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## CONTENTS

**Contemporary Capitalism and  
Law of Wage and Income  
Distribution**

*Minoru TOYOSAKI* 1

**Business-chain between Large  
and Small Firms**

*Kisou TASUGI* 21

**The Bourgeois Development  
in Peasants Economy**

*Nobuo TAKE* 59

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## CONTEMPORARY CAPITALISM AND LAW OF WAGE AND INCOME DISTRIBUTION A PRELIMINARY ESSAY FOR ANALYSIS OF CONTEMPORARY CAPITALISM

*By* Minoru TOYOSAKI\*

### **A. An Introduction**

The so-called marxian economics inherently takes a law of absolute destitution of working class in regard to distribution of income. Dr. Robinson, a keynesian economist, who is said to have intaken marxian economic theory after the 2nd World War, had, however, refuted this law referring to the statistics on the income of wage earner which indicated no such trend of absolute destitution of working class.

Apart from such criticism of Robinson, there also appeared some marxian economists who admitted that actual income of wage earners increased in certain development stage of capitalistic economy. They, however, argued that the destitution of working class should not be measured only by actual wage earnings, and thus they broadened the contents of the destitution concept. (Juergen Kuczynski, *Die Bewegung der deutschen Wirtschaft von 1800 bis 1946*, 1948).

On the other hand, among the modern economists are some who deny

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not only the existence of absolute destitution but also the so-called relative destitution. (Arvin H. Hansen, *American Economy*, 1957). The purpose of this paper is not to review these arguments. Therefore I am not going into too much details but would only like to remind that these arguments involve many weak points in regard to the method of statistical analysis employed therein. In the first place, there is a problem as to which kind of monetary wage is to be selected and secondly as to what price indices should be used in the calculation of actual wage. It also presents a problem as to which year should be taken as the base year when we discuss price index, because in the developing stage of industrial capitalism, the wage has a tendency to be identical with the labour value (according to short-term observation, the labour value may deviate from labour price, as it is with the price of general commodities). However, while on the economic development stage of monopolistic capitalism in 20th century the wage does not trace such trend (just as the price of general commodities deviates from the production cost), no attention is paid to the labour value. This constitutes another problem.

Modern economists were of course not altogether indifferent to this point. Some scholars pointed out that the labour union was monopolistic on the ground that the wage was determined by the labour agreement and the labour union and that the latter was industry-wide union. (F. Machlup, *Theory of Monopoly*, 1954.) There are also analytical reports prepared by scrutinizing the labour productivity and hourly wage income, claiming that the wage increases beyond the rise of labour productivity.

These modern economists, however, methodologically dismissed the theory of value and since they could pay due thought to the labour value, they had to fail to present a convincing argument in regard to the said point.

Even if we grant that the labour union is a monopolistic body, so long as the value of wage is remaining unexplained, one can not clearly grasp how the wage thus determined is related with the monopolistic price of general commodities, and also from the stand-point of historical relations between the labour productivity and the hourly wage, the relations between the productivity and the monopolistic price, and that between the monopolistic price, and that between the monopolistic price and the wage and also between value of labour may present a partial picture of the changing profit trend but they do not give solution to the second problem.

The marxian economists, who approve the destitution theory, neither made sufficient retrospection on this point. They have halfly given up to demonstrate the theory by presenting actual wage indices (for example,

such argument that in the advanced capitalistic countries, the monopolistic capitalism shares a part of its profit gained through its imperialistic operation with the working class) and they tend to place greater importance upon other indices (such as those of labour intensity and vocational diseases, from among the indices as pointed out by Kuczynski) without trying to make sufficient analysis of the value of labour. In other words, the Japanese economists belonging to this group are constructing their theory, above all, on the hypothesis of Karl Marx as given in his "Das Kapital" that the labour is being sold at its value, and secondly they pay little attention to what are required for the reproduction of labour that constitute the value of labour which have changed in accordance with the shifting of industrial capitalism to monopolistic capitalism and further to state monopolistic capitalism, and in parallel with the development of social culture that has been brought about by the technical innovation in the production processes, while this relation is the point to which Karl Marx has given his fundamental attention in his "Das Kapital", the origin of marxian economics.

One of the studies made by marxian economists in this field is the paper of I. I. Kusminow entitled "The Destitution of Working Class under the Conditions of Contemporary Capitalism" presented at the International Economics Conference held in Berlin in October 1958 (The theme of discussion at the conference was "Business Cycle, Panic and War"). Prof. Kusminow stated in his paper that the poverty of working class, particularly their absolute destitution could not be indicated by a single index. His work was distinguished in that he placed an emphasis upon the analysis of the value of labour which no other economists had tried.

