Spotlight on financial justice

understanding global inequalities to overcome financial injustice

Spotlight on financial justice - Contents

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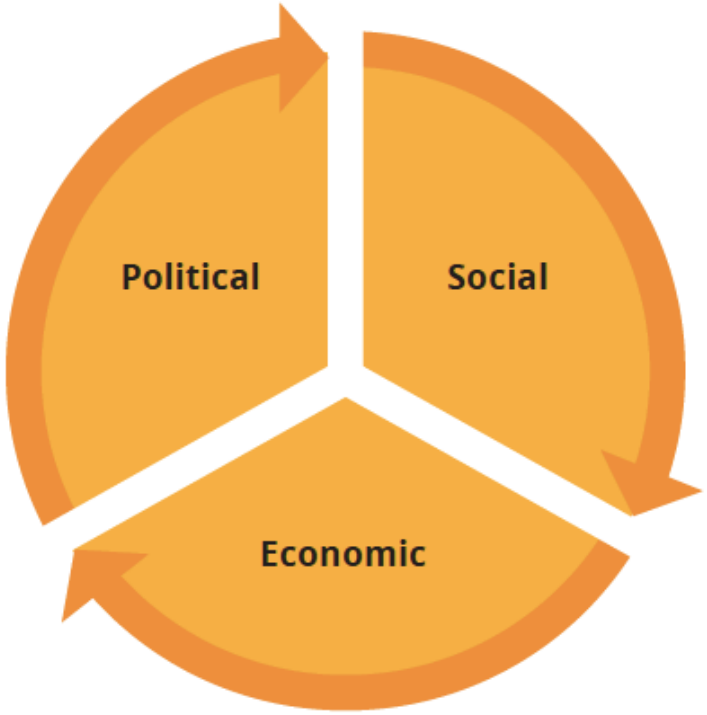
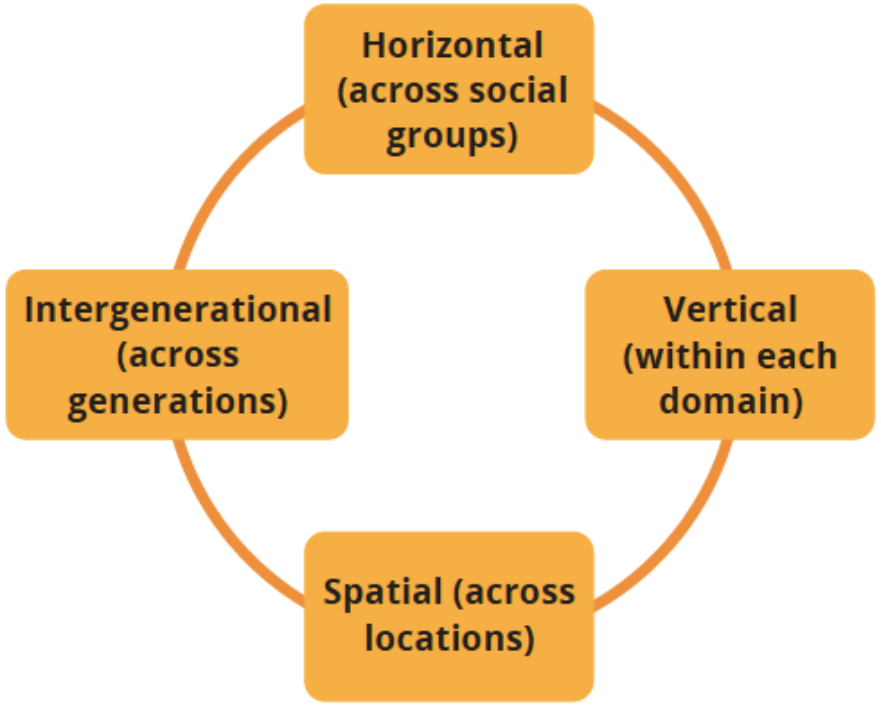
The multiple domains and dimensions of inequality:





Source: S. Prato, Development, 2014.

