

## TREND OF INCREASING INEQUALITY, AND CONSEQUENCE

### TREND POVEĆANJA NEJEDNAKOSTI I POSLEDICE

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#### **Abstract**

*The key question of democracy is the fight against poverty. If we are not able to solve the problem of poverty in the context of democracy, and more and more people in the world are poor, the democracy will disappear. Unfortunately, poverty is not on decline. It is growing. More than one billion people are starving, over 2.5 billion people are poor and the trend is increasing! The paper examines the magnitude of the problem of inequality and poverty, identifies the consequences that it causes and makes recommendations for improving the situation. The hypotheses of this paper is that increasing inequality will increase poverty with consequences which are the great treat to democracy, and that economist and politics must act urgently to solve the problem of inequality, and poverty. The research methodology is qualitative with using very impressive collection of data about inequality of Picketty and others. Summary of theoretical research and empirical data approves the starting hypothesis. The level of inequality and the growth of poverty lead us to the important conclusion: measures of policy and better state regulation are not sufficient, the problem of inequality and poverty can not be solved without changing the dominant value of society today - egoism to the implementation of new value - rational altruism.*

**Key words:** democracy, poverty, inequality, market economy.

#### **Sažetak**

*Ključno pitanje demokratije je borba protiv siromaštva. Ako nijesmo u stanju da riješimo problem siromaštva u kontekstu demokratije, a sve više i više ljudi u svetu je siromašno, demokracija će nestati. Nažalost, siromaštvo nije u padu. Ono se povećava. Više od jedne milijarde ljudi gladije, preko 2,5 milijarde ljudi je siromašno i trend je uzlazni! Rad razmatra veličinu problema nejednakosti i siromaštva, identifikuje posledice koje on izaziva i daje preporukama za poboljšanje situacije. Hipoteza rada je da će rastuća nejednakost povećati siromaštvo sa posledicama koje predstavljaju veliku prijetnju za demokratiju i da političari i ekonomista moraju hitno reagovati na problem nejednakosti i siromaštva. Metodologija istraživanja je kvalitativna, uz korišćenje veoma impresivne baze podataka o nejednakosti koju je prikupio francuski ekonomista Picketty sa saradnicima. Rezultati dobijeni analizom teorijskih pristupa nejednakosti i utvrđene dimenzije nejednakosti na osnovu istraživanja empi-*

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*ričnih podataka potvrđuje početnu hipotezu. Nivo nejednakosti i rast siromaštva danas usmjeravaju na jedan bitan zaključak: nijesu dovoljne samo mjere politike i boljeg državnog regulisanja da bi se problem nejednakosti i siromaštva riješio već promjena dominantne vrijednosti na kojoj društvo danas počiva - egoizma i implementaciju nove vrijednosti - racionalnog altruizma.*

**Ključne reči:** demokratija, siromaštvo, nejednakost, tržišna ekonomija

## 1. INTRODUCTION

In a modern world everything seems promising because we see a great revolution towards democracy, at the global level. Simply, it is a process of a generalization of democracy. After Europe, the democracy comes to Latin America, Africa, Eastern Europe, and now we see some similar events in Libya, Tunisia and Egypt. Parallel, today we have a high trend of generalization of the global market economy. Thus, the market economy is almost everywhere in the world, apart from the few exceptions (e.g. North Korea and several other countries). Therefore, the market economy is a strict element that moves the world towards the creation of democracy. The market works in favour of democracy, while reciprocally, the democracy encourages the economy towards the market. In recent decades, the market economy has eliminated the dictators (in Spain 30 years ago); and the democracy has eliminated centrally planned economy (in the Soviet Union).

It could be said that the dialogue on democracy and the market is completed! Things are going very well. Unfortunately, it is far from a truth. The risk of disappointment in democracy today is very high, not only in the countries where democracy is at the beginning, as in the Middle East, but also in the countries with a strong democracy. If people do not understand that democracy does not bring jobs, then why choose democracy? Today, the case of Tunisia and Egypt shows that people do not see any sign of a better life in a democracy, because they do not live better. There is a risk that society would downgrade, which had happened in Europe at the beginning of 20th century – people of Germany turned against democracy because of high unemployment, eventually they slipped into Nazism. This can happen in many African countries, for example in Egypt. The risk exists in all countries!

