

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

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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



- 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

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1. Analysis and forecasting	Economics
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2. Choosing the target	Moral and political philosophy
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3. Designing economic policies to reach the target	Economics
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4. Implementing the designed policies	Politics
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# 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, a minimum set of “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

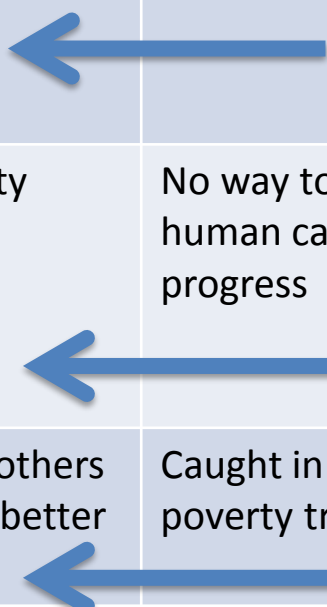
- Moral and political philosophy reasons :
  - Giving every one opportunities to progress all along his/her life is a “better choice” for civil peace than providing a mere initial survival “basket”: a pure political statement
- Economic reasons:
  - Because of market imperfections:
  - There exist **traps** (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, superfluous 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



# 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


# 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)

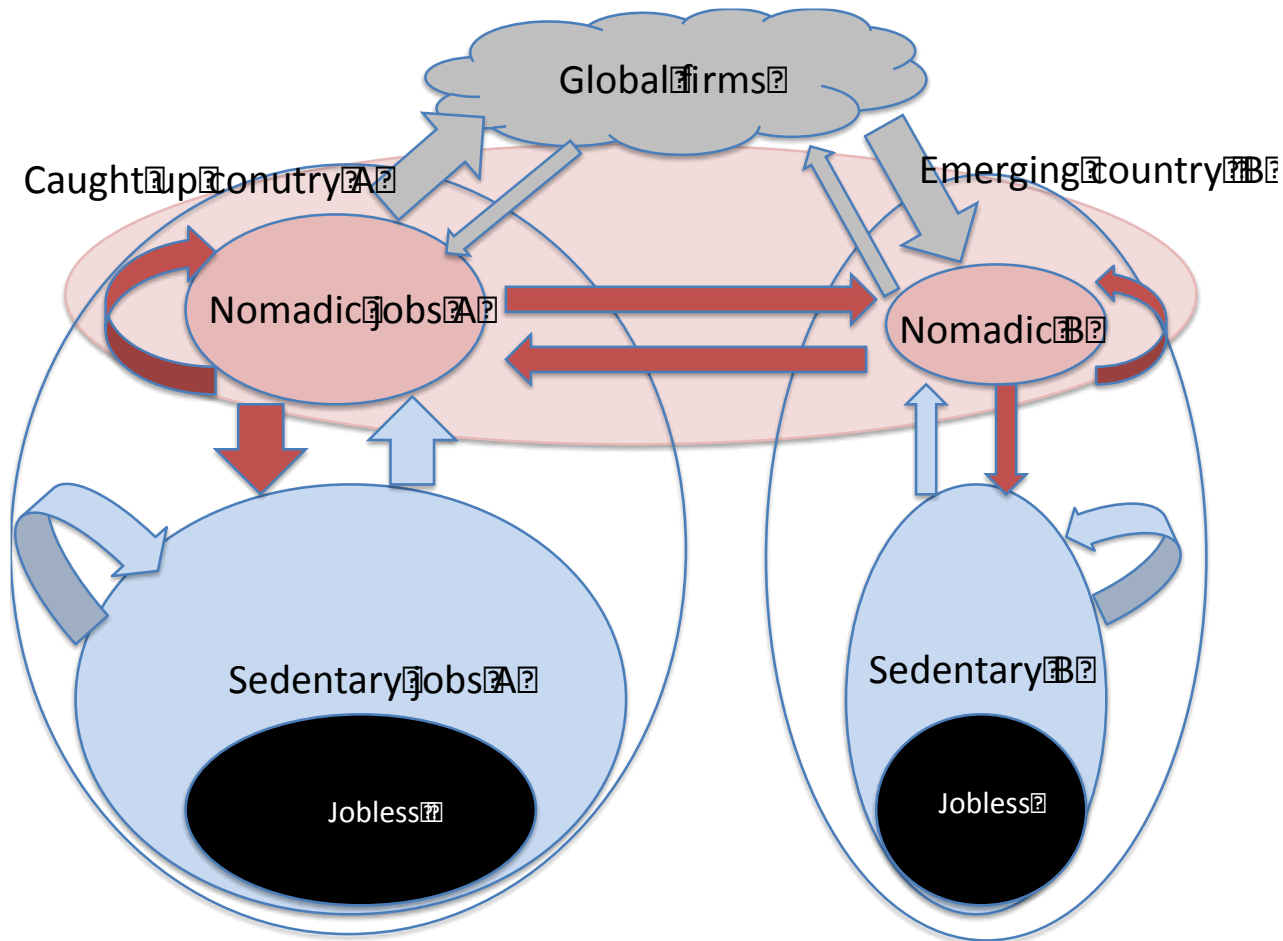
# The nomadic/sedentary model

- From goods and services to jobs

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

- **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



# 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

# Relationships between nomadic and sedentary jobs inside a country: $n$ , $s$ , $p_n$ 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)
- **$p_n$** : relative « price » of the nomadic jobs of the country on the global market
- **$i$** : inequality index
  - $i$  = revenues per nomadic job / revenues per sedentary job
- Then:
- GDP increases when  $n$ ,  $p_n$  or  $s$  increase: **three drivers to catching up**
- $i$  decreases when  $n$  and/ or  $s$  increase (  $p_n$  plays non role)
- Reciproquely, **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...



