

“L’homme inutile” “*The use-and-pointless man*”


by Pierre-Noël Giraud
Odile Jacob, Paris, 2015

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The context

- A fairly large consensus:
 “Economic inequalities have grown too much”
- “Too much” for different reasons:
 - It’s **inefficient** since increasing inequalities now hamper growth and social mobility (OECD, FMI, BIS,...)
 - It’s **politically dangerous**
 - It’s **morally blameworthy**

The questions

- **Three types of economic inequalities:**
 - Revenues
 - Wealth
 - Access
- Access → Revenues → Wealth


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graph LR; Access --> Revenues; Revenues --> Wealth; Revenues --> Access; Wealth --> Revenues;
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- Which are the “worse”?
- Which should we fix in priority ?

Outline of the presentation

- The good use of economics: a 4 steps process
- The political choice of the target: Amartya Sen vs John Rawls
- The use-and-pointless man: who is he/she ?
- Causes of pointlessness: focus on globalisations
- The nomadic/sedentary model
- Policy implications
- Quantifying nomadic and sedentary jobs (work in progress)

From economic epistemology and philosophy to hard quantitative economics

Economics play a part in a four steps process

1. Analysis and forecasting	Economics
2. Choosing the target	Moral and political philosophy
3. Designing economic policies to reach the target	Economics
4. Implementing the designed policies	Politics

The “good use” of economics

- Whenever an economist, after having analysed and forecasted a given economic trend (Step 1) dare to say:
- “we should to do that” (Step 3)

he/she must have made very explicit:

- the target and whom is it “good to” (Step 2)
- what are the “collateral damages” of the proposed policy, likely to hamper its implementation (Step 4)

Choice of the target: SEN vs RAWLS

- Which are the worst inequalities ?
- Answers need a norm: what is « economic justice » ?

	RAWLS	SEN
Economic justice	Everyone has a minimum basket of “essential goods” Above, inequalities are just if they are efficient, ie if wealth trickles down	Every one has, all his/her live long, as set a minimal “capabilities”, in order to be able to get, through his/her own efforts, the live he/she rightly wants
Worse inequalities	To be below the minimum standard + “inefficient” inequalities	Access inequalities: having no full access to the set of minimal “capabilities”

Let's choose SEN rather than RAWLS

- Moral and political philosophy reasons :
 - Giving every one opportunities to progress all along his/her live is a “better choice” for civil peace than providing a mere initial survival “basket”: a pure political statement
- Economic reasons:
 - Because of market imperfections:
 - There exist **traps** (poverty traps, etc...) caused by **inequalities of access to basic capabilities**: access to health, to initial and permanent education , to credit and insurance, to public goods, including those provided by the natural capital, to gender-ethnical-religious equality of rights and duties, to political freedom
 - trickling down doesn't work to extract from traps those who are caught in: that's a fact
 - specific policies are needed

The use-and-pointless man

- There are more and more men and women **economically useless to others and to themselves.**
- Their very existence is **economically pointless.**
- **They are caught in traps**

	Useless to others	Useless to themselves
The unemployed, living from subsidies. <i>Tens of millions in OECD, hundreds of millions world wide</i>	Must be subsidized	Losing their human capital
Working poors living from intermittent "small jobs" <i>Tens of millions in OECD, hundreds of millions world wide</i>	Very low productivity gains	No way to increase their human capital and to progress
Very poor peasants in subsistence economies <i>Hundred of millions</i>	No exchanges with others Their land could be better used	Caught in extreme poverty traps

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A political priority

- There are enough fairly **good economics reasons** to open uselessness traps
- Moreover, use-and-pointlessness also:
 - makes the **economic conflict** about the primary sharing of added value **roaming in the dark**
 - gives **rise to and amplify conflicts based on other identities:** national, ethnic, religious,
 - and possibly to civil wars
- **Reducing uselessness** should be the **THE priority** of economic policies
- It is actually an encompassing meaning to "sustainable development" and helps throwing out "growth" as such from the policy agendas

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The choice of the target made (step 2) Back to analysis (step 1)