His conclusion however was nothing more than that the factors which determine the value of labour are labour productivity and technological progress and the latter functions to shorten the time required for the reproduction of labour and consequently the value of labour tends to be reduced as the time progresses (Konjunktur-Krise-Krieg 1959 S. 201). However it is very difficult to present statistical evidence for such theory whatever method one may employ. It may have been possible to present such evidence in the age of industrial capitalism, but one may find a serious difficulty in correlating such data to those in the ages of monopolistic capitalism and particularly to state-monopolistic capitalism. A scrutinized criticism of modern economists has been always focussed upon this point.

When economists try to see the inherent characteristic of the wage, the income distribution to working class, they take too much for granted that the structure of industrial capitalism remains as it is, and when they

deal with the value of labour, the labour process in the direct production operation employed in the age of state monopolistic capitalism is not analysed, nor its relation with gross production processes and with the state monopolistic system are studied.

It is true that Prof. Kusminow paid attention to the change of technological process in the direct production operation under the monopolistic capitalism. But he simply wound up the matter by saying that the number of labourers who come to handle such special work are quite limited (in his book mentioned above, p. 199) and took no heed of the fact that the labour output of the hourly labour, etc. is sharply increasing due to the advancement of mechanical and technological processes and such technological development tends to increase the unit cost of labour, vocational diseases are to be prevented.

Though he also paid attention to the monopolistic structure of economy, he took light of the fact that in spite of the increase of labour productivity, workers' actual wage is being constantly lowered due to the price-rise of commodities, whose price, under monopolistic system, kept higher widely deviating from its true value. On the contrary he took the realistic law of industrialism as a golden rule, whereby it is believed that the increase of labour productivity lowers the price of commodity and thus tends to reduce the wage.

Recently, Prof. Oelsner, a marxian economist in East Germany, maintained that, in the state-monopolistic capitalism, one should not simply apply marxian law of value in dealing with the source of monopolistic profit. (*Probleme der politische Oekonomie*, Bd III, 1961). This warning seems to be applicable to Prof. Kusminow's theory, also.

In this essay, a few observations shall be made as to what characteristics the wage, in terms of income distribution to working class, has under the current capitalistic economy.

### **B. Competition under and Structure of Contemporary Capitalism**

In this section, a brief review is made on the structure of contemporary capitalism. Even the so-called modern economists would not take the contemporary capitalism as a pure capitalism. It is normally understood to be a kind of complex economy, a mixture of economies of both government and market,—the market economy being generally considered to be in the status of imperfect competition, or a competition dominated by a few monopolistic bodies or oligopolistic bodies, while so-called marxian economists take the contemporary capitalistic economy as a state-monopolistic capitalistic economy, but their views differ as to its structure. In this article, the author will not try to examine these arguments in detail,

as there are other opportunities for such analysis. The author will instead introduce his own view on this point.

Under the industrial capitalistic system the industrial capitalists forced the state organs to employ the so-called liberal economic system, because such system was convenient for them in persuing their profit. This can be well illustrated by the fact that the industrial capitalists were the primary bearers in carrying out the modern democratic revolution. When the free economic system was secured, the individual industrial capital could procure capital, employ labour and multiply its profit. Thus the role of state authority was nothing but to protect the capitalistic system by its police, military force and the judicial court, and the government was controlled by the "collective will" of the industrial capitals. However, as the working public, who were utilized as the frontbearers of modern democratic revolution, have come to be self-conscious, the industrial capitalists could not help giving the workers the franchise for election. However since the individual capitalists were not only the rulers of the economy but were mostly well educated, the working public could not do any more than to exert an occasional pressure upon state organs with its mass power. Nevertheless the working class could gradually succeed in forcing the industrial capitalists to spare a part of their profit for working class through direct measures such as shortening of working hours etc. or through indirect methods such as progressive tax rate etc. Besides, due to liberalism the industrial capitals had to compete each other among themselves while under the capitalistic system they had to be confronted with the worker inside the enterprise.

As the result of such dual struggle, the industrial capitalists had to encounter a cyclic panic which crushed the weaker industrial capitals. Under the individual liberalistic system, the working mass had been free from the production means, so with the industrial capitalists and the state authority had to abide by laissez-faire policy even when they come to the verge of economic down-fall. Individual industrial capitalist had no other means but to defend himself in the war of competition. Thereupon, the intelligent and wealthy capitalists had worked out, from experience, a union of enterprises with the purpose of surviving in the keen competition especially in the panicky period. It is there that the monopolistic capitalists were born.

