

New Knowledge Tradability and Income Inequality

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Aim of the paper

Redistributive policies

De-unionization

Rising Within Inequality is a fact

Globalization of markets

Skill-biased technological change

The organization of production
pivoting around knowledge

Aim of the paper

Rising Within Inequality is a fact

The organization of production
pivoting around knowledge

Knowledge /
Technological change




Wealth (income)

Aim of the paper

Rising Within Inequality is a fact

The organization of production
pivoting around knowledge

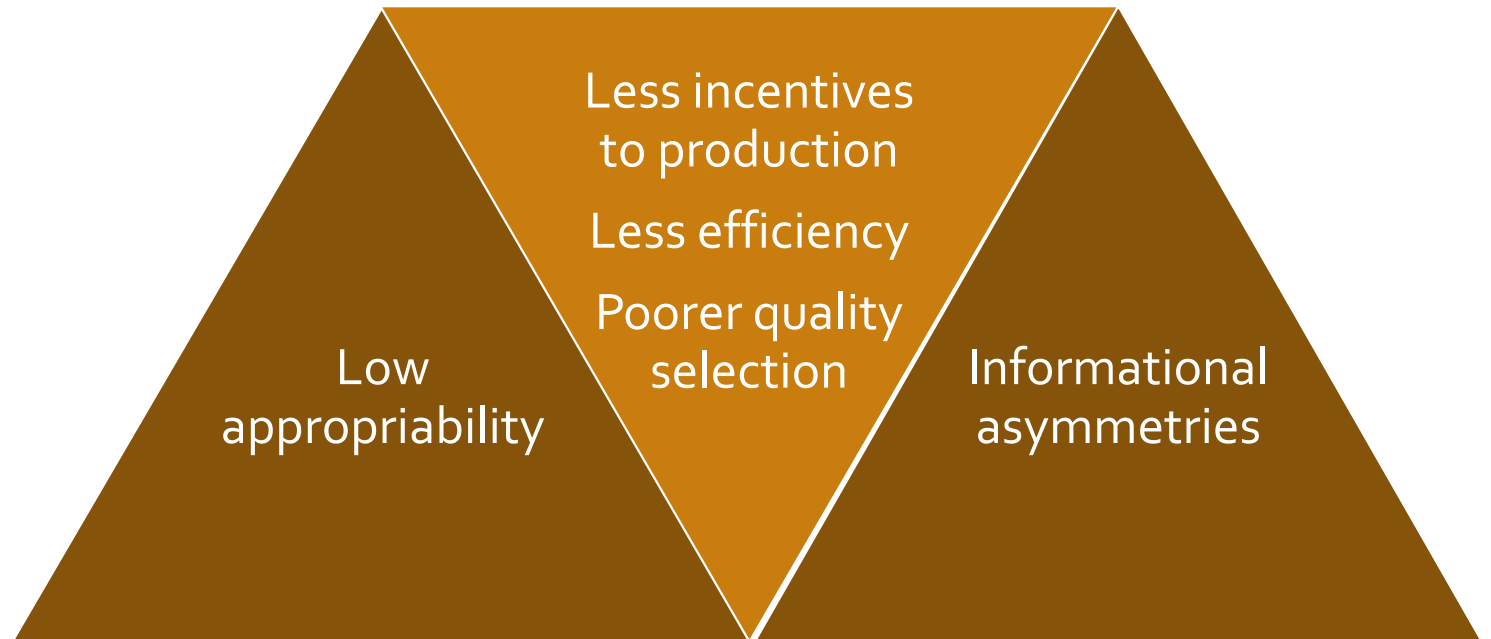
Knowledge /
Technological change



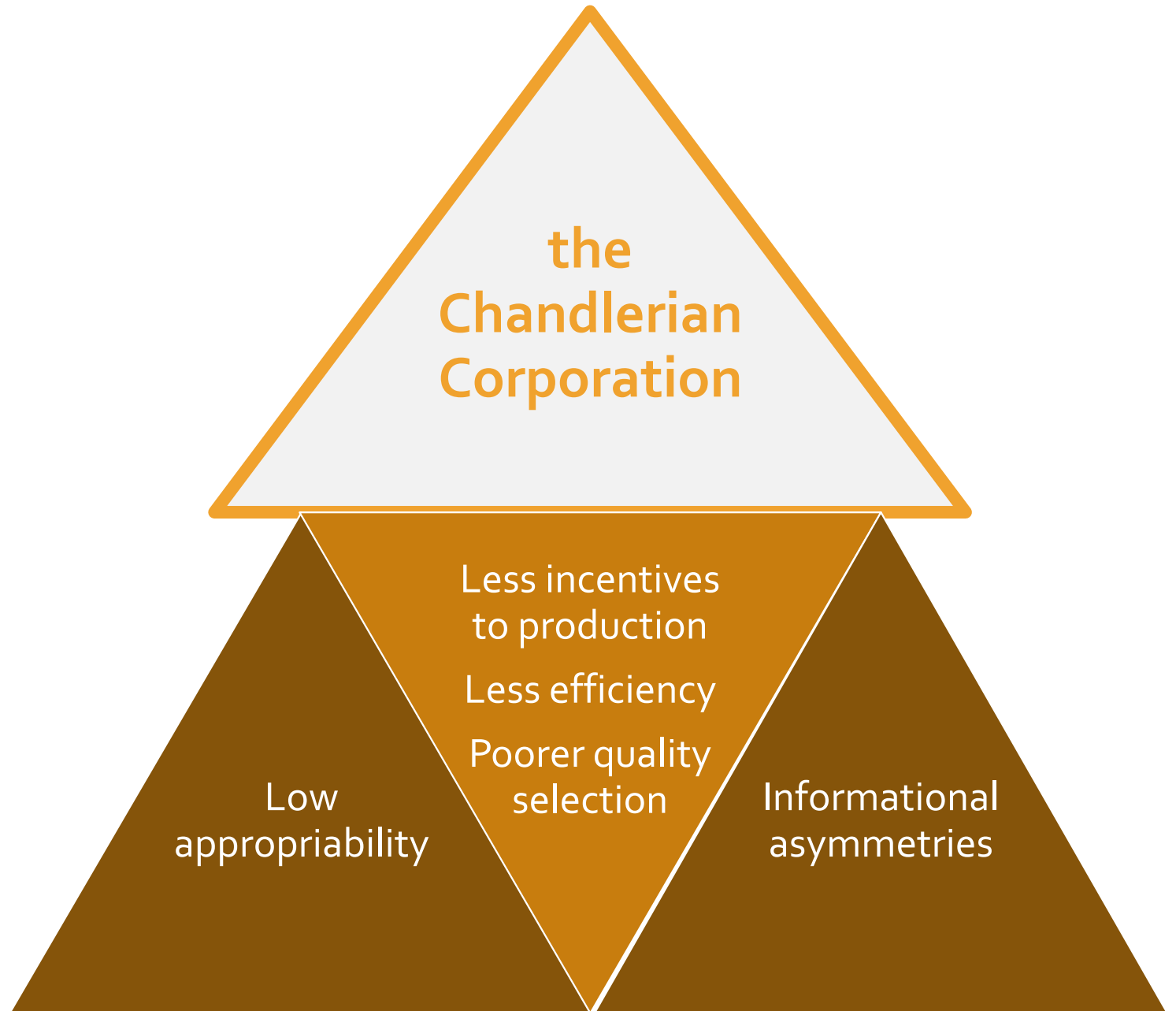
Wealth (income)
distribution



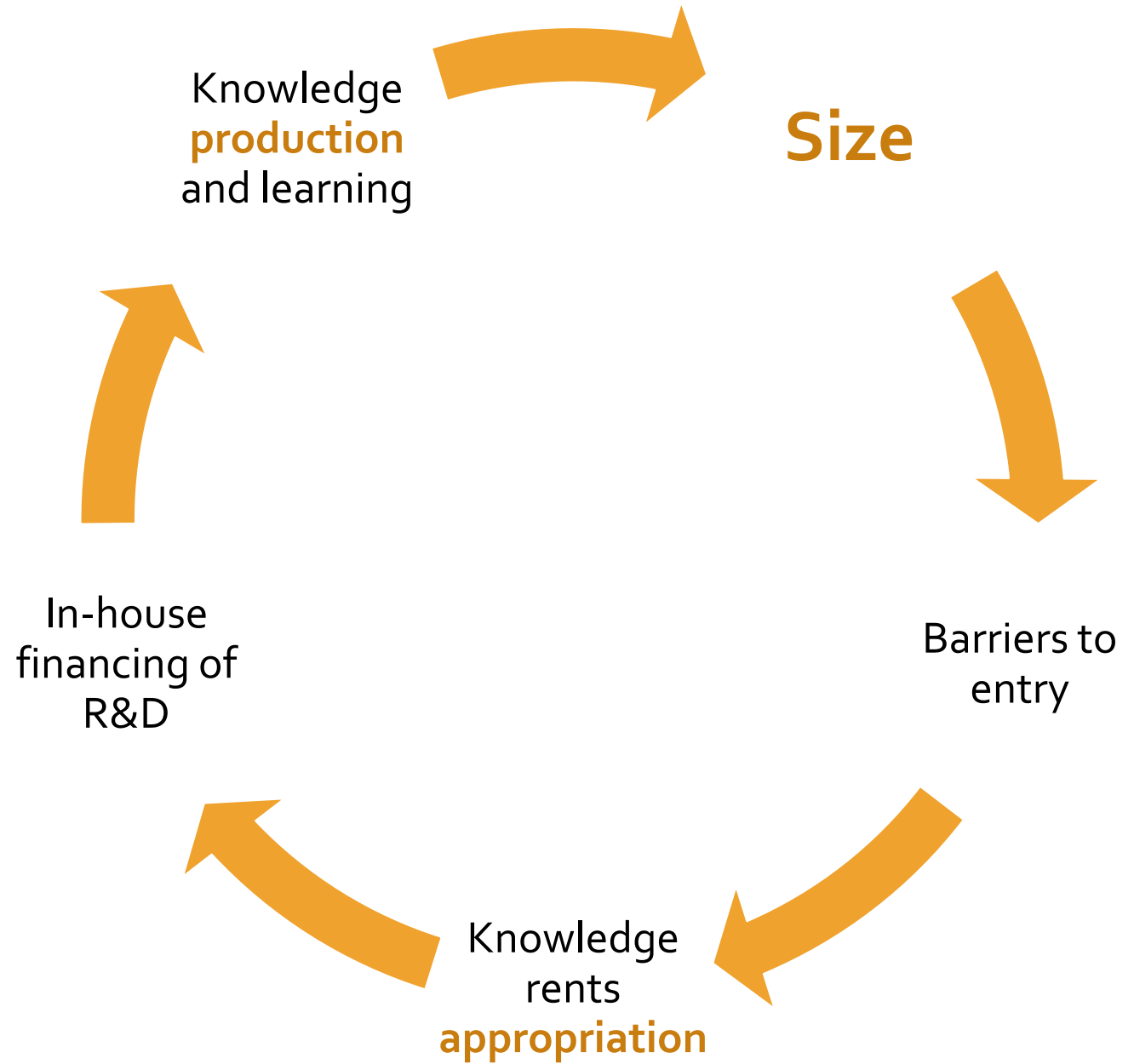
The limits of Knowledge Tradability



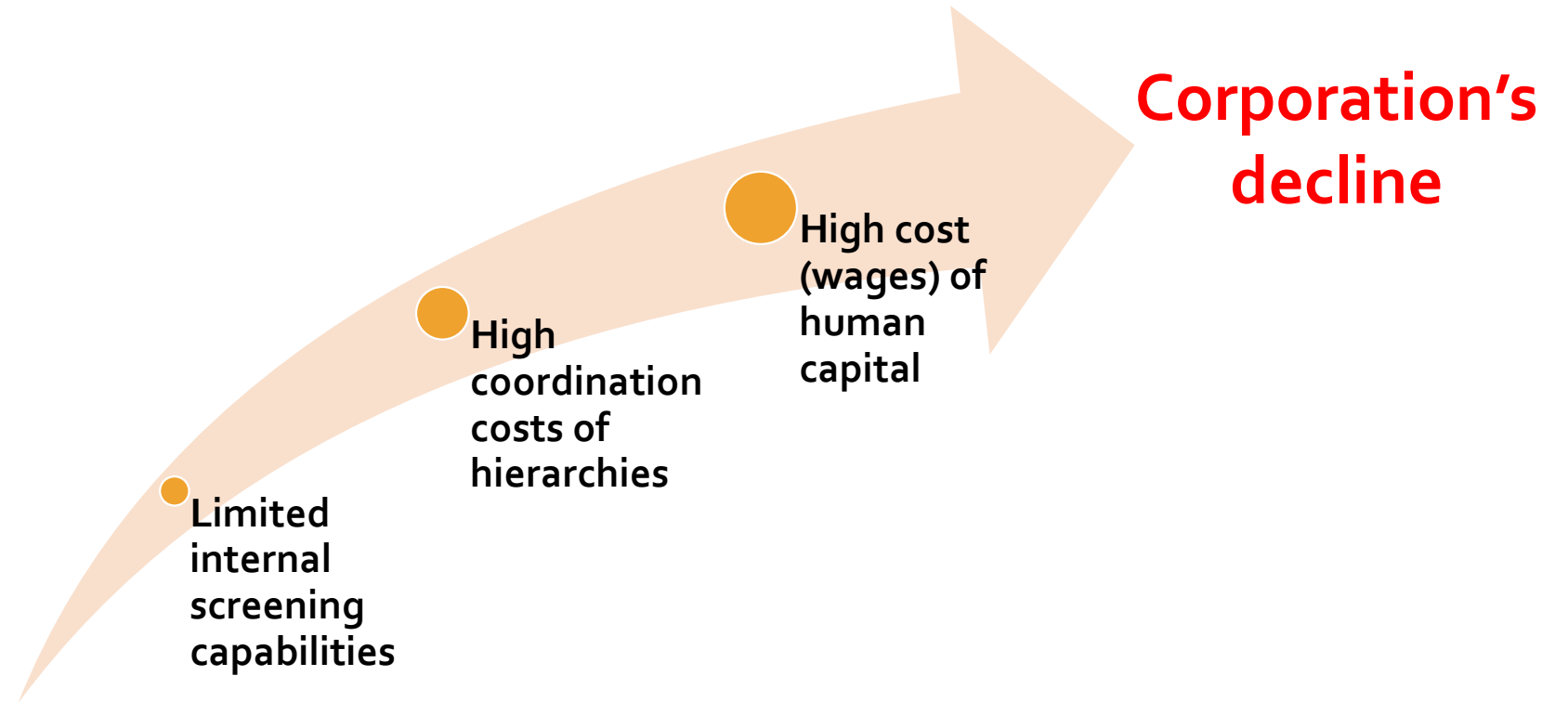
The limits of Knowledge Tradability



The limits of Knowledge Tradability