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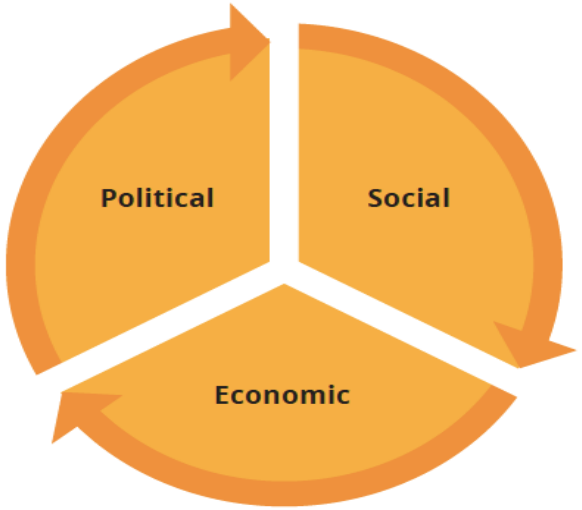
Inequalities: a question of governance

The current rules of our global economy reproduce a vicious circle of inequality: growing economic inequality and wealth concentration increase political inequality by expanding the ability of corporate and financial elites to influence policy-making and protect their wealth and privileges. Higher levels of inequalities are then passed on to the next generations, culminating in long-term disparities and unfairness felt by marginalized groups.



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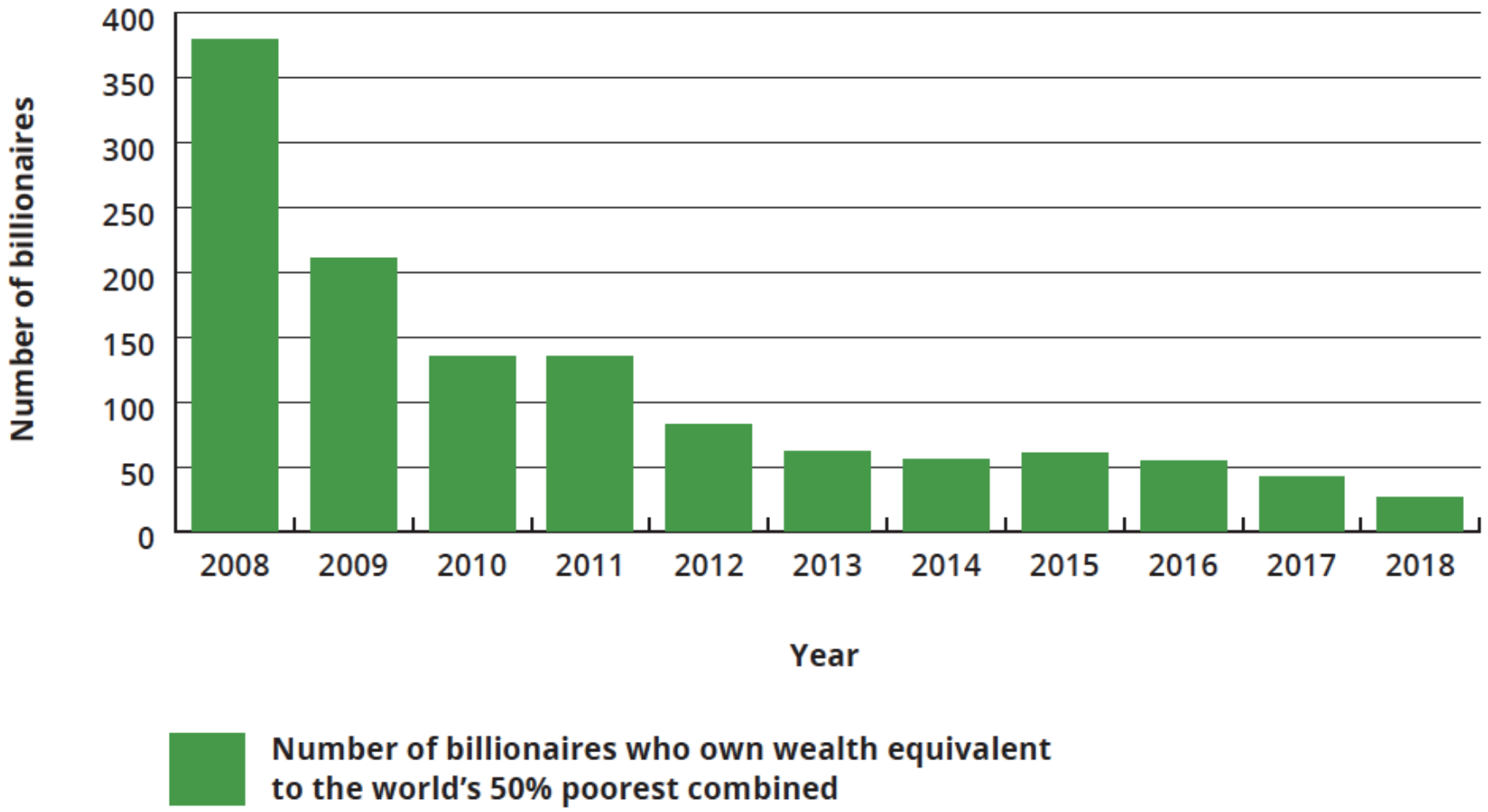
A vicious cycle: economic and political inequalities reinforce and maintain each other



