



Workers Income Correlation With Economic Results

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WORKERS INCOME CORRELATION WITH ECONOMIC RESULTS

Capitalism uses the idea of permanent growth of production of goods and services for solving the problem of inequality in income and economic insecurity. Production has become the solvent of the tension once associated with inequality, and has become the indispensable remedy associated with economic insecurity. Increasing aggregate output is an alternative to redistribution or even to the reduction of inequality.

The theory of consumer demand is based on two broad propositions, both extremely important for the present value system of economics.

The first is that urgency of wants does not diminish appreciably as more of them are satisfied.

The second proposition is that demands originate in the personality of the consumer. His function is sufficiently fulfilled by maximizing the goods that supply the demand. The urgency of demand is a function of the quantity of goods which the individual has available to satisfy that demand.

The explanation of consumer behavior has its ancestry in the oldest problem of economics, that of price determination. The price at which individual items are valued will reflect the existing income distribution. Inflation-persistently rising prices-is obviously a phenomenon of comparatively high production.

When supply cannot be readily increased, as will be the case of production, further increases in demand are capable of bringing price increases. The only recourse is to bring demand into balance with supply.

The allocation is accomplished in the capitalist society by the market- by the pull and push of market prices and market wages, bringing labor, capital and materials to the companies and industries. of most efficient use.

In a competitive market, price will function to equalize the quantity demanded by consumers and the quantity supplied by producers, resulting in an economic equilibrium of price and quantity.

This system worked industriously during many years without counting some falling out step.

However, until now there was not worked out a gearing, precisely defining the dimensions of demand and supply.

The speculators in the markets did not fail to take advantage of this. They deliberately misrepresented these data, manipulating with prices to their benefit, taking away a sizable income from the great bulk of ordinary people.

At the same time, the countries possessing enormous reserves of source of raw materials, especially oil and gas, manipulated the law of demand and supply, overstating the prices on their discretion.

Why it is that the countries with huge oil reserves can form Cartels (OPEC) and with their agreements organize drops in production of oil, considerably raising prices?

The rise of oil prices lay as a heavy burden on the consumers of this vitality important and so much necessary product in the contemporary world.

In the industrial countries there are strict prohibitory laws of rising prices on arrangements between corporations. In essence the oil Cartels extort all industrial countries. This is the greatest transfer of wealth in the history of the world.

In addition, the traders of commodities (speculators) play a roll of no small importance in the falsification of data of demand and corresponding level of prices. Employing their predatory interest, artificially raising the demand, they influence the increase of prices, redoubling and speeding up the inflation process. The influx of their capital in the futures markets of commodities drives up these prices. The best decision, in our opinion, would be pushing aside the speculators from the commodities trade and the organization of trade between the producers and consumers. Besides that the industrial countries should obtain a decision from the International court to impose a ban on organized drops in production of oil by the Cartel.

It should be given an incentive to stimulate competition of increases of oil drilling. The increased demand of oil with the appearance of new consumers as China, India and others means that the oil drilling should be increased to the level of demand. It's not a secret that the commodities in the world are limited.

However it doesn't mean that prices of commodities should rise unlimited. Taking into consideration these realities already the industrial countries are engaged in scientific research for discovery of new aspects of raw materials, and fuel resources and their rational use.

On the other hand the reason that assisted the lowering of income of the middle class workers consisted that the leadership of public corporations adjusted the financial results so they could misappropriate millions of dollars under the pretense of premiums and bonuses, bringing some companies to a full ruin.

The new situation in the xxi century is determined by two major trends-globalization and the spread of the scientific revolution. There is a need of a new approach to the problem of grows of production of goods and services and distribution of income. Undoubtedly the limit of continuous economic grows was reached and in the near future we shell satisfy our requirements with the reached peak and slower grows.

Under new existing conditions it is necessary to revise the old norms of distribution of income and establish new norms, promoting the implementation of necessary economical requirements of all levels of the population.

What shall be undertaken?

First, wages should be coordinated with the results of productivity of labor. This means that wages should be increased in correspondence with the percentage of increased productivity, and decreased with the percentage of decreased productivity.

Also wages should be increased in correspondence with the percentage of inflation. People, who didn't find jobs in the industrial sphere, after retraining ought to be directed to the non-industrial sphere (education, medicine, army, etc.).

Second, it is necessary to establish an order of distribution of profits by public corporations. The concrete definition of a correlated percentage should be worked out by a scientific-research institute. However, it seems to us, that it is advisable to distribute profits exemplary, in the following way:

for scientific research and development	-50%
for financial incentives of members of the corporations	-25%
dividends for stock shareholders	-25%

If by chance, corporations assume that the results of their activities are unprofitable:

the whole collective of workers doesn't receive financial incentives; the price of the corporation's stock comes down accordingly with the percentage of losses.

The collectives of companies' workers should get awarded for yearly results. The premiums and bonuses for CEOs, CFOs and other leading personal can be of any reasonable dimension but should be obliged to be coordinated with the final results of the corporations, not for a year, but for a five year period.

Then the leaders will understand that they must work harder, persistently, and creatively in order to obtain premiums and bonuses.

It seems to us, that such an orderly distribution of income on condition that prices become relatively stable, can re-establish fairness, when all levels of the population makes use of the advantage of the capitalistic system.

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