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RE-DISTRIBUTE economic power and resources

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The imperative to redistribute economic power and resources was already urgent long before the COVID-19 pandemic. Indeed, the intense concentration of wealth and corporate power was an issue explored at length in the 2018 Spotlight Report. However, as with so much else, the pandemic has magnified existing trends, shining a harsh spotlight on how extreme and unjust the status quo has become, and also how the systems we have in place channel wealth and power upwards, even in the midst of a global health emergency.

As of July 2020, billionaires in the US had increased their net worth by US$ 637 billion during the pandemic,[1] while job losses and unemployment spiraled out of control, threatening to push millions into poverty. Meanwhile, 17 of the top 25 most profitable US corporate titans, including Microsoft, Pfizer, Johnson & Johnson and Facebook are expected to make almost US$ 85 billion more in 2020 than in previous years. While the "benefits" of the pandemic are being concentrated in the hands of the few, those who were already disadvantaged are finding their inequality yet more entrenched: Oxfam found that more than 9 out of every 10 dollars of excess pandemic profits are likely to end up in the hands of white Americans, with only 32 cents for Black and Latin communities.[2]

This phenomenon is not only happening in the US; billionaires in Latin America increased their wealth by some US$ 50 billion from March to June 2020, equivalent to over a third of total government stimulus packages across the region in that period.[3]

The pandemic is widening inequalities at the global level, too. Of the 70–100 million people worldwide predicted to fall into extreme poverty, more than 80 percent are in South Asia and Sub-Saharan Africa.[4] The consequences of imbalanced economic power *between* countries are also becoming ever more deadly. Low-income countries are trying to fight the virus with public health systems starved of resources over decades of externally-imposed structural adjustment and austerity, while also facing likely delays in obtaining vaccines and treatments as rich countries buy up current and future stock and refuse to relax intellectual property patent protections.[5]

The relief and recovery packages being put in place by governments and international institutions are a critical means for tackling the structural inequalities exposed and perpetuated by COVID-19. In designing and implementing these packages, governments have

1 H. Woods (2020), 'How billionaires got $637 billion richer during the coronavirus pandemic', Business Insider. https://www.businessinsider.com/billionaires-net-worth-increases-coronavirus-pandemic-2020-7

2 Oxfam America (2020), Pandemic Profiteers Exposed. https://www.oxfamamerica.org/explore/stories/who-profits-covid-19-and-how-can-we-use-money-help-us-get-vaccine/

3 Oxfam (2020), ¿Quien paga la cuenta? Gravar la riqueza para enfrentar la crisis de la COVID-19 en América Latina y el Caribe. https://www.oxfam.org/es/informes/quien-paga-la-cuenta-gravar-la-riqueza-para-enfrentar-la-crisis-de-la-covid-19-en-america

4 World Bank Data Blog (2020): https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty

5 CESR and TAG (2020), Recovering Rights Topic Six: Ensuring Universal Access to Covid-19 Diagnosis, Treatment and Prevention. https://www.cesr.org/sites/default/files/Brief%206%20Health%20Adjust.pdf

the chance to start disrupting the status quo and breaking up the concentration of corporate and elite power at the root of these inequalities. However, most governments are currently failing to take this opportunity. Stimulus plans in countries such as the US have been skewed towards large corporations rather than the most affected communities,[6] while the terms of IMF emergency loans to countries such as South Africa have raised fears of renewed "anti-poor" austerity cuts.[7]

These developments have prompted concerted pressure from civil society[8] to ensure that recovery measures serve to redistribute resources, remedy inequalities, and rebalance power in our economies – both nationally and globally.

Such measures would not only be more just; they would be in line with governments' obligations under international human rights law. These obligations direct governments to generate sufficient revenue to finance the infrastructure, goods and services needed to guarantee people's rights, including through taxation that is fair, progressive and socially equitable (e.g., not burdening poorer people, especially women, disproportionately). Resource allocation should prioritize disadvantaged groups and target gender, racial and other inequalities, including in the care economy. This has concrete implications for whom COVID-19 relief and recovery packages should benefit and how they should be paid for. Indeed, socioeconomic rights standards give us a roadmap for a just recovery: away from an exploitative economic model based on unsustainable growth, towards a resilient one based on caring for people and the planet.[9]

Several fiscal policy proposals being put forward by civil society, progressive economists and some political parties are very much in line with human rights standards and principles. For example, there is a strong human rights case for implementing both wealth and "excess profits" taxes at this time.[10] So-called solidarity taxes have been implemented or proposed in various forms in different country contexts, including Uruguay, Colombia, Peru, South Africa and Spain. In Europe, economists have proposed a progressive Europe-wide tax on the wealthiest one percent to fund the COVID response. The idea of a new tax on the "excess" profits of those corporations reaping rewards during the pandemic (e.g., Amazon and other tech giants) is also gaining traction.[11] Ultimately, the principle is simple: those most impacted by COVID-19 and its economic fallout – in terms of health and livelihoods – should not be the ones to pay the eventual bill. More robust taxation of wealth and corporations was already high on the agenda of economic justice groups, but has been given further impetus by COVID-19. The newly agreed indicator for SDG target 10.4, which will measure the redistributive impact of fiscal policy (as measured by the Gini coefficient)[12] is a timely step in the direction of visibilizing the role of economic policy in creating and perpetuating structural inequalities.