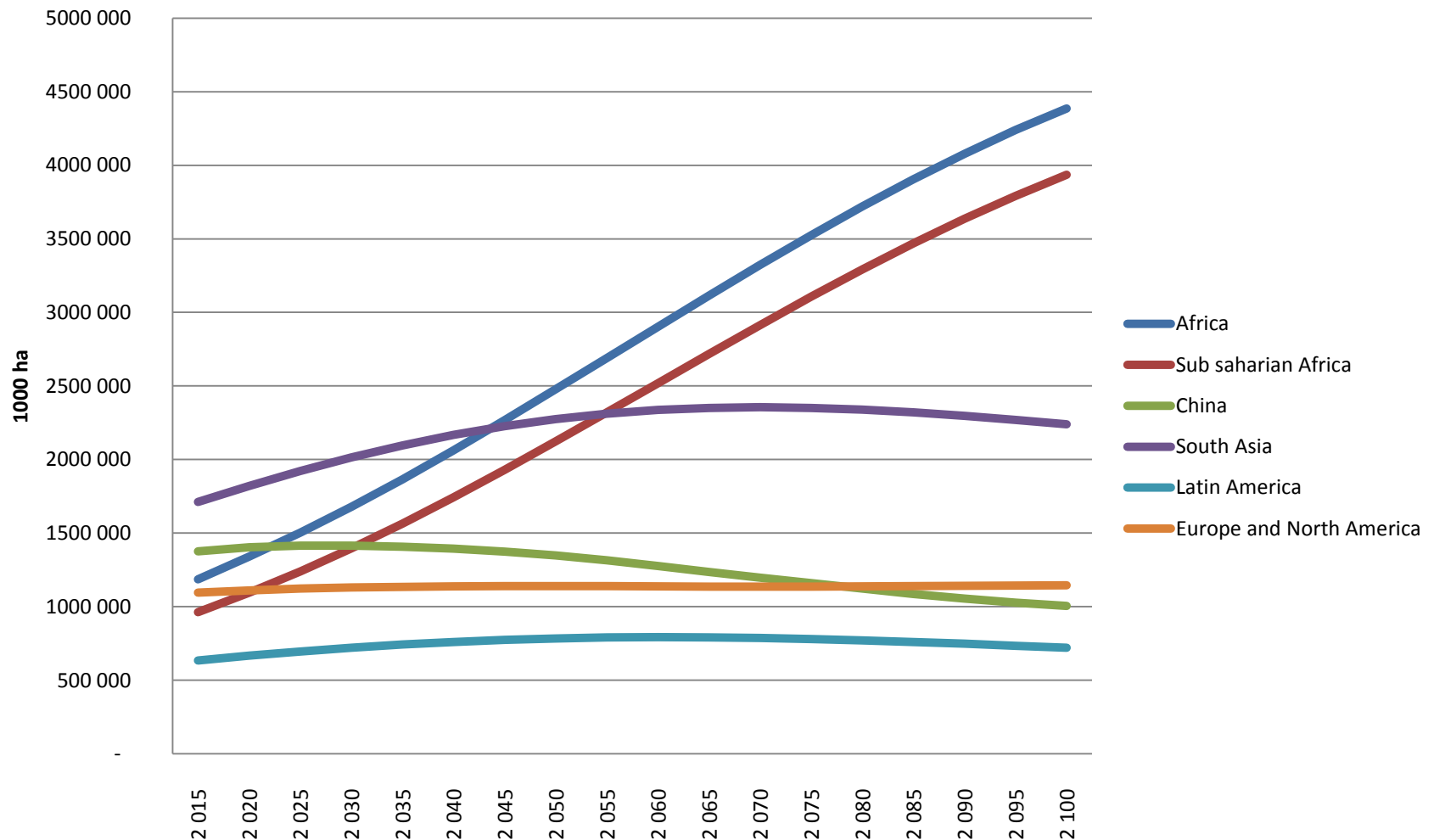
# Trends

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

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

# The major stake: Africa's sustainable emergence

UN Population Division median 2015 forecast



# 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

<b>Caught up countries</b>	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.)
<b>Emerging countries</b>	n: start to delocalize nomadic jobs in Africa	Increase s rapidly (centering their economy)	Time to enter their own “ <i>Trente glorieuses</i> ” era
