

Taxes, inequality, and equal opportunities

José Roberto Iglesias^(a,b), Ben-Hur Francisco Cardoso^(c), Sebastián Gonçalves^(a)

^(a) *Instituto de Física, UFRGS, Porto Alegre, Brazil*

^(b) *Escola de Gestão e Negócios, UNISINOS, Porto Alegre, Brazil*

^(c) *Departamento de Economia e Relações Internacionais, UFSC, Florianópolis, Brazil*

Extreme inequality represents a challenge for poor individuals and poses a threat to economic growth and stability. Despite affirmative action measures trying to promote equal opportunities, they prove inadequate in reducing inequality. Mathematical models and simulations have demonstrated that even when equal opportunities are present, wealth tends to concentrate in the hands of a privileged few, leaving most of the population in dire poverty. This phenomenon, known as condensation, has been shown to be an inevitable outcome in models that rely on fair exchange. In light of the present escalating levels of inequality and the strong state intervention imposed by the COVID-19 pandemic, a number of scholars are abandoning neo-liberal ideologies. They propose instead a more robust role for the state in the economy, utilizing mechanisms such as taxation and universal allocations. We study here a comparative analysis of various taxation and redistribution mechanisms to minimize inequality.