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SVET NAKON KORONAVIRUS PANDEMIJE: PROMENA RAZVOJNE PARADIGME ILI PERPETUIRANJE KRIZA

THE WORLD AFTER CORONAVIRUS PANDEMIC: CHANGING THE DEVELOPMENT PARADIGM OR PERPETUATING THE CRISIS

Rezime: Svet se još jednom suočio sa pandemijom nepoznatog virusa. Za razliku od ostalih, barem kada je ovaj vek u pitanju, nijedna pandemija nije u toj meri izazvala strah i dovela do velikih turbulencija u proizvodnim i finansijskim tokovima. U kratkom roku je moguće stabilizovati sistem kroz primenu makroekonomskih stimulativnih mera. Ipak, ukoliko se nastavi sa globalnim ekonomskim politikama koje dovode do snažnog društvenog raslojavanja, pa samim tim i prigušenog i nestabilnog privrednog rasta i perpetualnih finansijskih kriza, globalni šokovi, poput ove pandemije, će biti sve češći čime će se problemi samo produbljivati. Održiva i stabilna putanja privrednog rasta i pripremljenost za sistemске šokove zahtevaju pravedniju raspodelu svetskog dohotka i bogatstva, očuvanje životne sredine i intenzivnu, konstruktivnu i funkcionalnu saradnju na relaciji međunarodne institucije, države, privatni i civilni sektor i građani.

Ključne reči: pandemija, nejednakost u raspodeli, privredni rast, finansijska tržišta, životna sredina

JEL klasifikacija: D63, I14, I15, O10, O16

Summary: The world has once again faced a pandemic of an unknown virus. Unlike the others, at least when it comes to this century, no pandemic has caused such fear and led to great turbulence in production and financial flows. In the short term, it is possible to stabilize the system through the application of macroeconomic stimulus measures. However, if global economic policies continue, leading to strong social stratification, and thus subdued and unstable economic growth and perpetual financial crises, global shocks, such as this pandemic, will become more frequent, which will only deepen the problems. Sustainable and stable paths of economic growth and preparedness for systemic shocks require a fairer distribution of world income and wealth, preservation of the environment and intensive, constructive and functional cooperation between international institutions, the state, the private and civil sector and citizens.

Keywords: pandemic, distribution inequality, economic growth, financial markets, environment

JEL classification: D63, I14, I15, O10, O16

1. INTRODUCTION

Since the beginning of this century, that is, the millennium, the world has been hit by several dangerous pandemics. SARS 2002-2003 (770 deceased); Swine flu 2009-2010 (200 thousand deceased); MERS 2010 - still in force (850 deceased); Ebola 2014-2016 (11.3 thousand deceased). This year, in 2020, the world faced the most virulent pandemic so far - a pandemic of a novel, SARS mutated version, the coronavirus (LePan, 14th March 2020). Its specificity is that it is extremely contagious, while its mortality rate is ten times higher than the seasonal flu. According to the latest data, in a period of about five months, a total of 3,596,142 infected people were registered, of whom 251,718 died (mortality rate of 7%) and 1,170,779 recovered. These figures continue to change rapidly on a daily basis (Johns Hopkins Coronavirus Resource Center, 5th May 2020).

The pandemic broke out in China in the province of Hubei, the city of Wuhan, which has over eleven million inhabitants. The disease was first registered in late November, early December last year, but China has carefully kept this news out of the public eye for about a month. Until then, it closed the entire province of Hubei and claimed before the World Health Organization that the virus was not transmitted from person to person, while international flights and travels were allowed. The virus then spread rapidly across the planet.

In March, the most critical month, the speed at which the coronavirus was transmitted was frightening. According to the then calculations of the Australian professor of economics Steve Keen, the number of infected people doubled every six days. Under the conditions at the time, if this rate of spread of the infection continued and if we count only the registered cases, the en-

tire planet would be infected within three months. If we introduce preventive measures such as increased hygiene and avoidance of closed space and mass gatherings into circulation at this rate of virus spread, the entire planet would become infected within five months. If measures were further introduced to limit social interaction and significantly raise hygiene in public spaces, the rate of spread of the infection could be slowed down so that the number of infected people doubles every month, which would take a year and a half to infect the whole planet. Finally, with the drastic measures introduced by China, the number of infected people would double every two months, i.e. the entire planet would be infected in three years (Keen, 4th March 2020).

