

How did Covid-19 Crisis interact with world inequality? What's the implication of your finding for government policies?

I. Introduction

While the nexus of the effects of COVID-19 may lie in personal health and the global economy, the ramification of equality in the global landscape must be noted. The multi-faceted attack on the parity of individuals across an international scale, has shoved 120 million people into extreme poverty. We may understand inequality as the disparity of opportunity, health, income etc. Yet inequality is perhaps the most complex concept on which a definitive statement may be made¹. There is a list of facets of inequality that must be addressed, in the modern disposition of the economy, yet to this day, both assessments of and attempts to tackle inequality fall short. While COVID-19 has highlighted income inequality and health inequality, disparity is equally found between types of inequality. This essay hopes to clarify this obscure concept, that is inequality, in the context of post-COVID-19 while directing focus to new and effective propositions of government policy to be considered.

II. The Difficulty of Assessing and Tackling Inequality

Modern policymakers and economists use statistics from the Gini coefficient, Theil index, GDP per capita, the Lorenz curve etc. While these methods of assessment of inequality provide empirical evidence to inform conclusions, they are limited. All the above methods and others are sensitive to different parts of the evidence they gather and can in principle rank inequality before and after the pandemic differently¹. For example, the Gini coefficient accounts for country fixed effects (differences in average country income distributions) and time fixed events (global shocks to the economy), but in times of financial crises e.g., Lehman Brothers collapse in 2008, structural changes to the economy such as aging populations, hysteresis of unemployment through early retirements etc. are not controlled². Therefore, while assessments of inequality allow for the simplification of the inequality issue down to a number between 0 and 1, it reveals nothing about the nature of the inequality and rather serve as estimates to view a blurred magnification into the wider complex issue of inequality in societies.

III. Income Inequality

The largest and most well-known form of inequality by modern economists is income inequality. It is commonly understood that COVID-19 has brought forward a series of issues that will have both a short and long-term effect on international development. In fact, COVID-19 accentuated the pre-existing human rights and social catastrophes running for decades since. Food shortages, caused by the mismanagement of global food security along with conflict has very seriously disadvantaged marginalised groups³. Ex ante COVID-19 many thought that the epidemic would lead to a halt in the other humanitarian crises of the world, yet ex post COVID-19 rather amplified the effects of many of these crises and rather masked the escalations of the disposition of these marginalised groups. For example, those in the middle east suffering from the corporate privatised conflicts of Yemen, Libya

¹ (Ferreira.F.,2021) Inequality in the time of COVID-19

² DARVAS, Z. (2021). *THE UNEQUAL INEQUALITY IMPACT OF THE COVID-19 PANDEMIC*. Bruegel. <http://www.ijsor.org/stable/resrep32250>

³ G. McCann, P. Carmody, C. Colleran, & C. O'Halloran (Eds.), *COVID-19 in the Global South: Impacts and Responses* (1st ed., pp. 161–172).

etc³. The LDC citizens faced two humanitarian crises simultaneously, and their poorly funded, corrupted and ultimately ruined governments followed with no intervention. As figures from the ONS show, those suffering socio-economic deprivation were twice as likely to die from COVID-19 (“The age-standardised mortality rate of deaths involving COVID-19 in the most deprived areas of England was 55.1 deaths per 100,000 population compared with 25.3 deaths per 100,000 population in the least deprived areas”)⁴. On a global scale, this inequality of relative income has deteriorated years of hard-won development in disadvantaged countries³. Paraphrased from a speech given by Antonio Guterres, Chief of the United Nations, Inequality defines our time, the 26 richest people in the world own more wealth than more than half the global population, while multiple other inequalities found with gender, age, disabilities, race intersect to re-enforce each other⁵. In this speech, Guterres reminds us that even today, and more so due to COVID-19, the lives of the next generations still rely on the circumstances they are born in.

