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# LEM
# WORKING PAPER SERIES

## Unequal societies in usual times, unjust societies in pandemic ones

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# Unequal societies in usual times, unjust societies in pandemic ones*

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**Abstract**

The explosion of the pandemic has been optimistically considered as the "last straw that breaks the camel's back". At the time of writing, after three months since its outburst, we can hardly find any sign of a "broken camel": indeed, it could have been the opportunity to collectively question the current regime of production and appropriation, exclusion and marketization characterizing this phase of unjust "rentified capitalism", but the route taken has largely seen a frightening combination of "business as usual" on the production side and pervasive forms of social control, limitations of individual and collective rights and the perpetuation of a false dichotomy between economic and health security. This pandemic, which under decent public health provisions might have been a controlled disease, is producing the most severe crisis after the Great Depression and has been used to implement forms of massive social control hardly conceivable in "advanced democracies". Butterfly effects are well-known in complexity sciences. However, social scientists have still difficulties in understanding how a grain can make the sandcastle fall down. On the contrary, we are now under the actual risk of starting a "new normal" without dealing with the deep routes and origins of this crisis, with the dominant intellectual discourse pushing for maintaining and indeed reinforcing the status quo, established power and social blocks. This myopic strategy might end up in collectively disruptive socio-political transformations.

**Keywords: Social fabric, Pandemics, Inequalities, Lockdown, Social Injustice**
**JEL Classification: P00, D63, E6**

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# 1 Introduction

The explosion of the pandemic has been optimistically considered as the "last straw that breaks the camel's back". At the time of writing, after three months since its outburst, we can hardly find any sign of a "broken camel": indeed, it could have been the opportunity to collectively question the current regime of production and appropriation, exclusion and marketization characterizing this phase of unjust "rentified capitalism" (Dosi and Virgillito, 2019). However, the route taken so far has largely been focused on pervasive forms of social control, limitations of individual and collective rights, and the perpetuation of a false dichotomy between economic and health security, with no questioning of the differentiated impact that those policies might have had in societies characterised by highly unequal distribution of income, working conditions and access to health services.

These policy responses, initiated by China, have been followed by most countries, Italy in particular. In the following, we shall focus mainly on the Italian case, remembering however that it is almost an archetype of a rather common pattern. As elsewhere, in Italy, the pandemic was first written out as a remote contingency, to suddenly become an absolute emergency. The policy response to that has largely seen "suppression and containment" of the virus, primarily involving pervasive control of social order, and much less control of the conditions of hospitals and elderly residences. Worse still, it allowed for differentiated regional reactions and even for the transfers of affected Covid-19 patients from hospitals to elderly residences. All that came with an almost unparalleled incompetence of both national and regional governments, unable even to locate the producers of masks, sanitary equipment, ventilators, testing kits, let alone the establishment of new ICUs. As the "new normal" phase is approaching, certainly any strong commitment to the rejuvenation of the national health system is not at the top of the policy agenda.

The fundamental premise for the analysis of the effects of the pandemic is that they mainly concern the effects of the policy measures it entailed. Notwithstanding heterogeneity across countries, in general it is not likely to expect the pandemic impacting on labour supply to a magnitude recalling the Black Death or even the Spanish Flu (Barro et al., 2020). Together, this pandemic, unlike other historical episodes such as the Plague of the 14th century, will not serve to alleviate income and wealth inequalities, by increasing the wages of a scarce labour force and reducing the value of real estates on sale for the death of their primary owner. On the contrary it is, and will be much more so, amplifying existing inequalities, ranging from access to hospitalization, possibility to work-remotely, benefiting of a stable income, risk of unemployment. On top of that, even risks of contagion are strongly heterogeneous, much more concentrated among worker categories directly exposed, such as those in the health sectors, and relatively less concentrated for workers able to work remotely. Thus, it is crucial to analyse the interaction between the policy measures themselves and the pre-existing conditions in terms of health services, access thereof, and more generally inequalities in income distribution and social welfare.

Italy is again a paradigm of the damages of the laissez-faire policies over the last thirty-forty years. With an average per-capita expenditure of 1800 euros at constant 2010 prices, almost flat since 2008, with a dramatic reduction of pneumological and ICUs beds over the

last decade, whose total is less than 10.000 at the country level, the pandemic is showing the weakness of a national health system harshly hit by a long-lasting austerity strategy. Compare it with Germany with around 30.000 beds, at the start, and many more thereafter. The low number of hospital beds reflects the generalized public expenditure cuts for the health system, initiated in the nineties, and accelerated in the last decade. In the period 2008-2018 the overall Italian health expenditure grew only of $5.3\%$ in nominal terms against a $46.8\%$ in Germany. However, together with Greece and Portugal, Italy has been one of the few EU countries to reduce public expenditure on hospital services (Bramucci et al., 2020). The generalised reduction of public health services has been accompanied by a dragging of resources toward the private health system with new big conglomerates arising and an increasing number of private hospitals often recording higher costs, and corresponding regional reimbursements, when compared to equivalent treatments in the public.

Facing a decaying and under-financed national health system, the policy action in Italy has been a generalised lockdown. However, countries, characterised by different institutional set-ups, have reacted very differently in terms of the management of the Covid-19 crisis: some countries, including South-Korea, Taiwan, New Zealand, Japan, Germany report case-fatality rates ranging from [1.4 - 5] $\%$, while some other countries like Italy, France, Spain, U.K., Belgium do report far higher rates, in the range [10 - 15] $\%$ (Johns Hopkins University, 2020, data retrieved on the $26^{th}$ of May. ). Sweden, with no lockdown policy at all records a fatality rate proximate to the Italian one [11.9 vs 14.3] $\%$. These numbers are clearly biased by data collection and testing strategies. However, country heterogeneity is a robust fact.

