

“From Virus to Vitamin” Newsletter

n°21 - 29 October 2021

**Rowing together
to trim down
the Gini coefficient**



**Observatoire
de la Finance**

16, chemin des Clochettes
1206 Genève, Suisse
Tél.: +41 22 346 30 35

www.obsfin.ch
E-mail: office@obsfin.ch

www.obsfin.ch/virustovitamin-n21/

QUESTION UNDER DISCUSSION

"Inequalities seem to accelerate in every part of the world due to Covid and otherwise. Unlike in the climate debate, in social issues we do not have a proper threshold for catastrophe. This leads to a possible overestimation of social resilience and leaves the issue as such largely untackled. Drawing on the particularities of your region or on your area of expertise, what should/can be done in priority?"

TABLE OF CONTENTS

- Edito: [Rowing together to trim down the Gini coefficient](#)
Virgile Perret & Paul H. Dembinski
- "... [perfectly predictable socio-economic inequalities](#) ...",
Etienne Perrot
- "... [the Gini coefficient as a measure of how close a country is to economic upheaval](#) ...",
Kara Tan Bhala
- "... [public support will be essential to act to avert a total catastrophe](#) ...",
Archana Sinha
- "... [rowing together \(Fratelli tutti\)](#) ...",
Domingo Sugranyes
- "... [an effective wealth tax and a global minimum corporate tax](#) ...",
Valerio Bruno
- "... [fiscal measures, transparency, control of cross-border capital movements](#) ...",
Andrew Cornford
- "... [imaginative countermeasures of income](#) ...",
Edouard Dommen
- "... [first we have to think about youth](#) ...",
Christos Tsironis
- "... [in Ukraine, social inequality will not become a priority soon](#) ...",
Yuriy Temirov

EDITORIAL

Rowing together to trim down the Gini coefficient

Beyond the health consequences of the pandemic, evidence shows that the COVID-19 crisis may result in increasing the levels of poverty and inequality for years, if not generations. This outcome is not inevitable. However, insufficient responses to the crisis deepen inequalities both between and within countries and intensify public discontent, paving the way to “social turmoil and unrest”, as stated by Bruno Valerio.

The costs of the pandemic are being borne disproportionately by poorer categories of society since low-income households are more exposed to health risks and more likely to experience job losses and sharp declines in wellbeing. At the same time, the pandemic is a boon for the wealthy: in response to the economic collapse in March and April 2020, central banks injected enormous amounts of liquidity into financial markets, keeping asset prices high while economic activity slowed down. Some of the biggest winners are those with high stakes in the technology sector.

Against this background, Tara Kan Bhala suggests using the Gini coefficient as a measure of how close a country or the world is to economic upheaval: “The Gini coefficient gauges the income inequality of a region, where 0 corresponds with perfect equality and 1 corresponds with perfect inequality. Perhaps nations begin seriously reforming economic policies when their Gini coefficients are above 0.4 (United States) and red lights start flashing trouble when a country scores above 0.5 (South Africa, Brazil).”

But how tackle inequality? According to Etienne Perrot, “the adequate responses must address both ownership rights through anti-trust regulations to counter the abuse of a dominant position, policies through redistributive taxes, and education so as not to confuse emulation and competition.” Other policy responses may include “reforms of the transparency and other features of firm governance, broader acceptance of countries’ right to control cross-border capital movements”, as pointed out by Andrew Cornford.

To implement these policies, the first condition is that inequalities should be on the political agenda, which is not the case everywhere, as Yuriy Temirov illustrates with the case of Ukraine. But policy measures alone are not sufficient to trim down inequalities. They have to be complemented by a cultural, transformative process for learning to “row together” (Fratelli tutti) – as stated by Domingo Sugranyes - to increase our socioeconomic resilience.

[Virgile Perret & Paul H. Dembinski](#)

“... perfectly predictable socio-economic inequalities ...”

The pandemic only reveals perfectly predictable socio-economic inequalities. Pope Francis had alerted the international community as soon as the first vaccines appeared. The causes of these glaring social inequalities mix the institutional side through the right of property, the politics increasingly tempted by nationalism, and the spiritual bathed in the materialistic individualism of modernity. **The adequate responses must therefore address both property right through anti-trust regulations to counter the abuse of a dominant position, policies through redistributive taxes, and education so as not to confuse emulation and competition, distinguishing between the elite and the financial success.**



Etienne Perrot

Jesuit, Dr. Economics sciences, editorial board of the magazine Choisir (Geneva), editorial adviser of the journal Études (Paris)

“... the Gini coefficient as a measure of how close a country is to economic upheaval ...”

In the global climate crisis, anything over 2°C above the average pre-industrial temperature leads to unmitigated disaster. In a similar vein, I suggest we use the Gini coefficient as a measure of how close a country or the world is to economic upheaval. **The Gini coefficient gauges the income inequality of a region, where 0 corresponds with perfect equality and 1 corresponds with perfect inequality. Perhaps nations begin seriously reforming economic policies when their Gini coefficients are above 0.4 (United States) and red lights start flashing trouble when a country scores above 0.5 (South Africa, Brazil).** Of course, these watershed levels need further research, but it would be enlightening to have an idea of the income inequality thresholds of social disaster.



