

# Lecture: Contemporary Economic History of Japan

No. 5

**1-3 Urbanization and Unbalanced Growth, Industrial Organization**

**Winter Semester, 2004**

**Haruhito Takeda**

### 3 Urbanization and Unbalanced Growth, Industrial Organization

- **Aug. 1919: Postwar boom started**
- **Jan. 1920: League of Nations inaugurated**
- **Mar. : 1920 Panic**
- **Oct. : First national census**
- **Jun. 1921 : Mitsubishi & Kawasaki labor dispute**
- **Nov : Prime Minister Takashi Hara assassinated**
- **Feb, 1922 : Washington Disarmament Treaty**
- **Sep. 1923: Great Kanto Earthquake**
- **: Bank of Japan Compensation Act on Earthquake Bill instituted**
- **Jan. 1924: Second pro-Constitution movement**
- **Mar. 1925: Popular election by males implemented**
- **Apr. : Maintenance of the Public Order Act**
- **Mar. 1927: Financial Crisis**
- **: Banking Act issued**
- **Oct. 1929: New York stocks' big crash**

# Urbanization and Housing Development



(Source) City Planning Institute of Japan

# Development of Den-en Chofu

Because of circumstances of copyright processing, we omit the picture; “Den-en Chofu”.

154 田園調布 上は田園調布の鳥瞰、下はレッチウォースの区画図である。同じように、環状道路と放射状道路とによって、街区が形成されている。

(Source) Haruhito Takeda *Imperialism and Democracy* p.188



Because of circumstances of copyright processing,  
we omit the picture;  
“Central Corridor Type Housing”.



158 百軒店の広告 箱根土地は、関東大震災を機に、分譲予定を住宅地から商店街に変更した。中央に聚楽座という劇場を造り、周囲に117軒の洋風2階建ての店舗を配置して百軒店と名付けた。だが、下町の復興の進展にともなって、有名店は次々に引き上げた。一時はさびれたこの町が繁華街になるのは、満州事変以降のことである。



153 目白文化村の土地分譲広告 堤康次郎率いる箱根土地(現国土計画)が、東京で住宅地の開発を手がけはじめたのは1922年。その最初の一つが目白文化村だった。『時事新報』1923年5月12日より。

# Civilized Housing and Sale of Building Lots

(Source) Haruhito Takeda  
*Imperialism and Democracy* p.187-9

Haruhito Takeda

# Civilized Housing and The apartments of Doujunkai

Contemporary Economic History of Japan 2004



161 西片町の文化住宅 江戸時代、西片町は福山藩主の阿部家の江戸屋敷だった。近代に入っては、文教地区となりつつあった本郷付近にあって「学士町」などと呼ばれた。

Because of circumstances of copyright processing,  
we omit the picture ;  
“The life in the apartment in Doujunkai Aoyama”.

158 同潤会アパートの生活 机の前に卓袱台を置く。手前のコンロでトーストを作って、バターを塗って食べる。飲み物は紅茶である。和洋混在の生活は、アパートの部屋にはふさわしかった。写真は、同潤会青山アパートメント(1927年までに全棟完成)とその居住者。

(Source) Haruhito Takeda *Imperialism and Democracy* p.194, p.195

Haruhito Takeda



# Dawn of the age of House Electric Appliances



広告 G.E.電気冷蔵庫 昭和4年5月15日「東京朝日新聞」

# 1-3-1 Unstable International Climate World under Reconstructed Gold Standard

- The world after WWI remained unstable due to the unresolved German reparation problem, and delayed reform of international currency framework thereunder.
- Large amount of reparations imposed on Germany ended up finding a solution in the American aid to Germany = capital export, based on Dawes Plan. This meant that the rebuilding of Europe would be attained, in short term, by the American dissemination of funds, and essentially in long term, through the German trade surplus.
- Whereby Europe found its way to reform the gold standard thanks to the establishment of Dawes Plan, and achieved a relative stability in the mid-1920s. But this “stability” was under the threat of a severe international competition centering around Germany.

