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The Population of Japan

by Takuma Terao

To determine the size and rate of increase of population is one of the most important, yet one of the most difficult tasks in all social sciences. The so-called optimum theory of population gives us an answer. But unhappily, the theory is too abstract to be applied to solve our question. The progress of our science would one day make it far more concrete and realistic, but I doubt that the theory, however refined and polished in the future, would be able to fulfil the rôle of guiding principle for the population policy. According to the theory, the optimum or ideal population is that population under which the per capita real income is the maximum. This assertion is based on the assumption that economic benefit is the most desirable for human beings, or, in other words, economic welfare is in itself human welfare. We know that this is not the case. The economic progress is very often brought about at the cost of human happiness. Under the so-called optimum population, each one of us may be richer but not happier. To pursue this line of thinking is, however, out of the task of the economists per se. It is to be regretted that we economists have not so much voice for such an important problem. The relation between population and economic progress is exactly alike the relation between social development and economic development.

New Phases of the North-South Problems and the Pacific-area Economic Sphere

by Noboru Yamamoto

In this article, the author tries to find the effective way for promotion of mutual trades among Pacific-area countries including Australia, New Zealand, Canada, United States and Japan. From the viewpoint of so-called North-South problems, it is not easy to get this goal,

because the UNCTADs which were held at Genève in 1964 and at New Dehli in 1968 were not successful to make an approach towards trade adjustments between advanced and developing countries. According to the author's opinion, the North-South problem is facing its turning-point in the present moment of 1960-ies.

In this connection, the author proceeds his analysis in searching for the possibility of forming PAFTA (Pacific-Asia Free Trade Area) among those countries. However there exists many difficulties to realize this regional economic group in the near future, owing to the differences of not only historical and geographical conditions but also political, economical and social backgrounds of each country.

As for the prospects of this regional group, the author points out following five items.

- 1) North American countries, especially U.S.A. have the keenest interests to retain their trade relations among Pan-american area including Latin American countries in the first place and to promote their mutual trades with Western European countries in the second.
- 2) Latin American countries also try to expand their mutual trade among Pan-american group and their trade relations with European countries.
- 3) Western European countries aim at enlarging the intra-regional trades and show special interests for trade-promotion with North-American countries.
- 4) Most of the South-east Asian countries will try to increase their regional trades including Japan on the one hand, but they will have similar interests for expanding their trades with Europe and America on the other.
- 5) As for the Oceanian countries, there could be found some possibilities for them to make an access towards trade promotion with Asian countries including Japan and North American countries in compensating for their declining trades with Western European countries.

From the standpoint mentioned above, the author advocates the notion of JANFTA (Japan, Australia, New Zealand Free Trade Area) which was suggested by Prof. I. A. Macdougall and he concludes that Japan should try to expand her trade with Australia (plus New Zealand) in the shape of vertical line of trade at first, and then make an effort to enlarge this economic sphere gradually towards North-American countries and South-east Asian countries both in the patterns of vertical and horizontal lines.

Labor Productivity, Wage and Prices in Recent Japan

by Ryoichi Suzuki

Since 1960, the rising consumer's price is a most important economic problem in Japan. During 1960-1968 the consumer's price index has shown the rising ratio over 50%. I will explain this phenomena by "Demand pull theory." Before this age, there were excess supply of labour, and this was the cause of so-called "Cheap Labour". Particularly, the wage rate in small firms was very low, forming wage differentials in comparison with large firms, as large firms employed only "good" labourers. After 1960 the situation has changed conversely. Owing to the high rate of economic growth, the demand for labour increased rapidly, and there occurred labour shortage. Large firms increased their employment, and so small firms were obliged to raise their wage rate, stopping their labourers to move for large firms. The wage differentials decreased rapidly.

