

## Comptes rendus / Books Reviews

**Michael Albert, *Parecon: Life after capitalism*, Londres: verso, 2003.**

Si l'ouvrage porte un sous-titre (*A life after capitalism*) qui pourrait faire sourire bon nombre d'individus, ceux-ci seraient probablement surpris par la qualité du contenu de *Parecon*. Certes, l'ouvrage se voulant accessible à tous, le ton ainsi que la manière pourraient décevoir les scientifiques les plus exigeants. Ces derniers devront cependant tenir compte de cette nouvelle présentation du modèle d'économie participative. Albert y présente en effet ses derniers arguments, en réponse aux critiques avancées depuis une douzaine d'années à la suite de la publication de *Looking Forward* (1991a) et de *The Political Economy of Participatory Economics* (1991b)<sup>1</sup>. Si *Parecon* se compose pour une bonne partie d'une présentation de l'éco-par – terminologie adoptée en français<sup>2</sup> pour désigner le modèle d'économie participative de Albert et Hahnel – qui est redondante avec les ouvrages précédents, l'originalité du sujet et son maigre écho en Europe imposent une rapide synthèse de celle-ci.

Après une introduction qui situe le modèle de l'éco-par au sein du mouvement anti-globalisation, la première partie de l'ouvrage pose les bases de la réflexion. Le premier chapitre détaille les différents aspects d'une institution économique au sens générique : ses fonctions, les types de propriété, les critères de rémunération et de décision, la division du travail,... Le second chapitre discute la définition des valeurs éthiques qui seront utilisées pour juger ces institutions. La solidarité, l'autogestion, la diversité et l'équité sont passées en revue. Il est regrettable à cet égard que la section consacrée à l'efficacité économique soit plus réduite. A l'aide de ces éléments, Albert s'attache à critiquer les institutions économiques classiques et les autres propositions émanant de la gauche, telles que le socialisme de marché ou le bio-régionalisme. Sans surprise, la section la plus développée concerne les marchés. L'auteur reprend ici de nombreux éléments de son ouvrage critique sur ce sujet<sup>3</sup>.

La seconde partie de l'ouvrage est la plus intéressante pour celui qui ne connaît pas encore le modèle de l'éco-par. Une description systématique de tous ses aspects y est entreprise.

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<sup>1</sup> Ces deux ouvrages sont respectivement la présentation intuitive et plus technique de l'économie participative. Si *Parecon* est uniquement écrit par M. Albert, le modèle fut initialement développé avec le concours de Robin Hahnel, professeur d'économie (American University, Washington DC). Actuellement, ce modèle d'économie participative se précise dans ses différents aspects grâce à l'interaction des militants et des intellectuels lors des interventions publiques des auteurs, leurs cours ou encore les forums et articles disponibles sur Internet. Le lecteur est invité à se rendre sur [www.parecon.org](http://www.parecon.org) pour une vision plus complète.

<sup>2</sup> Voir par exemple l'introduction de N. Baillargeon (1999).

<sup>3</sup> *Quiet Revolution in Welfare Economics* (Hahnel et Albert 1990).

L'écopar repose sur une propriété collective de tous les moyens de production ainsi qu'une autogestion des travailleurs. Cependant les travailleurs ne possèdent pas les moyens de production qu'ils utilisent. C'est la collectivité dans son ensemble (tous les citoyens d'un pays adoptant l'écopar) qui possèdent tous les moyens de production. La perspective libertaire se marque dans l'organisation des entreprises. Celles-ci sont, en effet, régies par des conseils de travailleurs. L'idéal recherché est une influence de chacun sur les décisions en fonction du degré auquel elles affectent les individus. La rémunération est fonction de l'effort fourni au travail. Cet effort sera estimé par les collègues de travail. Mais les aspects les plus novateurs de l'écopar sont certainement les emplois équilibrés ainsi que le système d'allocation des biens et des services.