In other words, restrictive measures were necessary - we bought time to relieve hospital capacities and come up with an effective drug and vaccine that is estimated to be available within 18 months. There are now several problems. First, from the perspective of infection transmission, the analysis so far is a mitigated version because the spread rate of infection is calculated only on the basis of the number of registered cases - there is a large number of unregistered cases with mild and asymptomatic manifestations. Unfortunately, until we realize the extent to which the virus has spread, we cannot fully understand it or, in other words, one of the preconditions for fighting the virus is that the number of registered cases coincides with all patients. Second, the question is whether the herd immunity approach is effective because there is no answer to the question of whether the person who contracted the disease acquired immunity, especially since there are indications that the coronavirus mutated into several dozen versions through the spread process. Third, there is no evidence that



warm weather slows the spread of the virus. Moreover, the World Health Organization is of the view that the corona is transmitted equally efficiently in warm and humid parts of the world (World Health Organization, 4th May 2020). In other words, effective pandemic control means that restrictive measures will be in force for a year and a half, because if they do not, during the summer, due to the restrictions in the public space, there will be only a temporary slowdown in the pandemic, which will flare up again in autumn. Fourth, restrictive measures potentially lead to major economic problems - according to some authors, if the pandemic does not last too long, a combination of expansionary monetary policy (lower interest rates) with fiscal stabilizers should be sufficient to address this crisis, whose recovery, similar to the case of the SARS pandemic in 2003, will take the form of the Latin letter "V" (Sell, 7th April 2020). Again, if the crisis lasts and if it erupts again in the fall, production chains and profit margins will be seriously jeopardized. In that case, in addition to the policy of lowering reference interest rates, central banks will be forced to pump liquidity into the system while fiscal authorities will have to significantly increase their spending and make significant efforts to further stimulate free trade flows and foreign investment. In that case, the recovery would take the form of the Latin letter "U" (OECD, 2nd March 2020).

In our view, the coronavirus-related crisis is less

dependent on how long it will last from the profound consequences it will produce thanks to the fragility of the global political-economic system. In short, the coronavirus pandemic once again brings into focus the ideological and structural political-economic changes that took place in the late 1980s. These changes have led to deep global social stratification, environmental catastrophe and lasting economic instability. As such, this system in the long run leads to perpetual social stratification, economic stagnation, environmental destruction and an essential inability to withstand systemic shocks, such as the coronavirus pandemic. The key to the problem lies in the ever-growing global inequality in the distribution of income and wealth, both at the domestic, national level, and at the global level, and ideology and, inherently, the economic policies that have led to this outcome. Of course, a pandemic is just a manifestation that exposes the deep structural fragility of the world economic and social system. This problem, therefore, cannot be solved solely by applying stabilizing macroeconomic policies - we can only buy time with them, but only for a short time. What is needed is to establish a stable, equitable and environmentally sustainable economic trajectory that we see as the most important factor that can help reduce both the frequency and likelihood of economic shocks. On this task, it is crucial to find the causes of subdued and unstable economic growth, frequent financial crises and growing social inequalities.

2. CAUSES OF FRAGILITY OF THE GLOBAL POLITICAL-ECONOMIC SYSTEM

After the Great Depression of the 1930s and World War II, the basic characteristics of the American economy and Western countries are state interventionism, strict regulation of corporate and financial sector operations, strong labor

unions, progressive income taxation, high property and inheritance taxes, fixed exchange rates (gold-dollar standard) and strict restrictions on international capital movements.

2.1. Great compression

During that period, Western countries experienced a boom - until the 1970s, wages grew in real terms and in line with productivity growth. Corporations were no longer able to speculate on the stock exchanges and due to strong labor unions were forced to focus on innovation and increased productivity because there was no possibility of profits increasing at the expense of wages. Also, due to the devastating World War II, they did not have real competition on the world market, which is why they were not overly interested in conflicts with workers, nor to challenge the welfare state that was committed to social security, health care and education programs. Similarly, given that the memory of the financial collapse of the 1930s was still fresh, the rich did not oppose the significant role of the state in regulating the economic system. The financial sector was relatively stable and was mainly focused on financing the companies' operations, and to a much lesser extent on financing the consumption and purchase of real estate. This period is also remembered for the significant reduction of social inequalities. The purchasing power of workers really grew and pushed them into the middle class, the welfare state was developed and health care and education became available to broad strata of society. Of course,

inequalities existed, but they were not so pronounced. The rich continued to get rich, but at a slower rate. The state squinted at their coping in the form of finding loopholes in the law to reduce their tax liabilities and contrivances in order to get their tax incentives. Civic movements aimed at defending basic human rights, gender equality and the fight against racism were also in full swing. Historians Goldin and Margo (1991) called this period The Great Compression (Goldin & Margo, 1991).¹

However, as early as the end of the 1950s, much earlier than expected, the currencies of the member states of the European Economic Community (EEC)² became convertible. Last but not least, during the 1960s, the EEC and Japan experienced significant economic prosperity through the development of trade, industry and advanced technologies.³ On the other hand, America's position in the global market began to weaken, which is why its most important economic partners began to look at the dollar as an overvalued currency. The hunger for dollars is disappearing and central banks are starting to convert their dollar claims more and more into gold. American corporations lost their advantage in the international market and were under strong pres-

¹ In America, in the period 1950-1980, the share of the poorest 50% of the population in national income increased from 17.5% to 19.9%, the middle 40% from 43.5% to 45.9%, while the share of the richest 10% fell from 39% to 34.2% and the richest 1% from 15.8% to 10.7%. In the same period, the share of wealth of the richest 10% fell from 68.3% to 64% and the richest 1% from 28.5% to 22.3% and the poorest 50% from 1.6% in 1962 to 1.3% in 1980. In the period 1962-1980, only the share in the wealth of the middle 40% increased from 27.8% to 34.6%. (World Inequality Database, 4th May 2020).

