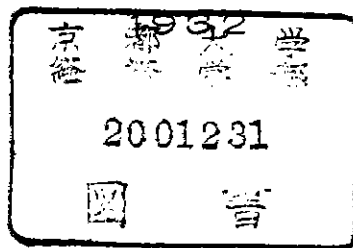


Kyoto University Economic Review

MEMOIRS OF
THE DEPARTMENT OF ECONOMICS
IN
THE IMPERIAL UNIVERSITY OF KYOTO

VOLUME VII



PUBLISHED BY THE DEPARTMENT
OF ECONOMICS IN
THE IMPERIAL UNIVERSITY OF KYOTO

CYCLICAL VARIATIONS AND PROGRESSIVE CHANGES

CONTENTS

1. Interaction of cyclical variations and progressive changes.
2. Internal relations of progressive changes.

I. INTERACTION OF CYCLICAL VARIATIONS AND PROGRESSIVE CHANGES

Concrete economic phenomena may be divided into cyclical variations and progressive changes, when they are seen apart from seasonal variations and various accidental variations. I am not here concerned with the problem of by what mechanism each of such variations happens. I am rather interested to learn in what connection these two sets of variations maintain themselves, forming thereby concrete economic movements.

Attention should first be drawn to the fact that progressive changes are made up of two parts, namely, simple increase or the movement of growth and the movement of development in its strict sense. If the former can be said to be the progress in quantity, the latter may be termed the progress in quality. Progressive changes, in fact, are formed by the interaction and connection of these two sets of movement. The mode of connection between these also constitutes a problem but we shall take that up later. One phase of the relations between progressive changes and cyclical variations in the sense above set forth, is undoubtedly, that progressive changes give rise to cyclical variations. In other words, a business cycle is a wave in the current of progress; there can be no wave of a business cycle on the smooth sea of equilibrium where no current of progress is seen. Let us make this clear.

Now, there are many discrepancies or incongruities in the progressive movement of capitalistic economy. This is due to nothing but the basic truth that there is inequality between the velocities or degrees of the progressive movements in various economic quantities so that cyclical variations arise necessarily therefrom. Thus, trade cycles are born of progressive changes. This assertion is self-evident and free from any error. However, it teaches nothing. The question at issue rather is: "What particular part in progressive economic changes does give rise to the business cycle?" Let us follow our theory to its logical conclusion. There are the following four notable partial changes which constitute—the progress of capitalistic economy: (1) the acquisition of new markets, which means the bringing in of new territories into the sphere of capitalistic economy; (2) changes in industrial technique; changes in the method of production, and the increase in the productivity of labour are two different sides of the same process. (3) the increase of population in the community under capitalistic organization; (4) the increase of capital or the accumulation of capital. These four factors really form progressive changes, and have close relations with cyclical variations. Of these, the accumulation of capital is inevitably accompanied by the other three and, therefore, cannot be placed on the same level of importance with them.

To begin with, we do not deny that cyclical variations have their autonomous character, but this presupposes cyclical variations already in existence. But we must discover what gave rise to them. In this sense all monetary theories fall to the ground. They may succeed in explaining away upward and downward movements due to the lagging of the interest rate, but the latter presupposes the preceding business cycle which must be explained in turns. And, if the progressive movements which have produced this cycle continue to exist, they must be thought as continuously promoting it. Being one of these progressive movements, the acquisition of new markets is not confined to overseas;

when the farmers and artisans of a country become the customers of the products of capitalistic economy or the suppliers of means of production, it must be said that there has been an acquisition of a new market. And this is the exogenous cause of cyclical variations. Because it is an outside motive force arising out of that social economy. Some persons may have some such thought as this: any change within a social economy only produces a partial disturbance or is able to bring about a partial destruction of equilibrium but is unable to give birth to a cyclical variation as a general disturbance, because there is always a tendency to return to equilibrium. Viewed thus, the acquisition of external markets is regarded as a most important cause for the rising movement in the business cycle. I myself do not deny the fact that this kind of progressive change has an important bearing on cyclical variations; but an internal stimulus to a social economy, whether it be a change in the method of production or otherwise, cannot be said to be bound to cause a partial disturbance only. Inasmuch as there is the slackness of adaptation of various economic phenomena to the changes of data, that is, as the economic quantities (or phenomena) can adapt themselves to the changing conditions after certain time intervals, and the process of adaptation goes too far by force of economic inertia, it must be acknowledged that such an internal stimulus is liable to general disturbance. Therefore, I cannot agree with those who would regard the exogeneous cause as the acquisition of external markets.