The limits of Knowledge Tradability



The New Knowledge Tradability

ICT revolution

Market for patents

- IPR as common land privatization
- **+ appropriability**

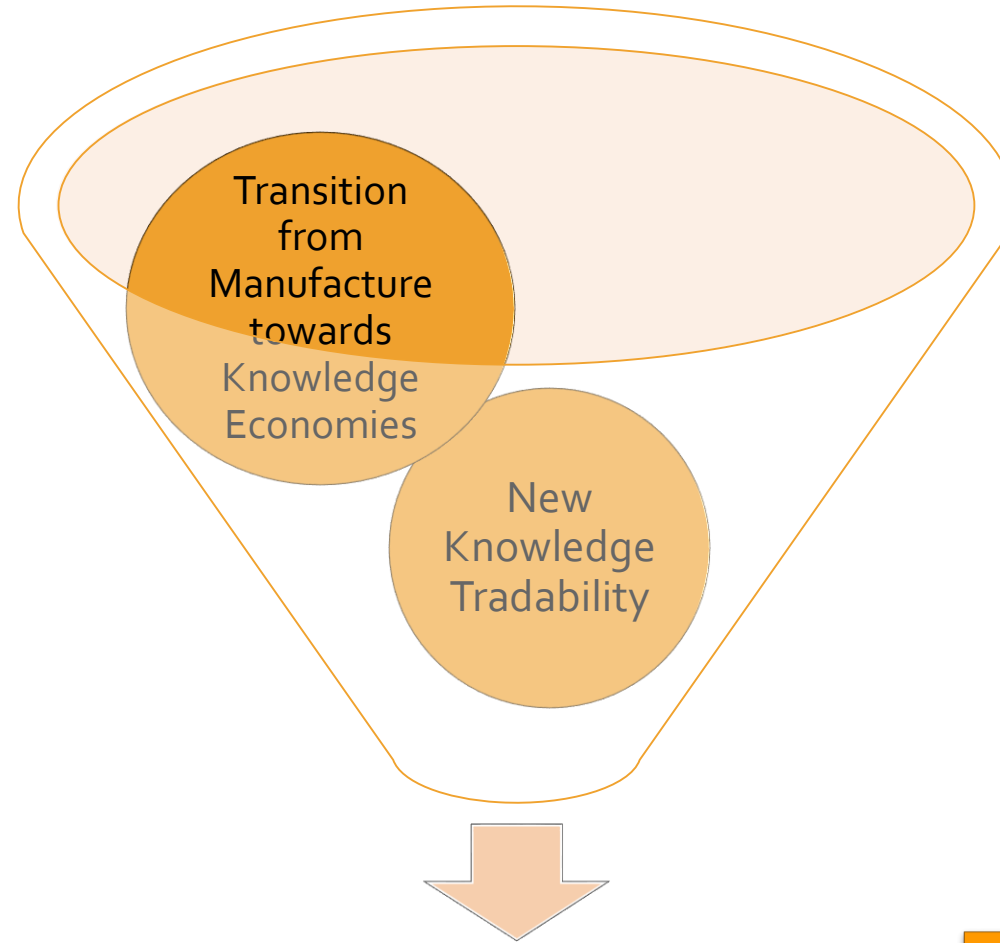
Market for knowledge services

- Small knowledge-intensive firms (KIBS)
- **- coordination costs**
- **+ specialization**

Capitalization of Knowledge

- Venture Capitalism
- **+ screening**
- **mitigated risk and shared profits**

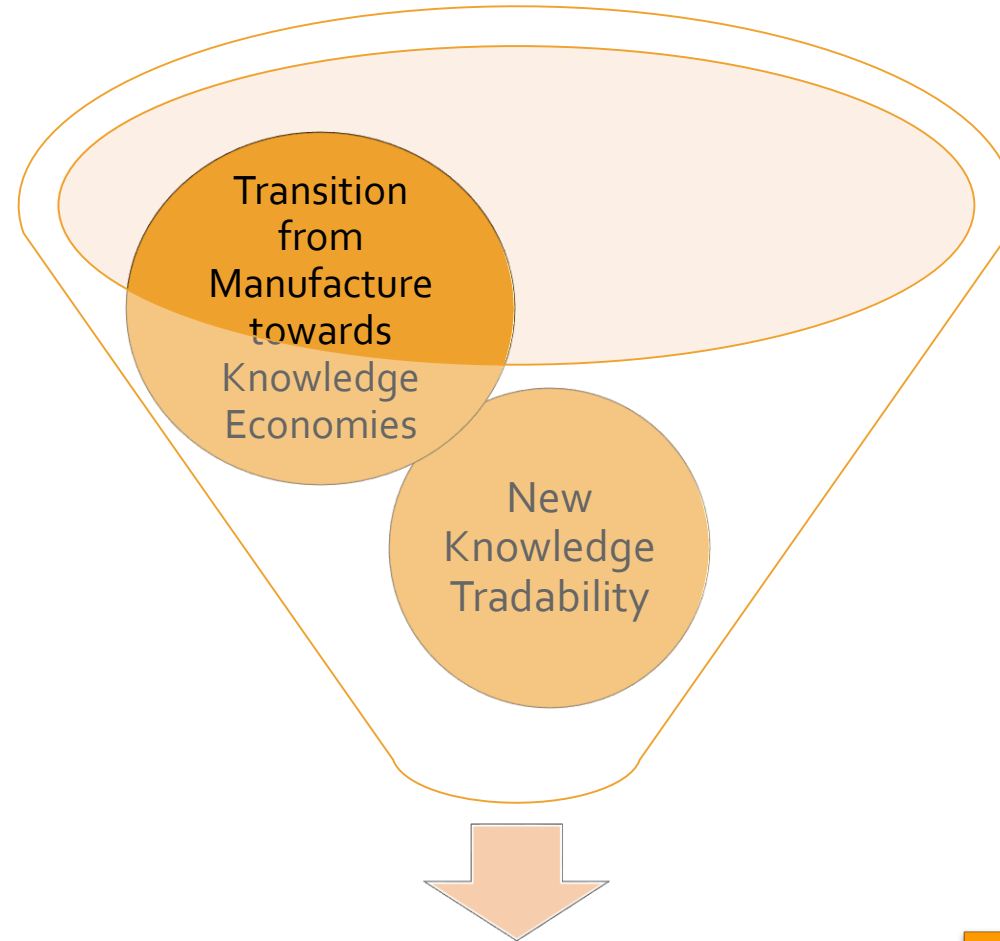
The New Knowledge Tradability



- Employment in manufacture
+ Average profits

Wage Inequality

The New Knowledge Tradability



- Employment in manufacture
+ Average profits **but not shared**

Wage Inequality

Rent Inequality

Descriptive Evidence

Data

- Standardized World Income Inequality Database
- OECD National Accounts and Structural and Demographic Business Statistics
- Penn World Database

From 1991 to 2015 at most

Model's variables:

