

# Link to our video

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<https://www.youtube.com/watch?v=C7ti4WtK9Vs>

# WEALTH DISPARITY

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All should have their  
chance to start their  
journey equally

# OUR TEAM

## STRATEGENIUS



RÉKA  
IZSÁK

*Management  
and Leadership*



STELLA  
NAGY

*Management  
and Leadership*



NÓRA  
KOZMA

*Management and  
Leadership*



ATTILA  
LÉGRÁDI

*Management and  
Leadership*

# EXECUTIVE SUMMARY

## Wealth Disparity



### ANALYSIS

#### Wealth disparity in the world today

Global Wealth Pyramid  
Geographical Differences  
The wealth accumulation cycle  
Trends affecting wealth disparity



### ALTERNATIVES

#### Efficiency-equity trade-off

**Main challenge: to decrease the gap**

#### Alternatives:

Global level  
Local level



### RECOMMENDATIONS

#### Global level

The global safety net: idea and necessary actions  
The Global Safety Platform

#### Local level:

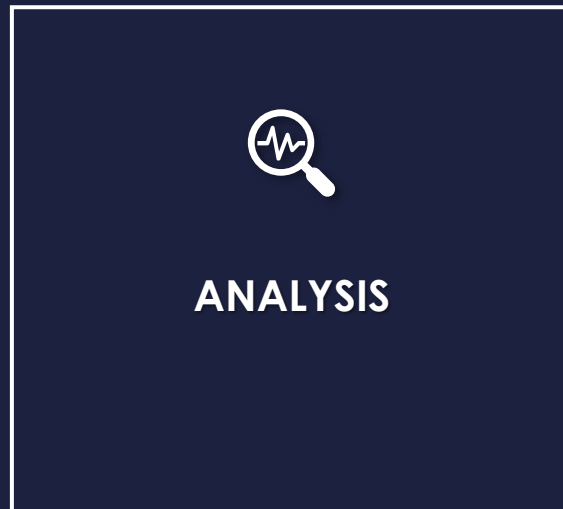
Economic models and inequality  
Economic model alternatives  
Stakeholder responsibilities and impact

#### Overall impact of recommendations



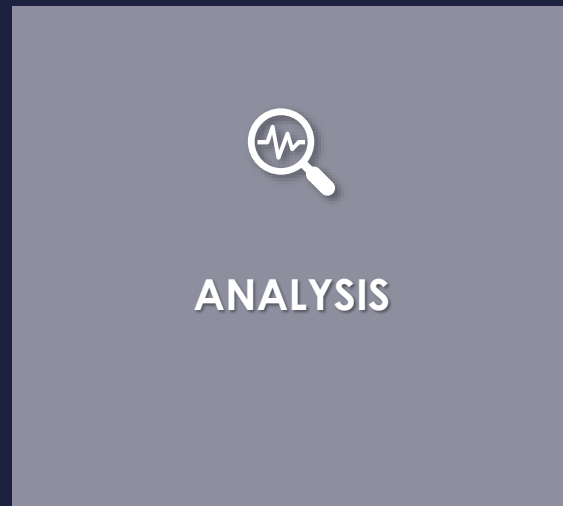
# WEALTH DISPARITY

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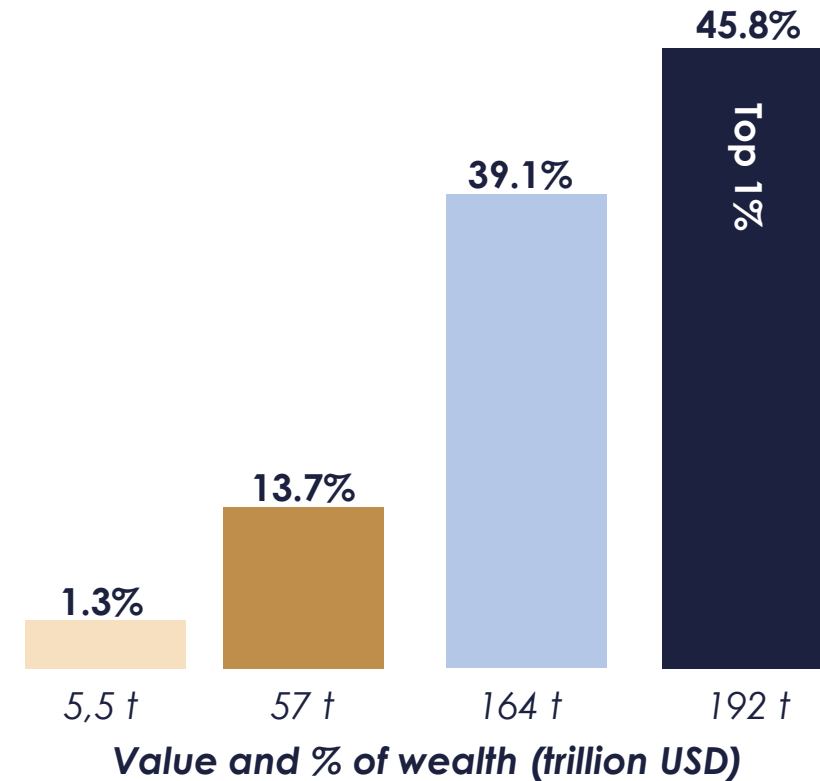
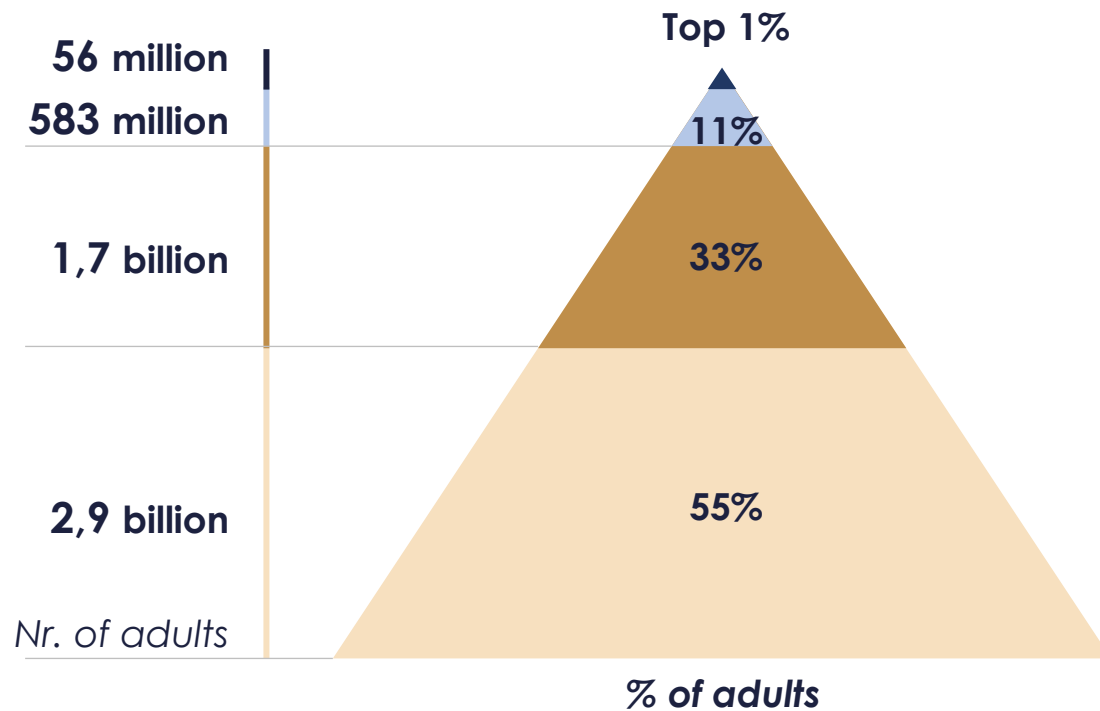
# WEALTH DISPARITY