<b>Africa</b>	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 ?

A case study of France

**Frocrain**, Philippe and **Giraud**, Pierre-Noël  
Mines ParisTech-PSL Research University

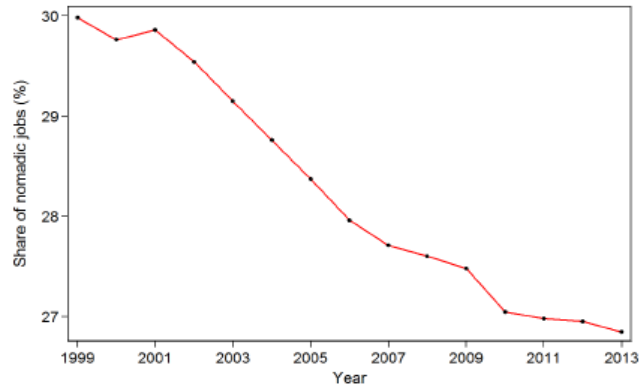
# Literature review

- **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)

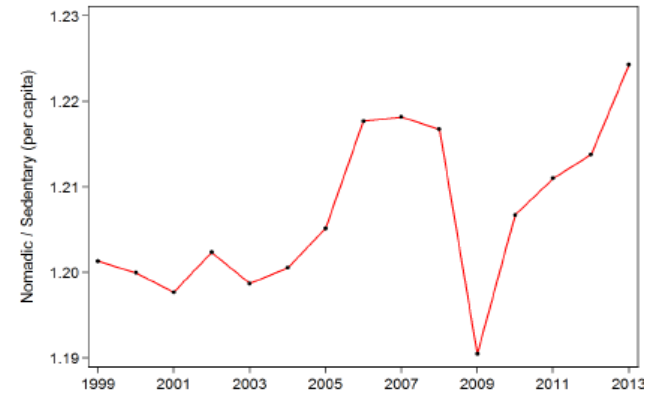
# Geographical concentration indexes - Methodology

- 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  $\text{Gini} > 0.25$  the sector is nomadic, with  $\text{Gini} \in [0; 1]$

