
UNIT 9 JAPAN'S EMERGENCE AS AN ECONOMIC POWER

Structure

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9.0 OBJECTIVES

After reading this Unit, you will be able to:

- know how the more important industries fared in the inter-war period,
- explain the reasons for agriculture stagnation in this period and the government's response to the rice riots,
- understand the formation of dual structure in Japan, and
- learn about financial concentration, big business houses and foreign trade of Japan in this period.

9.1 INTRODUCTION

Japan's economy which started on a modernization course in earnest from 1885 seems to deviate in certain important aspects from the steady course of economic development during the inter-war period. The period between the two world wars i.e. 1918 to 1939 is termed as inter-war period. World War-I had given a boost to industrial development but that was short lived. Soon, there was stagnation in the field of agriculture. Foreign trade also ran into problems. Because of the military control over the government, the economic policies pursued during this period were not necessarily aimed at increasing people's welfare. It was during this period that the dual structure of the economy, which persists in today's time also took roots in Japan. This Unit takes into account various problems related to economic growth in Japan during the inter-war period. Industrial growth, role of zaibatsu; foreign trade and the condition of agriculture are some of the aspects dealt with in the Unit.

9.2 THE WAR BOOM

Let us briefly present the main aspects related to Japanese economy during the World War-I as they are interlinked with the industrial growth during the inter-war period. Initially, World War-I posed some problems for Japan. For example, there was disruption of foreign trade and debt operations were also affected as these were financed in London, The British money market also went into disarray leading to a crisis. However, very rapidly things changed for the better as far as Japan was concerned. There emerged an economic boom which lasted till the spring of 1920. Japan had sided with the allies in the War. But there was not much fighting in Asia and Japan did not invest much in military expenses.

Because of the war, Japan suddenly found that she could extend her exports. The European industries were involved in war time productions and with little direct involvement in war, Japan took advantage of the various export opportunities. For example, Japan became a prime supplier of munitions. The demand for Japanese shipping also rose strongly. This was also the time when Japanese textiles won a firm foothold in India.

In fact there was a limitless expansion of foreign markets. Exports shot up, but production could not keep pace with the demand. Even when all labour and productive capacity was mobilised, the production was not enough to meet the export demand.

Japan's booming exports and industrial expansion led to a large material and equipment import demand. But due to the wartime restrictions of the supplying countries imports did not grow at the pace of exports. This resulted in a large export surplus. For example, between the years 1911 and 1914 imports were exceeding exports on an average by 65 million yen every year. But with soaring exports, Japan registered on an average, an excess of exports over imports to the tune of 352 million yen every year. In terms of value exports in 1918 had gone upto thrice the 1913 figure.

The unlimited demand for the Japanese shipping at this time, when freight rates were rapidly rising, was another beneficial factor. Japan's steamship tonnage doubled from 1.5 million tons in 1914 to 3 million tons in 1918. In the same period, the net income from freight rose from 40 million yen to over 450 million yen. However, with the war over this boom declined by around March 1920.

9.3 INDUSTRIAL GROWTH IN THE INTER-WAR PERIOD

In spite of the end to the industrial boom there were certain industries in Japan which continued to grow. In the following sub-sections, we discuss some of the prominent industries during this period.

9.3.1 Electrical Industry

Substantial growth in the productive capacity of Japanese industry was realised only when import of equipment became more feasible after the World War ended. The electrical industry itself played an important part in the industrialization process during the inter-war period; The generation and long range transmission

of electricity was going on since 1907. The cost of power produced using electricity was only half of steam-generated power. Hence there was a strong industrial demand for electrical power. A number of firms were involved in electricity production and the electric power industry was well established before the outbreak of World War-I. The electric power industry grew because of technological progress and the increasing power demand which rose during the war.

Table-1 gives the figures for electric power generated from 1914 to 1940. We find that electric power generation grew by leaps and bounds. The second column in the table gives the relative price of electricity. We get the relative price of electricity when we divide the electric power price by the coal price. Motive power in industry can be produced using coal or electricity. We also see from the table that the relative price of electricity fell over the years.

