

## Capital in the 21st Century

**Video clip ('Capital')** Democracies in general are susceptible to this capture by elites. And unless the democracy is renewed by the non elites every now and then rising up, the democracy will continue to move in this direction where power and wealth are more and more concentrated. All across the world, you now have this layer of oligarchs that use their money to buy political influence.

**Video clip (Thomas Piketty)** When you have too concentration of capital it leads to excessive influence over the media and also financing of political campaigns and political parties that are in their own best interests. But this logic of 'one dollar one vote' is completely opposed to the democratic logic of 'one person one vote'.

**Ross** Welcome to Renegade Inc. When the economist Thomas Piketty released his book, 'Capital in the 21st Century', people clambered to get a copy. The filmmaker Justin Pemberton has since made the film. In it, he points hard to how Rentier Capitalism has disenfranchised the West. We caught up with the Kiwi director to understand what needs to change if we want 21st century capital to serve us, not enslave us.

**Ross** Justin, really good to have you on Renegade Inc.

**Justin Pemberton** Thank you.

**Ross** Congratulations on 'Capital'. When did you start thinking about making a film like that because it's a massive departure from your other work, isn't it?

**Justin Pemberton** Well, it is and it isn't. I had done a documentary on inequality for New Zealand television in 2013, which is when I got the book and read it. But I didn't really start thinking about this as a film at that point. I heard that a New Zealand producer was talking with Thomas and that was kind of the thing that made me go, Oh, who's directing this then? And I knew that I'd want a New Zealand director for finance. So I insisted. I want to make this. I want to make this. And Matt Metcalfe [executive producer] said just write me a treatment and send it to Thomas to see if he likes it. So I did it on my weekends and my evenings and on my commute. And just frantically started writing a treatment to give to Thomas. And luckily he liked it.

**Ross** And was inequality really the driver? Because you'd made that film on inequality and you see what's going on in the world at the moment - all the socio economic indicators are going in the wrong direction. Was it the inequality bit that drove you to push on and make this?

**Justin Pemberton** It's a kind of intersection of inequality and politics, really. Also at the same time, I had just finished an interactive documentary series about the Five Eyes Alliance, which is the intelligence alliance between America, New Zealand, UK, Australia. And yeah, I think it was certainly the politics meets inequality and that's what I liked about about his book. That's what appealed. This was in 2016 as well. So the world felt quite different back then. It actually felt a lot calmer than it does now. Donald Trump was at that point saying he

was going to run for president, but most of the media saw that as a joke. And then, you know, through making the film, we finished it over a year before it came out. And it has slowly sort of started to become more and more true in some ways. But Thomas's idea right from the beginning that capitalism is going to cycle back to 18th century levels of inequality, is the thing that captured my imagination. And I thought that's the film for me. And I also realised that I'd never seen a film that told wealth across time.

**Video clip ('Capital')** In 18th century Europe capital is concentrated in the hands of a very small group of people. The aristocracy represents 1 percent of the population. The boundaries of money limit social mobility and hard work and education don't allow you to move very high. Through the evocative power of literature, film and popular culture we can see the importance of capital throughout history. It's a story much darker than the idyllic vision of a march towards progress and light.

**Ross** But when we then talk about the historical context because we haven't spoken about wealth over the ages or people haven't joined the dots and quite deliberately because, you know, it turns out elites don't want you to join those dots. You're releasing this film into the US now, and it's arguably the most advanced oligarchy in the world. Looking at what's going on in the US, your timing is kind of impeccable, isn't it?

**Justin Pemberton** Yeah. The thing is, this is the world that I could imagine when I was making the film. I just didn't expect it to arrive at the time the film came out. So because there was the delay between us finishing the cut and it finally been ready for release, things sped up incredibly quickly. And, you know, there's a scene towards the beginning of the film where Gillian Tett talks about, you know, when inequality, when the gap becomes too big and there's no social mobility, you tend to end up with a full blown revolution. And that's a tease, you know, in the film, when we made it to a world that could be, you know, in the near future, but now it's starting to feel like it's heating up so fast that it's coming thick and quick.

