

**Government-business relations in Japan: the Deliberative Councils**

**(*Shingikai*) and the iron and steel industry, 1916 – 34**

Submitted in partial fulfilment of the degree of Doctor of Philosophy at the  
London School of Economics and Political Science

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## Dissertation Abstract

Government-business relations in postwar Japan have received a considerable amount of attention, as also the often associated scandals and back room dealing in Japan have been a recurrent and topical issue in academic circles and the popular press. Yet, despite this attention, scholarly and otherwise, much less research has been undertaken on these issues in Japan before the Pacific War. It is within this context that my Ph.D. dissertation “Politico-business relations in Taishō and early Shōwa Japan: An Examination of the Amalgamation of the Iron and Steel Industry, 1916-1934” is set. Employing the detailed records of the *shingikai* or, Councils of Deliberation, discussions between business and government are traced to determine, in the first instance, the success of business in realizing its aims. These findings are located within the larger conceptual framework of the overt and covert interaction between government and business in policy formulation. An important historical perspective is therefore offered by the thesis in examining this case study, providing analysis of the historical continuum frequently left out in assessments by commentators on today’s situation.

The findings are that the *shingikai* forum was perceived by business as a place its views could be expressed and an opportunity to influence policy outcomes. The factors which determined the extent to which business could realize its goals were, among others, the political and economic circumstances in which the actors found themselves. Evidence indicates that business viewed itself as an independent actor in its negotiations with government. As both government and business were important stakeholders in the iron and steel industry, their interests did not always coincide which was observed, at least in one instance, to have led to heated debates and the amendment of the bill at hand. This finding challenges the prevailing view in the literature that the *shingikai* was co-opted by government to achieve its own policy ends.

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## **Chapter 1 : Introduction<sup>1</sup>**

### **1. Preamble**

How we see politico-business relations in Japan today is largely a product of the literature on economic policy formulation and its related literature on the explanations for Japan's post-war success. These works, largely by omission, cast the relationship between government and business as covert. In turn, it is suggested here, this perception has contributed to shaping how we see the relationship in the pre-war period. Furthermore, the paucity of the literature on the Taishō (1912-1926) period and early Shōwa (1926-1989) years in general, and specifically on the government-business relationship, serves the ends of speculation. That is, as we know so little of how the pre-war relationship worked, we easily slip into assuming that it operated in similar ways to those we see occurring in the post-war politico-business interaction.

This thesis aims to address this perspective that sees the interaction of government and business as covert. The following sections will attempt to make clear through empirical examination of the historical evidence the point that our perception of how things operate has been greatly shaped in recent times by the dominant explanatory paradigm of post-war politico-business relations. The process of policy making can be long and varied, and at a number of

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<sup>1</sup> The "Chicago 14<sup>th</sup> A" style of footnoting is used in this thesis.

junctures business may have an opportunity to interact with government. One important nexus point along this chain of events are the meetings of the *shingikai*, or Councils of Deliberation, where government, business, academics and others may sit and discuss matters of mutual concern. This open and legally enshrined forum then provides here the opportunity to consider the above mentioned perceptions of government and business interaction. The intention is not specifically to challenge the arguments made by authors that use this framework in understanding post-war economic development but rather to observe and comment on politico-business relations operating in the open forum of the *shingikai*.

## **2. How the literature views post-war politico-business relations**

It can be fairly claimed that Japan's post-war economic development was remarkable. Japan rose from the ashes of World War II to a mature, world economy in a handful of decades.

Though perhaps recent economic troubles have made this example less compelling, the need to understand how Japan achieved this has not diminished. Explanations abound on the matter, a central component among them being the issue of economic policy formulation and its implementation. The thrust of the debates has been less over the efficacy of set economic objectives, and more how they were arrived at and how they were implemented. Underpinning

this literature is the issue of the working relationship of government and business. Although there is not a consensus among scholars about how the two sides work together, the extent of the attention that the issue draws suggests that a better understanding is important. There are several reasons why greater clarity in understanding politico-business relations in Japan is worth pursuing, not least of which is its relationship to economic policy formulation. Though some scholarship has questioned the useful impact of dirigiste policy on economic growth, few developing nations would leave all to the invisible hand. This is not to suggest that, given Japan's economic success, it offers a model to be emulated and certainly not one to be exported in unadulterated form - the factors that shape a country's experience and dictate its circumstances are unlikely to be found exactly the same elsewhere. However, regardless of success or failure, understanding the experience of one country may be valuable to another.

Views vary on whether the close proximity of business to government in Japan is good or not. At one end of the spectrum, it has been identified by some authors as part of the explanation for Japan's economic miracle and, at the other end, it has been seen as stifling growth, not to mention its being lambasted as unfair by world trade bodies. Central to many of these arguments, regardless of where they are on the spectrum, is their characterisation of the relationship as closed and hidden from public view. Ironically, contributing to this perception are views on one particular institutional organ, aimed, ostensibly at least, at providing both an

open discussion forum for government, business and others, as well transparency in the political decision making process. The *shingikai* are seen by some as part of the means by which the 'real' decision making process shrouds itself. This observation applies both to the post-war councils, and, by implication, to their pre-war progenitors. As will be discussed later, this view is not universally held, but has proved persuasive.

It is generally perceived that in Japan, government and business have worked closely together in the building of the nation, and that this relationship well antedates what is called the period of modern Japan, that is, from 1868 to present. Throughout this modern period, when raised in scholarly or journalistic pieces alike, this relationship is often characterised as covert either by explicit statement or by elliptical reference. In the Japanese press, scandals frequently find themselves splashed on the front page and we nod to this as being how the 'real' Japan works. Scholarly works at the micro and macro levels have brought us closer to understanding how Japan operates, which we assume to be one of the keys to how it achieved its post-war economic success. However, the spectacular scandals poignantly remind us on which side of the black curtain we stand. What transpires in the tea rooms of Ginza is not for us to know and we are left with the lingering feeling that that is where decisions are made. Ironically, though, it should come as no surprise that in countries where there is more limited economic complexity and the number of actors small, as in the case of early developing Japan, relations between those

who make decisions and those whose interests are at stake are close.<sup>2</sup> Their proximity, of course, has varied over time according to circumstances, and there have been shifts in the prominence of actors, but this, too, is to be expected. So, in this sense, a close relationship between business and government in developing Japan should not be considered unique. Similarly, the post-war reconstruction of Japan was an imperative, and to continue former modes of interaction was natural, if not also expedient. Indeed, were the opposite to be true, that is, ties to be loose and relations cool, there would perhaps be greater reason to wonder. Notwithstanding these arguments, it is not a clear cut case that all is covert when speaking of politico-business relations and reflection on this in terms of the development of the country deserves due consideration.

In the post-war period, the degree to which the methods of interaction of business and government has been treated in both business history and political history has been limited. In the literature on political economy, this relationship has gained greater expression but it is predominately written from the government perspective. In general, and this applies for the whole of modern Japanese history, business has tended to be handled as a research topic unto itself or, when included in the literature that embraces a more multi-faceted approach, the

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<sup>2</sup>Gerschenkron provides an explanatory framework for industrialising nations which observes that government and business may be in close proximity in the early stages of development. See Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge: Harvard University Press, 1962). This issue has also been taken up by institutionalists, for example D.C. North in *Institutions, Institutional Change, and Economic Performance*, (Cambridge: Cambridge University Press, 1990).



business factor is only included in so far as it may complete the explanation. Knowing how business achieves its ends is not the issue. Furthermore, when politico-business conduits are addressed, this is typically handled superficially. The objective is rarely to explore how influence was exercised, but rather its results. This exercise is often described only in so far as to allude to the policy objectives of a trade association, for example, and in the next line describe how government modified its stance following lobbying. The connection is implied, and the reader is left to assume that fruitful, behind-the-scenes discussions had occurred. In short, the politico-business relationship has been seen in the order in which these words - politics and business - appear. Research has been pursued from the top down, so to speak, and the details of the interaction largely left unsaid.

The prime question that underpins the research agenda in post-war Japanese economic history is “How did Japan do it?”. The contending analyses differ according to the way they bring together the main actors - the bureaucracy, politicians and business - and, according to some accounts, the role of the market as well. Since the early 1980s, this tripodal configuration of actors has come to the fore with the seminal work of Chalmers Johnson entitled *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925 – 1975*, which, with regards to Japan, has given common coinage to the term ‘developmental state’.<sup>3</sup> Earlier reference to this

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<sup>3</sup> Bai Gao, *Economic Ideology and Japanese Industrial Policy: Developmentalism from 1931 to 1965* (New York: Cambridge University Press, 1997), 7. Chalmers Johnson, *Miti and the Japanese Miracle: The*

configuration can be found in Yanaga's *Big Business in Japanese Politics*. With regards to the relative importance of these actors, Yanaga is decidedly on the side of business: "In terms of economic policies, it is easy to conclude that organised business rules supreme."<sup>4</sup> Such has been the impact of Johnson's work that approximately a decade after its publication, one scholar viewed the state of the literature as follows: "The current prevailing conception of Japan, in both academic literature and the popular view, is of Japan as technocracy, ruled by a select group of bureaucrats motivated primarily by efficiency and by economic, rather than political concerns."<sup>5</sup>

Johnson argued that the successful resurrection of the Japanese economy was achieved by the guiding hand of the Ministry of International Trade and Industry (MITI), which skilfully fostered the growth of select industries and re-channelled the resources of sunset ones. Business was seen less in terms of its own initiative but rather as the engine for economic growth conducted by MITI. Johnson devoted considerable space to leading the reader through the evolution of the bureaucratic-business relationship. Commencing with the formation of the Ministry of commerce and Industry in 1926,<sup>6</sup> he demonstrated that it was through a painful trial and error process that a number of different styles of accommodation were employed before an

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*Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982).

<sup>4</sup> Chitoshi Yanaga, *Big Business in Japanese Politics* (New Haven: Yale University Press, 1968), 28.

<sup>5</sup> Kent E. Calder, *Crisis and Compensation: Public Policy and Political Stability in Japan* (Princeton: Princeton University Press, 1988), 22

<sup>6</sup> The Ministry of Commerce and Industry was formed from the division of the former Ministry of Agriculture and Commerce into two new ministries, namely Agriculture and Forestry and, Commerce and Industry.

acceptable arrangement was reached. Prior to the 1930s, 'self-control' was employed where "the state licenses private enterprise to achieve developmental goals."<sup>7</sup> An example of this was state-sponsored cartels where the running of the show was left to the enterprises. Following this was 'state control' which "refers to the attempt to separate management from ownership and to put management under state supervision. It was typically the form of the relationship preferred by the 'reform' (or 'control') bureaucrats of the late 1930s and the whole state bureaucracy during postwar reconstruction and the early stages of high-speed growth."<sup>8</sup> The third was a synthesis of the two; 'public-private cooperation' "leaves ownership and management in private hands... while it affords the state much greater degrees of social goal-setting and influence over private discussion than under self-control."<sup>9</sup>

Johnson pointed out that the 'public-private cooperation' mode was not unique to Japan.

In essence "The so-called military-industrial complex in the United States, to the extent that it identifies an economic relationship and is not merely a political epithet, refers to the same thing."<sup>10</sup> However, the extent to which this relationship was found in the economy of the United States in comparison to Japan is distinctly different. It was "thought by Americans to be exceptional, whereas it was the norm for Japan's leading industrial sectors during high-speed

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<sup>7</sup> Johnson, *Miti and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, 310.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*, 311.

<sup>10</sup> *Ibid.*

growth.”<sup>11</sup> The reasons for this were at the nub of why Johnson claimed that the contemporary politico-business relationship could be characterised primarily as covert and one that operated along informal lines.

Both business leaders and the bureaucracy, he argued, strove to create a co-operative rapport with the aim of facilitating communication. It would appear that maintaining a positive personal relationship and extensive network of contacts was considered in Japan to be of greater priority than concerns for maintaining an open democratic policy making process. This is not to say, though, that the relationship has always been an easy one, but rather that it was seen as central to the developmental state approach.<sup>12</sup> This ‘problem’ to which Johnson referred was the striking of a balance between control and latitude of action. “Industry is quite willing to receive governmental assistance, but it does not like government orders... [while] Government is often frustrated by the excessive competition and preemptive investment of industries it is trying to foster....”<sup>13</sup>

On one level there is a natural affinity between the leaders of business and government, Johnson argued. In the first instance, those who led Japan through the high growth period all experienced the war and the hardships during its aftermath.<sup>14</sup> A high proportion of

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<sup>11</sup> *Ibid.*, 312.

<sup>12</sup> *Ibid.*, 309-10.

<sup>13</sup> *Ibid.*, 312.

<sup>14</sup> *Ibid.*, 70.

bureaucrats and industrial leaders had a common educational background (for instance Tokyo University's law faculty) which helps shape a common outlook and facilitates the establishment of personal networks. Beyond this, there was "an extensive cross-penetration of elites because of early retirement from government service and reemployment in big business..."<sup>15</sup>

*Amakudari*, literally translated as descent from heaven, is an entrenched practice among bureaucrats where, at their forced retirement age of 55, they are located in key positions in industry and elsewhere. "Preferential access to the government for the strategic industries in Japan is not an unintended consequence of the developmental state; it is in fact an objective of the developmental state. This is the true significance of amakudari"<sup>16</sup> Johnson argued. Finally, there is the institution of 'administrative guidance' which played a prominent part in MITI's practice of directional control, though one could also mention exchange postings between this ministry and industry. Although not based on any explicit law, the authority of administrative guidance comes from the laws that established the ministries which allowed them to "issue directives (*shiji*), requests (*yōbō*), warnings (*keikoku*), suggestions (*kankoku*), and encouragements (*kanshō*) to the enterprises or clients within a particular ministry's jurisdiction."<sup>17</sup> The exercise of this is done on a personal basis that facilitates private discussion.

It may be assumed that efforts were made to harmonize interests within the aims of the

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<sup>15</sup> *Ibid.*, 312.

<sup>16</sup> *Ibid.*, 71.

<sup>17</sup> *Ibid.*, 265.

bureaucracy, though this did not always assure the compliance of business.

One implication of this argument is that the extent to which co-operation has been achieved should not be seen as a cultural given. As has been seen, different modes of interaction were tried, each located in different historical settings. The well-functioning of the developmental state is based on the perspicacity of MITI to foster industry and business's vigorous implementation of MITI's directions. Both sides of the equation are important. Never easy to keep on track, a co-operative relationship, at heart, was necessary in order for success. The post-war relationship is the product of past attempts. Both sides have sought economic recovery, with neither side accepting of domination by the other. Conversely, in the post-war period, neither side could have controlled the other. Both sides had sufficient strength that riding roughshod over the other, even if it were seen as appropriate behaviour, was not possible. The delicate balance of affording latitude of action while retaining sufficient control to guide industry was not a matter left to open round table discussions, Johnson's argument would have us accept.

Johnson's work has been important in terms of shaping views on how things work in Japan. He presented a historically detailed and forceful framework for understanding how the various components in the policy making process come together and an explanation for Japan's economic success. He placed this laurel squarely on the head of MITI, characterising Japan as a

strong state and cogent economic policy formulation and implementation as central to its economic development. In recent years, serious objections have been made to his thesis which challenge his statist approach, though Johnson still maintains that government has an important role to play in economic development, as do others as well.<sup>18</sup> Among the contending works, David Friedman's *The Misunderstood Miracle: Industrial Development and Political Change in Japan* presents a refutation of MITI's central role in efficaciously promoting economic development. He asserts that the dynamism of the Japanese economy stems from the rapid growth of small to medium sized enterprises and their flexible manufacturing approach. This, he claims, accounts for Japan's high-speed growth.

Japanese manufacturing growth resulted, I believe, from the dramatic expansion of smaller producers throughout the nation's economy. Special circumstances in Japan... enabled smaller-scale producers to implement more flexible manufacturing strategies than those which were possible for firms that pursued mass production alone. The result was to enhance the ability of Japanese manufacturers to adopt extensive, continuous product changes more easily than producers in other countries....Consequently, my argument takes odds with the conventional interpretation of Japan's economic success and its policy implications.<sup>19</sup>

In stark contrast to the developmental state thesis, Friedman asserts that in at least one important industry MITI was particularly ineffective in its attempts to direct the economy, its guidance was in fact not heeded and that the Japanese state was decidedly weak.

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<sup>18</sup> In 1995, Johnson published a further work which was essentially a compendium of essays that had appeared separately elsewhere. In effect, this work stands as Johnson's re-iteration of the correctness of his position. Chalmers Johnson, *Japan: Who Governs? The Rise of the Developmental State* (New York: W.W. Norton & Company, 1995).

<sup>19</sup> David Friedman, *The Misunderstood Miracle: Industrial Development and Political Change in Japan* (Ithaca: Cornell University Press, 1988), 1.

Though the bureaucratic regulation thesis contends that Japanese industry was guided by a “strong state,” the machine tool industry exhibits an unbroken record of policy features dating from the late 1920s. From the Depression to the present there is not one example of the adoption, let alone the success, of a MITI or an MCI initiative. If we think of a strong state as one that sets goals then manipulates financial and other incentives to achieve them, Japan appears to be extremely *weak*: the government was forced to provide resources but could not insist that its goals be met in exchange.<sup>20</sup>

In short, Friedman turns the developmental state paradigm on its head.<sup>21</sup> Where co-operation between big business and MITI carried the day for Johnson, Friedman does not deny interaction but, in the case of his examination – the machine tool industry – at least, the relationship is seen as much less harmonious; when policy suited both sides, co-operation was forthcoming, however, in times of interest conflict, the industry was not chary of opposition. During a period of considerable strain for the industry during the 1960s, MITI urged consolidation but its recommendation was not received favourably. As one president of a major machinery manufacturer put it: “They told us to form into larger companies. We told them ‘the hell with that’ and refused.”<sup>22</sup> On the issue of the conduit through which interaction occurred, Friedman is less specific. In the main, exchanges are seen between the industry’s representative body, or *gyōkai*, and MITI, with little reference to individuals. The assumption is that discussions

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<sup>20</sup> *Ibid.*, 125.

<sup>21</sup> It should be noted that Friedman also challenges the thesis that “Japanese development was the result mainly of market forces... [where] government activity provided at most a favorable environment for industrial expansion by manufacturers who were responding primarily to market cues.” *Ibid.*, 3. This position is closer to his own but one which he holds is incomplete.

<sup>22</sup> *Ibid.*, 100.



transpired behind closed doors, though there were exceptions.<sup>23</sup>

This emphasis of interaction through the conduit of representative groups or trade associations and government<sup>24</sup> is found as well in Ronald Dore's *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy 1970-80*. In line with Johnson, Dore sees the history of Japan since 1870 as strong evidence for the argument of the development state.<sup>25</sup> The 'management' of the economy is seen as something that is regularly monitored through discussions between bureaucrats and industry with politicians viewed as little more than ratifiers in the policy making process. Interconnectivity is stressed between representatives of trade associations and the ministries beyond levels typically found in the west.

The role of the politicians in the making of economic policy becomes, then, largely one of ratifying rather than shaping the consensus which emerges from the – very open and public – debates between the main 'organized interests'. In the matter of month-to-month 'conjunctural' management of the economy, the main 'organized interests' are the Ministry of Finance, the Bank of Japan and what is known as 'zaikai'.<sup>26</sup>

The term *zaikai* literally means financial circle. Dore wishes to stress the cohesiveness of the Japanese configuration as a factor that contributes to economic success. "One condition for that

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<sup>23</sup> One example is the first post war White Paper which was published by the *gyōkai* and "set a precedent whereby industry itself signaled appropriate policy for the bureaucracy to act upon." Refinements of the original proposal were made in "liaison discussion groups between *gyōkai* members and bureau representatives; occasionally, academics or other 'neutral' parties attend these discussions." *Ibid.*, 76.

<sup>24</sup> Though dated and superseded by other works, Yanaga provides a useful outline of the various kinds of business groups and how they might seek to influence policy making. Yanaga, *Big Business in Japanese Politics*, 41-62.

<sup>25</sup> Ronald Dore, *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy 1970-80* (London: The Athlone Press, 1986), 25.

<sup>26</sup> *Ibid.*, 23.

recipe to work is that the gains from trust and co-operation – the elimination of a lot of time-wasting intransigence and unpredictability and fear of cheating from market bargaining relations, especially labour relations – should compensate for the reduction in the spur of competition.”<sup>27</sup>

Kent Calder in *Crisis and Compensation: Public Policy and Political Stability in Japan, 1949-1986*, suggests that this close proximity, at least in part, stems from financial considerations occurring in economic development. High-speed growth demands high capital investment particularly in the case of heavy industry. As debt-equity ratios increase, the stake in success shared by both lender and borrower rises as well “which welded state and industrial society into ever more intimate interdependence.”<sup>28</sup> Calder’s objective, though, is to “understand the processes of Japanese public policy formation rather than to comprehend the Japanese growth process or its implications for their own sake.”<sup>29</sup> He observes a pattern of accommodation between government and its opponents (intraparty and interparty) at points of impending crisis when, for example, an “administration’s tenure in office is perceived to be severely threatened or internal political unrest seriously impairs its international credibility.”<sup>30</sup> Once this juncture is passed, a lull follows in policy formulation, only to shift into higher gear

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<sup>27</sup> *Ibid.*, 250.

<sup>28</sup> Calder, *Crisis and Compensation: Public Policy and Political Stability in Japan*, 442.

<sup>29</sup> *Ibid.*, 467.

<sup>30</sup> *Ibid.*, 25.

when instability threatens again. Thus, the “central political force driving policy transformation in Japan between 1949 and 1986 was the crisis and compensation dynamic....”<sup>31</sup> At these crisis points, there is a plurality of influences that jockey for position in order to realise specific aims.

In an effort to regain stability, bureaucracy and big business tend to be acquiescent. The process of negotiation and accommodation is removed from public scrutiny.

The road from crisis to compensation, in short, has led through pluralism and rivalry among the Japanese elite, albeit often behind closed doors, combined with a transcendent consensus on the importance of political stability. In the face of crisis, interest groups, mass media, and legislative pressures on a fragmented conservative ruling party have given strong momentum to proposals for welfare-oriented change, which both technocratic and business elites have been disposed to accept in the interest of political stability.<sup>32</sup>

The implication again is that big business and the bureaucracy are closely aligned and operate largely behind closed doors.

In shaping post-war views on government and business relations in Japan, Johnson’s work is of critical importance. Though it has been received critically by some, the fact that hardly a work since its publication on the matter can avoid its mention underscores this point. Many authors since then have adopted Johnson’s work as a point of departure and sought either to draw attention to its weaknesses and provide a more nuanced understanding of the inner dynamics of the developmental state, or to reject its conclusions and provide alternate

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<sup>31</sup> *Ibid.*, 443.

<sup>32</sup> *Ibid.*, 192.

explanations. How we will come to see the model of the developmental state in future years is speculative but it is safe to argue that Johnson's work has left us thinking of the Japanese success as based on a particular configuration of co-operation between the bureaucracy and business that is different from elsewhere. The issue here is not whether Johnson has got it right but rather to demonstrate that Johnson's work has been a dominant force in recent years in shaping our perception of politico-business interaction.

The economic success of post-war Japan is thus widely seen to be linked to the effective co-ordination of business and government interests. It is both implied and stated explicitly in the literature that this co-ordination was behind closed doors. These views on how government and business operate, however, were formed in the period of post-war economic success. In terms of economic policy, though, the economic circumstances in which actors find themselves may very well shape or at least play a role in determining an actor's bargaining position. In contrast to the post-war period (1950s – 1980s), the Taishō and early Shōwa periods bracketed a much more varied pattern of economic development. The war years saw a boom, followed by a dramatic economic decline, and government's approach to the management of the economy shifted dramatically. This suggests in turn that how business approached government may have varied in accordance with the changing economic conditions. An examination of the Taishō and early Shōwa period *shingikai*, then, may offer a vista into understanding not only the question of

bureaucratic dominance but also whether business and government interaction changed with changing economic conditions.

It will be suggested in this thesis that during the initial years after the Meiji Restoration, there was a shift from the predominant reliance on informal, personal channels of communication between business and government to the formal venue, the *shingikai*, for their interaction. This shift can be explained as a function of changing social, political and economic circumstances. The aim of placing the *shingikai* in this framework is to see the appearance of this forum as something that springs from nation building, and in turn to consider politico-business relations as a function of shifting circumstances. It should be emphasised that this thesis does not attempt to analyse the *shingikai* as a means of reducing transaction costs, or to partake in the discussions on corruption and the impact of the institutionalisation of politico-business interaction on economic growth. Notwithstanding the possible fruitfulness of this avenue of inquiry, the necessity to formulate a plausible counterfactual may be a problem. However, it may be suggested that an understanding of this shift from the informal to the formal channel of communication, and analysis of whether the *shingikai* was a meaningfully exercised forum, would aid such research on transaction costs. Little is known of how government and business interacted in this period and, in this sense, this work may usefully serve to later facilitate this line of research.

This work is at once economic history, in that the principal explanatory framework is derived from contemporary economic conditions; it is also political history, in that many of the actors were political figures and the political fluidity of the time contributed to shaping government and business interaction; but it is also importantly cultural in its methodology. Risking stating the obvious, the manner in which government and business interact is a function of economic, political and cultural factors. This thesis then is one that straddles a number of academic fields. The specific aim of this thesis is therefore to examine the influence that business exerted in shaping decisions or recommendations that arose in the context of *shingikai* deliberations. This will contribute to our present limited knowledge of how business and government operated in this period, much of which is presently based on conjecture. Before a framework for understanding politico-business relations in early industrial Japan can be established, a body of detailed empirical work is needed. Once this critical mass has been reached, a keen eye may discern a pattern and so bring our understanding to a higher level. To this end, this work will hopefully be of service. Associated with this objective is the more specific issue of the *shingikai*. Even less is known of this institution in this period than of politico-business relations in general. Debate continues over post-war councils, and extrapolations from this are made about those of the pre-war, but on the basis of sparse evidence. The thesis therefore also seeks to increase our knowledge of the pre-war *shingikai*.

Finally, on the more general level is the issue of the relationship between covert politico-business interaction and Japan's economic development. The assumption has been that a lot of the decisions on how post-war economic policy have been made and the discussions on how to realise these aims occurred behind closed doors. Business was party to this and, according to some, shaped outcomes. The implication is that, try as we may, we will ultimately never know exactly how the post-war success was achieved. Moreover, in terms of providing guidance for developing nations, we are left with the assumption that the covert approach was a positive contributing factor in Japan's success. By looking at the converse, that is, the overt formal venue of the *shingikai*, some light may be shed on the merits of this assumption. This is not to imply that understanding Taishō interaction will explain how it happened in the post-war period. While the literature provides us a historical perspective for the covert side of politico-business relations, there is a paucity of works to provide us with a similar historical perspective on the overt relationship between these actors. In other words, the current state of the literature presents us with an unbalanced rendering of how politics and business operated. The implication of this is that how we understand economic policy formulation in Japan, in the contemporary and historical settings, may suffer from this one-sided perspective. Were the co-ordination of business and government interests seen to have transpired in both formal and informal settings and the relative importance of one over the other to have varied according to

the prevailing political, economic and social conditions, our views on how Japan operates would undergo change. Herein this thesis may be useful by helping illuminate how the formal economic policy making process occurred during Japan's first steps in industrialisation.

It is also hypothesised that the relationship between government and business changed during the period of discussions according to changes in economic circumstances. It will be shown how the bargaining position of business was shaped by a number of different factors, including prosperity and depression, the number of actors in an industry and their aggregate stake hold relative to that of government. When times were good, business was more willing to put up a fight to achieve its ends but when financial collapse was rife, the tune was very different. The implication of this examination is that if the *shingikai* are seen not to be a locus where business and government held meaningful discussions, then this will lend credence to the claim that co-ordination of interests occurred behind closed doors. Depending on the findings, it may, or may not, also reinforce the argument that the council meetings were orchestrated by the bureaucracy. If the *shingikai* were seen to provide a forum where both sides believed that meaningful discussions could be held, then this will challenge the claim that this forum was manipulated by the bureaucracy to serve its own ends. If the nature of politico-business relations is seen to have been circumstantially based, it may suggest that the institutions of Japan's post-war economic development need to be seen in part in the context of its prosperity. In other



words, assertions that claim *a priori* that government and business work well together and therefore have contributed to Japan's success can be turned on their head. This is not to suggest that either order of causality is more correct, but to draw attention to the circumstantiality of politico-business relations.

For the purposes of this thesis government is seen as including both bureaucrats and politicians. The economic policy making process in Japan, whether it be of the pre- or post-war periods, has been largely divided between three main groups of actors, namely politicians, bureaucrats and businessmen. The military were included as well during the years surrounding the war. On both the conceptual level and the individual case by case scenario, how they interacted to create policy and its implementation is problematic. In both the period of the post-war and that which is under consideration here, the bulk of the historical literature has focussed on the relationship between politicians and bureaucrats, with scholars debating the predominance of the one over the other. There is perhaps greater consensus that in the early decades after the Restoration, it was the bureaucracy which held sway but for the post-war period the divide between opinions is more marked. Overall, it is safe to characterise the relationship as complex, and not one that can be justly handled merely in passing.

How the *zaikai*, or business world, fits in is even less known.<sup>33</sup> What is intended here is

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<sup>33</sup> For further details see Matsuura Masataka, "'Zaisei Sewagyō' to Keizai Shisutemu No Kiki: Senzen Nihon 'Zaikai' No Keisei to Soshikika," in *Hokkaidō Daigaku Hōgakubu Raiburari - 3: Jōhō to Chitsujō*

to examine the extent to which business sought to exercise influence through a particular forum, the *shingikai*. This forum was composed of representatives from all three sectors. Looking from the perspective of the businessmen sitting at the discussion table, their concern was to realise their own ends by convincing the others of their case. When they expressed their opinions, it was directed to all convened members without discriminating between bureaucrat and politician. All members had equal say and it will be suggested that whatever predominance bureaucrats may have had over politicians, or vice versa, was not apparent. To deal with those aspects of the policy formulation process that deal with the interaction of bureaucracy and politicians is therefore beyond the scope of this thesis.

The councils offer an avenue for exploring the politico-business relationship, but there remains the further methodological question of selecting a case study on which to focus. There were a number of industries or issues that might have equally acted as a vehicle for examination, but the choice has been closely related to the possibilities of pursuing in-depth analysis. There was at the outset the possibility of covering *shingikai* deliberations on a number of different industries or issues. This would have limited analysis to key documents and the focus to the results of deliberations as a yardstick to evaluate business success. Alternatively, one industry could be selected. This would mean a trawl through the records, seeking to draw

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to *Nettowaku*, ed. Tamura Yoshiyuki (Hokkaidō Daigaku Tosho Kankōkai, 1999).

from the minutiae to bring to light the process of decision making. In the first instance, the evaluation of success would tend to be broader based, but analysis would tend to be constrained to juxtaposing initial goals and outcomes, and comparing the two. The weaknesses of the second, single industry-based approach is that any conclusions drawn would derive from the analysis of only one industry. General statements about how business operated in other industries might be risky, as would overarching conclusions relating to politico-business relations in the Taishō and early Shōwa periods. However, restricting analysis to one case study avails the historian of the opportunity to walk as closely as the records will permit along the path that led to a decision. In turn, the path becomes a focus of concern and affords glimpses of the dynamic of the interaction of the two sides. Here, the process based approach has been selected. The aim is to provide a study of the interaction of business and government in the process of a particular industry's seeking to exercise its influence over matters of mutual concern. The issue chosen here through which to examine how business sought to exercise the *shingikai* forum in seeking its aims is the amalgamation process of the iron and steel industry that ran between 1916 and 1934.

Within the rubric of the amalgamation of the iron and steel industry, there are a number of issues which have been selected that run through the course of this 18-year process. The focus of analysis thus becomes not only the process of the decision making but also what was

said by business and government about these specific issues. Among the numerous issues that were raised in the discussions during the duration of the amalgamation process, the following have been highlighted in this thesis: 1) the conflict of interest between pig iron and steel producers; 2) the awareness of the vulnerability of small producers and their resulting need for protection under a tariff regime or *zaibatsu* umbrella; 3) the growing international awareness of industry. These themes will be addressed in the following chapters. At one level, the content of the discussions is not only an indication of what concerned the participants but also in itself reveals the importance of the *shingikai* forum as perceived by its members. The fact that businessmen took the trouble to raise issues and advance their views, suggests that they perceived the forum to be one where gains might be realized. A topic might be brought up at an early point in a discussion, fall by the wayside, only to re-emerge later for a moment and then be passed over for something else. This pattern could repeat itself in discussions sustained over several days or longer and, though each instance of the discussion might amount to little, when assembled together they might say much about the concerns of industry or government. More obvious to detect than these patterns are the instances where prolonged exchanges occurred focussing on one particular topic. Apart from what is specifically stated, the fact that members would dwell on any one given topic is significant in itself.

What is critical in these observations of pattern or sustained discussion is the issue of

friction. Regardless of the issue, what was sought was the identification of the points where a clash occurred between government and business. Arguments and conflict can be seen as evidence of a difference of interests, which suggested that aims or expectations were being challenged. On the other hand, the absence of conflict did not necessarily mean that hopes were being realised. Such as absence of conflict might be interpreted, for example, as meaning that there was no need to argue as fruitful discussion held in informal settings may have been running in parallel. Ultimately, regardless of the discernible presence or absence of friction, substantiation of the claims made here will be established through contextualization of the debates. The components of the explanatory framework will be drawn from the historical setting which, broadly speaking, will be primarily located in the economic and political context of the time. The content of the discussions themselves will provide the guidelines for this framework.

The identification and interpretation of friction points in historical records is a subjective task and one that is complicated by linguistic uncertainties.<sup>34</sup> This observation holds true in the case of the Japanese language. Indeed, as a very germane case in point, the *Kōjien* dictionary defines “鉄” as “Fe” from the Periodic Table<sup>35</sup>, indicating that it is neither pig iron or steel but rather the constituent element from which these two products are made. The explanation for the ideogram “鉄” provided by *The Modern Reader's Japanese-English*

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<sup>34</sup> These linguistic ambiguities have been confirmed with Japanese speakers and a Japanese scholar.

<sup>35</sup> Shinmura Izuru, ed., *Kōjien* (Tokyo: Iwanami, 1991), 1763.

*Character Dictionary (Nelson)* is “iron and steel”.<sup>36</sup> When the ideogram is used in combination with other characters, typically it was clear in the documents whether “iron” or “steel” is being referred to. In the case of “iron”, the combination “銑鉄” or pig iron, is frequently used and, in the case of “steel”, “鋼鉄” is typically found. Though the usage of “製鋼” in the records was, in the main, clear, the translation of the combination “製鉄” was frequently problematic. As seen in the documents, the authors’ intended meaning may have been either the manufacture of pig iron or steel. One suggested reason for this vagary stems from the fact that “鉄” refers to “Fe” and in combination with the ideogram “製”, refers to the idea of using Fe in a manufacturing process but not the product itself. A further reason may be seen in the definition of “製鉄”. The entry for “製鉄” in the *Kōjien* is as follows:

製鉄 The refinement of iron ore and the making of iron or steel material (鉄材). Normally, using a blast furnace, the process of making pig iron.<sup>37</sup>

This uncertainty is also reflected in the literal reading of these characters provided by *Nelson*: the English equivalent is “iron manufacture”<sup>38</sup> which means, strictly speaking, neither the production of pig iron or steel. This is further complicated by the case of the combination “製鉄所”.

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<sup>36</sup> Andrew Nathaniel Nelson, *The Modern Reader's Japanese-English Character Dictionary*, 2nd ed. (Tokyo: Tuttle, 1990), 910.

<sup>37</sup> Shinmura Izuru, ed., *Kōjien*, 1763.

<sup>38</sup> Nelson, *The Modern Reader's Japanese-English Character Dictionary*, 809.

製鉄所 Place where “製鉄” is made. In many cases, not only “製鉄” [is made in this place] but also a place that has steel manufacture, ingots, rolling etc. Integrated works.<sup>39</sup>

In the records used here, “製鉄所” was mainly used to mean Yawata, the government-owned integrated iron and steel works. However, as we can see this definition does allow for uncertainty in interpretation. Given that this dissertation is on the amalgamation of the iron and steel industry, the interpretation of these linguistic vagaries can be crucial to our understanding of the authors’ intended meaning and, in turn, our analysis. When such uncertainties arose, the context of the passage in which the ideogram or combination of characters was located was relied upon. In some instances, the entire passage is provided in translation to make clear the reasons for the interpretation. A further language related point to be made is that in this thesis the Japanese equivalent of the names, institutions, select committee names and reports is provided in Appendix 1. In the body of the thesis, the names of records of the *shingikai* meetings are provided in abridged form and their complete titles are provided in Japanese in Appendix 2.

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<sup>39</sup> Shinmura Izuru, ed., *Kōjien*, 1763.

### 3. Survey of pre-war government-business relations: historical legacy, political merchants and zaibatsu

In the introduction to *Managing Industrial Enterprise: Cases from Japan's Prewar Experience*, William Wray states that "A new direction has emerged in the past half-decade in Western writings on Japanese economic history. This development falls under the rubric of "business history" or "industrial history"<sup>40</sup> and is a clear departure from the Marxist interpretation of Japan's economic development that was previously dominant in Japanese historiography. Where the Marxist perspective tended to portray the business and government relationship in monolithic fashion, this has given way to a perhaps more varied view on how they operate together. Wray indicates that this has been until recently largely company specific monographs, but this is now changing and the focus has broadened to include government-business relations.<sup>41</sup> Wray adds "A further characteristic of recent business history is ... concerned with the interaction between the internal dynamics of the institution under study and the external influences on the institution by the broader economic, social and political context of

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<sup>40</sup> William D. Wray, ed., *Managing Industrial Enterprise: Cases from Japan's Prewar Experience* (Cambridge, Mass.: Harvard University Press, 1989), 1.

<sup>41</sup> *Ibid.* A retrospective view of Marxism in the historiography is provided by Andrew E. Barshay, "'Doubly Cruel': Marxism and the Presence of the Past in Japanese Capitalism," in *Mirror of Modernity: Invented Traditions of Modern Japan*, ed. Stephen Vlastos, *Twentieth-Century Japan: The Emergence of a World Power* (Berkeley: University of California Press, 1998).



the time.”<sup>42</sup> This conference book was published in 1989. In the past decade or so, some work has been written on politico-business relations of the Taishō period but these works are regrettably limited in number.

As mentioned, research in economic history or the political economy of this period, too, is driven by knowing how Japan ‘succeeded’. Work on the late 1930s and through the war has fed into this research by drawing out institutional learning and other continuums.<sup>43</sup> Much of the literature on the Meiji period (1868-1812) is an attempt to explain how Japan managed to adopt so quickly its new ‘modern’ institutions and put itself on the path of industrialisation. Falling in between is the Taishō period and the first Shōwa years - the specific area of concern here. Relative to the surrounding pre-war years, there is in many respects a curious dearth of research on the years 1912 - 1930. Reasons for this are unclear. The Taishō period is seen by some as a brief episode in Japan’s modern history when it experimented with western liberalism, bracketed by periods in which more autocratic approaches dominated. The view that the ‘honeymoon’ was short and need not be considered in understanding how Japan really operates perhaps helps explain the paucity of literature. Whatever the reason may be, our understanding of how business and government operated in this period is limited. As we have

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<sup>42</sup> Wray, ed., *Managing Industrial Enterprise: Cases from Japan's Prewar Experience*, 2.

<sup>43</sup> For further details refer to Tetsuji Okazaki and Masahiro Okuno-Fujiwara, "Japan's Present-Day Economic System and Its Historical Origins," in *The Japanese Economic System and Its Historical Origins*, ed. Tetsuji Okazaki and Masahiro Okuno-Fujiwara (New York: Oxford University Press, 1999).

seen, in regards to politico-business relations and economic policy formulation, the economic history of the post-war is underpinned by understanding Japan's success. Contending explanatory frameworks drawing on detailed empirical research have pushed our conceptual understanding of how business and government operate in this post-1945 period. In contrast, however, the pre-war literature lacks a broader perspective viewing the period as a whole. Research is driven by events or questions which are frequently more narrow in focus. Perhaps this is a reflection of our level of knowledge of the period in general and research is still filling in the holes, so to speak, or, perhaps it is simply that we have not yet stumbled upon a 'question' that would unify the period. This is speculation but the important point here is that this exposé of politico-business relations reflects these observations. The assumption that business and government operated in hand-in-glove fashion is much more entrenched, though not equally matched by empirical research. Stated differently, as we have a limited understanding of how business and government operated, the scope for speculation on the importance of covert interaction is that much wider.

An early problem faced by private enterprise in pre-war Japan was "the difficulty in reconciling traditional values of group-orientation with the profit-orientation inherent in the institutions of private enterprise...."<sup>44</sup> Byron Marshall in *Capitalism and Nationalism in Prewar*

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<sup>44</sup> Byron K Marshall, *Capitalism and Nationalism in Prewar Japan: The Ideology of the Business Elite, 1868-1941* (Stanford: Stanford University Press, 1967), 3.

*Japan: The Ideology of the Business Elite, 1868-1941* provides an explanation for business “reluctance to break with the values of the past.”<sup>45</sup> This hesitancy, Marshall points out, was not due to government imposition but rather stemming from business views on its own contribution in the development of the nation.<sup>46</sup> He further explains that business occupied the enviable position of having the support of government without any fear that the extent of government intervention posed a threat to business interests. With regards to business views on the pre-war labour movement, this must be tempered. Marshall explains that though by the “1920’s the business elite in Japan had already gained a measure of political power... their position proved to be a highly precarious one, dependent as it was on the power of the political parties in the Diet, and its importance should not be exaggerated.”<sup>47</sup> However, with regards to economic matters when they impacted on business conditions, Meiji business leaders were not chary of openly criticising government policy where business interests were at stake.<sup>48</sup> Marshall explains that a mutually beneficial relationship existed between government and business. Given the national goals set by government leaders for industrialization, they “were convinced that they must do everything in their power to encourage private enterprise....”<sup>49</sup> From the business perspective, “the expansion of the economy and of business opportunities, depended greatly

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<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*, 92.

<sup>48</sup> *Ibid.*, 28.

<sup>49</sup> *Ibid.*

upon the active participation of the government's commitment to rapid industrialization and the nationalistic temper of the times to obtain the types of intervention most favourable to private business."<sup>50</sup> In short, there was a recognition on the part of both government and business that some degree of cooperation was necessary. Although the degree of dependency or independence of action is likely to have varied according to the matter at hand, one side would appear not to have dominated the other.

“In the early years of the Meiji, two new types of businessmen emerged in the private sector: the *seishō* (political merchants), who rode on the crest of government favors and used every opportunity to amass fortunes for themselves... and the many second-rate businessmen or industrialists who had neither experience nor capital but only enthusiasm.”<sup>51</sup> This second group identified themselves as *jitsugyōka*, literally meaning ‘a man who undertakes a real task,’ and often is referred to as ‘entrepreneur’; the term ‘*seishō*’, on the other hand, carried a “derogatory meaning ... [branding] the lobbyists who relied on their friends among officials to receive the coveted government contracts.”<sup>52</sup> “Government patronage took the form of subsidies, grants of monopolies or special privileges, favourable credit arrangements, and sales of state enterprises at nominal prices.”<sup>53</sup> By way of example, the house of Mitsui began its financial connection

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<sup>50</sup> *Ibid.*

<sup>51</sup> Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan*, 2nd ed. (Cambridge, Mass.: Harvard University Press, 1964), 163.

<sup>52</sup> *Ibid.*, 278.

<sup>53</sup> Hidemasa Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan* (Tokyo:

with governmental authorities in 1689 when “the Mitsuis were made purveyors of apparel, ornaments, and personal accessories to Shogun Tsunayoshi.”<sup>54</sup> Further pursuing this, the Mitsui house under the son Hachirōbei established exchange brokerages, or *ryogaeya*, in a number of cities including Osaka, where the bakufu’s treasury was located. He made a proposal for the reform of the *bakufu*’s money transfer system which was met with approval, and in 1691 “the House of Mitsui became an official money-changer for the *bakufu*’s treasury.”<sup>55</sup> Such was the start of the connection between Mitsui and government. Other well-known family names such as Mitsubishi also later formed close ties with governing authorities through mutually beneficial arrangements.

Johannes Hirschmeier in *The Origins of Entrepreneurship in Meiji Japan* makes the point that the traditional prejudice held against the merchant clan had diminished under the Tokugawa Bakufu (1603-1868). In the public eye however, these gains were lost during the initial years of the Meiji Restoration (1868) due to the “total disregard of the public interest”<sup>56</sup> that the former merchant class showed in pursuit of financial gain. It was recognized by Fukuzawa Yukichi and Shibusawa Eiichi, two leading figures of this time, that in order to foster entrepreneurship in Japan a public image had to be created that was distinct from that of the tainted political

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University of Tokyo Press, 1992), 3.

<sup>54</sup> John G. Roberts, *Mitsui: Three Centuries of Japanese Business* (New York: Weatherhill, 1973), 24.

<sup>55</sup> *Ibid.*, 25.

<sup>56</sup> Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan*, 163.

merchant. Thus, the common characterisation of the relationship between government and large merchants as being close is not only a latter day historical view. It was also widely recognised by the contemporary public as being close and operating along informal channels. It should also be noted that despite the aims of the new entrepreneurial class to set themselves apart and appear 'clean', they were not above receiving special favours from government. Shibusawa, for example, did benefit from his political connections though not to an extent which would tarnish his reputation.<sup>57</sup> Hirschmeier points out that, "in a certain sense all Meiji entrepreneurs were political merchants. The strict separation of the central and the private wing of the economy was slow to evolve in the politically emotional climate of the period."<sup>58</sup>

From the outset of the Meiji period, Japan embarked on the large scale project of revamping its political and administrative organs along with the development of various industries. The required capital and technical and administrative expertise was substantial. Those merchants that remained after the bankruptcies during the restoration were chary to invest for lack of experience in the modern industries, so at the outset the Meiji government took the lead, but eventually found willing entrepreneurs among the traditional merchants. "On discovering such businessmen, the regime [Meiji government] formed close connections with

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<sup>57</sup> *Ibid.*, 279.

<sup>58</sup> *Ibid.*, 282.

them and supplied generous assistance, creating a new type of political merchant.”<sup>59</sup> Perhaps the leading example of this was the sale of certain state mines and other enterprises at very favourable terms. T.C. Smith in *Political Change and Industrial Development in Japan: Government Enterprises, 1868-1880* argues against this “cabal interpretation”<sup>60</sup> which claims that “government enterprises were sold at nominal prices and on the easiest terms to a few wealthy families with the purpose of effecting an alliance between the government and a small but wealthy capitalist class of merchants and ex-daimyō [emphasis in the original].”<sup>61</sup> Similarly, he finds arguments that the sales stemmed from a government move to a more liberal, *laissez-faire* approach to economic management incorrect.<sup>62</sup> Rather, “the evidence strongly suggests that government enterprises were sold for financial reasons.”<sup>63</sup> The Meiji government recognised that its deficit could no longer be sustained and such sales were a remedial measure. What is to be borne in mind is that, as this example illustrates, financial considerations were critical to early developing Japan and though big business and government had a history of close operating relations, this did not necessarily imply underhanded dealings. In any case, the sale of these enterprises facilitated the evolution of certain wealthy merchant families in their later more diversified form known as *zaibatsu* (family-owned business groups). “This

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<sup>59</sup> Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan*, 4.

<sup>60</sup> T.C. Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880* (Stanford: Stanford University Press, 1955), 87.

<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*

<sup>63</sup> *Ibid.*, 100.

transference of State factories to a few private firms mark[ed] an important state in the evolution of the zaibatsu who in later years dominated the modern sector of the economy.”<sup>64</sup>

Political merchant activity and mining shared a characteristic: both were carried out on a monopolistic basis with strong barriers to entry. Political merchants had personal ties to powerful government figures, and mining companies had exclusive rights to mineral resources; these advantages presented almost insurmountable obstacles to latecomers. The profits from political merchant and mining operations, maintained as they were through monopoly, were naturally large.<sup>65</sup>

Perhaps more importantly, as Penelope Francks in *Japanese Economic Development:*

*Theory and Practice* points out, the sale of the mines and other state owned operations bore long term implications given the state’s aim of industrialisation. From this point of view, the sale of state enterprises not only marked the start of a ‘partnership’ between government and big business to industrialise Japan, but also made consultation hard to avoid when forming industrial policy.

the change of policy [sale of state enterprises] meant that, from then on, the state could not influence the industrialisation process directly through its own enterprises but instead had to make it worthwhile for private entrepreneurs to bring about the goal of industrialisation... the sale of the government enterprises in the 1880s strengthened the informal links between the bureaucracy and the private entrepreneurs who were to develop major areas of industry.<sup>66</sup>

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<sup>64</sup> G.C. Allen, *A Short Economic History of Modern Japan 1867-1937 (with a Supplementary Chapter on Economic Recovery and Expansion 1945-1970)*, 3rd. ed. (London: George Allen & Unwin Ltd., 1972), 52.

<sup>65</sup> Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan*, 4.

<sup>66</sup> Penelope Francks, *Japanese Economic Development: Theory and Practice* (London: Routledge, 1992), 36.



The creation of the Ministry of Agriculture and Commerce (MAC) in 1881 provided an institution through which the intercourse could run and was an initial step in the development of government expertise on such matters. This is not to suggest that all communication was now channelled through this conduit, as we may suppose that direct contact between high level figures remained and was in particular exercised when important matters were at issue.

Nonetheless, MAC was, ostensibly at least, to co-ordinate “state activities in the promotion of industry and agriculture... [and] early industrial entrepreneurs were able to obtain a range of *ad hoc* subsidies, loans, technical assistance and so on, in developing the areas of industry the state considered essential.”<sup>67</sup>

Though the solicitation of wealthy trading merchants helped ease the burden of the state much remained to be done to place the industrialisation process on a firmer footing. To this end, the reform of the banking system was seen as a means to generate capital for further investment. Under Count Matsukata Masayoshi, banking policy shifted toward adoption of an English model. He recognised that an effective financial system needed the existence of banks with specialised functions to meet the various demands of Japan’s economic development.

These banks were “all instruments of a national purpose which changed little during the period of their existence. From the beginning they all had close financial connections not merely with

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<sup>67</sup> *Ibid.*

the Government but also with great financial institutions of the zaibatsu, themselves part the agents of national policy.”<sup>68</sup> G.C. Allen suggests that the connection between the *zaibatsu* and leading political actors was not exercised with the exclusive benefit of national development.

The operations of the financial system have been extremely susceptible to political influence. In the case of official banks and the Treasury Deposits Bureau this need not be insisted upon. It is true, however, even of the large banks owned by the zaibatsu because of the association of those houses with the Government and the close relationship which they had with the political leaders.<sup>69</sup>

Both the Big Four *zaibatsu*, namely Mitsui, Mitsubishi, Sumitomo and Yasuda, and other smaller ones such as Asano, Furukawa, Fujita and Kawasaki, benefited from the business opportunities that World War I afforded. Though the Big Four held a major position in the economy during the conflict and the immediate ensuing years, it was not until the 1920s, given the failure of smaller businesses to weather the recession, that they “established a clear hegemony”. Though “their influence extended beyond business and into the political world, they did not have a monopoly on economic power.”<sup>70</sup> Allen sees this as marking a transition in their relationship with government. Premised on the argument of economic clout, by the late 1920s *zaibatsu* had greatly enhanced their ability to influence government decisions.

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<sup>68</sup> Allen, *A Short Economic History of Modern Japan 1867-1937 (with a Supplementary Chapter on Economic Recovery and Expansion 1945-1970)*, 55.

<sup>69</sup> *Ibid.*, 57.

<sup>70</sup> Takafusa Nakamura, *A History of Shōwa Japan, 1926-1989*, trans. Edwin Whenmouth (Tokyo: University of Tokyo Press, 1998), 4.

Thus whereas in early Meiji days they could be regarded as agents of the Government, though probably never as merely passive agents, by the later twenties they had reached a position in which they could to a increasing extent impose their wishes on the Government...<sup>71</sup>

Between 1914 and 1919, the three largest *zaibatsu*, Mitsui, Mitsubishi and Sumitomo, accounted for approximately 28 percent of the total assets of the top 100 companies in Japan, excluding those owned by the government, for example Yawata.<sup>72</sup> Their position, though, varied according to the industry. In mining they accounted for 64.3 percent of private sector assets in 1914 and 57.1 percent in 1919. In the case of the iron and steel industry, which is the focus of this thesis, their position diminished from 84.5 percent of private sector assets in 1914 to 41.7 percent in 1919.<sup>73</sup> In some other industries, the Top Three had no investment whatsoever. In many sectors of production there were other companies which were sufficiently large to exercise a “leadership role in the business world” as well, for example, in the textile industry (Kanegafuchi Spinning, Tōyō Spinning, Dai Nippon Spinning, Fuji Spinning Co., and Nisshin Spinning Co.), paper production (Ōji Paper Co. Ltd and Fuji Paper Co.) and sugar (Dai Nippon

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<sup>71</sup> Allen, *A Short Economic History of Modern Japan 1867-1937 (with a Supplementary Chapter on Economic Recovery and Expansion 1945-1970)*, 134.

<sup>72</sup> Yawata is also rendered into English as Yahata.

<sup>73</sup> Takeda Haruhito, *Zaibatsu No Jidai: Nihonkei Jigyō No Genryū*, 3rd ed. (Tokyo: Shinyosha, 1997), 108.

Sugar Manufacturing Co. Ltd. and Taiwan Seitō Co.).<sup>74</sup> Thus, despite the dominant position of the *zaibatsu* by the time of World War I their economic position alone was not sufficient to hold sway over all other companies.

In trying to determine what political influence business held, however, it is necessary to go beyond any assessment of economic clout. Nakano Buei, the president of the Chamber of Commerce, when addressing members in 1908 encouraged them to help advance business interests through political means:

To whatever extent possible, I would like chamber of commerce members to bestir themselves and stand as candidates in the forthcoming Diet election.... It may be said that up to now we have been followers or lantern carriers in the battles among the political parties.... However, this time the businessman must separate himself from the political parties and set himself up as a candidate in the interest of this business organization.<sup>75</sup>

By 1917, of the 381 seats in the House of Representatives, 30 members had extra-parliamentary careers in the bureaucracy (7.9 percent), 192 members were businessmen (50.4 percent) and 20 had careers which were both in the bureaucracy and business (5.2 percent).<sup>76</sup> The entrenchment of the business position in government was also further enhanced by the funding of the two main political parties from the coffers of Mitsui and Mitsubishi. The former directed its funds to

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<sup>74</sup> Nakamura, *A History of Shōwa Japan, 1926-1989*, 4.

<sup>75</sup> Arthur E. Tiedemann, "Big Business and Politics in Prewar Japan," in *Dilemmas of Growth in Prewar Japan*, ed. James W. Morley (Princeton: Princeton University Press, 1971), 276-77.

<sup>76</sup> Takeshi Ishida, "The Development of Interest Groups and the Pattern of Political Modernization in Japan," in *Political Development in Japan*, ed. Robert E. Ward (Princeton: Princeton University Press, 1968), 307.

the Seiyūkai and the latter to the Kenseikai. John Roberts in *Mitsui: Three Centuries of Japanese Business* claims that “Hara<sup>77</sup> was amply funded as president of the Seiyūkai. At the end of each year dietmen belonging to the party used to visit his home to pay their respects and receive envelopes stuffed with money. It was generally assumed that Mitsui provided a share of the party’s funds; evidence of the fact became public in 1920.”<sup>78</sup> Direct involvement in government affairs by Mitsubishi can be traced to 1896, with Iwasaki Yanosuke, head of the combine, helping to bring about the second Matsukata Cabinet.<sup>79</sup> Kinship played a crucial part. From 1908 Iwasaki’s cousin, Toyokawa Ryōhei, who was head of the Mitsubishi Bank and chief director of the Tokyo Clearing House, “undertook a role of leadership among Diet members.”<sup>80</sup> Katō Takaaki, who married Iwasaki Yatarō’s eldest daughter, became president of the Kenseikai in 1916 and led a coalition cabinet in 1924. Similar influences were at work in the founding of the Industrial Club of Japan which, as we shall see, was a key organisation in the business-politics relationship as it pertained to heavy industry. The funding for the Club was evenly divided between Mitsubishi and Mitsui, with Baron Dan Takuma, general manager of Mitsui, being its president from the outset of the Club in 1917 until his assassination in 1932.

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<sup>77</sup> Hara Kei was a prominent politician in the Meiji and Taishō periods. He became the first prime minister in 1918 to head a majority party cabinet and hold a seat in the Lower House.

<sup>78</sup> Roberts, *Mitsui: Three Centuries of Japanese Business*, 210.

<sup>79</sup> Tiedemann, "Big Business and Politics in Prewar Japan," 278.

<sup>80</sup> *Ibid.* Toyokawa Ryōhei participated in the final Joint House Committee on the Proposed Law for the Future of the Iron and Steel Industry which will be examined later.

Kaneko Kentarō, a close friend of Baron Dan since their student days in the United States<sup>81</sup>, and whose younger sister married Dan, became Minister of Agriculture and Commerce in 1898 and Minister of Justice in 1900-01. He played a central role in the establishment of the Club.<sup>82</sup> In its founding vision, the Club undertook to promote the nation's industrial growth and serve for the betterment of Japan as a whole.

To strengthen co-ordination and co-operation among the members for the sake of the nation's industrial growth; to study joint problems and to seek their solution with the view to common advantage; to improve the contribution which each member can make for the good of the country and in this way foster its progress and development.<sup>83</sup>

Whatever intentions it had for the good of the nation, the "common advantage [of its members] and the growth of the member firms was the uppermost concern."<sup>84</sup> Hirschmeier and Yui feel that as the leadership of the Club was chosen from among the executives of the largest *zaibatsu*, they had a "dominant influence"<sup>85</sup> and "the big businesses represented in the Industrial Club systematically promoted proposals and espoused viewpoints that went against the interests of the small firms."<sup>86</sup> It "lobbied with the government for subsidies for heavy industry, for the establishment of a Labour Council Board, and for a change in tariff rates. In all these aims it

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<sup>81</sup> After graduating from MIT, Dan returned to Japan and found work teaching English. Two of his students were Hamaguchi Osachi and Shidehara Kijūrō, both of whom later become prime minister.

<sup>82</sup> Horikoshi Teizō, ed., *Keizai Dantai Rengōkai Zenshi* (Tokyo: Chūō Kōron Jigyō, 1952), 42.