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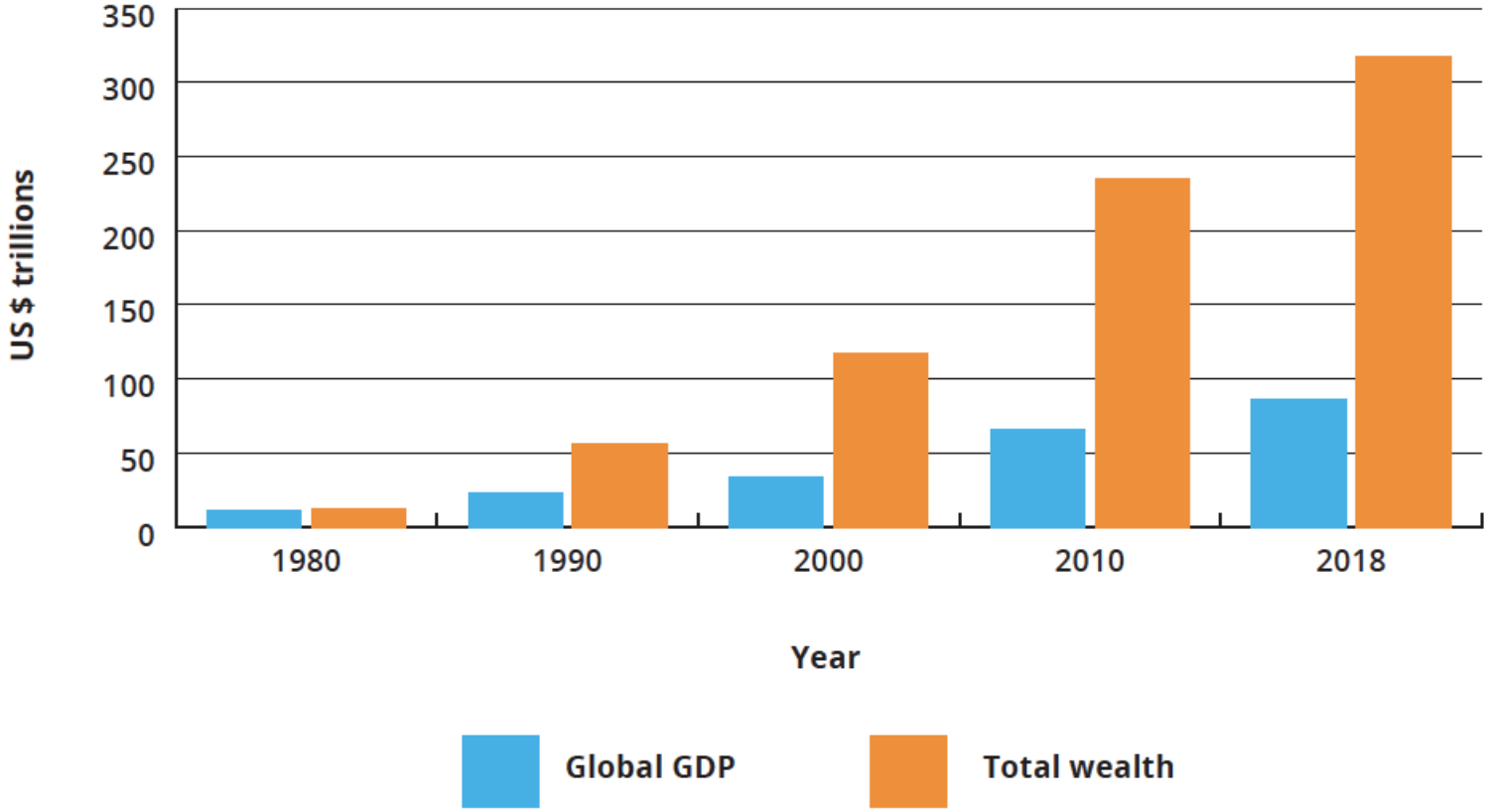
A vicious cycle: policy decisions maintain economic and political elites