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# The Global Pyramid of Wealth

The problem is not that the corporate elite is gaining bigger wealth, but the solidly growing unequal share of capital between stakeholders.



Increasingly growing gap between the poor, the middle class and the global corporate elite

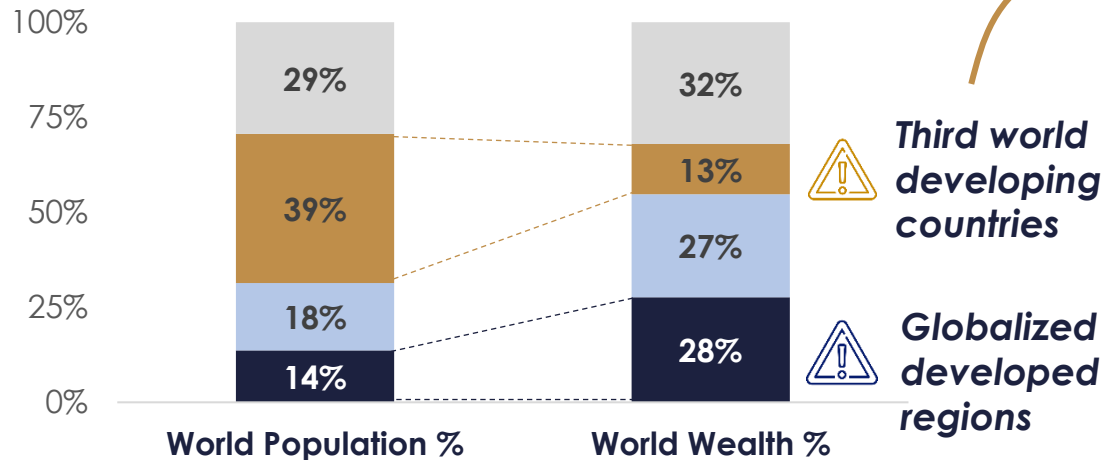
Source: Credit Suisse 2020, Global Wealth Report

## PROBLEM

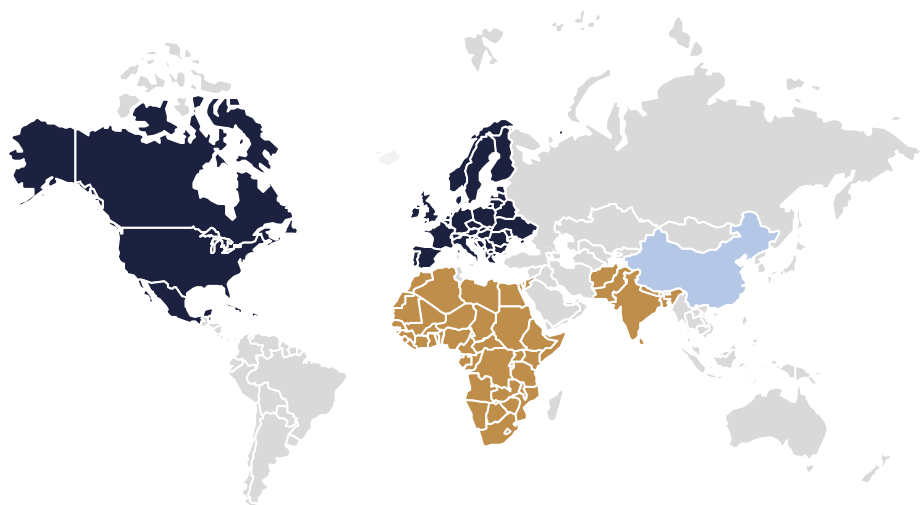
affecting all,  
regenerating itself,  
will not stop without interventions!

# Geographical differences in wealth disparity

Considering the population-wealth ratio in the different geographical regions, the gaps are huge between third world and globalized countries.