<sup>83</sup> Nihon Kōgyō Kurabu Nijūgo Nen Shi Hensan Iinkai, ed., *Nihon Kōgyō Kurabu Nijūgo Nen Shi*, 2 vols. (Tokyo: Nihon Kōgyō Kurabu, 1943), 10-11.

<sup>84</sup> Johannes Hirschmeier and Tsunehiko Yui, *The Development of Japanese Business 1600 - 1980*, 2nd ed. (London: George Allen & Unwin Ltd., 1981), 185.

<sup>85</sup> *Ibid.*

<sup>86</sup> *Ibid.*

was successful. It was also for some time successful in forestalling labour legislation, and in postponing universal suffrage.”<sup>87</sup> Andrew Gordon provides a summary of big business’ efforts headed by the Industrial Club to oppose the passage of labour bills. During the course of approximately a decade, business opposed the passage of the Health Insurance Union bill and the bill to revise the Factory Law in 1922. In the first instance Club efforts, and those of others as well, failed, but through the 20s, the business voice became increasingly unified. Dan Takuma led the concerted effort to defeat the Union Bill in spring of 1930. Calling on the support of the Seiyūkai, the then opposition party, and through a nation-wide organisation of business voices, the bill was defeated in March 1931. “Although the Minseitō Party majority in the Lower House held together and approved the bill, Seiyūkai supporters and the industrialists in the House of Peers worked together to bottle it up in committee.... Of greatest importance, however, was continued business lobbying, which mobilized the sophisticated and coherent organization<sup>88</sup> ... Business pressure bore fruit in the House of Peers.”<sup>89</sup>

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<sup>87</sup> *Ibid.* In 1922 the Economic Association (*keizai renmei*) was founded to assist the financial sector. At the outset its membership was largely from the banking world but expanded later. In addition to heading the Club; Dan Takuma was also chairman of this group. Following his assassination in March 1932, the Association took over the prime functions of the Club, though it continued to function, it did so with a much more reduced remit. Thus, “The Industrial Club had only a brief existence as the representative organization of big business, but during its time it was very powerful indeed.” Hirschmeier and Yui, *The Development of Japanese Business 1600 - 1980*, 186.

<sup>88</sup> The Industrial Club of Japan had previously formed five regional industrial organisations in Tokyo, Osaka, Nagoya, Northern Kyushu and Hokkaido as a means of further garnering support for its lobby interests. Andrew Gordon, “Business and the Corporate State: The Business Lobby and Bureaucrats on Labor, 1911-1941,” in *Managing Industrial Enterprise: Cases from Japan's Prewar Experience*, ed. William D. Wray (Cambridge, Mass.: Harvard University Press, 1989), 63.

<sup>89</sup> *Ibid.*

The 1930s marks a shift in politico-business relations that was driven by changing economic priorities as seen by government, their growing intervention in economic planning and the presence of the military. Okazaki and Okuno-Fujiwara in *The Japanese Economic System and Its Historical Origins* characterise the pre-1930s Japanese economy as Anglo-Saxon. They cite that “in the eighteen years between 1902 and 1919 there were on average 24.6 bank collapses per year, in each of the thirteen years between 1920 and 1932 there were 43.5, and in the thirteen years between 1933 to 1945 there were 7.8.”<sup>90</sup> The implication is that government became increasingly interventionist and, given its wartime economic planning, determined to exercise central control. It was the “young bureaucratic elite as well as the military... [who] abhorred the free market system with its possibilities of making profits out of scarcities”<sup>91</sup> that in particular rankled with business, and in the initial years certain well-known businessmen clashed with government. Notwithstanding this antagonism, as the war years progressed and the strain on Japan increased, this “weld[ed] the government and the business community together in a joint purpose. But their views did not coincide on business matters.”<sup>92</sup> In contrast to the 1920s and 30s, when it was rare to find businessmen assuming cabinet positions, this changed in the 40s and we find a number of prominent business figure in key

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<sup>90</sup> Okazaki and Okuno-Fujiwara, "Japan's Present-Day Economic System and Its Historical Origins," 13.

<sup>91</sup> Hirschmeier and Yui, *The Development of Japanese Business 1600 - 1980*, 247.

<sup>92</sup> *Ibid.*



government posts.<sup>93</sup>

Notwithstanding these connections stemming from economic strength, political participation and friendship, it is not clear that the large *zaibatsu* directly exercised their influence to receive specific benefits on a *quid pro quo* basis. Ikeda Seihin, who took over the helm of Mitsui after Dan's death, acknowledged that financial support was given by both Mitsui and Mitsubishi to political parties. However, he claims that given the strength of the Big Three *zaibatsu*, they did not need to resort to underhanded means in order to have their interests taken into account: given their economic size, their interests would be naturally considered in the political decision making process.

Since we had rapidly grown big through our own strength alone, we had no need to borrow strength from the government....Military men seeing only that the *zaibatsu* were giving money thought that the *zaibatsu* must be doing improper things, but I certainly never did anything improper....Small *zaibatsu* may have tried to make money in this way, but big *zaibatsu* such as Mitsui or Mitsubishi or Sumitomo did not use such sordid business methods.

Since Mitsui had many friends among the Seiyūkai men and Mitsubishi among the Minseitō [amalgam of Kenseikai and Seiyū Hontō], each used to give help to these friends at the time of a general election. It was not a matter of managing the Diet by making requests of these men. It was simply helping them at the time of a real general election. I think these men felt sympathy for Mitsui or, as the case might be, Mitsubishi. Therefore if there was some blunder committed and Mitsui or Mitsubishi were attacked, these men would probably sympathise and speak up for us behind the scene. But there were no deals. In my time we made no deals with these men....<sup>94</sup>

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<sup>93</sup> *Ibid.*

<sup>94</sup> Ikeda Seihin Denki Kankōkai, *Ikeda Seihin Den* (Tokyo: Keiō Tsushin Kabushiki Kaisha, 1962), 210-11.

Dan's own biography, posthumously written by a committee in 1938, claims that he would have no truck with political money - bribery -<sup>95</sup> and in fact it was only late in life that he developed an interest in politics. Moreover, as a member of Mitsui, he was not allowed to participate in politics as there was a strict code that forbade such activity.<sup>96</sup> Perhaps it can be argued on the basis of personality that Dan was particular in these views among his contemporaries, but even Nakamigawa Hikojirō, vice president of Mitsui bank, recognised in the Meiji period that "Mitsui Bank's operational difficulties stemmed from its dependence on government patronage", and in 1892 introduced reforms that started to steer the *zaibatsu's* bank from the traditional path of the political merchant.<sup>97</sup>

Matsuura Masataka<sup>98</sup> points out that Mitsui, Mitsubishi and Sumitomo disliked the participation of their members in political affairs:

In reality, the "*zaibatsu*" had structural power based on large economic strength. For this reason, pre-War politics was closely associated with the *zaibatsu* which was another term for the business world. It was said that there were many instances where the *zaibatsu* had direct control in political affairs. However, in the case of the three large *zaibatsu*, Mitsui, Mitsubishi and Sumitomo, they transformed from "political merchants" to "*zaibatsu*". During the huge systematisation that occurred after the Sino-Japanese War [1894-95], as well as during the post-World War I period that strengthened "*zaibatsu* control", officially these *zaibatsu* disliked the

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<sup>95</sup> Kō Dan Danshaku Denki Hensan Iinkai, ed., *Danshaku Dan Takuma Den*, 2 vols. (Tokyo: Kō Dan Danshaku Denki Hensan Iinkai, 1938), vol 2 132.

<sup>96</sup> *Ibid.*, vol 2 130. Article 6, Point 1 of the Mitsui Constitution 1900 states that "The members of the House are forbidden to do the following acts: 1. To join any political party or to associate themselves officially with any political activity". Roberts, *Mitsui: Three Centuries of Japanese Business*, 519.

<sup>97</sup> Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan*, 21.

<sup>98</sup> Typically, "*zaikai*" is translated as business world or financial world, however the author's emphasis on the role of the *sewagyō*, or intermediaries, in the overall economy, and thus the meaning of "*zaikai*" is perhaps closer to "economic system".

participation of their members in politics and there were many cases where their participation was forbidden. With regards to this, there are explanations that for the large *zaibatsu* they already had special connections with structurally based authority, government and people with political power, and there was no special reason for them to participate in politics. In the post-War [World War I] period, in general enterprises that were part of former *zaibatsu* already had huge economic power and were secure in their close association with the political elite, so they did not feel a need to participate in politics.<sup>99</sup>

That the economic position of the large *zaibatsu* was such that it was not necessary to participate in politics does not imply that they did not actively exercise their influence through other informal means. Furthermore, as Ikeda pointed out, they were confident that given their structural position in the economy their interests would be taken into account in political decisions. Also, despite whatever rules had been established to prevent direct political participation, there seemingly was a Nelsonic blind eye in at least two of the *zaibatsu* houses: in the 58<sup>th</sup> Diet of 1930 1.8 percent of Minseitō members and 1.7 percent of the Seiyūkai members held positions in Mitsui and 3.7 percent of the Minseitō and 1.7 percent of the Seiyūkai were from Mitsubishi.<sup>100</sup> It should also be noted that the remainder of the business community did not enjoy the same privileged position as the large *zaibatsu* and probably they did not fetter themselves with house rules preventing their employees from getting a leg-up on the competition.

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<sup>99</sup> Matsuura Masataka, "'Zaisei Sewagyō' to Keizai Shisutemu No Kiki: Senzen Nihon 'Zaikai' No Keisei to Soshikika," 314-15.

<sup>100</sup> Tiedemann, "Big Business and Politics in Prewar Japan," 281.

In the end, however, it is difficult to go beyond speculation and evaluate the degree to which business exercised its influence in government. Certainly there are examples indicating that at least until the 1930s, *zaibatsu* were quite influential, particularly in the 20s. In contrast to the post-war literature, the perspective is less 'top-down'. However, there is a decided lack of detail on how this interaction occurred. Though not anecdotal, assumptions are made on the basis of economic strength, diet presence or otherwise, that business was having its way or at least having a say. There is thus a clear need for detailed empirically based work to demonstrate the truth of this. The limitations imposed by the scarcity of documents make systematic empirical research in this area difficult, but no less necessary.

#### **4. Shift to formal from informal lines of communication**

Between the Meiji Restoration and the political and economic changes that eventually led to war in the 1930s, interaction between government and business shifted from one where communication was primarily through personal channels to one where the informal conduit was exercised along side the formal, one important example being the *shingikai*. More will be said of this forum later but at present the aim is to examine some of the primary factors that drove this shift. Formalisation of politico-business interaction grew out of the nation building process.

This observation is not unique to Japan and could apply equally to other developing countries.

Industrialisation, wherever it may be found, along side the development of new bureaucratic and political organs, brings with it an increased complexity of the economy and, concomitantly, competing interests. In the early years of developing Japan, the actors were fewer in number and the co-ordination of interests was handled primarily behind closed doors. However, as new industrial sectors emerged and the political climate changed, the informal channel proved to be less appropriate. As these new sectors developed, their voices strengthened. Further, as the representative party system came into its own and the people's demands increasingly entered the political calculus, in turn, greater transparency in governmental decision making was demanded.

With the arrival of Commodore Perry in 1853 and later the conclusion of the so-called 'unequal treaties', Japan was confronted with the decision of how to address the Western presence. Nearby China provided an example of a possible outcome if it did not squarely face up to foreign encroachment. The overwhelming Western military superiority supported by the home industrial complex, necessarily placed Japan in a precarious position. The latter half of the 19th century proved to be pivotal. Japan made the transition from an agrarian based largely autarkic economy with an isolationist foreign policy to a nation embarking on the path to 'modernisation'. This rested on the adoption of Western industrial technology, military

armament and Western-styled political and bureaucratic systems. From the perspective of politico-business relations, it was agreed in principle by both sides during this period that it was in Japan's interest to adopt a pro-Western political stance and economic development based on industrialisation.

The point here is that during most of the period considered, it is the manner of the Japanese response to the combination of the external military threat and the need to overcome particular domestic weaknesses in order to respond to this threat that drove business and politics together. This is not to say that had these factors not been present during the early years of Japan's industrialisation, business and government would not have co-operated, as the historical legacy of their close interaction had already predisposed them to do so. However, in addition to this, the factors of external threat and scarcity of resources heightened whatever affinity already existed.<sup>101</sup> On the one side, government, concerned over national defence, needed industry to establish the requisite defence infrastructure and, on the other side, business sought government aid in creating favourable circumstances for domestic industry. However, in the period covered in this thesis, as the Western oriented modernisation policy, which formed the 'glue' that held both partners in close proximity, shifted to a policy where the focus was on Asia, the closeness of the relationship changed. This is not to imply that there were not contentious issues between

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<sup>101</sup> On the issue of impact of scarcity of resources and its impact on national security see Michael A. Barnhart, *Japan Prepares for Total War: The Search for Economic Security, 1919-1941* (Ithaca: Cornell University Press, 1987).

politics and business before this time but that they did not undo the underlying bond. It was only after the Washington Conference of 1921-22 that pro-militaristic, anti-Western influences came to the fore but during the late twenties, whilst these forces rose, there was not a unified nationwide approval of the prevailing jingoism and its impact as it eventually appeared in the early 1930s. Thus, for the politico-business relationship the overriding defining feature during our period is not that Perry had forced Japan's doors open but the manner of the Japanese response.

In terms of the development of the economy, although the growth of light industry preceded that of the heavy industry sector, what is of specific concern here the emergence of the heavy industry sector. The industrialisation process implied the promotion and expansion of heavy industry, such as the chemical and machinery industries, and, in particular, the manufacture of iron and steel. A domestic productive capacity of steel was deemed necessary for military needs,<sup>102</sup> and this competed with demands stemming from the expansion of the domestic infrastructure such as rail lines or construction. To this end, the sharp increase in western demand for iron and steel during World War I facilitated the rapid expansion of the domestic manufacturing base. The boom years of the war were followed by a rapid contraction of the market which severely impacted on not only iron and steel manufacturers but the economy as a whole. The depression that ensued dragged through the 20s, forcing the closure of many

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<sup>102</sup> For further details consult Nagura Bunji, *Heiki Tekkō Kaisha No Nichiei Kankeishi - Nihon Seikōjo to Eikokugawa Kabunushi: 1907 - 52* (Tokyo: Nihon Keizai Hyōronsha, 1998), 154.

enterprises and driving the less infirm to the *zaibatsu* fold.

Running parallel to these changes were developments in the political world, whereby cohesion of opinion was becoming fragmented in the face of divergent interests, and the ability of the elite to control was progressively weakened. Through the period under question here, we see the gradual emergence of a representative party system breaking out from the constraining order formed in the early Meiji years. In the immediate post Restoration period, Japanese society was still loosely formed along traditional lines of social caste delineation. Western concepts such as human rights or Rousseau's social contract were foreign ideas to the relationship between political power holders and the masses. In particular, the idea of popular political participation in shaping Japan's future was remote from the minds of the architects of the Imperial Japanese Constitution (also known as the Meiji Constitution) of 1889, which sought to maintain power within the hands of the ruling elite.<sup>103</sup> It was neither intended nor deemed wise to enfranchise the populace at large. As will be seen later, under the Meiji Constitution, authority and influence were not necessarily co-located. One source of omnipresent influence was the *genrō*, or elder statesmen, whose continuation of non-constitutional oligarchic control rested on two basic factors. First, as the number of oligarchs dwindled, control needed to be extended to a like-minded elite. Secondly, it was imperative that

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<sup>103</sup> For further details see Richard H. Mitchell, *Thought Control in Prewar Japan* (Ithaca: Cornell University Press, 1976).; Andrew Gordon, *Labor and Imperial Democracy in Prewar Japan* (Berkeley: University of California Press, 1991).



democratic sentiments be contained so as not to affect the power base. In the long run, neither of these occurred. The oligarchic rule which had orchestrated politics weakened as the *genrō* died and a younger generation of more democratically sensitive politicians took control.

One of the first steps in the devolution of oligarchic control can be seen in the changing composition of the backgrounds of the new generation of politicians. The *genrō* were largely men of the Chōshū and Satsuma domains. *Hanbatsu*-based recruitment ensured loyalty and authoritarian control of the nation. As the *genrō* aged, they gradually withdrew from the breach of politics and directed affairs through their appointees. Assuming on the one hand the existence of sufficient loyalty of the designee and, on the other, sufficient control by the patron, little would have changed. But, the institution of a new merit-based recruitment process proved to undermine *genrō* control.

In the late Meiji period, young aspiring bureaucrats had to sit for exams, and based on their results, the most promising were chosen. Many then, as also today, were graduates of Tokyo University's<sup>104</sup> law faculty. Commencing as civil servants, some later sought political careers. These politicians were in education and outlook distinct from those whose appointments were based on their *hanbatsu* pedigree. The study of Western thought and a facility in English or one of the European languages was considered desirable and aided rising

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<sup>104</sup> Then Tokyo Imperial University

through the ranks.

the Taisho generation of political leadership constituted not only a new national elite, unfettered by loyalties to their own local provinces and personally identified with the growth of a strong and enlightened central government, but also one selected by the oligarchic generation themselves.<sup>105</sup>

Though merit had become increasingly important for advancement, personal connections and patronage remained critical for the attainment of high office. As we move through the Taishō and in particular early Shōwa years, the critical role of *genrō* favour diminished. This was not that perceptions had changed but rather that given the advanced age of the *genrō* and their diminishing numbers, the remaining were increasingly less capable of exercising their former influence. This, in turn, facilitated greater latitude of action for the younger breed of politicians.<sup>106</sup>

As the influence of the oligarchy waned and the next generation of politicians came to the fore, we see the influence of popular demand in political decision making rising. During the war years, the Japanese economy experienced an unprecedented boom, only to be followed in 1916 by severe inflation which increasingly widened a gap between wage levels and commodity prices, resulting in more than a seven-fold rise in the number of strikes between 1914 and

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<sup>105</sup> Peter Duus, *Party Rivalry and Political Change in Taisho Japan* (Cambridge, Mass.: Harvard University Press, 1968), 52.

<sup>106</sup> *Ibid.*, 13.

1917.<sup>107</sup> This unrest reached a crescendo in 1918 with wide spread demonstrations known as the Rice Riots.<sup>108</sup> It was recognised in government that the unrest was not an isolated incident, but part of something larger, and that a coherent political response was necessary to address a changing Japan.

In 1919 Home Minister Tokonami Takejiro spoke for many when he described Japan's industrial system as having reached a crossroads. The state could choose, and seek to build, harmonious and cooperative industrial relations, or it could allow social and industrial tension to grow unchecked. Tokonami's concern reflected a broad post-World War I belief that the creation of a coherent labour policy had become absolutely necessary...<sup>109</sup>

In this sense, social unrest proved to be a means of drawing the attention of government, if not modifying perceptions. In terms of political impact, it succeeded in forcing the politicians to recognise that they could ill afford to disregard the people.

The vote, in a series of steps, was extended to an ever widening percentage of the population.<sup>110</sup> The original provisions of the Constitution afforded approximately only 1 percent of the population the right to vote. Qualification for voting was based on tax payment and, by approximately 1920, this had reached roughly 10 percent of males over age twenty-five. After a number of attempts to grant universal suffrage, this was finally achieved in May of 1925 with

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<sup>107</sup> W. Dean Kinzley, *Industrial Harmony in Modern Japan: The Invention of a Tradition* (London: Routledge, 1991), 29.

<sup>108</sup> On the labour movement in this period see Stephen Large, *Organized Workers and Socialist Politics in Interwar Japan*, or Gordon, *Labor and Imperial Democracy in Prewar Japan*.

<sup>109</sup> Kinzley, *Industrial Harmony in Modern Japan: The Invention of a Tradition*, 146.

<sup>110</sup> For labour perspective on the events that led to the expansion of suffrage see Gordon, *Labor and Imperial Democracy in Prewar Japan*, 131-43.

the passing of the Universal Manhood Suffrage Act extending the vote to all men over age 25.<sup>111</sup>

Though change was afoot and government becoming comparatively more responsive to public interests, this change should not be exaggerated. To be sure, universal manhood suffrage was an indication of Japan's new political winds and an important milestone in the democratisation of this nation. However, this needs to be juxtaposed to the prevailing views of contemporary political leaders. In philosophical and practical terms, what remained in the minds of politicians such as Katō Takaaki and Hara Kei was not to offer the Japanese people the opportunity to choose and select their nation's destiny, as might be interpreted by this revised legislation.<sup>112</sup> Though Japan's political leaders were aware that in the wake of World War I change was afoot in Japan and significant social and political transformations were occurring abroad, this, it was commonly felt among them, did not seem to apply to Japan. In the case of Japan, the fundamental cause of social action was seen to be economic.

If the Kenseikai leadership was sensitive to the "trend of the world" toward democracy, they were equally aware of the "mass awakening" within Japan. Most of them seem to have felt that the new stirrings of social unrest, whether it took the form of rice riots or industrial strikes, sprang from economic causes.<sup>113</sup>

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<sup>111</sup> It should be pointed out that while such changes to the vote were brought in, other changes were also happening, helping ensure control over social levers. The Peace Police Law of 1900 remained in effect throughout the Taishō period. As Manhood Suffrage was realised, this Law was shortly afterwards replaced by the Peace Preservation Law which, in its inexplicit wording extended greater latitude to enforcement agencies. Paradoxically, as Japan moved further down the path of industrialisation and formal democratisation - hallmarks of modern nationhood - ever present in the background remained the levers of social control. The bars to the cage had been extended but ultimate emancipation not achieved. For further details see Mitchell, *Thought Control in Prewar Japan*.

<sup>112</sup> For details on Hara Kei's views on suffrage expansion see Gordon, *Labor and Imperial Democracy in Prewar Japan*, 61.

<sup>113</sup> Duus, *Party Rivalry and Political Change in Taisho Japan*, 144.

This economic interpretation of Japan's social unrest in the post-war period is illustrated in both Hara's 'positive policy' which emphasised 'wealth and strength' of the nation and Katō's more electorate sensitive approach. In Katō's appeal to the people he addressed matters of direct concern to the masses, such as the stabilisation of incomes, labour problems and the amelioration of education. Notwithstanding, this was done as a calculation to ease the social tension while maintaining the essential *kokutai* (national polity).

he (Katō) was hoping small concessions would be sufficient to avoid future upheavals that might affect the *kokutai* or damage the economy. Certainly he felt that a policy of concession to the demand for reform was far preferable either to repression or empty appeals for "moderation" and "harmony."<sup>114</sup>

So, though the claim that by the 1920s a representative party system had come into its own must be tempered, it is safe to say that popular demands had become increasingly difficult to ignore. As we approach the latter half of the 20s, a new factor entered into the calculus, namely the rise of military influence in political decision making. The factors that facilitated the gradual usurpation of power by the military found its roots in the demise of the *genrō*, the sustained economic problems encountered after war and through the 20s, and the disenchantment, in government and among the people, over Japan's relations with the West. This would have enormous repercussions for the relations between government and business.

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<sup>114</sup> *Ibid.*, 146.

In this context, politico-business relations are seen here as a function of social, economic and political factors. Between the early Meiji years and the rise of militarism in the 1930s, the manner in which business interacted with government shifted from one where communication was primarily informal, to a situation where transparency in political decision making was increasingly demanded. The emergence of the representative party system roughly coincided with strong social demands along side the widening of the electorate to all male voters. This crucible of coalescing factors is the context in which the amalgamation of the iron and steel industry occurred. Importantly, had this process transpired during the early Meiji period, one might speculate that much of the debate would have been held behind closed doors with perhaps few representatives of the industry. However, as will be shown, the amalgamation process was achieved, ostensibly at least, through debates located in the formal institution of the *shingikai*. A recently formed voice of organised industry represented the interests of iron and steel producers throughout the proceedings, both in the forum itself and through memoranda and other publications expressing the industry's interests. In short, the comparatively open manner in which the amalgamation process occurred reflects the differences between Meiji and Taishō Japan.

## 5. Stability and the establishment of a government and business relationship

Argument has been made for the fluidity of the period under question. The Taishō and early Shōwa periods are presented as set between the social, economic and political construct of the pre-industrialisation period and the new configuration of these elements after the early 1930s. The government and business relationship during the period of the amalgamation of the iron and steel industry is seen as set in a transition period. The question then arises, given the dynamics of this period, what does this mean for the government and business relationship?

The explanatory frameworks of government and business interaction are based on observed re-occurring patterns, but the observations are also time specific and operate under particular economic and institutional conditions. These observations are historically specific and in turn these explanatory configurations, given their temporal limitations, give way to revisions that take into account changing circumstances. The corporatist model observes a close configuration of the government and business relationship as depicted by its architect Philippe Schmitter.<sup>115</sup> This model has been applied in the post 1930s period in Japan to describe the government and business relationship though modified to exclude labour.<sup>116</sup> In the post war period, the corporatist model has

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<sup>115</sup> Philippe Schmitter, "Still the Century of Corporatism?," in *Trends toward Corporatist Intermediation*, ed. Gerhard Lehbruch (London: Sage Publication, 1977).

<sup>116</sup> T.J. Pempel and Keiichi Tsunekawa, "Corporatism without Labor? The Japanese Anomaly," in *Trends toward Corporatist Intermediation*, ed. Gerhard Lehbruch (Beverly Hills: Sage Publications, 1979).

given way to the dominant developmental state paradigm which, as we have seen, places politicians, government and business in close alignment in the policy formulation process and economic development. Challenging this 'statist' approach, Richard Samuels in *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective* argues that it is rather the case that government and business operate on a basis of 'reciprocal consent', stressing the notion of reciprocity in his analysis of Japan's energy industries. Perhaps not clear in detailing how this relationship operates,<sup>117</sup> Samuel's analysis shows that though government has jurisdiction, *de facto*, business maintains control, thus a *modus vivendi* or 'understanding' has been achieved. Germane to our purposes, in order to achieve this understanding, whether it be labelled as corporatist, or reciprocal consent, stability is important.

Reciprocal consent is the mutual accommodation of state and market. It is an iterative process of reassurance among market players and public officials, one that works better where the parties to these negotiations are stable and where the institutions that guarantee their compacts are enduring.<sup>118</sup>

Stability, however, should not be misconstrued as absence of conflict, as Samuels observes in the case of the energy markets that friction between government and business was not uncommon.

Furthermore, the concept of 'reciprocal consent' should not be seen as implying trust, but rather as suggesting that an established mode of interaction is in place.

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<sup>117</sup> James Babb, *Business and Politics in Japan* (Manchester: Manchester University Press, 2001), 9.

<sup>118</sup> Richard J. Samuels, *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective* (Ithaca: Cornell University Press, 1987), 8.



Conflict and stability have produced an undeniably pervasive, developmental state.... The pervasive Japanese state has nearly always been congenial to private interests, in large measure because private firms have learned how to surrender jurisdiction while retaining control of markets. By privately ordering markets to conform to a perpetually negotiated, state-sanctioned economic order, private investors have found one solution – some would say the optimal solution – to the vagaries of capitalist development. Risk is frequently socialized, costs often transferred. This solution involves the intimate involvement of state agencies, of course, and as a result the politics of reciprocal consent is often confused with state leadership, mutual trust and mutual sanction from which it is derived.<sup>119</sup>

What is critical for our purposes is that regardless of whether trust exists or not there is an ‘understanding’ between government and business on how to operate together. As will be seen, this ‘understanding’ is not observed in this case study. It is suggested that, as outlined above, the requisite economic and political stability for the establishment of an ‘understanding’ between government and business in the period of 1916 to 1934 was not present. This understanding, though, did develop in the ensuing years, as Miles Fletcher, in *The Japanese Business Community and National Trade Policy 1920-42*, points out that by the mid 1930s it was recognized by business that an ‘understanding’ with government was to their advantage.

The business community during the interwar era gradually became convinced of the need for what scholars would now label a corporatist relationship in order to pursue effective trade policy.... By the mid-1930s executives envisioned a formal structure of mutual consultation with the government. The situation fits what Richard J. Samuels has called "reciprocity" in that "control [was] mutually constrained." Business had gained "systematic inclusion in the policy process" and "rights of self-regulation" while "grant[ing] the state some jurisdiction over industrial structure in the 'national interest.'"<sup>120</sup>

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<sup>119</sup> *Ibid.*, 261.

<sup>120</sup> William Miles Fletcher, *The Japanese Business Community and National Trade Policy, 1920-42*

Economic and political stability are important factors in engendering an understanding between government and business which, expressed differently, can be seen as the forces that shape their interaction. Reciprocity, as observed by Samuels in his examination of the energy industries, was established in an industry in which government was not a prime stakeholder but was accorded jurisdictional authority. In the case of the iron and steel industry during this period, government had the mandate to pursue policies that it saw fit for the development of the industry, given its strategic importance. In addition – and critically so – government was also the largest stakeholder and largest integrated producer.

## 6. The structure of the iron and steel industry

The history of the iron and steel industry from the first steps taken in producing iron until the amalgamation of the industry in 1934, and indeed beyond, was closely interwoven with government involvement.<sup>121</sup> Yawata works, the largest, and for much of the period under

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(Chapel Hill: The University of North Carolina Press, 1989), 6-7.

<sup>121</sup> Acknowledgement is made here to Yonekura Seiichiro's *The Japanese Iron and Steel Industry: 1850 – 1990* which has been of great assistance in framing the historical background of the development of the iron and steel industry in this section and elsewhere. Similarly, Yasui Kunio's *Senkanki Nihon Tekkōgyō To Keizai Seisaku* has been useful the examination of various *shingikai*. His approach, however, is less concerned with the process of the *shingikai* deliberations than outcomes and their relationship with economic policy.

consideration here, the only integrated producer, was a government run operation. Regardless of the extent of private sector expansion, and its later reorganisation and consolidation under mainly *zaibatsu* control, Yawata remained the largest single producer of iron and steel.

This structural characteristic of the emerging industry – the gigantic Yawata in the center of the market surrounded by the private firms – most distinguishes the early industry from the post-Second World War industry.<sup>122</sup>

Smith has argued that Japan industrialized faster than other Far Eastern countries because of its “knowledge of the West, and particularly its technology, [which] was more advanced in Japan than elsewhere almost from the beginning of Western intercourse.”<sup>123</sup> However, Francks later posits that though prior to the Meiji Restoration Japan had an indigenous iron industry, it was “nowhere near as large-scale and capital-intensive as that facing, for example, contemporary China and South Korea”<sup>124</sup>, and offered little by way of technological know-how and production level as a base to press forward with industrialisation. Similarly, Samuels points out that though domain lords had established iron production capacity for weapons-making, the potential for exploitation was limited as the “technology was... preindustrial, relying on charcoal, water wheels, and poor-quality Japanese pig iron.”<sup>125</sup>

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<sup>122</sup> Seiichiro Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity* (London: Macmillan Press Ltd., 1994), 74.

<sup>123</sup> Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880*, 1.

<sup>124</sup> Francks, *Japanese Economic Development: Theory and Practice*, 67.

<sup>125</sup> Richard J. Samuels, *“Rich Nation, Strong Army” National Security and the Technological*

Regardless of the extent of this technological base, however, it is clear that the development of the iron and steel industry was rooted in the Bakamatsu period and Japan's initial learning of western technological methods.

This knowledge was largely attributable to Japan's keen interest in the Dutch understanding of things scientific. Through the laborious efforts of translating a wide range of works into Japanese, Japan gained a wider understanding of the West and its extant scientific knowledge. As Japan's interaction with foreign countries increased during the eighteenth century, "Dutch studies [became] part of a program of national defense."<sup>126</sup> Centres of Dutch learning were few in Japan, but among the *han*, it was pursued in Satsuma, Saga, Chōshū, Tosa and Mito, the first two of which built experimental models of the reverberatory furnace.<sup>127</sup>

Realizing the military potential of western technology, the Tokugawa and the leading *han* took it upon themselves to press ahead with the development of Japan's military capability and the industrial capacity associated with it. Given the strategic nature of such endeavours as iron, armaments and shipbuilding, the urgency of their development and the absence of a capitalist class, private interests were excluded.<sup>128</sup> Through the efforts of Saga *han*, the first

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*Transformation of Japan* (Ithaca: Cornell University Press, 1994), 72. ; see also Nakaoka Tetsurō, Ishii Tadashi, and Uchida Hoshimi, *Kindai Nihon No Gijutsu to Gijutsu Seisaku* (Tokyo: Kokusai Rengō Daigaku, 1986), 23.

<sup>126</sup> Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880*, 2.

<sup>127</sup> A furnace or kiln in which the material under treatment is heated indirectly by means of a flame deflected downward from the roof

<sup>128</sup> Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880*, 4.

successful reverberatory furnace was made in 1850, facilitating the production of metal for guns out of iron ore. The development of a modern military infrastructure was thus underway three years prior to Commodore Perry's arrival.<sup>129</sup>

Within a few years, other *han* had developed their own iron production capabilities.

By 1853 Satsuma had built its own reverberatory furnace, and a blast furnace<sup>130</sup> in the following year. By 1858 Mito and Tokugawa had succeeded in building one or more reverberatory furnaces as well. With this development in smelting capabilities, the rate of gun production increased rapidly, and according to one report, between 1853 and 1856 Saga "employed about one hundred workers ... in casting ... and Saga filled an order from the Tokugawa for two hundred of the new guns before 1857."<sup>131</sup> Impressive as this may sound, the volume of production remained limited.<sup>132</sup>

By way of providing a measuring stick, a short tale of Japan's early iron making efforts may be edifying. The authorities of the Mito domain commissioned Ōshima Takatō, a technological pioneer in this area, to construct a blast furnace. The first efforts in 1855, employing the traditional Tataru method of smelting iron sand, met with limited success. In 1857 Ōshima's expertise was sought again but this time by wealthy merchants from the domain

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<sup>129</sup> *Ibid.*

<sup>130</sup> A furnace which forces hot air through molten matter.

<sup>131</sup> Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880*, 5.

<sup>132</sup> For details on the early development of Japan's iron and steel industry, refer to Nagura Bunji, *Nihon Tekkōgyō Shi No Kenkyū* (Tokyo: Kondo Shuppan Sha, 1984).

of Nanbu. Using charcoal as the fuel source and substituting iron sand for iron ore, Oshima's furnace managed to produce about "one ton a day."<sup>133</sup>

It is a curious that though the Tokugawa bore the prime responsibility for national defence, the central regime's development of iron ore production lagged behind a number of *han* by several years. After 1858, though, the Tokugawa adopted a more expansive approach by developing the iron industry in conjunction with shipbuilding.<sup>134</sup> And, by "1874 the Meiji government [had] built the Kamaishi Ironworks on the site of the coal mines in Iwate using imported equipment and instructors...."<sup>135</sup> During these initial stages of the development of Japan's iron and steel industry, there remained considerable reliance on Western technology. Through learning from hired Western experts and the advancements forged by such institutes as the Iron and Steel Institute of Japan, reliance on foreign technology gradually diminished.<sup>136</sup>

Within decades, Japan had made significant strides in establishing its own home production capacity. With the aim of reducing domestic dependence on imports, the Navy established an open hearth furnace at the Yokosuka arsenal in 1890 and made improvements to the Kamaishi mill. By the mid-1890s, the development of steel self-sufficiency was accelerated

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<sup>133</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*.

<sup>134</sup> Smith, *Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880*, 6-7.

<sup>135</sup> Francks, *Japanese Economic Development: Theory and Practice*, 72.

<sup>136</sup> For details on technology transfer see Nakaoka Tetsurō, Ishii Tadashi, and Uchida Hoshimi, *Kindai Nihon No Gijutsu to Gijutsu Seisaku*.

by the shortage driven by Sino-Japanese war.<sup>137</sup> The first of several requests for construction was submitted to the Diet in 1897 and, in 1901, the furnaces of the newly built government site at the village of Yawata on the north Kyūshū coast, were first fired.<sup>138</sup> With a capacity of 60,000 tons, Yawata was the largest mill in Asia though “still less than 1 percent the size of U.S. Steel.”<sup>139</sup> The use of modern technology in its production of iron and steel was increasingly adopted, as well as the establishment of training academies, facilitating the education of skilled workers and providing centres for research. The near absence of adequate domestic iron ore and coal, though, forced Japan’s reliance on imports. Even by “1896, imports supplied 60 per cent of Japan’s consumption of pig-iron and almost all that of steel.”<sup>140</sup> The theme of Japan’s acutely felt vulnerability, stemming from this and other factors, and its connection with national security has been explored elsewhere,<sup>141</sup> but, for our purposes here, what is germane is that Japan’s iron and steel industry was significantly influenced by external factors. Its reliance on

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<sup>137</sup> Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, 72. Also see Nagura Bunji, *Nihon Tekkōgyō Shi No Kenkyū*.

<sup>138</sup> Nakaoka Tetsurō, Ishii Tadashi, and Uchida Hoshimi, *Kindai Nihon No Gijutsu to Gijutsu Seisaku*, 14.

<sup>139</sup> Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, 72. Note that Samuels indicates that Yawata “was built... by the government and managed by the Imperial Navy....” (Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, 72-73.) Penelope Francks state that the mill was “owned and managed by the Ministry of Agriculture and Commerce” (Francks, *Japanese Economic Development: Theory and Practice*, 68.). Similarly, Yonekura states the Council of Iron and Steel Production, which drew up plans for Yawata, was established by the Ministry of Agriculture and Commerce in 1895. The members who sat on the Council were drawn from MAC, the Navy, the Army and the Ministry of Communication and Transportation. Disagreement arose between MAC and the Navy over expanding Yawata which led the Navy to develop the Kure Navy Arsenal (Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 35-38.). Also, based on *shingikai* membership lists and who were the prominent government speakers during the meetings, the Navy played a distant second role to MAC members.

<sup>140</sup> Francks, *Japanese Economic Development: Theory and Practice*, 68.

<sup>141</sup> For example: Barnhart, *Japan Prepares for Total War: The Search for Economic Security, 1919-1941*.

foreign ore from China and Manchuria, for example, added a further dimension to Japan's concerns over mainland political development and, as we will see, during the 1920s India's cheap iron production put the screws on domestic Japanese producers.

Shifting the focus to domestic limiting factors on the development of Japan's iron and steel industry, the comparatively backward infrastructure need to be mentioned. Among factors to be considered were the limited domestic market integration and transportation networks. Not uncommon with developing economies, during the early stages of industrial growth, markets tend to be regionally based. Indeed, the expansion and mergence of local markets into a cohesive domestic market may be a critical turning point along the path of industrialisation. That success is often, in part, attributed to the establishment of a network of rail lines and roads to facilitate the transportation of raw materials and produce between markets on a national scale. In the case of Japan, government in many instances promoted these developments either through direct ownership of companies or the subsidization of firms. In this sense, the success of the amalgamation of the iron and steel industry is directly attributable to other government and private sector successes in related areas.

Further on this theme of coordinated domestic growth, the comparatively weak economies of scale stemmed from the iron and steel industry's lack of integration, which will figure large in this study, was of critical importance. A historical perspective is necessary in



explaining the comparative lack of efficiency in the industry. If one argues that a more perspicacious government policy in Meiji period would have obviated later non-integration problems, this must be counterpoised by the economic reality that a newly developing country faces in trying to establish a costly iron and steel producing base.<sup>142</sup> As opposed to, for example, some production processes in light industry, the establishment of iron and steel manufacturing capability was very capital intensive. For a newly industrializing nation such as Japan, this factor was a principle determinant factor that shaped the framework within which its industry would operate and, in turn, the choices that investors had. Without need to refer to additional considerations such as location, quantity and quality of natural resources, the constraints imposed by the initial financial outlay implied that, *a priori*, only government and those of the private sector who had access to large sums of venture capital could think of establishing an integrated production process straight off the bat.

First of all, state-owned projects had a great financial advantage over private projects, particularly for costly projects such as an iron and steel works. For the first ten years, the financial situation of Yawata was far from self-supporting. It is generally considered that the Yawata was not technologically and financially established until 1910, when it made its first sales profit, 52,000 yen. This figure, however, does not take into account any interest payments, dividends, depreciation, or cumulative losses. The cumulative losses by 1910 had reached 11.12 million yen and the total investment by 1909 was 36.93 million yen. It earned a 52,000 yen profit in 1910 only because its losses had been transferred annually to the national deficit, and because its annual budget, when renewed, had been based on the previous fiscal year's budget without any consideration of the losses. This would not have been possible for a private company. Only a state-owned facility could have borne the huge initial cost and losses, which inevitably came in the attempt to catch up with Western levels of large-scale

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<sup>142</sup> See Alexander Gerschenkron (*Economic Backwardness in Historical Perspective*) for discussion on industrialization approaches for late industrializing nations and the problems that they face. For specific discussion on the case of Japan, see Francks, *Japanese Economic Development: Theory and Practice*, 66-73.; Nagura Bunji, *Nihon Tekkōgyō Shi No Kenkyū*.

production.<sup>143</sup>

To wit, the problem for Japan was not simply a matter of capital investment but also one of risk. Though certain individuals in Japan had studied advanced Western iron and steel production methods and foreign specialists were employed, the implementation of this technology was fraught with difficulties. It was not only a matter of acquisition but also one of adapting the production process to the particular circumstances of the site and the associated learning process. Calculating the upfront cost of purchasing and transporting the necessary machinery was comparatively easy but more precarious was that of predicting the cost of climbing the potentially expensive learning curve. Learning through trial and error, though inevitable, implied that costs could have run between being relatively inexpensive, if things worked well, to prohibitively expensive when things did not. Naturally, this uncertainty was hard to predict. The combination of the heavy sunk cost and inexperience steered all but government and the most intrepid and well backed of entrepreneurs from investing.

Under these premature conditions, Japan needed two kinds of entrepreneurship. One was a dedicated individual who was prepared to establish the technological and organizational base of the iron and steel industry whatever the difficulties and risks. The other was a more institutional entrepreneurship that could bear with the initial difficulties and risks associated with the introduction of new technologies and businesses.<sup>144</sup>

These constraints provide substantial rationale for why, from the outset, the Japanese iron and steel industry was characterized as non-integrated and marked by its distinction between Yawata, the principle integrated producer, and the iron or steel producers of the private sector. Though integration was achieved under the entrepreneur Tanaka Chōbei at Kawanishi

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<sup>143</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 54-55.

<sup>144</sup> *Ibid.*, 18.

Works, it was decidedly the exception among private producers. Though other sites under *zaibatsu* control did achieve limited integrated capacity during brief periods in the first decades of development, their production capacity was limited and efficiency in question, as suggested by their inability to sustain their integrated production capacity. In general, private sector firms, whether under *zaibatsu* control or not, produced either pig iron or steel. The long term implications of having a non-integrated production base were significant.

In domestic situations where producers are divided between pig iron and steel, ideally pig iron production should be matched with steel demand according to a 1:1 ratio, thereby all pig iron produced is used by steel producers. The reason for this was because there was limited use for pig iron as a product in itself. By this stage in metallurgical developments, steel had widely replaced pig iron and wrought iron as the preferred product of purchase, implying that pig iron's principle value was as an intermediary step leading to the production of steel.<sup>145</sup> In turn, this meant that pig iron producers necessarily had to sell to steel producers as alternative markets were limited. Steel producers were in the enviable position of being able to select the cheapest pig iron, whether that be produced domestically or elsewhere. This advantage was furthered by the production flexibility afforded by the Open Hearth Furnace (OHF), which allowed steel producers to vary the proportion of scrap iron to pig iron used in production. In times when scrap iron was cheap, pig iron producers found themselves not only competing

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<sup>145</sup> There were "specialty steel producers and iron casters who ... [made] up a small portion of the market share", however they are not included in this study. *Ibid.*, 9.

against often cheaper international producers but also scrap iron suppliers. In other words, had Japan's steel producers adopted a furnace with a less flexible production process, there would have been greater incentive for steel producers to merge their production system with iron producers to achieve economies of scale. Also the additional consideration "that impeded the integration of the ironmaking phase was that the market was just plain small."<sup>146</sup>

In 1920, total output of crude steel in Britain, Germany, and the United States was 9.2, 8.5, and 42.8 million tons, respectively, while that in Japan was 0.8 million tons. With such a limited market and facing such serious competition, it seemed far wiser for the private steel firms to produce steel using the relatively cheap imported iron or scrap rather than to integrate iron production.<sup>147</sup>

The arguments presented thus far in explaining the factors that created the distinction between integrated and non-integrated producers in Japan were not, strictly speaking, based on factors unique to Japan but can be more broadly identifiable with new industrializing nations.<sup>148</sup>

The initial steps in the establishment of a viable and efficient industrial base in Japan were particularly subject to economic imperatives. Barring the restriction of entrepreneurial investment in the industry, these imperatives suggest that the decision to establish a production capacity implied that it would have necessarily become one characterized as non-integrated and divided between iron and steel producers. As venture capitalists seeking to reduce risk, this

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<sup>146</sup> *Ibid.*, 93.

<sup>147</sup> *Ibid.*, 83.

<sup>148</sup> This section of the development of iron and steel in developing nations is derived from *Ibid.* and Francks, *Japanese Economic Development: Theory and Practice*.

distinction was further reinforced by later marketing decisions. Some early producers managed to attain a degree of economic security through the establishment of a close sales connection with government agencies. By tailoring their production to meet the specific need of, for example, the Navy, they helped ensure continued demand. In some instances, producers had established a secure niche as providers of pig iron, while others specialized in steel products. From the point of view of national interest, this development became a disincentive to partake in the later movement towards rationalization and integration of the industry.

The important factors in the economic growth at that time, which were military expansion, completion of the trunk railroads, and rapid increase in iron and steel imports, were reflected in the structure of the emerging iron and steel industry. The structure moulded the emerging private firms into four categories, characterized as follows:

1. Firms supplying the special products demanded by the Navy and the National Railways Bureau, that the Yawata Works could not cover, and which were often machinery producers as well as steelmakers.
2. Firms that specialized in blast furnace operation and that supplied pig iron for iron casting or steel producers.
3. Firms catering to the domestic demand for finished goods that the Yawata Works could not cover. These firms bought pig iron from those in the second category or imported foreign pig iron and scrap.
4. Firms that operated in China, Korea, and Manchuria, and used the raw materials there.<sup>149</sup>

Thus, in contrast to the energy industries examined by Samuels, government was both a competitor and a regulator in the iron and steel market. Its financial stake, by sheer economic

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<sup>149</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 59.

argument, ensured that *a priori*, it could not be a passive player and, in turn, by virtue of its predominant market share combined with the mandate to form economic policy strongly suggests that it would have considerable leverage in determining outcomes. Samuels has indicated that the “Japanese steel industry has always been the object of public nurture, and its health has always been identified with Japanese national security.”<sup>150</sup> The ensuing analysis will call this assumption into question. In terms of the government and business relationship in relation to the iron and steel industry, the dual role of the government and the structure of the industry will be borne in mind in the ensuing analysis.

## **7. Non-constitutional formal bodies**

The need for representation stems from community of interest. Once common interests are identified, there typically follows the organisation of those interests and the selection of individuals to act as spokesmen. As was mentioned earlier, small groups of members may come to realise new common interests which draw these select members together, and this is frequently followed by subdivision and the start of a new representative organ. The case of early industrialising Japan is an example of this observation. As will be shown below, the increased

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<sup>150</sup> Samuels, *“Rich Nation, Strong Army” National Security and the Technological Transformation of Japan*, 72.

complexity of the growing economy brought with it new sectors whose businessmen often felt their representative organs were no longer sufficient and sought their own voice new the formation of new representative organs. Though membership in these new bodies were more limited in number, the voice of the new organisation was more focussed, and less compromise was needed in establishing policy. In the case of heavy industry, this was furthered by the significant financial strength that its leading members had and the powerful positions that they occupied in the economy. In this sense, economic development brings with it specialisation. This increased economic complexity implies an increase in voices competing for government attention, and in turn leads the specialised sectors to organise in order to be better able to attract political attention.

The Chambers of Commercial Law (*Shōhō Kaigisho*) were first established in 1878.<sup>151</sup>

In contrast to its Western counterpart whose roots stemmed from the community-based merchant guilds, the Japanese version was fostered by the government. The Chamber of Commercial Law was directed towards the promotion of national interests and offered government protection in this pursuit. From the perspective members of the local Chambers, it was also recognised that their non-unified state did not afford them the strength that unification

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<sup>151</sup> The following section relies on Miyamoto Matao, "The Development of Business Associations in Prewar Japan," in *Trade Associations in Business History*, ed. Miyamoto Matao (Tokyo: University of Tokyo Press, 1988).

would achieve.<sup>152</sup> Following this, in June of 1892, during the Kansai Chambers of Commerce meeting in Osaka, participants expressed their strong views for the formation of a national organisation. The establishment of a national organisation was decided upon during the following meeting in September. Later that month in Kyoto, representatives from 15 Chambers of Commerce across Japan gathered and opened the first meeting of the new national organisation.<sup>153</sup> The National League of Chambers of Commerce (*Zenkoku Shōgyō Kaigisho Rengōkai*) gradually became the main organisation for businessmen, adopting a more independent role than its forerunner.<sup>154</sup> Membership was open to all firms and company executives, with certain restrictions tied to the size of the business or income tax paid, thus the majority of participants were of smaller-sized businesses. Subsequently it underwent reorganisation in 1922 with the formation of a central office in Tokyo and was the "sole organisation representing the Japanese business world on a national scale." Its role at the turn of the century was to act in concert with government to bring in business from abroad and promote foreign trade. Few enterprises had the wherewithal to embark alone on establishing the necessary connections for foreign trade and in this aspect, the League served a very useful role. "In this sense, it can be said that one of the Chambers' functions was to complement the

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<sup>152</sup> Nagata Masaomi, *Keizai Dantai Hatten Shi* (Tokyo: Kofuji Shoten, 1956), 42.

<sup>153</sup> *Ibid.*, 43.

<sup>154</sup> Powerful guilds existed during the Tokugawa period and before. For further details see volumes 1 and 2 of George Sansom, *A History of Japan*, 3 vols. (Kent: Wm Dawson and Sons, 1978).



managerial resources lacking in individual firms.”<sup>155</sup>

However, after the Sino-Japanese War (1894-5), with regards to the development of Japanese capitalism its independence was marked by the imperialistic nature of its stance. This became increasingly blatant after the conclusion of the Russo-Japanese War. It also urged government to foster the development of heavy and chemical industries, which were ironically to lead to its eclipse.<sup>156</sup> With the emergence of such sectors as the iron and steel industry, industrialists increasingly saw that their interests could no longer be adequately represented by the Chambers. The “vast majority of members were smaller-sized businesses. This brought about a tendency for the Chambers to bestow favors on the many smaller establishments. So, zaibatsu and big businesses felt that their own ideas did not necessarily match those of the Chambers of Commerce.”<sup>157</sup>

Conflicts of interest within the Chambers of Commerce drove like-minded businessmen and *zaibatsu* to form the Industrial Club of Japan (ICJ). In turn, the Chambers increasingly turned to local or micro-economic problems, for example the establishment of schools for international trade, the planning of business lectures and the improvement of the infrastructure in local cities. As a result of the split, in conjunction with government, the Chambers went under review and in 1928 the Japan Chamber of Commerce and Industry was

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<sup>155</sup> Miyamoto Matao, "The Development of Business Associations in Prewar Japan," 15.

<sup>156</sup> Nagata Masaomi, *Keizai Dantai Hatten Shi*, 70.

<sup>157</sup> Miyamoto Matao, "The Development of Business Associations in Prewar Japan," 20.

formed. As its new title implies, the Chamber made more explicit “that the organization was to represent the interests of industrialists as well as merchants...”, albeit primarily those of the small-to-medium-sized enterprises. Of greater concern here, though, is the representation of heavy industry.

Established in 1917, the Industrial Club of Japan stood as an “economic organisation for the representation of the private sector....”<sup>158</sup> The constitution of the ICJ outlined its aims as encompassing the promotion of industry and inter-industry communication, and research of industry-related matters. The influence of the Club grew such that “it became the usual practice of the government to listen informally to the opinions of the ICJ on new bills before they were introduced into the Diet. Moreover, individual firms gradually became accustomed to consulting with the ICJ when they intended to lobby the Diet.”<sup>159</sup>

The emergence of the Industrial Club of Japan marked a significant stage in the development of representative organisations for businessmen. Given the vested interests of its constituents, ICJ became the prime organ for the formal representation of these interests. From the outset, the leadership of the ICJ was in the hands of the *zaibatsu*. During the height of the Club's influence, spanning from 1917 to 1935, the chairmanship was held by a series of *zaibatsu*-related figures; Dan Takuma, general manager of Mitsui; Kimura Kusuyata, general

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<sup>158</sup> Nihon Kōgyō Kurabu Gojū Nen Shi Hensan Iinkai, ed., *Nihon Kōgyō Kurabu Gojū Nen Shi* (Tokyo: Nihon Kōgyō Kurabu, 1972), 2-3.

<sup>159</sup> Miyamoto Matao, "The Development of Business Associations in Prewar Japan," 26.

manager of Mitsubishi; Wada Toyoji, who was closely associated with Mitsubishi and Mitsui; Nakajima Kumakichi from the Furukawa *zaibatsu*; Gō Seinosuke, who was involved with the Ōji Paper Manufacturing Company, an associated company of Mitsui; Ariga Nagabumi from Mitsui; and Kushida Manzō of Mitsubishi. Seated among the board of directors were managers from Sumitomo, Yasuda and Asano.

In due course, the further recognition of the growing complexity of national economic activity and the concomitant need for more specific representative organization than was provided by in 1922 to the formation of the Japan Economic Federation (Nihon Keizai Renmei, JEF).<sup>160</sup> Two factors are identified that led to the formation of the Federation: “(1) the need for an organ to communicate with the foreign business world; and (2) a tendency toward cooperation between big industrialists and bankers.”<sup>161</sup> At the outset, leadership was provided by leading banking figures, however in 1928, when the Federation adopted a presidency system, Dan Takuma was appointed, and thus was at the same time at the helm of the Industrial Club of Japan and the Japan Economic Federation. Its prime functions were to “conduct surveys and research on important economic issues; to make proposals for the solution of the national economic problems; and to promote international economic relations.”<sup>162</sup> In concept and in practice, the Federation worked closely with the Club. “The eleven promoters of the JEF were

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<sup>160</sup> Nagata Masaomi, *Keizai Dantai Hatten Shi*, 120.

<sup>161</sup> Miyamoto Matao, "The Development of Business Associations in Prewar Japan," 30.

<sup>162</sup> *Ibid.*, 31.

all from the leaders of the ICJ and had assumed office as managing directors of the JEF; and the JEF had its head office in the building of the ICJ.”<sup>163</sup> Though the Club was increasingly taking on the role as the voice for the business community in general, it retained its specialized concern over the burgeoning problem of labour.

In the main, industrialists viewed poorly the growing strength of labour and their accompanying demands. During the 1920s,<sup>164</sup> pressure increased for the legalisation of unions and by December of 1929, the Minseitō government announced that it would support a labour union law.<sup>165</sup> The draft of the labour union bill was prepared for presentation to the 1930 Diet. This Diet session soon became entangled in debates between the Minseitō and the Seiyūkai over issues relating to the economic depression. In this delay of the debate over the union bill, opposition, which was centred in the business community, was afforded time to mobilise before resumption of proceedings in the 1931 Diet.<sup>166</sup> At the outset, the leading edge of the opposition was the Club with its members lobbying against the labour initiative. “Indeed, Dan, accompanied by Baron Gō Seinosuke and Kimura Kusuyata, other leading lights in the Club, made frequent visits in 1930 to the offices of the Home Minister Adachi Kenzō to lobby against

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<sup>163</sup> *Ibid.*

<sup>164</sup> For details on the early labour movement and the formation of the *Kyōchōkai*, see Kinzley, *Industrial Harmony in Modern Japan: The Invention of a Tradition*.

<sup>165</sup> Stephen Large, *Organized Workers and Socialist Politics in Interwar Japan* (Cambridge: Cambridge University Press, 1981), 146.; see also Sheldon M. Garon, *The State and Labor in Modern Japan*.

<sup>166</sup> *Ibid.*

the labor union bill.”<sup>167</sup> In 1931, the Club led the formation of the Zenkoku Sangyō Dantai Rengōkai (Zensanren, National Federation of Industrial Organizations, NFIO). Representing a number of regional organizations, the prominent members of the Club took the helm and transferred its labour dossier to the newly formed organization.<sup>168</sup> Though, in terms of its formal functional role, the Japan Industrial Club had now limited itself to the role of general spokesman, it “remained hidden behind the JEF and the NFIO, but it ... undoubtedly continued to have a substantial influence on Japan’s business world, frequently called ‘the inner shrine of the business world.’”<sup>169</sup>

Thus, as the economy expanded and in turn become more complex, the identification of distinct and unique interests emerged among represented members. Further, as issues become more complex and required further specialized knowledge, new dedicated organizations were created. The employment of the *shingikai* in addressing the problems that developed in the iron and steel industry was located in the growing complexity of Japanese industry on the one hand and, on the other, the increasingly more sophisticated formal lobbying apparatuses with their research capabilities.

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<sup>167</sup> *Ibid.*, 147.

<sup>168</sup> Before the 1931 Diet session, a number of round table talks occurred with government, business and union representatives. Business opposition was strong and strenuous efforts were made to prevent the passing of the bill. Fujihara Ginjirō, president of the Ōji Paper Company and representative of business interests, portrayed the socialist movement as detrimental to the *kokutai* and the Upper House. In the ensuing debates in the Upper House, the bill stalled and so brought an end to the passage of the bill. *Ibid.*, 148-49. Also see Gordon, *Labor and Imperial Democracy in Prewar Japan*, 262-63.

<sup>169</sup> Miyamoto Matao, "The Development of Business Associations in Prewar Japan," 35.

## 8. Formal framework for decision-making

As in most political systems, constitutional provisions that determine the mechanics of how law making is to transpire and how it operates in practice are frequently not the same. This then begs the question of how different was Japan from other countries and, never lurking far in the background, is the penchant to label Japan as 'unique'. The object here, though, is not to explore on a comparative basis the degree to which the Japanese case under the Meiji Constitution differs from other countries. Admittedly, a comparative understanding would be useful but would be a departure from the aim at hand. Specifically, what is to be undertaken is to provide some explanation of how, *de jure*, the process of law making was supposed to occur, followed by some of the factors which might have impacted on the process. These forces, if you will, were in some cases constitutionally provided as a check on certain institutions, while other sources of influence were outside the formally conceived process. Given this, an explanation of the process of how one particular bill was passed does not necessarily mean that another bill would be realised in the same way. How the various sources of influence come together to shape the law making process is a case-by-case matter.

