newed social-democratic prosperity, to be achieved by market-accommodating "modernization" of social and economic institutions, including labor markets in particular, to make them fit for the challenges of "globalization"—a message that was powerfully transmitted to Europe by "New Labour" and its "Third Way" (Giddens 1999). For some of us, *certainly for me* [emphasis added], it took the "Great Recession" of 2008 to bring this "comedy of errors", with its continuously falling level of political aspiration, to an end.' [Streeck 2014: 46]

Buying Time, besides being a great synthesis of the last 30 years of capitalism, is a requiem for the dream of the 1990s and the following decade of a new left and a '*third way*'. Both Krippner's and Streeck's books try to point out how politics wanted to depoliticise economic questions, leaving them to the free market: in a Polanyian way, they show how the free market is built and enforced over time. Following the Polanyian script, civil society's reaction to the action of the free uncontrolled market was recently observed with the Occupy Wall Street movement and the protests all over Europe. One can only imagine what the next 30 years of capitalism will look like, since the unresolved distributional conflicts described by both books are not going anywhere. Those two books insightfully demonstrate the limits of the politics of depoliticisation.

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Thomas Piketty: *Capital in the Twenty-First Century*

Cambridge, MA, and London, 2014: Belknap Press of Harvard University Press, 696 pp.

Thomas Piketty's bestseller *Capital in the Twenty-First Century* is one of the most discussed books in economics for decades and not without reason. Piketty ruthlessly spells out the destabilising effects of the evolution of economic inequality for society, based on a thorough empirical examination. Combined with his reflections on political measures to counter rising inequality, this makes the book an interesting read. Piketty contributed the message to front pages all over the world that inequality matters (again). Apart from the topic, his approach represents a considerable deviation from conventional economic analysis. Piketty's learning from the past to better understand the specific mechanism of economic inequality is especially refreshing, since most conventional economics seem to see detailed historical analysis as an obstacle rather than a fruitful way to gain knowledge.

In *Capital*, Piketty manages to distil over 20 years of research on economic inequality in fewer than 700 pages. He and his colleagues have established the (now) well-known open-access 'World Top Income Database'. It is a top income share time series, which covers more than twenty countries up to a period of 140 years. In contrast to most previous studies, the database and the data used in *Capital* are based on tax statistics and not on household surveys (which constitutes an important difference when studying inequality). This makes *Capital* an even more fascinating and important read for everyone interested in understanding historical and also up-to-date developments in wealth and income inequalities.

One of the book's central findings is that since the middle of the 20th century, the importance of wealth[1] has risen compared to annual national income. In 1950, the value of wealth as a percentage of national income amounted to around 250%, but it steadily increased to reach 500% in 2010 in Europe. The fact that wealth has increased in importance relative to national income is not a problem per se, but it becomes troublesome when taking into account the distribution of the existing capital stock, the wealth of a nation. Piketty's empirical analysis gives insight into today's distribution of the capital stock, which is highly unequal. The bottom half of the population owns about 5% of the overall wealth, whereas 95% is in the hands of the upper half. Even more strikingly, the top 10% of capital owners hold more than 60% of the overall capital. Remarkably, Piketty's figures do not even account for wealth that is hidden in tax heavens and therefore does not show up in official records. Considering this, actual wealth inequality might be even greater [Zucman 2015]. Today's unequal distribution of capital is similar to that at the beginning of the 20th century, a period Piketty calls the 'society of rentiers' (p. 276). In such a society, social status depends on wealth and inheritance rather than work and one's own achievements, the latter being an idea that is a common perception of today's societies. However, Piketty argues that if current developments in the distribution of inequality continue and lead towards a 'society of rentiers' (p. 276), this will undermine the legitimacy of democratic societies resting on meritocratic principles and hopes.

Shifting his analysis to income inequalities over time, Piketty also observes a substantial rise. While in 1950 the top 10% owned around 30% of total income, in 2010 this proportion had increased to 35% in Europe. This trend is even more striking in the United States, where the income of the top 10% increased by almost 15 percentage points over the same period. Piketty describes these emerging patterns as a 'society of supermanagers' (p. 278). Similar to wealth inequality, he also assigns destabilising effects to rising income inequality, as higher incomes often go hand in hand with political power.

Piketty's most famous expression, r>g, means that returns from capital (such as rents and dividends) are higher than the annual national income. This has been a normal feature of modern capitalism and has implied a self-reinforcing process of a steadily increasing inequality. Only a short period between the Second World War and the 1970s marked an exception facilitating upward mobility based on wage labour and the establishment of a middle class. Around 1980, this situation changed. With neoliberalism and Thatcherism on the rise, returns on capital took off while national income only rose slowly.

Tackling the threats that a 'society of supermanagers' (p. 278) and the rentier as the 'enemy of democracies' (p. 422) pose to modern democracies, Piketty proposes to reinforce taxes as a means of redistribution.

They are an important measure to alleviate wealth as well as income inequality. He proposes top income taxes of 80% starting from annual salaries of 500.000€ and above. Further measures are minimum wages and a re-regulation of the financial system. Regarding wealth inequality, Piketty envisions a global capital tax of 1% or 2%, although he recognises the obstacles to its implementation. He also discusses an internationally united accounting framework and information system to reduce the massive use of offshore accounts in tax heavens.

