

Theoretical approaches in the subjects of income's distribution after Kalecki

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Abstract

This present study investigates the theoretical approaches in the subjects of income's distribution before and after M. Kalecki's growth of ideas. Before M. Kalecki preclassic and classic economists theories were developed, while after M. Kalecki neoclassical, neo-kensian, neo-marxist and neo-ricardian aspect was developed. Kalecki's theory explains the subjects of income's distribution by rejecting the complete competition as a prevailing form of market, while accepting that the market is dominated by monopolistic and oligopolistic situations. As a consequence, the wages of production factors are not determined by the mechanisms of the market, as the neoclassic theory assumes, but by degree of monopoly. Changes occurring in the degree of monopoly have decisive importance for the distribution of income among workers and enterprises in addition with the distribution of income among enterprises.

Keywords: income, economic theory, monopoly

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I. INTRODUCTION

Produced product's distribution is the basic operation of each economic system. The study of ways by which distribution of society's products to her members has always been one from the central problems of economic analysis.

The first problem in distribution of income that occupied the economic bibliography is that of knowledge and analysis of mechanisms of economic system by which the distribution of goods takes place. The second problem in distribution of income involves the question ,if the distribution of goods that is shaped by the economic mechanisms is fair.

Based on placement the more basic regards of distribution of income before and afterwards M. Kalecki are investigated. Before M. Kalecki preclassic economists dominated, while then developed the opinions of physiocrats and main classic economists (A. Smith, D. Ricardo, K. Marx). Then, the basic places of M. Kalecki are analyzed, in regards with neoclassic, neokensian, neomarxist and neoricardian economists

1. Theoretical approaches in the subjects of distribution of income after Kalecki

1.1. The New-Kensyan Theory

Keynes did not deal with the growth of theory of distribution. Kensyan is the theory based on the way of thought of Keynes and led

to the formulation of opinions for the distribution. The names that were given in this team of theorists are "New-Kensyans" and "Faculty of Cambridge ". Its main representatives are N. Kaldor, S. Robinson, L. Pasinetti. Neokensyan theory supports that the distribution of (real) national income is determined by the claims that are practised by the social-economic teams via their pecuniary expenses for the purchase of goods. Thus if a team wishes to increase its share in the national income, it should increase the expenses for purchase of goods.

The enterprises have, compared with the made dependent workers, bigger possibilities of increasing their pecuniary expenses, hence also the claims above in the national income and, at extension, their share. This is owed mainly in their assets that allow relatively easy access in the credit system.

The possibility of access in the credit system and, consequently, the direct increase of their pecuniary expenses dependent workers do not have. The only possibility they have for increasing their pecuniary expenses, hence also the claims above in the national income, consists the increase of their wage. If the enterprises agree in increase of day labours and decrease simultaneously their own expenses (as for investments), then dependent workers are in place to increase their share in the national income. If however the enterprises achieve to increase of day labours with banking credits and from this they increase their expenses for investment, then the increase of price index it will be so much big that equal the increase of working wage and result to the reduction (the increase) of share of workers of (enterprises) in the real national income. The probability for this behaviour of enterprises is bigger as nearer in the phase of economy of rise of the economy (that is in the ascendant phase of economic circle).

But the "asymmetrical place" (concerning the distribution) the economic-social teams is not owed only in the make, that, for example the enterprises have access in the credit system while the workers do not have. The enterprises find themselves comparatively in more advantageous place and for the reason that they have in their disposal and a half important aim in the fight for the increase of shares in the national income. This aim consists to the possibility that they have of deciding for the height of employment and, consequently, for the height of working income (L). Beyond the import of new technology of saving of work it still in enterprises to deter the reduction of their share in the national income.

Moreover, the neokensyan theory explains a category of profit that is presented each time increased investments in the economy the national income and the price index increase much more from that the wage and the day labours or each time the adaptation of working wage in the increase of national income and price index becomes with perceptible time delay (time lag).

News-kensyans have also turned in the operation of jobs market so that they explain the slow adaptation of wage. The conventions of work and the wage of effectiveness are used in order to justify the rigidities in the job market. The conventions of work that fix the nominal wage beforehand could involve unemployment, as the market is unable to even the offer with the demand. If the nominal wage cannot be adapted in the economic disturbances, then the monetary policy could be used in order to influence the real wage and thus decrease

the unemployment and stabilise the economy, even if making the affair of rational expectations acceptable. For one more time, the monetary policy can finally be ineffective. The wage of effectiveness is likely if they create rigidities in the real wage. The basic aim of this theory is that that higher wages increase the productivity. As a result, the enterprises possibly do not even decrease the wage, when extended unemployment exists because they do not want to decrease the productivity. If the result of productivity is possible, the job market is not liquidated and the unemployment remains. Nevertheless, the theory of wage of effectiveness explains rigidities of real wage, that is not connected with the rigidities in the nominal wage and for this do not justify the entanglement of management of money or total demand so that unemployment is faced. The wage of effectiveness should combine itself with the existence of constant cost of change of nominal prices (and wage) - which create nominal rigidities - in order to explain fluctuations in the employment and in the product and seek Keynesian solutions.