Indeed, more than the amplitude of the lockdown, a variable strongly affecting the overall dynamics of the pandemic seems to be the interaction between the *timing* of the policy intervention and the pre-existing set-up of the health system. In general, timely and selective closures have been more effective than delayed generalised closures to confine the contagion dynamics. This has been the case of South Korea, with massive contact tracing technologies, but also of Germany, which has undertaken a massive testing strategy and very early selective isolations. In both cases, the lockdown was not generalised.

The indirect effects of the pandemic due to social distancing are likely to exacerbate persistent and growing inequalities affecting both advanced and emerging economies at a global level (Atkinson, 2015; Milanovic, 2016). Furceri et al. (2020) recently discussed the potential negative distributional effects of the Covid crisis in light of increasing socio-economic inequalities, following the five major epidemics of this century.[1] The transmission channels work via output contractions and job losses for low-educated workers which produce a distribution of income toward the less vulnerable and richer part of the population, therefore amplifying income inequalities in terms of the net Gini Index. Notably, they also find a higher net, ex-post taxation, index when compared to the pre-taxation index, hinting at *anti-redistributive* policy schemes put in place in time of pandemics.

In the following we shall warn against the arrival of a "new normal" which forgets

[1] That is SARS (2003), H1N1 (2009), MERS (2012), Ebola (2014) and Zika (2016).

any policy objective aimed at radically overturning the current organization of our societies characterised by deep inequalities and unbalanced distribution of power. Indeed, if societies were unequal in usual times, they are getting even more socially unjust during and in the aftermath of the pandemic.

After distinguishing between the direct and indirect economic impacts of the pandemic (Section 2), discussing the pre-existent socio-economic inequalities (Section 3) and their exacerbation in pandemic times because of the policy responses (Section 4), we conclude arguing in favour of a rebalancing of labour power and of redistributive policy actions to make our societies *just a little less unjust*, and together possibly more sustainable in their democratic fabric (Section 5).

## 2 Economic impacts of the pandemic

To detect the economic impact of the Covid-19 pandemic it is important to distinguish the *direct* economic effects and the *indirect* ones of the policy of social distancing and insulation.[2] The *direct* impact is and is likely to be *per se* quite limited. Among developed countries, in Europe, mortality has been concentrated on the elderly population, with significant losses only in the range of plus 70 years. Differently, in the US, whose healthcare system is largely private, depriving provision of health assistance for poor and more vulnerable communities, the impact of the virus is spreading distinctively across Blacks, Coloureds, and Latinos of relatively young age (less than fifty). Indeed, the existence of previous health diseases as diabetes and obesity, more diffused among the poorest segment of the population, has been recognised as a factor aggravating the infectiousness of the virus.

Granted the unequal direct and indirect impacts of the pandemic, the focus of the interpretation has to be on *heterogeneity* in order to meaningfully capture also its economic consequences. In particular, given the concentrated *direct* impact on the elderly population, one might not consider any direct economic consequence arising from their death. This does not mean that deaths are acceptable because they do not impinge directly on the economic system. It means that we refrain from attributing any direct value-estimation to the life of human beings. Clearly, deaths, from any cause, represent an enormous social and humanitarian cost which have to be considered as such well beyond any economic consideration grounded on dismissible cost-benefit analyses.

Therefore, the economic impact of the pandemic is largely *indirect*:

- The economic damage of the pandemic increases with the amplitude and severity of the lockdown.
- The economic damage, arising from the lockdown, unevenly hits the population, with low-income individuals more harshly affected than high-income ones.

Defining the all set of potential variables and transmission mechanisms affecting the economy via the lockdown is out of the scope of the paper. As mentioned, the economic

[2] This section draws upon Bellomo et al. (2020).

impacts are quite diverse, including production, global value chains, business closures, job and income losses, fiscal burden of policy interventions, debt accumulation, financial instability and markets volatility, just to mention a few. All these mechanisms, diverse as they are, might interact via cascade and cumulative effects along different propagation channels, all contributing to fuel the longest and most severe crisis the economy has faced since the 1929. The end result will be various possible "damage functions", which we shall present below, combining the diverse economic effects and their potential interaction.

Let as define a damage function $\mathcal{D}(L(\alpha), \sigma(\omega_i/\omega_{max}))$ depending on the intensity of the lockdown and on a proxy of inequality of a given system. $L(\alpha)$, the lockdown, is governed by the parameter $\alpha$, increasing with the amplitude and duration of the policy, represented by the reduction of $\alpha$, while $\sigma(\omega_i/\omega_{max})$ represents the spread between the actual and the maximum income level in the system, with low-income individuals hit harder than high-income ones, where $\omega_i$ defines the income level of individual $i$.

We can graphically sketch its functional form. Figure 1 depicts a positive non-linear behaviour of the damage function vis-à-vis the intensity of the lockdown, meaning that the higher the intensity of the lockdown, given by a reduction of $\alpha$, ranging from $[0, 1]$, the higher the economic damage, and non-linearly so. The lockdown policy is implemented by reducing the parameter $\alpha$, controlling for social distance. For low intensity of the lockdown, the economic damage is rather negligible (e.g. local lockdowns). Extending the lockdown after the first inflection point harshly hits the economy with more than proportional increments of the damage, while after very persistent lockdowns (second inflexion point), the cumulative damage is so high that it can only increase less than proportionally. The intersection between the curve and dashed vertical axis at $\alpha = 0$ represents the maximum damage.