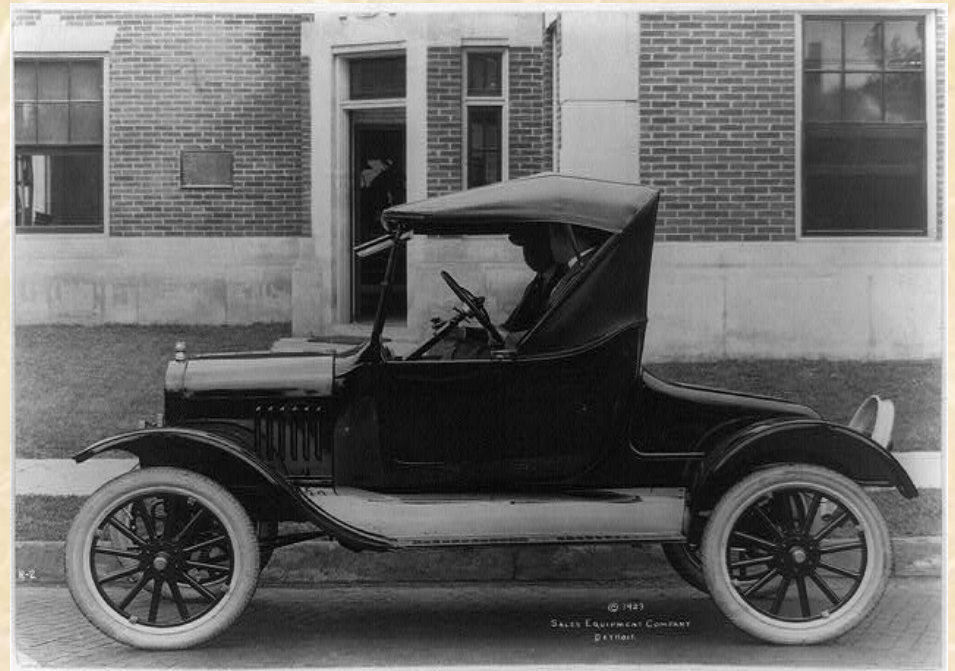


# World Economy in Disequilibrium

Grown rapidly in the wartime period, the American economy experienced a “golden decade” in the 1920s.

For, the country gave a birth to status of a mass-consumption-oriented society based on the diffusion of durable consumption goods represented by Ford Model T.

On the other hand, however, not only the defeated Germany but also other European nations were facing economic difficulties. Threats posed by socialism and economic developments of industrializing nations toughened economic operations of individual nations.



from Wikipedia

## Lessons from All-out War

- Lessons from all-out war by WWI:  
Each advanced country requires
  - ① Formation of a self-sustaining economic structure responding to wartime;
  - ② Development of a domestic appeasement policy under the threat of socialism;  
→ To reinforce a policy of agricultural protection  
Avoidance of a crash which intensifies unemployment problems  
I.e. a “development of an appeasement policy” was made unavoidable.
- In hindsight, advanced countries prioritized domestic issues, not leaving much room for external cooperation.
- Also, the development of agricultural-protection policies by advanced nations squeezed the balance of payment of such agricultural-exporting countries as Canada, Argentina and Australia, which brought about stagnation of agricultural prices to set off the “world agricultural problems”.

## 1-3-2 Severe International Competitive Pressure and Trade Structure

- Under these conditions, the international environment surrounding Japan was that a furious global competition was developing in the world market, constraining the Japanese export trade, and intensifying pressure on imports.
- Foreign trade unit value index of the world, in a slump in the 1920s, was on a declining trend. While the level of prices in the US and U.K. was at about 150% of one before WWI, the foreign trade unit value was at 125-130% of that in the prewar period, clearly lower than the level of prices. Prices of traded commodity hovered at a low level, as shown on the decreases in unit prices of major imported goods in the following:

# Chart: Decline in Prices of Imported Goods

## Yen / Picul

	Steel Products	Pig Iron	Wheat	Sugar	Crude Ammonium Sulfate
1913	4.48	2.35	4.39	6.90	8.61
1920	12.22	6.98	9.94	20.38	16.55
1921	11.32	4.85	6.41	13.96	8.34
1922	6.14	3.25	6.57	10.00	8.22
1923	5.96	3.03	6.43	10.82	10.28
1924	6.06	3.13	6.32	12.58	9.46
1925	6.19	3.16	9.13	11.82	9.78
1926	4.77	2.64	7.97	11.06	9.11
1927	4.66	2.66	6.94	10.80	7.86
1928	5.33	2.61	6.19	10.23	7.65
1929	5.55	2.34	5.80	8.21	7.58
1930	5.61	1.69	5.15	6.37	5.87