In broad-brush strokes, the Meiji Constitution was a "hybrid of traditional Japanese and modern Western influences – the latter mostly reflecting Prussian precedents – [it] ... ascribed

extensive imperial prerogatives, or *taiken*, to the emperor which served notice that he would henceforth rule, as well as reign over, Japan.”<sup>170</sup> The cabinet was appointed by the emperor and responsible to him. The Privy Council was set up in 1888 as a committee to advise the emperor on major policy matters. The bureaucracy and peerage were strongly represented at this Council and ministers had the right to attend meetings. Its powers were extended in the 1890s and included constitutional amendments, declarations of martial law, treaties, imperial rescripts and ordinances. In effect, it acted to preserve the powers of the emperor and keep in check those of the Diet and the political parties. Both the army and the navy were not responsible to the cabinet and outside the control of the Diet. The chain of command provided that they report directly to the emperor and experience would show that this provision facilitated considerable influence in the palace. The Constitution provided for the establishment of the Imperial Diet, which consisted of the House of Representatives (Lower House) and the House of Peers (Upper House). The former was made up of 300 elected members who were originally selected on the basis of limited suffrage but, as noted above, their selection was from 1925 by universal male suffrage. The House of Peers was composed of members of the imperial family and nobility, imperial appointees and representatives of the highest taxpayers. By the 1930s, the Upper House had grown in numbers to over 400. The Diet, which refers to both Houses, had limited powers

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<sup>170</sup> Stephen S. Large, *Emperor Hirohito & Shōwa Japan: A Political Biography* (London: Routledge, 1992), 7.

other than over budgetary matters. In order for the budget to be passed, the approval of both the Lower and the Upper Houses was needed, but if approval was not given, the previous year's budget would be used, thus weakening the Lower House's check on spending.<sup>171</sup> In effect, when considering the structure of the political decision-making as a whole, the

only governmental organ with any direct accountability to the electorate was the House of Representatives [*Shūgi-in*]. On the one hand, all statutes required the consent of both houses of the Diet and countersignatures of each minister of state. On the other, however, administrative ordinances [*meirei*] required no legislative action, only ministerial advice. Thus, except for the elected House of Representatives and the autonomous judiciary, all other branches of government were either constituted by or accountable only to the throne.<sup>172</sup>

In short, though a representative system had been instituted, the Meiji Constitution assured that the exercise of political power was maintained in the hands of elites, and ultimately in the emperor himself, which has given rise to the term "emperor system" (*tennō sei*).

In the late Meiji and early Taishō years, the behaviour of the Japanese Diet and its political parties was much less about political ideals and the banding together of men of like-minded philosophical bent and more about power and pork barrel politics. In the early years ideology played a limited role in defining party lines.

Diet members did not band together in parties to promote a particular set of views or policies, much less to give expression to "popular opinion." What brought them together was the elementary perception that in unity there was strength. With few exceptions, the parties

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<sup>171</sup> J. Mark Ramseyer and Frances M. Rosenbluth, *The Politics of Oligarchy: Institutional Choice in Imperial Japan* (New York: Cambridge University Press, 1995), 35.

<sup>172</sup> John Owen Haley, *Authority without Power: Law and the Japanese Paradox* (New York: Oxford University Press, 1991), 78.



in the Diet were in their origins tactically rather than ideologically cohesive.<sup>173</sup>

By virtue of numbers, parties gained leverage and, in turn, were able to influence outcomes for their own ends. This fostered an element of cohesiveness and identification with a set of policies which lent credence to their espousal of being a political party. By the early 1920s, two parties – the Seiyūkai and the Kenseikai – had emerged as reasonably established fixtures on the political landscape.<sup>174</sup> Yet, even then, “policy positions did not necessarily reflect ‘popular opinion’ nor even the opinions of the individual party members themselves.”<sup>175</sup> Thus, the *shingikai* debates during much of the period examined coincided with the end of a several decades long process of political party formation which was primarily driven by competition for power and not ideology. The implication is that the *shingikai* forum was located in a political framework that operated to appeal to the concerns and needs of political and financial elites.

That having been said, the Lower House was not a pawn of the oligarchy but, indeed, did prove to exercise a greater degree of influence over government decisions than had been anticipated by constitutional architects. It is argued by Gordon Berger that the Lower House was established as a means of legitimising the taxation burdens to be levied on the working classes

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<sup>173</sup> Duus, *Party Rivalry and Political Change in Taisho Japan*, 29.

<sup>174</sup> For a broad perspective on party formation in conjunction with other political and economic factors refer to Nakamura Takafusa, *Shōwa Shi I 1926-1945*, 2 vols., vol. 1 (Tokyo: Tōyō Keizai Shinpō Sha, 1993).

<sup>175</sup> Duus, *Party Rivalry and Political Change in Taisho Japan*, 29.

to pay for the development of Japan's economy and military: though "sceptical of the political wisdom of the masses and jealous of their own powers, the drafters of the Constitution deemed it wise to provide a means for those who paid the taxes to establish some sort of identification with the state through participation in national affairs."<sup>176</sup> Exercising its power to veto the budget, the Lower House did prove to be a check on the cabinet and other organs of government. Oligarchs turned to political parties, which often had their power base in the representative house, for their support. The price exacted by the parties was a measure of influence over the oligarchs' executive powers and later commanding positions in the Cabinet. With time a *modus vivendi* had been established such that by the beginning of World War I, "the parties' tactics for obtaining and maintaining a major share of political power beyond the Lower House had been clearly defined."<sup>177</sup>

The birth of the Seiyūkai came in 1900 under the guiding hand of Prime Minister Itō Hirobumi, a leading political figure, as a means of controlling party politics. In contrast to the approach of others, Itō thought the best tactic was not to confront the parties but rather incorporate them. Forming the Seiyūkai based on members loyal to his leadership, he envisaged the shaping of national policy with the backing of his loyal followers. This, though, proved not to be the case. "Its members were delighted to have such a prestigious leader, but they were not

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<sup>176</sup> Gordon Mark Berger, *Parties out of Power in Japan* (Princeton: Princeton University Press, 1977), 10.

<sup>177</sup> *Ibid.*, 15.

inclined to follow his dictates docilely.”<sup>178</sup> Frustrated, Itō resigned and passed the reins of power to Saionji Kinmochi, another member of the *genrō*. By astute political alliances, the Seiyūkai soon filled a central role in domestic politics, managing to place one of its leaders in every cabinet between 1906 and 1912. Its primary opposition party was the Kenseikai, originally known as the Dōshikai. In 1913 Katsura Tarō – a protégé of the *genrō* Yamagata – and a number of anti-*Seiyūkai* members formed the Dōshikai as a means of challenging the growing influence of Saionji’s party.

Thus, with the emergence of a two-party system, the process of political decision making, in turn, gained a greater degree of consistency. This is not to suggest that the politics in the 1920s – which is of prime concern in this study – was static but rather that there was comparatively less shifting in party affiliation. Certainly change occurred, for example, in 1927 with the merging of the Kenseikai and the Seiyū Hontō, a group that split from the Seiyūkai in 1924, but political power was primarily held in the two-party configuration. This increased stability facilitates our understanding of how policy was formed and the role played by business.

The point of genesis of a law was, as anywhere, with the recognition of a particular political, economic problem or otherwise which may have originated from within government or from without. Preliminary discussions, typically informal, would not have followed any

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<sup>178</sup> Peter Duus, *Modern Japan* (New York: Houghton Mifflin Company, 1998), 174.

particular procedure. Once either the requisite political or bureaucratic will had been formed, the process of drafting a bill began. Though at the outset there might have been input from the minister regarding the contours of the envisaged bill, the details were formed through a process called *ringisei*. Commencing at the lower echelons of a bureaucracy, the designated section was responsible for the initial drafting of the bill, which would subsequently be passed through the various sections of the ministry gradually moving towards the top. At each step of the way, input was solicited from the reader, who in essence was offered to partake in the shaping of the bill. Once it reached the final echelons, it was reviewed and amendments may have been made, but typically this was not the case.

Although in a technical sense the legal competence to grant or withhold final approval for the *ringisho* [the sheet which accompanies the circulated document and is signed-off] lies with the highest executive (e.g. the minister in a ministry or the president of a private business), in actual practice he is expected to approve it without change or modification because of this long process of prior scrutiny – in fact decision-making – by lower administrators.<sup>179</sup>

With the approval of the relevant minister and, presumably, the prime minister, the bill would have been presented before the Lower and Upper Houses. “It became law only if both houses of the Diet passed it in identical form by majority vote.... A cabinet minister would then submit it, with his advice, to the Emperor. If the Emperor approved it... a minister would then countersign

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<sup>179</sup> Kiyooki Tsuji, "Decision-Making in the Japanese Government: A Study of *Ringisei*," in *Political Development in Modern Japan*, ed. Robert E. Ward (Princeton: Princeton University Press, 1968), 458.

(*fukusho*) it and it would become law.... In principle, then, this procedure gave both houses of the Diet a veto.”<sup>180</sup> During this process, reports and recommendations solicited from the *shingikai* may have been sought at various stages and thus will be examined later.

Such was how a law would have proceeded through the various steps on its way to final approval were it not subject to various potential influences, some of which have been suggested above. Policy making in pre-war Japan was in fact a tricky business, for reasons which have been hinted at, and which will be examined in greater depth shortly. The central difficulty in seeing a law through its various stages to receiving the emperor’s imprimatur, was in balancing the actors who saw their interests as vested in the outcome of the law in question. This balancing act was reflected in the unstable coalitional nature of cabinet formation. Though the emperor was to decide on the composition of the cabinet, in practise he acted on the advice of a variety of sources, some of which were from within the palace itself, as well as the Privy Council and *genrō* and, potentially, also naval and army officers. Once a cabinet had been chosen, the problems were not at an end. Apart from the questions of what policies a prime minister may have been able to push through, a cabinet’s longevity was closely linked with the arts of compromise and negotiation. For example, in 1912 “the Army brought down Saionji Kinmochi’s second Cabinet when Saionji refused to accommodate the Army’s demand for two

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<sup>180</sup> Ramseyer and Rosenbluth, *The Politics of Oligarchy: Institutional Choice in Imperial Japan*, 35.

new divisions.”<sup>181</sup> During the initial decades after the turn of the 20<sup>th</sup> century, such illustrations abound. As David Titus puts it

The problem was not only to find a coalition appropriate to the times in terms of institutional mix. It was also one of finding Prime Ministers and Ministers of State, each of whom commanded the respect of more than one institution of imperial prerogative and would be willing to cooperate in forging a united policy which the institutions of prerogative would implement, willingly or unwillingly. This meant finding leaders with cross-institutional connections, political views that were representative of more than one institution’s parochial demands, sophisticated abilities in the arts of compromise and coalition building, and given the frequent assassinations of Prime Ministers and other leading officials after 1930, a great deal of courage.<sup>182</sup>

Perhaps the most poignant example of the ambiguity in the Meiji Constitution and the latitude that this afforded other actors was in the position of the emperor himself. As Stephen Large indicates in *Emperor Hirohito and Shōwa Japan: A Political Biography*, the wording of the Constitution gave room for the interpretation of the position of the emperor as one of absolute monarchy and, at the same time, limited monarchy.<sup>183</sup> Illustration of this and how it facilitated the potential influencing of law making can be seen in the *de facto* process by which cabinet members were selected. In practise, the emperor was constrained in using whatever power his position afforded him. He “appointed the prime minister, but only on the

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<sup>181</sup> David Anson Titus, *Palace and Politics in Prewar Japan* (New York: Columbia University Press, 1974), 104.

<sup>182</sup> *Ibid*

<sup>183</sup> Herbert P. Bix, *Hirohito and the Making of Modern Japan* (London: Duckworth, 2000), 80-81. places emphasis on the Shōwa Emperor’s role in the political decision making process though not denying the complexity of the process.

recommendation of his closest advisers at court. He had virtually no say in the appointment of cabinet ministers and did not attend cabinet meetings. It was unclear whether the emperor could veto cabinet policy but in any event convention dictated that he did not do so in Meiji and Taishō Japan.”<sup>184</sup> However, this is not to say that the emperor did not try to influence policy by other means at his disposal, as indeed the “Emperor Meiji frequently endeavoured to influence government leaders when he questioned them at court about their policies and in that he was often successful, he was no mere ‘puppet’”.<sup>185</sup> In the case of the Taishō Emperor, the situation was different. The political machinery put in place during the Meiji period had facilitated the pluralisation of politics and in turn afforded the Emperor greater opportunity to seek influence through other means.

The Taishō Emperor was less influential but during his reign, the greater political pluralism of ‘Taishō democracy’ and the growing sectarianism of institutions involved in national decision-making made the court an increasingly important clearing house of policy resolution. Therefore, by Shōwa, the emperor, whose political activity was largely confined to the private zone of the court, was in an enhanced position to register informal influence on policies that he would sanction.<sup>186</sup>

The greater latitude this development afforded, though, was not fully exercised by the Emperor Taishō, as he suffered from mental and physical illness. This led to the then crown prince Hirohito, later the Shōwa Emperor, being appointed regent in 1921. “It should be appreciated,

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<sup>184</sup> Large, *Emperor Hirohito & Shōwa Japan: A Political Biography*, 11.

<sup>185</sup> *Ibid.*, 13.

<sup>186</sup> *Ibid.*

however, that no emperor could exert imperial influence autonomously. Like any sovereign, he was enmeshed in a 'network of interdependence' with others at court whose advice constituted another 'external constraint' on his activity."<sup>187</sup> It is to this 'enmeshment' that we will now turn.

Within the palace there were a number of other advisors who were sources of advice for the emperor but not necessarily unbiased: the grand chamberlain, the lord keeper of the privy seal, the imperial household minister and the chief aide-de-camp.<sup>188</sup> As important as these figures were in advising the emperor, in terms of guiding Japan and policy making of greater import were the *genrō*.<sup>189</sup> The *genrō*, who collectively formed a non-constitutionally provided *éminence grise*, exercised influence that spanned more than three decades during a very formative period of Japan's development. "The group was not created at one time. In a sense it was not created at all, but evolved gradually.... It is difficult to point to any particular stage at which the evolution was complete.... By 1898, the term 'Genro' had passed into common usage and there was public recognition of their involvement in politics if no clear definition of the scope of their powers."<sup>190</sup> "The nine men who have in retrospect been recognized unequivocally

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<sup>187</sup> *Ibid.*

<sup>188</sup> For further details see Titus, *Palace and Politics in Prewar Japan*.

<sup>189</sup> Roger F. Hackett identifies three groups of political elites who guided Japan during the initial decades after the Meiji Restoration. They are 1) Saigō Takamori, Ōkubo Toshimichi and Kido Kōin (they figured prominently during the first years); 2) the oligarchy, 'han' clique or *genrō* (their influence carried through to the early 1930s); and 3) *jūshin* (senior statesmen who in the 1930s and 1940s were "court officials and former prime ministers who were called on to advise the emperor on the selection of new prime ministers and on other important matters." Roger F. Hackett, "Political Modernization and the Meiji *Genrō*," in *Political Development in Modern Japan*, ed. Robert E. Ward (Princeton: Princeton University Press, 1968), 67.

<sup>190</sup> Lesley Connors, *The Emperor's Advisor: Saionji Kinmochi and Pre-War Japanese Politics* (London:



as Genro were Kuroda Kiyotaka, Ito Hirobumi, Yamagata Aritomo, Matsukata Masayoshi, Inoue Kaoru, Saigō Tsugumichi, Oyama Iwao, Katsura Tarō and Saionji Kinmochi.”<sup>191</sup> There are varying criteria by which this selection was made but the “most widely used as a definition of a Genro was the fact that all received, on one or more occasions, Imperial commands that they should receive the honours due to elder statesmen (*Genkun*).”<sup>192</sup> A second criteria was that they all had served in the *Sangiin*, which was composed of a group of senior councillors who presided over the work of various ministries during the 1870s. There were two main roles played by the *genrō*: 1) overseeing foreign policy and 2) recommending cabinets; it was the second that “gave them their greatest and most enduring influence in Japanese politics.”<sup>193</sup> As has been noted above, their influence diminished through the late Meiji and Taishō years. “Though their influence was at its height at the start of the First Katsura Cabinet [1901-1906] and declined thereafter, they remained, despite the prophecies of the second generation hopefuls, an extremely potent force in politics.”<sup>194</sup>

The role of the *genrō* in Japanese development has received a range of interpretations, in some cases being seen as a stabilising factor, while in others emphasis is placed on their “unscrupulous manipulation of power and their hostility to the growth of genuine representative

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Oxford University Press, 1987), 43.

<sup>191</sup> *Ibid.*, 44.

<sup>192</sup> *Ibid.*

<sup>193</sup> *Ibid.*, 47.

<sup>194</sup> *Ibid.*, 50-51.

government.”<sup>195</sup> While the bureaucracy, fostered by the hand of the *genrō*, may be argued to have proved “to be a major obstacle to the development of political party power”<sup>196</sup>, one observer has argued that, on balance, the *genrō* had a positive role in the overseeing of Japan’s development in the early years.<sup>197</sup> Notwithstanding the differences in perceptions, the *genrō* are seen as having been an influential force in Japan’s development and as having operated behind closed doors. The *genrō* were involved from the outset of Japan’s efforts at industrialisation and the implementation of its reform programme. “Each rose through one of the three channels of the new bureaucracy: departments concerned either with economic developments, such as the Ministries of Finance, Public Works, or Hokkaido Development; with military modernisation; or with foreign affairs.”<sup>198</sup>

The *genrō* were those who dominated the ministries of the government in the middle decades of the Meiji period. But their influence extended beyond the central bureaucracy. For example, Matsukata’s long tenure in the Finance Ministry suggests his controlling position in the financial affairs of the government but does not disclose his vast influence in the business world through marriage connections and other associations. Similarly, Inoue’s role as an adviser to the Mitsui Company extended his sway far into the commercial and industrial world. Ōyama’s long service as war minister does not properly underline his eminence as a field commander and war hero. What this and other official career data confirm, however, is that those who became *genrō* were intimately connected with the birth and early growth of the modern bureaucracy...<sup>199</sup>

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<sup>195</sup> Hackett, "Political Modernization and the Meiji *Genrō*," 67.

<sup>196</sup> Richard Sims, *Japanese Political History since the Meiji Renovation 1869-2000* (London: Hurst & Company, 2001), 92.

<sup>197</sup> *Ibid.*, 91-92.

<sup>198</sup> Hackett, "Political Modernization and the Meiji *Genrō*," 71.

<sup>199</sup> *Ibid.*, 71-73.

The 'enmeshment' that ensured the influential position occupied by the *genrō* was, as suggested above, furthered through marriage. Roger Hackett provides an expose of the interconnectivity of the members of the oligarchy: "marriage alliances... gave the *genrō* greater cohesiveness as a political body. Indeed the complicated maze of marriage connections among the leaders of government, business, education, and the military seemed to interlock the top levels of Meiji society."<sup>200</sup>

The position of the *genrō* was further entrenched within the political architecture itself through the establishment of the Privy Council. In 1871 the new Meiji leaders established three councils that were to help oversee the development of the new government apparatus. They were the "Council of the Left", the "Council of the Right", and the "Council of the Center". These three later came to be known as the Council of the Elders (*genrō in*).<sup>201</sup> Later, the "oligarchs transformed the Council of Elders... into the Privy Council (*Sūmitsu in*) and authorised it to preside over the drafting of the constitution."<sup>202</sup> Beyond whatever services this institute was to provide in the name of nation-building, the oligarchs "envisioned the Privy Council as a way to institutionalise their power. The Council would continue into the parliamentary era as the oligarchs' protective institution."<sup>203</sup> "As with statutes, the Privy

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<sup>200</sup> *Ibid.*, 73.

<sup>201</sup> Ramseyer and Rosenbluth, *The Politics of Oligarchy: Institutional Choice in Imperial Japan*, 22.

<sup>202</sup> *Ibid.*, 32.

<sup>203</sup> *Ibid.*

Council could block any ordinance as long as the Privy Council controlled the emperor. In practice, as we would expect under these circumstances, the cabinet cleared bills with the Privy Council before submitting them to the emperor.”<sup>204</sup> The access that the Privy Council had to the emperor facilitated the *genrō*’s exercise of influence over legislation, cabinet selection and ultimately in determining the direction of Japan’s development. However, the significance of the Privy Council varied during the Meiji period and was at times eclipsed by the *genrō* themselves. When Itō Hirobumi, a prominent member of the oligarchy and constitutional architect, became the first President of the Privy Council, it “initially seemed destined to play a significant political role.” As the *genrō*’s position during the Meiji years strengthened, the Privy Council came under shadow of oligarchy dominance. This tendency was reversed, though, as the “inclusion of ... three Genro amongst its numbers in 1903 invested it with an increased importance and gave the Genro, whose supervision of government was now more indirect, a further lever for controlling its sometimes recalcitrant protégés.”<sup>205</sup>

It is therefore apparent that law making in Japan during the period under consideration here and, indeed, for much of the pre-war period, was a process highly subject to the influences of entrenched political elites, some being constitutionally enshrined and others not. The *genrō*, though standing outside of the constitutional architecture, were of immense influence during the

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<sup>204</sup> *Ibid.*, 36.

<sup>205</sup> Connors, *The Emperor's Advisor: Saionji Kinmochi and Pre-War Japanese Politics*, 50.

Meiji period, though this influence diminished with time.

A further non-constitutional influence was that of business. Links between the oligarchy and big business existed. Such connections were certainly not unique to the *genrō* for, after all, the numbers in Japan's upper echelons at that time were limited. From this perspective, the enmeshment that is typically seen as characterizing Japan, at least in this period, was extensive. As Maruyama Masao has observed about the political process in pre-war Japan

irrational arrangement prevailed in which decisions depended on fortuitous human relations, psychological coercion by the Elder Statesmen [*genrō*] and other 'officials close to the Throne,' shifts in the relative strength of cliques, deals among wire-pullers and bosses, assignation-house politics, and so forth.<sup>206</sup>

As we have seen, the view that the policy making process in Japan was an exercise in 'wire-pulling' and, by implication, those with the greater personal network tended to wield greater power, is prevalent. Further to this view is the argument that the institutions which provided a formal framework for policy making were but extensions or tools, if you will, of the adept Japanese politician, bureaucrat and businessman. The *shingikai*, being one such institutional organ, has been seen by some as part of the larger orchestrated show and in reality offering little by way of serving the democratic end.<sup>207</sup>

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<sup>206</sup> Masao Maruyama, *Thought and Behaviour in Modern Japanese Politics*, ed. Ivan Morris (London: Oxford University Press, 1963), 232.

<sup>207</sup> This issue will be discussed in the following section. Two observers critical of the role played by the *shingikai* in the political decision making process are Johnson, *Miti and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. and Yung Ho Park, "The Government Advisory Commission

## 9. *Shingikai*

The historical context provided thus far argues that political-business relations operating on the basis of discrete personal contacts shifted towards a situation where informal communication was exercised alongside more formal lines – one such example of this formal channel was the legally established forum called *shingikai*. The bulk of the existing literature deals with post-war *shingikai* and translates this term as ‘councils of deliberation’ or ‘advisory bodies’ (ABs). They are used as a collective term to include bodies referred to as *shingikai*, *chōsakai*, *iinkai*, *shinsakai*, *kyōgikai* and *kaigi*. In keeping with this practice, the term *shingikai* is employed as a collective term here as well. These commissions are convened to deliberate on issues as seen fit by government and provide informed recommendations. Critically, they do not have the power to decide, though in particular situations they may be given the scope to do so.<sup>208</sup> Under present day taxonomy, there are statutory and non-statutory advisory bodies. The former are typically known as *shingikai*, and may be either ad hoc or permanent.<sup>209</sup> The latter are often referred to as *kondankai*, *kenkyūkai*, or *konwakai*. “These are informally established by the prime minister, cabinet members, other heads of government agencies or high-ranking

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System in Japan," *Journal of Comparative Administration* 3, no. 4 (1972).

<sup>208</sup> Ogita Tamotsu, "Shingikai No Jittai," *Gyōsei Kenkyū Nenpō* 7 (1969): 22.

<sup>209</sup> Ehud Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," in *Japan and the World: Essays on Japanese History and Politics in Honour of Ishida Takeshi*, ed. Haruhiro Fukui (London: The Macmillan Press Ltd., 1988), 145.

government officials to act as their advisers and are collectively referred to as ‘private advisory bodies’ (*shiteki shimon kikan*).”<sup>210</sup>

In comparison to the scholarly research on the *shingikai* of the post-war, much less is known of its pre-war model. Very little work has been done in either Japanese or English on the institution, in particular with respect to its role in the political decision making process. They were “formed by prime ministers, cabinets, individual ministers or high-level bureaucrats... [and the] legal instruments for their establishment were mainly imperial edicts, cabinet orders and ministerial ordinances, though several were formed by legislation.”<sup>211</sup> In some instances a committee would be formed on the request of extra-government interest, though in the main they were established in response to initiatives from the “particular administrative unit concerned.”<sup>212</sup> As seen in this research, in the case of an imperial edict, the emperor’s office would provide the operating rules and instructions as well as select one of the divisions of the bureaucracy which would organise the committee. In some instances, at least, membership numbers were determined by the emperor’s office, and also the numeric break down between the main members and those to be called upon as experts in case of need. It would seem that the names of the members were selected by the bureaucracy itself. Presumably, were the *shingikai* established by cabinet order or ministerial ordinance, the remit and details of operation of the

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<sup>210</sup> *Ibid.*

<sup>211</sup> *Ibid.*, 147.

<sup>212</sup> *Ibid.*

committee would have been determined by these initiating authorities. According to one survey, “membership was dominated by bureaucrats from relevant ministries; other salient categories of members were university professors and leaders of industrial and agricultural interests. A small number of labour leaders – and only those on the right wing of the labour movement – served on a negligible number of advisory bodies.”<sup>213</sup>

At the outset of the first meeting a committee chairman (*iin chō*) would be selected by the presiding members from among their ranks who “more often than not ... [was a] bureaucrat.”<sup>214</sup> Sometimes committees were chaired by prime ministers, one of his cabinet ministers or *gakushiki keikensha* (persons of learning and experience); in most cases these were Tokyo Imperial University professors and leaders of industrial and agricultural interests.<sup>215</sup> At the start of the following meeting, introductory words would be made by the chairman who would then turn to the head of the ministry or his representative. He would outline the remit of the committee and provide words of guidance. In some instances, a draft of a proposed law would have been provided for members by the ministry and discussions would revolve around its content. In cases where a sub-committee had sat, their findings would have been circulated at the outset of the meeting, followed typically by a spokesman for the sub-committee expanding on the written document. In any of the above scenarios, the contours of

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<sup>213</sup> *Ibid.*, 148.

<sup>214</sup> *Ibid.*, 147-48.

<sup>215</sup> *Ibid.*, 148.



the discussion were set out at the beginning of the meeting and the committee chairman would preside to ensure discipline and that the talks remained on track.

Though the *shingikai* that were formed in relation to the issue of the iron and steel industry were early leading examples of the exercise of this forum they were not the first. “During the 1890s, the first decade under the Meiji Constitution, Abs were involved in such famous reforms as those of the legal system (*Hōten Chōsakai*) and the monetary system (*Kahei Seido Chōsakai*); in the process that led to the passage of the Factory Act of 1911 (*Nōshōkōtō Kaigi*); and in the formation of education policy (*Kōtō Kyōku Kaigi*).”<sup>216</sup> Other pre-war issues that saw the use of the *shingikai* were welfare (*Kyū Jigyō Chōsakai*, 1918), labour relations (*Shihon Rōdō Mondai Kyōgikai*, 1918; *Rinji Sangyō Chōsakai*, *Shakai Seisaku Shingikai*, 1929), land reform (*Kosaku Seido Chōsakai*, 1920), the *burakumin* or social outcasts of Japanese society (*Shakai Jigyō Chōsakai*, 1921), and the reform of the administrative structure and the financial and taxation systems (*Rinji Gyōsei Zaisei Zeisei Shingikai*, 1930).<sup>217</sup> One “survey conducted in the mid-1930s for the Okada Cabinet identified ‘over one hundred’ [Advisory Bodies]...”<sup>218</sup>

This use of the institution of the *shingikai* during the period of modern Japanese history has changed over time. In turn, this raises the issue of whether it is apposite to use the term

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<sup>216</sup> *Ibid.*, 147.

<sup>217</sup> *Ibid.*

<sup>218</sup> *Ibid.*

when referring to the pre-1945 institution and that of the post-1945 period. To be sure, the term '*shingikai*' is used in the academic literature when referring to this institution regardless of time period and, in this linguistic sense, signals that there are characteristics shared by the pre- and postwar institutions. However, in terms of both function and form, the institution of the *shingikai* has changed during its history.

Since its inception in 1893, the institution has undergone a number of changes as a result of legislative provisions. The issue to be considered here is whether it is valid to argue that a historical continuum exists between the pre and post war *shingikai*, or are these two institutions sufficiently different that, though generally the same term is used for both, substantively they should be considered as separate entities. Schwartz identifies that the "contemporary commissions differ from their pre-war cousins in nomenclature, legal basis, membership, and function."<sup>219</sup> His ensuing discussion, though, is less about contrasting the pre-war institution with its post-war relative and more about identifying the changes that have occurred since the American occupation, and seeing whether these changes have brought the institution closer in line with the democratic intentions of the US reformers. Discussions of the nature of the pre-war institution have been much more limited. Moreover, little attention has been paid to the possibility of change in the institution during the pre-war period. As Harari

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<sup>219</sup> Frank J. Schwartz, *Advice and Consent: The Politics of Consultation in Japan* (Cambridge: Cambridge University Press, 1998), 48.

states in his treatment of pre-occupation *shingikai* (or ABs as he calls them), "I have not found a list of all ABs in existence prior to the Occupation period, nor have I found quantitative analyses of the legal status, structures, tasks, functions, manner of operation, sources of information and other characteristics of the ABs during that period."<sup>220</sup> In as far as the limited treatment allows us to draw conclusions, pre-war *shingikai* have been seen as static and non-evolutionary. This relative paucity of work on whatever evolutionary changes may have occurred in the pre-war period underscores the need for further research, as well as for caution here in identifying the presence or absence of historical continua.

In terms of nomenclature, the collective usage of the term *shingikai* is consistent throughout the history of the institution, though what this term refers to changes and, indeed, it is inconsistently used. Schwartz points out that in the case of the post-war period, "there are no consistent rules for naming councils; [the terms] 'council,' 'commission,' and 'advisory body' [are used] interchangeably, this study [i.e. Schwartz's] does not distinguish among the different Japanese names, subsuming them under the catchall *shingikai*."<sup>221</sup> One differentiation, though, is that whereas "agencies now distinguish *shingikai* from purely administrative committees that do not include participants from outside the government (*iinkai*); prewar officials made no such

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<sup>220</sup> Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," 147.

<sup>221</sup> Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 59.

distinction.”<sup>222</sup>

Assessing change in the legal basis of the *shingikai* is important as it may signal how legislators have perceived the institution. Dramatic reform may suggest that the formation of a new institution is intended even though the name of the institution may remain the same. In the case of the pre-war *shingikai*, “the genealogy of the Advisory Council ... goes back to the Code of Law Investigative Council (*hōten chōsakai*), established in 1893.”<sup>223</sup> Neither Harari nor Schwartz make explicit the legal nature of the institution, however the term “genealogy” does underscore an institutionally based historical link. It would appear that whatever legal status the institution was afforded, the authorization for its implementation was often gained by means outside of its architect’s aims: “Throughout most of the postwar era, it has been necessary to establish advisory bodies by law; although prewar authorities did establish several councils by law, they generally bypassed the Diet by means of imperial edicts, cabinet orders and ministerial ordinances.”<sup>224</sup> Thus, the distinction does not revolve around whether the institution was legally enshrined but rather that often prewar *shingikai* did not receive the approval of the Diet. Certainly in this examination, as we will see, certain *shingikai* were formed on the basis of Imperial Edicts.

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<sup>222</sup> *Ibid.*, 48.

<sup>223</sup> Ehud Harari, “Japanese Politics of Advice in Comparative Perspective: A Framework for Analysis and a Case Study,” *Public Policy* XXII, no. 4 (1974): 539.; Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 48.

<sup>224</sup> Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 48.

The advisory bodies underwent a number of revisions during the period of the American Occupation (1945–1952), and afterwards by Japanese government initiative. The Supreme Commander of the Allied Powers (SCAP) held the opinion that the pre-war *shingikai* had been employed as a tool of the bureaucracy. It was perceived that between the political parties and the bureaucracy, it was the latter that was pre-eminent in the push and pull of policy making.<sup>225</sup> The *shingikai* was therefore to be taken out of the manipulative hands of the bureaucracy and enshrined in legislation, affording it a central role in the democratisation of Japan. Article 8 of the 1947 National Administrative Organization Law provided the requisite statutory alterations.<sup>226</sup>

Contrary to the hope of SCAP, the ensuing years saw a steady rise in the number of *shingikai*. It was recognised that bureaucrats were “instrumental in the formation of most of them. Several *shingikai*, especially those dealing with issues in agriculture and regional development with high salience among the electorate, were formed by individual Diet members’ bills or in response to demands by interest groups.”<sup>227</sup> In light of these developments an Ad Hoc Commission on Administrative Reform (*Rinji Gyōsei Chōsakai*, or First Rinchō)<sup>228</sup> was

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<sup>225</sup> Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," 149.; Bernard S. Silberman, "The Bureaucratic Role in Japan, 1900-1945: The Bureaucrat as Politician," in *Japan in Crisis: Essays in Taishō Democracy*, ed. H.D. Harootunian (Princeton: Princeton University Press, 1974), 183.

<sup>226</sup> Park, "The Government Advisory Commission System in Japan," 435.

<sup>227</sup> Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," 149-50.

<sup>228</sup> Note that there was later in the early 1980s a Second Rinchō which was fashioned after its forerunner, however its remit addressed pressing domestic financial and administrative issues importantly set in the

established by Prime Minister Ikeda Hayato in 1962 with wide support from all parties other than the Communists.<sup>229</sup> In its report of 1964, the bureaucracy was seen as having circumvented the spirit of SCAP's reforms and continuing to co-opt the institution.

[The First Rinchō] concluded that to a large extent bureaucrats have subverted the spirit of SCAP's reform of the consultation system by turning the *shingikai* into instruments for obscuring rather than clarifying administrative responsibility, and for mobilising support and consent for policies formulated by particular bureaucratic units rather than for facilitating genuine learning by both government and society.<sup>230</sup>

To bring an end to bureaucratic abuses, recommendations were put forward by the First Rinchō, one of which was the reduction of the number of *shingikai*. And indeed, there was in 1966 the "abolition of 10 councils and the consolidation of another 24."<sup>231</sup> However, this was seen by at least one scholar as "just a drop in the bucket... [and that there was little hope as] a drastic reorganisation faces powerful resistance from bureaucratic sectionalism and political interests, and will be exceedingly difficult without a great deal of political leadership."<sup>232</sup>

Thus, the legal basis of the pre and postwar *shingikai* are different in that the institution was enshrined within the provisions of different constitutions. Further examination of the legal differences would be required to determine what, in concrete terms, these differences mean, and

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economic upheaval of the oil shock in the 1970s. Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 95-97.

<sup>229</sup> *Ibid.*, 50.

<sup>230</sup> Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," 150.

<sup>231</sup> Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 51. Not clear whether these were standing committees or not.

<sup>232</sup> *Ibid.*

this lies beyond the scope of this work. Perhaps of greater significance than the differing legal bases are the differences in the aims of the institutions' architects. Here again, our examination is restricted by the paucity of knowledge on the original aims of those who conceived the prewar institution. Given the presence of politicians, bureaucrats, businessmen and academics who sat in these committee meetings, it seems likely that it was conceived as part of the consultative process of government decision making. The aims of SCAP, as mentioned, were less about the re-conceptualisation of the institution and more about addressing what was seen to be the abuse of the institution. These objections were

(1) to limit the powers of the bureaucracy, (2) to promote competent and equitable participation, (3) to make state administration more open and better integrated, (4) to increase ABs' autonomy by providing them with access to relevant and adequate information inside and outside government, and (5) to increase AB's genuine influence by calling on government to pay close attention to their reports. In short, the general intention was to prevent ABs from turning into mere instruments in the hands of the bureaucracy for the mobilisation of public support and consent.<sup>233</sup>

In this sense, though the legal basis was also different, in concept the aims were about reform rather than the introduction of a newly conceived function.

Closely related to function is membership. In the pre-war period, apart from bureaucrats and legislators, participation by individuals not from either business circles or academe was, though not necessarily forbidden, rare in the very least. At the same time it

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<sup>233</sup> Harari, "The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies," 149.

should be noted that policy formulation was not seen as a matter where the input from the common man was necessary, though popular demands did enter the calculus of political decision making through the latter years of the Taishō period. Under SCAP reform and later amendments, participants of *shingikai* meetings could be drawn from “all walks of life..., and the inclusion of incumbent bureaucrats is discouraged....” That having been said, though, this increased socially representative characteristic of the postwar institution was only gradually achieved. Satō Hidetake charged that “The pretence that *shingikai* are established in order to contribute to the democratisation of administration through the reflection of the views of all classes of the people is nothing more than a fiction.”<sup>234</sup> Similarly, the participation of parliamentary members was deemed contrary to the aims of the postwar institution. Under pressure from the First Rinchō and elsewhere, the cabinet did attempt to curb Diet appointments to *shingikai*. Commissions with Diet appointees fell from 20 in 1974 to 10 out of 214 commissions in 1984.<sup>235</sup> Less successful were the attempts to reduce the presence of ‘old boys’ in committee meetings. Despite pressure from the cabinet and the First Rinchō, “retired officials occupied close to 18 percent of all council seats in 1995, down only a few percentage points from a decade earlier.”<sup>236</sup> Thus, though legal provisions were in place, institutional change came after a more protracted period of re-evaluations, underscoring that caution be

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<sup>234</sup> Quoted in Schwartz, *Advice and Consent: The Politics of Consultation in Japan*, 62.

<sup>235</sup> *Ibid.*, 65.

<sup>236</sup> *Ibid.*, 68.



exercised when delineating between pre and postwar institutions.

Thus, we see that the institution of the *shingikai*, as with most institutions, is not static but has evolved over time. Institutions are conceived to respond to particular needs, and as those needs change, so too does the institution. What drives this evolution, or devolution, as the case may be, stems from a variety of factors, one of which is the economic and political environment. It may be assumed that the institution was conceived in 1893 as a means of formalizing the incorporation of extra-parliamentary elements into the political decision making process. In keeping with the spirit of the Meiji Restoration, it was part of the larger process of placing the governing of Japan along western-oriented 'democratic' lines. As seen later by Occupation authorities, and others, the institution had been co-opted by the bureaucracy, which had perverted its use. The establishment of the postwar institution was, in part, aimed at taking it out of the hands of excessive bureaucratic influence. The widening of membership reflected the ideas of the Occupation authorities on how postwar Japan's democratic framework should be. Similarly, the reduction of big business influence was reflected in the dissolution of *zaibatsu* and anti-monopoly legislation. From this socio-economic perspective, we see at once continuum and departure between pre and postwar Japan. At one level, *shingikai* both periods part of the inclusion of voices outside of government in decision making. How that process was intended to operate varied in 1893 and

in 1945. Each institution was enshrined in different legislation and it is likely that neither lived up to the ideals of its architects.

So, whether we are talking about discontinuity or continuity, is a matter of perspective.

Choosing between the two is a matter of larger aims. At heart, this author sees the process of historical change as evolutionary and stresses the continuum at play, and this emphasis is often lacking in examinations of the *shingikai*. In that respect, this work may have something to offer. Also, to be sure, we have a limited understanding of prewar *shingikai* which underscores the hazardousness of making too much of this debate. Here as well, this thesis's foray into the documents may be useful.

In recent years, examinations of the pre-war *shingikai* have gone beyond the original charge of their being a pawn on the bureaucrats board to see this argument as being somewhat simplistic.<sup>237</sup> “[G]eneralizations [have been] ... based on a small number of cases or poorly substantiated, and, as well, include empirically substantiated generalizations that do not by themselves constitute direct evidence of bureaucratic domination. Since they are based on circumstantial evidence, they can only be suggestive, not conclusive.”<sup>238</sup> Differentiation

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<sup>237</sup> One observation has been “Japanese society and politics which, among other things, have made inroads into the unrivalled predominance of the state bureaucracy in public policy-making.” Harari, “The Institutionalisation of Policy Consultation in Japan: Public Advisory Bodies,” 153.; also the ‘bureaucratic dominant’ and ‘ruling triad’ models have come under attack as being an inadequate explanation of the pluralistic nature of contemporary Japanese policy making. See Michio Muramatsu and Ellis S. Krauss, “Bureaucrats and Politicians in Policymaking: The Case of Japan,” *American Political Science Review* 78, no. 1 (1984): 126.

<sup>238</sup> Ehud Harari, “Turnover and Autonomy in Japanese Permanent Public Advisory Bodies,” *Journal of*

between issues and arguments is bringing us closer to the point that the scenario in which each *shingikai* is located, that is, the issue at hand, the actors and other factors, determine its effectiveness. In other words, though not expressed as such, a case-by-case examination is needed to determine whether the charge of co-optation is valid.<sup>239</sup> Methodologically speaking, analysis has moved beyond the anecdotal approach upon which the perception that the bureaucracy rules the roost is based to employing social scientific techniques of statistical analysis, questionnaires and interviews.<sup>240</sup> In so doing, research has shed light on the complexity of the role of the *shingikai* in the policy making process and has come closer to giving us a 'feel' for what happens. However, little work has taken a historical approach in walking through the document trail to challenge the charges levelled. So, what is being offered here is first and foremost a historical approach to a subject that has, methodologically, received little attention. It also seeks to show that pre-war *shingikai* are cousins of those that figure in the bulk of the literature, and in so doing draw out the historical continuum.

As was mentioned, the bulk of the literature is written by political scientists. Thus, at the outset, this work is set apart by its methodological approach by virtue of its emphasis on

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*Asian and African Studies* 17, no. 3-4 (1982): 238.

<sup>239</sup> Harari concluded that "Here several case studies of policy-making processes in different policy areas in Japan are instructive... These studies reveal that government bureaucrats have indeed tried to dominate PABs [Public Advisory Bodies], but with only occasional success. Moreover, they show that members have definitely not been puppets in a *bunraku* (puppet theatre) play, and that the relationship between PABs and their appointing bureaucracies is a complex and changing one." *Ibid.*: 238-39.

<sup>240</sup> One such recent example is by Schwartz, *Advice and Consent: The Politics of Consultation in Japan*.

historical documents. Also, it is not the institution *per se* that is of concern here but rather its effectiveness as a venue for the expression of business interests. The question of whether the *shingikai* effectively served its intended role within the policy making process as conceived by its legislators is important here only from the business perspective. Whether the *shingikai* effectively upheld its role in the democratic process is not my bailiwick.

## 10. Discussion of Sources

This thesis is based on the documentation of the decision making process as it pertains to the amalgamation of the iron and steel industry (1916-1934). As the spotlight of this examination is on a main point of interaction between business and government, that is, the *shingikai*, the bulk of the primary documents used is the records of the *shingikai* themselves. In an effort to provide a fuller picture of the (step-by-step) process by which the various actors, committees, and institutions formed their own positions regarding the issues at hand, related documents have been drawn together to illustrate the extra-*shingikai* developments. In short, the aim is to furnish the reader with an understanding of how things happened, starting with the initial deliberations of, for example, the government or the Japan Industrial Club, and ending with the promulgation of a law, or whatever other terminal point there was.

It has been explained that the decision making process was a composite of the use of informal and formal channels of communication. However, the nature of informal communication implies that no records were taken of the meetings – they were in private and the number of attendees were deliberately kept to a minimum, sometimes with the selection of venues that ensured this criteria. It follows then that this examination can only deal with the formal lines of communication and therefore any judgements made here can not hold claim to be based on all aspects of the decision making process. Furthermore, though every effort has been made to acquire a full set of documents of *shingikai* records, there is no way of knowing what a full set constitutes.

There are a number of sets of volumes which contain documentation pertinent to this thesis. The records of the sub-committees (*iinkai, tokubetsu iinkai*) of the Lower and Upper Houses have been published in multi-volume sets, in particular those published by Rinsen Shoten (臨川書店) and Tokyo University Press (東京大学出版会) have been used here. Also, MITI has edited a number of multi-volume sets that deal with Japanese industry among other items. Volume 17 entitled “A History of Commercial and Industrial Policy: Iron and Steel Industry” (商工政策史：鉄鋼業、通商産業省 Shōkō seisakushi: tekkōgyō; Tsūshō Sangyōshō, 1970 ) and Volume 1, part 1 “A History of Commercial Industrial History: General Remarks” (商工政策史総説、上；商工政策史刊行会 Shōkō seisakushi: sōsetsu, jō; Shōkō

Seisakushi Kankō Kai, 1985) have been used. Though these are not strictly speaking primary sources, and rather closer to 'official' histories, they do contain copies of records such as recommendations made by the Japan Industrial Club and, where necessary, have been used in lieu of copies of the original items. Unpublished *shingikai* records have been sought out at the National Official Documents Archive (国立公文書館、Kokuritsu Kōbunsho Kan) located in Takebashi, Tokyo. They are as follows: Rinji zaisei keizai chōsakai (臨時財政經濟調査会、1919); Teikoku keizai kaigi (帝国經濟會議、1925); Shōko shingikai (商工審議會、1927) and; Rinji sangyō shingikai (臨時産業審議會、1930). Records held in the Industrial Club of Japan have also been examined. This collection of documents is not open to the public and has received scant scholarly attention. Presently it is not catalogued and it is therefore impossible to be certain that all relevant material has been located.

Though most records of this period were type written, some key documents are only available in hand written form. Records of the Lower and Upper House committee meetings are verbatim transcripts affording a close examination of discussions, however, others for example those of the Temporary Investigation Committee on Fiscal Policy and the Economy (臨時財政經濟調査会, Rinji zaisei keizai chōsakai), provide only a summary of what each speaker stated. Thus, in such cases, it is more difficult to penetrate the discussion and examine the arguments to the degree afforded by verbatim transcripts. In turn, greater significance is

placed on interpretation where the historian is limited to summaries .

In the case of the Temporary Investigation Committee, as opposed to other meetings, it is interesting to note that this series of meetings was held in the prime minister's private residence . The question then arises whether the location where a meeting was held is an indication of the approach taken to deliberations. Certainly, in the case of informal meetings held in tea houses, where no records exist albeit important decisions were made, the setting is indicative of the 'back-room dealing' to decision making. That this investigative committee met at the Prime Minister's residence may have been for reasons of convenience or perhaps as an oblique way of creating the informality of the tea house setting. Also, there is the issue of the documents themselves, namely, why are they not verbatim records? Though the Temporary Investigation Committee met at the Prime Minister's residence, this should not necessarily have precluded stenographic notes being taken. That is, if stenographers were capable of providing detailed, indeed perhaps verbatim records of the Promotion Law, why was this not possible in the case of the Temporary Investigation Committee? Perhaps it was perceived that because the discussions were still at the investigative stage, there was no need to provide exact transcripts. Without further investigation, this discussion will remain tenuous and speculative, however, these differences do suggest an attempt to maintain this significant and lengthy series of committee meetings on a more informal footing. The critical and unanswered question is why.

Answers to this and others may be found through the examination of diaries, biographies, and autobiographies of participants, something which this thesis research has not been able to incorporate, largely for reasons of time. To some extent this has been done with respect to Dan Takuma,<sup>241</sup> but there is no doubt that further examination of biographies and other works would be useful. However, a large measure of caution needs to be exercised when using such secondary sources. Even when written posthumously by committees, as in the case of Dan, there is often a tendency to embellish or perhaps distort events following the hagiographic tradition. Newspapers are also likely to be of use in providing corroboratory evidence or illuminating aspects which are not revealed by the documents themselves, even though the quality of reporting inevitably varies with the journalist and whatever particular agenda he may have had, as well as the paper. Similarly, industry journals can prove to be useful, although they too are not necessarily impartial mouthpieces. It must be accepted, therefore, that further development of this topic would benefit from secondary source 'triangulation', but with the due caution appropriate given the nature of such material.

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<sup>241</sup> Kō Dan Danshaku Denki Hensan Iinkai, ed., *Danshaku Dan Takuma Den*.



## 11. Outline of the Following Chapters

### Chapter 2: The War Years 1916-1917

This chapter closely examines in step-by-step fashion the various paths that led business and government in establishing the Iron and Steel Industry Promotion Law. Records of individual actors, trade associations and the *shingikai* meetings are drawn from in showing how the formal decision making process occurred. It is seen that early in this lengthy process, both government and business began to establish their positions on how to deal with problems related to the iron and steel industry. Their views were, in certain crucial aspects, different which led to heated debates in the *shingikai* meetings. Over a series of meetings, both sides proved to be firm in their positions and an *ad hoc*, closed-door, meeting was held. Representatives of business and government discussed critical sticking points and arrived at a compromise position. It is shown that the consequent amendments to the bill were a product of these discussions. The implication is that business perceived that the *shingikai* forum was provided an important opportunity to seek its end and, in fact, proved to be where a critical compromise was reached.

### Chapter 3: Coping With The Immediate Post-war Economic Chaos 1919 and 1921

Over this three year period, *shingikai* meetings sat to examine protectionist measures and the revision of the Iron and Steel Industry Promotion Law. In contrast to the discussions

seen in the previous chapter, these lengthy discussions were marked by far greater harmony.

The basic reason for this is two fold: 1) the prevailing economic situation was such that it was mutually recognized that close co-operation was needed in order to find their way through the economic depression; 2) the central issue was the implementation of tariffs which was intended to protect all actors in the industry and both government and business were in favour of its implementation. Some discussion revolved around the rate of the tariff but it did not prove to be divisive. The upshot is that changing economic circumstances altered the position of business and government to one where both sides saw their interests as similar.

#### Chapter 4: The Long Road to Amalgamation 1921 - 1934

*Shingikai* meetings were held on the issues of tariff revision, revision of the Iron and Steel Industry Promotion Law and the amalgamation of the industry. Given the continued economic depression through the 1920s and into the 1930s, tariff protection continued to be discussed in the first years but increasingly it was recognized that amalgamation of the industry was necessary to address the fundamental structural problems that underpinned the industry's woes. The debates over these issues reflect greater animosity to the proposals made than in comparison to the debates seen in the previous chapter though significantly less than seen in debates of the original Iron and Steel Industry Promotion Law of 1917. Limitations to the

revision on tariff rates for pig iron are seen to be closely linked with trade relations with India.

In a number of the *shingikai* meetings, discussions indicated that higher authoritative bodies were sitting at the same time, which influenced the extent to which some topics were discussed and, perhaps, in turn, influenced the degree to which dissenting opinions were expressed.

## Chapter 5: Conclusion

The dominant question in the literature on the *shingikai* is “Who does the forum benefit?” In the main, the view is that the *shingikai* is rigged by the bureaucracy to achieve its own ends. This view is not supported by the findings in this thesis. It is seen that business perceives that the forum provides an opportunity to express its views and, through this, business may be able to influence outcomes. Further, given that both government and business are important stakeholders in the industry, both have vested interests in outcomes. Contrary to some views on government and business relations in this period, business is seen to act as an independent actor in discussions. The positions adopted by business are contingent on a number of factors, among those are the economic and political environment. In this sense, government and business relations in this period are circumstantially based and closely linked with economic factors.

## **Chapter 2 : The War Years 1916-1917**

The focus of concern of this chapter is the period of the Iron and Steel Industry Promotion Law of 1917. World War I was a fillip for the expansion of Japan's iron and steel industry, but it was accompanied by problems that affected the plethora of newly founded sites owned by entrepreneurs. It was recognised by these businessmen and by government, the largest stakeholder, that there was a need to establish a national policy for the promotion of the iron and steel industry. However, as for how this should be achieved, government and the private sector found themselves in opposing camps. The ensuing pages aim to lay out the process of formal decision making by which the different actors established their positions and sought their ends, and the outcome of the debate.

The onset of war is often accompanied by dramatic shifts in demand and supply to meet new military needs. World War I did this for many of the countries involved, and in the case of Japan too, though not a principal belligerent, the economy was seriously affected. For the iron and steel industry, the dramatic increase in demand combined with a shortage of supply created considerable problems. This highlighted some of the inherent weaknesses in the structure of the industry, and its vulnerability, and in turn, the necessity for these to be addressed became apparent. Despite this need being clear, it was the contentious third expansion

plan of the government-owned Yawata Steel Works that precipitated change, culminating in the Iron and Steel Industry Promotion Law of 1917. The submission of Yawata's construction plan sparked a series of private debates and missives by leading industrialists, while government launched an investigative committee to consider the long term development of the industry and some of the issues that so piqued the private sector. As a result, the Promotion Law's measures not only reflected the imperatives that characterised the industry but also, importantly, the issues that were the focus of the private sector concerns.

Debates over these issues took place in a number of for a simultaneously. We find between January 1916 and June 1917 a process of position formulation occurring among the private sector and government on the one side, and concurrently, debates in the Lower House on the other. In response to urging from businessmen, the Department of Agriculture and Commerce formed in May 1916 a committee to examine the industry and provide recommendations which were submitted towards the end of the same year. At the same time there were the Lower House committee meetings. Though the first series commenced on 22 January 1916, it was a full 10 months before the next sat in November and then finally on 29 June 1917, just after the Industry Club of Japan submitted a report on the industry. Following this, between 11 and 13 July, the Upper House committee sat and hammered out the final form of the Iron and Steel Industry Promotion Law, with its promulgation a few months later. It is

this whole process that will be analysed here.

## 1. Historical Background<sup>242</sup>

With the outbreak of World War I, the total annual demand for iron increased from 505,000 tons in 1913 to 924,000 tons in 1919, and for steel, from 751,000 to 1,165,000 tons.<sup>243</sup> This was met by expanding in particular the output of the established heavy industry firms, but it also encouraged a large number of new entrepreneurs to invest in their own sites.<sup>244</sup> Largely relying on external sources of iron and steel inputs, these domestic producers, in particular the newly founded ones, were vulnerable to shifts in market supply. At the same time, however, there was a serious decline in imports. The supply of steel and iron from Britain and Germany began to dwindle, though American steel imports did eventually increase because of a special arrangement for the exchange of steel and ships which was formalised in the U.S.-Japan Ship and Steel Exchange Pact of 1918.<sup>245</sup> Between 1913 and 1914, iron ore and steel imports dropped 36% and 25% respectively. With the export ban on steel imposed by Britain in 1916 and supply cut from Germany, the need for self-sufficiency was brought into clear relief and Japan faced

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<sup>242</sup>The following description of the policy formulation process has benefited from Teratani Takeake's article "Dai Ichi Daisenki Ni Okeru Tekkō Seisaku." in *Nihon Keizai Seisaku Shi Ron*.

<sup>243</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 79.

<sup>244</sup> Nihon Kōgyō Kurabu, "Seitetsu Jigyō Hogo Shōrei Ni Kan Suru Kengisho," (Located at Nihon Kōgyō Kurabu, Tokyo, 1919).

<sup>245</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 79.

what is often termed a 'steel famine'.<sup>246</sup>

At the same time, capitalising on the increase in demand and rising prices, the third expansion plan of the state owned and government managed Yawata Works was submitted to the 37<sup>th</sup> Diet in January of 1916<sup>247</sup> and its construction budget was passed the following month. In principle, Yawata did not sell its pig iron produce in the domestic market<sup>248</sup>, while Kamaishi Works, a relatively large private sector enterprise, used most of its foreign purchased pig iron for cast metal. In terms of reliance on the domestic supply of pig iron for the production of steel, this left the remaining part of the private sector to rely on the 30,000 tons annual output of Wanishi Iron Works.<sup>249</sup> Yawata then was the only integrated producer in Japan, and had adopted the policy of not directly selling pig iron to private firms. Also, domestic steel producers feared that Yawata would further diversify its production of steel goods and hence strengthen its competition with the private sector.<sup>250</sup> Thus a sector reeling from the effects of tight supply of inputs, with many smaller producers carrying heavy debt loads, viewed poorly the government decision to give preference to its own interests. Wanting to capitalise on the strong demand for pig iron and steel, businessmen, "realising their once in a thousand years opportunity", firmly

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<sup>246</sup> *Ibid.*

<sup>247</sup> Nagashima Osamu, *Senzen Nihon Tekkōgyō No Kōzō Bunseki* (Kyoto: Minerva, 1987), 46.

<sup>248</sup> *Ibid.*, 151.

<sup>249</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, vol. 17, *Shōkō Seisakushi* (Tokyo: Shōkō Seisakushi Kankokai, 1970), 177.

<sup>250</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 83.

opposed the plans for Yawata's further expansion.<sup>251</sup> Following this submission, there was a series of organised meetings and declarations from the private sector, culminating in the formulation of the position of the Japan Industrial Club.

The first of these meetings occurred on 15 January 1916, when approximately 500 members of the *Rengō Danwa Kai* met in the Tokyo Station Hotel. This group was comprised of the Iron and Steel Institute of Japan, and the Academies of Electronics, Machinery, Shipbuilding and Munitions. Inviting Oshikawa Norikichi, the head of Yawata Seitetsujo (Yawata), to attend, they formed the *Tetsuzai Jikyū Tōron Kai* to address some of the issues that the third expansion plan had brought into relief. In addition to the above mentioned five groups, members from the Academies of Civil Engineering, Architecture, and Japanese Mining, having particular interest in the topic of discussion, were invited to attend. In the main, participants were derived from the academic and business worlds.<sup>252</sup> In particular Imaizumi Kaichirō, the chief engineer and managing director of Nihon Kōkan KK, a rolling mill plant of the Ōkura *zaibatsu* that specialised in producing steel tubes and pipes, and one of the directors of the Iron and Steel Institute of Japan, proposed his ideas for government and private sector co-operation. He argued that "the question of whether the demand for iron and steel is sufficient is only a problem for government managed steel mills (Yawata) and that in order to induce the rapid rise

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<sup>251</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 178.