Table 1 : Electricity Production and Price in Inter-war Japan

Year	Power generated (million Kilowatts)	Relative Price Electric power price Coal price
1914	1,791	2.58
1915	2,217	2.23
1920	4,669	1.58
1925	7,093	1.81
1935	15,773	1.43
1935	24,698	0.95
1940	34,566	0.83

By the end of the inter-war period ninety per cent of Japanese homes had electrical lighting to some degree. But the real impact was to be seen in industry. Over two thirds of the total electricity produced in this period was consumed by the mining and manufacturing industries. Electricity consumed by industry increased three-fold between 1926 and 1936. The largest customer of electricity was the chemical industry followed by metallurgy, mining and textiles industries.

The spread and easy availability of electricity had a number of effects on industry. The price of electricity was coming down as long distance power transmission techniques were improving. Electricity was no more just a mere source of light; it was used in prime movers which are machines that transform various sources of energy into mechanical energy for use by various industries. The spread of electricity was facilitated both by a fall in electric power rates as well as the increasing reliance on domestically produced motors. The use of electricity in prime movers rapidly spread. By 1929, electricity motors were being used in 87 per cent of the factories. The introduction of electricity afforded opportunities for changing the traditional methods of production which could no longer meet the rising demand for various goods. Examples of these changes were the change from the hand operated to the power driven looms, and power lathes taking over operations that were earlier hand-turned. Cheap electricity and the diffusion of electric motor facilitated the introduction of foreign machinery. In the advanced

nations of that day industrial revolution had been caused by the invention of machinery to produce consumer goods. In the case of Japan it was the spread of electricity that led to new methods of consumer goods production and thus to an industrial transformation.

The second effect of the spread of electrification was that industries that used electricity as a primary input came up in large numbers. Electro-chemical industries and electric-based refining industries are examples of such industries. Often it used to be the case that wherever hydro-electric stations were built, there would be excess power. Hence, industries that consume large amounts of electricity were built to utilise such excess power. During World War-I, the import of a number of chemical industry products became impossible. Hence, various chemical industries utilising electric power were set up like Soda, Carbide and Ammonium sulphate industries, etc.

9.3.2 Heavy and Chemical Industry

Heavy industry refers to steel, non-ferrous metals and machinery industries. Heavy and chemical industry output as a share of total manufacturing output was 29 per cent in 1915 and it increased to 33 per cent in 1920. After falling to 24 per cent in 1925, this rose again to 33 per cent in 1930. This increasing trend continued; in 1935 it was 44 per cent and by 1940 this share rose to almost 59 per cent. The prosperity of heavy and chemical industry during and just after the war was due to interruption of imports. The decline (24 per cent in 1925) was due to post-war reopening of trade.

Table 2 : Heavy and Chemical Industry Output in the Total Manufacturing Output (in million)

Year	Total Manufacturing Output	Heavy and Chemical Industry output	Share of Heavy and Chemical industry in total manufacturing output (per cent)
1915	2,880	840.5	29.2
1920	9,579	3,202.7	33.4
1925	10,100	2,390.5	23.7
1930	8,838	2,896.0	32.8
1935	14,968	6,516.0	43.5
1940	33,252	19,569.0	58.8

For the heavy and chemical industries, the biggest markets were for fertilisers, cement and steel products used in construction. Steel exemplifies the progress of the heavy and chemical industry during this period and we shall discuss it in some detail. The domestic production of steel products increased fourfold in the 1920s. With the onset of the world depression the imports of steel product began falling rapidly but steel production continued to rise. This led to the establishment of the steel sector as the provider of a basic construction input. Further dependence on imported steel also lessened. Large construction works and laying of rail

roads contributed in keeping the demand for steel going up whereas the case was not the same in the machinery industry.

The investment which Japan made in heavy and chemical industry during World War-I bore fruit after the war. The disruption of imports during the war had encouraged the starting of new heavy and chemical industries. Massive investments were made in this area and by the 1920s heavy and chemical industries were firmly established.

In this connection, we find that there was a close link between the developments of the electric power industry and chemical and lighting equipment industries. The excess electricity produced was available at low rates and this facilitated the development of electro-chemical and steel industries.

Industrial growth in Japan during this time was not confined to predetermined areas alone. Metals and machinery industries which were vital to support other industries also came up in certain locations. Other industries, that came up later-were situated close to them. Hence we find the formation of industrial belts in Japan during the 1920s. Tokyo-Yokohama and Osaka Kobe areas are some of the examples of such industrial belts.

