

## **NST Leader: Capitalism is broken**

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Covid-19 has changed many things, but has it changed the way we do economics? The pandemic may very well have.

Or at the very least it is beginning to dismantle the close to 50-year-old free-market capitalism.

It is for that long the economies of the world, or at least the advanced ones of the West, have been supplicating at the altar of profit before people. Though it is too early to talk about a post-Covid-19 world, the pandemic is telling us that a capitalism that lacks compassion is definitely broken.

Here is why. Start with inequality. The World Economic Forum, the club of the world's one per cent, may crow about the world economy getting poverty down from 37.1 per cent in 1990 to 9.6 per cent today, but 689 million people living on less than US\$1.90 a day are still a sea of humanity.

If the World Bank is right, another 150 million people are expected to go into extreme poverty by the end of the year. Then there is what the World Bank calls "the new poor": more urban. Middle-income countries may be home to 82 per cent of the new poor.

It isn't just the pandemic that is causing the inequality and poverty, but the wrong way we have been doing economics.

Free-market capitalism isn't a force for good in another way: income and wealth inequality. Last year, Bloomberg's Feb 7 survey gave the world a peek into the inequality of the richest of the rich. It was a "this-is-what-it-takes-to-be-in-the-one-per-cent-around-world" glance.

Start with Singapore, our closest neighbour. To be a one per cent earner there, nothing less than US\$722,000 annual pre-tax income will do. The United Arab Emirates tops this with a whopping US\$922,000, leaving behind the usual suspects, the United States, Germany, Australia, France and Britain. But the Western economies' story is an equally wealthy one. In India, a nation of 1.3 billion, just over 13 million make US\$77,000, the annual threshold.

All in all, it is a depressing tale of the very rich leaving behind the very destitute. It can't be anything other than depressing when we juxtapose this against Madagascar's average annual income of US\$440. What is worse, within each country, the inequality of income and wealth is unspeakable. India is one example, but the US is no better.

There, income and wealth inequality is higher than in any other developed country. And it is rising, according to the Council on Foreign Relations (CFR). If the CFR is right, inequality has been a headache for long because the US may have a libertarian problem. Libertarians — the Cato Institute is one — think inequality is not rising. To them, tackling poverty is more important because when everyone does better, inequality doesn't matter. They can't be more wrong.

The problem is free-market capitalism. As Maria Svarth's op-ed in *The Guardian* points out in a tongue-in-cheek fashion: "Capitalism is not broken. It is working too well, concentrating money in the hands of the few by exploiting the work of the many." She is right. Exploitation is a feature of capitalism, not a bug. Inequality is an inevitable result of a system that rewards profit at any cost. The system is broken and needs replacing.

The World Economic Forum thinks "inclusive capitalism" may be the answer. But that is more of fixing than replacing.