Acknowledging this previously unknown empirical assessment of inequality, *Capital* does not go beyond conventional economic concepts to better embed these findings. Although identifying the weaknesses and shortages of such theories, Piketty fails to draw explicitly on the rich theoretical frameworks existing within economics as well as in neighbouring disciplines such as sociology, psychology, and political science. Piketty starts his argument with a bold critique of mainstream economic theorising: 'The discipline of economics has yet to get over its childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with other social sciences.' (p. 32) This raises hopes in a reader who is searching for an economic perspective that goes beyond 'petty mathematical models' (p. 32) and is able to 'answer the far more complex questions posed by the world we live in' (p. 32). Piketty's blunt critique hits the nail on the head. It is in line with recent attacks on modern conventional economics that have become more frequent after the outburst of the financial crisis. He even goes further by understanding economics not as the queen, but rather as a '… subdiscipline of the social sciences, *alongside* history, sociology, anthropology, and political sciences' (p. 573, author's emphasis). Piketty calls for the use '… of the methods of historians, sociologists, political scientists as well as economists' (p. 33). Yet, the question arises whether *Capital* itself lives up to these expectations and can be classified an interdisciplinary work.

The first doubts emerge when it is discovered that Piketty's argument for r>g relies on his 'second fundamental law of capitalism', which states that the capital to income ratio equals the savings rate divided by the growth rate. This theoretical concept stems from conventional economic growth theories [Phelps 1961] and assumes a (rather dubious) long-term steady-state condition. Phelps [ibid.] is an excellent example of the 'petty mathematical models' and the 'childish passion for mathematics' Piketty previously discarded as 'ideological speculation' (p. 32). Similarly, doubts grow when looking into Piketty's discussion of diverging trends of rising wage inequality in the United States after 1980. This is another outstanding example of the ambivalent status of conventional, highly abstract mathematical concepts that muddle *Capital*'s theoretical framework. Piketty questions the conventional economic theory of skill-based technological change (p. 304), but never fully discards it. This theory rests on the idea that the remuneration of workers equals their marginal productivity. In such a theoretical framework, rising wage inequality results from the higher marginal productivity of certain workers in comparison to others. Trying to apply this logic to the rising wage inequality in the United States, this would mean that executives and top managers after 1980 just got extremely more productive compared to regular workers. Piketty marks this theory as '… in some respect limited and naïve' (p. 305). Accordingly, he mentions other determinants of rising wage inequality such as 'institutions and rules that govern the operation of the labor market in each society' (p. 308), including misguided incentives, increased relative bargaining power, and eroded social norms. Yet, those 'other factors' (p. 308) are never discussed in detail, let alone explored theoretically. This becomes most evident with respect to social norms. He argues that '[t]he problem is now how to explain where these social norms come from and where they evolve, which is obviously a question for sociology, psychology, cultural and political history, and the study of beliefs and perceptions at least as much as for economics per se' (p. 333). Thus, social norms and their origin are as much a concern to sociology as to economics, but having noted this Piketty just goes on to another topic.

Both examples show the ambivalent use of theoretical concepts and leave the reader to wonder whether the book lives up to the interdisciplinary ambitions it aims for. While Piketty's thorough empirical work and his contribution to the economics of inequality are impressive, the incompleteness of theoretical explanations and the lack of concepts from neighbouring disciplines and unconventional economics are a lost opportunity. Embedding the empirical findings of *Capital* into the broader field of social inequalities could include a discussion of its interdependencies as well as the role of income and wealth within the future development of modern societies. *Capital* and the empirical findings mark a caesura for the social sciences: they are a starting point for further evidence-based inquiries into the reasons for and consequences of inequality. This can involve taking up Piketty's empirical findings on the elite class, the top 1% and the top 0.1%. This study of the super-rich involves redirecting attention to consumption patterns based on income and wealth inequality, kinship alliances, and the possibilities of the elites to execute institutional power. Further, the rising importance of inheritance may have major consequences on social classes and social change, which need to be studied in depth.

In sum, Piketty is not the modern Marx, as *The Economist* has claimed. He did not detach himself from conventional economic theories and fundamentally criticise capitalist societies. But he might turn out to be the new Keynes. This outstanding book might lay the foundations for re-stabilising capitalist economies.

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Note

[1] Throughout the book, wealth and capital are used interchangeably, which differs from most economics approaches and has therefore been the target of much criticism [see, for instance, Varoufakis 2014].

Kathleen Thelen: *Varieties of Liberalization and the New Politics of Social Solidarity*
Cambridge 2014: Cambridge University Press, 282 pp.

In this book Kathleen Thelen embarks on a daunting challenge: to infuse a more flexible understanding of path-dependency into the varieties of capitalism literature (henceforth VoC; see Hall and Soskice [2001]; for a review, see Pop and Vanhuysse [2004]). The aim is to tackle the criticism that VoC does not leave much room for change [see also Hall and Thelen 2009; Streeck and Thelen 2005]. Against the mainstream view of a liberal convergence, Thelen offers an empirically rich, in-depth historical narrative, which argues fundamentally that institu-