1.2. New - Marxist theory

From the beginning of 1950 new examples began to appear adapting the classic Marxism in the requirements of season and particularly in the problem of underdevelopment. It is the first time where the marxists escape from the euro-centrism of classics and examine the question of underdevelopment as a separate category.

In general lines, the most important innovation of neomarxist thought is the abandonment of idea of uniform operation of capitalism in the centre and regions. In other words, the perception that the extension capitalism has the same repercussions in development is disputed in the country and particularly the thought that it has positive effects in the growth of poor countries is rejected. The new opinions that prevail support that capitalism for the underdevelopment of poor countries and that the same process of growth of centre creates or imposes the process of underdevelopment in the region.

One of the basic ideas of neomarxist thought is the perception of world economic system and the process of detachment and transport of surplus from the undeveloped in developed countries. The rich countries of centre with growth and competitive pressures they practise in the poor countries of region, enclave in a system of unequal exchange and restriction of their possibilities for growth. Thus, the growth of each country is determined by the place that it possesses in the world system.

Basic factor of this change and appearance of neomarxist thought was the work of collaborators P. Baran and P. Sweezy, the first that exceeded the dogmatic nailing of Marxist thought of the period before the war. After P. Baran three other researchers contributed in the growth of new marxist thought, but also in spread and er distribution, was I A. G. Frank, A. Emmanouil and S. Amin.

Baran distinguishes three different forms of surplus. Firstly, the real surplus, fixed as the difference between real product and real consumption, which in comparative static analysis is equal to the running saving and the investment.

A second category of surplus is the potential surplus. This surplus is the difference of necessary consumption from the product that could be produced in a given natural and technological environment with the help of available wealth-producing resources. The realisation of this surplus presupposes drastic changes in the organisation of production

and the distribution of product, will eliminated the unnecessary consumption and the unproductive work and generally the wastefulness of productive means in the production and is included the product that is lost by the not complete employment of workforce.

The third category of surplus is reported in the drawn economic surplus and it concerns the most excellent product that can a Socialist society achieve under conditions of excellent drawn utilisation of resources and selected "most excellent" volume and consumption. However ,the category of surplus does not play particular role in the growth of his theory.

According to P. Baran the comparison between real and potential surplus can give the size of success of capitalistic economy. For this reason analysis aims in the verification of size and the use of real surplus and his relation with the potential surplus.

The general placement of P. Baran for the production and use of surplus is that capitalism, and particularly monopolistic capitalism, has the tendency to create more surplus, while simultaneously it fails to offer the exits of consumption, according to the theory of under-consumption, and investment that is required for his absorption. Consequently, the system does not produce more surplus the one it can absorb, creating problems of realisation of surplus, that functions in the lowest rather than the biggest of efficiency level.

The capitalistic order can use the surplus for consuming or for investment aims. Since the surplus increases, in order to be absorbed from the consumption of capitalists who will increase their consumption with the same rythme the surplus is increased. This does not appear to be likely, since in the monopolistic capitalistic surplus always assembled in less individuals, it remains for investment and has the tendency to increase. In order to be absorbed the continuously increasing surplus that remains available for investments, will expect the monopolies to increase their investments. The question is if the monopolies have the possibility or the disposal of increasing their investments. Answering this question R. Baran resorts to the comparison of behaviour of monopolies and behaviour of enterprises that function under conditions of competition. Even if his analysis is relatively complicated, the general conclusion is that under conditions of monopoly the enterprise slows down or does not develop its investment to the extend it would develop under conditions of competition.

In general level, this behaviour of monopolistic capital is attributed in the following reasons:

- Monopolies limit their investments in checked and relatively small height from fear of continuous increase that causes excessive increase in offer of products resulting in the fall of prices.
- Also, the restriction of investments can be owed to the postponement of appearance and application of new technologies from the fear of premature scorn of existing mechanical equipment. This place of P. Baran, for the role of monopolies, if they limit the import of new technologies, are disputed from other theories that try to interpret the same phenomenon. In any case, according to the opinion of other researchers, the empiric data of USA of period 1930, which mainly supported the analysis of Baran, are sufficient in order to are exported generalised conclusions.
- Finally, the investment activity of monopolies is limited and because of the unwillingness they are extended in other sectors, because they are reprisal, with proportional investments or other

type competitive activities, from the enterprises of offended sector.

