Wealth for All?

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At a time when the French government has reignited the debate over a universal minimum income, Philippe Askenazy reconsiders the question of wealth redistribution. He maintains that intervention must occur at a much earlier stage, not through taxation or generalized access to property, but by making base incomes equal through a revalorization of work.


Philippe Askenazy, an economist and research director at the CNRS (France’s national research center), and a founder of the “économistes attérrés” (or “appalled economists”) movement, has written a fighting book, as its publisher accurately points out. In his brief, striking final chapter (entitled “beyond pragmatism”), he invokes, a century later, Rosa Luxembourg to denounce, with oratorical flair, not only capitalism (“The hypocrisy of capitalism, now that it has been freed from the obligation to offer a chastened image of itself vis-à-vis the Soviet bloc…; the hypocrisy of capitalism—from the great property owners to the giants of the new economy—which relies on a mighty protection of the right to property; the hypocrisy of capitalism, which, unlike its adversaries, has actually created a genuinely international movement…,” p. 213), but also social democracy, which “has again succumbed to pragmatism,” notably by accepting “a race to disarm labor” (ibid.).

Yet despite its provocative title, which recalls François de Closets’ essays, this book, with considerable irony and a dash of provocation, is more than a tirade: it is a well-argued and stimulating essay, which draws on scholarly research from various disciplines to explain how an alternative form of wealth distribution is possible.

1 The “économistes attérrés” is a group of French economists who, in 2012, issued a manifesto denouncing the choice of European states to pursue austerity policies in the face of the ongoing global economic crisis and, in particular, Europe’s sovereign debt crisis (notably in Greece). Their manifesto can be read here: http://www.atterres.org/page/manifesto-english).

2 De Closet is a successful journalist and essayist, who published a series of books aimed at a broad public (Toujours plus [Always More], 1982; Tous ensemble [All Together], 1985; Tant et plus [So Much and More], 1992) to denounce “neo-corporatism” and “unionocracy” as the cause of the French malaise. Askenazy’s work refers more to the idea of a “return of the rentiers,” which Thomas Piketty has, notably, explored.
Against the Dominant Paradigm: Income Distribution as a Rent System

Askenazy begins by emphasizing an important limitation of Thomas Piketty’s approach in *Capital in the Twenty-First Century*, a work that, thanks to its global success, brought attention to the dramatic increase in inequality in advanced capitalist societies. According to Askenazy, Piketty’s analysis makes two major mistakes. First, it is solely focused on the “rich”—the top “1%” or even “0.1%” of the income distribution. Second, it tends to “naturalize” inequality, by explicitly relating it to the “laws of capitalism” (for the macroeconomic divide between income from work and long-term capital) or implicitly to the laws of the market, in order to explain the ranking of work-generated income (at least among the “99%”)—the latter supposedly reflecting workers’ (marginal) productivity. Thus for Piketty, the only form of intervention that could possibly block the rise of inequality would be taxation (raising income tax’s marginal bracket and creating a tax on capital) and redistribution.

But according to Askenazy, action is needed at a much earlier stage, at the level of what economists call income’s “primary” division (or distribution), that is, the distribution of wealth generated by various forms of income from work (most importantly salaries) and capital (interests, dividends, rent, and so on). Piketty’s analysis (as other commentators—notably the Nobel Prize winner Joseph Stiglitz—have, incidentally, pointed out) neglects the institutional and political reasons for this primary distribution and thus remains, on this point, locked into the “dominant paradigm.” Askenazy emphasizes that “first of all, [the latter] must be reversed: the primary distribution of incomes is not natural. It is a construction” (p. 11). It is the result of “rent,” defined as “advantages that can be lastingly secured by economic actors (capitalists, financiers, property owners, salaried workers, independent workers, entrepreneurs, states, and so on) through economic, political, and legal mechanisms that they may be able to influence” (p. 12). Askenazy’s book is devoted to modernizing our understanding of these rents and the mechanisms that engender them.

**Capital’s Rents: The Downsides of “Proprietarism”**

From capital’s perspective, we are witnessing a return of land rent. Contrary to what might have been expected, new technologies and globalization have not reduced the “agglomeration” effect—that is, the increased concentration of economic activity in particular territories, in “global villages” such as New York, London, Paris, or Hong Kong. This effect remains very significant: it is estimated that when a region’s job density doubles, the result, all other things being equal, is surplus productivity ranging from 2% to 10%. The spatial concentration of wealth production tends to reinforce itself. Consequently, thirteen metropolises alone make up 15% of the GDP of all OECD countries. The primary beneficiaries are landowners: they benefit from a rent resulting from their property rights over finite quantities of increasing value.

