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Let Them Eat Facts: Why Inequality Today Isn't the Real Crisis

Inequality today is supposedly worse than on the eve of the French Revolution. The comparison fails on its own numbers, and the debate behind it has the moral weight backwards. It is always eat the rich, never feed the poor.

ECONOMICS

“The richest one percent own more wealth than the rest of the world combined.”¹ The line comes from Oxfam and returns every January in time for the Davos summit, and by now it opens nearly every debate about capitalism. Few who quote it ask how it is built. The figure measures net wealth, meaning assets minus debts. A freshly graduated lawyer with student loans therefore counts as poorer than a subsistence farmer who owns nothing at all. A number that ranks future lawyers below subsistence farmers says something about balance sheets. It says close to nothing about who is poor.

With neosocialist and degrowth movements on the rise, economics feels as misunderstood as ever. The question of which system is more productive is mostly settled, and capitalism won it clearly, which should be a win. But instead of conceding, the goal post was simply shifted, away from productivity, past poverty, to the gap between the wealthy and everyone else. Attention that used to go to the material conditions of the poorest now goes to their distance from the richest. And when people claim that inequality today is worse than on the eve of the French Revolution, and that it is only a matter of time before the rich are eaten, then something is not going in the right direction. The worry behind such claims is fair. But it mixes two different problems into one.

Poverty is a problem. Inequality on its own is not, as long as everyone is better off. Whether a family can feed its children and see a doctor is a question about the floor. How far the top sits above them is a question about the ceiling. Somewhere along the way the goal changed from equality to equity, from demanding the same chances for all to demanding an upper limit on wealth, and the ceiling took the floor's place at the center of the debate. But poverty is the default. The only difference to the past is that there is now more wealth, and a gap can be closed in two ways, by lifting the bottom or by cutting down the top. Only one of them changes how the poor actually live. The slogans keep choosing the other. **It is always eat the rich, never feed the poor.**

At the center of the problem lies the understanding of wealth creation itself. Whoever sees the economy as a zero-sum game naturally believes that those at the top got there by stepping over and on those below them, and that their wealth was stolen from everyone else. In a functioning market system nothing is further from the truth. But the belief comes from somewhere. It comes from a world

that no longer exists.

The World the Cake Line Came From

Comparing a market system with a feudal one is not easy, even though many mistake one for the other. Whoever truly believes that managers and shareholders act like the feudal lords of 250 years ago is missing what that world was. Capital in pre-revolutionary France meant land, conquered by someone's ancestors, inherited through the generations and worked by serfs who had no other choice. Nobody invested it and nobody could compete it away. Whatever the serfs produced above bare survival was skimmed away by rent, tithe and tax, and by every attempt historians have made to measure it, wealth at the top of that society was more concentrated than anywhere in the developed world today.² The comparison rests on a misunderstanding of what wealth in that world actually was.

The misunderstanding only deepens with what those numbers meant for a life. There was almost no social mobility, and ability had nothing to do with it. People were simply not allowed to rise. A lord could still climb through conquest or marriage. A peasant could at best hope to become a craftsman or a trader, and even that path ran through the goodwill of a master and a guild, through luck and connections instead of skill. The most industrious peasant had almost no chance of improving his situation, simply because he was born into the wrong family. When the court was told the people had no bread, the answer that history remembers, "let them eat cake,"³ was addressed to subjects who could neither compete nor rise. The Revolution, when it finally came, followed a bankrupt treasury and a bread price that had nearly doubled within a year.⁴

The Industrial Revolution kickstarted the change, and that change carries the whole argument. Economic importance moved away from agriculture, toward consumer goods made in factories. For the first time it was possible to invest in machinery, to risk wealth, and to profit from being right about what people wanted. That gave ordinary people choices, and it moved economic power away from the feudal lords and the political elites. Some of them went with the flow, of course. But even they now had to produce goods people wanted and offer them at the best price, because otherwise someone else would. Social position started to follow what a person could do for others. Sweat began to displace blood.

