PRODUCTION AS EQUITY, IN THE MARKET ECONOMY LOGIC
(A HETERODOX VISION ON PRODUCTIVITY)

ALEXANDRU JIVAN *

ABSTRACT: The paper proposes an approach to equity in the economy and society, based on reconsidering fundamental conceptual elements of the original liberalism with reference to generally valid value creation and to the original meaning of the concept of productivity. The approach – theoretical par excellence (no empirical developments are proposed) – is critical to the market mechanism, highlighting the possible perverse nature of their functionality, and involving requirements on democracy, justice and regulations. The allegations are sustained by quotations from famous authors (of the classical period, until recent times). References to other works of the author are made too, for issues not developed in this paper. In the end, certain relations between calculated productivity and intrinsic productivity (defined by the original concept of servicity) are made; such relations can define an expression of the degree of inequality manifested in a market economy.

KEY WORDS: productivity, equity, servicity, market economy, justice in economy.


1. THE EQUITY PROBLEM IN THE MARKET ECONOMY

In the original meaning of liberalism, the concept of productivity is the quality to create value in an absolute sense, i.e. generally valid value (see the differences between individual or relative, to a part, and absolute, on the other hand, according to Jivan, 2014; see also infra, details on the distinction between particular and general, outlined in section no. 4). The valuable contribution includes: intentions, own effort made (the condition contribution) and the individual and general plus brought (the positive effect, the effect contribution): for himself and in the meaning of the generalized Pareto optimum. This original concept of productivity refers to any

* Prof., Ph.D., West University of Timisoara, Romania, alexandrujivan@gmail.com
economic entity or activity. At the level of nations, the *contribution* of economic entities (creation, the *plus* made) is given by (i) the intellectual contribution/effort (qualitative achievements of scientific research), by (ii) the physical contribution (physical results of productive activity – given by manufacturing) and (iii) by the contribution of the natural national environment (extracted or agricultural and forestry productions). The calculation must also consider the damage suffered by the national environment (soil, subsoil, including water, air, etc.).

In support of our view, there are studies concerning the quality of life, since the economy is not an end in itself, but any *economic action can be logically justified*, in human terms, just as a *means* to support materially the human life (here we exemplify only Popa, 2014); we may also exemplify an empirical study (Mihai, 2014) concerning productivity, that is, by its intention, to a certain extent, on such a conceptual direction. While in the first reference a broad approach is considered, in the latter, as in other approaches to productivity and inequality, a specific feature is considered: by adding the adjective "social" to the concept of inequity, the *social* inequity is spoken. It is true, the empirical data do not allow a comprehensive and complete analysis concerning the categories of contributions (i, ii, iii) outlined at the beginning of this section. But if our view is aiming at the general approach and is focused on the inequity of the market mechanisms themselves (see *infra*, at this very section below), such a specification (exclusively on social differentiations) represents a limitation. Because productivity (all the constructive and destructive contributions and effects) should be considered in a widen view, in various dimensions: spatial, temporal, human, economic, social, ecological, etc. (Jivan, 2014). The dimensions of equity – and implicitly the related attempts to quantify it – should consider aspects concerning the contribution of economic entities and of actions: intellectual, physical, environmental effort and contribution.

Although the sense (perception) about the concept of productivity is that shown from the beginning, the economic reality however proves that, by comparison to the contributions of economic entities (and to the destruction provoked by economic activity), the reward – under market economy – to any activity is given by the value it absorbs (captures) from its environment, by business means (negotiations), *i.e.* value measured by the firm’s receipts or the "value of production".

Equity should therefore be seen as correctness or rightness of the economic system (in this case, of the market) to its actors, *i.e.* as *equality of chances* and as *appropriate reward* to individual contribution. In other words, I see equity as rightness of appreciation (both moral and material, including the effective remuneration),

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1 In the sense that the author published it after several discussions with her doctoral supervisor (discussions concerning the direction of her doctoral research on *productivity indicator failure* and on the failure of its usual way of calculation, including the elements to focus on in the *purpose of its correction*, including the servicity conception and the transfers of servicity from an economic entity to another, – especially on the international level – and other guidelines and suggestions in the frame of the requirements that we made for her research, during doctoral stage). The concrete solving of some of such issues that we pointed out, belongs to the quoted doctoral student (thus solving in this way; and, partially, in other forms too – in other publications).
therefore, the more general words, equity means recognizing the contribution, retrieving it to the entity which brings (that brought) it. The rightness of reward (the appreciation) must, it also, have a perception as broad: not only a business view (by the sole criterion of maximizing profit), but primarily human (by the principle that the economic is a tool serving people and humanity, not an end in itself), and therefore also an ethical, social, environmental view...

