

## CAPITAL IN THE 21ST CENTURY AND BIAS IN GERMAN PRINT MEDIA

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*Capital in the 21st Century* has received a huge amount of media coverage and sparked a heated debate on wealth and income distribution. When the French edition was first released in August 2013, it was discussed, if at all, exclusively in the book review sections of German newspapers. However, the English version, published in March 2014, attracted a great deal of attention. The book received another wave of media coverage when the German translation was released in October 2014. According to the *Frankfurter Allgemeine Zeitung*, Piketty was the sixth most cited economist in the German media between August 2013 and July 2014, garnering 79 citations in the most important media channels.<sup>1</sup> Figure 1 shows search interest for the term 'Thomas Piketty' in the web search engine Google since the publication of *Capital in the 21st Century* in its first French edition. Interest on the part of German Internet users was negligible before April 2014, and then suddenly peaked in early May 2014. A second, smaller spike of interest followed when the German translation was published.

The book makes three main contributions. First and foremost, it presents the results of 15 years of work gathering historical data on variables related to income and wealth inequality over centuries. Secondly, it offers a theory on the driving forces behind the ob-

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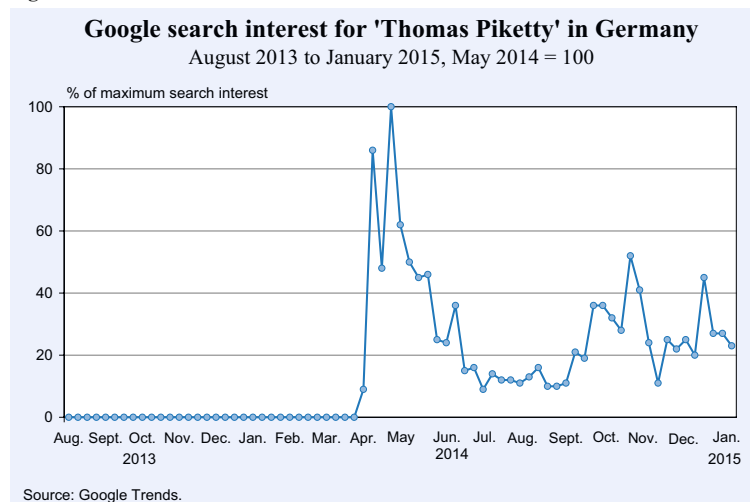
<sup>1</sup> For details, see <http://www.faz.net/aktuell/wirtschaft/wirtschaftswissen/f-a-z-oekonomenranking-die-methoden-13133353.html>.

served evolutions. Using a moderate number of equations (most notably  $\alpha = r \cdot \beta$ , relating the capital share of income to the interest rate and the capital income ratio, and  $\beta = s/g$ , relating the capital income ratio to the savings rate and economic growth), Piketty explains the macroeconomic dynamics of income and wealth in a way that even non-economists can understand. He stresses the role of educational, fiscal, monetary and other institutions; and he explains how the inequality  $r > g$  between the return to capital  $r$  and the economic growth rate  $g$  matters for wealth inequality dynamics. This inequality is observable in the data for the last two millennia (Figure 10.9 in his book), except for a period after 1913 when the return to capital after tax and capital losses was lower than the economic growth rate (see also Figure 10.11 in his book). Thirdly, Piketty makes policy proposals, which chiefly consist of introducing a global tax on capital to restrain wealth concentration. He also proposes an exceptional, progressive tax on private wealth to reduce public debt in the euro area.

The patterns uncovered by Piketty – sometimes used as evidence for the 'Matthew effect' (from the Gospel of Matthew 25:29, "For unto every one that hath shall be given, and he shall have in abundance") – are uncomfortable for the wealthy. If policymakers take the analysis seriously, those with large fortunes may face higher tax burdens in the future. Indeed, even al-



Figure 1



though the greatest part of the book is devoted to data and facts, it is Piketty's policy proposals that gave rise to such a furor among his readers. In short, Piketty's suggestion of higher taxes for the rich was applauded by the left and put the right into a defensive position.

