



Policy implications of Covid-19: turning the tide on inequality?



Policy implications of Covid-19: turning the tide on within-country inequality?

- **Within-country inequality: crisis as tipping point**

Short-term: rescue packages larger than in 2008. Poverty-reducing.

Over 1,000 new social protection measures (across 212 countries)

Loans conditional on fiscal consolidation targets in short term

- **Inequality between countries ??**





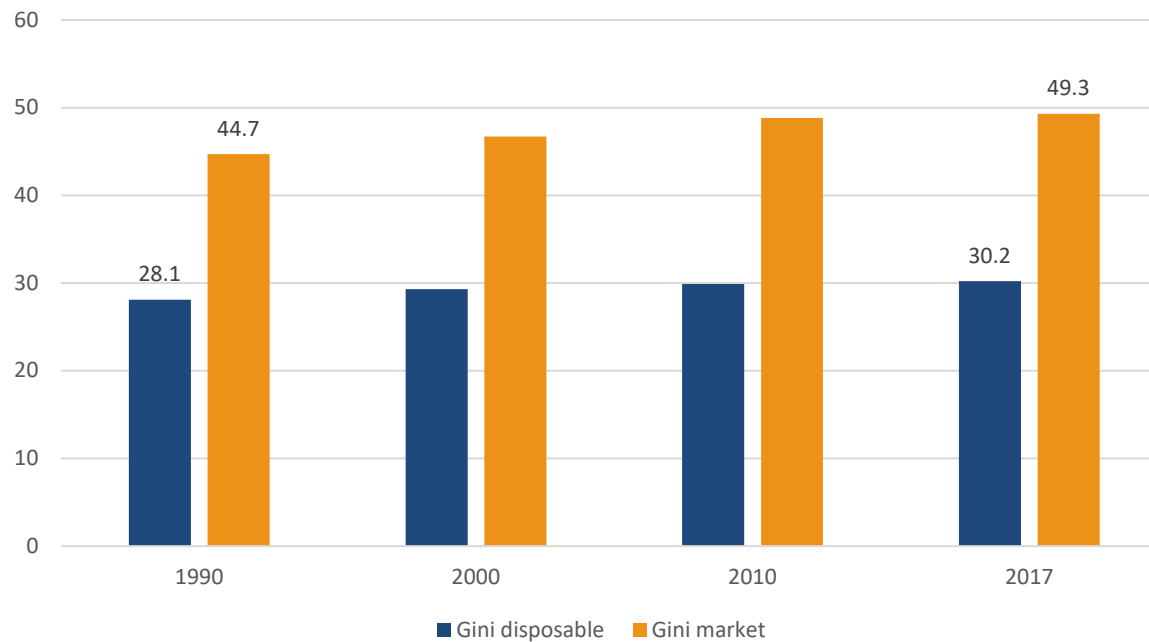
Policy implications of Covid-19: turning the tide on inequality?

- Policies matter
- A broken social contract?

Policies matter

- Taxes and transfers have failed to curb growing inequality

Gini coefficients of market and disposable incomes, developed countries



Policies matter

- **The cost of basic services (health, education, housing, social protection/pensions) has increased**