- **Evolution of dumping-oriented pressures for importation**

# Composition of Foreign Trade by Region and Commodity —1929—

Million Yen

Advanced Region	Import			Export		
	Foods	Raw Materials	Industrial Products	Foods	Textile Products	Other Products
U.K.			Ferrous Metals 23 Ammonium Sulfate 17 Machinery 34 Woolen Textiles 15		Silk/Rayon Silk 10	
Continental Europe			Ferrous Metals 47 Ammonium Sulfate 23 Machinery 31 Woolen Textiles 15		Raw Silk 13 Silk/Rayon Textiles 12	
North America	Wheat 50	raw Cotton 276 Petroleum 17 Lumber 72	Machinery 42 Ferrous Metals 37 Automobiles 32 Plumbum 12	Bottled/Canned 11	Raw Silk 761 Silk/Rayon Textiles 24	Chinawares 16
Developing Region						
China	Beans 75	Oil-drilling Materials 26 Oilcake 73 Coal 34 Ores 11 raw Cotton 34		Flour 25 Sugar Manufacture 27 Fishery Products 11	Cotton Textiles 165	Paper Goods 20 Coal 12 Machinery 11
Other Asia	Rice 18 Sugar 30	Crude Caoutchouc 33 Ores 12 Petroleum 17 raw Cotton 231 Lumber 13	Ferrous Metals 16		Silk/Rayon Textiles 48 Knit Goods 17 Cotton Fiber 17 Cotton Textiles 190	Coal 10
Others	Wheat 15	raw Cotton 22 Sheep Wool 99			Cotton Textiles/Others 68	

# Transit of Trade Balance by Commodity

Million yen

		1910-14	1915-19	1920-24	1925-29	1930-34
Total	Export	2,656	7,500	8,094	10,463	8,060
	Import	2,922	6,166	10,276	11,542	8,413
	Balance	-266	1,334	-2,182	-1,079	-353
Foods	Export	284	717	531	763	665
	Import	368	633	1,320	1,636	875
	Balance	-84	84	-789	-873	-210
Raw Materials	Export	222	397	490	621	332
	Import	1,445	3,285	5,009	6,426	4,947
	Balance	-1,223	-2,888	-4,519	-5,805	-4,615
Raw Materials Products	Export	1,337	3,253	3,635	4,598	2,543
	Import	529	1,531	2,034	1,772	1,364
	Balance	808	1,722	1,601	2,826	1,179
All Products	Export	783	2,967	3,332	4,312	4,302
	Import	561	671	1,835	1,634	1,156
	Balance	222	2,296	1,497	2,678	3,146
Sundries	Export	30	166	106	169	218
	Import	17	46	76	74	71
	Balance	13	120	30	95	147

From "International Environment" in *Japan's Capitalism in 1920s* by Haruhito Takeda

## Characteristics of Trade Structure

- Japan remained to keep a trade structure just like developing nations.
- The main exports was fabric products.

But this kind of structure was attributed to the heavy industries' stagnation caused by the severe dumping offensive from advanced countries. Such external competitive pressure constituted a condition to constrain structural transformation.

# Transit of Trade Balance by Commodity

million yen

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Haruhito Takeda, 'International Environment', *Japan's Capitalism in The 1920s*



# Change in Trade Structure

- Variances between the anterior half and the latter half of the 1920s

In the anterior half,

① Deficits in foods and raw materials were not covered by products' export.

But in the latter half,

② Overall deficit was roughly explained by foods' deficit, and, a notable trend was seen in the balance between raw materials' import related to industrial production and products' export.

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Total	Balance	-266	1,334	-2,182	-1,079	-353
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# 1-3-3 Expansive Character of Fiscal Structure

