

# Inequality and Poverty: Analysis and Policy

**First lecture: Introduction to the course**

20 February 2024

Dr hab. Ryszard Szarfenberg, prof. UW  
Faculty of Political Sciences and International Studies  
Warsaw University

Course web page: <http://rszarf.ips.uw.edu.pl/inequality/>

# Lecture contents

1. [Course web page](#) and course policy
2. Inequality from anti-inequality point of view: OXFAM reports with some support from economists e.g. Gabriel Zucman
3. Why sociologists, economists, political and policy scientists are interested in inequality and poverty?
4. Readings for this and the next lecture with the link to questionnaire

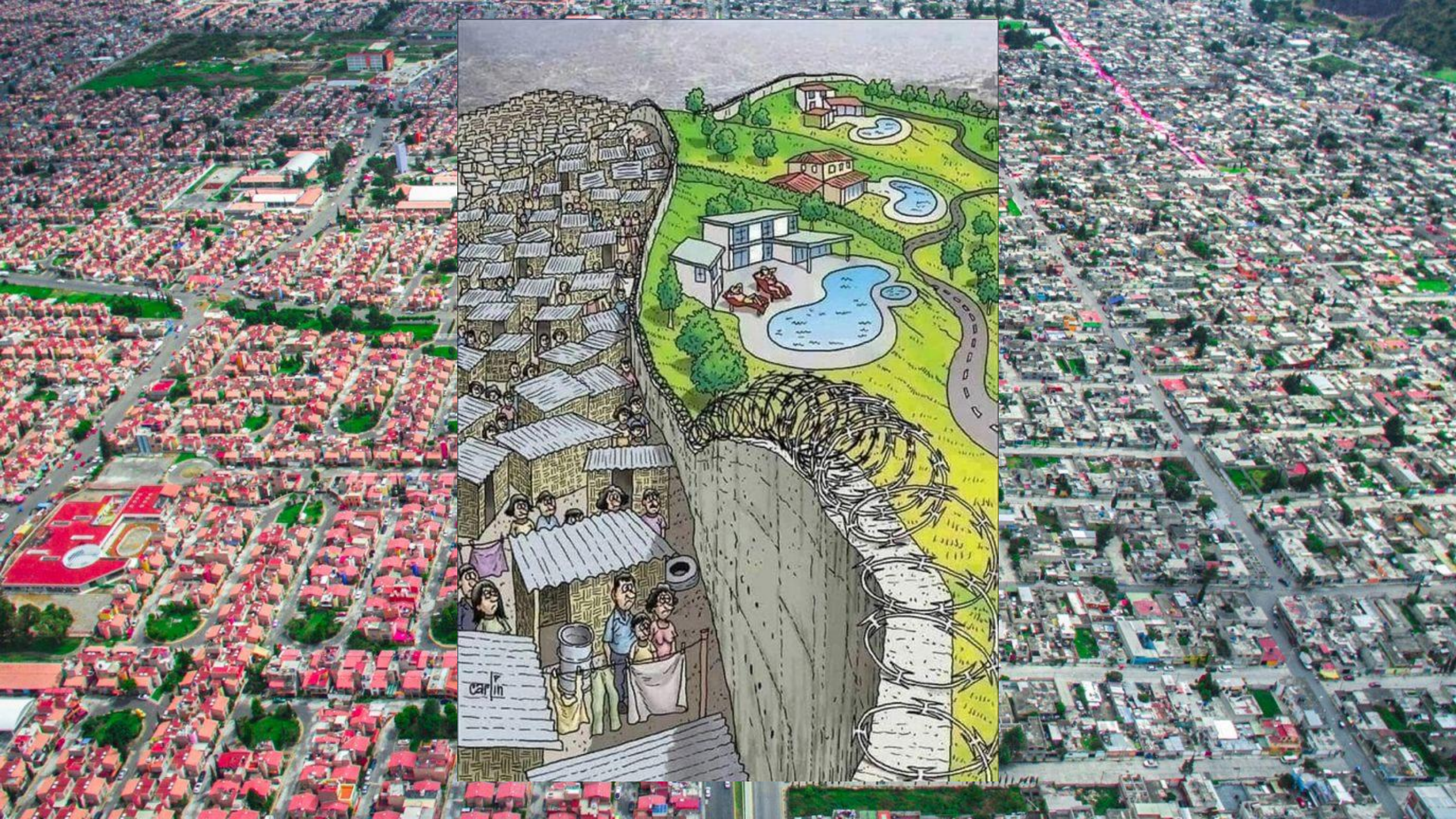
Course [web page](#) and course policy

# Course policy

1. **Attendance:** There will be an attendance list you should sign every class. If you miss two classes it has no consequences. If you miss more than two classes you should meet the lecturer on his duty hours next week and pass missed topic. If you miss more than 6 classes you fail the course.
2. **Exam:** test during summer examination session.
3. **Class participation:** you are expected to read course readings and do the online assignments before the class, asking questions and making comments during the class.
4. **Other requirements:** there will be online questionnaires and low-stake online tests during the course (low-stake means obligatory, but not graded).
5. **Optional (non-obligatory) academic paper on topic related to the course content:** the intention to write a paper should be notified by 27 February by e-mail to [r.szarfenberg@uw.edu.pl](mailto:r.szarfenberg@uw.edu.pl).
6. **Grading:** your final grade depends on the exam test result with class participation, other requirements and attendance results and on the grade for optional paper, if declared, delivered on time and in line with guidelines.

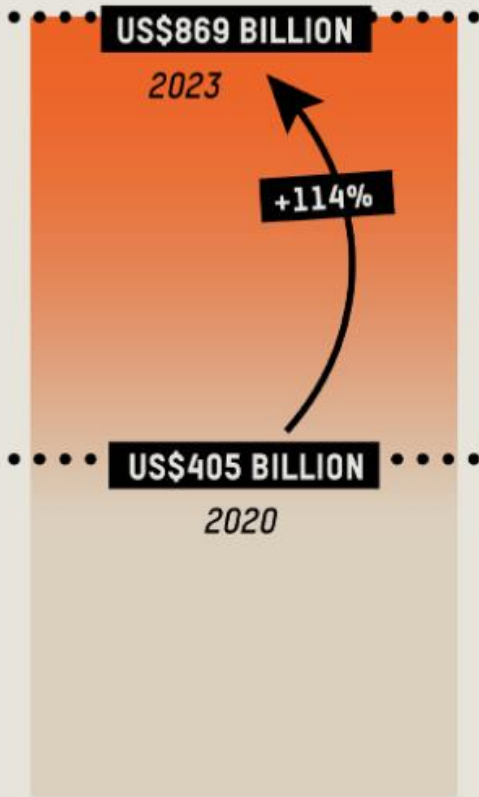
Inequality from anti-inequality point of view:  
OXFAM view with support of some economists