Innovations and the knowledge economy are a second source of major rents. Patents that, at least for a specific period, grant exclusive rights to income generated by innovation—and, beyond that, from “rent”—are legitimate. But the protections they confer also produce perverse side-effects, preventing concurrent development and safeguarding positions of
dominance that harm society as a whole. Askenazy gives many examples, notably in the pharmaceutical realm, where the stakes for public health are high. Thus, according to a purely financial logic known as “buy and raise,” companies buy old formulas, but ones that come with exclusive or patent-protected rights, so that they can then dramatically increase the price of related medication (up to fifty times the initial price).

The danger of such trends is heightened by what Askenazy calls the tendency to believe that “everything is property” (“Tout propriété,” in French). Expansive definitions of that which is subject to patent protection have become competitive weapons (this is the basis, for instance, of the Apple-Samsung dispute). In recent years, we have witnessed a widening of patenting’s scope, as evidenced by the “patentability of the living.” But Askenazy is particularly concerned with the question of property as it relates to the economy of knowledge. In his view, internet giants like Google have inappropriately acquired gigantic sources of information (“big data”) that has been provided by internet users at no cost (i.e., simply through mouse clicks), earning them potentially great profits.

With “everything is property,” the idea that “everyone is a property owner”—in other words, the diffusion of property, particularly real estate—is the second facet of what Askenazy calls—in order to denounce it—“proprietarism.” He reminds us that the desire to maximize the number of households owning their homes has been a pillar liberal and conservative ideology since the nineteenth century, with the best contemporary examples being the policies pursued in the United Kingdom by Margaret Thatcher (in the 1980s) and, at present, by David Cameron. Indeed, ownership of one’s primary residence has increased in most European countries in recent years. Yet Askenazy denounces this policy’s limitations, particularly for households with modest incomes. Not only does home ownership risk plunging them into a spiral of excessive debt, but, in the event of an economic crisis, obstacles to mobility (to areas with more jobs but higher real estate costs) become greater, increasing the risk of long-term unemployment. Far from benefiting from advantages of land rent, working-class people risk, to the contrary, being declining property values’ first victims.

The Cost of Work: Rent-Seeking is Up, Unskilled Labor Down

As for work, Askenazy considers in turn a number of professional groups (salaried or independent) that are said to be in possession of “rents” resulting from various mechanisms, but which all involve the possibility of creating favorable power relationships and defending strong positions, which he calls “criticity” (criticité). This is the case of high level sports figures (but in some sports more than others); pharmacists (in France more than the United Kingdom, where their average income is two and half times less due to a lack of regulations concerning geographic location and openness to capital investment; tax lawyers (particularly in the United States, due to the tax system’s complexity), and so on. According to Askenazy, for these social groups, compensation is “very disconnected from what their marginal productivity would be” (p. 118).

3 It should be noted that in France, the liberal turn in housing policy in the 1970s also consisted in promoted individual property, notably home ownership. See Anne Lambert, Tous propriétaires! L’envers du décor pavillonnaire, le Seuil, collection “Liber,” 2015, 278 p.
On the other hand—and this is a key point in his argument—Askenazy is committed to showing that so-called “less qualified” workers (such as laborers and employees) saw their incomes stagnate as their working conditions deteriorated and their real productivity rose. Analyzing the results of studies on work conditions, of which he is a specialist, Askenazy emphasizes the extent to which for these categories, expectations have, over the past twenty years, increased. This has resulted notably in an intensification of work, in terms of work rhythms as well as cognitive demands, even as the ability to deal with these conditions (from the standpoint of autonomy in particular) remains weak or has declined. At the same time, the level of initial training required for these categories has risen. This is not, he argues, due to their loss of social standing, but, to the contrary, to a heightened demand for competency. Overall, for workers, the relative stagnation of income cannot be interpreted as reflecting their productivity, as analyses arising from the standard paradigm do. Using precise examples, Askenazy shows that volume and quality (notably in terms of the complexity of the services offered) can increase without a salary increasing necessarily. Here, too, salary and productivity seem to have become disconnected. The problem is rather the lack of sufficient “criticity,” as most of the least qualified are unable to participate sufficiently in the division of the rent.

**What is to be Done?**

As far as resisting the “everything is property” trend goes, the book’s recommendations remain fairly limited. After rejecting the dangerous real estate illusion of generalized home ownership, Askenazy is content to recall the twofold virtue of public rental housing: it offers less onerous lodging to low income households and it limits the private appropriation of real estate rents when the latter are high. As for the digital giants and the stakes of appropriating the knowledge economy’s profits, he advocates adopting a licensing system (along the lines of the kind used for mobile telephones). This proposal is not without interest, but it is presented rather hastily and he alludes only briefly to the extensive research on “commons” as they relate to the knowledge economy.4