Small firms have large weight in light industry, commerce and services. When wage rate rised rapidly, firms must effort to raise labour productivity. But, small firms cannot do this easily, for technical or financial reasons. Did there occur wage inflation? I don't think so. After 1961, there occurs the freezation of foreign trade. The price of heavy and chemical industry products were relatively high in comparison with U.S.A. Then, these industry efforted to lower the prices of their products, by raising labour productivity. While the price of light industry products were rather low, and they did not feel "Freezation Pressure". And relative wholesale prices is changing. But, the light industry cannot raise the price of its product infinitely, considering the price-elasticity of demand. Thus, the rising rate of prices is smaller than that of labour cost. Then, the rate of the profit ratio of total sales in light industry, has decreased. Among then, the profit ratio of food industry decreased from 13% at 1960 to 6% 1967. Among the consumer prices, the prices of meat, fish, and vegetables shows highest rising ratio. This is due to the improvement of food life. The demand for these goods shows the high rate of growth, on the other hand, the supply cannot increase so much, partly because the shortage of resources, and partly the industrialization. To decrease the rising ratio of these goods, it needs, to import cheap agricultural products. Moreover, we see the cyclical movement of these prices. To avoid this cycle, the agricultural ministry should forecast the demand for meat and vegetables, leading farmers to control their product by this forecasting. As for fishes, it needs to consolidate small firms.

Secondly, the price of services shows high rising rate. This is due to "Demand Pull" entirely. Since 1962, in spite of the increase of national income, the personal consumption expenditure has shown high rate of growth. The cause of this fact are as follows.....(1) the relative share of lower income groups has increased, because the labourers employed by small firms received low rate of wage. But the wage-differential has decreased so much, then this effect will be rather small from now on, (2) the urbanization. Owing to rapid industrialization, many peasants came to cities. This phenomena will tend to continue in near future. To increase the saving, it needs to improve regional development, and give salaried-men.....especially rather higher income groups.....to have their own houses. If this policy is realized, the saving will be increased. And then, the consolidation of mechanism for commodity circulation will succeed to check the rising consumer prices.

A Socio-economic Analysis of the Demographic Transition

by Masaaki Yasukawa

Looking over the general process of modernization, we notice that it has taken place socially and economically along the line of industrialization and urbanization on the vehicle of innovation, and that it is concomitant with some significant phenomena of demographic transition.

This essay is an attempt in the first place to explain roughly how economists approached the population movement as related to the trend of economics. Especially, it has been observed how the economic theories changed during the period from the closing years of the 18th century to the beginning of the 19th century, when population increased rapidly and the Malthusian theory of population played an important role, to the decade of 1930's when population was markedly dwindled and J. M. Keynes was the central figure in the demographic discussion.

In the second place, this work has examined analytically the structure of migration. As the younger generation migrates from the rural to the urban areas, the population of the former ages, while that of the latter rejuvenates, resulting in the change of age distribution and affecting their fertility and mortality.

Younger people concentrate themselves in town and get married, but their fertility is not very high, as there exist in town all sorts of conditions restricting childbirth. Here a demo-

graphic transition happens. By constructing a chart in this connection, the writer has tried to ascertain what a demographic transition will be expected here.

In the last place, on the basis of the chart thus constructed, the writer has studied the demographic transition that has occurred in Japan in the last 20 years since the end of world war II, and has found that the demographic transition and the economic development have characteristically shifted in a parallel manner.

A Report as for the Consistency between Input-Output Data and National Accounts Statistics

by Masahiro Kuroda
Kōtarō Tsujimura

This article is a report about the problem as for the data used to estimate the multi-sectoral macro econometric model. Especially the problem is centralized on the consistency between Input-Output data (I-O data) and National Accounts Statistics (N.A.S.). In our model the identity between input total and output total in each industry must be satisfied on every year. I-O table is available only for three years of 1955, 1960 and 1965. Therefore we must use the National Accounts Statistics in order to get the final demand data and value-added data for other sample periods.

However the consistency between I-O data and N.A.S. is not necessarily satisfied even in 1955, 1960 and 1965.

The main object of this report is to make clear the difference or inconsistency between two data sources.

Some data, for example indirect tax, had to be estimated by some devices from the other data, because we were unable to get the data in each industrial sector.

The problems pointed out as follows;

- 1) As for indirect tax, we can not get the time-series data in each industrial sector. Then we divided the total indirect tax of National Accounts statistics constantly in each year in proportion of the ratio of that in each industry to total indirect tax in 1960 I-O table.
- 2) As for the labor statistics, we made clear the inconsistency between the estimation from I-O data and that from labor survey or population census. It is supposed that this inconsistency is more serious when we disaggregate the industry in the detailed sector.