These monopolistic capitalists were much more powerful than industrial capitalists in their capital position as well as in the domination of the market. They, however, had to compete among themselves for market domination while inside their own enterprise they had to face the struggle

of labour unions. Industrial capitalists were too another potential competitors. The monopolistic capitalists have a common interest among themselves in confrontation with labour union and industrial capitalists, while in the face of the struggle of labour union, the monopolistic capitalists were in the same camp with industrial capitalists. Consequently, the relation between the capital and the state organs had undergone certain modification. The voice of monopolistic capitalists supported by their giant capital became louder to the state. Such change has been introduced by the enactment of enterprise organization law. Yet the united will of industrial capitalists could not be disregarded as they were more in number, and the participation of the labour union in politics was also a matter of concern.

Under such circumstances, the state yielded on one hand, to the will of monopolistic capitalists who had become larger and more powerful, yet it had to maintain its position as being relatively independent and thus had to enact an anti-monopoly law, though it had many loop-holes for the benefit of capitalists. On the other hand the state government pursued an economic policy that provided a protective tariff in order to secure the market for monopolistic capitalists, though such tariff also brought about benefit to the industrial capitalists. Moreover, an economic policy to develop and secure overseas market was adopted. Such policy was necessary because these monopolistic capitalists maintained by far the greater productive power than industrial capitalists, and consequently the domestic market alone was not large enough due to the maintenance of monopolistic prices which set a limit to the size of domestic market. A huge productive power was brought about by the employment of various new mass production technology and new products of low cost, which could not have been turned out by a industrial capital, but only through the investment of huge accumulation and concentration of capital. It has further inspired the increase of labour productivity and intensification of labour to cope with the workers' economic demand (improvement of working conditions) and political demand (modification of labour laws). And this latent driving force has accelerated further intensification of mass production system. (Such as universal adoption of Ford System after the 1st World War).

The monopolistic capitalist in the stage of its formation had to seek alliance with banking capitalists in order to procure necessary fund, however, the banking capital was by nature conservative and moreover the monopolistic capitalists had to compete with the fellow capitalists and industrial capitalists in their approach to the bank for procurement of fund.

As the result, the monopolistic capitalists had to further expand the

span of their influence. Therefore as soon as they completed the employment of revolutionary technology which drastically increased profit rate and as soon as they completed the market development for their product, they had further to invest the monopolistic profit in the so-called rationalization of production and concentration of enterprise, instead of reinvesting in the expansion of production facilities. Such rationalization and concentration had accelerated the market domination by monopolistic capitalists (reorganizing the industrial capitalists into sub-contractors), and retarded the development of social production which caused mass unemployment and chronic over-capacity of the production facilities.

This had stimulated the working class, who by then possessed greater number of voting rights, to venture a political demand for socialization of industry and realization of full employment. The industrial capitalists who had been oppressed by the monopolistic capitalists assumed an anti-monopolistic attitude but they voiced opposition to the demand of the working class for the socialization of industry. The monopolistic capitalists who were few in number, but controlled enormous production power, had maintained the monopolistic price through adjustment of demand and supply by price managing and by the further intensification of labour. However, they had to realize that to leave the political demand of the working class and industrial capitalists unattended may bring about total downfall of monopolistic capitalism system. Economically they suffered a substantial over-capacity due to cyclic depressions and thus the exploitation of monopolistic profit was no longer possible. At this juncture, the able management of monopolistic capital in collaboration with sensible bureaucrats of the state organ had worked out the state policy of creation of effective demand. In abstract, it is what Prof. Keynes had advocated in his "General Theory of Employment".

This policy met the practical need of working class by increasing job opportunities and also satisfied the need of monopolistic capitalists in providing them with larger market and more sales outlet. It was primarily for the benefit of monopolistic capitals who had large idle capacity, but it also helped indirectly the industrial capitalists who were then practically the subcontractors of monopolistic capitalists.

However in order to carry out this policy, the government required a bulky amount of constant revenue and to procure such revenue they instituted the public taxation system. It was also necessary to brew up an atmosphere of war crisis (cold war) among the people. By this way the monopolistic capitalists who possessed a massive production power could run their plant at a paying operational basis and could produce high profit



by an intensive usage of man power in a highly rationalized production facilities and thus maintained their monopolistic prices which had been arbitrarily determined by full-cost-principle inspite of the cost-reduction effect brought about by higher labour productivity. Of course labour union could also increase its influence by utilizing more job opportunities and demanded the capitalists for their share of the benefit of productivity increase. The share which workers won was not sufficient to offset all the increment of increased labour intensity, and the capitalists secured more profit than due by maintaining their monopolistic price determined by full-cost-principle. It should be noted further that such monopolistic price could only be maintained by the substantial government disbursement made out of the tax and the working class had to burden a part of such tax. Here is the proof of how the real wage of workers which is the worker's share in the total income is subject to a double and triple folds of squeeze, under the contemporary monopolistic capitalism.

