Trade Union
Advisory Committee
to the OECD
*Commission
syndicale consultative
auprès de l'OCDE*

Embedding Social Justice in the Monetary and Fiscal Response to COVID-19

Paris, this version 10 May 2021

Executive Summary

- Today, the top 1% of the global income distribution seizes 20% of global GDP, and it has captured 27% of total income growth between 1980 and 2016. The substantial rise in inequality and the failure in lifting the bottom and middle of the income distribution over the past forty years does not only invalidate the alleged ethical grounding of trickle-down economics, but it has direct negative consequences on the performance of our economies. According to OECD estimates, the rise in income inequality in OECD countries between 1985 and 2005 has costed, on average, 4.7% percentage points of growth between 1990 and 2010.

- In the aftermath of the 2008 Global Financial Crisis, the Fed in the United States followed by the ECB in Europe embarked on a prolonged policy of low interest rates and quantitative easing (QE). While such programmes proved necessary in order to stabilise markets and reduce interest rates, they inflated asset prices, usually held by the wealthiest share of the population, increasing wealth inequality. Furthermore, in the absence of stronger fiscal stimulus and tighter financial regulation, their supposed trickle-down effect on investment and employment is questionable.

- QE allowed access to credit at low cost, particularly in the EU, but this opportunity did not fully translate in higher consumption and investments, in the absence of complementary fiscal policy and proper financial regulation. Since QE was introduced in a context of heavily deregulated financial markets, it exacerbated some of the chronical shortcomings of the neoliberal financial model, increasing inequality and economic instability. Today, the question is whether central banks can afford withdrawing their exceptional monetary policies without hurting a fragile economy, for pulling the plug of cheap credit lines during a secular stagnation could lead to a new financial crisis.

- Another reason why QE did not yield expected results in the 2010s was the dominance of the neo-liberal paradigm, magnified under strict, procyclical fiscal rules and the implementation of structural policies under austerity, including the decentralisation of collective bargaining structures. This translated in an anaemic economic activity that barely managed to restore to pre-2008 economic levels, before COVID-19 brought economies back to square one in terms of growth and employment.

- Yet, the economic consequences of COVID-19 are not the same for everyone. Hundreds of millions of workers have lost their jobs, or hang on to temporary short-time work schemes. On the other side, large tech companies and digital platforms have seen their revenues increase considerably during the pandemic, as have private equity and hedge fund managers.

- Today, there is a need for a more systemic and direct monetary support to fiscal intervention to encompass goals of economic development and social justice. This does not only mean indirect support to lending through eased leverage requirements and better liquidity to commercial banks, but a more pro-active role of the central banks in targeting productive investment in the real economy, while addressing it towards meeting specific goals of social and environmental sustainability.

- As for fiscal policy, the possibility to return to normal economic activity could entice governments to withdraw expensive support measures more abruptly than recommended, plunging the economy as it did after the Global Financial Crisis. This would be a mistake, as governments rather need to step up and increase expenditure, while implementing multi-dimensional reforms that would go in the direction of fighting inequality and taking care of environmental concerns.

- In order to achieve the goal of a socially just recovery, governments should change the prevailing approach to labour, strengthening the role of labour institutions and re-affirming their centrality in guaranteeing decent living conditions for all. It is also imperative to curb the negative impact of financialisation, in order not to diverge resources from investment in the real economy, exacerbating income and wealth polarisation further. Finally, a progressive tax policy is urgent, putting a halt to the secular rise in inequality, while supporting the necessary re-orientation of our economies towards a green growth model.

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An(other) inequality crisis

The current pandemic is proving an enormous health and economic challenge. As of March 2021, registered COVID-19 cases worldwide have surpassed 118 million, with a death toll of 2.6 million. According to the OECD, global output fell by 10% in the second quarter of 2020 compared to a year before, down to -20% in part of Europe and India, while global trade fell by 15% in the first half of the year.[i] Global GDP fell by 3.4% in 2020, and -6.8% in the euro area.[ii] According to the ILO, cumulate working-hour lost in the second quarter of 2020 equalled 495 million full-time jobs worldwide and a 10.5% loss in labour income in the first three quarters of 2020, worth USD 3.5 trillion. Middle-income countries are the most harshly hit, followed by low- and upper-middle-income economies.[iii]

Furthermore, the sluggish vaccination campaign at the beginning of 2021, together with new emerging strains of the virus that are proving more contagious, push the recovery down the road, reasonably not before late 2021 or even 2022, translating into further job losses and weaker economic growth.

The fragility of the current economy is not a result of the COVID-19 crisis. It is rooted in the same long-term trends that led to the financial meltdown and global economic crisis of 2008, starting with financial de-regulation, labour market flexibilisation and a debt-fuelled growth model. The policies put in place after the 2008 recession failed to make things right. In fact, the secular trend of rising inequality continued until today. After the Global Financial Crisis, wealth inequality increased prominently, at least in the United States, because of the drop in real estate value, which is the primary asset of the middle class, compared to the quick rebound in stock market prices, which are usually held by the top of the wealth distribution.[iv] Therefore, government bailouts that saved the financial sector from a total collapse after 2008 were perceived by many in the low and middle income and wealth distribution (or "the 99%", as labelled by the 'Occupy Wall Street' movement), rightly to some extent, as an unfair tribute to those who were deemed most responsible for the crisis. A sense of social justice was lost, leading eventually to a sharp political polarisation and the rise of populism, both in the United States and Europe.[v]

Similarly today, the economic consequences of COVID-19 are not the same for everyone. Millions of workers have lost their jobs (and many their lives), or hang on to temporary short-time work schemes and other direct and indirect social benefits. Many more, often under-paid, continue working under precarious occupational health and safety standards, particularly frontline workers in health, education, logistics, personal service and retail sectors. On the other side, large tech companies and digital platforms have seen their revenues increase considerably during the pandemic. By the third quarter of 2020, Amazon tripled its profits to USD 6.3 billion, while Alphabet (Google), Apple, Facebook, Microsoft have also witnessed double digit sale growth rates.[vi] Most of these profits are going to be distributed among shareholders rather than the companies' workers, similarly to the pre-COVID-19 phase, when excessive shareholder payouts made many highly praised companies more vulnerable to the impact of the crisis, while driving inequality further up.[vii]

About economic inequality

Economic inequality has been on the rise over the past decades, both in income and wealth, especially in those developed countries that witnessed an egalitarian regime after the Second World War.