² The European Economic Community was established by the signing of the Treaty of Rome in 1957 and consisted of France, Germany, Luxembourg, Belgium, Italy and the Netherlands.

³ The average annual rate of economic growth during the 1960s in the EEC was 5%, which was twice as high as in the United States and the United Kingdom. (Đokanović, 1996).



sure from trade unions to increase wages. Corporations that had market power, in order to maintain profits, shifted the cost of increased wages to consumers, which further fueled inflation (cost-push inflation). Those corporations that could not do that, suffered pressure on their own profits. Another important cause of inflation was the large government spending caused by the Vietnam War. Finally, due to external pressures on the dollar and a massive outflow of gold, on 15th August

1971, US President Richard Nixon abolished the dollar's external convertibility into gold, bringing the Bretton Woods system to a standstill. Then, two oil shocks caused by OPEC (Oil Producing Exporting Countries) in 1973 (oil prices quadrupled) and 1979 (oil prices quadrupled) inflicted an additional blow to corporate profits and contributed to further inflation which ruthlessly carried out redistribution in favor of debtors which caused great damage to the owners of the capital.

2.2. Changing the development paradigm

The conditions for changing the development paradigm were fulfilled with the coming to power of Ronald Reagan in America in 1980 and Margaret Thatcher in the United Kingdom in 1979. In the next decade, there will be a complete dismantling of post-depressive regulatory reform through a comprehensive policy of tax cuts in favor of the rich, reduction of state spending, the breakup of trade unions, deregulation of financial markets and privatization. These policies, in conjunction with trade and capital account liberalization, through the significant acceleration of the globalization process, have found their expression in the Washington Consensus, that is in the neoliberal

doctrine that, along with changes in the United States and the United Kingdom and, in cooperation with the International Monetary Fund, fund and the World Bank, becomes an export product to developing countries. Developing countries have embarked on eliminating inflation, reducing government spending, tax cuts in favor of the rich, privatization, deregulation and liberalization of trade and labor and capital movements. Of course, such policies did not come without a political cost - democracy became the prey of right-wing politicians and, in poor countries, dictators who enjoyed external support due to neoliberal economic reforms.

2.3. The rise of speculative financial markets

All these changes, as expected, led to a dynamic rise of speculative financial markets and more frequent financial collapses. The deregulation of financial markets was accompanied by a very dynamic inflow of funds for several reasons. First, obvious, are the growing profits of corporations, which are largely the result of lowering real wages, which have been growing at a rate lower

than productivity since the 1980s. By breaking up the labor unions, American corporations came into a position to dictate the pace. On the one hand, corporations were enlarged and the market was monopolized, which was largely made possible by the issuance of highly speculative junk bonds and accompanying mergers and acquisitions on the financial markets, while on the other

hand, due to the breakup of trade unions, Marx's "law of the growing industrial reserve army" came into force, which significantly improved the negotiating position of corporations. Two factors further increased this industrial reserve army in the domestic market, which further positively affected the negotiating position of corporations. First, in order to maintain the level of consumption or at least amortize its decline, the number of family members, primarily women, who joined the labor market increased. Second, globalization has opened up opportunities for corporations to export production to poor countries, while liberalization of migrations, also as a consequence of globalization and the spread of neoliberal doctrine, has increased competition in domestic labor markets, contributing to a dramatic escalation of social inequalities.

The reverse of the reduced share of labor and the growing share of capital in the distribution of world income is the concentration of wealth in the hands of a small number of people, institutions and sovereign wealth funds of fast-growing economies.⁴ As the wealthy in both rich and poor countries have a declining propensity to spend and a growing propensity to save with rising incomes, this surplus had to be reinvested because at the root of neoliberal dogma is not consumption but investment - thousands of billions of dollars are circulating in global financial markets at any moment in search of higher yields. To meet this explosion in demand for investment, financial markets have constructed a number of speculative, highly risky financial instruments and institutions such as junk bonds, leverage buy out, mortgage-backed securities - MBS), collateralized debt obligations (CDOs), collateralized loan obli-

gations, collateralized bond obligations, credit default swaps, Special Investment Vehicles, Special Purpose Vehicles, etc. The other side of this dynamic inflow of liquidity and the creation of highly speculative financial instruments and institutions is the dynamic growth in indebtedness of households and corporations. The explosion of household borrowing is actually the other side of growing inequalities - households, in order to maintain their standard of living in the circumstances of the constantly declining share of labor in income distribution, have resorted to borrowing in the form of consumer and housing loans. Of course, in order for the wheel to continue to turn, the deregulated financial institutions lowered the borrowing standards so much that those who knew they would not be able to repay those loans had the opportunity to raise loans.

