

Pattern of Ownership and Income Distribution: In View of “Middle-Income Trap”

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Abstract: China comes into the ranks of middle-income countries, "middle-income trap" problem become highly attention. Income inequality is the most important factor of fall into this trap. By analyzing the actual information and data, finds out that the main reason for this widening gap between income distributions is the vigorous developments of the private owned company, led to the big gap of the income between owner of the company and normal workers. Then by analyzing and validating the actual mathematical model, and turns out the same result. To solve the problem of “middle-income trap”, we must deal with the income inequality, need to strengthen the guidance and supervision while encourage the development of the private economy. Unswervingly adhere to the public sector of the economy's dominant position, and continue to develop and perfect the public sector of the economy, along with the corresponding supporting measures.

With Over 60 years development, at present, China's per capita gross domestic product has exceeded \$4000, entered the ranks of middle-income countries. Whether China can successfully avoid middle-income trap and how to avoid the trap problem become the focus of scholars attention. However, learn from the lessons of that fact that those countries, which failed to achieve the transformation of the middle-income shows that income inequality, wealth disparity is the important factors of leading to many developing countries falling into the middle-income trap. Warning by World bank report 《Revival of the east asia》, to prevent east Asia economy falling into the middle-income trap, need to solve the problem of widespread income inequality. Many scholars tried to find the reasons from the industry, the gap between the state-owned enterprise managers and worker, corruption,

system problems, to some extent these are reasonable. However very few relating to the root of the actual pattern of ownership. This paper combines the actual conditions of China, guided by the Marxist distribution theory and using the mathematical model, as a trial for the analysis of the root of the unfair distribution in China.

1 Distribution relationship essentially depends on the ownership

Since reform and opening up, China's economy has continued rapid growth, from 1978 to 2010, China's gross domestic product (GDP) grew by an average of 9.8% a year. China's GDP in 1978 is \$147.3 billion, and 2010 is 5.8786 trillion, increased by 40 times, Per capita GDP in 1980 is \$173, \$4000 in 2010,

increased by 23 times, become the world's second-largest economy only after US. China's economy accounted for the proportion of the world economy from the late 1970's less than 1% to over 9% in 2010, become the fastest growing economies in the world at this period. But the social welfare created is not spread by revenue and let all people equally share the results. We found that gini coefficient of the internal of urban residents and the entire residents is in the growing. Gini coefficient of urban residents increased from 0.161 in 1981 to 0.323 in 2007. the entire residents gini coefficient, up from 0.297 in 1981 to 0.454 in 2007. Both gini coefficients of the internal of urban residents and the entire residents, in addition to individual years slightly smaller, are growing. This suggests that the phenomenon of unfair distribution in deteriorating.

This to show that along with the rapid economic growth is not synchronized growth in people's income, but the field of distribution and widening the gap between rich and poor, polarization trend. The study found that the widening gap between income distribution in our country also is the main source of the private enterprise to develop. Of course, from the point of view of economic development, we must fully recognized great contribution of the private enterprises to the development of social productivity in the primary stage of socialism. But on the other hand, the income distribution gap is widening. The causes of unfair distribution in our country and the disparity between the rich and the poor is to lead the capitalist private ownership and poor regulation, is the inevitable result of the excessive exploitation.

2 Model Analyze and Verificate

The ownership allocation relationship and the principle of distribution, the mathematical model can be used to represent. Using

mathematical language to describe the scientific principles of economics, can more clearly explain economic problems, enhance the explanatory power of the article. So, now we will build and analyze model from the perspective of ownership, and specifically explains the relationship between ownership and the distribution of income.

2.1 Necessity of private ownership

economy caused by the gap between rich and poor.

Within the private ownership economy, the enterprise owners to produce the biggest purpose and motivation is unlimited pursuit of surplus value created by workers. We use m stands for the surplus value, use k stands for

value of the labor force, with $\frac{m}{v}$ the degree of average Labour exploited, n for the number of workers with said use, we can conclude:

$$M = k \times \frac{m}{v} \times n$$

2.1.1 At constant capital formation, the demand for workers increases with the increase of the accumulation of growth.

$$M_1 = k \times \frac{m}{v} \times n_1,$$

$$M_2 = k \times \frac{m}{v} \times n_2$$

Here assumes an average labor value k remains the same, and the degree of an average

labor exploited $\frac{m}{v}$ also remains the same.

M_1 On behalf of the original residual value,

M_2 on behalf of growth after the surplus value created by workers.

