

Losses of aggregate efficiency under achieving interregional equity

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As a redistribution via transfer payments is a reasonable one for the real world only to some extent (the appropriate legislation assumes almost explicit restrictions on transfer payments, and the respective policy tools concern a redistribution of public or private capital mostly), the goal of interregional equity may contradict to the goal of aggregate output maximization – the goal of efficiency. Therefore, the regional strategies should be formulated and realized in the light of network relationships between aggregate efficiency and interregional equity. The numerical analysis of such relationships taking into account the data of economic system is a rather complex scientific and practical management problem for decision developers. It is worth to mention the interregional interdependence and coordination correspond to the modern theory of endogenous economic growth by Paul Romer awarded the

Nobel Prize on October 8, 2018. The unsolved part of general problem is the testing of general theoretical approaches to interregional redistribution on the real cases. The aim of paper is to substantiate the possible mechanisms of social income redistribution for Ukraine. The transformation surfaces between aggregate efficiency and interregional equity can be constructed for known regional production functions. The more interregional inequity of income per capita at the efficiency point, the more efficiency losses under achieving interregional equity. The methodology of production function optimization allows developing the ways to solve a problem of efficiency and equity. The practical cases and models based on the Cobb–Douglas production functions show that achieving interregional equity is a feasible task without significant losses of aggregate efficiency for the country as a whole.