- 3) The time-series off-premise consumption data were not available. The total of final demand between two data sources are not consistent even in the year that I-O table is available. Because the off-premise consumption is not included in the consumption data in N.A.S. The total of final demand in N.A.S. is underestimated by 6 or 7 percent rather than that in I-O data.

- 4) In Japan the changes of the input-output coefficients are rather serious.

We can not pursue this change by RAS interpolation method.

Though we pointed out some problems between I-O data and National Accounts Statistics, we have to note that the differences among many data sources are not serious problem if we are able to rearrange them easily.

The Labor Market as a Wage Determiner

by Yoko Sano

The purpose of this paper is to review concepts of labor markets in the past stream of economics, and also to discuss adaptability of those concepts to studies of Japanese labor markets.

As is known, traditional economists dealt with labor markets in the same manner as product markets, fund ones and so forth. Phenomenon which could not be explained by the theory was assumed "friction" and "inertia". As a matter of fact A. Smith and other classical economists paid some attention to special characters of labor markets. I have no space to mention about them here, but I would like to introduce several succeeding writers.

- 1) J. R. Hicks pointed to two special factors to give important effects on the working of labor market competition: the time and the trouble required in making economic adjustments, and the fact of foresight. He put the labor market into two categories, that is, a casual market and a regular market. This regular market with attachment of workers to an employer should be more important to be studied in the actual world with trade unionism.
- 2) J. T. Dunlop characterized markets in the following ways: an auction, the closed-bid market, the "quoted-price" market, and the "negotiated-price" market. The aim of trade unions is to alter the labor market from an employer "take-it-or-leave-it" situation (a quoted-price market) to a negotiated-price market or a quoted-price market of their own.
- 3) C. Kerr divided the labor markets into two: the wage market where wages are deter-

mined and the job market where jobs are allocated. He also constructed the five models of labor markets: the perfect market, the neoclassical market, natural market, the institutional market, and the managed market. The wage and job markets tend to be separated in the last three types. The actual markets in the present United States are seen in the models of natural and institutional ones. Satisfactory functions of wage determination and employment allocation are guaranteed in the perfect, the neoclassical and the managed markets. Kerr concluded that the institutional market would be most popular and show proper economic functions in the future.

4) Another dimension of labor market discussion is about "internal versus external" markets. Inside-firm concept was introduced by R. E. Livernash and C. Kerr. J. T. Dunlop developed this idea. They carefully examined actual practices in the firm, and found that all the jobs were not equally filled from outside. Very limited kinds of jobs, ex. unskilled floor men, are filled with new workers. These jobs are called "ports of entry." Now, it is important in the labor studies to investigate the structure of the internal labor market where the internal wage structure and the internal labor mobility are determined.

Institutional aspects of labor markets have been developed with larger sized firms, trade unionism, and government interference. This is related with concepts of wage versus job markets and of internal versus external markets. Japanese well-known labor practices: "nenko-joretsu" and "shushin-koyo", could be similarly treated in this way. However, I can point out remarkable differences between Japan and the United States. First Japanese workers are attached to the company (kaisha), while American workers are attached to the establishment (locality). Secondly seniority system works effectively and rigidly in the U.S. while Japanese "nenko joretsu" has sometimes no formal rules. Thirdly more variety is seen in the working of the American internal arrangement depending upon industry, size of firm, location and so forth. Fourthly the working of the American internal arrangement is based upon jobs, while that of the Japanese case is based upon length of service. Fifthly the lay-off system is not at all seen in Japan. It means that burdens of overemployment at firm level are more widely spread in in the American society.

An Estimate of Internal Population Migration, 1950-1965

by Shunsaku Nishikawa

Utilizing forward census-survival-ratio method, internal population migration during 1950-1965 is estimated for every sex-age specific group. Basic data is quoted from four quinquennial post-war Population Censuses, and accordingly our unit of observation is *ken* (somewhat similar to prefecture) and the population is divided by every five-years of age. A summary of net migration totaled over 46 *kens* is shown in Table A below by sex and age for three quinquennial subperiods.