- Why is there such an increasing number of use-and-pointless women and men ?
- Three layers of interrelated economic dynamics are filling the uselessness traps:
 - Malthusians constraints (see Back-up below)
 - **Globalisation of firms** (focus below)
 - Financial and economic instability (skipped here)

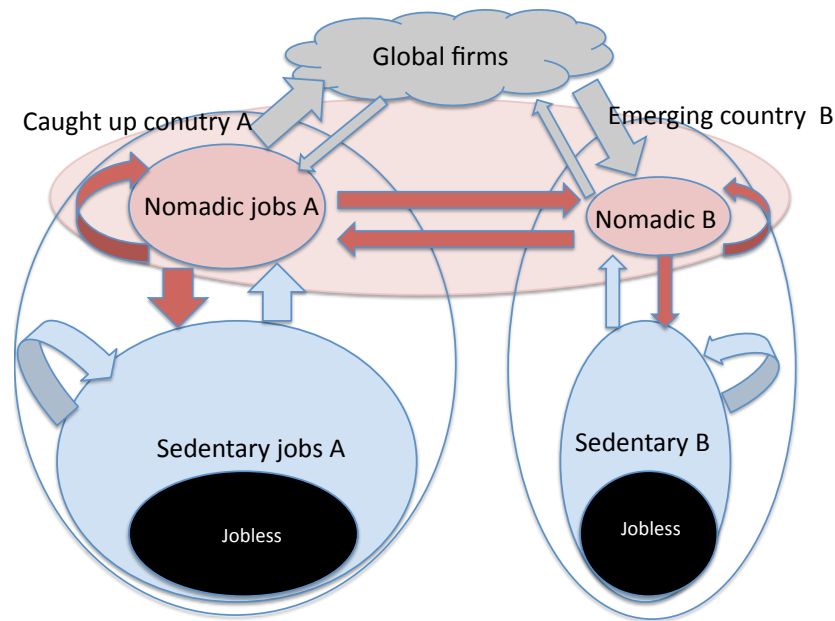
The nomadic/sedentary model

- From goods and services to jobs

Goods and services	Internationally tradable/non tradable	
Industries or sectors	Exposed to / protected from international competition	
Jobs	Nomadic / Sedentary	

- **Nomadic job**: if it loses its competitiveness, it **may** reappear in another country
- **Sedentary job**: if it loses its competitiveness, it **will** reappear in the same country

An analytical framework



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The analytical framework

- Nomadic jobs competing on the global arena
- Global firms transferring « freely » (positive externalities) knowledge from A to B
- Agglomeration externalities concentrating nomadic jobs in clusters: the “narrow door of emergence”
- Jobless trapped in the hold of the sedentary sectors (market imperfections on the internal job market) , if the demand for sedentary goods declines

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Relationships between nomadic and sedentary jobs inside a country: n , s , pn and i

- **n** : share of nomadic jobs in the working population
 - Depends on the attractiveness of the country for nomadic jobs
- **s** : preference for sedentary goods and services ($U = S^s \cdot N^{(1-s)}$)
 - s variable (substitution and competition by product differentiation between nomadic and sedentary goods)
- **pn** : relative « price » of the nomadic jobs of the country on the global market
- **i** : inequality index
 - $i = \text{revenues per nomadic job} / \text{revenues per sedentary job}$
- Then:
- GDP increases when n , pn or s increase: **three drivers to catching up**
- i decreases when n and/ or s increase (pn plays non role)
- Reciprocely, **when n decreases, like in caught up countries, if s don't increase sufficiently, i increases**

The « *Trente glorieuses* » are done in OECD countries

- Rupture of the past economic solidarity between nomadic and economic jobs, support of traditional socio-democrat macro policies in relatively closed economies (“fordism”)
- If n increases, the sedentary jobs are indeed relatively better off, unless s decreases...