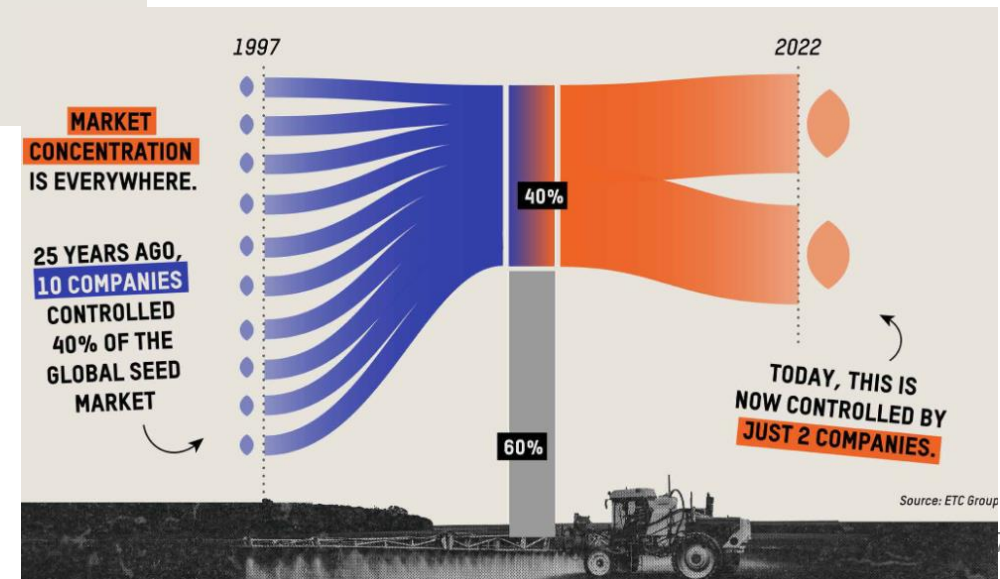
**THE WORLD'S FIVE RICHEST MEN  
HAVE MORE THAN DOUBLED  
THEIR WEALTH SINCE 2020,  
WHILE FIVE BILLION PEOPLE  
WERE MADE POORER.**



Here is the harsh economic reality we must confront:  
Never before in human history have so few owned so much.  
Never before in human history has there been such income and wealth inequality.  
Never before in history have we had such huge concentrations of ownership.  
Never before in history have we seen a billionaire class with so much political power.  
And never before have we seen this unprecedented level of greed, arrogance and irresponsibility on the part of the ruling class.

## A DECADE OF DIVISION

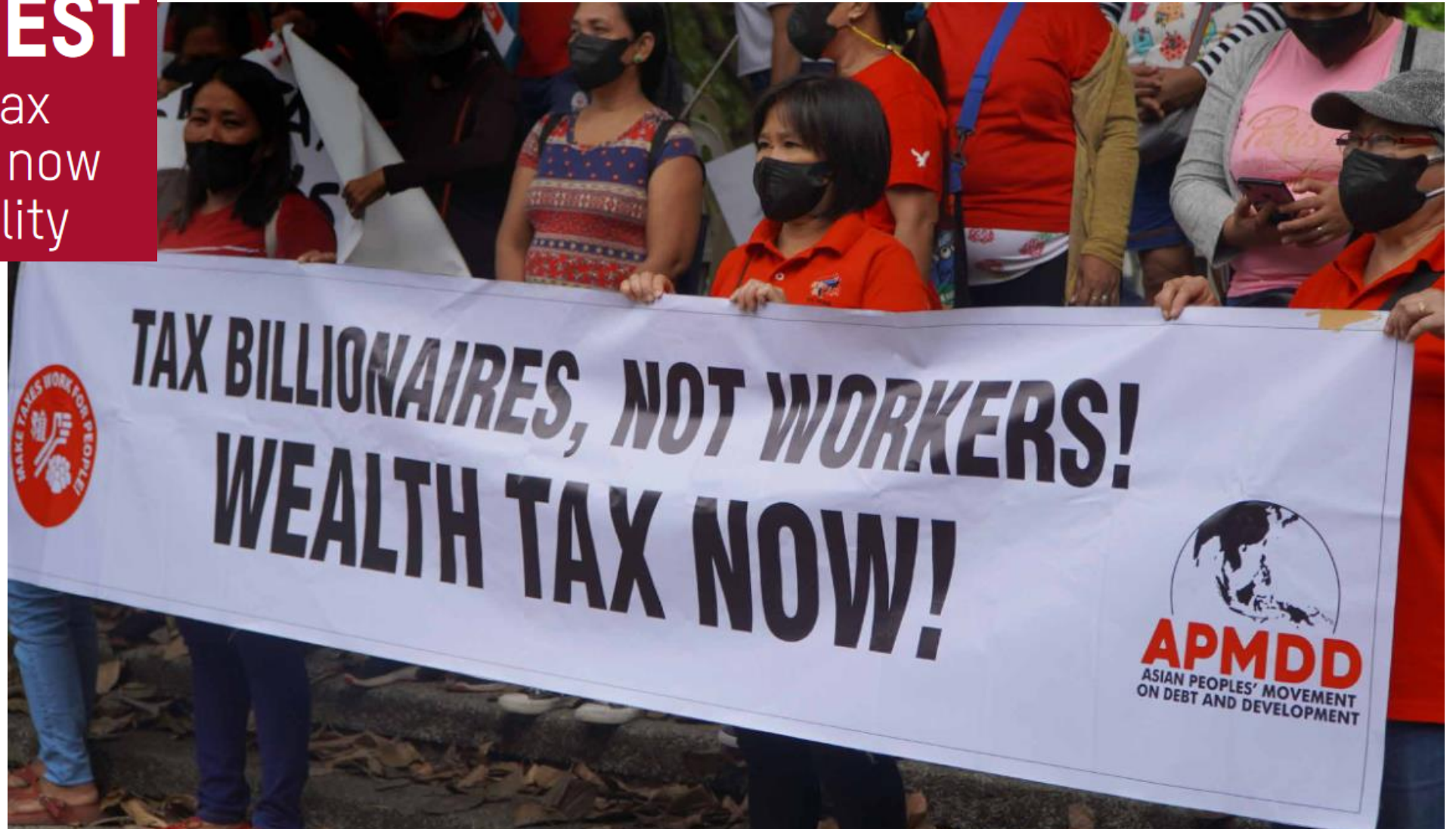
→ Jeff Bezos is one of the world's richest men. His fortune of US\$167.4bn has increased by US\$32.7bn since 2020.<sup>1</sup> Bezos flew to space for US\$5.5bn and thanked Amazon workers for making this possible.<sup>2</sup> Amazon has a history of making efforts to prevent unionizing by workers.<sup>3</sup>



