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## Laborer's Policy and Social Policy

—On Prof. Fujibayashi's Theory of Social Policy—

by M. Chubachi

Human Structure of Labor—basic concept in Fujibayashi Theory—can be called as a process which physical and mental ability of labor (namely labor force) are realized as human labor through the attitude towards labor of each laborer under certain condition (labor condition).

This process of realization of human labor is the process of consuming labor force. Behind this process there is a process of reproduction of labor force which has been consumed. These two processes are combined by the balance between labor and rest, namely the balance between consumption and reproduction of labor force in each laborer's living. Now human labor realizes its productivity when it is connected with some production methods under certain conditions of labor. The productivity per certain labor hour is generally called as labor efficiency. However, productivity of labor can be measured by total amount which certain laborer realizes during possible period of work. This is defined as labor efficiency (E) times possible labor years (L). Moreover total productivity that certain group of laborer realizes when productive method and distribution of labor conditions are given are determined by sum amount of E times L of all laborers and adjustment of the distribution to give productive method and labor conditions.

Let us limit our problem to the labor productivity as defined as E times L. E can become long by increasing the intensities of labor but if it is not complemented by taking appropriate rest, L has to be shortened. Labor productivity will be maximum when both E and L increase, to make this possible balance between consumption and complement of labor force must be in the expanded reproduction process. On the contrary, even when E is temporary increased L can be interrupted by diseases or L is shortened by absence to recover consumption accompanying increase in E, thus productivity as a whole have to be decreased. Alternatively, there may be cases when L is sustained with decrease in E after the labor force is partly disrupted, or E is decreased by self sustaining tendency of labor force and as a result, the increase in L become possible. These reflect such condition that laborer tries

to resist to the increase in consumption of labor force by deterioration in labor conditions and to restore the balance of complement. If they fail to resist such trend, the balance of consumption and complement of labor force will lead to contracted reproduction process. The labor productivity will be reduced as both  $E$  and  $L$  become smaller.

Therefore if one country tries to increase total productivity of working population, balance between labor and rest in each laborer's living must be in expanded situation and to make this possible we must try to arrange work and living conditions of the labor to be well and to promote the attitude for customary levels of physical and mental ability of labor positively and try to improve distribution and structure of working population. This policy for this end namely, to increase labor productivity, Prof. Fujibayashi had called it as Laborer's policy. The reason why we call policy to increase labor productivity as Laborer's policy is that the actual living of the laborer centers on consumption and complements of labor force.

The living of the laborer is related to economic process of commodity production as they supply labor which is the fundamental factor of production, on the other hand, they are related to the process of exchange of commodities in the markets, the realization of value of products as they demand consumers goods which are the final products.

When there is no danger far shortage of demand in the domestic markets and when there is shortages of labor supply which corresponds to the expansion in production, the Laborer's policy as production policy is required. On the other hand, when there is reduction in demand for labor force by recessions and when there is a necessity for increasing purchasing power for domestic market, social policy as redistribution of wage income is required.

However, its necessity is not realized unless it is based on the systematic social resistance in part of labor supply. In the prewar period, living of the laborer in our country had agricultural society which included substantial degree of self-sufficiency in obtaining goods for living as its back ground and had strong passive resistance to give mutual assistance to close relatives, but on the other hand, it did not render active behavior to solve the problems socially by forming democratic systems. The system was limited to security based on family livings. It goes without saying that passive persistence against the deterioration in labor condition caused such types of resistance as being absent from work or change in occupation at its extreme for natural perseveration of one's livings. The policy that business in our country adopted

to meet this resistance started initially from subtracting from wages and accumulating them to stop the laborers to move from one occupation in early Meiji period, and developed gradually into the establishment of mutual relief system for welfare facilities in the firms in Taishō period. This is the substance of family management system which is called "Junpū Bizoku" in Japan.

After the war, the activity of labor unions became legal and Labor Standard Law and other laws for social insurance were enacted and arranged but major bodies of labor union was labor union of each firm tied with seniority labor employment structure of the firm, and levels of social insurance payments nor wage level were far from being able to substitute the family type mutual assistance.

The increase in demand for labor accompanied by the high rate of economic growth could not bring the level of employment to full employment level which would make the strength of labor and management to be equal when they negotiate. Then is it possible for our country to follow the course from the conditions of low wage, low efficiency and long labor hours to high wage, high efficiency and short labor hours in developed countries?

