

Elements from Pr. Piketty's books

Sources:

- « Income Inequalities »: 1997 - *evocated by as [IE]*
L'économie des inégalités : 7th edition (data not so much actualized)
- « Capital in 21st century »: 2014 – *evocated by as [C₂₁]*
Le Capital au XXI^e siècle : Septembre 2013

Elements from Pr. Banerjee & Duflo's book

- « Poor Economics : a radical rethinking of the way to fight global poverty »: 2011 – *evocated by as [PE]*
Repenser la pauvreté : Janvier 2012

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In introduction, we can replace Pr Thomas Piketty's approach in the current reflections of economists in particular those who are Christian inspired. As first among them, let us mention Gaël Giraud, facing the all-powerful influence of the financial approach.

A recent work of an Australian professor of economy and finance at the Kingston university in London, Pr Steve Keen "The economic imposture " can serve as introductory reference. This work is a systematic criticism of the dominant neo-classic economic thought and it is the first one who clearly planned the worldwide finance collapse and even already planned another new financial crisis.

This ascendancy of the finance on the economy which implies that the richest ones become richer and richer and the poorest ones become poorer and poorer people, seems always more precarious It is, in this context of increase of the disparities and the transformation of the capital in the 21th century, that are situated Pr Piketty's researches on the distribution and the income of the rich people and the poor ones.

Pr. Thomas Piketty is at first an academic specialist in the tax system, he was brought to work with actual French president François Hollande on the implementation of fiscal measures favoring transfers between the rich and the poor people. These transfers are clarified in his work on the corresponding Capital and some of those graphs are included. Due to the large collection of exploitable data in France and in Great Britain, the most detailed examples are focused on those two countries. Larger collections but less adapted to precise studies are also presented to compare tendencies between different cultures, political systems localizations on the Earth. This book, "Inequalities Economy" is mentioned by [IE]

Some years later, Pr Piketty had studied data about the United States of America, therefore, his book "Capital in 21st century" gives more diversified examples. This book is mentioned as [C21].

Other authors, Pr Amerjit Banerjee and Ester Duflo, collected and study data from 20 countries. Their work presents different successes in usefull and pertinent ways to fight against the poverty in particular regarding health and children school. References of their publication "Poor Economics" are mentioned by [PE] quotation.

But none of us should forget that the most concerned are the young people and that they are more and more plunged into the globalization. And it is in this dimension that can act United Nations and more particularly the ILO and the organizations who acts in this area, where SIIAEC is acting.

What does suggest Pr . Thomas Piketty in “Inequalities Economy” and then in “21st century Capital” ?

First that economic indexes are deeply connected to demographic evolutions and to political global decisions. Secondly, that growth values observed between the 50es and the 70es were THE exception in the Human history and cannot be taken as objectives of politics. But such growth was permitted only by education of entire generations instead of few elites.

Pr Banerjee and Pr Duflo in “Poor Economics” bring concrete examples of good practices and testimonies of successes ,thanks other ways to proceed.

