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Analysis of Distribution Structure in the Iron
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ANALYSIS OF DISTRIBUTION STRUCTURE IN THE IRON AND STEEL INDUSTRY

By *Shigeyasu Suzuki*

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FOREWARD

The original purpose of this research was to make a study of the iron and steel industry and its structure as a whole. However, the time and the data available were such that in this article the reference is made only to the iron and steel wholesalers and the study of the market in general is given as complementary. And the problem of iron and steel wholesalers is also such that a thorough study will require considerable time; so the survey of a few cases of wholesalers, chiefly of Osaka, is given as the basis of the present research.

Before beginning the main article, mention must be made on the following points :

1. The prime objective of the present research is to study the changes in the structure of postwar wholesalers in comparison with the prewar wholesalers. (It is for this reason that in I is given the historical review of the transition of wholesalers.)

2. As for special agents as a lower bracket of wholesalers, only a brief reference is made because of the insufficiency of the survey.

3. The survey was made between the summer of 1950 and around March 1951 but it was suspended for a time.

I. Transition of the Distribution Structure.

(1) Before the inauguration of Governmentmanaged *Yawata Iron Mfg. Co.*

This period was, as it were, a period of infancy of the iron and steel industry or a period of preparations for the opening of iron works in Japan. It was in the Meiji period (the first year of Meiji: 1868) that the demand for iron and steel began to increase: the railway construction between Tokyo and Yokohama was completed in 1872: *the Miyako bridge* in Yokohama was built in 1884 followed by other modern bridging works. But the production of iron and steel in Japan was still so small that the total output, both pig iron and steel combined, was not more than 5,000 tons in 1874. The production was still short of 20,000 tons as late as in 1894. Existing at that time were only a limited number of private manufacturers, army and navy steel mills and *the Kamaishi Mine* which occupied the majority of pig iron production. Chief among them were:

1869: *Gisaku Asaka* reopened an iron foundry in an iron mine at *Kamiyooka* in the county of *Iwaki*. It was transferred to *Onogumi* in 1872.

1882: The Navy established an arsenal at Tsukiji, Tokyo, with a Krupp-style crucible steel mill.

1887: *The Tokyo Steel Co.* was established.

1895: The Navy established a provisional steel mill at Kure.

1899: *Goshi Kaisha Osaka Steel Works* was established.

Wholesalers in Tokyo were in charge of marketing domestic iron produced in Chugoku, particularly Hiroshima, Shimane, Tottori and Okayama prefectures, which was sent to Tokyo through wholesalers in Osaka. Iron produced by *Kamaishi Mine* then known as *Tanaka Mine* was marketed by such wholesalers as *Morioka*, *Yuasa*, *Umeoka* and *Asai* who together with some other wholesalers, had organized the copper and iron wholesalers, had organized the copper and iron whole-

salers union. At that time, there were the wholesalers unions ... formed in Tokyo and Osaka. Each kept to its own sphere, Tokyo chiefly handling imported iron and Osaka domestic iron.

Note 1: Domestic iron was principally used for farming implements and kitchen utensils.

Foreign trading was of course limited to import ... mainly from Belgium until around 1887. Wholesalers imported foreign steel (bar, plain and square) through the agency of "*Hikitoria*" or middlemen expert in foreign language and with a fair knowledge about iron and steel, who on their part negotiated with iron and steel "*Bantos*" of trading firms and contracted for import. That those engaging in foreign trade held by far a larger initiative in this case is proven by the facts that the weighing charge ... weighing was made at the time of delivery to assure the contracted amount ... had to be paid in full by the purchasers, that the trading with China was on cash basis, that the merchandise handled by those engaging in foreign trade occupied over 95 per cent of the merchandise handled by those engaging in domestic trade (see Table 1).

Table 1

(All given in ¥ 1,000)

	Domestic Trade	Foreign trade	For marine use	Total
Export: 1874	106 (1%)	18,796 (97%)	415 (2%)	19,317 (100%)
1881	4,778 (15%)	25,572 (82%)	710 (3%)	31,059 (100%)
Import: 1874	75 (1%)	22,128 (94%)	1,259 (5%)	23,462 (100%)
1881	619 (2%)	29,944 (96%)	629 (2%)	31,191 (100%)

Cf. Kiyoshi Matsui: "*Foreign Trade of Japan*" page 22.

Figures shown above are not exclusive to iron and steel products but cover all kinds of exports and imports.

The middlemen became independent traders as they increased their financial foundation. *Iwasaki*, ahead of all other middlemen, became independent in 1877 and subsequently grew so influential as to have all middlemen in Yokohama under his control. The middlemen were in their prime around this time.

But the outbreak of the Sino-Japanese War and the ensuing rapid increase in the demand for iron and steel resulted in the formation of *Teikoku Boeki Kaisha* ("Imperial Trading Co.") in 1899 for direct import of foreign merchandise. This caused a gradual decline of the middlemen who before that time were in the key position in import business.

Then *Mitsui-gumi*, *Ōkura-gumi*, *Takada Shokai* and *Isono Shokai* appeared in quick succession and began direct import, at last driving the middlemen out of existence.

Backed by the increased demand about the time the Sino-Japanese War broke out the production of iron and steel in Japan also began to increase gradually with the output in 1895 rising to more than twice the amount produced in 1878 though the production of steel materials was still 1,000 tons or so and the major part of demand had to be filled by imports (see Note 2). This resulted in *Mitsui* and other large importers taking advantage of their relatively big import capacity to meet the situation and eventually catapulting themselves to a key position in the iron and steel market ... a position which was once held by the middlemen.

Note 2: Import from Britain of both pig iron and steel topped the list, other sources of supply having been Germany, Belgium, France, Sweden, etc.

In short, the period before the inauguration of *Yawata Iron Mfg. Co.*, namely, the period of infancy for the Japanese steel industry was characterized by almost full dependence upon the import. Foreign traders were in a predominant position up to the middle of the Meiji Era and thereafter *the Mitsui* and other importers were in full control of the market.

Literature:

Motojiro Shiraishi: "*Transaction in Iron and Steel.*" ("*Lectures on Market*" issue No. 2)
Steel Materials Club: "*Book on Steel Materials.*"

(2) From the inauguration of *Yawata* to before the inauguration of *Japan Iron Mfg. Co.*

1. It is generally admitted that the foundation of industrial capital in Japan was set around 1897. It seems to be no exaggeration to say that the inauguration of Government-managed *Yawata Iron Mfg. Co.* in 1901 marked an epoch in the history of the iron and steel industry in Japan. Or it may be more precise to say that the Japanese iron and steel industry entered into a modern stage with the inauguration of *Yawata*.

In other words, the production of pig iron and steel materials which was 20,000 to 25,000 tons and around 1,000 tons, respectively, in 1900, namely, before the inauguration of *Yawata* (see Table 2) doubled to 57,000 tons in pig iron and jumped up by more than six times to 6,000 tons in steel materials in 1901, namely, after the inauguration of *Yawata*. The production further rose to 145,000 tons and 90,000 tons in 1907 or seven times and as much as 90 times the production in 1900 (see Table 3). That this big rise in pig iron and steel materials pro-

Table 2: Production and Import of Iron and Steel

(All given in ton)

	Production			Import		
	Pig iron	Steel materials	Total	Pig iron & ferroalloy	Steel & steel materials	Total
1893	16,074	808	16,882	23,285	36,342	86,627
1894	81,126	1,208	18,334	36,649	89,607	126,256
1895	24,663	1,064	25,727	35,315	101,905	157,220
1896	26,122	1,192	27,314	39,036	191,299	230,335
1897	26,877	1,080	27,957	43,642	207,444	251,086
1898	22,480	1,100	23,580	63,402	228,832	292,234
1899	20,752	908	21,660	27,244	120,080	147,324
1900	23,303	970	24,273	23,756	243,532	267,290

Table 3: Production and Import of Iron and Steel

(All given in ton)

	Production			Import		
	Pig iron & ferroalloy	Steel materials	Total	Pig iron & ferroalloy	Steel & steel materials	Total
1901	56,384	6,033	62,867	43,160	159,285	202,445
1905	80,367	71,127	151,494	152,205	335,121	487,926
1907	144,124	90,599	234,703	98,889	404,230	503,119
1911	204,622	191,700	396,322	195,639	422,663	618,302
1913	242,676	254,952	497,628	273,309	496,187	469,496
1915	320,627	342,870	663,497	172,685	232,994	405,679
1918	606,428	537,228	1,143,716	226,321	636,286	862,607
1920	529,875	559,806	1,089,681	349,123	998,582	1,348,305
1921	653,310	594,950	1,248,260	228,229	587,587	815,816
1923	710,684	754,674	1,461,358	347,526	789,910	1,137,436
1925	695,880	1,042,978	1,738,858	318,711	523,268	851,979

duction was directly due to the inauguration of *Yawata* can be seen in Table 4.