We shall further examine the above point in the following section, but here we must point out that the conditions of competition has now come to be different from those under the old monopolistic capitalistic system. First change is in that the old monopolistic capitalists have turned into a few large capitalistic enterprises and the remaining industrial capitalists had been integrated by, or placed under the influence of a few large monopolistic enterprises. However the industrial capitalists still remain as the weak yet potential competitors of monopolistic capitals in the market. The second point is that the industrial monopolistic capitalists, although their position has been reinforced by the accumulation of internal reserve, can no longer dissolve their tie with monopolistic banking capital in order to survive in the competition between monopolistic capitalist and to procure funds and to suppress the potential comeditors. Thirdly, although the labour unions have come to possess stronger power, the market for labour has become narrower than in the days of industrial capitalism and monopolistic capitalism, because the employers who could afford to meet the increasing economic demand of union workers were the only few huge monopolistic enterprises.

Under such structural conditions the competition among the huge monopolistic capitalists with their perspective insight into the market based on the effective demand created by the state became intensified in spite of the tie-up with the monopolistic banking capitalists. However the able monopolistic capitalist management avoided price-cut competition and concentrated their efforts to the competition in quality and securing bigger market share, though in the face of the possibility of encountering compe-

tition by new comer and of pressure of the union for higher wage they always had to make industrial investment to further reduce production cost. Thus it was the competition of quality in such sense. Besides they had to face another competition to be challenged by the appearance of new product which might endanger the perpetuity of demand for and the advancement of their products. It was especially so, when such commodities created by the state. Thus, they needed huge and good capital with cheap expenses. This in turn necessitated the state to creat and loan the funds to the monopolistic capitalists (special depreciation system authorized by the tax law has greatly to do with this). In as much as industrial capitalists who survived competition also required a low interest capital they naturally supported the registration for government loaning. However, once such registration comes into effect, a few monopolistic capitalists, who possess high productivity and huge productive power, absorb most of the government funds so supplied.

Thus in this development stage, the state directly participates in the economic activity of the monopolistic capitalists. It is not an indirect interference as seen in the preceding development stage. This is the very reason why the marxian economists define the contemporary capitalism as state monopolistic capitalism and by the same token the modern economists define it as a complex economy. As regards the definition of the roles and functions of the state under this politico-economic system, there are controversy between marxian economist and modern economists. There are difference of opinion even among modern economists. As stated before, I will not go in details on these differences, but will introduce my own thoughts.

Firstly, the discrepancy of opinion in regard to the distribution and consumption of the surplus produced by monopolistic capitalists by employing labourers shall continue to exist as long as the capitalistic proprietorship remains to survive. Secondly, as long as capitalistic proprietorship is in existence, the competition among monopolistic capitalists and the latent competition between the remaining industrial capitalists and monopolistic capitalists will continue to exist, though probably the type of such competition will be different. (Monopolistic capitalists create new industrial capitalists one after another for their own benefit.)

Since the state participates directly into the economic activity of capitalists centering around the monopolistic capitalists because of the necessity, the afore-said contradiction inherent to the capitalism will be further intensified. Such contradiction may however be temporarily countervailed sometimes according to the time of direct state participation and since the

state could not entirely eliminate the request of the working class consisting of the majority of those having voting right. On the other hand the power of direct participation by the state in the economic activity of the monopolistic capitalists has its own limit. The direct limitation lies in the tax-paying ability. Fundamentally the maximum of tax-paying limit is set by the balance between the productive power of value of the society and what is needed by the monopolistic capitalists and the workers for the capital accumulation and reproduction of labour, and moreover such limitation is not only determined by economic inevitability, but also by an ethical, social and political factors.

Therefore, when the expansion of productive power of monopolistic capitalists comes close to the power limit of direct participation by the state, the monopolistic capitalists refrain from making capital expansion and instead rather make investment in the rationalization program or use efforts for the expansion of market share, even though new technology becomes available and consequently the growth rate of the economy tends to slow down. Therefore, it is a misconception to think that the national monopolistic capitalistic system is convenient for economic growth of a nation. However it is also a short-sighted view to determine that this system only magnifies the contradiction of current capitalism. Such view lacks a correct comprehension of the capital accumulation process of current monopolistic capitalism. Current monopolistic capitalism is on one hand a direct production process sponsored by a direct participation of state, while on the other it is a social circulation process and further it is the combination of the above two processes. Then how the wage is determined under such economic structure.

### **C. The Mechanism of Deviation of Wage from Labour Value under Contemporary Capitalism**

Under capitalistic economy, everything is dealt with as commodity. Labour power can not be reproduced in capitalistic manner as general merchandises can and yet it is dealt with as commodity. The price of labour power, which is a special commodity, is the wage. However the seller of this commodity is not the capitalist, as is the case with general commodities, but it is the worker set free from the production media.