Forty years of rising inequality

The many dimensions of rising economic inequality have been documented and evidenced by a long series of OECD flagship reports, including "Divided we stand" (2011), "In It Together: Why Less Inequality Benefits All" (2015), "A Broken Social Elevator? How to Promote Social Mobility" (2018), and more recently "Under Pressure: The Squeezed Middle Class" (2019).

In both Western Europe and the United States, the top 1% income share accounted for about 10% of total income in 1980, but grew up to 12% and 20%, respectively, by 2016. Conversely, the bottom 50% of the income share in the United States decreased from 20% to 13% over the same period, as consequence of educational inequalities and of an increasingly unequal tax system. Evidence also suggests that higher trade union membership, which has been declining in recent decades, is associated with lower income inequality.[viii] While the European population experienced an income growth of 40% between 1980 and 2016, the bottom 50% of the income distribution saw its income rise only by 26%, the top 10% by 58%, the top 1% by 72%, the top 0.1% by 76%, the top 0.01% by 87% and, finally, the top 0.001% by 120%. Inequality in wealth has also increased, albeit not as much as in income. In the United States, the top 1% wealth share rose from 22% to 39% between 1980 and 2014, with the relative increase being particularly strong for the top 0.1%.[ix]

Globally, inequality has risen, too, despite sustained growth levels in Asia. This to such an extent that over the last forty years the global top 1% richest individuals seized twice as much growth as the bottom 50%. While there are certainly country differences, the global 10% of the income share has steadily increased since the 1980s, particularly so in North America, India, China, Russia, following the concomitance of the Reagan revolution in the US, the exit from communist economic regimes in Russia and China, and the economic deregulation in India. Countries that have not witnessed a rise in economic inequality, in the Middle East, Brazil and sub-Saharan Africa, are, on the other hand, countries that had already pre-existing historic high levels of income inequality, having skipped the post-war egalitarian regime.[x]

Today, the top 1% of the global income distribution seizes 20% of global GDP, and it has captured 27% of total income growth between 1980 and 2016. Conversely, bottom quintiles have decreased their share of income accruing almost everywhere. Over the same period, income growth rates have been high around the 20 to 60 percentile of global income distribution, pulled by emerging countries like China and India, only to fall again between the 70th to 90th percentile, which mostly includes poor individuals and the middle class in developed countries. Again, it skyrocket from the 90th percentile, the closer we get to the high end of the distribution.[xi]

COVID-19 is an accelerating factor of inequality

Early evidence of the impact of COVID-19 on inequality suggested that the latest crisis has accelerated the established trend, within and across countries. Yet, the impact on inequality varies according to the resilience of domestic labour market institutions. Countries with more flexible labour markets and limited short-time work schemes, such as the United States and the United Kingdom, witnessed a much stronger rise in unemployment in the early months of 2020, compared to countries with robust labour market institutions and support mechanisms, notably Germany.[xii]

Within countries, the impact of the crisis was milder for those professions that could quickly adopt telework, performing their tasks from home, and for workers on permanent contracts, compared to non-standard workers, such as temporary contracts and self-employed. Also, low-paid workers and workers with low-education attainment, which were already at the bottom of the income distribution and represented in most cases the “frontline workers” most in danger of contracting COVID-19 at the workplace, were strongly affected by the crisis.[xiii] These include workers in transport, services, tourism, the food industry, arts and culture. Young people and women have also proven fragile categories, having a higher chance to hold precarious and low-paid jobs, and a stronger presence in the informal economy.[xiv]

Finally yet importantly, the poorest countries are disproportionally affected by COVID-19 compared to rich economies, lacking the fiscal instruments to mitigate the negative impact of the crisis and being most exposed to risks of permanent dropouts from education and employment, with dire implications for income.[xv]

How to address inequality

Inequality can be addressed ex-post, through re-distribution tax policy, or ex-ante, via better access to education, fair employment opportunities and decent living wages through a better income distribution. In recent years, scholars coined the term pre-distribution policy to indicate those actions that governments can take to prevent inequality from manifesting, rather than curing its symptoms.[xvi]

Reducing inequalities is as much an ethical as an economic question. From an ethical perspective, it is about finding a distribution of resources that is perceived as socially *just*. The concept of social justice is broad. It encompasses the relation between the individual and society, as well as how social, cultural and economic rights and duties are distributed. It stands at the base of the social contract in modern societies, setting the norm for the individual contribution to societal progress, on the one hand, and the right to good living conditions and personal fulfilment opportunities, on the other. From an economic standpoint, reduced inequality fosters aggregate demand through higher wages and consumption in the low part of the wage spectrum, which trigger higher investments in response, fostering a sustainable growth model.

Redistributive justice

In the 1970s, John Rawls advanced a theory of distributive justice that seemed to provide a solid justification for what could be an acceptable level of inequality in the society.

According to Rawls, justice comprises two main principles, 1) liberty, and 2) equality. According to the first principle, every individual has an equal right to basic liberties. The second principle, of equality, is split further in two: a) fair equality of opportunity, i.e. each individual should have the same opportunity of access to offices and positions, regardless of her social background, ethnicity or sex; and b) the difference principle, by which inequalities are allowed only if they work to the advantage of the worst-off, meaning that any further attempt to reduce inequality would only make the life of the least advantaged worse.

The economic performance argument

Albeit lexically inferior to both the fair equality of opportunity and liberty principles, the difference principle gained most attention over time, to the point of misinterpreting Rawl's original meaning, while providing an indirect support to US supply-side economists that gained prominent influence in mainstream economic policy under the Reagan administration. The principle would arguably go hand in hand with supply-side economics and the trickle-down theory, by which a reduction in progressive taxation for the richest would stimulate consumption and investment, therefore creating jobs and benefitting society as a whole. This is why allowing a higher degree of inequality in the society (by means of reduced redistribution policy) would actually lead to the opposite result, i.e. lifting the worst-off from their harsh condition, by benefitting from the wealth created by the richest.

Yet, the substantial rise in inequality over the past forty years and the failure in lifting the bottom of the income distribution do not only invalidate the alleged ethical grounding of supply-side economics, but have also direct negative consequences on the performance of the economy. According to OECD estimates, the rise in income inequality in OECD countries between 1985 and 2005 has costed on average 4.7 percentage points of cumulative growth between 1990 and 2010. Among the main reasons is the reduction in education investment in countries with higher inequality levels, an increasing proportion of non-standard forms of work, and low women participation in the labour market. Next to income, wealth inequality also dampens growth, limiting the ability to invest in education and more.[xvii] Rather than promoting investment through trickle-down effects, income and wealth concentration at the top of the distribution depresses overall economic growth and development potential, both at the level of the single individual and society as a whole.