Heavy and chemical industries continued to register a large growth in 1930s also. Since the plants had been expanded during the 1920s there was lots of excess capacity even during the depression period. Till 1935 production increases were met with existing capacity itself. But the demand for heavy and chemical industry products kept increasing. Their demand kept coming from civil engineering, construction and other industries like machinery, ship building, etc. This led to further plant expansion in heavy and chemical industries. These industries also got a boost because:

- between 1932 and 1937 ships that were over 25 years old were scrapped. The building of new ships resulted in a fresh demand for their products.
- till 1936 the Military demand accounted for only 10 per cent of the total demand made on this industry. But subsequently it increased when production of other items related to military requirements like aircrafts, etc. grew.

9.3.3 Cotton Textiles Industry

Cotton textiles industry, though important even before World War-I, further increased its significance after the war. In the years following the war, the typical mill and firm became large. The increased capacity is indicated by the increase in the number of mills and firms and there was a tendency towards consolidation. By 1929 over 50 per cent of the spindles were owned by just seven large firms. Spinning firms started weaving sheds to weave the Yarn Spun in their mills where as earlier they used to be given to weavers. The combined spinning-weaving mill became a typical feature of the cotton textile industry. One important development was the appearance of large specialist sheds (with over fifty looms) equipped with wide power looms for producing cloth for the foreign market.

Check Your Progress 1

- 1) Mention the impact of World War-I on Japan's industrialization.

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- 2) How did the growth in power generation helped industrialization?

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9.4 AGRICULTURE IN THE INTER-WAR PERIOD

During the inter-war period there was stagnation in Japanese agriculture. Agricultural growth rate and agricultural productivity did not increase appreciably. Income levels of rural population were stagnant; so were their living standards. On the positive side, there was a slow build up of new potential in agricultural technology. This however bore fruit only in 1950s after the conclusion of World War-II.

9.4.1 Background

In the 25 years preceding World War-I, agriculture in Japan registered rapid growth. Various advances in agricultural technology that were local in character spread all over the country. Under state patronage, farmers, agricultural scientists and firms that supplied various agricultural inputs interacted and put to full use the already known technologies.

However, this state of affairs changed in the 1910s. Landlords so far had been playing a dynamic role in agricultural progress. With rapid growth of industry, many of gave up their interest in agriculture. So far many of them had been re-investing their land rent incomes in agriculture itself. Now they found that there were chances of making larger profits by investing the rent incomes in various industries which were rapidly growing at this time. This resulted in a setback to agricultural improvements. Earlier the landlords took interest in various agricultural improvements and contributed towards them. But this innovative role was now taken over by a parasitic one. They seemed to be only interested in the collection of rents without contributing anything in agricultural improvement. The capital thus collected through agriculture was being invested elsewhere.

The technology that had been developed in the past two hundred years before this period had been utilised to the extent that it reached a stage of exhaustion and the output could not be raised beyond a point. An upgradation of technology was needed to raise the output. But the government agricultural experiment stations had not developed to the point where they could do research at advanced levels. 'This inability to produce new technology coupled with the decreasing interest of landlords to invest in agriculture resulted in serious problems for Japanese agriculture in the 1910s itself.

9.4.2 The Rice Riot of 1918 and Aftermath

As a result of growing industrialization the demand for labour force also increased in the urban areas. This was because most of the industries were established near urban areas due to better transportation and communication facilities. As industrial wages were higher than the agricultural wages lots of people left rural areas to work in industries; In the boom conditions of World War-I, the demand for food by industrial labourers, which had been raised earlier, took an interesting form. This was a time when agricultural output was slowing down in Japan. The supply of foodstuff just could not cope with the rising demand. The rise in food prices was higher than the increase in wages. This resulted in social unrest which erupted in the form of Rice Riot of 1918. This riot started in a small way to protest against the high price of rice. But once it began it spread all over Japan rapidly.

Large crowds went on breaking store houses and pawn shops of rich merchants. In fact it was the popular sense of social justice that had activated the riots. Oyama Ikuo characterised them as acts of "retaliatory confiscation". Since there seemed to be no other remedy, riots were regarded as a way out for redressing social grievances. Voices had been raised in Japan about the disparity in incomes. For example Kawakami Hajime (1879-1946), a liberal intellectual, had posed the question that why in spite of developments in industry and technology, the country still had so many poor people? It was felt that the sharp rise in prices of rice had occurred because of the insensitivity of the rulers towards the day to day and livelihood problems of the commoners. The Government was criticised for sheltering the interests of property owners. The newspaper Toyo. Keizai Shimpō rented the views of communists in its editorial:

There are those who see the riots rather than the labour problem as the signal that marks class conflict between the propertied and property less classes.