The workers however have no capital and they have to reproduce their commodity at the cost of consumption out of their daily income.

Then, how the wage, which is the price of labour is determined? Under the industrial capitalistic system, the general commodity prices were determined by the labour cost needed for the reproduction where the demand and supply equilibrium of labour is attained.

In the industrial capitalistic age there was free competition in the production and consequently it was exceedingly difficult (rather impossible) for the industrial capitalists to forecast the future demand and supply situation. Thus they sometimes suffered oversupply and could not recover all the labour cost required for reproduction, while in other times they enjoyed surplus profit due to insufficiency of supply.

At this development stage, the purchasers of labor power were split into many industrial capitalists and since the labour power was not a type of commodity which can be mechanically and rapidly reproduced, the demand for labour sometimes surpassed supply and it resulted in an increase of wage. To cope with this, industrial capitalists saved the labour by rationalizing production process or procured additional labour by employing immigrants.

Therefore, although labour power was a special commodity of capitalistic economy which could not be reproduced by machine, the occasional shortage of labour had never caused a chronic and fundamental difficulties for industrial capitalists in their efforts to see profit increase.

From this viewpoint, it can be assumed that the price of labour, or wage is essentially (it naturally appears as trend) determined by the social cost of reproduction of labour i. e., value of labour. Moreover, the worker can, in average, produce labour more than the amount of labour necessary for the reproduction of labour power. (Capitalists do not employ workers who can not produce labour more than that covers reproduction of labour, as the employment of such workers can not expect surplus profit). There lies the source of profit of industrial capitalists.

“Das Kapital” introduced various elements which determine the social cost of labour reproduction, namely, 1) worker’s desire for living and expenses for education, which spontaneously and historically increase, 2) role played by women labour and child labour, 3) technical progress and labour productivity, 4) length of working days and labour intensity. (K. Marx, Das Kapital, Band I, S. 536) It further explains that these elements exercise effect, in various ways, upon the value of labour but the one which influences most is the third element, which functions to reduce the prices of general commodities and thus reduces the value of labour. (Marx a. a. o. s. 335) It concludes that, consequently, under the industrial capitalistic system, the value of labour, or the wage decreased in general.

However, under the monopolistic capitalistic system, especially under the contemporary state-monopolistic capitalistic system, technological progress and the increase of labour productivity have not reduced the prices of monopolistic commodities.

Granted that the actual wage tend to decrease, as the marxian economists contend, (Kusinow, *Die Verelendung der Arbeiterklasse unter den Bedingungen des Kapitalismus, Konjunktur, Krise, Krieg*, 1959. S.201), what would be the cause for that? Prof. Kusinow thought that one of the principal causes for such decrease of wage is the women labour which after the 2nd World War, comes to occupy more than one third of total labour forces. The influence of such labour should certainly be taken into account. Then, what is the reason why the value of labour of women worker is less? Prof. Kusinow explained that it is because the cost of reproduction of women labour is not determined by the actual cost of reproduction, but it is dependent upon the living cost of family. Is that however a correct understanding? Is he not unduly possessed by the idea that the wage is determined by the value of labour? Is he not trying to apply such principle to all the phenomena and twisting the logic to explain the actual low wage of woman workers? Under capitalistic system, the individual labour, irrespective of its sex, should be valued equal, as long as it produces same labour. It is true that the capitalists, through mechanization of production process has succeeded in replacing skilled labour with unskilled labour and thus become able to employ female simple labour instead of male skilled labour. Consequently the expenses for training became less, as long as other conditions remain equal.

However, it is also true that the mechanization of production process simultaneously and inevitably entails an increase of hourly labour output (increase of labour intensity) which accompanies the increase of cost of reproduction of labour power. In such case, the capitalists were obliged to raise wage but such increase did not completely cover the increase of reproduction cost. This means the split of wage from the actual value of labour and it should not be considered that the value of labour has decreased. Therefore, if the separation between value of labour and wage is neglected, the trial to explain the phenomenon of wage decrease by the employment of women labour is nothing but to try to explain it by calculation of living cost of a family but it is an attempt to bind the workers to the feudalistic family custom. Besides, the historical facts of labour movement shows that in the advanced countries the principle of same wage for same labour, irrespective of sex, has been established and even in less developed countries it is being realized through the competition between management and labour. In view of such fact the foregoing explanation can not be said to have sufficient scientific ground.

The proposition of "wage = value of labour" tends to be realized even under the industrial capitalistic system and it is a wellknown fact that this

proposition has been affected and modified by the increase of reserve of industrial labour force. While the marxian economists try to though it is apply such proposition to even the state monopolistic capitalistic system, identical with industrial capitalistic system in the fundamental production system, yet widely differs from the latter because of the change of competition structure. This is the dogmatism inherent to marxian economists and it is where their unrealistic conclusion originates.