<sup>252</sup> Teratani Takeake, "Dai Ichi Daisenki Ni Okeru Tekkō Seisaku," in *Nihon Keizai Seisaku Shi Ron*, ed. Andō Yoshio (Tokyo: Tokyo Daigaku Shuppan Kai, 1973), 209.



of the private industry, Yawata should produce all the pig iron and the steel ingots etc., while the private sector should from this produce the finished products. Through this means, some of the pressure on the private industry can be alleviated.”<sup>253</sup> In response, Oshikawa of Yawata stated that

the plan for the expansion of Seitetsujo (Yawata) is still being investigated by government and a decision has not yet been made. Therefore, at present, it is not necessary to solicit opinions from all possible angles and also Imaizumi’s opinion regarding the expansion plan has not been considered [by government].<sup>254</sup>

Foreshadowing events to come, we see here for the first time not only the argument for co-ordination in production between government and independent operators, but also the start of what would be a serious confrontation between the government managed Yawata Works and the private sector.<sup>255</sup>

In February 1916 the Tetsuzai Jikyū Tōron Kai promulgated its views in “Proposal for the Establishment of a Committee of Inquiry into Joint Public-Private Iron and Steel Manufacture”. The central issue was that

largely the import of commodities has been interrupted because of the outbreak of war in Europe and because of this Japan is encountering a serious shortage of iron and steel. I believe that the timing is right for the third expansion this fall but, in order to put on a more solid footing the independence of our industry, a policy for long term self-sufficiency in iron and steel must be tried.<sup>256</sup>

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<sup>253</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 176.

<sup>254</sup> *Ibid.*, 176-77.

<sup>255</sup> *Ibid.*, 177.

<sup>256</sup> Quoted in *Ibid.*, 178-79.

Concurrent with these developments, Imaizumi formally expressed his views in his “Opinion Regarding the Third Expansion of Yawata”, wherein he again emphasised the need for co-operation between the government and private sector:

1. As much as possible, large quantities of pig iron should be produced by Yawata.
2. One part of this pig iron should be offered to the private sector and the remaining part should be made into steel ingots.
3. One part of these ingots should be offered to the private sector and the remaining part should be further made into steel slabs
4. As the raw material for private sector steel manufacturers, this steel slab should be offered and only in the case of having excess capacity, in the case of Yawata as well, steel materials should be made. However, even in this case, competition with private sector steel manufacturers should be avoided. “Yawata should stop the manufacture of private sector goods such as material for military use, large sized products, rails, and heavy metal sheets and other items.”<sup>257</sup>

The series of recommendations continued, this time submitted directly to the legislatures shortly before the vote on the construction budget for Yawata’s expansion, with the Lower House receiving one proposal and one petition, and the Upper House one proposal. Both Lower Chamber submissions advocated the expansion of Yawata, however Kawasaki Suketarō, a businessman from Osaka and one of the authors of this petition, outlined that private capital should be poured into Yawata Works and that management should be re-forged to include the private sector. The petition submitted by Nakano Buei, the president of the Tokyo Chamber of Commerce and founding chairman of Tōyō Iron Works, advanced the view that “the government’s Yawata works should make steel materials for the private sector sites,

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<sup>257</sup> Quoted in *Ibid.*, 177.

semiprocessed goods and intermediate products for the private sector.”<sup>258</sup> As for the Upper House proposal, it was urged that an investigation committee be established to consider the adjustment of the supply and demand between government and private sector. In February of 1916, the construction budget of the third expansion plan was presented to the 37<sup>th</sup> session at the estimated cost of ¥34,515,450. To the dismay of the private sector, their attempts to alter it had failed and it was, without revision, passed through the Diet.

In May of 1916 the government formed the Investigation Committee of the Iron and Steel Industry, which was comprised of 20 members. Among them were executives from Yawata, including two former directors, and from Ōkura, Sumitomo and Mitsubishi *zaibatsu*, an army major general, the inspector general of the naval shipyard, and the director of Kamaishi Seitetsujo.<sup>259</sup> This was the first time that, as participants in such an investigative committee, heads of private sector steel companies were present.<sup>260</sup> In addressing the committee, the Minister of Agriculture and Commerce referred to the following four areas of concern: 1) the investigation into the location of raw materials and its supply for domestic use; 2) the investigation into the kinds of products from pig iron and steel that would be best for Japan; 3) the co-operation of private and government producers; 4) the necessity for the development of

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<sup>258</sup> *Ibid.*, 179.

<sup>259</sup> *Ibid.*, 180.

<sup>260</sup> *Ibid.*

the industry.<sup>261</sup> Following the creation of this committee, two other subcommittees – for Investigation into Matters Dealing with the Establishment of Standards and Criteria, and, for Investigation into the Present and Future Demand for Iron and Steel Products, were established. Towards the end of 1916 the joint results of the deliberations were submitted to the Minister of Agriculture and Commerce in the Report of the Investigation Committee on the Iron and Steel Industry.

As the report is too long to be cited in full here, only the main points will be considered.

With reference to the first issue of iron ore supply, the study suggested a wide range of options that might be examined including such possibilities as the use of low grade iron ore, supply locations farther afield such as in Australia and the South Pacific, and special government assistance. What this underscores was the severity of the lack of domestic iron ore, the implied vulnerability of Japan, and the necessity for the acquisition of adequate and secure supplies.

Under point number two, on the kinds of products, future demand figures were calculated for pig iron and steel materials and figures for projected volumes of pig iron and steel materials production. The expected demand for and production volumes of pig iron and steel materials were as follows:

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<sup>261</sup> *Ibid.*

Table 2.1 Estimated Pig Iron Demand and Production Volumes

Year	Estimated Pig Iron Demand (metric tons)	Estimated Pig Iron Production (metric tons)
1916	—	726,000
1917	—	809,900
1918	360,900	1,351,500
1919	—	1,351,500
1920	430,000	—
1922	—	1,421,500
1924	533,800	—
1925	617,500	—
1928	743,000	—

Source: Tsūshō Sangyōshō, *Shōkō Seisakushi: Tekkōgyō* (Dai 17 kan) (pp.182-184)

Note: Estimates for pig iron demand do not differentiate between demand from domestic steel producers and otherwise.

Table 2.2 Estimated Steel Materials Demand and Production Volumes

Year	Estimated Steel Materials Demand (metric tons)	Estimated Steel Materials Production (metric tons)
1916	—	619,600
1917	—	746,000
1918	1,113,000	825,000
1919	—	950,000
1920	1,295,000	—
1922	—	1,270,000
1923	1,568,000	—
1925	1,786,000	—
1928	2,112,000	—

Source: Tsūshō Sangyōshō, *Shōkō Seisakushi: Tekkōgyō* (Dai 17 kan) (pp.182-184)

Hence, it was projected by the committee that in the ensuing years there would be an excess of pig iron production while there would be insufficiency in the case of steel materials.

With regards to the third point of consultation, the co-operation between government and the private sector, only one sentence of this relatively lengthy report is devoted to this issue, the thrust of which is that through co-operation mutual competition could be avoided, thus fostering development. The cursory manner in which this key issue for the private sector was handled is

difficult to interpret, particularly in the light of the composition of the committee. Were only government members to have sat, then one might argue indifference. Had it been adequately considered and co-operation was not considered appropriate then one would anticipate a response reflecting the argument and time taken in discussion. However, neither of these cases apply. Given the private sector's interest in closer cooperation with Yawata, it can be assumed, that this insouciance is likely to have rankled with the private sector. The fourth point of the report, and the one perhaps most important in terms of its contents, addressed the necessity of encouraging the development of the iron and steel manufacturing industry. As we will see later, debate over the promotion of the industry revolves around a few key issues, one of which was the capacity of the sites. The government position advocated the subsidization of sites whose annual production capacity of iron or steel was 35,000 tons or more, while the private sector sought a much lower level. We see here for the first time specific reference to this level. The report stated as follows:

- 1) There should be a means for expropriating and making use of land for the expansion of sites of iron and steel mills with a production capacity of pig iron above 35,000 tons (with pig iron manufacturing as the base, the steel industry can be included.)
- 2) Long term loans or special sales of government forests<sup>262</sup> should be permitted where it is necessary for the iron and steel sites.
- 3) Iron and steel mills that have a production capacity of above 35,000 tons in pig iron and steel should be exempted from business tax, income tax, urban prefecture and prefecture tax, and city, town and village tax from the year after the opening of the site for a period of 10 years.

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<sup>262</sup> This provision may have been provided as wood was necessary to make charcoal which was used as fuel in the industry.

- 4) The government should encourage the production of low phosphor pig iron
- 5) Import tax should be levied for iron and steel produced in Korea
- 6) The government should as much as possible protect products of iron and steel mills that are managed by Japanese in China.
- 7) Take part of the profits from government operated steel mills and use it for research into pig iron and steel manufacturing.
- 8) As much as possible help in the training of workers and technicians who work for government operated steel mills.<sup>263</sup>

Seiichiro Yonekura observes that points 4, 5 and 6 “were insisted on by Mitsubishi, Okura, and the South Manchuria Railway Company, since they were establishing works in Korea and China that would produce over 35 000 tons of low phosphorous pig iron. Okura’s joint venture, Ben Xi Hua Coal and Iron Company, which had low phosphorous iron ore, was particularly interested in seeking governmental promotion.”<sup>264</sup> This raises the difficulty of assessing behind-the-scene influence exerted by *zaibatsu* and other large business interests in general and in particular the rationale for the barrier recommended in point number three.

In protest at the recommendations of the Investigation Committee of the Iron and Steel Industry, Shiraishi Motojirō, the director of Nihon Kōkansha (Japan Steel-Tube, Inc. or NKK), in May 1916 launched a complaint to the Japan Industry Club. In particular his objections arose from the proposed 35,000 ton tax exemption barrier which excluded the NKK and many other

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<sup>263</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 187.

<sup>264</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 84. Evidence is not provided to substantiate this claim.

companies.<sup>265</sup> He advocated policies that would strengthen the industry as a whole.

- 1) without distinction to pig iron and steel, also without distinction to present or future, all iron and steel companies should be exempted from tax for more than 25 years.
- 2) tax exemption on the import of machines and tools
- 3) 10 years of financial support (government)
- 4) the pig iron of government managed pig iron manufacturing sites, in large quantities, be sold to private steel companies; furthermore, in anticipation of the end of the War and the consequent influx of foreign products there should be implemented a prohibitive import tax on steel and iron.<sup>266</sup>

The following month the Japan Industry Club submitted to the government its position in

‘Report on the Opinion regarding the Future Protection of Our Iron and Steel Industry’.

## **2. The Position of the Japan Industry Club**

At the outset of the report, Dan Takuma, chairman of the Japan Industry Club, emphasised the multitude of new companies that had sprung up since the start of the War and the need to establish a steel producing base in Japan that would provide the long term aim of achieving self-sufficiency. The hope was that through the implementation of the recommendations the country would be placed on the path to achieving self-sufficiency in pig iron, and through financial assistance for iron and steel the goal of steel self-sufficiency would be realised. With this in mind, the report outlined the following six points:

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<sup>265</sup> *Ibid.*

<sup>266</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 100.



- 1) Measures should be implemented for steel making sites that have annual production capacity above 35000 tons pig iron to acquire additional land for the expansion of the site.
- 2) Pig iron manufacturing sites of a capacity of annually more than 3000 tons and, sites of steel manufacturing capacity of more than 10,000 tons should be eligible for exemption from the year after opening for 25 years from business tax, income tax, urban prefecture and prefecture tax, and city, town and village tax.
- 3) With regards to steel manufacturing sites that produce iron as well as steel parts for various essential machines, they should be exempt from import tax for 10 years from the day of promulgation of the law.
- 4) Steel production sites that produce pig iron of an annual capacity above 3000 tons as well as steel manufacturing of an annual capacity greater than 10,000 tons should be granted suitable financial assistance for a period of 10 years with regards to their steel and iron.
- 5) With regards to special pig iron in particular those sites that are just starting should be given encouragement by the government.
- 6) Government steel manufacturing site(s) should as much as possible sell off to private steel manufacturers their produce of pig iron and steel ingots.<sup>267</sup>

In contrast to the recommendations of the Investigation Committee of the Iron and Steel Industry, what is perhaps most striking is the intention here to create concrete measures to develop the iron and steel industry as a whole. With the production capacity barrier set at 3000 tons for pig iron and 10,000 tons for steel, a far larger number of sites would qualify for support than if the standards laid down by the Investigation Committee were implemented. As seen previously, given Bakamatsu levels of iron production, an annual production capacity of 3000 tons or approximately 8 tons per day, was arguably a sufficiently low enough barrier to include all but the smallest of sites.

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<sup>267</sup> Nihon Kōgyō Kurabu, "Honpō Seitetsu Jigyō Hogo Shōrei Ni Kan Suru Ikensho," (Tokyo: Located at Nihon Kōgyō Kurabu, Tokyo, 1917), 1-3.

An examination of the process of government and private sector position formulation not only draws out the issues but also provides an insight into the attitudes towards the problems. It was acknowledged by both sides that measures were needed to promote the development of the industry. Though there were differences in the recommendations, what stands out in particular was the glaring omission of concrete proposals for private-government cooperative management and the gap between the tonnage levels. It should be added that though the processes of position formulation for government and business were concomitant and were, in principle, separate, businessmen did sit on the government investigative committee. However, given the thrust of the committee's report and the difference from the private sector position, it is arguable that it was still a separate process. It is clear that government was not interested in combining private sector interests with its own iron and steel making enterprises. Encouragement for the industry meant to the government large, well-established sites, while the Japan Industry Club, representing the industry as a whole, sought to promote equally all producers almost regardless of size. As we shall see, these observations reappeared in the Lower and Upper House debates where their eventual resolution was found.

Thus, though the formal institutions through which business was to make its case were in the two Houses of the Diet, the process whereby business and government established their positions and let it then be known to others occurred outside these institutions, and was

concurrent to the initial Lower House committee meetings. These committee meetings were councils of deliberation or *shingikai* whose members were appointed by government. In the case of the Lower House council meetings, its members were drawn from this House, as well as from academe, business, the bureaucracy and politicians, some of whom held cabinet positions. The composition of the Upper House council meetings was similar to that of the Lower House except that representatives from the bicameral Diet were from the Upper House.<sup>268</sup> By looking at the debates themselves, the way the issues were resolved can be seen and the importance which the interlocutors attached to their contending positions will be drawn out. As the discussions progressed over a period of 18 months, they moved from general inquiry into more focused and increasingly heated debates. The list of committee meetings is provided below.

Table 2.3 Committee Meetings

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
January 22 to February 24, 1916	Record of the Committee of the 37 <sup>th</sup> to 38 <sup>th</sup> Imperial Diet House of Representatives - Proposal Concerning the Promotion and Future of the Iron and Steel Industry
June 29 to 9 July, 1917	Record of the Committee of the 39 <sup>th</sup> Imperial Diet House of Representatives Proposal Concerning the Iron and Steel Industry Promotion Law
July 11 <sup>269</sup> to 12 July, 1917	Record of the Special Committee of the 39 <sup>th</sup> Imperial Diet House of Peers Proposal Concerning the Iron and Steel Industry Promotion Law

<sup>268</sup>It is uncertain what powers the *shingikai* of the Taishō period were given. In the post-war period the *shingikai*, in the main, do not have the power to make decisions but only to recommend. For further details see Schwartz, *Advice and Consent: The Politics of Consultation in Japan*. or Ogita Tamotsu, "Shingikai No Jittai," 93.

<sup>269</sup> The committee meeting is recorded as having occurred on 12 July, however comments by committee members indicate that meetings did occur on the previous day.

July 13,  
1917

Record of the Committee of the 39<sup>th</sup> Imperial Diet House of Peers Joint House Committee on the Proposed Law for the Future of the Iron and Steel Industry

### 3. The Lower House Debates

#### 3.1 Committee on the Proposal Concerning the Promotion and Future of the Iron and Steel Industry

The Committee on the Proposal Concerning the Promotion and Future of the Iron and Steel Industry sat as the 37<sup>th</sup> Diet debated the plan and budget for Yawata's expansion, and the *Rengō Danwa Kai* formed the *Tetsuzai Jikyū Tōron Kai* mentioned above. The first meeting of this Lower House committee was on 22 January 1916 and it was convened in total five times, with the final sitting on 24 February. Though reference is made to the issue of Yawata's expansion, the majority of the discussions of the Committee revolved around a limited number of issues that were also concurrently raised in the *Tōron Kai* and later addressed in Imaizumi Kaichirō's report.

The questions of whether Japan could find domestically sufficient raw material for the production of pig iron, and if not, from where it would be secured, were debated throughout the five sittings of the committee. Yoshikawa Yūsuke, a government committee member, explained that the largest amount of iron ore consumed was from the Ta Yeh Mine in Manchuria and the

next largest from Korea, adding that the amount from Japanese sites was minimal.<sup>270</sup> The Minister of Agriculture and Commerce, Kōno Hironaka, stated that there was no plan to make Japan independent with regards to steel, thereby acknowledging the lack of domestic sources and government intent to pursue the plan of foreign procurement.<sup>271</sup> It was generally recognised that Japan had limited sources of iron ore and that reliance on foreign supplies was critical for the expansion of the industry.

At the outset of the first meeting, on the 22<sup>nd</sup> of January, Katō Kotarō, a member of the Lower House and president of numerous companies, immediately raised several critical issues including the scarcity of iron as well as the problem of supply. Kōno Hironaka explained that it was of prime concern to ensure that the raw material needed for the construction of steel at the government run sites be sufficient, perhaps thereby, inadvertently or otherwise, from the outset confirming fears among the private sector over the government's priority concern.<sup>272</sup> At the start of the final sitting of the committee, the Minister reiterated that the fundamental problem with providing assistance for the private sector was attributable to an insufficient amount of raw material for the industry, which, despite whatever assistance might be extended, would not allow for the expansion of the private sector. He added that, hypothetically, were this problem

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<sup>270</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsu Jigyō Sokushin Oyobi Shōrei Ni Kan Suru Kengyōan Iinkai Giroku (Hikki) Dai Ichi~Go Kai, Dai 37 Kai Teikoku Gikai (1916)*, vol. 11, *Teikoku Gikai Shūgiin Iinkai Giroku - Dai 37 Kai (4)~38 Kai Gikai (1915~1917)* (Kyoto: Rinsen Shoten, 1981), 265.

<sup>271</sup> *Ibid.*, 254.

<sup>272</sup> *Ibid.*, 248.

to be overcome, then he felt expansion could be achieved. In short, the government did little to help assuage private sector fears that measures would be taken to ensure adequate supply for all but the largest sites. The 'steel famine' in general and the fears among of the private sector fuelled by the anticipated increase in demand as a result of Yawata's proposed enlargement, raised the stakes in finding secure sources of supply, preferably domestically, but, if not, then from abroad.

A similarly negative stance was also taken by government with regards to the proposal for government and private sector cooperative management of steel mills. A considerable gap existed between the two positions over the feasibility of implementing this idea. Nishimura Tanjirō, a member of the Lower House, apparently having sat on a number of different though related committees, observed that from the perspective of the government the Japanese industry was still in an early stage of development.<sup>273</sup> However, from the point of view of the private sector businessmen, the industry had already reached a more advanced level. Their argument was that as the private sector was functioning independent of government support, then by definition it was competitive.<sup>274</sup> Moreover, continuing to explain the businessmen's perspective, Nishimura added that if only the government would "slightly open the doors"<sup>275</sup> then the industry would develop more rapidly. Though he did not elaborate on what he meant by the

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<sup>273</sup> *Ibid.*, 265.

<sup>274</sup> *Ibid.*

<sup>275</sup> *Ibid.*

term “doors”, presumably he was referring to either an adjustment in import tariffs to facilitate growth or a little assistance in general. He went on to urge that in order to address the difference between the two sides, they should meet and work out a mutual understanding, underscoring the point that research on the industry must be done together and in a formalised manner.<sup>276</sup>

Nishimura’s observations were echoed in the explanation by Machida Chūji, a government committee member who later held a number of ministerial positions, on the non-feasibility of government and private sector cooperative management. Reflecting a greater depth of knowledge of the industry than seen among most other participants, he explained that the projected cost of the third expansion of Yawata was 35,000,000 yen, and that it was estimated to take 40 years to complete. The payment scheme was a long term one, and the burden, even if it were shared by government, would be too great for the private sector. He tried to give some consolation by adding that once this expansion had been completed, the proposal for cooperative management could be considered.<sup>277</sup>

Regardless of this offer, there is an underlying sense of fatalism in the discussion over cooperative management. Though the budget for the expansion had not yet been approved, reading the words of Machida one has the sense that there was little chance, certainly at this late stage, of modifying Yawata’s submission to include private sector wishes. Moreover, far from

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<sup>276</sup> *Ibid.*

<sup>277</sup> *Ibid.*, 262.

being a debate between competing sectoral interests, the overwhelming tenor of the five sittings of this committee was one of tame inquiry and exploration of issues. Perhaps because this was the first ever Committee meeting on the steel industry, arguments were restrained, but there was also a general lack of knowledge among many of the participants, certainly among those whose comments have been recorded. In one instance when discussing the quantity of iron ore output in Manchuria, not having firm figures at hand, the discussion proceeded on the basis of rumours.<sup>278</sup> The Minister of Agriculture and Commerce was asked whether he had made contact with representatives of the relevant department handling Manchuria, to which he claimed he had not spoken with them.<sup>279</sup> Moriya Koresuke, an elderly committee member who held a variety of positions in the iron and steel industry as well as having been re-elected to the Lower House 8 times between 1906 and 1919, summed up the situation by mentioning that when he had studied at school the academic curriculum had not included matters relating to steel production and now Japan was a producer of iron and steel; in other words, the pace of the development of the iron and steel industry was so fast that it was difficult to keep abreast of the change and have sufficient understanding of the technology used in making steel to make the judgements required by the *shingikai*.<sup>280</sup>

The last of the major issues discussed in the first series of committee meetings was

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<sup>278</sup> *Ibid.*, 264.

<sup>279</sup> *Ibid.*

<sup>280</sup> *Ibid.*



tariff reduction. The basic line of argument by the private sector was that the rate of protection was too high, thus unduly hindering the entry of iron ore into the country. Instead of being an aid by keeping out cheap foreign produce and in turn encouraging domestic production, it was exacerbating the problem of the lack of iron ore. As the businessman Nishimura summarised it: it was an extreme position to say that tariffs did not have any effect on the domestic market, as had been argued by some other committee members.<sup>281</sup> The Minister of Agriculture and Commerce followed by stating that he was receptive to the reduction or elimination of tariffs as voiced by the industrialists, however he maintained that the fundamental obstacle was the lack of raw material.<sup>282</sup> Dr. Kobayashi Ushisaburō<sup>283</sup>, the chairman, continued in the same vein by reiterating that the main problem was of raw material. He felt that inevitably Japan would have to continue relying to some degree on an external supply, but he pointed out that this was also not a unique situation, as in England and Germany one third to one quarter of the supply was found from without the country.<sup>284</sup> He added that there should also be no worry about the reliance on the import of iron ore given appropriate contracts with suppliers in China and Manchuria.<sup>285</sup> He concluded by stating that regardless of whatever solution was found and from

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<sup>281</sup> *Ibid.*, 273.

<sup>282</sup> *Ibid.*

<sup>283</sup> Ushijirō has written in English on various aspects of Japan's military including *Military Industries of Japan, War and Armament Loans of Japan and War and Armament Taxes of Japan*.

<sup>284</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsu Jigyō Sokushin Oyobi Shōrei Ni Kan Suru Kengyōan Iinkai Giroku (Hikki) Dai Ichi-Go Kai, Dai 37 Kai Teikoku Gikai (1916)*, 273.

<sup>285</sup> *Ibid.*

wherever the material was imported, it would be better that there be no tariff.<sup>286</sup> Essentially, committee members were sounding their opinions but without the appropriate research only tentative conclusions could be reached.

This tentative exploratory nature can perhaps more clearly be seen in the case of Machida, the government nominee, who started off by stating that if tariffs did have a major effect then this should be investigated. He pointed out that the rate had already been reduced once and wondered whether it would be beneficial to do so a second time. He then expounded on a number of possible scenarios, admitting at each step that he did not have any answers.<sup>287</sup> The upshot was that the question of whether reduction or elimination of tariffs would be beneficial to the private sector was left open to debate, and further investigation required.

Thus, the first of the Lower House committee meetings is perhaps best characterised as exploratory. Both private sector and government were still in the process of establishing their positions, though attitudes to some of the fundamental issues could already be seen. To the entrepreneurs concerned over the supply of iron ore, this series of meetings gave sufficient grounds to feel uneasy about what specific measures government might advocate in the coming months.

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<sup>286</sup> *Ibid.*

<sup>287</sup> *Ibid.*, 273-74.

### 3.2 Committee for the Proposed Iron and Steel Promotion Law

With the submission of the government-formed *Seitetsugyō Chōsakai* at the end of 1916 and the Japan Industry Club's report on 10 June, the five sittings between 29 June and 9 July 1917 of the Committee for the Proposed Iron and Steel Promotion Law reveal a greater depth of knowledge than previously seen. Whereas the previous committee meeting was exploratory, this one is differentiated by a draft of the Law having been submitted to this Committee. In turn, we find that the debates were more focused and linked with the articles of the proposal.

At the outset of the first of the series of discussions of this committee, the Minister of Agriculture and Commerce, Nakakōji Ren<sup>288</sup> set the tone for the position of government on the proposed measures for the encouragement of the iron and steel industry. He stated that since the beginning of the 'steel famine', considerable debate had been devoted to the issue of the demand for steel. Here, he emphasised, the focus would be on the emergency measures needed to address this situation. As a first step, he pointed out, the third expansion of Yawata had already been approved, and given the current dire straits, all efforts should be directed at

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<sup>288</sup> Note that in the records of these committee sittings, he is identified as both Minister of Agriculture and Commerce (Nōshōmu Daijin) and Minister of State (Kokumu Daijin).

benefiting the country, even if in the process, private sector welfare was sacrificed.<sup>289</sup> In order for this to be achieved, he continued, it was critical that a steady development of the industry be maintained. To this end, he outlined that iron and steel mills (*seitetsujo*) having a production capacity above 35,000 tons per annum should be given encouragement in order to achieve a solid base for steel manufacturing. If, in the pursuit of expansion, additional land was required, measures had been included for the necessary expropriation. Firms would be exempted from income, business and local taxes, and tax levied on the import of equipment would be waived. In conclusion, he urged that given the circumstances these proposed measures be debated and passed into law as soon as possible.<sup>290</sup> Thus, the position of government was clear from the outset: the aim of the Law was not to create a protective umbrella for the industry as a whole, fostering the development of sites regardless of size or need, but rather, in the words of the Minister, to promote the expansion of the largest mills for the national cause.

As for how national benefit was defined, Inoue Kakugorō, a prominent businessman and member of the Lower House<sup>291</sup>, posed the question of whether the development of sites

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<sup>289</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi~Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, vol. 13, *Teikoku Gikai Shūgiin Iinkai Kaigiroku - Dai 39 Kai Gikai (2) (1917)* (Kyoto: Rinsen Shoten, 1981), 289. During the third sitting of the committee, Nakakōji offered encouragement to the private sector that if the current high demand for steel carried on, then both small and large sites would continue to grow. Nonetheless, the position of government remained clearly in favour of promoting large scale mills. Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi~Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, 301.

<sup>290</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi~Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, 289.

<sup>291</sup> He was director of Japan Gas Company, director of Japan Steel Foundry, president of Kyoto Electric Railway Company and president Hokkaido Coal & Steamship Company in 1910. He was vice-president

below the 35,000 ton limit would not also be of benefit to the country. He offered the scenario of instituting measures to create greater unity among producers and the systematic harnessing of the production capacity of the smaller sites, suggesting that this too would achieve the goals of the Minister.<sup>292</sup> In response the Minister observed that it was not only a matter of co-ordinating the smaller sites but also one of raw material. He feared there would not be enough for the various sites, not to mention the inadequacy of their facilities and transportation.<sup>293</sup>

Closer to the nub of what irritated the private sector were the reasons for the governmental position of 35,000 tons. As Kawasaki Saishirō, a government committee member, admitted, there had been no investigations conducted as to the failure rate of small scale manufacturers, which undermined the arguments suggesting that they were an investment risk.<sup>294</sup> Usawa Uhachi, a member of the Lower House, then pointed out that given this situation, the rationale for this high bench mark seemed rather weak.<sup>295</sup> Throughout the series of committee meetings, a number of explanations were posited in support of the favour afforded to the larger sites, one of which was managerial efficiency.<sup>296</sup> However, in terms of the rationale for this numerical value, it rested purely on research showing that sites that had an output of less

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of the Tokyo Chamber of Commerce between 1890-1915 and a member of the Lower House. He was also known for sarcastic wit during diet sessions.

<sup>292</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi~Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, 298-99.

<sup>293</sup> *Ibid.*, 299.

<sup>294</sup> *Ibid.*, 317.

<sup>295</sup> *Ibid.*

<sup>296</sup> *Ibid.*

than 100 tons per day were inefficient, a standard that had been accepted in other countries.<sup>297</sup>

Again, how efficiency was defined was not explained. Though not certain of the numbers, Kawasaki guessed that approximately 167 sites would fall under the 35,000 ton limit and not be eligible for the support offered by the proposed Law.<sup>298</sup> There is a clear feeling among members of the committee that were the law to be passed as submitted by the Minister the future of many smaller sites would be uncertain, and indeed they speculated on their failure.<sup>299</sup>

In the final stage of the fifth meeting on 9 July, the proposed Law was brought to a vote. Nakakōji, in a final effort to persuade members of the necessity of accepting the barrier of 35,000 tons, tried to rally support for the government position on the argument of national welfare.<sup>300</sup> Two other positions were advanced, one calling for a reduction of the limit to 3,500 tons and the second to 1,500 tons. Voting details are not provided but the outcome was in favour of the 3,500 ton position.<sup>301</sup> With this vote the Lower House debates drew to a close. In contrast to the first series of meetings, participants had gone beyond exploration and begun a serious debate on the proposed measures. Nakakōji, representing the government, had from his entrenched position strongly urged members to rally around his call for the national interest.

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<sup>297</sup> *Ibid.*, 292.; Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi-Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, 296-98.

<sup>298</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōrei Hōan Iinkai Giroku (Sokki) Dai Ichi-Go Kai, Dai 39 Kai Teikoku Gikai (1917)*, 290.

<sup>299</sup> *Ibid.*

<sup>300</sup> *Ibid.*, 324-25.

<sup>301</sup> *Ibid.*, 325.

However, the vote was a clear sign of private sector sentiment.

#### 4. The Upper House Debates

##### 4.1 Special Committee on the Proposed Iron and Steel Industry Law

Following shortly on the heels of the last Lower House committee meeting on 9 July, the first of the final two committees, the Special Committee on the Proposed Iron and Steel Industry Law of the Upper House sat on 11 and 12 July 1917. On the first day, the proposed Law was submitted, and then certain parts of the Law were revised which, according to the records, was done by the committee and submitted the following morning. As the records reflect, debate did not commence until the afternoon of 12 July. There were a number of proposed changes made to the 11 July submission which directly affected the smaller sites and have been the focus of our examination thus far, namely the 35,000 ton – 3,500 ton capacity issue. The pertinent revised articles of the law are presented here:

##### The Proposed Iron and Steel Promotion Law

Article II – With regards to steel enterprises with facilities that have the steel capacity and pig iron capacity of 3,500 (35,000)<sup>302</sup> tons per annum, they are exempt for a 10 year period from

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<sup>302</sup> In the record, written in vertical format, there is a line to the left of the figure 3,500 and to the right the revised 35,000 inserted. The first figure is the amount that was proposed by the Lower House and the second figure is the amount that was proposed by the Upper House (Teikoku Gikai Kizokuin Inukai, ed., *Seitetsugyō Shōrei Hōan Tokubetsu Inukai - 1917*, vol. 7, *Teikoku Gikai Kizokuin Inukai Kaigiroku - Dai*

additional business tax assigned to the enterprise and the income tax that is levied against the income arising from the business . The extent of the steel enterprise that should receive the exemption from income tax and business tax is determined by Imperial Edict.

Article III –In the event of the expansion of facilities of sites restricted to one location, that have both an iron and steel production capacity above 3,500 (35,000)<sup>303</sup> in the year of increase and starting from the following year for the next 10 years the measures outlined in Article II apply.<sup>304</sup>

Shortly into the meeting of the Committee in the afternoon of 12 July, the Minister of Agriculture and Commerce, Nakakōji Ren, again explained at considerable length the government position. As we have seen before, he argued that given the current dearth of steel in Japan, an appropriate policy must be implemented. To that end, he explicitly stated the need for a law that would target sites of 35,000 tons capacity or a daily rate of 100 tons, the rationale being that directing the country's resources, financial and otherwise, to such sites would maximise the output of iron and steel in the name of national interest. Kamata Katsutarō, president of Kamata Industrial Company and director of various other companies, challenged him by stating that the Minister's reasons were insufficient, and that "the aim of the proposal was to protect large sites".<sup>305</sup> The Minister defended himself with the argument that the prime issue was not what was best for the private sector but what was best for the country, and by

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38~39 *Kai Gikai (1916~1917)* (Kyoto: Rinsen Shoten, 1981), 475.)

<sup>303</sup> *Ibid.*

<sup>304</sup> *Ibid.*

<sup>305</sup> Teikoku Gikai Kizokuin Iinkai, ed., *Seitetsugyō Shōrei Hōan Tokubetsu Iinkai Giji Sokkiroku Dai Ichi Gō - 1917 Dai 39 Kai Gikai*, vol. 6, *Teikoku Gikai Kizokuin Iinkai Giji Sokkiroku - Dai 39 Kai Gikai (1917)* (Kyoto: Rinsen Shoten, 1981), 589.



reducing the limit to the lower level, there was a possibility of jeopardising the success of the large sites.<sup>306</sup>

#### 4.2 Joint House Committee on the Proposed Law for the Future of the Iron and Steel Industry

In contrast to the previous committees, the Joint House Committee on the Proposed Law for the Future of the Iron and Steel Industry sat on 13 July 1917 and was composed of members from both houses. The range of topics discussed was limited, and with regards to the issue of tonnage, the exchanges do not reveal greater insights into the rationale for the government or the private sector positions. What is to be highlighted, though, is the tone of the discussions. This was the final day of meetings on the issue and it was, presumably, understood that were no compromise position reached during the talks, a deciding vote would be necessary. The meeting commenced with Motoda Hajime, the Lower House Speaker, stating his preference for the reduced tonnage position, followed by Viscount Inoue Tadashirō, the Deputy Speaker of the Upper House, defending the government stance on the grounds that the fastest path to redressing the iron and steel dearth was through the larger sites. Motoda made it clear that if the object of the law was to encourage the existence of large volume producers, then quite naturally

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<sup>306</sup> *Ibid.*

the smaller ones would gradually disappear.<sup>307</sup> The exchange between the Speakers continued in this vein until Suzuki Umeshirō of the Lower House entered the discussion, challenging the government on the rationale for its figure of 35,000 tons. Inoue answered, but not to the satisfaction of Suzuki, and he continued to press the issue. Tension mounted and finally Suzuki, perhaps by way of veiled threat, pointed out the result if a compromise position was not found:

this problem of 35,000 tons is the most important problem of all, however, unfortunately, if the Lower House and the Upper House do not reach an agreement, then the proposed Law will collapse.<sup>308</sup>

Ichiki Kitokurō, a professor of Tokyo Imperial University, former government minister and later member of the Upper House, stepped in with a more conciliatory tone, emphasising that the aim of this committee was to achieve an understanding:

of course this Joint House committee will work to find an agreement. Since the outset of this committee the wish for this has been shared by all members of the Upper House and all members the Lower House.<sup>309</sup>

The discussion proceeded without apparent compromise any closer, eventually leading to an agreement to create a subcommittee which would sit and continue the discussions. At 2:17 p.m., Matsuoka Yasutake, former Minister of Agriculture and Commerce in 1906, on behalf of the Upper House selected three members, while Motoda chose three from the Lower House. With

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<sup>307</sup> *Ibid.*, 446.

<sup>308</sup> *Ibid.*, 448.

<sup>309</sup> *Ibid.*, 449.

the committee reduced from 20 to 8 appointees, the discussions proceeded for about three hours.

The records do not contain the contents of these talks. At 5:12 p.m. the full committee resumed,

and the results of the closed talks were disclosed. Motoda announced that the compromise

position of Article number II was 5,250 tons, reduced from 35,000 tons; the 3,500 tons specified

in Article III had been modified to 5,250 tons.<sup>310</sup> A number of interlocutors, including Nakakōji,

not formally a member of the committee, expressed their satisfaction with the results and the

proposed Law was passed by a vote.<sup>311</sup>

#### **5. Why 5250 tons and to whose benefit?**

On initial consideration, it would seem that, though the agreed figure was not 3000 tons as sought by the Lower House members, 5250 tons was quite close and it follows that the private sector had reason to be pleased with the outcome. Certainly those firms whose annual capacity was equivalent to or exceeded the compromise tonnage would have been happy, but their numbers were relatively few. In 1913 there were 21 iron and steel firms and by 1918 war time expansion had seen an increase to 208 firms. The majority of these newly arisen enterprises had seen the war boom as an opportunity to enter the market, however their viability was in

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<sup>310</sup> *Ibid.*, 450. There were other revisions but these two are germane to our purposes.

<sup>311</sup> *Ibid.*

question were this egregious level of demand to fall, and indeed the post-war economic decline witnessed a serious contraction; of the 208 firms operating in 1918, only 60 remained in 1923. More importantly for our purposes here, of the 187 new firms that sprang up, 166 were under 5000 tons capacity. Thus, in terms of the question of who benefited from the Promotion Law, the vast majority of the firms fell below the cut off line, including a number that were *zaibatsu* owned. So, the question arises, who were the 8 committee members who made the final decision, and did they represent the interests of big business to the exclusion of the remaining private sector firms?

## **6. The Background of Committee Members**

Given the absence of records, ultimately we are not able to go beyond speculation in assessing the rationale for the sub-committee's decision to select 5250 tons as the break-off point. In light of the preponderance of small sites that fell below the 5250 ton mark, perhaps the immediate question that arises is who were the winners and losers. The following table provides the break down of the industry according to market shares in iron and steel in 1918.

Table 2.4: Market Shares in Iron and Steel in 1918 (tons; %)

	Pig Iron Tons/ Annum	%	Crude Steel	Tons/ Annum	%	Finished Steel	Tons/ Annum	%
Yawata	271 578	46.6	Yawata	444 735	54.7	Yawata	306 419	56.8
Kamaishi	67 946	11.7	Kamaishi	21 881	2.7	Kamaishi	17 414	3.2
Wanishi	82 866	14.2	NKK <sup>312</sup>	69 689	8.6	NKK	49 788	9.2
Sites using charcoal <sup>313</sup>	34 246	5.9	Nihon Seiko-sho	82 341	10.1	Nihon Seiko-sho	26 763	5.0
Sumidagawa Seitetsujo*	12,550	2.2	Sumitomo Copper	21 778	2.7	Sumitomo Copper	14 968	2.8
Tobata Imono	5,783	1.0	Sumitomo Steel Casting	5 678	0.7	Sumitomo Steel Casting	18 777	3.5
Pig iron Reclamation (scrap)	80,230	16.9	Kobe Steel Works	27 503	3.4	Kobe Steel Works	21 923	4.1
Others	27 559	4.7	Kawasaki Hyogo Steel Works	28 711	3.5	Kawasaki Hyogo Steel Works	22 450	4.2
			Kawasaki Shipbuilding Fukiai Works*	12,912	1.6	Kawasaki Shipbuilding Fukiai Works*	5,939	1.1
			Asano Kokura Steel*	5,831	0.7	Asano Kokura Steel*	12,118	2.2
			Tokyo Kōzai Company*	7,576	0.9	Tokyo Kozai Company*	5,265	1.0
			Nihon Chūkō*	5,346	0.7			
			Osaka Steel*	10,945	1.3	Osaka Steel*	8,030	1.5
			Others	68,293	8.4	Others	29,783	5.5
Total	582 758		Total	813 219		Total	539 637	

Source: *Tsūshō Sangyōshō, Shoko seisaku*, vol. 17 *Tekkogyo* (Tokyo: *Shōkōseisakushi kankokai*, 1970), pp. 199-200.

Note: "\*" were sites formed during World War I.

<sup>312</sup> Also known as Japan Steel-Tube, Inc.

<sup>313</sup> Charcoal (*mokutan*), the carbon remains from wood, has similar burning properties to coal. Charcoal was superseded by coal as the preferred energy source in the production of iron and steel.

Of the 15 private sector production sites listed individually above, six were not affiliated with *zaibatsu* or government ministries: Osaka Steel, Nihon Chūkō, Tokyo Kōzai Company, Sumidagawa Seitetsujo, Tobata Imono, and Kamaishi. The remaining ones were affiliated with *zaibatsu*: NKK, Sumitomo Copper and Sumitomo Steel Casting, Asano Kokura Steel, the two Kawasaki sites and Wanishi. NKK was owned by Imaizumi Kaichirō and Shiraishi Motojirō, however, and Shiraishi was the son-in-law of Asano Soichirō, the founder of Asano *zaibatsu*. Wanishi was owned by the Hokkaido Coal and Shipping Company (HCSC) and in 1913 became affiliated with Mitsui *zaibatsu*. Of the remaining companies that were to receive subsidisation, Kamaishi was owned by Tanaka Chōbei, an entrepreneur, though it was purchased by Mitsui *zaibatsu* after the war, and Nihon Seikō-sho was owned by HCSC and Armstrong and Vickers. Sumitomo Copper, Kobe Steel, Kawasaki Hyogo, and Nihon Seikō-sho “all had strong ties with the Navy and the NRB [National Railway Bureau], developing to supply their special needs.”<sup>314</sup> Though there were a significant number of sites which would receive the benefit of the law that were *zaibatsu* affiliated or had close connections with government, six of the 15 did not. Among the crude steel producers, the non-affiliated held 12% of the market share, when factoring out Yawata’s contribution, and finished steel producers held 13%. Independent pig iron producers held 28% of the total leaving aside Yawata’s contribution. Thus, the market share of non-

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<sup>314</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 65.

affiliated independent producers was low, and much lower if Yawata were included, and if influence in the decision making process is judged in terms of market share, then it stands to reason that the limit should have been higher. When considering that the economic clout of the *zaibatsu*, which figured large in the production of Japan's steel either through direct ownership or otherwise, stemmed from their panoply of holding companies, one imagines that they would have had a considerable say in the tonnage limit. Further, given that the government position was rooted in the argument of efficiency and that such small producers as Tokyo Kōzai Company, Nihon Chūkō and Osaka Steel would benefit from the proposed law, it seems likely that other factors were at play in the tonnage decision beyond big business influence. The selected tonnage figure does not seem, therefore, to have been specifically chosen according to any *zaibatsu* or big business versus small business delineation.

Understanding the background of committee members, in particular the more vocal ones who took leading roles in the discussions, is an important component in the process of evaluating how decisions are reached. It may be contended that the positions they held were a function of the particular interests that oriented their attitudes and views; a simple delineation would have bureaucrats adopt a stance close to the position outlined by the leading government speaker, normally of the ministerial level or higher, at the outset of the committee meeting. Businessmen, on the other hand, would be concerned with seeing their personal financial best

interests realised, while politicians would normally toe the party line.

This delineation is too neat to adequately describe the situation in Japan during the first decades of this century and, indeed, is perhaps the case for almost any developing country.

One of the most striking characteristics of the twenty members who made up this Joint House Committee is that in almost all cases their career paths at some point traversed the boundaries between politics, the civil service or business. It would not be uncommon for a civil servant to rise through the hierarchy and later either move into business and assume a leading role in a company, or follow a political path. Equally, businessmen sought election and, wearing two hats, pursued a political career. These observations are applicable in the case of the sub-committee as well.

Rather than examining the background of the entire cast of the committee, a close look of the makeup of the final 8-member sub-committee may serve to underscore these points and may help us interpret the proceedings of the crucial final stage. The following table provides the background of the sub-committee as of 1917. The completeness of the table is limited by the sources used and, in particular, with regards to the category on business connections, most members had a more extensive network of contacts than shown here. Certainly non-official but close business affiliations, as important as they may have been, do not appear in this table.



Table 2.5: House of Peers Members on the Sub-committee

Name	Primary Occupation	Cabinet Appointment	Business Connection	Academe	Other
Baron Matsuoka Yasutake (1864-1923)	Lawyer	Minister of Agriculture and Commerce 1906-1908		President of Nihon University 1920	Privy Councilor Baron in 1917
Viscount Inoue Tadashirō (1876-1954)	Businessman		President of Anshan Iron and Steel Works and Fushu Colliery	Professor Tokyo Imperial University	
Ichiki Kitokurō (1867-1944)	Bureaucrat/ politician	Minister of various departments including Home Affairs 1915-16 and Education 1914-15		Professor at Tokyo Imperial University 1894	Privy Councilor 1917
Fujita Shirō	Businessman	Director-general of Agriculture and Commerce 1900	Business appointments <sup>315</sup> but not related to the iron and steel industry	Tokyo Imperial University Alma Mater	

Table 2.6 House of Representatives Members on the Sub-committee

Name	Primary Occupation	Cabinet Appointment	Business Connection	Academe	Other
Motoda Hajime (1858-1938)	Political figure	Minister of Communications in 1913-14 and Railways 1920-22		Graduated in 1880 from Kaiseijo	Privy Councilor
Tokonami Takejirō (1867-1935)	Bureaucrat/ politician	Home Minister 1918-22		Graduated from Imperial Tokyo University	Pres. of Imp. Govt. Railways in 1913
Suzuki Umeshirō (1862-			Mitsui Bank and Ōji Paper Manufacturing	Graduated from Keio Gijuku	editor of Jiji Shimpō

<sup>315</sup> President of Nihon Kasai Hoken Kabushiki Kaisha (日本火災保険株式會社社長、insurance company); Director of a sugar company in Taiwan (臺灣製糖株式會社取締役會長); Consultant to a spinning company (絹紡績株式會社の相談役); Director of a Taiwanese company (臺南農林株式會社取締役會長); Auditor of a Taiwanese company (南國産業株式會社監査役).

1940)			Company	1887	
Furuya Hisatsuna (1874- 1919)				Professor at Tokyo Higher Commercial School	Imperial Household Department in 1909

Information extracted from the following reference works: 1) Japan Biographical Encyclopaedia and Who's Who 1964-65; 2) The Who's Who in Japan; 3) The Japan Year Book 1916-1918; 4) Nihon Rekishi Jinbutsu Jiten; 5) Seijika Jinmei Jiten; 6) Asahi Jinbutsu Jiten.

Through the various positions that most of the committee members held, they would have established close connections in the upper circles of government, furthermore, four members had at some point held one or more ministerial positions. The members of this committee were senior figures in their respective fields, and their careers, which commenced in the early formative period after the Meiji Restoration, were varied. In terms of their education, almost half of both the Lower and Upper House members were graduates of the Tokyo Imperial University, most having studied law. Though not necessarily classmates, their early institutional development was a shared one. Moreover, given the zigzagged paths that their careers followed, there would have been few members whose personal views were not to some degree a composite of their rich backgrounds. In this sense, it is perhaps more useful to speak in terms of homogeneity of background. When interests and careers are sufficiently intertwined and overlapping, the distinctions that can be made are less useful in expressing characteristics than their common points.

Specifically, in trying to draw links between membership and the decision of 5250 tons,

two factors are to be considered: 1) who represented the state and 2) who represented big business. We know the sub-committee was numerically equally divided between Upper and Lower Houses. However, it should not be taken as a given that all Upper House members voted for a figure that was in accordance with the government position. One factor that might have influenced Upper House members from not voting in line with the government position was their business connection(s). Viscount Inoue Tadashirō, a high ranking member of Japan's nobility appointed by the emperor, was president of the Anshan Iron and Steel Works. This was part of the South Manchuria Railway Company, a semi-public company whose stocks were largely owned by government, and also the Anshan Works were linked to Yawata through its technological support.<sup>316</sup> Fujita Shirō had numerous connections with business, however none of them were directly linked with the iron and steel industry. Based on business connections, then, neither Inoue nor Fujita had reason to vote against the government position. The other two Upper House members, Baron Matsuoka Yasutake and Ichiki Kitokurō, were both members of the Privy Council, which may give further reason to believe that their vote was in line with the government position. The remaining member with business connections was Suzuki Umeshirō, a member of the House of Representatives. He was linked to Mitsui *zaibatsu* which did have interest in the iron and steel industry through Wanishi. Assuming that all four members of the

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<sup>316</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 72.

House of Peers voted in accordance with government position, were Suzuki, given his connection with Mitsui, to have voted similarly, then regardless of the sentiments of the remaining Lower House members, the government position would have held sway. This does not, however, specifically explain the choice of the figure 5250.

Given their close associations and overlapping backgrounds, one might argue then that the positions in the debates should have been quite close and not as heated as they were.

However, as we have seen, this was not the case. One contributing element is that the composition of the subcommittee was split between the Houses, a determining factor in shaping the argument; two leading voices in the debates were Motoda of the Lower House, who argued for the reduction of the tonnage figure, and Inoue of the Upper House who pushed for the government position. In this sense, the debate was shaped not specifically by the personal interests of the members, though this factor can not be eliminated, but more by which half of the bicameral structure they occupied. The implication of this is that house members sat before the outset of the *shingikai* meetings and established an agreed position which they were bound to during the meetings. Though the findings here suggest that this may have occurred, it is difficult to make this claim. The members from the House of Representatives represented the interests of the steel and iron industry as a whole, which ran counter to the government aim, represented by the House of Peers, of fostering the development of the larger sites.

## **7. Conclusion**

Given the dramatic results of the vote and the peculiar tonnage adopted, it is natural to ask why there was this outcome. In fact, how the compromise figure of 5,250 tons was arrived at remains unanswered. However, what is more critical to mention here is that the result was achieved through a formal procedure. The process of position formulation transpired over the 18 months during which investigations were conducted and committees met. As the positions of government and the private sector became clearer through the proposal of measures and the debates approached the final days, arguments became increasingly heated. For both sides the stakes were high. Government had a vested interest in seeing that national resources be directed to the largest sites, including its own Yawata, while the private sector feared that the small capacity iron and steel mills would disappear without appropriate measures in place. Naturally the adoption of a low capacity tonnage would not jeopardise the larger sites, however government did firmly believe that this was not in the interest of Japan as a whole. Arguably so, many of the smaller sites had only just appeared and their viability, particularly once the egregious demand created by the War disappeared, was questionable. Furthermore, given that the passage of bills required the approval of both the Upper and Lower Houses, pressure was placed on committee members to work out their differences in the relatively favourable setting

offered by a committee rather than risk the proposal becoming ensnared and stalled in House debates, which could potentially mean either collapse or that it would be altered in a way disadvantageous to one of the sides. In this sense, in terms of the steps in the formulation and passage of bills, it was this committee setting where the critical compromise occurred. Once agreed upon, passage through the Houses could be expected largely to be a perfunctory process.

With regards to the specific question of to what degree did business influence the outcome of the Promotion Law, there are at least two ways of judging this; one is an approach based on results and a second focuses on the process. In terms of the first, given that the bulk of the sites were below 5000 tons then one might argue that only a small percentage benefited and therefore the aim of promoting the industry as a whole failed. Strictly speaking this is true. The Industry Club of Japan sought a result that would promote the industry as a whole and through this law help foster the fledgling private sector. That there were under one third of the sites left by 1923 does not necessarily mean that if the law had been more generous a greater number would have survived, as post-war economic contraction was severe.

The second process-based approach draws attention to the fact that the position of the industry was so fervently argued by its representatives that it was only through the 8 member committee that an agreement could be reached. The fervour with which both sides defended their positions suggests that the process was not an orchestrated facade with a predetermined

outcome arranged through informal channels. This is not to say that such means were not exercised, but that even if they were, the arrival at the critical compromise position was achieved in the context of the committee. It is accepted that this position was reached by convening a provisional sub-committee and their debates are not on record, and thus it can be argued that in the final analysis it was 'back-room dealing' that resolved the issue. However, it was only because the outcome had not been concluded elsewhere, and because members tenaciously held to their positions, which they had been granted a right to express and defend through the institutionalisation of the formal committee process, that such a measure was resorted to.

It would be dangerous to push this position too far. A network of elite businessmen and politicians did exist and it would be incredible if informal discussions had not occurred. But, the evidence of the previous pages is sufficient to argue that business did effectively use the formal channel to exercise its influence in arriving at a position that it sought.

### **Chapter 3 : Coping With The Immediate Post-war Economic Chaos 1919-1921**

With the compromise reached between the select members of the Upper and Lower Houses, the Promotion Law of 1917 was to create a new footing for the future of the iron and steel industry. It was intended that this Law would provide the necessary industrial guidance to weather the economic turmoil of the war years and foster the industry's development. As we have seen, the principal benefactors of the final compromise tonnage of 5250 were the large companies and the government owned and operated Yawata Works. Though the larger capacity sites were favoured by the Promotion Law, it was not only this advantage but also the prevailing economic circumstances that characterised the 1920s that led to a further marked bifurcation in the development of the industry, witnessing the expansion of the large sites apace with domestic economic growth and the smaller sites lagging behind with bankruptcies not uncommon.

As with many other countries, the immediate post-war period and through the 1920s was a period of considerable difficulty. Driven by the initiatives of both government and business, a lengthy deliberative process was embarked upon to address the deepening troubles experienced by the iron and steel industry. Commencing with the promulgation of opinions by actors in the industry, not least of which was the Industrial Club of Japan, we see the outline and tenets of the measures deemed necessary to redress the situation. In the ensuing years, between



the implementation of the Promotion Law in 1917 and the conclusion in 1921 of the revisions of the tariff schedule and the Promotion Law, a number of related issues were debated within the framework of the *shingikai* and Lower and Upper House sittings.

The salient feature in these discussions was their overall harmoniousness.<sup>317</sup> The argument has been made that the difference in the tonnage levels and its implication for the protection of small producers divided members at the meetings over the Promotion Law. As we have seen, friction was quite evident, strongly suggesting that business believed that the *shingikai* provided a forum where gains could be had. In contrast to these turbulent debates stand the talks that spanned the period of 1919-1921. This is not to say that there were not differing opinions but rather the issues over which differences were aired were oriented around individuals and not representative groups or private sector versus government. Moreover, discussions were less about staking out and defending one's position, and more about the expression of opinion in the general discourse of exploring different aspects of an issue. In short, there was a marked lack of a divisive issue that ran through the variety of talks that would have cleaved the members into dissenting camps. The importance of this harmoniousness is that, despite the relative uncontentiousness of the debated issues, high ranking government and

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<sup>317</sup> As has been discussed elsewhere, the records of the *shingikai* meetings that occurred during the time period examined in this chapter were summarizations of discussions and, as such, do not avail the reader with as clear a picture of the meetings as seen elsewhere in this thesis. Given this limitation, revisiting these documents may be useful in the future.

prominent business leaders spent hours at a time, spanning in some cases weeks, sitting in the meetings. This suggests that business members believed that something was to be gained by participating in the forum, even if it was only to agree.

Given the length of the discussions and the number of issues handled it is remarkable to find so little contention. It will be posited here that this arose fundamentally for two reasons: 1) the nature of the issues discussed and the level of detail at which they were handled were such that actors, for themselves and for those whom they represented, did not feel that their fundamental interests were threatened by the discussions and 2) as opposed to the buoyancy of the war time economy, the severity of the post-war economy was such that business and government were drawn together to seek solutions for an industry which was recognised as important for the actors and for Japan as a whole. The situation is summed up by Yonekura:

The economic depression that followed the First World War hit the expanding economy severely. The general wholesale price index, which had increased 2.7 times between 1914 and 1920, suddenly declined 20 per cent in 1920, and aggregated capital investment, which had expanded 20 times by 1919, shrank by one quarter by 1924. The impact on the iron and steel industry, which had expanded its capacity during the war, was severe. The government felt compelled to do what it could for the industry, and the industry, for its part, was eager for any possible government aid.<sup>318</sup>

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<sup>318</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 109-10.

## 1. Historical Background

While the armistice brought a conclusion to World War I, the war's economic impact was long lasting, drawing into relief fundamental weaknesses that challenged the viability of, among others, the iron and steel industry not only in Japan but also in more industrially advanced western nations. Post-war economic contraction left few untouched. In March of 1920 commodity prices began to spiral downward and within one year had dropped by approximately 20%.<sup>319</sup> On the 15<sup>th</sup> of March 1920, the Tokyo stock market crashed, followed on April 7<sup>th</sup> by the failure of the Ōsaka Masuda Bill-Broker Bank. This was followed by further dramatic drops in the Tokyo and Osaka stock markets, then repeated in the collapse of all the commodity markets.

Dramatic shifts were likewise experienced by the former belligerents whose industries were forced to shift back production to peacetime needs. This was not simply a matter of returning to antebellum status but learning to deal with a significantly different economic world. In Japan and among Western producing nations, policy makers grappled with the twin problems of the need to protect industry and to address industrial structural problems which was reflected in the “increasingly defensive and protective attitudes of

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<sup>319</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 212.

governments towards their domestic steel industries.... The heightened concern of governments for the health of their national steel industries was a direct result of the importance of steel in the war effort."<sup>320</sup> Trading practices of foreign nations such as dumping were increasingly perceived as something "that could potentially weaken a national steel industry's ability to support a renewed war effort [and] were viewed as a real threat to national security."<sup>321</sup>

Whereas Britain and Germany had long-standing, well-established iron and steel production facilities, comparatively speaking, Japan was new to the industry, albeit rapidly developing. Moreover, much of its recent expansion was achieved "during World War I [which] was in effect a greenhouse, contributing to rapid growth and a closing of the technological gap."<sup>322</sup> Capitalising on the war driven buoyancy, entrepreneurs were attracted by the high demand and in turn handsome profit margin. They invested heavily in capital and relied on sustained favourable conditions to remain operative. With the conclusion of the war, demand dropped dramatically, former competitors re-entered the market and, given their greater efficiency, quickly regained much of their erstwhile business. Imports from Germany and

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<sup>320</sup> Kent Jones, *Politics Vs Economics in World Steel Trade*, ed. Ingo Walter, *World Industry Studies* (London: Allen & Unwin Ltd., 1986), 20.

<sup>321</sup> *Ibid.*, 20-21.

<sup>322</sup> Tetsuji Okazaki, "Import Substitution and Competitiveness in the Prewar Japanese Iron and Steel Industry," in *Changing Patterns of International Rivalry Some Lessons from the Steel Industry: The 17th International Conference on Business History (Proceedings of the Fuji Conference)*, ed. Yoshitaka Suzuki (Tokyo: University of Tokyo, 1991), 175.