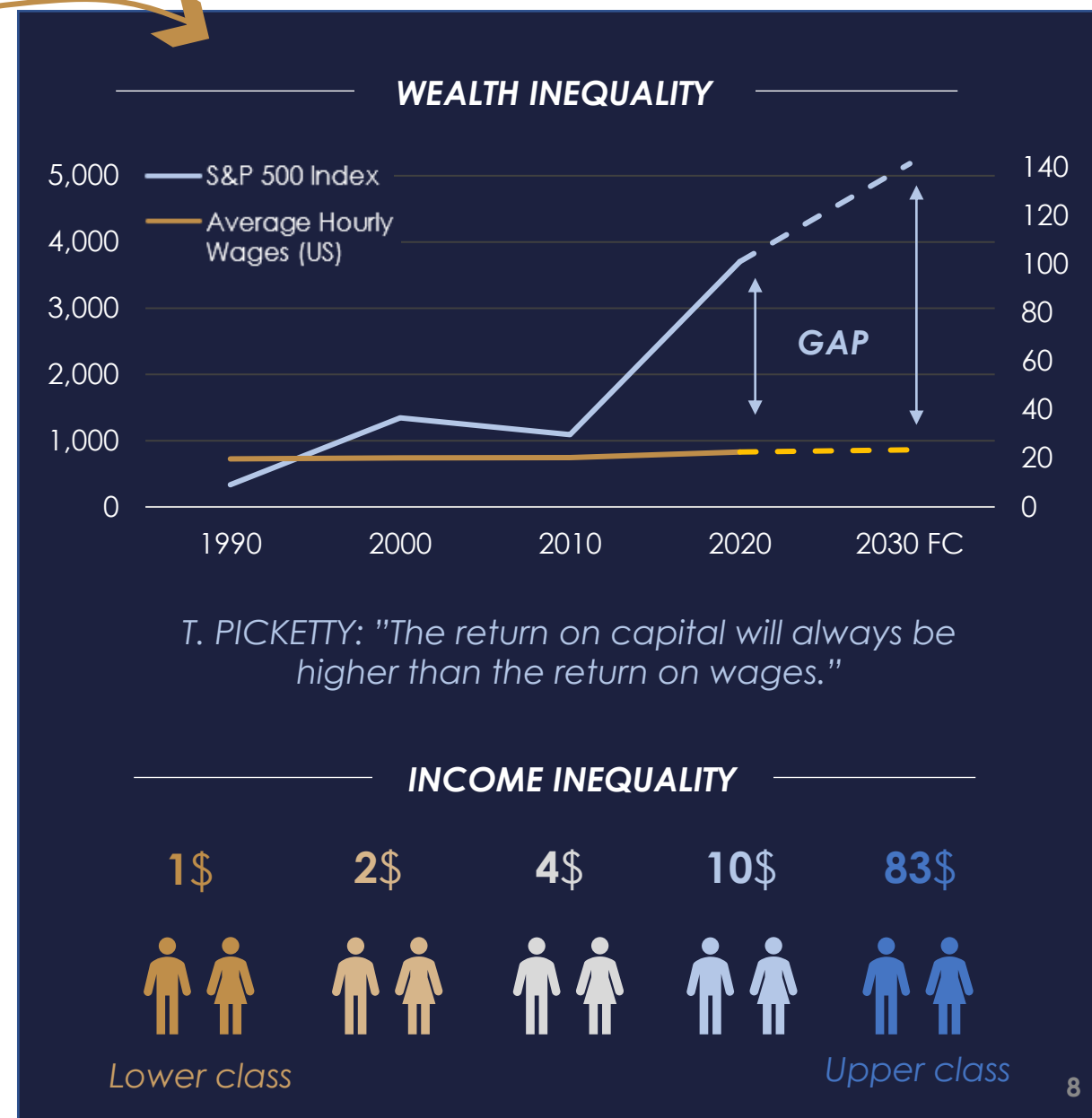
■ North America & Europe ■ China ■ South Asia & Africa ■ Others



Source: World Inequality Database, Nasdaq

**Third world developing countries**

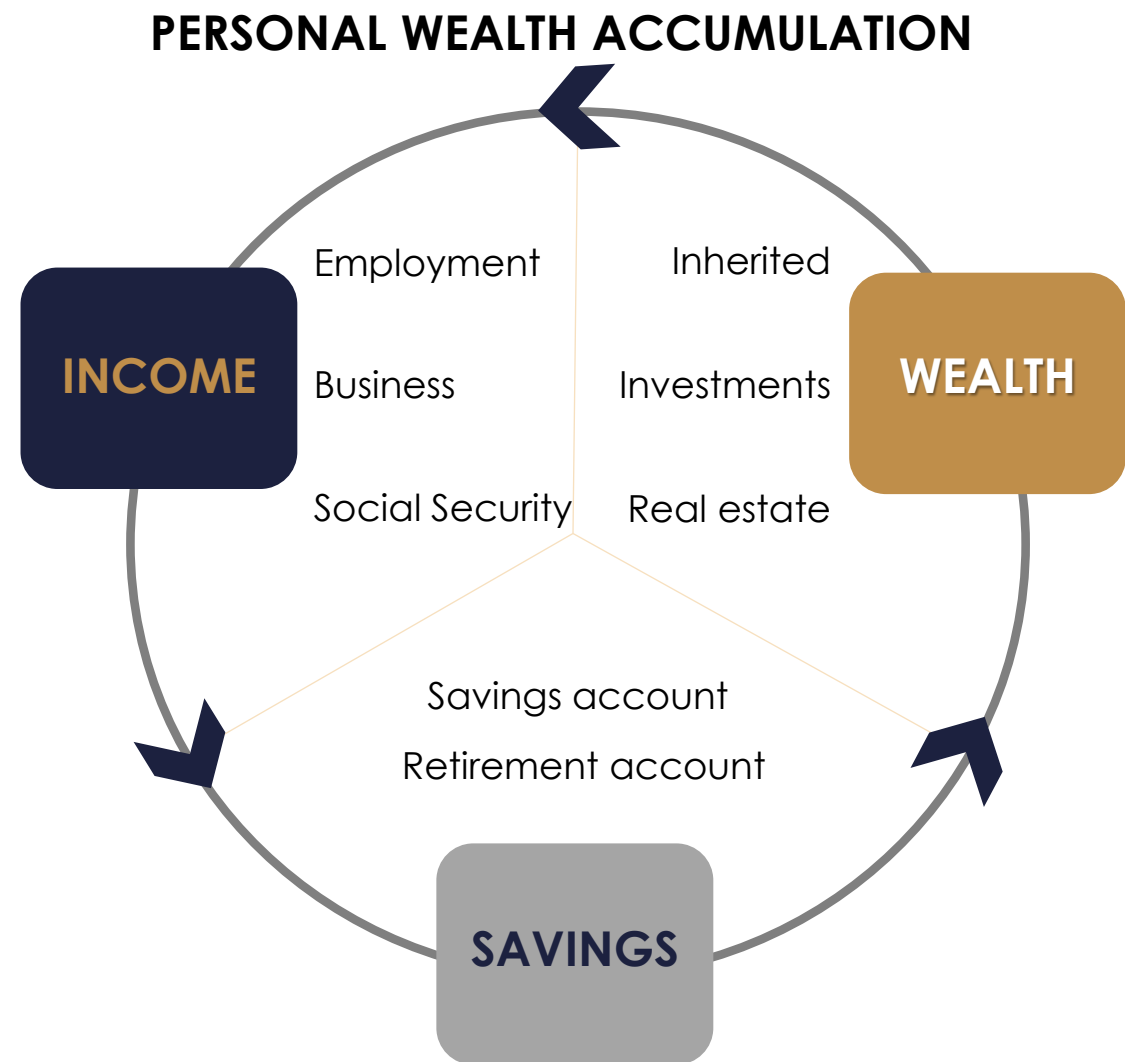
**Globalized developed regions**





# Wealth accumulation cycle

Several factors can affect the accumulation of personal wealth and can lead to wealth inequality.



