

The Pull-in of the Government Intervention Mechanism in the Distribution of Market Income

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Abstract: The paper classifies the social product or services into four types according to the availability and acceptability, and analyzes the equilibrium price changes of different products. On the basis of this, the market mechanism is further explained that the price of the product or services often deviates from the value, namely market failure. Therefore, this paper draws a conclusion that the price is not a simple market issue. It cannot be solved by the market mechanism alone and we must pull in the government intervention mechanism to make them work together on the price of labor.

1. Introduction

With the continuous development of the social economy, the income distribution of Chinese society has been diverging, and the contradictions and differentiation within the middle- and high-level income groups have become increasingly prominent. The call for the society to adjust the internal income distribution relationship of this group has become increasingly strong. If we do not reform the income distribution system, it will aggravate social contradictions and become a hidden danger affecting social stability. Therefore, many Chinese scholars are very concerned about the issue of fair income distribution or income gap. For example, S.Li [1] empirically analyzed the impact of the same kind of tax on the income distribution of capital owners and labor owners in China; J.Xu[2] conducted an empirical analysis of China's personal income tax and its income distribution effects, the results show that the adjustment effect of tax on income distribution has been weakened a lot due to the unfair existence of personal income tax. J.Lin[3] explored the mechanism by which different development strategies of the government influence the income distribution through the labor market; W.Tang[4] analyzed the reasons for the serious imbalance of income distribution of Chinese residents, and believed that the main reasons lie in the underdeveloped market economy, the impact of the national un-balanced development strategy, the insufficient redistribution function of national income, the prominent phenomenon of power rent-seeking and the unfair income distribution caused by industry monopoly, etc.; B.Xue[5] studied the formation mechanism of wealth inequality from four aspects of institutional factors, policy factors, asset bubbles and market mechanism and proposed corresponding proposals to narrow the income gap. L.Li[6] studied the impact of capital mobilization on the fairness of individual income distribution in China. The research shows that there is a positive effect of the relationship between capital mobilization and individual income distribution. This effect is mainly realized through two ways: raising income level and strengthening relationship identity. Its role has not decayed with the rise of market rationality. Y.Chen[7] empirically found that more than half of the workers in China have obtained unfair low income, and the economic regional factors are the main cause of unfair distribution, while industry factor is the fastest growing factor of unfair distribution. Most of these documents focus on urban-rural income gap, regional income gap, government development strategy, and the impact of taxation system on income distribution. They have played a positive role in helping us to understand China's income distribution and explore the reasonable distribution mechanism of income and thus the healthy development of society. However, few of these studies have been conducted from the perspectives of different types of

products in the economics, its impact on the relationship of supply and demand in the market, and the underlying causes of income inequality. Therefore, this paper attempts to explore the market failures due to the market characteristics of different types of products have led to unfair income distribution from the perspective of basic economic theory and attempts to find solutions.

The arrangement and main innovations of this paper are as follows: the first part re-classifies social products; the second part is the impact of the availability and acceptability of products on the relationship between supply and demand in the market; the third part is the solution to the market failure of different types of products analyzed in the second part, that is, the introduction of the government intervention mechanism, making the market price return to the value; the last is the conclusion of this paper.

2. Reclassification of Product

From the economic point of view, the so-called income is essentially a kind of pricing for the labor and output of laborers. In the market economy, the fairness of distribution is the issue of reasonable pricing. How does the market make pricing for the products people provide? According to classical economic theory, under the conditions of market economy, the price of goods and services is determined by supply and demand [8], and according to the Adam Smith's famous conclusion: price is like an invisible hand guiding the allocation of resources in the market. However, in the Adam Smith era, social products were relatively simple, and there was no such well-developed online media. Therefore, Adam Smith did not conduct product classification discussions when he made supply and demand to determine product prices. With the developing of society and the deepening research, later scholars classified products according to their exclusivity and competitiveness. There are four types: private goods, natural monopoly items, public resources and public goods. On this basis, they studied the market failure caused by public resources and public goods. However, even such a classification does not reflect the development of modern social economy and technology, especially the highly differentiated product characteristics brought about by highly developed network technologies. The consumption of products has also become very complicated. Some products are easy to consume or accepted by consumers. Some products require consumers to have strong acceptance or knowledge reserves to be consumed. Therefore, we need to reclassify social products according to the new characteristics of products, namely, availability and acceptability. Availability here refers to the speed and cost to which a consumer accesses a product or service. If the speed is high and the cost is low, the availability is high; if the speed is low, the availability is poor. For example, film and television works and literary works and so on, which are suitable for network communication, are highly accessible because internet technology improves the acquisition speed of such products and reduces the acquisition cost. Acceptability refers to the level of intelligence, physical or intellectual ability required by a product or service when it is consumed. And its acceptability as a product is relatively high. If the ability requirements imposed on consumers are low, then the acceptability is high, and on the contrary, the acceptability is low. If you want to see a popular movie, you need less knowledge, and its acceptability as a product is relatively high. The knowledge reserve needed to read a scientific research paper is very high, and its acceptability as a product is relatively low. In sum, social products are reclassified according to the availability and acceptability of the products, as shown in Table 1.