Britain quickly increased and pushed the United States from its dominant position: in 1920, Japan imported from Britain 14% of its steel imports, 2% from Germany and 84% from the United States.<sup>323</sup> The price of rolled steel products moved from 416.49 yen per ton in 1918 to 220 yen per ton in 1920. The same trend can be seen in the price descent of steel ingots which plummeted from 313.18 yen per ton in 1918 to 160.13 yen two years later.<sup>324</sup>

As for iron, domestic producers fared little better. The unit price per ton of pig iron dropped from 209.86 yen in 1918 to 100.25 yen in 1920.<sup>325</sup> The story of pig iron, though, was more complicated. The structure of the private sector pig iron market was divided between domestic produce and imports. Yawata was an integrated producer but, as we have seen, in principle did not sell its pig iron on the domestic market.<sup>326</sup> In 1920, 43.2% of domestic demand for pig iron was met through imports from colonies and foreign countries, of which 5.3% was from India. Though by 1926 the share of imports in total demand had declined to 38.5%, the share of Indian pig iron in imports, excluding that from the Japanese Empire, had risen from 12.3% in 1920 to 45.2%.<sup>327</sup> Thus, for domestic iron and steel producers, the post-war years brought serious hardship and challenged their operating viability.

As for iron, the principle driving force that determined the price and volume of

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<sup>323</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 90.

<sup>324</sup> Shinohara Miyohei, ed., *Kōkōgyō*, vol. 10, *Chōki Keizai Tōkei* (Tokyo: Tōyō Keizai Shinpō Sha, 1972), 232.

<sup>325</sup> *Ibid.*

<sup>326</sup> Nagashima Osamu, *Senzen Nihon Tekkōgyō No Kōzō Bunseki*, 150.

<sup>327</sup> *Ibid.*, 152-53.

domestic production was imports from India and to a lesser extent from Manchuria. In 1920 and 1921, and indeed beyond, the price of Indian iron was always below average market price.<sup>328</sup> A further consequence of the competition in the iron market was that private sector steel producers, facing competition from Yawata Works and imported products, began to turn to cheap imported iron, compounding the domestic iron producer's woes. As a result, Indian iron was capable of forcing the market price down, reducing the profitability of domestic producers and at the same time sufficient to divert domestic producers' demand such that the domestic production level did not increase.

Following the above narrative, the question arises as to what impact the changed environment experienced by the industry had on the negotiating positions of government and the private sector. As has been seen, the change in demand forced the demise of the weak and the reorganisation of the remaining. For those firms that were faltering, there was a tendency to seek economic stability under the wing of the *zaibatsu* in order to gain financial support. Also, by 1923, given the recession, "only nine iron producers, 22 crude steel producers and 21 finished steel producers remained in the industry. Even larger firms, like Mitsubishi Steel and NKK, were forced to carry out a capital reduction."<sup>329</sup> Thus, this reorganisation of the industry implied a diminution in the number of actors and in turn an increase in the concentration of

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<sup>328</sup> Iida Kenichi, Ōhashi Shūji, and Kuroiwa Toshirō, eds., *Tekkō*, vol. IV, *Gendai Nihon Sangyō Hattatsu Shi* (Tokyo: Kojunsha, 1969), 210.

<sup>329</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 86-88.

influence in the hands of fewer firms. Table 3.1 shows the *zaibatsu* affiliates:

Table 3.1 *Zaibatsu* Affiliates as of 1926

Zaibatsu	Affiliates
Mitsui	Nihon Seiko-sho (Wanishi), Kamaishi Mining
Mitsubishi	Mitsubishi Steel (Kenjiho), Tokyo Kozai
Sumitomo	Sumitomo Copper, Sumitomo Steel Casting
Yasuda and Asano <sup>330</sup>	NKK, Fuji Steel, Tokai Steel, Asano Kokura, Asano Shipbuilding's Steel Division, Oshima Steel
Okura	Ben Xi Hua Coal and Iron Company

Source: Iida Kenichi *et al.* (eds.), *Gendai nihon sangyō hattatsu shi*, IV, *Tekkō*, p. 203

In the case of the bid for assistance made in the Iron and Steel Promotion Law in 1917, government was in a comparatively strong position to negotiate as the Yawata Works remained by far the largest iron and steel producer and the principle integrated one in Japan. However, in terms of percentage of total domestic production, given the expansion of the private sector, the war years saw the relative strength of private sector and government shift away from Yawata. As Table 3.2 indicates, in 1913 Yawata's share of pig iron production was 73%, which diminished to 47% in 1919. Similarly, in 1913 Yawata's share of steel production was 85% but by 1919 was 51%.

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<sup>330</sup> Yasuda *zaibatsu*'s main activity was banking and by the turn of the century it rivalled its competitors Mitsui and Mitsubishi. Upon Yasuda's decision to diversify into the industrial sector, it turned to Asano which had an established presence rather than venturing alone. This is why Yasuda and Asano are grouped together.

Table 3.2 The Production of Domestic Iron and Steel During the First World War (1000 tons)

Year	Pig Iron				Steel Materials			
	Yawata	Private Sector	Total	Yawata's Share %	Yawata	Private Sector	Total	Yawata's Share %
1913	176	64	240	73	217	38	255	85
1914	211	89	300	70	221	62	283	78
1915	244	74	318	77	262	81	343	76
1916	286	103	389	74	286	95	381	75
1917	305	146	451	68	341	193	534	64
1918	272	311	583	47	306	229	537	57
1919	281	315	596	47	281	272	553	51
1920	243	278	521	47	281	256	537	52
1921	307	165	472	65	311	251	562	55

Source: 1913-1919: *Shōkō Seisakushi*, vol. 17, p. 195; 1920-1921: *Gendai Nihon Sangyō Hattatsu Shi*, vol. 4, 204

However, by 1921, Yawata had regained some its lost market share of both pig iron and steel production which is attributable, in part, to the wide spread closure of small-scale private sector production sites. In terms of total domestic pig iron production, Yawata's share had returned in 1921 to 65% against the aggregate production of the private sector at 35%. As for steel materials, by 1921 Yawata's market share had risen to 55% and the aggregate production of the private sector was 45%. Despite the period during which Yawata experienced a loss in market share, through the period 1913 - 1921 it maintained its position as the single largest domestic producer in both iron and steel manufacture. In comparison to its pre-war strength, though, its production share of both pig iron and steel diminished between 1918 and 1920. These years correspond to the period during which the bulk of the deliberations that figure in this chapter occurred. The aggregate production of all private sector manufacturers approached half of domestic output. Moreover, in terms of the number of actors, this gain in sway was



focused in the hands of fewer firms than the number seen in the negotiations over the Promotion Law of 1917. Expressed in terms of impact on the negotiation position of the private sector, though the firms were eager for government aid, they were not without strength.

the output of the private sector was contributing significantly to both iron and steel production (almost 50 per cent), and the government could not ignore its requests. It must be noted, however, that even though the private sector gained significant influence with government on the one hand, it still needed governmental protection on the other. This mutual relationship between the government and the industry would be the basis for the Japanese government's post-First World War industrial policy.<sup>331</sup>

In the period 1919 – 1921 examined here, Imaizumi Kaichirō, who was mentioned in the previous chapter, figured prominently in the promotion of the industry. The Industrial Club of Japan as well used its influence to seek its ends through informal discussions with government, participation in *shingikai* discussions and the reporting of its views in written form. At the formal institutional level, the industry's interests were also taken up by the Temporary Investigation Committee on Fiscal Policy and the Economy which ran from September 1919 to February 1921. Later in March of 1921 the Committee on the Proposal for the Revision of Tariff Rate Law and the Proposal for the Revision of the Iron and Steel Business Promotion Law combined the tariff issue and the revision of the Promotion Law of 1917 in its discussions.

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<sup>331</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 85.

## 2. Necessity and Reasons for Tariff Protection in Japan's Iron and Steel Industry

The report entitled 'Necessity and Reasons for Tariff Protection in Japan's Iron and Steel Industry'<sup>332</sup> was written by Imaizumi Kaichirō. Though Imaizumi was Chief Engineer of NKK and a founder of the Iron and Steel Institute of Japan, it cannot be assumed that the report was written under the auspices of either organisation. Typically, the position and institution to which an author was affiliated was stated at the end of a document. Contrary to convention, in this report, neither of these were provided and so the report is dealt with here as a personal assessment. Although the document did not specify Imaizumi's institutional affiliation, his name alone carried sufficient weight to ensure that his opinion, written or otherwise, would have received due consideration. Also, it should be noted that this document is not dated and thus its accurate placement in the chain of events that led to the final report of the Temporary Investigation Committee is not possible. That having been said, the subject matter and tone strongly suggest that it was written after the implementation of the Promotion Law of 1917. Given its reference to the war and the economic upheaval that followed in its wake, it is likely that it was written during the early 1920s. Though the document does not have a distribution list, given that it was located in the documents storage room of the Industrial Club of Japan, one

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<sup>332</sup> Imaizumi Kaichirō, "Ware Seitetsu Jigyō Wa Kanzei Hogo O Hitsuyō Ukubeki Shikaku Aru Riyū," (Located at Nihon Kōgyō Kurabu, Tokyo, Date unknown).

may assume that the Club's executive members were aware of its contents, though the degree to which they might have been influenced by it is impossible to assess. As we will see, Imaizumi's position was in line with, in the main, the thinking of industry and thus may have lent support to prevailing views at the time.

It would appear that the reputation of Imaizumi was beyond that typically associated with the importance of his institutional positions, which in themselves were already significant. The entry for Imaizumi in the *Asahi Jinbutsu Jiten* states that "his best known achievement is that, by founding the method of making steel using an electropositive converter, he became a pioneer of today's iron and steel production technological revolution."<sup>333</sup> Yonekura Seiichiro describes Imaizumi as a "legend in the industry"<sup>334</sup>, ascribing to him perspicacity and the courage to challenge conventional thinking in the industry. Okazaki Tetsuji cites Imaizumi as a leading proponent and driving force behind the movement towards the amalgamation of the iron and steel industry. He identifies three areas where Imaizumi "vigorously pursued his activities": 1) journalism; 2) *shingikai*; and 3) political party(ies) and took every opportunity to express his opinion in "each kind of magazine"<sup>335</sup> on the issue of the industry's amalgamation and similarly was vocal in the important councils in which he sat. With respect to political participation, he

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<sup>333</sup> Koizumi Tetsushi, ed., *Asahi Jinbutsu Jiten* (Tokyo: Asahi Shinbunsha, 1990), 210.

<sup>334</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 183.

<sup>335</sup> Okazaki Tetsuji, *Nihon No Kogyōka to Tekkō Sangyō: Keizai Hatten No Hikaku Seido Bunseki* (Tokyo: Tokyo Daigaku Shuppan Kai, 1993), 61.

was elected to the House of Representatives for the Seiyūkai in 1920 and participated in the Seiyūkai's Political Affairs Investigation Committee, participating in party policy planning on iron and steel amalgamation. Also, as will be seen later, Takahashi Korekiyo shared Imaizumi's enthusiasm for amalgamation, spearheading this drive at both the formal and informal levels. Okazaki asserted that "Takahashi's amalgamation argument was not only his individual pet theory but also the party's formal aims were based on the participation of Imaizumi."<sup>336</sup> His position in the Iron and Steel Institute of Japan, as well, afforded him an influential position in advancing his opinion. At the end of 1915 the institute's membership was 896, and by the end of 1918 its ranks had reached 1500. Its membership list reflected the participation of members from "important iron and steel firms including Yawata, the military arsenals, and influential universities".<sup>337</sup>

Imaizumi outlined in the introduction of his report the recent rapid development of the iron and steel industry, citing Japan's success in achieving in a few years that which had taken much longer in the west. This observation was seen in reports by the Club and elsewhere and was used as a lead-in to outlining the principal difficulty at hand, to wit, the issue of self-sufficiency. Imaizumi acknowledged that in the production of some goods, self-sufficiency had already been achieved. Nevertheless, he urged that "all of these things in the near future should

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<sup>336</sup> *Ibid.*, 62.

<sup>337</sup> *Ibid.*, 30.

achieve self-sufficiency."<sup>338</sup>

As opposed to some of the arguments made in previous debates over the Promotion Law, in which self-sufficiency was seen as akin to economic autarky, domestic production would be based on natural resources located within the empire and allocated through the domestic market system. This perspective was not often voiced nor seemingly shared by many committee members. Sceptics of the viability of the plan pointed out the limitation imposed by Japan's lack of iron ore, in particular that which was of both high quality and easily extractable. In this regard, self-sufficiency was seen as a production system based on the import of raw resources or semi-processed goods from Manchuria. This perceived sense of Japan's vulnerability to the inherent vagaries of foreign supply, seen elsewhere, was further reinforced by the fear over the inundation of the domestic market by cheap foreign produce. Though not explicitly stated, the implied rationale was that former munitions driven economies would reorient their large production scales to the manufacture of commercial goods and flood foreign markets.<sup>339</sup> Thus, Imaizumi's report, which emphasised the need to reduce Japan's dependency on foreign supply, would have found considerable appeal given the situation of the post-war Japanese economy. The counter measure advocated in Imaizumi's report was the implementation of tariffs. He provided figures to back his assertion that government

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<sup>338</sup> Imaizumi Kaichirō, "Ware Seitetsu Jigyō Wa Kanzei Hogo O Hitsuyō Ukubeki Shikaku Aru Riyū," 1.

<sup>339</sup> *Ibid.*, 2.

intervention to protect the industry was needed. Based on the examination of a number of countries, he deemed that Japan had “already achieved suitable development, [and] ... ought to receive tariff protection.”<sup>340</sup>

Imaizumi’s report stands as a pointed effort to draw attention to the vulnerability of the industry to international competition and urge the authorities to consider protective measures. Domestic producers were perceived as vulnerable and not a match for foreign competition. The urgency of responding to the dramatic change in the economic climate was keenly felt at least in the industry. Though chief engineer of NKK, Imaizumi’s advocacy of protective measures did not differentiate between pig iron producers and steel producers. Perhaps because of his association with the Iron and Steel Institute of Japan, he may have felt it inappropriate to favour one sector of production over the other.

### **3. Recommendations Concerning the Promotion and Protection of the Iron and Steel**

#### **Industry<sup>341</sup>**

The Industrial Club of Japan has already been seen to figure large in government-

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<sup>340</sup> *Ibid.*

<sup>341</sup> This document is not paginated and page numbers have been assigned commencing with the page that starts with title of the document followed by “這次大戦以来”. This document was located in the storage room of the Industrial Club of Japan.

business relations and continued to do so through the 1920s. Hardly was the Promotion Law of 1917 in place when major shifts in the demand and supply of steel and iron were in play. In the face of dramatic change in the international market, it was perceived by the Club that the issue of self-sufficiency was essential to the industry's welfare and on 21 December 1918, the Industrial Club formed a committee with the aim of considering measures to be proposed to government in aid of the iron and steel industry.<sup>342</sup> After a number of meetings, Baron Nakajima Kumakichi, noted among other things as an intermediary of the business world, took up writing the report, which was initially entitled 'The Relationship Between the Iron<sup>343</sup> and Steel Industry and Protective Tariffs'. On 6 February 1919, the report was taken up by the full board of directors, who produced the final version of the report entitled "Recommendations Concerning the Promotion and Protection of the Iron and Steel Industry".<sup>344</sup> Signed by Dan Takuma, the president of the Club, the report is notable for its detailed recommendations. According to accounts of both the 25 year and 50 year histories of the Industrial Club of Japan, on 7 February Wada Toyoji, managing director of the Club, and Barons Gō and Nakajima presented in private the report to Prime Minister Hara Kei with the aim of impressing on him the need to adopt the 'emergency measures' outlined in the report. This was followed-up by similar meetings with

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<sup>342</sup> Nihon Kōgyō Kurabu Nijūgo Nen Shi Hensan Inkai, ed., *Nihon Kōgyō Kurabu Nijūgo Nen Shi*, 112.

<sup>343</sup> 製鉄 is translated here as 'iron and steel' rather than 'iron' as the issue at hand is "iron and steel self-sufficiency" (鉄鋼業自給問題).

<sup>344</sup> Nihon Kōgyō Kurabu Nijūgo Nen Shi Hensan Inkai, ed., *Nihon Kōgyō Kurabu Nijūgo Nen Shi*, 112.

Yamamoto, the Minister of Agriculture and Commerce, on 8 February and with Takahashi, the Minister of Finance, on 11 February.<sup>345</sup> Club records relate that the report was ignored. Despite the weight of the Industrial Club and its efforts to represent the industry's interests in a succession of private sessions with the Prime Minister and two of his ministers, their "zealous efforts"<sup>346</sup> were in vain. In the end, the subsequent economic hardships suffered by the industry, steel as well as pig iron producers, was viewed by the Club as, at least in part, due to the government's decision not to implement the emergency policies.

With regards to the emergency measures of the Club's proposal, the government did not implement any of the points and there followed successive bankruptcies and failures in the iron and steel world, especially the crisis of the pig iron companies was severe. The only remaining companies that survived were Kamaishi Works, Wanishi Iron Works, Kenjiho, Ben Xi Hua, Anshan and Tōyō Seitetsu.<sup>347</sup>

In similar words to those in Imaizumi's report, the Club's proposal commenced on an upbeat tone, reminding the reader that Japan had achieved a remarkable expansion of the industry and, in comparison to its western counterparts, much more quickly. This observation having been made, there was a down-shift and the reality of the industry's current situation was outlined. This remained the tone of the ensuing pages. The argument was that given the rapid expansion of the industry during the war, the post-war slump, exacerbated by high labour costs, threatened the existence of the plethora of new sites which had ploughed their gains into

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<sup>345</sup> *Ibid.*, 112-13.

<sup>346</sup> *Ibid.*, 121.

<sup>347</sup> *Ibid.*



expansion. Lest these tentative gains be lost and by implication a swath of the private sector disappear, measures were needed to address this looming situation. It followed then, the Club argued, that “from the perspective of industrial policy, our country should establish a fundamental solution for the protection and promotion of the iron and steel industry”.<sup>348</sup> The Club drew support from a report produced in Britain in 1918 - ‘Final Report of the Committee on Commercial and Industrial Policy after the War’.<sup>349</sup> The Committee on Commercial and Industrial Policy identified that in the post-war economic circumstances various key industries in the United Kingdom, among them that of iron and steel, were in need of protection. In rather dire tones, this UK Committee advocated tariff measures and proactive government involvement which were echoed in the Club’s recommendations.

Those industries which we have already described as “key” or “pivotal” should be maintained in this country at all hazards and at any expense. No ordinary economic rules apply to the situation of these minor but important industries. They must be kept alive either by loans, by subsidy, by tariff, by Government contracts, or in the last event by Government manufacture. They will necessarily be subject to Government supervision.<sup>350</sup>

In similar dire tones as the UK Committee’s report, the Club cautioned that the small producers’ viability was being threatened by the recent dramatic increase in imports. The introductory section closed on the dour note that unless this situation be addressed “the

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<sup>348</sup> Nihon Kōgyō Kurabu, "Seitetsu Jigyō Hogo Shōrei Ni Kan Suru Kengisho," 2.

<sup>349</sup> *Ibid.*

<sup>350</sup> Committee on Commercial and Industrial Policy BPP, "Final Report of the Committee on Commercial and Industrial Policy after the War," no. Cd: 9035 (1918): 52.

influence of this calamity will not stop merely with the iron and steel industry but reach the financial world as a whole".<sup>351</sup>

The content of the report was divided between proposed measures to be implemented immediately, entitled 'emergency measures', and long term recommendations entitled 'fundamental measures', to be dealt with later. Long extracts from the former are provided here for two reasons: 1) because of the importance that the Club placed on the measures and that specifically it was the 'emergency measures' which were rejected by government during the Club's private talks and, 2) arguments are made in the literature that the report favoured the interests of pig iron producers. In order to evaluate this view, it behoves us to provide a translation of the relevant sections.

**Emergency Measures:** The nation should decide on the establishment of fundamental facilities for iron and steel self-sufficiency ...

**Number 1:** The management and limitation of imports on iron and steel

The government seeks to implement various methods to manage and limit imports on iron and steel. From the point of view of national peacetime policy, these methods should be dealt with in a peaceful way.... Government should plan for the continuation of the iron and steel industry employing the lowest price levels....

...with regards to the domestic situation, there should be a decision on import limits on the production items based on the iron and steel levels that can be produced....

i) The Committee on the Investigation of the Iron and Steel Industry<sup>352</sup> should decide on the price of the items that are permitted for import. These prices will be compared to the standard rate price....

**Number 2:** The government will establish a suitable investigative organ (Committee on the

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<sup>351</sup> Nihon Kōgyō Kurabu, "Seitetsu Jigyō Hogo Shōrei Ni Kan Suru Kengisho," 2-3.

<sup>352</sup> This was an *ad hoc* committee established to examine import limits on iron and steel, among other matters.

Investigation of the Iron and Steel Industry). The government will plan for the establishment of various facilities that relate to the future development and protection of the iron and steel industry

... in the case of the establishment of the limitation on iron and steel... this organ (the Club) will handle the matter or another organ like the previously stated one that investigated the standard price.

Number 3: Within the permitted limits<sup>353</sup>, domestic pig iron, steel and other products should be used by government enterprises.

Number 4: The transportation of domestic iron ore on national rail lines, should be at the present lowest transportation rates and enjoy special reductions<sup>354</sup>

As was indicated earlier, the structure of the industry was such that the implementation of tariffs on the import of pig iron would be to the detriment of domestic steel producers. As Yawata did not sell its pig iron and domestic production was limited, steel producers had to look abroad for sourcing. To the benefit of steel producers, Indian iron was cheap. However, for domestic producers of pig iron, Indian iron was the leading competitor and the main reason for low iron prices. Thus, protection of domestic iron producers through tariffs was at odds with the interests of steel producers. Though this structurally based conflict existed, in terms of emergency measures, apart from the final recommendation, all those recommended applied to the iron as well as steel industries. At several points the report referred to the "foreign threat" but, without reference to the product, or to which sector(s) of the industry might be at risk. In short, the suggestion of limiting imports was not product specific and without preference given to iron or

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<sup>353</sup> These limits are not explained.

<sup>354</sup> Nihon Kōgyō Kurabu, "Seitetsu Jigyō Hogo Shōrei Ni Kan Suru Kengisho," 3-5.

steel producers.

The remaining pages of the Club's report deal with 'fundamental measures' that were of the long term perspective. Under the three points elaborated, the first was an argument for the amalgamation of Yawata and the private sector. The rationale for this was sub-optimal capital usage given the fragmented nature of the industry.<sup>355</sup> The report did not specify to which side of the industry this observation applied but did indicate that the situation was due to the plethora of small producers. It was seen that amalgamation would reduce the cost of production and increase the industry's competitiveness.<sup>356</sup> The subsequent recommendation dealt with the establishment of a long term policy for the supply of coal and iron ore. Specifically, China was eyed as a suitable source and cooperative management with the Chinese should be considered.<sup>357</sup> The third and final recommendation was entitled 'the implementation of protective tariff policies'. The recommendations for protection were to apply to both pig iron and steel producers.

In Japan's iron and steel industry, with respect to pig iron and steel production and finished products capacity, there has already been development. Based on suitable protection, that overall capacity can be utilised and based on that, iron and steel self-sufficiency can be attained.<sup>358</sup>

Rationale was provided for the tariff recommendation based on international trends into which

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<sup>355</sup> *Ibid.*, 6.

<sup>356</sup> *Ibid.*, 6-7.

<sup>357</sup> *Ibid.*, 7-9.

<sup>358</sup> *Ibid.*, 8.

Japan was drawn.

With regards to the protection and encouragement of Japan's iron and steel industry as it concerns the implementation of tariff policy measures, a few global arguments should be considered. As for promotion and encouragement policy, the gradually unfolding unavoidable reality is that the iron and steel industries of the United States, England, Germany today are effecting their fortunes through the power of tariff protection.<sup>359</sup>

It would thus appear that the international trend towards the implementation of tariffs influenced Club members' thinking. It is hard to judge, though, whether this was through fear of being caught out in an ever tightening world-wide trend of post-war protectionism, or enlightenment by foreign example. In either case, taking the document at face value, with regards to the issue of bias to pig iron producers, two points are clear: 1) committee members were sensitive to international trends in tariff implementation for iron and steel producers and; 2) apart from one recommendation found in the emergency measures, all others were to be applicable to both the iron and steel sides of the industry.

It is instructive to consider this from the perhaps somewhat cynical perspective that the Club's industry-wide representational stance might be a façade and that the interests of select members were behind the recommendations. After all, the establishment of the Industrial Club of Japan had been in equal parts funded by Mitsui (who had a financial interest in pig iron producing Kamaishi Works and Wanishi Iron and Steel Works) and Mitsubishi (who owned

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<sup>359</sup> *Ibid.*

Kenjiho Works which produced pig iron) and, given their economic weight, it was not inconceivable that they might have been in a position to seek preferential treatment. This argument would run along the lines that the Club operated for the benefit of a handful of large actors in the industry, but that it was deemed inappropriate to present itself as such. Another interpretation might be that having been only recently established, the Club had decided to take up the mantle of defender and promoter of the industry, regardless of the size or viability of the sites. A further perspective might be that the large actors in the Club, Mitsui and Mitsubishi, perceived that in the long term it was necessary to foster the development of the private sector in order to reduce the dominant position of Yawata. In so doing, the bargaining position of not only the private sector but in particular the handful of large sites, often affiliated with *zaibatsu*, would be enhanced. It is difficult to assess which of these scenarios is most applicable, but it is unlikely that any of them was entirely false, and in reality the Club's position was a composite of all three.

Two major works challenge the assertion that the Club was working to represent the industry as a whole. The position expressed in the later Ministry of International Trade and Industry's edited multi-volume work on commercial policy points out that though the Club's report was drafted by Nakajima, other leading industrial figures, whose names we have already seen, were also associated with the contents of the Club's report.

This proposal was drafted by Nakajima Kumakichi. However, the members of investigation committee, Gō (director, Toyo Iron Company), Harada (Kenjiho Works, Mitsubishi Steel's site in Korea), Kadono (Ōkura's Ben Xi Hua Coal and Iron Company), Isomura (Hokkaido Iron Company), Kōmura (Tanaka's Kamaishi Works) and others, either representatives of influential pig iron manufacturers or related persons, were at the centre of the drafting process.<sup>360</sup>

Yonekura sees self-interest at the heart of the report. The Club's call for protection was not driven by concern for the industry as a whole, he charges, but for the welfare of the iron producers who sat on the committee, who saw that the provisions of the proposal favour their interests.

Looking at the list of members, it is not difficult to see that the report strongly reflected the opinion of the iron producers (Mitsui, Mitsubishi, Toyo Iron, and Ōkura)... the firms most damaged by the post-war depression were iron producers, not steel producers. It was inevitable that the companies most enthusiastic about protectionism were iron producers like Mitsui's Kamaishi and Wanishi, Mitsubishi's Kenjiho, Toyo Iron, and Okura's Ben Xi Hua in China. This report thus strongly recommended protective measures.<sup>361</sup>

Based on the content of the Club's measures, though, it is difficult to identify evidence that the representatives of Mitsui, Wanishi, Mitsubishi, Tōyō Iron and Ōkura operated with personal interests in mind. Given that protectionism was a principle component of the report, it follows that the iron producers who sat in the committee would have directly gained from the implementation of such recommendations. That much is clear. It is more difficult, though, to sustain the argument that recommendations that would have benefited pig iron producers (and in

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<sup>360</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 207.

<sup>361</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 111-12.

most cases, steel producers as well) were advanced because 5 “enthusiastic” members of the 15 operated purely out of self-interest. Mitsui, Mitsubishi, and Ōkura were *zaibatsu* and the word of their representatives carried weight. Their interests were at stake and the outcome of discussions was in their favour, hence the causality link is easily made. However, a potential weakness in the argument is that the report dealt with the concerns of both the iron and steel industry in relation to the implementation of tariffs.

In sum, the argument that iron was favoured over steel remains open to debate. As it is understood, this argument is based on the structure of the industry. Judging the intent behind the decision to implement tariffs is problematic and, by implication, it is difficult to infer that favouritism was at play. That the implementation of pig iron tariffs would have had a negative impact on steel producers is apparent. The international trend was for the protection of domestic markets through tariffs which the committee members had investigated and, it would appear, they had been influenced by Britain’s research and recommendations. Thus, the choice of tariff implementation was not ‘out of the blue’. Similarly, with regards to judging intent based on outcome, the fact that the situation was such that the protection of one item was to the benefit of one set of producers, but to the disadvantage of the other, was driven by domestic and international factors and less to do with the interests of the drafters themselves. Moreover, it should be noted that iron producers were in a weaker position than steel producers because of



international competition, and if disadvantaging one side over the other was unavoidable, then drafters would have been presented with the choice between either extending assistance to those most in need, namely the iron producers, or, because they were weak, ignoring them. So, the argument that the report reflected the self-interest of iron producers is difficult to sustain though not necessarily completely untrue. Without analysis or documentation that better addresses the causality link, this issue remains contentious. If one accepts that the recommendations were intended for the promotion of the industry as a whole, then the Club maintained its stance set in the Promotion Law as the industry's representative.

Setting aside issues pertaining to bias, calls for the preferential treatment of pig iron producers was not a case of false alarm, as in short order a large swath of the pig iron producers disappeared. Whatever concern for pig iron producers did exist would not have been misplaced, and it was not the larger firms but the small scale producers who were in the direst straits. From this perspective, the Club's call for government help was, at the centre, a call for help for the most vulnerable – the small scale producer.

By the Club's account, the demise of the pig iron firms was something that could have been prevented had government heeded its recommendations. One function of the writing of the in-house published histories of trade associations is to provide an opportunity for associations to make a case for their point of view on how events transpired regarding matters seen as

important. In this sense, it may be argued that the Club wished to ensure for the record that it had carried out to the best of its ability its charge of representing the industry. From the perspective of the Club's relationship with government, though in the end the report was ignored, the fact that cabinet members took the time to listen to business in private indicates the depth of the ties that its members had with at least the ruling party. Also, this suggests that in terms of the position of the Club in the unstated hierarchy of government-business relationships, the Club perceived itself as more than an outlying trade association in the scheme of government policy making.

The failure of the Club to shape government decisions is one of the few documented instances that demonstrates the limitations of the use of informal lines of communication. As was argued previously, during the Taishō and Shōwa periods, there was a shift from the exercise of these informal lines to a situation where formal lines (*shingikai*) were also being used. The degree to which private communication was used to achieve business ends is hard to pin down, as few records exist. In terms of efficacy, as little is concretely known and speculation easy, it is difficult to appraise claims that big business could dictate its own terms. Given the financial support provided by Mitsui and Mitsubishi for the two main political parties, their financial contribution to the Club, not to mention their vested interest in the industry, it is natural to assume that private discussions might have been, to some degree, effective. Perhaps the claim

that big business could exact terms is a bit farfetched but it is reasonable to assume that due consideration would have been given by government to big business requests or suggestions. Hence, in this light, it is particularly striking that the emergency measures were ignored. This is an isolated incident and it would be dangerous to draw overarching conclusions from it, but it does call into question the assumption that big business, *zaibatsu* among others, could get what they wanted by simply walking into the offices of political friends, even when the stakes were high.

#### 4. Temporary Investigation Committee on Fiscal Policy and the Economy<sup>362</sup>

The Temporary Investigation Committee on Fiscal Policy and the Economy was set up in the post war upheaval. Economic turmoil brought government and business together to seek a solution to their mutual problems. Their concerns were both regarding the immediate economic situation but also because “[government] sought to establishment medium and long term policy in the post war period.”<sup>363</sup> Imperial Edict number 331, which outlined the regulations governing the Temporary Investigation Committee, was promulgated on 9 July 1919. This was followed by the first plenary session on 18 July 1919 and then ensued a nineteen-month period of

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<sup>362</sup> Note that documents used in the section “Temporary Investigation Committee on Fiscal Policy and the Economy” are not paginated; page numbers have been assigned by me.

<sup>363</sup> Yasui Kunio, *Senkanki Nihon Tekkōgyō to Keizai Seisaku* (Kyoto: Minerva, 1994), 63.

discussions resulting in a detailed report on the iron and steel industry in February of 1921, though the final report was not completed until 22 March 1924. The outline of committee meetings and events pertinent to the iron and steel industry is as shown in Table 3.3:

Table 3.4 : Outline of Temporary Investigation Committee Meetings

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
9 July 1919 <sup>364</sup>	Establishment of the Temporary Investigation Committee
18 July 1919 <sup>365</sup>	Temporary Investigation Committee on Fiscal Policy and the Economy – Plenary Session
10 Nov 1919	Temporary Investigation Committee on Fiscal Policy and the Economy – Consultation Number 3
29 Nov 1919 ↓ 8 Nov 1920	Temporary Investigation Committee on Fiscal Policy and the Economy – Record of Special Committee, Consultation Numbers 3 & 4
14 Feb 1921	Temporary Investigation Committee on Fiscal Policy and the Economy – Consultation Numbers 3 & 4
Feb 1921	Report on Recommendations of Committee
22 Mar 1924 <sup>366</sup>	Promulgation of final report

The list of investigated topics reflects a broad agenda but those items that concern us here, are 1) Consultation Number 3 – ‘What is the fundamental policy concerning the promotion of the iron and steel industry?’ and 2) Consultation Number 4 – ‘What is the fundamental policy concerning the maintenance and development of the ship building industry’.

An important issue to draw out at this point is the place and function of the Temporary Investigation Committee in the chain of events that led to the promulgation of legislation. The title of this *shingikai* – investigation – suggests that the intention of this lengthy series of meetings was to fulfil a supplementary task in the overall policy making process; this, as we have seen, was in accordance with the legislated provisions of the *shingikai*. These meetings

<sup>364</sup> *Ibid.*, 59.

<sup>365</sup> The start date of this session is not clear from the record, but Yasui gives this date.

<sup>366</sup> Yasui Kunio, *Senkanki Nihon Tekkōgyō to Keizai Seisaku*, 59.

were one of the first steps in the chain of events which suggests the *shingikai*'s function was preliminary exploration of the matters at hand. It is posited here that its early exploratory nature helps explain its relative absence of friction. If we recall similar meetings in the early stages of the process that led to the Promotion Law, friction only became evident as we approached the final house debates in June of 1917. In terms of its function as a forum for debate, the Temporary Investigation Committee, as we shall see, still provided that function but it was largely unexercised. Also, given the lack of expertise among committee members to adequately deliberate on many of the technical issues, subcommittees were formed to investigate such matters. Their reports were then presented as considered opinions to the Temporary Investigation Committee and carried weight as such. Though these reports were still subject to scrutiny, we may assume that where there is an acknowledged absence of understanding on a matter, "expert" opinion may tend to attenuate potential conflict between varying views.

A further observation relates to the notation of the meetings. The general charge levelled at the institution of the *shingikai*, as has been seen, is that it was an orchestrated façade. The shortcomings in the recording of these meetings helps support this position. As discussed in the introductory chapter, a large part of the records of the *shingikai* have been typeset, bound and are available in libraries. Though the records do not state where the meetings occurred, we can presume that they transpired in the formal setting of a committee room. In the case of the Temporary Investigation Committee, most of the records remain in their original form – written with a brush – and are held at the National Archives (Kokuritsu Kōbun Shokan) in Takebashi, Tokyo. There do not exist stenographic notes of the Temporary Investigation Committee

meeting of the kind provided for the Lower and Upper House debates, as found in the case of the Promotion Law of 1917.<sup>367</sup> In some instances the records provide what would appear to be verbatim accounts of discussions, but in the main, the records are limited to summaries of each speaker's words. The records indicate that some of the meetings of the Temporary Investigation Committee were held in the official residence of the Prime Minister. Specifically, the records of the meetings of the Temporary Investigation Committee on Fiscal Policy and the Economy – Consultation Numbers 2, 3 & 4 do not state where these meetings were held but they may have occurred at the Prime Minister's official residence as well. If this is so, then this implied informality could be seen as underscoring the investigative nature implied by the title of the *shingikai* and further, possibly, suggest that it had limited aims.

Membership of the Committee was selected in September of 1919. It was composed, to a large degree, of the same members who deliberated over the Industrial Club's recommendations.<sup>368</sup> The background of all committee members cannot be identified, however a sufficient portion are provided here in order to form preliminary conclusions. There were 28 standing members, headed by Prime Minister Hara Kei as chairman and Takahashi Korekiyo and Yamamoto Tatsuo as vice-chairmen. There were also 29 temporary members who were called up on an individual basis to participate in discussions if their presence was required. Secretaries were drawn from the Ministry of Agriculture and Commerce, Home Affairs, Ministry of Finance (Tax Bureau chief and Finance Bureau chief) and the cabinet secretary.

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<sup>367</sup> This was confirmed to me by Okazaki Tetsuji.

<sup>368</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 113.

Table 3.5 Background of Leading Members of the Temporary Investigation Committee on Fiscal Policy and the Economy

Name	Primary Occupation <sup>369</sup>	Background
Hara Kei Chairman	Politician	1895 Deputy Foreign Minister 1897 President of Osaka Mainichi Company 1900-1901 Minister of Communications 1902-1921 Diet member 1906-1908, 1911-1912, 1913-1914, Home Minister 1918 Prime Minister
Takahashi Korekiyo Vice-chairman	Banker Financier Politician	1905 Entered House of Peers (1924 resigned) 1906 President of Yokohama Specie Bank 1911 President of Bank of Japan 1913-1914, 1918-1921 Finance Minister 1921-1922 Prime Minister 1924-1925 Agriculture and Commerce Minister 1927, 1931-1934, 1934-1936, Finance Minister
Yamamoto Tatsuo Vice-chairman	Financier Politician	Employed by Mitsui 1898-1903 president of Bank of Japan 1903 Entered House of Peers 1911 Finance Minister 1913-1914, 1921-22, Minister of Agriculture and Commerce
Takahashi Mitsutake Committee Member		Studied law and economics at the University of Cambridge Commissioned by the Ministry of Agriculture and Commerce to do research Chief editor of Osaka Shinbun Chief secretary of Hara cabinet 1908 elected to House of Representatives (re-elected 8 times)
Kushida Manzo Committee Member	Banker	1894 Entered 119 <sup>th</sup> Bank 1921 Chairman of the board of directors of 109 <sup>th</sup> Bank Numerous leading positions in Mitsubishi and Mitsui
Hashimoto Keizaburō  Committee Member	Businessman Bureaucrat	1890-1913 Held number of prominent positions, among them head of Yokohama Customs, Vice-minister of Finance and, Agriculture and Commerce 1912 Entered House of Peers 1916-21 President of Takarada Oil 1921 Vice-president of Japan Oil
Baron Gō Seinosuke Committee	Businessman Financier	1911 Chairman of Tokyo Stock Exchange 1917 Managing Director Industrial Club of Japan 1931 President of National Federation of Industrial

<sup>369</sup> Category allocation was made according that assigned in the *Asahi Nihon Rekishi Jinbutsu Jiten* and *Asahi Jinbutsu Jiten*. Those names that seemed most important have been included. Those not found above are: 1) Inutsuka Katsutarō, 2) Koga Renzō, 3) Hata Toyosuke, 4) Matsumoto Kōichi, 5) Kamino Katsunosuke, and 6) Maeda Toshisada.

Member		Organisations 1932 President of Japan Economic Federation
Count Hayashi Hirotarō Committee Member		1919 Professor at the University of Tokyo 1914-1947 Member of House of Peers, participating in numerous committees 1932-1935 President of the South Manchurian Railway Company
Baron Dan Takuma Committee Member	Manager	1888 Director of Mitsui owned Miike Coal Mine 1914-1932 General Manager of Mitsui 1916-1932 Director Industrial Club of Japan 1928-1932 President of Japan Economic Federation
Suzuki Umeshirō Committee Member		Mitsui Bank and Oji Paper Manufacturing Company Editor of <i>Jiji Shimpo</i>
Koyama Kenzo Committee Member	Businessman	1920 Entered House of Peers
Hamaguchi Osachi Committee Member	Politician	Elected to Diet in 1915 1924-1926 Finance Minister 1926-1927 Home Minister 1927 President of Minseitō 1929 Formed own cabinet
Kajiwara Nakaji Committee Member		1922 (Oct.)-1927 (Oct.) President of Japan Industrial Bank
Yamaoka Juntarō Committee Member		1914 (Mar.)-1926 (Jan.) President of Hitachi Shipbuilding
Yamazaki Kakutarō Committee Member	Academic	Dean of the Department of Economics, Tokyo Imperial University
Yokota Sennosuke Committee Member	Politician	1913 Central role in the 2 <sup>nd</sup> Movement for the Protection of the Constitution 1918 Selected by Hara Kei as Director-General of the Cabinet Legislation Bureau 1924 (11 June) – 1925 (5 Feb.) Minister of Justice
Fujiyama Raita Committee Member	Businessman	1892 Entered Mitsui Bank Held managerial positions in various companies Formed the Fujiyama business group Entered House of Peers
Baron Den Kenjirō Committee Member	Bureaucrat Politician	1903 Vice-minister of Communications 1906 Entered House of Peers 1916 Minister of Communications 1919 Governor of Taiwan 1923 Minister of Agriculture and Commerce 1926 Privy Councillor
Inoue Junnosuke	Financier	1913 President of Yokohama Specie Bank



Committee Member	Politician	1919-1923, 1927 Governor of Bank of Japan 1923-1924, 1929-1931 Minister of Finance
Okazaki Kunisuke Committee Member	Politician	1891 Elected to House of Representative (10 times) 1925 Minister of Agriculture 1928 Entered House of Peers
Kataoka Naoteru	Businessman	Held various leading positions in Osaka located businesses, by Taishō period considered influential member of Osaka financial world. 1918-1922 Osaka Industrial Committee chairman Entered House of Peers
Baron Shibusawa Eiichi Committee Member	Businessman	1873 founded First National Bank Noted promoter of industrial and commercial enterprises Major role in introducing Western industries and Western techniques to Japan Maintained advisory role in the business world until his death in 1931

Sources: 1) *Nihon Rekishi Jinbutsu Jiten* (Asahi Shinbunsha, Tokyo, 1994); 2) *Asahi Jinbutsu Jiten* (Asahi Shinbunsha, Tokyo, 1990); 3) Hunter, *Concise Dictionary of Modern Japanese History* (University of California Press, London, 1984)

Though the table is incomplete, some observations can be made about the backgrounds of committee members. It is noteworthy that three members were at the time or would later in their careers become prime ministers. Seven participants had been or would later be cabinet ministers, and in several cases occupied ministerial posts a number of times. Similarly, if the categories of ‘financier’, ‘businessmen’, ‘banker’ and ‘manager’ were drawn together, we would see that at least eight had or would hold executive level positions in major companies. In terms of balancing membership between the two sides of the bicameral system, we see rough parity in terms of numbers: Hara Kei, Hamaguchi Osachi and Okazaki Kunisuke from the Lower House, and Takahashi Korekiyo, Yamamoto Tatsuo, Hashimoto Keizaburō, and Den Kenjirō from the Upper House, were representatives at the time of the deliberations.<sup>370</sup> The selection of committee membership suggests that importance was assigned to drawing together participants

<sup>370</sup> Koyama Kenzō was appointed to the House of Peers during the deliberations in 1920.

who were leading figures in their fields and to providing some balance between government and business representation in the broad sense. As was argued previously, there was a tendency for leading figures to have career paths that criss-crossed over the lines that delineated government and business. This observation would apply to these committee members as well and it would be difficult to make the case that the categories assigned above imply that other allegiances did not exist. However, the delineation between upper and lower house members, based on the role played in the debates on the Promotion Law, suggests that this distinction may be of significance.

It is notable that the Prime Minister headed this committee. His presence and participation in discussions suggests that his appointment was not merely symbolic. In turn, this lends credence to the claim that this *shingikai* was considered important and that the proceedings were less likely to be an orchestrated façade. If the outcome had been a foregone conclusion at the outset of deliberations, it is unlikely that the Prime Minister would have juggled his schedule to sit on a committee where the talks made no difference. It is plausible that his name was on the list for publicity reasons, to suggest that the government was taking an active concern in the welfare of the various industries under consideration. However, it does not necessarily imply that his presence at the meetings was merely for form's sake. The two are not mutually incompatible. Moreover, his active participation in the deliberations and the fact that at least some of the talks were held in his official residence suggests that whatever the public gain achieved by his presence, this *shingikai* was important and the discussions were also important. Also, the existence of a link between the informality of the setting, the reliance on summaries of

exchanges, and the idea that this series of meetings was not viewed as important by its organizers, cannot be substantiated. On the contrary, the fact that business and government elites agreed to spend a considerable amount of their time deliberating also suggests that its members believed that they were engaging in something that was important and that their contribution was serving a larger end.

The Committee's February 1921 report is conspicuous for its detail, outlined in its 5

points of recommendation relating to the iron and steel industry summarised below:

- (1) The management and organisation of the iron and steel industry: It is recognized that there is a necessity for the administrative consolidation of the iron and steel industry.... it should be based on the aim of cooperation in e.g. the distribution of raw materials, income and production. It is possible to organise syndicates.
- (2) i) The protection of the iron and steel industry: for pig iron, a 10% *ad valorem* tariff should be levied and on steel products a 15% *ad valorem* tariff should be levied. For steel materials that are used for ship construction, there should be an exemption from import tax.  
ii) Other forms of protection: With regards to the revision of the Iron and Steel Business Promotion Law, based on the provisions of the existing law, there should be an extension for 10 years on the exemption from business tax and income tax for present iron and steel producers. As for iron and steel producers which use electricity and low phosphorus pig iron producers, the protection of the Iron and Steel Business Promotion Law should be extended to them as well. As for the steel materials that are used by government sites, these sites should, in principle, use domestic produce. There should be protection for the transportation of products and raw materials over land and sea.
- (3) Securing the supply of raw materials : For the securing of the supply of raw materials, we should plan for the promotion of the production of raw materials, conducting research into improving the transportation and effective use of raw materials ...
- (4) Promotion of the development of iron and steel production technology: We should plan for uniform standards of products, training of engineers and workers, and to liase with research centres.
- (5) Japanese participation in the iron and steel industry in Manchuria and elsewhere: Protection

should also be granted to firms managed by Japanese in Manchuria and other places abroad, provided these firms do not impede the development of the industry in Japan itself.<sup>371</sup>

The Committee's proposed tariff schedule, of a 10% *ad valorem* tariff on pig iron and 15% *ad valorem* on steel, was to supersede the current duties set by the Treaty of Commerce and Navigation between Great Britain and Japan. Established on 17 July 1911, and due to remain in force for a period of 12 years until 16 July 1923, the treaty provided for tariffs to be levied on a wide range of goods. In the case of pig iron and steel, the following specific duties applied.<sup>372</sup>

Table 3.6 Tariff rates under the Anglo-Japanese Commercial Treaty

Item Number	Description: Iron <sup>373</sup>	Rate of Duty Under New Japanese Statutory Tariff (per 100 kin)	Rate of Duty Under New Anglo-Japanese Treaty Tariff (per 100 kin, est. 1911)
1	Pig Iron: In lumps, ingots, blooms, billets, and slabs	0.10 yen	0.083 yen
2	Plates and Sheets, not coated with metals, not exceeding 0.7 millimetres in thickness	0.40 yen	0.30 yen
3	Coated with base metals, tinned (tinned iron sheets and tinned steel sheets), ordinary	0.90 yen	0.70 yen
4	Coated with base metals, galvanized (corrugated or not)	2.00 yen	1.20 yen

Source: Treaty of Commerce and Navigation between Great Britain and Japan together with a Prefatory Note and Appendices, p.13.

The Treaty "provided for reductions of duty as compared with the rates of the new Japanese Tariff on certain important classes of manufactured articles, mainly textile and iron and steel

<sup>371</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 208-09.

<sup>372</sup> BPP, "Treaty of Commerce and Navigation between Great Britain and Japan Together with a Prefatory Note and Appendices," vol. Ciii, no. Cd. 5556 (1911): iv.

<sup>373</sup> According to the Treaty, the term 'iron' is meant to include both pig iron and steel. *Ibid.*: 10. We can assume, however, that the items listed under points 2, 3, and 4 referred to steel.

goods, of special interest to British trade on importation into Japan.”<sup>374</sup> The reduction on the tariff rates varied according to the product: in the case of pig iron, the new rate was approximately 20% lower and in the case of steel, it varied between 29% and 67%. This commercial treaty was the “result of negotiations between Great Britain and Japan consequent upon the denunciation on the 16<sup>th</sup> July, 1910, by Japan of the existing Treaty of 1894 (Treaty of Commerce and Navigation between Great Britain and Japan) between the two countries.”<sup>375</sup> Furthermore, given that duties were calculated on a specific weight basis and that pig iron and steel prices had increased significantly since 1911, the protection of the industry afforded by that rate had diminished. It was thus that “The purpose of this [Temporary Investigation Committee proposal] was to change the specific duty tax, that had largely lost its effectiveness given the sudden price increase during the war, to *ad valorem* tax, and in so doing increase its real level.”<sup>376</sup>

Given this price inflation based reduction in tariff protection, we may assume that a move to an *ad valorem* tariff base would have been welcomed by both pig iron and steel producers. As we will see later, in the case of pig iron, the government ignored the Committee’s recommendations and remained with a weight-based tariff. Though pig iron producers were in

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<sup>374</sup> *Ibid.*: iv.

<sup>375</sup> *Ibid.*

<sup>376</sup> Nagura Bunji, “Seitetsu Gōdō Seisaku to Sono Kiketsu,” in *Ryōtaisenkan No Nihon Shihon Shugi*, ed. Andō Yoshio (Tokyo: Tokyo Daigaku Shuppan Kai, 1986), 482.

tighter economic straits than steel producers in the 1920s, nonetheless there is little evidence in the debates, as we will see in the ensuing pages, to suggest pig iron discontent. The question may be raised as to whether the records reflected a sense of bias in favour of steel producers on the part of pig iron producers given the differential in the proposed tariff rates. If this sentiment did exist, it cannot be observed in the records. It is thus instructive to consider the difference as of 1922 in the level of protection provided by a 10% *ad valorem* rate on pig iron versus the 1911 specific duty of 0.083 yen per 100 kin. The following two tables, Tables 3.8 and 3.9, deal with this comparison. The following calculations are based on Indian pig iron prices as India was the prime foreign competitor in Japan's domestic pig iron market during the period under question. This comparison, though, is problematic as the available data on Indian pig iron prices, for example those figures provided in *Gendai Nihon Sangyō Hattatsu Shi* or *Estimates of Long-Term Economic Statistics of Japan Since 1868*, would appear to include total delivery price. As Japanese tariff rates would have been assessed on Indian pig iron prices exclusive of the cost of transportation, it is necessary to differentiate the Indian production price from the price of India pig iron upon arrival in Japanese ports. For the year 1922, the total delivery cost of pig iron from India to Japan was located and is provided in Table 3.7.

Table 3.7: Detailed Comparison of Cost in 1922 of Indian and Japanese Pig Iron as Calculated by Specific Duty and *Ad Valorem* Tariff Rates (yen per metric ton)

Production Site	Production Price excl. tariff price	Production Price including Specific Duty	Production Price including <i>Ad Valorem</i> Duty	Total Delivery Cost of Pig Iron from India to Japan	Total Cost inc. Specific Duty	Total Cost inc. <i>Ad Valorem</i> Duty
Tata (India)	33.11	34.49	36.42	19.15	53.64	55.57
Yawata					(Production Cost)	47.40
Kamaishi						56.21
Wanishi						53.44

Source: taken from *Tsūshō Sangyōshō*, Vol. 17, p.222

Notes: total delivery cost break down (yen per metric ton): 1) transport: 10.84 yen; 2) insurance: .40 yen; 3) unloading cost: 3.50 yen; 4) transaction fee: 2.00 yen; 5) various expenses: 1.00 yen; tariff rate: specific duty of 1.38 yen per metric ton; *ad valorem* rate of 10%

Using the total delivery cost of 19.15 yen per metric ton as a constant, Indian pig iron

production price is calculated in Table 3.8. The data set used for the construction of this table

did not provide figures for 1919.

Table 3.8: Comparison of Average Price of Indian Pig Iron as Calculated by Specific Duty and *Ad Valorem* Tariff Rates (yen per metric ton)

Year	Indian Production Price excl. tariff price <sup>1</sup>	Price of Indian Pig Iron including Specific Duty of 1.38 yen	Price of Indian Pig Iron including <i>Ad Valorem</i> rate of 10%	Japanese Price <sup>2</sup>
1920	(111) 91.85	93.24	101.04	100.25
1921	(80) 60.85	62.23	66.94	74.85
1922	(56) 36.85	38.23	40.54	57.21
1923	(48) 28.85	30.23	31.74	53.47
1924	(52) 32.85	34.23	36.14	50.79
1925	(55) 35.85	37.23	39.44	48.38

Source: (1) *Gendai Nihon Sangyō Hattatsu Shi*, Vol. 4 *Tekkō*, p. 210;

(2) *Estimates of Long-Term Economic Statistics of Japan Since 1868*, p. 232

Note: The figures in parentheses are the non-adjusted prices for India pig iron which include total delivery costs. Indian production price of pig iron is calculated by subtracting delivery cost from the figure in parentheses: undifferentiated production cost - 19.15 yen (delivery cost, see Table 3.7). The Indian production price of pig iron exclusive of tariff and delivery costs are those figures which follow the parentheses.

Though the figures for the year 1919, when the recommendations of the Temporary

Investigation Committee were released, are not available, it can be assumed that given the

inflated price of pig iron due to the war, members of the committee anticipated a decline in prices over the years. In this sense, whatever arguments made by members regarding the appropriateness of the proposed tariff schedule, they would have been based on the assumption of at least a several year projection of declining pig iron prices. As we see in Table 3.8, the price of Indian pig iron when adjusted for both the 1911 specific weight based tariff rate, the *ad valorem* rate and the cost of delivery was less than our upper and lower levels of domestic pig iron prices through out the entire 1920 – 1925 period. Therefore, neither of the two tariff rates were high enough to deter steel producers from purchasing Indian pig iron throughout the period. However, from the perspective of pig iron producers, it is questionable whether this difference would have been sufficient to make steel producers choose domestic pig iron. From the perspective of government, the difference was important in terms of revenue and the reasons why government did not implement the *ad valorem* rate are examined later. From the point of view of overall national benefit, the more expensive pig iron became the more the price of steel products increased as well. As Imaizumi pointed out, “if cheap pig iron is used, then [its products] will be cheap.”<sup>377</sup> More to the point, though, the relative absence of pig iron discontent may be, at least in part, attributed to the fact that neither of the tariff rates were adequate. It is hardly likely that pig iron producers had resigned themselves at the outset of the

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<sup>377</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Oyobi Dai Yon Gō," (Located at Kokuritsu Kōbun Shokan, Tokyo (reference number 2A 36 286), 1921), 40.



meetings to the probability that they would not receive the protection that they needed. Given the financial stakes at hand, such apathy on the part of pig iron producers is improbable.

However, given that the secondary literature suggests that the recommendation of a 10% *ad valorem* tariff rate on pig iron was a significant improvement to make up for the eroded level of protection provided by the specific duty rate, we remain unable to adequately explain the relative absence of obvious pig iron discontent in the records of the Temporary Investigation Committee.

It may be argued, though, that the results of Table 3.8 are misleading in that what is being compared is the cost of Japanese pig iron and the production cost of India pig iron plus the tariff rate without adding to the price of Indian pig (including the tariff rate) the cost of transportation from India to Japan. Unless there were specific measures provided by government to carry this cost, which the records do not indicate, then it is reasonable to assume that steel producers would have included the transportation cost in determining calculations.

Table 3.9 adds the cost of transportation of Indian pig iron at the rate cited in Table 3.7 to both the “Cost of Indian Pig Iron including Specific Duty” and the “Cost of Indian Pig Iron including Ad Valorem” taken from Table 3.8.

Table 3.9 Comparison of Cost of Indian Pig Iron Including Tariff Rate and Cost of Transportation (yen per metric ton)

Year	Cost of Indian Pig Iron including Specific Duty of 1.38 yen and Cost of Transportation	Cost of Indian Pig Iron including <i>Ad Valorem</i> rate of 10% and Cost of Transportation	Japanese Price
1920	112.39	120.19	100.25
1921	81.38	86.09	74.85
1922	57.38	59.69	57.21
1923	49.38	50.89	53.47
1924	53.38	55.29	50.79
1925	56.38	58.59	48.38

Sources: (1) *Tsūshō Sangyōshō*, Vol. 17, p.222;

(2) *Gendai Nihon Sangyō Hattatsu shi*, Vol. 4 *Tekkō*, p. 210;

(3) *Estimates of Long-Term Economic Statistics of Japan Since 1868*, p. 232.

According to calculations of Table 3.9, apart from 1923, the cost to Japanese steel producers of using Indian pig iron when the transportation cost was included was consistently higher than the price of domestically produced pig iron. This suggests that Indian pig iron would not necessarily have posed a threat to domestic producers. It is argued here, however, that these results should be treated with caution. The above calculations are not based on a broad range of sources. It is also conspicuous that the results conflict with the arguments located in the secondary literature and the contents of *shingikai* discussions, which will be examined shortly. A further potential source of error to these figures relates to the cost of transportation. The figure used is based on one source, and that only for 1922. What is clear is that the records of the *shingikai* meetings indicate a concern for the threat posed by Indian pig iron – a threat that was based on both

private sector and government perceptions that Indian pig iron was cheaper than domestic produce. The upshot of the results here suggest that Indian pig iron was not necessarily always cheaper than that produced in Japan.

## **5. Temporary Investigation Committee on Fiscal Policy and the Economy – Plenary**

### **Session**

At this plenary meeting on 18 July 1919 draft proposals in relation to items for Consultation Number 3 – ‘What is the fundamental policy concerning the promotion of the iron and steel industry?’ and Consultation Number 4 – ‘What is the fundamental policy concerning the maintenance and development of the ship building industry’ were distributed. Following this the chairman selected the names for a 13 member special committee<sup>378</sup> to investigate the above issues number 3 and 4. Subsequent to the break up of the plenary meeting, these members met and chose among themselves a committee chairman. The ensuing details of the records consulted here outline the dates of the meetings and the issues that were dealt with which will be handled in the following section.