## FACTORS LEADING TO WEALTH DISPARITY



### Increasing income inequality

As the gap between income levels is increasing, the differences between the level of savings and, therefore, the level of wealth are also on the rise.



### Inequality of opportunity

With less income, educational opportunities are limited, and as a result, there is a lack of knowledge about gaining and managing assets.



### Rising costs

In case the amount of costs and income increases by the same ratio (or the costs rise exponentially), there is no opportunity to gain savings or wealth.



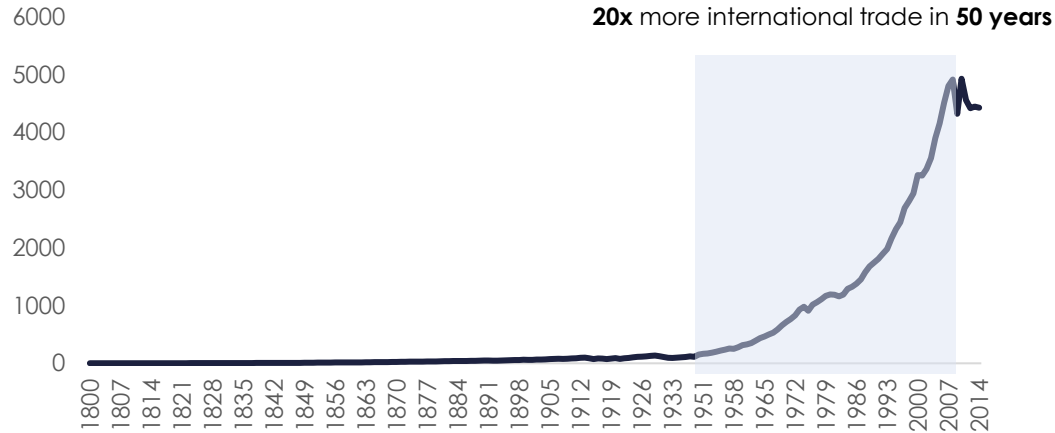
### Return inequality

The return on a large amount of accumulated (or inherited) wealth is significantly higher than on a lower sum.

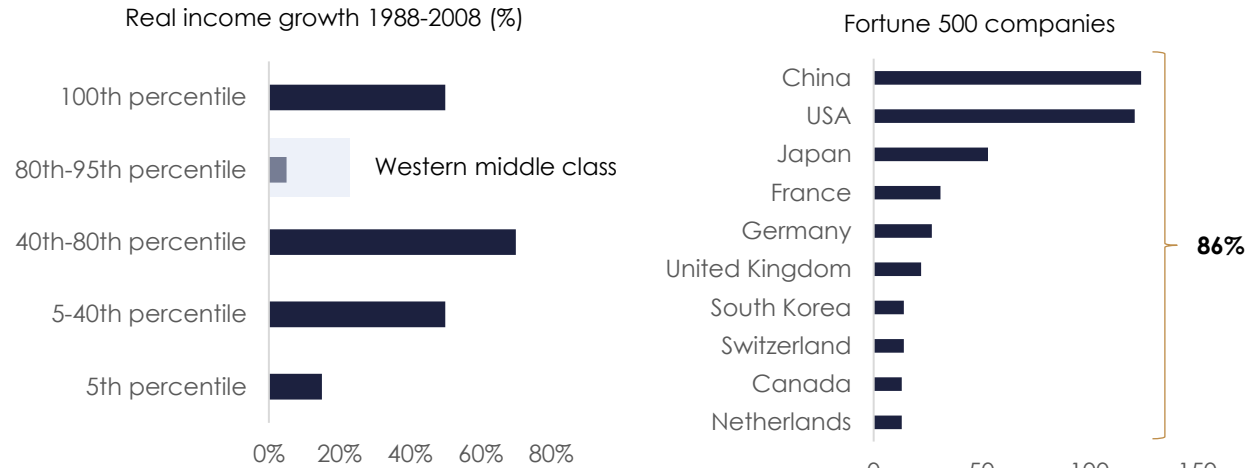
# Global aspects of inequality

Globalization further widens inequality by concentrating wealth and increasing knowledge intensity.

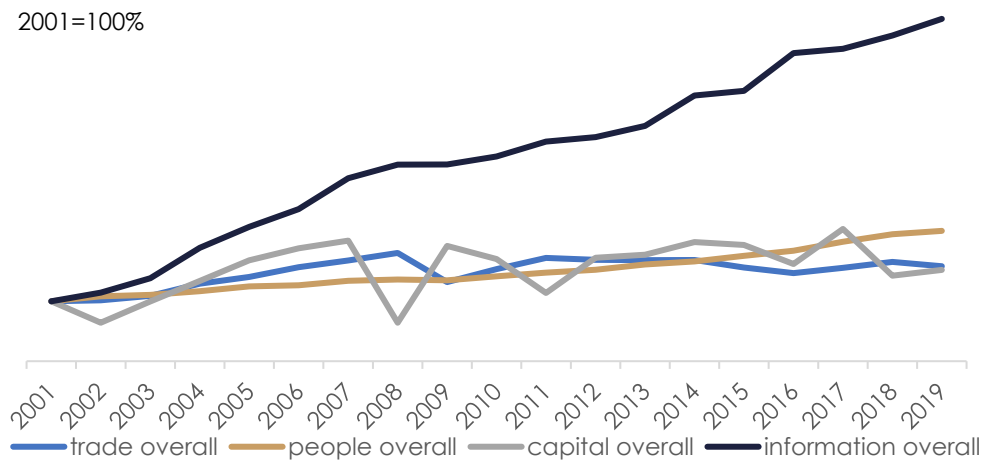
Globalization has exponentially grown...



...but not everyone benefitted equally



Information globalization accelerates...

