

## ABSTRACT

The period between the Manchurian Incident (1931-) and Japan-China War (1937-) is commonly considered in Japanese modern history studies as a part of the so-called 15-year war ending in 1945. However, the situation in the 1930s can be seen quite different from the viewpoint of free economist INOMA Kiichi, who is little known among people. Inoma knew the beginning days the Department of Economics of Tokyo Imperial University, conducted research studies with ISHIBASHI Tanzan, and UEDA Teijiro. He wrote a book on the history of modern Japan immediately after WWII, and was at an important position in the history Japanese economy. In this paper, the modern history of Japan will be overviewed with a particular focus on the 1930s by tracing Inoma's achievements.

### Part I (1920s)

In Chapter 1 describes Inoma's experiences as a student at the Department of Economics of Tokyo Imperial University and meeting with ISHIBASHI Tanzan of Toyo Keizai Inc.

Inoma entered the Department of Economics of Tokyo Imperial University as a first generation student in September 1919, and in January in 1920, the "Morito incident" occurred by what he had written. Although it was little known, an economic student organization "Keiyukai" published a statement to the faculty meeting advocating the "independence of academic studies," and calling on to "reflect on its decision" of suspension from work ordered to Professors MORITO Tatsuo and OUCHI Hyoue. As the leader of the organization, Inoma drafted the statement.

Inoma took part in the seminar of Prof. ITOI Yasuyuki, and became attracted by statistics. After graduation, he remained in the university as an assistant together with Marxist ARISAWA Hiromi and OMORI Yoshitaro. But soon, he became ill and was hospitalized for one year and half. Fortunately, he returned to the university after the Great Kanto Earthquake (1923). His first thesis on price index was highly evaluated and he was appointed as a lecturer in April 1924. However, in December, when his mentor Itoi died in Germany, he was expelled from Tokyo University by Arisawa who was promoted from an assistant to associate professor recommended by Prof. Ouchi.

At the news, ISHIBASHI Tanzan who was just appointed as the chief editor of *Toyo Keizai Shinpo*, a magazine specializing in economics, met Inoma and asked him to give lectures on statistics to new employees of Toyo Keizai Inc. At Ishibashi's

recommendation, a series of lectures on statistics was published for nine months in the magazine. The lecture series was well accepted and was compiled as an introductory book on statistics which drew a positive response, and continued to be a long-selling book.

Chapter 2 focuses on the population issue that Inoma was engaged in as a researcher at the Tokyo Institute for Municipal Research.

In 1925, Inoma became a researcher at the Tokyo Institute for Municipal Research which was established by GOTO Shinpei, Mayor of Tokyo, modeling after the New York Bureau of Municipal Research.

The result of the first unemployment statistics conducted in 1925 reported that “the number of unemployed workers is unexpectedly small.” Inoma attempted to refute this comment by the authority in magazine *Toshi Mondai (City Problems)* in 1926. Using reduction to absurdity, he found clumsiness in the survey that the total number of workers included some duplication, and said that the result could hardly show the actual situation of unemployed workers. In his book *Recent Status of Population in Japan* published in 1926, he presented an epoch-making viewpoint that all political and economic problems would consequentially result in a population problem.

From 1927 to 1928, Inoma conceived to see the actual situation of unemployment problem in the phenomenon of population concentration in cities and their peripheries using the demographic surveys of cities and their peripheries, in place of the unemployment survey. Inoma discovered that rural people did not go to big cities directly, but that they were once settled in surrounding towns and then headed to cities.

Chapter 3 deals with Inoma’s reports on maternity protection services and infant mortality statistics.

In the survey on maternity protection services and infant mortality statistics conducted from 1926 to 1927, detailed survey reports on maternity protection services in different localities were provided. Referring to research studies in Britain and other advanced countries, and using not sufficient statistical data, he made it clear that maternity protection services effectively helped to lower infant mortality. He particularly emphasized the outcome of visiting midwife service.

Keeping a distance from the population debate over fecundity or low birth rates in the late 1920s, Inoma advocated his theory that what was important even in over-populated society was not to suppress population growth but to bring up born children to adults, in other words, to reduce infant mortality.

Around that time, the so-called eugenic thought that marriage to produce unhealthy children was considered sinful was firmly supported by intelligent people. Inoma's theory that the quality of people could be changed through activities to spread hygienic thoughts and to educate people on their lifestyles was at the other extreme of the eugenic thought.

In Chapter 4, Inoma's economic analysis of the great depression in the Showa era in 1930-31, and his discussion on the current unemployment issue are taken up.

Inoma disclosed how serious the situation of Japan's labor market was based on job placement statistics, and shed light, in particular, on the difficulty for highly educated people to find employment. As he found that a number of people repeatedly visited an employment agency, he expressed the phenomenon as "irritation rate" and used it as an index to measure the seriousness of unemployment.