# SURVIVAL OF THE RICHEST

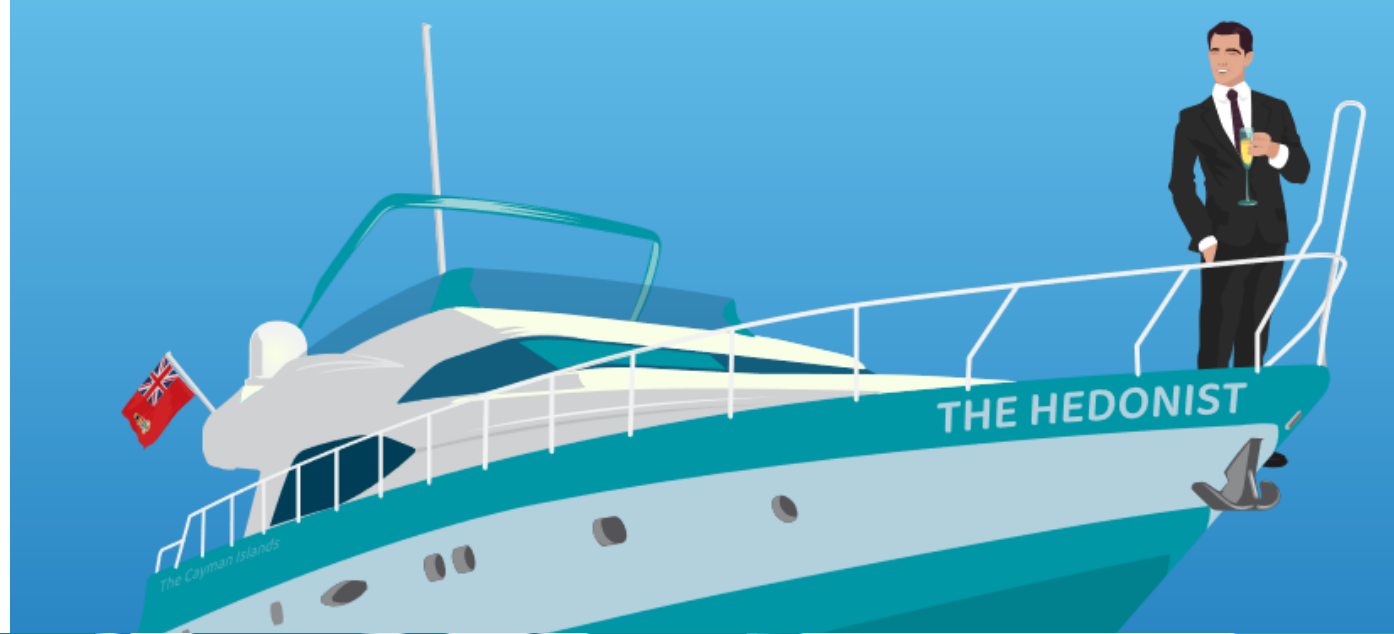
How we must tax the super-rich now to fight inequality

[OXFAM report 2023](#)





How the rich avoid paying taxes – alias how to become a billionaire

An underwater scene with a teal background. Five treasure chests and bags of money are scattered on the seabed. From left to right: an open chest full of gold coins; a pile of gold coins and bars; a brown sack overflowing with blue diamonds; an open chest with gold coins and a pearl necklace; and a pile of gold bars and coins with a pearl necklace.

**BUY AN ASSET**  
Build a company, watch it increase in value – untaxed as long as you don't sell it.

**LOBBY!**  
Use your wealth and power to lobby policy makers and media to your advantage.

**IGNORE TAX RULES**  
Ignore the tax rules as the tax authorities don't have the capacity to challenge you.

**HIDE YOUR WEALTH**  
Hide your income and wealth offshore in tax havens.

**AVOID INHERITANCE TAX**  
There are many ways to pass on your assets untaxed to heirs.

[OXFAM report 2023](#)

[Oxfam report 2021](#)

„**INEQUALITY IS A KILLER**, contributing to the deaths of at least one person every four seconds. It makes our world less safe for all of us” [2022 Report](#)

# THE INEQUALITY VIRUS

Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy

## SINCE THE VIRUS HIT, THE RICH HAVE GOT RICHER, AND THE POOR POORER

While the world’s billionaires keep getting richer, people living in poverty will become even poorer as a result of the coronavirus. Recent estimates show that the number of people living on less than \$5.50 a day<sup>124</sup> could have increased by between more than 200 million<sup>125</sup> to half a billion<sup>126</sup> in 2020. According to Development Initiatives, the poorest people in almost every country have seen their income fall due to the pandemic.<sup>127</sup>

[Read Oxfam answers to the frequently asked questions](#)

[About Oxfam](#): In 1995 a group of independent non-governmental organizations came together to share knowledge and resources and combine **their efforts in the fight against poverty and injustice**. There are currently 21 member organizations, our affiliates, who coordinate and lead this fight via the Oxfam International Secretariat.

„Our economy is broken, with **hundreds of millions of people living in extreme poverty while huge rewards go to those at the very top**”

