

Lecture: Contemporary Economic History of Japan

No. 12

1-10 Agricultural Depression and Invasion of China

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10 Agricultural Depression and Invasion of China

- 10-1 Aggravating Agricultural Depression
- The first half of the 1930s was characterized by a prolonged depression of Agriculture (until around Jun. 1935) as contrasted to the early recovery in the manufacturing industry sector.
- Prices of silk were on a declining trend from the second half of 1929.
- The prices slipped off in New York and Yokohama in conjunction.
- This worsened the management of silk industry, which led to the profit deterioration of cocoon production farms.
- During the same period, the prices of rice also went down more than 40% from 28 yen to 16 yen.
- Commodity prices across the board sharply dropped by 50-60% in a little more than a year.
- Due to the downslide of prices and the letup in demand, the mining and manufacturing output was forced to diminish, which increased an unemployment
- Worsening depression enhanced social unrest/discontent.





農村恐慌 1931年の凶作飢饉で東北・北海道の稲作は平年作の三分の一以下の惨状だった。左は青森の凶作農家。右は東北凶作援助活動をおこなう大学生。

Aggravating Agricultural Depression

Its causes were:

- ① Collapse of sericultural industry against the background of the shakeout of raw-silk prices due to the depression in the U.S.
- ② Shakeout of rice prices against the background of the rich harvest in 1930
- ③ Two times of cold-weather damages in Tohoku district in '31 and '34

- Against the price downslide, farmhouses tried to cover the decrease in their cash revenue by expanding their output quantity, which incurred a vicious cycle of bringing down the prices even further.
- Added to it was the famine-caused loss of earnings, thus managing conditions of farmhouses never improved.
- In 1930-1931, the decrease in job opportunities caused by the Showa depression closed down the alternative of cash revenue through outside employments.

Ratio of Discharged Workers Returned to Farming

%

- Among those who lost their job in cities, ones returning to farm villages increased as in the chart on the left. As a burden of their aliment was added, farmhouses' budget was strained and their debt increased, which brought about tragedies such as selling daughters into slavery in order to pay the debt.

	Factory Workers	Mine Workers
1926	32.6	15.0
1927	36.1	14.6
1928	36.5	15.4
1929	39.1	15.3
1930	39.0	19.8
1931	43.3	18.6
1932	44.6	16.8

Reality of Farmhouses' Indebtedness

- Amount of debt by farmhouses in a 1931 survey was:

	Average Family	Area Owned	Area Managed	Revenue from Agriculture	Revenue from Extra-	Total	Amount of Debt
	Person	10 Are	10 Are	Yen	Yen	Yen	Yen
Landowner-cum-farmer	8.5	98.8	65.9	801.4	471.2	1,272.6	3,748.6
Owner Farmer	8.2	38.3	36.6	748.0	110.5	858.5	2,558.4
Landowning Tenant Farmer	7.9	23.3	30.2	668.9	56.1	725.0	2,099.7
Tenant Farmer	7.4	5.1	23.1	652.4	46.1	698.5	1,433.3
Average	8.0	36.1	36.5	709.3	143.4	850.7	2,340.8

- While the foregoing chart shows a farmhouse's revenue of each echelon, it does not indicate an average income of each echelon.
- What came down to a real household expense was the balance after deducting agricultural expenses (fertilizer, seed paddies, farm tools, expenses for employed labor, etc.), and the real income was less than half of that revenue.
- And the amount of debt ran up to more than double and close to triple the annual income. The accumulation of indebtedness caused a significant burden not only to farmhouses in lower layers but also to landowning farmers and farmer-cum-landowners, i.e. own-farming landowners in higher layers.
- Newspapers of those days report that undernourished children measured up to 200,000 in farmhouses across the country.