The transparency of whatever decision making process may have occurred within this

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<sup>378</sup> It is not clear in the documents what is the significance of the term “special members”. It is presumed that these members were selected from the general assembly. Also, it is not clear who drafted the proposals. It is presumed that this was drafted by bureaucrats.

investigative forum is difficult to discern. By contrast, the proceedings of the Promotion Law, commencing in the early days with business and government establishing their respective positions, right through to the final hours of debate, can be seen, in historical perspective, to have culminated in the *ad hoc* subcommittee decisions. This Investigative Committee was decidedly less obvious in whatever decision making path it may have followed. It is possible that to the participants at the time, there was an overarching direction in their discussion and that the exchange of ideas was part of a decision making process that was reflected in the final recommendations, but the records, such as they are, reflect very little of this. Given that the bulk of the documents are summaries, it is frequently difficult to follow how one idea flowed into the next and see any progression. Furthermore, the discernment of friction, our litmus test of expectation, is all the more difficult to identify. We need to bring together disparate evidence in the absence of clearly focussed debates. Discussions sometimes revealed the lack of expertise among participants to deal with the issues. Given the lack of records of these meetings, if indeed the deliberations had been recorded, the proceedings of these meetings are not particularly helpful in providing valuable insight into what considerations were taken into account in the decisions, and in helping us make sense of the subsequent discussions.

## 6. Temporary Investigation Committee on Fiscal Policy and the Economy – Consultation

### Number 3

On 10 November 1919, the committee<sup>379</sup> met and opening remarks were provided by Yamamoto Tatsuo, the Minister of Agriculture and Commerce, who presided as vice chairman. Falling in line with the pattern of earlier meetings, the first words dealt with delimiting the topic of discussion which in this case was “the promotion of the iron and steel industry” and “maintenance and development of the shipping industry”.<sup>380</sup> He announced that there were to have been 24 participants in this committee but one additional member, Shirani Takeshi, had joined. The membership list for this committee was not provided and hence it is difficult to assess, in terms of membership, the relationship between this committee and that of the 13 member special committee.

The concern in this meeting, which consisted of the preliminary raising of a number of issues, was the need to find ways of securing and protecting industry. Though the protection of industry was the topic of discussion, the contents of the exchanges between members was not drawn together by a common theme or argument. Differing points of view were raised but they did not develop into sustained focal points of discussion. A matter would be raised and, without

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<sup>379</sup> The documents do not state the relationship between the membership of this committee and that of the full committee. It is assumed that the 25 members for Consultation Number 3 are also members of the full committee.

<sup>380</sup> Rinji zaisei keizai chōsakai, "Giji Sokki Roku - Dai Ni Gō," (Located at Kokuritsu Kōbun Shokan, Tokyo (reference number 2A 36 278), 1919), 5.

apparently any conclusion to the discussion, members would move on to another topic. In consequence, the following section is limited to relating the essence of the discussions and gleaned from that whatever relevance it may have had for our purposes here. Discussions commenced with the important issue of pig iron. One of the secretaries of the committee, Sakikawa<sup>381</sup>, provided a summary of the increase in demand for iron and steel in 1918 and the consequent shortages:

Table 3.10: Demand for Iron and Steel in 1918

	<b>Pig Iron</b>	<b>Steel materials</b>	<b>Iron Ore</b>
Demand	832,000 tons (including raw materials for steel production)	1,173,000 tons	997,000 tons
Domestic Production	606,000 tons	540,000 tons	398,000 tons
Imports	226,000 tons	633,000 tons	237,000 tons from Korea 362,000 tons from China

Source: Rinji zaisei keizai chōsakai "Giji Sokki Roku – Dai Ni Gō (Located at Kokuritsu Kōbun Shokan, Tokyo, 1919, pp. 12-14)

The upshot of Sakikawa's exposé was that the level of the import of iron ore was very high.

Furthermore, he anticipated that this would increase and consequently there was a need for a

secure supply of iron ore to be established.<sup>382</sup> Given this, he asserted, it was necessary for

government to closely examine access to foreign raw materials for iron production, steel and

coal. To this end, an investigation was underway to examine the possibilities offered overseas.

In total, 13 countries were to be considered, among them were Siberia, China, Sakhalin, and the

<sup>381</sup> The record does not provide his first name.

<sup>382</sup> Rinji zaisei keizai chōsakai, "Giji Sokki Roku - Dai Ni Gō," 16.

South Pacific area.<sup>383</sup> Sakikawa's emphasis on establishing secure sources of raw materials was reiterated again by Gō Seinosuke. He asserted that this was the most important issue, and followed by raising the point that it was necessary "also to consider the problem of planning the amalgamation of the iron and steel industry... because these problems are fundamental problems."<sup>384</sup> Gō's suggestion to expand the remit of discussion met with disapproval from Yamamoto, who maintained that amalgamation was not to be handled here.<sup>385</sup>

At this point then we see perception that it was necessary to establish secure sources of raw material. Gō, a leading representative of the iron and steel industry and a *sewanin* of the *zaikai*, echoed these sentiments and raised the topic of amalgamation. Though the topic was not pursued because Yamamoto did not want to expand the scope of discussion, this does not necessarily mean that amalgamation was viewed negatively by government. At this point, Wakamiya<sup>386</sup>, another secretary of the committee, opened the discussion on the other topic of this committee, namely the shipping industry. Economic considerations were also of prime concern in this sector. Through the war related strains on the iron and steel industry, ship building too was experiencing a shortage of steel. An argument was made that, comparatively speaking, the demands on capital were higher and this was compounded by the fact that

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<sup>383</sup> *Ibid.*, 19.

<sup>384</sup> *Ibid.*, 28.

<sup>385</sup> *Ibid.*, 29-30.

<sup>386</sup> First name not known.

domestic interest rates were high and domestic production skills weak; however, he added, wages were also low.<sup>387</sup> This pressing nature of the economic situation, provided the wherewithal to sustain discussion, but here we see to an even greater degree the movement between topics and inconclusiveness of discussion on any one issue.

Suzuki Umeshirō, an editor of *Jiji Shinpō* and associated with Mitsui Bank and Ōji Paper Manufacturing Company, pointed out the ambiguity in the term ‘ship building materials’, as it covered both steel and ship fittings, the point being that the resources needed for both overlap. Thus, the distinction made by Wakamiya was facile, the upshot being that “it is difficult to have tariffs that apply only to the production of large war ships.”<sup>388</sup> Wakamiya provided a seeming *non sequitur* response by shifting the focus to the revival of the ship building industry and Ship Building Encouragement Law. Suzuki responded by expressing doubts about whether tax exemption on ship building materials and ship fittings would be sufficient for the industry to compete with the United States and various European countries. Something else was needed, he claimed, and added that “my impression is that the government is thinking in this way. Is this so?”<sup>389</sup> At this point Yamamoto announced that the issues raised thus far would be addressed in a special subcommittee composed of 13 members which he

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<sup>387</sup> Rinji zaisei keizai chōsakai, "Giji Sokki Roku - Dai Ni Gō," 40-41.

<sup>388</sup> *Ibid.*, 76.

<sup>389</sup> *Ibid.*, 80-81.



“would like to select”<sup>390</sup> at that time.

Thus, in this initial discussion of the steel and ship building industries, it is clear that, though still at the preliminary stages, thus business was receptive to the government’s interest in implementing protection and that the iron and steel, and shipbuilding industries were seen as being closely linked. Also, as has been seen a number of times, there remained great concern over the precariousness of Japan’s dependency on the foreign supply of resources. The establishment of secure sourcing from a country near Japan was seen as preferable to reliance on Western suppliers. The economic difficulties experienced by the private sector at the time, echoed in the words above, and their expressed interest in tariff protection and amalgamation suggest a strategic approach of accommodation in dealing with government.

## **7. Temporary Investigation Committee on Fiscal Policy and the Economy – Record of the Special Committee on Consultation Numbers 3 & 4**

Following Yamamoto’s closing remarks, the committee chairman<sup>391</sup> of the Special

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<sup>390</sup> *Ibid.*, 89. As a 13 member committee was also selected on 18 July, it raises the question what is the relationship between that committee and Yamamoto’s committee. As Yamamoto stated that he “would like to select” the 13 members, this implies that the two committees are different. However, this argument hinges on the accuracy of the records which perhaps should not be assumed.

<sup>391</sup> The chairman’s name is not mentioned but Hara Kei was listed chairman at the outset of the first meeting.

Committee on Consultation Number 3& 4 selected 13 persons<sup>392</sup> to form a special committee, who then broke off and selected among themselves a committee chairman. The record does not indicate how the 13 members were selected. It appears that though there was a chairman of the committee under which the steel and ship building issues were handled, Okazaki Kunisuke was in charge of the iron and steel industry issue (Consultation Number 3) and Inutsuka Katsutarō of the ship building industry (Consultation Number 4). The following week on Wednesday, 19 November 1919, the 13 member special committee met for the first time and subsequently held meetings on a weekly basis. On 3 December, the 3<sup>rd</sup> meeting of the 13 member special committee, the motion was made to form a subcommittee and its 7 members were selected by the chairman. On December 10<sup>th</sup> this 7 member subcommittee considered two plans, the author(s) of which were not stated. On the 17<sup>th</sup> of December the results were presented to the 13 member special committee which made a decision<sup>393</sup> upon the 7 member subcommittee's comments. The results of this were in turn returned to the 7 member subcommittee and they met 10 times in 1920 between January 15<sup>th</sup> and October 6<sup>th</sup>. The conclusions of their deliberations were thereafter presented to the 13 member special committee, which considered the results during six meetings between 13 October and 8 November 1920.<sup>394</sup> Some minor amendments

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<sup>392</sup> The records are not in agreement on the issues of by whom and when this 13 member special committee was selected. As implied above by Yamamoto's intention to select the committee, membership would have been determined by himself. However, according to the record of the special committee itself, committee membership was selected by the committee chairman of the special committee. The documents do not provide sufficient detail to clarify this ambiguity.

<sup>393</sup> Rinji zaisei keizai chōsakai, "Sōkai," (Located at Kokuritsu Kōbun Shokan, Tokyo (reference number 2A 36 294), 1919), 3. The record indicates 'decision' (決定) which suggests the subcommittee's remit extended beyond its deliberative role normally assigned to it. Perhaps a less literal interpretation is required here and the word 'decision' would be better understood to be that the subcommittee deliberated on the agenda and then formulated their opinion.

<sup>394</sup> The details of these six meetings are not provided in the record.

were made and a proposal was eventually adopted.

Deliberations of the Special Committee and its subcommittee thus took place over approximately one year. Their remit was to carefully consider the issues at hand and make proposals. In other words, deliberations were still at the exploratory stage and these were for providing the opportunity for participating members to express an opinion. Given the prolonged period during which members met, frequently meetings began with a reading of a prepared summary of the previous deliberation. Whether it be a résumé or otherwise, the norm was to commence discussions with a prepared point of departure. The ensuing discussions would revolve around particular elements of what had been said without a clear agenda forming the structure of the talks. Though the recapitulations were provided in a condensed form in the records, the proposals were not. Moreover, as previously stated, the documents are not a verbatim record of what was said. Hence, we are left with a clerk's interpretation of the highlights of a discussion that moved, indeed at times would appear to have roamed, from topic to topic. During the roughly two hours before tea, for example, a discussion might start with a statement on the iron and steel industry, then shift to the shipping industry and conclude on amalgamation, all falling within the parameters of what the committee had been charged to examine. However, the records in themselves do not provide a detailed understanding of any one issue. This differs from the case of the Iron and Steel Promotion Law for, in the main, its documents provide a much closer record of what was actually said, and various versions of the Law are still available. In other words, the historian is afforded a more complete picture.

Be that as it may, records of the Special committee and subcommittee do allow insight into

what was perceived as important by members. In this light, three predominant issues of the year-long talks will be considered: 1) secure source of raw materials; 2) relationship of the iron and steel industry and the shipping industry; and 3) tariffs and amalgamation. These points fall under the rubric of the welfare of the iron and steel industry. Similar to the final report of the British Committee on Commercial and Industrial Policy after the War, discussions here reflected a concern for the larger question of what could be done to protect and encourage the industry as a whole in the economic upheaval of the post-war period. Though in the end, the Temporary Investigation Committee recommended specific and detailed changes, ostensibly at least, their aims were not to promote one sector of the industry over another. It is suggested that the relative lack of friction observed in these discussions, beyond simply the fact that they were investigative in nature, may have been a result of the perception that solutions had to be found to problems that transcended specific sectoral concerns. This stands in contrast to the Promotion Law and this difference was reflected in the debates themselves. Though the Law aimed at promoting the industry as a whole, the tonnage issue was about who was going to win and who was going to lose. This in turn cleaved the industry representatives. These three issues noted above, however, were less about sectoral concern and more about finding the best way forward for the industry - whether the firms be big or small, or privately or government owned - and the country as a whole. Certainly the economics of the industry provided sufficiently divisive arguments for pig iron producers to have fomented heated discussions, but the fact that such discussions were largely absent suggests that either pig iron interests were being addressed elsewhere, in an informal manner or otherwise. Alternatively, the collective voice of pig iron

interests in these *shingikai* meetings was weak. In either case, despite the relative absence of friction in this case did not result in pig iron producers being overlooked in the recommendations.

1) Secure source of resources<sup>395</sup>

The need to establish links with sites that would provide the raw materials for the manufacture of pig iron and steel has been seen in the debates of the Promotion Law. It was seen that “From the perspective of national defence, the promotion of the iron and steel industry is extremely important. This is a fundamental policy.” Later, Ōkōchi Masatoshi raised the question of whether Korea or China could be relied upon during times of war or national emergency. In oblique fashion, the committee chairman indicated that every effort would be made to defend Japan’s home waters. Imaoka Junichirō followed by indicating that the defence of Japan’s industrial interests must be researched.<sup>396</sup> Notwithstanding these economic and military strategic ramifications, little time was devoted to this issue. It was raised only once during the duration of the talks, implying that other matters were seen as more pressing.

2) The iron and steel and shipping industries

The point of departure for discussions on the shipping industry was the impending expiry of the Ship Building Promotion Law. The Law was first introduced in March of

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<sup>395</sup> For details on measures considered for the establishment of secure resources in China, see Nagura Bunji, *Nihon Tekkōgyō Shi No Kenkyū*, 15-46.

<sup>396</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Gō Oyobi Dai Yon Gō Tokubetsu Iinkai Gijiroku," (Located at Kokuritsu Kōbun Shokan, Tokyo (reference number 2A 36 268), 1919), 27-29.

1896 and was to be in effect for a 15 year period. However, in March of 1909 it was revised and extended for 10 years starting in 1910. It was to have lapsed on the last day in December of 1919, but an emergency imperial order extended it until January of the next year, i.e. one month later.<sup>397</sup>

Discussion was devoted to clarifying factual and fundamental matters pertaining to the shipping industry. With regards to the comparative cost of shipping in Japan, for example, a separate committee had been formed to investigate the matter. Though the results of the investigation were available, the associated figures were apparently not. From the perspective of shipping, Imaizumi inquired about the availability of figures related to the cost of steel. Inuzuka Katsutarō, a committee member, followed by questioning the pros and cons with regards to the maintenance of shipping and shipbuilding in Japan and in comparison to other countries. Still along the lines of clarification, Imaoka drew out the point that there was a need for greater understanding of the relationship between the price of steel for shipping and the impact on the steel industry as a whole.<sup>398</sup> At a different point, Inuzuka raised the issue of establishing a mechanism for providing funding for the ship building industry. In short, discussion was still at the exploratory stage with concern for clarification of points. Talk could move quickly from one issue to the next without debate

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<sup>397</sup> *Ibid.*, 6.

<sup>398</sup> *Ibid.*, 32-33.

lodging over particular sticking points.

By late 1919 the fillip to the industry afforded by the war was on the wane, and the long term growth of the industry was in question. Chida and Davies make clear in their assessment that the Shipbuilding Promotion Law was ineffective in developing the industry,<sup>399</sup> suggesting that given the poor performance of the law, once the main stimulus for growth, namely the war, had largely disappeared, the future of the industry was decidedly unclear. The committee record is insufficient to allow us to know how it judged the efficacy of the law, stating that “the question of whether the gradual growth over the years of the industry can be attributed to the law can wait... [but what can be claimed is that] remarkable development was based on the impact of World War I.”<sup>400</sup> The overall aim of the inquiry into the shipping industry was to ensure a long term plan be brought in to provide for continued growth, in particular given the broader ramifications that touched on national defence, trade and the general welfare of the nation.<sup>401</sup>

### 3) Tariffs and amalgamation

With regards to the issue of tariffs, as seen also in the above selections, many of the exchanges dealt with understanding the mechanics of tariff implementation and, the associated

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<sup>399</sup> Tomohei Chida and Peter N. Davies, *The Japanese Shipping and Shipbuilding Industries* (London: Athlone, 1990), 17, 26, 34.

<sup>400</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Gō Oyobi Dai Yon Gō Tokubetsu Iinkai Gijiroku," 6.

<sup>401</sup> *Ibid.*, 6-7.

implications, and were also marked by an apparent relative harmoniousness of discussions. This harmony suggests that there was a tacit agreement or consensus regarding the appropriateness of tariff implementation and what remained to be discussed was the detail. As we have seen, the Industrial Club of Japan was in favour of protection. Furthermore, its president, Dan Takuma, personally held the opinion that “the establishment of a protective policy of increasing tariffs and lowering transportation charges etc. was necessary.”<sup>402</sup> According to the interpretation of Okazaki Tetsuji, Shirani Takeshi, the director of Yawata, held the opinion regarding tariff implementation that since the cost of domestic steel was higher than that from abroad, it would be better to focus on rationalization to reduce production costs.<sup>403</sup> Okazaki’s assessment is based on Shirani’s report “Opinion on Japan’s Iron and Steel Industry”, published in November of 1922. However, Okazaki further mentions that in the previous year, Shirani had already opposed the increase in tariffs.<sup>404</sup> The degree to which Shirani’s views had influence over participating members is difficult to assess, but it can be pointed out that he was not a member of the Temporary Investigation Committee, while Dan was. The records, though, do not reflect Dan’s opinion on the matter. It is equally difficult to assess whether Dan sought to influence opinion, and if so, the degree to which he was successful, during unrecorded exchanges between

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<sup>402</sup> Okazaki Tetsuji, "1920 Nendai No Tekkōgyō Seisaku to Nihon Tekkōgyō - Seitetsu Gōdō Mondai O Chūshin Toshite," *Tochi Seido Shigaku* 103 (1984): 2.

<sup>403</sup> *Ibid.*: 5.

<sup>404</sup> *Ibid.*



sessions, during meals or other informal moments.

It is clear from the records that specific proposals existed, but the contents of these proposals are unknown. In the early days of the discussions many of the talks revolved around stating what was the state of the iron and steel industry, in particular the situation with regards to Yawata. Sakikawa, one of the secretaries, indicated that the proposal stated that the protective tariff should be raised to 25%. Hata asked about the details of protecting steel manufacture.<sup>405</sup>

Regarding the impact of the implementation of protection measures, Gō argued that it was dangerous for the national economic situation to be importing steel. Though the export of silk provided a compensatory effect, such imports were dangerous for the trade balance.<sup>406</sup> Counter arguments based on the need for protection and the fact that Japan was in a crisis situation were made by Ōkōchi.<sup>407</sup> Though limited, the difference of opinion points to the obvious, namely that this was not a homogeneous group. The records, such as they are, reflect a general agreement on how to deal with the economic situation but this does not imply that variations in views did not exist. Thus, though sectoral concerns were raised in some of the exchanges on these three issues, in the main their scope and implications transcended this level. National defence, the strategic aspects of ensuring secure lines of communication to maintain

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<sup>405</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Gō Oyobi Dai Yon Gō Tokubetsu Iinkai Gijiroku," 19-21.

<sup>406</sup> *Ibid.*, 46.

<sup>407</sup> *Ibid.*, 47.

industrial production and the rationalization of an industry which, as will be shown, was seen to suffer from inefficiencies, were at the forefront of discussions.

Clear limitations on the role of the *shingikai*, resulting in particular from the constraints imposed by prevailing economic conditions, can be seen over the issue of amalgamation. The importance of this issue is underscored by the fact that it warranted the lobbying of government by business members. Government approval was also necessary for its implementation. At the outset of discussions there was little mention of amalgamation; only near the end of the talks did Imaoka ask Imaizumi about what he knew of government opinion regarding the matter. Imaizumi replied that "it is a matter requiring the approval of the Minister of Finance, and also Shibusawa [Eiichi] will talk with Prime Minister Hara and the Minister of Finance."<sup>408</sup> Discussion became more specific once members turned to the issue of amalgamation. They had before them a number of proposals, and debate revolved around the relative merits of these proposals. There were queries regarding Yawata's ability to adapt to war-related demands. Imaizumi stated that in his opinion, Yawata would be able to modify output to match demand shifts. He also raised two main points that he believed deserved consideration: 1) when would amalgamation be most convenient, as the optimal timing for companies to amalgamate would not all be the same; and 2) securing the supply of resources,

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<sup>408</sup> *Ibid.*, 55.

which was a problem for Japanese sites, was an important first step in the amalgamation process.<sup>409</sup>

## **8. Temporary Investigation Committee on Fiscal Policy and the Economy – Consultation**

### **Numbers 3 & 4**

On 14 February 1921 the Committee sat for the last time and at its conclusion a report was produced delivering a number of recommendations. As in previous meetings, there was a range of agenda items. Among them was the investigation of possible solutions to the difficulties experienced by the iron and steel industry and the shipping industry. For the most part, exchanges again revolved around the clarification of particular points, and the issues raised do not seem to have been particularly divisive. Members had before them drafts of the recommendations that were to be delivered. Opportunity was given to members to take the floor. Judging by the limited number of speakers on record, not all availed themselves of this opportunity. There were a few instances where a point raised by one person was followed up by the next, but in most instances, it would appear that the tendency was rather that when given the opportunity to speak, a member would have already prepared his comments on a point or two

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<sup>409</sup> *Ibid.*, 55-56.

taken from the draft and would then make his case. Following this, the next point would be raised, the focus of which often appeared to be independent of what came before. In other words, the questions raised or points made did not follow an obvious pattern.

The two principle issues at the meeting were again tariffs and amalgamation. In relation to tariffs, the questions were one-off statements of objection or points of clarification. One reason for this disjointed flow of questions may be attributed to the technical nature of the issues. Yamamoto, the vice chairman of the committee, opened the session, which was followed by a summary of the preceding meetings that had produced the drafts of the two plans that were now before them, namely those dealing with the iron and steel industry and the shipping industry respectively. Yamamoto indicated that there were a number of problems experienced in the subcommittee meetings<sup>410</sup> in which he had participated. The principle problem was that the issues required specialist knowledge for competent discussion and Yamamoto admitted that “he did not at all have the knowledge to deal with either of the plans.”<sup>411</sup> Later in his introductory briefing, he indicated that the “plans were extremely technical.”<sup>412</sup> It may well be that part of the reason for the absence of debate was that members lacked the knowledge fully to comprehend the issues and hence often limited themselves to points of clarification.

A further reason for the lack of debate was that it was understood that this forum was

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<sup>410</sup> The contents of these subcommittee discussions are not included in the records.

<sup>411</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Oyobi Dai Yon Gō," 5.

<sup>412</sup> *Ibid.*, 28.

divided into two sections, the first of which was designated for questions, while at a later point, time would be given to the raising of objections. In cases where the speaker had crossed the line between question and objection, he was reminded to restrain himself. One example where Prime Minister Hara intervened was when Asano<sup>413</sup>, a committee member, raised objections to a previous discussion regarding amalgamation. Prime Minister Hara followed Asano's remarks by reminding him that this was not the time to enter into debates.

We still have not entered into arguments. This is the question period...

[followed by Asano]

I have stated what I wanted to say.<sup>414</sup>

The delineation between the question period and that which was designated for objections to be raised is also seen later in Uchida's response to Imaoka's comments on the development of the shipping industry. Uchida stated that he was not satisfied with his explanation but would wait until later to raise the matter again.<sup>415</sup> Self-restraint was exercised by the committee members in the points that they made and where 'transgressions' occurred they were reminded of the inappropriateness of their comments.

Thus, the contents of the final meeting of the Temporary Investigation Committee was similar to those of the previous subcommittee records examined, in that members were presented with draft proposals and questions were raised regarding the contents. The principle

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<sup>413</sup> The record does not provide his first name.

<sup>414</sup> Rinji zaisei keizai chōsakai, "Shimon Dai San Oyobi Dai Yon Gō," 112.

<sup>415</sup> *Ibid.*, 135.

aim of this long deliberation process was to explore particular issues and produce recommendations; though differing opinions may have existed regarding how best to solve a particular problem, the records rather reflect the investigative aspect of the discussions. For reasons of the technical nature of the issues or otherwise, much of the exchanges were about clarification and when objections were raised, they were not sustained by other members coming along side. Hence, there was no discernible interest grouping of members as seen in the case of the Promotion Law of 1917, which clearly demarcated Lower and Upper House participants.

In terms of furthering our understanding of government and business relations and the associated role played by the *shingikai*, the fact that leading government and business figures debated and sat through a lengthy 19 month period of meetings must be significant. As with most leading figures in such circles, demands on time were considerable and these individuals would be unlikely to commit to activities perceived to be ineffective and wasteful of time.

Though obligation and honour may have accounted for the presence of businessmen in the short run, this argument is more difficult to sustain when meetings carried on over many months. The upshot is that their presence suggests that they believed there was something to be gained through the exchanges made in meetings of the Temporary Investigation Committee. Though the records reflect limited friction in the discussions, something identified in the meetings of the

Promotion Law of 1917 to indicate business expectations, this does not necessarily mean that the relatively limited conflict here indicated the opposite, that is, that business entered the meetings believing that there was nothing to be gained. A further point is that the most heated debates that emerged in the series of Promotion Law meetings only did so in the very final stages, when reaching a compromise position had become a matter of urgency. Prior to this point, during the investigative stages, debate was much less pronounced, and the same was true of the Temporary Investigative Committee. It seems that, as might be expected, participants in preliminary discussions may have felt that regardless of whatever stake they may have had in the matter it was wiser to take a stand only later when discussions had developed. The fact that prominent actors sat through 19 months of discussions in which friction was limited reinforces the point that they believed the *shingikai* forum to be more than an arena to hammer out compromises. Even though only investigative in nature, the time sacrificed to exchange views strongly suggests that the *shingikai* was viewed as a valuable forum for business in contributing to the policy formulation process.

In contrast to the divisive nature of the tonnage issue in the Promotion Law, the tariff issue, which will be discussed in the next section, was a different matter. The case for protection of both iron and steel producers had been advanced by Imaizumi and then later by the Club, without substantial preference being expressed for one side over the other. Similarly, during the

Temporary Investigation Committee meetings, there is little evidence to suggest that protection was an issue that divided pig iron producers from those of steel, or private sector from government. Underscoring this point is the fact that it was only at the end of the discussions that specific tariff figures emerged, and these would have afforded protection to both pig iron and steel producers.

### **9. Proposal for the Revision of the Tariff Rate Law and the Proposal for the Revision of the Iron and Steel Business Promotion Law**

In March 1921, the committee of the House of Representatives of the 44<sup>th</sup> Diet session was composed to deliberate on two basic provisions, which were the “Proposed Revision of the Tariff Rate Law” and “Proposed Revision of the Iron and Steel Industry Promotion Law”.

Subsequently, the House of Peers received and deliberated on the revision of the Iron and Steel Industry Promotion Law. Table 3.11 outlines the sequence of meetings.

Table 3.11: Outline of Meetings on the Tariff Rate Law and the Iron and Steel Industry Promotion Law

<b>Date</b>	<b>Abridged Title of the Record of the <i>Shingikai</i> Meeting</b>
	<b>Tariff Rate Law</b>
March 19 <sup>416</sup> , 1921	Record of the Committee of the 44 <sup>th</sup> (4 <sup>th</sup> ) of Imperial Diet House of Representatives: Committee Records of the Proposed Revision of the Tariff

<sup>416</sup> The record of this *shingikai* (19 March 1921) indicates that on the previous day, 18 March, the Committee chairman had been selected.



to March 22, 1921	Rate Law (Proposed Revision of the Tariff Rate Law and the Proposed Revision of the Iron and Steel Industry Promotion Law)
	<b>Iron and Steel Business Promotion Law</b>
March 23, 1921 to March 25, 1921	Records of the Committee of the 44 <sup>th</sup> (2 <sup>nd</sup> ) Imperial Diet House of Peers: The Special Committee for the Proposed Revision of the Iron and Steel Business Promotion Law
March 24, 1921 to March 25, 1921	Stenographic Records of Proceedings of the Committee of the 44 <sup>th</sup> (3 <sup>rd</sup> ) of the Imperial Diet House of Peers: Stenographic Notes of the Proceedings of the Special Committee for Proposed Revision of the Iron and Steel Business Promotion Law

As a general observation, it is with the start of the lower and upper house debates that the investigation phase of the proceedings ended. However, the process by which the lower and upper house debates arrived at a final position on the revision of the pig iron and steel tariff rates, and on the revision of the Promotion Law, is not clear. We know that though the recommendation of the Temporary Investigation Committee for the revision of the steel tariff rate was accepted, the recommended tariff protection was not extended to pig iron producers.

Yet, despite what would appear to be reasonable grounds for pig iron producers to express discontent, the overall tenor of the debates was still one of harmony. Matters pertaining to the revision of the Promotion Law were discussed alongside tariff rate issues and the meetings handled the topics in parallel fashion. This administrative procedure underscores the relatedness of the two issues and perhaps also indicates that it was foreseen that little debate would arise. This was at least true in the matter of the Promotion Law, which received

comparatively little attention in the lower house, while greater attention was extended to the revision of the tariff schedule.

### 9.1 The Lower House Debate

The lower house discussions were spread over a two day period. Early in the talks during the first day, the issue of the Promotion Law was raised. In response to the request by Sashida Yoshio, the committee chairman, for an explanation of the proposal for the revision of the Promotion Law, Sakikawa Saishirō, the bureau chief of the mining section of Ministry of Agriculture and Commerce, outlined that the Promotion Law could be broken down into two parts (article number 4). The first part dealt with an extension of the existing law to cover those sites which were powered by electricity and the second part dealt with assisting steel makers who provided materials for shipbuilding and the repair of ships.<sup>417</sup> Though these issues were to be re-visited in the upper house debates, here in the ensuing hours of the lower house meetings they received little further attention. Judging by the amount of time devoted to discussion, the topic of the tariff revision was perceived to be of greater importance.

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<sup>417</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsuohochū Kaisei Hōritsuan Gai Ichi Ken (Kanzei Teirituhōchū Kaisei Houritsuan, Seitetsugyō Shōreihōchū Kaisei Hōritsuan) Iinkai Giroku (Hikki, Sokki) Dai Ichi Kai~Ni Kai - Dai 44 Kai Teikoku Gikai*, vol. 30, *Teikoku Shugi Shūgiin Iinkai Giroku - Dai 44 Kai Gikai (4) (1920~1921)* (Kyoto: Rinsen Shoten, 1981), 138.

Kōmuchi Tsunetaka, a secretary of the Ministry of Finance, began the discussions outlining the government position on the proposed tariff rate revision. Though its position on steel is quite clear, the reasons for its acceptance of the recommendation on the steel tariff rate were not.

In these talks, the issue at hand is the revision of the tariff schedule and with regards to this steel is the most important point.<sup>418</sup> Considering the significance of steel tariff in the promotion of Japan's iron and steel industry, we must concern ourselves with developing the industry.... Government is considering the matter but there is the Investigation Committee on Fiscal Policy and the Economy and recently we have received an answer.... With regards to tariffs, an *ad valorem* tariff rate of 15 % will be levied... this was the answer. Therefore, in general, we will not interfere with this. Roughly, this level of tariff rate is fine.<sup>419</sup>

It should be noted that Imaizumi's opinion differed on the adequacy of the protection afforded by a 15% *ad valorem* rate on steel. He claimed that "Many foreign countries do not use an *ad valorem* tax base, many countries use weight specific tariffs. Only the United States uses *ad valorem*.... however with regards to 15% [on steel], for Japan I think this is insufficient protection."<sup>420</sup> His opinion was not shared by Kōmuchi. In the end, whatever sway Imaizumi's opinion may have carried, it was insufficient to alter the government position.

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<sup>418</sup> The Japanese character 鉄 when used alone, as is the case in this passage, means "iron" (*kurogane*). This, strictly speaking, does not mean pig iron or steel which are products of iron. In this passage, *kurogane* is interpreted to mean "steel" as the ensuing lines indicate that the speaker is referring to the steel tariff rate of 15%.

<sup>419</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsuhōchū Kaisei Hōritsuan Gai Ichi Ken (Kanzei Teirituhōchū Kaisei Houritsuan, Seitetsugyō Shōreihōchū Kaisei Hōritsuan) Iinkai Giroku (Hikki, Sokki) Dai Ichi Kai~Ni Kai - Dai 44 Kai Teikoku Gikai*, 136-37.

<sup>420</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, vol. 48, *Teikoku Gikai Shūgiin Iinkai Giroku - Dai 51 Kai Gikai (3) (1925~1926)* (Kyoto: Rinsen Shoten, 1981), 141.

Given that Kōmuchi was the first speaker on the first day, one can surmise that the government position of accepting the Temporary Investigation Committee's recommendation on the steel tariff rate had been decided previously. Herein we see that government had sat and considered its position on the recommendations, and at least one decision had been made. It is difficult to assess whether these were informal discussions. In order to make that judgement, a complete set of the records of all formal government meetings pertaining to the issue would be necessary. These we do not have. In any event, government decision making on the recommendations certainly occurred outside the forum of the *shingikai* and before the start of the meetings. In the normal course of events, it would not come as a surprise if non-government participants had not as well established in their own minds their positions on matters, possibly in consultation with others. Government would appear to have been content, and overall, steel producers would appear to have been content as well. Hence there was little friction over the steel tariff matter. On the other hand, pig iron was a different matter. As we know, the recommendation for a 10 % *ad valorem* tariff rate to be levied on pig iron did not emerge as law.

However, with regards to pig iron there is a tariff schedule agreement in the Anglo-Japanese Agreement.... This is what we are in the process of revising. With respect to what in reality can be applied, England, and the other countries as well, in general equally share the most favoured nation clause and this is something that we do not touch. However, one country to which this most favoured nation clause does not apply is China.... As you know, most of the pig iron from

China is taken by Yawata<sup>421</sup> ... if a high tariff is applied to the pig iron of other countries like India, ... we would receive unprofitable discriminatory treatment. That is not good. There are a few other arguments regarding the levying of tariff on pig iron, however at this time we will not touch pig iron.<sup>422</sup>

The position of the government on pig iron is clear from the outset. Regardless of whatever goodwill may have been felt by government toward these producers and concern for their economic straits, the pig iron tariff rate would not be altered for fear of retaliatory action on the part of foreign countries, in particular from India. This opinion was restated by Imaizumi at a later stage though he did not specify pig iron producers alone: "The fear for the future for Japan's iron and steel industry is India". He then added that "as India is a colony of England, India equally shares England's preferential treatment afforded by treaty."<sup>423</sup> Nagura Bunji, a scholar of Japan's iron and steel industry, states that "it is said that the reason for this decision [by government not to accept the Temporary Investigation Committee's recommendation on pig iron] was in consideration of the import of pig iron from India. Also, the absence of any tax on scrap iron coupled with protection of the steel producers strengthened this effect. This fulfilled the role of strengthening an industrial structure divided between iron and steel producers."<sup>424</sup> At the outset of the second day of discussions, 22 March, Kōmuchi entered early in the discussions,

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<sup>421</sup> 官営製鉄所

<sup>422</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsuhōchū Kaisei Hōritsuan Gai Ichi Ken (Kanzei Teirituhōchū Kaisei Houritsuan, Seitetsugyō Shōreihōchū Kaisei Hōritsuan) Iinkai Giroku (Hikki, Sokki) Dai Ichi Kai~Ni Kai - Dai 44 Kai Teikoku Gikai*, 137.

<sup>423</sup> *Ibid.*, 140.

<sup>424</sup> Nagura Bunji, "Seitetsu Gōdō Seisaku to Sono Kiketsu," 482.

in which he essentially reiterated the government position which he himself had established on 19 March. Now he stated that though the government was concerned for pig iron producers, the alteration of the existing tariff rate was not the government's preferred solution. What that would be, was not disclosed, if indeed it was known at that time.<sup>425</sup>

A further facet of the pig iron tariff rate revision was the issue of limitations imposed by the tariff schedule. Kōmuchi stated that "While the tariff rate agreement was in effect, even though a national rate may be agreed upon, the levying of any import tariff would continue to be based on the tariff rate agreement."<sup>426</sup> Imaizumi rejoined by pointing out that pig iron also would fall under this listing, and that nothing could be done to alter the pig iron tariff rate as long as the agreement was in place, which would be for another two years.<sup>427</sup> This then helps explain the predicament that pig iron producers found themselves in, to wit, not only were the prevailing economic circumstances against them, but they were also bound to a weight specific tariff rate which, at that time, did not afford adequate protection and appeared to be unalterable in the immediate future. This also helps explain as well the government position of not upholding the Temporary Investigation Committee's recommendation for the revision of the pig

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<sup>425</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsuohōchū Kaisei Hōritsuan Gai Ichi Ken (Kanzei Teirituhōchū Kaisei Houritsuan, Seitetsugyō Shōreihōchū Kaisei Hōritsuan) Iinkai Giroku (Hikki, Sokki) Dai Ichi Kai~Ni Kai - Dai 44 Kai Teikoku Gikai*, 159.

<sup>426</sup> *Ibid.*, 140.

<sup>427</sup> *Ibid.*

iron tariff.<sup>428</sup> It is important, though, to point out that even if the pig iron tariff rate had not been bound by the agreement, it does not follow that government would necessarily have supported the Committee's pig iron tariff recommendation. Other factors might well have come to the fore. There remained the issue of trade friction with India and its potentially deleterious impact on textile exports, over which Japan was very concerned.

The ensuing debates therefore by and large reflected harmony among discussants, despite what appears to be an *a priori* decision by government not to support the pig iron recommendation advanced by the Temporary Investigation Committee. The central issue for us thus becomes the relative absence of dissent from pig iron representatives. One aspect of the explanation may be the influence exerted by Imaizumi himself. As we have seen earlier, his view on the inadequacy of the new steel rate was not shared by government, which did not alter its position. Imaizumi's view on pig iron, however, was in line with that of government and thus served to reinforce the government position. Early in the first day of discussions. Imaizumi asserted that "in regards to the overall view of the tariff schedule, the present level of tariff [protection] on pig iron should not be increased even a little, it should stay as it is."<sup>429</sup>

We thus need to ask whether Imaizumi's apparent bias towards steel producers reflects a reversal of his previously held view that tariff protection was necessary for both pig iron and

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<sup>428</sup> Steel was not bound by this agreement, and thus could be freely altered.

<sup>429</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 141.

steel producers, the view expressed in his report entitled 'Necessity and Reasons for Tariff Protection in Japan's Iron and Steel Industry' discussed earlier in this chapter. Though the date of this report is not known, it is clear that pig iron producers experienced steep competition throughout the first half of the 1920s and, indeed, during the 1920s as a whole. Thus it is hard to sustain the argument that Imaizumi's changed view on pig iron was due to this sector's ameliorated economic condition. As Imaizumi did not state why he felt that the rate on pig iron "should not be increased even a little", it is not clear whether this was because he did not accept the position of pig iron producers that they were in need of greater tariff protection, or whether there was another reason, such as fear of foreign country trade retaliation. Perhaps what we are observing here is Imaizumi's use of the forum to pursue more specific aims. The fact that Imaizumi stood as an advocate of steel producers in this *shingikai* meeting may indicate less his lack of concern here for pig iron and more his perceived need to pursue greater financial gain through increased tariff protection for the steel tube and pipe producing NKK, the company of which he was chief engineer. In turn, this suggests that, the advocacy of both pig iron and steel producers in Imaizumi's report stemmed from the fact that it was written wearing his hat as representative of the Iron and Steel Institute of Japan, an institute whose name suggests it could not favour one kind of producer over the other - overtly at least.

Perhaps most revealing in these talks of the government approach to decision making



are the comments of Yamamoto Tatsuo, who poignantly reminded participants of the complexity of economic policy making. In the case of the tariff revision, as no doubt with other multi-faceted matters, there were, he said, a plethora of differing vantage points from which to judge efficacy. Accepting that this was a problem, he underlined that due care must be taken before a decision be taken. In so doing, the implication was that in the final analysis it rested with government to take decisions, and what came before was investigation.

There is no agreement between those who use the steel (i.e. the consumer), those who make steel products and the mine operators as to gains and losses .... With respect to the these points of view, to what degree is there any loss? Should the loss be accepted? ... With regards to these losses, should they be accepted by the nation? At this level it is extremely difficult to decide. Because of this, government does not decide alone. Even though there is the Economic Investigation Council, through various means, knowledgeable people must be sought out. After that, based on this, then a decision can be made.<sup>430</sup>

In the end, it is not possible to explain in definite terms why the recommendations of the Temporary Investigation Committee on the tariff revision for pig iron producers were not recognized by the lower house committee, while that of steel producers was. Furthermore, why greater dissent was not expressed by representatives of pig iron producers remains equally unclear. It would appear that government had established *a priori* its position vis-à-vis pig iron and steel tariff revision and, in combination with the support of Imaizumi, remained entrenched in its position. As perhaps suggested by the absence of tariff revision in the title of the upper

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<sup>430</sup> *Ibid.*, 151.

house committee and, as will be seen, by the greatly diminished attention given to tariff revision in these meetings, the close of the lower house talks was, effectively, the terminal point for discussion on tariff revision. The secondary literature provides little further guidance on this issue. Whether further talks, informal or otherwise, later occurred is not known.

## 9.2 The Upper House Debate

The upper house debates were spread over two days, 24 and 25 March, though committee membership was decided upon on the 23<sup>rd</sup> of March. It is not clear why this set of meetings was called *tokubetsu iinkai*. In the case of the Promotion Law of 1917, it was surmised that the 'special' nature of the meeting was due to the committee membership having been made up of both lower and upper house members. Here, the committee to consider the Proposed Revision of the Iron and Steel Business Promotion Law was composed of seven members, plus a committee chairman and vice-chairman, and the record does not provide any indication that they were not all members of the House of Peers. In the case of the lower house debates, considerably more time had been devoted to the tariff revision issue than to the amendment of the Promotion Law. In the upper house debates, although the title of the committee did not mention tariff revision, there was some discussion on the matter, but most discussion was on the

revision of the Promotion Law.

Sakikawa Saishirō, a government committee member, indicated that there had been a recent gradual development in production sites using electricity which did not fall under the protection of the Promotion Law of 1917, and the proposal was made for an amendment to the bill to include these sites.<sup>431</sup> Similarly, the discussions reflected the agreement that government subsidisation should be provided for steel materials that were used in ship repair or construction. Neither of these issues proved to be contentious, and discussions were not extensive. As in the lower house debates, no obvious decision making process was in evidence in the operation of the upper house. Though decisions were arrived at, the path taken was not obviously end-driven. Concerns were raised, counterpoints made and then the topic moved on. Differing opinions were raised but either the responses were sufficient to put the issue to rest or the opinions were not viewed as important enough to warrant further comment. In either case, the upshot was that the overall tenor of the talks was, again, one of harmony.

The meetings culminated in decisions taken in the morning and afternoon of 25 March on the revision of the Promotion Law. The various issues were not brought to a vote but rather it would appear that when discussion had been brought to the point where there were no more questions, Hotta Masatsune, the committee chairman, declared the resolution in favour of

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<sup>431</sup> Teikoku Gikai Kizokuin Inikai, ed., *Seitetsugyō Shōreihōchū Kaisei Hōritsuan Tokubetsu Inikai Giji Sokkiroku Dai Ichi ~ Ni Gou - Dai 44 Kai Teikoku Gikai*, vol. 15, *Teikoku Gikai Kizokuin Inikai Giji Sokkiroku - Dai 44 Kai Gikai (3) (1921)* (Kyoto: Rinsen Shoten, 1981), 563.

adopting the following revisions to the Promotion Law of 1917.

The revisions for the Iron and Steel Business Promotion Law are as follows:

Article 4... entitled “Producers of low phosphorus pig iron”, the following part would be added: “also electricity based pig iron and steel producers”

Article 7 Section 2: With regards to the repair or construction of ships or steel materials that are constructed within the Japanese empire, the government can subsidize producers of this steel material

Section 3: In the event of fraud by producers who receive the benefits extended in Section 2, they will be liable for the repayment of the subsidies. Also with regards to this repayment, this assessment will be based on the national tax regulations provision, however national taxation has prior rights in the order of repayment.<sup>432</sup>

Given that these amendments did not alter significantly the original Promotion Law, their

overall impact on the iron and steel industry is likely to have been limited.

With regards to the tariff revision issue, Shiba Chūzaburō, a committee member, suggested that though the final decision on the revision of the pig iron and steel tariff rates had not yet been finalized, it appeared to him at that time that while the pig iron rate would not increase, that on steel would.

[There was] a consultation conference last year called the Investigation Committee on Fiscal Policy and the Economy. While it focused on the protection of steel production, the most important point made in the Investigation Committee on Fiscal Policy and the Economy was the increase of the import tax on pig iron and steel products. Following from this was the aim for Japan’s self-sufficiency in iron and steel, however ... [the tariff on] pig iron does not look like it is going to be increased. We know that only steel products are likely to increase.<sup>433</sup>

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<sup>432</sup> Teikoku Kizokuin Inikai, ed., *Seitetsugyō Shōreihōchū Kaisei Hōan Tokubetsu Inikai*, vol. 13, *Teikoku Gikai Kizokuin Inikai Kaigiroku - Dai 44 Kaigi (2) (1920~1921)* (Kyoto: Rinsen Shoten, 1981), 1531.

<sup>433</sup> Teikoku Gikai Kizokuin Inikai, ed., *Seitetsugyō Shōreihōchū Kaisei Hōritsuan Tokubetsu Inikai Giji Sokkiroku Dai Ichi ~ Ni Gou - Dai 44 Kai Teikoku Gikai*, 564.

The point to be made here is that the wording of this excerpt suggests that a decision on the tariff rate had still to be made on the 24<sup>th</sup> March, two days after the close of the final lower house committee meeting. This suggests that the matter was still awaiting the decision of a separate deciding body, but it remains unclear what that body was, whether or not it was a formal committee, and, when that decision would be made. Shiba further suggested that the reason why the tariff on pig iron was unlikely to be increased was the conflict with the tariff schedule agreement which did not permit Japan to alter the pig iron tariff rate:

As for why the rate on pig iron was not increased, I think it may have been because of the relationship with the tariff schedule agreement. In the case that the tax not raised, possibly because of the tariff schedule agreement, despite the opinion and resolution<sup>434</sup> expressed by the Investigation Committee on Fiscal Policy and the Economy, according to my memory, protection would have then been based on this difference (i.e. the difference between the existing agreement and the proposed one)....<sup>435</sup>

The wording here of “why pig iron was not increased” conflicts with the implication expressed by Shiba above that the decision was pending. As these records would appear to be virtually verbatim transcripts of what was said, it is perhaps important that we do not place too much weight on this passage as an indication of the status of the pig iron decision. As we know, the precision of carefully worded reports is not always found in speech. We also know that verb

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<sup>434</sup> Though 決議 is translated as decision or resolution, it should not be seen here to imply that the committee was vested with powers that extended beyond the prescribed remit of the *shingikai* to make recommendations.

<sup>435</sup> Teikoku Gikai Kizokuin Iinkai, ed., *Seitetsugyō Shōreihōchū Kaisei Hōritsuan Tokubetsu Iinkai Giji Sokkiroku Dai Ichi ~ Ni Gou - Dai 44 Kai Teikoku Gikai*, 564.

tense in Japanese may permit imprecision. In any event, it would appear that Shiba's idea that protection would be extended to pig iron producers through government subsidy was refuted as incorrect by Sakikawa. He agreed that the pig iron rate could not be changed because of the agreement but argued that subsidisation of the pig iron producers was not possible as it contravened the spirit of the agreement.<sup>436</sup>

As Shiba acknowledged, he was not certain of the details of the 1911 agreement. In fact, it would appear that Shiba's memory did not serve him well in this instance, as Article 8 of the Treaty of Commerce and Navigation provided for modification of the tariff schedule, though unilateral alteration was not permitted. In the event that either Japan or the United Kingdom sought change to the tariff schedule, they would enter negotiation, and if this failed then the notification of the intent to withdraw could be made.

If at any time after the expiration of one year from the date this Treaty takes effect either of the High Contracting Parties desires to make a modification in the Schedule it may notify its desire to the other High Contracting party, and thereupon negotiations for the purpose shall be entered into forthwith. If the negotiations are not brought to a satisfactory conclusion within six months from the date of notification, the High Contracting Party which gave the notification may, within one month, give six months' notice to abrogate the present Article, and on the expiration of such notice the present Article shall cease to have effect, without prejudice to the other stipulations of this Treaty.<sup>437</sup>

Thus, the treaty allowed for change of the tariff schedule "without prejudice to the other

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<sup>436</sup> *Ibid.*

<sup>437</sup> BPP, "Treaty of Commerce and Navigation between Great Britain and Japan Together with a Prefatory Note and Appendices," 3.

stipulations.” This then leads to speculation as to the degree of accurate knowledge participants had regarding constraints, diplomatic or otherwise, that impinged on the industry. Clarification of this point was not recorded but, given that the steel tariff rate was amended, we can assume that at one point this crucial issue was clarified. This then places emphasis on the argument that fear of trade friction with India was the driving reason for the decision not to uphold the recommendation for a 10% *ad valorem* tariff rate on pig iron.

## 10. Conclusion

An implicit question that runs throughout this chapter is, given the nature of the documentation of the Temporary Investigation Committee, how close we are to ‘seeing’ how the deliberations transpired. We commenced our analysis with some of the basic factors that shaped the positions of the producers, perhaps most important being the divergent interests of iron and steel producers. Subsequently, the views of Imaizumi and then those of the Industrial Club of Japan were examined, followed by analysis of the Temporary Investigation Committee’s proceedings. We know the recommendations that were submitted to government, and the fact that they were not fully endorsed, but we cannot ‘see’ how the discussions led to these recommendations. One immediate response as to why that is so, is that we do not have a

complete set of records, and those records that we do have are largely summaries of what was said. To be sure, these factors have a definite limiting effect. Also, and of particular relevance to the larger theme of this thesis, is the role of whatever informal discussions may have occurred. Nevertheless, some consideration of the salient points may be fruitful.

The informal discussions of the Club members with government did not apparently change the government position, which challenges the assumption that major economic interests could always dictate outcomes. Also, given that they could not, it stands to reason that in pursuit of their aims, they would seek their ends through other means, for example, the formal setting of the *shingikai*, as was seen in the Promotion Law of 1917. So, prior to the start of the Temporary Committee's discussions, business tried to influence government through informal means but had been rebuffed. Subsequently, leading business figures were invited to participate in the formal forum of the *shingikai*, ostensibly at least to express their views on how the current economic and industrial problems should be addressed. Knowing that informal channels had failed, they were presented with the opportunity to realize their aims through the deliberations. Coming to the discussion table headed by the prime minister and a number of other leading government actors, business had a second chance. Though the experience of the Promotion Law revealed that they still could not dictate the outcome, it did demonstrate that a fight could be made for their end. Following this line of argument, it is reasonable to assume that business



approached the discussions seriously and with the intention of defending its stake.

That the records do not reveal heated debate as seen in the previous chapter does not mean that all was a façade. It should be first mentioned that the records on the Temporary Investigation Committee indicate that, as its title states, the *raison d'être* of this forum was for investigation. The ambit of discussions was determined at the outset and members considered the issues that were presented to them. In this case the deliberations were long and there were many subcommittees formed, one reason for which was the technical nature of the matters under discussion. As indicated by one speaker, though he participated in one of these subcommittees, he felt out of his depth in discussions. Thus, in the later plenary session where not all members were conversant with the intricacies of the tariff and amalgamation issues, it is reasonable to assume that this may have contributed to the absence of heated debates.

This also raises the question of whether, fundamentally, tariff implementation and amalgamation were contentious issues for participating members. In contrast to the buoyancy of the war years, when entrepreneurs saw great gains in the market, the post-war period saw the dramatic contraction of the industry. The number of iron and steel sites was reduced dramatically through bankruptcy and there was a general consolidation process under *zaibatsu* control. In the case of the Promotion Law, personal gain during the war was identified with opposition to the expansion of Yawata and the hammering out of a deal with government to

promote private sector interests – now they ran for government cover. This is not to say that government was passive and awaited their appeals, as it too sought measures to alleviate the economic crisis. The upshot was that both government and the private sector realised that it was in their best interests to work together; hence the underlying assumptions which drew both sides together engendered harmony.

Given the opaqueness of whatever decision making process may have occurred here, the applicability of our delineation between formal and informal discussions may be drawn into question. In general, we have said that behind-the-scenes ‘face to face’ communication between government and business is considered here as informal, and the discussions of the *shingikai* as formal. This characterization was more easily applied in the case of the Promotion Law of 1917, where the records are detailed and the process of decision making more apparent. Here, however, neither of these apply; at least in part, meetings were held in the private residence of the prime minister, and records are largely limited to summaries. Furthermore, the fact that as some of the meetings were held in the evening, during which members adjourned for supper, suggests that off-the-record discussion may have occurred during the meetings, breaks or during post-prandial libation. During these informal discussions differences may have been ironed out or amplification of points may have been made. The point is that the setting of this *shingikai* lends itself to a belief that what is a formal institution may serve both the ends of informal and

formal discussion. This allows for the interpretation that, given the limited conflict revealed in the discussions, business may have approached the Temporary Committee as an opportunity to take up informal discussion. Certainly they would have recognized this possibility and it would be difficult to rule out the fact that periods of adjournment were used to continue talks, but it does not explain away the point that with respect to the tariff issue, the interests of government and business coincided. This correspondence, it is suggested here, was an important factor in explaining the relative absence of friction.

#### **Chapter 4 : The Long Road to Amalgamation 1921 – 1934**

With the conclusion of the Temporary Investigation Committee debates and the subsequent revisions of the Promotion Law and the tariff schedule in the first months of 1921, a sustained period of discussions was over. Government and business had demonstrated their mutually felt concerns over the worrying economic situation and tariffs were seen as a means to protect the iron and steel industry. As we have seen, though, the revised tariff schedule did not equally protect pig iron and steel producers. In the ensuing years, both pig iron and steel producers sought means to face foreign competition, through the revision of the tariff schedule, subsidisation and collective price agreements.

Notwithstanding whatever benefits were derived by these means, more fundamental issues remained. Tariffs helped shield the industry from international competition but, in themselves, could not address the inefficiencies of the industry. Similarly, as will be seen later, collective price agreements, though they proved to be successful in the short-term, could not promote integration, and subsidisation was ultimately a stop-gap measure. Hopes for the establishment of a competitive self-sufficient industry continued to elude government. For the private sector, integration remained a thorny issue. At various points during the period under question here, government attempted to realise the integration of the industry, however, research

indicates that certain private sector producers were against amalgamation for economic reasons.<sup>438</sup> It was only in 1934 that both the necessary market changes had occurred and sufficient political backing was found to pass through the legislation. Even then, the *shingikai* records reveal that certain vested private sector interests railed against the amalgamation plan, while other members of big business were non-committal, awaiting later government clarification of implementation details. This stance suggested caution on their part, but, more importantly here, pointed to their independence of action in dealing with government. Yet, whatever independence they may have wished to maintain, the records suggest that there remained, overall, a tacit acceptance of the need to restructure the industry along more efficient lines.

The issue of the industry's restructuring revolved around its limited integration of the production process. Though by 1926 Kamaishi and Wanishi under Mitsui, Kenjiho under Mitsubishi and Asano Shipbuilding Steel had attained some degree of integration, the government-owned Yawata remained the only fully integrated producer. The principle foreign steel producing nations were, in general, more internationally competitive than the Japanese.<sup>439</sup> The *shingikai* records reveal that the participants perceived that, in the main, their competitors' superior economies of scale stemmed from their integrated production processes. The threat

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<sup>438</sup>See Okazaki Tetsuji, "1920 Nendai No Tekkōgyō Seisaku to Nihon Tekkōgyō - Seitetsu Gōdō Mondai O Chūshin Toshite."

<sup>439</sup>Iida Kenichi, Shūji, and Toshirō, eds., *Tekkō*, 208.

posed by American, British and German manufacturers was a constant reminder to the Japanese of the need to draw together and streamline production. This change, though, implied painful decisions. This observation can be made not only of the private sector, but equally of Yawata itself. Yawata occupied a sheltered position in the market. Government bore the cost of Yawata's production inefficiencies, though this was changed through the 1926 Accounting Law, which forced the rationalisation of Yamamoto's product line.

Thus, the main issues relating to the iron and steel industry between 1921 and 1934, as they concern us here, were two fold: 1) the continued search for protection through tariffs and subsidisation and, 2) the developments that culminated in the industry's amalgamation. Debates pertaining to these developments that ran in parallel fashion were again examined in the *shingikai* forum and subsequent lower and upper house debates. Collective price agreements, though important in understanding the developments that led to amalgamation, did not figure importantly in the *shingikai* discussions and therefore are not of direct concern to this analysis.

As has been argued, economic and other circumstances played a key role in shaping *shingikai* debates. The war years which bracketed the Promotion Law's deliberations formed the context of the discussions. The recognized limited time frame of the conflict engendered a sense of urgency in the heated debates, and the large scale profits contributed to forming the crucible in which the debates were forged. In the years immediately following the cessation of the

fighting, the iron and steel industry experienced dramatic shifts in demand. During this period, the Temporary Investigation Committee deliberated at length on dealing with the need mutually felt by government and the private sector for protection from foreign competition. Though prevailing tariff agreements made the task of revising the schedule in more favourable terms for Japan more difficult, the comparative absence of friction can largely be attributed to the diminution of actors in the industry and the common interests of both the government and the private sectors. Between the end of the debates on the revision of the Promotion Law and the tariff schedule in 1921, and the amalgamation of the iron and steel industry in 1934, we also find the overall salient feature to be harmony. This is not to suggest that disagreements did not arise, but, rather, that they did not dominate or characterise the discussions. Economic and political factors played a role both in leading the industry towards amalgamation and in the shaping of the debates. It is argued here that the comparative harmony in the *shingikai* debates was due, in part, to the sustained period of economic difficulty of the 1920s which provided the climate in which arguments for amalgamation could gain sway, and was in part because political considerations muted objections and facilitated harmony. The records reflect that some of these *shingikai* meetings took place at the same time as other related meetings. Importantly, the exchanges suggest that there was a hierarchy of discussions in which the *shingikai* meetings examined here were subordinate to higher level meetings which exercised decision making

powers. The exchanges between speakers also suggest that some participants were members of these higher order meetings and that the function of these participants was, in part, to pass on information. Also, it was known to government, and perhaps business as well, that sensitive trade talks contemporaneous to some of our *shingikai* discussions constrained the government position and contributed to preventing pig iron aspirations being realized. In terms of what this means for our argument regarding business views of the *shingikai*, it is that, despite the fact that business was aware that the talks were overshadowed by a higher decision making body and that there were overriding considerations that would prevent the full realisation of their aims, business still attended and participated. Conversely, one might argue that knowing that what was being said in the meetings was being passed on to a higher decision making body served to encourage business participation in the hope of influencing outcomes through indirect means. In either case, business was not passive in the discussions.