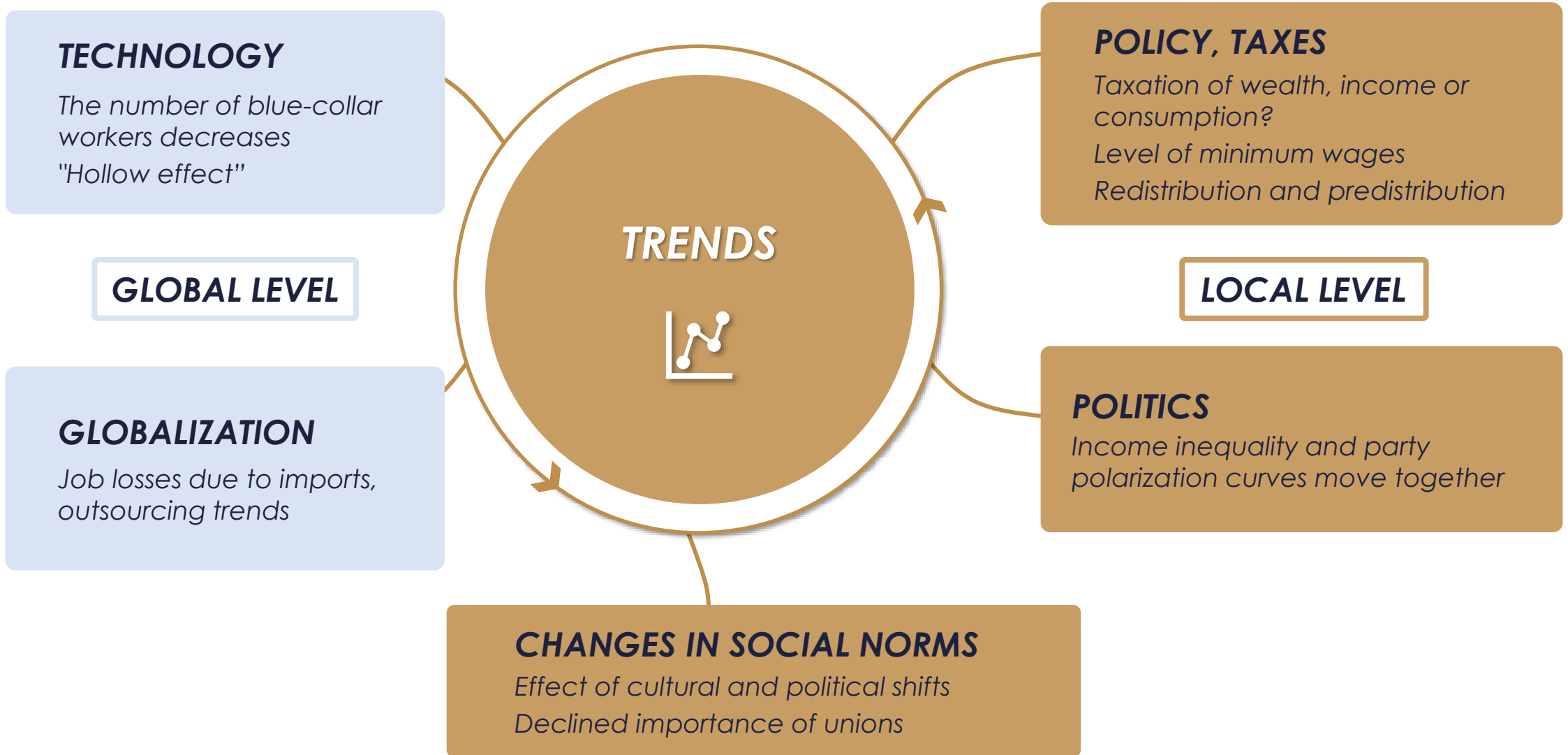


...but it creates the tech elite



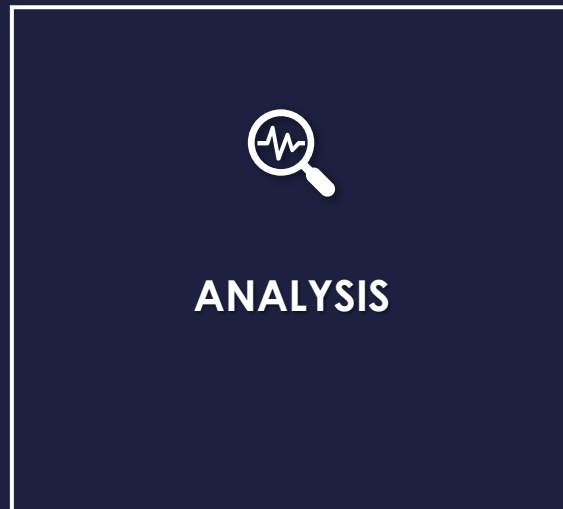
# Main trends and drivers of wealth disparity

There are multiple factors that drive or affect wealth disparity on a global scale. While some of them could be answered globally as well, there are factors which have to be treated locally.



# WEALTH DISPARITY

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# Efficiency-equity trade-off

In order to decrease wealth inequality, the cooperation of the market and the government is crucial.

Applying the theorems of **welfare economics** in practice



## EFFICIENCY

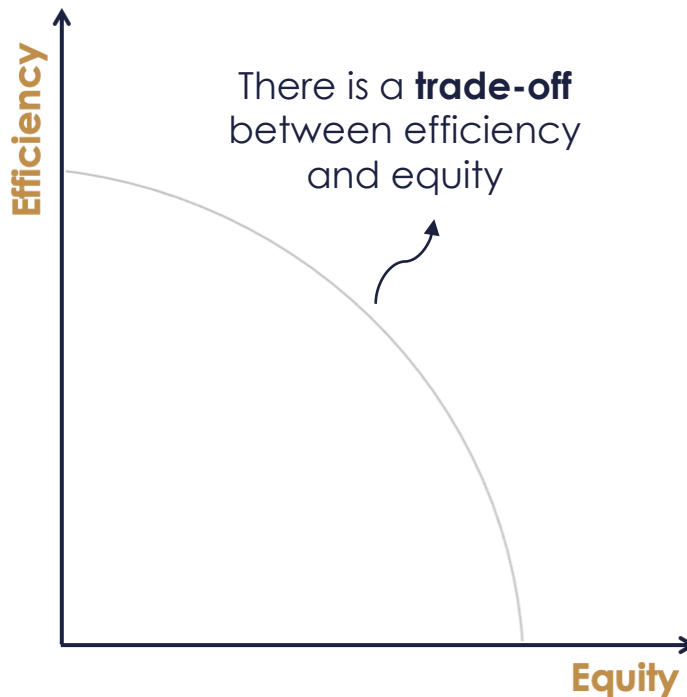
Driving the economy towards **perfect competition** to achieve Pareto optimality



Letting the “**Invisible Hand**” guide individuals towards their self-interests boosts efficiency



Boosting and supporting **MARKET COMPETITION**



## EQUITY

Efficiency does not guarantee **equity** among members of the economy



Realizing social fairness through the application of **redistribution policies**



Great need for **GOVERNMENT INTERVENTION**

**SACRIFICING SOME AMOUNT OF ECONOMIC EFFICIENCY IS INEVITABLE FOR THE SAKE OF AN EQUITABLE SOCIETY**

# Main challenge: To decrease the gap

As the gap between the corporate elite and the concentration of capital increases, the question arises regarding equal opportunities and optimal wealth distribution.