We underline that our concern in this paper is focused on equity in abstracto, in principle or general: i.e. the difference between the real situations by report to “that what should be” by the principle of equitably rewarding all the contributions. Our approach is focused on the deflection of the recorded return of the economic actions or entities (of the real reward get on the market) by report to what would be equitable by report to the systemic contribution brought by the analyzed economic activity or entity. Or, in other words, our concern is the reality that intrinsic productivity is not equitably rewarded (we mean intrinsic productivity in the Physiocratic way; in the purpose of detailing this meaning, please see, for instance, Jivan, 2014. The intrinsic productivity is not in the formal recordings, because the data and calculations concerning certain facts are made after negotiations, after the action of the market; and that what will remain recorded is that what results from such (black-box) processes. The productivity that, formally, is assigned to an economic entity is calculated (and claimed) by recorded data. Such data and indicators can very well be resulted from the logic captured in the well known Romanian proverb: “uncaught thief is honest merchant”.

In the purpose of quantifying equity, firstly can be taken into account elements concerning the economy, but such studies must be done in a most widen view (that is not reduced to the strictly quantitative, money, criterion). Because the economic activity that results in value creation, allows a correlation to be made with the amount of incomes. But the effort and the contribution, as we already said, are not always faithfully reflected in the amount of incomes: and inequity (or equity) exactly from this fact is coming: from the distribution (by the market) of the economic values to the economic entities, in a bigger or smaller consistency with the contribution they brought.

Attempting to quantify productivity, global social-human elements should be also taken into account. They concern the issues of health, education, natural environment (with all the complex implications for humanity of such strategic fields; and, we underline also the implications for the economy, that are important); they also concern the economic inequalities (and their aggravating – that what represents a social problem2, and a problem for the economic mechanism itself too (because the diminishing of the “middle class” consume and, in its place the "Casino economy" is developed. Our opinion is hat, by such aspects the equity we concern cannot be assessed (i.e. the capacity of pecuniary measured productivity to capture the complex contribution brought by an economic entity or action); especially point out the very big risk of confounding, in such analyses, equity with equality). The approaches on the mentioned issues must be the most complex, permitting many combinations of those elements (elements in which human development should be pointed out, and, from the

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2 This way of research was followed in the attempts on the issue we referred to.
economic point of view, the sustainability for the economic actions and for the economic development itself is interesting).

In our opinion, social inequalities (that most studies on inequity are concerned on – for instance by using the Gini indices) do not represent obligatory inequities: the social dispersion captures inequalities (but not the inequity). In the cases of social inequality, the inequity can exist (it is not excluded), but not obligatory (by definition): the meanings must not be mixed up under confusion. Inequalities can be even very equitable, i.e. fair, rigorous, from the point of view of the contribution of the economic entity, showing the qualitative differences between the parts compared. As a result, the social differences must not be immediately understood as inequities. The only fact that a contribution can be not recorded in the incomes of an economic entity (in the “reward” it captures by the market mechanisms) proves the inequity resulted from the real (factual) functioning of the markets (in despite of the theoretical marginalist mathematical mechanisms).

In the same time, economic equity may mean inequity or can hide in fact inequalities: Jacques Généreux (2005, p. 117), for instance, underlines that “an equivalent level of welfare can mask extreme inequalities in the [human’s] capacity to choose their life, [... they …] try to find their joy in the tight space of real liberties …”, liberty that are offered, we say, by the given social-economic system (in our case, the consume society and by the market economy). See also the degrading of people (in the meaning Aristotle said: to hrematistics), mostly in the last decades, by focusing all the opinions’ and consciousness’ formation almost exclusively on the economic (even the formal education entered on such an approach): in the spirit developed by the commercial propaganda, propaganda that arrived, by persistence and spreading, to become almost a harassment).

That is why, to the conception brought by Amartya Sen – that gone over the approach in the terms of the “rightness of the means” or in the terms of the “rightness of the results”, and who considered that the essence of justice consists in the “equal capacity (or capability) of individuals to transform means in results that are consistent with their conception of life” (Généreux, 2005, p. 117) – I would add the need that, to equal contributions (generated general results), individual entities should get equal rewards: it means that the results for themselves (that are enjoyed by those entities themselves only) should not be different by other criterions that the contribution itself. Such observation is necessary in the conditions of the market economy: because we know, even from the observations A. C. Pigou (at least) made concerning the wages differences in certain particular conditions, that the market does not realise that goal.