## **1. Historical Background**

The first half of the 1920s proved to be for the iron and steel industry a period of considerable turmoil which was temporarily stabilised through cartels formed under the Iron and Steel Council established in 1925. On 1 September 1923 the Kantō plain was hit by a massive



earthquake followed by fire which swept through Tokyo, Yokohama and the outlying regions, claiming an estimated 95,000 lives and causing 5,506,000,000 yen in physical damage.<sup>440</sup>

Between 1924 and the following year, business project budgets fell by one fifth.<sup>441</sup> Poignantly expressed by one account, “the winds of the post-war crisis went wild.”<sup>442</sup> For the iron and steel industry, demand for materials to rebuild the earthquake stricken area dramatically increased but could not be fully met by domestic production. The need to rebuild ravaged Tokyo as soon as possible was pressing, compelling government to eliminate taxes and tariffs on imported steel until March 1924. In turn, the market was flooded with steel and prices declined anew.

At the same time, the iron and steel industries of the former World War I nations were being shifted to a peace time footing. Germany, Great Britain and the United States, Japan’s fierce erstwhile competitors, re-emerged as strong exporting nations, outstripping Japan’s production capacity and at higher levels of efficiency. Imports from Germany and Britain quickly increased and pushed the United States from its dominant position: in 1920, Japan imported from Britain 14% of its steel imports, 2% from Germany and 84% from the United States; however, by 1926 Britain accounted for 22%, Germany 43% and the United States was

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<sup>440</sup> Nakamura Takafusa, *Shōwa Shi I 1926-1945*, 63. The estimate of human loss includes those reported missing. The figure for physical damage is comprised of buildings, household, goods, stock, factories, public facilities etc.

<sup>441</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 212.

<sup>442</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Sōsetsu*, vol. 1 *Sōsetsu (Jō)*, *Shōkō Seisakushi* (Tokyo: Shōkō Seisakushi Kankō Kai, 1985), 112.

reduced to 21%.<sup>443</sup> In turn, the impact on price was dramatic. The principle driving force that determined the price and volume of domestic pig iron production was imports from India and to a lesser extent from Manchuria. Between 1920 and 1926 the price of Indian iron was always below average market price.<sup>444</sup> The price of rolled steel products moved from 416.49 yen per ton in 1918 to 220 yen per ton in 1920, and by 1926 was 105.83 yen per ton. The same trend can be seen in the price descent of steel ingots, which plummeted from 313.18 yen per ton in 1918 to 160.13 yen two years later and 82.80 yen in 1926. As for iron, domestic producers fared little better. The unit price per ton of pig iron in 1918 dropped from 209.86 yen to 100.25 yen in 1920, and by 1926 was 46.22 yen.<sup>445</sup>

International political factors as well had telling economic consequences. As we have seen, Yawata's 3<sup>rd</sup> expansion was in part aimed at meeting plans for naval expansion.<sup>446</sup> The intention was that by 1921, "nearly one-third of the entire budget expenditures of the Japanese Government" was to be allotted to the planned naval expansion and indeed the "Japanese Government, before the Washington Conference, was planning to spend as much money on its Navy as was being spent in the United States for that purpose."<sup>447</sup>

This massive naval expansion was not realized. At the Washington Conference (1921-

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<sup>443</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 90.

<sup>444</sup> Iida Kenichi, Shūji, and Toshirō, eds., *Tekkō*, 210.

<sup>445</sup> Shinohara Miyoei, ed., *Kōkōgyō*, 232.

<sup>446</sup> Nagashima Osamu, *Senzen Nihon Tekkōgyō No Kōzō Bunseki*, 46.

<sup>447</sup> Raymond Buell, *The Washington Conference* (New York: Russell and Russell, 1922), 139.

22) Japan agreed to the reduction of its fleet as stipulated in the Five Power Treaty signed in February of 1922, where naval expansion would be contained for a period of 10 years to a 10:10:6:3.5:3.5 ratio for the tonnage of capital ships in the British, American, Japanese, French and Italian navies. Total work orders for Yawata in 1919 comprised of private and government sector requests, including navy and army, amounted to 20,346,000 yen, but by 1925, this had decreased to 3,369,000 yen.<sup>448</sup> In 1919, Yawata received from the navy 16,095,000 yen worth of orders, or 79.1% of Yawata's total orders, which by 1922 had diminished to 2,931,000 yen (50.3%) and by 1925 had reached the decade low figure of 654,000 tons (19.4%).<sup>449</sup>

This economic pain was not restricted to Yawata alone, as during the war NKK, Nihon Seiko-sho, Kawasaki Shipbuilding and Sumitomo Copper as well had all invested in their production capacities in the areas of thick plate, large structural shapes and large cast steel in response to the increased demand in war related shipbuilding.<sup>450</sup> In an effort to respond to market forces, these large private firms and others, as well as Yawata, diverted their capacities to the production of smaller goods such as bars, wire rods, steel pipes and sheet to meet civilian demands.<sup>451</sup> Concomitantly, given the relatively limited start-up costs for these products and the

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<sup>448</sup> Nagura Bunji, *Heiki Tekkō Kaisha No Nichiei Kankeishi - Nihon Seikōjo to Eikokugawa Kabunushi: 1907 - 52*, 248.

<sup>449</sup> *Ibid.*

<sup>450</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 89.

<sup>451</sup> It should be noted that helping offset this decline in naval requisitions was the increased demand for industrial machinery, electric wires, construction, and railways. As Yawata had a monopoly over rail production it diverted its production accordingly. Further countermeasures were taken in entering the civilian small products market such as bars, wire rods, steel, pipes and sheet. In 1919, Yawata's

increasing demand, small firms also moved into this market resulting in a sharp decline in profits. This then was further exacerbated by the presence of foreign manufactures to make for very fierce competition indeed.

Perhaps of greater importance than simply the price competition were the disproportionate shifts in demand for iron and steel. The rate of domestic production of steel, though level between 1919 and 1921, thereafter increased until 1924, while that of iron was flat throughout this period. As a result, by 1924 the ratio of iron to steel production was 1:1.2.<sup>452</sup> Kamaishi, which had expanded to achieve integrated production could not achieve its targets due to the unstable economic situation. Similarly, NKK withdrew from pig iron production because of unprofitability and hence Yawata remained as the only fully integrated producer in the domestic market. From the perspective of the development of the industry, "the imbalance between steel and iron firms [was such that it] impeded the proper development of integrated works in Japan."<sup>453</sup> As Nagura says,

The Japanese iron and steel industry in the 1920s revealed a gradual structural entrenching of the so called special production structure of what is called 'competition' or 'opposition' based the 'delineation between iron and steel [producers]' and 'delineation between government and private sectors'. This situation could also be described as a 'structural depression'.<sup>454</sup>

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government sales (including munitions) were 156,000 tons while civilian sales totalled 112,000 tons. By 1925, government sector sales roughly remained the same at 155,000 tons however those to the private sector had increased to 490,000 tons. *Ibid.*, 89-90.

<sup>452</sup> Murakami Katsuhiko, "Shihon Chikuseki (2): Jūkōgyō," in *Nihon Teikoku Shugi Shi 1: Dai Ichiji Taisen Ki*, ed. Oishi Kaiichirō (Tokyo: Tokyo Daigaku Shuppan Kai, 1997), 217.

<sup>453</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 92.

<sup>454</sup> Nagura Bunji, "Seitetsu Gōdō Seisaku to Sono Kiketsu," 135.

A prime explanation for why steel producers held an advantageous position over pig iron producers was that they purchased cheap Indian iron:

except for the government managed Yawata, the ... amalgamation of pig iron and steel management had not yet been established. Steel production relied on cheap pig iron from India and scrap. [In the face of competition], steel producers tended to lower the price of their products, [which, in turn] forced the lowering of profit rates.... For pig iron producers, in turn, this meant an increase in pressure because of the import of pig iron from India<sup>455</sup>

Thus, in terms of seeking a means to alleviate pressure on the industry, the imposition of tariffs on imports was in the interest of domestic iron producers. However, their gain would reduce the profitability of steel manufacturers. Hence, the definition of best interests for iron producers was distinct from that of steel manufacturers.

In the context of this economic turmoil, arguments for amalgamation became more compelling. One such advocate was Takahashi Korekiyo, who led a sustained effort to reorganise the iron and steel industry. In each of the 1922 Tōkai, west Honshū, and Osaka-Kyoto Seiyūkai party meetings, Takahashi, as party president, "stated the necessity for the amalgamation of the iron and steel industry."<sup>456</sup> In June of 1924, Takahashi became the Minister of Agriculture and Commerce and formed a committee to consider the matter. Though chaired by Takahashi, his hopes for amalgamation were not realized. Research indicates this failure was because of opposition from Mitsui and Mitsubishi. It has been argued that this was because the

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<sup>455</sup> *Ibid.*, 135-36.

<sup>456</sup> Okazaki Tetsuji, "1920 Nendai No Tekkōgyō Seisaku to Nihon Tekkōgyō - Seitetsu Gōdō Mondai O Chūshin Toshite," 4.

financial position of these large combines was at that time such that it was not necessary for them to enter into cooperative management with Yawata and other members of the industry, thus underscoring the independence of the *zaibatsu* from direct government control.<sup>457</sup> In April of 1925, Takahashi retired and in so doing, amalgamation was placed on hold.

Government initiatives to address the iron and steel industry's problems were not long in abeyance. In 1925, Kataoka Naoharu, Minister of Agriculture and Commerce under the second Katō Takaaki cabinet, recommended government financial support and cartelisation of the industry. This led to the formation of the Iron and Steel Council later that year, and under its aegis the Pig Iron Cooperative Association in 1926. Also, in January 1926, under Kataoka's initiative, the proposal was made for an increase in the tariffs on pig iron and steel.<sup>458</sup> However, as will be seen, government concerns over trade friction with India stood in the way of the hopes of pig iron producers. In response, subsidisation of pig iron was introduced through the revision of the Iron and Steel Promotion Law in March 1926. In rather selective fashion, the outcome of the revised law defined eligibility for subsidisation as those companies which were integrated and had an annual production capacity of over 35,000 tons of iron and steel.<sup>459</sup> This subsidisation continued until the amalgamation of the industry under Japan Steel in 1934.

Under the control of the Pig Iron Cooperative Association, formed of Kamaishi,

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<sup>457</sup> *Ibid.*, 17.

<sup>458</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 241.

<sup>459</sup> *Ibid.*, 243.

Wanishi, Kenjiho, Ben Xi Hua and Anshan Works, the domestic price of pig iron was stabilised.

The association's aims were two fold: 1) stabilisation of the market price of pig iron and 2) setting of the price below India pig iron.<sup>460</sup> The association was successful in its aims until the start of the Shōwa Depression in 1930. Declining demand and increased competition, in particular from India, led to a decision to engage in price-fixing without concern to production costs in order to keep Indian pig iron out of Japan. This was possible because of the subsidisation given by government to pig iron producers. In addition, an agreement was reached between the Joint Purchase Association of Steelmakers and the Pig Iron Cooperative Association in 1927 whereby steel producers agreed to limit their purchases of India pig iron to one-third of their total purchases. In return, the Pig Iron Cooperative would, among other things, adjust the price of its product to that of steel in a ratio of 1: 2.2.<sup>461</sup> Under these conditions collective price agreements, in combination with the impact on demand of the depression, did reduce the market share of Indian pig iron from 21.9 percent to 10.6 percent between 1929 and 1931. However, continued declining prices of steel made the position of the pig iron producers untenable under the agreement and so it was abandoned in 1931.<sup>462</sup> As for steel producers, there was not one encompassing cartel for this sector of the industry, but rather the industry was subdivided between product lines. In 1926, the Bar Segments Agreement was established, which subdivided production according to bar size between Yawata and private sector sites, controlling prices and achieving economies of scale. A similar understanding was achieved for producers of

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<sup>460</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 126.

<sup>461</sup> *Ibid.*

<sup>462</sup> Iida Kenichi, Shūji, and Toshirō, eds., *Tekkō*, 276.

round bars (1927), black plates (1930), wire rods (1930), plates (1931), medium plates (1930), small angles (1931) and medium angles (1931). Though achieving success at controlling prices to varying degrees, none of these associations survived the Shōwa Depression as overall market prices declined.<sup>463</sup> In the end, the maintenance of collective price agreements proved to be unsustainable for both pig iron and steel producers.

In July 1932, the issue of tariff increases on pig iron and steel reappeared under the initiative of the Saitō administration. As will be discussed later, prevailing conditions this time helped to facilitate the passage of the bill. Despite strong objections from the Diet, government succeeded in seeing through the legislation, but in the process the upper chamber strongly insisted that government implement measures for the rationalization of the industry which eventually led to the amalgamation of the industry in 1934.

While the amalgamation of the industry was directly related to the domestic issues of the industry's unbalanced structural development, inefficiency and external competition, it was in a broader sense part of the larger rationalisation process that developed in the latter half of the 1920s. Industrial rationalisation was spearheaded by the Industry Deliberation Council set up by the Ministry of Commerce and Industry on 23 May 1927. In part, the Council's establishment was driven by a number of economic scares which "contributed to the radicalization of the whole society and brought forth demands that someone speak for the nation as a whole."<sup>464</sup> One

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<sup>463</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 130.

<sup>464</sup> Johnson, *Miti and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, 102.



of the first of these shocks occurred during the 52<sup>nd</sup> Diet which ran between December 1926 and March 1927, while government was addressing the matter of the so-called earthquake bills which had been issued to raise relief money. The government proposed legislation to convert the earthquake bills into 10-year government bonds. During the diet discussions, the Minister of Finance revealed the extent of the domestic economy's fragility which brought a run on banks. Fears not entirely assuaged, it was later revealed that the Suzuki Trading Company and the government-owned Taiwan Bank were in economic straights. As Suzuki owed the Bank over 350 million yen and held approximately 100 million yen in earthquake bills, fears of the worst emerged. "Rumors spread that the real intent of the new laws was to save Suzuki and the Taiwan Bank, and when Suzuki's competitors, beginning with the Mitsui Bank, began withdrawing their deposits from the Taiwan Bank, the public run on all banks revived."<sup>465</sup> The upshot of the 1927 panic was that the government fell, including the collapse of approximately 37 banks, and the Suzuki *zaibatsu* went under with Mitsui and Mitsubishi absorbing the remaining pieces. A "large number of competing banks and enterprises were weeded out, and the economy's limited capital was concentrated in the strategic sectors ... [which promoted the] enrichment of the *zaibatsu*...."<sup>466</sup> Thus, the economic upheavals of the 1920s served several ends. At one level they formed the climate in which rationalisation rose to the fore. Their impact

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<sup>465</sup> *ibid.*, 101.

<sup>466</sup> *ibid.*, 101-02.

also played into the hands of the more financially stalwart *zaibatsu*, reducing the number of actors in the iron and steel industry, and in turn the number of varied interests represented in the related *shingikai* meetings. This, as has been discussed before, may have been a contributing factor to reducing friction in *shingikai* meetings.

In as far as the rationale for amalgamation was a matter of economies of scale and efficiency, the passage of an amalgamation bill was closely associated with prevailing political and diplomatic circumstances. The argument has been made that political rivalry between the Kenseikai and the Seiyūkai had stood in the way of earlier amalgamation attempts and only under the Saitō cabinet (26 May 1932 to 8 July 1934), composed of members of both parties, were the necessary political conditions met in order to allow the bill to pass. Also of concern were diplomatic relations between Britain, India and Japan over the India-Japan cotton trading relationship. These concerns were rarely far from government thoughts in its approach to the re-negotiation of the tariff schedule.

The ensuing *shingikai* debates indicate that government was particularly careful in the matter of altering the existing tariff levels on pig iron and steel, in particular the former. As we have seen in the debates over the revision of pig iron rates during 1921, this issue was a sticking point for government. Notwithstanding the possibility that the same reasons continued throughout the 1920s to engender in government an *a priori* reluctance to entertain the revision

of pig iron tariffs, what will be focussed on here is the limitations imposed by India-Japan cotton trading relations on the efforts to revise pig iron tariffs. At certain points, the records reveal the government's expressed reluctance to alter the pig iron tariff rate for fear of Indian tariff retaliation and other economic considerations. By implication, government placed priority on Japan's cotton exports to India over the protection of domestic pig iron from Indian competitors. Economic reasons, at least in part, underpinned this view. "At least until the late 1930s the textile industry remained undoubtedly the most important industry in the economic life of Japan."<sup>467</sup> In the period under question here, and indeed for years after, cotton exports were an important source of foreign currency critical for Japan's balance of payments, an issue of prime concern to industrialising nations.

The rise of the Japanese cotton industry was spectacular. Centred on Osaka, it became in the inter-war period one of the country's most important and financially powerful industries. In its dependence on world markets, the Japanese industry resembled that of Great Britain. In the years 1928-31, 51.3 per cent of its output was exported; in 1933-7 the proportion was 55.9 per cent. Cotton textiles accounted for around 20 percent of Japanese exports, surpassing silk as the country's chief exporting industry in the 1930s. During the period of rapid advance in world markets initiated by the devaluation of the yen in December 1931, cotton became the spearhead of Japanese economic expansion.<sup>468</sup>

Though, strictly speaking, the cotton trade issue was a bilateral matter, the depth of the

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<sup>467</sup> Osamu Ishii, *Cotton-Textile Diplomacy: Japan, Great Britain and the United States, 1930-1936* (New York: Arno Press, 1981), 33.

<sup>468</sup> Clemens Wurm, *Business, Politics and International Relations: Steel, Cotton and International Cartels in British Politics, 1924 - 1939*, trans. Patrick Salmon (Cambridge: Cambridge University Press, 1993), 199.

tensions and its implications were closely linked with the decline of the Lancashire industry.<sup>469</sup>

In essence, what occurred was Britain's declining cotton exports to India in the post-war period were seen as the result of Japan's rapidly, increasing cotton exports. At the same time, India's own industry had expanded rapidly shifting the balance of trade with Britain closer to parity.

This perception is one that benefits from hindsight, as some leading British business leaders, among others, of the threat posed by the Japanese to the Lancashire industry suggest they were reluctant to think that Japan had the wherewithal to dominate the world cotton market. Certainly during Japan's financial difficulties in late 1927 and early 1928, the view in Manchester was that "the bubble of Japanese competition was being well and truly deflated."<sup>470</sup> In the ensuing years this perception was challenged as Japan's continued growth of cotton exports

accompanied Lancashire's decline. At the larger strategic level, Japan's growing exports to India were a sign of a developing nation that, as the Manchurian Incident of 1931 indicated, was also increasingly making its presence felt in China. Britain, poignantly aware of its weakened post-war economic strength, viewed with raised eyebrows the shifting balance of power in this area. "The Foreign Office placed the cotton industry's demand in the overall context of its Far Eastern policy and Britain's relations with Japan and attempted – not without success – to ensure that commercial rivalry should not endanger the broader goals of British policy in the

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<sup>469</sup> See Alex J. Robertson, "Lancashire and the Rise of Japan, 1910-1937," *Business History* XXXII, no. 4 (1990).

<sup>470</sup> *Ibid.*, 94.

region.”<sup>471</sup> This policy was formed of economic, political and strategic factors which attempted to maintain the status quo by steering a line between China and Japan and between the United States and the League of Nations.<sup>472</sup>

In the context of this Anglo-Japanese tension rising in the Far East, Japan’s textile exports to India steadily rose and threatened Britain’s once dominant market position. Over the decade, Japan’s share of India’s textile imports increased from the negligible level of less than 4 percent in the early 1920s to 30 percent by 1930, while at the same time England’s share declined from 75 percent to 65 percent.<sup>473</sup> “During the war, partly out of necessity and partly out of fear that Japan might make sudden inroads into the Indian market, Great Britain had permitted India to develop her factory-manufactured cotton textiles and, at the same time, to abandon free trade.”<sup>474</sup> Subsequently, India established a policy of discriminatory tariffs in favour of Britain. In March 1930, a tariff rate of 15 percent was levied against cotton piece goods from Britain while 20 percent was levied on foreign ones, including that from Japan.<sup>475</sup>

Long a matter of prestige, gradually during the post-war period, through the 1920s, western countries once again pegged their currencies to the gold standard, which was widely

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<sup>471</sup> Wurm, *Business, Politics and International Relations: Steel, Cotton and International Cartels in British Politics, 1924 - 1939*, 217.

<sup>472</sup> *Ibid.*

<sup>473</sup> Fletcher, *The Japanese Business Community and National Trade Policy, 1920-42*, 80.

<sup>474</sup> Ishii, *Cotton-Textile Diplomacy: Japan, Great Britain and the United States, 1930-1936*, 99.

<sup>475</sup> Wurm, *Business, Politics and International Relations: Steel, Cotton and International Cartels in British Politics, 1924 - 1939*, 232-33. For details on business efforts to secure government support through lobbying, see John Sharkey, "The Influence of British Business Interests on Anglo-Japanese Relations, 1933-1937" (Ph.D. diss., The London School of Economics and Political Science, 1994).

seen as the corner stone to sound trade policy. Coming to power in July 1929, the Hamaguchi government in Japan stated it was intent on restoring the gold standard at the pre-war parity, as anything lower "would be a shameful affront to national honor."<sup>476</sup> An austere policy of deflation was embarked upon in preparation such that by 11 January 1930, Japan was once again on the standard. The move proved to be untimely. New York's stock market crash in 1929 was seen by Japanese observers to be only a "temporary set-back"<sup>477</sup> and so government pressed on with its plans. As nations slid into depression, the United States market for silk, Japan's largest export commodity, collapsed. Japan's balance of payments account slipped deep into the red, greatly depleting its gold reserves. Unable to sustain the pre-war parity, Japan abandoned the gold standard in December of 1931, by which time the country had lost 786 million yen, or 58.5 percent of its foreign exchange resources.<sup>478</sup> The impact on the value of the yen was dramatic, sharply reducing the price of export goods. The "balance on current account moved to surplus and remained so until 1937."<sup>479</sup> In terms of trade with India, the devaluation of the yen moved the balance of payments in favour of Japan for the first time and, by 1932, Japan's share of India's cotton textile imports had risen to 50 percent.<sup>480</sup> "Japan's new success fanned the resentment of both native Indian industrialists who strived to raise their textile production and

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<sup>476</sup> Hugh T. Patrick, "The Economic Muddle of the 1920's," in *Dilemmas in Growth in Prewar Japan*, ed. J.W. Morley (Princeton: Princeton University Press, 1971), 253-54.

<sup>477</sup> *Ibid.*, 255.

<sup>478</sup> *Ibid.*, 255-56.

<sup>479</sup> *Ibid.*, 258.

<sup>480</sup> Fletcher, *The Japanese Business Community and National Trade Policy, 1920-42*, 80.

the mill owners of Lancashire who wanted to preserve their dominance of world markets.”<sup>481</sup>

The success of Japan’s cotton textile exporters threatened the country’s relations with both India and Britain. In the summer of 1932, the Ottawa Conference, an intercolonial economic gathering, erected preferential tariffs for members of the British Empire. This was followed by India in August of 1932 with the increase on non-British fabrics at 50 percent while at the same time leaving British products at 25 percent which had been set in October 1931.<sup>482</sup> Despite this increase, Japan’s exports to India continued to mount. Seeking greater latitude of action in dealing with Japan’s threatening export drive, India renounced in April 1933 its long-standing commercial treaty with Japan, thereby signaling that worse might come. The Japanese government attempted to forestall the burgeoning trade crisis and discussions ensued between the two nations without, however, success, and on 6 June, India decreed the hefty tariff rate of 75 percent *ad valorem*. During that summer, talks resumed in an effort to resurrect the collapsed relations, followed by formal trilateral meetings in India in September. Negotiations managed to find a compromise position and so averted greater damage to trade and diplomatic relations. This friction, therefore, was an important part of the background to iron and steel deliberations.

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<sup>481</sup> *Ibid.*, 81.

<sup>482</sup> Wurm, *Business, Politics and International Relations: Steel, Cotton and International Cartels in British Politics, 1924 - 1939*, 233.

## **2. The Structure of the *Shingikai* Meetings**

The meetings of the *shingikai* relating to the iron and steel industry in this period can be grouped around three time periods: 1) between January and March of 1926; 2) June 1932; and 3) March 1933. The first set of meetings, running between January and March of 1926, concerned the Proposed Revision of the Tariff Rate Law. Concomitantly, in March the revision of the Iron and Steel Promotion law was debated. These two sets of meetings were followed by further tariff talks in 1932. Finally, meetings in 1933 on the Proposed Law on the Japan Steel Corporation dealt specifically with the proposed amalgamation plan. Preceding all these meetings, late in 1924, was the publication of a petition by the Industrial Club of Japan. The main point to be made here about the various discussions, *shingikai* and others, during this final period of 1926 to 1933 is that though the economic imperatives of the time dictated in the final analysis outcomes, business did pursue its own ends in these talks. Even when government was determined to drive through legislation, forceful arguments were posited challenging the government position.

## **3. The Industrial Club of Japan**

The ICJ report was written by the Investigation Committee on Tariff Policy, a



committee formed from Industrial Club of Japan members. It was signed on 13 December 1924 and entitled 'Petition Concerning Japan's Tariff Policy'. As its title suggests, it dealt with the need for the government to implement a tariff policy that would protect the industry. Couched in general terms, the report did not constitute a concrete plan for the revision of tariffs nor did it specifically refer to the iron and steel industry. However, discussion of this document has been included here as it did refer to the impact of economic change to which the industry was subject and, at one point, cited the example of the problem associated with weight based tariffs, which figured prominently in the previous chapter.

This petition was signed by Baron Nakajima Kumakichi, the chairman of the Tariff Policy Investigation Committee. Neither the names of the participating members nor the distribution list were included with this document. As was common with such prominent personalities, Nakajima's sphere of influence extended beyond the business world and the leading roles he played in the Club. After graduating from Hitotsubashi University in 1897, Nakajima entered the employment of Furukawa *zaibatsu* and rose through its ranks. The trajectory of his career was one whereby he came to be seen as an important intermediary figure between government and the business world, and noted for

his efforts in mediation between political parties.<sup>483</sup> Nakajima's chairmanship of the committee suggests that the Club's recommendations were unlikely to be shuffled to the bottom of the ministry in-basket.

The document commenced by mentioning that sufficient time had elapsed since the war had ended for the erstwhile belligerent nations to revive their industries. In turn, Japan had to decide on a tariff policy. With this in mind, "from the point of view of foreign trade competition, Japan should not miscalculate".<sup>484</sup> The author indicated that during this period when Japan's tariff policy had not yet been decided, the situation of both domestic and foreign industries was in a state of flux.<sup>485</sup> Given this situation, "at the very least, it is necessary to revise the tariff and the related regulations on tariffs."<sup>486</sup> Following this, the author observed that with regards to tariff revision, the private sector had "often been overlooked".<sup>487</sup> In terms of recommendations, the petition focused on two points.

- i) The establishment of a standing government committee for the investigation of tariffs

The present *ad hoc* approach whereby committees were formed to respond to problems was

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<sup>483</sup> Koizumi Tetsushi, ed., *Nihon Rekishi Jinbutsu Jiten* (Tokyo: Asahi Shinbunsha, 1994), 1192.;

Morikawa, *Zaibatsu: The Rise and Fall of Family Enterprise Groups in Japan*, 157.

<sup>484</sup> Kanzei Seisaku Chōsakai, "Honpō Kanzei Seisaku Ni Kan Suru Rinshin," (Tokyo: Nihon Kōgyō Kurabu, 1924), 1. Note my pagination.

<sup>485</sup> *Ibid.*

<sup>486</sup> *Ibid.*

<sup>487</sup> *Ibid.*

not anticipatory. The argument was made that there needed to be created a necessity to create an organisation made up of members from both houses and businessmen in order to foresee problems and respond in a timely manner. In so doing, this would avoid the “dramatic shifts in the price of goods, for example those related to weight based tariffs.”<sup>488</sup>

- ii) The establishment of deferred duty on imports for industries that already had a protection policy

The author indicated that deferred duty had already been implemented in Australia as a means of encouraging infant industries. Deferred duty was distinct from the actual operative tariff whereby the operative tariff is levied against imported inputs and at particular point in the development of the industry the operative tariff would be replaced with the deferred duty. This had the advantage of having set in place the necessary legislation during the early stages of the industry’s development and thereby obviating delays that might be incurred in the approval of new tariff rates necessary for the further development of the industry. Theoretically, the deferred duty might be either higher or lower than the original tariff rate. A higher rate would provide greater protection once the industry had established a firmer base helping ensure its long term development as opposed to a lower rate which would place the focus on protecting firms during their most

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<sup>488</sup> *Ibid.*, 2.

vulnerable stage and later exposing them to greater competition.<sup>489</sup>

Some 33 months had elapsed since the conclusion of the previous iron and steel tariff revision in March of 1921. Assuming that the intended scope of this JIC petition included the iron and steel industry, it seems clear that the Club was, at least in part, dissatisfied with the amendments made to the tariff schedule. However, at this point, this dissatisfaction did not translate into a detailed plan for changing of the schedule.

The upshot of this petition was that business entered the process of formally making known its views on the need for protection through tariff implementation prior to the start of any *shingikai* meetings. The documents show that at least one year prior to the start of these meetings, business, through its representative agency, was lobbying government. Strictly speaking, lobbying was not part of the *shingikai* deliberations, but part of the larger process of shaping opinion. To the extent that the Club was successful, it seems likely that the relative absence of disagreement in the *shingikai* deliberations may be in part attributable to this formal petitioning process.

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<sup>489</sup> *Ibid.*, 3.

#### 4. Tariff Meetings of January and March of 1926

Upon the initiative of the Katō government, the proposal was made to increase the tariff on imported iron and steel in January 1926. The records themselves do not provide much detail of the tariff proposals but secondary sources indicate that “government had decided on the plan of increasing the tariff on pig iron to 7 yen based on weight”<sup>490</sup> from the existing level of 1.66 yen per ton.<sup>491</sup> This was an increase of more than 300 percent which, beyond any protection this increase might have afforded pig iron producers, was in itself a strong statement on the need for protection that requires some consideration. One interpretation is that this increase was related to the government’s other political or diplomatic objectives in relation to foreign competing nations. As we will see, this was unlikely given Japan’s concerns over its exports of cotton to India. An alternative interpretation is that this large increase reflected the inadequacy of the previous level of tariff on pig iron. Table 4.1 shows the effect of various tariff rates on the cost of pig iron.

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<sup>490</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 241. The record is not specific about 7 yen increase but, as will be seen in the ensuing pages, this increase was 7 yen per ton.

<sup>491</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 120.

Table 4.1: Comparison of Cost of Pig Iron in 1926 as Calculated by Various Tariff Rates (yen per metric ton)

Indian Production Price Less Delivery Cost <sup>1</sup>	Cost of Indian Pig Iron Including Specific Duty of 1.66 yen per ton	Cost of Indian Pig Iron Including Specific Duty of 7 yen per ton	Cost of Indian Pig Iron Including Delivery Cost to Applied Specific Duty of 1.66 yen per ton	Cost of Indian Pig Iron Including Delivery Cost and Applied Specific Duty of 7 yen per ton	Japanese Production Price <sup>2</sup>
22.85 <sup>3</sup>	24.51	29.85	43.66	49.00	46.22

Source: (1) *Gendai nihon sangyō hattatsu shi*, Vol. 4 *Tekkō*, p. 210

(2) *Estimates of Long-Term Economic Statistics of Japan Since 1868*, p. 232

Notes: (3) Non-adjusted price including delivery cost is 42 yen per metric ton. Delivery cost is 19.15 yen per metric ton (see Table 3.7). Calculation:  $42 - 19.15 = 22.85$  yen per metric ton.

The total delivery costs employed above are from 1922, were subject to change, but can be used to give a rough idea. Broadly speaking, the rate of 1.66 yen per ton provided a level of protection that meant that imported iron was sufficiently below the cost of the domestic production of pig iron, so that steel producers obtained considerable financial savings in purchasing Indian pig iron. At the rate of 7 yen per ton, though, there was little difference, and this would effectively block Indian pig iron from the Japanese domestic market. From the point of view of pig iron producers, this would have been ideal. The decision to propose an increase of 300 percent may therefore be seen as an acknowledgement to pig iron producers by government that they needed protection. However, as we will see, the issue was not whether this level would be effective in protecting pig iron producers, but rather

whether any increase at all could be accepted. The records demonstrate that the sticking point was that “cabinet”<sup>492</sup> objected to the increase in the pig iron rate for reasons related to the cotton trade with India. As previously noted, given the importance of Japan’s textile exports to India, government was chary of risking trade conflict over a tariff increase in pig iron. The outline of the tariff meetings of this time is as follows.

Table 4.2 Outline of 1926 Tariff Meetings

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
January 27, 1926 to February 26, 1926	51 <sup>st</sup> Session of the Imperial Diet House of Representatives: The Proposed Revision of the Tariff Rate Law
March 11, 1926	51 <sup>st</sup> Session of the Imperial Diet House of Representatives: The Proposed Revision of the Tariff Rate Law
March 11, 1926	51 <sup>st</sup> Session of the Imperial Diet House of Peers: Special Committee on the Proposed Revision of the Tariff Rate Law
March 11, 1926	51 <sup>st</sup> Session of the Imperial Diet House of Peers: Special Committee on the Proposed Revision of the Tariff Rate Law

The proposals were read in both the Lower and Upper Houses over the relatively short period of about two months, in one case going through 18 Lower House meetings, suggesting some perceived urgency in the promulgation of the tariff rates. Whatever detail and concreteness the draft proposed may have had, however, discussions were rather

<sup>492</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 241.

superficial. The speed at which things proceeded may suggest that there was overall agreement over the issues at hand, and hence the relative absence of acrimony. As was indicated above, though, concern over trade friction with India is the more persuasive interpretation.

The records suggest that the relative harmoniousness of the deliberations between government and business representatives was importantly shaped by the context in which the *shingikai* meetings were located. Throughout this period, repeated reference was made, both in the Lower and Upper House meetings, to closed door secret meetings. Speakers either intimated or stated openly that decisions had been taken or were in the process of being discussed elsewhere - decisions that framed and overshadowed the present deliberations.

During the course of the approximately one month of the Lower House discussions on "The Proposed Revision of the Tariff Rate Law", government officials were repeatedly confronted with questions that they were willing only partially to answer, or to which they simply did not know the full answer. One of the first instances when the inadequacy of the open forum of the *shingikai* to handle certain sensitive topics was broached came in a statement by Iwasaki Shigeo, a committee member. On 12 February 1926, at the start of the 14<sup>th</sup> meeting, Iwasaki challenged the ministry responsible for the



proposal by stating that, despite whatever had been said in the forum regarding protection for pig iron and steel materials, the tariff levels suggested by government were insufficient. He then added that, in fact, “in this meeting, the responses by the appropriate minister [to the questions asked] were only formal and committee members have not yet heard the details of the contents of the proposal.”<sup>493</sup> Whereas Iwasaki’s comments indicate the limitations of the *shingikai*, later discussions reveal that running parallel with these *shingikai* deliberations were closed door cabinet meetings dealing with the same issues. More to the point, it is stated that in the cabinet meetings, decisions were taken relating to tariff implementation, thus raising the question of what was the purpose of the *shingikai* meetings.

On 21 February 1926, at the outset of the 15<sup>th</sup> meeting, committee chairman Katō Masanosuke commenced in the usual manner of *shingikai* deliberations, but added that “the secret meetings have been temporarily adjourned and the continuing discussions of the committee on the plan for the tariff rate revision law have now been opened.”<sup>494</sup> The implication is that there was a relationship between the conclusion of the secret meetings and the start of this deliberation. It is not clear from the record who attended any such

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<sup>493</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 649.

<sup>494</sup> *Ibid.*, 653.

secret meeting, or where it was held.<sup>495</sup> It is interesting to note that at the outset of the second reading on March 11, 1926 of the proposed law similar reference was made by the political figure Horikiri Zenbei. Horikiri indicated that he could only speak in general terms about the plan though it had been discussed in detail in a secret meeting and he would reveal its contents in this forum.<sup>496</sup> The connection between the closed and open forum discussions was further drawn out by committee member Hashimoto Yoshizō's comments that immediately followed Katō's opening remarks.

I have a question concerning iron. Because there were suitable answers<sup>497</sup> to the questions in the yesterday's secret meeting, in general terms, what was the understanding achieved, and what was the decision?<sup>498</sup>

Hashimoto continued by entering into details over possible scenarios for the protection of pig iron. Assuming his inquiries were driven by more than curiosity, it is interesting to note his approach. His line of questioning suggests that he recognized that the present forum was not where decisions were going to be made, nonetheless, he felt that he could at least discuss matters and receive first hand information on government policy decisions, if not perhaps influence outcomes.

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<sup>495</sup> There may have been more than one.

<sup>496</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Dai Ichi ~ San Dokkai*, vol. 48, *Teikoku Gikai Shūgiin Giji Sokkiroku - Dai 51 Kai Gikai Ge (1925)* (Tokyo: Tokyo Daigaku Shuppankai, 1982), 738.

<sup>497</sup> Hashimoto did not elaborate on what he meant by "suitable answers".

<sup>498</sup> It is unclear what Hashimoto implied by the term "suitable" in his question. He was the second speaker of the meeting and hence there is little background to make the judgement. Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 653.

The implication of these records is that it was accepted that the outcome of the tariff issue would not be determined in the *shingikai* meetings and, given the sense of *fait accompli* that prevailed over the meetings, discussions were perhaps seen to be of little consequence. One possible scenario is that discussions served to provide a forum in which views, those of industry and others, were aired and issues debated. It is also likely that at least one member involved in the deliberations, for example Kataoka Naoharu<sup>499</sup>, also attended the secret meeting. For example, in response to a question on one issue, Kataoka stated that approval had not been given, and also that at the secret meeting, this decision had not been made and there had been no public statement about it either. Further, he added that “I do not have a personal plan and I do not want to intervene.”<sup>500</sup> This suggests that there was communication between the open and closed fora. Based on the comments of Hashimoto and others, it would seem that the *shingikai* meetings were used as a forum for the airing of views and the debating of issues. This information would later be presented to the closed forum and considered in the light of the full complexity of the issues, some of which for reasons of sensitivity could not be discussed in the open forum. As we know, the remit of the *shingikai* was for recommendation and in this sense it may have been used here

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<sup>499</sup> Kataoka Naoharu was the Minister of Commerce and Industry under the Second Katō Takaaki Cabinet (2 Aug. 1925 – 30 Jan. 1926) and, under the First Wakatsuki Cabinet (30 Jan. 1926 – 20 Apr. 1927), Kataoka was again Minister of Commerce and Industry (30 Jan. 1926 – 14 Sept. 1926).

<sup>500</sup> Teikoku Gikai Kizokuin, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan - Dai Ichi Dokkai*, vol. 48, *Teikoku Gikai Kizokuin Giji Sokkiroku - Dai 51 Kai Gikai (Ge, 1925)* (Tokyo: Tokyo Daigaku Shuppan Kai, 1983), 667.

as a sounding board to ascertain the views of industry.

So up to this point, running parallel with the *shingikai* deliberations was what the records refer to as a secret or closed-door meeting. During the discussions on the 23<sup>rd</sup> of February, in relation to a discrepancy regarding the proposed level of tariff, one committee member, Ōta Shinjirō, made specific reference to a higher body.

Concerning the tariff on pig iron, there was the explanation provided by the leading minister and there were some points of understanding, however there is still one more concern which I would like to express. With regards to pig iron tariffs, the Ministry of Commerce and Industry made the original plan for the levying of 10 yen per ton for the purpose of planning for self sufficiency in steel. However, in the cabinet meeting this was rejected.<sup>501</sup>

The record does not expand on the cabinet decision or on the decision to make the original plan a proposal. It is important to note, though, that cabinet entered the decision making process and would appear to have reviewed the ministry's draft prior to its being presented to the *shingikai* meeting. It is not clear from this example whether this was standard operating procedure or an exception. In either case, political input at the highest levels was made which shaped the eventual proposal.

The role and authority of the cabinet meeting was made clearer in comments by Kataoka. In response to questions from another committee member, Yamamoto Jōtarō, questions regarding the exclusion of non-integrated pig iron producers from the revision of

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<sup>501</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 662.

the Iron and Steel Promotion Law,<sup>502</sup> which he indicated was closely linked with the tariff issue, Kataoka stated the following:

Because, also, in the secret meeting approval was not given, and because still there has not yet been a decision taken in cabinet ... in this open forum, it [the proposal] will not be stated.<sup>503</sup>

It is not clear from this passage whether the closed door secret meetings referred to in the previous passages is the same as the cabinet meeting. Proposals made by the ministry and submitted to the *shingikai* for discussion would therefore appear to have been subject to cabinet approval. Furthermore, in this instance at least, there would appear to have been an ongoing process of *shingikai* deliberations based on the material presented, whether it be the original plan of the ministry or an amended version based on the deliberations taken in higher bodies, as well as two-way communication between the Council and the higher body relayed by members who sat on both committees.

Possible reasons for why in this case decision making took place in higher bodies are offered in the *shingikai* records themselves. Reference is made a number of times to the fact that the tariff issues were linked to diplomatic and foreign policy matters and, by implication, this meant that certain aspects could not be discussed in an open forum and

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<sup>502</sup> The *shingikai* deliberations for the revision of the Promotion of the Iron and Steel Law had not yet commenced. This suggests that the contents of the proposed revisions were known outside of the immediate circles concerned with the rewriting of the Law.

<sup>503</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 667.

that decisions had to be made elsewhere. As we know, the remit of the *shingikai* was limited to providing recommendations, and thus it comes as no surprise that authoritative bodies elsewhere should make the actual decisions. However, this is one of the few instances where the structural relationship between the *shingikai* and the other bodies can be seen in combination with what were perceived as sensitive issues which limit the potential role of the *shingikai* forum.

It was noted above how, on 12 February 1926, Iwasaki Shigeo made reference to circumspect comments made by a minister. Iwasaki then proceeded to outline the larger problem in discussing the issue of protection. In particular, he drew out the link between pig iron and the role it played in national defence and the necessity of implementing national policy with this in mind. He continued to discuss production volumes in Japan in comparison with Korea and elsewhere, underscoring the point that Japan was performing poorly. Finally, he brought up the subject of India, a sensitive topic for diplomatic reasons, and the relationship to foreign policy. He did not explain what the diplomatic reason was, but we can assume that this related to the cotton trade issue. With regards to this, he stated “I have some detailed questions I would like to ask ... [however] with regards to certain diplomatic matters, if this topic can not be discussed adequately in such a forum as this, then a closed meeting is also fine. If, however, this open forum is fine to discuss in detail

such matters then I would like to ask about the relationship with India [and tariff protection].”<sup>504</sup> It was then agreed that the matter could not be discussed because the responsible minister was not present at the meeting. Discussion continued with members back to the sensitive issue of foreign policy and its relationship with tariff implementation. However, government respondents were unable to adequately deal with the questions.

In the end, the committee resolved that the tariff rate on steel should be raised by more than 30 percent, though the level for pig iron would remain untouched.<sup>505</sup> On 24 February 1926, Baron Yabuki Shōzō, vice-minister of foreign affairs, alluded directly to the diplomatic reasons involved in the decision not to raise the tariff on pig iron.

With regards to the decision not to raise the tariff on pig iron, this decision was not taken by the cabinet but occurred in the tariff committee meeting. However, with regards to this [decision], there was a great deal of concern over the Indian cloth tariff. Of course, this was stated by the Ministry of Foreign Affairs in the committee meetings. This was then considered from this perspective by the numerous committee members and so in this way the basic plan came about.<sup>506</sup>

Thus far, the examination has focused on the Lower House debates in which the bulk of the discussion transpired. The important point is that these deliberations were subordinate to the decision making authority of a higher body. This is also evidenced by the open remarks of Count Yanagisawa Yasutoshi, who indicated that with respect to the

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<sup>504</sup> *Ibid.*, 649.

<sup>505</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 121.

<sup>506</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan (Seifu Teishutsu) Iinkai Giroku (Sokki) Dai Ikkai ~ Dai Jyūhakkai - 1926 Dai 51 Kai Teikoku Gikai*, 673.

raising of the pig iron tariff rate, there were fears about Indian complaints. By means of compensation for pig iron producers, a system of subsidies was discussed, but this was something that “must be absolutely left up to the closed door secret meeting to discuss.”<sup>507</sup>

With respect to Baron Yabuki’s claim that the decision had not been taken by the cabinet, Seiichiro Yonekura would not agree.

The government at one point decided to place a similar increase on imported iron, raising it from 1.66 yen to 7 yen per ton. In a cabinet meeting, however, the Foreign Minister opposed the iron tariff increase, because the Foreign Ministry feared retaliatory tariffs by the Indian government on Japanese cotton textiles.<sup>508</sup>

In the end it is very difficult to determine with certainty where precisely the decision was made not to raise the tariff rate on pig iron. Both the secondary sources consulted here and much of the comment made during the meetings, both Lower and Upper House, indicate that a higher body, such as the cabinet, was actively monitoring the *shingikai* meetings. On numerous occasions the foreign policy considerations were mentioned as overriding factors in determining the outcome of discussions. It is argued here that these factors framed the deliberations and mitigated the potential of the discussions to become far more acrimonious.

This does raise the question of why members would attend meetings when they

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<sup>507</sup> Teikoku Gikai Kizokuin, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan - Dai Ichi Dokkai*, 787.

<sup>508</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 120. Yonekura draws on the work of Nishikawa Hiroshi, (*Nihon Teikokushugi to Mengyō*, (Kyoto: Minerva Shobo, 1987, 93).



suspected, or perhaps knew, that crucial decisions would be made elsewhere. Though the specific time duration of each meeting was not provided in the records, there were 18 meetings for the first *shingikai* and three other sets of meetings. Although, judging by the extent of the records, these meetings were not necessarily lengthy, overall they consumed a great deal of time. High ranking members of government and business participated, suggesting that they felt there was something to be had by attending. Perhaps one answer to this question relates to the opportunity to partake in the 'dialogue' with the higher body.

We may assume that some members did sit at both tables and that information was relayed between the two, potentially providing a conduit for the exercise of influence by business on government decisions. Further, though, despite the overall sense of "*fait accompli*", not all the discussions completely lacked friction. Pointed questions over the tariff rate on pig iron proved to indicate that some members were not prepared to take the refusal to raise the rate lying down. Moreover, as previously mentioned, in response to the failure of Kataoka's initiative to increase pig iron tariff rates, alternative compensatory measures were undertaken in the context of the second revision of the Promotion Law in 1926.

##### **5. The Revision of the Iron and Steel Industry Promotion Law of 1926**

Overlapping with the final Upper House discussions on the tariff issue of 1926 was the

beginning of debates on the revision of the Iron and Steel Industry Promotion Law. As indicated in Table 4.3 below, the *shingikai* considering this issue dealt with three topics: the Promotion Law, the Proposed Special Accounting Law of Yawata<sup>509</sup>, and the Proposed Revision on the Tariff Law with respect to Korea. Table 4.2 is the outline of the relevant *shingikai* meetings.

Table 4.3: Outline of the Meetings on the Revision of the Iron and Steel Industry Promotion Law of 1926

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
19 March 1926 to 22 March 1926	51 <sup>st</sup> Session of the Imperial Diet House of Representatives: Proposed Law on the Revision of the Iron and Steel Industry Promotion Law; the Proposed Special Accounting Law of Yawata; and the Revision on the Proposed Tariff Law with respect to Korea
19 March 1926 to 23 March 1926	51 <sup>st</sup> Session of the Imperial Diet House of Representatives: Proposed Law on the Revision of the Iron and Steel Industry Promotion Law
23 March 1926	51 <sup>st</sup> Session of the Imperial Diet House of Peers: Committee chairman's presentation on the Proposed Iron and Steel Industry Promotion Law Upper House debate
25 March 1926	51 <sup>st</sup> Session of the Imperial Diet House of Peers: Proposed Revision of the Iron and Steel Industry Promotion Law Upper House debates

Our concern here is specifically the proposals relating to the Promotion Law.

Though the other two issues were related to the amalgamation of the iron and steel industry, they were not specifically linked to the main questions that proved to be sticking points for

<sup>509</sup> There is separate set of *shingikai* deliberations entitled "Special Accounting Law of the Yawata Works" passed by the 51<sup>st</sup> Diet in 1926 that established the works on a quasi-private basis. These debates do not deal with the division between pig iron and steel producers or private versus public sector which are central to this thesis and thus will not be addressed here.

certain members of the industry.

The first set of meetings identified in Table 4.3, those held between 19 March and 22 March 1926, were the longest in terms of the volume of records of this set of Promotion Law debates, and perhaps provide the greatest insight into the expectations of business. Records of the other Lower House meetings of 19 - 23 March, the second set, and the Upper House meetings on 23 and 25 March, suggest relatively little debate, and discussion largely limited to the expression of the government position and questions addressing particular points of clarification. These meetings, however, suggest that overall the main sticking point was the government position that, as opposed to the 1917 version of this law, which rendered both iron or steel manufacturers eligible for subsidy, only integrated sites were to benefit.

Judging by the brief 6 day span of deliberations that covered the period 19 March to 25 March 1926, passage of the proposal through the two houses was relatively swift. At the start of the first set of meetings on 19 March, Nomura Karoku, a Ministry of Commerce and Industry parliamentary councillor, indicated that the main concern was the future development of the industry, and that appropriate revisions of the 1917 law were being considered. In particular, he cited problems stemming from external factors, such as cheaply made foreign products, and stated that it was felt that Japan needed to have a larger

integrated production capacity. The purpose of this revision was to promote that aim.<sup>510</sup> Or, as he stated in more specific terms later in the day, “the main aim of the Promotion Law was to establish a base for the industry.”<sup>511</sup> This basis was seen as being an integrated one. Also on 19 March, during the second set of meetings, Kataoka Naoharu, the Minister of Commerce and Industry, stated that the economic circumstances of post World War I meant international competition acutely heightened the need to establish an efficient domestic production base.<sup>512</sup>

First of all, with regards to the intention of establishing Japan as an industrial country, there is great interest in the necessity to [achieve this]... I think that it is appropriate to put weight behind Japan’s industry, both the agricultural industry and the so-called basic industries.<sup>513</sup>

This intention to promote integrated sites was reflected in the articles of the proposed law. In abbreviated form, the relevant articles in the revised version of the Promotion Law were outlined in the records of the first set of meetings and are as follows:

Article 1: This law applies to Iron and steel sites that have a pig iron production capacity of 35,000 tons annually or more and a steel production capacity of 35,000 tons annually or more

Article 8: Based on government decision, the sites of the production capacity stated in Article 1 would receive subsidisation<sup>514</sup>

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<sup>510</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōreihō Kaisei Hōritsu an (Seifu Teishutsu) Hoka Niken Iinkai Giroku (Sokki) Dai Ichi Kai ~ San Kai*, vol. 50, *Teikoku Gikai Shūgiin Iinkai Giroku - Dai 51 Kai Gikai (5) (1925~1926)* (Kyoto: Rinsen Shoten, 1981), 267.

<sup>511</sup> *Ibid.*, 291.

<sup>512</sup> Teikoku Gikai Shūgiin, ed., *Seitetsugyō Shōreihō Kaisei Hōritsuan*, vol. 46, *Teikoku Gikai Shūgiin Giji Sokkiroku - Dai 51 Kai Gikai (Ge, 1925)* (Tokyo: Tokyo Daigaku Shuppan Kai, 1982), 852.

<sup>513</sup> *Ibid.*, 857.

<sup>514</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 244.

Thus, in contrast to the former version of this law, seen in the previous chapter, in which subsidisation was extended to pig iron or steel producing sites of 35,000 tons, this proposed revision stipulated that beneficiaries must be integrated sites.

In the debates, there was considerable friction over the fact that non-integrated sites were left in the cold, and certain members did fervently express their opinions. Despite this, one gets an overall feeling that this set of *shingikai* meetings was pervaded by a sense of foregone conclusion. As opposed to the meetings on the tariff issue, in which participants seemed to be conscious of the larger decision making structure in which they were located, here the dominant impression one gets is that from the outset government had a particular agenda and regardless of whatever disagreement existed, arguing would be to no avail.

Starting the afternoon session of the first set of meetings on March 19, 1926, Mori Kaku began a lengthy speech in opposition to the government position. Mori was a businessman with a long history of involvement in the iron and steel industry and later, after retirement from Mitsui Bussan in 1920, was elected to the Lower House as a member of the Seiyūkai party.<sup>515</sup> Viewed as an expansionist, he played a prominent role in the 1930s in the “armed occupation of Manchuria and the eventual collapse of party

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<sup>515</sup> Koizumi Tetsushi, ed., *Asahi Jinbutsu Jiten*, 1621.

government in Japan.”<sup>516</sup> He was known to be both aggressive and vocal in the pursuit of his aims. In the 59<sup>th</sup> Session of the Diet, in which there was discussion over the conclusion of the London Naval Treaty, Mori strongly objected to the limitations imposed on the Japanese navy by the treaty. According to one author, “Mori and the extremists of the Seiyūkai were ready to resort to any tactic to wrest control of the government from the party in power.”<sup>517</sup> With respect to the revision of the Promotion Law, Mori said that government had advanced its argument for the subsidisation of integrated sites on the basis of economic efficiency, in that the greatest economies of scale were achieved by those sites that had a streamlined production process. Claiming to look at things from a business perspective, he pointed out that the numbers that the government put forward did not correspond with reality. The arguments presented thus far were based on economics, which were influenced by external circumstances, and these external circumstances were subject to change. In short, he charged the government with having presented a proposal that fell short of the research and clarity of thought required.

As for one doubt I have, as stated in many meetings, the government also has not really thought about this ... plan (the bill). We firmly do not believe in this [proposal], in particular there is a slim profit margin... the difference is extremely narrow. I fear that if the [economic] circumstances were slightly to change, it would be impossible to realize the fundamental

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<sup>516</sup> Takehiko Yoshihashi, *Conspiracy at Mukden: The Rise of the Japanese Military* (New Haven: Yale University Press, 1963), ix.

<sup>517</sup> *Ibid.*, 80.

objective of the plan.<sup>518</sup>

Later during the same afternoon, Mori continued to press the government on its position and, in perhaps his most heated moment, stated that “I cannot be satisfied with the government’s response and ... the circumstances indicated by committee member Kanemitsu [Tsuneo] will be in vain. The reason for this is this office’s single objective [the subsidisation of integrated sites to the exclusion of non-integrated producers].”<sup>519</sup> Given Mori’s previous background in Mitsui and the fact that, as we will see, Mitsui would benefit from this revision to the law, Mori would seem to have had little reason to express discontent. However, as was apparent from the heated debates in the final days of the original Promotion Law, though vocal members may have had extensive connections with big business, in the end their primary affiliation seemed to be with that part of the bicameral division to which they had been elected. Here, also we see Mori, a lower house member, defending the interests of the smaller non-integrated members. Kanemitsu himself, a businessman and also member of the Lower House, shared Mori’s discontent, lambasting the government by accusing it of letting the many sites with production capacity below 35000 tons become “victims”<sup>520</sup>, and claiming that government was willing to let

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<sup>518</sup> Teikoku Gikai Shūgiin Inikai, ed., *Seitetsugyō Shōreihō Kaisei Hōritsu an (Seifu Teishutsu) Hoka Niken Inikai Giroku (Sokki) Dai Ichi Kai ~ San Kai*, 277.

<sup>519</sup> *Ibid.*, 293.

<sup>520</sup> *Ibid.*, 286.

them “die before your eyes.”<sup>521</sup>

Thus, the first set of meetings between 19 and 22 March was used by business to express discontent with the proposed revision of the Promotion Law and, indeed, this discontent was expressed in a rather pointed manner by more than one influential figure. That having been said, though, the overall thrust of the questions was about information gathering and clarification of points. By and large, the pattern was one in which particular points regarding the proposed plan were raised and answered by a government representative. Discussion then moved on to the next point.

The upshot of the meetings held between 19 March and 25 March 1926 was that private sector opposition to the government draft of the revision of the Promotion Law did not alter the original position of government. That is, subsidisation was to be awarded to integrated sites that had an annual capacity of more than 35,000 tons of both iron and steel<sup>522</sup>, and not to separate iron or steel producers as found in the original law of 1917. This was in line with the government view that an efficient integrated iron and steel production base was required for the long term development of the industry. Similar to the arguments presented by government during the debates over the original Promotion Law of 1917, efficiency was measured against the benchmark of 100 tons per day of output of iron

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<sup>521</sup> *Ibid.*

<sup>522</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 244.



and steel. Noda Tsuruo, an engineer from the Ministry of Industry and Commerce, stated that “if a site does not have a 100 ton furnace, it would be impossible to enter the future economic world.”<sup>523</sup> Echoing the sentiments of Mori and Kanemitsu, private sector rebuttal came from several fronts, ranging from arguments challenging the underlying rationale of the benchmark figure to claims that those who would not receive the benefit would wither away. These arguments are seen in the much more vociferous debates of the original Promotion Law, and in the process modification of the government position was achieved. This time, however, there was no modification. In comparison to the 1917 law, the debates were much less heated, with fewer spokesmen challenging the government position, and despite the objections there seemed from the outset to be a tone of acceptance. As mentioned, the bulk of the discussions revolved around clarification rather than business seeking a particular end. Explanations for this can be found outside of the *shingikai* forum, that is, examination of the structure of the industry and the nature of vested interests can provide some understanding of why this was so.

During the 51<sup>st</sup> Diet session, Mutō Sanji, a member of the Upper House and President of Kanegafuchi Cotton Spinning Company, aired his views on the government position not to subsidise non-integrated producers, pointing a finger at government

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<sup>523</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Seitetsugyō Shōreihō Kaisei Hōritsu an (Seifu Teishutsu) Hoka Niken Iinkai Giroku (Sokki) Dai Ichi Kai ~ San Kai*, 286.

favouritism of big business. It is cited that as Japan's cotton textile industry was "quite independent from both the protectionism of the government and the financial influence of the zaibatsu... [Mutō] could be very critical of government subsidisation."<sup>524</sup> Also, underlying Mutō's vocal opposition may have been, in part, factors contributing to his cotton interests which may have conflicted with big business.