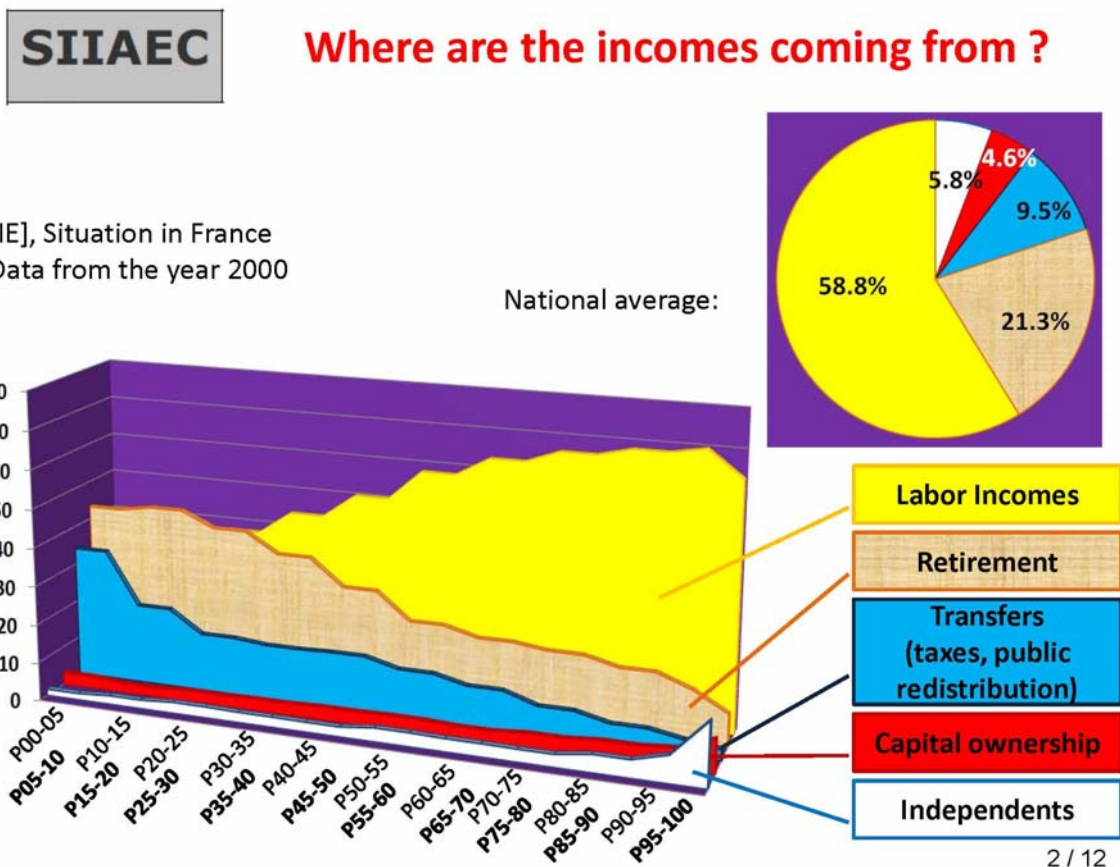
Considering

- the activity and the local context of each of our delegations, those three books might bring many useful items.
- Pope Francis’ observations for the Development of Human Being in different contexts, For instance, in His Welcome speech to the leading executive officers of the United Nations’ agencies, funds and programs on the 9th May 2014 (among many others occasions): “An essential principle of management is the refusal to be satisfied with current results and to press forward, in the conviction that those gains are only consolidated by working to achieve even more,” he said. “In the case of global political and economic organization, much more needs to be achieved, since an important part of humanity does not share in the benefits of progress and is in fact relegated to the status of second-class citizens.”
- ILO’s works for decades promoting decent Jobs as Pierre Martinot-Lagarde tells us here.

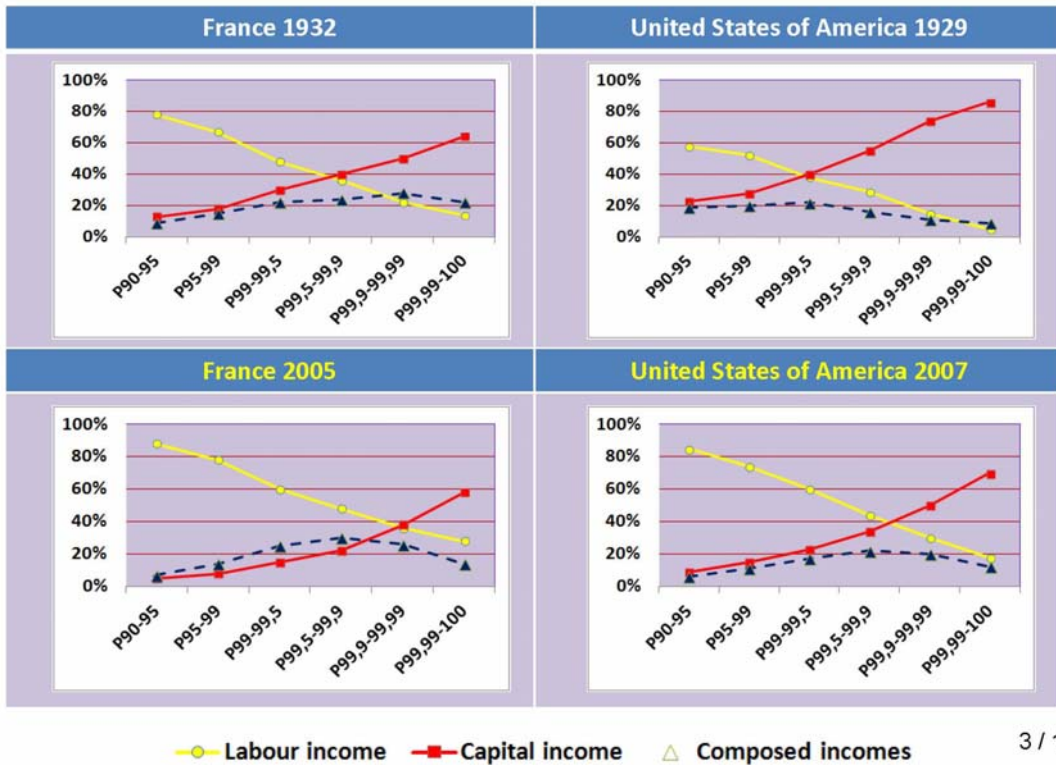
1. Where are our incomes coming from ?