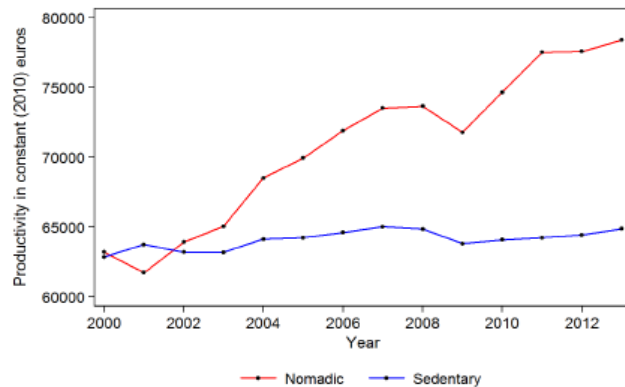
# An application to France I



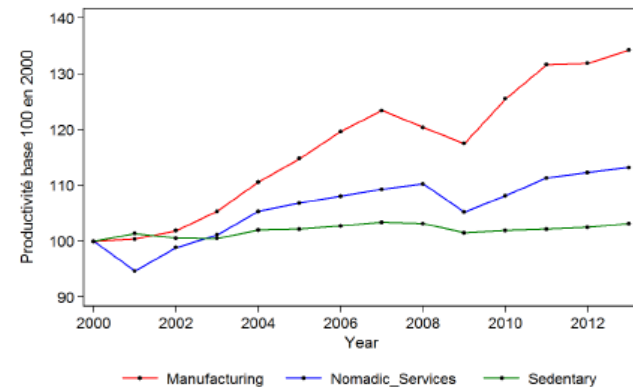
(a) Share of nomadic jobs



(b) Relative wage

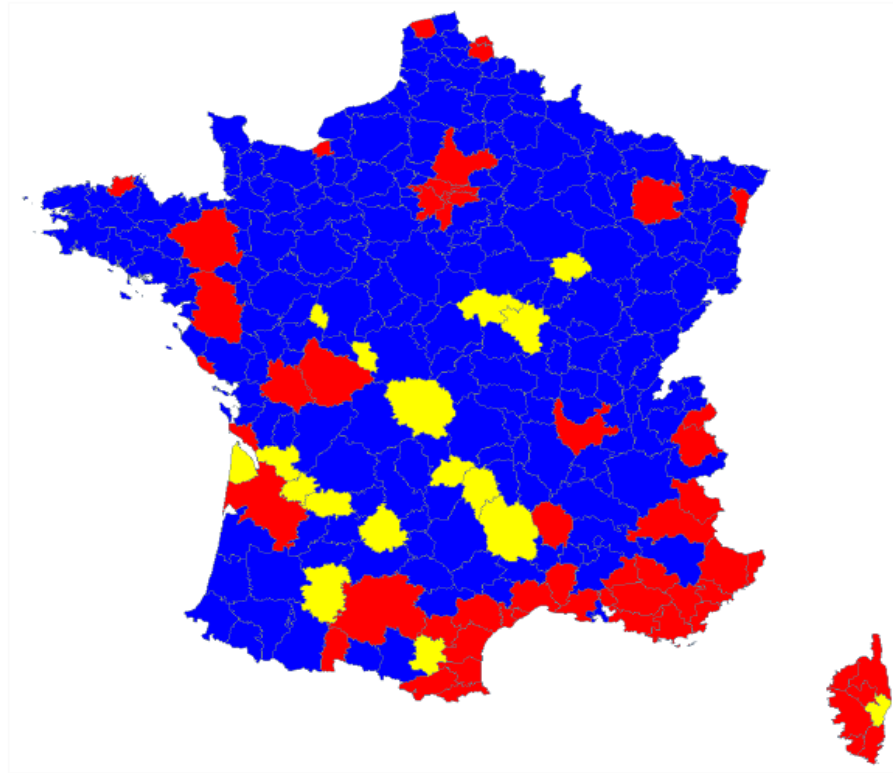


(c) Productivity



(d) Productivity 3 sectors ▶


# An application to France II



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

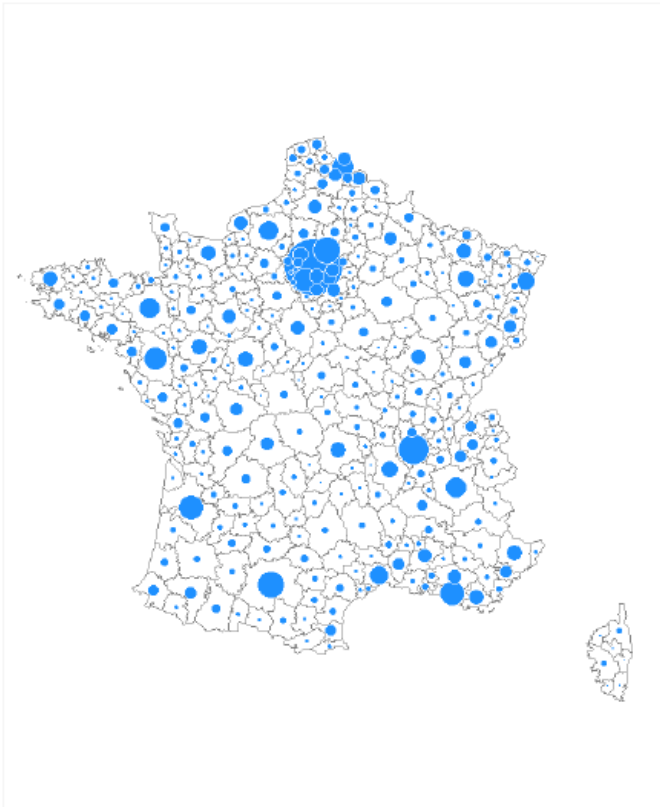


# Conclusion

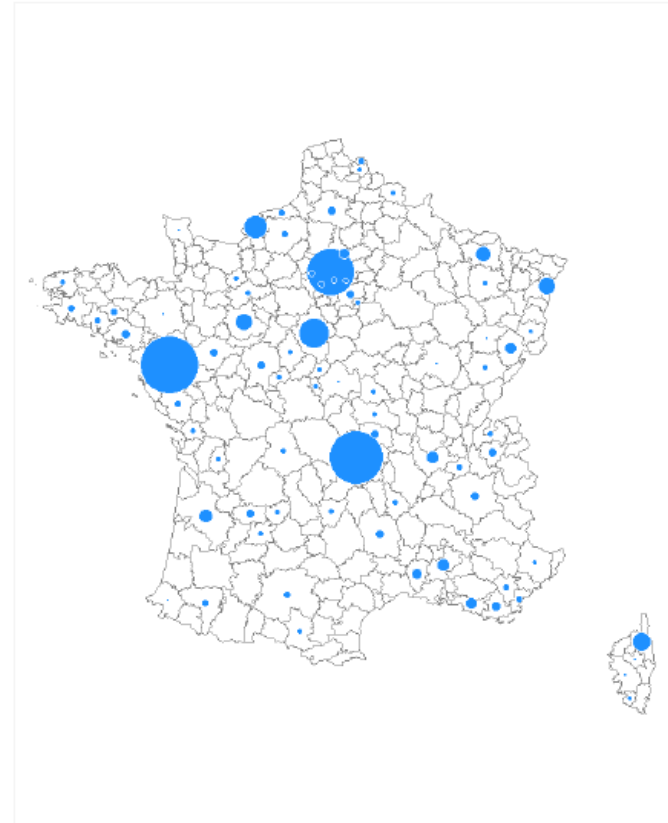