The only firms that can manufacture [everything] from iron ore to steel products are Mitsui, Mitsubishi and Okura. Why were non-integrated firms excluded? This iron and steel subsidization is for the protection of one part of the political merchants and the wealthy. Seen from the perspective of Japan's economy, this is a waste.<sup>525</sup>

Similar to the case with the original Promotion Law of 1917, *zaibatsu* affiliated sites were the benefactors of these new proposals. Of the private sector sites, only Mitsui's Kamaishi and Wanishi, Mitsubishi's Kenjiho, and later Asano Shipbuilding's Steel Division, had achieved some level of integrated production, though they did not necessarily have a balanced production system, and had a production capacity above 35,000 tons. The economic benefits afforded to these firms by this new level of subsidisation are shown in Table 4.4.

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<sup>524</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 122.

<sup>525</sup> Quoted in Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 245.

Table 4.4: Assessed Subsidy and Profit of Integrated Firms (units: 1000 yen)

Year	Wan-ishi		Kama-ishi		Ken-jiho		Asa-no		Total	
	Profit	Sub-sidy	Profit	Sub-sidy	Profit	Sub-sidy	Profit	Sub-sidy	Profit	Sub-sidy
1926	190	174	142	199	12	272	-20	—	324	645
1927	334	274	11	307	54	517	-71	45	328	1144
1928	240	475	67	350	107	531	103	190	562	1546
1929	364	NA	173	NA	40	NA	918	NA	1495	1598
1930	-162	NA	-291	NA	-56	NA	-836	NA	-1345	1244

NA: Not available

Source: K. Iida *et al* (eds), *Gendai nihon sangyō hattatsu shi*, IV, *tekkō* (Tokyo, Kojunsha, 1969), p. 272

Note: For the year 1929, the value for the subsidy for each firm was not available, only that for total subsidy was available.

Though in certain years, we see that some firms did achieve profit levels above their level of subsidy, the total pay out in each year was in excess of any profits accrued. The profits afforded by this subsidisation were critical to the economic viability of these select firms. Moreover, non-integrated producers, in this case of both pig iron and steel, did not benefit from the subsidisation, regardless of their production capacity. Further, the disparity between the *zaibatsu*, which had already strengthened their positions through the absorption of smaller failing firms in the post-war economic downturn, and the smaller producers was increased.

Thus, the outcome of this revision of the Promotion Law was similar to that of 1917, in that small producers were not afforded the benefits of subsidy. However, in stark contrast to the debates that culminated in the compromise position of the original law, despite the objections business expressed here, government succeeded in passing this bill.

When this revision is juxtaposed against the first revision in 1921, comparison becomes more difficult. One reason for this is that the proceedings of the 1921 revision were conducted together with the debates on the revision of the tariff rate law. Moreover, amendments to the existing Promotion Law were not as substantial as they were in the 1926 revision. What can perhaps be discerned across these three cases is that the extent to which there was friction over any particular issue was related to who were the stakeholders and the perception of what gains might be obtained. This underscores the point that business acted as an independent actor when it suited it to do so and that the forum of the *shingikai* was seen as an opportunity to express views. In the case of the Promotion Law of 1917, the debates were heated, in part, because there were Lower House members in the *shingikai* meetings who recognised that if government were to succeed in driving through its aim of only subsidising sites above 35,000 ton annual capacity, the small producers, viability would be in question. Indeed, as we have seen, large numbers of these producers went bankrupt or were absorbed by the *zaibatsu*. While the number of actors diminished, the *zaibatsu*, through these acquisitions and their extensive financial base, enhanced their economic presence and, it seems likely, their political clout. By 1926, in an industry in which the number of small actors had dramatically diminished and the strong ones had become stronger, government was capable of driving through legislation as it wished as

long as it coincided with the interests of big business. That backroom dealing had occurred prior to the outset of the meetings is indicated in at least one secondary source. Yet, despite this, prominent committee members such as Mori, who had only six years before retired from Mitsui Bussan, took the time and made the effort to voice strong objection to the proposal and thereby support the cause of the small producer. What this suggests is that, with sufficient support from key business interests, government could dictate outcomes in the *shingikai* proceedings and, at the same time, the *shingikai* provided a forum for dissenting business interests to express their views. Whether either Mori or Kanemitsu really believed that they would be able to amend the bill in favour of the small producer is perhaps a separate issue, but what they do seem to have felt is that the formal setting of the *shingikai* was an opportunity for business to exercise whatever influence the current circumstances allowed for.

## **6. Tariff Meetings of June 1932**

Shortly after the restoration of the gold standard in January of 1930, the Hamaguchi government formed the Temporary Industrial Council with the aim of considering the changes needed in national economic policy in light of the recessionary economic trends. In its report of November 1930, entitled the "Policy Plan concerning the Regulation of the

Iron and Steel Industry”, the council advocated a number of measures, one of which was the revision of the tariff rate law. This, in turn, began a movement that advanced the position that the pig iron tariff should also be increased.<sup>526</sup> However, machinery makers and other steel product makers strongly objected to any increase in tariffs on either iron or steel, citing reasons for their objections including fear of Indian textile trade frictions and the fact that this increase was contrary to the interests of free trade.<sup>527</sup> In face of this opposition, plans for the submission of a tariff revision bill to the 59<sup>th</sup> Diet in 1931 were abandoned. Later, on the 17<sup>th</sup> November 1931, at the urging of the Pig Iron Cooperative Association and the Steel Association, Kimura Kusuyata, Dan Takuma, Gō Seinosuke, and other leading top *zaikai* figures approached government with a view to revising the tariff law.<sup>528</sup> This coincided with other economic developments which helped sway government opinion in favour of submitting the tariff revision proposal. One decisive factor was the abandonment of the gold standard in Dec. 1931, which precipitated a dramatic decline in the yen. In June of 1932, under the Saitō administration, a proposal was placed before the 62<sup>nd</sup> Diet session for a tariff increase on imported iron and steel.

A further factor was the current prevailing view of how India would view an

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<sup>526</sup> *Ibid.*, 291.

<sup>527</sup> *Ibid.*

<sup>528</sup> *Ibid.*, 293. No details are given on this, and we cannot be certain what their position was regarding the increase of the rate on pig iron.

increase in the pig iron tariff rate. As has been discussed, over the 1920s and into the early 1930s, parallel with the expanding share of Japan's textile trade with India, came increasing trade tensions. The declining value of the yen following the abandonment of the gold standard increased Japan's export competitiveness and, by extension, might be expected to have heightened trade tension. However, despite this background, government proceeded to push through this tariff increase. The rationale given is that as India had raised its own tariff rates in recent years, government felt less hesitant about raising its own levels of protection.<sup>529</sup> Government had expressed concern over Indian tariff retaliation during the 1926 tariff revision, and this was cited as a contributory factor to the decision not to increase the tariff rate on pig iron. Ironically, the economic and diplomatic circumstances in the post-1930 period were in some ways even less conducive to increasing the tariff on pig iron, than those midway through the 1920s. It is not the case that no concern over the Indian textile trade was expressed in the 1932 tariff talks, but rather that it did not figure as large in the talks as it had in 1926 and, in the end, did not influence the outcome, as the pig iron rate was nevertheless increased. Also, in 1926, there was a pervasive sense of a higher authoritative body deciding on the outcome of the tariff revision, one factor in whose calculus was the India question. This hierarchy is not apparent in the 1932 talks.

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<sup>529</sup> Nagashima Osamu, *Senzen Nihon Tekkōgyō No Kōzō Bunseki*, 291.

The passage of the bill was not smooth as the increase in the pig iron tariff met with considerable objection. One factor was that some pig iron producers were already receiving subsidies afforded by the revised Promotion Law of 1926 and this proposed increase in the tariff rate was argued as being excessive.<sup>530</sup> Despite this, one gets a pervasive feeling that government was determined to push through the revision and, indeed, in the end this is what happened. An outline of these tariff meetings is given in Table 4.5.

Table 4.5: Outline of 1932 Tariff Meetings

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
June 5, 1932 to June 6, 1932	62 <sup>nd</sup> Session of the Imperial Diet House of Representatives: Proposed Revision of the Tariff Rate Law
June 12, 1932 to June 15, 1932	62 <sup>nd</sup> Session of the Imperial Diet House of Peers: Proposed Revision of the Tariff Rate Law

The 1932 tariff revision meetings were shorter than those of 1926 and markedly different. Perhaps most obvious was that government had taken up the defence of pig iron producers. Up to then, pig iron producers had largely found themselves opposing government. They were either represented by the iron and steel industry as a whole, or left to defend their own interests. Through the passage of this bill, substantial increases in the tariff schedule for both pig iron and steel producers were implemented. As for steel, an approximately 35

<sup>530</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 294.



percent increase was added to the existing rates and that for pig iron was dramatically raised by 72 percent.<sup>531</sup>

Table 4.6: Revised 1932 Tariff Schedule for Iron and Steel

Product	Former Tariff Rate (yen/ton)	Revised Tariff Rate (yen/ton)
Pig Iron	1.66	6.00
Steel (1)		
Sheet Bar	8.33	11.16
Bar and Rod	18.33	24.66
Rail	15.83	21.33
Silicon Steel Plate	5.00	6.66
Thick Plate	18.33	24.66

Source: Tsūshō Sangyōshō, Shōkō Seisakushi, Tekkōgyō, Vol. 17, p. 294

Note: (1) Steel tariff rates are weight specific

(2) Tariff rates for pig iron have been converted here from *ad valorem* to weight specific. Though the original source is not specific, we can assume that these figures are at 1932 prices.

Lower House discussions of the proposals was spread over 3 readings: the first reading on 5 July was decidedly the longest and the remaining two very much shorter ones both took place on 11 June. Arguments for and against the proposed tariff increase were essentially made on 5 June, with resolution to these issues swiftly achieved on 11 June. The position of government was quickly set out by Takahashi Korekiyo, the Minister of Finance, who pointed out that the situation regarding the import of and demand for the items proposed to be covered by tariffs, was such that they were in need of protection.<sup>532</sup>

Takahashi was followed by Nakajima Yadanji, a member of the House of Representatives, who challenged the government rationale for the tariff increase. Whereas there is the sense

<sup>531</sup> It is not clear in the documents why pig iron tariff rates were to be calculated on an *ad valorem* basis and steel tariff rates on a weight specific basis.

<sup>532</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan Gai Ichi Ken*, vol. 57, *Teikoku Gikai Shūgiin Giji Sokkiroku - Dai 62 Kai Gikai* (Tokyo: Tokyo Gaigaku Shuppan Kai, 1983), 37.

of a predetermined decision in the records of the first set of tariff meetings, and, in consequence, the relative absence of friction or argumentation, here we find that discussions were quite forceful and argumentative. The salient feature of the exchange between the government and the non-government position is that, overwhelmingly, Nakajima was the main non-government speaker and dominated the talks. Of the 13 pages of transcripts which constitute the first reading, eight are taken up with Nakajima's words. To a large extent, these discussions do not suggest the friction found in some other talks, such as those relating to the Promotion Law of 1917. It is difficult to find any short passage fully indicating the weight of Nakajima's arguments. Rather, it is their extensiveness and the detail of his comments that reveal the forcefulness with which Nakajima challenged the government position. The rebuttal by government was short, and essentially a reiteration of the government position established at the outset.

A graduate of Tokyo Imperial University in 1912, Nakajima's career as a bureaucrat had commenced in the Ministry of Home Affairs. He later transferred to the Ministry of Finance and by 1924 had become the private secretary of Hamaguchi Osachi, who later became prime minister in July 1929. In 1927 the political party Rikken Minseitō under Hamaguchi was founded, at which time Nakajima took up the position of the party's secretary to the president. Early in the following year he was elected to the Lower House,

holding his seat through the subsequent six elections. After his appointment as Hamaguchi's secretary, he was appointed to various positions including parliamentary councillor for railroads and parliamentary vice-minister of the Ministry of Finance. During his period as the prime minister's private secretary, he became closely involved with the financial retrenchment plans debated at that time.<sup>533</sup> It would appear then that Nakajima's career as bureaucrat and politician brought him in close proximity to those who held the reins of political power. The key positions that he had held suggests that his opinion carried weight and would have been considered important, something also reflected in the length of his speeches in the tariff meetings.

Among the issues raised by Nakajima was the impact on the India trade relationship of what he considered to be the "absurdly"<sup>534</sup> high increase in the tariff on pig iron.

I would like to ask one more question about the pig iron from "Ban"<sup>535</sup> in India on which the tariff rate of 36 sen per 100 kin would be levied. Is there a fear that this will create a barrier to future Japan and India trade? Previously there was concern over this. Because of the problem over cotton thread and cloth, during the period when Kataoka was the Minister of Finance, this problem was solved through giving a subsidy of 4 yen per ton (legislated by the 1926 Promotion Law). However, after this, because India increased its tariff on cotton thread and cloth, there was no fear over trade retaliation. But, if we look at today's situation for companies

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<sup>533</sup> Koizumi Tetsushi, ed., *Asahi Jinbutsu Jiten*, 1147-48.

<sup>534</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan Gai Ichi Ken*, 41.

<sup>535</sup> Judging from the context of the passage, Ban is an iron and steel production site. In present day India, there is a centre in the north west of India that is called Ban, and perhaps this is where that production site was located.

in India, it is one that causes the rejection of foreign products.... With regards to pig iron from “Ban”, if the tariff rate is increased, this will worry them. Will this not cause a fear in particular for rayon [producers]? Will this not create a fear over tariff retaliation?<sup>536</sup>

These concerns were dealt with by Nakajima Kumakichi, the government representative in his response to Nakajima Yadanji’s lengthy introductory speech. Essentially, Kumakichi’s point was that there was little to worry about, as the volume of export of pig iron would not cause concern for India.

Consider the situation that year on year, Japan has imported large amounts of raw cotton from India, ... with respect to that part of the 150,000 tons of pig iron that is exported, I do not think that [export of pig iron] up to that level [will give] reason to worry about India’s attitude.<sup>537</sup>

His words were met by applause.

The considerable opposition expressed by the private sector prior to the outset of the meetings<sup>538</sup> and the forceful arguments presented by Nakajima in the meetings must have given government cause for reflection. However, it is not apparent from the records that discussion that meaningfully engaged with private sector concerns occurred. In the final analysis, the voices of opposition did not carry the day, and the Diet passed the bill in the Diet. The dramatic increase in the rate of the pig iron tariff and the pervasive feeling that government was prepared to ram this bill through raises the issue of how do we

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<sup>536</sup> Teikoku Gikai Shūgiin, ed., *Kanzei Teiritsu Hōchū Kaisei Hōritsuan Gai Ichi Ken*, 43.

<sup>537</sup> *Ibid.*, 46.

<sup>538</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 291-94.

account for the government's ability to achieve its objectives in this instance, but not in the case of the 1917 Promotion Law. One factor that is hard to judge is how far the government view that India would not be concerned over the increase in the tariff rate was also accepted by the business community. Certainly Nakajima Yadanji, for one, was sceptical. However, we also know that government was urged by leading members of the Industrial Club, the Pig Iron Association and the Steel Association, to put the tariff revision bill to the diet. This would suggest that a large segment of pig iron and steel producers supported the tariff increase. This is not to say that they necessarily believed that India would not be concerned over the increase, but perhaps they conveniently chose to ignore it. In this sense, Nakajima may have been a lone voice in the wilderness. Furthermore, wide pig iron and steel producer support for the bill may explain why government was able to push through the legislation. As was noted, there was considerable objection to the proposal from various related sectors, and perhaps Nakajima was speaking on their behalf. In any case, the opposition that was raised prior to the submission of the bill and during the discussions did not alter the path the government was following. In terms of what this means for the use of the *shingikai* forum as a opportunity to express opinion and shape outcomes, we see again the limitations imposed from without. In the case of the 1926 tariff revision, one limitation was the concern over India trade friction and also that higher authoritative bodies appeared

to have circumscribed whatever influence the talks may have had. Here, in the 1932 tariff revision talks, the apparently critical factor was the support that had been established prior to submission of the bill. In this sense, if both government and the industry supported a bill, the extent to which the *shingikai* forum could be used to influence outcome was limited. Notwithstanding this limitation, judging by the lengthy talk by Nakajima Yadanji, the forum was still seen as a place in which objections could at least be raised. And perhaps, despite the sense of *fait accompli*, the forum may still have been seen by some as an opportunity to shape outcomes.

Though government was able to overcome opposition to the bill and see its passage into legislation, the bill did not pass without amendment, as the Lower House stipulated that a thorough examination of the industry be conducted and rationalization be carried out.<sup>539</sup> The Upper House, echoing these sentiments, stipulated rationalisation as well, and demanded that the industry be placed on a more efficient footing.<sup>540</sup> “Both Houses were anxious about the damage to international competitiveness brought about by the higher material costs caused by the tariff increase. These additional resolutions of the Houses triggered off new moves for the consolidation of Yawata and the private firms.”<sup>541</sup>

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<sup>539</sup> *Ibid.*, 294.

<sup>540</sup> *Ibid.*

<sup>541</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 139.

## 7. Japan Steel Corporation Bill

The stipulations added by the Upper and Lower Houses regarding rationalisation of the iron and steel industry provided the impetus for the final drive to consolidation.

Table 4.3 provides an outline of the *shingikai* meetings concerned with the formation of Japan Steel, the product of this rationalisation.

Table 4.7: Outline of Meetings to discuss the 1933 Japan Steel Corporation Bill

Date	Abridged Title of the Record of the <i>Shingikai</i> Meeting
1 March 1933 to 11 March 1933	Session 64 of the Imperial Diet House of Representatives: Proposed Law on the Japan Steel Corporation: Committee Records
16 March 1933 to 24 March 1933	Session 64 of the Imperial Diet House of Peers: Proposed Law on the Japan Steel Corporation: Special Committee Records
November 1933 <sup>542</sup>	Investigation Committee on the Evaluation of the Iron and Steel Industry: Record of the Proceedings of Second Meeting of the Special Committee

As the increase in tariffs placed iron producers in a more favourable position they became more open to the idea of consolidation. Prior to the passage of the tariff bill, when their earning capacity was lower, they had feared that they would be in a disadvantageous position when any later evaluation of the assets of companies participating in the

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<sup>542</sup> Analysis of the records of this committee are not included as the establishment of the Japan Steel Corporation was established with the passing of the bill through the Upper House. This committee sat subsequently to consider the issue of asset evaluation not whether the Corporation would be established. Further, the minutes of the evaluation committee are not included in the records of the Lower or House *shingikai* meetings.

amalgamation of the industry occurred. This fear was allayed by the increase in earning power under the protection of the new tariff and, in turn, iron producers became more willing to consider the merits of the amalgamation of the industry.<sup>543</sup>

On the political front, developments had also transpired that helped provide a more favourable environment for the passage of a bill to unify the industry. Following the May 15 incident, in which Prime Minister Inukai Tsuyoshi was assassinated, Saitō Makoto was appointed prime minister. He presided over a so-called “cabinet of national unity” with representatives from the parties, bureaucracy, and military, and “it was hoped that Saito would be able to secure bi-partisan support. This hope was not disappointed: the new cabinet included four men who were associated with the Seiyukai and two from the Minseito.”<sup>544</sup> A cabinet of this composite nature was important in bridging the differences between the parties which facilitated the relatively rapid readings and passage of the bills.<sup>545</sup> Additionally, both Takahashi Korekiyo and Nakajima Kumakichi were ministers in Saitō’s cabinet, and known for their interest in consolidation, thus providing greater support to the movement.<sup>546</sup> In the memoirs of Nakai Reisaku, “who was designated by Takahashi

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<sup>543</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 139-40.

<sup>544</sup> Sims, *Japanese Political History since the Meiji Renovation 1869-2000*, 162.

<sup>545</sup> Tsūshō Sangyōshō, ed., *Shōkō Seisakushi: Tekkōgyō*, 295.

<sup>546</sup> *Ibid.*, 294-95.



as Chief Officer of the Yawata Works to carry out the consolidation,<sup>547</sup> the transcendental nature of the Saitō cabinet created a sense of urgency in the passage of the bill.

At the beginning, we anticipated the 13 private firms would participate in the merger, but this was just our idea without any consideration of their situations. However, we thought that if we showed the attitude that we would not carry out the consolidation without a major consensus, there would be so many requests from the private firms that the consolidation would be impossible. On the contrary, if we had the strong attitude that even if only one-company participated, we would implement the consolidation, we believed that the private firms would follow and we could make it happen. In addition, it was fortunate for the consolidation that the Saito Administration was a cabinet transient. Fukuda Yasudo, the section chief of the mining bureau at MCI at that time, said, 'In the party-based cabinets, it had been very difficult to pass for the bill [the consolidation], because when the Seiyukai Cabinet proposed, the Kenseikai opposed, and when the Kenseikai proposed, the Seiyukai was against it.'<sup>548</sup>

Although there was a sense of urgency, the *shingikai* records reflect considerable controversy over the details of the consolidation, the method of asset evaluation, production costs, rationalisation, and the management of the consolidated company. Most germane are the factors relating specifically to the complaints of pig iron producers. One source of discontent was, as stated by Nakajima Kumakichi, the Minister of Commerce and Industry, that "when the plan is in place there will be no need for any system of subsidization for the iron and steel industry."<sup>549</sup> Thus, as an indicator of how the private business sector viewed

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<sup>547</sup> Yonekura, *The Japanese Steel Industry, 1850 - 1990: Continuity and Discontinuity*, 140.

<sup>548</sup> Quoted in *Ibid.*

<sup>549</sup> Teikoku Gikai Shūgiin Iinkai, ed., *Nihon Seitetsu Kabushiki Kaisha Hōritsuan Gai Ichi Ken Iinkai Gijiroku (Hikki) Dai Ikkai ~ Dai Kyū Kai - 1933 Dai 64 Kai Teikoku Gikai, Teikoku Gikai Shūgiin Iinkai Giroku - Mirofilm (Reels 10~12, 1932~1933)* (Kyoto: Rinsen Shoten, 1989), 260.

the debates, the loss of protection in the course of the rationalization process provided sufficient reason to use the *shingikai* forum to voice objections. However, though objections were raised, pig iron representatives did not present a concerted and forceful challenge to the government position. In other debates in which like minded members rallied together to press the government, or one or two strong spokesmen launched sustained assaults, objections were raised, a response provided and then the debate would move on to the next topic, offering little suggestion that the objections were expected to have any impact on the outcome of discussion.

For example, on March 2<sup>nd</sup> 1933, Matsumoto Shigeo, a committee member and a spokesman for the pig iron position, challenged the government amalgamation plan by challenging the simple notion that by expanding scale there would necessarily be a reduction in production costs. He claimed that the figures provided did not sustain the government claims. In response, Nakai Reisaku, the director of Yawata, responded by making the distinction that he was referring to steel while Matsumoto was speaking of pig iron, and that the focus of the amalgamation plan was steel. He claimed that “pig iron will be bought on a joint basis as a raw material.”<sup>550</sup> Matsumoto complained then about the loss of protection for pig iron producers and Nakai responded with a reiteration of the

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<sup>550</sup> *Ibid.*, 269.

amalgamation plan's premise of reducing overall production costs, thereby underscoring that the specific concerns of pig iron producers were not important. Matsumoto challenged with the observation that though 500 ton furnaces were efficient, the bulk of the industry still used 200 ton furnaces and therefore were inefficient. In response, Nakai admitted that the situation might be more complicated, but, essentially, the exchange ended there, with Matsumoto asking that an expert determine whether larger furnaces would be cheaper.<sup>551</sup>

In an attempt to answer why pig iron interests were paid so little heed in these debates, perhaps the most determining factor was that integration was about producing steel cheaply and eliminating the inefficiency that was partially attributable to small pig iron producers. Whatever arguments could have been made on the side of the continuation of independent pig iron production, there was little chance that Matsumoto alone would be able to budge the government on this fundamental issue. Moreover, pig iron was only one among many other issues that were dealt with in discussions. Also, as Nakai indicated, there was a sense of urgency on the part of the Saitō administration to push through the legislation, and the government held a "strong attitude that even if only one company participated, we would implement the consolidation, we believe that the private firms would follow and we could make it happen." This attitude was reflected in the essential

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<sup>551</sup> *Ibid.*

rationale for the amalgamation which squarely placed priority on national considerations.

As explained by Nakajima, the rationale was two fold: 1) to create an efficient steel producing base; and 2) to ensure that Japan had a self-sufficient base for national defence reasons.<sup>552</sup> At a later point in the discussions, Nakajima expanded on the second point, when he indicated that the present supply of steel was insufficient and by expanding the domestic base it would achieve the objective of self-sufficiency, which would be critical in the case of war. He stated that this was one important reason why money from the national coffers should be directed to expanding the steel manufacturing capacity to establish the requisite base.<sup>553</sup> Thus we see that from the start the government perspective was nationally oriented, and not specifically concerned with, for example, the welfare of small private sector producers.

## 8. Conclusion

The dominant feature of these *shingikai* meetings during the latter half of the 1920s and through to the passage of the amalgamation plan in 1933 was that, in the main, despite whatever objections were raised by the private sector interests, the original

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<sup>552</sup> *Ibid.*, 259.

<sup>553</sup> *Ibid.*, 301.

proposals were driven through the bicameral system. This is not to imply that private sector interests were not expressed, as indeed in some instances they were, quite forcefully, but rather that the nature of the circumstances in which the meetings were located were such that objections had little impact in altering the course of events. In the case of the first set of tariff issues the presence of the higher authoritative body which appeared to be where decisions were being made muted whatever potential *shingikai* discussions may have had. In other instances, both the records and the secondary literature indicate that government was determined from the outset to see the proposal promulgated as law. In such circumstances, again, objections were considered, but failed to carry the day. In certain instances, part of the explanation for why a more sustained and forceful role was not played by the dissenters may be found in considering who was to gain from the proposed revisions. In the case of the subsidisation of integrated sites, even those not necessarily operating fully or efficiently, *zaibatsu* owned producers were the principle beneficiaries. As we know, the plethora of smaller sites that had sprung up during World War I had by the latter half of the 1920s diminished considerably and, in turn, the position of the *zaibatsu* had become that much more prominent. It stands to reason then that in the cases where *zaibatsu* were to gain from a bill, their representatives during *shingikai* meetings would raise few objections and, if not overtly, at least covertly, support the proposals. In short, though the *shingikai* forum

afforded dissenters an opportunity to express their opinion, the degree to which objections could be sustained and have a chance to force amendments was related to the support of the largest actors. Similarly, for government to see its bill through as swiftly as possible meant the support of these large business actors, underscoring that business approached the government and business relationship as an independent actor.

The larger issue introduced at the outset is that the period of roughly 1925 to 1933 was one during which it was acknowledged that the iron and steel industry was in need of restructuring along more efficient lines. Certain sectors of the industry, for example pig iron producers, still sought protection through tariffs, but within the Ministry of Commerce and Industry, where many of the proposals were drafted, the idea of rationalization began to take hold. This perspective later emerged in the form of the amalgamation plan. Thus, objections raised by pig iron interests held little chance of being translated into anything more concrete as, essentially, they were fighting the trend of the day. This does not mean that business failed to see the *shingikai* forum as a place where it could challenge and hope to realize its aims, as objections were raised, but there was insufficient flexibility within the original proposals to accommodate the objections.

The role of the Saitō cabinet, formed of both Seiyūkai and Kenseikai members, is cited in the secondary literature as important in forging the necessary compromise to allow

passage of the bill. This underscores the point that political forces external to the *shingikai* forum can have a determining influence over outcomes. However, as we have seen in the previous chapter, the analysis of Okazaki Tetsuji has argued that amalgamation attempts prior to 1925 spearheaded by Takahashi Korekiyo were thwarted by *zaibatsu*, as they perceived their best interest dictated otherwise. Seen from this perspective, it may be argued that the nature of the Saitō cabinet facilitated the necessary political compromise but, at the same time, the economic circumstances necessary for amalgamation of the industry to become sufficiently compelling had also emerged. Economic policy making is formed of both economic and political components while the political and business relationship frames the interaction of the participants. This too suggests that the role of the *shingikai* was historically specific. Since *shingikai* did not have the remit to make decisions, the degree to which their discussions shaped outcomes varied according to circumstances, and was ultimately a case by case matter.

Finally, with respect to the issue of the influence of Indian cotton trade friction on Japan's pig iron tariff rates, it is noted that the emphasis of the secondary literature is on the early 1930s period and much less on the mid 1920s. This suggests that, in terms of our understanding of Japanese and Indian trade relations and the associated economic development, we perceive cotton trade issues in the mid 1920s to be comparatively less

important. This perception, however, is not borne out in the *shingikai* documents themselves. Both in terms of expressed concern and space devoted to Indian trade relations and its impact on Japanese pig iron, greater emphasis is seen in the mid 1920s than the early 1930s. This observation is only suggestive in nature and requires further examination. As we have seen, government policy making was complex and the *shingikai* forum provided only one source of input into that process. Examination of Japanese and British foreign office records may shed light on this issue.



## Chapter 5 : Conclusion

### 1. How were the *shingikai* viewed by business?

The dominant question in the scholarly literature on the *shingikai* is 'Who does the forum benefit?' Is it part of the process which shapes the political decision making process as intended by *shingikai* legislation or is it, as the charge would have it, a rigged affair of the bureaucracy? In the main, the methodology that has been employed in such assessments is not based on detailed readings of the *shingikai* transcripts but tends to juxtapose initial positions and outcomes and, based on the resulting analysis, surmise that the forum is a tool of the bureaucracy in seeing the implementation of its policy plans. Were this true, it follows that business would expect little in terms of outcomes by its participation in the *shingikai* forum. If it was known that the forum was rigged and that it would consistently fail to help business realize its ends, business would predominantly seek its ends through informal channels. Thus, the central objective of this thesis has been the identification of business expectations.

In this thesis, one litmus test of business expectation is friction. If business was seen to argue over an issue, this can be viewed as evidence that business thought there was something to be gained. On the other hand, if there was no argument and only agreement, this does not

necessarily mean that business viewed the *shingikai* forum as a place where their goals could not be realized. Depending on the situation, little or no friction might simply be because the issues at hand were either in accordance with business aims or the meeting was still at an exploratory stage. Even in those instances where the meetings were characterised by harmony, dissenters did use the opportunity to express their views. In such instances, what was often observed were lines of division within the business community. Pushing this line of reasoning further, one comes perilously close to the self-serving argument that regardless of whether there was friction or not, as long as participants attended, *ipso facto*, they believed the *shingikai* forum was worthwhile. In other words, does presence equate to validation?

Let us address this question by considering who participated and the often lengthy duration of the *shingikai* meetings that transpired during the amalgamation process of the iron and steel industry. Dan Takuma, for example, who was at one point *obantō* of Mitsui *zaibatsu*, and president of both the Japan Industry Club and the Japan Economic Federation, to name a few of his more prominent hats, would have been unlikely to have spent hours at a time over, in some cases, many days, listening and partaking in a forum which was essentially regarded as a ruse and ultimately a waste of his time.<sup>554</sup> Though the presence of high profile business figures

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<sup>554</sup> It has been observed in the preceding analysis that some sets of *shingikai* meetings followed a pattern whereby there was an initial period of long deliberations during which there was seemingly little direction in the discussions, followed by comparatively rapid passage of bills through the Diet. This pattern bears resemblance to the Japanese policy formulation process of *nemawashi* whereby views are solicited and the ground work is laid to facilitate the approval of proposals. For further details see Steven Reed, *Making*

does suggest that the *shingikai* forum was considered a place where views could be expressed and business goals sought, the analysis here does not rest on this observation. Substantiation is sought through the examination of the economic and political context in which the meetings were located to consider business motivations and provide reasons to account for both the absence and presence of friction.

It should also be pointed out that in some instances participants may have viewed the importance of the meetings less in terms of the exchanges during the meetings but rather the unrecorded words said during breaks and after the closing of the forum. In this case, the clerks may very well have faithfully summarized the exchanges, but they were summarizing views which were only expressed after the initial, but crucial, jockeying for position and testing of the waters had already taken place. In this sense, the importance of the *shingikai* as a forum for discussion diminishes but it remained an opportunity to bring people together, providing time and a location where ideas and opinions were worked out; whether this was within or without the meeting becomes secondary. Certainly, not only in these *shingikai* but in others as well, elite members were congregated to discuss important matters although, judging by the records, only a small percentage of them actually participated in the formal exchanges.

It has been suggested that a potentially contributing factor to the fostering of harmony

in the *shingikai* meetings was the diminution of actors. During the war, a large number of smaller sites were founded to capitalise on the large financial gains to be had but, as we know, many went bankrupt or were absorbed by *zaibatsu* during the economic downturn that followed the cessation of the conflict. The reduction of actors, it must be noted, does not necessarily lead to greater agreement between stakeholders. In those instances where the proposals at hand were in line with big business interests, one could expect relative harmony in meetings and perhaps as well the swift passage of the bill through the diet. Conversely, if the proposal was contrary to the interests of a significant number of big business interests, then one might expect to see considerable opposition and perhaps compromise positions sought between government and business. Thus, the relationship between the number of stakeholders and the degree to which harmony may prevail was related, though not necessarily entirely, to the issue and the associated economic and political context in which the actors found themselves.

## **2. Judging business expectations**

The intention in this thesis was to find a different way of addressing the issue of business expectations in dealing with government in the context of the *shingikai* meetings. Rather than judging business expectations by juxtaposing initial positions and outcomes, although this has

played a part, the approach here has been to return to the records that contain the actual discussions between government and business. A potential weakness in this approach is that the evaluation of expectation here revolves around identifying points of friction where the aspirations and frustrations of business collided with government or, in the absence of these, points where relative harmony prevailed. The approach is one also sensitive to the emotions of participants and the closely related issue of what is disappointment in the Japanese context of a *shingikai* meeting in the 1920s. It has, however, certain strengths. The foremost of these, it is argued, is that the identification of friction points or, conversely, harmony, is done through the process of a close reading of the often near-verbatim records of the discussions. By returning to the actual words exchanged by government and business, we are afforded one of the few means at our disposal of 're-enacting' the actual events. Though it is hazardous to judge what is a point of contention between discussants and upon that build the argument that this reflects expectation, it is equally as dangerous to juxtapose initial positions and outcomes and upon that make judgements on how business, or for that matter government, viewed the *shingikai* forum. This thesis is an attempt to shed light on how things happened in the meetings. Others may follow, adopting a similar methodological approach, and drawing into relief the strengths and weaknesses of the work done here.

The findings here suggest that the *shingikai* during the amalgamation of the iron and

steel industry were not an orchestrated façade run by the bureaucracy. The *shingikai* provided a forum where business could air its views and, in fact, in some instances, was seen by participating members as where, *de facto*, final outcomes were decided. In cases where related *shingikai* discussions ran parallel to those specific to the iron and steel industry, some meetings of which were widely-known to be closed-door, the locus of the decision making process is difficult to determine. Where this multi-fora structure was found, whatever *de facto* influence the *shingikai* specific to the industry had was diffused. In other instances, meetings were intentionally seen by members as preliminary and exploratory in nature. In short, business generally saw the *shingikai* as a useful forum for expressing its views and, depending on the circumstances, also a forum for determining outcomes.

### **3. Characterising government and business relations in the Taishō and early Shōwa period**

We know little of how political decision making worked in this period. It was in many instances a process that combined formal and informal negotiation, the extent to which one mode was favoured over the other varying according to the instance. The process was also, in many cases, a multi-step one, commencing with informal discussion involving business and government and perhaps academics as well in identifying issues. Formal and informal

deliberations would have occurred, possibly shaping the draft legislation. Along the way there were a number of points where government and business may have had opportunity to interact. The vista offered by the *shingikai* was only one point in the process of government and business interaction. Thus, caution need be exercised in characterising the relationship in general terms. However, the *shingikai* forum is one of the few formal settings in which we can examine this interaction. Given that the *shingikai* forum was one of the few important points for formal contact, we can with greater confidence describe the formal government-business relationship.

It is argued here that the primary driving factor in shaping business interaction with government in the amalgamation of the iron and steel industry was economic. Political considerations, never far behind, were important, however the records indicate that the primary concern of business was economic. In the many pages of discussions, political concerns were only mentioned a few times. Certainly they were a shaping force and were important in fleshing out the context of the times but, in the end, business argued over profits and not politics. Where the conflux of the external and the closely related domestic economic conditions dictated that it was decidedly in the interest of business to oppose government, business did so, and this was clearly seen in the records of the relevant *shingikai*. Conversely, where protection was critical for survival, business was conciliatory and harmony prevailed in discussions. The proximity of business to government was dictated by ends and needs.

Some works argue that the historical legacy of the close proximity of big business and government is reason to believe that the *seishō* relationship continued through the Taishō and early Shōwa periods. It is argued here, however, that economic, political and social change in these periods mitigated the establishment of a sense of reciprocity or fixed manner of interaction. The configuration of business and government interaction in the period under consideration was circumstantially based. As both sides were stake holders in the industry, they were self-seeking entities. Throughout most of the period examined here, the iron and steel producers faced considerable competition from abroad but, in as far as tariffs provided protection and subsidies supported select producers, the industry managed to sustain itself. The fortunes of the industry, therefore, were often both closely linked with government protection and, at the same time, competing against the largest domestic producer, to wit, Yawata. The nature of their interaction changed over the years, something which renders the assignment of politico-business models extremely difficult. The inherent fixed configurations implied in these explanatory frameworks are of limited value in capturing the dynamics of this changing relationship. The Taishō and early Shōwa periods can be seen as a time where business and government interaction was fluid.

It has been suggested by many authors who explain Japan's post-war economic success that the interaction of business and government is primarily behind closed doors. That



which is overt is distant from where decisions are made and, by implication, part of the explanation for Japan's economic success is attributed to this closed-door Japanese way of making decisions. The findings in this dissertation indicate that the situation is much more complex. In this case study, the *shingikai* were, in the main, seen by business as an important forum for the airing of views and, depending on the circumstances, might offer an opportunity to shape if not determine outcomes. This is not to suggest that decisions were always in favour of business nor that business exclusively relied on the open forum to seek its ends. However, it was an integral part of the decision making process. Certainly, covert, informal lines of communication continued to be used, but in conjunction with the formal legally provided forum of open discussions.

A broader implication of this study is that the way business and government interact in Japan is, as in most countries, not a fixed matter. The literature on the pre- and post-war periods often characterizes the interaction of these actors as covert and close. Apart from whatever general validity this characterization may have, it is important to bear in mind that it cannot be seen as an immutable feature of Japanese political decision making. The historical continuum since the Meiji Restoration demonstrates that despite the long legacy of close and personal relations between large business families and ruling powers, economic and political change can drive apart, as well as pull together, these actors to create a new configuration. This observation,

I suggest, is as applicable to Japan's contemporary situation as it is was some 70 years ago.

The Meiji Restoration brought into play a political framework which led to a Western-influenced democratic orientation being fused with the characteristics of the existing political culture. The institution of the *shingikai* was one part of the change. On one level this change was about formalizing the political decision making process, and a well-functioning Diet was part of this process, but it was also about incorporating extra-parliamentary influences. The *shingikai* likewise contributed to this transition. As has been discussed previously, perceptions vary on how this political decision making process and its related Diet operated in practise during the Taishō period and the early years of Shōwa. As Duus observes in his important work on the formation of political parties in this period, "professional politicians therefore operated within a well-defined consensus that did not admit of sharply defined ideological differences, and such differences played little or no role in the formation of parties."<sup>555</sup>

Despite these efforts at incorporation and the existence of the *tennōsei*, it was never completely possible to prevent the emergence of potentially damaging divisions of interest and opinion, or to guarantee that they could be accommodated by the decision-making process. Certainly, as modern business expanded, the potential for its interests diverging with those of government increased.

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<sup>555</sup> Duus, *Party Rivalry and Political Change in Taisho Japan*, 241.

Looking at the larger spectrum, Ishida employs the term “differentiated totality”<sup>556</sup>, which refers to social strata: “at the top the integrity of the principle of imperial rule (*kokutai*) was strong enough to check extreme differentiation. At the lower levels of the society differentiation was limited by the strong traditional structure of the hamlet (*buraku*) or something similar thereto.”<sup>557</sup> Admitting that business groups did exercise their economic influence in shaping government aims, he argues that, in contrast to “Western countries”, because, in part, of competitive loyalty to the emperor system among interest groups in prewar Japan, they “could not be associations with complete autonomy from governmental control, free to devote themselves to specified purposes.”<sup>558</sup> On the other hand, both facilitating the exercise of influence and underscoring incorporation, Ishida notes that “larger capitalists and *zaibatsu* families continued to exercise a powerful influence on political parties through financial assistance kept secret from the public.”<sup>559</sup> So, constrained by a political culture specific to prewar Japan and linked to politics through finance, big business operated in a circumscribed world.

Recent work by Kimura Masato and Matsuura Masataka have made strides in portraying this world as wider and less circumscribed, and have provided more complete

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<sup>556</sup> Ishida, "The Development of Interest Groups and the Pattern of Political Modernization in Japan," 316.

<sup>557</sup> *Ibid.*

<sup>558</sup> *Ibid.*, 317.

<sup>559</sup> *Ibid.*, 309-10.

descriptions of the spectrum and degree of influence exercised by prewar business. This dissertation sees business as an independent actor and challenges the perception of incorporation. In so doing, the role of the Diet and the exercise of legislated decision making processes are seen here to operate more closely along the prescribed formal lines than received wisdom would have us believe. At the same time, backroom dealing remained part of the way of doing things – then and now .

Inherent to most, if not all, political systems is the tension between formalized decision making processes and covert conduits of communication. Japan is not unique. The extent to which business was sensitive to that tension has not been examined here, however businessmen and politicians were aware during the Taishō period that scandals were uncovered and found their way into the press. The Siemens affair (1913) served as a poignant reminder of the hazards involved in graft and backroom dealing, even though the threat of bad publicity did not necessarily effectively restrict such activity. In this respect study of the impact and role played by the press could extend the findings of this thesis in helping us better understand why business chose the *shingikai* forum to express its views and attempt to influence outcome. For example, to what degree was the threat of bad press sufficient to spend hours on end in meetings? Part of the reason may have lain in the growing importance of political accountability and transparency in political decision making. Duus makes clear that this was a period when

party politics was on the rise and more than lip service was paid to notions of democracy and voter representation. The tortuous process of the amalgamation of the iron and steel industry suggests that participating members accepted, if not believed, in formal discussions and, by implication, the role that such discussions played in the process of parliamentary politics.

Significant stakeholders, both government and business, had vested financial interests in this industry, which was both vital for the larger industrialization process and the defence of the Empire. This study has restricted itself to considering the influence of that stake holding. However, locating the discussion of amalgamation, the debate's military and industrialisation context could also help further to explain the keen interest displayed by participants in outcomes and their willingness to sacrifice time and energy. The overwhelming message that the discussions delivered was about economics. Links have been drawn in this research between the independence of actors, the prevailing economic circumstances and the degree of friction in discussions and the perception that corruption is inherent in the Japanese way of political decision-making has been to some extent challenged. The thesis conclusions are therefore also inherently concerned with the nature of corporate governance, something that is equally topical today. The implication of this work is that what can lead participants to use formal rather than informal fora to resolve differences and influence outcomes is a belief that such formal institutions afford a real opportunity to influence outcomes. It was this realisation in the minds

of the Meiji leaders in providing for the institution of the *shingikai*, and the political culture of the times that likewise led business to use and believe in the value of the forum.

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## Appendix 1

### Select List of Japanese Personal Names

Ariga Nagabumi	有賀長文
Asano zaibatsu	淺野 財閥
Dan Takuma	団琢磨
Den Kenjirō	田健次郎
Fujita Shirō	藤田四郎
Fujiyama Raita	藤山雷太
Furuya Hisatsuna	古谷久綱
Gō Seinosuke	郷誠之助
Hamaguchi Osachi	浜口雄幸
Hara Kei	原敬
Hashimoto Yoshizō	橋本喜造
Hashimoto Keizaburō	橋本圭三郎
Hata Toyosuke	秦豊助
Hayashi Hirotarō	林博太郎
Horikiri Zenbei	堀切善兵衛
Hotta Masatsune	堀田正恒
Ichiki Kitokurō	一木喜徳郎
Imaizumi Kaichirō	今泉嘉一郎
Imaoka Junichirō	今岡純一郎
Inoue Junnosuke	井上準之助
Inoue Kakugorō	井上角五郎
Inoue Tadashirō	井上匡四郎
Inukai Tsuyoshi	犬養毅
Inuzuka Katsutarō	犬塚勝太郎
Iwasaki Shigeo	岩崎重雄
Kajiwara Nakaji	梶原仲治
Kamata Katsutarō	鎌田勝太郎
Kamino Katsunosuke	神野勝之助
Kanemitsu Tsuneo	金光庸夫
Katō Kotarō	加藤小太郎
Katō Masanosuke	加藤正之助
Katō Takaaki	加藤高明
Kataoka Naoharu	片岡直温
Kawasaki Saishirō	河崎才四郎
Kawasaki Suketarō	河崎助太郎
Kimura Kusuyata	木村久寿弥太
Kobayashi Ushisaburō	土小林丑三郎
Koga Renzō	古賀廉造
Kōmuchi Tsunetaka	神鞭常孝

Kōno Hironaka	河野廣中
Koyama Kenzo	小山健三
Kushida Manzo	串田萬藏
Machida Chūji	町田忠治
Maeda Toshisada	前田利定
Matsumoto Shigeo	松本恵雄
Matsumoto Kōichi	松本剛吉
Matsuoka Yasutake	松岡康毅
Mori Kaku	森格
Moriya Koresuke	守屋此助
Motoda Hajime	元田肇
Muto Sanji	武藤山治
Nakai Reisaku	中井励作
Nakajima Kumakichi	中島久萬吉
Nakajima Yadanji	中島弥団次
Nakakōji Ren	中小路廉
Nakano Buei	中野武營
Nishimura Tanjirō	西村丹治郎
Noda Tsuruo	野田鶴雄
Noda Utarō	野田卯太郎
Nomura Karoku	野村嘉六
Okazaki Kunisuke	岡崎邦助
Ōkōchi Masatoshi	大河内正敏
Oshikawa Norikichi	押川則吉
Ōta Shinjirō	太田信次郎
Saionji Kinmochi	西園寺公望
Saitō Makoto	斎藤実
Sakikawa Saishirō	崎川才四郎
Sashida Yoshio	指田義雄
Shiba Chūzaburō	斯波忠三郎
Shibusawa Eiichi	渋沢栄一
Shiraishi Motojirō	白石元治郎
Shirani Takeshi	白仁武
Suzuki Umeshirō	鈴木梅四郎
Takahashi Korekiyo	高橋是清
Takahashi Mitsutake	高橋光威
Tanaka Chōbei	田中長兵衛
Tokonami Takejirō	床次竹次郎
Usawa Uhachi	鶯澤宇八
Wada Toyoji	和田豊治
Wakamiya (Given name unknown)	若宮
Yabuki Shōzō	矢吹省三
Yamaoka Juntarō	山岡順太郎
Yamamoto Jōtarō	山本条太郎

Yamamoto Tatsuo	山本達雄
Yamazaki Kakutarō	山崎覚太郎
Yanagisawa Yasutoshi	柳澤保恵
Yokota Sennosuke	横田千之助
Yoshikawa Yūsuke	吉川雄輔

### Select List of Terms and Institutions

Academy of Architecture	建築学会
Academy of Civil Engineering	土木学会
Academy of Electronics	電気学会
Academy of Machinery	機会学会
Academy of Munitions	寡兵学会
Academy of Shipbuilding	造船協会
Anglo-Japanese Agreement	日英条約
Asano zaibatsu	浅野財閥
Bar Segments Agreement	条項分野協定
Ben Xi Hua Coal and Iron Company	本溪煤鉄公司
Chambers of Commercial Law	商法会議所
Chōsakai	調査会
Code of Law Investigative Council	法典調査会
Deliberative councils	審議会
Deferred Duty	停止関税
Elder Statesmen	元老
Emperor system	天皇制
Financial clique	財閥
Financial world	財界
Furukawa zaibatsu	古河財閥
Gakushiki keikensha	学識経験者
House of Representatives	衆議院
House of Peers	貴族院
Hitachi Shipbuilding	日立造船
Hokkaido Iron Company	北海道製鉄株式会社
Imperial Prerogative	大権
Iinkai	委員会
Iron and Steel Institute of Japan	日本鉄鋼協会
Japan Economic Federation	日本経済連盟会
Japan Industrial Bank	日本勸業銀行
Japan Industrial Club	日本工業倶楽部
Japanese Mining Academy	日本工業会
Japan Oil	日本石油
Japan Steel Corporation	日本製鉄株式会社(日鉄)
Joint Purchase Association of Steelmakers	製鋼共同購買会

Kaigi	會議
Kamaishi Mining	釜石鉱山
Kamaishi Seitetsujo	釜石製鉄所
Kanto Steel Materials Sales Association	関東鋼材販売組合
Kenjiho Seitetsujo	兼二浦製鉄所
Kenkyukai	研究会
Kokutai	国体
Konwakai	懇話会
Kondankai	懇談会
Kyōgikai	協議会
Mitsubishi Iron Works	三菱製鉄
Mitsubishi zaibatsu	三菱財閥
Mitsui zaibatsu	三井財閥
National League of Chambers of Commerce	全国商業会議所連合会
National Federation of Industrial Organizations	全国産業団体連合会 (全産連)
Nemawashi	寝回し
Nihon Kōkan (NKK)	日本鋼管
Ōkura zaibatsu	大倉財閥
Pig Iron Cooperative Association	銑鉄共同体
Private advisory bodies'	私的諮問機関
Privy Council	枢密院
Rengō Danwa Kai	連合談話会
Ringisei	稟議制
Ringisho	稟議書
Sangiin	参議院
2 <sup>nd</sup> Movement for the Protection of the Constitution	二次護憲運動
Shinsakai	審査会
Ship Building Encouragement Law	造船奨励法
Steel Association	製鋼懇話会
Steel Union	製鉄合同
Sumitomo zaibatsu	住友財閥
Takarada Oil	宝田石油
Ta Yeh Mine	大冶
Tetsuzai Jikyū Tōron Kai	鉄材自給討論会
Tokubetsu iinkai	特別委員会
Tōyō Iron Works	東洋製鉄株式会社
Wanishi Iron Works	輪西製鉄
Yasuda zaibatsu	安田財閥
Yawata	八幡製鉄所 (官営製鉄所)



### Select List of Reports and Committee Names

Investigation Committee of the Iron and Steel Industry	製鉄業調査会
Investigation Committee on Fiscal Policy and Economics	財政経済調査委員会
Investigation into Matters Dealing with the Establishment of Standards and Criteria	標準規格の制定ニ関スル事項
Investigation into the Present and Future Demand for Iron and Steel Products	現在及び将来需要サルル鉄鋼の品別調査
Investigation Committee on Tariff Policy	関税策調査会
Opinion on Japan's Iron and Steel Industry	本邦製鉄業ニ関スル意見
Petition Concerning Japan's Tariff Policy	本邦関税政策ニ関スル稟申
Petition Concerning Tariff Policy	関税政策ニ関スル稟申
Policy Plan Concerning the Regulation of the Iron and Steel Industry	製鉄業統制ニ関スル方策案
Proposal for the Establishment of a Committee of Inquiry into Joint Public-Private Iron and Steel Manufacture	民間合同製鉄調査会設置建議
Temporary Committee on Industry	臨時産業審議会
Temporary Industrial Council	臨時産業審議会
Opinion Regarding the Third Expansion of Yawata	製鉄所第三期拡張ニ対スル意見
Report of the Investigation Committee on the Iron and Steel Industry	製鉄業調査会答申書
Report on Opinion regarding the Future Protection of Our Iron and Steel Industry	本邦製鉄事業保護奨励ニ関スル意見書
Necessity and Reasons for Tariff Protection in Japan's Iron and Steel Industry	我製鉄事業ハ関税ノ保護ヲ必要トシ又之ヲ受クベキ資格アル理由
Recommendations Concerning the Promotion and Protection of the Iron and Steel Industry	製鉄事業保護奨励ニ関スル建議書
The Relationship Between the Iron and Steel Industry and Protective Tariffs'	製鉄事業ト保護関税トノ関係
Consultation Number 3 - 'What is the fundamental policy concerning the promotion of the iron and steel industry?'	諮問第三号製鉄業ノ振興ニ関スル根本方策如何
Consultation Number 4 - 'What is the fundamental policy concerning the maintenance and development of the ship building industry?'	諮問第四号造船業ノ維持発達ニ関スル根本方策如何
Opinion on Japan's Iron and Steel Industry	本邦製鉄業ニ関スル意見

## Appendix 2

### List of Full Titles of Japanese Records for the Shingikai and their Committee Meetings

Table 2.3 Committee Meetings

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
January 22, 1916 to February 24, 1916	第三十七回(四)~三十八回議會 - 帝国議會衆議院委員会議録 製鉄事業促進及び奨励ニ関スル建議案委員会議録(筆記)第一回~第三回 - 製鉄事業促進及び奨励ニ関スル建議案外一件委員会議録(速記)第四回~五回
June 29, 1917 to July 9, 1917	第三十九回議會(二) 帝国議會衆議院委員会議録 製鉄業奨励法案委員会議録 第一回~五回
July 11, 1917 to July 12, 1917	第三十九回議會 帝国議會貴族院委員会議事速記録 製鉄業奨励法案特別委員会議事速記録 第一号
July 13, 1917	第三十九回帝国議會 帝国議會貴族院 製鉄業奨励法両院議會議事速記録

Table 3.4 : Outline of Temporary Investigation Committee Meetings

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
July 9, 1919 <sup>560</sup>	臨時財政經濟調査会の官制公布
July 18, 1919 <sup>561</sup>	臨時財政經濟調査会議事録 - 總會
Nov 10, 1919	臨時財政經濟調査会議事速記録 - 諮問第三号 <sup>562</sup>
Nov 29, 1919 ↓	臨時財政經濟調査会議事速記録 - 諮問第三号及び第四号特別委員会議録
November 8, 1920	
February 14, 1921	臨時財政經濟調査会總會議速記録 - 諮問第三及び第四号
March 22, 1924 <sup>563</sup>	最終答申が起なわれた

<sup>560</sup> Yasui Kunio, *Senkanki Nihon Tekkōgyō to Keizai Seisaku*, 59.

<sup>561</sup> The start date of this session is not clear from the record, but Yasui gives this date.

<sup>562</sup> Note according to the record, the archives at Takebashi have bundled 諮問第三号 together with 諮問第一号&諮問第二号. However, the record that deals with the issue of iron and steel production is labeled as 第貳号.

<sup>563</sup> Yasui Kunio, *Senkanki Nihon Tekkōgyō to Keizai Seisaku*, 59.

**Table 3.10: Outline of Meetings on the Tariff Rate Law and the Iron and Steel Industry Promotion Law**

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
<b>Tariff Rate Law</b>	
March 19 <sup>564</sup> , 1921 to March 22, 1921	第四四回議會(四)帝国議會衆議院委員會議錄 関稅定率法中改正法律案外一件(関稅定率法中改正法律案 •製鉄業奨励法中改正法律案) 委員會議錄(筆記速記)第一回~第二回
<b>Iron and Steel Business Promotion Law</b>	
March 23, 1921 to March 25, 1921	第四四回議會(二)帝国議會貴族院委員會會議錄 製鉄業奨励法中改正法律案特別委員會 第一回~第二回
March 24, 1921 to March 25, 1921	第四四回議會(三)帝国議會貴族院委員會議事速記錄 製鉄業奨励法中改正法律案特別速記錄第一号~第二号

**Table 4.1 Outline of Tariff Meetings**

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
January 27, 1926 to February 26, 1926	第五十一回帝国議會衆議院 関稅定率法中改正法律案 (政府提出) 委員會 (速記) 第一回~第十八回
March 11, 1926	第五十一回帝国議會衆議院 関稅定率法中改正法律案 (政府提出) 帝国議會衆議院議事速記錄 第一回~第三回
March 11, 1926	第五十一回帝国議會貴族院 関稅定率中改正法律案外三件特別委員會 帝国貴族院議事速記錄 第一回
March 11, 1926	第五十一回帝国議會貴族院 関稅定率法中改正法律案 第一讀会の讀~第三讀会

**Table 4.2: Outline of Meetings (1926)**

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
19 March, 1926 to 22 March, 1926	第五十一回帝国議會衆議院 製鉄業奨励法改正法律 (政府提出) {1. 製鉄業奨励法改正法律案 (政府提出) 2. 製鉄所特別會計法案 (政府提出) 3. 大正九年法律第五十三号中改正法律案 (関稅法等の朝鮮に於ける特例に関する件) 政府提出} 委員會義六 (速記) 第一回~三回
19 March, 1926 to	第五十一回帝国議會衆議院 製鉄業奨励法改正法律案 (政府提出) 外に件 衆議院議事速記錄 第一讀会~第三讀会

<sup>564</sup> The record of this *shingikai* (19 March 1921) indicates that on the previous day, 18 March, the Committee chairman had been selected.

23 March, 1926	
23 March, 1926	第五十一回帝国議会衆議院 製鉄業奨励法率案外一件 貴族院議事速記録 第一読会
25 March, 1926	第五十一回帝国議会衆議院 製鉄業奨励法改正法律案外二件 貴族院議事速記録 第一～三読会

**Table 4.3: Outline of Tariff Meetings (1932)**

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
June 5, 1932 to June 6, 1932	第六十二回帝国議会衆議院 関税定率法中改正法律案外一件 衆議院議事速記録 第一読会～第三読会
June 12, 1932 to June 15, 1932	第六十二回帝国議会 関税定率法中改正法律案 外二件 貴族院議事速記録 第一読会～第三読会 (議長の報告)

**Table 4.4: Outline of Meetings on the Japan Steel Corporation Bill**

Date	Unabridged Title of the Japanese Record for the <i>Shingikai</i> Meeting
March 1, 1933 to 11 March, 1933	帝国六十四回帝国議会衆議院日本製鐵株式会社 法案外一件委員会議録 (筆記) 第一回～九回
March 16, 1933 to March 24, 1933	第六十四回帝国議会貴族院日本製鐵株式会社法案特別委員会議事速記録 第一号～七号
November 1933	製鐵事業評価審査委員会 特別委員会第二回会議議事要録