Report documents growth of social inequality in France

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A report by Camille Landais of the Paris School of Economics, titled “High Incomes in France (1998-2006): An Explosion of Inequality?” gives valuable documentation of the growth of social inequality in France. It confirms the stagnation of the masses’ living standards, the explosion of the profits and income of a tiny elite, and the parasitical and speculative character of the immense fortunes that are being amassed at the top of the social hierarchy.

Landais begins by noting the stagnation of the revenues of the working masses, based on income tax data. In constant 2006 euros, total declared revenues went from €689.5 billion in 1998 to €820.7 billion in 2005—a 19.03 percent increase, or 2.52 percent yearly. However, the median income (the middle of the income distribution, below which half of the population’s salaries fall) went from €17,031 to €17,762—a 4.29 percent increase, or 0.6 percent yearly.

In fact, as the report shows, the economic gains have principally accrued to a very small minority at the top of the income ladder. The bottom 90 percent of the income distribution saw its income increase 4.6 percent over 1998-2005, virtually indistinguishable from the bottom 50 percent. The top 10 percent of the income distribution saw its income increase by 1.2 percent yearly, the high income growth of the top earners being compensated by slower income growth in the 90th to 99th percentiles. It was only the top percentile—1 percent of the population—whose income actually increased at the 2.5 percent yearly rate of overall revenue growth.

On the other hand, the top tenth of 1 percent of the population netted income growth of 32 percent (4 percent yearly), and income for the top hundredth of 1 percent grew by 42.6 percent (5.2 percent yearly).

In fact, though the report does not explicitly mention it, it presents data suggesting that the bottom levels of the income distribution are seeing their incomes fall. Despite the increase of the median revenue, the bottom 90 percent of the population saw their average income fall approximately 2 percent from 2002 to 2005.

The report stresses that the very feeble growth of revenues is not to be explained by the relatively slow growth of France’s GDP (Gross Domestic Product) in recent years: per capita GDP growth in 1998-2005 varied between 0.8 and 1 percent, far more than the growth of income for the overwhelming majority of the population.

Landais gives two related explanations for these developments: “first a change in the capital-labor division of revenue unfavorable to employee revenues and secondly, which is partially a result of this situation, a very rapid increase of the share of high salaries in total revenue.”

The report then breaks down household revenues for various portions of the income ladder into categories: wages and salaries, pensions, and various types of capital revenues (rents, investment returns, etc.). The report finds that wages and salaries account for over 95 percent of revenues for the bottom 90 percent of the population, and over 85 percent for the 90th to 99th percentiles. However, they account for only 50 percent of the revenues for the 99th to 99.9th percentiles, and roughly 25 percent for the top hundredth of 1 percent of the population.

The very rapid growth of these capital revenues, as the report notes, thus tends to skew income growth towards the top of the income ladder. In particular, this includes real estate revenue, up over 16 percent per capita in 1998-2005, and particularly returns on capital, up 53 percent per capita over the same period.

This rubric of returns on capital includes in particular “revenues distributed by enterprises,” i.e., corporate profits paid out as dividends, which grew a whopping 63 percent in 1998-2005. These corporate profits are, of course, paid to French investors by corporations all over the world, not simply in France. However, it is significant to note that this explosion in corporate profits has coincided with a significant growth in profits by French corporations as well.

In 2007, the profits of the CAC-40 (the top 40 French corporations) hit a new record, just under €100 billion. Oil giant Total led the pack with €12.58 billion in profits. Energy firms Electricité de France, Suez, and Vallourec posted profits of €5.6 billion (up 73.5 percent), €3.6 billion (up 43.5 percent) and €917 million (up 93.9 percent) respectively. Banks and insurance firms also did well; BNP Paribas took second place with €7.3 billion in profits (up 24.9 percent).

On the other hand, profits for most of the manufacturing sectors of French big business—especially telecoms France Télécom and Alcatel-Lucent and carmakers Peugeot-Citroën and Renault—were down.

The record profits of energy and finance firms reflect the increasingly parasitical character of French capitalism, the profits of which go to wealthy investors' pockets, not to developing the productive economy. Thus David Thesmar, a professor at the Hautes Etudes Commerciales (HEC) business school, told *Nouvel Observateur* magazine that in France, "the large, successful groups are not high-tech firms, nor small or medium-sized businesses. Big businesses are dynamic and profitable, certainly, but they are mature; they no longer are at a stage where they require massive investment."

Landais writes, "It seems plausible that part of the explanation lies in the development of financial markets and the internationalization of capital markets, which doubtless lead to increased competition between enterprises to attract capital. This would explain the development and spread of far more aggressive dividend distribution policies, based on numerical targets, that we clearly see in the major enterprises of the CAC-40."

Income growth for the wealthy comes largely from capital, but, as Landais points out, the evolution of average salaries over the past period has also been highly skewed towards the wealthy. For the bottom 90 percent of the population, they grew by 3.1 percent over the period 1998-2005 (0.4 percent per year), actually falling from 2002 to 2005. However, for the top percentile they grew 13.6 percent (1.6 percent yearly); for the top thousandth of the population salaries grew 29.2 percent (3.7 percent yearly), for the top ten-thousandth 51.4 percent (6.4 percent yearly).

The report closes with a brief but instructive comparison between France and what it calls "the Anglo-Saxon countries," i.e., the US and the UK. It notes: "Considering the portion of high earners (top decile or percentile) in total revenues, or of the highest salaries in the overall mass of salaries, France at the end of the 1990s found itself in a situation equivalent to that of the Anglo-Saxon countries at the beginning of the 1980s, before the strong rise of inequality there. During the 1980s, the portion of total revenues outside capital gains belonging to the top decile was 32 percent and 8 percent for the top percentile. In those countries the figures are now on the order of 43 and 17 percent, respectively."

The French bourgeoisie knows that it has not yet fully profited from the upsurge in social inequality that began with the policies of US President Ronald Reagan and British Prime Minister Margaret Thatcher in the 1980s. It acutely feels that it is roughly 20 years behind. President Nicolas Sarkozy, elected in May 2007, has a mandate from all the sections of the French bourgeoisie to make up for lost time.

Thus Guy Sorman, a right-wing economist, titled one of his blog entries shortly after Sarkozy's election "25 years behind." Sorman enthused that "the breath of history ... coming from far away, from the beginning of the 1980s" was "raising" Sarkozy to the presidency. He listed his "heroes" of the time, including Reagan, Thatcher, [Spanish Premier] José Maria Aznar and Pope John Paul II.

Such thinking is not at all limited to the bourgeois right. The center-left daily *Le Monde* titled its May 30 editorial on Sarkozy's policies, "Making rupture work." Journalist Eric Le Boucher wrote, "Rupture. The word was sweetened and then abandoned during the campaign to hide its connotations of brutality, to reassure people. But that is indeed what is afoot: France is preparing to break with 20 years of immobility and mistakes that have led it into a spiral of relative decline."