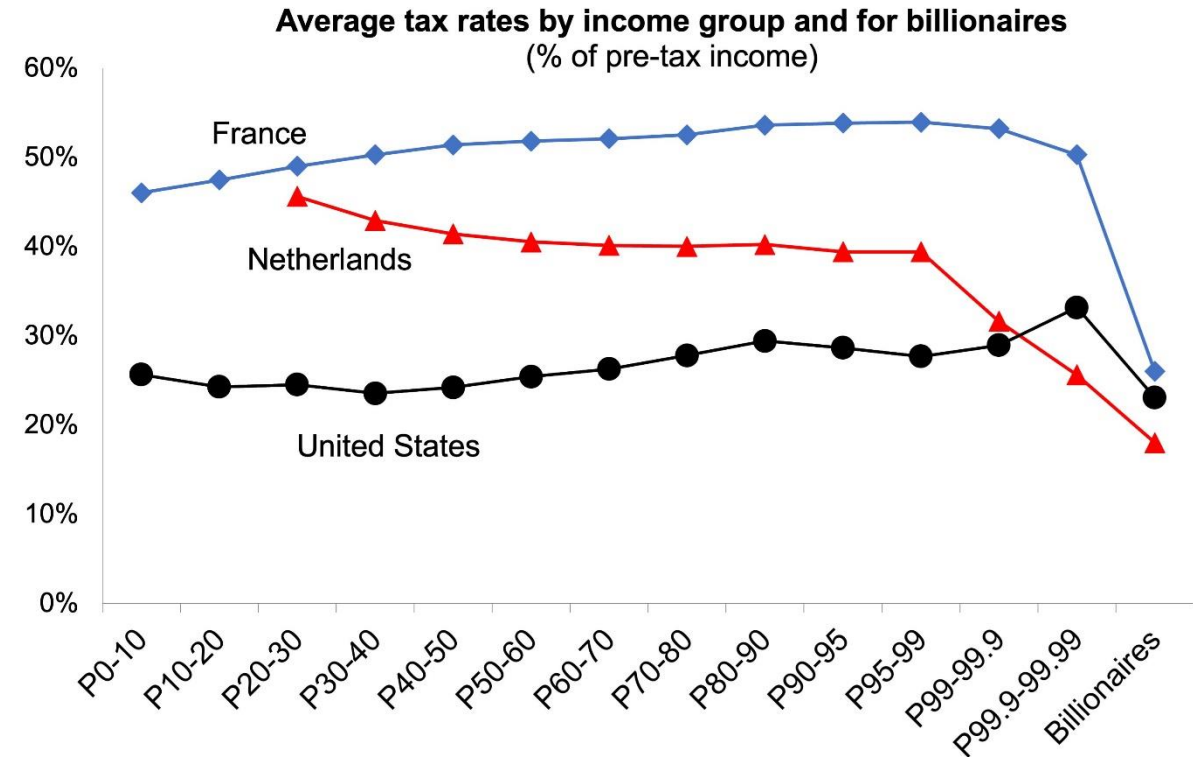
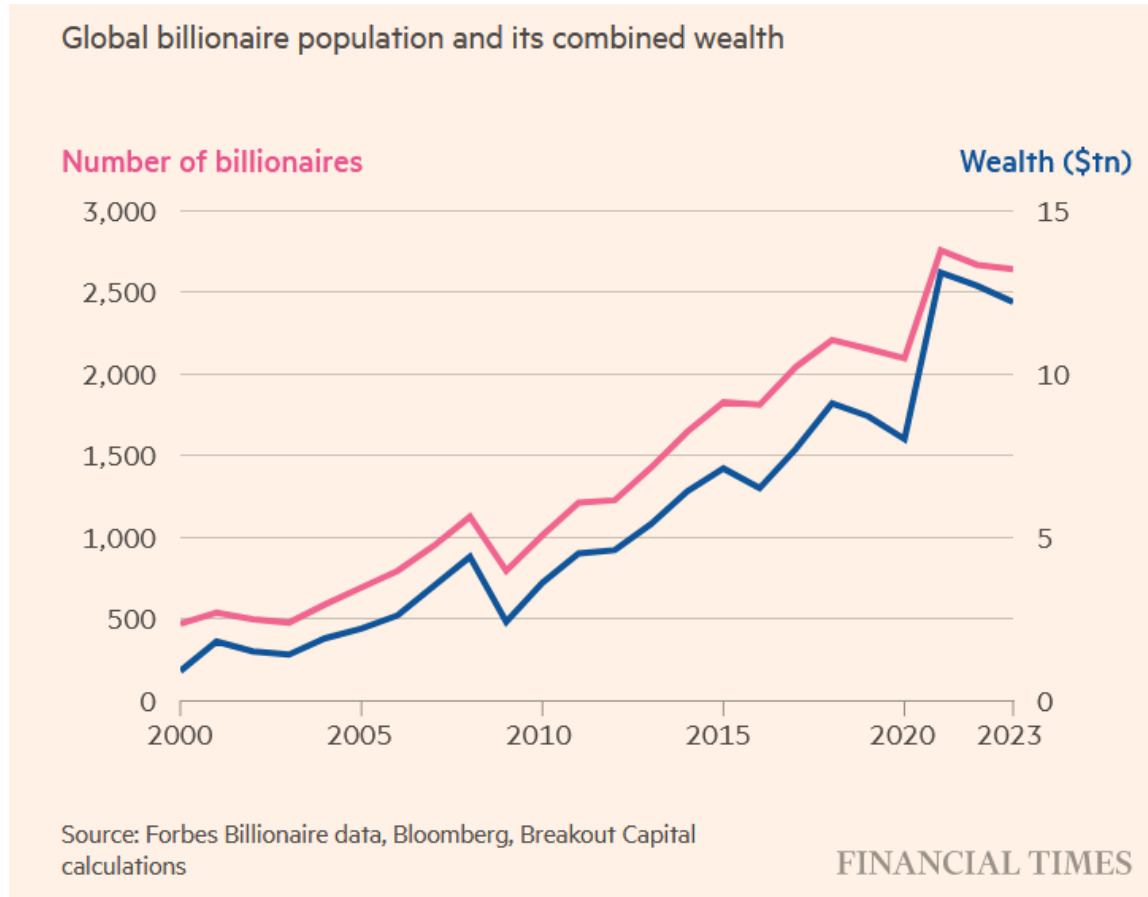
„**The number of billionaires has doubled since the financial crisis** and their fortunes grow by \$2.5bn a day, **yet the super-rich and corporations are paying lower rates of tax** than they have in decades”

„**The human costs – children without teachers, clinics without medicines – are huge**. Piecemeal private services punish poor people and privilege elites. **Women suffer the most, and are left to fill the gaps in public services** with many hours of unpaid care”

Conclusion? „We need **to transform our economies to deliver universal health, education and other public services**. To make this possible, **the richest people and corporations should pay their fair share of tax**. This will drive a dramatic reduction in the gap between rich and poor and between women and men”



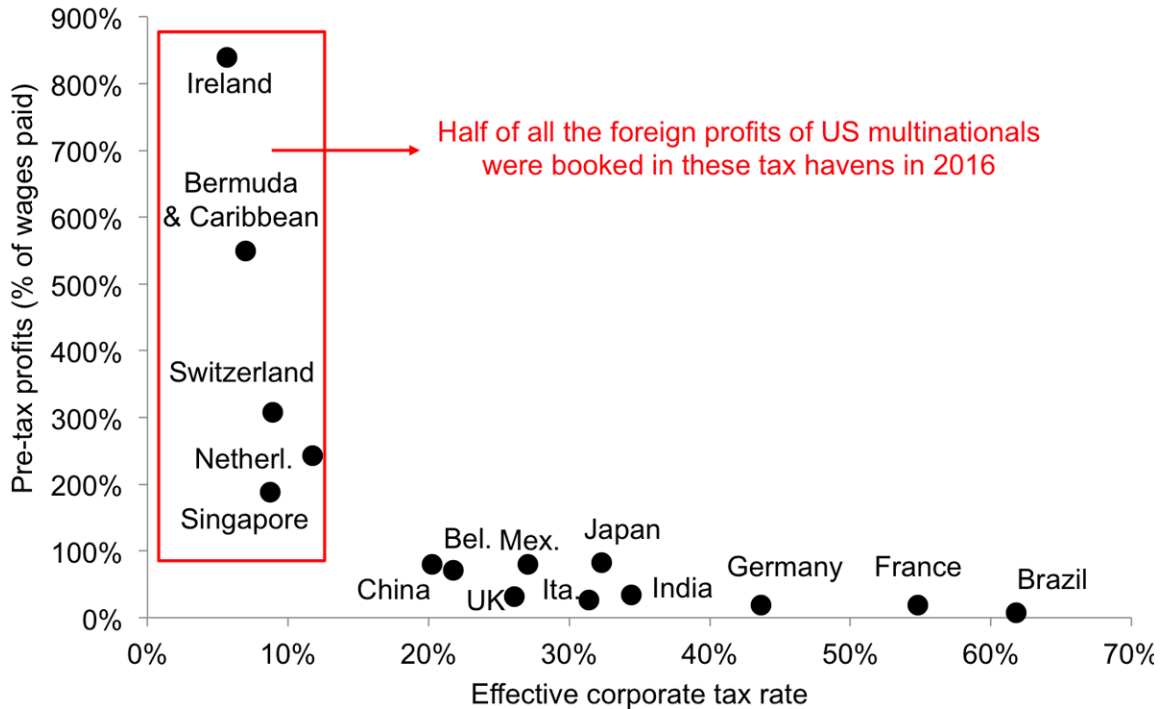
„The global number of billionaires has increased five-fold over the past two decades”