Equity should be understood in the genuine liberalism’s meaning: the true producers, i.e. the creators of generally-valid values must be rewarded equitably for their contributions. “ […] It does not mean else that equity the fact that, those who feed, clothe and provide housing to the most of people, to receive a sufficient amount of the product of their labor as to be themselves well fed, clothed and live decently” (Smith, 2011, p. 140). But, by report to such value producers, other economic actors

\[ Jivan, A., \] 2007, p. 56 and next. The distinction made by A. C. Pigou between private net marginal products and social net marginal product is cited in O. Giarini, p. 97 and next.
live on what the first ones produce on the account of what is produced by the others: «les commerçants [...] ne peuvent [...] augmenter leur pécule qu’aux dépens des nations avec lesquelles ils commercent » (Quesnay, 1766). In other words, the labour (agricol, for Physiocrats and, in plus, industrial to Smith) must be the rewarded one; the true creators should firstly benefit, and not firstly the value redistributors, traders and, generally, those who practice the exploit that Veblen described. (“exploit, so far as it results in an outcome useful to the agent, is the conversion to his own ends of energies previously directed to some other end by another agent.” – Veblen, 1912, p. 27-28). Exploit is conceived as “an assertion of prowess, not of diligence.” (idem, p. 27). Such accurate understanding of the conceptions and ideas of the diverse thinkers of the economy should be made in the manner Bastiat did, who, even in very different words, searched and found, the right meanings, on the grounds of profound understanding the thought of the author he was reading and of the context (conceptual, logical, professional, moral, social and political) of the concerned book or article, and not detached from the context.

2. PARTICULAR VS. GENERAL. THE NEED FOR REGULATION

Equity is a principle that should govern the economic-social system, in the direction of a right reward of the general contribution (i.e. the contribution being generally in the benefit of the system): equity means that all individual entity are rewarded for that what they offer (to the whole system, not just for itself), from its values and possibilities; it means that the contribution brought in the meaning of the generalized Pareto optimum, should be rewarded. Equitable means that economic entities should be rewarded for (a) the activities that deserve to be rewarded (and until the level the reward is fairly deserved), and not for (b) exploit (in Veblen’s approach: “Such employments [for exploit] are felt, in the popular apprehension, to differ intrinsically from the labor that has to do with elaborating the material means of life.”, sais Veblen, 1912, p. 25-26). In terms of principle, such equity would mean eliminating the gains got without the own core contribution to generally-valid purposes, i.e by simply exploiting diverse situations or, generally, exploiting the environment), or even by cheating. „The liberties of every individual must be immediately stopped when they generate damage to other people. The liberty of someone to pollute deprives someone else of his right to health. [...] But whose liberties are the most important?” (Stiglitz, 2013, pp. 315-316).

In analysing the idea of equity, we should consider that the market constraints people to certain choices and actions (Jivan, 2002): it is enough if we remind the children and families that are leaved by certain parents gone to work abroad, in the conditions of the catastrophic lost of jobs the Romanian citizens suffered after the fall of the Romanian economy in the years after 1989. Hayek says that liberty means “the absence of constraint”. But he concerns just the programmed constraint, of course, for instance the constraint from the authoritarian political regimes in the centralized economies, and not the market constraint – constraint that, in the orthodox conception, is “natural” and, therefore, ignored as a negative factor.
The issue represents a paradox: because, on the one hand (a), liberty (considered as “natural”, in liberalism), so the possibility to choose and to act without constraints “represents the engine of the market and of a progressive society based on trade, in a general mode. It gives birth to that what Hume calls the *enterprising spirit* and generate better chances of life” (Sally, in Preface to Smith, 2011, p. 13) and also stimulates developments in the directions that individual entities deserve. On the other side (b), as we already said, the problem is exactly the market as it really works: in the approach of servicității (see next section no. 3), statements such as the above quote are strictly theoretical; it is true in the conditions when reality proves that the cases of returns (gains, receipts, recording of “value produced”) without merit, and the cases of poverty despite the obvious merits and despite the genuine utility contributions – but such utility and merits remain unrecognized in the market system (i.e. in terms of remuneration of those concerned, their incomes being not consistent with such merits) are not simply isolated accidents. It is enough to search for examples in the recent economic history of Romania (in the last decades). The trade, itself, pointed out in the above quote, is the big values redistributors, often in unfair forms. Mihail Manoilescu, concerning the productivity differences between the industrialized countries and the based on agriculture ones, said that free trade is a supreme inequity. We add that the “bad” competition tends to replace (eliminate) the “good” one (Généreux, 2005, p. 121).