Running on a single engine: the legacy of 2008

From the onset, the COVID-19 crisis of 2020 showed important differences from the Global Financial Crisis of 2008. The financial shock of 2008 destabilised aggregate demand first and did not immediately affect all sectors of activity. COVID-19, on the other hand, emerged as a health crisis leading to a sudden stop in supply and global value chains, translating soon after in a demand shock. [xviii]

In both crises, the Fed rapidly intervened in order to stabilise financial markets, insulate governments from attacks on sovereign bonds and secure liquidity to the real economy. The ECB has also been rapid in responding to the COVID-19 crisis, in contrast to the financial and sovereign debt crisis in Europe in 2008 and 2010-12, when it delayed adequate intervention, leaving euro area countries exposed to financial speculation, while introducing a full-fledged QE programme in 2015 only. The tools, already mentioned, were drops in policy interest rates (less so in 2020, due to the different starting level in interest rates); clear signalling that monetary institutions would do "whatever it takes" to preserve the economy; and QE programmes.

In the aftermath of the 2008 Global Financial Crisis, central banks in the United States and Europe embarked on a prolonged policy of low interest rates and quantitative easing (QE).[1] The goals were multifold: wipe toxic assets out of the balance sheets of private institutions; support both the financial and real sector by providing liquidity to states, banks and business; raise inflation.

In 2008, the US Federal Reserve held on its balance sheet approximately USD 800 billion in Treasury notes. By 2015, and following several rounds of QE, the Fed had accumulated about USD 4.5 trillion in assets ranging between T-bonds, bank debt and mortgage-backed securities. Similarly, the European Central Bank injected EUR 2.6 trillion between 2015 and 2018 only, more than doubling its balance sheet at EUR 4.7 trillion.

The two monetary channels affecting inequality

The unprecedented increase in liquidity triggered a number of questions, including the impact of monetary policy on inequality. In theory, QE can affect inequality in two major way: inflating asset prices and improving credit supply to the public and private sector, therefore boosting the economy and employment. These effects go in opposite directions,

[1] Japan applied also quantitative easing, but starting well before the crisis of 2008.

and there is still a certain amount of disagreement in the literature on the net impact of QE on inequality. By inflating asset prices, QE tends to increase the wealth of asset stakeholders, who are typically at the high end of the wealth distribution, therefore exacerbating wealth inequality. The reduction in interest rates that accompanies and follows QE benefits borrowers, such as households with mortgages and public authorities, and indirectly unemployed workers, because an acceleration in economic activity will lead to more investment and job creation. Since low-skilled worker employment is considered more elastic to aggregate demand, the employment effect of QE will have a positive re-distributional impact for most fragile employment categories.

According to a study by the European Central Bank, the ECB's asset purchase programme (APP), which ran between 2014 and 2018, helped reduce both income and wealth inequality. With respect to income, it led to a decline in unemployment, which benefitted the lowest income quintile most. As for wealth, it raised net wealth through the appreciation of house prices, which accounts for the largest share of assets owned by middle-class households.[xix] The opinion of central bankers in the United States echoes such view, finding no significant impact of unconventional monetary policy on wealth inequality.[xx] [xxi] Former Deputy Governor for monetary policy at Bank of England, Ben Broadbent, provided a similar opinion, arguing that even allowing QE to have led to an appreciation of market stocks, usually held by the wealthiest individuals, this is largely offset by the reduction in income inequality, given the reduction of unemployment triggered by the very same exceptional monetary programmes.[xxii]

Such conclusions are not definitive. In the case of the ECB analysis, a more granular look at the real estate market shows that the rise in house prices was not equal across the board, but favoured the upper percentiles of the income distribution and impacted euro area economies differently, widening the gap within and between countries. In addition, during the APP period wealth polarisation grew, with the highest decile increasing the share of total asset holdings, and the lower decile decreasing it.[xxiii] On top, even if unemployment fell, increased employment did not translate into higher wages, maintaining aggregate demand weak and living standards low for many.

In the case of the United States, there is evidence that the effect of QE on asset appreciation was so stark, that the impact of the increase in wealth inequality was much larger than any positive counter-effect on income distribution through employment and mortgage refinancing.[xxiv]

Importantly, the whole idea of QE having an equalising effect on income distribution rests on the assumption that the distribution channels work properly: the increased liquidity provided by the central banks will generate commercial credits through the banking system, fuelling aggregate demand, leading thus to higher investment and employment. Yet, for years, there has been evidence that banks have used the liquidity provided by central banks to deleverage, rather than increase their credit lines to households and businesses. So much so that, until central banks introduced negative interest rates on excess reserves, the interest rates paid on such reserves represented nothing else but a hidden subsidy to the banking sector, with no positive impact on the real economy.[xxv] Already Keynes, who was among the first to suggest that monetary policy could drive investment in recession through (zero) interest rate policy, came later to the conclusion that this would not be sufficient in the absence of an interventionist government policy and public investment, which would then crowd in –to use a modern jargon- private investment.[xxvi]

Financialisation as an accelerant

In contrast to the limited impact of QE on inflation and investments in the real economy, an important corollary to the unprecedented increase in liquidity is the impact it had on the quantity and quality of financial assets.

The mounting financialisation of the global economy and its repercussions on inequality pre-date the Global Financial Crisis and subsequent monetary policy. The process started in the 1980s, with the opening of international capital flows, bank de-regulation and the emergence of new types of financial institutions (shadow banking). Increasing household debt, financial profit seeking instead of traditional commercial activity by the industrial sector, explosion in financial trading activities and large dividend payments over investment are the defining characteristics of a mounting financialisation trend. This proliferation does not reflect an increased need of the real economy for more, and more diversified, financial services, but purely serves the self-fulfilling goal of higher profits in the financial realm, benefitting the few.[xxvii] This framework led to increasing short-term profit maximisation, linking top-management bonuses to stock asset performance, cutting wages in favour of profits, accumulating wealth at the top of the distribution and further engineering financial instruments that serve the sole purpose of accumulating additional wealth without any connection to the real economy.[xxviii] Rising inequality, private sector debt and asset bubbles increased systemic instability and led to the burst of the Global Financial Crisis.

Despite many calls for tighter financial regulation and a fair distribution of gains and losses across the society, including the early one made by TUAC in September 2008,[xxix] limited progress was achieved in the aftermath of the crisis. Over the last years, bank capital adequacy increased, while market liquidity risks declined compared to before the financial crisis, but the lack of regulation of the financial sector remains a systemic factor of instability and crises. This is why the financial sector and an over-indebted corporate market captured most of the benefits stemming from the expansionary monetary programmes set by central banks, limiting their potential positive impact on the real economy and raising again questions about systemic instability and the long-term sustainability of the current financial model.