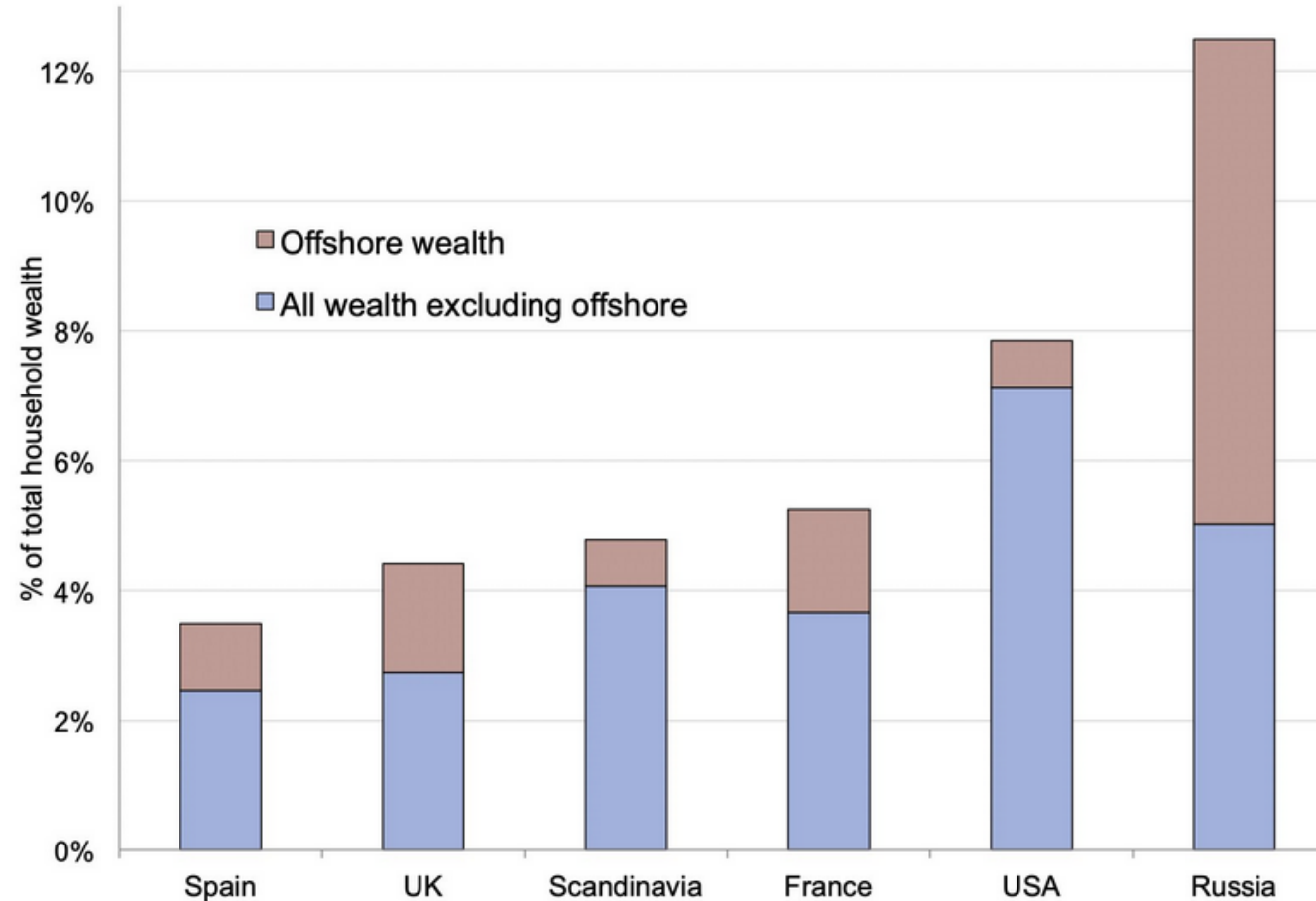
„France’s billionaire class coexists with the world’s heaviest spending welfare state. Billionaire wealth is rising faster there than in any other developed country in my top 10, nearly doubling over the past five years to 21 per cent of GDP. Inherited fortunes have always been vast in France and now account for 85 per cent of its billionaire wealth, twice the global average.”

„yet the super-rich and corporations are paying lower rates of tax than they have in decades”

**Where do US multinationals book their profits?**  
(majority-owned affiliates of US multinationals, 2016)

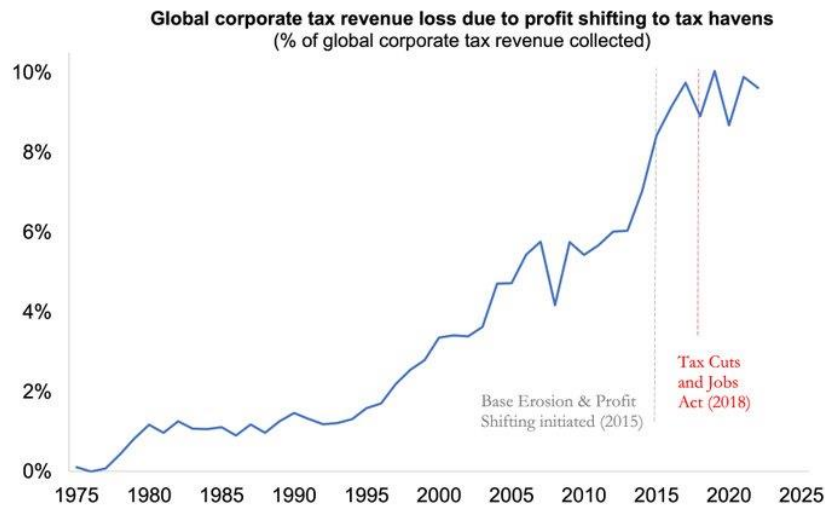
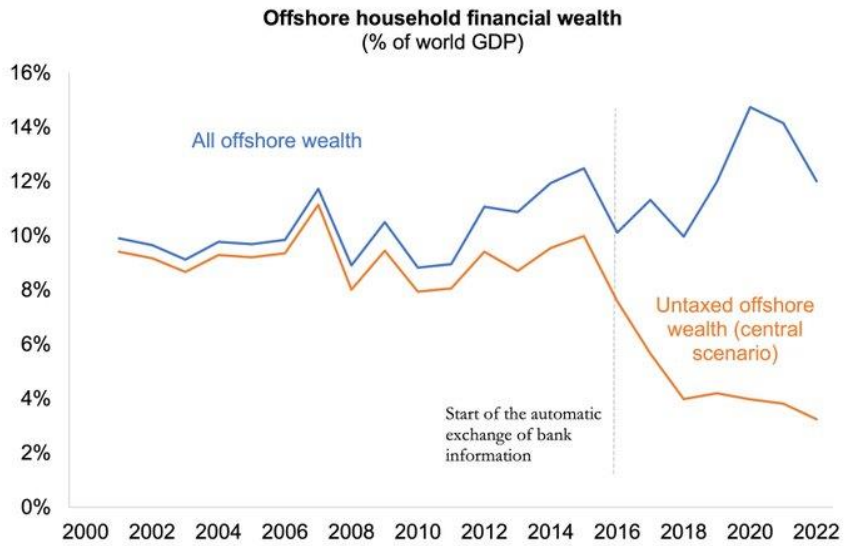


