

A new surge in inequality in the aftermath of COVID-19

Panellists agreed that disparities in income and opportunities are growing, even if the EU is doing better than the US or the UK in this respect. Nevertheless, inequality is a liability for our socioeconomic model and fuels public distrust in our democratic political institutions, as stressed by Santina Bertulesi.

Phillipe Lamberts argued that ever since the 1980s economic policies as well as a model of globalisation inspired by the Chicago School have driven inequality by favouring the rich. There is a broad public discussion on inequality and exclusion nowadays, but policies have yet to respond.

Technological change was also put forward as a fundamental driver of inequality. Many good blue-collar jobs have disappeared due to automation, which has polarized the labour market. It is a long-term challenge we face irrespective of labour market regulations or globalisation, according to Martin Sandbu. The pandemic has reinforced this trend because it struck hardest in those sectors that require the physical presence of workers. Regional disparities between capitals and the hinterland is another aspect contributing to rising inequality. We have yet to produce the right policy responses to both of these challenges.

The programmes that have been put in place since the start of the pandemic have softened the initial blow to labour markets. The panellists argued however that many blue-collar jobs may not return once lost. If so, we will have to reallocate those workers to new, more future-proof jobs. Skills development and education come into focus as necessary investments and as ways to reduce inequality of opportunities. Moreover, technological change will continue to drive changes in the labour market, which opens up wider discussions about the overall organization of labour, e.g. about reduced working weeks.

Finally, the panel agreed that reforms to taxation are necessary to shift the burden from income to wealth. A concrete proposal would be to introduce a net wealth tax based on citizenship, as an alternative to taxing capital where it is located. Tax avoidance, particularly by corporations, has to be tackled simultaneously. Turnover taxes were raised as an alternative in this context.

Klaas Lenaerts