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The British Labour Movement and Industrial Relations in 1860's Centering around the Establishment of the Trades Union Congress (2)

by Kanae Iida

Following the article published in the last issue of this magazine, this one aims at explaining what role the movement for the Second Reform Bill played in the labour movement which succeeded in accomplishing its final goal, the establishment of the Trade Union Congress, in 1868.

In Section I which covers the period from 1848 to 1867, the writer emphatically states that the English labour movement in 1860's exceeds in importance that of any other time, even as compared with that in 1848.

In other words, the writer explains the significance of the rising tide of the movement by the working class and the middle-class radicals for the attainment of the Second Reform Bill on the vehicle of such stimulating events as the Civil War of the United States started in 1861, the Polish resistance against Czarism, the protest assemblage against the government interference in connection with the Civil War, and the establishment of the First International in 1864.

In Section 2 is discussed and indicated the labour union movement as related to politics. After the downfall of Chartist movement in 1848, the political concern of the labour class was heightened by such affairs as the Cremean War, and the Civil War of the United States. Here is elucidated analytically the process of politics merging with labour movement.

In Section 3 is analyzed the process by which the Second Reform Bill of 1867 came into being. Behind the movement for the establishment of the Second Reform Bill, the two groups: the National Reform League, which was mainly composed of the labour class and which aimed at the acquisition of Manhood Suffrage, and the National Reform Union which was composed of the middle-class radicals demanding the House-hold Suffrage, competed and antagonized of each other, and finally came to unite in the cause of establishing the Second Reform Bill in 1867.

In brief, the object of this article is to explain the conditions by which the Second Reform Bill was effected.

With the background of the panic and the failure of crops in 1866, labour and capital came

to clash, but this in turn resulted in the successful acquisition of the Second Reform Bill. The Second Reform Bill is, therefore, by no means a natural gift from above in the atmosphere of the Victorian Golden Age. It was rather an embodiment of the reflection of the two hard fights conducted by the labour class: the protest against the existing state of the trade union law which was not legalized in spite of the nation-wide recognition of the national craft unions and the establishment of the labour market throughout the country, and the struggle repelling against the situation which admitted no political right for the labour class.

The Cross-Section Analysis of the Short-run forward Shifting of the Corporation Income Tax
—— An Application of the Kilpatrick Model to the Analysis of Japanese Case ——

by Seiji Furuta

There continues to be considerable disagreement and uncertainty about the short-run forward shifting of the corporation income tax. On the one hand, Krzyzaniak and Musgrave conclude that in the short-run in U.S. manufacturing more than 100 per cent of the burden of the corporation income tax is shifted forward to consumers. On the other hand, R. J. Gordon presents results opposite to that of K-M and finds that on the average the corporation income tax is not shifted in the short-run in U.S. manufacturing.

The purpose of this paper is to examine the econometric study of the shifting of the corporation income tax in U.S. made by Robert W. Kilpatrick and to apply his model to the analysis of the Japanese corporation income tax (see, R. W. Kilpatrick: The Short-run Forward Shifting of the Corporation Income Tax, *Yale Economic Essays*, Fall 1965). It is interesting to find that the degrees of shifting estimated by Kilpatrick's standard model for U.S. manufacturing extend from 62 to 94 per cent; and his conclusion thus makes striking contrast with both of K-M's and Gordon's.

His argument which supports the short-run shifting of the corporation income tax is based on four major types of approach: goals other than profits, conflict between long-run and short-run profit maximization, ineffective price leadership in an oligopoly, and average cost pricing and other rules of thumb. The implications drawn out of these approaches for the relationship between shifting and monopoly power are tested by a multiple cross-section regression analysis

of the factors which determined the interindustry percentage changes in profit rates from before the Korean War to afterwards.

The test for the existence of shifting is stated in terms of three variables: the industry profit rate before the corporation income tax is raised (p_0), the industry profit rate after the tax is raised (p_1), and the measure of industry monopoly power (C). From observations of each of these variables for all industries, a cross-section regression equation can be estimated with the form.

$$\frac{p_1}{p_0}=a+bC$$

The shifting hypothesis predicts that $a=1$ and $b>0$, because when $C=0$ an industry can not shift the tax at all, and therefore $p_1=p_0$. Consequently,

$$\frac{p_1}{p_0}=a+b(C)=a=1$$

The shifting hypothesis predicts that $b>0$, because an increase in C raises the degree of shifting; the rise in shifting increases the values of p_1 and p_1 p_0; and the effect of increases in C on p_1/p_0 is measured by "b".