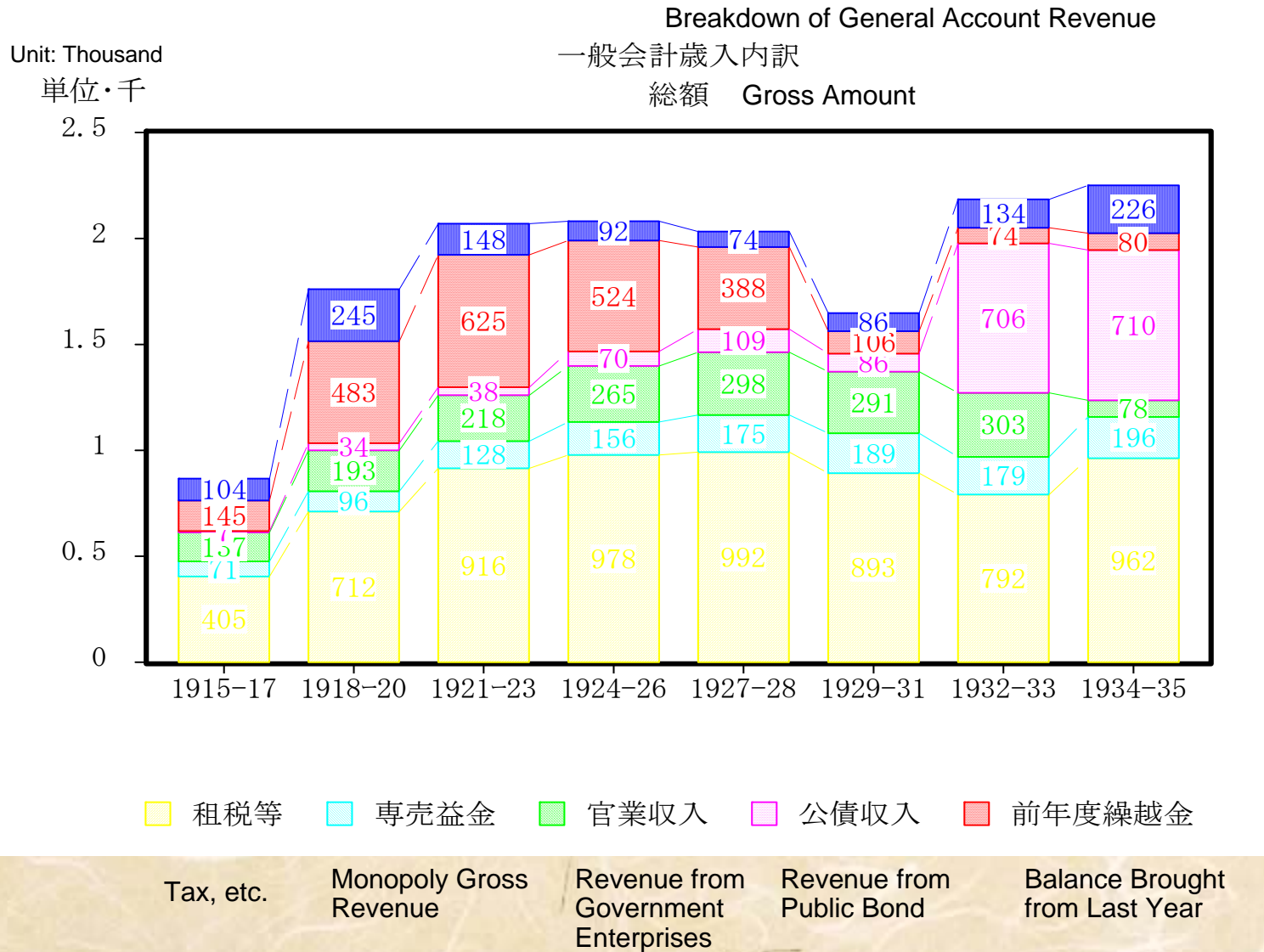
## Configuration Change in Demand

	Personal Consumption Expenditure	Government Current Expenditure	Formation of Gross Fixed Capital			Export/Income from Overseas	Import/Income to Overseas	Gross National Expenditure
			Subtotal	Nongovernment	Government			
1951	3,616	366	793	540	254	1,004	788	7,361
1920	11,326	1,085	3,596	2,566	1,035	2,984	3,095	25,687
1925	12,740	1,073	2,704	1,592	1,119	3,272	3,524	26,024
1930	10,850	1,452	2,322	1,329	1,010	2,486	2,439	21,888
1935	12,668	2,117	3,346	2,006	1,354	4,158	3,991	29,640
Composition Ratio								
1951	49.1	5.0	10.8	7.3	3.5	13.6	10.7	100.0
1920	44.1	4.2	14.0	10.0	4.0	<b>11.6</b>	12.0	100.0
1925	49.0	4.1	10.4	6.1	<b>4.3</b>	<b>12.6</b>	13.5	100.0
1930	49.6	6.6	10.6	6.1	<b>4.6</b>	<b>11.4</b>	11.1	100.0
1935	42.7	7.1	11.3	6.8	4.6	14.0	13.5	100.0
Increase and Decrease								
15-20	7,710	719	2,803	2,026	781	1,980	2,307	18,326
20-25	1,414	-12	-892	<b>-974</b>	84	288	429	337
25-30	-1,890	379	-382	<b>-263</b>	-109	-786	-1,085	-4,136
30-35	1,818	665	1,024	677	344	1,672	1,552	7,752
Contribution Ratio								
15-20	42.1	3.9	15.3	11.1	4.3	10.8	12.6	100.0
20-25	<b>419.6</b>	-3.6	-264.7	-189.0	<b>24.9</b>	85.5	127.3	100.0
25-30	45.7	-9.2	9.2	6.4	2.6	19.0	26.2	100.0
30-35	23.5	8.6	13.2	8.7	4.4	21.6	20.0	100.0

