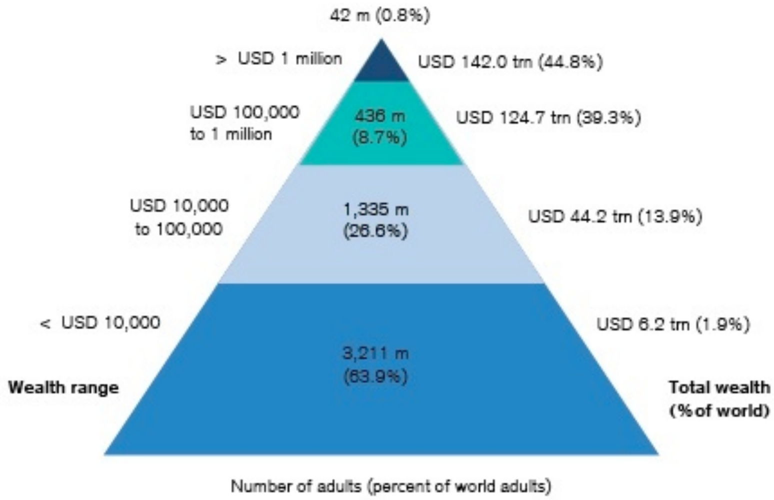
Part 2: Why is society so vulnerable?

The coronavirus shock shows how vulnerable our society is. Seen from the outside and from a historical distance, we live in the richest society of all time. The sum of our resources is tremendous and we have previously undreamt-of technical and organisational possibilities. The world is connected through dense logistical networks and we actually live in a globalised world. But wealth in our world is primarily of a private nature. It serves individual wealthy people and companies, but it is hardly useful in the event of a pandemic. In this way, society is not rich, but poor and vulnerable. In most countries, the required infrastructure is more or less in place, but there is no stock of supplies available for a pandemic, neither physical nor financial, that the general public could fall back on in an emergency. It is legitimate to ask why, in this rich world, a break of two or three months cannot be managed without major problems. It is not possible, let's say, to work – and therefore earn – 20 percent less in a year, and thereby to survive and manage the necessary physical distance well with restrictions.

Considerations of this kind will certainly be made about the coronavirus pandemic in a few decades or centuries, and this is how society can be judged from the outside. Within our usual framework for making judgements, this seems strange to many, because it contradicts the prevailing mentality and effective processes under capitalism. Taking an overall view of wealth appears as a criticism of capitalism, at least of important characteristics of the economic system, because the organisation of wealth is here both a purely economic question and the expression of a form of economic activity based on private property. In this system, money is a means for private purposes, but hardly a resource for social goals.

The situation is made even more difficult today by the huge wealth gap that has increased in many countries in recent years. The next figure shows the pyramid of wealth and people on a global level. Figures of this kind are subject to great uncertainty because there are no reliable wealth statistics. The illustration serves only to give a qualitative impression.



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018

The global wealth pyramid 2018

The global wealth pyramid 2018

At the top are the famous 1 percent, shown here as the richest 0.8 percent of all people. These people have a net wealth of over one million US dollars each. In 2018, according to this chart, 42 million people were in this segment. This small group owns a total of 142 trillion dollars, which is almost 45 percent of the world's total wealth.

The next group is made up of 436 million people with a net worth of between one hundred thousand and one million dollars. This amounts to 8.7 percent of all people and they have almost 40 percent of all assets. In total, 9.5 percent of the global population, according to this list, owns almost 85 percent of all assets. At the base of this pyramid, nearly 64 percent of people have almost no net wealth; their total wealth added together amounts to less than 2 percent of global wealth. In terms of wealth, therefore, there is no middle class at all; in many countries, it does not exist, although the majority of the population usually believes that they belong to the middle class.

Such an imbalance is the result of decades of development of income as well. The following chart gives an insight into how income inequality came about. It shows the income situation from 1980 onwards.

Dynamics of global income growth, 1980-2016

Source: Paris School of Economics, World Inequality Lab: World Inequality Report 2018, Executive Summary, figure E.4., p. 9. , https://wir2018.wid.world/files/download/wir2018-summary-english.pdf

The horizontal axis divides the global population from 10 to 99 into 10 income groups, starting at 10 with the poorest 10 percent. The axis is then stretched out three times: the top 1 percent is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size.

The chart shows that the poorest half of the world's population has seen its income grow significantly thanks to high growth in Asia, particularly in China and India, showing the rise of the emerging nations. However, because of high and rising inequality in many countries, the richest 1 percent saw their wealth grow twice as much as the bottom 50 percent since 1980: by 27 percent, as opposed to 12 percent. The global middle class (which contains all of the poorest 90 percent of income groups in the EU and the United States) has been squeezed.