Yawata, which at the time of its inauguration already occupied 53 per cent of the total pig iron production in Japan and 82 per cent in steel materials, predominated Japan's iron and steel production. *Yawata* expanded its influential position conspicuously toward the end of the Meiji period. In 1911, it came to occupy as much as 72 per cent and 95 per cent of the nation's total production of pig iron and steel materials.

Table 4: Steel Production by Yawata Iron Mfg. Co.

(Given in ton)

	National total(A)	Yawata's output (B)	(B)/(A)
1901	6,033	4,956	82.1%
1905	71,127	65,814	92.6
1907	90,579	85,062	93.9
1911	191,700	181,493	94.6
1913	254,952	216,221	84.8
1915	342,870	267,361	77.9
1918	537,228	306,419	57.0
1920	559,806	276,656	49.4
1921	594,950	314,028	52.7
1923	754,674	405,615	53.7
1925	1,042,978	541,044	51.8

On the other hand, the production of iron and steel in private channels was also encouraged by the Russo-Japanese War (1904-05). *The Kobe Steel Works* was founded in 1905; *the Wanishi Iron Works* and *the Japan Steel Works* (by Anglo-Japanese joint capitalization) were founded in october 1907; *the Okura-gumi* started operation of its iron works at Penhsi-hu, China, in 1911; *the Japan Steel Pipe* was founded in 1912. But all these private manufacturers were not only much smaller in their production capacity and capital than *Yawata* but had no direct connection with *Yawata* in the way of production and marketing and the result was that they had to suffer a big pressure after *Yawata* began to sell its manufactures on the private market.

Yawata at the time of its founding, namely, before 1904 did not supply its products to the general private market but used most of its products for construction purposes in its own iron works. It was around 1905 that *Yawata* began to sell its products on the general market. More than 10 private wholesalers, including *Kishimoto Shoten* of Osaka, *Morioka*, *Tsuda* and *Okura-gumi*, became sales agents for *Yawata*. Toward the end of the Meiji period, *Mitsui-gumi*, *Iwai* and *Ataka* also became *Yawata's* sales agents and paved the way for their subsequent flourish as large wholesalers.

Then came the panic of 1920 which, with an unprecedented sharp fall of iron and steel prices, caused many cancellations of contracts. Wholesalers were hit hard... so hard that, even among the *Yawata's* sales agents, only those with big capital, such as *Mitsui*, *Mitsubishi*,

Iwai and *Morioka*, could survive. And, among those of big capital, *Mitsui*, *Mitsubishi*, *Iwai* and *Ataka* were the Big Four which, as is mentioned later, at last organized a quadripartite special sales agent system for *Yawata*. Thus large wholesalers alone could supply *Yawata's* products to the general consumers although in the case of specific steel materials non-Big Four wholesalers and makers could have a direct contact with *Yawata*.

Private iron and steel makers then gradually grew in number during the Taisho period, particularly during World War I. Six private makers other than *Japan Steel Works* and *Wanishi Iron Works* with annual capacity of more than 5,000 tons were established during 1915, seven during 1916, 11 during 1917 and six during 1918. The aggregate capital of the Japanese iron and steel industry more than tripled during the five years of the war. Thus *Yawata*, despite the continued increase of its production, began to show a decrease in the percentage of its production against the national total. As shown in Table 4, its production of steel materials, which occupied upwards of 90 per cent of the national total toward the end of the Meiji period, fell to around 50 per cent in and after 1918 and that of pig iron to the 40 per cent level.

Despite this advancement of private makers, there was no direct connection as yet for marketing between these private makers and *Yawata* nor among private makers themselves.

Thus it appears that the large wholesalers mentioned above who had established their predominant position by controlling minor wholesalers could have advantage in the market operation: they could capitalize on the weak points of the private makers. It can also be considered that these large wholesalers who were concurrently importers could earn big profit by regulating at their will the marketing of domestic and imported products in due consideration of the fact that imports still continued to increase, though at a slower pace, to exceed domestic production (see Table 3).

This predominance of the wholesalers over the makers (the wholesalers at this time also engaged in warehouse and financing business) tapered off as the sales structure of the makers became more and more monopolistic over the end of the Taisho period to the beginning of the Showa period. One thing which deserves special mention in this connection is that some of the large makers, such as *Japan Steel* and *Mitsubishi Iron Mfg.*, were of the same line of capital as the large wholesalers.

2. From toward the end of Taisho period to the inauguration of *Japan Iron Mfg. Co.*

It is a well-known fact that the iron and steel industry of Japan from the early stage had begun to develop as a monopolistic enterprise. But this can be said only natural when it is considered that capitalism in Japan ... militaristic in nature ... had developed with wars from the very start.

The move toward monopolization began to be seen when the privately managed iron and steel industry was on the rise, but it was in 1919 or the days of *the Hara Cabinet* that the question of Government control of the iron and steel industry actually came to be considered with the establishment of an extraordinary financial and economic research council. This move was supported by both Government and industry circles as the iron and steel industry in the grip of depression after World War I was unable to make both ends meet.

Seiko Konwa-kai (Steel Maker's Consultative Council) ... a cooperative organ among steel makers ... was thus established in December 1922 with the aim of developing the steel industry. Then its colloraries were set up ... *Tekko Kyogi-kai* (Iron and Steel Makers Council) in December 1925, *Joko Bunya Kyotei-kai* (a council for agreement in the field of band steel production) in June 1926, and *Sentetsu Kyodo Kumiai* (Pig Iron Makers Cooperative) in July 1926 ... laying the foundation for control of iron and steel production.

All these control organs, despite their ultimate objective to realize the Government-industry collaboration, were actually the organs for autonomous cooperation among makers and their control function was none too strict. A real move toward a cartel system in the iron and steel industry can be said to have followed the establishment of *the Kanto Steel Materials Sales Union* in December 1927. Since then, similar cooperative sales unions were set up one after another as a cartel-patterned sales structure of the makers and almost 95 per cent of steel materials of domestic production were handled by these cooperative sales unions.

Prompted by the progress of this cartel system in the iron and steel industry the domestic production increased; so much so that it exceeded the import toward the end of the Taisho period and even jumped up to more than twice the amount imported in the beginning of the Showa period (see Table 5). The production by private makers also showed so big a progress that it overtook and then outran the output by *Yawata* (see Table 4) and, in 1930, the production of steel sheet by private makers ran up to almost twice the output by *Yawata*. (see Table 6)

Table 5: Production and Import of Iron and Steel

(All given in ton)

	Production			Import		
	Pig iron & ferroalloy	Steel materials	Total	Pig iron & ferroalloy	Steel materials	Total
1926	936,868	1,256,302	2,193,170	403,695	948,116	1,351,811
1927	1,040,205	1,415,121	2,545,326	478,002	890,192	1,368,194
1928	1,255,786	1,720,489	2,976,275	571,902	899,482	1,472,384
1929	1,266,064	2,033,880	3,299,944	657,263	941,004	1,598,363
1930	1,338,015	1,919,290	3,257,305	408,579	967,651	905,344
1931	1,062,902	1,510,085	2,572,987	400,737	284,390	685,127

Table 6: Comparison of Yawata's and Private Production of Non-Gilt Steel Plate

(Given in ton)

	Yawata	Private
1926	178,369	113,518
1927	180,739	168,721
1928	202,910	231,820
1929	208,598	335,350
1930	190,434	380,169
1931	186,841	349,101

Note: Tables 2-6 so far shown are taken from "*The Japanese Iron and Steel Industry and Customs Duties*" (Author: the Economic Research Institute, Osaka University of Commerce.)

The progress of domestic production and the higher position of private producers naturally caused a change in the character of wholesalers who could have been in power because of undeveloped domestic production and weakness of private producers. Wholesalers, who were compelled to sell at the prices fixed by the cooperative sales unions, became unable to profit from the price differential between domestic products and imported products. They also had to step down from the position where they could have a big gain by selling at high prices the iron goods obtained from *Yawata* on private contract (see Note 1). Thus the position of wholesalers generally had to be lowered as compared with the position of makers.

