A NOTE ON PRICE-WAGE VARIATIONS IN COTTAGE AND FACTORY ECONOMY

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The present note is inspired by the writer's experience of the cottage brass and bell-metal industry of Bishnupur, Bankura (West Bengal), which is a big centre of the industry. Nearly 250 families at this centre are engaged in the industry producing utensils for domestic uses. A family is the unit of production. The artisans carry on production in their own homes with the assistance of other members of their families. Out of raw materials supplied by the merchants the artisans produce for them finished goods receiving piece-rate-wages in return. The products enjoy a wide market beyond the boundaries of the locality.

Statistics relating to the trend of prices and wages in the industry have been collected by the writer from the records of businessmen at Bishnupur. They are related to the same types of goods and given below for the purpose of demonstrating the nature of their variations and interrelationships.

CATEGORY I

(a) Bell-metal

year		prices per seer of output (1)	wages per seer of output (2)	$\frac{\text{col. (2)}}{\text{col. (1)}} \times 100$ (3)
		Rs.	Rs.	
January	1928	2.60	0.81	31
"	1929	2.44	0.81	33
"	1930	2.38	0.75	32
"	1931	1.53	0.56	37
"	1932	1.50	0.44	29
"	1933	1.50	0.38	25
"	1936	1.50	0.30	20
"	1937	1.62	0.44	27
"	1938	1.72	0.44	25
"	1939	1.69	0.44	27
"	1944	5.62	1.03	18
"	1947	6.75	1.62	24

(b) Brass

year		prices per seer of output (1)	wages per seer of output (2)	$\frac{\text{col. (2)}}{\text{col. (1)}} \times 100$ (3)
		Rs.	Rs.	
January	1926	1.28	0.50	30
"	1927	1.28	0.38	30
"	1928	1.09	0.44	40
"	1929	1.08	0.50	46
"	1930	0.94	0.38	40
"	1931	1.00	0.25	25
"	1932	0.66	0.25	38
"	1933	1.06	0.25	24
"	1936	0.56	0.19	34
"	1937	0.56	0.19	34
"	1938	0.72	0.25	35
"	1939	0.72	0.28	39
"	1944	2.31	0.66	29
"	1947	2.62	1.12	43

For comparison, similar statistics relating to big industries *e.g.*, jute mill and tea industry are given below:—

CATEGORY II

(a) Jute mill industry

year	index numbers of wholesale prices of jute manufactures in Calcutta[1] (1)	index numbers of jute mill wages[2] (2)	$\frac{\text{col. (2)}}{\text{col. (1)}} \times 100$ (3)*
1921	100	100	100
1922	138	100	72
1923	132	100	76
1924	153	100	65
1925	170	100	59
1926	141	100	71
1927	140	100	71
1928	144	100	69
1929	117	103	88
1930	85	103	120
1931	73	103	141

(b) Tea industry

year	index numbers of wholesale prices of tea in Calcutta[3] (1)	index numbers of wages in the tea industry (Assam tea gardens[4]) (2)	$\frac{\text{col. (2)}}{\text{col. (1)}} \times 100$ (3)*
1921	100	100	100
1922	159	108	68
1923	200	115	58
1924	205	152	74
1925	180	155	86
1926	180	167	93
1927	165	163	98
1928	154	175	114
1929	140	188	134
1930	114	182	160
1931	86	182	212

Data for all the above examples have not been available for the same period. So naturally different periods have had to be chosen to suit their availability. But the periods in all the examples cover both depression and boom. Excepting a short-lived depression the period 1921-1929 may be taken on the whole as a period of prosperity. Of course, the boom of this period is much more moderate than the inflationary

[1]*The statistical Abstract for British India*, 1929-30 to 1938-39; instead of the end of July 1914, 1921 has been taken to be the base year and the numbers have been adjusted accordingly.

[2]D. H. Buchanan: *The Development of Capitalist Enterprise in India*, p. 355; instead of 1913, 1921 has been taken as the base.

[3]*The statistical Abstract for British India*, 1929-30 to 1938-39.

[4]*Statistical Summary of the Social and Economic Trend in India*, 1945, p. 39; instead of 1920, 1921 has been selected as the base with necessary adjustments in the figures.

*Column(3) represents the index numbers of share of wages in prices.

boom which developed during World War II. The period 1930-36 is well-known as the period of *Great Depression*. Then the upswing begins with the commencement of World War II in 1939 and develops into an inflationary boom in the course of the war. There are differences in the durations of depression and boom in the four different examples. But this does not vitiate the purpose of the present study.

In the cases under category I we find a larger degree of changes in wages than in the the cases under category II, while price-variations are almost equally frequent in both the categories.

In the example (a) under category I we find the percentage ratio of wages to prices being continuously lowered by the depression. Though the lowest level is reached in 1944, a year of high price, it is only slightly lower than the level of 1930 a year of low price. The level rises again and clearly surpasses by 1947 the level of 1936 as the price rises further. In the example (b) under category I we find the share of wages in the prices to be appreciably large in the period 1926-1929 a period of moderately high price, the year 1927 being an exception. During 1931-37, the period of depression, the share is considerably lowered except in 1930 and 1932. From 1938 when the recovery commences the share rises and in 1939 it reaches the level of 1926. Though it is lowered in 1944 it is appreciably higher than the level of 1931 or 1933. In 1947, a clearly boom year, the share goes up very near to the peak. Excepting certain irregularities both the examples indicate similar tendencies on the whole. Unfortunately figures for all the years of the period 1926-1947 have not been available; but the tendencies are evident from the data given above. The writer's experience of other cottage industries in the locality is also very much the same.

Now consider category II. This is glaringly different from category I. In both the examples under category II we find the percentage share of wages in prices being definitely depressed in boom and raised in depression. Thus in the example (a) category II, the share comes down to the lowest level in 1925 when the price rises up to the peak. The share attains the highest level in 1931 when the price is lowered to the bottom.

It is not difficult to explain the differences between the two categories. In a cottage industry there is a larger personal touch and a larger scope of mutual understanding between employer and labour than in the case of big industry. As such whenever there is any rise or fall in prices, that is more or less transmitted to wages in the former case. Besides, production and employment decisions in a big industry are much more inelastic than in the case of a cottage economy. Thus a downward tendency of prices in a big industry does not immediately lead to reduction of employment producing a depressing effect upon wages. In the case of a cottage economy, however, a depression of prices very quickly reacts upon the volume of work leading to a depression of wages at the same time. Similarly in the case of rising prices the big industries cannot very quickly expand the volume of employment producing a proportionate rise in wages, but in the cottags industries the volume of work increases quickly raising wages almost in the same proportion as the increase in prices. Ultimately, however, in depression a big industry reduces its wage-bill by curtailing employment, while a cottage industry reduces its wage-bill by offering a lower wage-rate.

Wider significance may be derived from the findings noted here. This is that the effects produced by the rising or falling prices on a national economy dominated by cottage or household-products (like that of India) would be different from those produced on a highly developed capitalist economy. Apart from price-control and rationing the policies which are usually suggested in connection with the problem of inflation may not be unquestionably applicable to the former case. The question here would not be so much of a fiscal or financial type as to search for the specific sectors or cases adversely affected by the situation. The purpose of the present note is, however, nothing more than to arouse interest in further investigation into the question raised here.

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