The key question of democracy is the fight against poverty. If we are not able to solve the problem of poverty in the context of democracy, and more and more people in the world are poor, the democracy will disappear. Unfortunately, poverty is not on decline. It is growing. More than one billion people are starving, over 2.5 billion people are poor and the trend is increasing!

There is a clear connection between job creation and poverty reduction, as well as the connection between them and democracy. We must focus on this topic. The trend of increasing inequality is evidence of growing of poverty.

## 2. THE DIMENSIONS OF INEQUALITY

According to the Credit Suisse Research Institute's Global Wealth Report (2015), 10% of the richest on the planet possess 87.7% of the world's wealth. This is the case in many countries: in the United States, CEO earns even 276 times more than the average employee in the company, while in 1960 it was "only" 20 times. Part of the wealth accumulated by 0.1% of the richest has increased from 7% to 22% of the total resources, while among 90% of the less rich, the wealth has reduced from 37% to 22.8% (1985-2015). Among 0.1% of the richest, 10% controls 11% of the total wealth, which is an increase of 8.8% compared to 1970 (Savez) . In developing countries, the fruits of growth have often been appropriated by a small number of people.

These inequalities can also be found in other spheres of life: education, health, culture and many others.

Generally speaking, the wealth is concentrated in the hands of those who control innovations, applicable in a wider range. Technical progress does not cease to increase the distance between worker productivity and his wage: the distance (productivity grows, wages decrease) is two times higher today than twenty years ago in the 19 largest industrial countries (Frey, Osborne).

In many countries and nations, transfers to the poorest are increasingly slowing down, being less and less effective. According to the World Bank, the fund transfers to developing countries have been slowly increasing in 2015, and are inefficiently used because of high level of corruption in these countries.

Since 2005, incomes before tax and transfers to the middle class in developed countries have stagnated or decreased (McKinsey Global Institute, 2016): 65% of households in 25 most developed economies (about 540 to 580 million people) have experienced stagnation or decrease of their income between 2005 and 2014. In the United States, the average income has strongly decreased since 2008; while the level of household debt exceeded \$9,300 in 1980, or \$65,200 in 2015, and their savings rate has melted from 13.3% in 1971 to 5.1% in 2016. The consequence is that the middle class today makes a little more than 50% of the active American population, while in 1971 it was 61%.

Transfers made by the governments in developed countries, and the decrease in taxes cover this income reduction, but not completely: In developing countries is slowly forming the middle class. In 2015 it consisted of 1.5 billion people, or 50% of global jobs. All this has led to the dissatisfaction of the middle class, and that is a serious threat to economic and political stability in the world.

As pointed out, the inequalities are manifested in various dimensions. There are inequities in health care, education, political representation, (in)security, gender (in)equality, and child poverty. However, the inequality of options is also evident. The most important issue is the income inequality, on which everything else rests. Thus, some countries are worse in specific aspects, and better in other. However, inequalities are related, and poverty causes unequal opportunities.

Access to higher education is difficult in many countries, especially where education is largely private, for example, in the United States or in England. Some countries provide free higher education (e.g. Scotland), and some give students loans with low interest rates (e.g. Australia). Thus, many countries offer "justice for those who can pay." However, the gap between aspirations and reality is very high. Therefore, equality in education should be based on the democratization of education. Inequality of outcome follows the unequal opportunities, which in turn contributes to economic weakness. Politicians must understand that education provides greater innovation, stronger economy, and higher incomes - and thus higher taxes. Investing in what economists call "human capital" - investing in people - is crucial for long-term growth. To be competitive in the 21st century means having an educated workforce with university degrees and postgraduate education.

### **3. EXPLANATION THE CAUSES OF INEQUALITY - PARETO, KUZNETZ, AND PICKETTY**

Classical economics dealt with the distribution of income between the three classes: workers (wages), capitalists (profit) and landowners (rent). It was kept later with the new economic paradigm: "marginalist revolution" and synthesis of the two paradigms (classical and marginal) named Marshall's neoclassical economics.

In the early 20th century, Vilferdo Pareto, the French-Italian Professor of Political Economy at Lausanne, Switzerland, became interested in the income distribution among individuals (not classes). At that time, the data on personal income were available for the first time, due to the economic development (countries became richer), and greater fiscal role of the state. The first statistical data on the income distribution became the basis for obtaining information about state taxes, which were introduced in order to ensure financing of education, health and, above all, war. Due to ideological shift, all individuals become equal before the law. This means that the rich must contribute more in line with higher wealth and income. Taxes were more tied to income, which increased the need for records of income and its distribution among households. so, Pareto began the first studies of individual inequalities in the tax data at the end of the 19th century.