According to the theory developed by Prof. Fujibayashi the policy for increase in labor productivity as well as that for inducing purchasing powers had each economic inevitability according to the development situation of capitalism. In order to make this inevitability a reality, it is necessary to form systematic and social resistance in part of labor. If this is true, even if this resistance is relatively weak, it may be possible to realize this inevitability; provided that labor will concentrate its resistance on the most decisive points to concieve precisely this economic inevitability of the policy. The economic inevitability of the policy is the inevitability of the self perseverance of the capitalistic economic systems, thus if the inevitability of self perseverance is fully understood by capitalists, it will become more easy to give concession to the resistance of laborers. Thus one arrives at the conclusion that promotion of investigation to deepen the understanding of economic inevitability of policies concerning distribution or production centered around the laborer's living in both parties, namely labor and management, is the basic policy for the modernization of our economy and to increase the democratic consciousness of the laborer.

## Price Level and Price Behavior in Monopoly

by I. Kitahara

The writer had discussed the importance of developing and establishing the *Monopoly Price Theory*, in his previous paper titled, "The Market Structure and the Price Control in the Stage of Monopoly Capitalism," (in *Keizai-gaku Nenpo*,—Annual Report of Economics, No.5,1961, Keio Economic Society). The Structural scheme planned for the theory of monopoly price was suggested as follows.

Introduction The law of concentration and centralization of capital.

Part I The characteristics of the market structure in the stage of monopoly capitalism and the possibility of the price control by big businesses.

Part II Pricing conduct by the big firms in the monopolistic market structure, and its results—the formation of monopoly price.

Part III The effect of the formation of monopoly price or monopoly profit to economy as a whole.

Introduction and Part I of this scheme were discussed in his previous paper mentioned above. The present paper covers a portion of Part II.

The rapid development of concentration and centralization of capital had resulted various market structures with such features as high degree of market concentration and high barriers to the new entry (and also great product differentiations) in important many phases of the national economy. Such market structure provides a base for enabling a limited number of large capitals to realize monopolistic rise in prices through enforcement of the limitation on the actual and potential competitions.

The major object of the study in Part II is to analyse on what principles and by what kinds of method do these limited number of large enterprises set their prices under various market structures and also to see, as a result of these decisions, on what levels do prices get settled and finally to investigate how such prices move according to the changes in various conditions.

I. In the present article, the writer takes up first the problem of what is the basic motive in the behaviors of price determination of large monopolistic or oligopolistic enterprises. According to the author, the basic motive is to seek the maximization of long-run capital profit ratio and it is not to seek

the maximization of short-run profit, sales profit ratio or sales nor to pursuit minimum profit or fair return, as they have been suggested so far by various economists.

II. Now, what level will monopolistic enterprises that have such motivation set their prices. Author has tried to discuss such problems according to number of different cases but the case that is mainly dealt in the present article is in regards to market structure that monopolistic position is established by one single enterprise but the barriers for the new entry are not absolutely sure thus monopoly enterprise must always take the possibility of new entry into account in setting its prices. In this case, monopoly enterprise must find out the highest profit ratio that forbids the new entry, namely, such level of profit rate that will induce new entry when it exceeds such level and will enable it to forbid new entry when it becomes lower than such level. Author explained how the existing monopoly enterprise finds the highest profit ratio that still enable them to forbid the new entry through the analysis of mutual relationship between the level of profit rate that potential entrants to the market decide their entry, the level of profit rate that they expect it will be realized after their entry, and the going level of profit rate that is being realized by the existing monopoly enterprise.

Monopoly enterprise sets the price at the level which realize the highest rate of profit that is still possible in view of the barrier to the new entry.

III. How does the price which is set as explained above move according to the various changes in conditions,—changes in factors as demand, cost, and technology. The author studied two alternative situations, namely, when the changes in these various factors cause changes in height of the barriers to the entry, and when they hardly induce any changes, and made it clear that monopoly price had certain inflexibility and at the same time it revealed complexed movements (The study on the problems of price determination by oligopolistic firms are planned in the next article.)

## Dual Economy and the Progress of Industrialization in Southeast Asia in the 1950's

*by Yoko Kawashima*

In the past decade, countries in Southeast Asia had made earnest effort to raise their levels of national income. The mean they had chosen to attain this goal was to industrialize their economy. To obtain the full benefit of modern technology, this is undoubtedly the most fruitful way, however, the success of transforming their country into modern industrial states depends on their ability to absorb the new technology and the response of traditional sector that still comprises the major portion of the economy to accept these changes.