- KIBS % of VA
- Finance % of VA
- R&D expenditure on GDP
- Urban % of Population
- Unemployment Rate
- Union Density
- Openness to trade

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Dependent: Gini Index on Income

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Knowledge Economy
Indicators

Descriptive Evidence

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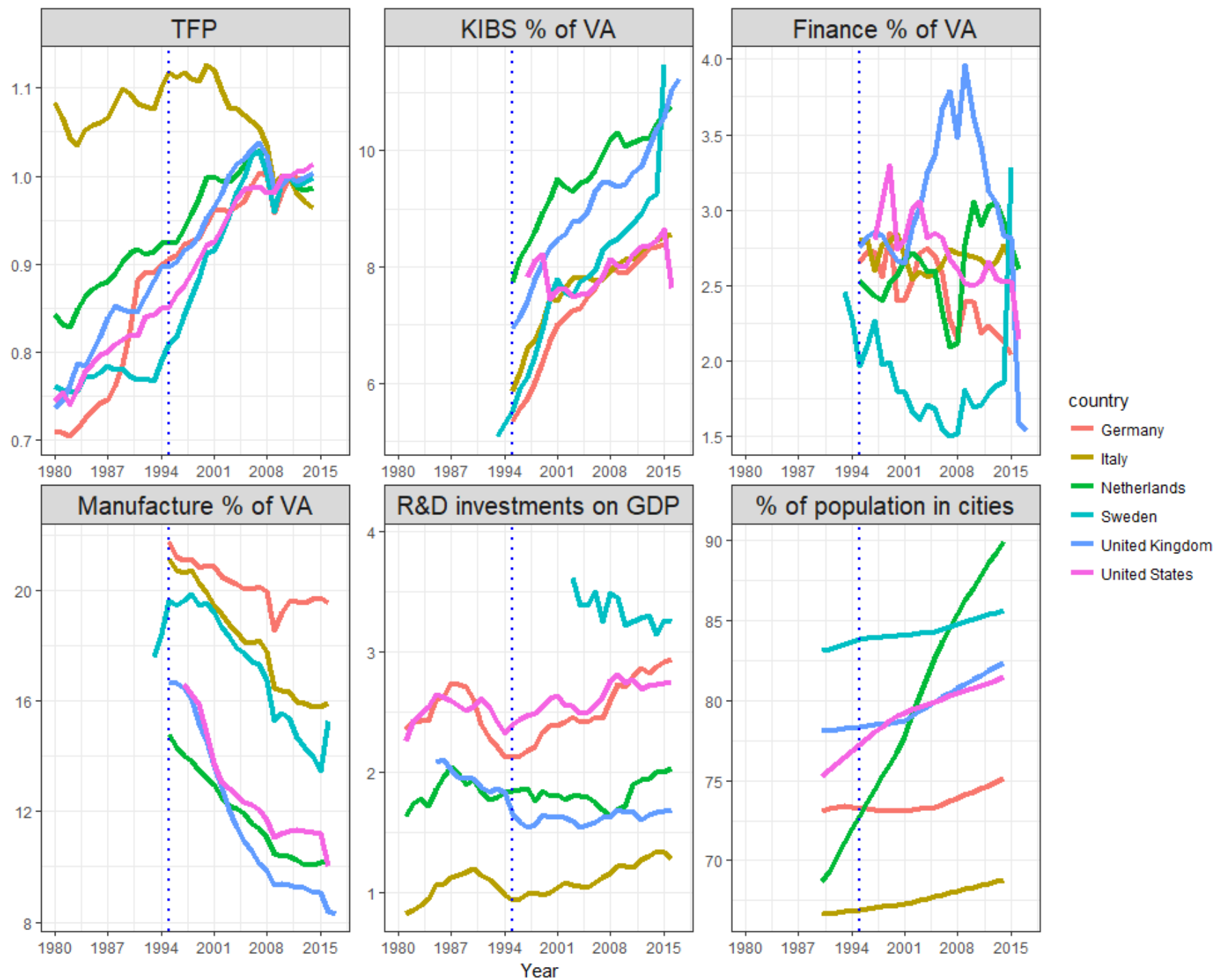
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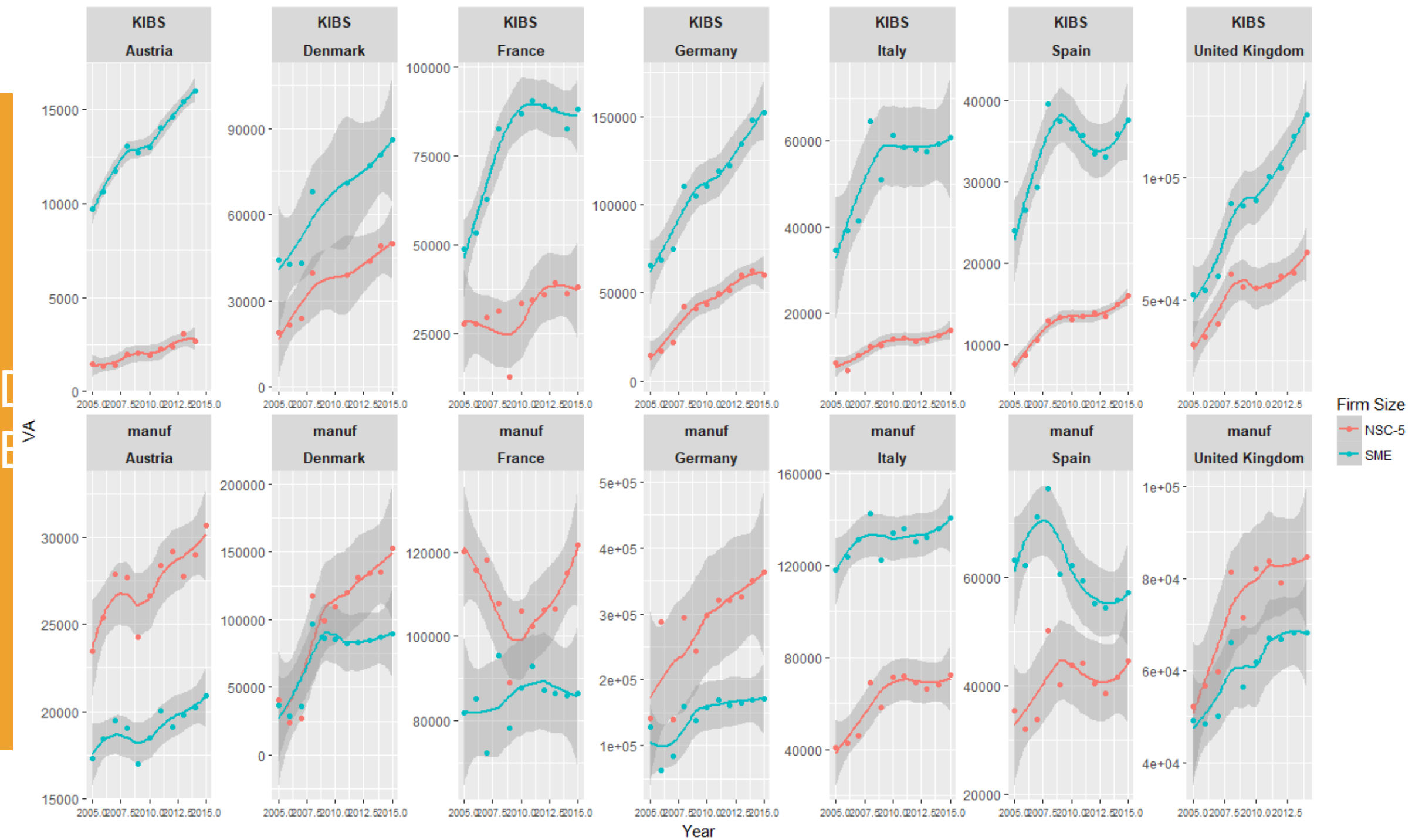
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Sources of
distributional
struggles