Note 1: In 1917, 54 per cent of demand for *Yawata's* products were from Government sources and 46 per cent from private sources but the actual sales were 48 per cent to Government sources and 52 per cent to private sources. In 1918 also, a similar situation was seen with the 37:63 sales percentage despite the 52:48 demand percentage. This shows how profitable the trade relations between *Yawata* and its affiliate large wholesalers were at that time. (Cf. The Iron and Steel Business Handbook 1951, page 5.)

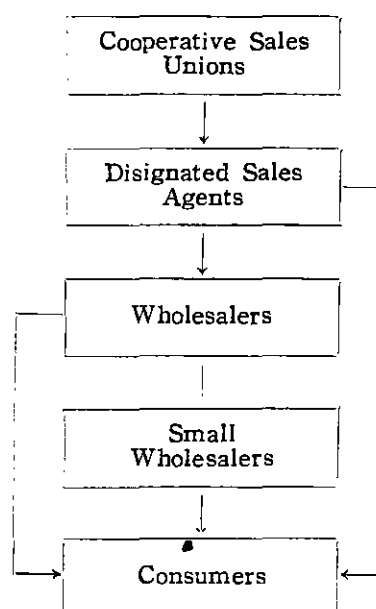
This was particularly true in the case of medium and small wholesalers. Some of these medium and small wholesalers had to close down during the depression after World War I and even those who could survive were in no position financially to undertake large military construction works, such as the construction of Tokorozawa airbase. As the result, they had to lose their market and become subordinate to large wholesalers with big financial capacity. But after the large wholesalers were made sales agents designated by the makers' cooperative sales unions, medium and small wholesalers found it impossible to maintain direct contact with makers and could handle the makers' products only through large wholesalers designated as sales agents or their assistant wholesalers.

Transactions through cooperative sales unions were made in the following manner :

Yawata and each cooperative sales union met once or several times every month to fix spot and forward prices. Member companies (*Yawata* and private iron producers), designated sales agents and representative wholesalers of Tokyo, Nagoya and Osaka attended the meeting where the quantity wanted by wholesalers, time of delivery, place of delivery, terms of payment, etc. were also determined and, according to the decision reached, wholesalers and designated sales agents entered into contract. Contracts were entered mainly on cash basis or with bills to be paid 60 days after fulfilment of the contract. It seems the prices were quoted for 10 kan up to around 1928 but afterward for 100 kilograms.

Contracts between *Yawata* and wholesalers were entered at their option until around 1924 but, beginning in 1925, forward contracts began to occupy as important a position as optional contracts (see Note 2) and then, after May 1927, the time contract system was adopted (see Note 3). *Yawata*, which was member of various cooperative sales unions from the start, followed the same way as private producers the sales method decided upon by each cooperative sales union but differed from the case of private producers in that it limited its designated sales agents to big four companies (*Mitsui*, *Mitsubishi*, *Iwai* and *Ataka*) as a matter of

Distribution Structure at the Time of Establishment of Cooperative Sales Unions



principle.

List of Cooperative Sales Unions

Name	Designated sales agent	Members	Date of establishment
Kanto Steel Materials	Big Four wholesalers plus Fuji Steel Materials	Japan Steel Pipe, Kamaishi Mine, Fuji Steel, Azuma Steel	Nov. 1927
Japan Black Plate	Big Four wholesalers	Yawata, Kawasaki Shipbuilding, Nakayama Steel, Tokuyama Iron Plate, Japan Steel	Aug. 1930
Japan Wire Rod	Big Four wholesalers, Japan Trading	Yawata, Kobe Steel	Oct. 1930
Medium Plate	Big Four wholesalers, Tokai Steel	Yawata, Tokai Steel	Oct. 1930
Ferro-Alloy	Mitsui, Mitsubishi	Japan Steel Pipe, Japan Soda, Tekkosha, Ogaki Electric Metallurgy, Daido Electric, Kamaishi Mine Shikoku Hydraulic Power	Dec. 1930
Japan Plate	Big Four wholesalers (seven other wholesalers also qualified for edged steel sheet)	Yawata, Kawasaki Shipbuilding, Asano Shipbuilding, Tokai Steel	Feb. 1931
Small Angle Steel Sheet	Big Four wholesalers	Yawata, Kamaishi, Maine	Mar. 1931
Medium Angle Steel *	Big Four wholesalers plus Morioka, Okatani, S. Ito, M. Ito, Kishimoto, Tsuda, Yamamoto, Hirose	Yawata, Japan Steel, Tokai Steel	Mar. 1931

As for the decision of prices, *Yawata* depended primarily upon orders from abroad until around 1931. This was to curb the otherwise inevitable predominance of imported goods on the domestic market. This type of price fixing, however, was replaced in due course by the method of fixing prices on the basis of demand and supply and market situation at home (see Note 4) as self-sufficiency in the iron and steel industry improved. (see Table 7)

Note 2: For forward contract, wholesalers and big four companies (Mitsui, Mitsubishi, Iwai and Ataka) met once early every month to exchange views. Wholesalers gave their orders to the four companies which on their part reported them to Yawata and negotiated for the amount to be consigned for sales. Then the amount negotiated upon was allocated to the wholesalers. Only the four companies could negotiate, this forward contract with Yawata.

Note 3: This system was almost the same as the forward contract system. The only difference was that the amount to be consigned to the wholesalers for sales was fixed.

Note 4: The price fixing by private producers was based on that of Yawata.

Table 7: Rate of Self-Sufficiency of Steel Materials
(Including Special Steel)

	Production	Import	Total
1926	57.7	42.3	100
1927	63.5	36.5	100
1928	67.6	32.4	100
1929	72.1	27.9	100
1930	81.5	18.5	100
1931	63.8	13.7	100
1932	90.0	10.0	100

Compiled from surveys by the Ministry of Commerce and Industry and Japan Iron and Steel Union.

Table 8: Yawata Iron Mfg. Co.'s Sales Details (1928 to 1930)

	1928	1929	1930
Railway Ministry	135,322 (13%)	174,299 (17%)	111,739 (13 %)
Army Ministry	672	1,838	2,086
Navy Ministry	13,496 (1)	27,248 (3)	13,508 (1)
Other Government circles	32,501 (3)	18,756 (2)	28,057 (3)
Within YIMC itself	17,590 (2)	38,740 (4)	10,645 (1)
Sub-total	199,580 (19)	260,881 (25)	166,035 (20)
Iron merchants	719,941 (70)	607,045 (59)	532,805 (63)
Shipbuilding industry	8,198 (1)	9,733 (1)	3,690
Iron industry	91,699 (9)	141,169 (11)	107,814 (13)
Railways	825	596	30,502 (4)
Others	4,748	4,627	4,366 (1)
Sub-total	105,470 (10)	156,125 (15)	146,372 (17)
Total sales to private circles	825,411 (81)	763,170 (75)	679,177 (60)
Grand total	1,024,991 (100)	1,024,051 (100)	845,212 (100)

Source: Annual Report for Steel Materials, 1931.

The improvement of self-sufficiency in the iron and steel industry served to drive out foreign merchants and, as the result, only a few of them stayed in Tokyo, Yokohama and Kobe to continue their business after the Showa period. Most of the import was done by *Mitsui*, *Mitsubishi*, *Iwai* and *Ataka* as well as large wholesalers themselves, such as *Iwamoto*, *Okatani* and *Morioka*.

The iron and steel industry and its distribution structure in Japan during the period from after *Yawata's* inauguration to before the establishment of *the Japan Iron Mfg. Co.* can be summarized as follows:

The first stage: Inauguration and development of the state-capitalized *Yawata* and its subsequent predominance, namely, the period in which the Japanese iron and steel industry laid the foundation of its future prosperity, private makers gradually made their headway, small wholesalers declined and fell due to the post-World War I depression and large wholesalers strengthened their position by means of a close contact with *Yawata*.

The second stage: Development of private makers and the rise of domestic production over the import; the cartelization of private makers with state-managed *Yawata*, resulting in the relative decline of wholesalers. Namely, the advanced position of makers crystalized into the cartelization with *Yawata* made it inevitable for the wholesalers, who were concurrently engaging in financing business, to become commission merchants, as it were (see Note 5). Mention must be made, however, that some of the wholesalers (large wholesalers, of course) were at the same time the makers. These wholesalers merely shifted the weight of their business from that of a wholesaler to that of a maker, of which the typical example could be seen in the case of *Mitsui* and *Mitsubishi*. *Okura* and *Asano* lines also followed suit.