Pareto has explored how the inequality has changed with the income levels. He believed in the "iron law of inequality between individuals", where differences in social arrangements (whether feudal, capitalist or socialist) remained more or less unchanged. Elite can vary; one can control differently the society, but the income distribution - the level of inequality - remains unchanged. Today it is known as the rule of "80-20", showing that most things have an unequal distribution. In a regular relationship, 80 percent of people produces only 20 percent of production and income (the remaining 20 percent of people produces 80 percent of the results). This rule was discovered in the quality control, marketing and business administration. According to Milanovic (2013) something similar happens in the global distribu-

tion of income. Explaining the income distribution under this rule, Pareto indicated that inequality did not change, because the income practically does not change along with the development (shown by the analysis of empirical data that he used).

This hypothesis lasted until 1955, when Simon Kuznetz, Russian-American economist and statistician, has proposed the first real theory about what makes changes in the income distribution. He proved that the inequality between people was not the same, regardless of the type of society, but predictably varies, depending on the level of development of society. Inequality of the poor societies must be at a low level because the income of the most was at the subsistence level, and economic differences between people were small. After that, as the economy developed and humanity shifted from agriculture to industry, appeared a gap appeared between the average earnings of industrial workers (richer) and farmers (poorer). The labor division in the industry caused the differences in income. According to Kuznetz, the source of the difference is actually the gap in income between the agricultural and industrial workers, as well as different wage levels within the industry. In addition, in the most developed societies, the state begins to play the role of redistributor (education becomes more widespread), thus decreasing the difference. His research was crowned with the famous "Kuznetz hypothesis" of inverse U curve, showing income inequality during the economic development. Inequality must first grow before it starts to decline.

This idea, however, is not entirely new. Some 120 years ago, a French scientist in the field of social sciences and politician Alexis Tocqueville, spoke of the inequalities in his book "Memoir on pauperism" (1835). According to him, inequality is historically characterized by this inverse U curve, because in primitive societies the inequality did not exist, as it does not exist in civilized societies. Although, between these two extremes there is inequality of conditions, income, and knowledge. Alexis Tocqueville did not study the causes of these inequalities.

Kuznetz theorem also did not sufficiently explain the causes of inequality, however, some new elements have appeared in explaining the behavior of income inequality. Factors, such as the financial depth, the extent of state spending or public expenditure, economic openness, etc., have been considered in determining the movement of inequality. Many economists have argued that the analysis should be extended, because it gives a better understanding of trends. They provided explanations, such as: efficient and large financial sector would enable the poor to finance education through loans, in order to reduce inequality, since the doors of educational opportunities are opened to everyone, and no longer reserved for the rich only. The state expenditure (as a part of the gross domestic product, GDP) or state administration (as a part of the total labor force) are the factors of reducing inequalities; firstly, because it helps the poor, and on the other hand, it limits the inequality of wages. Greater openness to trade in poorer countries reduce inequality, because it increases the demand for intensive consumer goods (such as textiles) that specialize in this country; this leads to a tendency of increased wages for non-specialized workers, compared with the wages of specialized workers or profit

capitalists. In rich countries, openness to trade should produce adverse effect, since rich countries tend to export high-tech products. Manufacturing requires highly specialized workers (for example, computer specialists, or engineers), so that the earnings of those with a university degree relatively grow compared to those with high school degree. Hence, the inequality grows.

Modern economists would test the Kuznetz hypothesis by involving all these factors and possibly a couple of new, except income, often in an ad hoc manner (for example, adding the age structure of the population or the distribution of land ownership). The results are better than when we take only income into account, but not spectacular.