As we have discussed above, the technological advancement and the increase of labour productivity have reduced the value of commodities which are required for the reproduction of labour, but the price of commodities has been raised by the manipulation of monopolistic capitalists. Due to the technological advancement, the requirement of skilled workers became less, while that of special intellectual labour has increased and the reproduction of such special labour calls for more educational expense more nutrition and more housing expense. On the other hand due to the increase of labour intensity, semi-skilled workers too require more and more expenses for nutrition leisure time for the reproduction of their labour power (leisure boom is often talked about in mass-communication media, but it is an indispensable necessity for the reproduction of labour in the contemporary capitalistic economy because of the highly technical nature of the current direct production process. If it were untrue, the capitalists must have never accepted the demand of labour union for shortening of working hours. People may say that the capitalists had accepted it because of the forcible pressure of labour union, but if that is the case, the monopolistic profit rate of monopolistic capitalists should have been drastically reduced).

Based on such logics, the value of labour in the contemporary capitalism must be much higher than the current wage level in practice. Of course it is absolutely wrong to conclude therefrom that if the wage is determined exactly at the value of labour, the high profit of monopolistic capitalists would all be lost. (The productive power of human labour is essentially higher than the cost of reproduction of such labour). But one can easily guess, without calculation that there is a discrepancy between the value of labour and labour wage. This discrepancy is not of a temporary nature but it is something essential and lasting. In other words, even in a prosperous years in which the reserve of industrial labour becomes least, there still exists this discrepancy between the value of labour and wage. The point is therefore that where such discrepancy derives from.

Among the marxian economists, it has been assumed that the wage will eventually become identical with the value of labour by the pressure of labour union. After the Second World War the power of labour union has

become stronger and it has led to the assertion of Prof. Galbraith (Ambassador in India under President Kennedy's administration) (J. K. Galbraith, *American Capitalism, the Concept of Countervailing Power*, 1952. pp. 100-101) and to the practical contention of the theory of monopoly by labour union of NAM, following the assertion of Prof. Machlup. Despite this, in the contemporary capitalism, the wage of workers does not tend to be identical with the value of labour in spite of the campaign fought by the unions. There lies the problem inherent to the contemporary capitalism.

Then what causes such disagreement of wage and the value of labour in the contemporary capitalism? First we must examine the structure of labour market. Prof. Kusinow has touched on this point, saying that due to the increase of the reserve force of industrial labour resultant from the technical advance, the wage tends to deviate from the value of labour (Kusinow, S. 201). No body can deny this fact. However, his theory is one-sided, because though it throws light on the supply of labour, it neglects the demand situation of labour. As I stated before, the reserve force of industrial labour has been created by the capitalists by rationalization of production process, because it can not be created like other commodities. Such capitalistic creation of labour power is all the more intensified by the so-called automation of production processes employed by monopolistic capitalists.

As the strengthened labour union concentrates more effort on the wage disputes, the more intensifies the effort of capitalists for such capitalistic creation of labour. In this sense, it is correct to say that the existence of reserve force of industrial labour functions to deviate the wage from the value of labour. But behind such function, one must not overlook the fact that in the contemporary capitalism the capitalists who purchase greater number of commodity labour are only a few huge monopolistic capitalists.

To cope with the pressure of union, these few huge monopolistic capitalists have organized a strong combined body in order to protect their common interests. (NAM in the United States is one of the good examples). Of course, the workers also organized a strong united front against such union of capitalists. However this confrontation between labour union and the union of monopolistic capitalists, in regard to the transaction of commodity labour is not balanced as the former has no such capital power as the latter has. In other words, workers can not subsist unless they work, while the working places are completely controlled by the monopolistic capitalists. This is the fundamental cause for the discrepancy between the wage and the value of labour.

As the result of monopolistic control of labour market by monopolistic

capitalists, the workers, even when they are subjected to higher labour intensity, can not find the working place where they can expect to receive due payment. It is true that when the business conditions are picking up monopolistic capitalists made investment for expansion and the industrial capitalists who had become their sub-contractors also make expansion investment, thus the absolute number of job opportunities will somehow increase. But even in that case, there is relative decrease of job opportunities as I have discussed it in other papers. ("On Technological Innovation" written by the author—edited by Japan Productivity Center, Study of American Economy Vol. I).

Thus the cause for deviation of wage from the value of labour lies in the fundamental structure of labour market where a few huge monopolistic capitalists monopolize the opportunities for employment.

These few huge monopolistic capitalists invest money for the rationalization of production process in order to save labour cost and principally through such savings, they accumulate capital (it is more so when labour unions' wage struggle intensifies). Thus the reserve force for industrial labour relatively increases and during the business depression it absolutely increases and functions to further deviate the wage from the value of labour. But this is not the only cause for the splitting of wage and value of labour.

