

# **Lecture: Contemporary Economic History of Japan**

**No. 14**

## **2-2 Industrial Capacity Expansion and National General Mobilization**

**Winter Semester, 2004**

**Haruhito Takeda**

## 2-2 Industrial Capacity Expansion and National General Mobilization

### Hirota Cabinet

- It's striking that "the national defense" was taken up at the top of the policies.

6/17 14 Articles of 7 National Policies of Hirota Cabinet (8/25/1936)

[Cabinet Announcement] Particulars to be facilitated with emphasis after 1937 are basically as follows:



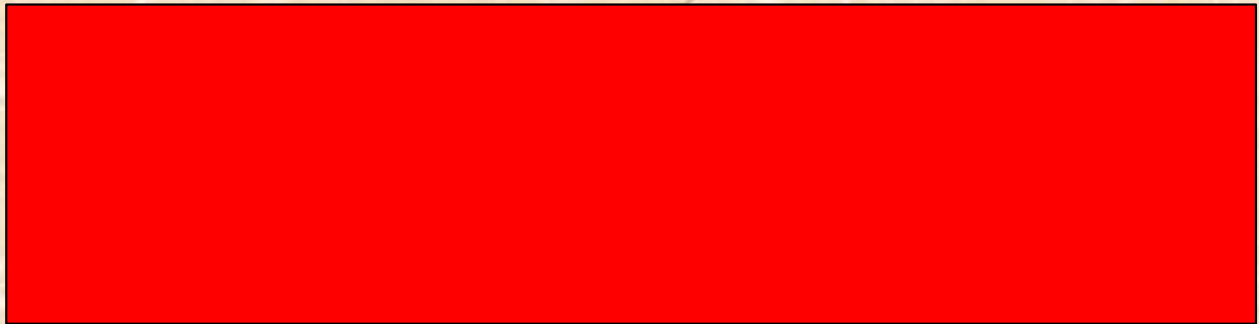
One, to renovate and improve the education

One, to consolidate the taxation system throughout the national and local governments

One, to ensure the safety of the lives of people  $\Delta$ disasters prevention measures,

expansion of assurance facilities, rehabilitation/stimulation of economies of agricultural/mountaineous/fishery villeges

and promotion of medium-and-small size commerce and industry



One, to streamline and improve the administrative structure

# 1 Beginning of Control

- Faced with the international trade balance in the end of 1936 aggravated by the expanding deficit finance that promoted the buildup of armaments, the Japanese economy, under Konoe Cabinet formed in Jun., embarked on the controlled economy by instituting the “**Kayo-Yoshino Three Principles**” by Finance Minister Kaya and Commerce/Industry Minister Yoshino that was established to promote the army-proposed “**5-year Plan for Key Industries**”.

## 5-Year Plan for Key Industries (May 29, 1937)

- A proposed plan intended to boost the industries important for national security reasons 2-18 times as large in the following 5 years
- The plan called for making a foray into Manchuria, with Japan and Manchuria coming together as one, though Japan taking the central part, and further into the northern China.
- For that objective, the plan was to implement a control over the national production/consumption.
- Targeted key industries were: ①weapons ②aircraft ③automobile ④machine tool ⑤steel ⑥liquid fuel ⑦coal ⑧general machinery ⑨aluminum ⑩magnesium ⑪marine vessel ⑫electricity ⑬railroad vehicle.

For ①②, in particular, resources were to be put in under the military leadership.

# Expansion Ratio of Key Industries in 5-Year Plan

		Production Target			Current Capacity			Ampliation Ratio %		
		Total	Japan	Manchuria	Total	Japan	Manchuria	Total	Japan	Manchuria
General Automobile	1000 Units	100	90	10	37	37	0	270	243	
Machine Tool	1000 Units	50	45	5	13	13	0	384	346	
Steel Product	10000t.	1,300	900	400	485	440	45	268	204	888
Petroleum	10000kl	565	325	240	36	21	15	1,552	1,547	1,558
Coal	10000t.	11,000	7,200	3,800	5,566	4,200	1,366	197	171	278
Aluminum	1000t.	100	70	30	21	21	0	476	333	
Magnesium	1000t.	9	6	3	0.5	0.5	0	1,800	1,200	
Electricity	10000kw	1,257	1,117	140	721	675	46	174	165	304
Shipbuilding	10000t.	93	86	7	50	50	50	186	172	14

# Kayo-Yoshino Three Principles of Finance & Economy

- Key words: ampliation of production capability, equilibrium in balance of payments, supply and demand adjustment of commodity.
- Under the reality where the buildup of armaments made an import surplus unavoidable, the limited foreign currency and commodity distribution were to be allocated leaning toward armaments, and the civilian demand was to be curbed.

# 1 Beginning of Control

- These three principles expressed the content of “ampliation of production capability, adjustment of commodity supply and demand, and equilibrium in balance of payments,” which purported that, by positioning the ampliation of production capability as categorical imperative, the adjustment would be made on supply of and demand for commodity, while looking toward attaining an equilibrium in balance of payments. Under the reality where the buildup of armaments made an import surplus unavoidable, in order to realize the ampliation of production capability within the framework of maintaining the balance of payments equilibrium, i.e. foreign currency constraint, the commodity distribution was to be allocated leaning toward armaments, and the civilian demand was to be curbed, according to the signification of these principles.