The results are among the least contested numbers in economics. Roughly three quarters of humanity lived in extreme poverty two centuries ago; about one in ten does today.⁵ Life expectancy doubled and child mortality collapsed. Diseases that killed kings now end with a vaccine or a prescription, and even the poorest carry computers in their pockets more powerful than the machines that flew men to the moon. The struggle is not done yet, and hundreds of millions still live in real poverty, measured in calories and untreated disease. But that is exactly the point: poverty is about material conditions. A man does not become poorer because his neighbor makes more money. Whether a family can eat is a question about the floor, and the floor has risen further in two centuries of markets than in all of recorded history before them.

Where Wealth Comes From

There is no exchange without mutual benefit. Nobody buys a product he values less than the money

he pays for it. The buyer might like to pay less, true. But he will not pay more than the product is worth to him, and the seller will not take less than it is worth to him. The supermarket values the money more than the groceries on its shelves, and the customer values the groceries more than the money. Run that exchange a few billion times a day and wealth grows on both sides of every counter. Nobody had to be robbed.

The same mechanism, scaled up, produces billionaires. To become rich in a market, someone has to sell people goods they want, freely, at a price they are willing to pay, and the buyers are not worse off afterwards. When Bill Gates sells Microsoft products, he becomes rich. But so does the world: while he collects billions, the world gets billions in software it wanted more than the money. Companies would not pay much for those tools if the tools did not make them more productive. An accountant with a spreadsheet, a secretary with a word processor and a consultant with slides are all more productive because of the tools. And not all of that value goes to Microsoft, since otherwise nobody would pay. The companies are more profitable after buying the tools than they were before.

Where do these fortunes sit? Almost never in a vault. Modern wealth is ownership of companies, and companies are factories, software and payrolls producing things daily. The aristocrat's treasure, by contrast, sat idle while peasants worked the land around it. The entrepreneur's fortune is other people's tools, jobs and products in motion, and an attack on the fortune is an attack on the machine it finances.

The dynasty story also runs into the numbers. On Forbes' own scoring, roughly seven in ten of the four hundred richest Americans built their fortunes themselves,⁶ and the count includes people who grew an inherited business, as critics like to point out. But what does inheritance even mean here? Whoever inherits a million dollars is well off, no question. Whoever starts a company with that money and turns it into billions, however, did more than inherit. What about the thousands who inherited just as much and built nothing like it? Steve Jobs, Oprah Winfrey and Mark Cuban came from modest or middle-class homes and were paid their fortunes voluntarily, customer by customer. Some heirs will never work a day, and there is nothing wrong with that. A fortune that is only spent dissolves, though, while one that is invested productively funds the same machine as everyone else. Neither resembles a feudal order.

The list itself refuses to sit still. Most of the names on the first Forbes ranking in 1982 have since dropped off it, and the Vanderbilt fortune, once the largest in America, scattered across heirs within a century. A modern fortune made under open competition has to defend itself in every year's market against every new competitor. Titles never did.

What a High Income Measures

Anger at the rich has changed its target since 1789. The old target was the idle noble, paid by birthright for producing nothing. Today it is the salaried executive, and the complaint is always the same: no manager works hard enough, or long enough, to earn millions. The complaint assumes that pay measures effort.

But value is never objective. Something can be priceless to one person and worthless to the next, and work follows the same rule. It does not matter how many hours the work took or how hard it was. Its

value depends on how much others value it. From there it is basic supply and demand. Some work is so universally needed that a lot of people are willing to pay for it, and when few people can do that work, a large group of buyers bids for a small pool of labor. That is why the pay climbs. Nobody is surprised by this when the work is visible. Not many people can play football at a professional level, many people pay good money to watch, and so nobody puzzles over Ronaldo's salary. Everyone can see his work.

A chief executive sits in the same market with invisible work. Running a multi-billion-dollar company means owning its biggest decisions. Take too many risks and the company can sink. Take none and it loses eventually. Finding the compromise between the two is the difficult part, and it can make or break the company. Not many people can make decisions at that level well, and there are many shareholders willing to pay to see their wealth taken care of, for the same reason football clubs bid for the few who can play.