Through French situation, we can observe that, in average, considered at national level :

- almost 2/3 of the incomes are the salaries gained though a professional activity, in enterprise or as independent. New activities contexts are appearing and have to be taken into account...
- Social revenues through transfers thanks taxes represent 30 % of the incomes, especially for retired people,
- Revenues from the capital are not so clearly described in the source documents, but they must represent between 5 and 10 % of the family incomes, no more. This proportion changes a lot for the last percent.



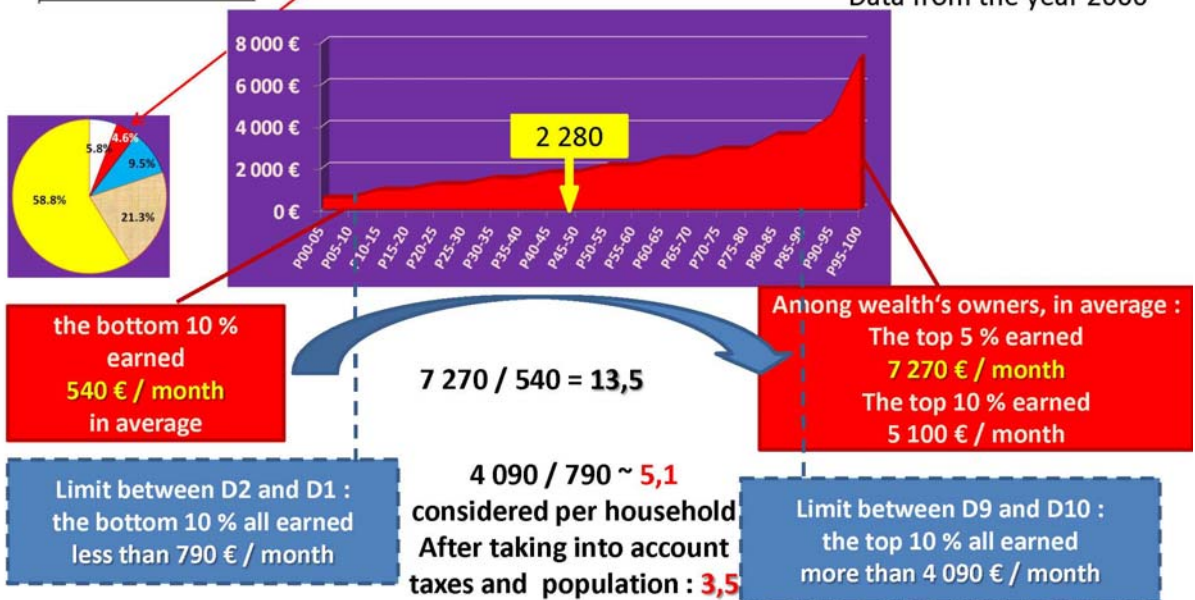
Considering the last percent or lowest fraction some rental behavior appear among the few people who earn billions



To consider globally only the last 10 % of the classified parts of the entire population in order to study poor or rich part of them, reduces some (very) large inequalities : for instance, the last centile of the richest people in Scandinavian countries react exactly like the same percentile of any other country. It does not appear in global analysis:

Which earning from property ?

