

ANDRÉ MASSON IS a French economist who started his career working with outstanding colleagues, such as André Babeau, savings expert, Dominique Strauss-Kahn, and Denis Kessler, future vice president of the French employers' union. He spent the last thirty years studying the savings formation and transmission process, as well as property, inheritance and pensions. As empirical material he uses mostly French data, but his recent publications reveal a much wider knowledge of the Anglo-American and German literature, including a rare and impressive control of various intellectual fields that allows him to capture the various options open to policy choices. The book includes few figures, few tables, some transmission charts, but several pages dedicated to identifying and assessing the contribution of Nicomachean Ethics, with many comments on theories of contract. From Marcel Mauss (who has obviously heavily influenced him), he borrows the idea that the transition from *homo economicus* to *homo reciprocus* involves incorporating two faces, both positive and negative, of reciprocal exchanges. Do the contributions of anthropology imply an unescapable gap with economic rationality? His answer is negative, among other reasons because a viable transmission system in terms of economics guarantees neither fairness nor optimality.

From Bismarck on, the link between generations has been a major policy problem, because by itself the market is unable to maintain a balance between funding education for the young and pensions for the old. Economic theorists have dwelt upon altruism and its obstacles to account for it in the long-term modeling of the rational actor. The solutions they propose often boil down to turning the State into an altruistic agent that maximizes an intergenerational well-being function; such a solution encounters many difficulties, political as well as practical.

Consider Gary Becker. He first proposed a dynamic generational model based on the assumption that the utility function of parents incorporates the well-being of their children. Altruism is one way of doing this: the information held by the senior head of the family with respect to the next 20 years is supposed to be adequate and one has to assume that he believes that the next generation will behave in a similar

* About André MASSON, *Des liens et des transferts entre générations* (Paris, EHESS, 2010).

manner to his own. Without going into the arcana of the debate, it is quite clear that this latter assumption is a way of accepting some form of reciprocity: I do this in your favor, because my parents previously did it for me, and I expect you will favor your own children in a similar manner. Those with no precise knowledge of Gary Becker's work, famous for his support of liberal individualism, would not expect to see him, ten years later, as an advocate of state intervention in a scheme in which he recommends that each generation of working age should accept a significant tax effort for the benefit of the other two: the ascending retired and the descending children. In fact, his concern for human capital led him, quite logically, to claim that education is a priority for improving productivity and that most families are unable to support this burden. Hence the need for a double public intervention, one in favor of schools and the other for the future pensions of parents required to contribute considerably while raising their children. We do not care whether or not parents are truly altruistic; we simply have to admit that they expect nothing from their children and that any relations of market exchange or reciprocity, even postponed, are excluded.

The pages devoted to Gøsta Esping-Andersen may sound somewhat paradoxical: this famous Danish sociologist views intergenerational redistribution as economically inefficient, socially unjust and unduly favourable to the oldest and the richest. It turns out that an average 30% of higher pensions are spent on capitalization and are due to longer life expectancy; inheritance nowadays benefits children at a later stage, too late in fact to help them settle into their adult lives, as was still the case at the beginning of the twentieth century. Combining family and State contributions is not only useless, it actually has a negative impact. Therefore, inheritance should be heavily taxed to support the welfare state. In the opposite direction, the German Martin Kohli believes, along with many sociologists of the family, in a profitable cooperation between generations under the supervision of the State. One of his most compelling arguments is that the wealth of the elderly allows them to maintain their status and support their children and grandchildren in a targeted manner, far more effectively than the equivalent amount of direct redistribution.

Admittedly, social scientists are prone to admitting that family reciprocities cannot be reduced to market exchanges, as reciprocal as they may be. The reader will simply glance through the chapters highlighting blinders and aporia among economists eager to find altruistic motivations compatible with utilitarianism. Fortunately, Masson provides us, at a very early stage, with three essential keys:

- Encompassing three generations, not two, since the middle position is crucial.
- Incorporating retirement pensions in the policy scheme.
- Facing the fact that the State has to care for future generations.

Inspired by the “three worlds” of Esping-Andersen, Masson suggests that there are three types of solutions. For Liberals, the duty to care for the poor or the young, is individual; the role played by the State is minimal whereas the market should play a major role; they may disagree concerning the role of the family: some would reject inheritance while others, more family-oriented, would approve of it. Strong advocates of social democracy also dismiss inheritance, but are divided over pensions, with a subgroup in favor of capping them. However they expect much from the State for education and protection of collective resources. Finally the “supporters of multiple solidarity” have lost faith in the family but expect the State to make up for that loss.

This book emphasizes the flaws of the unrealistic liberal solution that pervades neo-classic theory. It demonstrates why indirect reciprocity should be preferred, providing we accept that long term social options demand some kind of intergenerational solidarity: adults pay for their parents’ pensions and for their children’s education, assuming that educated children will be better equipped to pay for their own parents’ pensions in return.

But the Liberals abhor unfunded or PAYG pension schemes (neo-Bismarckian) that increase the grip of the state over everyone’s life, and discourage savings behavior. However, to his own surprise, Masson selects a fairly politically conservative solution, and supports multiple solidarity.

Yet this option, well illustrated today by the French case, involving tax cuts and allowances proportional to reported income for families with children, benefits the richest. The rebuttal is that rich parents provide their children with a good education, which will in the long run benefit society as a whole. Note that the pension system homothetic of the salary scale also contributes to increase inequality.

Therefore, Masson consistently examines the various ways of maintaining viable advanced European pension systems meeting this criteria: strengthening or weakening of intergenerational solidarity, taking for granted that the system is dynamic. It makes no sense to make projections for 2030 or 2040 based on current macroeconomic data, including labor productivity. He writes that “the sustainability of health insurance and pension funding depends on the capabilities of future generations”. Three options are available. *Optimists* build on all the incentives to raise the

level of education, develop innovative projects with high added value in the knowledge economy, generating productivity gains. In this case, any estimated forecast based on current standards used for calculating GDP is meaningless. The *cautious* lengthen the contribution periods required and delay the legal age for access to retirement, which, combined with the increase of non-standard employment and career breaks, inevitably leads to a reduction of intergenerational reciprocity at the expense of the vulnerable aged. The individual account retirement program, strangely invented by social democrat union activists, may well protect the employee's freedom of mobility. It does however, involve a certain break with solidarity. Unexpectedly, some proximity with hardcore liberalism emerges here, bringing to light the complexity of dividing lines on these major social issues. Indeed it is difficult to define fairness with regard to pensions. Maintain replacement rates, and in order to do so, increase contributions of the employed population or back up on commitments previously made to current retirees and trim their pensions?

Searching the origins of these major trends, Masson, without surprise, hits the three main forms of social contract: Hobbes and the voluntary submission of all to the State; Locke and liberal individualism; and finally Rousseau, more subtle, referring to "civil fraternity" that would turn into solidarity a century later. Masson writes that the source of this "multiple solidarity" notion that most interests him remains partly mysterious. He suggests as an explanation the uncertain consistency of a movement intended to articulate three different links of dependence between individuals: neighbourhood relationships brought about by social Catholicism (but we should also mention Mark Granovetter's famous study on networks), complementarity between family and state in regulating education and pensions, and finally, family altruism. If the synthesis of (2) and (3) is well illustrated by the second Becker, the first part (1) is not well connected except through participatory democracy.

These few lines certainly provide but a weak account of a book which is bound to be read and consulted for long and whose relevance for our time is only too obvious. Let us simply mention that in his desire to track down problems and provide a full presentation of his background reading, the author does not spare the reader some back and forth movement, sometimes producing the impression of a loop.

J A C Q U E S L A U T M A N