficient increased from 0.33 to 0.38". The affluence share of the top one percent is much simpler to calculate than full distribution coefficients, and it reintroduces "real people" into the measure of inequality. The top one percent can be thought of as a group of persons that compete with other persons for the appropriation of the value created. This decomposition can easily fuel the view that "the misfortune of the little people makes the fortune of the great men" – a judgment which encapsulates the principles of exploitation according to Boltanski and Chiapello (2006, 375). This may be exactly why the 2011 *#Occupy!* movement was so prompt to adopt those statistical concepts as slogans, sometimes along with a Piketty-Saez graph on their T-shirts. "We are the 99%!" combined the universal "We the People" of the Founding Fathers of the United States Constitution with the "Us versus them!" (99% versus 1%) logic of many class struggles.

The top one percent and concepts of the upper classes

The concept of the top one percent (or the top 0.1% or 0.01%) identified by the *Piketty et al.* approach has increasingly became equated with a kind of social class. This equation has not only been adopted by new social protests keen on naming an enemy, but also by the social sciences beyond economics, especially sociology and political science, as a complement to and even a substitute for traditional ways of designating the highest group in the affluence hierarchy. Figure 2 shows clearly that upper-percentile groups have become a challenge for class theories. Traditional notions such as "capitalists," "bourgeoisie," and "upper classes" were clearly dominant at the beginning of the twentieth century for thinking the gap between the top and the bottom (Figure 2). Their popularity declined sharply after the 1970s, however, and fractiles of affluence have been gaining ground in academic discourse ever since. Why do these statistical ranking measures have so much appeal?

On the one hand, the conceptual limits of fractiles are quite straightforward. The top one percent, especially the top one percent of the income hierarchy, mixes heterogeneous people in terms of their relationship to employment (employers and employees), position in the hierarchy (executives, managers, and experts, on the one hand, and those with no hierarchical power, such as rank-and-file traders, on the other), expertise (experts and, for example, professional athletes), type of income (wages and property income), age (retired people and active workers), and so on. Depending on the way income is defined and measured (i.e., individual or household income), the threshold is arbitrary and artificially creates a group within a continuum. People are not conscious of being part of this group, and others would not assign them to it without being told by social scientists what the relevant threshold is. In summary, we find neither objective nor subjective grounds for treating this statistical group as a solid social category.

On the other hand, despite the analytical clarity of various class schemes, their concrete application is not immune to the criticisms raised against the concept of the top one percent. In *Capital*, building on Smith and Ricardo's labor theory of value, Marx puts the opposition between the capitalists, who own the means of production, and the proletariat, which possesses nothing but its labor power, at the heart of his class analysis (Marx [1867] 1887). Even in the late nineteenth century, the empirical application of this functional class analysis generated many doctrinal, theoretical, and political debates, especially regarding the class position of the growing intermediate strata of wage earners. Moreover, even class identification among capitalists, one of the core aspects of Erik Olin Wright's class scheme (Wright 1997), faces many problems. Since class assignation rests on occupation,

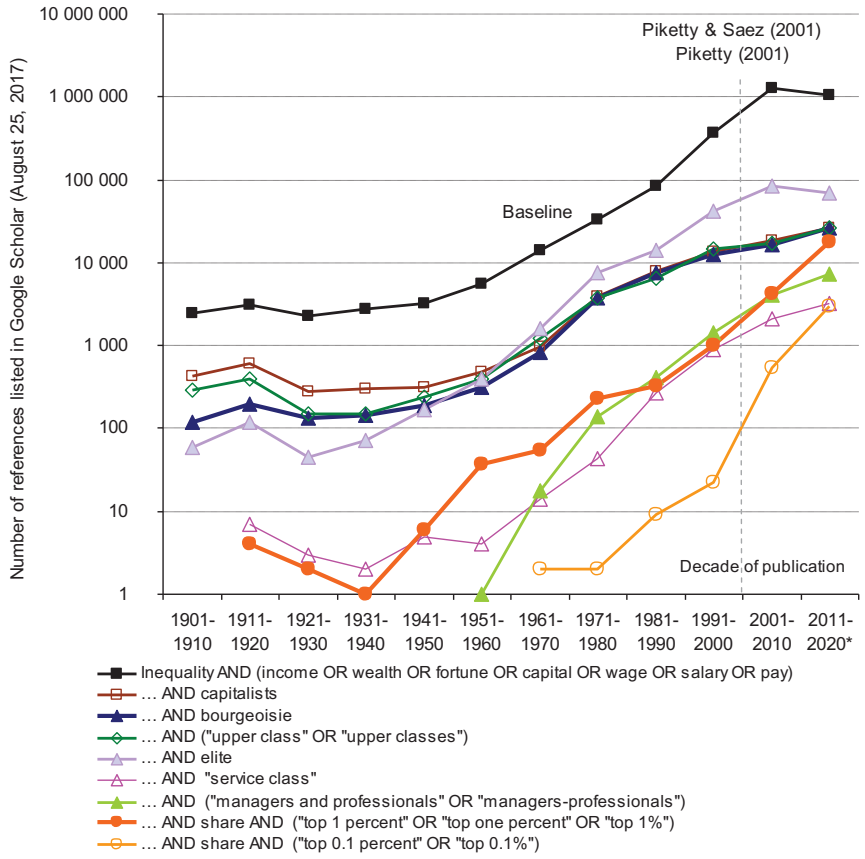

Figure 2. Categorical concepts used to approach inequality

Note and source: I collected the number of references published each decade that are listed on Google Scholar. I used the keywords *inequality AND (income OR wealth OR fortune OR capital OR wage OR salary OR pay)* as the baseline search, to which I added various categorical concepts to designate the upper strata. Hence, the Google Scholar search for the bourgeoisie" was *inequality AND (income OR wealth OR fortune OR capital OR wage OR salary OR pay) AND share AND bourgeoisie.*

I discuss the advantages and limitations of the Google Scholar database in the note in Figure 1.