Figure 2 presents a negative convex relationship with income level, meaning that the lower the level, the higher the impact of the economic damage. The damage reduces non linearly with income level so that losses scale down more than proportionally and relatively richer people turn out almost unaffected. The maximum of the damage is at the vertical intercept. Given the actual income distribution $\Omega = (\omega_{i+1}, \ldots, \omega_{i+n})$, the damage will be higher, the higher the ratio $\sigma$ between the minimum and the maximum income level, that is when $\omega_i \to \omega_{min}$, conversely it will be lower when $\omega_i \to \omega_{max}$.

## 3 Pandemic and inequalities

While the pandemic represents a collective phenomenon dramatically affecting entire communities, the consequences of such a potential "symmetric" shock may lead to asymmetric effects depending on heterogeneous initial conditions characterizing different social classes and productive sectors. On this ground, the adoption of social distancing and the persistent lockdown of many economic and productive sectors have been exacerbating pre-existing inequalities related to working and living conditions as well as income and wealth distribution in different geographical areas. In the following we shall document the existence of such patterns in Italy, with reference to the emergency measures adopted

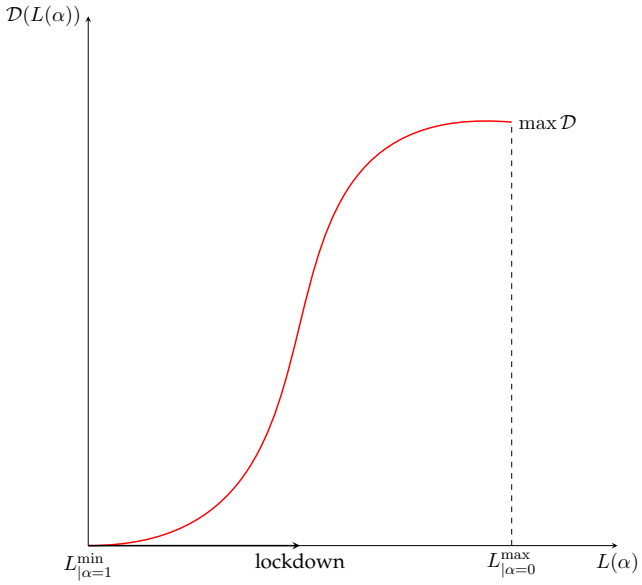


**Figure 1:** The economic damage as a function of the lockdown

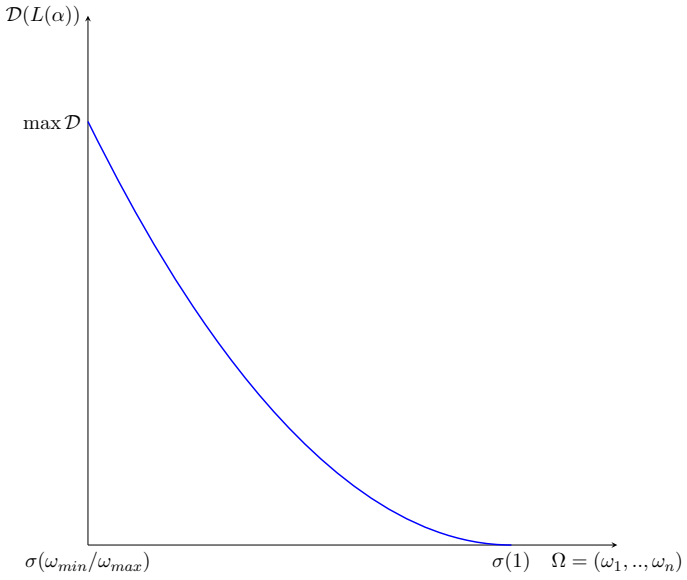


**Figure 2:** The economic damage function across income levels

by the Italian government to tackle the Covid crisis, that is the 'Cura Italia Decree' on March the $17^{th}$ and the 'Liquidity Decree' on April the $8^{th}$.

### 3.1 Socio-economic and geographical inequalities

Heterogeneous incomes, occupational status, and gender map into heterogeneous living conditions, access to health treatments, geographical location, neighbourhood living and housing standards. All in all, the characteristics of the "representative lockdown victim" are being a woman, with children, living in a peripheral neighbourhood of the South of Italy, possibly in a less than 60 square meter apartment.

'*Stay at home!*' has been the mantra accompanying the implementation of social distancing. Let us begin with its impact upon working conditions. Indeed, the possibility of performing 'smart working' involves only a fraction of the working population. Cetrulo et al. (2020) document that only thirty percent of the workforce in Italy performs activities which are teleworkable, largely involving the upper echelon of the occupational categories (managers, technical professionals, academics), which also enjoys more income security and permanent contracts. At the opposite end, those more hit by the lockdown, which cannot work from home, are the less paid ones with higher frequency of temporary contracts and therefore higher transition probabilities to unemployment.

Social differences reverberate from parents to children. Indeed, those households most hit by the lockdown policy also face higher difficulties in accessing technological infrastructures, such as e-schooling and distance learning. Pre-existing socio-economic and geographical inequalities now enhance the 'digital divide'. Students enrolled in high schools in the centre of Milan have a remarkably different access to digital infrastructure, high-speed connection, devices and comfortable houses with respect to those enrolled in technical schools, often in peripheral areas, possibly of the South. On top of that, children in primary schools need support from their parents, whose education level enormously affect children learning rates. Less educated, poorer, parents have possibly less time, attention and composure to support their children.

