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The Period of Readjustment of World Economic Systems

by Noboru Yamamoto

In this article, the writer tries to analyze some factors which call for the readjustment of current world economic systems. This article is written from the following view-point: After reconstruction for ten years, the world economy is now facing a transitive stage and it needs the readjustment of world economic systems in order to realize this transition.

Although there are many problems to consider, here the writer takes up the following three out of them.

- (1) Formation and development of socialist world market.
- (2) Tendency of regionalization of world economy.
- (3) Enlarged difference of economic development stage between developed and under-developed countries.

On the first problem, the writer points out that the development of socialist world market introduced into world economy the division of world market into two parts, i.e. capitalist world market and socialist one. And now the possibility of the severer competition for enlarging market is growing for each side.

The second problem is that by the stimulation of the establishment of European Common Market, presumably several other regional economic unions will appear. And if the mutual relations between those groups are not in order, we may meet the danger of inner-split especially among capitalist world economic system.

On the third problem, the writer implies that in spite of the adoption of economic development plan in under-developed countries, the difference of development stage between developed and under-developed countries is getting enlarged. This fact calls for not only the re-consideration of their plan itself but also the reflection of formula of their planning and of their external policies.

If those under-developed countries take wrong steps, there may be the possibilities for them either to move toward socialization, or to come under re-colonization by foreign powers.

After having reviewed these three problems, the writer forecasts

that the re-adjustment of world economic system will develop around the problems of economic development of under-developed countries. In this meaning, the next ten years will be characterized as "the era of under-developed countries".

A Model of Policy-Decision-Making Process

by Hiroshi Kato

New welfare economists have contributed the clearer definition to welfare economics. And they believe that the government "should" act to accomplish the welfare state because it is an altruist. This opinion includes that they implicitly assume the "proper" function of government is to maximize social welfare. But their belief that the government "should" do so does not mean that it will. Even if social welfare could be defined, what reason is there to believe that the men who run the government would be motivated to maximize it? Kenneth Arrow concluded that no rational method of maximizing social welfare can possibly be found unless strong restrictions are placed on the preference orderings of the individuals in society. So it is my object to set up a model of the government action to maximize social welfare.

1. a) Two or more parties compete in periodic elections for control of the governing apparatus,
b) The party winning a majority of votes gains control of the governing apparatus until the next election.
2. So political parties in above axioms formulate policy as a means of gaining votes.
3. Each voter prefers the favourable party for him. Thus social welfare is accomplished as a by-product of the government's private motive. The government follows the majority principle.
4. When there are the opposite parties, whether or not such a government maximizes social welfare depends upon how the competitive struggle for power influences its behavior.
5. There are two major difficulties.
a) When the opposition adopts a minority coalition strategy,

government does not always follow the majority principle.

b) When Arrow problem arises, there is no majority position to support.

6. The answers are as follows:

a) In the real world, the success of minority strategy is threaten by uncertainty.

b) Parties nearly always adopt any policy that a majority of voters strongly prefer.

7. Thus government in our model can not help adopting the majority principle in any case.

In short, government is not a mere set of individuals. The preceding conclusion shows that there is parallel relation between them.

Japanese coastal Fisheries and their Structure

—On the cause of survival of non-capitalistic
Small Businesses in fisheries industry—

by Ryuzo Takayama

Since the use of a powered fishing boat (1905) capitalist fisheries have made rapid development. In this process, a lot of non-capitalistic small businesses have gradually become unstabilized and disintegrated. We have seen that every year—and particularly since "Fisheries Reform" in 1950—some of them have either joined the class of wage-workers or become "down and outs".

In spite of this tendency, 213 thousands non-capitalistic small businesses are found still surviving in 1954. We have two views about the cause of their survival. The first view is following; Japanese capitalist fisheries stand upon the technic of "manufacture". For the reason of the narrowness of their own technical basis, they neither have been able to get their grip upon the whole extent of fisheries production, nor revolutionize that production. Then they have not been able to wipe out small businesses out of existence.

But this view is mistaken in characterizing the technic of capitalist

fisheries as "manufacture", and neglects the important function of ownership in fisheries production and the ownership of fisheries ground.