## Three Laws of Wartime Regulations

- In Sept. 1937, the government instituted three control enactments in the extraordinary session of the Diet.
- ①Application law on the ammunition industry mobilization orders
- ②Temporary measures law on exported and imported articles
- ③Fund adjustment temporary law
- ①meant that the ammunition industry mobilization were adapted to the China incident.
- ②enabled a quantitative control over exports and imports, including products which use these as materials.
- ③was a control from the financial aspect, to convert such corporate activities to an approval system as new foundation, capital increase, consolidation, amendment of articles, facilities expansion with internal fund.



# Comparison of Major Commodity Output between Japan and U.S.

- Under an overwhelming disparity in production capability, the government moreover installed Planning Council in Oct. and started drawing up the material mobilization plans.
- The restraining factors on the plans were the foreign currency and the excess of export in the “trade with the third party countries” = the upper limit of importation.
- Prioritized distribution of limited imports = Stint on general consumption → Control

# Production Capability Expansion Plan (Jan. 17, 1939)

	Unit	1938	1941	Magnification
Ordinary Steel	1000t	4615	7260	1.57
Pig Iron	1000t	3300	6362	1.93
Coal	1000t	58363	78182	1.34
Aluminum	1000t	19	126.4	6.65
Aviation Benzin	1000ℓ	45	240	5.33
Car Benzin (artificial)	1000ℓ	10	290	29.00
Ammonium Sulfate	1000t	1510	2039	1.35
Paper Pulp	1000t	875	1037	1.19
Machine Tool	Million Yen	76	200	2.63
Marine Vessel	1000t	402	650	1.62
Autocar	1000 Units	15.7	80	5.10
Electricity (waterpower)	1000Kw	415	1092	2.63

## 2 National Mobilization

- In Apr. 1938, National Mobilization Law was instituted/issued. It was a broadly delegated legislation in the extreme, that is, without stipulating any concrete context/means of the law, a specific control/mobilization could be realized by an imperial decree and a ministerial ordinance. The curtailment of rights was possible without a parliamentary action.
- The law ruled that the government “for times of war, if necessary regarding a national mobilization, ...could do .... in accordance with the provisions of an imperial decree.”
- Specific context was delegated to an “imperial decree”, an Emperor’s command, and did not require any parliamentary discussion.
- Resulted from this were controls implemented by many imperial decrees such as controls over human resource, material resource, fund, enterprise, and even one over culture.
- Examples: restriction on hiring employees, movement restriction, control over wages, rationing of commodity essential to life, control over tenant farmers’ rates, restriction on dividend, control over employers' organizations, control over newspapers, and so on.

## 2 National Mobilization

At the same time, the government control over electricity was also implemented.

- **Vicious Cycle of Controls**

① Allocation of productive resources based on import capacity → Export slump → Erosion of import capacity → Reinforcement of controls

② Supply shortage centering on civilian goods → Price hike → Fixing official price

③ → Shift of production to non-official price goods → Expansion in the range of officially fixed price and proliferation of black-market transactions

- Specifically:

① 9/18 Wages and Prices Suspension Decree on Sept. 18, 1939

② Furthermore, the rationing system, the ticket system, and so on, were issued in rapid-fire succession.

Also in other fields:

- Restriction on corporate activities, limitation on fund procurement, control over operating capital, limitation on dividends, etc.
- Development in the control of rationing through organizing controlling entities = Control associations
- Invocation of National Conscription decree (1941) corresponding to the shortage of labor force → Student mobilization and carting off
- Scrapping of “unnecessary/nonurgent industries” = Readjustment of enterprises

### 3 Reality of Wartime Economy

- 3 million tons were the minimum vessel tonnage judged necessary for the wartime economy that was estimated at the time of Pacific War outbreak.
- Even if 800,000-1,000,000 tons had been lost per year, there was a capability to build 600,000 tons, which required 300,000 tons of iron. In actuality, the loss of vessel in 1943 significantly exceeded the estimation, thus could not be covered by the expansion in the quantity of shipbuilding.

## “Import Capacity” as Basis for Material Mobilization Plans

Unit: Million Yen

	1938	Revised in 1938	Jan-Mar, 1939	FY 1939	FY 1940	3rd qtr, FY 1940	4th qtr, FY 1940	1st qtr, FY 1941	1941
Iron & Steel	557.1	442.3	390.4	497.2	469.1	259.6	270.4	133.2	54.2
Nonferrous Metal	293.9	300.4	351.6	347.9	284.4	187.2	256.4	203.6	98.9
Fabric/Paper	853.9	586.7	563.6	497.5	770.1	422.8	432.8	427.2	345.9
Fuel	524.8	417.0	312.0	282.5	229.2	204.0	351.2	301.6	112.3
Provision	43.9	34.3	22.3	23.9	142.4	46.0	8.0	55.6	33.3
Total	3,056.9	2,554.3	2,230.3	2,395.0	2,629.0	1,614.0	1,846.4	1,600.0	787.6

"Total" includes others. Quarterly plans have been converted to annualized rate.

# Output of Military Supplies

	1941	1942	1943	1944	1945
Aircraft in unit	6,174	10,185	20,028	26,507	5,823
Motor in 1000 units	13.2	18.5	35.4	40.3	6.5
Ship in unit	48	59	77	248	101
in 1000t	200.9	230.7	145.8	408.1	98.2
Long Rod in 1000 units	729	440	630	827	209
Explosive/Ammunition in 1000t	52.3	67.4	71.5	81.3	21.2
Output Index	474	659	923	1,406	447



## Converted Factory

- Scrapping of corporations and the mobilization thereof to the ammunition industry were realized under the name of “conversion”, where many textile factories, etc. were diverted to plants for war production, or to scraps of iron for use in war production.
- The output centered on military demand resulted in a substantial increase by 1944.
- On the other side of the coin was an extreme striction of civil requirements.