More generally, there is a compelling evidence on the growing socio-economic divides between North and South of Italy (Svimez, 2019). The latter report highlights patterns of overall increasing inequalities, poverty risk, and deterioration of employment quality and rates between 2008 and 2018. Southern Italy records a higher share of working poor over the total employed population (26.6%) and a higher (18.8%) and increasing (18.5% in 2017) school drop-out rate, as compared to the Central-Northern areas (11.7% in 2018).[3]

Corroborating evidence on socio-economic and geographical inequalities derives from the Istat 2019 EU-SILC survey.[4] Figure 3 shows the Gini concentration index of net income from 2005 to 2017. Concerning geographical areas, Southern Italy again records the highest

[3]Working poor are workers at poverty risk namely earning an income 60% lower than the median equivalent one.

[4]The European Union Statistics on Income and Living Conditions (EU-SILC) is an yearly survey available since 2004 and containing both cross-sectional and panel information. It is built upon a rotational sample design by using four rotational groups in order to collect households information related to four years. Individuals and households characteristics are collected at the time when the interview is admin-

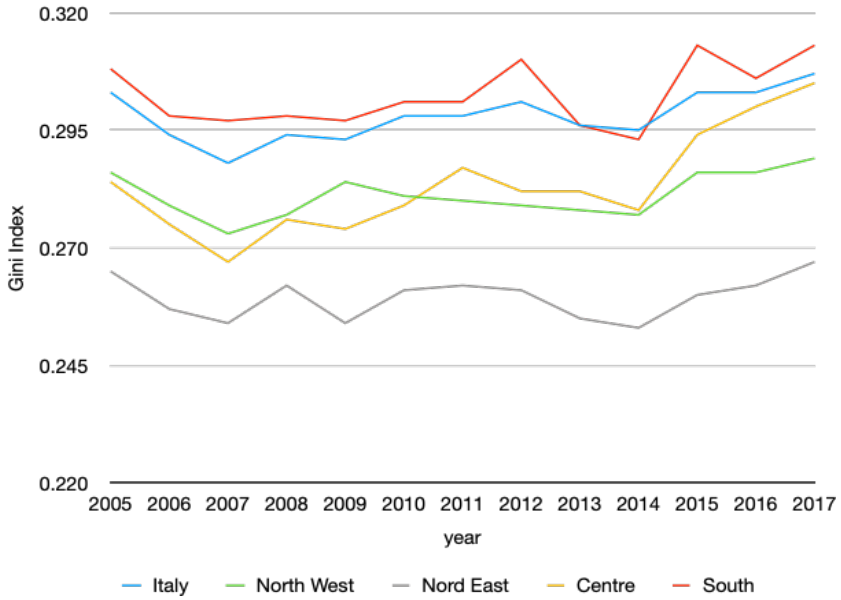


**Figure 3:** Gini concentration index of net households income for different geographical areas in Italy (blue line), North West (green line), North East (grey line), Centre (yellow line), South (red line), from 2005 to 2017. Source: ISTAT EU-SILC.

value (0.31), followed by the Centre and North-West areas (0.28), while the North-East shows the lowest value (0.26). Overall increasing trends since 2014, relatively steeper for Central (from 0.28 to 0.30) and Southern Italy (from 0.29 to 0.31), emerge as well. And, indeed, wealth patterns are not captured by this indicator.

Figure 4 shows the incidence of individuals in relative poverty[5] over the total resident population in 2014 and 2018. Again, the higher ratio is recorded in Southern Italy with one out of four individuals at risk of poverty, with a remarkable increase between 2014 and 2018 for all the geographical areas, in the North-West (from 7 to 9%), North-East (from 7 to 8.6%), Centre (from 8.4 to 10.5%) and South (from 22.6 to 26%).

Figure 5 closes the picture by showing the share of individuals at poverty or social exclusion risk[6] and the share of individuals at very low work intensity[7] over the total resident population, in 2018. Not surprisingly, the Southern Italy records the highest levels of both indicators (43.8% and 16.6%, respectively), followed by the Centre (23.1% and 8.6%), North-West (16.8% and 7%) and North-East, the latter recording the lowest values (14.6% and 5.5%).

These geographical inequalities clearly precede the lockdown. However they crucially

istered whereas income data refers to the previous calendar year. For further information see http://siqual.istat.it/SIQual/lang.do?language=UK.

[5]Istat estimates relative poverty by means of a poverty line (International Standard of Poverty Line - ISPL) defining as poor an individual with a consumption expenditure lower than, or equal to, the mean per-capita consumption expenditure.

[6]The poverty risk is computed over the income recorded the year before the survey administration. It refers to the percentage of individuals earning an equivalent income lower than, or equal to, the 60% of the median equivalent income, over the total resident population.

[7]Work intensity is computed over the total number of active working months in the year before the survey administration. It refers to the share of individuals recording a work intensity lower than 0.2.

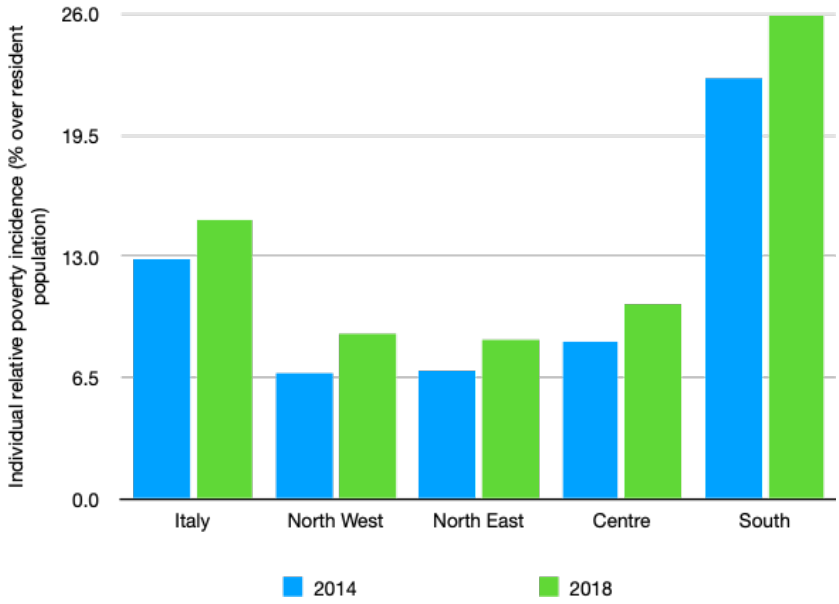


**Figure 4:** Individual relative poverty incidence over total residence population in Italy for different geographical areas, in 2014 (blue bar) and 2018 (green bar). Source: ISTAT EU-SILC.