**Ross** Really interesting bit in the first half of the film and you get to it very quickly. You talk about land monopoly and really it creates the foundation for the film because implicit what you're saying is unless you solve land monopoly, all the socio economic indicators and the social justice indicators, if you like, are never going to go in the right direction. And you are very quick to put that right at the top of the film. Why did you want to land that point so early?

**Justin Pemberton** I think that that's the thing that speaks most to younger generations, particularly. And it is actually the biggest consequence because you know that owning land and having a property- owning middle class was kind of the one thing that sort of held capitalism together after the wars. You know, the threat of communism was massive and people were starting to think there's some great ideas, you know, free healthcare, free education and housing for everybody. These were appealing concepts, especially after you'd been through two World Wars and the Great Depression. So I think that's the one thing that is slipping away that can't ever be gained again without some sort of a collapse. So it's either a complete housing collapse or a complete regulation of housing capital or, you know, full financial meltdown, banks, everything. So, you know, I think that's the most tangible thing for young people to think about - how do you buy a house now? And for me, specifically, you know, I live in Auckland which is one of the least affordable house cities in the world.

Funnily enough, they're all English colonies - you know, Hong Kong, Vancouver, Sydney, Auckland, Melbourne. So, it's very real. And I think, yeah. So I had a personal connection to it, too.

**Ross** Bryce Edwards, one of your interview partners, he talks, and you talk, about the brave new world. People wanted to leave the UK and go to Australia, New Zealand and other places because they didn't want the steep alienating hierarchy that the British created, i.e. the ruling class. So they went off to start again, start afresh. The irony, you, and in Sydney, now have two of the hottest housing markets in the world. The governments are populist governments who continually pump real estate. Scott Morrison is a real estate spruiker, as they call them. Is that really ironic, you've actually recreated exactly the thing you were trying to escape?

**Justin Pemberton** Oh, totally. And then, you know, that's the case with so much of what fails in terms of political action or political ideas. You know, the French Revolution, the Occupy movement, you know, the new world. It took a long time for it to fall apart in New Zealand particularly. I mean, there was sort of a great social housing sort of system for a long time. And houses were cheap. It absolutely turned in my country with the neo liberal revolution in the mid 80s.

**Ross** Is that the John Key government?

**Justin Pemberton** No, no, no. It actually, believe it or not, it was a Labour government. We had a very strange sort of political system where Rob Muldoon, who was in the 70s and early 80s, was very much a dictator, but he was a conservative dictator. And we had the most regulated economy outside of the communist bloc. And strangely enough, the opposition was the Labour Party and they came in, which was just everybody that wanted to get rid of this guy. And he had actually won elections without even having the majority of the popular vote. So we changed our entire electoral system, everything, to get rid of this guy. But suddenly New Zealand became - much like Chile - a sort of neo liberal testing ground and everything. We had floated our currency. You know, interest rate shock overnight, the stock market boomed, real estate started to go off and it sort of continued through the 90s. But it peaked with the John Key government. Well actually it didn't because it's just peaked under this regime too. The average house price in Auckland is now a million dollars. That's a million New Zealand dollars, which is about half a million pounds. It's nothing like the income, the average income, 60000 New Zealand, so about thirty thousand pounds.

**Ross** We keep coming back to the land problem and land and banking because, ultimately, they're interrelated. The other aspect that you cover in the film is the psychology around monopoly. Monopoly originally was invented to talk about Henry George, the progressive economists ideas and about privatising rent. It was a woman called Lizzie Magie who invented it originally to try and explain to people, if you privatise rent, ultimately everyone goes bankrupt and society fails. You touch a bit on the psychology around it. Why did you want to explain to people what happens when inequality arises around that monopoly board?