Table 1 Four types of social products

Film and television works, Popular songs, etc.	Traditional drama, Classical music, etc.
General goods, Travel services, etc.	Confidential cutting-edge technology, Scientific research results, etc.

In Table 1, we divide social products or services into four types, one of which is a product with

high availability and acceptability, such as film and television works. Consumers can quickly acquire these products or services using modern, highly developed cinema lines and web technologies, and their availability is extremely high. At the same time, since the film and television works themselves are for the general public, their contents are easily accepted by everyone, especially the entertainment variety shows such as the popular “reality show” in recent years. These programs or works are highly acceptable. The opposite type is the cutting-edge result of scientific research, especially in the field of basic scientific research. Due to its strong professionalism, it is often only published in several limited journals in its field, so the availability is very low. It is difficult for non-specialized people to understand, so from the perspective of social products, the acceptability is extremely low. There are two kinds of products in between. One is a product or service with weak accessibility and high acceptability, such as traditional commodities. Consumers have a relatively slow access to these products or services, usually by means of transport or on-site services, and their access is limited; and because they are ordinary civilian products, consumers will use or receive services easily, so they can Acceptability is relatively high. The other is a product or service with high availability and low acceptability, such as traditional opera Kunqu, classical music, and the like. Consumers can also use the broadcast and television network to obtain these works, so their availability is also very high, but because the general public has difficulty when understanding and enjoying its content, so its acceptability is usually low.

According to this product division, film and television works and scientific research results are two poles. The availability and acceptance of film and television works are very high, and the availability and acceptance of scientific research results are very low.

3. The Impact of Availability and Acceptability on Market Supply and Demand

So, how does availability and acceptability affect the price of a product or service? To this end, we use traditional analytical tools, law of supply and demand to determine prices. The initial assumption is that all types of products are the same, the market equilibrium price P_0 is shown in Figure 1.

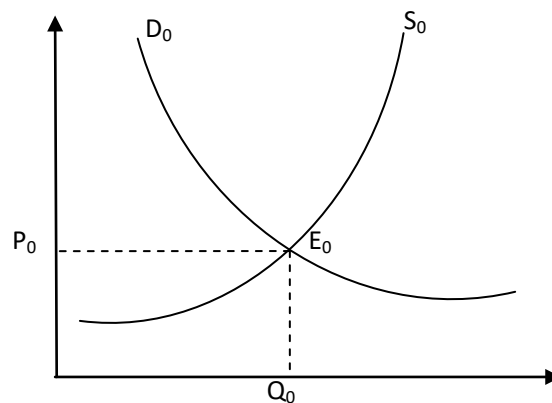


Figure 1 Initial equilibrium of the market

Because the availability and acceptability of film and television works are very strong, the demand for actors, especially famous actors, has greatly increased, so that their demand curve moves to the right, resulting in an increase in the demand for actors. The quantity has increased the price of the actor ----- income, as shown in Figure 2. On the contrary, the availability and acceptability of scientific research results are relatively low. Therefore, the market demand for researchers, especially basic theoretical researchers, is greatly reduced, so that the demand curve moves to the left. As a result, the market reduces both the demand for researchers and the price of the scientific research personnel, namely their income, as shown in Figure 3.