In such conditions, equity supposes a conception of the juridical and social-political systems and their most rigorous functioning, in the purpose of reducing the inequitable effects and of restricted discrimination. Therefore we say that equity is possible only in democracy and liberty: as well as in formal *provisions* and also as practical *application*, i.e. as actual event. Because “… aucune problème économique ne peut échapper la question de la justice et […] aucune question de politique économique n’a de solution technique obligée et n’échappe pas au débat démocratique.” (Généreux, 2005, p. 120). The “technical” solving that some traditionalist scholars pretend are not validated by every-day practice. We concern here also the corruption problem (see, for instance, Jivan, 2006)). The political and social conditions need, of course, a certain level of industrial development, to make possible enough *economic welfare* on the long run: because under a certain poverty threshold, liberty itself is factually impossible. The economical constraints we mentioned can generate serious perverse effects (Jivan, 2002). To sacrifice the general long term interests for particular, shortsighted, private interests, cancel equity from the very beginning. In this sense, for the economy the issue of sustainability is also put in question.

In the same conceptual context (and in consistency with the multi-dimensional approach we already pointed out in the first section), equity also takes into account a social and ecological wellbeing: in an immediate sense (close and on short term) a social organization that is favourable to social inclusion is supposed; and in mediate sense (on short term run, but on more long term run, in the same time) and also a right attitude concerning education and health (in the purpose of perceiving the true importance of those fundamental individual dimensions – and also social), as well as concerning the natural environment, the environment as a whole. Such view takes into consideration in a special widened way, the spatial and temporal dimensions, so also
the future, creating the possibility for inter-generational, not particular and mediated approaches, valid at complex systemic levels, approaches superior by report to the usual individualistic approach mostly used in the orthodox economic thought).

Speaking about the quality of the general will “to actually be general [...] in its essence”, Jean-Jacques Rousseau said: “general will [...] looses its natural rectitude when tends to a individual and narrow purpose, because than [...] we do not have a single principle of equity to be followed” (Rousseau, p. 30; emphasis added). It should also be corrected certain extreme accents of the individualistic perceptions (they are not consistent with the original liberalism, but were generalized due to certain interpretations): "Self-interest rightly understood means [...] to realize that you should pay attention to self-interest of all other people around you – in other words, of collective welfare – as a necessary prerequisite of your own well-being ultimately" (Tocqueville in Stiglitz, 2013, p. 461, emphasis added).

In the issue of sustainability, the question is whether, by maintaining certain conditions or by following certain trends, considered good, a situation of "good" will be maintained; this ... by assuming that even that "good" we could evaluate it correctly and we could measure its current level (idea taken from the Stiglitz, Sen, Fitoussi, 2008, p. 72). "Well-being of future generations depends on the resources that we let for them" (Stiglitz, Sen, Fitoussi, 2008, p. 61)

A delicate issue concerning equity is the impact of globalization on it. Its impact is connected to the already mentioned functioning of the systems in place, i.e. to the possibility that principles are respected, despite the force pressures and the private interests fight) on the market, to the chance that the effective manifestation of equity keeps, particularly in terms of the distribution of values (hence of welfare) among the members of international community. The principle of equity includes the reorientation of revenues in the benefit of the most deserving ones (in terms of creating value in society, in terms of performance; the performance meaning the service brought to the human social and planetary system.

For example, contrary to some ultra-liberalist approaches, we consider necessary regulations against pollution: "You better charge more bad things than good ones. Compared to labor taxation (something productive), it is better to tax pollution (a bad thing, whether we are talking about oil that pollute our oceans from accidental spills from oil companies’ refineries, about waste from chemical plants or about the toxic assets produced by financial firms)" (Stiglitz, 2013, p. 350). Society – and within it, the economy especially – keeps, has and perpetuates that what it appreciates and encourages.

"For markets to function properly, there should be proper regulation by the State." (Stiglitz, 2013, pp. 23; emphasis added). The concept of "properly", in that what concerns the functioning of markets ought to be discussed: most references are considering only full functioning (i.e. avoiding any form of market imperfection). Or such a thing is not known to exist in reality: Walras himself, when he designed the splendid mathematical model of the market mechanisms functioning, was very conscious of the purely theoretical nature of that model (Jivan, 2007, p. 60 and next).

Regulation should therefore correct, as far as possible (we will not be able to know completely, due to insufficient data, in the spatial, temporal, disciplinary and
scope dimensions), the effects of inequity resulting from the market, from the real functioning of the confrontation of forces and interests between entrepreneurs – but which affects the whole system (social, natural, planetary).