From the preceded analysis comes the conclusion that under the conditions monopolistic capitalism increase the volume of surplus that cannot be absorbed entirely from the consumption of capitalistic order and the investment activity of monopolies. That happens because, neither the consumption of capitalistic order increases depending on the surplus, since the number of capitalism decreases, but also monopolies don't seek the continuous increase of their investments from the fear of reduction of their profits (reduction of prices, scorn of capital, intensity of competitive activities).

1.3. The neoricardian theory of Piero Sraffa

Sraffa supposed that the working wage that was constituted only by the types that are essential for the maintainance of workers. Thus it was a surge in each production, where her natural composition was determined by the technical needs and entered in the production "with the same base as fuels for the machines or the forage for the cows ¹". Sraffa however does not accept the opinion that the wage simply counterbalance to the level of survival, consider that the workers can participate in the created surplus. Under this conditions the total working wage can be considered constituted by two parts: (a) a constant part where it constitutes by virtuous essential for the survival of workers that would enter in the production as a surge, (b) a variable part that represents the attendance of workers in the created surplus.

Sraffa prefers to use in his analysis the total working wage, that as a consequence to (b) variability, because it contains share from the surplus.

The main question placed now by Sraffa is, given the distribution of surplus between workers and businessmen, between wage and profits, who what be the effect in relative prices. He considers as independent variability the change of wage, as consequence of distribution of surplus between wage and profits and investigates the effects above in the prices.

Sraffa considers that the rate of profit r should be formed in all the sectors as wage w . the change of wage necessarily leads to relative changes of prices when are unequal the proportions between work and means of production in the various industrial sectors. The relative prices are now altered depending on the relation between work and means of production where they enter in the production of each good.

For example if we have two goods, where the a is a result of the intensity of work and b of intensity of capital, a reduction of wage w will lead to reduction of relative value of a compared to b , and on the contrary to increase of relative value of b compared to a .

The question that Sraffa places is if a good can be found whose relative value is not altered with the change of wage, if it can in other words find an immutable metre the value, the discovery of which had occupied the Ricardo.

In the example given above, if to two goods a and b we added a third one, the production of which was in the verge between intensity of work and intensity of capital, it is possible or relative value of this good to remain immutable when are altered the wage. It is possible in other words, to find be a productive sector "in the verge" ("borderline industry") that has a such "equalizing proportion"

between work and means of production, in order to remain immutable when alter the distribution of income.

"The key", says Sraffa, "in the movement of relative prices, which follows a change in the wage, is found in the inequality of proportions with what the work and the means of production is occupied in the various sectors. It is obvious that the proportion would not observe no change in the prices, independent on how big would the variety of composition from goods of means of production in the various sectors be. Because in each sector, an equal reduction by the wage would attribute precisely as long as it needs to pay the profits above the means of production of sector with a uniform percentage, without need to alter the existing prices ".

For Sraffa a simple linear relation exists between the share of surplus from the wage and share to profits.

The two shares counterbalance to the unit. When the share of wage in the surplus increases (national income) proportionally the share of profits decrease and reversely.

This can be shown as follows:

According to Sraffa we have:

$$Y = M + S$$

where Y is the crude income

M is the total of surges and

S the surplus or the net national income.

If the total of surplus S is sold in the profits, this will lead to the biggest possible rate of profit R where it will be equal with:

$$R = \frac{S}{M}.$$

If we suppose that the distribution participates between the wage and the share in the net national income they are W, then the share of profits in the total national income will be 1 - W, so the total profits it will then be

$$S(1-W)$$

and the rate of profit r will be $r = \frac{S(1-W)}{M} = R(1-W)$ provided that

$$R = \frac{S}{M}.$$

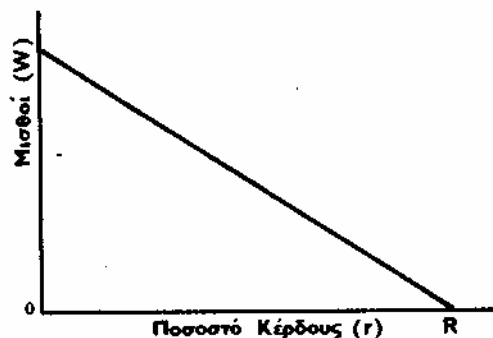
The $R = \frac{S}{M}$ concerning Sraffa, depends from the total of surges and

from the net national income, where on his form, as we have seen, they depend from the technical conditions of production.

Given the R from the equation (15), a simple linear relation exists between W and r, between the share of income where it is been disposed for the wage of also rate of profit. When they are decreased the wage is increased proportionally the rate of profit (and reversely).