If the executive were not worth his salary, why would the owners pay it? The answer gets tested through competition. An overpaid chief executive lessens the value of the company, and the owners pay for the mistake as the shares fall. Whoever could get the same decisions for less keeps the difference or reinvests it. The alarming pay figure is also a snapshot of a career's final act: the typical chief executive reaches the title after three decades of lower-paid work and holds it for five or six years.⁷ One honest caveat belongs here. Anything protected by government from competition, through a license, a bailout or a regulatory moat, earns more than the open market would ever pay it.

What the Snapshot Hides

Every inequality statistic is a photograph, freezing one instant and inviting the reader to mistake it for a permanent order of society. Of course a chief executive is paid more than an intern in his early twenties. But the same executive was most likely a low-paid intern at some point too. The more experience a person has, the more valuable he becomes to an employer. Most people make the most money toward the end of a career, and that is how it is supposed to be. The alarming ratios repeat the trick at scale: they set people at the peak of rare careers against the average of everyone at every age and call the difference a caste system.

Follow actual people through time and the castes blur. Most workers cross several income brackets over a lifetime, moving up through their peak years and back down in retirement, so the brackets are stations that the same lives pass through in sequence. The dynasty story fails in the same way, and for the same reason. Both pictures subtract time from the data, and both collapse when it is restored.

But the snapshot argument has a serious version. Among Americans born in 1940, roughly nine in ten went on to out-earn their parents; among those born in 1980, about half did.⁸ Mobility measured that way has genuinely fallen, and the squeeze sits where young families feel it: housing, education and healthcare have eaten much of what income growth delivered. That is a real deterioration, and there is no point denying it. The research behind those numbers traces the fall less to slower growth than to how the gains were shared.

But look at which prices exploded and which collapsed. Food, clothing, electronics, travel, everything facing open competition, got cheaper and better than ever before. The three sectors doing the

squeezing are the ones where law restricts what may be built and who may work. Zoning and permit regimes cap how many homes can exist in the cities where the jobs are. Credential requirements stretch the years and the debt between a student and a profession. American healthcare runs through layer after layer of regulation and middlemen that no open market would produce. Restriction of supply is a different thing from public provision, and the fall in mobility has more causes than one. The pattern is still the tell. Young families are priced out where supply is forbidden to expand, and they live better than any generation before them where it is free to. The photograph shows the gap. The film shows what blocks the way out.

The Inequality That Is Real

Part of today's gap was manufactured, and the critics are right about that much. For most of the decade after 2008, central banks held interest rates near zero and bought assets by the trillion to keep economies moving. New money enters the economy through the financial system, so it inflates asset prices first, helping those who already hold the assets, while wage earners get the new money only once inflation is already at full effect. The mechanism is old enough to have a name, the Cantillon effect: whoever stands closest to the source of new money gains first, at the expense of whoever receives it last. A decade of that policy lifted the portfolios of the already wealthy mechanically, without anyone at the top becoming one bit more productive.⁹ And it is no accident. The same state that promises to control inflation also needs it, because inflation quietly finances deficits that taxes never could.

The pattern repeats wherever government allocates instead of markets. Zoning and building regulations mean higher costs and less supply, which raises the price of the standing stock, owned by those who already have wealth. Too big to fail means taxpayer money flowing to those with the largest balance sheets in the country. Wealth can buy political favors, true. But the real problem is a system in which favors can make anyone richer, a government that can decide who gets rich. The solution cannot be to hand that same government more power. The incentive to capture it only increases.

So the critics have hold of a real symptom. But every cause on the list is a distortion of the market by the state, and the cure on offer is more of the state: heavier redistribution through a bigger discretionary machine. Handing more power to the machinery that caused the problem raises the value of capturing it, and the best placed to capture it are the same connected few the cure was aimed at.