Income inequality is also largely related to educational inequality; those with poor educations, tend to have lower incomes and wealth. Additionally, levels of income of families result in pre-disposition of children's welfare and education due to the likely safety and education quality of the areas they are likely to grow up in, the people they are surrounded by and overall, the opportunity to escape the poverty cycle. COVID-19, therefore, created large set-backs for low-income families who are likely to work labour and easily expendable jobs. For low-income families, the lack of wealth and unavailability of inherited wealth themselves, being part of the poverty and income inequality cycle, means that their low wages and/or benefits will make up a large if not whole proportion of income. This means that when hit by COVID-19, the pandemic was a big financial shock, resulting in the realities of ex post COVID-19 that are demonstrated in Exhibit A (see appendix). The chart shows that workers, primarily in counties of the European Union, of a low socio-economic background and education levels suffered much worse as a result of COVID-19 in relation to income loss and socio-economic deprivation. However, in accordance to the Gini coefficient, countries of the European Union are supposedly the least affected by inequality⁶. The disparity between the mathematical estimations and the true post-covid reality, acts as evidence for the phrase “Inequality defines our time”. While the global south looks up to the global north for their lack of inequality and equal distributions of opportunity and wealth, it is these same countries supposedly world advocates for equality, who due to the rising number of billionaires and wealth held by the top 1% of these countries, face an almost equal brunt of income inequality as those of the global south and LDC’s, ex post COVID. COVID-19 widens inequality, for all, it causes an unstable and strained political and social landscape in any economic situation, but in any scenario, it is those of low-income and educational backgrounds left most vulnerable.

⁴ *Deaths involving COVID-19 by local area and socioeconomic deprivation - Office for National Statistics*. Ons.gov.uk. (2022). Retrieved 3 September 2022, from <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsinvolvingcovid19bylocalareasanddeprivation/deathsoccurringbetween1marchand17april>.

⁵ *'Inequality defines our time': UN Chief António Guterres' hard-hitting 2020 Nelson Mandela Annual Lecture*. Africa Renewal. (2022). Retrieved 4 September 2022, from <https://www.un.org/africarenewal/news/inequality-defines-our-time-un-chief-delivers-hard-hitting-mandela-day-message#:~:text=UN%20Secretary%2DGeneral%20Ant%C3%B3nio%20Guterres,hard%2Dhitting%20speech%20on%20Saturday>.

⁶ *Gini Coefficient by Country 2022*. Worldpopulationreview.com. (2022). Retrieved 4 September 2022, from <https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country>.

IV. Health Inequality

Health Inequality may be defined as the disparity between social or economic groups in relation to opportunities and capacities for good personal health. Contrary to popular belief, health inequality does not directly correlate with income inequality. The outcomes of the pandemic were, rather, sporadic and affected different countries and socio-economic groups at different paces. In fact, despite their advantages in health systems, government funding, infrastructure, quality of education etc. Countries of a higher income or a higher-middle income have shown a larger loss of life as a result of the pandemic. Yet the predictions of common opinion would differ as when armed with the world best machinery, highest qualified doctors, best response units, colossal funding (applicable to both private and public sectors) and highly educated populations, who would fathom that it would be the countries with the aforementioned capabilities who suffered the highest number of deaths per 100,000 people. While underreporting and lack of organisation in research is likely to have played a role in the cases of some outliers such as Burundi, it is unlikely that the results are spurious in the case of such a strong positive correlation⁷. This may be as the statistics reflect the aging populations of these richer countries, along with their exposure to viruses through trade routes, greater urbanisation and overall higher life expectancies, would pose these wealthier nations as the disadvantaged in the context of health. However, can this be true when there is such a disparity of healthcare service and life expectancy?

Yet, a verdict can be given. Health inequality does exist. Moreover, COVID-19, notwithstanding statistics such as Exhibit B, hurt the population of LDCs health to a further extent. This can be seen in the example of India. India is considered a low-income country, due to the very low GDP per capita of the nation, it is regarded as one with little provision of decent healthcare for its constituents, rather India faced one of the worse humanitarian crises in the history of the world during this recent COVID pandemic. According to the graph, India is a lower-middle income country, and so has faced the worst of the world in the context of income and health inequality. During and post-pandemic, India faced huge food shortages, where children who were previously fed at school for free, now had no access to nutrition for months at the beginning of COVID-19. Furthermore, hospital beds were filled to such an extreme extent in India, that some COVID patients were just forced to find any private healthcare still offering treatment or left to die⁸. This case study represents that income inequality produces and will continue to produce the long-term effect of the COVID pandemic on the economy and in turn its contributions to health inequality, leading to the aeonian nature of the pandemic on all poorer nations.

V. Proposition for Economic Policymakers

Despite the verdicts given above surrounding the interactions of COVID-19 with world inequality, the question still remains: what can policymakers in governments do to combat this unequal distribution both with and between nations? Firstly, we must accept the multi-faceted nature of inequality. This essay has so far discussed both income and health inequality, while countless exist in the discriminatory and biased modern socio-economic landscape. Income, pay and wealth are not the only facets of inequality, rather the lives and opportunities for both current and future generations, from the

⁷ Ferreira, F., 2021. *INEQUALITY IN THE TIME OF COVID-19*. [online] Available at: <https://www.imf.org/external/pubs/ft/fandd/2021/06/inequality-and-covid-19-ferreira.htm>

⁸ Alvi, M., Gupta, M. Learning in times of lockdown: how Covid-19 is affecting education and food security in India. *Food Sec.* **12**, 793–796 (2020). <https://doi.org/10.1007/s12571-020-01065-4>

outlook of the inequality present in the modern economic disposition, will be determined by the circumstances of individuals at their birth. Fuelled by disparity in relation to race, gender, sexuality, disability, income etc. Inequality provides the strongest resistance towards human development that we can face.