Descriptive Evidence





Descriptive Evidence



Results (2-ways FE regressions)

	<i>Dependent variable:</i>			
	Gini on Disp. Income			
	(1)	(2)	(3)	(4)
KIBS % of VA (L1)	0.337*** (0.082)	-0.375*** (0.111)	-0.633*** (0.103)	-0.885*** (0.123)
Finance % of VA (L1)	0.298*** (0.081)	0.339*** (0.071)	0.301*** (0.069)	0.250*** (0.080)
Urban % (L1)	0.058*** (0.016)	0.109*** (0.022)	0.148*** (0.023)	0.107*** (0.023)
R&D on GDP (L1)		-1.309*** (0.287)	-1.397*** (0.265)	-1.857*** (0.292)
R&D on GDP * KIBS % of VA (L1)		0.341*** (0.038)	0.389*** (0.034)	0.430*** (0.042)
Unempl Rate (L1)				0.055*** (0.014)
Union Density (L1)				0.007 (0.011)
Openness (L1)				0.609*** (0.236)
Observations	615	522	501	442
R ²	0.089	0.283	0.338	0.352

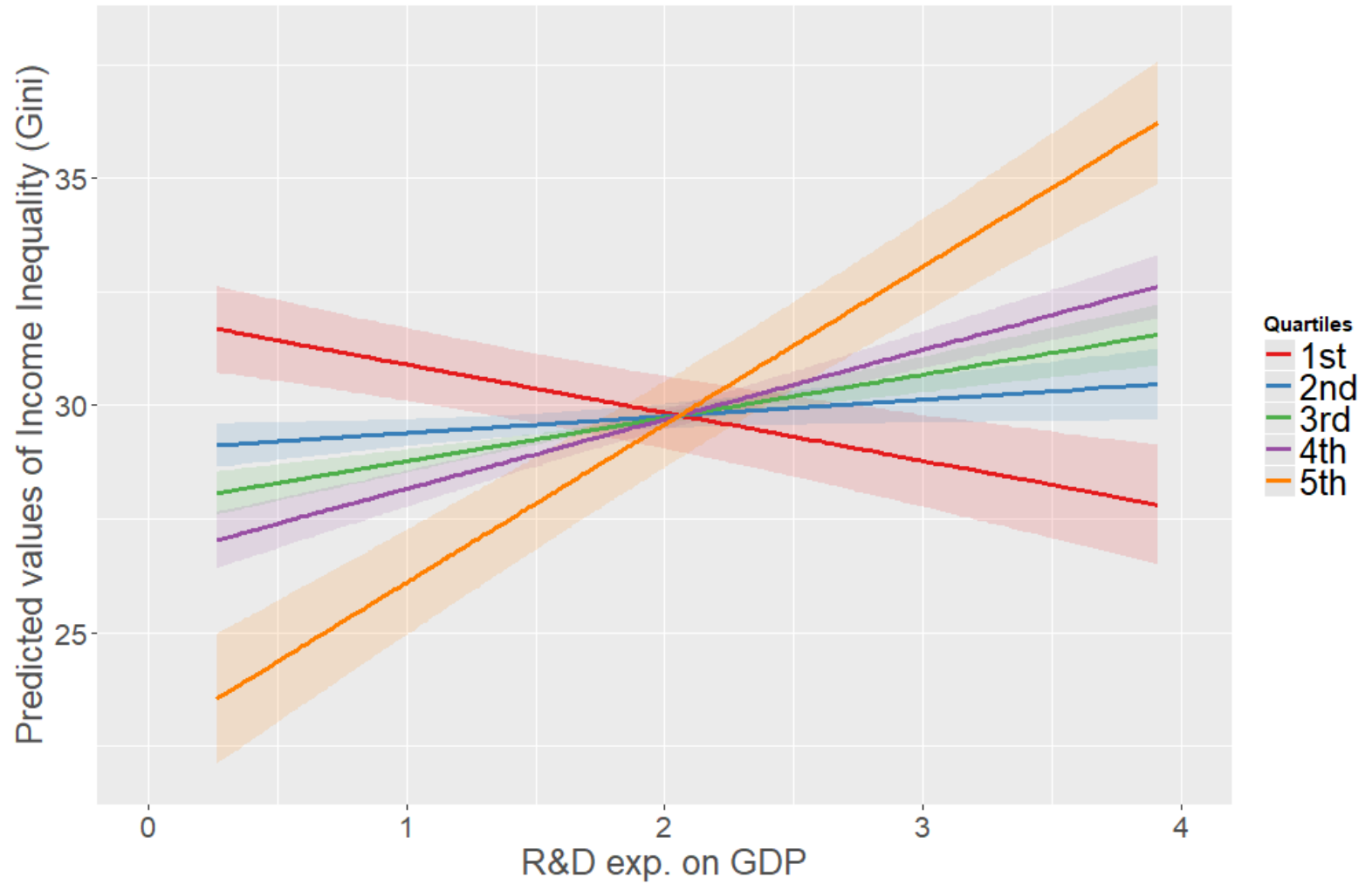
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Marginal Effects



Conclusions

The transition towards the knowledge economy of OECD countries, made possible by the ICT revolution and consequential changes in knowledge production organization, affects negatively the distribution of income.

Income generated by KIBS firms rewards shareholders and entrepreneurs much more than employees. **Pre-existing wealth inequalities magnify the effect.**

The potential redistributive action of the Schumpeterian “creative destruction” might be deactivated if we fail to share the rents stemming from innovative activities.

THANK YOU

Robustness

	<i>Dependent variable:</i>		
	With patents (1)	Alternative KIBS (2)	With Capital Share (3)
KIBS % of VA (L1)	-0.323*** (0.117)		-0.995*** (0.120)
KIBS % of VA (L1) (2)		-0.906*** (0.106)	
Finance % of VA (L1)	0.310*** (0.078)	0.192** (0.083)	0.360*** (0.092)
Urban % (L1)	0.066** (0.029)	0.116*** (0.023)	0.144*** (0.026)
EPO patent on Pop (L1)	-0.004 (0.004)		
R&D on GDP (L1)		-1.564*** (0.298)	-2.252*** (0.321)
EPO patents on Pop * KIBS % of VA (L1)	0.002*** (0.0004)		
R&D on GDP * KIBS % of VA (L1)			0.532*** (0.043)
R&D on GDP * KIBS % of VA (L1) (2)		0.370*** (0.036)	
TFP (L1)	1.574 (0.973)	3.448*** (0.878)	1.667* (0.938)
Capital Share (L1)			7.743*** (1.525)
Observations	435	404	388
Controls	Yes	Yes	Yes
R ²	0.294	0.394	0.430