Les emplois équilibrés visent à procurer à chacun les capacités nécessaires à une participation au processus d'autogestion. Refusant la division du travail de type capitaliste – qui réserve les tâches conceptuelles, émancipantes et procurant de bonnes conditions de travail à un petit nombre de travailleurs – l'écopar propose d'équilibrer les emplois. Ceux-ci devront se composer de tâches différentes de manière à ce que les effets sur les travailleurs en terme d'émancipation et de qualité de vie soient semblables. L'évaluation de l'effort sera facilitée par cet équilibre des emplois.

Concernant l'allocation, l'écopar évite les systèmes de marchés – et leurs différents biais mis en évidence dans la première partie – ainsi que la planification centralisée qui est source de dérives autoritaires et d'émergence d'une classe privilégiée. Le modèle utilise une planification démocratique utilisant les nouvelles possibilités offertes par l'informatique. En parallèle avec les conseils de travailleurs qui établissent les projections de l'offre et de la demande pour l'année à venir, les conseils de consommateurs agrègent les propositions de consommation. Un individu a droit à la consommation moyenne, sauf s'il a travaillé plus – ou moins – que la moyenne, s'il peut faire valoir des besoins spécifiques ou s'il désire emprunter ou épargner. Les propositions de consommation et de production doivent respectivement gagner l'aval des différents niveaux de conseils de consommateurs et de producteurs. Cette procédure assure l'équité dans la consommation et la production. Les prix indicatifs des différents produits sont ajustés en fonction de l'offre et de la demande ainsi que de l'estimation du coût social réel des différents services ou produits. Une seconde itération a alors lieu, avec les nouveaux prix. Tous, industries comme consommateurs, ajustent leurs propositions. Après quelques itérations, un plan exécutable est choisi entre différentes propositions. Nous ne pourrions donner ici une idée complète d'une telle procédure d'allocation qui intègre d'autres éléments tels que des bureaux de facilitation, des données qualitatives ou des moyens d'ajuster le plan en cours d'exécution. Albert insiste également sur la différence entre une telle planification démocratique et la planification centralisée des régimes soviétiques. Cet aperçu devrait cependant suffire pour mettre en lumière le caractère radical des propositions de l'écopar.

L'intérêt fondamental de la proposition d'Albert est le suivant. La structure institutionnelle proposée est explicitement pensée pour fonctionner avec des acteurs qui se comporteraient en calculateurs égoïstes – tout en induisant progressivement une attitude plus solidaire de leur part. Cet aspect fournit un argument moral puissant en faveur d'un tel modèle contrastant avec un système concurrentiel qui pénalise les comportements altruistes.

La troisième partie est redondante avec la seconde. Elle décrit le fonctionnement quotidien de l'écopar et est destinée principalement aux lecteurs rebutés par une description plus abstraite. Quant à la quatrième partie, c'est elle qui justifie la parution de l'ouvrage en soi – les trois premières n'apportant que quelques éléments nouveaux par rapport aux autres écrits d'Albert et Hahnel. Les septante dernières pages sont en effet consacrées aux réponses aux critiques formulées depuis la première élaboration du modèle<sup>4</sup>. Celles-ci portent sur des thèmes aussi variés que l'innovation, la productivité, le respect de la vie privée ou encore les questions de nature humaine, de compatibilité avec d'autres institutions et de concrétisation du modèle. Si souvent les arguments répètent ceux déjà formulés lors de la défense générale du modèle, certaines réponses apportent de nouvelles justifications à l'écopar ou précisent des aspects du modèle restés jusque là dans le flou<sup>5</sup>. Entre autres, il devient clair que l'écopar pourrait entièrement se passer de monnaie métallique ou scripturale – la monnaie fiduciaire restant nécessaire pour comptabiliser la consommation qui revient à chacun.