Piketty's promotional tour of the United States in April 2014 was a decisive point in the book's career, particularly the author's meetings with the White House Council of Economic Advisors, Treasury Secretary Jacob Lew, and Nobel Prize laureates Joseph Stiglitz and Paul Krugman. People began to notice how much impact Piketty's analysis was having – especially compared to any other popular book written by an economist – and the debate over its contents gained momentum. Many economists have reacted to Piketty's data and theory in some way as a result.<sup>2</sup>

This article describes media reactions to the book, especially those of newspapers. Newspapers may have played a decisive role in how the public received and perceived *Capital in the 21st Century*. Newspapers condensed the information contained in the book and provided their readers with what they considered to be the most important facts. Newspapers also collected comments by other economists or politicians, and either recommended the book to their readers or discouraged them from reading it. For various reasons, newspapers may have had incentives to provide biased coverage of the book to their readers.

### Media bias

There is a large body of literature on media bias (for a recent overview – see Prat and Strömberg 2013). The media are key players in collective decision-making, and can strengthen democracy by fostering public debate. However, the media may be captured by interest groups and provide biased information to readers. Prat and Strömberg (2013) distinguish between four types of partisan bias: the issues that are covered (issue bias), the aspects of given issues that are included or excluded (fact bias), the way facts are presented (framing bias), and the way facts or issues are commented on (ideological stand bias).

Higher wealth or income inequality is conducive to media capture by the rich (Corneo 2006; Petrova

2008). Against this background, Piketty's finding of increasing income and wealth inequality at the top of the distribution in some countries becomes particularly worrisome. Mullainathan and Shleifer (2005) take a more benign view of media bias. They suggest that media bias may very well be due to readers having divergent beliefs on politically divisive issues. Readers prefer to consume news from media channels with an ideological position close to their own (Chan and Suen 2008; Gentzkow and Shapiro 2010). When information is costly, biased beliefs can be self-perpetuating (Suen 2004). Mullainathan and Shleifer (2005) show that when competition among newspapers increases, the media take more extreme positions. However, a reader with access to different channels could obtain an unbiased perspective by combining individual views from several sources.

Empirical research shows that US newspapers provide more coverage of scandals involving politicians from the opposite political party than they do of scandals involving politicians from their own party (Puglisi and Snyder 2011). Whether a newspaper has a Democrat or Republican leaning can be measured by its propensity to endorse election candidates on the editorial pages. Newspapers are also agenda-setters: compared to Republican-leaning newspapers, Democrat-leaning US newspapers give more coverage to high unemployment when the incumbent president is a Republican than when the president is a Democrat (Larcinese *et al.* 2011).<sup>3</sup> Garz (2014) shows that there is issue-related bias in German media reporting: an unemployment rate increase of a certain amount induces more reports on employment than when the rate decreases by the same amount.

This paper uses the debate that revolved around Piketty's book to describe the ideological stance of the German newspapers with the highest circulation. It also investigates which kind of bias – based on the Prat and Strömberg (2013) typology – prevails in reporting.

### Individual newspaper reactions to *Capital in the 21st Century*

The first review of *Capital in the 21st Century*, by the conservative *Frankfurter Allgemeine Zeitung (FAZ)* (13 January 2014), provided a fairly neutral and objec-

<sup>2</sup> German economists who wrote full papers criticising *Capital in the 21st Century* include Stefan Homburg (2014) and Karl-Heinz Paqué (2014).

<sup>3</sup> For the effect of voter political polarisation and media bias on electoral outcomes, see Bernhardt *et al.* (2008).

tive description of the book. It went on to say that the book makes readers think about the situation whereby people live off their wealth, and describes the proposed global capital tax as unrealistic (which Piketty himself fully concedes). This review was published at a time when public awareness of the book was low. Following Piketty's promotional tour in the United States, the newspaper mainly published criticisms of the book, providing strong evidence of fact bias. Example headlines include: 'The Longer the Excitement about Piketty Lasts, the More Criticism the Book Receives' (*FAZ*, 10 May 2014), 'Harsh Criticism of Theories by the 'New Marx'' (*FAZ*, 15 May 2014), and 'Strong Reproaches Against the New Star Economist' (*FAZ*, 24 May 2014). A long interview in which Piketty responded to some of his critics was not printed, but only put on the newspaper's weblog site ('Thomas Piketty about His Admiration for Capitalism', interview of 22 May 2014).

