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Piketty's *Capital*, His Critics and Basic Income

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Abstract: Among other merits, Piketty's book puts the topic of inequality and income/wealth concentration in the public agenda. His analysis concludes that aggregate income and wealth have tended to concentrate in the top few percentiles of the population. His research as well as the policy and political debate it has brought about, is relevant for the progress of the Basic Income movement. The tendencies for income and wealth concentration, the importance of inheritance for inequality, the weak foundations of current welfare state institutions, and the relevance of the tax structures for redistribution, all are central themes on the Basic Income debate. In this article, the author discusses certain aspects of Piketty's *Capital* which are particularly relevant for the Basic Income debate. Taking into account some of the criticisms of Piketty's work, the article discusses the importance of his main findings for the Basic Income debate.

Keywords: basic income, inequality, taxation, income and wealth distribution

There is no need to mention the contribution of Piketty's *Capital in the Twenty-First Century* to the economic and social debate. Broadly speaking, inequality and income/wealth concentration are often not issues paid too much public and political attention. Piketty's book has the merit of putting the topic in the public agenda and of explaining contemporary problems by looking at the past. In this way, he reminds us that economics is more an historical than a logical or mathematical science.

The book provides impressive historical and empirical research (also published by Piketty and his colleagues in several articles) in an attempt to explain continuity and change of inequality over the past two centuries for the most developed Western economies. Piketty takes the observed patterns to advance a broad theory of long run capitalist development and he then uses this theory to explain the prospects for the future of inequality.

Piketty maps the U-curve track of income and wealth distributions followed by the most relevant Western countries in order to conclude that aggregate

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income and wealth have tended to concentrate in the top few percentiles of the population. This concentration has been interrupted by short-lived episodes. He suggests that a combination of wars, depressions, hyperinflations, progressive tax rates, and high growth of productivity and population, explains the inequality decline from the 1930s to the 1970s. But that was an exception in the trend to wealth concentration. Since the 1970s, the tendency to rising inequality re-emerges. The period from World War I to the end of the 1970s is an anomaly in the history of capitalism, which gave a temporary reprieve from this trend.

In other words, the tendency of the inequality curve is again back on its normal course. The concentration of wealth that can be seen over the last three decades is consistent with a general pattern in capitalism and Piketty suggests that many developed economies currently show levels of income and wealth inequality last seen in the early twentieth century. From these tendencies, he concludes that inequality will continue to grow in the years ahead unless specific policy measures are taken.

Not surprisingly Piketty's book has been criticized on many grounds and from different ideological positions. However, even taking into account some of these critics, the truth of the matter is that Piketty's work has forced economists and politicians to look once more at income and wealth distribution. In order to understand how capitalism works, he helped to shift the focus of economic analysis from one concerned only with the recent past to a focus over the long past and future. Probably, as some of Piketty's critics claim, he has not discovered something new, but surely he has done a great job showing the dynamics of economic inequality and the most relevant present and future problems of our societies.

His research as well as the policy and political debate it has brought about, is relevant for the progress of the Basic Income movement. The tendencies for income and wealth concentration, the importance of inheritance for inequality, the weak foundations of current welfare state institutions, and the relevance of the tax structures for redistribution, all are central themes in the Basic Income debate. Piketty's resort to tax records, a source of data usually forgotten by economists dealing with distribution of income and wealth calculations, is also a methodological option used to analyze the potential distributive impacts of Basic Income (Arcarons & Raventós et al., 2013, 2014).

In other words, Basic Income advocates should welcome Piketty's work since they are both part of the wave seeking to move the inequality-reduction agenda forward. Piketty's book suggests that the trends towards growing inequality can only change if some policies are applied and he himself proposes some of them. Basic Income advocates share this conviction and their work can complement Piketty's efforts.