Table A Summary of Estimates (thousand persons)

Period	Age	15/19	20/24	15/24	25/29	30/39	40/49	50/59	60/69	15/69
		MALE	1950-55	390	423	812	129	101	67	38
	55-60	609	501	1107	128	110	49	32	16	2553
	60-65	629	531	1160	210	251	82	48	24	2935
	50-65	1628	1454	3079	468	462	198	118	62	7468
FEMALE	1950-55	301	243	543	151	128	80	49	31	1525
	55-60	450	301	746	168	103	51	37	21	1876
	60-65	522	346	842	208	190	73	51	25	2256
	50-65	1273	889	2132	527	420	204	136	77	5657

Note: There exist some insignificant rounding errors.

Table B Rank Correlation Coefficients of Regional Outflows

Period	Age	15/19	20/24	15/24	25/29	30/39	40/49	50/59	60/69	15/69
		MALE	1950-55/55-60	.695	.737	.726	.421	.463	.516	.558
	1955-60/60-65	.716	.695	.747	.389	.432	.600	.642	.832	.716
	1950-55/60-65	.442	.484	.505	.179 ^x	.105 ^x	.295 ^x	.379	.568	.474
FEMALE	1950-55/55-60	.737	.705	.747	.758	.568	.547	.484	.579	.684
	1955-60/60-65	.600	.505	.768	.621	.474	.484	.674	.726	.747
	1950-55/60-65	.568	.474	.768	.526	.232 ^x	.179 ^x	.326 ^x	.389	.484

As usual elsewhere, younger population has been most mobile (see column Age 15/24) and total migration stream, excluding both children under 14 and the old over 70, has increasingly grown during the fifteen years (see column Age 15/69). In *Table B* there are presented rank correlation coefficients—Kendall's τ —between subperiod rankings of net migration out of regions, which consist of adjacent few *kens*. All coefficients except ones with \times mark are statistically significant at 1% level and show decreasing tendency throughout the whole period.

More definite and detailed analysis of such trend over time and variation among both regions and/or *kens*, and sex-age groups should be done after further efforts checking the accuracy of these estimates and obtaining further estimates extending over five pre- and inter-war quinquennial periods will be completed.

Policies for Further Expansion of World Trade II

— Estimates of Changes in Trade Structure
Caused by Kennedy-Round Tariff Cut —

by *Yōko Sazanami*

The present paper is the second in the series of studies that we are undertaking on the international economic policies for expanding world trade and promoting economic development.

In the previous paper we first gave a brief summary of the historical trends in world trade and economic growth. Then we proceeded to the problem of tariff rate and tariff structure. Present paper gives the estimation of outcome when present tariff rates in the industrial countries are reduced to the rates negotiated in Kennedy-Round.

Balassa and Kreinin* had made a similar estimation based on international trade in 1960. In their study, they assumed an overall 50% tariff cut. However, Kennedy-Round tariff negotiation was finally concluded in the year that their study was published. Now it is possible to use the actual rate negotiated by each country. We find that present tariff rate and the negotiated rate differs by countries and by commodities. Also we find that import elasticities show difference by commodity groups and it is particularly large for SITC 6 and 8. We thought it would be interesting to estimate the changes in trade structure by different commodity groups, SITC 5, 6, 7 and 8. We used present tariff rate and actual rate negotiated in

* Bela Balassa and Mordechai E. Kreinin "Trade Liberalization under the Kennedy-Round; The Static Effects" *The Review of Economics and Statistics*, May 1967.

Kennedy-Round for estimation. We had based such estimate on world trade structure in 1965, up-dating Balassa's work by five years.

Major findings of the present study were as follows. 1. Reduction in tariff rate in SITC 5-8 will further increase the international trade among industrial countries. 2. The largest increase in world trade was in SITC 6 and 8, amounting to 5837.71 million dollars out of the total gain which was estimated as 7210.69 million dollars. 3. Such an increase in imports of SITC 6 and 8 to industrial countries will benefit underdeveloped countries in expanding their exports of manufactured goods. 4. Particularly underdeveloped region that will gain the most from such change will be Asia, South-east Asia excluding Japan. The increase in exports of SITC 6 and 8 from this region to industrial countries will amount to 485.88 million dollars. Also Latin America will gain 275.13 million dollars. In view of the balance of payment difficulties that these regions are confronting, such gain in exports to industrial countries will be a promising change to overcome their present situation.