Such thinking had been there. For example, when the news of Rice Riot reached New York the Japanese expatriates there believed that revolution was on the cards in Japan. But no such thing occurred and the Government was able to control the situation. The riots remained confined as a protest against economic hardships and deprivation. They did not challenge the political system that was responsible for this. However, the liberal intellectuals did demand the broadening of popular participation in the constitutional process. Yet the Government had to change its policy. Now the Ministry of Agriculture alone was to deal with the farmers with no favours involved. Efforts were also initiated to help the working class in urban areas in order to prevent labour unions and socialism.

As a response to the Rice Riot the Government started importing rice from its colonies, Korea and Taiwan. This was done by forcing Koreans and Taiwanese to eat foodstuffs inferior to rice and export their rice to Japan. In order to get

more rice, the Japanese high-yielding variety was introduced in these colonies and investments were made in irrigation and water control. This programme yielded results: Between 1915 and 1935, rice imports from Korea to Japan rose from 170 to 1,212 thousand metric tons. These colonial imports of rice which were just 5 per cent of the domestic production in 1915 rose to 20 per cent in 1935.

However, these colonial imports of rice which came to the rescue of Japan at that time were to create problems later. After the World War-I boom ended, demand for foodstuff tended to ease. But colonial rice was flooding the Japanese market. This led to a fall in the price of domestically produced rice. Hence farm incomes fell. Finally the world wide depression added to the woes leading to a crisis in Japanese agriculture. The main issue was falling incomes in agriculture. The government initiated a number of measures to cope with the situation:

- i) Firstly, it instituted support prices for farm products. Namely the government guaranteed a minimum price for specified products below which the price will not be allowed to fall.
- ii) Second, it started construction of physical infrastructure in the rural areas so that the opportunities for additional jobs become available to the rural population.
- iii) Thirdly, it extended credit to those peasants who were already in debt. The interest that the government charged was low compared to what the village moneylenders charged. This meant the interest and loan repayment burden of those in debt was substantially reduced.
- iv) Fourthly, it supported the formation of agricultural cooperatives so that farmers were not exploited by various middlemen.

Despite all these efforts of the government the income levels of the farm population did not improve considerably. In the village, the poorest were those farmers who rented land from the landowner. These tenant farmers cultivated the land. they had borrowed but had to pay high rents in kind. At this time of falling or stagnant income levels, they found it very difficult to make both ends meet. Hence they demanded a reduction in the rents charged by landlords. The earlier paternalistic attitude of the landlords was no where to be found. They refused to accede to the demands for rent reduction. As a consequence the tenants started getting together to form unions, so that they could bargain from a stronger position. To this the landlords response came in the form of forcible evictions. At times there was violence and tenancy disputes became widespread.

The attempts of the government to rescue tenants by helping them buy land with the help of low-interest loans were inadequate to solve the problem.

During the inter-war period, the number of farming families stayed more or less constant at five and a half million. Size-distribution of the farms also remained more or less constant. The numbers of very small farms and very large farms slightly came down. Throughout this period, like the earlier periods, rice remained the main crop. The growth trends of rice reflected those of Japanese agriculture as over half the cultivated area was under rice.

The varieties of products in agriculture increased in this period. More varieties of vegetables were introduced. Fruit farming and poultry farming also increased. This reflected the rising income levels of the urban population as mainly they were the ones who invested in these areas. The use of the manures also increased. Various types of fertilizers were imported. For example ammonium sulphate was imported from the West.

9.4.3 Sericulture

Next to rice, the second most important product of agriculture during this period was raw silk. Sericulture production in a vast majority of the cases developed as a secondary activity to the main cereal production. Sericulture industry grew rapidly owing to the rising world demand for silk and between 1914 and 1929 raw silk production increased threefold.

Cocoon production used to be done in spring which is April to June in Japan. But this coincided with the production of rice and other crops. Hence due to the dual labour demand not 'much time could be allotted for producing cocoons. Innovations were carried out in summer-fall culture (i.e. a variety of silkworms that produce silk in summer and autumn periods):

- a new method was devised in which the usual silkworms hatching was deliberately postponed.
- a method of artificial hatching was also developed, and
- hybrid varieties of worms with low death rates were introduced.