Some entertain the idea that, so long as the rise of cyclical conditions is difficult, if not impossible, without the acquisition of new markets,—and there is no longer any room for the development of markets,—it is not rational to expect in the future any business cycle of the character experienced in the past, since there is no longer any opportunity for the acquisition of external markets. I have no intention of examining this view. However, it must be noted that the importance of technical changes is not noticed by this view.

Changes in technique, or in the methods of production, not only lower the cost of production and thus create an opportunity for the increase of profits, but also have a general tendency toward the expansion of the amount of fixed capital and, in consequence, the demand for capital goods (the produced productive goods). Thus, it is undeniable that such results as these will inevitably cause a rise of the business cycle and consequently the process of recession. Of course, I do not believe the technical changes constitute the sole factor of cyclical variations. It is generally recognised that the cyclical movement in the rising period of a long wave is strongly determined by the changes of the ways of production that is, the changes in technique. For instance, the upward movement after 1896 was due to the universal adoption of electric technique in industry, though it can not be denied that the increase of gold production also cooperated with it. It is also generally known what an important bearing the extension of railways had on cyclical variations in Japan. I shall later refer to the influence which the technical change exerted on the progressive variation in general.

Next, the increase of population has an important significance. It is inevitably accompanied by an increase in the demand of consumption goods, which, in turn, is accompanied by a manifold increase in the demand for productive goods. As there are some time—intervals before the increase of supply meeting this increase of demand is realised, there must be caused cyclical waves, so long as economic inertia operates during the same period. True, technical variations may come from an increasing competition attendant on the increase of population. However, I shall not treat of such an indirect result of it here. As I have elsewhere stated, there is the view that the increase of population is a change that can be anticipated and that some adaptation can be fully made and in consequence no cyclical movement will result therefrom. But it is clear that the operation of economic inertia does not

allow a complete adaptation and that the movement of population increase is so irregular that it can not be anticipated. The idea that no cyclical variation can proceed from the side of population must be erroneous. Not only may one say so, but one may insist that, among the causes of business cycles, the increase of the population is the unceasingly operating cause.

Differing from that, the increase of the population is, as I have described above, a mere quantitative progress and consequently a movement of growth: while, both the acquisition of new markets and the changes in the ways of production are a qualitative one. The first of these may appear to be simply an increase in the quantity of the demand; but in reality this increase, unlike the increase of population, is only of the demands in certain commodities and not in commodities in general. Moreover, the imports from the new markets will bring about variations in the cost of production. And it must be noticed that all these new situations are not isolated from each other, but are interrelated.

The increase of capital is the factor that motivates these progressive movements. Of course it capital is in itself a quantitative movement, but it must be emphasised that it is a passive side, factor, of the whole economic progress in the sense that it is caused by various other movements in economy at the same time that it makes such movements possible. By this I do not mean to say that the accumulation of capital is not owing to conscious endeavours on the part of individuals; I mean to say that the increase of capital takes place conditioned only by the whole movement of economic progress. Cyclical variations come from the disproportionality between the degree and speed of the accumulation of capital and the other progressive movements, which may be taken as the factors conditioning the former.

Viewed from this direction, all cyclical movements are the waves in the current of progressive changes. Where the principle of inequality of development (*Gesetz der un-*

gleichmässigen Entwicklung—Lenin) operates, the current of progress cannot flow with the smoothness of a placid lake; there will be constant incongruities and discrepancies, the effect of which is manifested as cyclical variations. When the breaking of the waves is sharp, there appears a crisis. Some say: "Discrepancies inherent in capitalistic economy give rise to crises; or to be strict, the incongruities between the ways of production and the possession of production goods cause such crises". Such an abstract assertion as this does not teach anything. Similarly, the proposition that a cyclical variation is the wave of a progressive change is in itself, an abstraction, devoid of substance. However, the latter assertion will teach something, when a sufficient analysis has been made of the process of variation, as it may be taken as a general account of such an analysis. Again, I do not deny the autonomous character of the business cycle. But at its very foundation, the business cycle is constantly renewed and stimulated by progressive changes.

I have so far dwelt on the side phases of the truth that cyclical variations are conditioned by progressive changes in economy. I shall explain on another occasion how progressive changes are conditioned by cyclical variations.