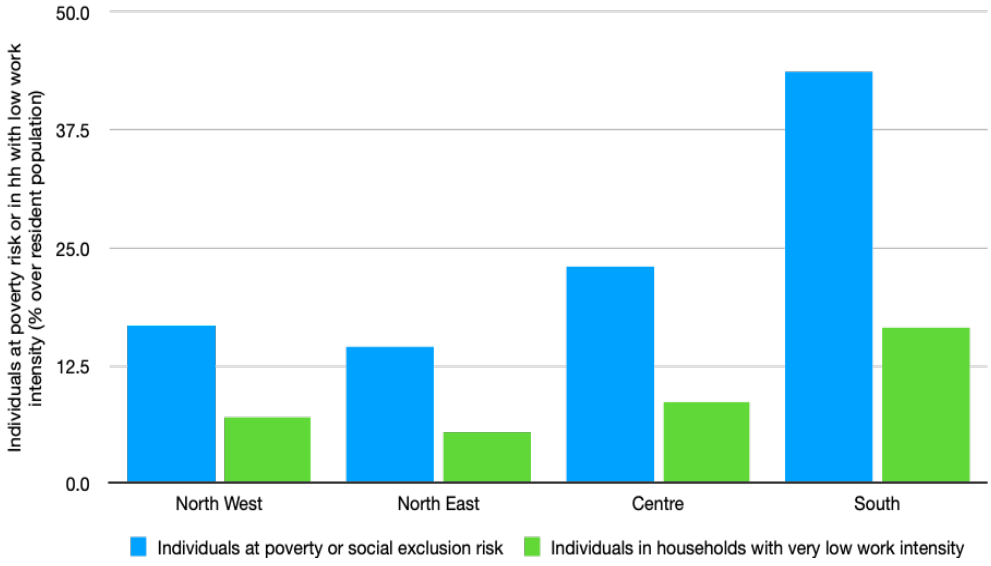


**Figure 5:** Individuals at poverty or social exclusion risk (blu bar) and individuals in households with very low work intensity (green bar) in Italy for different geographical areas, in 2018. Source: ISTAT EU-SILC.

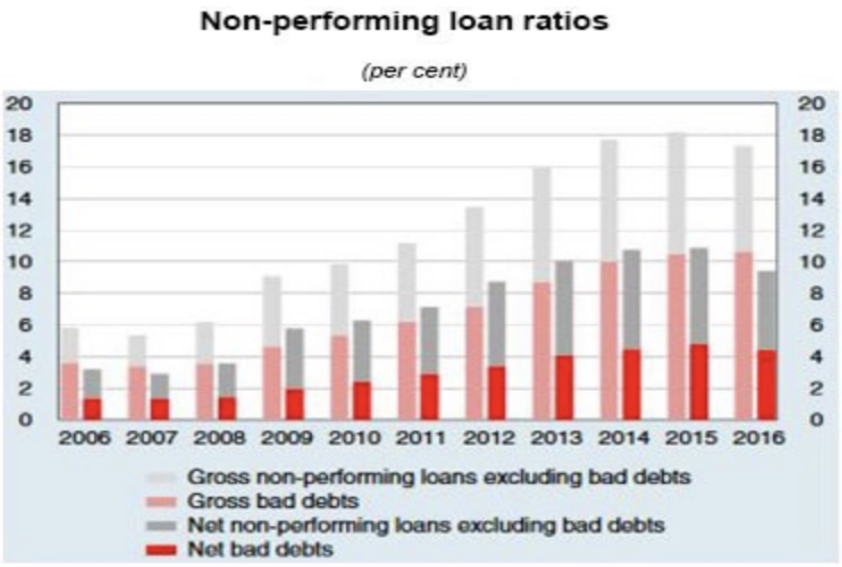


**Figure 6:** Share of Non-Performing Loans (NPLs) in Italy from 2006 to 2016. Source: Bank of Italy - https://www.bancaditalia.it/media/views/2017/npl/index.html?com.dotmarketing.htmlpage.language=1.

modulate the social effects of the containment policies. And, even more so, the physical restrictions of the lockdown dramatically affect the informal sector of the economy, the latter estimated to account for roughly fifty percent of the economy in the South.

### 3.2 Firm-level and sectoral inequalities

Heterogeneity does not regard only individuals as such, but firms and sectors as well, as they are not hit with the same intensity. So, for example, while a wide range of service activities, especially those related to social consumption, transports and entertainment, have been hugely affected by social distancing measures, many digital platforms are experiencing a surge in their turnovers and stock prices. This is due to e.g. the massive call upon video conferencing software and applications, such as Google Hangout, Microsoft Teams or Zoom. The latter has been recording a stock price increase of 60% as of mid March 2020. Indeed, among economic sectors, those related to health provisions and equipment, big pharma, mobile telecommunications and digital communication platforms are experiencing the highest stock market returns (Ramelli and Wagner, 2020).