In a 2015 paper addressing the link between finance and inclusive growth, the OECD claimed that "there can be too much finance".[xxx] According to the same study, "when the financial sector is well developed, as has been the case in OECD economies for some time, further increases in its size usually slow long-term growth. Prior OECD studies concluded that excesses in credit extension also make economies more vulnerable to crises". It further concluded that economic inequalities widen when finance expands through two central channels: (i) the high level of pay in the financial sector and (ii) distribution of credit. The pay premium (at the top) substantially contributes both to income and gender inequality ("male financial sector workers earn a substantial wage premium over female financial sector workers, especially at the top"). Regarding access to credit, the OECD argues that “low income people cannot finance the opportunities they identify to the same extent as their better-off counterparts” and that they “do not have as much credit as higher income households”.

Research investigating the impact of QE in the US and the UK finds that the expansion of the central bank balance sheet did not translate into higher credit for consumption and investment, hence did not adequately contribute towards improving macroeconomic conditions, but it did effectively raise stock market asset values.[xxxi] Other studies focusing on the euro area come to similar conclusions, showing that nil interest rates on sovereign bonds pushed investors towards riskier assets, inflating prices even when controlling for improved macro fundamentals and leading to excessive euphoria on stock markets.[xxxii]

Thus, the chase towards higher yields has led over the years to a dangerous increase in the quantity of outstanding debt and a fall in debt quality. According to the OECD, by the end of 2019 the stock of non-financial corporate bonds reached the record of USD 13.5 trillion, 15% of which was issued in 2019 only. Furthermore, more than half of the new corporate debt issued between 2016 and 2019 is rated BBB, maintaining a barely investable outlook, mostly thanks to prolonged QE programmes.[xxxiii] Unconventional monetary policies have boosted short-term appetite for non-investment grade corporate bonds and, by doing that, have facilitated higher risk companies’ access to corporate bond markets. Emergency purchase programmes of corporate bonds and commercial papers during the COVID-19 pandemic have continued this trend.

From a global perspective, it should be also noticed that zero and negative interest rates in advanced economies pushed financial institutions in rich countries to search for higher yields in developing economies. This led to very large and often speculative inflows into developing countries, where dollar denominated public and private debt stands at all-time highs, exposing them to bust risks in case of a sudden increase in rates in the developed world, particularly in the US. Thus, exceptional monetary policy measures increased instability and fragility everywhere, putting developing countries at risk of balance-of-payment crisis.

Overall, rather than raising inflation, boosting investment and supporting employment, monetary policy over the past five to ten years seems to have exacerbated some of the chronical shortcomings of the neoliberal financial model, increasing inequality and economic instability. Today, the question is whether central banks can afford withdrawing their exceptional monetary policies without hurting a fragile economy, for pulling the plug of cheap credit lines during a secular stagnation could lead to the next financial crisis.

The missing engine: fiscal policy for an inclusive growth

Another reason why QE did not yield expected results in the 2010s was the excessive dependence of governments on monetary policy in order to deliver economic growth and very limited fiscal policy intervention. The combination of a banking and private sector focused on deleveraging and a public sector constrained by austerity measures depressed both capital investment and current consumption, i.e. aggregate demand. Anaemic economies barely managed to restore to pre-2008 GDP levels, before COVID-19 brought them back to square one in terms of growth and employment.

The impact of fiscal consolidation on inequality is a topic of serious concern, typically leading to a decline both in economic activity and employment levels. It is particularly harsh when consolidation is procyclical, i.e. implemented during a recession, with a rise in long-term unemployment, inactivity and permanent reduction in output capacity. In a 2013 study, the IMF considered the distributional impact of fiscal consolidation in 17 OECD countries between 1978 and 2009. On average, the authors found that a 1 percent reduction in budget deficits leads, in an eight-year span, to a 1.5% rise in a country's Gini coefficient, which is a classic measure for income inequality, and a 1.3% drop of the wage share in GDP. It also tends to have a very negative impact on long rather than short-term unemployment.[xxxiv] Not only fiscal consolidation increases inequality, but higher pre-existing levels of inequality tend to amplify the recessive impact of fiscal consolidation, in a vicious cycle.[xxxv]

The same rise in inequality is observed when looking at the impact of austerity measures after the 2008 financial crisis.

In Greece, which underwent the most striking austerity programme among EU countries in the 2010s, unemployment skyrocketed between 2003 and 2013 from 7% to 27%, raising both income inequality and relative poverty, though to a limited extent. The surge in inequality was not prominent simply because absolute poverty increased sharply, shifting the whole of the income distribution to the left. It is indeed staggering when observed keeping the poverty line stable over time.[xxxvi]

In the case of Ireland, a sharp fall in the average income of the bottom decile was registered between 2008 and 2013, albeit overall inequality, measured in terms of Gini coefficient, did not raise dramatically. The lowest decile was dragged down by those who fell from higher deciles to the bottom of the income distribution, following a spike in job losses due to the severe crisis that hit the country.[xxxvii] Maintaining overall adequate levels of social welfare proved crucial in order to minimise the negative impact of the crisis on income and inequality.[xxxviii]

Evidence from the United Kingdom points to the fact that post-2008 austerity has increased income inequality there, too, while affecting particularly vulnerable groups, such as women and children.[xxxix] A broader look at EU28 countries in the period 2010-13 has also highlighted a negative impact of austerity on gender equality, indicating that in labour markets stressed by fiscal consolidation, vulnerable groups are the most exposed and the first to pay in terms of employment and wage levels.[xl]

2021: avoiding past mistakes

In contrast with the policy mood that followed the Global Financial Crisis, today's consensus is that fiscal stimulus must be maintained as long as necessary, since a deeper recession would be costlier than the economic implications of mounting debt levels. In most countries, income support to workers and businesses continues, together with emergency social measures and dismissal bans.