II. INTERNAL RELATIONS OF PROGRESSIVE CHANGES

I have so far tried to clarify the relations between progressive economic changes and cyclical variations. I shall now elucidate the mutual relations of partial variations which constitute, or are contained by progressive changes.

Progressive economic changes, as I have already remarked, may be grouped into movements of growth and movements of development. The former, at first, may appear to be the increase of population and capital; but, upon a closer scrutiny, it will be found that these progressive

changes include also the increase of the quantity of products (or of the physical volume) and of the pecuniary volume. The value-series or price-series shows a secular trend but this is so chiefly because they are determined by a monetary cause, and, in consequence, they do not indicate so definite a direction, as do those treated here. Owing to such circumstances we shall, therefore, consider our problem apart from it.

Progressive changes take place, above other things, in the form of population increase, and consequently, when their reflections in the economic quantity are considered, they appear in the form of an increase in the quantity of products. All physical value-series increase probably without exception. This is natural in so far as population in general tends to increase. The rate of population increase in all capitalistic countries up to the Great War is said to be 1.2 per cent a year. When the effects of complex circumstances are detached from our consideration—when the influence of economic development is abstracted—one may conclude that the rate of the increase of products was equal. This latter increase undoubtedly has a close relationship with the accumulation of capital.

A casual observer may say that under the capitalist system of economy only those who receive wages paid out by the employers being considered apart from the survive. Such a operation of the social policies with the aim to feed the unemployed. Such a view implies the idea that workers not demanded by capital are unable to survive, and thus the increase of population is determined by the demand of capital.

Let us see if such ideas hold water. In the first place, it must be noted that the demand of capital cannot cause a population to increase or decrease itself by its own power. Automobile power is on the part of population, which constantly endeavours to increase itself. Secondly, the assertion that population is allowed to survive in so far as permitted by the demand of capital, at first blush, appears to be true

but will be found to be untenable when scrutinised carefully. I shall not here dwell in detail on the fact that the demand of capital is determined by changes in the methods of production. The question as to how great a population is demanded by capital cannot be answered without considering the relations between capital and labour and, in fact, the relations of social powers. In considering the rate of profit, when society as a whole is surveyed, the operation of the social powers thereon can never be denied. A deeper and fundamental analysis will reveal the truth that the existence of profit itself presupposes the relations of social powers, that is the relations of social classes. It is inevitable that the volume of profits in society and consequently the quantity of capital accumulated are controlled by changes in power relations. Even assuming that the quantity of capital accumulated and the condition of technique are given, the number of individuals wanted by capital remain undetermined. The number of individuals wanted by capital will be dependent on labour hours and on labourer's standard of living, both of which are unthinkable apart from the relations of the social powers. Thus, the demand of capital for labour is fundamentally determined by the relations of the social powers. And it must be noticed that it is population itself that fundamentally determines the relations of social powers, since in society because population alone autonomously changes. I shall not dwell on how the movement of population determines then, for such is the conclusion I have reached as the result of my sociological research extending over many years, and is described in detail elsewhere. Thirdly, it must be noted that room for existence is given to men beyond the demand of capital by the operations of social policies, and such a room can be extended step by step by the movement of social powers. Because of the above-mentioned reasons, the increase of population cannot be considered to be primarily determined by the circumstances of capital. On the contrary, population acts through social powers on the amount

of capital, its composition and consequently on the amount of population demanded. Mistaken is the idea that capital determines population.

However, the accumulation of capital cannot be considered as a simple passive factor which is acted upon by population. Although the movements of society in the last analysis is dependent on population, the fact remains that where capitalist economy exists and some definite class relations are presupposed, capital will always keep up its tendency to increase its own volume, and through its velocity of increase can exert some influence on the quantity of population. In consequence, a superficial observation will reveal that the quantity of population and that of capital increases *pari passu* interacting with each other. But, the velocity of the accumulation of capital is not constant and uniform.

Ceteris paribus, the accumulation of capital can take place in proportion to the increase of population. If there be no change either in the relations of social powers or in the ways of production, these two processes will advance roughly along corresponding lines. The accumulation of capital faster than the increase of population means in this case overproduction. But the corresponding and interacting relations of these two factors are not so simple, so that the view just stated is based on a reasoning devoid of substantiation.

