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Wealth Over Work

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It seems safe to say that “Capital in the Twenty-First Century,” the magnum opus of the French economist Thomas Piketty, will be the most important economics book of the year — and maybe of the decade. Mr. Piketty, arguably the world’s leading expert on income and wealth inequality, does more than document the growing concentration of income in the hands of a small economic elite. He also makes a powerful case that we’re on the way back to “patrimonial capitalism,” in which the commanding heights of the economy are dominated not just by wealth, but also by inherited wealth, in which birth matters more than effort and talent.

To be sure, Mr. Piketty concedes that we aren’t there yet. So far, the rise of America’s 1 percent has mainly been driven by executive salaries and bonuses rather than income from investments, let alone inherited wealth. But six of the 10 wealthiest Americans are already heirs rather than self-made entrepreneurs, and the children of today’s economic elite start from a position of immense privilege. As Mr. Piketty notes, “the risk of a drift toward oligarchy is real and gives little reason for optimism.”

Indeed. And if you want to feel even less optimistic, consider what many U.S. politicians are up to. America’s nascent oligarchy may not yet be fully formed — but one of our two main political parties already seems committed to defending the oligarchy's interests.

Despite the frantic efforts of some Republicans to pretend otherwise, most people realize that today's G.O.P. favors the interests of the rich over those of ordinary families. I suspect, however, that fewer people realize the extent to which the party favors returns on wealth over wages and salaries. And the dominance of income from capital, which can be inherited, over wages — the dominance of wealth over work — is what patrimonial capitalism is all about.

To see what I'm talking about, start with actual policies and policy proposals. It's generally understood that George W. Bush did all he could to cut taxes on the very affluent, that the middle-class cuts he included were essentially political loss leaders. It's less well understood that the biggest breaks went not to people paid high salaries but to coupon-clippers and heirs to large estates. True, the top tax bracket on earned income fell from 39.6 to 35 percent. But the top rate on dividends fell from 39.6 percent (because they were taxed as ordinary income) to 15 percent — and the estate tax was completely eliminated.

Some of these cuts were reversed under President Obama, but the point is that the great tax-cut push of the Bush years was mainly about reducing taxes on unearned income. And when Republicans retook one house of Congress, they promptly came up with a plan — Representative Paul Ryan's "road map" — calling for the elimination of taxes on interest, dividends, capital gains and estates. Under this plan, someone living solely off inherited wealth would have owed no federal taxes at all.

This tilt of policy toward the interests of wealth has been mirrored by a tilt in rhetoric; Republicans often seem so intent on exalting "job creators" that they forget to mention American workers. In 2012 Representative Eric Cantor, the House majority leader, famously commemorated Labor Day with a Twitter post honoring business owners. More recently, Mr. Cantor reportedly reminded colleagues at a G.O.P. retreat that most Americans work for other people, which is at least one reason attempts to make a big issue out of Mr. Obama's supposed denigration of businesspeople fell flat. (Another reason was that Mr. Obama did no such thing.)

In fact, not only don't most Americans own businesses, but business income, and income from capital in general, is increasingly concentrated in the hands of a few people. In 1979 the top 1 percent of households accounted for 17 percent of business income; by 2007 the same group was getting 43 percent of business income, and 75 percent of capital gains. Yet this small elite gets all of the G.O.P.'s love, and most of its policy attention.

Why is this happening? Well, bear in mind that both Koch brothers are numbered among the 10 wealthiest Americans, and so are four Walmart heirs. Great wealth buys great political influence — and not just through campaign contributions. Many conservatives live inside an intellectual bubble of think tanks and captive media that is ultimately financed by a handful of megadonors. Not surprisingly, those inside the bubble tend to assume, instinctively, that what is good for oligarchs is good for America.

As I've already suggested, the results can sometimes seem comical. The important point to remember, however, is that the people inside the bubble have a lot of power, which they wield on behalf of their patrons. And the drift toward oligarchy continues.

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