The character and the process of development of the Japanese iron and steel industry can be inferred from the following data:

<u>Line of Capital</u>	<u>Company</u>	<u>Wholesaler</u>	<u>Established</u>
Mitsui	Japan Steel, Kamaishi Mine	Mitsui Bussan	Dec. 1909
Mitsubishi	Mitsubishi Iron, Tokyo Steel Materials		
Sumitomo	Sumitomo Steel, Sumitomo Shindo-Kokan	Mitsubishi Shoji	
Asano	Japan Steel Pipe, Asano Shipbuilding, Tokai Steel, Asano-Ogura Steel	Asano Bussan	Mar. 1918
Okura	Okura Mining (Penhsi-hu)	Okura Shoji	
Shibuzawa	Fuji Steel		
State capital	Yawata, Toyo Iron, Kyushu Steel, Kobe Steel, Kawasaki Shipbuilding		

Note 5: While wholesalers were generally compelled to become commission merchants, some designated sales agents, such as Mitsui Bussan and Mitsubishi Shoji, continued to function as financing agents to the makers.

literature:

Economic Research Institute, Osaka University of Commerce: "*Iron and Steel Industry and Customs Duty in Japan.*"

"*Iron and Steel Handbook*" 1951 Edition.

(3) From the establishment of *Japan Iron Mfg. Co.* to the Pacific War.

The speedy cartelization and the resultant concentration and cumulation of production in the iron and steel industry was destined in the case of Japan to cause a close combination of the industry and the state authority, namely, the monopolization of the industry by the state. What intensified this trend was the overproduction in the iron and steel industry which began to be seen in 1930 and the consequent stagnation of production.

In other words, the output of steel materials which amounted to more than 2-million tons in 1929 declined to 1,900,000 tons in 1930 and 1,600,000 tons in 1931; steel ingot output which was 2,300,000 tons in 1929 and 1930 fell to 1,900,000 tons in 1931; pig iron production which rose from 1-million tons in 1929 to 1,100,000 tons in 1930 decreased to 900,000 tons in 1931.

Strictly speaking, the move for the Government-industry tieup in the iron and steel field was already latent as early as in 1920's. It did not come to the fore until around 1933 due to the much smaller capacity of private producers, on the one hand, and the decline of military demand for iron and steel in consequence of the disarmament movement after World War I, on the other. (It is a destiny for the Japanese iron and steel industry to depend upon military demand to no small extent.)

The time ripened for the state-industry combination as private producers steadily made their headway and large makers grew so influential as to hold their own against *Yawata*. At last, in 1934, the semi-Governmental, semi-private *Japan Iron Mfg. Co.* was established (see Note 1). After the inauguration of the *JIMC*, the combination of state authority and monopolistic capital in the field of iron and steel production became more and more marked with the five-year plan for production increase for Japan and Manchuria getting underway in 1937 and the iron industry law enacted also in 1937.

Note 1: The Japan Iron Mfg. Co. was capitalized to 79 per cent by the state, to seven per cent by Mitsui, to 4.3 per cent by Mitsubishi besides other paid-up capital amounting to ¥ 345,835,000.

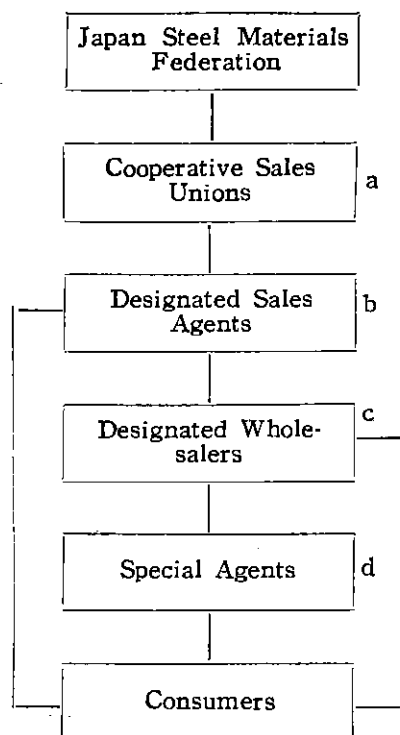
The collaboration of state authority and monopolistic capital

centering around the formation and management of *the Japan Iron Mfg. Co.* naturally resulted in stronger control in various phases of iron and steel production and, as the result, various cooperative sales unions were unified into the Japan steel Materials Sales Federation. Designated sales agents came to be bound more strictly than before by the duty to observe the Federation-fixed prices, not to transact or import without approval of the Federation the same category of goods as were handled by the Federation or make speculative selling or buying of such goods on their own account, etc.

This controlled distribution structure became even more strongly controlled with the outbreak of the Sino-Japanese conflict in 1937, as well as the enactment of the iron industry law in August 1937 and the adoption of an overall licensing system for the iron and steel industry to strengthen the national war setup. The Japan Steel Materials Sales Federation itself was reorganized in March 1928 into the Steel Materials Federation (see Note 2).

Note 2: With the enforcement of the iron and steel supply control regulations in July 1938, the coupon system was put into force.

The Steel Materials Federation came into being as an autonomous control organ of the makers, proposed by the Iron and Steel Control Council which was established in February 1924 in the Ministry of Commerce and Industry as an organ to regulate demand and supply of iron and steel on the basis of the Law for Emergency Measures for



- a. The nine unions mentioned in the foregoing.
- b. Mitsui Bussan, Iwai, Ataka, Mitsubishi Shoji, Japan Trading, Japan Steel Materials, Asano Bussan, Okura Shoji, Takashimaya-Iida, Japan Gas.
- c. The National Steel Materials Trade Union (later reorganized into regional steel materials supply organizations.)
- d. The Federation of Steel Materials Special Agents Unions.
(Both wholesalers and special agents transacted with the consumers at the price inclusive of commission computed at the fixed rate.)

Exports and Imports. Cooperative sales unions were placed under the control of this Steel Materials Federation and the entire industry was forced to operate with rigid autonomous control according to the prescribed amount of production and supply as well as selling prices.

The above sales channel was simplified as designated sales agents lost their raison d'être after the cooperative sales unions were reorganized into respective companies (see Note 3).

Designated sales agents were then incorporated into wholesalers, while wholesalers and special agents were also readjusted to become designated wholesalers and designated special agents of the new sales companies.

Note 3: The Japan Steel Materials Sales Co. (Established: August 1939; Line of business: General steel materials, steel bar, steel shapes, steel plate, steel wire.)

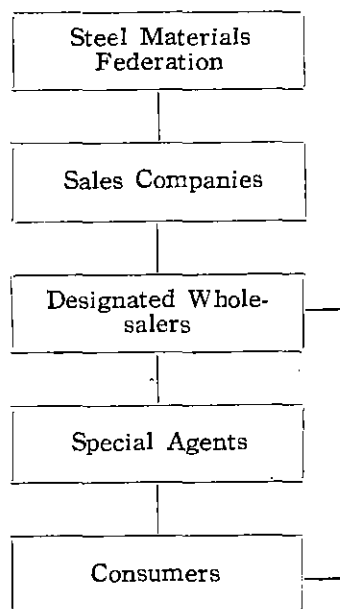
The Steel Materials Sales Co., No. 2 (Established: December 1939; Line of business: Steel sheet, steel hoop, tin-plate.)

The Japan Steel Pipe Sales Co. (Established: December 1939.)

State control of the iron and steel industry became more and more strict as the Sino-Japanese armed conflict continued to expand in scale; the Steel Materials Federation was reorganized into the Iron and Steel Federation which in turn was reorganized into the Iron and Steel Control Association.

With the establishment of the Japan Iron and Steel Federation in March 1940, the Japan Iron and Steel Materials Control Co., Japan Iron Waste Control Co. and Japan-Manchuria Iron and Steel Sales Co. were unified into one organization to engage in the control of supply of iron and steel materials in accordance with the instructions from the Iron and Steel Federation's materials department and the sales companies mentioned above were designated as the Federation's supply control organs. As for consumption, the allocation system was adopted in which military demand was given top priority and the sales companies took charge of supply control by means of the coupon system.

The Iron and Steel Control Association came into being in April 1941 as a result of the reorganization of the Iron and Steel Federation and was given a legal basis by the Important Industrial Organizations Ordinance in September the same year. It consolidated in one body the Iron and Steel Union (established in March 1938 primarily as a survey



organ) and the Japan Iron and Steel Federation as an integral part of the new economic structure based on the "composite planned economy" designed to complete the defense structure of the nation.

Thus the iron and steel industry of Japan was in all its phases ... production, sales, prices, etc. ... placed under the Government control. As the result, *the Iron and Steel Control Co., Ltd.* was inaugurated in December 1941 replacing the aforementioned sales companies for unitary control of supply. The new company was designated in January 1942 as a statutory supply organ and in cooperation with the control association took charge of supply control.