Out-of-pocket health expenditure per capita has doubled since 2000

- **Growing insecurity and precariousness in the world of work**

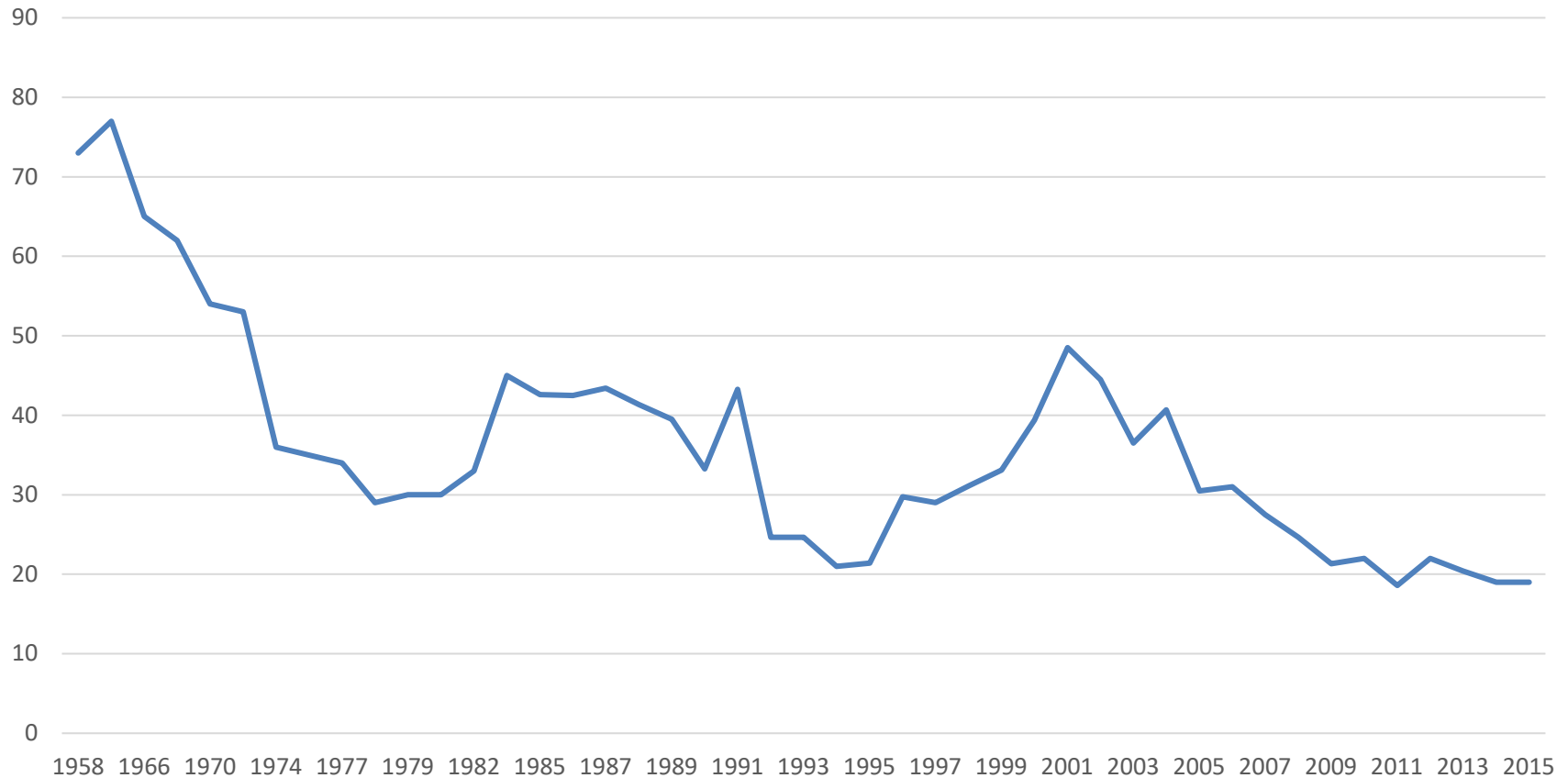
Disconnect between labour market institutions and changes in the world of work

- **Disconnect between social protection systems and world of work**

- **Capital and financial market liberalization**

The political costs: declining trust, discontent, instability

Trust in Government, United States





UN SG Mandela lecture “Tackling the inequality pandemic: A New Social Contract for a New Era”

- **Equal opportunity** [*“Pre-distribution” (market income distribution)*]
Access to quality education;
healthcare;
infrastructure (bridging the digital divide);
labour market institutions and regulations fit for today’s world
- **Equal rights** [*Also “pre-distribution”*]
Tackling prejudice and discrimination (special measures?)
- **Redistribution** (*disposable income*)
Taxes and transfers (social protection). [No tax revenue, no infrastructure, no quality public services]





A New Social Contract: Challenges

- **The political economy of inequality-reducing policies** (the politics of policy):

More progressive taxation? A wealth tax? Universal access to healthcare? Support for public services?

- **Polarization; fragmentation. Class coalitions obsolete**

Industrial-era working class no longer exists; middle class shrinking?; “status insecurity” versus economic insecurity: global integration, crisis....; resurgence of identity processes (coalitions based on identity) and identity politics



UN SG: “A New Global Deal”

- **“A new model of global governance”**: giving adequate voice to all regions and to different stakeholders within countries.
- **Covid pandemic to reinforce global solidarity?**

More inclusive and balanced multilateral trading system?

Stronger tax cooperation?

Reform of the debt architecture and access to affordable credit?

Treaties on global goods (Covax??)

