

Covid-19 Could Be an Opportunity to Combat Inequality

By

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Recent decades have seen inequality grow across the West. The Covid-19 crisis looks likely to continue the trend, but it doesn't have to be that way – governments could choose to fight it instead.

As governments debate how to manage the economic and public health crises resulting from Covid-19, it is critical they address the limitations of our economic and social systems that compromised their ability to comprehensively respond to the pandemic. The severity of the current crises has been worsened by the decades-long growth in inequality that began in the 1970s and '80s and continued through technological displacement, economic recessions, the global financial crisis, and now the global pandemic.

Given the inequality trends, an important issue is why wages – the primary mechanism for distributing wealth – have failed to maintain their fair share of output. The decline of labour unions, deindustrialisation in the UK, US, and many OECD countries, earlier forms of automation, changes in corporate taxation, the financialisation and globalisation of the economy, and trade have surely played a role. More recent forms of automation and digital technologies or artificial intelligence (AI) now also look set to further undermine the ability of workers to maintain their foothold in the economy.

The fact that inequality within countries has steadily worsened over the past several decades indicates that efforts to address environmental concerns and promote economic growth have failed to benefit all citizens. High levels of inequality also undermine efforts to promote

economic democracy, which limits the diversity of voices in our economic and political decision-making processes, effectively locking us into existing development paths. If the majority of families are unable to see beyond their next paycheck, how likely is it that they would support an industrial transformation that de-emphasises growth?

In a recent article, we explore a continuum of more than 30 interventions across nine categories of change that hold the potential to address inequality, provide all citizens with access to essential goods and services, and advance progress towards sustainability.

1. **Income and wealth transfers to facilitate an equitable increase in purchasing power.** In the short run, increasing the minimum wage, establishing progressive taxation of personal income and wealth, increasing the corporate tax rate, and taxing corporate activity abroad are likely to have political and societal support. In the medium-term, paying those doing unpaid work and switching from taxing labor to taxing pollution are also options, while providing a universal basic income/negative income tax would likely take longer.
2. **Broadening worker and citizen ownership of the means of production and supply of services.** Instituting worker ownership through employee stock ownership plans (ESOPs) is a medium to long-term intervention and could receive societal endorsement but is likely to be met with significant business resistance. Changing workers and citizens into owners through the democratisation of the economy is a longer-term intervention because it is not well-understood by its potential beneficiaries. However, it is the only intervention in this category that will allow us to meet the significant challenges we currently face.
3. **Changes in the supply of essential goods and services for more citizens.** Encouraging the sustainable design and production of essential goods and services—which would contribute to a circular economy—and limiting the

import of those goods and services that are either unsustainable or are job-displacing are medium-term interventions supported by ecological economists and labor unions. However, they are likely to receive resistance by governments and businesses that want to continue producing (and selling) in the same old way.

4. **Changes in the demand for more sustainable goods and services.** Educating workers and consumers for a slower-growth economy is essential to achieving an environmentally sustainable society. Reining in advertising, taxing the “bads” and discouraging excessive consumption, as well as educating workers and consumers for the future economy that cannot sustain continuous and large rates of growth, requires medium- to long-term efforts to enact a cultural, as well as an economic, shift. Changing what is available by strengthening health, safety, and environmental regulation based on a precautionary and polluter pays approach will also help shift demand, as well as supply, towards more sustainable goods and services.
5. **Stabilising and securing employment and the workforce.** Perhaps the greatest immediate and short-term requirement is to advance and extend the coverage of labor law, which does not currently provide adequate protection to precarious workers and has been weakened significantly over the last 40 years. Similarly, the inadequacy of unemployment insurance has been revealed during the current crisis. In the short- to medium-term, adopting a four-day workweek with no loss of pay is increasingly being advocated. Over the same time period, collective bargaining could be extended to include technology bargaining.
6. **Reducing the disproportionate power of corporations and the very wealthy through the expansion and enforcement of antitrust law.** Rising market concentration reinforces the view that industrial dominance should have a more central concern in antitrust law.

7. **Government provision of essential goods and services such as education, healthcare, housing, food, and mobility.** In the medium-term, expanding the social safety net is an alternative to increasing individual purchasing power in the market for essential goods and services, such as education, food, healthcare, housing, and mobility.
8. **A reallocation of government spending between military operations and domestic social needs.** The U.S. military budget is greater than those of the next seven largest foreign spenders combined. Defence spending creates half the number of jobs per dollar as education, and two-thirds the number created by clean energy and healthcare, all with greater social benefit. The benefits of shifting from military spending to social programmes are clear.
9. **Suspending or restructuring debt from emerging and developing countries.** Emerging and developing economies are experiencing severe debt distress, which has been exacerbated by the Covid-19 pandemic. These dire circumstances call for debt forgiveness and restructuring.

Our analysis shows that solutions to the current inequality and environmental crises do exist, but they may not be applied in a timely fashion. This is especially important at a time when worldwide exposure to the coronavirus has challenged expectations for employment, economic and social stability, and growth. There is a real danger that the way governments choose to address the Covid-19 pandemic will exacerbate fundamental inequalities and further entrench market capitalism as the dominant world model, compromising sustainable development at its core.

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