In order to cope with the economic catastrophe, the United States launched in March 2020 a USD 2.3 trillion Coronavirus Aid, Relief and Economy Security Act ("CARES Act"), incorporating one-time tax rebates, expanding unemployment benefits and food-safety nets, support to businesses (loans and guarantees), support to the health sector, as well as to states and local governments. The new Biden administration stepped up fiscal stimulus, signing in March 2021 the American Rescue Plan (USD 1.9 trillion, mostly for unemployment benefits, grants to citizens and businesses, tax credits and more). Soon after, it announced the American Jobs Plan (USD 2 trillion in infrastructure) and the American Families Plan (another USD 1.9 trillion in childcare, paid leave, pre-kindergarten, community college and healthcare). Japan allocated a similar amount via two different stimulus packages, most of which went to support employment and businesses, and about a quarter of the total to strengthen the Japanese healthcare system and to boost consumption and public investment. The United Kingdom allocated GBP 48.5 billion to the National Health System, GBP 29 billion to businesses, and GBP 8 billion to support the social safety net. Germany issued similar support to the health sector, businesses and workers, for total EUR 286 billion. France intervened in excess of EUR 135 billion, on top of EUR 327 billion in public guarantees for private companies. At the European Union level, an agreement was reached in July 2020 for a EUR 750 billion Recovery Fund, split between grants and loans for member countries, which should kick-in in 2022.[xli]

Such gargantuan fiscal packages were made possible by the unconditional support of the respective central banks. Between February and September 2020, the Federal Reserve's balance sheet jumped from USD 4.1 trillion to USD 7.1 trillion, while the European Central Bank (ECB) injected EUR 2 trillion (from EUR 4.7 trillion to EUR 6.7 trillion),[xlii] purchasing anything from government bonds to private assets.

The way forward

Soon after governments deployed the first economic measures to cope with the COVID-19 emergency, in the spring of 2020, the OECD urged to look forward, in order to build a "sustainable, resilient recovery after COVID-19". The starting observation was that returning to the pre-COVID-19 growth model, defined as "business as usual", would not deliver a long-term economic recovery, failing to improve well-being and reduce inequality. In order to do so, the OECD encourages preparing the ground for a "people-centred" recovery, which would improve inclusiveness and reduce inequalities, rather than focus just on increasing GDP and employment figures. It also needs to address climate change, halt bio-diversity loss, foster innovation and improve the resilience of supply chains based on circular economy principles.[xliii]

One of the recurring catch phrases during the COVID-19 crisis has been the need to "build back better". Whether used by politicians or international institutions such as the OECD, this motto acknowledges the shortcomings of past economic policy, with a certain degree of ironic nonchalance by those who supported fiscal rigidity until not so long ago, as well as the need to step up social and environment policies to secure economic resilience and an equal and inclusive recovery. In order to do so, it is necessary to revise and update the monetary and fiscal tools used this far.

A new monetary policy

QE did not only fail to boost investment and had moderate results in persevering and creating employment, with detrimental effects on inequality, but it also failed to raise inflation, despite price stability representing the core mandate of central banks. Yet, this does not mean that monetary policy is useless in achieving its intended objective. Rather, it is ineffective when resting on the assumption that trickle down mechanisms, through banks to businesses and households, will be sufficient to revive the economy.

Today, there is a need for a more systemic and direct monetary support to fiscal intervention towards goals of economic development and social justice. In the case of the European Central Bank, for example, such an orientation could be within legal reach. According to the mandate set in the Treaty on the Functioning of the European Union, next to the primary goal of price stability, the ECB shall contribute achieving broader objectives of social justice, equality, economic, social and territorial cohesion, and solidarity among Member States.[xliv] This would mean not only indirect support to lending through eased leverage requirements and better liquidity to commercial banks, but a more pro-active role of the ECB in targeting productive investment in the real economy, as well as specific environmental and social issues, from the green economy to housing, i.e. forms of green or socially-responsible QE programmes.

In its boldest interpretation, quantitative easing can be targeted at the people, injecting liquidity in their bank accounts, as the most direct way to boost consumption and incentivise investment through a bottom-up approach.

The European Trade Union Confederation has put forward a number of demands for the ECB that include several propositions on how a new and more impactful monetary policy could support the recovery during and after COVID-19. These include, among others, bringing full employment and ecological transition on a par with price stability in the ECB's mandate; consider the possibility of helicopter money; increase financial regulation to improve money transmission mechanisms; keep supporting public investment and intervene with both conventional and unconventional tools to prevent debt crises in Europe.[xlv]

The need for prolonged fiscal support over time

It is still early to compare adequately the fiscal policy response to the COVID-19 crisis with the aftermath of the Global Financial Crisis. As mentioned, most international organisations, from the IMF to the World Bank and the OECD, are being vocal about the need to implement and maintain prolonged fiscal support, avoiding past austerity mistakes. In June 2020, the OECD Economic Outlook acknowledged that "a one-off shock to the level of debt may not on its own endanger debt sustainability when economies recover: what matters is the dynamics of the debt that must be controlled. In the aftermath of the crisis, an excessively quick fiscal consolidation could stifle growth excessively, as some OECD countries experienced after the global financial crisis."[xlvi] In October 2020, the IMF Fiscal Monitor argued that despite the fact that global government debt reached almost 100% of GDP, this does not necessarily pose a risk to its sustainability and fiscal stimulus should be prolonged well into 2021, to sustain public investment.[xlvii] In most countries, governments seem to have learned from the past and are unwilling to cut emergency support measures that would trigger an unprecedented level of business foreclosures and unemployment.

Yet, even in the early aftermath of the Global Financial Crisis, there seemed to be strong consensus about the need for a co-ordinated fiscal policy to rebuild the world economy: at the 2009 G20 meeting in London, attending governments pledged to inject roughly USD 700 billion (amounting to 1.4% of the global GDP in 2008) in support measures.[xlviii] By the following year, 2010, the Toronto G20 Summit put an abrupt halt to ambitious development programmes, turning the whole focus of advanced G20 countries towards debt reduction. From setting injection goals, the G20 statement moved to promising budget cuts "that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016."[xlix]

Something similar could happen after COVID-19, once the vaccination campaign starts yielding positive results on the health front. The possibility to return to normal economic activity could entice governments to withdraw expensive support measures more abruptly than recommended, plunging the global economy as they did after the Global Financial Crisis.

What to do with debt

In addition to the corporate debt bubble, global public debt level is at historic height: in OECD countries, the debt stock in 2020 reached roughly USD 52.7 trillion, a USD 3.6 trillion increase compared to before COVID-19. Considering both the rise in debt and contraction in economic activity, the debt-to-GDP ratio in the OECD area jumped from 72.8% in 2019 to 86.2% in 2020.[l]

Normative constraints to excessive budget deficit that pre-date COVID-19 are all still well in place. In the European Union, derogations to the Stability and Growth Pact were made possible by the activation of the "general escape clause", allowing for fiscal flexibility in case of extreme economic shocks. Once the COVID-19 crisis is declared passed, Maastricht rules and fiscal consolidation could kick back in. Countries like Germany, which have embedded debt brakes in their constitution, will also be forced to face their national legal boundaries.