While (some) economies keep expanding (in terms of GDP growth), governments' fiscal space is often shrinking (for the combined effects of increasingly regressive tax policies, tax avoidance and evasion and other illicit financial flows, among other reasons) and worker's wages are stagnating, due to a massive concentration of private capital.



Sources: Credit Suisse 2018 (global wealth 2000-2018); World Bank (for GDP)

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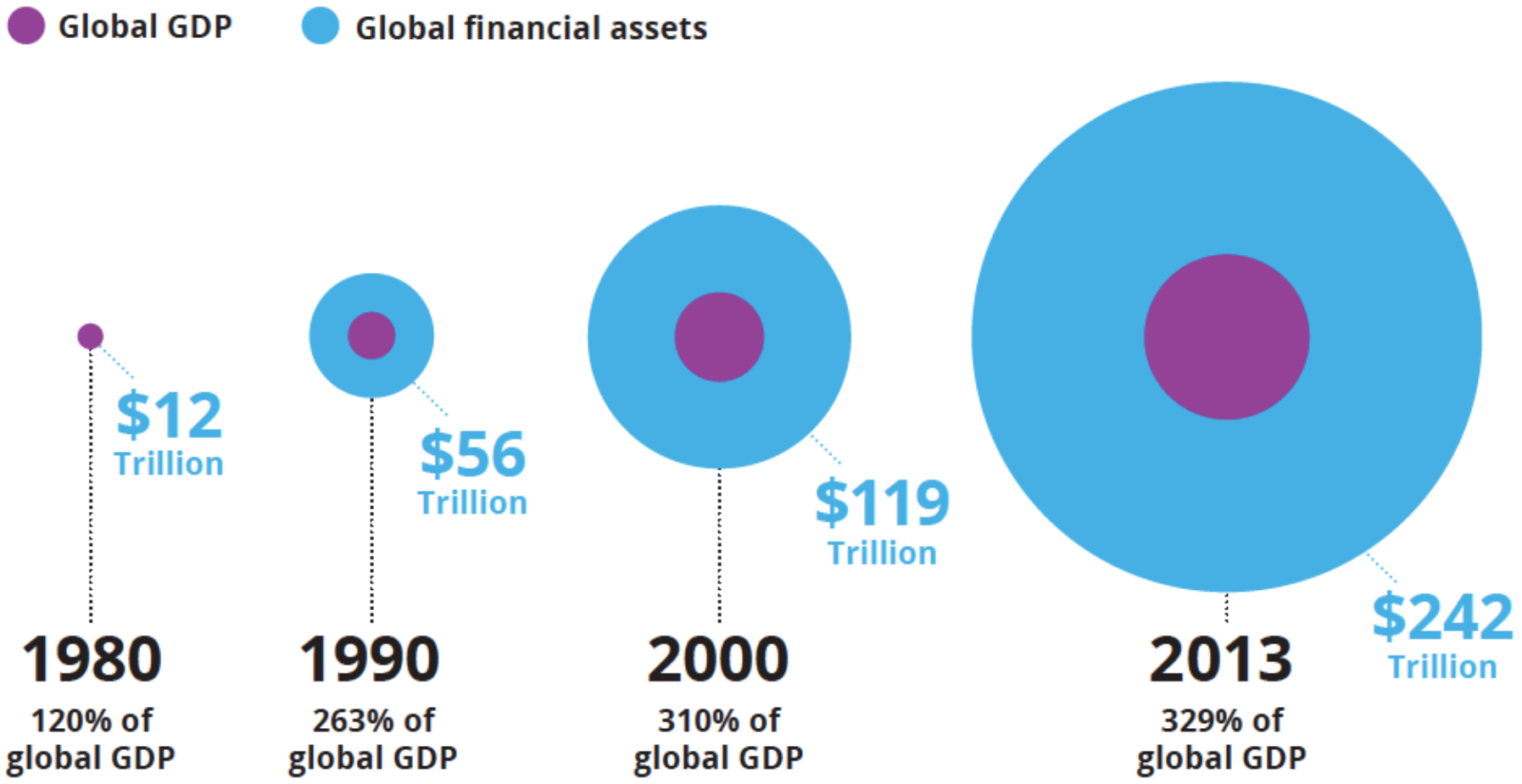
Financialization: driving and maintaining inequalities