"Some level of inequality is built into capitalism...  
**the question is what level of inequality is acceptable?**" Bill Gates



AIM: TO DECREASE THE GAP

How can people with little/no wealth gain the opportunity to have assets?

How can an optimal distribution of wealth be achieved?

**GLOBAL APPROACH**

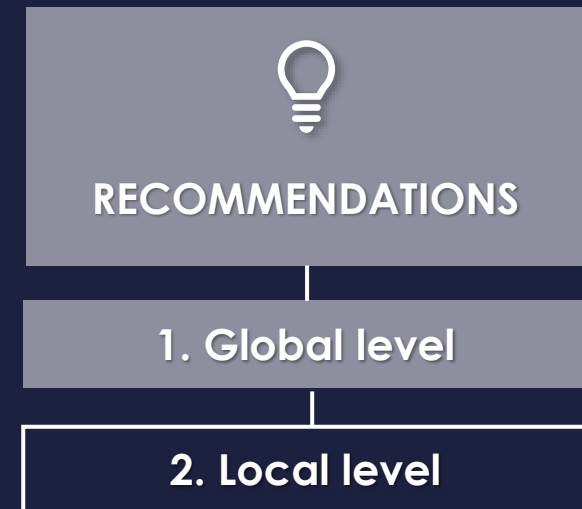
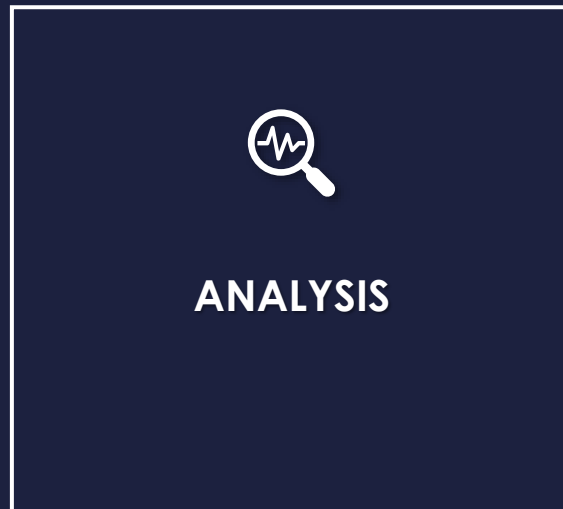
**LOCAL APPROACH**

THE COMBINATION OF THE **GLOBAL** & **LOCAL** APPROACHES  
WILL HELP IN SOLVING THE ISSUE OF **WEALTH DISPARITY**

Source: [gatesnotes.com](https://gatesnotes.com)

# WEALTH DISPARITY

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# The idea behind Global Safety Net

Realizing a Global Safety Net platform contributes to solving the inequality issue caused by poverty trap.

## POVERTY TRAP

### Causes of poverty trap

Environmental degradation

Corrupt governance

Poor infrastructure,  
healthcare and education

Limited access to credit and  
capital markets



**PROBLEM**



## GLOBAL SAFETY NET

High level of **private and public support** is needed to raise people from deep poverty

**Global Safety Net** will help the **children** of world to gain access to proper **nutrition, healthcare** and **education**



**SOLUTION**



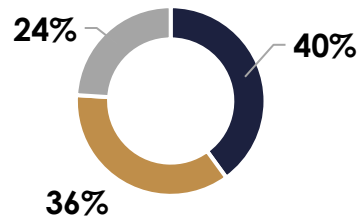
Paul Krugman



# The way to the Global Safety Net

Umbrella NGOs are a more efficient way to channel donations to create the Global Safety Net than the current corporate elite led system.

Majority of Americans do not think rich philanthropy does good



■ Does good ■ Does Bad ■ Undecided

It is caused by several problems



The rich choose problems to solve



They do it for tax deductions



Most of money goes to rich sport clubs and elite universities

Source: [theconversation.com](http://theconversation.com)