During this while, wholesalers and sales agents also were either liquidated or reorganized. Out of the 177 wholesalers which were in existence before that time, only eight survived as designated consignees which were direct sales depots of the sales control company (see Note 4) and 98 as designated wholesalers. Moreover, in July 1941, the distribution method was unified according to districts, categories and varieties of consumers.

Note 4: Mitsui, Mitsubishi, Iwai, Ataka, Nissho, Asano and Okura were designated consignees.

The Iron and Steel Sales Control Co., Ltd., was further scheduled to be incorporated into the control association but before the plan was realized the war was terminated.

In short, the iron and steel industry in Japan gradually intensified its conversion to the wartime structure after the inauguration of *the Japan Iron Mfg. Co.* The strengthening of control over the industry and, in turn, the distribution structure was such that wholesalers had to change their character and about the time the last war broke out even became a part of the wartime distribution structure.

It must not be overlooked, however, that even under such circumstances there still remained a distinction among designated sales agents, wholesalers and special agents. In other words, the designated sales agents were, even after they were reoriented as general wholesalers, able to maintain their distinction from other wholesalers, etc., while special agents in most cases were compelled to cease functioning due to control and readjustment of the enterprise.

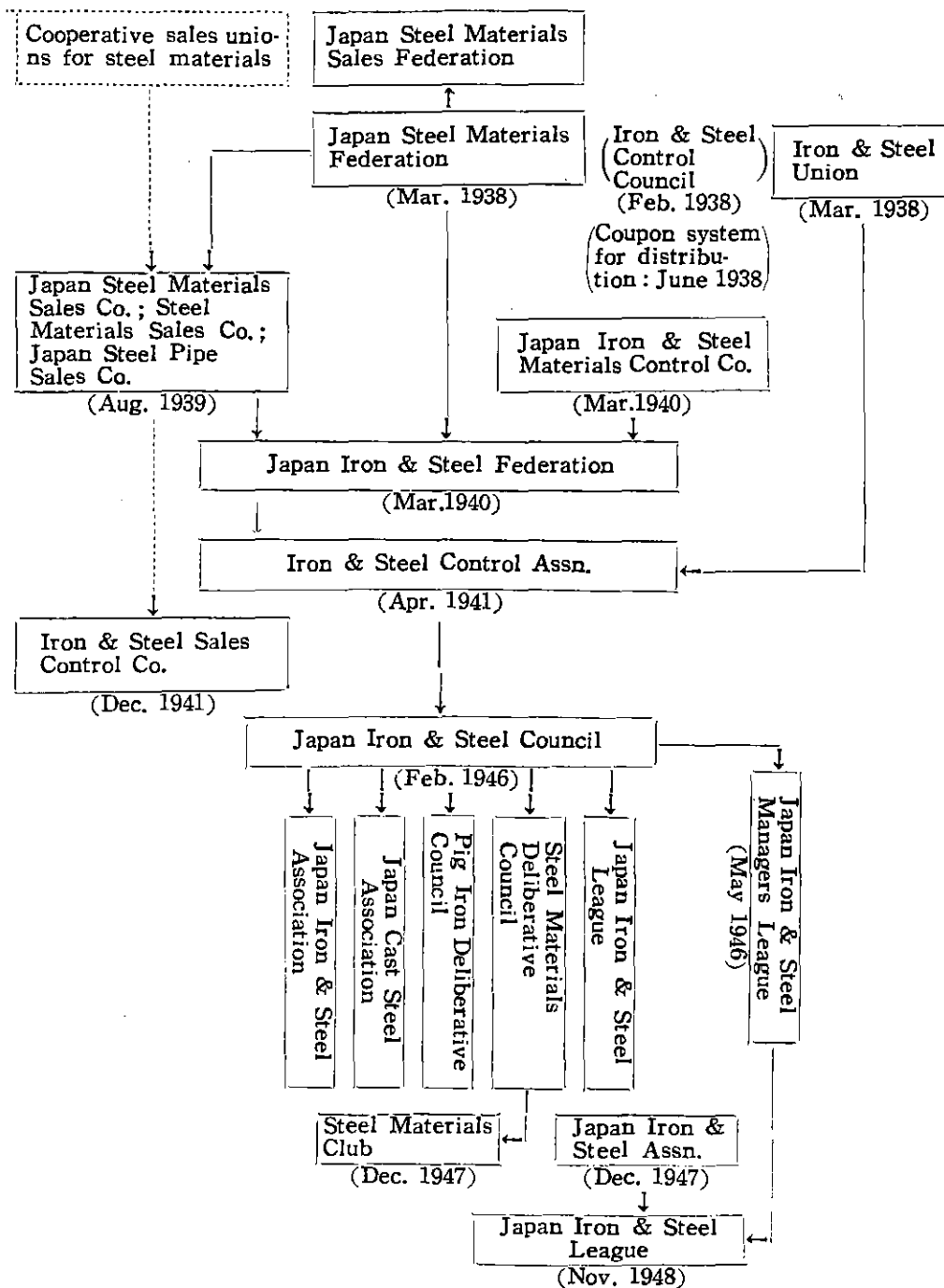
literature:

"Year Book on Control Associations", (1943 edition).

Sasaki and Inomata: "*Practices of Iron and Steel Control.*"

Sasaki and Inomata: "*Practices of Iron and steel Control (Continued).*"

Kaichiro Tokiwa: "*Present Status of Iron and Steel Industry.*"



(4) From the end of war up to the present.

The termination of the war on August 15, 1945, deprived the Japanese iron and steel industry of its military nature with which it had continued to develop from the start but, at the same time, relieved it out of the strong wartime control. The Iron and Steel Control Association as a wartime control organ was dissolved and in its stead the Japan Iron and Steel Council was established in February 1947 as

a liaison body for producers to regulate demand and supply during the period of confusion after the war. And under it were established liaison organs for various kinds of makers, such as the Japan Iron and Steel Union, Steel Materials Council, Pig Iron Council, Japan Cast Steel Association and Japan Forged Steel Association.

But, subsequently, due either to the Anti-Monopoly Law or to the Economic Power Deconcentration Law, the Steel Materials Council was deactivated in December 1947 and in its stead the Steel Materials Club was established and the Japan Iron and Steel Union also was replaced by the new Japan Iron and Steel Union through the Japan Iron and Steel Association. This was in itself a process of decontrol and, therefore, of reversion to free trade. And this very fact afforded an opportunity for wholesalers (particularly medium and small wholesalers), which during the wartime had their function extremely crippled due to control or readjustment of enterprises and as the result were reduced to a mere portion of the distribution structure, to restore their intrinsic role as commercial capitalists.

Despite the revival of wholesalers, production showed such a drastic decrease after the surrender that even in 1949 or four years after the end of the war the output of steel materials, for instance, was still below half the output in 1942, virtually the year of the war's outbreak (See Table 9). This resulted in a

Wholesalers and Special Agents Restored

	Wholesaler	Special Agent
1937	54	1,700
1941	180	1,900
1942	94	700
1946	58	1,478
1947	98	Unknown
1950 (April)	174	1,154

severe competition among wholesalers and, consequently, they had to follow the lead taken by makers, particularly large makers, though this situation in what it signified differed from the similar situation seen during the days of wartime control. The full background of this situation is explained later in this article but, anyway, this situation plus other circumstances made, it can be generally said, the wholesalers into modern commercial capitalists by handling products of the makers.