[IE] Situation in France
Data from the year 2000



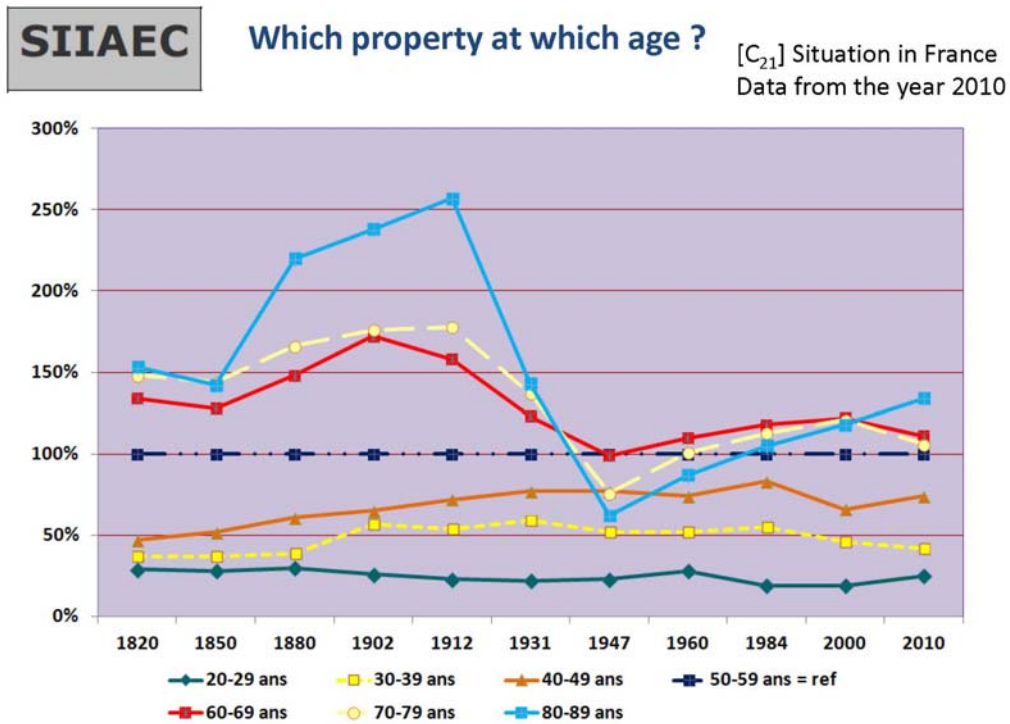
Sweden (1987)	2,7	Germany (1984)	3,0	Italy (1986)	4,0
Belgium (1988)	2,8	France (1984)	3,5	Canada (1987)	4,0
Norway (1986)	2,9	United Kingdom (1986)	3,8	United States (1986)	5,9

About the capital revenues, the situation is more confused than for other ones because descriptions changed several times according to periods and are not sufficiently investigated .

People who have more capital do not spare money and do not manage their budget in the same way as those who do not have one... Revenues inequalities are highest than salaries ones which will be considered later in part 3.

2. Another tendency increases the inequality : influences in the demography

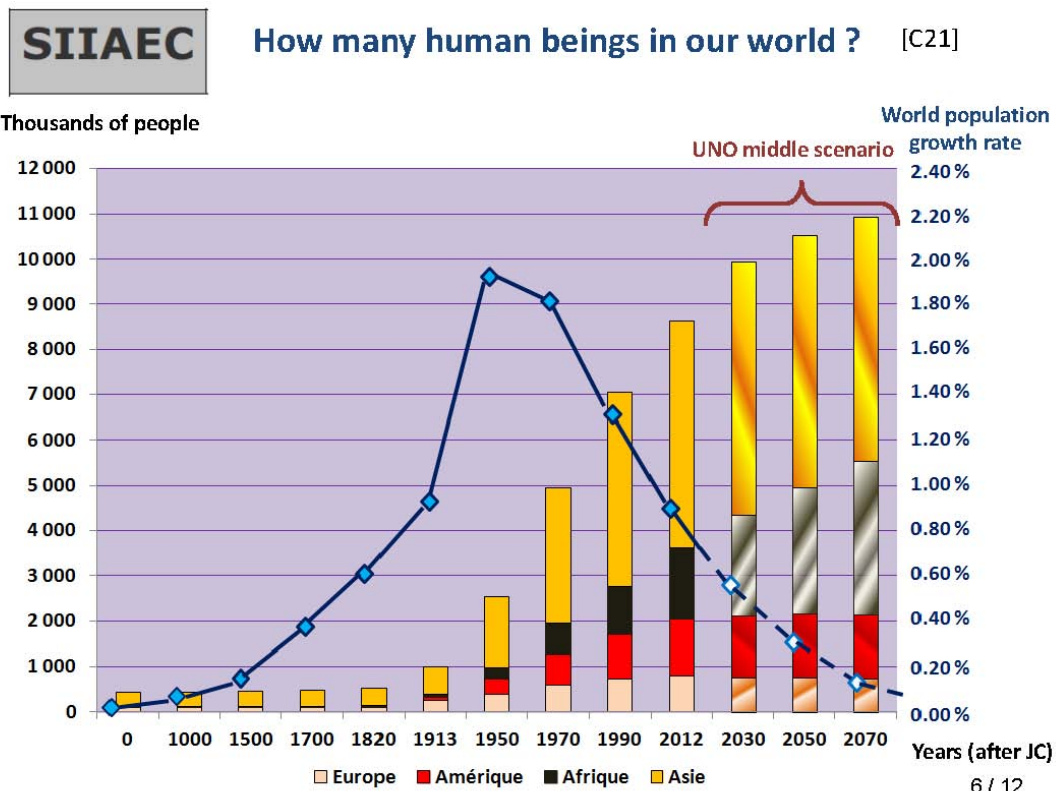
The increasing of life expectancy lets older owners invest more and more what they do not consume because of their decreasing abilities. As younger generations inherit later, the beginning of the 21st century looks like the beginning of the 19th as well as the beginning of the 20th.