Redistribution is absolutely crucial for a just recovery from COVID-19, for realizing human rights for all, and for achieving the SDGs. But on its own, redistribution is not enough - we also have to think about not how we create wealth, resources and power in the first place. Crucial "predistributive" policy areas in this regard include labor and wage

6 I. Saiz (2020), A Rights-based global economic stimulus to tackle COVID-19, OpenGlobalRights. https://www.openglobalrights.org/rights-based-global-economic-stimulus-to-tackle-covid-19/?lang=English

7 Budget Justice Coalition South Africa (2020). https://budgetjusticesa.org/media/finding-money-to-fight-covid-19-transparency-and-participation-are-the-bottom-lines-1/

8 See CESR Confronting COVID blog series: https://www.cesr.org/blog

9 See CESR's Recovering Rights series unpacking the implications of human rights standards for how governments should resource a just recovery: https://www.cesr.org/covid-19-recovering-rights-series-0

10 As well as enacting reform to the overall tax system to make it more progressive. See CESR, Recovering Rights Topic Three: Progressive Tax Measures to Realize Rights. https://www.cesr.org/sites/default/files/Brief%203%20Progressive%20Tax_.pdf

11 T. Diniz Magalhaes and Allison Christians, Rethinking Tax for the Digital Economy after COVID-19 (2020). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3635907

12 N. Lustig, C. Mariotti, C. Sánchez-Páramo (2020), The redistributive impact of fiscal policy indicator, World Bank Data Blog. https://blogs.worldbank.org/opendata/redistributive-impact-fiscal-policy-indicator-new-global-standard-assessing-government

policies, and financial and corporate regulation.[13] In particular, the corporate influence over – and in many cases, capture of – the State is a phenomenon with profoundly negative impacts on human rights, which are becoming more pronounced in the context of COVID-19. At this moment, while they are handing out bailouts, forgivable loans and other publicly funded relief to businesses, governments have an unprecedented leverage over corporate actors desperate for State aid. They should use it to promote social and environmental interests, by premising corporate aid on strict conditions. Public money should only protect corporations if they are in turn willing to prioritize their workers, the environment and the human rights of the communities with which they interact.[14]

Some countries – including Denmark and Poland – have already banned corporations that utilize tax havens from receiving government bailout funds. But there is a lot more that should be done, including for example requiring bailout recipients to provide paid sick leave, implement a minimum living wage and limit executive pay, close the gender pay gap, and put in place a plan to achieve net-zero carbon emissions.[15] Unfortunately, there is little evidence so far that such conditions are being seriously considered or enforced in a widespread way. An investigation in the UK has found that corporations bailed out with public money have paid out billions in dividends to investors while laying off tens of thousands of workers.[16] Meanwhile, businesses in the most concentrated sectors – such as food processing – have recklessly exposed their workers to the virus without fear of retribution.[17] The threat of multinational corporations using their excessive power to sue governments who put in place restrictions on business activities for reasons of public health is also looming on the horizon.[18] Ending Investor State Dispute Settlements must be a priority if we want to re-establish the primacy of human rights over investor "rights".[19]

It is also important that the redistribution of economic power we seek also take place at the global level. The current system operates to the intense disadvantage of people in lower-income countries, whose governments are starved of resources to realize their rights through illicit financial flows, debt servicing and loan conditionalities. Human rights standards must also guide us here: all governments have obligations to cooperate internationally and respect the rights of people outside of their own borders.[20] These standards have concrete policy implications, including around tax cooperation and debt relief, issues which the next article will explore in more detail. As we navigate our way through the pandemic, we can draw on human rights standards such as these to ensure our governments make decisions that steer us towards a more just economic system – nationally and globally. The pandemic is galvanizing an ever-increasing array of actors to imagine how our economies could be reshaped if human rights and human dignity were put at their center, and to work together to make that vision a reality.

13 CESR (2016), From Disparity to Dignity: Tackling Economic Inequality through the SDGs.

14 CESR and BHRRC (2020), Recovering Rights Topic Five: Business and Human Rights in a Just Recovery. https://www.cesr.org/sites/default/files/CESR%20Brief%205%20FINAL%20ADJUST__0.pdf

15 Ibid.

16 B. Smoke (2020), 'Corporations Receiving Bailout Billiions Have Laid Off Staff and Paid Investors', Vice World News. https://www.vice.com/en_us/article/m7jxvn/corporations-receiving-bailout-billions-have-laid-off-staff-and-paid-investors

17 J. Mayer (2020), 'How Trump is Helping Tycoons Exploit the Pandemic', The New Yorker. https://www.newyorker.com/magazine/2020/07/20/how-trump-is-helping-tycoons-exploit-the-pandemic

18 Public Citizen (2020), 'Law Firms Are Recruiting Corporations to Attack COVID-19 Policies in ISDS 'Corporate Courts''. https://www.citizen.org/news/law-firms-are-recruiting-corporations-to-attack-covid-19-policies-in-isds-corporate-courts-warn-600-plus-civil-society-groups-from-90-nations/

19 CCSI et al, Call for ISDS Moratorium During COVID-19 Crisis and Response (6 May 2020). http://ccsi.columbia.edu/2020/05/05/isds-moratorium-during-covid-19/

20 CESR (2020), Recovering Rights Topic Two: Governments' Obligation to Cooperate Internationally to Realize Human Rights. https://www.cesr.org/sites/default/files/Issue%20Brief%202__.pdf