In this article, I will discuss certain aspects of Piketty's *Capital* which I consider particularly relevant for the Basic Income debate. I will take into account some of the criticisms of Piketty's work, and elaborate on whether and how these can affect the importance of his main findings for the Basic Income debate.

1 Capital, wealth

A crucial criticism of Piketty's work regards the use of the term "capital" and how he groups all forms of capital/wealth together for his analysis.¹ Piketty defines capital/wealth very broadly: "the sum total of nonhuman assets that can be owned and exchanged on some market. Capital includes all forms of real property (including residential real estate) as well as financial and professional capital (plants, infrastructure, machinery, patents and so on) used by firms and government agencies" (Piketty, 2014, p. 45). So it includes "all forms of wealth that individuals (or groups of individuals) can own and that can be transferred or traded through the market on a permanent basis. ... Capital is not an immutable concept: it reflects the state of development and prevailing social relations of each society" (Piketty, 2014, p. 46).

Briefly, Piketty defines capital/wealth (of any economic unit) as the sum of the net worth of all assets (excluding human skills and labor power) that can be sold and bought according to property rights over them. The capital/wealth components are measured in terms of their market price (minus any debt liabilities).

Piketty's critics argue that in this way he mixes elements that cannot be mixed, that market prices are not the best way to value these assets in the long run, and that in this way he ignores the very nature of capital (Fullbrook, 2014; Galbraith, 2014a; Varoufakis, 2014). Critics claim that the way Piketty defines and measures capital/wealth is not accurate, that it could be hiding the real causes of inequality, and that his findings are critically dependent upon that concept of capital.

For instance, Piketty's analysis says little about production, the structure of power relations in the labor market, notably between owners and managers of capital, and the rest (Wright, 2014). And there is no doubt that these power relations in production are a prime cause of pre-tax income distribution, mainly in the context of the expansion of the "global" labor supply through greater

¹ In other works, Piketty and his colleagues use the term wealth. See Piketty and Zucman, (2014).

trade integration, labor-saving technological shifts, and cross-border mobility of capital, which together have dramatically reduced the bargaining power of labor.

I would not enter this discussion here. Instead, I will argue that even if we accept these criticisms, the main theses of the book remain unaffected. Let us agree that Piketty's definition of the concept of capital is inaccurate, that he has almost ignored the importance of the "capital controversy", etc. (Acemoglu & Robinson, 2015; Galbraith, 2014b; Syll, 2014; Varoufakis, 2014). But the conclusions and lessons of the book are based on the long tendencies of data series. Indeed, in the very last paragraph of his book Piketty acknowledges that there are many ways of doing social science, "and accumulating data is not always indispensable or even (I concede) especially imaginative". But data are quite important for social analysis, especially if the issue is distribution and justice. As he states, "refusing to deal with numbers rarely serves the interests of the least well-off".

The book is not about theoretical controversies around the concept of capital, even when Piketty draws some general laws about the dynamic of the capitalist system. It is about how the value of different components of capital/wealth (as defined by Piketty) evolved during the long run and how they are distributed. The main findings about how capital/wealth tends to be concentrated among a small number of people are consistent and coincide with other pieces of research done by many scholars, including his critics (Galbraith & Hale, 2014; Galbraith, 2000, 2014a).

It could be argued that his choices regarding the measurement of wealth are not the best, but again that does not invalidate his conclusions. One can discuss if some assets should or should not be included in the definition of capital/wealth and if market prices are the best way to value them; but all the assets that Piketty considers undoubtedly are part of people's wealth and market prices are one of the easiest ways to value them. Moreover, his focus on taxation as a possible solution to growing inequality requires a measure of wealth because in order to tax we need to value assets and liabilities owned by people.

The truth of the matter remains that nowadays wealth is not taxed progressively and that there are few barriers for it to be transferred from one generation to the next. Also, merit does not explain income and wealth differences. There is no doubt that we need fiscal and other measures to offset income and wealth concentration. Even if Piketty does not uncover the exploitative nature of labor, he clearly shows some of the most important results of this exploitation.