The ownership of fisheries ground is the fundamental cause of survival of small businesses. According to another view, they contend that the character of the ownership is semi-feudalistic, though they ascribe the cause to the ownership of fisheries ground, they would be mistaken, however, if they consider its character as semi-feudalistic, because fisheries grounds are owned by fisheries co-operations. Regarding the organization, small producers constitute the main members and they do not pay the rent for use of fisheries grounds.

Based on that ownership, small producers have been able to secure coastal marine resources. This relation makes it possible for them to produce the marine products which are different from products of pelagic capitalist fisheries in the use value, and therefore not competitive in the consumer market.

Monopoly and Its Control

by Yutaka Hara

Since about twenty years ago, when the theories of monopolistic and imperfect competition come out, a serious difficulty has laid in defining monopoly. Before that time, we had thought that competition was a main feature of capitalistic markets, but not at present. As competitive and monopolistic facets are entangled inseparably in real markets today, we recognize that monopoly is no longer a bias of competition.

In addition to this finding, the appraisal of long standing for monopoly is being changed. From the beginning of this century, monopoly has been mainly regarded as the evilness indispensable to capitalistic production system. Recently, however, economists began to point out its advantages. They say that monopoly plays an important role in innovation, stabilizing the economic fluctuations and so on. Although it is also an important problem whether this assertion is correct or not, I have no room to enter into it. By the way,

judging from these points, the first thing we have to do with seems to re-examine the concept of monopoly in real terms.

Generally, monopoly is defined in two ways, as follows.

1) In the generic meaning of the word, monopoly may be said to exist both when a single seller and a number of sellers acting in unison through formal or tacit agreement, control the entire supply of a particular commodity. But monopoly in this sense is rare indeed, excepting public utilities.

2) In the widest possible meaning, monopoly may be said to exist when a market does not satisfy the conditions under which perfect competition is constituted. This monopoly includes all the markets, because perfect competition is practically non-existent.

The former is too strict to apply in real cases. But the latter needs a further explanation.

One of the terms of perfect competition is to be a great number of small firms. It follows from here that a market occupied by a small number of large firms must have the monopolistic power, which controls the supply and price of the market through the restraint of competition. But it should not be accepted without reflexion.

Competition among large firms, especially for quality of product, cannot be avoidable by being a small number of large firms, (in another word, concentration). According to the data, the highly concentrated markets in Japan are meeting new entrants and can not always gain high degree of profit rate. Thus it is concluded that concentration have no necessary connection with the restraint of competition.

Today, in many countries the policies of monopoly are being executed. What does the monopoly mean in these policies? There are two main sorts of policy which control monopoly, that is, American antitrust policy and British monopoly control policy. The core of American policy is the Sherman Act. The Sherman Act prohibits every contract designed to limit competition among competitors and monopoly, or attempt of monopoly. But on account of applying *the rule of reason* to the contracts, the test of monopoly, or attempt of monopoly depends upon only the definite behavior of restriction of competition. After the second world war, in the decision of the A.L.C.O.A. case, the bigness was took into account. The court said

we should prohibit not only the definite behavior of restriction of competition, but the bigness of firm as resource of monopolistic power. This change of concern was remarkable. Nevertheless, the last judgement of monopoly had been given from the intention of restriction above mentioned. Our Anti-monopoly law follows the Sherman Act, as we know.

On the other hand, the British policy (the Monopolies and Restrictive Practices Act) has tended to accept every contract designed to limit competition as reasonable in the absence of intention or actual attempt to injure a competitor. It is impossible to exaggerate that British policy regards the bigness as a desirable character for economic efficiency and adopts *the rule of reason*.

We have seen that there is a conflict of views about the merits and demerits of monopoly and there are policies both against and for monopoly. Besides, in reality, the large firms compete each other even in the highly concentrated market. Essentially, the public policy of monopoly should control the demerits of monopoly. So, we can say that the more flexible the policy is, the better its effects.

Thus it is the best way that we adopt a policy like British one in shaping the public policy of monopoly.