

Determination of relative prices

Topic: 711D Productivity and Efficiency (1)

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Question asked is whether cost measured in terms of all total labour cost has tendency to determine long run relative prices. All total inputs including capital costs are measured in labour producing each inputs, or capital goods constituting capital formation. This treatment of measuring total labor costs are novel, or new. According to Japanese IO data for the past 50 years, from statistical office and rieti data, weighting by total outputs of each industry indicates that relative prices are determined by total labor costs in a long run.