At the same time, there was massive speculation in the market of developing countries on exchange rates and real estate investments. In this way, the business of the financial sector was completely separated from the business of the real sector - for example, the ratio of the value of global financial assets and annual world gross domestic product increased from 109% in 1980 to 316% in 2005 and 374% in 2017. In terms of value, global financial assets in 2017 were worth about 300 trillion US dollars, global debt was 233 trillion dollars, while the value of world GDP was 80.3 trillion US dollars (Galbraith, 21st April 2017; World Economic Outlook Database, April 2020). It is estimated that in 2019, the amount of global debt reached the amount of 255 trillion US dollars, of which 70 trillion US dollars in the form of public debt. The debt of fast-growing markets alone amounts to 71.4 thousand billion US dol-

⁴ It is estimated that the sovereign wealth funds of fast-growing economies, primarily oil exporters and South Korea, Singapore and China, have investments in financial markets worldwide in the amount of several thousand billion US dollars (Lim Mah-Hui, 2008).



lars, which is equal to 220% of their combined GDP (Srivastava, 15th November 2019). In the literature, an increasingly pronounced separation between the real and financial sectors is called financialization. In short, financialization is the name for the increasingly pronounced emergence of the growing importance of financial markets, financial motives and financial participants in the daily functioning of developed world economies. In short, financial markets, financial institutions and the financial elite have an increasing influence on economic policy and economic outcomes. The consequences of financialization are an increasingly pronounced transfer of income from the real to the financial sector, increasing income inequality and an increasingly pronounced impact of speculative motives on financial decision-making (Palley, 2007).

Dominant speculative investment leads to periods of unsustainable ups and downs, which through pessimistic expectations and a drop in investment spending on a systemic scale activates a vicious circle in which a drop in investment leads to a drop in employment, consumption and financial problems of indebted business units and households. In these circumstances, in order to prevent a total economic collapse, central banks have been lowering reference interest rates for

decades and massively pumping liquidity into institutions that have previously led to overheating of the system, which is why moral hazard is growing. In other words, those who brought the system to the brink of collapse not only do not suffer any consequences, but privatize profits, while, on the other hand, the costs of economic collapse, through their socialization, are transferred to the citizens. In this way, after each financial collapse, there is a new redistribution in favor of the rich strata of society. Profits have been privatized, while rehabilitation costs are reflected in a significant increase in budget deficits and public debt and the bankruptcy of households or the confiscation of real estate purchased on credit. After rehabilitating those who caused the crisis, as a rule, we move on to fiscal austerity measures that most severely affect the poor and the middle class - raising taxes, reducing pensions, laying off or lowering labor costs, cuts in spending on health, education, social programs, etc. When the system stabilizes, due to the lack of responsibility and the accompanying moral hazard, the conditions are established for another unsustainable rise of financial markets. As a result, globally, economic growth has been sluggish and unstable since the 1980s, with occasional phases of rising unemployment, financial crises and recessions.

3. GLOBAL SOCIAL LAYERING, UNSTABLE AND DAMPED ECONOMIC GROWTH AND FINANCIAL CRISES

A comprehensive analysis of the growing economic and social tensions in the last four decades comes in 2016 from the International Monetary Fund, the central institution of the Washington Consensus. Ostry, Loungani & Furceris (2016) analyzed the impact of two neoliberal policies - deregulation of international capital movements (so-called capital account liberalization) and fiscal consolidation, i.e. fiscal austerity measures aimed at reducing the fiscal deficit and government debt levels - on economic growth and inequality in the distribution of world income and wealth. There have been several major financial crises in developed countries since the 1980s: the Wall Street collapse of 1987, the crisis of savings and loan associations during the 1980s, the crisis of the European Monetary Mechanism in 1992, the dot-com speculative bubble of 2000, the Global Financial crisis of 2008, and the eurozone crisis of 2009. At the same time, after the liberalization of the capital account, Ostry et al. in more than 50 fast-growing markets recorded about 150 episodes of intensive capital inflows which, in 20% of cases, ended in a financial crisis. The authors point out that the positive side of capital account liberalization is that it allows free movement of long-term-oriented capital such as foreign direct investment, while its downside is the free movement of short-term (speculative) capital, most often in the form of portfolio investments (investment in securities) or short-term bank lending, which often results in a financial crisis in the host country with long-term negative effects on economic growth, employment and equality in the distribution of income and wealth. Based on an analysis of

224 cases of capital account liberalization in 149 countries, the authors conclude that after the financial crisis, the Gini coefficient of income inequality increased by an average of 2.2% within two years and by 3.5% within five years since the outbreak of the crisis.

