

## Political Economy Interests in The Kern of Input-Output Analysis

Topic: Methodological aspects of input-output analysis 3

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Through 1927 discussion on planning in Soviet Union N.D.Kondratiev, N.P.Makarov and A.V.Chayanov insist on distinction between plan-forecasting and plan-directive as “system of measures and tools of state influence on elemental development”. Balance method (IOA) being quite adequate for plan-forecasting became inadequate for plan-directive, because of economy dynamics depends on “transitory coefficients” (magnitudes of inter-sector flows). One can't calculate “transitory coefficients” a priori. As a result, economy dynamics is not reliable element of organisation of economy life or social management.

To solve the problem, that is to solve problem of Net Product distribution in structure of economy, one more level of the structure should be considered. In early V.Leontiev's paper the structure was treated as sum of industries, each producing own product. Today we distinguish industrial and product structure. Now, uklad structure is to be defined.

That is subject of economy who makes decision on investing or consuming, and makes it with the base of his own interest. That may be corporation, enterprise, institution or individual, but in all ways it will be decision in interest and on the base of interest defined subject. “Uklad” category nominate a type of economy subjects with specific economical interest, specific social and economical “class” (V.I.Lenin, A.N.Chayanov). What will be distribution of Net Product, depends on economy subjects competition for resources. Such a competition is to be modeled as “exhausting” and deficit mechanism, specific “need” of macro economy (as it was analysed in previous year paper).

Economy subject has his own I-O structure. He is not “rational”, but only “limited rational” “economic man”. At the moment of time he may be in equilibrium state or out of it. Measure of his aim functional at the moment may be or not be extremal. If it is not extremal, he would sense or comprehend his deviation from state of equilibrium as a force from “outside” compelling him to change state.

Interest of capitalist enterprise (and of capitalist as individual personifying it) is profit, *Gesheft*. One must calculate it as the price of net product of enterprise: (here  $m$  - profit,  $P$  - price vector,  $E$  - unit matrix). “Traditional” interest of Max Weber (includes two uklads – worker consumer by W.Sombart and labour farmer by A.V.Chayanov) is to be calculated as functional upon deviation existing consumption from normal (or “traditional”), where  $I$  – interest of labour subject,  $I_{tr}$  - “traditional” normal consumption (input of family),  $F$  – aim functional. Importantly, that neither income, nor expenditures, nor price of outcome have no independent value for these uklad. Next, “deficit uklad” (which J.Kornai examined) have interest in “val” (gross output), restricted only by deficit of resources accessible:  $w - Z$ , where  $w$  – gross output and  $Z$  – vector of deficit.

Interest of labour family or “deficit uklad” differs in quality from interest of capitalist. All the three include benefits and wastes. Differentials of interest formula (Hamilton and Laplas operators) show propensity of economy subject to economical adaptation in its quality and quantities. Propensity to economical adaptation is intention of subject: marginal value, utility of changing of state of business. Magnitude of gradient is “force” of economical propensity. Subject comprehend it as enforcement by his own interest to economical adaptation. How exactly direction of adaptation will be chosen, and how firm the adaptation will be produced – depend not only on “force of subjective intention” but also on “friction in process of adaptation” (term of J.Kornai). These friction is produced by economical mechanics of subject and markets.