KALECKI’s PARADOXICAL ODYSSEY
Science, Life and Cognition vs. Prejudice, Tyranny and Oppression
We arrive at a very complex scientific journey of ~35 years, 11 major cosmopolitan centres of learning and more than 10 countries of activity. The connection of science, life and cognition is obvious; the period covered both World Wars.
We have found that the degree of monopoly is likely to increase somewhat during depressions.

Michal Kalecki's claim to priority of publication is indisputable.

(Joan Robinson)
The trained civil engineer researched the economic effects of world depression for 7 years at the newly established Institute of Conjuncture (IBRKK). Unemployment of his own father and the social contrast of progress and poverty left a deep mark in him, searching for scientific explanations and practical exits.

Economists used binomial theorem to count probabilities that depend on numerous and very distributed variables to predict the way the economy will behave in the next few years.

The capitalists of a country which manages to capture foreign markets from other countries are able to increase their profits at the expense of the capitalists of the other countries. Similarly, a colonial metropolis may achieve an export surplus through investment in its dependencies.

Michał Kalecki

“The only function of Economic Forecasting is to make astrology look respectable.”

(John Kenneth Galbraith)
Under the non-deniable intellectual influence of Tugan-Baranovksy, Kalecki embarked into the study and action field of analyzing the conflicting dynamics of capital, in a statistical manner, which is an apparent paradox and spiritual odyssey.

Kalecki thus precisely predicted the economic and political U-turn that occurred with the advent of neoliberalism. Kalecki also argued that fundamental institutional changes, especially regarding wage-setting and other aspects of the employment relationship, would be essential if full employment was to be sustained.

- Jim Stanford -

Armaments and wars, usually financed by budget deficits, are also a source of this kind of profits.

Michal Kalecki

In a sense the budget deficit can be considered as an artificial export surplus.

Michal Kalecki

In economic theory the conclusions are sometimes less interesting than the route by which they are reached.

Piero Sraffa
The research of Kalecki and his application of the scientific method always conflicts not only with the study subject (systemic behavior of capital), but inevitably causes a political friction with the ruling power elite or class (systemic ignorance of the power structure).

It is indeed paradoxical that, while the apologists of capitalism usually consider the 'price mechanism' to be the great advantage of the capitalist system, price flexibility proves to be a characteristic feature of the socialist economy.

~ Michal Kalecki

It should be noticed that the whole approach is in contradiction to generally accepted views

Michal Kalecki

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Being nominated for the Nobel Economics Prize in 1970, his untimely death made this event impossible.
This statement refers to Kalecki’s scientific observations on the full employment economy and the political unwillingness of the rentier class to support this approach, due to its own possible power loss.

“Obstinate ignorance is usually a manifestation of underlying political motives”

Michal Kalecki (1943) on Magic Money Tree economics
Both remarks of J. Robinson do deserve our full attention, with respect to the conflicting and exhausting life experiences of Michal Kalecki.

Marx did not have very much to say about the economics of socialism. As Kalecki once remarked, it was not his business to write science fiction.

(Joan Robinson)

The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.

— Joan Robinson —
KALECKI’s PROFIT EQUATION

DERIVING THE PROFITS EQUATION

We begin with the simplest national identity:

\[
\text{Gross Domestic Product} = \text{Gross National Income}
\]

\[
\begin{align*}
\text{Consumption} & \quad + \quad \text{Investment} & \quad + \quad \text{Government Spending} & \quad + \quad \text{Net Exports} & \quad = & \quad \text{Wages + Salaries (after tax)} & \quad + \quad \text{Gross Profits (includes after-tax interest, dividends, rental income, etc.)} & \quad + \quad \text{Tax Revenue} \\
\end{align*}
\]

After some manipulation, we obtain:

\[
\text{Gross Profits} = \text{Investment} + \left[ \text{Government Spending} - \text{Tax Revenue} \right] + \text{Net Exports} + \left[ \text{Consumption} - \text{Wages} \right]
\]

Which can be reduced to the fundamental profits equation:

\[
\text{Gross Profits} = \text{Investment} + \text{Government Deficit (+)} \text{or} \text{Surplus (-)} + \text{Net Exports} - \text{Savings*}
\]

* More technically, this term is saving out of wages less consumption out of profit income.