A pandemic exacerbates this inequality – not in terms of disease, because the virus does not care about your status – but in terms of the possibilities people have to protect themselves against infection and organise care and medical assistance if needed. A pandemic affects the poor in a particular way. This applies to the poor in every country and to poor countries in particular.

The abundance of money and excess of wealth do not provide the majority of people with what they need for a good life, but the minority with calculated advantages. Businesses and households are constantly living on the edge and most of them can no longer cope with a loss of income for a few weeks – this applies to the poor in rich nations and, in particular, to poor people in the Third World, who are accustomed to a life of constant stress.

The pandemic is hitting the poorest the hardest. For an Indian day labourer, a lockdown equals the threat of starvation. The World Bank fears that the coronavirus crisis could lead to an additional 100 million people falling into extreme poverty, which means having to live on just $1.90 a day. They will join the 736 million people already living on such meagre resources. These people are found, in particular, in Ethiopia, India, Nigeria, Congo and Bangladesh.

We therefore have a cause-and-effect chain of poor and rich as follows: the carriers of the first wave were managers, politicians, businessmen and women, and tourists; simply put, the rich of this world. And the main victims of the pandemic will be the poor.

The growing wealth gap over the last decades is also an expression of a transformation of both politics and the economic system itself. Politicians in many countries have lowered taxes for the rich and corporations, and have done little to stop the booming system of tax havens that allows the rich and corporations to avoid paying taxes. At the same time, the economic system itself has transformed. In the wake of the globalisation, which was propagated from the 1990s onwards after the collapse of state socialism, subsystems of the economy have become increasingly rational and efficient. In comparison, cost awareness has increased significantly over the last decades. Any kind of "waste", such as of working time, has been reduced, and the wave of privatisation and deregulation, including in the labour market, has contributed to this. Many people have had to experience more stringent performance requirements and greater stress at work. Strolls and breaks have been increasingly abolished, and standards for the provision of services have been tightened in most sectors. The global value chains of many products are also an expression of a rationalisation of production: the end product bundles together a network of upstream suppliers under the guiding principle of the lowest possible costs.

The rationalisation of the economy can also be described as economisation: it is primarily a matter of fulfilling given parameters, which, to a large extent, follow the specifications of rich investors.

As a result, large parts of the economy are constantly operating at the limit without reserves and buffers. Dallying away time and "exaggeratedly" paying attention to health at work is considered inefficient and must be stopped. Personnel reserves that are not used continuously are a waste. Financially, there are no buffers; every cent must be used optimally, according to the guidelines given by investors. This applies to many areas. Every last scrap of land must be economically exploited, as we can see if we look at how landscapes have changed in recent history. Above all, however, social relationships are primarily thought of as market relationships, and consequently they must be established as market relationships. In this way, the whole world, both nature and the social aspect of life, becomes a huge space of calculation and costing permeated by money.

Such a global system apparently becomes increasingly rational and efficient, as many indicators show. What is forgotten, however, is that it simultaneously becomes more and more vulnerable and more and more unstable. In 2008, we learned just how unstable the financial system has become.

The coronavirus shock shows how vulnerable our entire economic system has become on a global scale.

Additionally, individual groups are particularly at risk during a pandemic. One example – which also happens in the world's wealthiest nations – comes from people whose working and living conditions are such that they are unable to comply with hygiene standards at all, such as workers in meat factories or harvest workers, who are often housed in wretched quarters. Other occupational at-risk groups are health care workers; not only doctors and nurses, but also low-paid nursing home workers, most of whom are women. Worldwide, 70 percent of all health care workers are women, if all professions in this field are taken into account.

During the coronavirus crisis, the public "discovered" which people are essential to the maintenance of our health infrastructure and a functioning community. Suddenly, there was talk of systemically important people and professions. This expression was previously reserved for banks: systemically important or systemic relevant banks have to comply with certain regulations (such as higher capital requirements) and enjoy privileges: since the events of 2008, a country's central bank and ministry of finance will take all measures possible to prevent the bankruptcy of a systemically relevant bank.

In March and April of this year, people working in systemically important professions were publicly applauded, and many understood that their health depends on the services provided by these people.

But this applause seems to have been forgotten again. It is not to be expected that the population groups in question will receive pay raises, for example. In a major economic crisis, the opposite can also happen.

The debates about restrictions in the public sphere also demonstrate the vulnerability of the economy. There are suggestions that a choice must be made between the economy and life. Should we allow more deaths to happen so that companies can once again operate as normal, or must health concerns be given priority, with the consequent worsening of the economic crisis? Economists have even made calculations on this.

The next video asks what policies have made this transformation of the economy possible and what thinking underpins this.