[Gabriel Zucman, Taxing Multinational Corporations in the 21st Century, 2018](#)

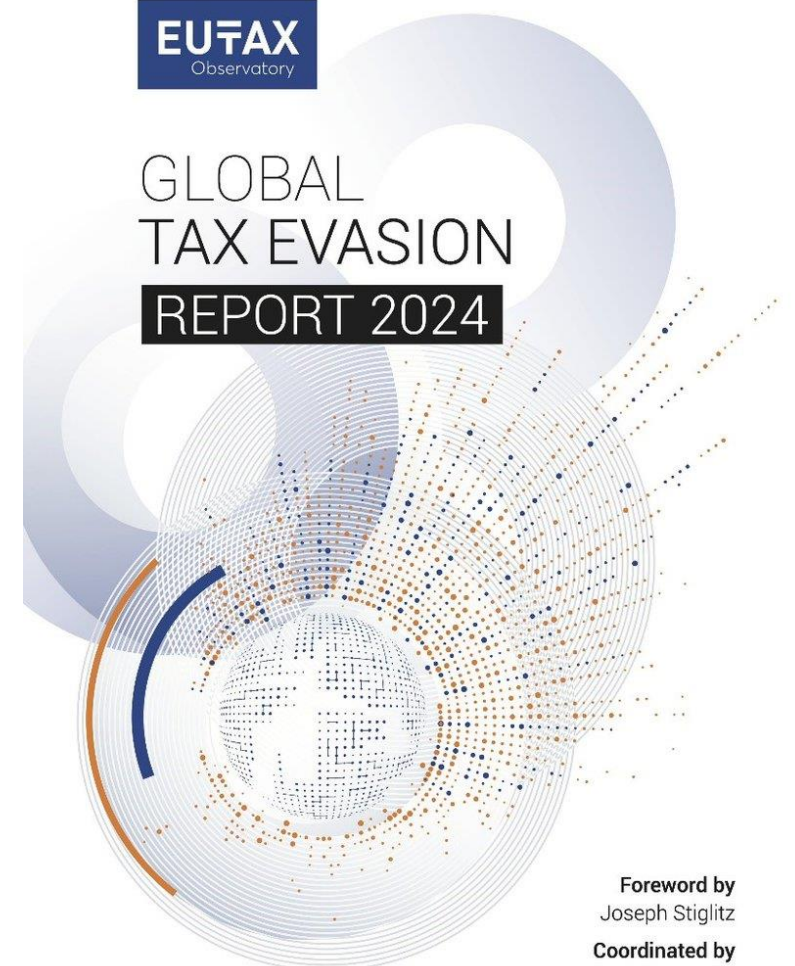


The top 0.01% wealth share and its composition (2000-2009). Notes: This figure plots the level and composition of the top 0.01% wealth share on average over the 2000-2009 period

A first-of-its-kind international research collaboration, building on the work of more than 100 researchers



GLOBAL TAX EVASION REPORT 2024



**Foreword by**  
Joseph Stiglitz

**Coordinated by**  
Annette Alstadsæter  
Sarah Godar  
Panayiotis Nicolaidis  
Gabriel Zucman

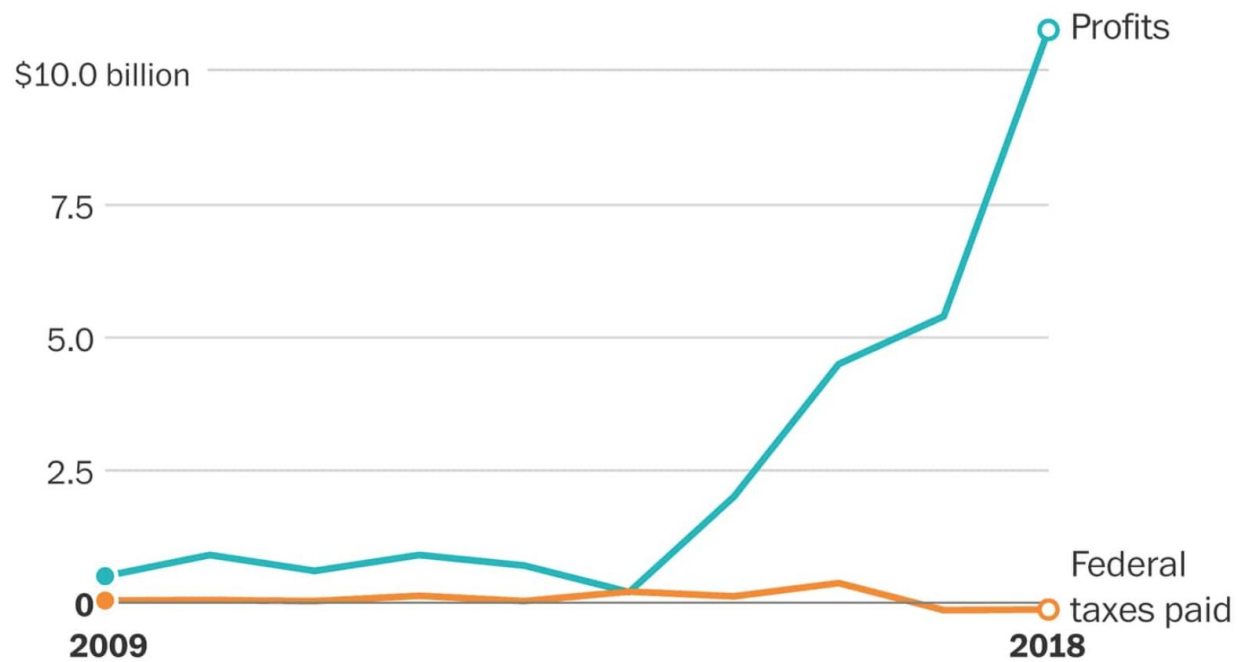
[Executive summary](#)



„yet the super-rich and corporations are paying lower rates of tax than they have in decades”

### Amazon's profits rapidly outpace its tax burden

From 2009 to 2018, Amazon paid an effective federal tax rate of 3.0 percent on profits totaling \$26.5 billion.