**Justin Pemberton** What I loved about his experiment - because the psychologist who whose experiment it is, teaches the psychology of inequality and he uses capital in the 21st century in his classes - is it goes to show that there's something that fundamentally changes in people

when they have more of something. So when you're ahead, when you've got more, so the mind has to... We believe in a just world, basically, most of us, according to psychologists. So there's a reason for it. And the mind starts to think that, well, it's because I'm better. It's because of something great I've done. We have this fundamental attribution era where every success we have is because we're great. And every success somebody else has. Well, that's probably luck. And it also flips on the opposite. Every failure I have, it's because of something else external. But every failure you have, it's just because you're useless. And the way the mind works around inequality, I think is so interesting. And for me, the reason to have it there in the film because it sets up a degree of understanding for particularly tax havens and all those things that follow that, you know, why people feel that they don't need to contribute in the same way or follow the rules that everybody else has to. And, you know, the classic elite mindset, really.

**Ross** So people say human beings, well, it's just animal spirits. We're designed like that. And there's actually nothing you can do about it. You just have to go with it. Did you find a counter-argument to that? Did you find that human beings are actually able to self regulate way more than we do?

**Justin Pemberton** I don't think self regulate, no. I think that there's always been a failure. And I know it's been tried and it's it's a very romantic idea. I think that, you know, studies have shown, specifically, that nice people who get into power can change over overnight and start to have a sense of superiority and belief that they're better and that they don't need to follow everything. But we have found, particularly with capital, that capital does respond quite well to regulation. Capital is you know, it isn't something mystical. If, for example, you tax pollution, capital doesn't want to invest in polluting things. It's that basic. I guess it's the animal instinct. The really simplistic chimp mind is capital in that sense. People, of course, are something else, because we are very good at changing our reality to suit the world that we want to see rather than the world that is. So I guess for me, the biggest thing that came out was this idea that there are many different kinds of capitalism. We're kind of definitely taken one sort, but there have been different times when capitalism has produced different results. I definitely don't think that you can go back in time and go, we just need to do what's been done in the past. But I think what the past shows you is that there are, perhaps, other ways to look at how to work with capital. When you change that relationship it has massive outcome changes for everyone.

**Ross** Justin, in that first half, we talked thematically about land, really, and the historical context and how from land monopoly a lot of our social ills stem, if you like. In this half, I want to talk a little bit more about labour. Ultimately, what you're saying in the film is to liberate capital over the years, labour had to be suppressed. And you depict it really well. Why have politicians and populist leaders gone so hard to smash unions and break labour down?

**Justin Pemberton** A really simple answer, I think, it's because they've been captured by the mindset of an elite. You know, they're not really thinking of the interests of everyday people. And that's the problem with capital and politics. You know, the lobbying power is a complete distortion of democracy. And, you know, if you're thinking about something like tax havens, the only argument for why they exist is because rich people, wealthy people like them and they prevail on governments and politicians to keep them. One of the things that I was most

excited about was finding in the research that, you know, there are such simple solutions. There are ways to eradicate them and to capture tax, particularly in the digital economy, you know. But the will is not there. And I think that is why politicians have lost their focus on labour.

**Video clip ('Capital')** You finally figure out that you can expand your own factory by kind of selling stuff, keeping the profits, then reinvesting those profits and expanding your factory. And that's kind of what capitalism in its modern form really lets us do, is that capital becomes this thing that can kind of perpetually expand. But the gap between wages and productivity is substantial. And you have these kind of feudal legacies of labour persisting very, very late into the game. British master and servant law meant that it was a crime for you to quit your employer without permission. And, you know, this is getting actively used in the mid 19th century, during the heyday of capitalism in England, the most advanced country in the world. And they are throwing workers in jail and they're being beaten because it's a crime to go on strike.