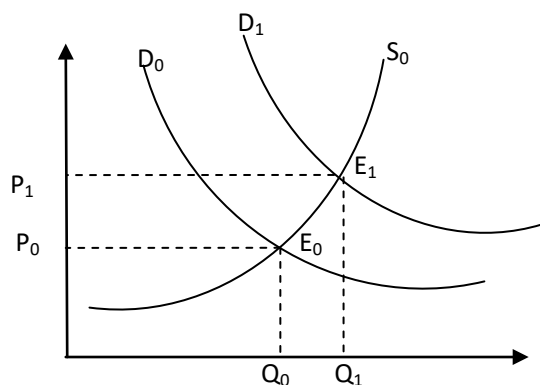


Figure 2 Equilibrium of performing arts market

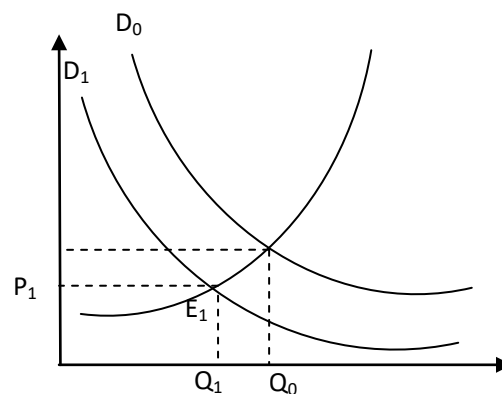


Figure 3 Equilibrium of research market

As can be seen from figs. 2 and 3, market performance of different types of products will differentiate due to the changes in external economic and technological conditions, thereby changing the labor pricing for producing these products. As a group, the consumers who influence the supply and demand of the market, which in turn determines the price of labor, make decisions by comparing their marginal and marginal costs [8]. Their market performance as collective is realistic and short-sighted, and finally they vote for the stars in the form of money. Products and their producers who have made great contributions to social progress, national security, and human well-being have been abandoned by most consumers because of their abstractness and long-term incomprehensibility. Scientific research achievements with great positive externality are not positively motivated or rewarded. Just as movie fans will never devote their enthusiasm to scientific researchers, the market has also abandoned them in the name of balance between supply and demand. Undoubtedly, such market pricing has seriously distorted the value of different labor forces, which is inevitably the abnormal distribution of wealth in real life. On the one hand, the actor spends two billion yuan to hold an extravagant wedding show. On the other hand, the Nobel Prize winner devotes all his life, but the prize can only buy half a living room in Beijing. These phenomena make people feel astonished, confused, and deeply worried about the healthy development of the social economy. Just as when the market fails in the face of public land and externalities, the market clearly fails again in the pricing of labor. In the real market, the performers can easily earn huge incomes by advertising, filming, and reality shows. The workers represented by scientific workers have low availability and acceptability. Therefore, although they have made great contributions to the whole society and the long-term interests, they cannot get a fair income and have to be much more difficult. Perhaps some researchers of applied science such as Y.Tu and L.Yuan, whose work results are directly related to production, can make money using patents. However, it must be pointed out that a large number of basic science or theoretical science research is highly abstract and forward-looking, and their products cannot be directly sold in the market, let alone obtain huge benefits. To this defect in the market, Adam Smith did not give an answer. These problems did not exist in his era and he did not foresee the existence of these problems. Therefore, we must re-understand the products, especially the labor force and its pricing.

4. Introduction of Government Intervention Mechanism

Does the labor price determined by the relationship between supply and demand in the market reflect its value? Marxist political economy has already answered this question, and believes that value determines the price of commodities, and price is the monetary expression of commodity value. However, there is inconsistency between price and value, prices may deviate from value. The value of a commodity is determined by the socially necessary labor time. The more socially necessary labor time it takes to produce a certain commodity, the greater its value, on the contrary, the smaller it is.

According to Marxist value determinism, the socially necessary labor time of the celebrities' film

and television works, especially the reality show programs, is not much, and its value is not high, so the price should not be high. The social necessary labor time of the research of scientific research workers, especially the ones who spend their whole life studying, is very high, so the value and thus the price should be very high. It can be seen that the price determined by the market supply and demand does not always reflect the value of the item.

Facts have proved that the market is not omnipotent, and it has its own defects that cannot be adaptive and self-regulating. When the market is inevitably in trouble, there will be market failures, which will lead prices to fall away from value, as shown in Figure 4. In the figure, a straight line indicates a relatively stable value line under certain conditions, and a curved line represents a price change curve determined by a supply-demand relationship.

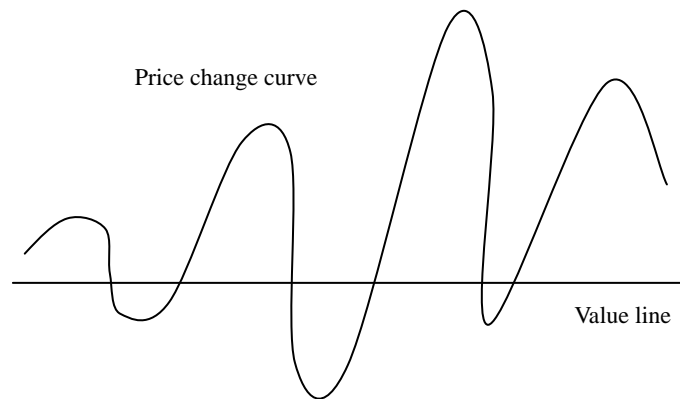


Figure 4 Deviation of price versus value under market

In Figure 4, we can clearly see that the price generated entirely by the market mechanism, that is, the relationship between supply and demand, may fall into the dilemma of price severely escaping from value without some kind of restraint mechanism.