So, when $n_2 > n_1$, then $\Rightarrow M_2 > M_1$

This show, with the accumulation of capital and growth, the capitalists will gain more surplus value.

2.1.2 Variable part of the capital

reduction and relative surplus population,

lead to the

exploitation of workers degree is more and

more strong.

In the process of capital accumulation, "once the capitalist system of the general foundation laid down, will appear in the process of accumulating a moment, then the development of social labor productivity become the accumulation of the most powerful levers", "Social productivity level is characterized by a worker in a certain period of time, in the same labor intensity make it into a product of the relative amounts of means of production", "the growth of labor productivity, will show that the amount of labor will be relative reduction than the quantity of production data it promote ". So

to say, n is reduced in
$$M = k \times \frac{m}{v} \times n$$

However, the production of surplus value or to make money, is the absolute rule of private ownership economy mode of production. With n reduced, will cause the existence of relative surplus population. This creates two aspects of the consequences.

On the one hand, makes the enterprise owners do all we can to strengthen the exploitation of workers. Because, if you want

to add a certain amount of surplus value production, a kind of factors can reduce by another factor increases to compensate. So

$\frac{m_2}{v_2} > \frac{m_1}{v_1}$, but, the capitalists in

order to achieve the goal of their own money, will inevitably make the change of the number of workers less than the variation of surplus

value, so it is $\Delta n < \Delta \frac{m}{v}$, and so it must be

$M_2 > M_1$.

On the other hand, makes the enterprise owners try to hold down wages. Because, capital accumulation and the relationship between the wage rate, population "in the final analysis is the same workers provide the unpaid and paid labor relations". As long as it impact to the business owners to make money or production of surplus value, they will surely try best to hold down wages and make $k_1 > k_2$. Because $n_2 < n_1$, and the change of the number of workers is less than wages,

$\Delta n < \Delta k$, so it must be $M_2 > M_1$.

So will see, In a private ownership economy, with the accumulation of capital and growth, the enterprise owners will occupy more and more surplus value and capital. Brought by the accumulation of capital "is the accumulation of wealth, and in the other, in their own products as capital to production of class, is poverty, torture, slavery, ignorance, rough, and the accumulation of moral corruption." of Marx's on capital accumulation in private ownership economy law is a scientific principles of economics, the private economy in the primary stage of socialism is applicable.

2.2 The influence of income gap for the

changes of the public sector of the economy and private ownership economy

In the primary stage of socialism, distribution according to work is the fundamental principle of the public sector of the economy. Although there are different laborer itself the individual talent, there is a difference on the physical and mental, and social labor provided by different workers in quality and quantity must be different, that cause the difference of their personal income. But the relative inequality, it is the primary stage of socialism is inevitable, and the private ownership economy in the capitalist free possession of workers' surplus value that inequality with characteristics of exploitation is fundamentally different.

Assuming that urban industrial enterprises in the public ownership and private ownership economy and other economic elements of the population function be $f(x)$ 、 $g(y)$ 、 $h(z)$ 、 $f(x)$ 、 $g(y)$ and $h(z)$ are the continuous function of a random variable x 、 y 、 z . Eliminate the effects of various factors such as population reproduction, assuming $f(x) + g(y) + h(z) = M$.

2.3. According to the weighted average, the inequality of the whole society can be

$$\frac{mf(x) + ng(y) + lh(z)}{f(x) + g(y) + h(z)} = J$$

as , and

m, n, l be the gini coefficient of public sector of the economy and private economy and other economic elements. Here mainly considering the changes of the gini coefficient of public sector of the economy and private economy, so in the process of analysis it is assumed l and

$h(z)$ as invariant and $m < n$.

2.3.1 $g(y)$ increase , $f(x)$ decrease.

That is $g(y_1) < g(y_2)$, $f(x_1) > f(x_2)$

Because $f(x) + g(y) + h(z)$ is invariant,

so $|\Delta f(x)| = |\Delta g(y)|$, That

is $f(x_1) - f(x_2) = g(y_2) - g(y_1)$.