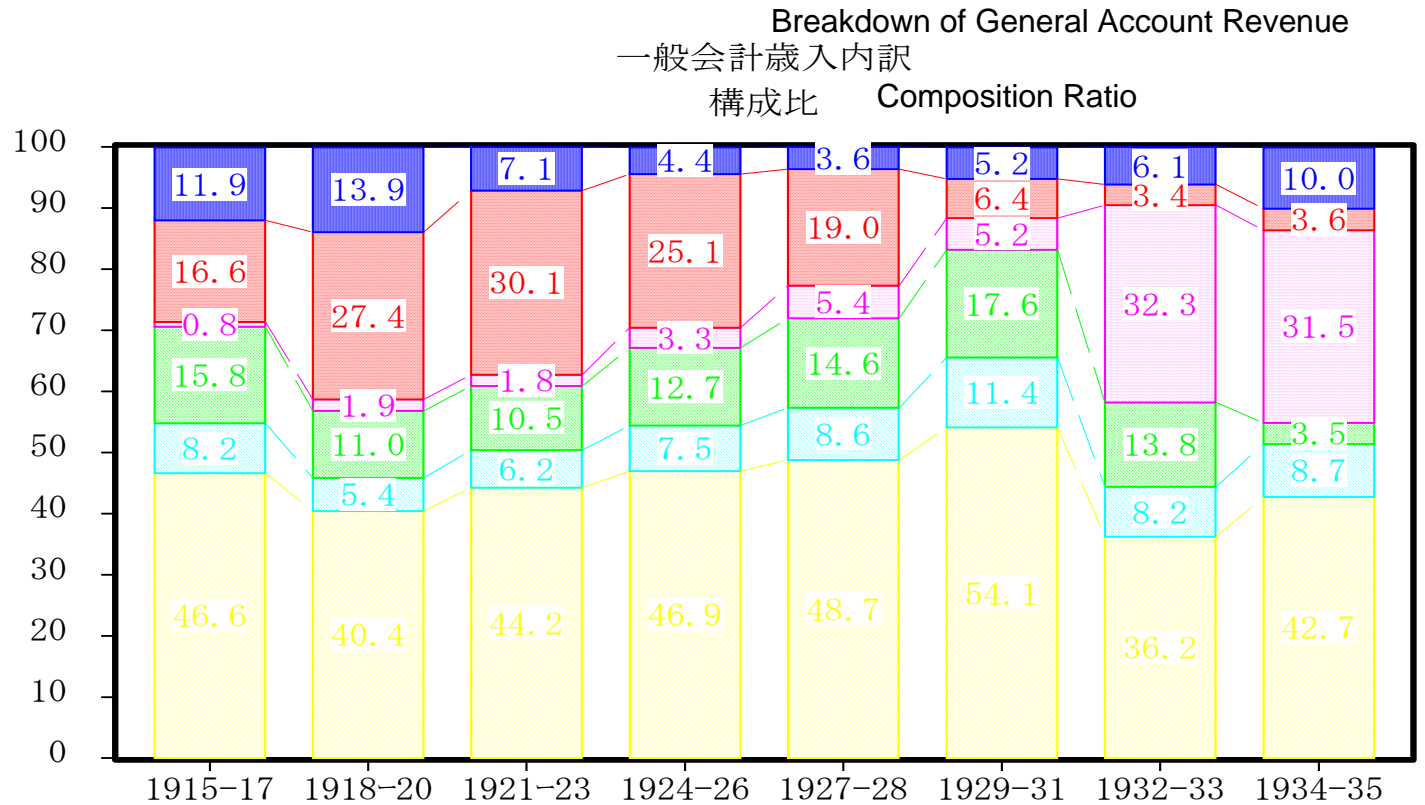
# Characteristics of Demand Structure

Configuration Change in Demand									
	Personal Expenditure	Government Expenditure	Formation of Gross Fixed Capital			Export/Income from Overseas	Import/Income to Overseas	Gross National Expenditure	
			Subtotal	Nongovernment	Government				
<b>① Stagnation of nongovernmental capital investments</b>	1951	3,616	366	793	540	254	1,004	788	7,361
<b>② Against the decrease in the dependence on exports, the economy is being shored up by:</b>	1920	11,326	1,085	3,596	2,566	1,035	2,984	3,095	25,687
	1925	12,740	1,073	2,704	1,592	1,119	3,272	3,524	26,024
	1930	10,100	1,070	2,322	1,329	1,010	2,486	2,439	21,888
	1935	12,658	2,117	3,245	2,006	1,354	4,158	3,991	29,640
Composition Ratio									
<b>③ Expansion of personal consumption, and</b>	1951	49.1	5.0	10.8	7.3	3.5	13.6	10.7	100.0
<b>④ Increase in government spending</b>	1920	44.1	4.2	14.0	10.0	4.0	11.6	12.0	100.0
	1930	49.6	6.6	10.4	6.1	4.3	12.6	13.5	100.0
	1935	49.6	6.6	10.6	6.1	4.6	11.4	11.1	100.0
					6.8	4.6	14.0	13.5	100.0
Increase and Decrease									
	15-20	7,710	719	2,803	2,026	781	1,980	2,307	18,326
	20-25	1,414	-12	-892	-974	84	288	429	337
	25-30	-1,890	379	-382	-263	-109	-786	-1,085	-4,136
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	25-30	45.7	-9.2	9.2	6.4	2.6	19.0	26.2	100.0
	30-35	23.5	8.6	13.2	8.7	4.4	21.6	20.0	100.0

# Transit of General Account Revenue



# Annual Revenue Composition Ratio



■ 租税等   
 ■ 専売益金   
 ■ 官業収入   
 ■ 公債収入   
 ■ 前年度繰越金

Tax, etc.