Further, he attempted two things in response to the campaign by ISHIBASHI Tanzan and others to insist on lifting the ongoing gold embargo with a new parity of exchange. One was publishing an article "To Where is the Unemployment Issue Going?" in which he advocated Keynesian policies. The other one was a criticism against the deflation policy by the Hamaguchi Cabinet based on his analysis of data in *Nihon Keizai Zuhyo* (*Japanese economic chart*). In December 1931, the Inukai Cabinet was formed, and TAKAHASHI Korekiyo as the minister of finance lifted the gold embargo with a new parity of exchange, and suspended the gold standard system. As a result, business rapidly recovered.

## Part 2 (1930s)

In Part 2, various activities in the 1930s behind the economic growth under the leadership of Minister Takahashi of Finance are examined.

Chapter 5 takes up the fact found in an article in *Toyo Keizai Shinpo* that Ishibashi and UEDA Teijiro were partners in promoting free trade, which has been little discussed so far.

Ueda established the Japanese Economic Research Group in 1932, and began to address a population issue. He predicted the future population of Japan, and presented the report at the Banffshire Pacific Meeting in 1933s.

Showing that Japanese population would not increase so much as other countries might find to be threatening, Ueda commented that the idea of birth control was not bad but it was too late to do so, as there were already people to whom we should give jobs.

In the coming two decades, the number of people who need to be employed would reach 10 million. In order to provide this large population with jobs, he stressed the need for the world to supply raw materials to Japan and to open their markets for made-in-Japan products, otherwise, he feared that another international crisis like the Manchurian Incident might be brought about. His speech caused an international sensation as “10 Million People in Need of Jobs.”

Ishibashi, who held a view that no other means could solve the population growth issue than increasing employment opportunities, fully shared Ueda’s argument. He published Ueda’s thesis compiling the results of his research studies on the population problem in *Toyo Keizai Shinpo*. In parallel, he interviewed political leaders such as Minister Takahashi of Finance, Minister Machida of Commerce and Industry, and affirmed the policy to call for relaxing tariff barriers to promote free trade.

While Japan was isolated in the international community, after the February 26 Incident, Ueda took part in the Yosemite Pacific meeting, and stated that trading with the world is of utmost importance for Japan to sustain people’s life, and that even though Japan’s trading was interfered by high tariffs and quota systems, Japan had no intention to devastate the markets of other countries, and that the government was ready to control foreign trade when necessary. Right after this conference, Ishibashi advocated the open-door trade policy to the world.

As a result of these activities, the Japan-US Cotton Industry Agreement was concluded early in 1937 on favorable terms to Japan. Minister ARITA Hachiro of Foreign Affairs (1936) agreed with Ishibashi and proposed the spirits of Congo Basin Treaties, and the following Minister SATO Naotake of Foreign Affairs sent an economic mission to China, and proposed the three free principles including free trade. All these proposals were expressed by Secretary SHUDO for Commercial Affairs at a meeting of Raw Material Survey Committee. Shudo continued his cooperation activities with the League of Nations even after Japan’s withdrawal from the organization in 1933 until immediately before the Japan-China war.

In Chapter 6, population problem studies by the Ueda Group and the plan of population migration to cities (tentative) by Inoma are discussed.

In 1932, Nihon Keizai Kenkyukai (Japan Economic Research Group) on population problems was formed headed by Ueda, and Inoma joined the group in 1933.

Inoma published a thesis shedding light on the age of people coming into cities, and found that the increase of births in number did not occur in cities but in rural villages, and that children who had been born and grown up in villages migrated to cities as they

reached productive age.

Ueda analyzed that:

- 1) Cities and villages are not independent economic organizations, but they are performing divided functions in national economic activities,
- 2) Rural youth migrate to cities aiming for better living, and if they remain in rural villages, the economy of rural villages will be impoverished, and
- 3) Population concentration in cities is a phenomenon accompanied by the industrialization of Japan.

He concluded that for the solution of the population concentration problem, the process of industrialization should be facilitated instead of controlling young people from leaving their villages. He then proposed “domestic migration” from rural areas to urban areas as a population policy.

Inoma prepared a concrete city plan to put “domestic migration” into practice. His plan was due to appear in the coming issue of *Toshi Mondai (Urban Problems)* magazine just when the Japan-China war broke out.

After the war broke out, Ueda began to work to establish the National Institute of Population Problems. At the same time, he harbored a sense of danger with the slogan “Increase and Multiply Children” published in 1939 by the Japanese Society of Health and Human Ecology, and he added “Don’t have your children get sick, but bring them up.” He suggested that it was wiser not to have born children die early in their life rather than encouraging people to have many children. Ueda believed that fecundity led to multiple deaths while a small number of births would lead to small numbers of death. Therefore, to those who knew his belief, his additional slogan meant a criticism to the militaristic campaign.

In Chapter 7, the local financial issue which was jointly addressed by Ishibashi and Inoma is discussed.

