

LABOR EXCESSIVE ECONOMY PROBLEMS

Krivosheev O.I.

ICP RAS, Profsoyuznaya 65, Moscow, RSXX0063, Russia, 8(926)14-777-36,
okrivosheev@mail.ru

The problem we consider is in line with one of the last interview of Vasilliy Leontiev placed at the first position in complete set of Nobel-prize winners problem interviews collected in issue “Inside the economists mind. History of economic thought told by those who it created” edited by Poul Samuelson and William Barnett.

We consider a limit in that labor productivity strives to infinity. In that situation wages should strive to zero as labor supply is far more than labor demand at any non-negative wage.

That type of economic systems is as old as any monoproducer pure agricultural society at that labor is always excessive (It’s a formal statement). Due to special circumstances most of specialists learned economics on example of North-West Europe and United States – very untypical regions of the world, where labor was never excessive for long period. In North-West Europe this had place due to specific of it’s (climate determined) agriculture of mixed type [1], and in North America mainly due to non-equilibrium of its population if compared with landscape productivity limit. For some time industry in several export-oriented economies produced additional demand still due to the progress in industrial productivity labor begin to be excessive more and more again. Thus we are to return to the situation ancient southern economies always were at – we are to meet labor excess economy worldwide – since productivity risen 50-100 times for last 200 years.

Vasiliy Leontiev in his interview stress our attention, that this economy is quiet distinct of that considered by J.Keynes, due to huge violation of supply and demand balance (if compared with economy Keynes wrote of). In the situation of median wage strive to zero we generally have democratically unacceptable distribution of income. In that case government conceptually has only two ways.

- 1) Government may say the situation is too hard and if we stimulate production by all possible reallocating resources measures labor excess still won’t be overcome.
- 2) It is possible a middle situation, where government intervention is required to overcome labor excess and we may compare two different policies
 - a. We may establish something like a welfare for at least a half of society.
 - b. We still may do something to completely neutralize labor excess in the market (build Egypt pyramids, roads (as Ruzvelt) or pay for free education, medicine and other goods) in order to obtain non-zero wages simultaneously getting wider monetized demand (stimulating the secondary one) and getting more equal distribution instead of welfare.

We present several examples in order to develop common approach in line with Pigou-type ideas, regarding employers as a producers not just goods, but also a positive externality clearing labor market and advise to enforce that through Pigou-taxation system.