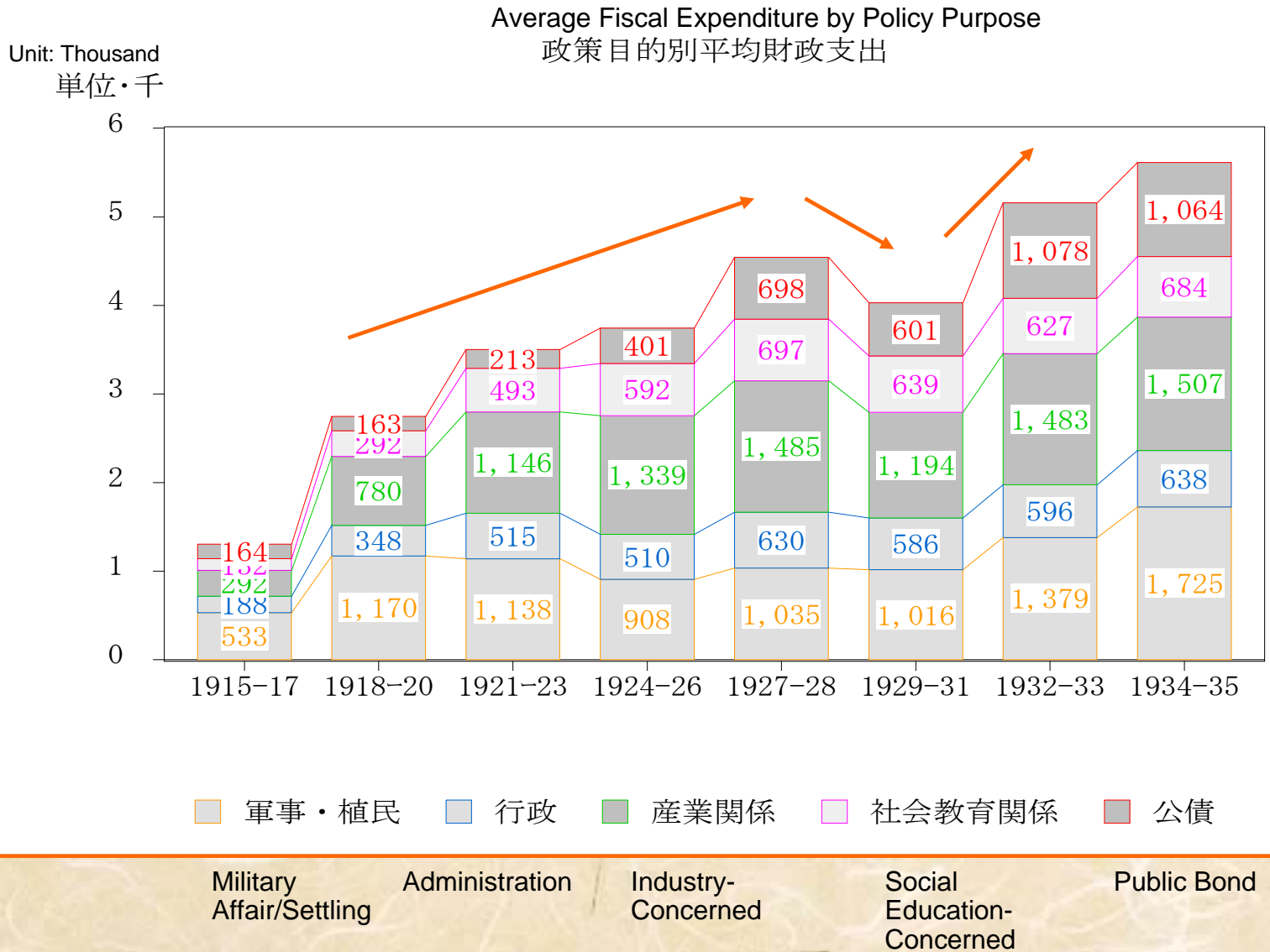
Monopoly Gross Revenue

Revenue from Government Enterprises

Revenue from Public Bond

Balance Brought from Last Year

# Increase in Annual Expenditure



## Expansive Character of Fiscal Structure

- ① While the revenue was stagnant even with the surplus transfer,
- ② the expenditure was at a high level, surpassing the war period, and still on an increasing trend.

As the result, the huge amount of financial surplus accumulated during the war time was eaten up.

Stated differently, in the 1920s the financial surplus brought over from the war time was a condition that made expansive policies possible.