Le modèle d'Albert est donc bien étayé dans cet ouvrage. Cependant, quelques critiques supplémentaires sur le fond devront être levées dans l'avenir pour le rendre totalement crédible du point de vue de la faisabilité politique (qui sera liée à ses résultats économiques). D'une part, il nous semble peu réaliste de vouloir équilibrer les emplois à la fois sur le plan de l'émancipation *et* sur le plan de la qualité des conditions de travail. Albert précise bien sûr que des conditions plus pénibles seront considérées comme un effort supplémentaire et entraîneront donc une compensation financière. Mais ce cas sera sans doute la règle plutôt que l'exception. Il est en effet plus important d'équilibrer les emplois au niveau du pouvoir – formel et informel – qu'il procure à l'individu afin d'assurer une autogestion véritable sans risquer de voir apparaître une classe de coordinateurs qui influenceraient les décisions de manière trop importante.

D'autre part, la rémunération en fonction de l'effort peut poser des problèmes spécifiques. Idéalement elle est couplée avec une reconnaissance sociale particulière pour les personnes possédant un talent rare et qui en font bénéficier la société. Mais celle-ci pourrait ne pas être suffisante pour convaincre les personnes talentueuses de faire effectivement fructifier leurs dons plutôt que de choisir une autre voie plus accessible de prime abord. Dans le court terme comme dans le long terme, cela peut mener à une perte d'efficacité dans l'utilisation des « ressources humaines ». L'écopar ne possède en effet aucun indicateur concernant la demande de travail susceptible de motiver un travailleur égoïste : même si les services rares coûtent plus chers au consommateur, celui qui les fournit ne gagne pas plus (sauf s'il fournit un effort supérieur). Pour être parfaitement efficace, l'écopar devrait peut-être admettre une toute petite différence de rémunération favorisant l'allocation efficace des talents<sup>6</sup>.

<sup>4</sup> Voir, par exemple, Schweickart (1996, pp. 329 - 334).

<sup>5</sup> Notons que ce flou est souvent dû au fait que l'écopar ne se veut pas une vision dogmatique et laisse donc la porte ouverte à de nombreux arrangements pratiques différents.

<sup>6</sup> Ces points ont été abordés dans *L'économie participative face aux principes de justice de John Rawls* (Dassy 2003, non publié) et devraient faire l'objet d'un article à venir.

Le fond des arguments reste néanmoins très pertinent dans les débats sur les utopies devant inspirer les réformes d'aujourd'hui. IL relève effectivement le défi de la troisième voie. L'écopar utilise des institutions différentes du marché et de la planification autoritaire comme moyen principal d'allocation des biens et du travail. Bien sûr, l'offre et la demande sont toujours présentes dans l'écopar, mais cela n'en fait pas un système de marché. Comme le souligne l'auteur, l'offre et la demande sont des aspects inhérents au problème de l'allocation des ressources. Les institutions économiques ont pour tâche de résoudre ce problème d'une façon ou d'une autre. De même, ce n'est pas parce que les prix sont fixés et ajustés à des moments et des endroits précis que l'écopar est un système de planification centralisée et autoritaire. Le plan est issu de tous les acteurs économiques et il est flexible. L'écopar propose donc bien une manière originale d'allouer les biens et le travail, qui n'est pas réductible aux modèles d'institutions économiques existants – pour autant que ceux-ci soient compris dans leur spécificité. Elle a des implications sur le comportement des agents qui devraient favoriser l'autonomie, la solidarité, l'équité et la diversité au sein de la société.

Elle est aussi une vision argumentée et discutée au niveau théorique tout en étant inscrite dans une pratique militante. Elle est initialement inspirée par les mouvements libertaires et anarchistes<sup>7</sup>, dont elle transforme le discours critique et négatif vis-à-vis du capitalisme en une proposition concrète et radicale. Si la rigueur du style laisse parfois à désirer – des références plus précises auraient été souhaitables – nous devons rappeler qu'il s'agit d'un ouvrage qui vise plus que le seul monde académique.