Elsewhere, the authors see no reason for fiscal tightening in non-indebted economies, as fiscal austerity has negative effects on citizens' well-being and demand leading to declining output and consequently rising unemployment and inequality in income and wealth distribution. On average, fiscal consolidation of 1% of GDP leads to a growth of long-term unemployment by 0.6% and, within five years, to the growth of the Gini coefficient by 1.5%. Global financial liberalization and insistence on fiscal austerity lead to growth in social inequalities, but growing social inequalities have a reciprocal negative impact on economic growth - social inequalities significantly reduce the level and sustainability of economic growth (Ostry, Berg, & Tsangarides, 2014).

Thus, according to research by Oxfam (2016) in the period 1988-2011 total world income increased from 13.7 to 26.3 trillion US dollars, which is the total increase of 12.7 trillion. Of this growth, those in the 50% of the poorest (3.1 billion in 2011) accounted for only 9.9% of world income, while the 10% of the richest (620 million in 2011) appropriated an incredible 45, 7% and 1% of the richest (60 million in 2011) 11.8% of this growth (Chart 1).



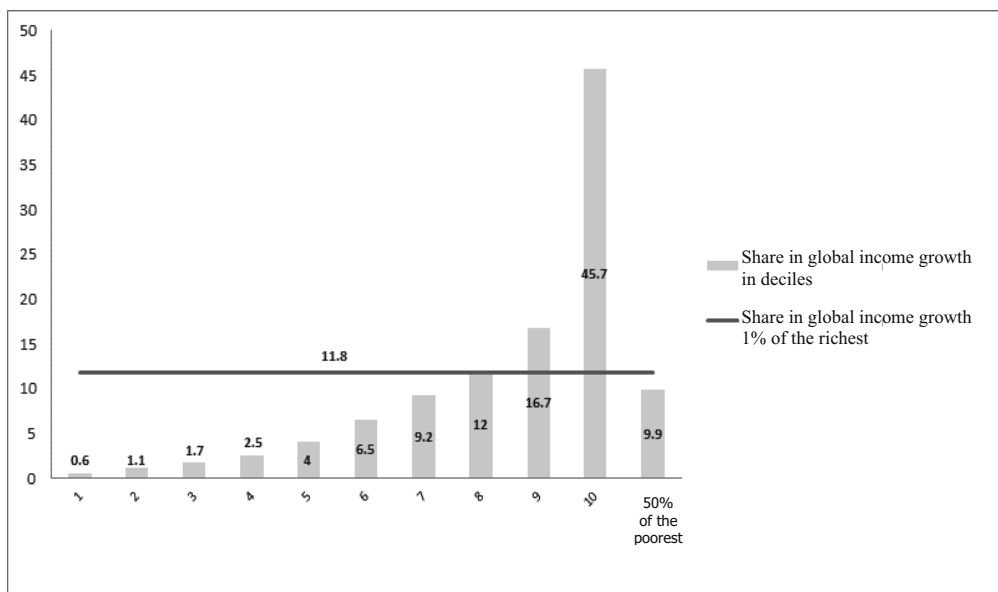


Chart 1. Share in global income growth in the period 1988-2011 in deciles (in%)
 Source: Oxfam (2016)

So, in the observed period, the share of 10% of the richest in the newly created income is more than four times higher than the share of 50% of the poorest inhabitants of the world. To make the comparison even more picturesque, the share of 10% of the world's poorest inhabitants in the newly created income in the observed period was

only 0.6%. Their annual income per person in the observed period grew by an average of 2.8 US dollars per year (Chart 2), while the annual income per person of the 10% of the richest grew by an average of 142 US dollars (50.7 times more) and of the 1% of the richest for 511 US dollars (182.5 times more).

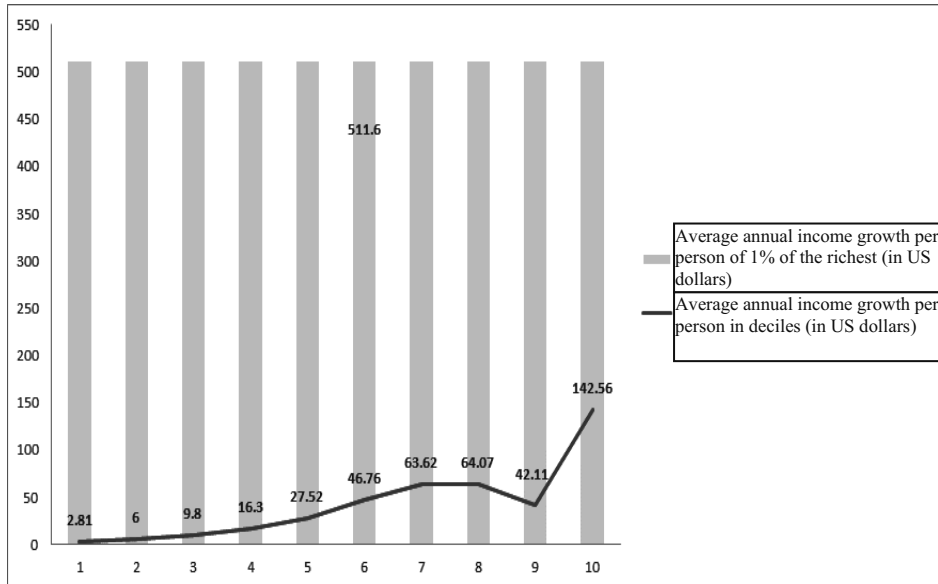


Chart 2. Average annual income growth in the period 1988-2011 per person in deciles (in US dollars)
 Source: Oxfam (2016)

Of course, the ultimate instance in which these huge inequalities in the distribution of world income are reflected to the extreme is inequality in the distribution of world wealth. In the period 2000-2015, the poorest 50% of the world's population appropriated only 1% of the total growth in world wealth, while the richest 10% appropriated as much as 87%.