The claim is testable. If fortunes and market positions persisted as stubbornly in open sectors as they do behind licenses and bailouts, the state-distortion argument would be in trouble. The record runs the other way. Sears and Kodak dominated open markets for decades and are gone, beaten by companies that won their customers away. Regulated utilities, incumbent telecoms and rescued banks keep their positions for half a century without ever having to win them again. Inequality born of exchange has to keep justifying itself to customers. Inequality born of protection never faces them.

Let Them Eat Facts

Does the current situation necessitate a reaction similar to the French Revolution, then? The gap

itself does not, because the comparison uses one word for two different kinds of inequality. The kind of 1789 was the kind where a family cannot feed its children while the court lives in palaces, under a bankrupt state and a bread price that had nearly doubled. That kind produces revolutions. The kind at issue in developed economies today is the kind where people live in air-conditioned homes and the rich live in even larger air-conditioned homes. Nobody storms a palace because his neighbor's is bigger.

The honest warning points somewhere else. Where real anger builds today, it builds where policy prices the young out of homes and careers while the connected collect the gains. A state that manufactures that squeeze and then campaigns against the inequality it produced is running the old court's script with better publicity. Whoever genuinely fears unrest should aim at that machinery, and no part of it is dismantled by a wealth tax.

The larger stake is the engine itself. Making the rich poorer will not make the poor richer, because nobody has to divide a fixed pie. The point is for the pie to get bigger, and wealth has to be created before anyone can distribute it. Redistribution creates nothing. Measured by real material conditions, as it should be measured, poverty has been collapsing for two centuries wherever exchange was free, and the households counted as poor today live with comforts the court of Versailles never saw. Luxury has become average. That is the fact the fixation on the gap keeps burying, and the fact a movement that cared about the poor would lead with.

"Let them eat cake" comes from a world where the political elite actually held all the power: they owned the land, they owned the capital, and everything was decided by birth. The advice was a death sentence, and the order it came to stand for had earned none of what it held. Between that world and this one lies the largest single fact about the modern age, and a debate that measures only gaps has managed to lose it. The line stuck to the old court because it fit. The new debate tells the best-fed, longest-lived generation in history that it has never been robbed so thoroughly. Let them eat facts.

Footnotes

1. Oxfam, *An Economy for the 1%*, briefing paper, January 2016, published for the Davos World Economic Forum and based on the Credit Suisse Global Wealth Databook. The underlying measure is net wealth, assets minus debts.
2. Thomas Piketty, *Capital in the Twenty-First Century* (2014): the top decile held roughly 80 to 90 percent of all wealth in France in the early nineteenth century, the structure the Revolution inherited, against roughly 60 percent in Europe and closer to 70 in the United States today. On how much pre-industrial elites extracted from the surplus available to them: Branko Milanovic, Peter Lindert and Jeffrey Williamson, "Pre-Industrial Inequality," *Economic Journal* 121 (2011).
3. Historians consider the attribution to Marie Antoinette apocryphal: the phrase appears in Rousseau's *Confessions*, written in the 1760s, when she was a child in Austria, and was attached to her later as revolutionary propaganda (see Antonia Fraser, *Marie Antoinette: The Journey*, 2001). The attribution is propaganda; the relation it described is documented.

4. George Rudé, *The Crowd in the French Revolution* (1959): the price of the four-pound loaf in Paris rose from 8 to 14.5 sous between August 1788 and July 1789.
5. Michail Moatsos, “Global extreme poverty: Present and past since 1820” (2021), via Our World in Data: about three quarters of the world lived in extreme poverty in 1820, and Bourguignon and Morrisson put the figure near 84 percent. The World Bank counts roughly one in ten today.
6. Forbes, “The 2023 Forbes 400 Self-Made Score” (October 2023): 70 percent of the list scored as self-made.
7. Equilar CEO Tracker (2025): the median S&P 500 chief executive is appointed at 54 and holds the position for five to six and a half years.
8. Raj Chetty, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca and Jimmy Narang, “The Fading American Dream: Trends in Absolute Income Mobility Since 1940,” *Science* 356 (2017).
9. Bank of England, “The Distributional Effects of Asset Purchases” (2012): asset purchases raised wealth mainly for holders of financial assets, which are concentrated at the top.

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