The proposal made by Ishibashi in the 1920s to transfer land tax administration from the central government to local governments is widely known but it is little known that the discussion on the theory regained in the 1930s with a surprise motion by the Rikken Seiyukai political party under Minister Takahashi of Finance

It is interesting to learn that Ishibashi came to realize after interviews with government leaders, and a roundtable discussion with leaders when Inoma was also in attendance that the transfer of land tax administration was not enough in order to promote the decentralization of power. Therefore, they did not view the local

government financial subsidy system in a negative manner, but discussed the matter from a viewpoint of equal distribution of national revenue. These discussions were of high level comparable to those on local finance today.

Chapter 8 deals with the Logistic Base for Advancing to the Continent Initiative by economist SUZUKI Takeo while serving in Seoul (Keijo) with the support by Ishibashi and Toyo Keizai Inc.

Suzuki's initiative attempted to redirect the current transportation route y from Japan to Manchuria by sea and on land to that of going through the Korean Peninsula, thus to promote the industrialization of Chosen. Suzuki considered the actual economic independence of the annexed country through promoting its industrialization, and implemented his plan while pretending to cooperate with the war efforts.

Suzuki's initiative was strongly supported by Ishibashi, who established Toyo Keizai Seoul Branch office to publish *Tairiku Toyo Keizai* magazine and KOKURA Seitaro, director of the branch office. Ishibashi considered Suzuki's initiative on an extension line of his agro-industrialization plan.

After the war, Suzuki was engaged seemingly in contradictory discursive activities reflecting on one hand his activities in cooperation with wartime efforts but defending Japan's position on the other hand. But his real intention was to industrialize the Korean Peninsula without dividing it into North and South. However, postwar historic studies criticized Suzuki's speeches defending Japan but never questioned what cooperation he rendered to wartime efforts.

### Part 3 (1940s: GHQ occupation period)

Chapter 9 verifies the involvement of Ishibashi in the process of publishing the report by the Ministry of Finance *Historic Survey on Japanese Activities in Foreign Countries* which is considered to have been written from the standpoint in favor of Japan's colonial rule, referring to essays by Inoma, and journals by Ishibashi.

In September 1946, at the direction by the General Headquarters, the Supreme Commander for the Allied Powers (GHQ) during the 1st Yoshida Cabinet, the "Overseas Asset Investigation Committee" was set up within the Ministry of Finance. Minister of Finance at this time was Ishibashi, Tanzan. At the beginning, editorial work for the report was promoted by Suzuki and others in charge of Chosen, and about three months later, Inoma joined the work after his return from Manchuria. Inoma believed that "history" was indispensable to justify Japan's activities in other countries.

While the editorial work was in progress, Ishibashi was purged from public service by a GHQ order in May 1947, but Inoma continued to contact Ishibashi and completed the work.

In Chapter 10, the content of the general remarks on “Japanese Activities in Foreign Countries” written by Inoma is shown to examine the view that Japan’s modern history does not imply the development of imperialism.

Inoma considered Japan’s modern history, in particular, a period between the two world wars to be a period with two great deviations and their avoidance, and another deviation which could not be avoided. The first one was militaristic advancement onto the China continent after World War I, and the second one being deflation policy by the Hamaguchi cabinet during which time the Manchurian Incident occurred. The third deviation was the outbreak of the Japan-China War. Japan could not avoid this, and resulted in the outbreak of the Pacific War.

Inoma noticed that it was advocacy activities by Ishibashi and others to propose diplomacy in favor of small Japan as an antithesis to the widely prevailing great Japan view which played a great role in avoiding the first two deviations. This advocacy led to the diplomacy by Minister SHIDEHARA Kijuro in the 1920s and finance by Minister Takahashi of Finance in the 1930s.

In Liberalism in the Taisho era, two major streams existed. One was the Reimeikai line emphasizing politics and the other was Toyo Keizai line weighing economy. For lifting the embargo of gold, there were two opposing groups, one in favor of lifting with the former parity of exchange and the other in favor of lifting with a new parity of exchange. The *Japanese Activities in Foreign Countries* was written clearly from the latter stance reflecting Ishibashi’s economic thought.

Studies on Ishibashi Tanzan today contain many misunderstandings. The final chapter discloses examples.

The most serious misunderstanding is that Ishibashi switched to passive resistance to the 15-year war from the beginning of the war. He was actively engaged in issue of lifting the embargo of gold, and economic activities when Minister Takahashi of Finance was in his office. Ishibashi pointed that the Manchurian Incident occurred during the Showa financial crisis and said, “an economic recession is the greatest sin in human society.” Those who criticize Ishibashi do not seem to understand what he meant.

What should be confirmed finally is that before the Japan-China war, preparative

conditions for Japan to promote the liberalization of trade, further industrialization of cities, industrialization of rural areas, population migration into cities, and decentralization of government power to facilitate the solution of the population problem were all in place. But for the war, it is said that the emergence of rapid economic growth would have been possible in the early 20th century. However, it was not possible to put these plans into practice under the state of semi-war and real war lasting 15 years.