All these came to collectively represent the summer-fall technology that greatly increased the output.

This new technology offered a number of advantages to the farmers. The most important one was that labour which was usually idle during summer and autumn was now usefully utilised. The equipment could also be used twice in a year. That this technology came to play an important part is seen from the fact that about half the production of cocoon in 1920 was done through this technology.

By 1929 almost forty per cent of all farming families were engaged in cocoon production as a secondary employment. Reeling Mills created a demand for women labour. This was met basically by women of the peasant families. The earnings through the sale of cocoon and the wages earned by the women folk of the household in the reeling mills became an important part of the farmer's cash income. Cocoon raising did not entail much money investment. The income raised through this secondary activity was what prevented farmers and tenants from falling into abject poverty. As a result there was now great emphasis on Sericulture.

As far as the silk prices were concerned they had remained high during the war; fell in the post-war slump for sometime and then recovered again. By 1930 the American market for Japanese exports collapsed. Unfortunately for the Japanese farmer at a time of fall in rice prices the price of silk also dropped. The net result was that the cash incomes dropped rather steeply. The farmers attributed their hard times to the politicians and the zaibatsu. The army largely recruited from the rural areas also believed the same. Hence, such feelings also contributed towards the growth of militarism and overthrow of those politicians the army did not favour.

Check Your Progress 2

- 1) Discuss the attitude of the Government towards the Rice riot of 1918". What were the efforts made to bring down rice prices?

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- 2) What were the technological improvements made in Sericulture?

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9.5 FORMATION OF THE DUAL STRUCTURE

Dual structure refers to the simultaneous existence of both the modern and traditional sectors in an economy. Modern sector refers to industries using lots of capital compared to labour in the production of goods with usually modern technology. The traditional sector refers to industries that are comparatively smaller and use production methods in which more labour than capital is used. The wages in the traditional sector are typically low compared to the modern sector. This dual structure is found in countries that have recently industrialized or what we describe today as developing countries. In the modern sector the new technologies that are introduced are capital intensive i.e., they require more capital compared to labour. It is not possible to change the fixed combination of capital and labour even if for example the country has more labour compared to capital.

Japan's programme of industrialization was shaped on the basis of modern technology. But at the same time in the Japanese experience of development traditional sector also played a vital role. For example, silk was the most important item in foreign exchange earnings till the early 1930s. Afterwards till 1960s small-scale labour intensive industrial products were the major foreign exchange earners. The dual structure was formed in the Japanese economy during the inter-war years. Let us see the reasons for the formation and continuity of the dual structure.

Farm incomes had stagnated after World War-I. While they rose slightly in the mid-1920s, they fell again by 1927-28. Then they rapidly declined. If we see the

industrial wage rates for both male and female workers, there was a big difference. Women used to work in industry only for a short span of time after which, they would quit. Their wages tended to be low and they mostly came from the farms. There was a steady stream of female labour coming to industry and replacing those who left back to their farms. Industry could pay them little and yet be assured that there would be no shortage of labour. Women's income remained supplementary to farm incomes.

The case of the male labour was different. Their stay in the industry was much longer. They severed their ties with farms and intended to make a living as industrial labour. Their wages were higher. But as agricultural stagnation continued there was excess unemployed male labour in the farms, Neither agriculture nor big industry could employ them. The small and traditional industries rapidly expanded as they were able to get enough labour easily. So after World War-I the employment opportunities in the modern sector did not keep pace with the growing labour force. This led to increasing employment in the traditional sector. In the 1920s this had two results:

- i) The first was the expansion of traditional fields such as wholesale, retail and service sectors. We find that in these fields the number of hired workers, proprietors and family employees went up. Since people did not have any regular employment, they turned to the traditional sector. It was true that the wages were low but still preferable to unemployment.
- ii) The second result was that transport, communications and public utilities expanded. This was because large firms like electric power and railways registered sizeable growth in this period. Additionally we find that workers in commerce and service industries increased in large numbers. Specific areas of employment were commodity sales, peddling and vending, inns, public baths, laundry, household services, education, medicine and nursing.