But, with the easing of control after the war and the gradual return to free trade (though, before the complete reinstitution of free trade, trading was still subject to the allocation system administered by the Price Agency and the Price Adjustment Corporation using coupons or free coupons), production recovered and subsidy payment was also gradually reduced, paving the

Table 9

(All given in ton)

	Domestic production		
	Steel materials	Pig iron	Steel ingot
1936	4,548,112	2,007,571	5,223,017
1937	5,080,022	2,308,541	5,201,036
1938	5,485,535	2,563,043	6,471,506
1939	5,381,188	3,178,602	6,696,210
1940	5,261,110	3,511,940	6,855,663
1941	5,046,447	4,172,710	6,844,359
1942	5,050,966	4,256,348	7,643,768
1943	4,809,573	4,032,268	7,630,245
1944	4,147,539	3,156,974	6,728,588
1945	1,153,769	977,020	1,271,681
1946	426,254	208,422	557,188
1947	635,969	343,584	952,113
1948	1,200,801	808,024	1,714,676
1949	2,473,000	1,684,000	3,362,000
1950	3,465,485	2,232,911	4,838,522

(Japan Iron and Steel Union's Survey)

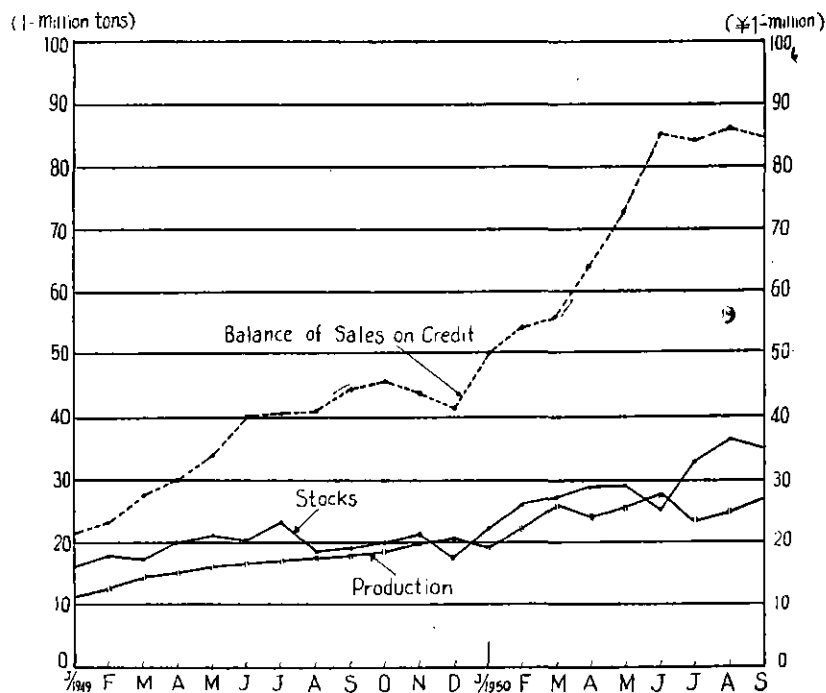
way toward eventual resumption of private foreign trade. But, on the other hand, the industry had to suffer a depression due to the world-wide decline of iron and steel prices in 1949 which cynically came before the question of high production cost was solved (see Table 10).

This setback, however, could be overcome at least for a while with the outbreak of the Korean War in June 1950 which was accompanied by the rearmament trend among capitalist nations of the world and the concomitant war boom bringing up the iron and steel prices on the world market.

This resulted in the return of business with increased exports but, at the same time, complaints began to be heard among medium and small wholesalers, particularly those who were not engaging in export business, over what was called the oppression of domestic demand. A confrontation temporarily ensued between large wholesalers and small wholesalers but this confrontation is now not as sharp as it was.

It is yet to be seen how the Japanese iron and steel industry will be affected in the future by the truce talks in Korea and the ban on trade with the communist-controlled Chinese mainland.

Table 10 : Production, Stocks and Balance of Sales on Credit of Common Steel Rolled Materials



(Source: Steel Materials Club Information, Nos. 50 and 60.)

Note: Attention is called to the sharp upcurve of the balance of sales on credit from December 1949 and also to its fall in June 1950 after the outbreak of the Korean War.

Table 11: Iron and Steel Price Moves in Belgium

(Unit : \$)

	1950						
	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.
Steel bar 16 $\frac{7}{8}$ "	52	52	52	56	61	80	
Steel Shapes 75 $\frac{7}{8}$ " $\times$ 75 $\frac{7}{8}$ "	53	53	53	59	64	75	88
Steel plate 12 $\frac{7}{8}$ " $\times$ 25 $\frac{7}{8}$ "	62	62	62	65	78	80	110
Steel sheet 0.5 $\frac{7}{8}$ "	119	119	119	120	125	115	115

Note: In Belgium where iron and steel prices are said most sensitive to the world situation, the price rises after the outbreak of the Sino-Japanese armed conflict are particularly noticeable.

II. Actual Situation Of Postwar Distribution Structure And Its Various Problems.

(1) General Review

1. Wholesalers And Agents

As mentioned in the preceding chapter, *Mitsui*, *Mitsubishi* and *Iwai*, which had been distinguished from other wholesalers before the war as designated merchants or designated sellers, became ordinary wholesalers, having been deprived of their privileged position by wartime control. Acting as consignees, they barely maintained their position in the upper stratum of the distribution structure of the selling control company.

After the war there has been no distinction among wholesalers, at least in form, aside from their difference in economic or traditional strength.

The only distinction that remains, if any, is that between wholesalers and agents. It is not easy, however, to tell one from the other in the strict sense of the term, for considerable numbers of both wholesalers and agents additionally carry out each other's business.

Be that as it may, the existing wholesalers and agents may be defined as follows:

Wholesalers: Being qualified to deal directly with makers, they have comparatively large economic power. Direct supply is made by them only to major customers. Minor or out-of-the-way customers are supplied through agents.

Agents: Agents are retailers. They do not deal directly with major makers. Doing business through wholesalers, they deal with customers as the wholesalers' substructure. The customers with whom they deal are all minor ones.

To point out a few more characteristics that distinguish one from the other, wholesalers investigate the supply and demand situation of iron and steel for the convenience of the makers. When necessary they make a financial sacrifice for makers, customers or agents, in order to smooth out the supply and demand situation. Agents have almost no such obligation. Both wholesalers and agents have storehouses at specific places, the former having comparatively large ones and the latter comparatively small ones suitable to their respective business.

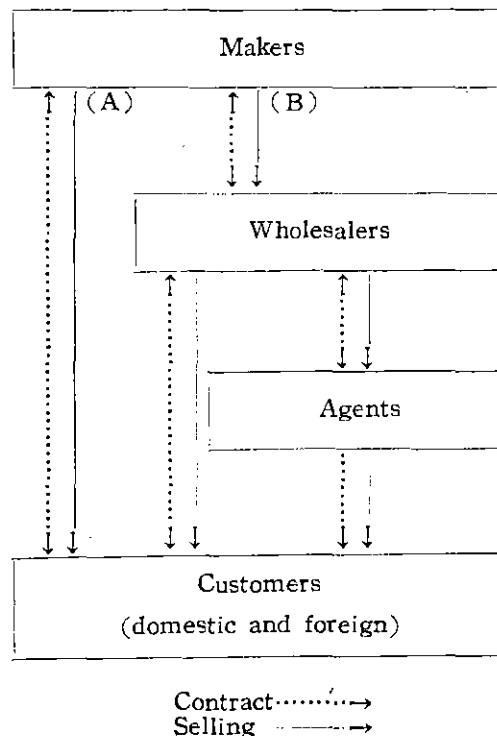
Wholesalers' storehouses are no more than places for keeping their goods because they are engaged mostly in business with major customers and therefore keep goods already contracted for as a rule. (Note 1).

On the other hand, the storehouses of agents, which deal in small amounts of goods and therefore earn only small commissions, look more like places for a display of goods for sale than storehouses. This difference, however, is not clearcut, there being many exceptions.

Note 1: The proportion of goods already contracted for in the total of goods on hand differs considerably at different times according to market conditions.

The following diagram shows the present iron and steel distribution system in which wholesalers and agents act as media between makers and customers:

(A) indicates direct sales by makers to customers such as sales to the National Railways. In Japan, instances of direct sales are comparatively few, accounting for only 10 to 25 per cent of the total shipments. Sales through wholesalers, which are marked (B) in the diagram, occupy the remaining 75 to 90 per cent. Of these the sales through agents are less than 10 per cent and are limited to transactions with domestic customers. The remainder is the direct supply from wholesalers to customers (both domestic and foreign).



As of March 1950 there were 174 wholesalers most of whom were members of the Kozai Club as well as the National Association of Iron and Steel Wholesalers. The agents numbered 1,154, or about six times as many as the wholesalers. They were located in various parts of the country, whereas the wholesalers were concentrated in major cities, mostly Tokyo, Osaka and Nagoya.

The proportion of wholesalers to agents increased after the war. Although there were 31 agents to each wholesaler in 1937, the proportion was six to one in April 1949.

A breakdown of the shipments of ordinary steel materials during 1950 follows:

	Tons	%
Total shipments	3,245,400	100
Direct sales by makers	577,900	17.8
Sales through wholesalers	2,667,400	82.2
Direct sales by wholesalers	2,406,200	74.1
Sales through agents	261,200	8.1

Note: (1) In the above table "sales through agents" actually include all sales to other dealers. The actual amount of sales through agents must, therefore, be somewhat smaller than the given figure.