**Ross** So when it comes to the suppression of labour, what we have now is what Alan Greenspan called a optimum condition in labour, which is a very insecure, precarious work place and a very insecure workforce. Conspiracy theorists would say, well, you know, the elites have always wanted this. They've actually got exactly what they want. But it isn't concerted conspiracy, is it? It's the way things have been structured. It's the way tax regimes have been structured and it's the way economies have been structured.

**Justin Pemberton** Absolutely. And the most amazing thing about Alan Greenspan is he was actually completely confused as to why wages weren't rising when unemployment was so low. And it actually goes to show that his model has been broken. And you know, what broke it, I guess, is the gig economy. The fact that there is no longer any kind of organised sort of or legislated laws around labour by complete deregulating it and making it, you know, all against all, that's what has driven down wages and also kept people in a precarious position. You know, the precariat thing is something that has been particularly dead in me because I've been freelance nearly my whole working life. And I've known that this isn't a model that works unless you're getting a certain amount of income because otherwise you can never stop working. You never can get sick. You can never take a holiday. And you certainly can't borrow any money and get a house. It's impossible when you're in that kind of gig economy environment. And so that's kind of shocking to see how it's now been rolled out to taxi drivers and pizza delivery people. That's one of the frightening developments, I think, that we've seen in the 21st century.

**Video clip (Gillian Tett)** Essentially, what's happening is that you're getting an economy which is more and more productive. But where the gains of those productivity increases are going into the hands of a very small number of people. And where there is job growth is at the lower end of the spectrum, which is often low paid, fairly unsatisfactory work. Our labour market is shifting. More and more, it classifies people as self-employed. And what that means is that companies won't owe them holiday pay, won't owe them a pension. And those individual workers have to make sure that they can look after themselves if they're sick, if they want to take a holiday.

**Video clip (Paul Mason)** You know what, when Piketty says that the future for capitalism is this highly unequal, highly socially immobile future, it's already happening.

**Ross** Real social change doesn't come from the political realm, it comes from the arts. It comes from society. Films like yours lead the way. People, they start to put some light bulbs on. There's a gestation period. And eventually things that would seem to be absolutely, you know, set in stone are socially totally and utterly distasteful and we make the necessary change. Is that how it works?

**Justin Pemberton** Unfortunately, yeah. It's one way it works. The problem is there's a huge lag. I know that people don't find that a satisfying answer, but absolutely one of the ways to get change happening is to start talking and start getting ideas spreading through communities and eventually it filters through to politicians and policy.

**Ross** You're a director. How do you get that bit of life in a timeline and then just cut the middle bit out and shunt those two bits together so you got film then a load of social change, surely, after?

**Justin Pemberton** Yeah. I mean, I guess it's probably with a lot of capital.

**Ross** Ironically.

**Justin Pemberton** If you've got the money you can start getting those messages out. That's basically advertising and marketing, isn't it, if you have to cut out the money part?

**Ross** When I got to the end of the film - I'd be interested to hear from the director's point of view on this - that you, I think, try really hard not to tell an audience what to do. You are, I think, out of the school of show, don't tell. If you were to come to the end of the film, what is the one solution that you would like an audience to get to that you've presented, which allows them to walk out of that cinema thinking about, well actually, this is a way to go?

**Justin Pemberton** Well, the big thing that Piketty wants to get across is the damage of inheritance as an idea and that ownership cannot be eternal and that there needs to be a way that it slowly is returned back to either the commons or to new levels of ownership, whatever. So the inheritance is the big one. But really, there's three for me. The other one is money and politics don't mix. That's a distortion of democracy. So inheritance, money and politics. And the other one is tax havens, which is, you know, it's something we've heard a lot about, but there's been very little action on it. And I think it's had very real consequences. And, you know, there's a point in the film where a news report talks about how the amount of money that Ireland has left Apple off from in terms of its tax bill is more than three years worth of austerity that they put on their own populations. And I think that, you know, simple ideas like that, it's not ethical behaviour. That's not right. And it's, you know, countries robbing the tax base of other countries, which is a race to the bottom in which no one wins. And certainly if you go to the tax havens, they're not rich. You know the public.