This led to a dual structure in the labour market. There was wide difference in wages received by workers in modern and traditional sectors. The wage differential was not particularly observed in Japan before World War-I. After World War-I they appeared and the gap between wages in modern and traditional industries rapidly widened after 1924.

9.6 INDUSTRIAL CONCENTRATION AND THE ZAIBATSU

Oligopoly refers to the situation when just a very few producers are involved in the production of a particular commodity. During the inter-war years, industrial monopoly in Japan increased. In the absence of competition the product usually has a high price. The role of zaibatsu during these years has a bearing on industrial concentration. Zaibatsu refers to certain large business houses with very diverse operations and interests. There were four major zaibatsu during this period namely Mitsui, Mitsubishi, Sumitomo and Yasuda.

Because of the financial difficulties in the 1920s, the government instituted certain measures. The result was that the number of banks declined from 2,285 in 1918 to 913 in 1930. By 1928, the "big five" banks, Mitsui, Mitsubishi, Dai-ichi, Sumitomo and Yasuda held 34 per cent of all deposits of the ordinary banks.

Four of the five greatest banks were in control of zaibatsu. The financial power of the zaibatsu increased a lot in the process of consolidation. Banking and finance had become strategically important bases for industrial control by the zaibatsu.

The concentration of deposits in the five large banks resulted in a completely new situation of funds supply:

- i) These large banks rarely lent to small or medium firms. They lent only to specific large firms in specific industries. With the concentration of banks, these policies were reinforced; weak firms could not avail loans and faced hardships. The big banks, because of their immense financial power, could target particular firms to be taken into their hold. More importantly they took care of the zaibatsu related firms and gave them preferential treatment.
- ii) Secondly, the bank funds could be used by a particular zaibatsu to widen the group's network of control. Thus bank concentration led to idle funds to be used, for extension of zaibatsu power. The zaibatsu created a large number of firms in diverse fields.
- iii) Thirdly, zaibatsu related firms possessed powers of control which were much greater than their share of finance capital. Zaibatsu power achieved its peak in the 1920s and early 1930s but declined afterwards.

Zaibatsu power was not confined to the economic field. It had lots of influence in politics also. These business families had been powerful even fifty years back. The government of Japan had relied on them for financing certain operations. The zaibatsu had established close links with statesmen who were carrying out important policies. They would provide resources and assist in the execution of the policy. The state rewarded them by giving valuable contracts and selling state properties at low prices. The zaibatsu, being close to politicians, had an important say on policy matters and this came to a point where they could impose their views on the government.

But this did not last long. Peasantry and small producers had suffered a lot in the world depression. They held the zaibatsu responsible for their woes. The military, which did not like the way the government acted in the sphere of foreign relations and in budget allocation for the military, also detested the zaibatsu. Hence the zaibatsu came under heavy criticism. The zaibatsu retreated and adopted a low profile. Though they made various contributions as proof of their loyalty to the nation, from this time onwards their power declined rapidly.

9.7 FOREIGN TRADE IN THE INTER-WAR PERIOD

Japan's exports rose rapidly during and immediately after World War-I. Between 1913 and 1929 foreign trade increased three fold in value. If we were to include the trade between Japan and her colonies, the trade was even larger. Before 1914 colonial trade was not of much significance. By the time World War-I ended, it accounted for 12 per cent of Japan's overseas trade, and by 1929 almost 20 per cent. Japan's trade with her colonies, Korea and Taiwan was just like that between England and colonial India. Japan exported manufactured goods to her colonies and imported only foodstuffs and raw materials.

Japan's trade with the outside World was indicative of the fact that it was rapidly industrializing. The percentage of manufactured goods in Japan's exports rose from 29 per cent in 1913 to 44 per cent in 1929. By 1913 there was a sizeable share of textiles in the exports. Cotton yarn and cloth, raw silk and silk manufactures together came to 53 per cent of exports in 1913. In 1929 the figure was 65 per cent. Of this raw silk's share was 30 per cent in 1913 and this increased to 37 per cent in 1929.

Area wise China and U.S. accounted for 64 per cent of exports in 1913 and by 1929 this rose to 67 per cent. British India took 9 per cent of exports in 1929.