- The reduction in nomadic employment has been accompanied by an increase in inequalities of revenues between the two groups in France for the period 1999-2013.
- The sedentary sector has been the principal engine for job creation.
- Within the nomadic sector, manufacturing and services show divergent 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

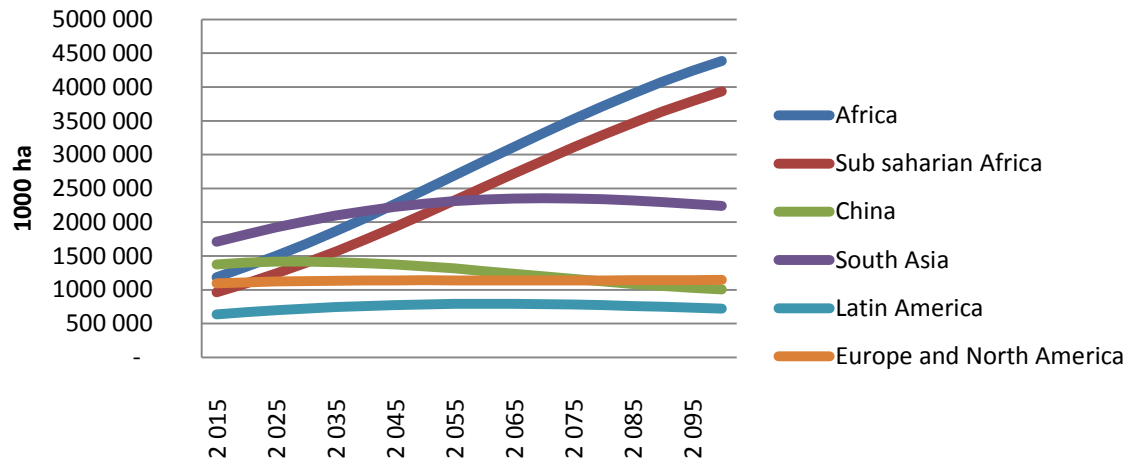
The « problem » is mainly local and intra generational