*Die Welt*, also regarded as a conservative newspaper, first praised the book for its "historical depth and an unprecedented richness of facts" (23 April 2014). Later, however, the newspaper emphasised Piketty's 'strong accent', his 'tiny office', and his presumably flawed data (11 October 2014).

The *Handelsblatt*, a newspaper chiefly read in the business world, published an interview with Piketty alongside an article entitled 'Criticism of the 'New Marx' Increases' (21 May 2014). The article (which contains an erroneous summary of Piketty's  $r > g$  theory whereby the rate of return to capital in the long run increases more than the economy) is an example of framing bias.

The book was received more positively by the *Süddeutsche Zeitung*, which is regarded as a center-left-wing or liberal newspaper. The book is described as an "easy read compared to other books on economics" that "draws on a great pool of philosophical and literary knowledge" (22 April 2014). The book review continues by saying that Piketty is "no rebel", but also claims that he is "behaving like a typical utopian socialist in the 19th century" and mentions the author's support for Ségolène Royal in 2007. Another essay on the book concludes: "despite all objections, *Capital in the 21st Century* is a fascinating book. It gathers material on the issue of inequality to an unprecedented extent. Its political conclusions, however, [...] would constrain the dynamics of the economy and society, and thus exacerbate the problem that is to

be solved" (17 May 2014). This article constitutes a fairly balanced review of the book.

The *Frankfurter Rundschau*, which is widely regarded as social democratic or leftwing, reported positively on the book. Its review praises the book's "impressive empirical data" and states that the book's "resounding success acts as a mind opener". The reviewer barely mentions the criticism received by Piketty's theory and policy proposals, only briefly stating that "many conservatives in the USA and France find flies in the ointment" (9 May 2014). The review, which fails to critically examine the theories and policy proposals, is also biased.

The center-left-wing weekly magazine *Der Spiegel* published a ten-page cover story on Piketty's data and theories (5 May 2014), including a long interview with the author. Another center-left weekly, *Die Zeit*, published a long article on "the truth about the poor and the rich", rewarding Piketty's ideas and conclusions at exactly the same time as his data were being challenged by the *Financial Times* (28 May 2014; see below). Meanwhile, the market-oriented weekly magazine *Wirtschaftswoche* rather surprisingly complained that there is "no global, no historical perspective" in the book (5 May 2014).

Some reviews made by conservative or market-oriented print media dismissed Piketty's data and ideas by pointing to his nationality and his ties to the Socialist Party, and again failed to bring any objectivity to the debate. In the weekly *Manager Magazin* (7 November 2014), Daniel Stelter, a consultant, claims that Piketty advised President Francois Hollande on new hikes in top income tax rates in France, which is at odds with Piketty's interview statements that he never supported the 75 percent tax rate in France (*Welt am Sonntag*, 12 May 2014). Many other critics accuse Piketty of anti-capitalism, communism, or Marxism. The accusations derive from the (deliberate) reference that the book's title makes to Karl Marx's magnum opus *Capital: Critique of Political Economy*. That these accusations are baseless is easily proven by simply opening *Capital in the 21st Century* to page 31, where Piketty writes: "I [...] never felt the slightest affection or nostalgia for [Communist] regimes or for the Soviet Union. I was vaccinated for life against the conventional but lazy rhetoric of anticapitalism, some of which simply ignored the historic failure of Communism [...]. I have no interest in denouncing inequality or capitalism *per se* [...]."

