

Did the pandemic, as one might assume, make the rich even richer and the poor poorer, or was it different this time? And why is inequality so important at all if the income of the poor is also growing?

Are more and more nations changing a little democracy for a little more economic growth and where are we? Branko Milanovic, the most famous Serbian, but also one of the world's most famous economists, the leading authority in the field of global inequality, spoke for the daily Danas from Washington about all this, plus how the English defended football.

How has the pandemic affected inequality?

- We do not have data yet, and the pandemic is not over yet. We see what is happening in India and that it is possible for things to happen that we do not expect. But, if we look at rich countries, Europe and America, it is obvious that mortality is higher among people who had to physically go to work, that is, among the working class. On the other hand, states provided huge financial incentives, which in the United States amounted to 25 percent of GDP, which has never been in history. These benefits set an income limit above which no aid was distributed, and this significantly contributed to compensating for the loss of salaries of people who could not physically go to work due to the pandemic. The results for Germany, France and the United Kingdom show that monetary inequality in 2020 is lower than in 2019. So, it should be distinguished that the poorer are more affected by morbidity and mortality. Another thing is that financial inequality has been reduced. The same applies to the measures implemented by Serbia. If you give people linear money, those 100 euros, the inequality is automatically reduced, because inequality is measured in relative amount. Inequality and its impact on economic growth have become one of the world's major economic issues since the last global financial crisis. However, some believe that it does not matter that inequality grows as long as the poorest income and standard of living grow. Is that so?

- Inequality is important in itself and produces bad consequences for three reasons. With greater inequality, you reduce the opportunities for future generations born in poor circumstances to go to school, work and earn well. The differences are so great that they are also shown at the family level. Household inequality in which children grow up directly reduces the opportunities for poor children.

The other thing is the political impact of inequality. The rich want to make political influence, not because they are bad, but to maintain economic power. For example, they need political influence to reduce taxes, to secure property, to be able to create a monopoly. The rich realize it through money. They either buy politicians, or control them or elect them. The third negative effect of inequality is on economic growth rates. It's more complicated, because you still need a certain kind of inequality to give people stimuli. Under socialism, everyone had more or less the same salary because there was no incentive to work or invest more. But if you have too much inequality, then there is political instability, and it causes

fear among investors. And besides, unused human capital due to inequality of opportunity leads to a decline in the growth rate. So you can't say "I don't care who is how rich, if the poorer ones get a little more every year."

When it comes to economic growth, a fairly mass movement of opponents of the growth economy (degrowth) has appeared in the world, translated here as "growing up", due to the negative effects on the environment, gas emissions and climate change, and with some of the authors lead a controversy. If the world economy stopped growing, what would happen to the poorer part of the world?

- They do not think about the poorer part of the world at all and start with the assumption that the rich world is rich enough, they live well and they do not need more growth, because that causes gas emissions and climate change. And that is why the developed west should no longer grow, not even the rest of the world. Now, if that happened then all those poor people in Africa, Asia and elsewhere would remain poor. When you tell them that then the answer is that they continue to grow, but to reduce the incomes of the richest in the world in order to stay with the total world GDP at approximately the current level. But there is one big problem, they do not see how big the differences in income are in the world. If we wanted to stay within the current GDP, we have two options - one is to reduce the incomes of developed countries by 50 to 60 percent, and then poor countries could grow to the level of world median income. Another possibility is to keep the current distribution of income in the world, which means that the current poor, and there are about two billion of them, will remain poor without electricity, water, infrastructure, because the world can no longer withstand gas emissions. Both possibilities are extreme and unacceptable.

U.S. President Joe Biden has launched an initiative to introduce a global income tax to force corporations to pay taxes instead of hiding them in tax havens. Since the seventies and Tobin's tax on financial transactions, there have been ideas to introduce a global tax, but so far it has not succeeded. Why is it different now?