# 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<sup>sdn</sup> 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

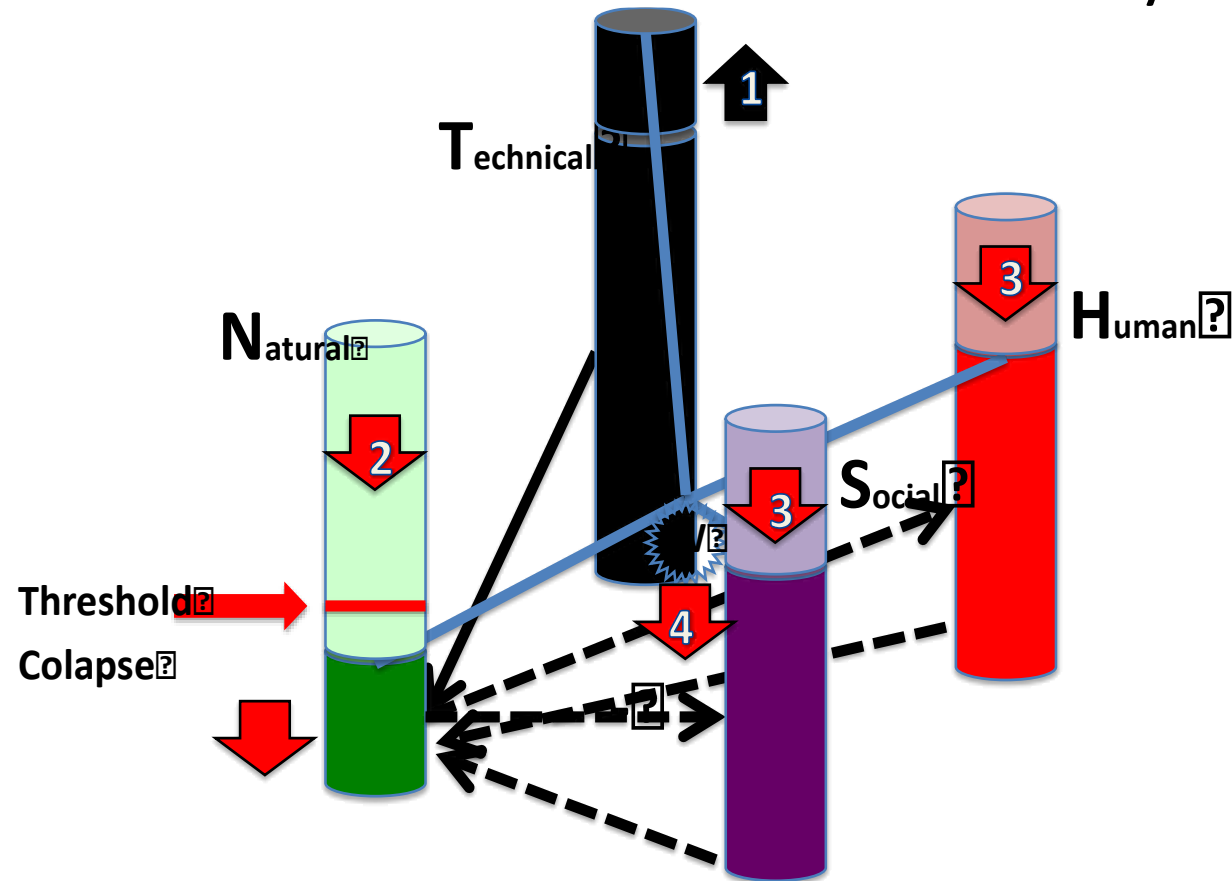


# Lack of ressources ?

- 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)