Since work is Askenazy’s specialty, it comes as no surprise that he devotes many pages to the need to “revalorize work.” This is possible, in his view, because the kind of power relationship that salaried employees can establish should never be underestimated. First, it is important to realize that, contrary to a commonly held belief (perpetuated by a number of political discourses), the decline of salaried employees is not a foregone conclusion. With considerable statistical evidence, Askenazy shows that in most countries, the vast majority of independent workers has remained stable over the past decade (as has the share of small business jobs or that of “precarious” workers—fixed-term contract or temp workers—among all workers). Rather than the disappearance of salaried employment, it is its dispersal—a corollary, in a sense, of the declining stature of employers5—which has contributed most

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5 Employees and their unions no longer know who really holds decision-making power as it relates to their work conditions and incomes when their company belongs to a group that is franchised or sub-contracted.
significantly to undermining employees’ bargaining power. Askenazy proposes some interesting solutions to this problem, notably a broadening of the concept of co-employer (establishing collective bargaining at the centralized level of the franchiser rather than exclusively at the local level of the franchisee, at the level where orders are given rather than that of subcontractors). It should be noted, however, that thinking about ways to “reconfigure the concept of employer” is not new: it began in France at least twenty years ago, which suggests that no easy solution exists.

Beyond these suggestions, what mechanisms can “rearm work,” particularly when it is unskilled, and bring back its “criticity,” to use Askenazy’s term? Surprisingly, he appears very critical of the minimum wage, due to the fact that, at present, it is conservative governments (Cameron in the United Kingdom, Abe in Japan) who use it most actively, particularly to avoid declining wages. Yet this overlooks the fact that in Germany, it was promoted by unions and the Social Democrats, while in the United States, progressive coalitions (consisting of unions and civic, charitable, and religious associations) have mobilized to create or increase the “living wage” at the state or municipal level. For Askenazy, it is, rather, from collective campaigns, led by unions with daring and/or innovative strategies, that one must expect a revalorization of work, one that seeks to transform workers, too, into “rentiers,” as the book’s title demands. Askenazy offers several interesting examples—the bus drivers who transport the employees of the internet giants of Silicon Valley, health care workers and nurses in the United States, and the housemaids of Paris’ luxury “golden triangle” hotels.

But these examples refer to rather unique sectors, in which employers themselves can effectively impose a “rent” of sorts on their market due to their dominant positions and/or the specificities of the goods or services they produce. The issue, as Askenazy makes clear, is getting employers to redistribute some of their rents to their employees, including those who are least qualified. But what of sectors facing competition over prices (particularly at an international level) or in which the demand for what they produce is highly price sensitive? In such instances, there is reason to fear that higher salaries for the least qualified will result in fewer of them being employed. Alternatively, one could wager that the positive effects on employment of stimulating overall consumption through higher salaries would prevail (in accordance with basic Keynesian principles), which, in the short term, is likely, given our current situation of quasi-deflation—as Askenazy implies, particularly in his conclusion.

Yet the matter goes beyond that of a stimulus policy’s short-term effects. Recognizing the role of power relations in determining how income is distributed among different economic actors—and rejecting, in this way, any attempt to “naturalize” inequality—must not lead one to

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6 A “franchiser” is a commercial enterprise that, rather than fully owning all of its points of sale, assigns some (or all) of them to independent companies (known as “franchises”)—Zara, for example, in the textile industry. A number of provisions are required by the franchise contract (the franchise must comply with the company’s specifications, in exchange for the exclusive right to sell the franchiser’s products on a particular territory).

7 A national minimum wage of 8.50€ was introduced in January 2015.

overlook supply and demand in the labor market, which can have a very significant influence on these power relations. Among the major transformations currently underway, globalization and technological progress, particularly digitalization, plays to the disadvantage of workers with few skills. While Google’s bus drivers managed, by organizing themselves, to extract very legitimately a share of the enormous rent their company has accumulated, there is reason to fear that, in a few years, they will count among the final victims of the driver-less vehicles the internet giant is developing. Beyond these specific examples, some economists fear that, in the coming years, digitalization threatens a large number of low and medium-skilled jobs, which, needless to say, does not tilt the balance of power toward the affected workers.9

Finally, what of the state’s role? Askenazy calls for us to turn away from the “economic pragmatism” that contributes to a “work’s disarmament” by always pushing for greater flexibility. But beyond the reforms that he describes in the realm of labor law and competition law, he does not really sketch out a comprehensive alternative, despite the fact that there are many other forms of public intervention that can more or less directly shape the primary distribution of income at the national and/or European level (including trade, industrial, and educational policy), notably by counteracting or making it easier to confront the factors mentioned above (technological change, globalization, and so on) which contribute to undermining workers’ bargaining power.

Thus while this book raises essential questions and opens stimulating new vistas, it does not address all there is to be said about the conditions of possibility of “an alternative distribution of wealth.”

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9 One of the most commonly cited studies is by two Oxford professors who estimate that over the medium term, 47% of jobs that currently exist in the United States may be threatened by the introduction of “computerization.” See Carl Benedikt Frey et Michael A. Osborne, “The Future of Employment: How Susceptible are Jobs to Computerization?,” Oxford, September 2013.