

Dignity and the Equitable Economy

with Rawi Abdelal

A NEW WAY FORWARD FOR NATIONS

Opposition to globalism, in all its promise and all its failings, is at an all-time high in modern Western history, with populist movements gaining traction on both ends of the political spectrum. In the US and elsewhere, **decades-long trends in migration, demographics, and economic inequality have led to disillusionment, anger, and backlash against institutions, elites, and those perceived as “other.”**

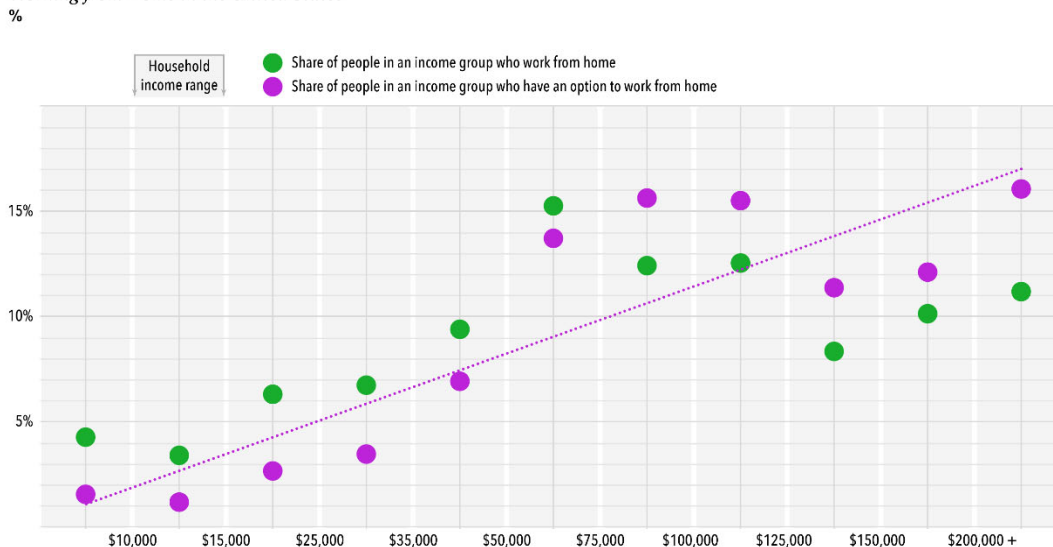
The pandemic has put a spotlight on economic inequality, with a higher proportion of high-income individuals able to work from home and avoid both the health risks and job losses that have confronted workers employed in the service sector, but this alone does not explain why so many resist and resent the idea of a return to the status quo. COVID-19 has highlighted inequities of every kind.

One day, the pandemic will be over, but we will not return to the pre-pandemic past, nor should we hope to. Something needs to change, but what?

DIGNITY AS THE MISSING INGREDIENT

The modern era of global capitalism has brought extreme income inequality to the United States, with the top ten percent of earners holding more than half the nation’s wealth, and the top one percent holding over twenty percent. In general, the more money one made, the more likely one was to be able to work from home and, as [Raj Chetty’s economic tracker](#) shows, leave local small businesses out in the cold.

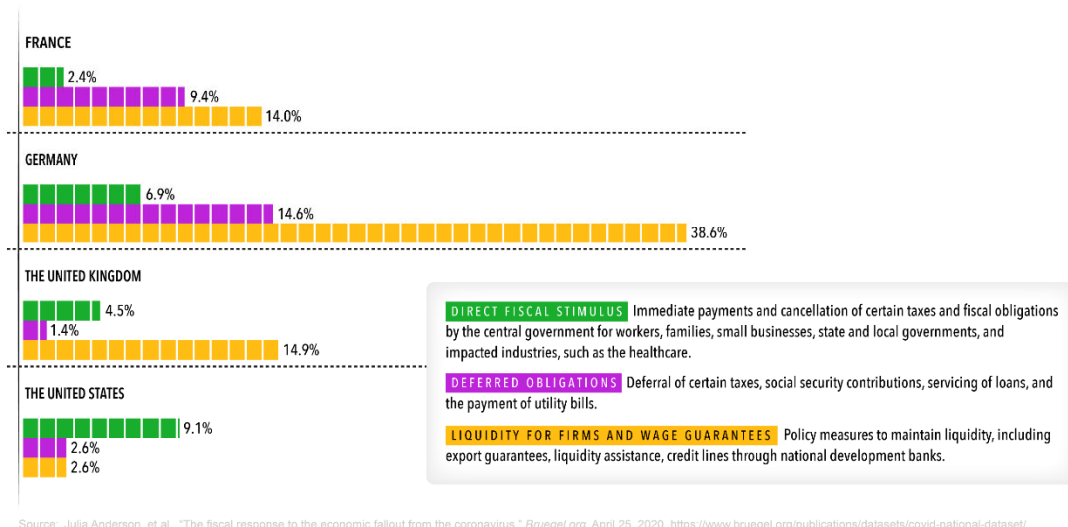
Working from Home in the United States



Source: Calculated based on data from National Household Travel Survey, the Federal Highway Administration, the U.S. Department of Transportation, <https://nhts.ornl.gov>.
Note: Survey is based on the 2017 data.