The amount which monopolistic capitalists were forced to spare to the unions due to the latter's struggle for wage increase is recovered more than enough by the capitalists through the reduction of product cost and maintenance of monopoly price. Even when the cost can not be reduced they can as well raise their monopolistic price. This control of sales market by a few huge monopolistic capitalists is the second fundamental cause for the deviation of wage from the value of labour. The third basic factor is the creation, by the state, of the market of effective demand for monopolistic capitalists, through taxation and national bond issuance (this will cause inflation). It is because, under the contemporary capitalistic system, where the money used for the creation of effective demand occupies an important part of the revenue of the government, the amount of tax which workers pay and the increase of commodity prices which workers suffer occupy a significant weight in the profit of monopolistic capitalists.

As the result even when a few huge monopolistic capitalists are forced to raise the wage under the mass pressure of labour union, they can still recover more than they lost through the 2nd and 3rd structural mechanism. Thus the split between the wage and the value of labour under the contemporary capitalism has such three-fold mechanism, and it is the very



source of monopolistic profit.

Now what effect has the above upon the distribution of labour income?

From what we have seen, one can induce that under the state monopolistic capitalism, split between the wage and the value of labour, starts from the very beginning when the workers receive monetary wage from the monopolistic capitalists, then an additional split takes place when such money wage is disbursed to buy monopolistic commodities, and thirdly when the workers pay tax.

Then how the amount of money wage paid to the workers is determined? When this mechanism is clarified, the basic structure of the deviation of wage from the value of labour will be more precisely depicted and it will make it possible to prove that even when the trend of increase of after tax pay of workers may statistically be established, such statistical fact does not constitute an evidence to deny the existence of absolute destitution of working class.

This question is however already answered by what has already been mentioned, but what I wish to add here is that the price of commodity named labour has the same characteristic as the commodity in general in the modern economists' saying the price once established will continue and tends to stay.

Therefore even when in consequence of the development of production technic, the intensity of labour may increase, the money wage does not change until such time as the labour supply is exhausted in the market or until the labour union's struggle for higher wage is fought.

It is a well-known fact that the labour unions who recently have become powerful and self-conscious are now struggling for wage increase, and through such struggle the monetary wage is actually increasing. Thus some argue that the monetary wage (price of labour) has lost its continuity. However the improvement of such wage standard not only tends to lag behind the increase of productivity but also the degree of such increase is essentially less than the increment of productivity. This means that fundamentally the continuity of price of labour still exists. The theory of continuity of price as maintained by the modern economist (V. Wieser, *Theorie der gesellschaftlichen Wirtschaft*, 1924) is the product of the fundamental production mechanism of capitalistic economy and it is not a phenomenon caused by the sheer physical inertia of price nor it is an empirical proposition as they say. It is something inherent to wage and unsurmountable (therefore remains as a basic tendency) even by the wage increase struggle fought by the union leaders. This is why the increase of the value of labour which occurs as the result of technological improvement

does not accompany corresponding degree of monetary wage increase.

Under the industrial capitalistic system, although there might have been time lag between the increase of value of labour and the increase in monetary wage, the increase of value of labour, as a tendency, used to follow a corresponding increase of the wage.

But after the formation of monopolistic capitalistic system, the control of labour market by monopolistic capitalists and the arbitrary determination of price by the monopolistic capitalists made such correspondence between the two virtually impossible. (Especially under the contemporary capitalism, a few huge monopolistic capitalists can resort to a strategy to force the industrial capitalists who are under their control to employ the non-union workers or those who were ousted from job opportunity because of technological innovation).

Then, under the such contemporary capitalistic system, can the state monopolistic capitalism secure a stabilized growth, relying upon such structural split between the wage and the value of labour? I wish to touch on this point in the following section, but in brief.

#### **D. Wage Distribution and Stable Growth under Contemporary Capitalism**

In the foregoing section, we have analysed the inevitable tendency of the separation of the wage from the value of labour under the state monopolistic capitalism.

However, since the value of labour can not be concretely grasped by the worker, unless the decrease of value of labour appears in tangible way, it is not recognized as the absolute destitution of workers, and so long as it remains so, the struggle for wage increase by labour union will not be intensified.

This does not mean however that the state monopolistic capitalism can grow without facing any obstacles therefrom. The capital accumulation of a few huge monopolistic capitalists which takes place as the result of monopolistic economy will produce an obstacle to economic growth by increasing the reserve force on industrial labour.

But we will not touch on this subject. (Such obstacle is however none-the-less serious. It is well proven by the fact that the solution of unemployment problem in the U. S. is one of the most important tasks of the government of President Kennedy. But this will not be discussed here as the main subject in this paper is the examination of wage income distribution).