Basic Income proponents should welcome these conclusions because they reinforce the need to guarantee a universal and unconditional income to everyone. Also, Piketty's arguments regarding the lack of merits of a lot of people to earn the

money they are earning and the difficulties to justify inequalities under the meritocratic framework, support the proposal of a universal and unconditional income financed through a progressive tax system (Piketty, 2014, Chapters 11 and 14).

Moreover, Piketty's work calls attention to two aspects of distribution that deserve more analysis from Basic Income proponents. One alerts that inequality with respect to capital/wealth (and of income from capital/wealth) could be greater than inequality with respect to income from labor. The other is that nowadays a progressive tax on capital is a more powerful instrument for responding to inequality than a progressive income tax (although the latter is also needed). Thus, giving a Basic Income to everyone independently of needs or labor positions is not enough to move to a more equal society.

2 Growth, return on capital/wealth and inequality

Piketty's analysis shows that GDP growth is not the answer to inequality. As is well known, economic growth creates the illusion that "everybody wins": capitalists receive high profit and workers obtain employment and better salaries. This way it is easier to keep political conflict low and the demands of various social groups latent and controlled. Economic growth is not only an economic but a political project by way of which the elite attempts to administrate the political stability.

For Piketty, one has to look at the relation between growth and other elements in order to understand the tendencies in inequality. A crucial element is the relation between " r " (the average annual rate of return on capital/wealth, expressed as a percentage of its total value), and " g " (the rate of growth of national income). One of the key claims of Thomas Piketty's book is that there is a long-run tendency for $r < g$. He argues that this tendency expands inequality because the reward to capital/wealth grows faster than the payments to labor. This is especially likely for regimes of slow growth and according to Piketty's analysis the expected future is a future of increasing inequality due to low (demographic and economic) growth and rising return on capital/wealth.

One might object that, in his explanation of inequality, Piketty relies too much on this relation and neglects other important factors. For instance, this relation is not enough to explain the specific episode of the *trente glorieuses*, when the return on capital fell below growth ($r > g$) and the narrowing in distribution episode occurs. For many critics, the explanation for this more equitable episode in history, as a large literature suggests, is more political than economical and it is linked to the increasing power of the labor movements and the specific policies applied during this period.

Piketty himself seems to be conscious of the complexity of the various forces that determine economic inequality when he notes that: “one should be wary of any economic determinism in regard to inequalities of wealth and income. The history of the distribution of wealth has always been deeply political, and it cannot be reduced to purely economic mechanisms.” (Piketty, 2014, p. 20). However, there is no question that the combination of low growth and high return on capital/wealth increases inequality. Of course, there are many reasons for this combination (demographic, economic, political, etc.), and they are all mutually influential.

Also, Piketty’s data show that inequality is not the same in every country and this is due to different institutional arrangements. For instance, Northwest European countries and Japan have experienced much less increase in wealth concentration at the top than the Anglo countries. Remarkably, and contrary to mainstream thought, Piketty’s data show that more equal economies are not necessarily less dynamic, and he also questions the idea that inequality is a source of incentives for effort and creativity from which the whole society benefits. The historical evidence shows that inequality can be reduced without the societal costs of doing so outweighing the societal benefits.

In brief, from Piketty’s book one can see which are the main economic forces pressing for inequality and also conclude that institutions, politics, and social organization, have a role in income and wealth distribution. Yet, his main effort is to provide us with new economic elements to explain past, present and future tendencies in inequality.

In general terms, most Basic Income advocates agree with Piketty’s main conclusions. First, they are aware that growth (and employment) is not the answer for inequality (Lo Vuolo, 1995; Offe, 2008). Second, they propose changes in public policies in order to strengthen the power of citizens against capital owners and to move to a more progressive fiscal policy package (Barbeito, 1995; Van Parijs & Jacquet et al., 2002; Van Parijs, 1992). Third, they believe that institutions should be reformed in order to fight inequality (Standing, 1992; Van Parijs, 1994).