The problem that arises is that the policies "of government, which shapes and directs the technology forces, the market forces and the general societal forces" (Stiglitz, 2013, p. 156) can be themselves largely generating conditions and effects that are unequal between individual entities.

3. SERVICITY AS EQUITY

Given the usual way of quantifying productivity (using conceptually limited value data), I introduced the concept of servicity (Jivan 1993, 2000, etc.). Servicity ($\sigma$) is the capacity to produce generally useful service, i.e. the action has beneficial results for the whole system: social, natural, national and global. While calculated productivity ($w$) is rather the result of negotiations, of some very various circumstances (variable on very short periods too); servicity is basically an intrinsic quality of the economic entity; so servicity remains about the same, at least for relatively short periods of time.

In my view, the rightness of productivity should be how the "achievements" of an economic entity (in this case on the line of productivity) are included in the "rewards"; in other words, whether servicity is registered officially as calculated productivity; is that:

$$\sigma = w.$$

In reality three are three situations:

$$\sigma \leq w.$$

Servicity measures two main aspects of economic reality – in this case of the economic entity’s activity: the change of the contribution ($Ap$) brought by the economic activity or entity, and the modification of remuneration ($R$) thereof, i.e. the incomes of which the economic entity benefits for the account of the action.

The results of an economic activity or entity are "on his behalf" (meaning that they are caused by or based on it), but they are not necessarily a value creation of itself; i.e. they are not necessarily deserved by the criterion of the contribution, or they do not recuperate the efforts. The compensation – basically measured by incomes – being made by market mechanisms, it becomes (is) absorption (appropriating) from the environment.

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4 I mean the ability to get more – or even without any real contribution, without actually done something generally constructive, so that deserve the Physiocrat appellation of productive.

5 Because in terms of the market, they are ...

6 I mean that there exists the possibility to get less (or nothing), despite the contribution (hidden and having very long-term effects, or obvious, even with immediate effect), without gaining on the market just from actions of simple redistribution or by skilful management, and without having made destruction bigger than creation; so that it fits not the Physiocrat appellation of sterile.
Its formula is therefore a comparison principle (ratio, difference) between these two aspects:

$$\sigma = \frac{\Delta Ap}{\Delta R}.$$  

At the same time, productivity is measured, as is known, as a comparison between the same specific revenue or results („specific” means that they are registered at the concerned business entity, in a given period (or moment), in a certain place ($Rp$), which is commonly named output in the orthodox economics (on one hand), and, on the other hand, the effort for itself, *i.e.* strictly particular ($App$) measured by the *payments for inputs* (the paid inputs); the other contributions, efforts, inputs into the process are not considered. But we believe that no matter where, when or economic entity considered in the analysis, every effort should be considered (not only the payments for particular inputs, so those of the other economic entities, of the society as a whole, of the future generations, of nature ...); as well as we must take into account the full contribution, not only that of punctually interest for a particular economic entity.

$$w = \frac{\Delta Rp}{\Delta Ap}$$

In such comparisons, we emphasize that, conceptually, $Ap$ includes generally-beneficial achievements, *i.e.* the achievements that are individually-beneficial, concerning strictly the concerned economic entity) $Rp$ plus any externalities that can be considered in the spatial and temporal dimensions; these achievements can be considered in conjunction with the general effort of getting them. Similarly, the generally beneficial effort can be made (and considered) individually (even if for generally beneficial purposes, *i.e.* in a comprehensive sense, meaning the systemic generalized Pareto optimum): also the efforts, not just the effects, should be considered in a generalized (systemic) sense.

In fact, what emerges after a certain action, activity, enterprise (*i.e.* any effect), if it has negative way, is actually an effort, loss, destruction (see Jivan, 2014); it is actually a result (“production” type) only if, after subtracting the negative effects, it remains positive; just as every effort enters into any result calculation, but succeeding or not to cancel the results overall.

In conclusion, the inequalities are given, essentially, by the fact that the intrinsic productivity (*i.e.* servicity) is not properly reflected in measured productivity (measured effectively, *i.e.* in the receipts of the economic entity, incomes recorded as its own results). This inconsistency (lack of equitable reward) is the fundamental inequity generated by market mechanisms. It should be a concern for the democratic system, in order to ensure justice in the society in an interdisciplinary vision widened on multiple dimensions (by the principle of the generalized Pareto optimum – according to Jivan, 2014), a vision that is able to avoid narrow or particularly limited economic approaches.
REFERENCES: