

French economist 'is a man for our time'

Piketty's work sheds light on SA

DON MAKATILE

As Benjamin Franklin famously opined, there were only two certainties in life – death and taxes – then the upcoming annual Nelson Mandela Lecture is an event to look forward to.

Respected French economist Thomas Piketty is to deliver the annual Nelson Mandela Lecture in October, the second since the former statesman's death on December 5, 2013. Last year, the guest speaker was President Michelle Bachelet of Chile.

But it is Piketty who, if he does not rouse Franklin from his sleep, will speak to the nature of Mandela the statesman and philanthropist. Professor of economics at the Paris School of Economics, he has written numerous scholarly works and a dozen books.

But it is his seminal book, *Capital in the Twenty-First Century*, published four months before Mandela's death and translated from French into English last year, that has marked him as an important and influential thinker.

In describing this work, the Nelson Mandela Foundation says that Piketty, through the painstaking collection and analysis of tax and other data, tracks income and wealth over the past century in Britain, the US and France.

"He shows that income inequality rose until the Great Depression in 1929 before falling sharply for the next 15 years and then stabilising from the end of World War II until the mid-1970s. Inequality has since risen sharply, hitting 1929 levels again by 2008."

"Piketty has also made the key distinction between wealth and income to argue that concentrations of wealth, particularly since the end of the Depression in the 1930s, have concentrated wealth increasingly in the hands of the top 1 per cent worldwide."

Piketty's central thesis is that when the rate of return to capital outstrips the rate of growth, inequality tends to rise.

The Foundation notes that this has been the case in the US, where wealth has become even more concentrated than in the "old world" of Europe. In 2010, 1 per cent of Americans owned about one third of all the wealth in the country, while in Europe about 25 per cent owned a similar proportion.

Developing countries have also been affected by increasing global inequality. "In Argentina, Colombia, China, India, Indonesia and South Africa wealth is becoming increasingly concentrated at the top."

If the biblical admonition "A prophet is not without honour except in his own country, among his own relatives, and in his own house" holds true, then it is understandable why Mandela's successor



TRAIL-BLAZER: Former US president Bill Clinton and Nelson Mandela applaud Kenyan Nobel Peace Laureate Wangari Maathai after she gave the 2007 Nelson Mandela Lecture.



HEART OF THE MATTER: French economist Thomas Piketty caused a sensation early last year with his book setting out a simple, brutal formula explaining economic inequality.

– and in many ways, protégé – Thabo Mbeki was not given the time of day with his views warning about South Africa's two economies, one poor and black, and the other white and rich.

In 2005, in presenting the fourth annual Mandela Day lecture, Mbeki decried this elevation of personal wealth above the good of society.

He said: "Thus every day and during every hour of our time beyond sleep, the demons embedded in our society that stalk us at every minute, seem always to beckon each one of us towards a realisable dream and nightmare. With every passing second, they advise with rhythmic and hypnotic regularity – get rich, get rich, get rich!"

With a head-in-the-sand resolve, not many want to admit to the havoc wreaked by the triple challenges of inequality, poverty and unemployment. But luckily, as befits human nature, if Mbeki was not heard, a "prophet from outside" may come here, preach the same gospel, and be lauded.

In *Capital in the Twenty-First Century*, Piketty's first chapter, *Income and Output*, begins with South Africa's Marikana tragedy.

"This episode reminds us," he writes, "that the question of what share of output should go to wages and what share to profit... has always been at the heart of distributional conflict."

"Around the world, there has been a growing appreciation that inequality can profoundly affect the general well-being of all in society. There is growing evidence that many social problems such as violence, drug abuse, and mental illness are more likely to occur in less equal societies."

Touche! Mandela advocated an "RDP of the soul" for South Africa. Perhaps

it is Piketty who will lead us on this road towards introspection.

Fact: South Africa is defined today as one of the most unequal societies in the world.

"South African experts on inequality have measured the distribution of incomes among South Africans and found that although poverty has decreased, thanks to social grants, inequality has widened since the end of apartheid," the foundation says.

"More worrying is that inter-generational inequality is growing in the post-apartheid era, putting the dream of freedom and prosperity out of reach for many young South Africans."

"There are other detrimental effects of inequality too. Some economists, including those in our own National Treasury, have found that widening inequality actually impedes growth."

"Growing inequality and its effects on political stability and democracy therefore makes Piketty's a timely and fitting voice in the debate about development, inequality and democracy here."

Piketty was a natural choice to give this year's lecture, said Sello Hatang, chief executive of the Nelson Mandela Foundation.

"He is the world's most recognised academic who has produced seminal work on the political economy of poverty and inequality in the modern world," he said.

"We were keen to find a voice who could speak eloquently to a new global economic model and who is well equipped to engage fruitfully with the South African and African political economy. Professor Piketty is ideal for this."

The lecture takes place at the University of Johannesburg on Saturday October 3, starting at 2pm.

What they say about Piketty



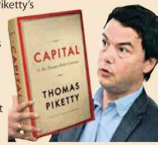
Kuben Naidoo

SA Reserve bank deputy governor Kuben Naidoo says: "In the past few years, awareness and analysis of inequality has taken centre stage."

"Professor Thomas Piketty *pictured*, has done remarkable work in analysing income data in dozens of countries, covering several centuries."

"This analysis has enriched the discussion on how, why and to what extent inequality has increased."

Naidoo says Piketty's *Capital in the Twenty-First Century* provides "an authoritative account of the data, trends and policy proposals to deal with what is the challenge of our time."



Charles Simkins

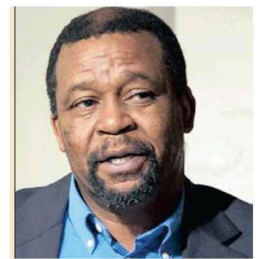
ASKED for his views on Thomas Piketty's body of work, fellow economist Charles Simkins says: "Piketty's book has appeared at a time when inequality has been rising in many countries."

"His contribution has been to chart the stock of wealth since the late 19th century in several rich countries."

"He argues that the rate of return to wealth is greater than the rate of economic growth, producing a concentration of wealth and a rising share of property income in national income."

"To offset this concentration, he has proposed a wealth tax on large fortunes, globally if possible, but certainly at the European level."

"This work has resulted in a new interest in the determinants of wealth, an unfashionable field of economics for many decades."



Joel Netshitenze

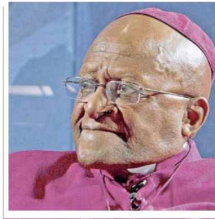
FORMER member of the ANC brains trust Joel Netshitenze, now executive director of the Mapungubwe Institute for Strategic Reflection (MISTRA), says: "There is no doubt Thomas Piketty's work is a seminal contribution to our understanding of not just the technical aspects of economics, but also the fundamental question of political economy – the distribution of income among strata of society. The issues he raises about the relationship between prices of assets and their actual value, and between these and dynamics of GDP, help illustrate the inherent tendency of the capitalist system to generate inequality."

"High levels of inequality are a sure recipe for social anomie, and South Africa is one good example of this... What all of us need to appreciate is that reducing inequality is in the interests of the rich and the poor, and for this we need to forge a social compact to pursue the ideals contained in the National Development Plan."

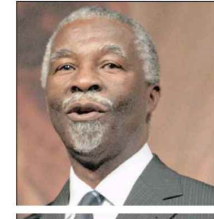
Previous speakers



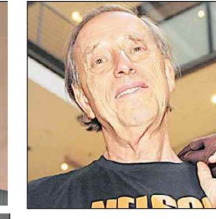
2003: Former US president Bill Clinton



2004: Archbishop Emeritus Desmond Tutu



2005: Former president Thabo Mbeki



2006: Chilean-American author and activist Professor Ariel Dorfman



2007: Kenyan Nobel laureate Wangari Maathai



2008: Former UN secretary-general Kofi Annan



2009: Liberian President Ellen Johnson Sirleaf



2010: Nobel Peace Prize laureate Muhammad Yunus



2011: Ismail Serageldin, director of Alexandria Library, Egypt



2012: Former Irish Prime Minister Mary Robinson



2013: Mo Ibrahim, businessman, academic and global philanthropist



2014: President of Chile Michelle Bachelet