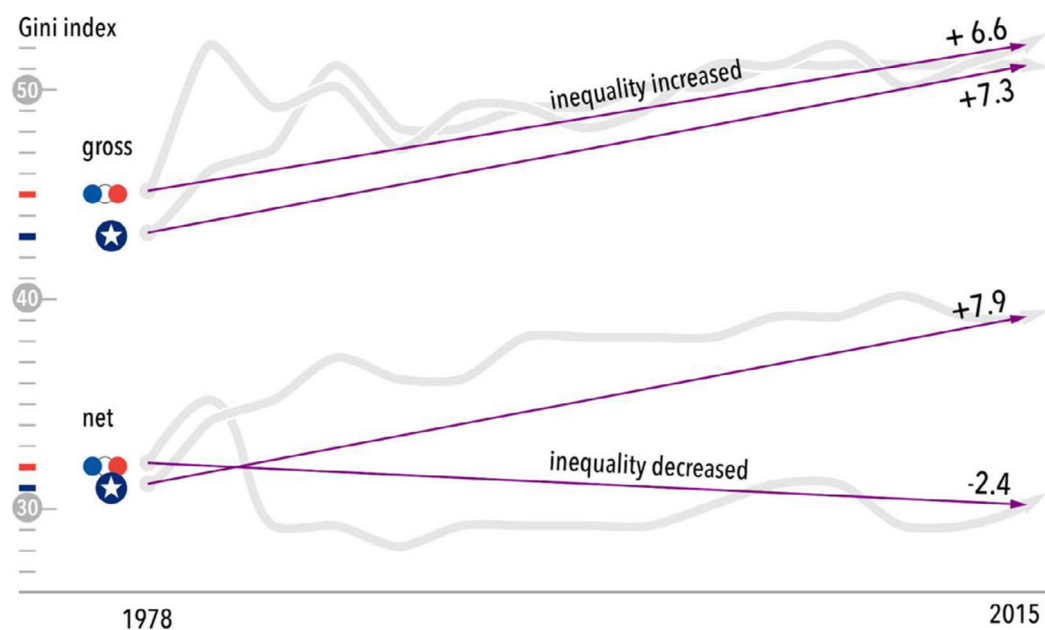
America's economic response to the pandemic has only made matters worse by permitting larger firms to run off with much of the funding and offering only limited post-hoc relief to those laid off rather than taking creative steps to avert mass unemployment.

Fiscal Response to COVID-19
% of 2019 GDP



If restoring public faith in a global economic system were simply a matter of redistributing wealth more efficiently, France might show the way. While income inequality has risen in France as it has elsewhere, the net after-tax distribution of income is more equal today than it was thirty years ago.

Gross and net income inequality in France and the United Statesⁱ



But even fewer French citizens than Americans hold favorable views of the global capitalist system. While the American model has given us the “working poor,” the French model has created a large number of unemployed citizens receiving financial support from the state to keep them out of poverty. If it is not about the money, what is it that makes members of both groups tend to reject globalism and existing political systems?

The driver of disaffection in both countries appears to be a sense of being excluded, left behind, undervalued, and humiliated. The want is something greater than material welfare. What these individuals lack is **dignity**.

DIGNITY AND PURPOSE AS POLICY TOOLS

While a strong social net is desirable, the French experience suggests it alone is not the cure for political unrest. In Germany, sixty percent of citizens believe in the promise of globalization. Neither mass unemployment nor widespread poverty afflict the populace as they do in France and the US. Instead, Germany maintains **an equitable distribution of dignity**.

Some scholars argue that realizing the promise of an integrated global equality will require nations to pursue a “[good jobs economy](#),” with targeted interventions to connect the public sector to the most productive segments of the private sector and boost the meritocratic fairness of the system.

The German model offers several possible approaches:

- **A financial system that supports small- and medium-sized firms** rather than a “winner-take-all” approach. In Germany, a bank-based financial system serves the real economy rather than itself.
- **A robust, well-integrated vocational education and apprenticeship system** that connects employers and trade unions to skilled workers in all sectors. In Germany, there is pride in pursuing a vocation.
- **A fair distribution of opportunity**, primarily achieved through equitable education systems and taxes on inherited wealth.

At the local level, city leaders have a role in **uplifting the dignity of work**—especially when it comes to appreciation for those whose contributions are often underappreciated or invisible. City leaders can also work to **ensure dignity for members of vulnerable groups** in their communities. The pandemic has offered an opportunity to **remind people not only of their duties to care of themselves, their loved ones, and their fellow citizens, but also of the reasons they should take pride in living up to those duties**.

If governments and firms do not act decisively now to promote an equitable distribution of dignity—to establish and support economic models that are more friendly to small- and medium-sized firms, more equal in opportunity, and more meritocratic—then we will suffer the fate of our parents and grandparents in the 1930s and 1940s: a destruction of the system.

ⁱ Source: Calculated based on data from OECD.Stat, <http://stats.oecd.org>, and Luxembourg Income Study (LIS) Database microdata, cited in Roser, M. and Ortiz-Ospina, E. (2018) “Income Inequality,” <https://ourworldindata.org/income-inequality>.