Moreover, an additional source of heterogeneity among firms comes from different degrees of firm indebtedness. This source of fragility, matched by the increasing weight of Non-Performing Loans (NPLs) on the Italian bank balance-sheets has been worsening well before the pandemic. Figure 6 provides a synthetic picture of these patterns highlighting the still persistent effect of the 2008 global Great Recession from 2006 to 2016.

Thus, the higher the degree of indebtedness, the higher the economic fragility of those firms and sectors facing huge contractions either due to reduction in demand because of social distancing and/or to compulsory closure effects on *supply dynamics*. Furthermore, the persistent generalised closure is leading to dramatic employment effects. Current projections of the ILO predicts 200 millions of job losses worldwide. Unlike the 2008 Great Re-

cession, the current crisis is grafted into the pre-existing slowdown of global trade flows, fragile geopolitic landscapes, adding to progressively weakened public health systems. This is potentially leading in the next years to dramatic consequences on both the economic and financial sides of the capitalistic system at a global level.

# 4 The policy response

The overall impact of the pandemic indeed crucially depends on both containment and social policies and their ability to protect the weaker and more fragile social groups. Some authors (Bonacini et al., 2020) have discussed the potentially negative effects of the generalised lockdown, as well as the shutdown of non-essential economic activities, on income inequalities across different geographical areas given that the so called essential sectors are largely located in the North. Note that, the closure of the economic activities has been equal for all Italy independently from the level of contagion.

The Italian government response to the pandemic has been enacted via different economic and health measures contained in the 'Cura Italia Decree Law '[8] and the 'Liquidity Decree'[9] adopted, respectively, on March the $17^{th}$ and on April the $8^{th}$. The former provided a first set of policy interventions including (i) work-permits remunerated at 50% for workers with children up to 12 years, (ii) the possibility to apply for an ordinary redundancy pay scheme (so-called 'CIGO', i.e. Cassa Integrazione Ordinaria) or to an extraordinary allowance, for those small firms not covered by the ordinary redundancy scheme, (iii) once-and-for-all transfer of 600 euros for self-employed and seasonal workers and 100 euros of bonus for those workers who were not able to work from home being involved in essential working activities. These policy measures completely missed the goal to protect the most fragile segment of the working population, such as temporary and part-time workers, migrant workers in the agricultural supply chain or caregivers, often operating in the informal economy, workers in the logistic sectors.

The new Decree Law 'Rilancio '[10], released on May the $19^{th}$, has introduced an emergency income transfer for two months for households ranging from 400 up to 800 euros, extended the ordinary redundancy pay schemes up to 14 weeks in the year, simplified the access to the extraordinary pay scheme, increased the bonus for autonomous workers to 1000 euros for the month of May and introduced a limited scheme of legalization of migrant workers, restricted both in terms of the sectors of activity and the status requirements.

On top of that, a long list of de-taxation schemes come for firms, in particular the yearly suspension of one of the corporate taxes (IRAP), already quite low and only proportional to revenues, and lump-sum transfers to firms with a turnover up to 5 million. Next, a series of measures have been introduced to guarantee liquidity to ailing firms, including State guarantees on bank loans, grants, and the possibility for the State to enter the equity of private firms (in ways still to be specified). Finally, the measures involved heinous tax-

[8] Decree Law n.18/2020 converted into Law n.27/2020 on Aprile the $27^{th}$.

[9] Decree Law n.23/2020.

[10] Decree Law n.34/2020.

credit up to sixty percent of non-household rents for warehouses, hotels and all commercial/industrial real estates actually yielding regressive effects, favouring rentiers. Indeed, it is difficult to precisely assess the relative impact of all such measures upon different social groups. However, the general thrust seems to range from a very limited, or no protection for informal workers and non-working poor (more so if immigrants), to a limited protection for regular employees and small business firms, to a much greater umbrella for large non-financial firms, ending with a full parachute for financial and real-estate rents. That is basically the opposite of what society would need in the current circumstances.

All in all, the magnitude and persistence of the current crisis require short, medium and long-run policy programs aimed at reducing and redistributing the asymmetric and unequal effects of the Covid-related policy shocks. An obvious place to start would be fiscal policies. However, at this stage, no discussion has emerged in terms of strengthening tax progressivity and introducing wealth tax schemes. Few people even recall the *taxpayer capacity* principle and the *progressive* dimension of taxation, both enshrined in the Italian Constitution (art. 53). Indeed, since the Italian Fiscal Reform[11] implemented during the 1970s, the Italian personal income taxation, i.e. 'Imposta sul Reddito delle Persone Fisiche' (Irpef), has been increasingly fragmented and weakened mainly by decreasing the tax rates and the number of tax brackets from 32 to 5.[12] Behind the rhetoric of tax simplification, these interventions have been gradually undermining the effectiveness of the progressive taxation principle.

To illustrate this point, Figure 7 shows Italy's tax revenue sources over total taxation between 1990 to 2018. Direct personal income tax (Irpef) and indirect, regressive taxation on goods and services, mainly Value-Added Taxation (VAT), represent the highest components of the total tax revenue, namely the 26% and 27% respectively. On the other hand, taxations on corporate incomes, capital gains and property[13] represent on average the 7% and 5% respectively. This means that taxation on profits and rents account for less than 15% of the total contribution.

How does Italy stand vis-à-vis the other OECD countries? During the same period (1990-2018), the share of personal income taxation is relatively higher than the OECD average (24.5%), as shown in Figure 8, while the share of profits and capital gains taxation starts decreasing since the end of the nineties, reaching nowadays a 5% contribution against a 9% in average among OECD countries (Figure 9). Note also that within "personal income" comes also the incomes of top managers which saw their marginal rates *dramatically falling*.