- This will be different. The idea of the financial transaction tax from the seventies was to collect the financial transaction tax in one place and then divide it. This required fiscal coordination of countries. Now the countries have a fiscal monopoly, but the fact is that now the corporation will not be able to falsely represent profits, as, for example, Starbucks did when it sold coffee in France, and represented that they realize 99 percent of profits in Luxembourg. Financial machinations used by large corporations with great success are prevented. Let's say Ireland is a tax haven, just like the Netherlands.

Now, a minimum tax rate is being set, so let them continue to claim that they make 99 percent of their profits in Luxembourg, but they will have to pay, for example, 15 percent, and not zero. That is a good move and I think it is possible to apply it.

Is the pandemic, due to the huge costs of governments, the catalyst for a consensus on this among the major economies?

- The big countries came to a consensus because they saw, even in the world crises, losing big money. The power of the state is still greater than the power of corporations. The pandemic was a catalyst, because now the ratio of debt and GDP is at the highest level, I don't think it was that high in the United States from 1944-45. The state was so exhausted and indebted in the pandemic that the significance of those financial losses became greater. In practice, we see a wave of changes in the system according to what Viktor Orban called "illiberal democracy". We are also in that wave, considering that economic growth has been progressing solidly in the last few years, but that is why assessments of human rights and the rule of law are declining. Do you see democracy, the rule of law, institutions as a necessary condition for economic growth?

- I see democracy as a means to achieve a better way of life. I am not as convinced as, for example, Rawls that democracy is primarily good. According to his order, democracy is first, economic growth is second, inequality is third. I think that in reality many nations are making trade, replacement, less democracy for more economic growth. When we look at China, which is the most economically successful in the last two generations, there is no doubt that this model of state management of the economy and the government dedicated to investments, growth, employment exists, although China is specific and it is not easy to transfer that model. Also, if we compare that with the loss of human rights, property rights and the lack of the rule of law, that trade exists. I also think that Serbia has entered that trade, where higher economic growth goes with the reduction of certain rights and greater arbitrariness in the behavior of the state than before.

Is the world entering another Cold War, between America and China?

- There is no doubt that the Cold War is emphasized by America, because China needs two or three more generations to have unhindered technology transfer, growth and exports. The United States emphasizes this for fear of losing hegemony. It is not ideological, although it was made to look ideological, as they will not admit that they fear that China will be as economically strong as America, which will happen if it continues with this kind of growth in 50 years. We are going to the Cold War and that is sad.

Will the consequences for the world be net positive or negative?

- It will be net negative, because it will reduce global economic growth, there will be less trade between the USA and China, the two largest economies that make up 40% of the world's social product. It will be negative that this ideological war will affect other countries that will have to choose a side. Let's say Germany or Brazil, with which China is a great partner. They have no motive to choose a side in that conflict. But some small African countries, and even Serbia, may find themselves in a very favorable situation to try to gain from both sides. This is how the Chinese Belt and Road Initiative can be viewed, which is good for Africa, but now we see that Biden on the G7 wants to replicate what China is doing. This is good for small countries in Africa, because the West is engaging in Africa for the first

time since the end of the Cold War.

And what does Serbia look like in that situation?

- I think that people in Serbia do not understand how necessary it is for Serbia to sit on three or even four chairs: the USA, the EU, China and Russia. The policy of opting to one side or the other would be bad. A policy in which you hold options is not only better because you have options, but also because it makes the other party be interested in you.

This spring, the 12 richest clubs tried to create an exclusive super European league, but they did not succeed. You follow and often comment on football, even this phenomenon.

How do you see this phenomenon?

- The motivation is clear and it is money. The catalyst was the crisis caused by the pandemic and the revenues of the biggest clubs were drastically reduced. The initiative came at once and was very poorly prepared. And the idea that you can't enter that league and that you can't drop out of it, is so poorly conceived. You can't just lock those leagues. That is why the result was catastrophic. And I must say that the main bearers of the attack on that league were English fans, while the reaction of Italian and Spanish fans was almost non-existent. I was against it from the first moment, but one should not have illusions when there are so many financial possibilities, that at some point with a better organization, such a league will appear. It could be in five years or later and it will be more elitist than the Champions League is now, Politika reports.