The Theory and Measurement of Agricultural Price Index and Rural Consumption Price Index

by *Yasuhiko Torii*

The author has a great privilege to dedicate the present paper to the former professor Takuma Terao's honor on his glorious retirement from Keio University where he has long been the most strict and affecting but generous teacher of us. The present paper has got its essential framework during my stay in Berkeley where I collaborated with D. W. Jorgenson and his staffs in the Labor Allocation Project in the Institute of International Studies, University of California at Berkeley, 1968, under the support of Ford Foundation. The stimulating comments given by D. W. Jorgenson for my original version titled "A Note on the Agricultural Output Prices" are fully acknowledged.

The author has worked on the labor allocation problems in the dualistic economic development theory. The several previous models of the farm household behavior issued by me up to 1968 have evaded the endeavors to introduce the concepts of the aggregate price indices for the following reasons, in other words, all the agricultural outputs and the consumption expenditures have been measured in the nominal terms, and therefore, the marginal conditions have been as-

sumed to hold in the nominal terms.

The major reasons of such a over-simplifying omission of the price concepts from the previous models have been, in one hand, that the proper price indices have not been available among the ready-made price indices for the specific purpose of the author's models, and on the other hand, that the price indices which satisfy the criteria of the aggregation theorems have not been satisfactorily constructed by the author.

First, in the present paper, the theoretical reason why we need to construct the aggregate price indices of the outputs, the consumption expenditures and the capital service inputs are explained with the reference of the model of the farm household behavior, which is to explain the utility maximizing leisure-consumption preference behavior subject to the production function as a constraint.

Second, the idea of the indirect utility is employed in order to derive the ideal formular of the price index. The present paper shows that the familiar Divisia index type of formular is the ideal one under the specification of Cobb-Douglas type production function and/or utility function. At the same time, a theorem of the aggregation procedure is quoted in order to support the Divisia index formular to be reasonable in the two stage aggregation problem of weak separable class. As is shown later, from the practical restrictions of the actual availability of the data, the two stage aggregation procedure is inevitable in our present study of the Japanese farming.

Third, the practical problems we are to face when the price indices are to be estimated empirically are discussed in detail. Especially, the problems of the units of measurement are the largest barrier for the empirical research; that is, for example, to find the units of measurements of *educational consumption expenditure* which is compatible to those of *foods* or *clothes* are far more difficult. The present paper is proposing the idea of *price relative* in order to escape from this trap. The idea of price relative is not necessarily new for the time series models, but the author is trying to use same idea on the cross section models.

Finally the price indices of the farm household's agricultural outputs and the family consumption expenditures of 1965 Japan are estimated on the district basis for the two stages; the first stage being the price indices of itemized outputs or consumption expenditures, and the second stage being the aggregated price indices of the total output or the consumption expenditure of each farm household in each district.

The estimated price indices can only be tested when they are used in some specific models. The test in this sence is postponed until the author will construct the price indices of the capital input flows which are to be used simultaneously in the model of the farm household behavior model.

The Demand for Money: A Cross-Section Analysis of Firms

by Tetsuo Ihara

The studies in the behavior of the demand for money has been carried out in recent years, notably since the studies of Baumol, Tobin, and Friedman. Generally known, Baumol and Tobin insisted on the hypothesis that there are economies of scale in the holding of money balances. On the contrary, Friedman said that money is a "luxury."

Many researchers tried to verify these contrary hypothesis. One of the most representative verifications is melzer's. He attempted to verify which hypothesis was true, using firm data. But his evidence presented shows that neither economies nor diseconomies of scale predominate. That is, the data suggested that the cross-section demand for money is unit elastic.

We supposed that the results of the unit elasticity depended on meltzer's definition of the money. So, we estimated the demand elasticities of different kinds definitions of the money, using the data from accounting reports.

These estimations brought us some interesting results as follows:

1. The elasticity is different according to the definition of the money.
2. Elasticities of high liquid deposits such as current deposits, ordinary deposits and deposits at notice are smaller than unit.
3. Elasticities of low liquid deposits such as fixed deposits and deposits in trust are larger than unit.

These results show that whether economies or diseconomies of scale predominate rests on the definition of the money.