3 The period of declining inequality and full employment

Piketty’s view about the decline of inequality from the 1930s to the 1970s is another important contribution for the Basic Income debate. According to Piketty, that was a short-lived episode in the long-run tendency to wealth concentration, which occurred thanks to a very exceptional context. The main explanations are the destruction caused by two world wars, the bankruptcies caused by the Great

Depression, and above all the “new public policies enacted in this period (from rent control to nationalizations and the inflation-induced euthanasia of the rentier class that lived on government debt)” (Piketty, 2014, p. 196).

The fact that wealth is less concentrated today than it was at the beginning of the twenty century is largely a consequence of “accidental events” and specific public policies. From Piketty's findings it can be concluded that the favorable conditions for growth, employment and the “productive” welfare state will not be present in the future. To stop growing inequality tendencies there is an urgent need for new institutions, mainly a progressive tax system.

Some critics say that, even when Piketty recognizes the difference between the Anglo-Saxon countries and social-democratic or corporatist experiences, Piketty's formula does not explain how the political decision over public policy affects economic performance. His statistics on inequality in themselves say nothing about the tactics of class struggle to prevent the minimum wage from being raised in the United States, or to impose austerity rather than full employment policies. Part of the problem is that, pooling all forms of wealth/capital together, Piketty does not distinguish between different forms of wealth and different sources of earned income, nor does he distinguish how capitalists use their capital. If capitalists invest their fortunes productively, if capital creates jobs then there could be some justification for today's tax favoritism and financial bailouts (Hudson, 2014). Taxing all forms of income or wealth at the same rate, as Piketty proposes, does not favor industrial investment over financial speculation. For these critics, the main problem is that today's financial capitalism indebts the economy at large, and buys control of government to extract more special privileges, tax favoritism and rent-extraction opportunities. But it is possible to restore productive investment and full employment.

There is no room here to enter this complex debate. I only want to highlight that, since Piketty is concerned with the concentration of any form of wealth in a few hands, the logical conclusion is to tax all types of assets. As he states: “fortunes can grow and perpetuate themselves beyond all reasonable limits and beyond any possible rational justification in terms of social utility” (Piketty, 2014, p. 312).

In any case, Basic Income proponents have been arguing in the same direction. For instance, they also understand that growth and full (male) employment is just an episode in the history of capitalism and that the future needs a “non-productive” social protection system (Offe, 1992). For Basic Income proponents, employment is not a feasible solution for inequality, and workfare programs and social insurance should be replaced by unconditional and universal policies if we want to rebuild a more equal society.

In this way Basic Income proponents do not share the idea that the golden age and full (non-precarious) employment could be restored. They believe that

distribution is the main problem and growth could not solve it nor it could be expected in the future. Basic Income is fundamental because disentangling income from employment enhances the autonomy of the people and their bargaining power in the labor market, provides resources to cover basic needs, helps to build a more progressive tax system, promotes collective work and currently unpaid social activities, helps to reduce working hours, etc.

4 Inheritance

Another important finding of the book is that income and wealth concentration usually increases the higher the position in the distribution hierarchy. The explanation is mainly a combination of two elements: (i) the rate of return on fortunes increases with the size of fortunes; (ii) fortunes are passed from generation to generation via inheritance. In this way, Piketty suggests that current income and wealth distribution is substantially shaped by the distribution of inherited wealth.

In other words, past wealth becomes increasingly important and inherited wealth grows faster than output and income. Since the return on capital is a function of initial wealth, the combination of both elements results in an increasing concentration of capital. These and other reasons explain why fortunes can grow and perpetuate themselves beyond any possible rational justification in terms of social utility or merit.