Source: Institute for Taxation and Economic Policy analysis of Amazon corporate filings

THE WASHINGTON POST

[Amazon paid no federal taxes on \\$11.2 billion in profits last year, Washington Post](#)

Amazon, the ubiquitous purveyor of two-day delivery of just about everything, **nearly doubled its profits to \$11.2 billion in 2018 from \$5.6 billion the previous year and, once again, didn't pay a single cent of federal income taxes.**

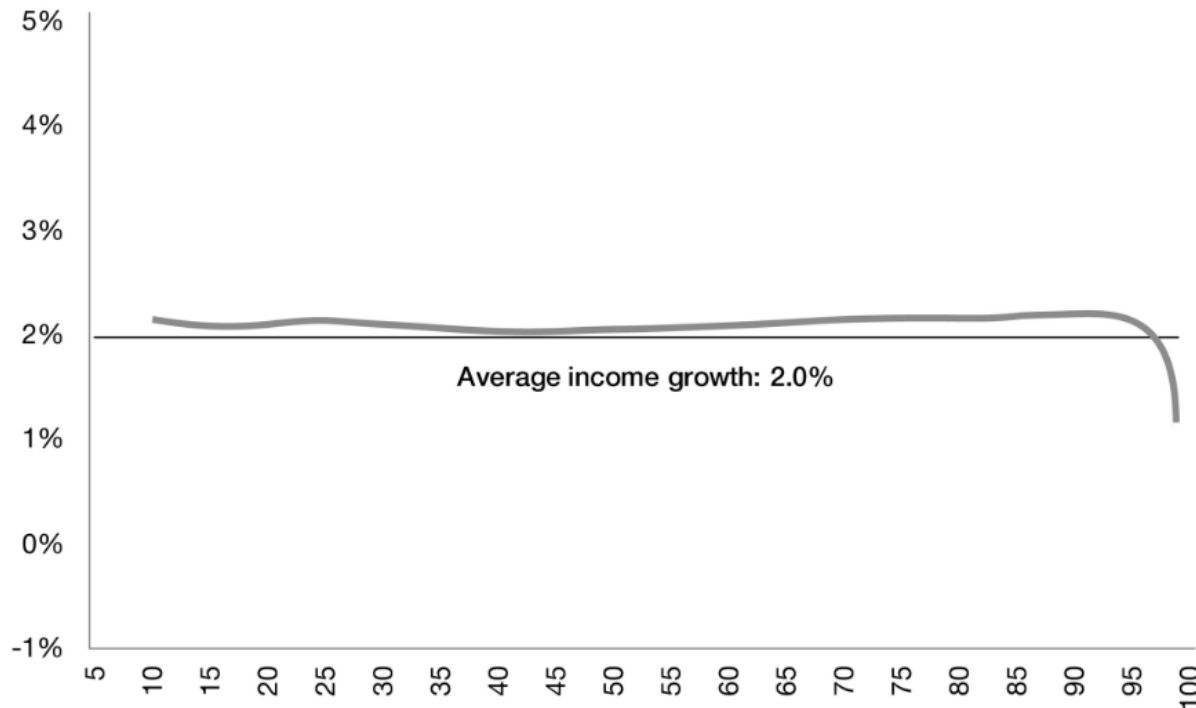
The company's newest corporate filing reveals that, far from paying the statutory 21 percent income tax rate on its U.S. income in 2018, Amazon reported a federal income tax rebate of \$129 million. For those who don't have a pocket calculator handy, that works out to a tax rate of negative 1 percent. The fine print of Amazon's income tax disclosure shows that this achievement is partly due to various unspecified "tax credits" as well as a tax break for executive stock options.

This isn't the first year that the cyber-retailing giant has avoided federal taxes. **Last year, the company paid no federal corporate income taxes** on \$5.6 billion in U.S. income.

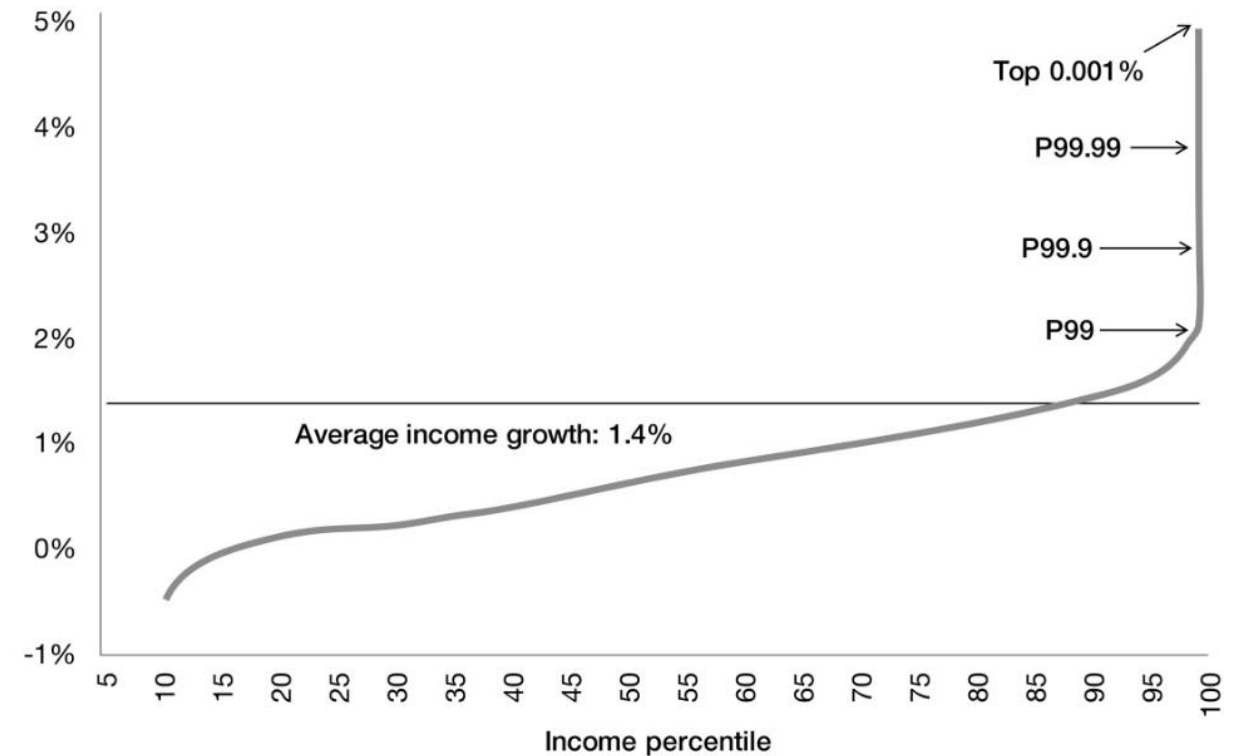
[Institute of Taxation and Economic Policy](#)