But

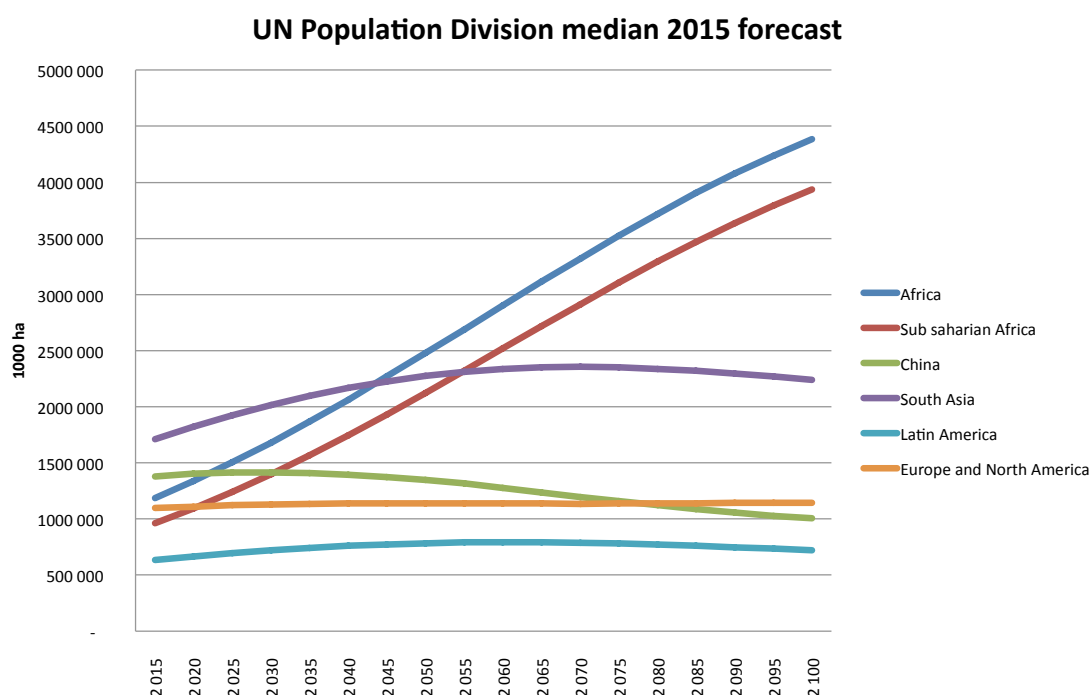
- **The poorer the sedentary jobs (the higher i), the more competitive are the nomadic jobs of a country in the global arena...**

Trends

- How many jobs of both types ?
 - Work in progress (recent calculation for France below)

	n: relative share of nomadic jobs	s: preference for sedentary goods	l: inequality index
Caught up countries	down	up, not enough	up
Emerging countries	rapidly up	down	up
Stagnating countries	stable or down	stable or down	stable or up

The major stake: Africa's sustainable emergence



Policy implications

- Remember the target: drawing out of their traps use-and-pointless men (jobless in the model)
- More generally: reducing inequalities between nomadic and sedentary jobs

Caught up countries	Increase n International competitiveness issues; <i>A moto</i> in the EU since Lisboa	Increase s more rapidly Organisational issues (structural reforms), too much neglected	International cooperation or competing mercantilism ? Need to specify horizontal policies to the targeted sector (nom./sed.)
Emerging countries	n: start to delocalize nomadic jobs in Africa	Increase s rapidly (centering their economy)	Time to enter their own " <i>Trente glorieuses</i> " era
Africa	Urgent need of increasing n	s as follows	Massive FDI needed from emerging countries "Double green" revolution Urbanisation

How to measure nomadic and sedentary jobs ?