* The number of references for the full decade 2011–2020 has been estimated by multiplying the actual number of publications for 2011–August 2017 (6.5 years) by 1.54 (=10/6.5).

it is not well equipped to handle the twentieth century's separation of ownership and control – or wage earners' growing "capitalist" involvement through direct savings and pension funds. The delimitation of a group of entrepreneurs heading firms with more than 10 employees is at best a highly imperfect proxy for the capitalist class. Not only is this group becoming increasingly smaller, and therefore hardly useful for class analysis in most limited-size surveys, but it also consists mainly of entrepreneurs heading small and medium-sized firms. In the end, it represents mainly the upper fraction of the petty bourgeoisie.

Similarly, many class schemes make an important distinction between managerial power and expertise (Wright 1997; Erikson and Goldthorpe, 2002). However, when they approach the wage-earning upper strata empirically, this distinction is less useful, especially with the flattening of hierarchies in the service sector. The sociocultural proximity of managers and experts and the high level of mobility between the two groups have led both class theorists (Erikson and Goldthorpe, 2002; Bourdieu, 1984; Desrosières and Thévenot, 1988) and applied researchers to merge the two groups into a single category. Hence, we end up with a large "upper class" consisting of entrepreneurs, executives, managers, experts, professors, and public-sector officers that – depending on the precise boundaries, the country, and the period – accounts for 5% to 20% of the population. While this grouping can make sense in order to capture the symbolic (and conflicting) roles these people play in defining the values that dominate the social order (Bourdieu, 1984), it lacks the precision and homogeneity necessary to measure economic inequality.

Moreover, the size of this group has changed substantially over time. In France, managers and professionals (*Cadres et professions intellectuelles supérieures*) doubled in size in thirty years, from 8% of the employed labor force in 1982–1984 to 16% in 2012–2014. Measuring inequality through the differential of incomes and outcomes (promotions, social mobility, and so on) between this group and blue-collar workers requires some way of normalizing the growing size of this elite. Odds ratios and log-linear models may do a reasonable job of solving this problem, but only under the questionable hypothesis of nominal stability: in such models, a manager in 1982 is *ipso facto* considered equivalent to a manager in 2012.

In contrast, the use of affluence fractiles is much simpler and provides much greater robustness to longitudinal and cross-country comparisons. Positing a categorical equivalence between the top one percent of two countries or two periods appears to be a much more reasonable first-order proxy than using social classifications that are ultimately derived from historically and nationally defined occupational groups (Thévenot and Desrosières 1988). Therefore, the use of stable fractions of a given hierarchy makes it much easier to determine whether the top and the bottom are diverging, converging, or staying about the same.

Moreover, while *Piketty et al.* began by focusing on the top of the income hierarchy, the approach has now diversified to include analyses of the top of the wage and wealth hierarchies as well. One could argue that the upper hundredth (and especially the upper thousandth) of wealth (Saez and Zucman, 2016) is a better proxy for "capitalists" than "entrepreneurs heading firms with 10 or more employees." Along these lines, one could imagine a top one percent of the control hierarchy or a top one percent of cultural capital, making it possible to renew the tools for sound social, longitudinal, and cross-national comparisons.

The top one percent and economic sociology

My argument could lead us to conclude that this *Piketty et al.* moment constitutes a challenge and a ground-breaking shift primarily for class theorists and specialists in the measurement of inequality. At first glance, it would appear to pose less of a challenge to economic sociology, which focuses mainly on markets and their embeddedness in society, be it a network embeddedness, or a cultural, an institutional, or a paradigmatic one (Granovetter, 1985; Zelizer, 1997; Fligstein, 1990; Callon, 1998). However, showing the various ways concrete market exchanges may differ from the Walrasian model is directly linked to the issue of inequality. If equivalents are not exchanged for their equivalents by anonymous and powerless actors, then markets are no longer neutral. Inequality can be viewed both as a cause and a consequence of economic exchange. The link to distributional inequality is most obvious for research into labor markets: social capital, the Matthew effect, exploitation, opportunity hoarding, organizational resources, and hold-up power challenge the traditional view of the labor market as a neutral alignment of human capital, productivity, and wages (Lin et al., 1981; DiPrete et al., 2010; Goldstein, 2012; Avent-holt and Tomaskovic-Devey, 2014; Godechot, 2017). Moreover, inequality does play a key role in some general economic sociologies of the market. For instance, the field approach to economic exchange developed by Bourdieu (2005) and Fligstein and McAdam (2012) puts the inequality of resources at the core of the model. Actors with the most resources enjoy higher returns within a field due to the legitimacy they have garnered to define the rules of the game. Among firms, strong status hierarchies also determine exchange opportunities, prices, and profit and shape the distribution of value added (Podolny, 2005). New forms of classification based on digital socio-technical devices (such as the FICO score) both challenge and amplify traditional hierarchies and invisibly exclude the poor and minorities from essential goods and services (Fourcade and Healy, 2013).

The *Piketty et al.* moment has created an opportunity to amplify economic sociology's concern for inequality. First, it provides a battery of tools to robustly measure the long-term evolution of inequality in many countries. Second, those measures can in turn serve as either dependent or independent variables. To summarize, Piketty et al. have mainly measured inequality in various ways; the point now is to explain its origins and grapple with its consequences. Understanding concrete market mechanisms is vital to this process, and economic sociology can provide the means to do so.

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