Instead of applying his single regression equation directly to the Japanese manufacturing, we modified his model as follows:

$$\frac{p_1}{p_0}=a+b_1C+b_2\triangle C+b_3p_0+b_4\left(\frac{Z_1}{Z_0}\right)+b_5\left(\frac{W_1'}{W_0'}\right)$$
$$+b_6\left(\frac{M_1'}{M_0'}\right)+b_7\left(\frac{P_0}{S_0}\right)+b_8\left(\frac{A}{N}\right)+b_9\left(\frac{B_0}{B_1}\right)+u_t$$

where the subscripts "0" and "1" refer, respectively, to the periods before and after the corporation income tax rise; and where the symbols identifying variables are:

- p profit rate
- C   concentration in 1954
- $\triangle$C   concentration in 1954 less concentration in 1950
- Z   value of shipments
- W'   ratio of payroll to sales
- M'   ratio of input materials to sales
- P/S   ratio of profit to sales
- A/N   ratio of amortization to net worth in 1955
- B   percentage change of net worth

The existence of shifting will be thus tested by whether the coefficient of C is significantly greater than zero. If the regression results are consistent with short-run forward shifting, the degree of shifting will be estimated from the coefficient of C.

The table below contains alternative statistical results based on varying assumptions. The standard case is represented by the equation No. 2 in the original Kilpatrick model, but in the modified model, the fit of estimations is better in the case of No. 4 and No. 5 than in that of No. 2.

Preliminary Equations: The Pair of Years 1950 and 1954

(values of t in parentheses)*

	a	C	p_0	$\frac{Z_1}{Z_0}$	$\triangle$C	$\frac{W_1'}{W_0'}$	$\frac{M_1'}{M_0'}$	$\frac{P_0}{S_0}$	$\frac{A}{N}$	$\frac{B_1}{B_0}$	R^2
1	191.860	0.47603 (0.8563)	−0.51292 (−0.7499)	0.07912 (1.5597)	1.07185 (0.6001)	−0.78420 (−0.8507)	0.33965 (0.6113)	−1.29723 (−0.4530)	−5.72957 (−2.1086)	−0.05141 (−0.8896)	0.532
2	25.562	0.79936 (1.1613)	−0.19517 (−0.4291)	0.04989 (1.0469)							0.090
3	31.493	0.75738 (1.1009)	−0.17273 (−0.3802)	0.05592 (1.1678)	2.54322 (1.0605)						0.127
4	91.8200	0.52705 (1.0067)	−0.54565 (−1.4864)	0.07257 (1.5850)		−0.37475 (−0.4436)					0.405
5	41.5288	0.44573 (0.8308)	−0.65593 (−1.9693)	0.08617 (2.6940)			0.15123 (0.3409)				0.403
6	25.8232	0.78769 (1.0940)	−0.25179 (−0.2725)	0.04984 (1.0271)				0.27373 (0.0708)			0.090
7	89.4091	0.77081 (1.1373)	−0.36571 (−0.7876)	0.04631 (0.9860)					−0.05058 (−1.3808)		0.150
8	12.7261	0.73569 (1.0701)	−0.18090 (−0.3995)	0.00856 (0.1426)						0.07986 (1.1225)	0.131

* All of equations are estimated by direct least squares.

The Estimated Degree of Shifting for Japanese Manufacturing

Characteristics for Basing Estimates	Estimates			
	Total Shifting		Differential Shifting	
	Average Tax Rates of Corporations with Net Income	Statutory Tax Rates	Average Tax Rates of Corporations with Net Income	Statutory Tax Rates
Concentration measure: C	%	%	%	%
1. Equation No. 1	50	172	42	144
2. " No. 2	84	287	70	240
3. " No. 3	80	272	67	228
4. " No. 4	56	190	47	159
5. " No. 5	46	158	39	132
6. " No. 6	83	283	69	237
7. " No. 7	81	276	68	231
8. " No. 8	77	261	64	219
9. " No. 4	43	43	36	36
Estimates for b reduced in such a proportion that shifting by the most concentrated industry is 100%				

According to the way of computation of degrees of shifting implied by the Kilpatrick model, different plausible values are given in the above table. If we choose the equation No. 2 in the first table as the standard case, the degrees of shifting thus estimated for manufacturing extend from 42 to 50 per cent. Instead, however, choosing the equations No. 4 and 5 as the standard cases, we are led by these significant coefficients to accept the hypothesis of tax shifting in the 39-56 per cent range in manufacturing.