The time has come to explore new and alternative ways of debt management. At the European level, this could imply the institution of a Debt Agency issuing safe debt securities on primary markets and the ability to change member states' debts into perpetuities.[li] Additionally, deficits accumulated in response to the COVID-19 crisis could be ring-fenced in order not to inflate public debt figures, while governments could boost off-balance-sheet investment in particular domains relevant to social justice: housing, green economy, education, care of socially vulnerable groups, access to broadband technology, etc.

The broader policy package: labour, finance, tax and climate

The need to re-assess a permanent government role in the management of the economy and the necessity, therefore, to deal with increasing levels of public debt in other ways than through fiscal consolidation, are only the premise for ensuring a sustainable and inclusive recovery. The real political necessity is to build a fiscal policy that will serve the purpose of social justice and reducing inequality. This implies:

- a different approach to labour, strengthening the role of labour institutions and re-affirming their centrality in guaranteeing decent living conditions for all;
- curbing the negative impact of financialisation, in order not to diverge resources from the real economy while further exacerbating income and wealth polarisation; and
- a progressive tax policy that will put a halt to the secular rise in inequality, while supporting the necessary re-orientation of our economies towards a green economy.

An inclusive labour market

Over the past decades, the progressive erosion of workers' rights, flexibilisation of labour markets and compression of wages have marked a sensible decrease in job and life quality for millions of employed workers across OECD countries. Reversing this hideous trend would go a long way towards improving social justice.

The 2018 OECD Job Strategy acknowledged some of these aspects, as well as the fact "that countries with policies and institutions that promote job quality, job quantity and greater inclusiveness perform better than countries where the focus of policy is predominantly on enhancing market flexibility".[lii] Yet, labour markets are to date far from being inclusive and high quality. Stagnating wages in the face of labour productivity increases, a rising share of non-standard workers (around 40% of workers across the OECD are either temporary contracts, part-time or self-employed workers, according to the 2020 Employment Outlook), skill polarisation and decreasing collective bargaining representation are eroding workers' rights and household incomes. At a time when governments intervened heavily in support of the private sector, it would only be fair to work on reversing this trend, strengthening labour market institutions.

A key recommendation to governments in the aforementioned OECD Job Strategy encourages sufficiently flexible fiscal policy rules in times of a downturn by allowing for anti-cyclical monetary and fiscal policy responses, in order to protect employment levels. In particular, the Job Strategy recommends the use of short-time work schemes and other protection measures at times of crisis, large enough to cover not only open-ended contracts but all forms of non-standard workers. As already mentioned, the rapid activation of such short-term schemes in countries where they already existed proved essential in minimising the impact of COVID-19 on labour markets across OECD countries. Such schemes accounted for a large share of the fiscal packages deployed by governments throughout 2020 and beyond. The Job Strategy also recognised the effectiveness of fiscal policy in economic downturns, the need for counter-cyclical interventions and flexibility on fiscal rules during economic downturns. Next to traditional short-time work schemes, other emergency employment measures can be considered, such as dormant state-contingent schemes, as in the case of Sweden, where its implementation is facilitated by the strong presence of social partners, including trade unions, at the workplace. Income support schemes and unemployment benefits are also important complementary measures at times of crisis.[liii]

Another fundamental aspect relates to well-set minimum wages by law or by collective agreement, which must represent a guarantee of workers' non-exploitation. Their introduction, as well as their increase to a level of living wages for countries where it is still too low, would represent a fundamental step in ensuring decent jobs and improve social justice outcomes. Research on the impact of minimum wages on employment over time has produced conflicting results, but meta-analysis in recent years points to the fact that minimum wages have a neutral impact on employment levels, or at worse reduce total employment so marginally that it cannot be observed in labour market statistics.[liv] This is also confirmed in the recent case of Germany, a country that introduced minimum wages in 2015: evidence shows that companies highly affected by the increase in minimum wage have responded by increasing prices and reducing profit margins, rather than letting their workers go.[lv]

Reforming finance

The excessive financialisation of modern economies, threatening sovereign states by means of capital mobility and inherent instability, poses a direct menace to their capacity to implement policies that would put societies rather than capital first. Financial regulation was very much on the international agenda in the period following the 2008 financial crisis, and the TUAC took an active part in leading the trade union discussion on reforming finance. However, the sense of urgency decreased over time, despite still representing a major threat to economies and societies.

In 2017, the UNCTAD acknowledged that "the economic and political power of finance needs to be contained. The financial system should be smaller and less leveraged, and it should focus more on meeting the credit needs of the real economy."[lvi] To do so, there is an urgent need to better regulate the financial sector, breaking up large banks or at least insulating their commercial from their investment activities, but also consider stronger capital controls that would reduce market volatility and the risk of boom and bust cycles.

Historically, the OECD has been reluctant to address the negative impact of finance on inequality, not to speak of the financialisation process of the economy. This slowly changed after the 2008 crisis. In 2015, the OECD Ministerial dealt for the first time with how finance affect "inclusive growth" and inequality: "The crisis has highlighted the need for financial reform, but this need goes beyond the crisis, as the empirical relationships between finance and growth were present already before the crisis. Structural reform encouraging better finance would not only reduce the risk and cost of crises but also promote stronger, more inclusive growth".[lvii] The foreseen policy package should aim at reducing the risk for speculative bubbles through excessive credit expansion, tightening bank capital buffers, ending "too-big-to-fail" policies and introducing caps to excessive compensation in the financial sector. Steps in the right direction would include, among others, proper regulation of shadow banking activity, manager remuneration systems not based on excessive risk taking and short-termism, the introduction of financial transaction taxation, and splitting "too big to fail" banks, most notably separating their commercial and investment activities.

Tax policy

The design of tax policy can serve multiple purposes. The primary goal is to generate revenues in order to create fiscal space for public intervention, whether current expenditure, capital investment, public and social services. Equally important, tax policy is the primary re-distributional tool used by governments in order to transfer resources from the richest to the lower income quintiles.

After the Global Financial Crisis, the OECD actively promoted regressive tax reforms in the name of growth: the recipe consisted in the reduction of corporate and personal income tax rates, and the increase of consumption taxation (VAT).[lviii] Since then, particularly after the COVID-19 crisis, the OECD operated a gradual shift towards a more balanced tax policy mix in order to decrease inequality levels, while improving the efficiency of personal income taxation.[lix] The IMF has also been calling for increasing wealth taxation in response to rising wealth inequality, as well as the need, in general, to consider tax policy in the context of inclusive growth after COVID-19.[lx]

Tax policy can play an important role in influencing market operators, from businesses to households, in their decision to invest, consume and the type of activity to perform, from research and development, to the green economy and more. In addition, taxation can be effective in curtailing the negative impact of finance on the real economy, while incentivising capital investment. For example, most OECD tax systems encourage corporate funding through loans rather than equity. This debt bias arguably plays in favour of more capital volatility (too much debt and not enough equity) and definitely more speculative behaviour (tax debt-bias is at the heart of the business model of private equity and hedge funds).

