

Funding the Future

Article URL

Published: January 12, 2026, 7:54 pm

There were some interesting exchanges on economics yesterday.

President Biden said in a tweet that he did not think trickle-down economics works.

At the same time, Truss was in New York promoting the idea that it does.

Who is right? [The IMF put it like this](#) in the abstract to a 2015 paper:

This paper analyzes the extent of income inequality from a global perspective, its drivers, and what to do about it. The drivers of inequality vary widely amongst countries, with some common drivers being the skill premium associated with technical change and globalization, weakening protection for labor, and lack of financial inclusion in developing countries.

We find that increasing the income share of the poor and the middle class actually increases growth while a rising income share of the top 20 percent results in lower growth—that is, when the rich get richer, benefits do not trickle down. This suggests that policies need to be country specific but should focus on raising the income share of the poor, and ensuring there is no hollowing out of the middle class. To tackle inequality, financial inclusion is imperative in emerging and developing countries while in advanced economies, policies should focus on raising human capital and skills and making tax systems more progressive.

I am not sure that the second paragraph could be clearer.

Truss is aiming to increase inequality at cost to growth, and everyone but the wealthy in the UK economy. To achieve that she says she is 'willing to be unpopular. I should think her backbenchers will be extremely worried, already.

This is Trussonomics.