The only solution that is possible at this time is for government policy to be aid and welfare- focussed internationally. As discussed in her book, *Doughnut Economics*⁹, a medium must be found under the ecological barrier but above the requirements for social welfare to provide an economy and society that tends to the needs of all under the means of the planet and those who lead it. On the one hand, progressive policies such as progressive taxes for the wealthier of firms and individuals, which may help to reduce the income inequality of households. On the other hand, injections from the government may be attractive as governments may redirect government budget towards subsidising lower-income areas and local businesses allowing the redistribution of wealth and reducing regional inequality. However, no policy is perfect, progressive taxes may disincentivise wealth creation for both firms and individuals, possibly having negative externalities on the use of harmful ingredients or lower wages to make up the profit margin lost to taxes. Moreover, injections into the economy (e.g. through subsidies) have disadvantages too such as time lags and political opposition. The manipulation of budget deficit and fiscal policy is likely to be a key contender to drive change against inequality, yet a medium must be found between all. Targeted, yet multi-dimensional, effective yet not unsustainable, policy to tackle inequality is as complex and challenging as the concept of inequality itself, but a medium may be found through the use of both subsidies and government programs similar to the “levelling up” of the UK government, but also includes the redistribution of wealth through supply side policy and progressive taxes, to create a time-proof plan to tackle inequality.

VI. Conclusion

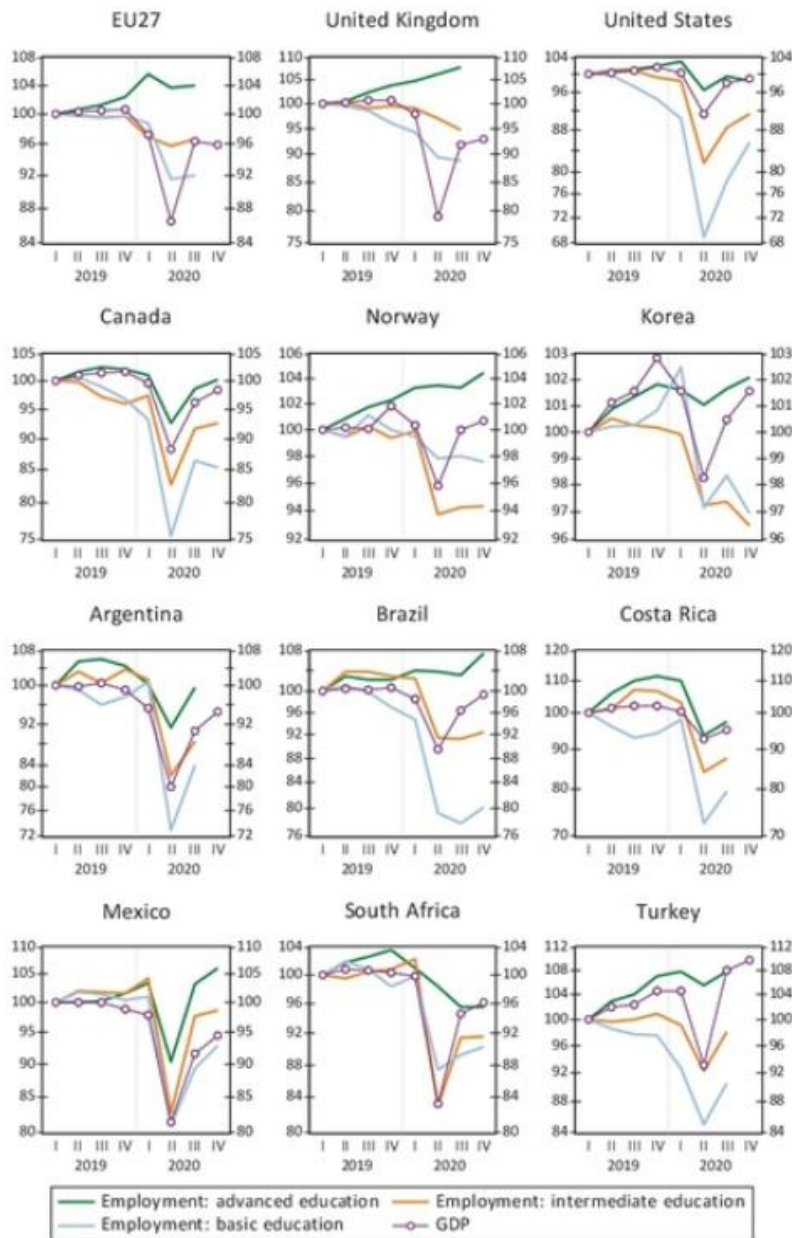
To conclude, COVID-19 interacted with COVID-19 in many significant ways, the most outstanding being income and health inequality. COVID-19 has accelerated the social and economic divide between marginalised groups and has ultimately driven back progression of developing countries and social groups by decades. Ex post COVID-19 many countries of low income and wealth have been driven back years of opportunity, and while wealthier nations lost countless lives and today face hysteresis of unemployment and productivity loss, LDC’s still see decades of development and struggle in the long term. Therefore, it is undoubtedly imperative for modern policymakers and governments to craft policies that effects meaningful long-term recovery, while recognising the requirement of unity of nations and the multi-dimensional approach policy must be demanded of for success.