Although the Kilpatrick model was extensively criticized in this paper, the most weakness of his model could be found in the arbitrariness of choosing the independent variables. His independent variables other than the tax rate appear to have been chosen for their contribution to the fit of the equations and are not derived from a fully theoretical model. His method of approach seems to be a kind of experimentation to find variables which are highly correlated with the dependent variable but not with each other.

The Contradiction between Production and Consumption as Related to the Study of Crisis (2)

by Kiyoko Imura

Preface.

Introductory Chapter: The basic angles for analysis, by which to look into the contradiction between production and consumption.

Chapter I: The contradiction between production and consumption, and the Marx's *Schema of Reproduction*.

Section 1: Analysis by the *Schema of Reproduction* in *Das Kapital*. (Th above are presented in Article No. 1, the Mitagakkai-Zasshi, December Number, 1969.)

Section 2: Balanced expansion of reproduction and unbalanced expansion between Department I and Department II (This is presented in No. 2)

The subjects of the serial studies, including Article No. 2, are presented in the résumé of Article No. 1. Article No. 2 is the continuation of the study on the structural relationship between production and consumption. Here are considered the problems that have been left unclarified by Marx's *Schema of Expanded Reproduction*. Marx's *Schema* of Expanded Repro-

duction clarified the conditions that are required for the balance in exchange of goods in an expanded reproduction, but it did not take up the problem of the balanced relationship between production and consumption. Even if the balance may be realized between buying and selling of goods, it does not follow that production and consumption are in a balaced relationship.

In the first part of this Article, we investigate the conditions that are required for the *balanced expanded reproduction*, which is carried in a balanced relationship between production and consumption. Under the capitalist regime of production, the *balanced expanded reproduction* of this sort can never be realized. It serves, however, as the theoretical standard by which to consider the balanced expansion and unbalanced expansion.

In the second part of this Article, we investigate the case in whicn the Department I where the means of production are made expands at the rate higher than the rate in Department II where the consumption goods are made. Under the capitalist regime of production, production in Department I has a tendency to expand of itself regardless if its relationship with consumption is balanced or not.

(To be continued)

A Study of the British Iron and Steel Industry at the Turning Point from Wrought Iron to Steel

by Shin-ichiro Kurimoto

This paper makes a companion to 'Actual Conditions of the British Iron Industry at the End of the 1860's' in 'The Socio-Economic History (Shakai-Keizai-Shigaku)' vol. 35. No. 4. In these two papers I pointed out nine features of the structure of ironproduction.

(1) In the panic of the 1860's, the tendency towards delaying the destruction of the fixed capitals into the next stage began to come out.

(2) The export boom after the panic in 1866 made new demands for iron. That boom and rich funds in Great Britain permitted the reopening blast furnaces and puddling furnaces in small scale enterprises. This feature regulated the basic structure of the iron manufactures in the 1860's. The followings are all based on this feature.

(3) The prices of pig iron, bar iron and wrought iron did not rise so precisely in the 1860's.

(4) The small enterprises had the majority in the number, still more they ran their equip-

ments more actively than the medium-sized ones.

(5) The process which had mills and forges had the smaller scale production than the process of furnaces.

(6) There was the stagnation of the medium-sized enterprises, the most of which had more than two works in a county was conspicuous. On the other hand, the great enterprises formed the much prosperous minority. So we can say that a broad division was made between the great and the small in iron production.

(7) The disintegration of processes in the 1860's must be contended against Prof. G.C. Allen's 'The Industrial Development of Birmingham and the Black Country 1860-1927', 1966 (reprinted).

(8) The integrations of enterprises were made through integration of the small workshops by incidental factors.

(9) These features of wrought iron production influenced the structure of steel industry in the Great Depression, the steel production mainly by open-hearth process.

In addtion to these, this article specially contended the followings. The limited liability of steel enterprise which was quoted in London played the important part of bearing steel industry. In spite of many shortcomings in comparison with modern joint-stock companies, it must be generally recognized that this limited liability had the effective character.