Another relevant issue is the shifting of profits from where value is created to where it is declared, in order to take advantage of most favourable tax rates. Thus, tax evasion and aggressive tax avoidance planning schemes, which remain two distinct features, considerably affect and distort the performance of many economies. Symptoms are loss in tax revenue when profits are shifted to tax havens, loss of taxing rights (tax planning), but also competition issues, with tax planning and evasion benefiting mostly large MNEs. These trends increase inequality at large, since such tools are mostly accessible to wealthy individuals and large corporations. The misalignment can become systemic when new services and business models, such as digital corporations, emerge, and traditional tax rules are hard to apply to them. The Base Erosion and Profit Shifting (BEPS II) negotiations launched by the OECD aim precisely at tackling large and highly profitable MNEs that benefit from the current gap between tax rules (designed for brick and mortar businesses) and the disruptive business model of the digital economy ("Pillar I" of the BEPS negotiations). They also aim to resolve the old issue of harmful tax competition by creating a legal framework that would allow governments to set a minimum taxation benchmark at international level for MNEs, through a global minimum tax rate ("Pillar II"). While these efforts are worth being supported and encouraged, there still remains the need for a broader re-thinking of tax policy design. One that would reduce the mounting levels of inequality through truly progressive tax rates, especially at the top of the income and wealth distribution, in order to uphold the redistributive justice principle and provide the right incentives to incentivise real investment in low carbon and sustainable projects, while also shaping a different form of finance. In the words of the OECD, "tax reform is important to move towards a more healthy financial structure in the future".

Environment & climate

The COVID-19 crisis reduced international attention on the state of global environment and the climate change emergency. Yet, this immense challenge has far from disappeared.

In May 2019, trade unions of G7 countries (L7), gathered in Biarritz, France, reaffirmed "Just Transition measures as a crucial condition to implement the ambitious climate policies we urgently need. Without the correct social conditions (involving investments, social dialogue, social protection, social justice, skills and education, etc.) there will never be enough support in society for the structural reform of our economies needed to protect the climate."[lxi]

The COVID-19 crisis has hit the lower socioeconomic and certain demographic groups harder than others, and it magnifies the need to reverse the trend of growing inequalities.[lxii] At the same time, COVID-19 represents the opportunity to re-think established development strategies, accelerating rather than postponing measures addressed at tackling climate change in an inclusive and socially just way. The OECD has increasingly been addressing environmental and climate polices from a well-being approach, taking into account the broader effects of climate change and climate mitigation policies. Recently, the OECD has gone even further, stressing that workers need a Just Transition to be ready for the green future, underlining also the importance of social dialogue.[lxiii] This includes a strong focus on skills and vocational training in order to strengthen workers' resilience to risk and shocks. It must however also include supporting and encouraging investments in sectors with high employment creation and environmental protection potential, such as energy efficiency, renewable energy, with particular attention paid to energy poverty, sustainable mobility, and the upgrade of transport infrastructures.

Finally, developing environmentally sound industrial strategies, which put decent work, low emissions and efficient use of resources, are priorities. Given the support measures applied during the COVID-19 crisis, including liquidity injections, equity and quasi-equity stakes in private enterprises, governments have the opportunity to encourage and influence the direction of private sector investment towards green and sustainable technologies.

Intégrer la justice sociale dans la réponse monétaire et fiscale au COVID-19

Résumé

- Aujourd'hui, les 1 % les plus riches de la distribution mondiale des revenus s'accaparent 20 % du PIB mondial et 27 % de la croissance totale des revenus entre 1980 et 2016. L'augmentation substantielle des inégalités et l'échec des politiques visant à relever le bas et le milieu de la distribution des revenus au cours des quarante dernières années non seulement invalident le prétendu fondement éthique de « l'effet de ruissellement », mais ont des conséquences négatives directes sur les performances de nos économies. Selon les estimations de l'OCDE, l'augmentation des inégalités de revenus dans les pays de l'OCDE entre 1985 et 2005 a coûté, en moyenne, 4,7 points de pourcentage de croissance entre 1990 et 2010.

- À la suite de la crise financière mondiale de 2008, la Fed aux États-Unis, puis la BCE en Europe, se sont engagées dans une politique prolongée de taux d'intérêt bas et d'assouplissement quantitatif (QE). Si ces programmes se sont avérés nécessaires pour stabiliser les marchés et réduire les taux d'intérêt, ils ont gonflé les prix des actifs, généralement détenus par la part la plus riche de la population, accroissant ainsi les inégalités de richesse. En outre, en l'absence d'une relance budgétaire plus forte et d'une réglementation financière plus stricte, leur supposé « effet de ruissellement » sur l'investissement et l'emploi est discutable.

- L'assouplissement quantitatif a permis l'accès au crédit à faible coût, en particulier dans l'UE, mais cette opportunité ne s'est pas entièrement traduite par une hausse de la consommation et des investissements, en l'absence d'une politique budgétaire complémentaire et d'une réglementation financière appropriée. Comme l'assouplissement quantitatif a été introduit dans un contexte de marchés financiers fortement déréglementés, il a exacerbé certaines des lacunes chroniques du modèle financier néolibéral, augmentant ainsi les inégalités et l'instabilité économique. Aujourd'hui, la question est de savoir si les banques centrales peuvent se permettre de retirer leurs politiques monétaires exceptionnelles sans nuire à une économie fragile, car débrancher les lignes de crédit bon marché pendant une stagnation séculaire pourrait entraîner une nouvelle crise financière.

- Une autre raison pour laquelle l'assouplissement quantitatif n'a pas donné les résultats escomptés dans les années 2010 est la prédominance du paradigme néolibéral, amplifiée par des règles budgétaires strictes et procycliques et la mise en œuvre de politiques structurelles dans le cadre de l'austérité, notamment la décentralisation des structures de négociation collective. Cela s'est traduit par une activité économique anémique qui a à peine réussi à retrouver les niveaux économiques d'avant 2008, avant que la COVID-19 ne ramène les économies à la case départ en termes de croissance et d'emploi.

- Pourtant, les conséquences économiques de la COVID-19 ne sont pas les mêmes pour tous. Des centaines de millions de travailleurs ont perdu leur emploi, ou s'accrochent

à des dispositifs de chômage partiel. De l'autre côté, les grandes entreprises technologiques et les plateformes numériques ont vu leurs revenus augmenter considérablement pendant la pandémie, tout comme les gestionnaires de fonds d'investissement et de fonds spéculatifs.