**Ross** You're absolutely right. Mr. Piketty says towards the end of the film, that the challenges of today creating a more equal society are obviously different to those of the 20th century. But the important point is that it is not technically difficult to enact change. It's primarily a

political and intellectual challenge. Were you ever tempted around the end of the film to really push at the audience the solutions that you've just come out with because, yes, there implicit in the film and you highlight the problems really well? Were you ever tempted to really say at the end, you know what, these are the three areas that we really need to address?

**Justin Pemberton** I've become a little bit cynical watching films that do this cliched kind of, here's the problem, let's let's work through some ideas and then go, but don't worry, because here's the solutions. It's just something that for me, never quite felt right. So I wanted to embed them in there. So when we talk about the solution for tax havens or even right at the beginning when he talks about the French Revolution failing, how you need free education, you need health care, you need public transport, these things to really have equality. I do understand that there might be a bit light. Some people want more to be told what to do. But I guess it's one of those things, isn't it? Not everybody enjoys the same kind of story. And for me, I just became a bit cynical about a collection of films that always got to the end and say, don't worry, here's the solutions. And then you can walk out of the cinema with a big smile on your face and think, oh, all done. And until a point, you know, I did think that *An Inconvenient Truth* did do that a bit. You know, at the end, it gave all these brilliant solutions, like just turn off the charger on your cell phone when it's connected to the wall - you know, stupid things that really are not going to change the world. But people started thinking, oh, it's a lot of just recycling this and I'm, you know, turning off this light switch. The problems are way, way, way more systemic and ingrained than little individual actions like that. And I think that they kind of almost took away a little bit of the power of the film for me by being too packaged and sweet. There you go, all done.

**Ross** And you have very much left the obligation with the audience, haven't you because implicit again in the film, what you've said is nobody else is looking after this? Because what happens in a credit-driven society when people can use all this money for escapism and holidays and clothes and booze and all the rest of it, people think that other people - namely politicians - are looking after things. Turns out they're not. So you put that obligation firmly back with the audience that actually they need to look after this?

**Justin Pemberton** Yeah, and that's actually the point, too, because I really did want to get people thinking and not necessarily feeling completely comfortable. I didn't want it to be depressing. I wanted it to be a little bit dark because that's what it is. And I guess there's something that made me want to stir people and have them feel that this is a bit urgent or isn't right. And that's hopefully what gets people talking and saying, have a look at this. See what you think. Watch the story. And then, you know, it really is about getting a conversation going. And that was the idea. So 20 years from now, hopefully, we'll have it sorted.

**Ross** That was my next question. Two decades from now, if this piece is to have done one thing, what would you like it to be? And you're not allowed to say made you a million quid.

**Justin Pemberton** No, no. And, you know, I don't own the film. It's another one of the ironies of capital. There were so many ironies of capital in this film, the way that capital controlled the process. But it is about reforming democracy, really which is part of getting rid of that power and creating essentially a more equal world with equal opportunities. I think people like private property and I think people do want to own things. And I know it's really important for people to also be able to leave something to people that they love. And I'm not

saying that I don't think any of that is possible. I just think it needs to be a point to which you're taking the piss. And, you know, I look at Kylie Jenner, one of the Jenner rich Kardashian kids. Today, I saw a story that she spent over 200 million dollars last year buying herself a plane and throwing this birthday party. That's the new word. The new term I keep hearing is morbidly wealthy. And I think that's a good term to start using because there is something sick in that, you know.

**Ross** That's the name of your next film.

**Justin Pemberton** Yeah, that's a good one.

**Ross** Justin, congratulations on the film. Massive contribution. It's wonderful. And thank you very much for your time.

**Justin Pemberton** Thank you very much.