*Parecon* est donc tout simplement la présentation la plus complète<sup>8</sup> et la plus argumentée de l'écopar. Cet ouvrage stimulant se doit donc d'être lu par quiconque veut éviter de penser le domaine de l'économie en utilisant seulement les vieilles catégories propres aux marchés (le profit et la concurrence disparaissent) et par quiconque doute encore que des alternatives concrètes à ceux-ci existent et se développent actuellement.

B. Dassy  
Université catholique de Louvain

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<sup>7</sup> Un tel modèle n'a bien sûr rien en commun avec ce que développe Nozick dans *Anarchism, State and Utopia* (1974). Mais celui-ci présente une vision de la société à laquelle n'adhère que peu de militants anarchistes.

<sup>8</sup> Excepté pour les arguments techniques en économie pour lesquels le lecteur consultera Albert et Hahnel (1991b).

**David Alexander Clark: *Visions Of Development. A Study Of Human Values*. Cheltenham: Edward Elgar, 2002.**

This book offers a conceptualisation of development based on the capability approaches of Martha Nussbaum and Amartya Sen. The methodology used for this task is what Clark calls “a new kind of ‘empirical philosophy’ that is informed by scientific inquiry and firmly rooted in social reality” (p. 5). In Clark’s own words, “this book represents an ambitious attempt to bridge the gap between social science and philosophy in the field of development ethics” (p. 5).

Apart from a brief introduction and conclusion, the book consists of 4 chapters and a large annex which contains the summary statistics and the questionnaire of Clark’s fieldwork. Chapter 1 sets the stage with a brief review of the concepts of development used in the social sciences (including economics) over the last 50 years. Some definitions and concepts focus exclusively on economic dimensions, such as economic growth per head, structural transformations in the economy or a change in quantity and composition of international trade relations. Other definitions focussed on social and political development. However, in the last 20 years more comprehensive conceptualisation such as the ideas of human development and sustainable development have gained prominence.

Chapter 2 then describes and assesses the capability approaches pioneered by Sen and Nussbaum. Clark contrasts the capability approach with the commodity approach, which views economic development in terms of the expansion of goods and services (that is, commodities). He also contrasts the capability approach with the welfare or utility approach, which holds that development and human well-being should be assessed in terms of their impact on people’s utility, whether this is defined as happiness, desire-fulfilment or choice. Clark then rehearses the arguments against these two approaches and in favour of the capability approach. He concludes that the capability approach is a more comprehensive framework to think about development. However, Clark is far from uncritical towards the capability approach. In the second part of chapter 2, he criticizes Sen’s capability approach on several grounds. According to Clark, the examples that Sen uses are not very enlightening, and Sen remains silent on the contribution of commodities to utility. Further, it would not be clear how several functionings should be evaluated in Sen’s capability approach, such as taking part in sports. Sen’s approach would also need to cater much more for some important commodities, such as soft drinks, clothing, housing, beer and cigarettes, watching television and visiting the cinema and the role of advertising. Also, Sen would not discuss how to deal with negative functionings. Finally, there is a serious risk of paternalism in the capability approach that, according to Clark, has not been dealt with.

Chapter 3 deals with one main critique on Sen’s capability approach, namely its lack of a substantial list of human capabilities. Clark analyses how Nussbaum has tried to fill in this gap, which he calls her ‘thick vague theory of the good’. The chapter mainly consists of a critique of this thick vague theory of the good on methodological, philosophical and empirical grounds. Next to a number of smaller critiques, a major worry, according to Clark,

is the charge of paternalism. “The crux of the problem is that Nussbaum’s general approach still gives the distinct impression that individuals *ought* to function” in ways specified in her list of capabilities that is part of her thick vague theory of the good (p. 75). Clark is also very critical of Nussbaum’s list, as “her conception of the human being turns out to be almost exclusively based on the myths and stories of the Ancient Greek culture and on the writings of Aristotle in particular” (p. 78). Therefore, Clark rejects “Nussbaum’s unscientific ‘story telling’ methodology ... in favour of a more reliable approach that involves conducting fieldwork to gauge directly the preferences and values of poor people themselves” (p. 80). Based on the existing lists of dimensions of development and conceptions of the good in the development ethics literature, and also based on his fieldwork in two South-African communities, Clark constructs a very long list of capabilities and essential inputs, which he calls the ‘augmented theory of the good’.