Figures 7, 8 and 9 provide a picture of four phenomena that should be urgently addressed in the post-Covid, namely: (i) the gradual shift of the tax burden from profits to wages, together with (ii) a shift from self-employed and professional to employee incomes;

[11] Law n.825/1971.

[12] Nowadays we have 23% up to € 15.000, 27% above € 15.000 up to € 28.000, 38% above € 28.000 up to € 55.000, 41% above € 55.000 up to € 75.000, and 43% above € 75.000. Incomes and pensions below € 8000 are not subject to taxation (no tax area). In 1974, the top tax bracket was 73%.

[13] Property taxes are defined by the OECD as recurrent and non-recurrent taxes on the use, ownership or transfer of property. These include taxes on immovable property or net wealth, taxes on the change of property ownership via inheritance or gift, and taxes on financial and capital transactions.

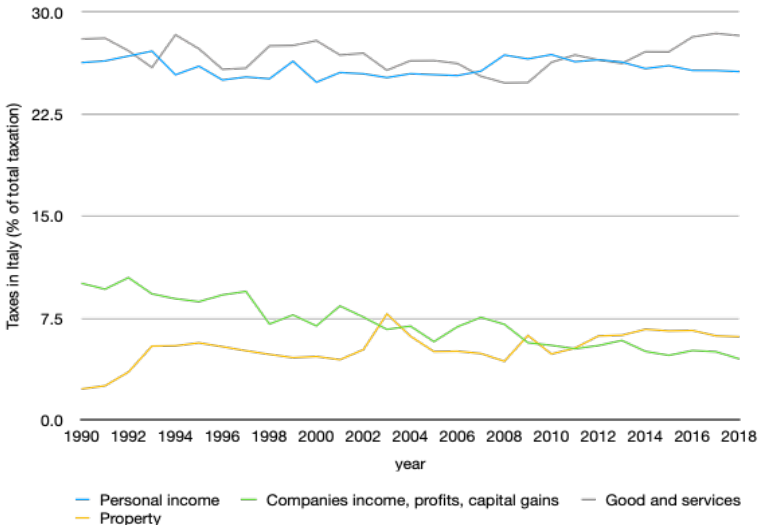


**Figure 7:** Taxes on personal income (blue line), companies income, profits and capital gains (green line), good and services (grey line), and property (yellow line), over total taxes in Italy from 1990 to 2018. The denominator also includes social contributions, representing on average the 30% of total taxation during the observed time-span. Source OECD.Stat.

(iii) the need of *progressive wealth taxation schemes* capable of redistributing the economic and social costs of this crisis from the bottom to the top of the wealth distribution; (iv) the necessity to eradicate tax avoidance and elusion of the richest, both in Italy and across European countries.

## 5 Conclusions

Overall, the spreading of the pandemic is exacerbating a series of old inequalities and vulnerabilities. If the common perception is that "everybody is equal" in front of the pandemic at closer inspection this is not true. What people do at work, their contractual framework, and their position in the organizational hierarchies strongly affect the possibility to remote working. Gender and geographical imbalances matter. The digital divide is deepening. Access to high-speed internet connection and ICT-devices is the necessary condition to learn at the e-schools. Moreover, learning dramatically depends on the education level of the parents themselves. Schools are never been as unequal as nowadays.

The coupling of the pandemic and social distancing are making diverse risks conflating: health risk (exposition to social contacts are higher for low-income occupations), income risk (probability of job losses is higher for temporary low-income occupations), employment risk (feasibility to remotely work is lower for low-income occupations).

In the following, we shall list a series of policy actions to be undertaken, beyond the lockdown, in a medium term perspective, to cope with the increasing risk of widespread, collective diseases. Overall, the health-management system need to be completely reorganised (Pianta and Lucchese, 2020). Some directions to follow include:

- increasing the overall public expenditure for the health system by strengthening

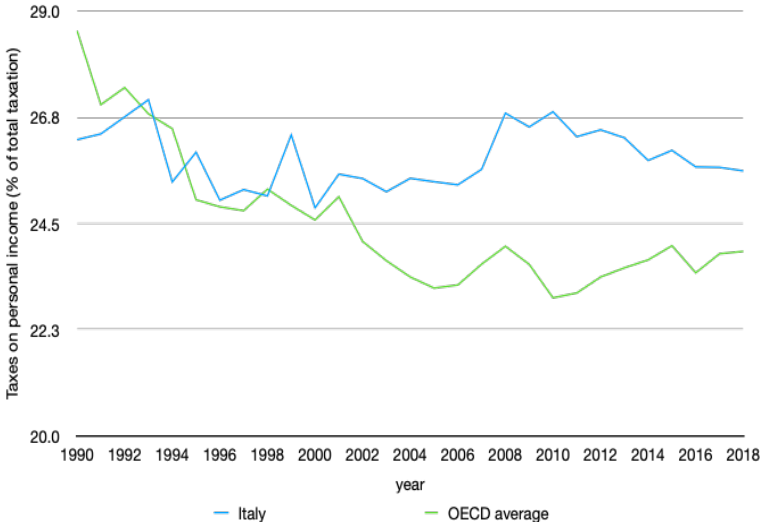


**Figure 8:** Personal income taxes in Italy (blue line) and OECD average (green line) from 1990 and 2018. Source OECD.Stat.