The data on the distribution of the total growth in wealth among the richest inhabitants of the planet is also interesting, on the basis of which it is clear that even within the 10% of the richest, the world's wealth is extremely unevenly distributed. Within the total wealth that was appropriated by

10% of the richest in the observed period, 86% was appropriated by 5% of the richest and 57.5% of those 1% of the richest. Now we come to the extreme data - in 2015, 1% of the world's population owns wealth that is equal in value to the wealth of the remaining 99% of the world's population. Therefore, it is not surprising that in the same year, the richest 62 people in the world have wealth equal to the wealth of 3.6 billion people on the globe (50% of the poorest). In the period 2010-2015 the wealth of the 62 richest people in the world increased by 45%, i.e. by 542 billion US dollars, while the wealth of 3.6 billion people fell by 38%, i.e. by slightly more than a trillion US dollars (Chart 3).⁵

⁵ No less important, the wealth of the richest people in the world is significantly underestimated. The rich hide a large part of their wealth in offshore zones, that is, tax havens. According to Reuters' estimate, in tax havens around the world, the rich hide from 21-32 trillion US dollars, which is equal to one-sixth of the world's total private wealth (Vellacott, August 22, 2012).

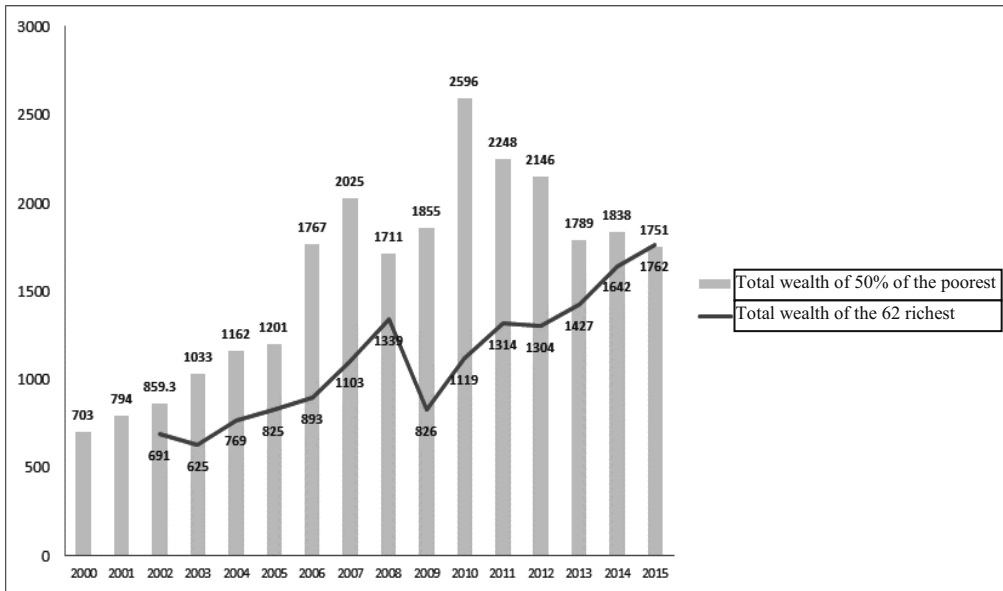


Chart 3. Total wealth in the period 2000-2015 (in billions of US dollars)

Source: Oxfam (2016)

In the years that followed, inequalities in distribution only grew. Thus, for example, in 2017, the wealth of the world's billionaires increased by 12%, that is, it increased by 2.5 billion US dollars per day, while the wealth of the poorer half of the world fell by 11% in the same period (Oxfam, 2018). In 2019, 2,153 billionaires possessed twice the wealth of 4.6 billion people. Nearly half of the world's population lives on incomes of up to 5.5 US dollars a day, while the rate at which poverty is reduced has halved compared to 2013. At the same time, in the period 2011-2017, in the G7 countries, workers' wages increased by 3%, while dividend income appropriated by shareholders increased by 31% (Oxfam, 2020).

The other side of growing inequality is frequent financial crises and unstable economic growth (Chart 4).

