On Capitalism and Inequality
Robert U. Ayres

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Progress and Poverty Revisited

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Why did I write this book? The short answer is that Capitalism (with a capital C) is under serious challenge today, because if current economic trends are not stopped and reversed, much of the planet will soon be owned by a small fraction of its population. Our liberal democracy will be replaced by illiberal plutocracy or something much worse. The citizens of our Democracy need to understand why and how the machine that supposedly produces new wealth is actually concentrating existing wealth in the hands of a few ultra-rich plutocrats who already have excessive influence over the political process. People who vote need to understand the motivations and incentives of capitalists on the one hand, and the rules and constraints that drive the capitalist system down this self-destructive path, on the other hand. Finally, all of us need to understand why government needs to create mechanisms for systematic wealth re-distribution, not necessarily by means of taxes, in order to keep the capitalist “game” from running out of players.

This finally brings me to the point. This book is not mainly about the social and economic problems we face. It is mostly about the institutional structures and barriers that support the existing system. Solving problems, in every domain, requires sharing of knowledge, collaboration and cooperation. But capitalism, in its present form, is all about competition, if not outright conflict. It is a game with very few winners and a great many losers. The losers need to be kept in the game, or the system will choke itself to death. Taken to its extreme, one winner will take all. It won’t be you.

This book touches here and there on the errors and omissions in textbook economic theory and how they support capitalist practice. It is also partly about conflicting and inconsistent “rights”, as between freedom, equality and opportunity vs. the rights of private property and the rights of owners and
lenders vs. the rights of renters and borrowers. I hope to bridge some gaps and, more, to provide some guideposts to future leaders. I wish I could do it all in 10 sharply written pages, but I am not that good at simplification. The reality is complex. It needs to be understood as a complex system. Bear in mind that this book will be a lot easier for you to read than it was for me to write. And I hope you have a little fun as you read.

Fountainebleau, France

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