## Solution alternatives



**Stakeholder committee**



**Government first**



**Umbrella NGO**

**Who decides?**

The elite helped by stakeholders

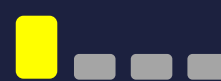
The government

Specialist or democratic

**Efficiency?**



**Acceptance by elite?**



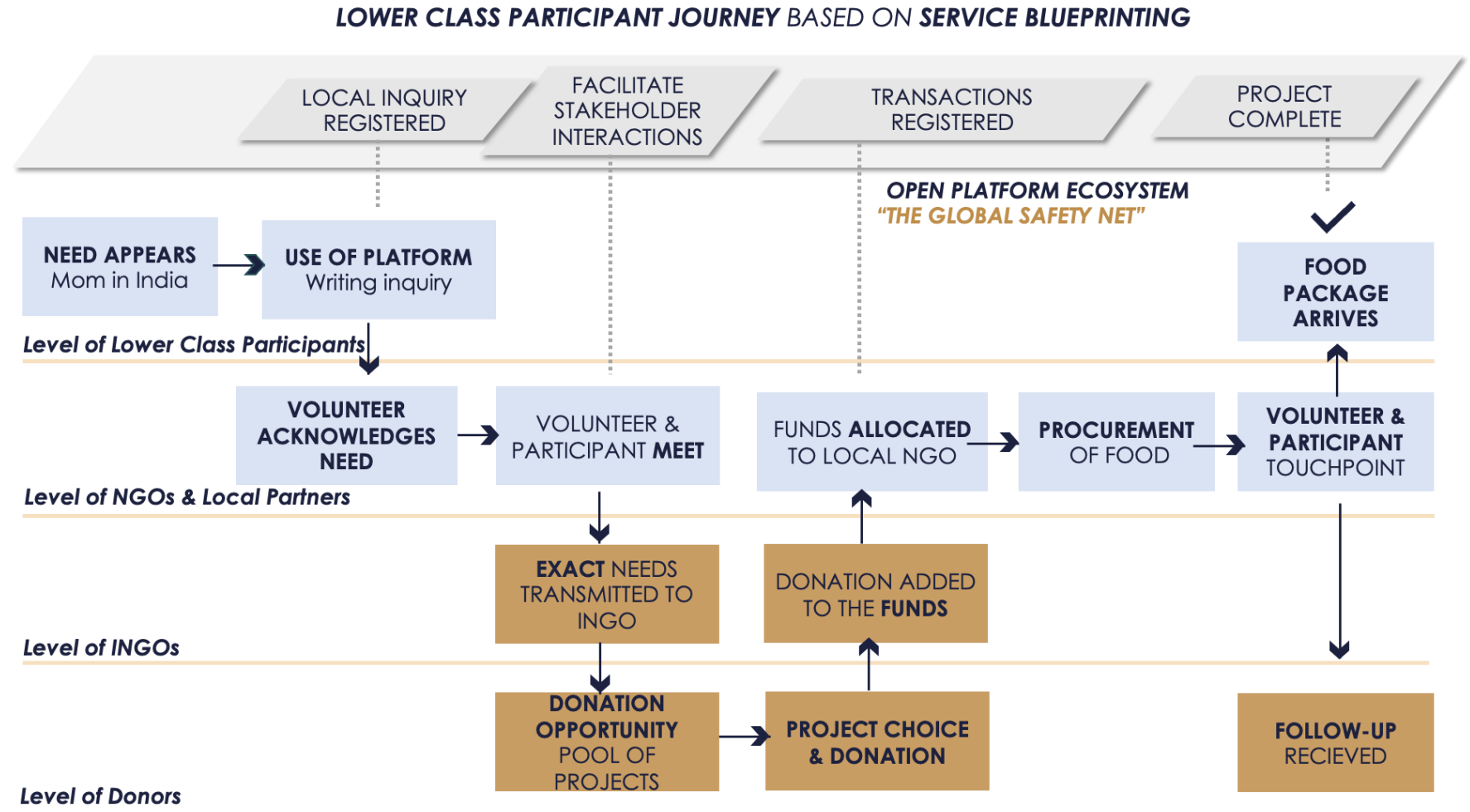
# The Global Safety Net – Lower class participant journey

In order to capture how the Global Safety Net would operate exactly, we illustrated the process through an example describing all stakeholders' duty.

Grassroot and grasstop inclusion

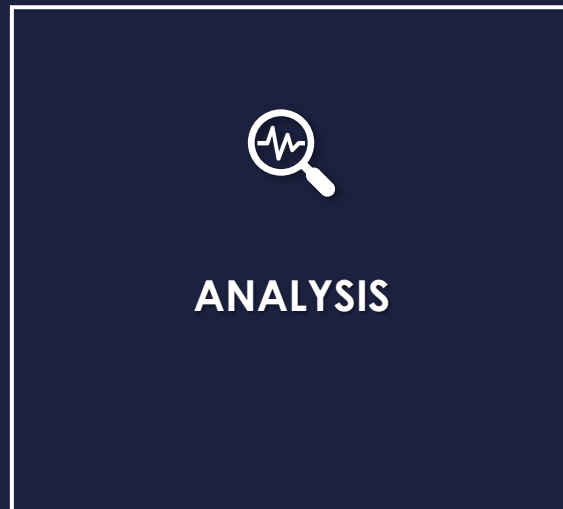
Real value creation where it is needed

Funds allocated to eligible causes thanks to local NGO & INGO networks



# WEALTH DISPARITY

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# Economic models and inequality

Inequality measures are now integrated to several economic models, while liberal capitalism needs to find its way to reduce inequality.

## ECONOMIC MODELS AND INEQUALITY

● — State capitalism — ●



Inequality trajectory:



**Countries:** China, Singapore

### INEQUALITY MEASURES

Digital central bank currency

Protectionism

Strong regulations

● — Community capitalism — ●



Inequality trajectory:



**Countries:** Norway, Denmark

### INEQUALITY MEASURES

Sovereign wealth fund

Transparent governance

● — Liberal capitalism — ●



Inequality trajectory:












**Countries:** UK, US, Canada

### INEQUALITY MEASURES



# Economic model alternatives

Liberal capitalism model needs to evolve into stakeholder capitalism model to solve its current issues.

Economic model	Alternatives to liberal capitalism	Incentives	Verdict
State capitalism	 Liberal capitalism	 Surveillance capitalism	Controllable demand 
Community capitalism	 Liberal capitalism	 Social capitalism	Required by law 
Liberal capitalism	 Liberal capitalism	 Stakeholder capitalism	Higher than average growth rate: 14% Safer investment for investors 

# Stakeholder capitalism models

Stakeholder capitalism needs to find the model that will be adopted by wide range of companies in countries with different systems.



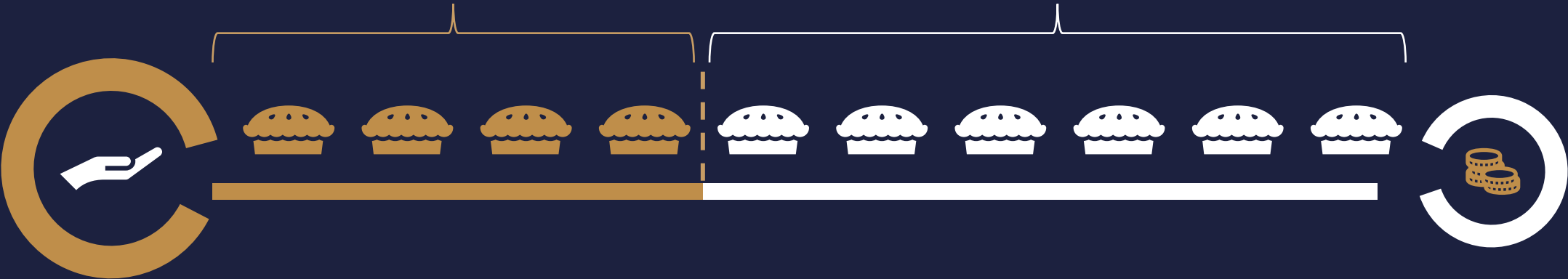
LEVEL OF STRICTNESS

	Soft approach	Benefit approach	Glocal approach
Stakeholder corporate models			
Incorporated?			
Stakeholders involved?			
Pay cap?			
Contribution to local wealth fund?			

