Title: AUTONOMOUS DEMAND AND CONFLICTUAL DISTRIBUTION: A SIMPLE MODEL TO DESCRIBE MONETARY ECONOMIES

Author Rosaria Rita Canale, University of Naples

ABSTRACT

The aim of the paper is to build a very simple model based on four preliminary hypotheses: 1) the economic process develops through time; 2) money is endogenous; 3) producers are vertically integrated and price makers 4) all incomes are gained in the form of money

Banks create credit on request of producers; producers - if we consider them as one big firm - use credit money just to buy work; workers buy goods sold by firms; firms receive money to pay back banks for the amount of wage fund plus interests and gain a certain rate of profit. Considering that in a two sectors economy firms can receive back just - if there is no saving - what they have anticipated in the form of wage fund there is always a certain quantity of goods that remains unsold: profits and interests cannot be remunerated in the form of money. The conclusion is that the existence of a monetary economy is always submitted to the presence of additional monetary demand.

From this model emerges that: 1) the presence of autonomous monetary demand - government spending, exports, additional money created by banks before other productions come to an end - grants that the economic process continues through time. 2) the amount of autonomous monetary demand and the available techniques determine employment 3) the equilibrium employment can be full employment equilibrium just if a) the planned rate of profit is consistent with the autonomous monetary demand and b) the existing techniques allows it; 4) the distribution mechanism is conflictual because the same amount of autonomous monetary demand