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## The Point at Issue in the Industrial Structure of Japan

by Ryoichi Suzuki

The ultimate purpose of economic science is the improvement of the standard of living. For this purpose the evaluation of labor productivity and the increase of employment are necessary. But these two factors are not always consistent with each other. In western European countries, full employment has been achieved, so that the evaluation of labor productivity tends to rise the standard of living without causing to unemployment. But in our country there exist considerable over-population, and often the evaluation of labor productivity contradicts to the increase of employment. Observing the recent economic history, in the early age of Meiji, the average income of workers of the primary industry is stagnant at a low level. The income of the third industry shows cyclical movement rather than trend development. Thus the economic development of this age is mainly caused by the secondary industry. The employment of the primary industry increased comparatively rapid in early age, but the rate of increase stopped at 1895, and then decreased slowly. In the secondary industry the employment has increased rapidly. In 1885, the number of workers was about twice the one in 1875, and after this year it showed rapid growth until 1929. In the third the employment has increased monotonously and the rate of growth increased even in the depression of 1930. But its rate of increase is smaller than in the secondary industry. In 1905 the movement of labor from the primary industry to the second and the third industries has taken place. But in 1935 the majority of workers were engaged in the primary industry.

In spite of the low level income in the primary industry, the movement of workers to other industries was not rapid. The first reason is that the standard of living depended not only on his income but also on his assets. Farmers inherited house and other assets from their

ancestors, so that they could live with cheap cost. For this reason the agricultural population did not show the large change from 1920 to 1940. In 1880-1910 the wage rate of agricultural workers is about the same level as that of the manufacturing industry. The difference between them has taken place since 1930. Thus the correlation between wage and employment is not observed. The ratio of working population to total population increased till 1895, but after that time this ratio did not change, and since 1920 it decreased under the rate of early ages. In that age, the income of workers of the second and the third industries decreased. In other word, the supply of labor as a function of income appeared as the change of labor force ratio rather than the inter-industry movement of workers. In depression as the result of the shortening of round-about production period the effective demand for the third industry increased relatively. Thus the third industry absorbed unemployment occurred in the secondary industry. Observing many countries, it seems that the labor force ratio is low both at low-income-level countries and high-income-level countries, and high at moderate-income-level countries.

After the World War II, as the achievement of reconstruction proceeded the relative share of workers increased gradually, and in 1952 it exceeded the ratio in 1934-6. This occurred for the following reason—(1) the decrease of income from assets as the effect of inflation, (2) the decrease of income from public utility. The income of entrepreneurs increased too. From the industrial point of view, the income of the third industry decreased relatively because of the increase of the primary industry. Commercial income increased relatively. The relative share of labourers in our industry is smaller than that in U.S.A. or western European countries. This seems the result of the low level of labor productivity—over-population. In 1946-8 the wage-difference decreased, the real wage of female labourer did not decrease so much as that of male labourer. In cotton industry the difference of labor productivity between large and small firms did not change so much between 1937 and 1949. On the other hand, in machinery industry the difference decreased very much. Perhaps this fact re-

flected the wage differentials. But with the rising of production level, the wage differentials tend to increase. In recent times there are many workers in the family that receives relatively high income. This seems the result of demonstration effect, the relatively-high-income families tend to copy the western Europeans and buy the durable goods. So that in these family wife and children are ready to work to get high income. Observing the family income that the householder has been unemployed, the income of the family where the householder is totally unemployed and wife or child is employed is larger than that where the householder is employed again. From this fact there are considerable voluntary unemployment that has comparatively large income. This shows the existence of difference of labor quality.

In 1946 manufacturing industrial production decreased to the level of 1905, and that even the maintenance of living was difficult. Government tried to get off this situation by reconstructing basic industries and taking the policy of disinflation. When the influences of these policy took place, government planned five-year reconstruction planning that covered all industries. This planning aimed to reach the prewar standard of living by increasing of export and raising labor productivity. When this plan was published, the pessimistic view was so dominant that the achievement of this plan was difficult. But in 1953 national income exceeded the planned figure. On the other hand, the manufacturing industry and the transportation industry fell under what had been expected. From this we may reason that the round-about production did not achieve so much what had been expected. This phenomena was occurred by prosperity in this country and western European countries after the War. Secondary, owing to innovations, the capital co-efficient decreased so much that with comparatively little capital firms has been able to produce many goods. When we set about the new project, we must use the adequate consumption function, investment function and others. After 1952 the labor productivity and real wage has exceeded the level of 1934-36, and the standard of living has risen. The propensity to consume tends to decrease, and stimulates the accumulation of capital. In the near

future we shall achieve the full employment without lowering the standard of living by raising of labor productivity and increasing export.