The final chapter then presents the results from fieldwork conducted in March 1998 in two poor South African communities, Murraysburg and Wallacedene. Supported by two teams of interviewers, 157 interviews were conducted. The questionnaire first asked one general open question about the things that make a good life, and then proceeded to ask for some items, such as education, employment, economic resources, whether -and if so, why- they were held valuable. The third part of the questionnaire consisted of a list of goods, services and capabilities (and their properties), which respondents could rank as essential, valuable, unimportant or undesirable. Clark describes at length the findings of his fieldwork. What are the main findings that tell us something about the capability approach and development ethics? First, the poor respondents attach great importance to recreational activities, which are missing in Nussbaum’s thick vague theory of the good. Second, several respondents attach importance to status, prestige, success and pride, which go against the spirit of Nussbaum’s Aristotelian approach. Third, while according to Clark, “most development ethics focuses on the person’s physical condition at the expense of his or her state of mind” (p. 164), this is a mistake as the survey shows that happiness, pleasure and joy are key aspects of a good life. Finally, many of the basic necessities are seen as means and therefore are not given any intrinsic value. Clark argues that they may well possess some intrinsic value, and that “some of the items that have been categorized as ‘means’ may actually deserve a place in the thick vague theory of the good after all” (p. 165).

Should students and scholars of development economics, development ethics and the capability approach read this book? I am not so sure. On the one hand, Clark should be applauded for asking the right questions and for going through the pains of collecting his own material. He also makes a couple of interesting theoretical observations and comments, such as his argument to pay more attention to goods and resources. But the book is full with –often repeated- small comments, and most of them were either made by other critics before, or were based on a selective reading, and some seem to be mistakes. There are some other problems that I have with the book, such as the frequent reference to “Sen and Nussbaum’s list” (whereas Sen capability approach, as Clark himself notes at other points, has no theoretical list of capabilities), the suggestion that Sen would be an Aristotelian thinker (like the earlier Nussbaum), or some very questionable statements that are not discussed nor defended, even though there has been recent debates on these issues (e.g. that methodological individualism is an important feature of Sen’s conceptual framework, p. 76).

However, the main reasons why I cannot recommend this book are not these smaller mistakes -even though I think they should have been corrected - but two much more fundamental problems.

First, even though published in the second half of 2002, the relevant literature published in the last three or four years is not discussed in this book. In one respect this is very problematic, and that is with Clark's discussion of Nussbaum's work. Clark characterizes Nussbaum as an Aristotelian writer, and analyses her papers up to 1995, and reproduces her list of capabilities published in that year. However, it is difficult to understand why Clark has not discussed the evolution in Nussbaum's thinking, especially her move away from Aristotelian thinking and her substantially revised list of capabilities, as represented in a series of papers and most notably in her 2000 book *Women and Human Development*. In that book, Nussbaum has written a very elaborate response to the charge of paternalism, and has clearly stated that capabilities, and not functionings matter, in contrast to Clark's reading. Limiting the discussion of Nussbaum to her writings up to 1995 largely undermines most of Clark's critiques, and it certainly makes this book less interesting for people who want to get an introduction to the capability approach, or those who are on the forefront of this field.

