

Peak Corporate Profitability. Labor's Share of Profits. Intellectual Property.

It is difficult for an individual to hold, accumulate or acquire intellectual property directly. Storage capacity is one issue. At best an individual can hold or acquire the last mile of the intellectual property chain. The most practical way for an individual to own intellectual property is through ownership of a company or business. (Higher education and vocational training are examples of acquiring non exclusive access to existing technology and need separate treatment.)

The storage of intellectual property is one of the possible reasons that labour's share of income has been declining almost monotonically. Perhaps the picture might look more balanced if we include under labour's share, a portion of corporate's share representing labour's 'IP holding company.'

One of the implications of this interpretation is that the distribution of intellectual property is somewhat dependent on individuals' investments into companies or businesses. It follows that income distribution is also dependent on the extent of equity investments.

Incremental innovation and IP accumulation can therefore imply a steadily declining share of profits for labour. How far can labour's share decline, and what could happen? In the extreme, what happens when labour's share tends to zero? Are wages expected to tend to zero? What then is a fair distribution of intellectual property and how would it be allocated? A concrete example would be: if robots did all the work in the world, how much would humans get paid, and who would own the robots? If we assumed an arbitrary endowment of ownership at a snapshot in time, how would this evolve? It is reasonable to

assume that ownership of such assets would compound much faster and lead to a greater inequality of wealth. Owners of equity are owners of intellectual property and will obtain a disproportionate and growing share of output and income. In the hypothetical limit, income is entirely derived from ownership of assets and labour obtains zero income and employment. Clearly, before this could happen, social and welfare issues would arise.

The disruption to the current trend of rising productivity, rising corporate profitability, the decline of labour's share of income and production, appears only to be interruptible by non-economic, extra-commercial factors.