

Davos launches capitalism's metamorphosis ?

[Boris Arnold](#) sheds light on developments at the World Economic Forum, an event contrary to the populist trends which are capturing the globe

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Image: World Economic Forum

Last week world leaders, CEOs and the super-rich gathered for the annual World Economic Forum (WEF) at the luxurious Swiss Alpine resort of Davos.

While as in previous years attendees enjoyed five star hotels, banquets and the finest champagne served by an army of servants, the overall mood differed. This 21st century Versailles-style setting briefly comforted the liberal capitalist elite, disheartened by the events of 2016.

The decision to leave the EU, Trump's election, and the rise of protectionist nationalism reflects all that those attending Davos stand unilaterally against. What were marginal concerns 12 months ago, now represent a major challenge for the liberal ideal of a globalised and open world order. It is more unfashionable and unpopular than any time in the last 50 years.

In the preamble to the conference themed "responsive and responsible leadership", the WEF published its annual 'global risks' report, collating the analysis of 750 scientific experts. This ranked wealth and income inequality, climate change, and the polarisation of society at the top of the issues threatening the world in the upcoming years. The WEF said that "fundamental reforms of capitalism" are urgently needed to appease anti-establishment movements and the rise in post-factual politics.

Indeed, Italy's Finance Minister Padoan concluded the session on the working-class crisis by saying that populists need to be taken seriously; they are not 'bad guys' but rather 'good guys' with real concerns

over their future. Populism in advanced economies is driven by inequality and the prevalent feeling in the working class of being excluded from the benefits of global growth.

In its pre-Davos report Oxfam showed that the gap between poor and rich, preventing poverty to be effectively tackled, is greater than feared. New and better data on global wealth distribution, especially from India and China, indicates that "the poorest half of the world has less wealth than previously thought". The report shows that the world's eight richest billionaires hold "the same wealth as the 3.6 billion people who form the poorest half of the world's population".

The IMF's managing director Christine Lagarde, citing Oxfam's report at Davos, said that more redistribution is needed to tackle the rise in inequality. Taxes on wealth could generate funds for education, health care and public investments.

These would blunt the effects of slow growth periods only compensated at the moment by unremitting austerity programs, dragging millions into precarity.

Paodan stated that policymakers "need to offer a vision of a better future", offered in advanced economies at the moment solely by populist movements.

Joe Biden in his final speech as US's Vice-President said that "the top one per cent is not carrying their weight".

He added that "progressive equitable tax systems in which everyone pays their fair share" are required. Businesses have a huge role to play in the creation of a more human economy. The Spanish multinational Mondragon owned by the workforce in which the CEO earns no more than nine times the lowest paid worker shows that successful business is compatible with sustainable practices. Biden said that "if you contributed to the success of the enterprise that you were engaged, you got to share the success and the profits."

Hopefully the WEF will be reminded of business, and political leaders of what ought to be their societal responsibilities. This could encourage them to rapidly come up with drastic alternatives to the economic trends which are dangerously eroding people's basic sense of dignity.



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