My second main worry concerns the conclusions drawn from the fieldwork. Clark believes that the responses to question II.1 of his questionnaire give him the aspects of the good life, and thus can be used to find out how poor people see development. These responses should also serve as a test to see whether the capabilities on Nussbaum's list would all be valuable and whether people conceptualise development only in terms of capabilities. The question reads as follows: "Think about the *things* that make a good life. These *items* could be *things* that you already have, or *things* that you need, want or desire" (p. 232, italics added). In my understanding, this question asks about the commodities that are necessary to reach a good life, not the dimensions as such. No wonder, then, that the respondents play down functionings such as being healthy, and talk about jobs, housing, education and income. I am therefore not at all surprised with Clark's findings, even though Clark himself considered his fieldwork "to be an extremely profitable exercise, which provides some interesting and potentially unique insights into the concept of development" (p. 96). Moreover, although Clark did discuss some limitations of what one can conclude based on his data, his book lacks a more fundamental discussion about which is the appropriate empirical methodology to find out how people see development. Perhaps another methodology, such as focus groups or in-depth interviews, would have been more appropriate.

Let me conclude on a more positive note. In my view, the capability approach is a paradigm in the making, and we need the kind of 'empirical philosophy' that Clark advocates if we want to make progress. But given the immature state of this literature, it is likely that we will need to go through a lot of trial and error before we will get a better view of which methodologies work, and which don't. *Visions of Development* certainly is a contribution to this trial and error process, and we can always learn from that.

Ingrid Robeyns  
University of Amsterdam  
irobeyns@fmg.uva.nl

**Daniel Cohen, Thomas Piketty And Gilles Saint-Paul (Eds.), *The Economics Of Rising Inequalities*, Oxford: Oxford University Press, 2002.**

Since the 1970s, skill-biased technological change and increased international trade have hit all developed countries and increased the earning inequalities. However, the inequalities in disposable income show a pattern that differs among countries. A very common story among economists tells that in the Anglo-Saxon countries, the rise in inequalities of gross earnings is mirrored in the rise in inequalities of net earnings. In the Continental European countries, the welfare system let the net earnings unaffected by the changes in the economic fundamentals, at the price of high unemployment that these countries experience. The editors of this book have collected articles that investigate the sources of rising inequalities and the role that various institutions play in shaping these inequalities.

As a first point, one may ask whether the available data on individual's incomes are a good measure for inequalities among persons. Since incomes are in general shared among the members of a same household, the household might be a better unit for analysis and show a different pattern of inequalities than an analysis that is only based on individuals' incomes. Two of the book's articles take this point up.

Andrea Brandolini, Piero Cipollone and Paolo Sestito base their analysis on Italian data. Italy shares with many other countries the pattern of rising inequalities in individuals' labour income during the 1990s. The authors argue that this can be attributed to the increase in low-paid jobs. However, as they show, the main persons that were affected by these low-paid jobs were not heads of a household. Women and young people are much more often found in these jobs. Consequently, an analysis based on the income of households might show a smaller increase in earning inequalities than an analysis based on individuals' incomes. Based on their data, they finally show that the probability of being in poverty is more correlated to the amount of employed individuals in a household than to the amount of individuals in low-paid jobs. The increase in earning inequalities through the increase in low-paid jobs seems therefore less dramatic to poverty than an analysis on individuals would suggest.

Peter Gottschalk and Susan Mayer follow another path to check whether the increase in inequality is overstated by looking only at individuals rather than at households. In fact, if the inequalities in labour earnings increase, high-skilled women have better job opportunities and enter therefore the labour market. The housework they have done before is then shifted to a third person. This implies however that the net production of this household decreases by less than the increase in labour income, because part of this increase is used to pay the housework. Low-skilled women however have not more incentives to substitute their home production by labour market work, because their job opportunities did not become better. But since their home production is not recorded in traditional labour income measures, this data on money income underestimates the real income of a household. As a result, the rise in the inequality of money income overstates the real income inequalities among households. In their data, the authors find in fact that this is the case. But this effect cannot explain the entire



rise in money income.