### **3.1 The basic results of research on inequality by Piketty**

In a 15 years long research, Piketty and his associates have collected extensive statistical material from the developed countries (more than 20 countries), for a period of the last three centuries. The general finding is that capital generates economic inequality, and that inequality immanent to capitalism as a socio-economic system. Return on equity (ROE) has a natural tendency to be much higher than the rate of economic growth, as proved by Piketty. This leads to a strong increase in inequalities in society. Piketty offers methods to solve this problem (cooperative solutions). These are, above all, measures and instruments of a modern macroeconomic policy, which must establish a balance of the market and the state. Disturbance of balance between these two key institutions leads to extremism in the form of market fundamentalism or state totalitarianism. Piketty "believes in the market" without corruption, without greed, without monopoly. "If we want to regulate capitalism," said Picketty, "we need to have confidence in democracy, to organize fiscal, social and financial institutions that will control the multinational companies and financial capital." (Picketty, p. 34) This way we will build "capitalism with a human face" argues Piketty. Historical analysis method, which Piketty applies, is important in order to avoid the mistakes of the past.

In terms of inequality in the distribution of wealth we are going back to the 19th century, at the time of Balzac, when the wealth was concentrated in the hands of a small number of individuals, and when the economic elite consisted of wealthy heirs, not those who earned a place in society through accomplishments. Piketty has called it a "hereditary capitalism," indicating "Rastignac's dilemma" (according to Balzac's character), where the question arises: what is the relative importance of inheritance in relation to accomplishments? This leads to social stratification (extreme inequality). According to Piketty, this uncontrolled and rampant stratification in the 21st century is a serious hindering factor for sustainable social development.

Therefore, Piketty proposes a shift in a current government policy, especially in the area of inequality and redistribution. In terms of inequality, the situation in the 20th century has changed drastically compared to the 19th century. This was con-

tributed by several crises: the World War I, the World War II, local wars, hyperinflation, and a number of bankruptcies due to the Great Depression of the 1930s. All this has led to massive destruction and disappearance of capital and assets, and the further growth of inequality was stopped. In addition, social movements and revolutions have put pressure on the capitalist elite to agree on social and tax reforms (which had been rejected until 1914). This was supported by economic theory of John Maynard Keynes, the "father" of state capitalism. After the World War II this theory "created" the welfare state introducing a strong redistributive and social function of the state. The Protestant ethic is significant because it affirmed hard work as a key factor of good life. Work ethic, dedication, rationality, savings and commitment are characteristic of the value system of that time (described by Max Weber). "Thatcherism" and "Reganism" initiated the degradation of the welfare state, and the transition to a neoliberal concept of capitalism. This has particularly weakened the European social model, seriously affected by the global financial crisis, and the concept of austerity and "cost cutting", imposed by German Chancellor Angela Merkel and International Monetary Fund.

At the end of 20th and the beginning of 19th century, the level of inequality has increased dramatically. Piketty believes that we are going back to the "hereditary capitalism". The global financial and economic crisis, which has begun in 2008 and continues to have negative effects, enhances the process of deepening inequality, both globally and at the national and regional levels. Also the tax policy, which was in favour of the rich and powerful by using the "tax havens" ("offshore" companies) at the global level. The *tax base* between countries has been openly "stolen" (Piketty), even within the European Union (e.g. Luxembourg has become a "tax haven"). Inequality is huge not only in wealth, but also in power (10 percent of wealthy individuals share 86 percent of the total wealth). Bargaining power of trade unions and employees has weakened, and the power of multinational companies and capital markets has increased in general, which further led to the enlargement of capital income. Therefore Piketty raises the question: how to stop such tendencies in the 21st century? It is necessary, according to him, to develop the mechanisms and institutions of social, educational and fiscal policies, that will prevent such concentration of capital and deepening inequality, which is harmful in the social, political, and economic sense. Piketty, as noted above, advocates the introduction of progressive taxation of the capital at the global level. It requires consensus, coordination and greater cooperation between the countries on issues of economic policy. Piketty's key findings are:

- By the mid-twentieth century the wealth inequality was high, although, higher in Europe than in the US;
- A part of 10% of the richest in the national income is 45-50% in the years 1910-1920, dropped to 35% in the years following the World War II, and stayed below 35% till 1970; after 1970, the fraction of the 10% of the richest increased at 45-50% (1970-2010). This data are shown on graph 1.

- In the developed countries the private capital is growing, and the public capital is reducing;
- The increase of the portion of the ten largest countries (1970-) particularly 1% of the richest in the developed countries.

Graph 1. Percentage of 10% of the richest in revenue distribution in the US 1910-2010.



Source: Piketty 2015, p. 35

#### 4. NEGATIVE IMPACT OF INEQUALITY

Increasing polarization of society into rich and enormously high percentage of the poor has a negative impact on functioning of society. So divided societies do not have a stable economy, due to the lack of effectiveness. The history of old and modern times is full of unambiguous examples. There are several reasons why such economies are not effective, where rich and poor pay a high price.