Sources: Deutsche Bank, 2013; Transnational Institute, 2018

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Financialisation:
what it is, and why it matters

Financialisation occurs when "**financial markets, financial institutions and financial élites gain greater influence over economic policy and economic outcome**" (T. Palley, 2007)

The financialisation of universal human rights and the environment is a trend that **makes us all vulnerable** to the frequent crisis cycles that casino capitalism, driven by digital high frequency trading, needs to survive…. and thrive

A process that ultimately **jeopardizes the funding efforts required to meet the SDGs** for the implementation of the 2030 Agenda !

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Making health a global bankable project

"Healthcare financialisation represents a new phase of capital formation that builds on, but is distinct from, previous rounds of privatization and neoliberal healthcare reform, and this is manifested in **the creation of new asset classes […] which transform population ill-health into zones for investment and creating salesable commodities that can be traded by domestic and transnational private capital**: private finance initiatives for healthcare infrastructures and impact bonds"

Hunter Benjamin and Murray Susan, June 2019




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The *not so strange* case of the World Bank's Pandemic Emergency Financing Facility (PEF)

PANDEMIC EMERGENCY FINANCING FACILITY

- **PEF set up in 2016 to secure swift funding to countries and agencies responding to pandemic outbreaks of disease;**
- The Ebola factor: the virus outbreaks in West Africa in 2014-2016 revealed the gap between countries' engagements in dealing with the epidemic and their actual ability to respond, *partially* due to lack of financing;
- PEF built on the notion of creating **an innovative market for pandemic risk insurance drawing on funds from the private sector in return for lucrative interest rates;**
- Under PEF gap bridging insurance scheme, **investors who buy pandemic bonds receive generous *coupons* which annually pay around 13% interest.** This high rate compensates for the risk that the bonds will make 'insurance' payouts to fight pandemics *under certain conditions*. Otherwise, cash returns to the investor when the bonds mature in July 2020.

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“Saving the world, one bond at a time”. Really?

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PEF serves private sector interests over global health security (*Nature* article + LSE analysis)

- To make the bond attractive to investors, **PEF is designed so as to reduce the likelihood of payouts** - Payouts kick in only after outbreaks grow large!
- In the case of the second largest Ebola outbreak, in DRC – 3,395 total cases and 2,235 deaths (WHO,11 Jan. 2020) - PEF stipulated **a payout of USD 45 million if the officially confirmed death toll had reached 250, *but only* if at least 20 deaths occurred in a second country;**
- The WHO lists **only one multi-country outbreak** vs. 30 occurred in one country – DRC a much bigger and more popolous country than the 3 countries involved in the West Africa Ebola epidemic;
- **PEF has paid USD 114,5 million to private investors** as coupons, mainly financed through public funders by mid 2019

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Healthcare systems as marketplaces for investors & commercial actors

- **The achievement of the SDG 3 target on health systems** is projected to entail spending something **like USD 371 billion per year until 2030;**
- **Global capital spending on health is expected to raise by 50% by 2030** – most of the increase in middle-income countries;
- Instead of public (health) policies to prevent disease and promote health, we witness to the flocking of a small number of corporate-owned chains that prey on healthcare to make quick gains;
- Financialisation is enacted through technologies that both **individualise** and **collaterize** new areas of life – the global push towards "financial inclusion" which has resulted in the quick expansion of credit and other financial services

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Examples mentioned in the report

- **(Access to) Essential medicines**, which have become *de facto* like *financial derivatives*
- **Universal Health Coverage,** as one of the driving institutional pathways stimulating and enhancing the penetration of private finance into the social arena of health (even in countries with universal health systems: cfr. Italy's "resentment healthcare")
- **The Triple Million Target of the WHO** investment case: **the cost/benefit analysis** and **the economic return logic** which will result from supporting the financially stunted WHO

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Cogent questions about the financialisation of global health