Another point is the distribution of income during one's life. Individuals earn less when they are young, but their income rises, as they become older. More generally, the increase in inequalities shown in incomes at one point of time might be due to increased variation of an individual's income over time or to increased inequalities in lifetime income of different individuals. If borrowing and saving is allowed, then the individual can smooth his consumption over his lifetime. Therefore, consumption inequalities might be a better measure for inequalities among individuals than income inequalities. Richard Blundell and Ian Preston check the evolution of both these inequalities on British data. They show that income inequalities has risen faster than consumption inequalities during the last decades, indicating thereby, that part of the increase in income inequality is due to the higher variation of income over a lifecycle.

Even though these articles tell that the importance of income inequalities might be overestimated by data that focuses exclusively on individuals at one point in time, they all suggest that nevertheless, income inequalities have increased significantly. What are the reasons for this increase? Traditionally, increased international trade and skill-biased technological change have been put forward to explain this rise.

However, the story is probably much more complex. Etienne Wasmer shows in his article that these theories can for example not explain the increase in youth unemployment. The young should not suffer much from skill biased technological change, since they have a longer time horizon and therefore more incentives to invest in new skills. Moreover, the young are not over-represented in industries that are heavily affected by international trade. Etienne Wasmer suggests another cause of youth unemployment, putting the emphasis on labour supply. During the last decades, the participation rate of women has increased. And these women shared a feature with the young: Both of these groups have little experience. Women and young individuals therefore compete with each other for the available jobs. This increase in the supply of inexperienced labour has then two effects. High experience has become a relatively rare production factor. And this scarcity increased the returns to experience. On the other hand, excess supply of inexperienced labour force led the unemployment of young people increase. Both of these facts help to explain the increase in income inequalities in the population.

Daron Acemoglu takes another story to explain the rise in inequalities. During the last decades, supply of skilled labour has increased significantly, as the individuals became more and more educated. Therefore, it became easier for firms to find skilled workers for specialised high-skill jobs. The firm has then more incentives to offer these specialised jobs. The firm might then replace "middling" jobs that could be filled by both skilled and unskilled individuals by high-skilled jobs. As a consequence, the "middling" jobs disappear and the low-skilled workers can only find low-skilled jobs or become unemployed. Therefore, inequality increases. This theory can also help to explain why Germany has experienced a lower increase in inequalities. Their training system increases the human capital of low-skilled persons, and makes thereby the supply of "middling" jobs still profitable.

In the same line, Giorgio Brunello and Tsuneo Ishikawa compare the impact of the schooling system on the job structure. If the schooling system is very competitive and selective, one expects a higher stock of basic academic skills, but also a higher variation of these skills across the population. As a consequence, the firms rely on these skills for their wage policy. The selection process leads therefore to higher inequalities. On the other hand, if the country has a less competitive schooling system, the firms have to rely on internal training. Labour market experience then becomes more important for explaining earning inequalities than the education level.

There might thus be many reasons that increased labour income inequalities. However, the increase in labour income inequality experienced by the developed countries has different effects on disposable incomes in these countries. And the different institutions probably play an important role in shaping the inequality of disposable income. Labour market institutions as well as tax and transfer schemes and many others affect the distribution of incomes.

Olympia Bover, Samuel Bentolila and Manuel Arellano look at the distribution of earnings in Spain during the 1980s. They show that returns both to skills and to experience increased during this time. Technological change and increased labour supply of young and female individuals can partly explain this evolution. But the authors also look at the influence of unions on the income distribution. They find that the higher the coverage of a union in a sector is, the lower is the wage inequality in this sector. Unions therefore seem to decrease wage inequalities through sectoral agreements. The decrease in union power during the last decades can therefore partly explain the rise in inequalities. However, not all sectors are covered by such agreements and these agreements only set a lower floor for the wages paid by firms. The unions and the firms can then bargain again on the firm-level for higher wages. These agreements on the firm-level then partly offset the decrease in inequalities due to sectoral agreements by increasing the returns for skills. The total effect of unions on inequalities is therefore ambiguous.