The purpose of the present study is to analyse the progress of industrialization in Southeast Asia in the 1950's, especially, how the progress had affected the modern industrial sector on the one hand and traditional agricultural sector on the other. In order to illustrate the problems and progress of industrialization in this region, empirical findings on western experiences that were made available to us by Kuznets and also Japanese experiences familiar to us were used. The chapters are devided into 1. Dual Economy in Southeast Asia, 2. Progress in Industrialization of Southeast Asia in the 1950's, 3. Changes in Manufacturing Sector and 4. Changes in Agricultural Sector.

Major findings and points emphasized in these chapters can be summarized as follows.

1. Among the obstacles that confront most of the less-developed countries during the process of industrialization, we can point two that were not present at the time when industrial countries of the West or Japan had launched into the course of industrialization. One is dual economy that are related to the export sector in underdeveloped countries of today. Their export sectors were often developed by use of abundant supply of capital from foreign countries and its factor proportions were often quite different from those in other sectors. Superior technologies adopted in export sector prevented the repercussion of rise in production in this sector to other sectors, as their investment demand nor consumption demand could be readily met

by domestic supply. The other is the lack of domestic markets for these traditional export products that it had to rely solely on external demand. The effect of expansion in production through rise in productivity are often nullified by the fall in prices at international market when it fails to absorb such increased production.

2. When we look at the dual economy in Southeast Asia today, we find that existence of two segments of economy with substantially different factor proportions. Factor efficiency are not particularly related to export sector but seem to have been caused by the rapid introduction of foreign technology in manufacturing sector against agricultural sector that still uses traditional productive method. This type of dual economy is not new in the literature of economic development and it will not be a drag for industrialization unless too excessive gap in productivity and productive methods used by the two prevent repercussion between the two. Export product from Southeast Asia like vegetable oilseeds, rice or tea unlike coffee, cocoa or sugar, can expect increase in domestic demand with the rise in income level in these countries. At least in case of Southeast Asia, the problem of industrialization may seem quite similar to the problems that confronted Western industrial countries few decades ago and it may be possible to learn some lessons from the past experiences.

3. The rate of changes in industrialization in Southeast Asia in the 1950's was not necessarily slow compared to the rate of change experienced in Japan around the turn of the century. The industries that they specialized in were generally conditioned by primary products they produced, food in case of Taiwan and Philippines and textiles in case of India and Pakistan. These industries had higher productivity compared to the other industries and also industries with higher productivity enjoyed higher value added per wages. The scarcity of labor and thus rise in wages to nullify the gain in productivity in higher productivity industries were not observed. Specializing in industries with higher value added per wages will accelerate the growth by facilitating the process of capital accumulation. Food and textiles are indeed industries which the rise in domestic demand can be expected as income level rises. Thus it seems to me that industrialization through these traditional lines whose demand are expected to rise in the near future will give the most promising outlook for the transformation of these countries into the modern industrial states.

4. Compared to the changes that are taking place in industrial sector,

gain in productivity in agricultural sector in Southeast Asia was relatively small. Especially what worries us who are interested in economic development in these regions are the absolute low level of output per harvested area compared to that in Japan. They are about forth or the third of what is normally produced in the latter. The increase in productivity did not take place until early 1950's. The changes are slow and does not reveal any accelerated changes in the latter half of the 1950's compared to the first half of the 1950's.

5. Advantages of backwardness that enables the relatively backward countries to borrow what was already achieved by developed countries seems to be enormous in case of Southeast Asia. However, the benefit of introducing modern technology seems to have affected the industrial sector more than the agricultural sector. The difference in productivity between the former and the latter may be greater in Southeast Asia than that experienced in Western industrial countries some decades ago, as the amount of technological knowledges for industrialization which are available to them are greater. Such big difference in productivity in these two sectors may produce dual economy that becomes a major obstacle for the growth. The increase in output in the industrial sector may not be absorbed by domestic demand alone, their investment demand may find it difficult to be supplied from internal sources alone and the rise in income of those who work in this sector and the subsequent increase in their consumption may not be spent on the domestic goods. Thus the problems of such dual economy becomes quite similar to that of dual economy related to export sector.

6. One may conclude that when we consider the problems of industrialization in Southeast Asia, we must be aware of the absolute low level of productivity in agricultural sector which still comprise large portion of their economy. The dual economy that is caused by the rapid progress in productivity of manufacturing sector in underdeveloped countries may not become a obstacle for the progress in industrialization so long as the difference in productive methods employed in two sectors are not too great and the difference in productivity between the two are not excessively large that there are some repercussions between the two. However, the low productivity in agricultural sector and its slowness of change in the 1950's compared to the rapid gain experienced in the industrial sector seems to suggest the possibility of the emergence of dual economy that may become a major obstacle for the industrialization in Southeast Asia.