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This picture shows the impact of each World War on the different possessions that each generation might or not receive from the elder. Not all parts of the world did have to support comparable destructions of their capital, but all the modifications of the geopolitical context merged with the globalization.

One the most important evolution without any anteriority in the past is the evolution of the demography



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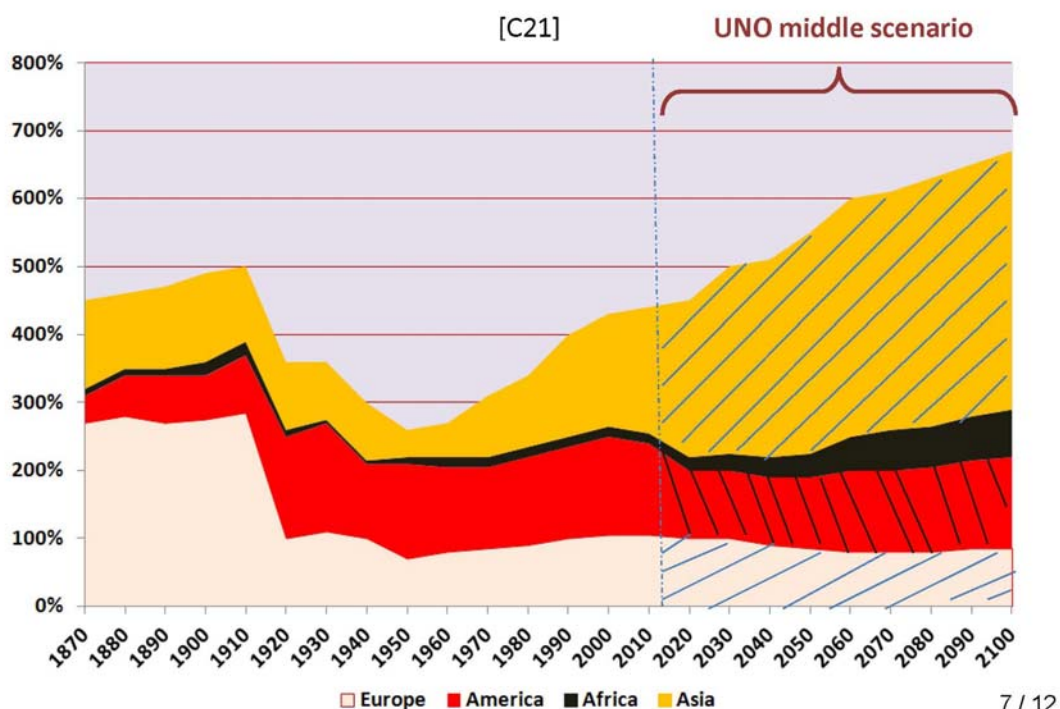
Nobody knows what will be the fecundity rate of each family. An average hypothesis (represented by “the UNO middle scenario”) supposes, considering the actual tendencies, that the huge increase of the population growth rate from 1900 to 1970 (higher than 1,5 % per year) will go on decreasing in next decades, until to the growth rates of the first millennium (more or less 0,10 % per year).

The global increase of the world population will only be produced by the “mechanical effect” of the actual number of adults in age to become parents. Available data are hard to collect but observations let suggest that every continent will return to a very little growth rate of population, except perhaps some countries in the African continent during the 21st century.

Due only to the enlargement of the number of possible owners, the ownership of the world capital might move to other hands during this 21st century:



Who owns/might own the world capital in the 21st century ?

