

Piketty Transparency Quotes

“Taxation is not only a way of requiring all citizens to contribute to the financing of public expenditures and projects and to distribute the tax burden as fairly as possible; it is also useful for establishing classifications and promoting knowledge as well as democratic transparency.” (12)

“The inescapable reality is this: wealth is so concentrated that a large segment of society is virtually unaware of its existence, so that some people imagine that it belongs to surreal or mysterious entities. That is why it is so essential to study capital and its distribution in a methodical, systematic way.” (259)

“This is the main justification for a progressive annual tax on the largest fortunes worldwide. Such a tax is the only way of democratically controlling this potentially explosive process while preserving entrepreneurial dynamism and international economic openness.” (444)

Inflation isn’t so good, as it doesn’t help us “avoid a return to a society of rentiers and, more generally, to reduce inequalities of wealth. A progressive tax on capital is a much more appropriate policy in terms of both democratic transparency and real efficacy.” (455)

Transparency: “Such a tax would also have another virtue: it would expose wealth to democratic scrutiny, which is a necessary condition for effective regulation of the banking system and international capital flows. A tax on capital would promote the general interest over private interests while preserving economic openness and the forces of competition.” (472)

“Both the antimarket and antistate camps are partly correct: new instruments are needed to regain control over a financial capitalism that has run amok.” (474)

“How can sovereign citizens democratically decide how much of their resources they wish to devote to common goals such as education, health, retirement, inequality reduction, employment, sustainable development, and so on?” (494)

“But if democracy is to regain control over the globalized financial capitalism of this century, it must also invent new tools, adapting to today’s challenges. The ideal tool would be a progressive global tax on capital, coupled with a very high level of international financial transparency.” (515)

“The primary purpose of the capital tax is not to finance the social state but to regulate capitalism. 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 democracy and financial transparency: there should be clarity about who owns what assets around the world.” (518)

“The benefit to democracy would be considerable: it is very difficult to have a rational debate about the great challenges facing the world today—the future of the social state, the cost of the transition to new sources of energy, state-building in the developing world, and so on—because the global distribution of wealth remains so opaque.” (519)

Argument against transparency: government will misuse the information. Piketty reply: “This is not a very convincing argument: it is hard to see why it would not also apply to information about the bank accounts of those incautious enough to keep their money in the country where they pay taxes.” (521)

“The contributive logic is quite simple: income is often not a well-defined concept for very wealthy individuals, and only a direct tax on capital can correctly gauge the contributive capacity of the wealthy.” (525)

“In view of the finding that fortunes at the top of the wealth hierarchy are earning very high returns, this contributive argument is **the most important justification** of a progressive tax on capital. According to this reasoning, capital is a better indicator of the contributive capacity of very wealthy individuals than is income, which is often difficult to measure. A tax on capital is thus needed in addition to the income tax for those individuals whose taxable income is clearly too low in light of their wealth.” (526)

Replace the property tax with the capital tax on p. 529. “The new system would be both more just and more efficient, because it targets all assets (not only real estate) and relies on transparent data and market values net of mortgage debt.” (p. 529)

More on transparency on p. 530.

Transparency: “The essential point is that these various forms of democratic control of capital depend in large part on the availability of economic information to each of the involved parties.” (569)

Transparency: “Information must support democratic institutions; it is not an end in itself. If democracy is someday to regain control of capitalism, it must start by recognizing that the concrete institutions in which democracy and capitalism are embodied need to be reinvented again and again.” (570)

Piketty’s response to the FT has two transparency arguments: “In fact, one of the main reasons why I am in favor of wealth taxation, international cooperation and automatic exchange of bank information is that this would be a way to develop more financial transparency and more reliable sources of information on wealth dynamics (even if the tax was charged at very low rates, which everybody could agree with).” So he admits it won’t justify the high taxes.

“The main message is that we need more democratic transparency about wealth dynamics, so that we are able to adjust our institutions and policies to whatever we observe.”