Labour Values, Prices of Production and the Effects of Income Distribution. Evidence from the Greek Economy

By

Lefteris Tsoulfidis* and Theodore Mariolis**

ABSTRACT

This paper explores the relationship between labour values, prices of production and changes in income distribution. For this purpose we use a linear model of production and circulating capital assuming that wages are paid $ex \ ante$. On the basis of this model and actual data from input-output tables of the Greek economy for the period 1988-1997 we estimate the labour values and prices of production, which are normalized with the use of the Sraffian standard commodity and the actual output vector. Furthermore, we extend Steedman’s polynomial approximation of prices of production to include the case where wages are paid $ex \ ante$ and the accuracy of this approximation is tested with actual input-output data. We find that prices of production change as a result of changes in income distribution more often than not in a monotonic way and in a few cases display curvatures, which reverse the order between prices of production and values. The consistency of the results over the years leads us to the idea that there might be some regularity, which we identify in the relationship between the standard ratio of the economy and the vertically integrated technical coefficients of production of each individual industry.

Key words: Distribution, Labour Values, Prices, Standard Commodity

JEL classifications: C67, D57

* Associate Professor, Department of Economics, University of Macedonia, 156 Egnatia Street, P.O. Box 1591, 540 06 Thessaloniki, Greece, Tel. 30 2310 891-788, e-mail: lnt@uom.gr
** Theodore Mariolis, Assistant Professor, Department of Public Administration, Panteion University, 136 Syngrou, 17671 Athens Greece, e-mail: mariolis@panteion.gr. Names are randomly ordered.