The monetary policy maintained the relief loans to corporations throughout turbulent social conditions of the 1920 panic and Great Kanto Earthquake, and the money supply was not constricted.

→ Comparatively high commodity prices.

But the increased expenditure by the government became a condition to support the economic climate, and to enable an urbanization.

# 1-3-4 Changes in Industrial/Trade Structures

— Unbalanced Growth —

1914		1919		1929	
Cotton Yarn	204	Raw Silk	780	Raw Silk	795
Raw Silk	158	Cotton Yarn	763	Railway	750
Railway	152	Narrow Cloth	453	Cotton Yarn	678
Military Factory	149	Coal	442	Electricity	658
Narrow Cloth	92	Railway	401	Broad Cloth	526
Coal	80	Narrow Silk Cloth	397	Sake	301
Sake	70	Maritime Transport	378	Coal	245
Nonferrous Metal	60	Military Factory	315	Military Factory	208
Electricity	57	Marine Vessel	312	Paper Manufacture	190
Narrow Silk Cloth	52	Broad Cloth	312	State-run Ironmaking	190
Sugar Manufacture	49	State-run Ironmaking	246	Printing	186
State-run Ironmaking	46	Sake	240	Woolen Textiles	176
Generating Machinery	29	Electricity	183	Steel	173
Paper Manufacture	29	Paper Manufacture	151	Sugar Manufacture	158
Woolen Textiles	28	Woolen Textiles	122	Wheat Flour	146
Printing	26	Fertilizer	111	Fertilizer	132
Wheat Flour	25	Steel	107	Broad Silk Cloth	130
Fertilizer	25	Sugar Manufacture	104	Industrial Medicals	115
Pig Iron	23	Twisted Yarn	101	Lumber	112
Broad Cloth	20	Nonferrous Metal	100	Nonferrous Metal	108

**Drawn from  
Session: Study  
on Imperialism  
6" by Hiroaki  
Yamazaki and  
others**



## Chart 5: Growth by Industry

(Unit: Million Yen)

	Amount of Increase (Contribution Ratio)					
	1911-14		1914-19		1919-29	
		%		%		%
Mining Industry	44	9.9	250	9.8	⇒166	2.7
Metal Products	6	1.3	15	0.6	68	1.0
Steel	8	1.8	⇒192	7.5	⇒ 49	0.8
Transportation Equipment	26	5.8	⇒372	14.6	⇒105	1.7
Electrical/General Machinery	3	0.7	69	2.7	110	1.8
Chemicals	9	2.0	87	3.4	258	4.1
Glass & Ceramics	9	2.0	30	1.2	137	2.2
Paper & Pulp	6	1.3	106	4.2	340	5.5
Textiles	53	11.9	377	14.8	⇒548	8.8
Railway	37	8.3	160	6.3	⇒1,309	21.0
Maritime Transport	22	4.9	464	18.2	△ 76	△ 1.2
Electricity	138	33.9	⇒198	7.8	⇒2,258	41.1
Total Incl. Others	446	100.0	2,550	100.0	6,224	100.0

[Source] Seishi Nakamura, *The formation of the big-business in Japan*, 1976

Expansions of railway and electricity were the driving force behind the growth.

## 1-3-5 Organization of Industry

- Under fierce pressure of international competition, Japanese industries in their outstanding efforts came to take cooperative actions including the formation of cartel.
- Specifically, cartel actions were developed in industries in coal, copper, pig iron, steel product, cement, cotton yarn, sugar.  
In sphere of pricing, under strong downward pressures by international prices, concerted actions, being regulated by provisions with or without tariff barrier, did not have enough effect to increase corporate profitability ratio.  
But the human-induced interventions in market mechanism, by curbing speculative price fluctuations, provided corporations with room for rationalization.
- Meanwhile, the high industrial systemicity would lead Zaibatsu centered around its holding company to a konzern-type development. An inter-enterprise relation had both aspects of competition and cooperation, and large corporations came to hold dominant positions.

# Establishment of Cartels

- Cartels of Major Industries

1880: Japan Paper Association

1889: Japan Spinners' Association

1910: Sugar Industry Association

1920: Wool Industry Association, Coal Association, Wednesday Society (copper), Perphosphoric Acid Professional Community, Bleach Powder Association

1923: Cement Association, Sulfuric Acid Sales Association

1927: Silk Spinning Industry Association, Japan Rayon Association, Mineral Ore Society, Pig Iron Co-Op