- Aujourd'hui, il est nécessaire d'apporter un soutien monétaire plus systémique et direct à l'intervention budgétaire pour englober les objectifs de développement économique et de justice sociale. Il ne s'agit pas seulement de soutenir indirectement les prêts en assouplissant les exigences en matière d'effet de levier et en améliorant la liquidité des banques commerciales, mais aussi de confier aux banques centrales un rôle plus proactif en ciblant les investissements productifs dans l'économie réelle, tout en les orientant vers la réalisation d'objectifs spécifiques de durabilité sociale et environnementale.

- En ce qui concerne la politique budgétaire, la possibilité de revenir, enfin, à une activité économique normale pourrait inciter les gouvernements à retirer les mesures de soutien plus brusquement que recommandé, ce qui ferait replonger l'économie comme cela a été le cas après la crise financière mondiale. Ce serait une erreur bienn évidemment, car les gouvernements doivent plutôt intensifier et augmenter les dépenses, tout en mettant en œuvre des réformes multidimensionnelles qui iraient dans le sens de la lutte contre les inégalités et de la prise en compte des préoccupations environnementales.

- Afin d'atteindre l'objectif d'une reprise socialement juste, les gouvernements doivent changer de trajectoire en matière de réformes du marché de l'emploi, en renforçant le rôle des institutions du travail et en réaffirmant leur rôle central de la garantie de conditions de vie décentes pour tous. Il est également impératif de limiter l'impact négatif de la financiarisation, afin de ne pas détourner les ressources de l'investissement dans l'économie réelle, exacerbant encore davantage la polarisation des revenus et des richesses. Enfin, il est urgent d'adopter une politique fiscale progressive, qui mette un terme à l'augmentation séculaire des inégalités, tout en soutenant la réorientation nécessaire de nos économies vers un modèle de croissance verte.

Integrar la justicia social en la respuesta monetaria y fiscal a la COVID-19

Resumen

- Hoy en día, el 1% superior de la distribución global de la renta se apodera del 20% del PIB mundial, y ha captado el 27% del crecimiento total de la renta entre 1980 y 2016. El aumento sustancial de la desigualdad y el fracaso en la elevación de la parte inferior y media de la distribución de la renta en los últimos cuarenta años no solo invalida el supuesto fundamento ético de la economía del goteo, sino que tiene consecuencias negativas directas en el rendimiento de nuestras economías. Según las estimaciones de la OCDE, el aumento de la desigualdad de ingresos en los países de la OCDE entre 1985 y 2005 ha costado, por término medio, 4,7% de crecimiento entre 1990 y 2010.
- Tras la crisis financiera mundial de 2008, la Reserva Federal de Estados Unidos, seguida por el BCE en Europa, se embarcaron en una política prolongada de tipos de interés bajos y de flexibilización cuantitativa (QE). Aunque estos programas resultaron necesarios para estabilizar los mercados y reducir los tipos de interés, inflaron los precios de los activos, normalmente en manos de la parte más rica de la población, aumentando la desigualdad de la riqueza. Además, en ausencia de un mayor estímulo fiscal y una regulación financiera más estricta, su supuesto efecto de filtración sobre la inversión y el empleo es cuestionable.
- La QE permitió el acceso al crédito a bajo coste, sobre todo en la UE, pero esta oportunidad no se tradujo plenamente en un mayor consumo e inversión, en ausencia de una política fiscal complementaria y una regulación financiera adecuada. Dado que la QE se introdujo en un contexto de mercados financieros fuertemente desregulados, exacerbó algunas de las deficiencias crónicas del modelo financiero neoliberal, aumentando la desigualdad y la inestabilidad económica. Hoy en día, la cuestión es si los bancos centrales pueden permitirse retirar sus políticas monetarias excepcionales sin perjudicar a una economía frágil, ya que desconectar las líneas de crédito baratas durante un estancamiento secular podría provocar una nueva crisis financiera.
- Otra razón por la que la QE no dio los resultados esperados en la década de 2010 fue el predominio del paradigma neoliberal, magnificado bajo estrictas reglas fiscales procíclicas y la aplicación de políticas estructurales de austeridad, incluida la descentralización de las estructuras de negociación colectiva. Esto se tradujo en una actividad económica anémica que apenas logró restablecer los niveles económicos anteriores a 2008, antes de que la COVID-19 devolviera las economías al punto de partida en términos de crecimiento y empleo.
- Sin embargo, las consecuencias económicas de COVID-19 no son iguales para todos. Cientos de millones de trabajadores han perdido sus puestos de trabajo, o se aferran a planes de trabajo temporales de corta duración. En el otro lado, las grandes empresas tecnológicas y las plataformas digitales han visto aumentar considerablemente sus ingresos durante la pandemia, al igual que los gestores de fondos de inversión y de cobertura.
- Hoy en día, es necesario un apoyo monetario más sistémico y directo a la intervención fiscal para abarcar los objetivos de desarrollo económico y justicia social. Esto no sólo significa un apoyo indirecto a los préstamos a través de la flexibilización de los

requisitos de apalancamiento y la mejora de la liquidez a los bancos comerciales, sino un papel más proactivo de los bancos centrales en la orientación de la inversión productiva en la economía real, dirigiéndola al mismo tiempo hacia el cumplimiento de objetivos específicos de sostenibilidad social y medioambiental.

- En cuanto a la política fiscal, la posibilidad de volver a la normalidad en la actividad económica podría inducir a los gobiernos a retirar las costosas medidas de apoyo de forma más brusca de lo recomendado, hundiendo la economía como ocurrió tras la Crisis Financiera Mundial. Esto sería un error, ya que los gobiernos deben más bien intensificar y aumentar el gasto, al tiempo que aplican reformas multidimensionales que vayan en la dirección de luchar contra la desigualdad y atender a las preocupaciones medioambientales.
- Para lograr el objetivo de una recuperación socialmente justa, los gobiernos deben cambiar el enfoque predominante sobre el trabajo, reforzando el papel de las instituciones laborales y reafirmando su centralidad en la garantía de unas condiciones de vida dignas para todos. También es imperativo frenar el impacto negativo de la financiarización, para no desviar recursos de la inversión en la economía real, exacerbando aún más la polarización de la renta y la riqueza. Por último, es urgente una política fiscal progresiva que ponga freno al aumento secular de las desigualdades, al tiempo que apoye la necesaria reorientación de nuestras economías hacia un modelo de crecimiento ecológico.

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