# THE GROWING PIE...



# ...AND THE DECREASING INEQUALITY



# Stakeholder responsibilities and impact

The new umbrella ngo donations and the stakeholder capitalism can only be achieved with support from all the stakeholder, thus creating a more stable society.

## STAKEHOLDER RESPONSIBILITIES



Poor and middle class citizens



Governments



Corporate elite



NGOs and benefit companies

"Push governments"

"Implement win-win policies"

"Feedback and support"

"Implement new economy"

## WIN-WIN-WIN IMPACT

**WIN**



Common prosperity

**WIN**



More stability

**WIN**

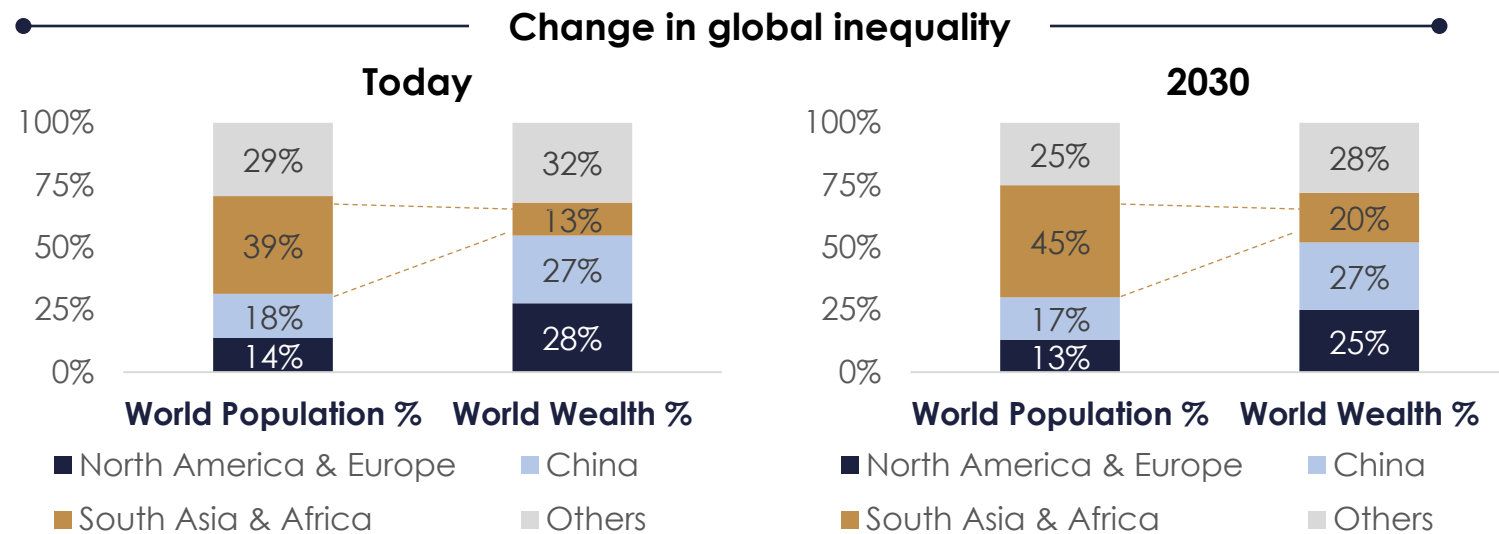


Long term growth



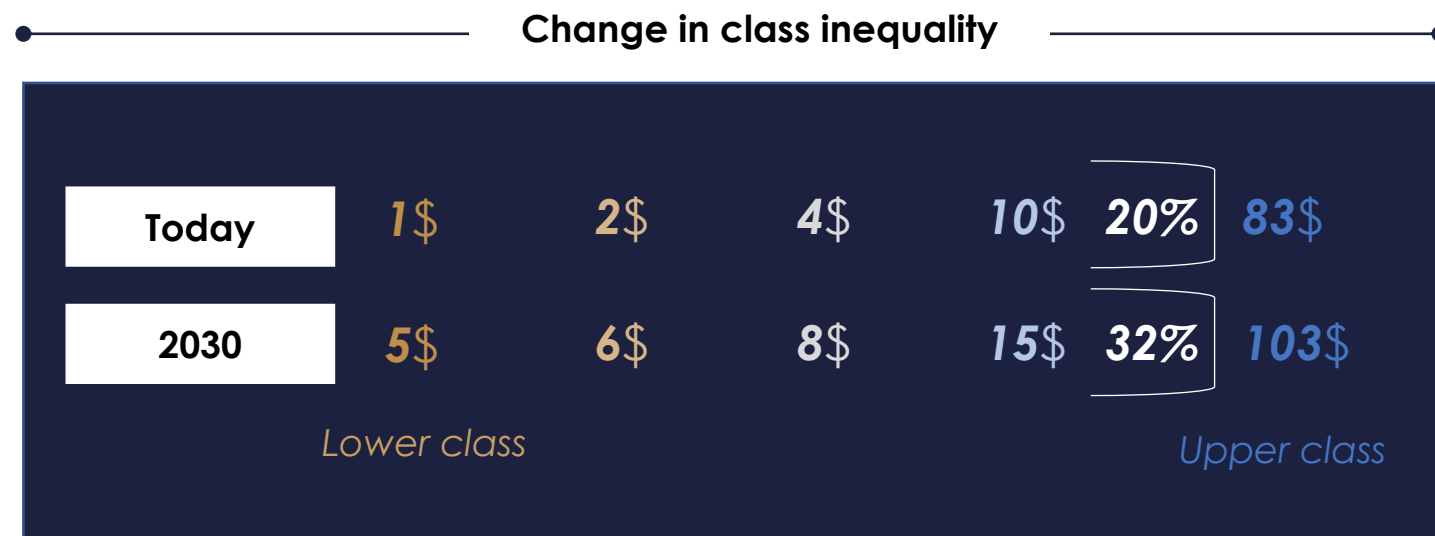
# Impact of recommendations

Both the global and the class inequality can be improved by managing the global wealth growth distribution.



### Assumptions

- ❖ Share of international donation: 25%
- ❖ Years of donation: 8
- ❖ Wealth generation by donated \$: 40x



### Assumptions

- ❖ Wealth reaches 500 trillion
- ❖ Wage to wealth income ratio: 1/5
- ❖ 5% to wealth fund
- ❖ 60% stakeholder economy company

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#### Overall impact of recommendations



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