(2) The above table is based on data of the Kozai Club.

2. Method of Transactions

After the war the Designated Producer Goods Quota Regulations were enforced. According to the regulations, the customers presented data to the Economic Stabilization Board through competent Government offices. The Economic Stabilization Board, after consulting with the Ministry of Commerce and Industry (Present Ministry of International Trade and Industry), notified the competent Government offices of the distribution plan. The competent Government offices in turn issued distribution tickets to customers according to the distribution plan.

The customers placed orders with wholesalers on the basis of the distribution tickets and the wholesalers concluded contracts with manufacturers. The tickets were collected upon delivery of the products.

Inasmuch as the Government was subsidizing the production of iron and steel, all purchases and buying back were carried out by the iron and steel department of the Price Adjustment Public Corporation.

This postwar method of transactions was later partly revised and in April 1949 a free coupon system was adopted.

The free coupon system was not much different from its predecessor in proceedings or in form, the only difference being that the tickets were restored to their issuers. It did have, however, the effect of introducing factors of free competition in the transactions as the makers vied with each other trying to secure the tickets.

As to wholesalers' commissions, the system was changed in September 1949, making the wholesalers receive commissions directly from makers, whereas up to then they had been receiving commissions from the public corporation with the makers having nothing to do with the commission.

With the smooth increase of production thereafter the steel materials subsidy was abolished in July 1950 and the pig iron subsidy and the official price system were abolished in April 1951, marking the restoration of free transactions.

An outline of the method of transactions now in force follows:

Holding futures transactions conferences once or several times every month, the makers announce prices and at the same time consult with wholesalers about contracts. There are three kinds of contracts:

**Table 13: Distribution of
wholesalers and agents**

District	Wholesalers	Agents
Tokyo	84	191
Kanagawa		21
Chiba		20
Saitama		17
Tochigi		26
Ibaraki		21
Gumma		28
Fukushima		23
Yamagata		26
Miyagi		23
Akita		13
Iwate		15
Aomori		10
Shizuoka		54
Nagano		21
Yamanashi		9
Niigata	1	40
Aichi	8	64
Gifu		11
Toyama		18
Ishikawa		19
Fukui		12
Osaka	67	128
Kyoto		10
Hyogo	3	26
Shiga		11
Mie		20
Wakayama		17
Nara		6
Hiroshima	2	21
Okayama		14
Yamaguchi	2	21
Tottori		8
Shimane		5
Ehime		18
Kagawa		15
Tokushima		6

(1) Time contract:
Makers enter into contracts with specific wholesalers (not all but usually specific ones) for the purchase of a fixed amount of products at regular intervals during the period of contracts. This method is not advantageous to the wholesalers when the market quotations move violently.

(2) Futures contract:
With the iron and steel supply and demand situation in view, wholesalers enter into contracts with makers for the purchase of products to be delivered one or two months later. This method is often adopted when the market is on the upswing.

(3) Free contract:
Wholesalers enter into contracts with makers whenever they want to place orders.

Simultaneous with the delivery of products to the customers or after a fixed period, the wholesalers receive payments from the customers either in cash or in draft. At the end of 1950, 10 per cent of the transactions were paid for in cash, 20 per cent in two-month draft, 30 to 40 per cent in three-month draft, and 30 to 40 per cent in four-month draft.

The two last named methods were mostly applied

Kochi		11
Fukuoka	6	46
Kagoshima		7
Miyazaki		9
Oita		9
Kumamoto		7
Saga		7
Nagasaki		8
Hokkaido	1	44
Total	114	1,154

(not including branches and sub-branches.
As of April 1950)

Note: (1) Wholesalers are members of the
Kozai Club.

(2) The number of agents is based on
investigation by the National Association of Iron and Steel Wholesalers (as of December 1949)

to major customers of good credit standing.

The commissions received by wholesalers were contained in the official prices paid by the customers during the period of postwar control.

But after the removal of control the commissions have become different in rate as the different makers adopt different methods of pricing.

For instance, *the Yawata and Fuji Iron Manufacturing Companies* include the wholesalers' commissions in their selling prices, but they adopt different pricing methods

for tin plate and steel materials and for selling at their plants and link system selling.

The Kawasaki Iron Manufacturing Company, on the other hand, does not include the commissions in its selling prices. The commissions therefore vary according to market conditions without any direct connection with the selling prices.

The ordinary rate of commission at present is three per cent, though rates other than this are also in existence.

The method of not including the commission in the selling price is generally advantageous to the wholesalers, particularly with regard to the futures contracts. It, however, also involves risks to the wholesalers.

The method of including the commission in the selling price involves less risks as far as the commission is concerned, but the chances are smaller for netting huge profits because the commission is fixed.

(2) Actual conditions of wholesalers and various problems

1. New wholesalers' advance and old wholesalers

With the removal of wartime control after the war, a steady revival was made by wholesalers and by 1950 their number came to almost equal the total just before the outbreak of the war. Especially noteworthy in the postwar increase of wholesalers was the advance made by wholesalers newly established after the war.

Of the 336 wholesalers capitalized at more than ¥1-million which existed in 1950, 170, or more than one half, were postwar establishments.

(cf. Table 14).

As a notable feature, the increase of first-class wholesalers capitalized at more than ¥ 10-million and first-class agents capitalized at over ¥1-million was especially remarkable, the latter increasing nearly 200 per cent.

There are some problems connected with the reason for the increase of first-class wholesalers. The increase of first-class agents is attributed to a reaction to the fact that firms capitalized at around ¥ 1-million were hardest hit by the enterprise readjustment under wartime control, and also to the sharp decrease of munitions demand and the comparative increase of civilian demand after the war.

Table 14: Development of new wholesalers (1950)

Capital	Date of establishment		Total
	Before the end of World War II	After the end of war	
Over ¥ 10-million	14	13	27
„ ¥ 5-million	23	12	35
„ ¥ 3-million	27	17	44
„ ¥ 2-million	35	28	63
„ ¥ 1-million	67	100	167
Total	166	170	336

The development of new firms was a trend also seen among wholesalers engaged in the export business. The trend became conspicuous along with the increase in iron and steel export. For instance, whereas there were only six postwar exporters in 1948, the number jumped to 49 in the following year, accounting for 40.1 per cent of the total export business as compared with 14.5 per cent in 1948.

Thus the old wholesalers relatively retreated and new ones advanced, putting an end to the absolute control of the market by the less than 10 old major wholesalers which had formerly handle more than 90 per cent of the iron and steel business in the country.

It is worthy of note, however, that the growth of new wholesalers did not develop to such an extent as to complete on even terms with the old ones. For instance, *Iwai*, *Irimaru* and other old major wholesalers occupied the first 10 places in the amounts of purchases during 1949. Though two new postwar firms, *Muromachi Bussan* and *Marunouchi Shoji*, were among the big 10, they were none other than successors to the now-defunct *Mitsui Bussan* and *Mitsubishi Shoji* as can be seen from the following data:

	Mitsui Bussan	Mitsubishi Shoji
Date of liquidation	July 3, 1947	July 3, 1947
Firms established after liquidation	Muromachi Bussan (established December 23, 1947)	Marunouchi Shoji (established August 1, 1947)
Shares disposed of	41,000	136,000
Percentage to total number of shares in possession	7.3	6.3
Disposal price	¥ 2-million	¥ 10-million

(As of July 31, 1948)

If *the Marunouchi Shoji* and *the Muromachi Bussan* are classified as old wholesalers, all the first places in the amounts of purchases were held by old wholesalers. Their purchases accounted for nearly 45 per cent of the total. (cf. Table 15)

In the export of iron and steel, the successors to *the Mitsui Bussan* and *the Mitsubishi Shoji* accounted for 21.9 per cent and 14.0 per cent, respectively, their combined total being 35.9 per cent.

Their shares in the export business of newly established export firms were: *the Mitsui* successor 52.8 per cent and *the Mitsubishi* successor 33.8 per cent, their combined total being 86.6 per cent. Thus their positions in the iron and steel business cannot be underestimated.