To state that the velocity of the accumulation of capital is conditioned by the velocity of the increase of population means in the last analysis that the former is determined by the increase of demand. In other words, the accumulation of capital is dependent, according to the view under consideration, on the sale of commodities. But we must study the problem of the possibility of population increase. Of course, demand may be met by other sources (for example credit, value of property) other than wages upon some necessity. However, a more general view is that the sum of wages constitutes the total purchasing power of society,

considered apart from the consumption of capitalists. Thus, the extent of the possibility of the accumulation of capital must be conditioned by the internal logic of capital accumulation, or by the internal proportion of the parts of capital increased that is, the organic composition of social capital accumulated provided we concede that the increase of population is confined within the limits of wages. In the course of the maintenance of this proportion, capital is accumulated to an amount which will be equal to the amount of the capital needed in the production of products which are purchased with wages paid out by "variable" capital. It is capital itself that creates the boundary of its own accumulation. And the boundary is extended not necessarily proportionally to the population increase or to increased variable capital the relation between the social capital and social demand being sometimes revolutionally altered through changes in the ways of production.

Between the total sum of values of finished products (consequently the number of population) and the total amount of capital, there are various proportions, which are determined by the status of industrial technique. The greater the number of years during which fixed capital goods (machines, buildings, etc.) can survive and, the more the labour is replaced by fixed capital goods, and direct expenses by indirect expenses, the amount of the total, capital corresponding to a definite sum of consumption goods, becomes larger. In other words, the total amount of capital required for the production of consumption goods of the same aggregate of prices will be augmented. Capital extends the boundary of its accumulation through the internal logic of its development; and so long as competition brings about changes in the means of production, the boundaries of capital accumulation are further widened, and thus the rapid movement of accumulation is made possible. If changes in industrial technique are put aside, we may say that the demand for consumption goods born of capital accumulation itself forms the boundary of capital accumula-

tion; and there only results capital accumulation which is parallel to population increase. True, the increase of demand resulting from the acquisition of new external markets will have the same effect as the increase of population (if the supply of labour is placed out of consideration).

Now let us consider what was the actual accumulation of capital during, say, the past 50 or 60 years. The rate of population increase during these years was approximately 1.2 per cent. This means that the total number of the population was doubled during the same period of time. Although it is difficult to obtain precise statistics regarding the increase of capital during the corresponding period, it may be said to have been multiplied manifold. Without the effects of changes in the technique of production, such a rapid accumulation of capital can never be adequately explained.

It is in this sense that economic progress is conditioned by economic development, by which the boundary of capital accumulation is widened and the velocity of capital accumulation itself is enhanced. But at the same time, the boundary of population increase is pushed backward and its speed is slackened. This, however, is the static influence of changes in production technique, and we must not, on the other hand, overlook the existence of their dynamic influence. The amount of social capital in proportion to demand and capital increases as the result of changes in production technique, but the total output of production is not increased by the same economic situation, since fixed capital goods necessary to new conditions have been fully produced. Because the depreciation percentage of capital goods is reduced, capital may increase but the total amount of products will vary only in proportion to population. However, during the period of transition, until fixed capital goods necessary to the new productive technique are fully produced, the total output of products will be considerably increased the demand for productive goods being conspicu-

ously promoted. The demand for productive goods is of two kinds: the one is for compensatory purposes and is intended to replace the capital goods depreciated; while the other is for expansion; whether the physical life of fixed capital goods still remains or not, when their economic life has ended (due to replacement by new technique), demand for expansion purposes will be felt. The compensatory demand for capital goods will not vary unless the demand for consumption goods is changed; the former may be said to change only according to the change of the latter. But the expansion demand varies considerably. In the absence of any change in the ways of production, this demand will increase according to the increase of the demand for consumption goods (due, for instance, to the acquisition of new markets). The increase of the latter determines that of the former. But when production technique is improved, the expansion demand increases rapidly. It will then gradually decline as the new methods of production become universally extended, but it will again increase upon the birth of new production technique. Thus, it may be said that the changes in the technique of production determine the demand for productive goods for expansion purposes. In consequence, the total output of products (productive goods and consumption goods) in any community increases, on the one hand, according to the increase in population and because of the development of overseas markets; and this is an structural and progressive variation. However, on the other hand, the total output in question also drastically changes according to variations in production technique; this change is neither structural nor progressive; it is essentially cyclical.

In short, these two basic progressive variations, namely, the increase of population and the accumulation of capital, interact with each other and advance along parallel lines. Increases in the quantity of products and the total amount of prices of products are made according to these two progressive variations. True, these two are independent

variables, at least to some extent. The accumulation of capital is mainly determined by the rate of profit and consequently by the relations of social powers, and usually it advances ahead of the increase of population. On the other hand, there goes on an unceasing change in the ways of production. It is because of this progressive factor that accumulated capital does not become excessive and advances correspondingly with the increase in population, or sometimes lags behind it.