Inequality reduces consumption by redirecting money from the bottom towards the top, from the broad base of the poor towards a small number of rich. A small percentage of people who earn more consume a smaller portion of their earnings, compared to those with lower incomes. Redistribution of money to a small percentage of rich people reduces consumption. It appears that the consumption of the rich is high because it is noticeable. Thus, if the money goes to a broader base of the middle class and the poor, the money is consumed, and depending on the number of these layers of society, consumption increases.

Logically, when the money accumulates on top, the total consumption decreases. The demand in the economy will be less than it is able to offer, which causes unemployment, and further decrease of demand. If consumption is not provided through normal economic measures, then some other measures are being



introduced, such as technological inflation at the end of the 20th century, or the property inflation at the beginning of 21st century, followed by government spending, which is the only solution when the economy sinks into recession.

Another problem is the growth of speculative markets which create space for "rent-seeking," where the leaders are being richly rewarded. In an economy of rent-seeking, many things are not natural towards the market economy. People are not earning on the basis of labour and capital, but through the domination of the means of payment - commissions, fees of usurious loans, and the like. Financial sector unduly "grabs" more than it contributes. In some countries (as seen in the United States), it can wreak havoc in the economy. Thus, economic rent in financial sector and other types of rent enables redistribution from the bottom towards those at the top.

Unfortunately, rent-seeking does not contribute to the size of the economic pie, because the attempts to grab a bigger piece of the pie do not affect the size of the pie. Yet the bigger problem is that rent-seeking hinders the optimal allocation of resources and weakens the economy. In the countries rich in natural resources, there is a very strong tendency towards activities of rent-seeking. If the access to resources is achieved under favourable conditions, the only people who get rich are those who are able to, while the economy remains weak, without the production of goods and services that are useful, and will magnify the benefit of all.

The next challenge, which causes inequality, is the lack of motivation among working class. Many economists, including Alfred Marshall, have noticed long ago that attitude towards workers affects productivity. Marshall noted that "higher wages may increase the efficiency of the workers by various channels, making it worthwhile for the employers to offer wages that exceed a market-clearing level" (Marshall, 1987, p. 54). This has been theoretically and practically demonstrated (i.e. numerous examples confirm the theory in practice).

In many countries, in the US, Europe or China, people perceive great injustice in the way the wealth is redistributed. Regrettably, people who contributed to the transformation of the economy are not on top of the economic pyramid (naturally, no one is against the wealth of the people who are the bearers of new technologies and inventions). This is not the case only in the developed capitalist countries, but also in countries in transition and the former socialist countries, where workers are faced with unfair distribution, exploited by their executives, who live to the highest standards. Therefore, workers are losing motivation. Deep cracks have divided economies of those countries, and led to their unsustainability.

There is also the problem of mistrust in the political system, which is the result of inequality. People come into a situation that "in every transaction - in every encounter with a boss or business or bureaucrat - they see the hand of someone out to take advantage of them." (Stiglitz, 2015, p. 105).

#### 4. ALTRUISM VS. EGOISM

Establishing a market economy, which is in favour of the rich, is not just financially costly but also unfair. It is the creation of a surrogate capitalism, in which losses are socialized and profit is privatized. That has nothing to do with true market economy.

It is especially important to emphasize that society cannot function without "a sense of national solidarity and cohesion, and that sense of shared purpose also rests on a fair tax system." (Stiglitz, 2015, p. 186).

The strength of power and wealth exists at the world level. It increases global inequality and divides the world into rich and poor countries.

Dealing with this issue is important, among other things, because inequality affects an important economic phenomenon - economic growth.

Inequality does not offer opportunities to everyone, it is a means of preserving the acquired positions. This occurs in situations where the inequality of wealth is used as a tool against political changes in society (i.e. agrarian reform or abolition of slavery), or to ensure that only the rich have access to education, or to enable that the rich hold the best jobs. All this reduces the economic efficiency. If someone's ability to get an education strongly depends on the wealth of his/her parents, it is equal to preventing the society to gain skills and knowledge for the majority of the population (poor). Discrimination regarding inherited income is no different from any form of discrimination, for example, gender or race.