Kara Tan Bhala

President and Founder of Seven Pillars Institute for Global Finance and Ethics

“... public support will be essential to act to avert a total catastrophe ...”

Despite its importance, GDP as an indicator should no longer be the only way we measure economic success. Fairer economy would mean tackling health inequalities, and getting to grips with issues that prevent individuals from certain ethnic or socioeconomic backgrounds meeting their full potential. We need to embrace means of improving wellbeing and advancing social mobility, build on promoting social inclusion as well as addressing poverty. New plans must be put in place to achieve

a more sustainable economy in a more equal and socially just society, and this cannot just be an aspiration: it must be seen as critical to our survival. **In recognizing the profound challenges, public support will be essential to act to avert a total catastrophe.** The corona virus is still alive and risk lies in whether this will be possible.



Archana Sinha

Head, Department of Women's Studies, Indian Social Institute, New Delhi, India.

“... rowing together (*Fratelli tutti*) ...”

I don't see a theoretical answer to this extremely vast question. **My reaction can only be in terms of (modest) action-oriented commitment: “rowing together” (*Fratelli tutti*), i.e. trying to identify social projects of high solidarity value which help people to emerge from poverty on their own capabilities, and look for means – money, goods, time – in order to increase the scope and impact of such communities.** We need business and people in business to get much more decidedly involved in these kinds of projects. This is, among many other organisations, what we try to do with The Voluntary Solidarity Fund (VSF International www.thevsfinternational.org) and VSF Spain (www.vsfespana.org). Everybody is welcome to join.



Domingo Sugranyes

Director of a seminar on ethics and technology at Pablo VI Foundation, past Executive Vice-Chairman of MAPFRE international insurance group

“... an effective wealth tax and a global minimum corporate tax ...”

With the Covid-19 pandemic the gap between the rich and the poor, in particular the income gap, has increased as Pope Francis, among others, has stated in several occasions. It is undeniable that the trend had already started several decades ago, however with the Covid-19 inequalities have reached record levels that do necessitate strong internal reforms. **If no actions will be taken, such as an effective wealth tax and a global minimum corporate tax, the possibility of social turmoil and unrest will be inevitable.** In Italy, political parties are literally unable to agree and set the slightest kind of agenda for a proper “*patrimoniale*” (wealth tax or asset tax), preferring to keep the country into an extremely dangerous status quo.



Valerio Bruno

Researcher in politics and Senior Research Fellow at the Centre for Analysis of the Radical Right (CARR).

“... fiscal measures, transparency, control of cross-border capital movements ...”

Much attention has been given to the wealth as well as the income dimension of the inequalities - the associated rents of the minority at one end, and the much lower and often stagnating incomes of the remainder. The latter comprises not only the working class but also parts of the middle class. Much commentary has also concerned the opportunities to hide wealth – and thus reduce tax exposure - provided by cross-border financial liberalisation and offshore financial centres. **Policy responses to the inequalities should include fiscal measures, including improved taxation of the wealth of individuals and firms, reforms of the transparency and other features of firm governance, broader acceptance of countries’ right to control cross-border capital movements, and changes in legal definitions designed to facilitate controls over firms’ domestic and cross-border access to different economic activities and industries and thus to restrict regulatory arbitrage and opaqueness in firms’ operations.**



Andrew Cornford

Counsellor, Observatoire de la Finance; past staff member of UNCTAD, with special responsibility for financial regulation and international trade in financial services

“... imaginative countermeasures of income ...”

The fundamental dynamic of any economy is summed up in the dictum “to those who have shall be given and they shall have more than they can use, and from those who have not shall be taken even what they have”. Covid also has set it in motion. **Where the effects are beneficial - e.g. the reduction in travel by air - it should be encouraged. Further good news is that the deprivation inflicted by Covid on the deprived has been met - at least in places like Geneva - not by the usual blame, scorn and exclusion, but by imaginative countermeasures of income support and new forms of communication like Zoom.**



Edouard Dommen

Specialist in economic ethics, former university professor and researcher in UNCTAD and president of Geneva’s Ecumenical Workshop in Theology

“... first we have to think about youth ...”

The social deprivation problems are persistent and this fact routinizes somehow their existence and hinders the definition of a social resilience threshold. Differentiated priorities emerged in South/Eastern Europe after the successive waves of crisis

but **first we have to think about youth since no country can sustain without giving hope to its members through a micro/macro strategy that includes: i. immediate recovery plan** with emergency income support for the vulnerable groups **ii. long-lasting work-related policies** and investments on youth employment (work-based training, tax reliefs for innovative enterprises) **iii. strategies of sharing the risks** with interregional cooperation and job retention schemes **iv. protection and support of childhood integrity** (tackling invisible work and poverty with financial benefits for low-income families and proper child/health-care, along with future-centered support such as home learning environment and early schooling interventions).

Christos Tsironis

Assoc. Prof. of Social Theory at the Aristotle University of Thessaloniki



“... in Ukraine, social inequality will not become a priority soon ...”