Leaving out of consideration the acquisition of overseas markets for the present, I shall set forth my explanation as follows. Discrepancies between population and capital, the excessive advance of capital in particular, are harmonized by the variations in the ways of production, and consequently by the change in production technique. Thus, population gets ahead of capital. How can we eliminate discrepancies born of this trend? The only way to eliminate them lies in the operation of social powers. In this way an increase is made possible in the number of labourers supportable by a given amount of capital. This, in turn, can be brought about by the curtailment of working hours, the abolition of child labour, and increases in various payments other than wages (various government insurances against unemployment, for instance). To what extent all this will be possible of attainment depends largely on the complex circumstances of economic competition among different nations.

I shall go deeper into the matter. Under the given social relation of social powers the velocity of capital increase always exceeds that of population increase. In consequence, so long as wages were stable and the methods of production remained unchanged, there must have been an unremitting over-production. However, the undeniable fact is that over-production has been largely only a matter of a business cycle and not of a structural character. Over-production after the Great War which was undeniably structural had special causes. The main cause of the absence

of over-production despite the rapid increase of capital, is found in industrial development, or variations in the methods of production. Because of this factor, capital could continue revolving, while, at the same time, supplying its fully manufactured goods to the slowly increasing demand of population. This is due to the expansion of fixed capital and a decrease in its percentage of depreciation. Thus, it is because of the results of development that these two movements in economic progress can maintain their rates of speed together. It has been computed that the average percentage of increase of products in the past is 3 per cent and that of population between 1.2 and 1.5 per cent, and that the rapid increase in the total value of products is due to the elevation of the standard of living.

But let us consider the comparative stability of wages. Wages may have risen but there must be a big difference between its percentage and 1.8 percent which is that of the increase of products. A considerable increase must have been made in the expenditure of employers but it must constitute only a small fraction of the total consumption. I agree that some portion of the 1.8 percent represents the elevation of the standard of living through all classes of society. But on the other hand, it can not be denied that the superabundance of 1.8% of products is owing to some extent to the increase of productive goods. Inasmuch as 3 percent represents the annual increase in the total value of products, the figure must be said to contain the increase of the output of productive goods as well as of consumption goods. But how is this increase in the output of productive goods possible? It is possible because of the steady increase in the quantity of capital goods meeting a definite amount of demand,—which increase is brought about through changes in the methods of production. To summarise: on the one hand, the development of the methods of production harmonizes differences in the rate of capital increase and of population increase; on the other hand, it is also industrial development or its rate of speed that has enabled the

quantity of products to increase faster than the increase of population.

I have ascribed the accumulation of capital and the absence of over-production under definite relations of social powers, to the influence of economic development. However, the same reason may give rise to over-population. If there be no development, or, in other words, no changes in the ways or methods of production, the accumulation of capital will precede the increase of population. But development is always accompanied by a corresponding decrease in the relative amount of variable capital or capital paid out as wages. As the result of this process, population is apt to become excessive. The circumstance that restrains capital from becoming excessive is precisely the same circumstance that tends to bring about over-population. This over-population will be all the more pronounced when there are added structural circumstances that make the increase of capital and the expansion of production difficult. And the methods of eliminating such circumstances are very complex. When a capitalistic economy is exclusive and self-sufficient, the mere alteration of the relations of social powers would be the adequate method of solution; the rise of the social position of the labourer classes in such a community would necessitate an increase of variable capital and of financial aid for their living by the State. All this cannot be carried out where different capitalist nations exist side by side and carry on mutual intercourse. An increase in wages will increase the cost of production, contract markets and decrease the annual amount of accumulated capital, thereby stimulating on an economic deadlock. All this will also intensify the internal struggle of society. Changes in the methods of production may save capital from its possible excess and from over-production, but, at the same time, stimulating over-population. Therein lies the self-invalidating factor of the capitalistic system of economy.