VII. Appendix

Exhibit A

⁹ Raworth, K. (2012). *Doughnut economics*.

Figure 1: GDP and employment developments in the EU and selected countries, 2019Q1=100



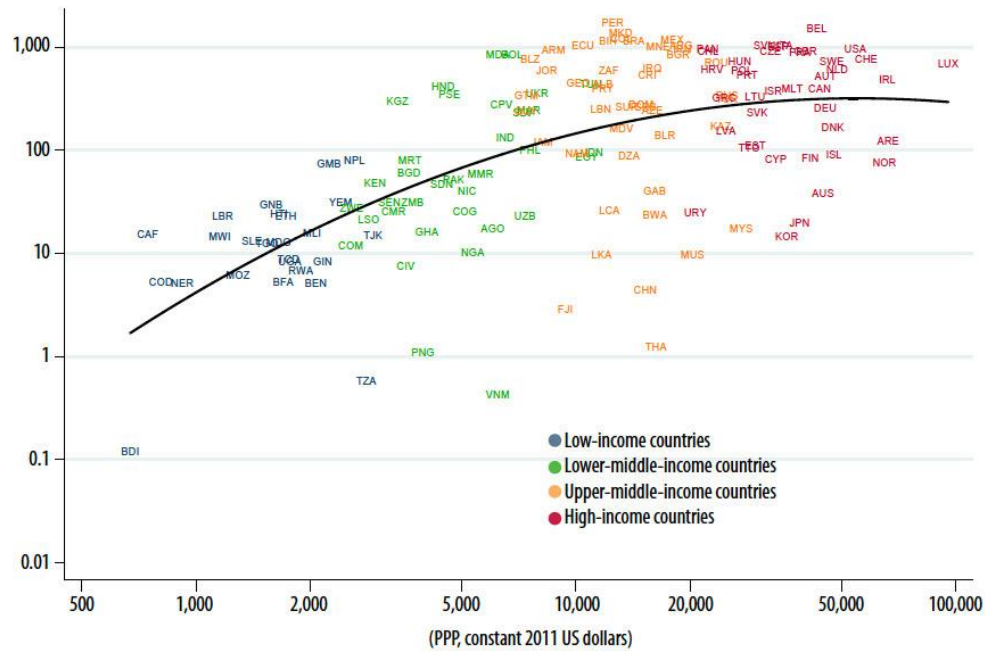
Source: Bruegel based on the International Labour Organisation's "Employment by sex, age and education (thousands)" dataset for seasonally unadjusted employment in all countries; Eurostat's "Employment by sex, occupation and educational attainment level [1 000] [lfsq egised]" dataset for seasonally unadjusted employment in the EU27; the World Bank's "Global Economic Monitor" for seasonally adjusted GDP data of all countries and Eurostat's "GDP and main components (output, expenditure and income) [namq_10_gdp]" dataset for seasonally adjusted GDP data of the EU; accessed on 25 March 2021. Note: Employment data has been seasonally adjusted.

Exhibit B

Wealth and health

Despite their advantages, richer countries have shown a larger loss in life years due to the pandemic than many poorer countries.

(life years per 100,000 people)



Source: Ferreira and others (2021).

Note: Country abbreviations are International Organization for Standardization (ISO) country codes. PPP = purchasing power parity.

Source: Ferreira et al. [available at:

<https://www.imf.org/external/pubs/ft/fandd/2021/06/images/ferreira-chart1.jpg>]

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