On-going discussion with the OECD Development Centre: Mario Pezzini, and the « *Policy Dialogue on GVCs* »: Annalisa Primi

A case study of France

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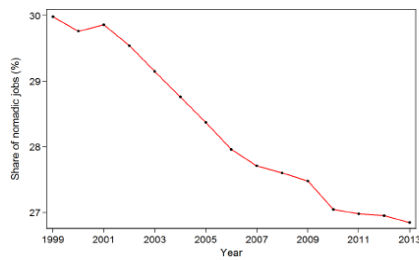
Literature review

- **Degree of export and/or import orientation of industries** (e.g., Dwyer 1992; De Gregorio et al. 1994; Dixon et al. 2004; Giraud and Lirzin 2012; Zeugner 2013).
- **Job characteristics**, i.e. degree of physical proximity and the degree to which the output can be sent electronically without serious loss in quality (e.g., Bardhan and Kroll 2003; Blinder 2009; Jensen and Kletzer 2010; Blinder and Krueger 2013).
- **Geographical concentration of industries** (e.g., Krugman 1991; Jensen and Kletzer 2006; Barlet et al. 2011; Spence and Hlatshwayo 2012)

Geographical concentration indexes - Methodology

- Methodology of Barlet et al. (2011):
- ***At the local level, determine whether or not supply (employment) of industry i 's products is more concentrated than the demand it faces.***
- Requires computing **Gini coefficients**.
- Data for France: Insee data for 304 *zones d'emploi* (local labor markets) and 86 industries. 2012 input-output table.
- **Requires a threshold**: When $Gini > 0.25$ the sector is nomadic, with $Gini \in [0; 1]$

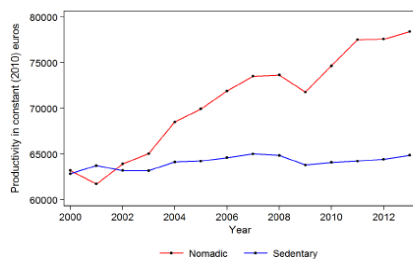
An application to France I



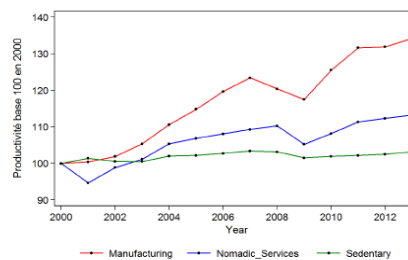
(a) Share of nomadic jobs



(b) Relative wage



(c) Productivity



(d) Productivity 3 sectors

An application to France II

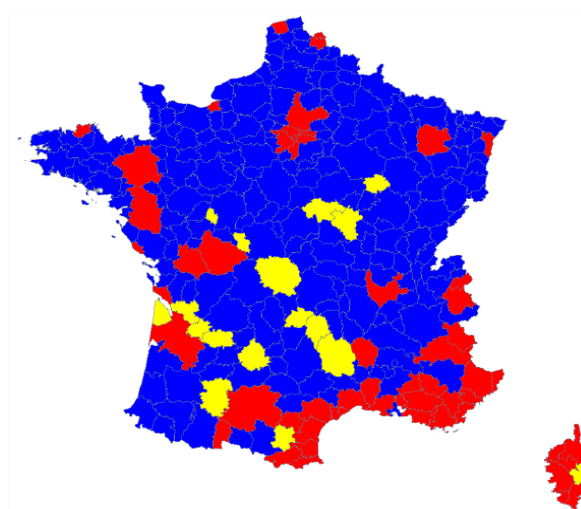


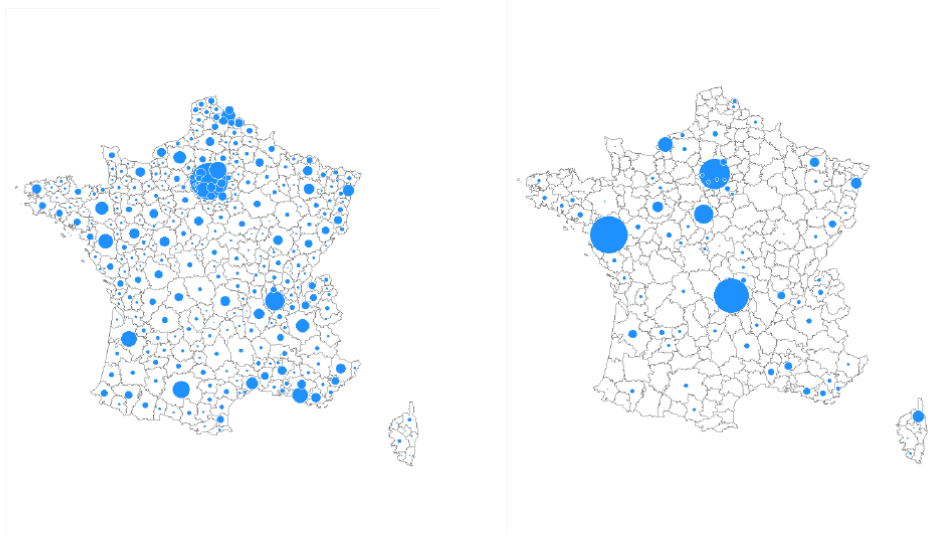
Figure: Largest group among the nomadic sector (red=services, blue=manufacturing, yellow=agriculture)

