Funding the Future

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This is one of a series of posts that will ask what the most pertinent question raised by a prominent influencer of political economy might have been, and what the relevance of that question might be today. There is a list of all posts in the series at the end of each entry. The origin of this series is noted here.

After the first two posts in this series, the topics have been chosen by me, and this is one of those. This series has been produced using what I describe as directed AI searches to establish positions with which I agree, followed by final editing before publication.

This post refers to Thomas Piketty, the French economist whose most notable book is Capital in the Twenty-First Century. In this, Piketty studied wealth and income inequality in Europe and the United States since the 18th century. The book was first published in French (as Le Capital au XXIe siècle) in August 2013. An English translation followed in April 2014.

Why is Thomas Piketty in this series? Firstly, because he tackles a key issue in our time: inequality. Second, because he showed (at length) that this was not inevitable, or a passing phenomenon, but was instead an obvious political construct that did, as a result, require political correction if the problems it gave rise to are to be addressed, which he argued they must be. Third, because he demonstrates the use of tax as a policy instrument, which matters to me. And, fourth, the discussion of Piketty follows logically from the discussion of John Rawls, who was the subject of the immediately preceding essay in this series.

Thomas Piketty's *Capital in the Twenty-First Century* (2013) was a bomb dropped into the polite world of economics. It did not rely on theory. It relied on data — two centuries of it, painstakingly compiled from tax records, national accounts, and inheritance registers. What Piketty showed was that inequality is not an accident of policy or a passing phase of development. It is a structural feature of capitalism itself.

His central equation, that $r > g$, captured that truth in a simple inequality. His argument is that when the rate of return on capital (*r*) exceeds the rate of economic growth (*g*), wealth accumulates faster than incomes rise. Those who already own assets grow richer, while those who rely on wages fall behind. Over time, inequality does, then, become self-perpetuating.

This was not a Marxist argument about exploitation. It was a statistical description of what capitalism does when left to its own devices. Piketty's conclusion was unambiguous: without deliberate political intervention through progressive taxation, redistribution, and public investment, inequality will spiral until it undermines democracy itself.

Hence the Piketty Question: *if we now know that capitalism naturally produces inequality faster than growth can correct it, why do we still design policies that entrench it?*

The empirical revolution

Before Piketty, inequality was treated as a moral or political question, not an empirical one. Economists assured us that as countries grew richer, inequality would first rise and then fall, as the ***Kuznets curve*** ***suggested. Piketty demolished that myth.***

His historical data showed that the post-war reduction in inequality was exceptional, not normal. It had occurred only under the extraordinary conditions of World War II, the reconstruction that followed, an era of high inflation, and deliberate redistribution policies. As he showed, since the 1980s, as those policies have been reversed, inequality has returned to nineteenth-century levels.

The lesson is clear: left to its own devices, capitalism does not deliver equality. It delivers concentration.

The politics of the return

Piketty's suggestion is that capital begets capital, wealth generates income, and income buys influence. Those with wealth accumulate not only assets but also power over politics, the media, and public discourse.

His research showed that wealth concentration is not just an economic process but a political one. The wealthy use their power to reduce taxes, weaken regulation, suppress unions, and shape ideology. They fund think tanks and media outlets that promote the very policies that entrench their dominance.

In other words, inequality is not only the outcome of markets; it is the design of politics.

The myth of merit

One of Piketty's most devastating insights was to show how inequality hides behind moral language. Today's elite like to claim that their wealth reflects talent and hard work. But the data say otherwise. Inherited wealth is once again the dominant factor determining life chances. "Meritocracy" has become a self-serving fiction, masking the return of patrimonial capitalism.

When wealth reproduces itself through inheritance rather than innovation, societies ossify. Social mobility collapses. Democracy becomes plutocracy.

The international dimension

Piketty's work also reveals the global dimension of inequality. The same forces that concentrate wealth within nations also concentrate it between them. Capital now flows freely across borders, while labour is constrained. The result is a global system in which wealth accumulates in the financial centres of the rich world — and in the secrecy jurisdictions that serve them — while the developing world is drained of resources and talent.

This is not merely the outcome of market forces. It is the architecture of global capitalism — designed, maintained, and defended by those who benefit most from it.

Why policy fails

If Piketty has made the mechanics of inequality so visible, why do governments not act? The answer lies in capture. Politics is increasingly financed by the wealthy. Parties compete for donors, not for voters. The revolving door between finance and government ensures that reform never threatens the system's foundations.

Even centre-left governments, fearful of market reaction, have accepted the limits set by capital. The result is a politics that talks of fairness while quietly perpetuating inequality.

Piketty's unfinished agenda

Piketty's own solutions were moderate but radical in implication. They include:

*
Progressive taxation of income, wealth, and inheritance, including on a global scale.

*
Public registers of ownership to expose hidden wealth and tax evasion.

*
Democratic control of capital through co-determination and public investment.

These are not utopian ideas. They are the minimum conditions for democracy to coexist with capitalism. Yet even these proposals are resisted, because they confront the core truth of Piketty's finding: inequality is not a flaw to be fixed, it is the system working as designed.

What answering Piketty requires

Answering the Piketty Question means more than tweaking tax rates. It means acknowledging that inequality is not accidental but structural and therefore requires structural counter-power. That means:

*
Delivering tax justice by creating enhanced global coordination to achieve better taxation of wealth and income and gains derived from it, the closure of secrecy jurisdictions, and an end to the race to the bottom in the taxation of capital.

*
Assisting public investment by using greater fiscal capacity to help build collective wealth in housing, education, health, and green infrastructure.

*
Increasing the democratic and accountable ownership of wealth by expanding cooperative, municipal, and public forms of enterprise to both share and reinvest the returns to capital.

*
Creating political reform to break the link between money and politics so that democracy can act on the evidence Piketty has laid bare.

Inference

The Piketty Question confronts us with an uncomfortable truth. Capitalism is not drifting toward inequality by accident; it is propelled there by its own dynamics. Unless we intervene, the concentration of wealth will continue until democracy becomes a façade (if that has not already happened in some places).

Piketty's data gave empirical shape to what earlier critics like Marx and Galbraith understood intuitively: that unchecked accumulation is incompatible with a just or sustainable society. The question is no longer whether inequality will rise. It will. The question is whether democracy has the courage to stop it.

If we know that capitalism concentrates wealth faster than growth can distribute it, the only real ignorance left is political.

Previous posts in this series

* ***The economic questions***
* ***Economic questions: The Henry Ford Question***
* ***Economic questions: The Mark Carney Question***
* ***Economics questions: The Keynes question***
* ***Economics questions: The Karl Marx question***
* ***Economics questions: the Milton Friedman question***
* ***Economic questions: The Hayek question***
* ***Economic questions: The James Buchanan question***
* ***Economic questions: The J K Galbraith question***
* ***Economic questions: the Hyman Minsky question***
* ***Economic questions: the Joseph Schumpeter question***
* ***Economic questions: The E F Schumacher question***
* ***Economics questions: the John Rawls question***

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