PIKETTY, Thomas, 2014, *El capital en el siglo XXI,* Mexico City, Fondo de Cultura Económica. 663 pp.

The basic questions to which an economy attempts to respond are threefold: what to produce?, how to produce? and for whom to produce? *El capital en el siglo XXI* examines the third question at a time when mainstream economics avoids discussing the factorial distribution of income on the grounds that payment to labor and to capital is a technical fact derived from their contribution to the product (marginal productivity theory), and little else is said on the matter; rather, the discipline restricts itself to the issue of personal income distribution. In this regard, the author not only revives an issue that was fundamental for classical economists but also takes advantage of the concern of many sectors of society regarding the impacts resulting from the reconcentration of wealth and income. Even the International Monetary Fund has expressed concern about this development in recent times.

The principal contribution of the author, Thomas Piketty, is in statistically demonstrating that the increase in wealth and income inequality is a rule of capitalism and constitutes a threat to democratic societies. He comes to this conclusion by demonstrating that from the 18th to the 21st centuries, the rate of return on capital has been higher than the rate of economic growth. Wealth is accumulated by the few, which tends to transform the businessman into a rentier who, therefore, increasingly those who merely work. "Once constituted, capital reproduces itself faster than output increases. The past devours the future." In the face of this diagnosis and its future implications, he proposes a renovation of the social democratic program (which he also calls the "social state") and a progressive annual global tax of up to 2%, but between 5% and 10% on assets over €1 million. The book is also complemented by information provided by the author on his web page about the methodologies used, as well as raw statistical data that can be readily used by others.

The book is divided into four sections, in addition to the introduction. The first section discusses the categories of analysis: income-production and national wealth, both public and private. The second presents results regarding the capital/income ratio – in reality, wealth/income – both on the aggregate level and on the changes in its composition: public and private and by type of activity (agricultural lands, housing, net foreign capital, other rental capital, and "slaves," in some cases) for the developed economies analyzed. In this section, the author also examines the distribution of income favoring factor capital and labor. The third section discuss the structure of inequalities, presenting information on income by deciles of the total and by the income of capital and of salaried workers. The author underlines the issue of the salaries of top executives as an explicative factor of the current high level of inequality. Finally, the fourth section discusses how to regulate capital in the 21st century.

Despite its contributions, the book has problems and, in our judgement, flaws in the theoretical framework that affect the diagnosis, analysis, and the explanation of why inequality is a key issue for the economy. Unfortunately, the author does not go any further than many of the arguments and explanations of neoclassical economics. In addition, there are some shortcomings in the explanations and, especially, in the analysis of the U.S. economy.

Explanations of Marx are limited, being of almost the same length as discussions of Ricardo, Malthus, and Young. The author emphasizes Kuznets, who measured inequality until the 1950s, and found that it decreased as the per capita product grew. Keynes and Kaldor are only allotted space equivalent to footnotes about marginal issues. The author evades or ignores the fact that Keynes also proposed taxes on income and inheritances in times of crisis in order to contribute to an increase in both the propensity to consume and consumption in response to crises resulting from decreases in effective demand, and given that the reduction of inequalities by redistributing the assets of the rich to the poorest is positive for demand and the level of economic activity.

Kalecki and all the older post-Keynesians such as Garegnani, as well as younger economists who follow in the tradition that links price formation, income distribution, demand, and level of production, are not mentioned in this book. Other post-Keynesians such as Robinson and Pasinetti are misinterpreted by the author in his discussion of the Cambridge controversy. The book also says nothing about French regulation theory or economists such as Robert Boyer who link economic analysis with history and the social. Also absent are Marxists from different centuries; there is only a trivial allusion to Engels and no allusions at all to Baran, Mandel, and Sweezy, nor to the neo-Marxists that studied and continue to study, both theoretically and empirically, the evolution of the profit rate and types of crises – overproduction (underconsumption), financial, and a combination of these - starting with Weisskopf's studies at the end of the 1970s.

The whole book is constructed around the so-called three fundamental laws of capitalism. The first is that the participation of capital in national income depends on the rate of return of capital because of the capital/income or wealth/income ratio. The second is used to determine the capital/income ratio, which is stated to be the quotient of the economy's rate of savings and the rate of economic growth. The third is an equation or law, which should verify the result of the difference between the rate of return of capital and the growth rate of the economy. If this ratio is positive, the fundamental forces of divergence that increase the concentration of income and wealth predominate; and if the difference is negative, the convergent forces favoring greater equality predominate. The long-term evidence shows that the rate of return on capital (around 5%) has been greater than the rate of economic growth.

The simple theoretical framework employed leads the author to argue that basically inequality is negative because it affects democracy. It is a very important channel of transmission but not the only one. He overlooks the economic circuit, from inequality to economic stagnation and the erosion of social cohesion. Inequality leads to a progressive erosion of social capital and social unrest. In strictly economic terms, the author only mentions in passing that inequality can affect economic openness, competitive forces, and accumulation because of the weight of inherited wealth (pp. 519 and 644). At the same time, there are only brief references to inequality contributing to weakening the financial system. "The increase in inequality had as a consequence almost total stagnation in the purchasing power of the popular and middle classes in the United States of America, which led to an increasing indebtedness of modest households," (p. 324), subjects that have been discussed by various post-Keynesians and neo-Marxists.

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