Summary

The COVID crisis has exposed multiple failings within today's economic system, including the precarity of work, high levels of private debt, and weakened civic infrastructure. The dominant corporate governance model - shareholder value maximisation – combined with financialization has led to a neglect of broader

The Unfolding Corporate Debt Crisis

Private corporations are under severe financial pressure globally. Various financialised practices have left many corporations hamstrung with a heavy debt load. Such practices include taking on debt to pay dividends, buying back shares, or conducting leveraged takeovers of firms. As a consequence, the corporate sector has become more fragile and sensitive to income and credit downturns.

Amidst the pandemic fallout, highly leveraged companies are suffering the dual blow of falling income and increasing interest rates, due to higher perceptions of risk. Billions of dollars' worth of corporate bonds will soon mature. Repayment often requires issuance of new bonds. Yet with significantly worsened credit conditions, refinancing will increase the risk of bankruptcy.

Companies rated 'BBB' are deemed just safe enough supply chains for the production of food, medicine, ventilators, personal protective equipment and test kits. Where market forces become incapacitated, government support can enable urgent production at unattractive price points and can then ensure scarce goods are distributed according to public needs. With bidding wars for protective equipment emerging both between and within nations, concerted efforts are now needed to

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support for union organisation rights so working communities obtain the independent voice to demand and enforce humane standards at work.

Smart Conditions

When relevant and possible, governments should use conditionalities to advance longer-term missions. Businesses and financial institutions have not been investing sufficiently in productive capacity to provide solutions for our needs while lowering our impact on the environment. We therefore need more investment in sustainable innovation, ensuring such new technologies are also made accessible for the wider society. For carbon-intensive firms, smart bailout conditions must also be used to balance the need to maintain employmento maintten-GBur (i)1.3 (8e m)-2.4 (ae7 649.8898 Tm[W)-13.54o)7.5 (w)5 (w)-3.

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