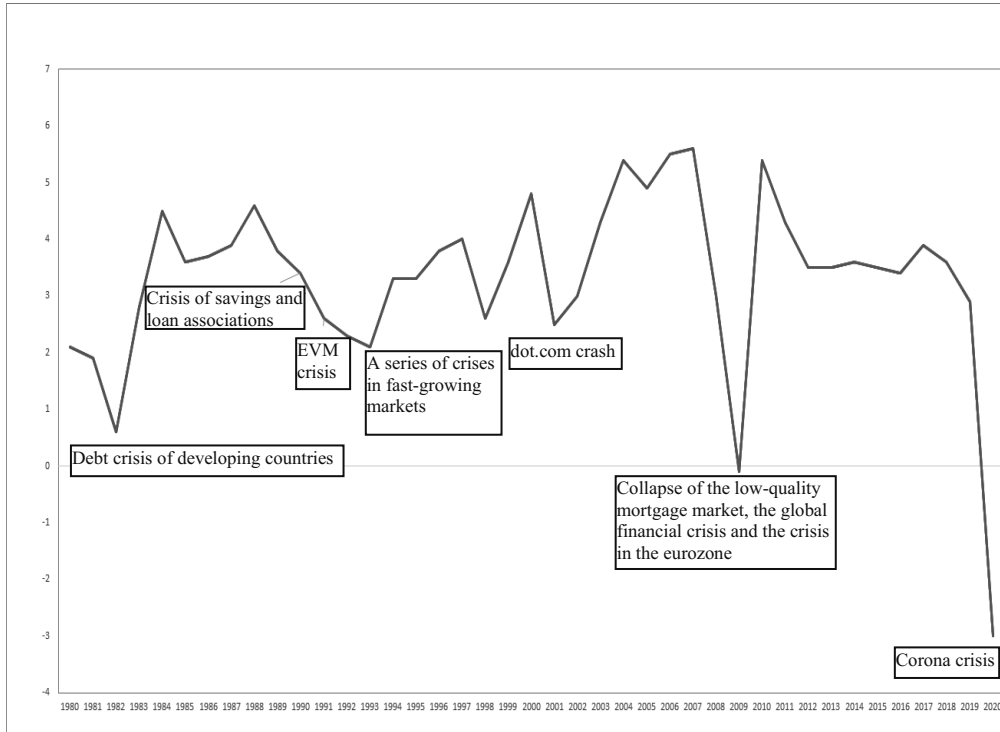


Chart 4. Real GDP growth rate of the world (in%)
Source: World Economic Outlook Database (April 2020).
Note: estimates are given for 2019 and 2020.

4. THE VICIOUS CIRCLE OF PROFIT MAXIMIZATION, ENVIRONMENTAL DEGRADATION AND PANDEMICS

As we have explained, the global system is aimed at profit maximization. This goal leads to accelerated globalization (and thus human mobility) and urbanization on the one hand and the eternal desire to reduce costs on the other, which leads to the exploitation of labor and natural resources and significant growth in inequality in the distribution of world income and wealth.

In this way, we enter a vicious circle - acceler-

ated urbanization leads us to untouched parts of the planet, which is why we are increasingly coming into contact with plant and animal species that are natural hosts of viruses completely unknown to us. Also, due to the accelerated urbanization, cities, especially in Asia and Africa, are becoming overcrowded, which is why many people share a small space, often with animals, which affects the spread of the infection. On the other hand, the

vast majority of the world's population, due to growing inequality (although the diet is also religiously and culturally conditioned), is forced to eat available food that is inconceivable for the richer Western world - snakes, frogs, rodents, scorpions, monkeys, bats, pangolins, dogs, insects, etc.

Degradation of the natural ecosystem leads to a double danger - viruses are transmitted through contact with animals that have not been in contact with humans before, but also through food. Due to the acceleration of globalization, urbanization and growth in inequalities, these processes are also accelerating. The problem is that there are still millions of undiscovered pathogens in our rather unknown natural ecosystem. Globalization, through a significant acceleration in mobility, and thus interactions between people, leads to the accelerated spread of these pathogens to the world population.

As we degrade the ecosystem and pollute the environment, extinction and endangerment of various animal species occur (biodiversity is reduced). Unfortunately, the fewer animal species, the smaller the number of species that are potential hosts of pathogens, which makes it easier to transmit the infection among the species that still exist. To make the problem bigger, the researchers found that in degraded ecosystems, there is a proliferation of animal species that are the most common natural hosts and carriers of the virus - bats and rodents (Vidal, 18th March 2020).

Since pathogens are just looking for a way to

survive, they will attack the dominant species. On our planet, they are humans. Of course, when migrating to new species and trying to ensure their survival through the spread, viruses mutate, which makes them unpredictable.

In China, one of the solutions adopted is the abolition of markets where different types of wild animals are traded (wet markets). This measure cannot be effective unless the ruthless destruction of the environment is renounced and a system that will lead to a reduction in inequalities in the distribution of world wealth and income is established - poor people will have to continue to eat food that is affordable to them, so the effect achieved may be even worse - a flourishing black market that will be even harder to control.