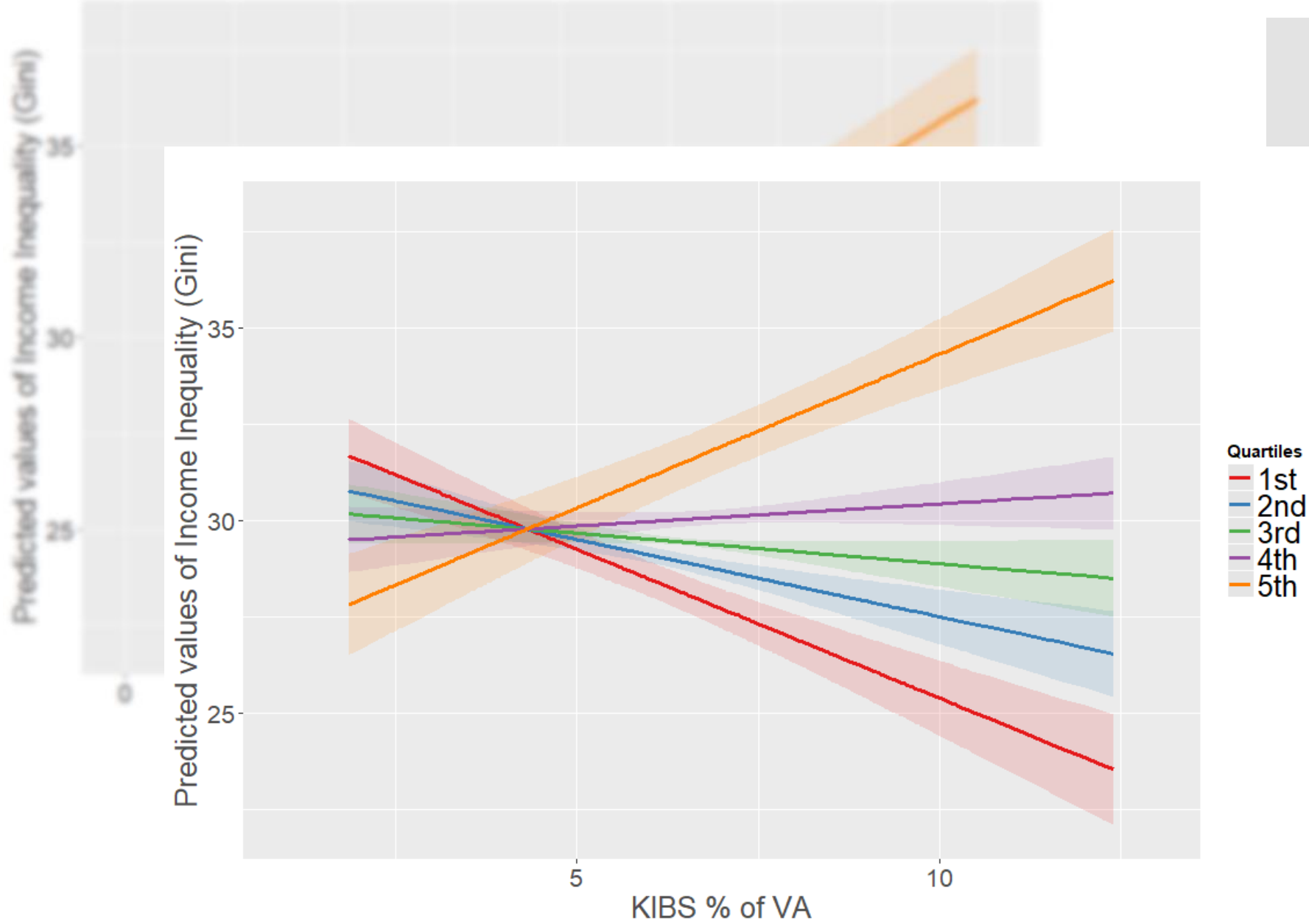
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Sum-up

Chandlerian Corporation

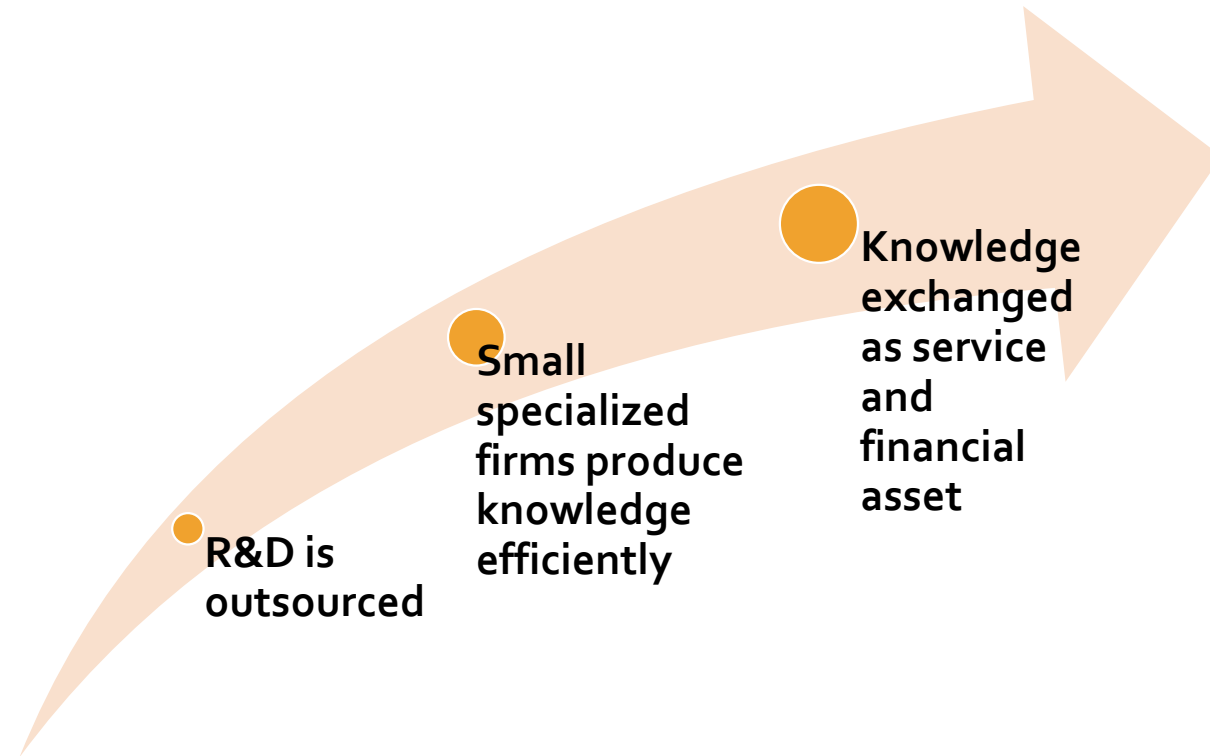
- Vertical Integration
- High Wages
- Stakeholders participation to mark-ups

Knowledge Economy

- ICT
- Intermediary Markets for Knowledge with both vertical and horizontal interactions
- Higher efficiency and knowledge rents
- Entrepreneur and shareholders direct appropriation of profits

The new tradability of knowledge (institutional innovation) and the upsurge of KIBSs enable to ***increase knowledge appropriability concentrating the benefits in a limited portion of the economy.***

The New Knowledge Tradability



KIBS'
upsurge