Capitalistic economy will be sooner or later placed under the rule of monopoly. True, there will be some

industries which will not be monopolized because of their very nature. But, inasmuch as large-scale establishments are profitable, nearly all industries will be placed under some sort of monopoly. As the culmination of this trend, the general cartel or other monopolistic organizations which include all industrial branches will be formed. But at present there is much ground to be covered before that stage is reached. Monopolistic bodies are formed through the federations of different enterprises within an industry and some of them form horizontal monopolies extending to some branches. As the power of financial capital has been penetrating into every branch with an increasing intensity, all enterprises will come more and more to be included within the same financial interest. The gradual alliance between different financial interests will accelerate the progress towards the ultimate combination, a general cartel. The control of financial capital will be felt all the more strongly when a structural depression has become deeply rooted. Complex problems are contained herein, but I shall give a brief account of it. Under the control of a monopoly, monopolistic profit-making is assured and, consequently, the purchasing power of society (chiefly coming out of wages) will be cut down in proportion to the prices of products. In other words, the total amount of wages will be placed at a point lower than under a competitive system. This is all the more pronounced in times of industrial depression. It also means lack of consumption for products, and all burden or pressure arising therefrom is placed on industries which are not yet monopolized or which are very inadequately monopolized. The so called scissors movement existing between the prices of agricultural products and those of industrial products is an indication of this state of affairs. Under such circumstances how can the accumulation of capital be harmonized with the definite extent of consumption of society? The markets of products will be maintained or developed through the steady depreciation of products produced by unmonopolized industrial enterprises. However,

there will be a limit to this depreciation, beyond which the prices will refuse to go down. This limit comes from the stability of wages or the resistance of labour. The difficulty of monopolies will be found in the fact that they could not assure themselves of monopolistic profit beyond that point. Nor is this all. When their profits have exceeded that definite degree, they would be unable to find the purchasing power which would make possible the investment of new accumulated capital. Dumping in other countries may be resorted to because of such circumstances, but it is not a very effective way of relief, so long as other capitalistic countries are faced by the same necessity. Monopolies will be confronted by the lack of purchasing power on the part of society unless the social powers of the working class are sufficient to raise their wages according to the expansion of products. Different monopolistic industries will be forced to carry on mutual warfare because of the hierarchic relations of industrial technique, and this struggle will drive them nearer and nearer towards the general cartel; at least it will force them to become more and more horizontally organised. Under such circumstances capitalistic economy may be said to be advancing towards a higher organization, or systematization. With the control of the purchasing power, the expansion of production is also controlled. But under such circumstances changes in the methods of production will probably slacken the pace. The accumulation of capital tends to become excessive; only by adapting itself to the increase of population, can the accumulation of capital go on smoothly and harmoniously. The discrepancy between the increase of population and the accumulation of capital, under a competitive system of economy, will be corrected by developments or changes in the methods of production, and the two will be enabled to keep up their common pace. In other words, the danger of over-production is prevented, although the same process tends to give rise to over-population, under its other aspect. Under a monopolistic system, the maintenance of the pace of the two movements will be

possible only through the strengthening of the power of labourers and the increase of their wages. However, such a planned economy is possible only when capitalistic economy is regarded as an exclusive and self-sufficient system. When different nations are competing with one another as at present, it will be found that the planned economy under consideration is bristling with numerous difficulties.

Domestic monopolies will carry on competition against foreign monopolies, and this rivalry will necessitate improvements in the methods of production, on the one hand, and the prevalence of cheap labour (costs), on the other; unless these things are assured, the domestic monopolies would not be able to show their inherent tendencies within their own countries. Their purchasing power will be apt to become inadequate and the possibility of surplus production will be increased, not to mention the possibility of over-population. On the one hand, a tariff war will be waged among the competing countries, and in alliance with the domestic political power, the domestic monopolies will resort to Imperialistic policies, on the other. But is this the final stage which capitalism is destined to reach when it has adopted the monopolistic system? Is capitalism unable to advance any further? Now, capitalism lives by calculation and intelligence. When the capitalist nations have transcended their national opposition and racial sentiments and decided to give themselves up wholly and thoroughly to calculation and intelligence, the emergence of an international monopoly will be inevitable. It is not wholly utopian to conceive of a capitalism formed along world lines. But racial opposition stands in the way of the advance of capitalism towards an international goal. Until the time when this obstacle is removed, the rise of the power of labour will continue. So long as the rivalry among different monopolies results in bringing pressure to bear upon labourers, their social and political resistance will be necessarily intensified. Two fates are awaiting the monopolistic capital

of any country: either it will be absorbed by an international monopoly, or held in submission by the class power within its own country. To declare which of these two will be the actual fate of capitalism is to play the role of prophet. Mine is to study the interaction of the two movements of growth and development.

YASUMA TAKATA