With these and other elements, Piketty warns about the risk of going back into “patrimonial capitalism” controlled by hereditary dynasties in which inherited wealth plays an ever growing role in determining the opportunities and future incomes of individuals. Indeed, Piketty suggests that the progressive tax on inheritances was one of the major fiscal innovations of the twentieth century which has also been challenged in recent decades.

This is another element largely defended by Basic Income proponents: people’s destiny should be independent from their family and inheritance. Piketty’s work supports this argument showing how the very high concentration of capital is explained mainly by the importance of inherited wealth and its cumulative effects.

5 Labor income

Another conclusion of the book is that most of the income sources of the top 1% are “labor” income (e.g. super-salaries and super-bonuses); the peak of the

income hierarchy is dominated by very high incomes from labor. In this way, trends in market income distribution (before tax) are driven more by the determinants of labor income distribution than capital/wealth, so far.²

On this point one might question why, if there is a growing concentration of income from labor and not only from capital, Piketty devotes most of his volume to the study of wealth distribution and says little about income distribution. The policy choice then follows that policies to tackle growing concentration of income have to focus on labor income concentration, which is not directly hit by wealth taxes.

This is a reasonable critique. Labor income inequality is increasing and needs to be tackled too. Indeed, Piketty believes that “a progressive tax on capital is a more suitable instrument for responding to the challenges of the twenty-first century than a progressive income tax, which was designed for the twentieth century (although the two tools can play complementary roles in the future)” (Piketty, 2014, p. 331). The main problem is that income tax, which played a key role in the reduction of inequality in the last century, nowadays is experiencing a spectacular decrease in its progressivity.

Two issues seem to be clear. One is that Basic Income needs to be considered not only as a subsidy but also as an important component of a tax reform. Indeed, a progressive income tax should be included in the very definition of Basic Income, in order to clarify how the proposal is a powerful tool to attack inequality along with other measures. Another important issue is the following: Basic Income and a progressive income tax should be complemented with other policies in order to attack inequality.

This helps to understand why income assistance programs, focused on poor families or even workfare programs, are not a first step towards Basic Income and why they do not have an important effect on inequality. Giving money to the poor reduces their needs, but does not change inequality and their relatively subordinate position in society. As Piketty shows, to fight inequality it is imperative to take money from the rich through the combination of income, inheritance and wealth taxes. Otherwise, the world to come may well combine the worst of two past worlds: both very large inequality of inherited wealth and very high wage inequalities justified in terms of merit and productivity (claims with very little factual basis, as noted).

² Piketty attributes this phenomenon to the fact that top managers by and large have the power to set their own remuneration, mainly in the United States and to a lesser degree in Britain, and while the tendency is less marked in other wealthy countries, the trend goes in the same direction.

6 The future of inequality

Piketty's prediction of the tendencies to increase inequality in the future is also criticized, mainly on two grounds (Summers, 2014). First, the intense rate of technological change will accelerate economic growth in the West and there is hope to believe that growth will stay above the rate of return to capital (thus, income and wealth concentration will be driven down by the same logic of Piketty's laws). Second, the "emerging markets", which were not the center of his research, will grow and improve their income distribution.

Piketty's analysis suggests that economies will tend to converge at a steady state growth rate, which equals the exogenous growth rates of the labor force and labor productivity at full employment. He believes that the historical trajectory of developed countries can tell a great deal about the future dynamics of global wealth, including emergent economies. For instance, "historical experience suggests that the principal mechanism for convergence at the international as well as the domestic level is the diffusion of knowledge. In other words, the poor catch up with the rich to the extent that they achieve the same level of technological know-how, skill, and education, not by becoming the property of the wealthy" (Piketty, 2014, p. 55).

All these are much disputed postulates. Developing economies, including those currently labeled as "emergent", show that the catch up is very difficult. Also, the role of international openness and trade in the diffusion of knowledge is not clear nor a panacea for development and equality. For instance, one lesson from the openness of Latin American countries is that inequality has a lot to do with the liberalization of trade, capital and the labor markets, the dismantling of industrial policies, the retrenchment of the social protection systems, etc. (Lo Vuolo, 2015). For these countries free trade and other Washington Consensus policies did not lead to internal and external convergence.