Sraffa gives the diagram below in order to show the relation between the wage (as a proportion of net National Income) and the rate of profit.

Diagram 1.2



From the analysis that preceded comes the conclusion that Sraffa sees as fundamental regulating role the objective of uniform rate of profit in all the productive sectors. The relative prices are altered depending on the relation of work and means of production that enter in the production of each good. The surplus for the Sraffa is shared between wage and in profits. When the share of wage increases in the surplus the share of profits decreases and reversely.

2. Conclusions

As we saw, the theoretical approaches in the subjects of distribution of income acquire particular interest of the second half 18th century. The most essential step to this direction came from the physiocrats and A. Smith.

A. Smith replaced the false form of Physiocrats for the social classes (land owners, productive and barren order) with a more equitable form of landowners, capital businessmen and salaried workers. Simultaneously, he determined the wage as the wage of work, the profit as the wage of industrial capitalist and the revenue as the wage of landowners.

D. Ricardo is considered to be the first systematic theorist of distribution of income. At his opinion one of the most important problems of political economy consists in the recovery of laws that determine the distribution of income between in the feudal lords, the workers and the capitalists.

K. Marx gives a perfectly different explanation in the subjects of distribution of income. As far as he is concerned, the distribution of national income is based on the way of production of goods. The way of production of material life determines social, political and intellectual way of life generally. All relations can be characterized as ways of production in the wide significance of term. The distribution of national income between farmers, workers and businessmen is determined, according to K. Marx, exactly in this way.

In the neoclassic regard of distribution of income the productive factors are remunerated with base their marginal products.. This type of distribution is considered by Clark right, because it gives the possibility of expressing the evaluative crises of individuals via the mechanism of market, while the national product is maximized. With this criterion of maximisation of profit each enterprise produces up

to the point where the wage of factors of production is evened with their marginal products.

The theory of monopolistic represented by M. Kalecki explains the subjects of distribution of income base with the property by the means of production and considering that as long as they are distributed unequally by means of production, so much more unequal is the distribution of national income. The theory of distribution of Kalecki, rejects the affair of complete competition as a prevailing form of market, while it accepts that the market is dominated by monopolistic situations. As a consequence, the distribution of the goods does not become based on the mechanisms of market, in order to describe the neoclassic theory, from the degree of monopoly, that is the difference between price and marginal cost as percentage on the price.

In the neokensyan theory, the distribution of national product is determined by the claims that are practised on his by the social-economic teams via their pecuniary expenses for the purchase of goods. The enterprises have compared to the workers bigger possibilities of increasing their pecuniary expenses, and also the claims above in the national income and, at extension, their share. This is owed mainly in their assets that allow him to have easy access in the credit system. Moreover, a category of profit is presented each time because of the increased investments in economy the national income and the price index increase much more from the wage and the day labours or, better, each time where the adaptation of working wage in the increase of national income and price index happens in perceptible time delay (time lag).

The new-marxist theory supports that the rich countries of centre with their growth and the competitive pressures they practise in the poor countries of region, enclave in a system of unequal exchange and restriction of their possibilities for growth. Thus, the growth of each country is determined by the place they possess in the world system. Moreover, the neomarxist theory supports that under the conditions of monopolistic capitalism the increasing volume of surplus cannot be absorbed entirely from the consumption of capitalistic order and the investment activity of monopolies. That is because, neither the consumption of capitalistic order increases depending on the surplus, since the number of capitalists is decreased, nor the monopolies seek the continuous increase of their investments from the fear of reduction of their profits (reduction of prices, scorn of capital, intensity of competitive activities).

For the neoricardian theory of Piero Sraffa exists a simple linear relation between the share of surplus going to the wage and share it going to the profits. The two shares counterbalance the unit. When the share of wage in the surplus is increased (national income) proportionally the share of profits is decreased and reversely.

By this review, regarding the theoretical approaches in the subjects of distribution of income, it is concluded that the theory of Kalecki is corresponded, at my opinion, more from any other in the data of modern economic reality. This happens because the sovereign forms of modern market are the oligopoly, the monopolistic competition and the monopoly. As a consequence, the distribution of income is influenced to a large extent by the monopolistic force of enterprises, that is by the force that the enterprises have to transmit the increases of cost in the price of product. Also, the existence of working associations

and organisations of employees does not allow the operation of economy at the way that indicates the completely competitive organisation of market. As a consequence, the wage of factors of production is not determined based on their marginal productivity, as the neoclassic theory assumes. Moreover, the neoclassic theory has one weakness. In the long-lasting period, in the markets of complete competition, the profits tend to disappear. On the contrary, a lot of modern enterprises present profits in short-lasting and long-lasting period.

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