# FROM A RISING TIDE THAT LIFTS ALL BOATS TO ONE THAT LIFTS ALL YACHTS

Annual growth of pre-tax income by income group, 1946–1980



Annual growth of pre-tax income by income group, 1980–2018



## rising tide lifts all boats

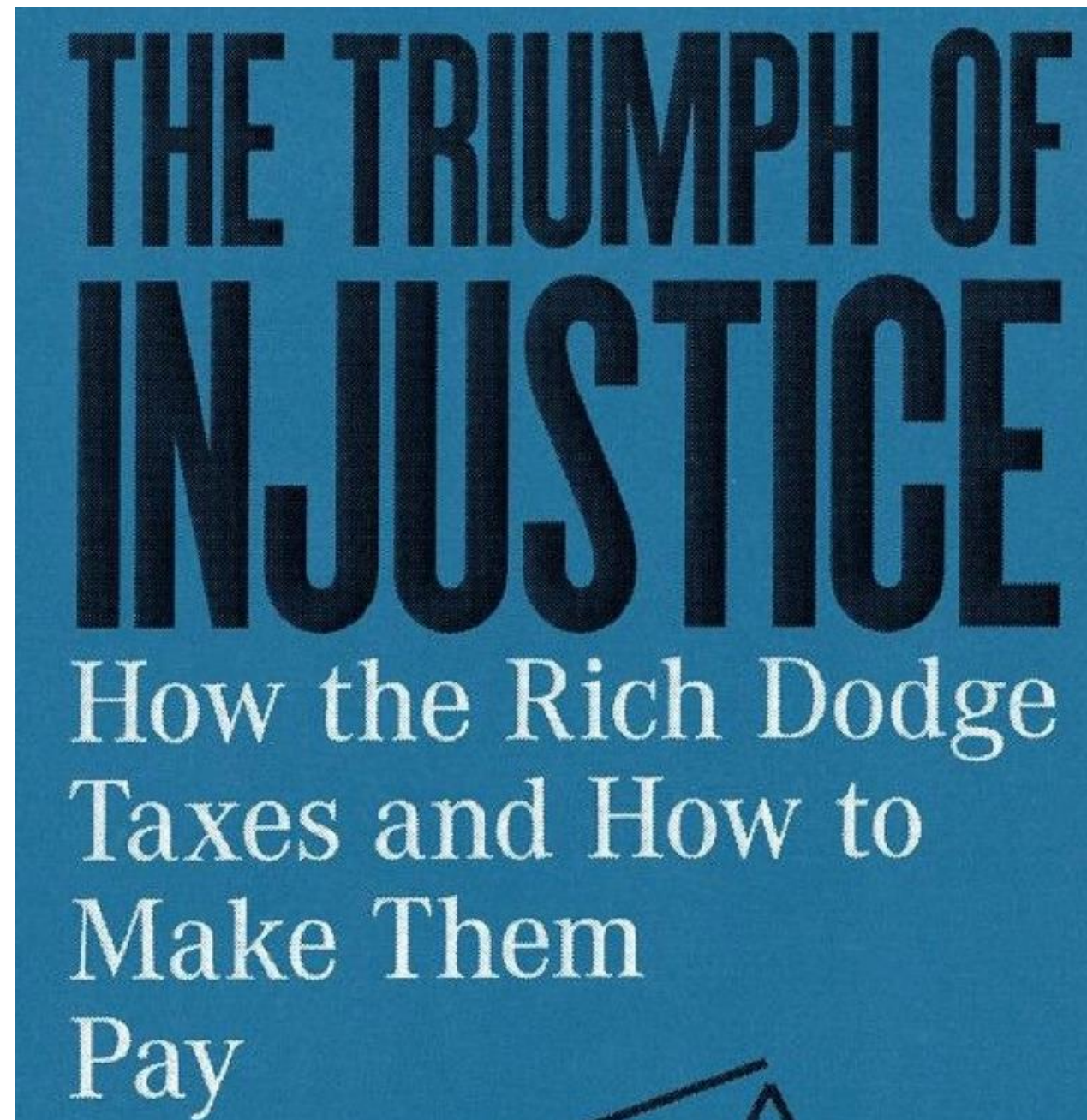
The phrase “a rising tide lifts all boats” expresses the idea that if the economy improves, every participant in the economy will be in an improved financial position.

[Emmanuel Saez, Gabriel Zucman, \*The Triumph of Injustice: How the Rich Dodge Taxes and How to Make Them Pay\*, 2019](#)

Emmanuel Saez, **Gabriel Zucman**,  
*The Triumph of Injustice: How the  
Rich Dodge Taxes and How to  
Make Them Pay*, 2019

# TAX JUSTICE NOW

For the first time in over a century, billionaires now pay lower tax rates than their secretaries.





What questions about inequality and poverty are interesting for sociologists, economists, political and policy scientists?

# Questions interesting for sociologists

1. **Are social inequalities inevitable, especially in a capitalist society** that stresses competition and individual success?
2. **Why do some people have more than others?** Is this natural or unnatural?
3. Do “you always have the opportunity to try” ... and does “hard work” always pay off despite the odds against average people...?
4. Is inequality a **social problem** or an individual one?
5. **Is inequality desirable or undesirable?**
6. Is inequality a **source of divisiveness or a basis for integration** in our societies?
7. Are **social classes really present in our country**, and, if so, are they the most important dimension of inequality in our society?
8. Can Capitalism and Democracy Coexist? **Do economic and political inequality necessarily go together?**
9. Does the **globalization in the world economy** strengthen or weaken inequality?

# Questions interesting for economists

1. How the marketplace and government policy interact to determine the **relative size of the slices consumed by different people?**
2. **How are the owners of the factors of production (e.g. owner of labour power and owner of the capital) rewarded in the marketplace?**
3. How and to what extent does government policy **redistribute income and what impact does it have on incentives?**
4. **Whether the size of a slice depends on race, ethnicity, gender, or any of a host of factors that do not represent individual “merit”?**
5. What is the impact of **government policies to combat the problem of discrimination** in slicing the pie?
6. **Poverty** means a slice “too small”, but **how do we define too small?**
7. How many people receive slices too small and are **the people or the economy to blame?**
8. **Can people with small slices today reasonably hope to get larger slices later in life? Is there hope for their offspring?**
9. Is **mobility in the long term an antidote to inequality in the short term**, or does short term inequality prevent long-term mobility?



# Questions interesting for political and policy scientists

## 1. Political system and inequality/poverty link

1. Can **equality in political power** (democracy) even exist if **economic resources are distributed unequally**? Or does the golden rule operate – **those with the gold rule**?
2. Can Capitalism and **Democracy** Coexist?
3. **Do economic and political inequality necessarily go together?**

## 2. Correlational and causal links

1. What is the impact of **economic, education, health and other inequality and poverty** (cause) on **politics and public policy** (effect)?
2. What is the impact of **politics and public policy** (cause) on **economic, education, health and other inequality and poverty** (effect)?

## 3. Policy questions

1. **How to design economic, social and other public policies** to reduce inequality and poverty and avoid possible negative side effects e.g. less economic activity due to generous social transfers?

# What we have learnt? Summary

1. Inequality and poverty from OXFAM view are growing and are injustices which required adequate governments response
2. Thomas Piketty, Gabiel Zucman and some other economists confirm some of the claims made by OXFAM e.g. billionaires and multinational corporations effectively avoid paying taxes
3. OXFAM supported by some economists is convincing us that taxing the super-rich would be the source of financing public healthcare and education
4. Inequality and poverty are researched by sociologists, economists and political and policy scientists, but their questions, concepts, and theories are different

## Required readings for the this introductory lecture

- [Charles E. Hurst, \*Social Inequality: Forms, Causes and Consequences\*, 2013, pages 1-8](#)
- [Robert S. Rycroft, \*The Economics of Inequality, Discrimination, Poverty and Mobility\*, 2nd ed., 2018, pages 3-6](#)

## Required readings for the next class

### **Why inequality and poverty are important? Philosophical reasons**

- [Tim Scanlon, \*The 4 biggest reasons why inequality is bad for society\*, 2014](#)
- [Introduction and Conclusion, in: Didier Jacobs, \*Why extreme wealth is not merited\*, OXFAM Discussion Papers, 2015](#)
- Questions to the readings – you should answer them before the next class (the link will be send to you by University of Warsaw e-mail)