Predictions for the future are always a controversial matter because they depend a great deal in the assumptions on which they are based. But there are reasons to suspect that the rate of global economic growth will not be high in the future, including demographic tendencies and the fact that economic growth has been identified as one of the main reasons for rising climate change risks (Lo Vuolo, 2014).³ Also, recent growth has been stimulated by financial bubbles and this type of growth regime has clear limits. So, it may be reasonable to expect

³ Piketty briefly acknowledges the urgent problems coming from climate change (Piketty, 2014, pp. 395–396).

low growth in the future, including emerging markets. In fact, emerging markets are nowadays curbing their growth path of the last decade, and most of the predictions about the rising tendency of prices of raw materials, one of the main factors explaining their recent growth, should be revised.

But again, the problem for inequality is not growth as such but the relation between growth and other variables (as the rate of return to capital/wealth). There are many elements to believe that the tendency is to increase inequality if there are no substantial changes in current growth regimes. This is important for Basic Income advocates. If inequality will tend to increase, there is more need for a “preventive” ex-ante Basic Income floor. Also, if growth will tend to decrease, the “productive” arrangements of the welfare state in Western developed countries and in most welfare regimes of developing countries, will not function well. Basic Income is a policy that suits these tendencies very well.

7 A progressive tax system

In order to curve down the tendency to increase inequality the “missing” policy proposed by Piketty is a worldwide wealth tax, even when he recognizes that it is nearly impossible politically, but may be possible on a regional basis. In this way, Piketty puts the tax system in the center of the policy package to reverse inequality.

As I said before, critics say that his singular tax solution – a heavy estate tax and a global tax on the higher wealth and income brackets – is difficult to implement and does not include structural reforms. They also say that it will not be sufficient to reverse today’s widening inequality without changing the fiscal and social-economic structures that the owners of that wealth have created to prevent such a reversal.

One might argue that there is a problem with the “global” character of his tax. Critics could say that taxing all forms of income or wealth at the same rate does not favor industrial investment over financial capital and that there is need to discriminate between wealth earned “productively” and wealth resulting from rent extraction. The classical fiscal theory teaches that each form of wealth and income needs a different treatment.

Clearly, Piketty’s proposal is a logical consequence of his methods and conclusions. He is obliged to make his solution (a global tax) as general as his definition of capital/wealth; but Piketty himself acknowledges that his global wealth tax is almost impossible, but he alerts about the urgent need to work in that direction. In any case Piketty warns that a progressive global tax on capital

is not only necessary to stop the inegalitarian spiral of capital concentration but also for capital regulation purposes. Such a tax would also expose wealth to democratic scrutiny. “The goal is first to stop the indefinite increase of inequality of wealth, and second to impose effective regulation on the financial and banking system in order to avoid crises. To achieve these two ends, the capital tax must first promote democratic and financial transparency: there should be clarity about who owns what assets around the world” (Piketty, 2014, p. 362).

Basic Income proponents fully agree with these objectives. Here, I just want to remind that critics of Basic Income also say that it is a utopian proposal almost impossible to implement. Moreover, critics of Basic Income universality also say: why not discriminate between rich and poor? In a similar way, they demand that Piketty discriminate between productive and unproductive capital.⁴

The issue here is not only related to principles but to practical matters. First of all, inequality of capital/wealth distribution (and capitalists power *vis a vis* labor) has to do with all forms of capital, and it is easier to tax wealth in any form than to discriminate. Second, capitalists are changing capital forms all the time. Third, why are governments unable to have a registry of different forms of wealth? If countries want to cooperate in fiscal matters, not only for this purpose, it could be possible to record most forms of capital/wealth.