For example, the Dutch tulip event in the 17th century; the South Sea bubble in England in the early 18th century; the real estate bubble in Japan in the 1980s, ruthlessly revealing people's fanatic pursuit of wealth, and the herding effect completely abolish people's rationality. The economic order has suffered severe damage. At those situations, the market price did not play a role in the value signal [11], we must carry out government intervention to bring it back to its own value, as shown in Figure 5.

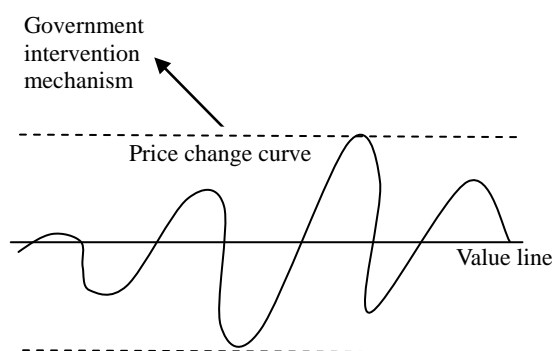


Figure 5 Price vs. value under the interaction of market mechanism and government intervention mechanism

The dotted line in Figure 5 represents the government intervention mechanism, which limits the price to a certain range, makes the price revolve around the value and allow for fluctuations within a certain range under the influence of market supply and demand.

The market mechanism answers the equilibrium of a product in a certain market or the entire market. However, the market is short-sighted, partial, and specific, it cannot balance the value of goods from the perspective of the development of human society in the longer term; it can only balance the specific material products and cannot make abstract spiritual products including human

emotions, human spirit and social harmony. Equilibrium; it can only balance the wealth created by mankind, but cannot balance the beauty and wisdom including nature and cultural heritage. "The market economy only emphasizes several aspects of human existence at the expense of multiple human needs, thus leading to alienation" [9]. Under contemporary social and economic conditions, the market has once again failed.

The market could be failed. Therefore, our society must establish government intervention mechanisms, such as restricting or increasing the income of an industry through legal mechanisms, or taxation mechanisms to regulate the taxation, social welfare mechanism or other coordination mechanism of an industry to achieve income redistribution, adjustment or social compensation. No doubt, the government intervention mechanism is a necessary supplement to the market mechanism. It should work together with the market mechanism to promote the whole society to follow the track of price changes around value. Everything will eventually return to its original appearance, and the price must ultimately reflect its value. Nowadays, the essence of scientific workers' life-long efforts cannot match a show is that the market distorts prices once again, which leads to great inequity in the distribution of social wealth. "The ideology of the market economy only recognizes the principle of self-interest. That is to evade social responsibility. In the confusion of morality, economic achievements can only make social problems more serious" [10] The serious detachment of price from value will inevitably lead to the distortion of values, the hesitation and nihility of people's thoughts in the real society, and the hard-working people will be tremendously hurt by the values. In 2015, the buzzing public opinion about the Nobel Prize winner Y.Tu and the star performer X.Huang's is the realistic contest of "a breath of impetuosity, a reality of the luxury of the wind of enjoyment and the noble sentiment and healthy taste of the national virtue. Its economic essence is the contest between value and price. It is also people's questioning about the price simply determined by the supply-demand relationship, and the requirement of introducing government intervention mechanism to bring the price back to its value.

5. Conclusion

Economics studies the problem of effective allocation of resources. From a broad perspective, there are many ways to allocate resources, such as market supply and demand, government plan allocation, and even queuing purchases and interpersonal relationships. But when the "validity" constraint is added, the market is generally a good way to allocate resources [8]. However, this does not mean that the market allocation is perfect. It sometimes fails, such as when monopoly, information asymmetry, externalities, etc. occur. Similarly, the availability and acceptability of products can also cause market failure.

Value is the essence of the economy, so that it is an important topic of economic research of how to making price always fluctuating around value. At the same time, the methods and results of value assessment will ultimately be reflected in our social structure, institutional arrangements, spiritual culture, ethics, and interpersonal relationships. In fact, the market itself is the result of social rights relations and institutional arrangements [11]. The monetary and non-monetary costs and benefits of all goods and services, and even people's motives and behaviors, are closely related to this arrangement. Therefore, the price must reflect the value, which is essential for the healthy and orderly development of society. In turn, we can influence the market's demand preferences through the reconstruction of the social value system and strengthen the value that is more conducive to the long-term development of the society, and eventually express it through price.

Summarizing the above analysis, we can conclude that the price issue is by no means a simple market supply and demand issue. It must reflect the intrinsic value of the product, including the value of the individual's use and the social value it contains. We should not commodity all items and services in value assessment, and should not simplify the complex issues. Meanwhile, value is related to a wide range of social issues. Therefore, labor pricing that reflects these values cannot be solved by market mechanisms alone and must be done together with government intervention mechanisms.

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