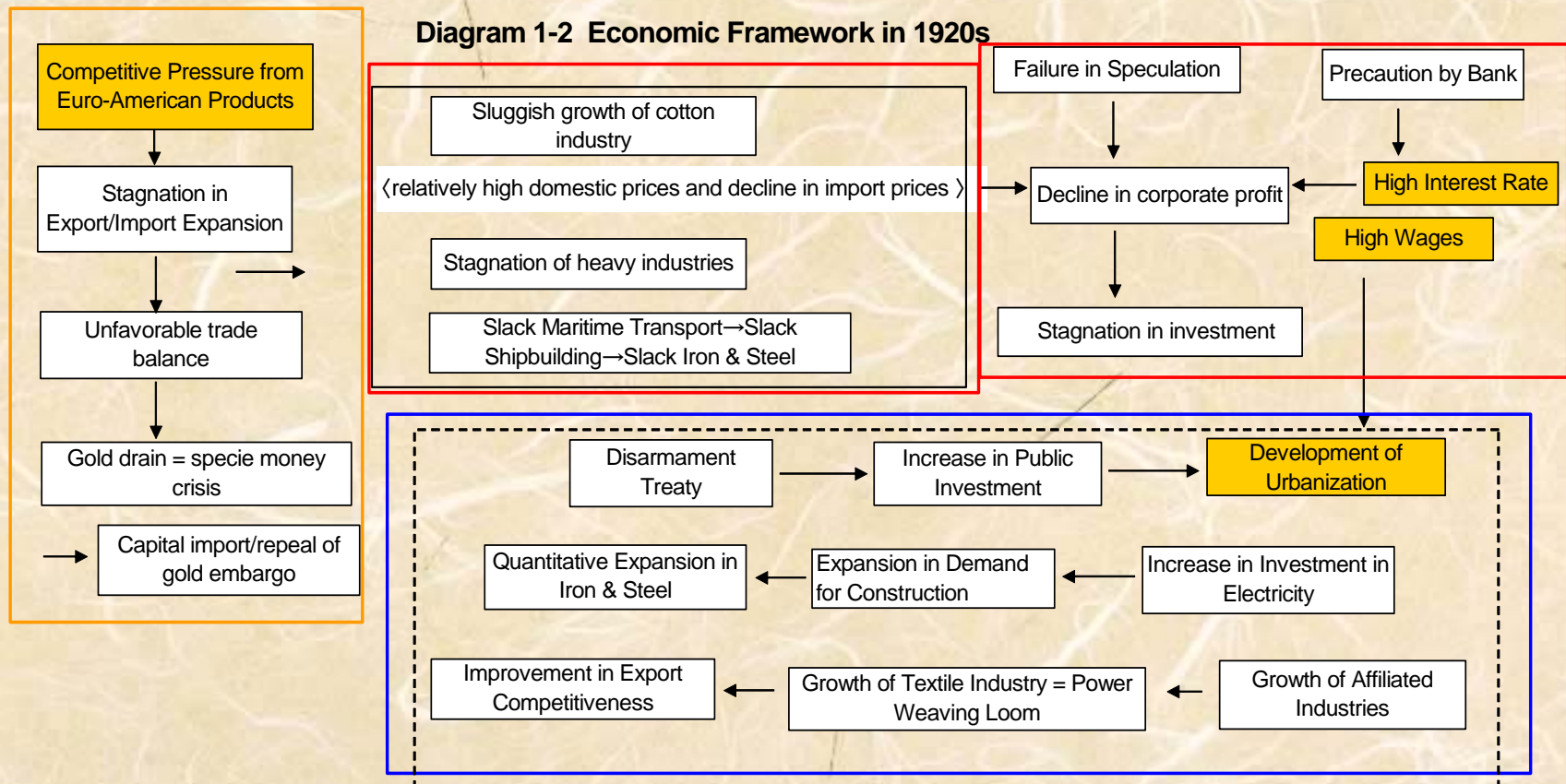
1928: Sugar Rationing Association

1929: Steel Product Association

1930: Flour Milling Sales Association, Lime Nitrogen Cooperative Sales Association

# Economic Framework in 1920s

As constraining factors: ①external competitive pressure ②high interest rates ③high wages  
 As a growth factor: ④urbanization = fiscal investment, and disarmament



(Source) Haruhito Takeda, *Business Cycle and Economic Policy*, 2002

# Unbalanced Growth

- As for relatively low profit sectors like electricity during the war period, since the power shortage became obvious, the positive development of electric power resources and proliferation of power distribution installation were implemented. Furthermore, the social overhead capital investment intensified in such areas as improving transport facilities in answer to the increasing urban population, and upgrading roads and sewage system.
- Accordingly, in real standard, the Japanese economy recorded a high real growth partly owing to such factor of the increased investment.
- But in its reality, the time should be named as an epoch when a significant disequilibrium in growth incurred among industrial sectors.
- In other words, while new growing sectors such as electricity came into the picture, they did not have a strong enough impetus to switch the whole Japanese economy to an uptrend.