## Fiscal Policy in the Growth-Model

by *Ichiro Okuma*

In the Domar-type growth model, fiscal policy is introduced as follows:

$$h = \sigma[1 - \alpha(1-t) - (1-i)g],$$

where  $h$  = the required growth rate of national income,  $\sigma$  = capital-productivity,  $\alpha$  = propensity to consume in the private sector,  $t$  = net tax-rate,  $i$  = saving ratio in the public sector,  $g$  = the ratio of public expenditure to national income. In this model it is assumed that public investments have the same capacity-creating effects as private investments.

If the balanced budget is to be maintained, the above formula is modified in the following way:

$$h = \sigma[s(1-t) + it],$$

where  $s$  = propensity to save in the private sector.

We have three operational parameters  $g$ ,  $t$  and  $i$  to conform the actual growth rate to the required one.

## Econometric Model of Labor Demand

by *Iwao Ozaki*

In his two recent articles, Professor H. B. Chenery has developed a fundamental argument on measuring production function from engineering data. There he contends that his production function consists of the material transformation functions, energy supply functions as well as input functions which show the relation between engineering and economic variables.

Though he cleared up the meaning of the structure of capital assets, he did not explain satisfactorily the "labor input function." From the viewpoint of the theory of production, the labor input function is of the greater importance, since the problems of wage rate and labor demand have been emphasized.

In this paper we tried to build an econometric model of producers' factor demand behavior, approximating the production function with a linear logarithmic form taking of labor and capital as its factors.

- (1) We reconsidered the meaning of labor input function as well as the character of the economic production function.
- (2) Next, we showed the statistical model presuming the cost minimization principle under the conditions of technical knowledge.
- (3) And then we tested statistically the model for economic data of the years 1931-1936.

## Concentration and Centralization of Capital and its Split and Dispersion

*by Isamu Kitahara*

In this study the writer deals with the phenomenon of the ruin and survival of small businesses in the manufacturing industries. This phenomenon is due to the two antagonistic tendencies—concentration and centralization of capital and its split and dispersion, which are produced necessarily by the development of capitalism.

In the process of concentration and centralization of capital, incessant expulsion and expropriation of small capital by large one come into being. Only through such a process, capitalism has developed its productive powers. By its capacity of lowering cost, larger capital can overpower smaller one. The larger has advantages over the smaller in (1) adoption of higher productive means, (2) economies in the employment of constant capital, (3) saving of the expenses of circulation, and (4) credit availability.

In spite of this process a great number of small capital are found still surviving in every country. The fundamental cause of the possibility of their survival is the fact that individuals own a small sum of money. This fact is ascribed to the division of properties between capitalist families, and to the distribution of surplus-value to individuals in various classes. In addition to the above fact the industrial fields in which small capitals can stand on their fact must be brought in the scope. While these fields are deprived of by large capitals, they continue to be reproduced in the course of the development of capitalism. On the way of capitalist development the reserved army is produced, on which small capitals can survive, and also small business industries in which small capitals are able to stand is produced by the multiplication of social productive branches.

Small capitals, which cannot live in more developed branches, have always the tendency to rush into these fields. Therefore in industries where small businesses are predominant and accordingly excessive competitive conditions are prevailing, prices will be low in relation to costs, and correspondingly the profit-rate will be low.

Thus the both unceasing ruin and rebirth of small businesses are the products by the law of capitalist development. The writer criticizes some dogmatic Marxian economists who remark only the side of the ruin of small businesses in disregard of the side of their remain. He criticizes also the observations of non-Marxian economists, who explain the survival of small businesses on the view of "diseconomies of large scale production" which are due to the difficulty of management and the increasing cost of coordination in proportion as business is setting on large.

The writer is confident that this article will be of some use as the means for analysing the problems of large and small businesses in the period of monopolistic capitalism.