Japan's exports which were 2,149 million yen in 1929 fell to 1,147 million yen in 1933 but recovered to 2,693 in 1936. Imports showed a similar trend. The preparation of finished manufactures in exports rose from 44 per cent of the total in 1929 to 59 per cent in 1936. Semi-manufactured articles during the same period fell from 43 to 27 per cent. This was because raw silk exports fell from 37 per cent of exports in 1929 to only 15 per cent in 1936. Cotton goods just managed to maintain their share in exports. But textiles other than cotton rose from 13 to 18 per cent. Exports of small-scale industry also rose. The U.S. which took 43 per cent of exports in 1929 took only 22 per cent in 1936, basically due to fall in raw silk exports. China took 25 per cent in 1929 and 27 per cent in 1936. However, the metals and machinery exports increased due to Japan's strategic plans.

This increase in Japan's exports was met with an outcry from other countries in 1930s. In 1929 a large share of Japan's exports did not compete with the products of other developed countries. In the 30s, she replaced raw silk by finished manufactured goods. Some like cotton piece-goods displaced exports of other developed nations. For example British cotton industry during the inter-war years had been going down continuously mainly due to the increasing capacity of India to produce its own needs. In such a situation of dwindling world trade when Japan's exports of cotton piece-goods took place, the British cotton industry was adversely affected.

Overall, we can say that Japan adjusted her foreign trade quite successfully to the violent changes in world trade in early and mid 1930s. She found new customers and alternative commodities to compensate for the decline in some of her markets and earlier commodities.

To Japanese interests, a liberal free trade type of situation would have been beneficial. She could have exported manufactured goods and imported raw materials that she wanted in increasing quantities now. But the world was moving towards a situation that in effect parcelled out markets among the established suppliers. This was not suiting Japan's expansionist economic policies. This led to a situation where certain political groups in Japan advocated territorial expansion so that she might have monopolistic advantages. The barriers to the commercial expansion that Japan faced were also a reason for the expansionist view gaining strength in the political sphere.

In the 1930s the pressure of militarists increased and so did the demands of the military. Sections of the military indulged in terror-tactics to force government officials to concede to the demands. Prominent officials whose thinking was at variance with that of the course advocated by the military were assassinated. This led to a situation where those who were in high ranks either remained silent

or agreed to the demands. Huge investments were made in armament industry or in its related branches.

During the 1930s the agricultural depression continued. There was mass migration of labour from agriculture to industry leading to a further fall in wages. The whole economy was being geared towards war and the cost of living went up. When war broke out with China in 1937 industries were forced to produce mostly material related to war efforts. People were expected to work extra hours to help the country fight the war. Food was in short supply. The sufferings continued till the end of the World War-II in 1945.

Check Your Progress 3

- 1) What do you understand by Dual Structure? Discuss the role of traditional sector in Japanese economy.

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- 2) Discuss the control of zaibatsu over the supply of funds.

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- 3) List the main characteristics of Japan's foreign trade during the inter-war period.

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9.8 LET US SUM UP

In this Unit we discussed how Japan took advantage of World War-I to boost her economic development. However, the economic boom did not last long and there was a decline in certain industrial sectors - particularly in agriculture. Though the government initiated certain measure to check agricultural stagnation the outcome was not much. The Rice Riot led to the importation of rice from colonies. Though it temporarily checked the prices, it led to further repercussions. in spite

of the world wide depression certain sectors of Japanese industry continued to grow like the heavy and chemical industry, cotton, textiles and power. Improvements were also made in sericulture and it became a prominent secondary activity of the peasant families.

We also see in Japan the emergence and continuity of dual economic structures, i.e. the traditional and modern sectors. The zaibatsu initially increased its hold on the production process and finance capital. However, this created problems leading to criticism from both the peasants as well as the advocates "of militarism. Foreign trade also flourished during the inter-war period. Yet the military expansionists pursued an aggressive policy not only in external relations but also at home by curbing all voices of dissent against military intervention in government measures. But in terms of economic development Japan achieved high targets, though the poor labour and peasants suffered.

9.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Base your answer on Sec. 9.2
- 2) Base your answer on Sub-sec. 9.3.1 showing the linkages between power generation and production.

Check Your Progress 2

- 1) Briefly state the reason for Rice riots; the efforts included reforms in agricultural ministry and import of rice from colonies. See Sub-sec. 9.2.2
- 2) Base your answer on Sub-sec. 9.4.3

Check Your Progress 3

- 1) Base your answer on Sec. 9.5
- 2) See Sec. 9.6
- 3) Base your answer on Sec. 9.7