The article by Olga Cantó, Ana Cardoso and Juan Jimeno then compares the experience of Spain and Portugal. Both these two countries have similar histories, and have many features of their economies in common. They are both affected in similar ways by technological change and globalisation. However, they have very different economic outcomes. Spain has one of the highest unemployment rates of Europe, whereas this rate is rather low in Portugal. An explanation can be found in the labour market institutions: The Portuguese labour market is regarded as very flexible, whereas the Spanish labour market seems to be very rigid. The flexibility of the Portuguese labour market gives also rise to higher earning inequalities, but as the authors point out, much less than one could expect. One reason for this fact might be the higher minimum wage in Portugal that compresses the wage structure at the bottom of the income distribution. However, following this logic, the unemployment rate should also be high in Portugal, which is not the case. This can be explained by the structure of the industry: Spain has largely shifted to an industry based on high-skilled labour, therefore decreasing the demand for low-skilled labour. On the contrary, Portugal has still a big part of low-skilled employment. This shows that the impact of institutions like minimum wages depends also on fundamental factors like the industry structure of the country.

Another question is how the tax and transfer schemes translate labour income inequalities in inequalities of disposable income. Anders Björklund and Marten Palme examine this question on Swedish Data. They find that the tax system mainly distributes average lifetime incomes, whereas the transfer system is often intended to decrease the variability of lifetime income. However, their analysis shows that the transfer system also redistributes lifetime income from the rich to the poor. There appears thus no evidence of a trade-off between reducing the variability of lifetime income and equalising long-run incomes.

It seems thus to be true that institutions have an important influence on the income inequalities. However, the causality might also go the other way round. Inequalities may influence the political outcome and therefore the shape of institutions. The final two articles in this book take this view.

Roland Bénabou starts his article with the observation that those countries that show less labour income inequalities, like the Scandinavian ones, have the highest levels of redistribution, whereas countries that show a high degree of pre-tax income inequalities, like the US distribute less. The reason for this might lie in the fact that the higher the initial inequalities are, the more the rich would loose by higher redistribution. Therefore, they oppose strongly to it in countries that have high initial inequalities, like the US. In countries where the initial inequalities are small however, the opposition of the rich is much weaker since they do not loose much through redistribution. But the story goes also the other way round, leading to a viscous circle. If redistribution is low, the poor might not have enough resources to invest in their human capital. Therefore, the pre- tax inequalities rise, which in turn make redistribution less likely.

Finally, John Hassler, José Rodriguez, Kjetil Storesletten and Fabrizio Zilibotti focus on unemployment insurance. If unemployment benefits are high, individuals will specialise more in very specific jobs, since their income loss in case of unemployment is rather low. In contrast, when unemployment benefits are low, individuals decide to acquire rather general skills such that they can rapidly find a new job once they lost their current job. However, if the individuals specialise, they will tend to vote in favour of high unemployment benefit to protect their income levels. This can explain why unemployment benefits are lower in the US compared to Europe.

The book shows many different stories about how inequalities emerge. On the one hand, market forces like increased international trade or skill-biased technological change contributed to the rise in inequalities. But on the other hand, the experiences of the developed countries show that institutions also affect inequalities. And there is also an interplay between institutions and market forces that goes in both directions: Market forces shape institutions and institutions shape market outcomes. The book might be disappointing for all those who expect clear conclusions for policy. There aren't any. The book shows that inequalities are affected through numerous channels and that one must take the interplay between these channels into account. Research on this subject seems still to be at its infancy age. If there is a message that should be reminded, then it is the one that the editors mention in the introduction. Both market forces and institutions give explanations for rising inequalities, "but it would be foolish to bet that one is more important than the other."

Mathias Hungerbuehler  
Université catholique de Louvain  
[Hungerbuehler@ires.ucl.ac.be](mailto:Hungerbuehler@ires.ucl.ac.be)

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