Survey on Farmhouses' Indebtedness		
Surveyed by Ministry of Agriculture & Forestry in 1932-end		
	Million Yen	Ratio
Total Debts	5,498	100.0
Farmhouse	4,547	82.7
Forestry House	832	15.0
Fishery House	119	2.2
By Interest Rate	4,185	
Under 7%	411	9.8
10%	1,386	33.1
12%	1,198	28.6
15%	930	22.2
15% and Above	260	6.3
By Collateral	4,342	
With Security	2,318	53.4
Without Security	2,024	46.6

Time of Debt Accrual in 9 Prefectures of Tohoku and Hokuriku Distiricts	
Period	Ratio
Before 1916	1.87
1917-21	4.07
1922-26	18.33
1927	10.16
1928	9.21
1929	8.48
1930	13.37
1931	14.19
1932	11.98
1933	7.57
1934	0.77

- Unable to pay tenant rents amid such rough economic situations, tenant farmers in arrears increased, and landowners acting against these tenants tried to take away their land. The tenancy disputes over the cultivation right escalated.
- Tenancy disputes in the 1930s were characterized by the following:
 - ① They were small-scaled;
 - ② Disputes even spread over to Tohoku district, single crop area for rice, where landowners were considered to sustain a relatively strong infrastructure.

Deteriorating Landowners' Management

- According to a study by Mr. Yoshiaki Nishida, the managing conditions of Koike household, cultivator-cum-landowner in a village in Nagano-pref., took a change for the worse at one whack in the depression period.
- Being a landowner in the sericultural region, the house, taking the blow of silk industry's collapse in the teeth, lost not only significant part of its agricultural revenue, but also tenant rents in the end of the 1920s: The revenue in 1930 decreased to less than one half of that in 1926, and eventually down to one third.

Revenue and Expenditure Situation of Koike Household

Yen

	Gross Revenue	Agricultural Revenue	Tenant Rent	Stock Dividend	Deposit Interest
1926	4,382	989	1,923	671	360
1928	3,175	649	1,038	545	307
1930	2,141	253	1,032	317	227
1932	1,444	88	1,009	98	121
1934	1,474	138	868	254	114
	Gross Expenditure	Agricultural Expenditure	Tax and Public Dues	Household Expense	Surplus in Balance
1926	2,413	433	994	829	1,989
1928	1,769	256	741	687	1,406
1930	1,613	179	683	690	529
1932	1,154	149	478	480	290
1934	1,394	251	613	519	80

Based on Mr. Yoshiaki Nishida's study

Deteriorating Landowners' Management

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- Being a landowner in the sericultural region, the house, taking the blow of silk industry's collapse in the teeth, lost not only significant part of its agricultural revenue, but also tenant rents in the end of the 1920s: The revenue in 1930 decreased to less than one half of that in 1926, and eventually down to one-third.
- Against such situation, Koike house took countermeasures of cutting agricultural expenditures and household expenses. But the surplus in balance decreased sharply and there was little leeway left in the household budget.
- Furthermore, the decrease in fruits of such non-agricultural investments as stock dividend and deposit interest due to the depression aggravated the status even further.

Fallback of Parasitic Land Owner System

- Thus, landowners profit deteriorated, and some of them got on the move to deprive tenant farmers of the land, which developed into fierce disputes over cultivation rights.
- Under the “Conciliation Act framework” getting fixated in the 1920s, resolutions of these disputes tended to be facilitated while maintaining orders of rural communities. Conditions of their settlements were not necessarily advantageous to landowners, thus retreating the landowner system.



Boundary of Measures for Economic Recovery

- This long-lasting recession in farm villages, confining the cost of additional labor supplies to a low level in the economic recovery process, helped improve conditions for corporate profitability.
- In the period of Takahashi's financial administration, projects like **the program for saving current affairs** were implemented to provide cash- income opportunities to farm villages through engineering enterprises, etc.
- These measures, however, did not exert much impact as Takahashi himself, in political surroundings where he could not cut down the military expenditure, reduced their budget at an early date as a means to compress expenditures. Thus, the prescription written by Takahashi eventuated in the outstanding recovery of manufacturing industries, leaving the recession in farm villages unattended.



“Inequality in Distribution”

- Inequality in distribution come into existence.
- This became a social footing of criticism on Zaibatsu, as seen in the previous chapter,
- and fomented political crisis awareness through a grave social unrest,
- and, as symbolized by the term “Showa restoration”, came to be linked with the **political integration with an iron hand** by the military foray into politics and **foreign aggressions** as an outlet for complaint of common people.



10-2 Invasion of China and Building of Manchurian Economy

- The purpose of Manchurian Incident and Manchukuo foundation, commenced by the independent idea and situation judgment of the military, i.e. Kwantung army, was, in recognizing the importance of economic resources in “Manchuria”, north-eastern part of China, therein constructing a homebase of the heavy chemical industry, to build a strong garrison-state structure in unification with Japan.
- But this movement, as linked to the withdrawal from League of Nations, not only led to drawing condemnation from powerful countries resulting in the isolation of Japan, but also provoked Chinese people’s wrath, evoked both the long-term military confrontation between China and Japan and resistive exercises against Japan’s invasion.



軍司令部 旅順にあつた關東軍司令部は事 ↑
発の翌19日奉天の東洋拓植支店に移つた。

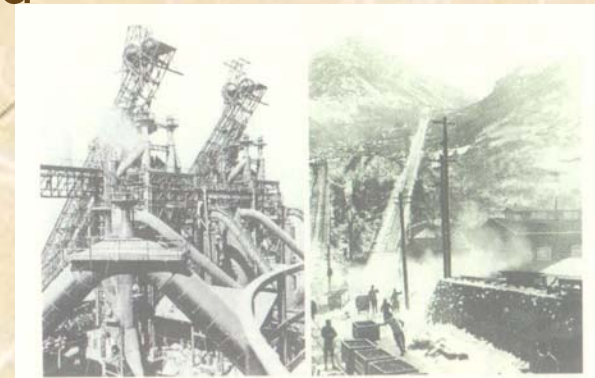
Disappointed Expectations of Resources Development

- As for building the economy, based on the pemmican for Manchukuo economic construction instituted in Mar. 1933, an attempt was made to implement the project at one sweep by giving exclusive rights to special companies selected by the principle of one company in one industry, precluding Zaibatsu firms. But anticipated results were not materialized.
- While providing the heavy chemical industrial sector with a perfect export market in the process of Japan's economic recovery, the construction of Manchukuo did not progress smoothly, as the investment to Manchuria started showing a sluggish growth in 1936.
- The period until 1936, at least, was an epoch just for the infrastructure development by the government, and not a clue could be found as to meeting the targets of expanding the military industry and enhancing a self-sufficiency rate of the military production by the heavy chemical industrialization.
- The chief reason for that was the outlook on the development of economic resources was too optimistic from the beginning, and the Kwantung army's vision per se was impracticable and sloppy.

- Investment amount to Manchuria gave its density in 1930-36, but about half of it was toward Manchurian Railroad: Manchurian Railroad in turn supplied that fund for building the economy through its subsidiary.
- This scheme was effective in procuring funds in capital market through the railroad project by avoiding risks involved with the construction of Manchuria economy that was uncertain. But the problem was that this kind of utilization of investment from the private sector, when capital investment became brisk within Japan, would not be necessarily an ample spring of investment from a competitive relation standpoint.



20 満州国の建国宣言(右)と建国ポスター ポスターで否定するような宣伝活動が行われた。



27 鞍山の鉱山 1929年に満鉄鞍山製鉄所から独立した昭和製鋼所は、高炉(左)の建設で採鉱から製鉄までを一貫して行うようになり、1933年には31万トンを出鉄。

Composition of Foreign Investment Amount by Region

Million Yen. %

	1926		1930		1936	
	Million Yen.	%	Million Yen.	%	Million Yen.	%
Principal China	1,166	27.7	1,446	26.8	1,994	24.8
Manchuria	1,402	33.3	1,757	32.6	2,919	36.4
Korea	1,127	26.7	1,507	27.9	2,409	30.0
Taiwan	519	12.3	685	12.7	707	8.8
Total	4,214	100.0	5,395	100.0	8,029	100.0

Composition of Investment to Manchuria

1000 Yen

	Paying Up of Shares	Introduction of Share	Public Bond	Corporate Bond	Debt Loan	Total
Manchuria Railroad	194,000	17,545		480,200		691,745
Manchukou			154,000		16,000	170,000
Other	197,196			88,000	14,755	299,951
Total	391,196	17,545	154,000	568,200	30,755	1,161,696

K. Ohishi ed. *History of Japanese Imperialism*. Vol.2 p337



Yoshisuke Ayukawa
of Nihon Sangyo
which went into
Manchurian



- Japan's foray into Manchuria involving the military invasion stirred up Anti-Japanese sentiment of not only Manchuria district but whole of China, and the "United Front Movement in China" soared including the boycott of Japanese goods.
- Against such movements, Japan planned its invasion/penetration into the Chinese mainland to counter with a heavy hand, and to recuperate its failures in the Manchu development.