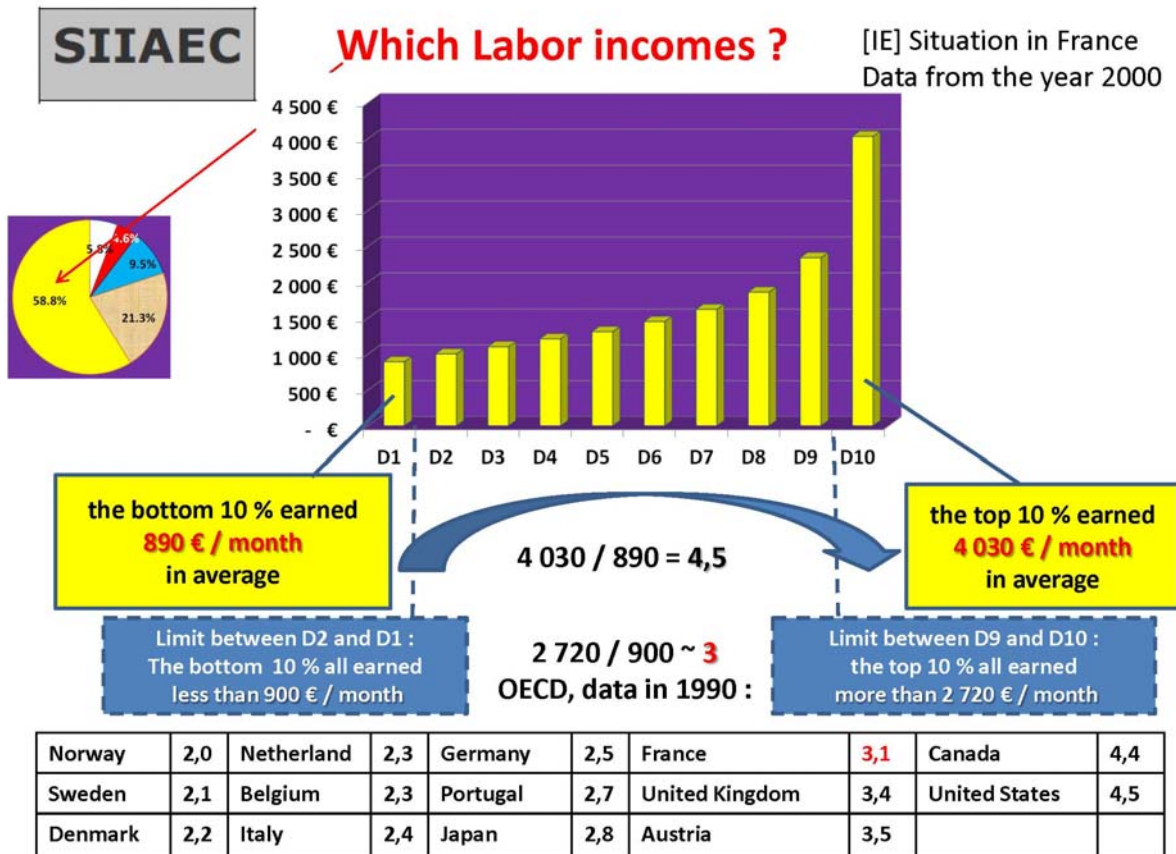


Which challenges for us ?

- Other referential from other cultures with new types of conflicts risks
- To remain attentive to the environmental impact of new ways of lives
- Our SIIAEC delegates who participate to ILO debates may observe the different meanings given to words as “Labor Right”...

As Labour income remains the first and principal income for 99,9 % of the households, coming back to Pr Piketty’s books, we will now have a look on those types of income.

3. If there is an inequality to fight, this is the inequality of salaries.



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The main difficulty with this type of analysis is to integrate correctly the taxes in comparable ways... And to distinguish for the independent workers ,which part of their incomes is considered in declarations as their capital property and which as their labour income, because there is an influence of the taxes rates and repartition systems.

As for the picture on the slide 4, in the example of France in 2000, the 10 % best paid earn 3 times more than the 10 % worst paid. This proportion is relatively common in developed countries and considering the deciles.

Larger differences appear within the centiles and under fraction.

4. Is there any equivalence between capital incomes and labour forces incomes?

If there is no more slavery, the question can be expressed in terms of efficiency of the use of an investment. Is it better or equivalent to invest in a "human working" unit or in "machinery" (a "capital working") unit

Pr Piketty studies in [C₂₁] several economical approaches which were promoted during the 19th and 20th centuries in different countries.

Those models brought deep influences on political messages here or there. Considering the observable behaviors of the citizens, a multi-criteria analysis would be more efficient to understand their individual decisions.

The notion of growth is detailed and discussed because it is a controversial subject. Pr Piketty in [C₂₁] recalls that from the mathematical point of view, a growth of 1 percent means that:

- If we consider the value V in the year YYYY, a growth of 1 percent will make a new value of 1,01 * V the following year (YYYY+1) ;
- Therefore the same growth of 1 percent will transform the value in 1,01*((1,01) * V) = V * [(1,01) at the puissance of 2] at the year (YYY+2)
- And so on : this value will become V * [(1,01) at the puissance of N] in the year (YYY+N).

That is the reason why, considering a generation as more or less 30 years, a simple constant growth of 1 percent represents an increase of value of (1,01)³⁰ = 1,3478 which is already enormous !