A case that had major repercussions in the public debate was when the *Financial Times (FT)*, a market-oriented newspaper, attacked Piketty's data and conclusions in a May 2014 headline story. Chris Giles, economics editor of the *FT*, claimed that "the data [...] contain a series of errors that skew his findings", drawing parallels to the Carmen Reinhart and Kenneth Rogoff case in 2013 (23 May 2014).<sup>4</sup> Piketty replied that the newspaper touched upon 'minor points' that "do not affect the long run evolutions and my overall analysis." On 28 May 2014, he posted online a detailed, 10-page reply to the criticism.<sup>5</sup> The *FT* was criticised for the way it conducted its attack on Piketty's findings. *Forbes Magazine*, for instance, wrote on 27 May 2014 that: "the Financial Times is blowing Piketty's data issues out of proportion". On May 30, 2014, Giles conceded that "there are a few things on which we agree" and that "this is a fascinating and important debate". In November 2014, the *FT* chose *Capital in the 21st Century* as Business Book of the Year, with *FT* editor Lionel Barber recognising 'the quality of the scholarship' found in this 'challenging, but ultimately important book' (11 November 2014). However, some media continued to report on the criticism voiced by the *Financial Times*, but did not mention that the criticism has itself been criticised and mostly refuted (e.g. *Frankfurter Allgemeine Zeitung*, 27 September 2014; *Die Welt*, 11 October 2014) – another example of fact bias.

The IGM Economic Experts Panel at the University of Chicago Booth School of Business asked 43 economists, of which 36 responded, whether they agreed or not with the statement that: "the most powerful force pushing towards greater wealth inequality in the US since the 1970s is the gap between the after-tax return on capital and the economic growth rate".<sup>6</sup> Only one economist agreed; 27 disagreed – even Piketty's co-author Emmanuel Saez.<sup>7</sup> It is obvious that the reason why economists disagreed was that the question was very specific: "the most powerful force [...] in the US since the 1970s [...]". However, the survey result was presented to readers as indicating widespread disagreement with Piketty's (much more general)  $r > g$  theory on the part of economists, as, for instance, in the German-language, market-oriented *Swiss Handelszeitung* (19 October 2014).

<sup>4</sup> See <http://www.ft.com/intl/cms/s/2/e1f343ca-e281-11e3-89fd-00144feabdc0.html#axzz31s9A0COH>.

<sup>5</sup> See <http://piketty.pse.ens.fr/files/capital21c/en/Piketty2014TechnicalAppendixResponsetoFT.pdf>.

<sup>6</sup> See [http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV\\_5v7Rxbk8Z3k3F2t](http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_5v7Rxbk8Z3k3F2t).

<sup>7</sup> A recent contribution to a symposium in the *Journal of Economic Perspectives* (Piketty 2015) clarifies that Piketty himself would tend to disagree with the statement.

The above are just a few examples; there are many more that reveal that German newspapers with conservative or market-oriented reputations reacted much more negatively to Piketty's analysis and propositions than liberal or left-wing newspapers. There is evidence of fact bias and framing bias. Issue bias was less prevalent, as all major newspapers or magazines reported on the book, at the very latest when the English version appeared in April 2014.

## Conclusion

The media's reception of Piketty's book was divided: conservative and market-oriented newspapers were critical; liberal and left-wing newspapers praised it, sometimes lacking objectivity. Public interest in the book gained momentum after Piketty toured the United States in April 2014, attracting enormous attention from US politicians, economists, and media. And as soon as politics became involved, the debate polarised. Anecdotal evidence suggests that there is fact bias in German media reports on Piketty's book. This paper lists some of the facts that right-wing media channels emphasized and used to weaken the political impact of *Capital in the 21st Century*. Ideological bias dominated the public debate to a large extent. Reviews, essays, and comments often revealed more information about the attitudes of the individual journalist or guest author and the publishing newspaper than they did about the book. Piketty (together with his co-authors) made a major contribution to economic science by gathering new historical data on inequality and providing explanations. However, if people relied on only one or several very similar news sources, ideological bias made it difficult for readers to acknowledge this contribution.

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