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The economist asks for billionaires to be taxed and rejects the 15% tax rate on multinational companies backed by the G7 as “pure madness”

Piketty: participatory socialism to win the challenge with China

The challenge for western countries is called China, and the answer to winning such a challenge is the passage to participatory socialism. Thomas Piketty, economist, presented his ideas at the Festival of Economics, during the event entitled “Participatory Socialism vs State Socialism”, chaired by the journalist Francesco Manacorda. "The development of the welfare state and progressive taxation has been one of the great successes of the western world. For the future we need a form of participatory socialism that defends the rights of workers and favours the redistribution of wealth. By 2050, we surmise that this could become a reality and it is in line with current development; there is a mechanism that leads us towards democratic socialism and participatory socialism," Piketty underlined.

For the economist, the driving forces of change are on the one hand climate change, and on the other the Chinese regime. "Global warming is a reality and we need to change the prevailing ideology. China's state socialism is also pushing for change: it is an oppressive system and capitalist countries must take it seriously, because the system also has its strong points. The answer is a democratic socialism, especially for the southern area of the world," Piketty said, giving a concrete example: "As regards the taxation of multinational companies, not only must we obtain the taxes saved when these companies take refuge in tax havens, but we must share them with the south of the world, otherwise Chinese capitalism will take over."

There are two key elements in participatory socialism. On the one hand, progressive taxation, with an approach involving raising taxes "in an acceptable way. In the past, increasing taxation from 10% to 47% was accepted. Today much of the middle class feels that the richest escape taxation," Piketty said. "If you look at the highest incomes, the US has applied very high tax rates: in 1918 the highest rate reached 94%. Until 1980 the average rate was 81% and state intervention was made acceptable to people. Under Reagan the tax rate dropped to 21% and this was supposed to boost economic growth. Instead, there was a fall in the growth rate of national income. In my opinion, the main cause was stagnation in terms of investment in education, at a standstill since the 1980s. Reducing taxes on the rich does not boost growth, we need to move towards a different redistribution of wealth," Piketty added.

In the future, according to Piketty "we need a tax on billionaires, the inheritance tax should be imposed on an annual basis. We can do better than we have done in the past, and this is necessary to ensure equal opportunities and give money to the children of the poor" said Piketty. Another key element of participatory socialism "is sharing of power in small companies" between owners and workers, Piketty explained. To achieve this, it is necessary to take action to establish a ceiling for voting rights held by a single shareholder.

Piketty also spoke about the G7 proposal for minimum global taxation of large companies. "There has only been one announcement so far. But the minimum rate of 15% is scandalously low; if we all paid 15% we wouldn't be able to fund schools or hospitals. In Italy, companies would be delighted to be subject to a

similar tax rate. In my opinion it is pure madness, a company can set up its headquarters in a tax haven and pay 15% there. The idea that the most powerful pay less tax than ordinary people is becoming official," Piketty said.

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