For his readers as for us, the challenge mentioned by Pr. Piketty is :

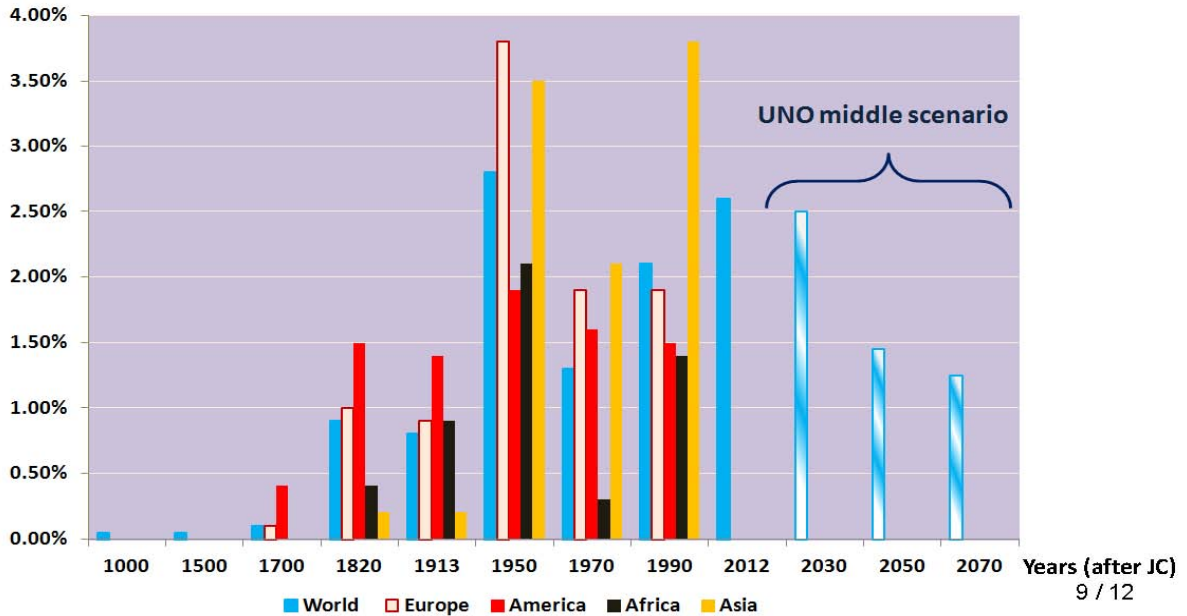
34, 78 % of growth in one generation / 30 years, had been achieved by the entire Humanity during millennia... The very high growth rate of the middle of the 20th century is unsustainable and if actual growth rates are actually decreasing, it is just a normal return to the context of human social and economical life.

Why requiring more ? Why being despaired of a "low growth rate" ?



Which productivity in our world ? [C21]

Growth rate of the productivity per inhabitant



Again the World Wars produced high growth rates due the conflict survival and the needs of reconstructions.

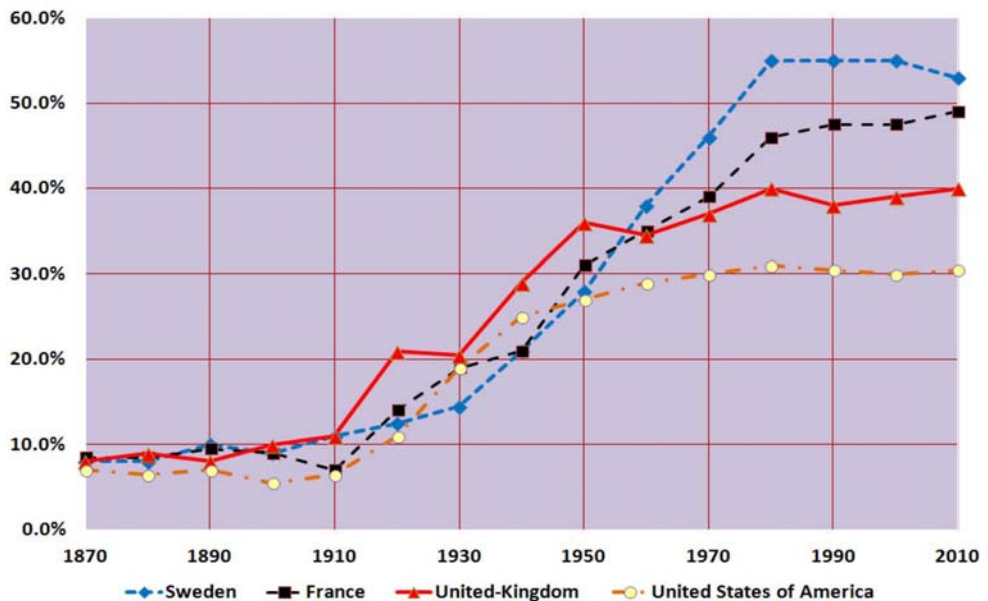
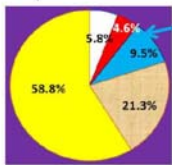
5. Is the fiscal redistribution the good tool to reduce incomes inequalities ?