Under the contemporary capitalism, as we have seen above, a part of the value which should belong to the worker has been plundered by mono-

polistic capitalists as their additional profit (which is the source of monopolistic profit). (As we touched in the above, even when such portion of the value should have been paid to the workers, the capitalists would not lose all of their profit). It is not the purpose of this paper to criticise the moral injustice of such distribution mechanism. What is important here is to see how to economically regard the process of capital accumulation of a few huge monopolistic capitalists under the contemporary state monopolistic capitalism.

To simplify our argument, and clarify the basic principles, let's focus our attention on the economic society which is composed of a few huge monopolistic capitalists and the workers. Further, for the sake of simplicity and clarity of basic principles, let's suppose that our industrial structure is consisted of only one production unit of producer's good and only one production unit of consumer's good. When the unvariable capital (which is the sum of capital depreciation and the cost of material which was incorporated into the product) is represented by  $C_1$ , and variable capital (the cost of labour paid to the worker) is taken as  $C_2$  and surplus is expressed by  $m$ , and value of producer's good is represented by  $P$  and consumer's good by  $K$ , the flow of production by the industry is expressed by the following formula, provided that the effect of monopoly is not taken into account.

$$\text{I} \quad KC_1 + vC_1 + m_1 \longrightarrow P$$

$$\text{II} \quad KC_2 + vC_2 + m_2 \longrightarrow K$$

When the 1st production period is over, production expands and progresses into IInd period, then the interrelation between the two production units is ;

$$P \longrightarrow \{(KC_1 + KC_2) + (Km_1 + Km_2)\} \quad \text{and}$$

$$K \longrightarrow \{(vC_1 + vC_2) + (vm_1 + vm_2)\}$$

If an equation can be established between these two formula in price wise, the entire economy can grow in stability. Here the effect of monopoly of capitalists is exhibited in such way that a part of the values of  $vC_1$  and  $vC_2$  is not paid for wage but it becomes a surplus monopolistic profit. And the consumption ( $vC_1 + vC_2$ ) will decrease by the amount corresponding to the said portion which was lost from the wage into surplus monopolistic profit.

Thus the consumer's goods will be left unsold by the amount corresponding to the said portion.

Consequently the monopolistic capitalists who produce consumer's good will lose incentive for accumulation. The portion which was lost from wage and added to monopolistic profit has to be consumed by monopolistic

capitalists, but the consumption of monopolistic capitalists is also limited. Same thing applies to the division of producer's goods.

But in case of producer's goods, the monopolistic capitalists will invest such surplus profit into the field other than productive facilities (mainly to expand share of monopoly or to buy securities).

Therefore, when the total value of  $(vC_1 + vC_2)$  was consumed by workers, there would be no part of products of monopolistic capitalists which remain unsold, and thus the capitalists are so much better off in the accumulation of capital.

However, the monopolistic capitalists compete against each other for the expansion of their market shares and, therefore, they do not pay full value of labour but save the payroll so that they can increase monopolistic profit. Therefore, the individual capitalist does not prepare the said social conditions which allow easier accumulation of capital. When the huge monopolistic capitalists become fewer in number and their capitalistic ground is fortified and they become aware of their economic solidarity as a member of the integrated whole, then the preparation of such conditions as are suitable for capital accumulation may be, to some extent realized by the hands of government (as long as the capitalistic production system continues, the settlement of accounts in value can be made only by trial and error method with the help of intermediary of price).

The position of total monopolistic capitals is represented only by the collective demand of monopolistic capitals but in reality such integrated whole of capital does not exist.

In this paper the author demonstrates nothing but a simple and fundamental mechanism of wage, but it may clarify how the deviation of wage from actual value of labour presents hindrances from inside to the development of total monopolistic capitals during the course of economic growth under the monopolistic capitalism. The monopolistic capitalists have imputed such difficulties to the industrial capitalists who had been integrated as their subcontractors or to the foreign capital (therefore to the workers). It is however nothing but to shift the current difficulties for the future and as history shows, there is a limit to such expedient patch work.

In the past when the monopolistic capitalistic system was established and the capitalists enforced capital accumulation through rationalization of industry by replacing high-waged skilled labour for women and child labour, they had to compensate somehow for the intensified work load of the workers and to increase wage under the catch-phrase of "high efficiency, high wage". Nowadays the monopolistic capitalists, due to the lack of media available for imputation of such contradiction, will have to think

out another propaganda such as "larger market, high wage and high profit".

The trial to diminish the share between wage and value of labour must be made by labour unions for the benefit of workers, but also from the standpoint of capital it will soon be come necessary to use a deep thought for solution of this contradiction.