Conclusion

- The reduction in nomadic employment has been accompanied by an increase in inequalities of revenues between the two groups in France for the period 1999-2013.
- The sedentary sector has been the principal engine for job creation.
- Within the nomadic sector, manufacturing and services show divergent employment growth trends.
➡ *Big cities and tourist areas should experience larger nomadic employment growth than the rest of the territory.*

Thank you for your kind attention !

Annex I



(a) Education

(b) Tobacco

Figure: Geographic distribution of employment

Annex II

$$IDS_{i,r} = \sum_{j=1}^J \left(\frac{IC_{i,j}}{D_i} \cdot \frac{EMP_{j,r}}{EMP_j} \right) + \frac{HC_i}{D_i} \cdot \frac{MInc_r}{MInc_{tot}} \cdot \frac{Pop_r}{Pop_{tot}} \quad (1)$$

$$G_i = 1 - \sum_{n=1}^R [IDS_{i,r(n)} - IDS_{i,r(n-1)}][\lambda_{i,r(n)} + \lambda_{i,r(n-1)}] \quad (2)$$

$$\lambda_{i,r(n)} = \sum_{r=1}^n \lambda_{i,r}$$

$$IDS_{i,r(n)} = \sum_{r=1}^n IDS_{i,r}$$

Back-up on natural capital and uselessness

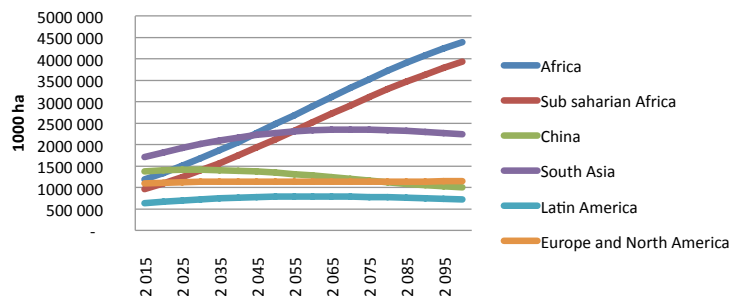
The « problem » is mainly local and intra generational

Main messages

- Demography: farewell to Malthus
 - Africa's « sustainable » emergence is by far the biggest century's challenge
 - The only relevant question (besides secrecy) about the “numerical revolution” is how it could help Africa's sustainable emergence
- We don't have any “global” resource problem upstream, we do have huge “garbage cans” problems downstream
- Local lack of renewable resources (like land, forest and fisheries) and of access to a healthy natural capital (fresh air and water, sanitation) is a major cause of uselessness traps in the South
 - The policies should invest simultaneously in the “four capitals”, taking into account their mutual externalities
- Climate change policies have to reduce inequalities

Farewell to Malthus

UN Population Division median 2015 forecast



- During the 22^{sdn} century, mankind will experience a new anthropological revolution: a decreasing population
- Climate change and others “garbage cans” problems are mainly those of the now living generations and of their own children

