TITLE: THE USE OF INPUT-OUTPUT ANALYSIS TO SIMULATE EFFECTS OF INCOME REDISTRIBUTION ON ECONOMIC GROWTH

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ABSTRACT:

This paper aims to simulate the effects of income redistribution on the level of GDP, for the Brazilian economy, within Brazilian economy, by using Kalecki's departmental model. With wage increases, the demand for mass consumer goods also tends to increase. Thus, in the absence of productive restrictions, this increase leads, in turn, to higher income level, because, in the short run, other final demand components are not affected. By arguing that an improved income distribution may lead to an improvement in the product as a result of increased demand, this dissertation may be seen within a framework which views the relationship between inequality and growth. This contrasts with neoclassical approaches, which privilege those benefits derived from a reduction in the inequality, solely from the perspective of supply conditions. To estimate this impact, a methodology that uses the last available input-output matrix, i.e., 2005, was employed to estimate Brazil's income determination equations. Based on this methodology, it was possible to estimate, albeit in conservative manner, that the income level, with the same distributive pattern as in 1995, would have been larger. It is therefore concluded that an income redistribution which favors workers could constitute, indeed, an important way of promoting economic growth.