- **A growing governance issue** – institutional fragmentation and (above all) hybridization;
- **A democratic concern**, since financial markets are based on private agreements (jelously kept confidential);
- **A market-related issue**, since healthcare provision end up being exposed to the casino dynamic of the financial industry;
- **A cultural & political issue**: financialisation may push health consumerism and influence people's notion on the healthcare approach to be considered feasible, and desirable

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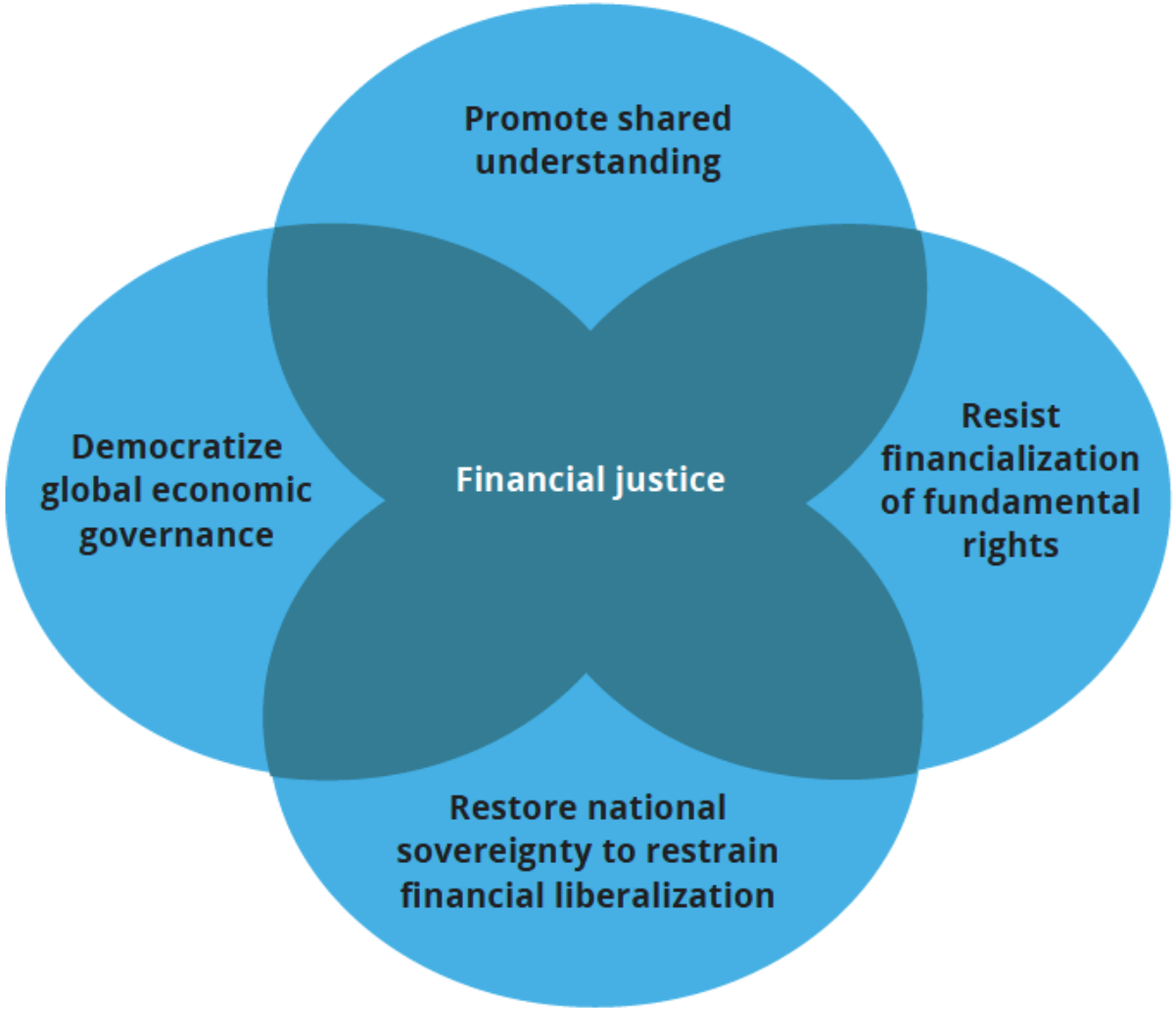
De-financialization as a pathway for financial justice



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Thank you!

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