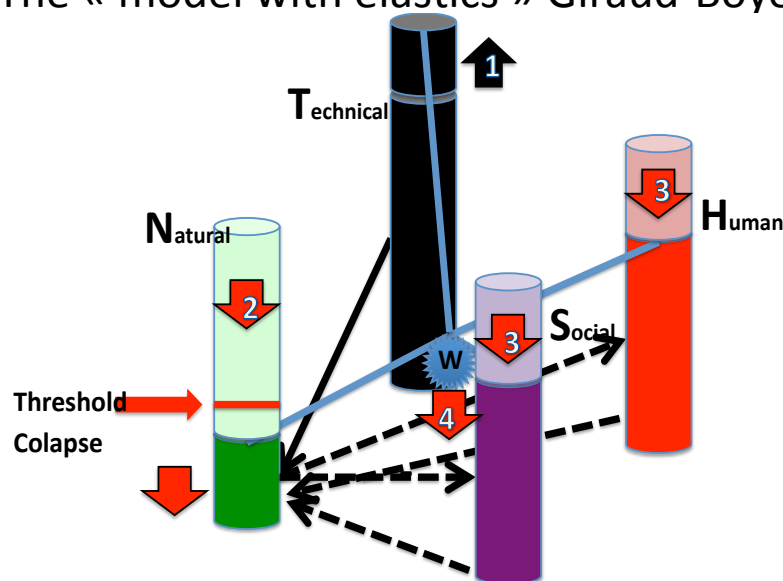
Africa's challenges

- « Double green » revolution, based on “small” family farms of around 5 hectares...
- Industrialisation (South-South)
- Urbanisation (+ 0,9 billions urban settlers by 2050 in SSA)
- Civil wars and governance

Lack of resources ?

- Enough water, land, minerals for sustaining 11 billions
- We've got four time more already discovered fossil carbon (oil, gas and coal) than we are allowed to burn if we worry about climate change.
- Rather, we have global « garbage cans » problems: climate change, pollution of the oceans, and
- **local pollutions**
- **But also local “renewable resources” shortages**
- **both causing uselessness traps...**

Local traps: an analytical framework (The « model with elastics » Giraud-Boyer)