Setup $\frac{mf(x_1) + ng(y_1) + lh(z_1)}{f(x_1) + g(y_1) + h(z_1)} = J_1$,

$$\frac{mf(x_2) + ng(y_2) + lh(z_2)}{f(x_2) + g(y_2) + h(z_2)} = J_2$$
 , among

$$f(x_1) + g(y_1) + h(z_1) = M = f(x_2) + g(y_2) + h(z_2)$$

From $m < n$

$$\Rightarrow m(f(x_1) - f(x_2)) < n(g(y_2) - g(y_1))$$

$$\Rightarrow mf(x_1) + ng(y_1) < mf(x_2) + ng(y_2)$$

Because $lh(z_1) = lh(z_2)$, so

$$\Rightarrow mf(x_1) + ng(y_1) + lh(z_1) < mf(x_2) + ng(y_2) + lh(z_2)$$

$$\Rightarrow \frac{mf(x_1) + ng(y_1) + lh(z_1)}{M} < \frac{mf(x_2) + ng(y_2) + lh(z_2)}{M}$$

That is $J_1 < J_2$;

2.3.2 $g(y)$ decrease , $f(x)$ increase.

That is $g(y_1) > g(y_2)$, $f(x_1) < f(x_2)$.

So this show that in the primary stage of

socialism, when the component proportion of private ownership economy increase, thus when the increased number of private ownership economy in the enterprise, the degree of inequality, When the increased number of the public sector of the economy in the enterprise, reduce inequality. Distribution relations, it seems, is only a performance and ownership structure as a result, the relationship between ownership structure determines the distribution and allocation. Income distribution inequality is inevitable outcome of the development of private economy energetically. Private ownership to expand once more than a certain "degree", "let the development benefit of all people" can not be truly implemented.

3 The countermeasure and suggestions for unfair distribution

The above facts and modeling study revealed that the development of private economy of our country has important influence on the change of the income gap, to effectively resolve and narrow the income gap and a polarization phenomenon, the construction of a harmonious society, make the reform results benefit to all the people, we must find the clues to solve the problem and countermeasures from the ownership level.

3.1 Continue to develop and perfect the public sector of the economy.

Because the public sector of the economy is to realize the common prosperity of the economy foundation, loss or weaken the foundation would be impossible to achieve social justice people expected. It needs to take concrete measures from the practice, continue to develop and improve the state-owned economy and collective economy and strengthen the control and guidance force. Specific measures include: (1) deepen reform

of the existing management system of the public sector of the economy.(2) develop the new public ownership enterprises.

3.2 Formulate and perfect relevant law, and earnestly implement and learning.

In the labor market, the norm is oversupply situation, so business owners with its dominant position, hold down wages, reduce the welfare of workers, ignore the workers work environment, etc., laborer is in absolute disadvantage in the market. Now have to pay more attention to the protection of laborers .It requires, in areas such as labor, wages and social security and improve the relevant laws, and then carefully propaganda and carry out the legislation, Also take certain way to organize workers learn the legislation, guidance and education, make laborer know when to use law to protect their legitimate rights and interests.

3.3 Adjust the taxes, strictly enforce the tax system.

Here, the adjustment of tax burden is not general tax cuts, because the general tax cuts can not solve the problem of disparity between the rich and the poor [1]. Should distinguish between different classes, adjust the tax burden, increase a decreases, strict tax system. For the rich, should be moderate tax increases, prevent the defect of tax "reverse adjustment", and modest gift tax levy inheritance tax, property tax, etc. For broad laborer stratum, should further improve the income tax threshold, reduce the tax ordinary working-class, cancel the tax of the low-income group. In addition, also intensify tax regulation, strict enforcement of tax law, avoid tax evasion.

3.4 Play the role of trade unions and federation of industry and commerce.

As defend workers' rights organization, Unions and the federation of industry and commerce, should play their proper role. In our country, on the contrary, the unions tend to lack independence and autonomy, even too much curry favor with the management. This state of affairs should be changed. Give full play to its care help worker and its worker, supervision, and promote enterprise strictly enforce the labor law, etc. Federation should actively cooperate with related departments, guide and education business owners law-abiding, to improve the operation and management, so as to promote the development of industry and commerce.

3.5 To strengthen the theoretical education and propaganda.

Influenced by the thoughts of all kinds of "westernization", Marxism has been marginalized, and the tendency of weakening, this time more to strengthen the theoretical education and propaganda, let the sinicization of Marxism occupy the ideological position, enhance people's consciousness. Formally, should adopt flexible and varied ways, enhance persuasion. Through education and publicity, not only to improve the leadership and cadres of socialist consciousness, good and evil, also should go deep among the masses, improve discrimination, so as to keep a clear head, in front of the right and wrong, choose rational decisions.

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