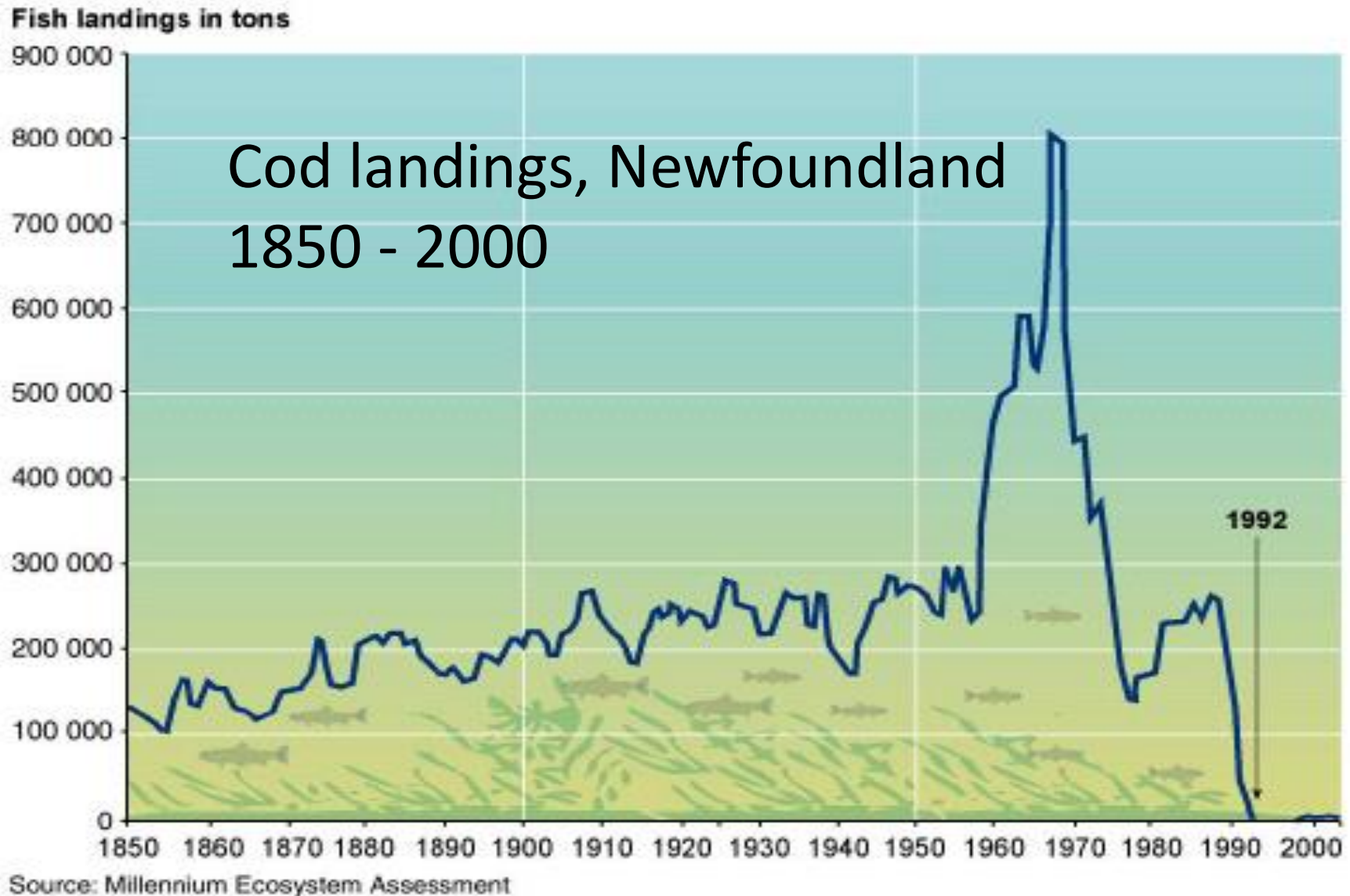


# Local traps: an analytical framework

( 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



# 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)

# 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 !