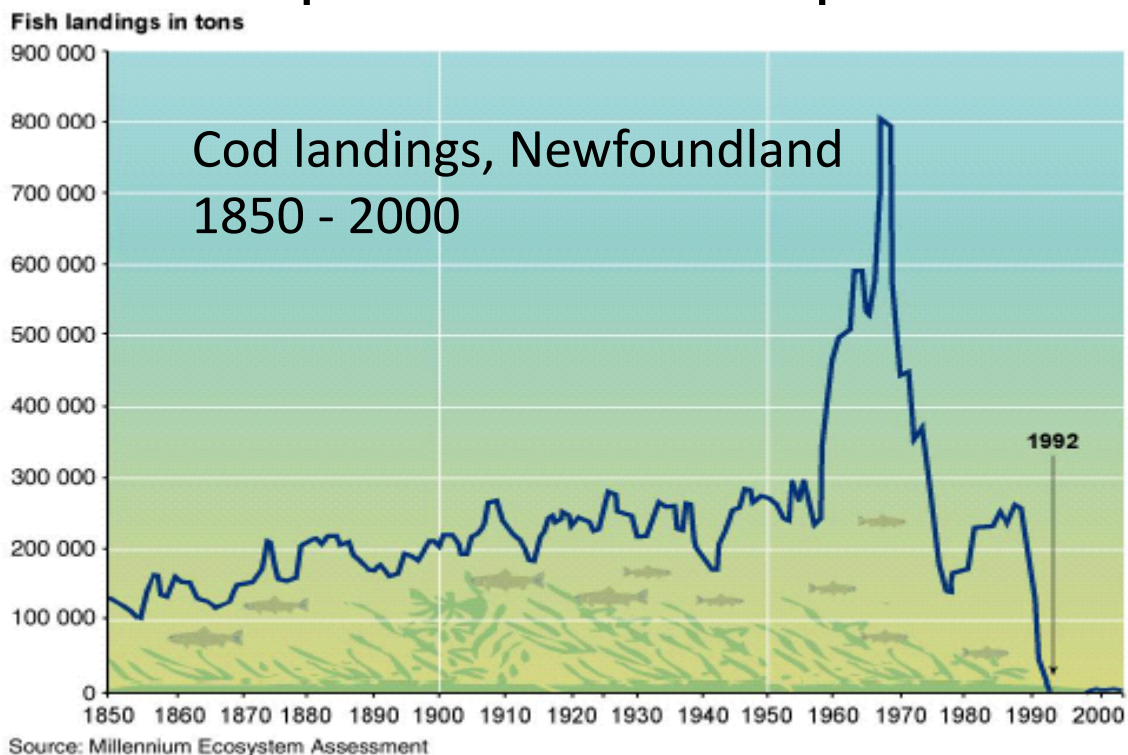


Local traps: an analytical framework

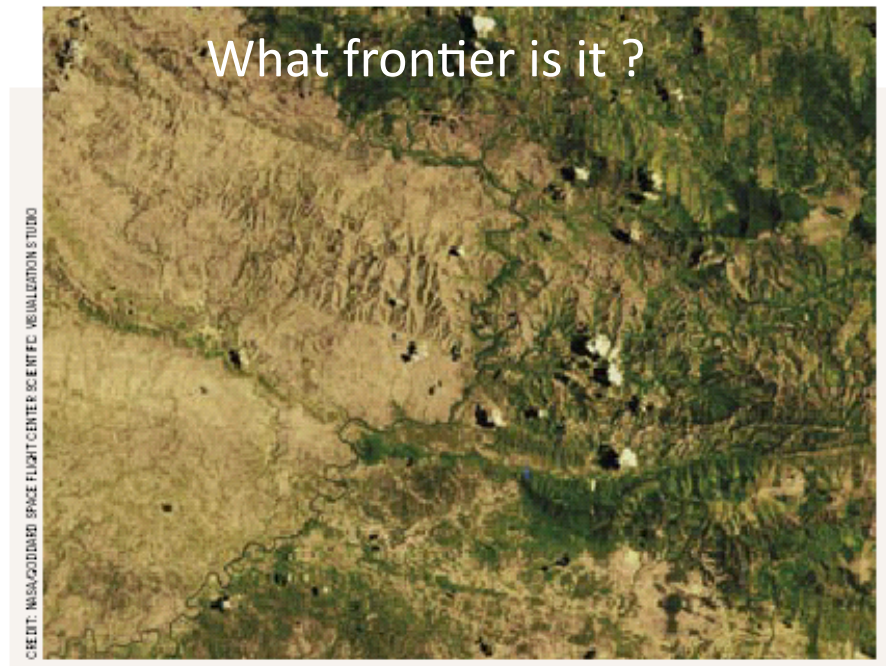
(The « model with elastics » Giraud-Boyer)

- Example of a vicious circles due to market imperfections (externalities):
- An initial increase in technical capital pollutes (negative externality) a sensitive renewable resource (land, forest, fishery), up to a point where, having got through a threshold, it may collapse
- People living from that resource lose their human capital and come to the urban slums already full of urban useless individuals
- Further lost of both human and social capital (negative externalities)
- Aggravating, up to the collapse, the pressure on the remaining resource

Collapse of natural capital 1



Collapse of natural capital 2



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Policy implications

- The local lack of:
 - renewable resources, like land, forest and fisheries
 - access to a healthy natural capital, like fresh air and water, sanitation
 - is a major cause of uselessness traps in the South
 - Will become worse with the climate change
- Policy implications:**
- Invest simultaneously in the four types of capital,
 - taking into account their mutual externalities (with thresholds and non linearity)

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Climate change

- Is no more a “problem” for economists nor for climatologists, environmentalists, etc...; steps 1 and 3 have been completed by IPCC
- The target has been set by governments, almost unanimous: “no more than 2 °C”; step 3 is completed
- Problems arise entirely from step 4: implementation.
- They are entirely intra generational equity problems, at international and national levels
- hard to solve...
- **Let’s scale up mitigation efforts,**
- **Let’s open right away uselessness traps due to lack of natural capital**

Apologies for the obsessions: step 3 ...

Thank you for your attention !