The dominant paradigm of egoism and personal interest is constantly on the scene today and culminated in the tyranny of money and capital! It culminated in negative tendencies in politics and economics, as we have stated earlier. This paradigm has brought us into the instability and crises that threaten every individual, every company and nation. In such a world, uncertainty and constant crises, an individual must concentrate his efforts, knowledge and experience in order to survive.

Is there a room for altruism? Nash's balance led us to seriously reflection on the rational interaction of participants in economic activities. Famous names in the Western economy are also highlighted altruism and collective interest. The father of economic science wrote a book about it ("The History of Moral Feelings"), and it is somehow ignored, and the book "Exploring the Causes of the Wealth of Nations" is highlighted in order to compel the story of egoism.

Where is the place for altruism? Is it enough to take care of yourself and your own interest, without taking into account other participants in economic activities? Can society be in harmony if the interests of all participants are not met? Is not there a balance in the economy when everyone sees to realize their interest, making happiness and others? Is not it rational to be altruist?

To repeat, the idea of "rational altruism" is not new. Adam Smith in the "Theory of Moral Feelings", the work maybe bigger than the "riches of nations", expressed this idea. "Although too egoistic, man has obviously certain principles in his na-

ture, which make him interested in the happiness of others, and who necessarily seeks to make happiness to others, and does not ask for anything other than having the pleasure of seeing them happy." (Smith, 2008, p. 79). In the same way, theorists of the games demonstrated altruism, applying a famous illustration known as the dilemma of prisoners, where it is optimal for everyone to cooperate.

Stiglic in the book "Great division" speaks of the need for rational altruism. He believes that inequality is detrimental to economic performance. Rational altruism would also enable greater GDP and greater equality, which means that nothing must be sacrificed. There are measures that can increase the equality of unjustified income and transfer payments, as well as redistribution measures in a way that increases overall performance. One of these measures is taxation - taxable for capital gains on land - can lead to pro-investment (instead of speculating on real estate) and to job creation. And the increase in overall economic performance would not only benefit society as a whole, but also many members of the richest percentage. Then a balance would be achieved that makes all participants in the economic activity happy, because this balance is based on cooperation, and even one percent of the richest will become part of a single society.

We seem that the modern economy requires "collective action". The role of the state is to take care of infrastructure, education and technology. The more society is divided, the richer the more difficult they decide to invest in common needs. Stiglitz pleads well: "The rich do not care about the common interest, because they can buy everything: education, health care, personal security, and the rest" (Štiglitz, 2015, p. 94). Rich people are moving away from ordinary people and losing their altruistic feelings. They are, again, against the strong states, because they are not for the common good; the state could take a part of their wealth and use it for the common good.

Alexis Tokvil once described "a properly understood personal interest". This means that everyone has a personal interest in the narrowest sense: he wants what is right for him, right away. However, a "properly understood" personal interest is something else: take into account the interest of everyone else. In other words, the common good is, in fact, a prerequisite for personal well-being. It is a completely altruistic philosophy which starts from the fact that, when you take care of the other, it is not only good for the soul - but also for the job.

## 5. CONCLUSION

Inequality - as a major challenge of politics and economics - is growing, which means that the causes of inequality come in new varieties and are influenced by new forces. Inequality has always existed and probably will always exist. Particularly problematic is the increase of inequality in almost all forms, and in various parts of the world. Previously we talked about one source of inequality, rent-seeking, which enables the wealth of a small number of people, increasing their piece of the pie, compared to the others. In addition to increasing wealth, there is a

way to get rich through the increase of the national economic pie. However, the increase of wealth at the top is usually achieved through the increase in rent and monopoly power. The main cause of the increased inequality is political choice, laws and their administration. If speculators pay less in taxes than those who make a living from their work, it means that the speculators are encouraged to do so. The tax system and its fairness are dominantly important. If those at the top do not pay their fair share of taxes, the workload for others will increase; This means that the rich can retain and reinvest their profits, thus becoming richer and richer. A billionaire Warren Buffett is fond of saying that his tax rate is lower than his secretary's. And even more terrible is that he has huge unregistered capital gains, and when the value of his assets increase, since he owns securities, it increases the value. If Buffet does not sell his shares or other claims, he does not pay any tax. Thus, if the richest keep their property, its value can grow from year to year, and they do not pay any tax.

Authors discovered that besides changing the politics as the important source of inequality it is necessary to abandon the philosophy of egoism, and to turn on to promoting altruism.

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