In my view, the importance of Piketty’s proposal is that he highlights that there is no room to change inequality in our societies without progressive tax systems where the burden should be on the top income/wealth brackets. From this reasoning, a global wealth tax is the most ambitious objective, but in the meantime it is advisable to implement other measures with the same objective.

In any case, a wealth tax is an unavoidable component of a policy package aiming to tackle all the elements behind growing inequality. Basic Income and Piketty’s wealth tax will not be enough; there is need for many new policies. The good news is that from Piketty’s analysis it is easy to conclude that higher taxes on the rich do not harm economic growth.

All these are important messages for Basic Income advocates, because much of the discussion until now concentrates on money transfers and subsidies to the population. However, as we argue elsewhere (Lo Vuolo, 2012), a complete and functional definition of Basic Income needs to include the tax systems and other policies in order to guarantee its progressive redistributive impact.

⁴ Also, some advocates of Basic Income argue that the policy will not work unless it takes the form of a world-wide Basic Income, because otherwise it will stimulate migration, in the same vein that some people say that a wealth tax in one country will end up with capital flight to non-tax paradises.

8 Final remarks

If income and wealth are among the crucial elements for freedom, their concentration implies an unequal distribution of liberty and the possibility of exercising it. Redistribution is an economic problem as much as a social and political one. Thus the economic analysis of Piketty's book has many implications for the whole social order.

Piketty's work reminds us that one of the major problems of our societies is inequality. The task is not only to feed those who have nothing, to reduce poverty and indigence, but to reduce inequality. To be effective on this task, we should tax those that have too much and to stop wealth concentration through inheritance and high returns on capital/wealth. With his work Piketty provides Basic Income proponents with further elements to strengthen their arguments.

Even when he clearly states that the primary purpose of the capital/wealth tax is not to finance the social state but to regulate capitalism, he is suggesting many ways to change the way the social state is financed. In his words: "if democracy is to regain control over the globalized financial capitalism of this century, it must also invent new tools, adapted to today's challenges" (Piketty, 2014, p. 360). A progressive global tax on wealth/capital is his main new tool proposal and Basic Income is also a new tool of a policy package seeking for a more equal society.

Fiscal redistribution should be placed in the core of the Basic Income postulates and Piketty's work is essential in order to justify this. A single measure will not be enough to stop income and wealth concentration. A policy package is needed in order to reverse the tendencies to growing inequality in our societies (Casassas & De Wispelaere, 2015).

One shared feature of all Basic Income proposals is their pursuit of a policy that guarantees all people access to an unconditional monetary income paid by the State. Every individual, and not the family, is the fiscally responsible benefit holder. Piketty looks at individual wealth and income from wealth, too. Basic Income gives people a basic amount of money, while Piketty's policy proposal takes money from the rich in order to finance the social state and regulate capitalism.

The fact that Basic Income works as an income tax fiscal credit does not mean that it should be solely financed through income taxes. Rather, a variety of potential funding sources exists, and Piketty's idea of a wealth tax (in all its variants) suits perfectly to finance Basic Income. The universal and unconditional Basic Income (including the "rich") should be financed by means of a

universal progressive tax system. Only benefit universality can guarantee that all those people who need it will receive it, as opposed to what occurs with targeted programs that exclude many poor. But paying benefits also to the “rich” is only apparently regressive, since the rich will “return” the benefit via its integration with income tax and via its financing by other progressive taxes.

All this is very important for developed economies and even more for the less developed countries. For instance, administrative problems and the traditional refusal of the Latin American elites to pay taxes, especially direct taxes on income, capital, rents and inheritance, are among the main elements that explain why it is the most unequal region in the world.

Basic Income researchers and policy advocates are part of the wave seeking to move the inequality-reduction agenda forward. Piketty’s (and other colleagues’) works are moving this agenda in the same direction. The message is clear and very well founded: we need urgent measures to change inequality because it is one of the most important social justice issues.

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