We return to the beginning - since we pollute the environment and break through to parts of ecosystems that have yet to be destroyed, nature defends itself from us with pandemics - it is impossible for ecosystem degradation not to return like a boomerang for the simple reason that we are an integral part of it. Unfortunately, nature responds in the same way that we have organized our global social system - the newly created value is mostly produced by 90% of people, while it is mostly appropriated by the 10% of the richest. Reciprocity is noticeable in pandemic retaliation - the virus does not choose, but the poorest will go through the worst due to inadequate living conditions (existential, hygienic, etc.), job loss and inadequate access to health services.

5. INSTEAD OF CONCLUSION: WHERE NEXT?

The coronavirus has again, in a cruel way, confronted us with facts that are more or less known. Urbanization, globalization, profit maximization, and growing inequalities make us increasingly ex-

posed to episodes like this. There is no free lunch in life - to reduce the risk of pandemics, it is necessary to slow down globalization and urbanization and protect our ecosystem. Also, it is necessary to

give up the goal of profit maximization and reach for a fairer distribution of world income and wealth, invest more in people, their education, green technologies and the health system. In order to achieve this, an international agreement and far more intensive, functional and constructive cooperation between international institutions, states, the private sector, the civil sector and the citizens themselves are needed.

Picketty's proposal for the introduction of a progressive global wealth tax seems quite acceptable. He believes that the most important mechanism for reducing inequality should be changes in tax policy, which is why he advocates the introduction of a global annual wealth tax. According to him, it would be possible to introduce this type of tax regionally on the territory the size of Europe or America, and that these revenues in the European Union would not be negligible and would reach the amount of 2% of GDP. At the same time, it is necessary to work on harmonizing tax regulations in different economies and eliminating tax havens (Piketty, 2014). According to Oxfam, only 4% of the world's total tax revenue comes from wealth taxes, while the estimated tax evasion rate by the richest people on the planet is 30%. On the other hand, Oxfam (2020) estimates that an additional 0.5% wealth tax on the richest 1% over a ten-year period would generate revenues sufficient to cover the creation of 117 million new jobs in the education, health and nursing elderly people sectors as well as to cover all deficits of this last sector.

Also, Picketty proposes the program "inheritance for all", according to which every citizen of France would receive 120,000 euros from the state when he turns 25. The program would be financed on the basis of the application of a very progressive tax rate on wealth of, say, 0.1% on wealth below the level of the French average of 200,000 euros to 90% for the richest. This would also ensure that the huge accumulated wealth is

only temporary - these taxes would be bearable for those whose wealth is several million or several tens of millions of euros, but would be difficult to bear for those whose wealth is measured in hundreds of millions of euros (Horbin, 12th September 2019).

A fairer distribution of income and wealth, a global wealth tax, increased tax collection efficiency and progressive taxation could serve to finance a global fund that would allow the world's poorest countries to gain access to health and other social programs. Unfortunately, today, 4 billion people live in the world without any form of social protection, which makes up 55% of the world's population and only 29% have access to a complete social protection program. In short, as many as 71% of the world's population either does not have access or has only partial access to the social protection program (International Labor Organization, 2017).

No less important, these are situations when it becomes clear again how important institutions and the trust of citizens in institutions are for democratic societies. Managing the state is a serious business, which is why societies headed by charlatans and incompetent people are especially vulnerable in the event of extreme events. Experience shows that such leadership will be inclined to undermine institutions by appointing party henchmen to the detriment of expertise, thought and knowledge. Citizens' trust in institutions is also important, and it is built and maintained when citizens are told the truth. It is therefore not surprising that societies in which there is no trust in institutions face the widespread problem of undisciplined citizens who do not follow the recommendations of the authorities in these extraordinary circumstances. As a result, in large part as the pandemic intensified, some countries, including developed ones, gave up trying to cooperate with citizens and resorted to drastic coercive measures such as restricted movement or curfew.



However, the facts show that in the past twenty years, pandemics have not fundamentally changed our way of thinking. The reason is simple - our preventive and follow-up reactions are slow because people linearly extrapolate the future which makes us unprepared and poorly responsive to exponential events. In this sense, it seems that the world would react correctly in the future only in the event of an extreme event - for example, bubonic plague killed half the population in infected countries, which forced serfs to gradually free themselves from the feudal system (Acemoglu & Robinson, 2012). Again, swine flu affected about 60 million people and about 200,000 died between April 2009 and April 2010, and nothing special has changed in the world since then.

Geostrategically speaking, it is very likely that

the world will change - it is not surprising that Donald Trump renamed the virus to Chinese. Namely, this is a gain for China, which, so to speak, went from the role of someone who covers up the problem and then a drowning person to the role of a world savior. But with China may come a new contagion, this time political - the spread of a totalitarian way of thinking for which the introduction of a state of emergency is a fairly fertile ground. Simply put, we may be more willing to give up our freedoms in exchange for continuing the process of destroying our environment and a system that is better able to cope with a pandemic. Of course, this solution is only short-term, because nature will defend itself with all its might from the destruction carried by the existing model.

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