In Ukraine, social inequality has two primary sources: the legacy of the "socialist" totalitarian past and deformed oligarchic capitalism. At the same time, the initial period of transformation with the exacerbation of the problems of social inequality has dragged on dangerously. In 1991–2014, the domination of the interests of oligarchic groups over national interests acted as a brake on reforms. After the Revolution of Dignity, there was a political will to implement unpopular reforms, but they had to be carried out in conditions of the population's fatigue from reforms, in the realities of Russian aggression. The promotion of reforms by Servants of the People is complicated by populism. **In Ukraine, social inequality will not become a priority soon: at this stage of transformation, this issue cannot be a priority; the authorities do not have a correct understanding of the hierarchy of priorities; society's perceptions of equality/inequality are distorted by collectivism and paternalism.**

Yuriy Temirov

Assoc. prof., Dean of Faculty of History and International Relations, Vasyl Stus Donetsk National University



LIST OF CONTRIBUTORS

Valerio Alfonso Bruno is a Researcher in politics and a Senior Research Fellow at the Centre for Analysis of the Radical Right (CARR), member of AREF and AIESC. He provides regularly political analysis for, among others, the Fair Observer, Social Europe and Indus News.



Andrew Cornford (Counsellor, Observatoire de la Finance; from 1977 until 2003 staff member of UNCTAD, latterly with special responsibility for financial regulation and international trade in financial services)



Paul H. Dembinski is the initiator and Director of the Foundation of the Observatoire de la Finance. In parallel, he is partner and co-founder of Eco'Diagnostic, an independent economic research institute working for both government and private clients in Switzerland and elsewhere. Paul H. Dembinski is also Professor at the University of Fribourg.



Edward Dommen is a specialist in economic ethics, particularly Calvin's. He has been a university professor, a researcher in UNCTAD and president of Geneva's Ecumenical Workshop in Theology (AOT) – an adult-education programme.



Dr. **Virgile Perret** holds a Ph.D in Political Science from the University of Lausanne and he is specialized in the study of monetary innovation from an interdisciplinary perspective. He collaborates with the Observatoire de la Finance where he is responsible for managing the global Prize "Ethics & Trust in Finance for a Sustainable Future".



Dr. **Archana Sinha**, a doctorate in Agricultural Economics, currently is Head, Department of Women's Studies, Indian Social Institute, New Delhi, India. She is responsible for implementing research on various women issues, rural and urban based issues on gender and development, agriculture related rural economy, livelihood, gender and social exclusion, women workers, food security, nutrition, health promotion, SDGs related issues.



LIST OF CONTRIBUTORS

P. Etienne Perrot, Jesuit, Doctor in Economics sciences, member of the editorial board of the magazine *Chosir* (Geneva), editorial adviser of the journal *Études* (Paris).



Domingo Sugranyes Bickel, KCSG. Graduated from the University of Fribourg, Switzerland. Secretary General of UNIAPAC, Brussels, from 1974 to 1981. With MAPFRE international insurance group from 1981, Executive Vice-Chairman until 2008. From 2009 to 2019, Chairman of Vatican-based Foundation Centesimus Annus Pro Pontifice. Knight Commander of the Pontifical Order of Saint Gregory the Great (April 2019).



Dr. **Kara Tan Bhala** is President and Founder of Seven Pillars Institute for Global Finance and Ethics, the world's only independent think tank for research, education, and promotion of financial ethics. Dr. Tan Bhala worked nearly twenty in finance, mostly on Wall Street, and has five degrees across three disciplines.



Yuriy Temirov, Dr., Assoc. prof., Dean of Faculty of History and International Relations, Vasyl Stus Donetsk National University. Research interest: International Relations with special focus on World Order, International and European Security, Ukraine – Russia relations.



Christos N. Tsironis is Assoc. Prof. of Social Theory at the Aristotle University of Thessaloniki. He is member of various research partnerships and associations, member of AIESC and Director of the the Social Research Center for Culture and Religion.



“FROM VIRUS TO VITAMIN” – JOIN THE DISCUSSION

The Observatoire de la Finance intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society. In brief, we want to turn the virus into a vitamin for the future.

Our Discussion Board “From Virus to Vitamin” focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

Contributors ([Discover the list of contributors](#)) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its LinkedIn page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <perret@obsfin.ch>.

OF Discussion Board – Questions addressed so far

- Question 20 : [Turning up the heat: can private insurance alone mitigate climate change damages?](#)
- Question 19 : [From the gold window to the global casino](#)
- Question 18 : [Turning point for the planet: can the G7 be trusted?](#)
- Question 17 : [Sustainable Finance: Hype or Hope?](#)
- Question 16 : [Universal basic income – an idea boosted by the pandemic?](#)
- Question 15 : [Multi-polarity: the best guarantee against falling \(again\) into the Thucydides Trap](#)
- Question 14 : [Special Drawing Rights: a drop of liquidity in an ocean of needs](#)
- Question 13 : [Trump’s economic heritage: false promises setting the stage for populist disruption](#)
- Question 12 : [Will America drive the world again? A wish list for Biden’s economic agenda](#)
- Question 11 : [Rush for Covid-19 vaccine: bottle-necks require public-private worldwide](#)