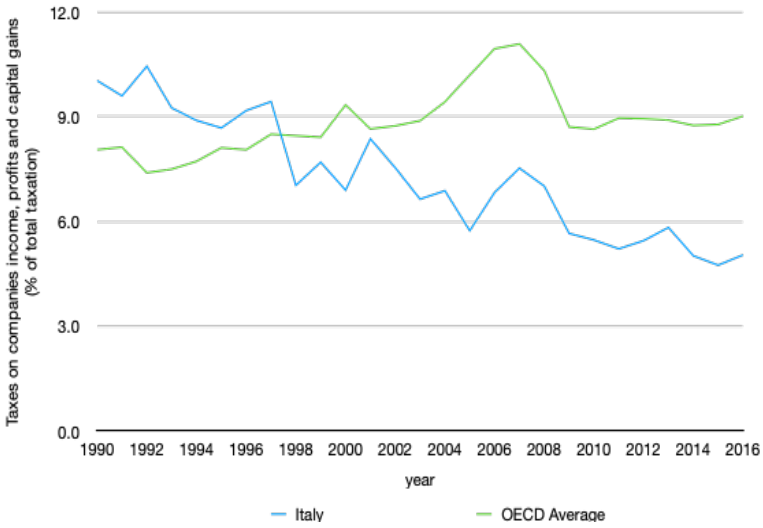


**Figure 9:** Companies income, profits and capital gains taxes in Italy (blue line) and OECD average (green line) from 1990 and 2018. Source OECD.Stat.

local hospitals and laboratories: a capillary hospital system is able to cope with widespread diseases

- reducing the public subsidies to private clinics, being the latter more interested in profit-seeking activities rather than general medical care assistance and provision of ICU beds for the general public
- strengthening the role of GPs, implementing forms of communication and monitoring activities, fostering at home visits
- increasing the public financing research
- compelling the pharmaceutical sector to perform genuinely innovative $R\&D$ activities
- revitalizing national-based laboratories to discover drugs away from the market system beginning with vaccines
- maintaining inventories of safety devices and instruments necessary to equip hospitals, protect workers and perform testing

Together with policy actions directed toward the health system, a complete reorganization of the mode of production and distribution of gains in our societies need to be put in place. Massive redistribution policies are needed in order to avoid the explosion of social injustice. Rents, accumulated by e.g. financial institutions, real-estates, big-pharma, need to be curbed otherwise the implication of the coupling of the pandemic with social injustice will be massive and potentially out-of-control. Redistributive policies should target the persistent and growing inequalities among either different social classes and worker categories, namely employees, self-employed and atypical workers, and shift the taxation burden from wages to profits, and from profits to rents.

Landais et al. (2020) recently proposed the introduction of a European progressive wealth tax on the top 1% of the richest individuals in order to finance the economic response to the Covid crisis at a European level.[14] While the achievement of a European progressive wealth tax would imply first a European fiscal union, hard to imagine given the European fragmentation, the implementation of a progressive wealth taxation scheme in Italy is viable and should be demanded. Moreover, the latter should be crucially coupled with a political commitment against tax avoidance and elusion via coordinated policy measures among European member countries. On this ground, the implementation of a Common Consolidated Companies Tax Base (CCCTB), as proposed by the European Commission in 2011 (European Commission, 2015; Hentze, 2019), may represent a major policy tool against both fiscal dumping and the erosion of companies tax bases, the so-called Base Erosion and Profit Shifting (BEPS), through infra-group *transfer pricing* operations (OECD, 2017). Therefore, the access to the 'Liquidity Decree' funds provided by the Italian government in response to the Covid crisis should exclusively involve those

[14]See also Saez and Zucman (2019) for a detailed discussion on progressive wealth taxation as a policy response to the increasing wealth concentration in the US.

companies based or re-transferred in Italy. To this purpose, the presentation of *country-by-country* fiscal reports should be compulsory for those companies operating in Italy, as recommended by the OECD Action Plan 13 (OECD, 2017). Facts, however, are far from these objectives. The announcement of a financing scheme of 6 billions of euros to FCA, with the corporate head quarter in the Netherlands and fiscal home in the UK, hardly meets these requirements

Furthermore, coordinated digital taxation schemes are required in order to prevent aggressive fiscal elusion adopted by tech-giants, such as Amazon, Google or Apple, aimed at competing on global markets by exploiting the downward fiscal dumping among European member countries.[15]

Worker rights have to be extended, including migrants and informal workers, and safety conditions at work must be ensured by employers. Working hours ought be reduced, at unchanged wages, to match the stressing safety conditions in the workplaces. In the medium and long term, we need urgent measures to rebalance labour power, by increasing real wages and introducing universal income protections, independent from contractual framework and working status.

We are facing nowadays a historical bifurcation both in technological trajectories and in the forms of socio-economic organisation. We can head towards some form of techno feudalism with a deeply divided society or we can go towards a society that collectively shares the benefits of technological advances. The taken route largely depends on the kind of policies we design and implement.

This pandemic, which under decent public health provisions might have been a controlled disease, is producing the most severe crisis after the Great Depression and has been used to implement forms of massive social control hardly conceivable in "advanced democracies". Butterfly effects are well-known in complexity sciences, however, social scientists have still difficulties in understanding how a grain can make the sandcastle to fall down. The pandemic, rather than being the "super-critical" grain of sand, might well reinforce both socio-economic inequalities and authoritarian political trends wrapped up into some "medical paternalism". We are now under the actual risk of starting a "new normal" without questioning the deep routes and origins of this crisis, with the dominant intellectual discourse pushing for maintaining and indeed reinforcing the status quo, established power and social blocks. This myopic strategy might end up in collectively disastrous socio-political changes.

[15] A recent Report by the Tax Justice Network (TJN) quantifies the losses for European countries from tax avoidance in more than 27 billions of US dollars per year (Tax Justice Network, 2020).

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