

WAGE-SHARE IN ORGANIZED MANUFACTURING INDUSTRIES IN INDIA 1946-57.

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INTRODUCTION : The 'historical constancy' of the share of wages in national income which Keynes thought a bit of miracle has received considerable attention in recent literature. The interest in the problem is many sided. To a thoroughgoing Marxist, the fact that, despite long-run shifts or short-term fluctuations, the share of national income accruing to labour is "historically almost constant" is disturbing, since it seems to be inconsistent with the Marxian hypothesis of "immiserization of the proletariat". Labour economists, in assessing the impact of trade unions on 'market forces', cannot fail to note that whatever the success of unions in modifying 'market forces' in other respects, they seem to have very little influence on the pattern of functional distribution. To a general economist, the fact of the constancy of labour's share is challenging, because it calls for a satisfactory theoretical explanation. The revival of interest in aggregative theories of distribution seems to be at least partly due to this empirical finding, even though a macro-economic fact does not necessarily need macro-economic explanation.

The data now available for a number of countries qualify the impression of stability, which had been suggested by earlier estimates. The share of wages in national income shows a predominant stability, which is interrupted by some minor and major shifts. What justifies the continued belief in stability is, however, the fact that, after a shift, the wage-share stays about the new level as steadily as it did about the old rather than return to a 'normal' level, although some would now prefer to call it 'inertia' rather than stability.¹ The fact of the constancy of wage-share has not, however, itself gone unchallenged. Using one internally consistent definition of "relatively stable", Professor Solow has recently shown that the relative stability of distributive shares is only an "optical illusion", i.e. for a particular criterion of stability, the belief is probably wrong.² On the other hand, findings of others who have examined the data on a disaggregated basis would suggest that stability of distributive shares in the aggregate could result from substantial changes in the income distribution in particular sectors that are offset by changes in relative importance of sectors in the

¹ Phelps Brown E. H., "The Longterm Movement of Real Wages" in *The Theory of Wage Determination* edited by J. T. Dunlop.

² Solow, R. M., "A Skeptical Note on the Constancy of Relative Shares", *American Economic Review*, September 1958.