In fact, tax has no capacity to reduce inequalities because it is only proportional to the unequal incomes. The amounts are used to finance unemployed, and retired people (80 % of their income), to support education and health systems.



Which taxes for a collective redistribution ?

[C21] Obligated taxes in rich countries



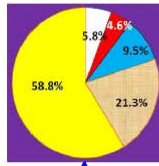
Pr Piketty promotes that, only a world common tax system might be efficient in a just redistribution,.

6. What are we doing with our income ?

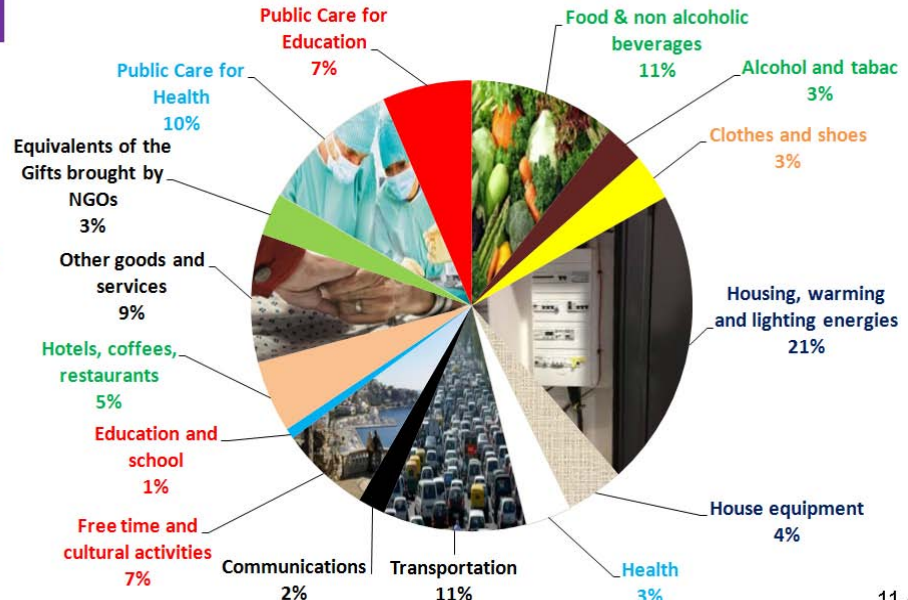
As many examples are given thanks French data collections, we asked the French national State Office in charge of social indexes.



How do the households use their incomes ?



[INSEE]
National average Statistics for France in 2012



Those data are averages. The Upper Social Class consume more in culture and hobbies and less in food.

And in [IE], Pr Piketty clearly mentions his conviction : the only explanations of the large increases of growth rates are directly correlated to an increase of the Youth's education and then to the professional ability. The main priority to fight against social injustice is to reduce the unequal access to education.

As a conclusion : how do the poorest organize themselves to assume their economical obligations ?



Solutions to reduce inequalities ?

[PE]
Examples for people whose incomes are < 0.99 \$ / day

	Health care	Children school
Stakes for the poor's households	6 % of the monthly income For 1 disease in the family, additional loss of {26 * individual income}	1 year more in school can bring until 10% of the monthly income for the "clever child". The same as what it costs...
Systems	Water treated Mosquito screen	"every child in school" "learning well"
Costs per person	Investment per household = 4 \$ for water	
Benefits	Number of cases of • Diarrhea : - 50 % • Malaria : - 60 %	A directly growing labour ability, whatever the level of formation is
Challenges	A Correct diagnosis by a good-level doctor To reduce the "magic" use of antibiotics	Financial help to motivate the parents To share the right to study among all the children of the family, even though others are already in higher class
Successes in realizations ?	• Seva Mandir (Rajahstan) • TAMTAM-Together Against Malaria (Kenya)	Pratham (21 / 29 states in India)

And you ? And me ? Where we are leaving, studying, working, acting, how may I contribute to overtake and pass the "3-I-obstacles to development" mentioned by Pr Banerjee and Duflo:

"Ignorance" (If I had known...),

"Ideology" (Here, we don't do like this... It is impossible),

"Inertia" (It has always been like this, why to change ?...)

? Thanks for your answers in this Conference.