Table 15: Iron and steel purchases by wholesalers

(June 1949 to May 1950)

Name of wholesaler	Amounts of purchases kg.			
Iwai Sangyo	161,921,640	27.1% (5 firms)	44.6% (10 firms)	85.9% (42 firms)
Irimaru Sangyo	11,439,894			
Nissho	89,012,239			
Morioka Kogyo	87,097,114			
Osaka Kozai	78,625,073			
Ataka sangyo	76,834,728	100% (175 firms)		
Marunouchi Shoji	74,131,163			
Muromachi Bussan	65,565,264			
Okaya Kotetsu	64,096,215			
Nankai Kogyo	58,375,335			
Total	867,098,565			
Nippon Tekko and 31 others	753,527,615			
133 other medium and small wholesalers	323,058,597			
Total (175 wholesalers)	1,943,684,777			

(Source: Data of the Kozai Club)

The development of new firms was especially remarkable among small wholesalers and agents capitalized at about ¥1-million. The same is generally true with major wholesalers as well but it appears that the old wholesalers continue to hold a position superior to the new ones.

The business handled by the firms whose capital is less than ¥ 1-million each was no more than 7.8 per cent.

2. Analysis of wholesalers' enterprises

A. Relations between owned capital and borrowed capital

Japan's defeat in the Pacific War, as well as the loss of munitions and overseas colonial markets, dealt a severe blow to the wholesalers' capital, especially fixed capital.

Iwai Shoten, for instance, lost all its 49 branches and sub-branches abroad, suffering a loss of ¥ 20-million in overseas property. *Ataka Sangyo*, too, lost ¥ 30-million worth of overseas property (as compared with its authorized capital of ¥10-million at that time).

The effect of defeat in war and shortage of capital was seen most conspicuously in the comparative decrease of owned capital as against borrowed capital.

As seen in Table 16 the owned capital of *the Ataka Sangyo*, which was about one-eighth of the others' capital before the end of the war, showed a sudden decrease after the war to one-fortieth to one-forty-fifth.

Table 16: Comparison of owned and borrowed capital

(Ataka Sangyo)

	Sept. 30 1944	Sept. 30 1945	Aug. 10 1946	Dec. 10 1948	Mar. 31 1949	Sept. 30 1950
Own capital	11.3	13.0	11.0	1.8	2.4	3.2
Others' capital	89.7	87.0	89.0	98.2	97.6	96.8
Total	100	100	100	100	100	100

Analysis of *Ataka Sangyo's* accounts shows that there was a sharp decrease after the war in reserve funds. Although the employees' retirement allowance reserve alone increased to 15.1 per cent in the first half of 1946 from 6 per cent during the war (1944), it too decreased thereafter to 8.3 per cent in the first half of 1949 and 5.4 per cent in the first half of 1950, or smaller than the wartime percentage.

The increase of other's capital, on the other hand, is largely due to the heavy increase in loans and accounts payable.

Table 17: September 30, 1949 to March 31, 1950

(Unit, ¥ 1,000)

	Muromachi Bussan		Marunouchi Shoji		Ataka Sangyo	
	Amount	%	Amount	%	Amount	%
Loans	393,000	31.7	14,500	0.9	531,799	20.4
Accounts payable	478,942	38.6	516,721	32.3	1,060,153	40.6
Others	367,309	29.7	1,072,801	66.8	1,015,204	39.0
Total, borrowed capital	1,239,251	100	1,604,022	100	2,607,156	100

The loans, which were almost nil before and during the war, came to occupy 20 to 30 per cent in all companies as seen in Table 17.

Note: Although the loans of the Marunouchi Shoji were conspicuously small, it was a temporary phenomenon in that particular period (September 1949 to March 1950). At other times they occupied 10 to 20 per cent of the other's capital as in the case of other companies.

The increase of loans reflects the dearth of wholesalers' owned capital after the war and their increased dependence on bank capital.

It may also be necessary to mention here that most of the loans of all wholesalers are by short-term bills of 30 to 60 days' maturity.

The loans are extended, of course, by banks. The number of banks from which the wholesalers borrow money generally increased after the war.

Name of wholesaler	Date	Creditors	Amount of loans
Muromachi Bussan	March 1951	Teikoku Bank and 11 other banks	¥ 863,627,000
Iwai Sangyo	June 1949	Tokyo Bank and eight other banks	¥ 412,922,000
Marunouchi Shoji	Feb. 1951	Chiyoda Bank and four other banks	¥ 408,412,000
Ataka Sangyo	Sept. 1950	Osaka Bank and 11 other banks	¥ 745,721,000

The accounts payable suddenly increased after the war, occupying 30 to 40 per cent of the others' capital in the balance sheets of all wholesalers. Parallel with the increase of accounts payable, the accounts receivable also increased, the latter being usually larger than the former. Though the wholesalers faithfully dispose of the accounts payable, the accounts receivable cannot be cashed in so smoothly. Sales on credit are incomparably larger than cash sales. For instance, 70 to 80 per cent of the sales by *the Marunouchi Shoji* are on credit.

However, in the case of makers (that is, second-class makers other than the Big Five) there are more accounts payable than accounts receivable. Only 10 to 20 per cent of the sales are on credit as seen in the case of *the Amagasaki Seiko*.

This fact shows that the wholesalers are makers to maintain a normal capital rotation by shouldering the burden arising from the unbalance between sales on credit and buying on credit.

b. Distribution of shareholders and its changes

It is said that, generally speaking, in Japanese joint stock companies a small number of shareholders possess the bulk of shares. This is exactly the case with *the Yawata* and *Fuji Iron Manufacturing Co.s*, the "Big Two" in the Japanese iron and steel industry.

In *the Yawata Iron Manufacturing Co.* 0.3 per cent of the shareholders possess 62.8 per cent of the total stock, while in *the Fuji Iron Manufacturing Co.* 0.2 per cent of the shareholders possess 54 per cent.

The high degree of concentration in the possession of shares reflects the general characteristic of monopolistic capital in Japan where a small number of monopolistic capitalists control enterprises.

However, in the case of wholesalers who form a wing of the system of

Table 18: Accounts receivable, accounts payable and how they are settled.

(October 1950 to March 1951)

	Accounts receivable	Sums settled	Rate of settlement	Accounts payable	Sums settled	Rate of settlement
	A	B	B/A	A'	B'	B'/A'
Marunouchi Shoji						
Oct.	1,643,158	598,414	36.4%	1,180,207	546,221	47.9%
Nov.	1,612,842	541,616	33.6	1,127,105	532,187	47.2
Dec.	1,706,797	648,300	38.0	1,215,008	574,341	47.3
Jan.	1,705,875	621,625	36.4	1,263,115	593,630	36.9
Feb.	1,666,734	586,962	35.0	1,324,267	671,073	50.7
Muromachi Bussan						
Oct.	1,992,350	1,010,468	53.0%	1,459,088	833,778	60.0%
Nov.	2,056,686	1,039,116	51.0	1,600,367	919,473	57.0
Dec.	2,444,268	1,472,338	60.0	2,070,793	1,320,071	64.0
Jan.	2,348,181	1,227,960	52.0	1,966,984	1,295,352	66.0
Feb.	2,910,522	1,648,771	55.0	2,083,156	1,282,533	62.0

market control by monopolistic capital, the situation is somewhat different.

Needless to say, even first-class wholesalers have a much smaller amount of capital and a much smaller number of shares than in the case of manufacturers. In this sense they are equal at best to second-class manufacturers. But this very fact has caused the degree of concentration in share possession to be lower than in the case of manufacturers, showing a typical characteristic of Japanese industry.

Note: In Japan there often is the phenomenon that the larger the enterprise the higher is the degree of concentration in share possession and vice versa. For instance, the degree of share concentration in the Amagasaki Steel Works, whose capital is smaller than that of the Yawata or Fuji, is considerably lower than that of these two companies. Shareholders possessing more than 10,000 shares each are 1.8 per cent of the total. The total number of shares in their possession is equivalent to 57.5 per cent of the entire stock.

To cite the example of *the Marunouchi Shoji* and *the Muromachi Bussan*, both of which are first-class wholesalers, shareholders of *the Marunouchi Shoji* possessing more than 10,000 shares each, who account for 1.2 per cent of the total number of shareholders, own only 12 per cent of the entire stock (even in this case the degree of concentration is considerably higher than in older capitalistic countries such as the United States), while the holders of 1,000 to 5,000 shares each, who occupy 37 per cent of the total number of shareholders, possess the majority of shares.

The degree of concentration is a little higher in the case of *the Muromachi Bussan* in which the holders of more than 5,000 shares each, who account for 6.5 per cent of the total number of shareholders, possess 47.3 per cent of the entire stock. Even then the degree of concentration is incomparably lower than that of *Yawata* or *Fuji*.

The lower degree of share concentration in the case of wholesalers than in the case of manufacturers may mean that the democratization (?) in the possession of shares has progressed further in the case of wholesalers than in the case of manufacturers. This trend gradually asserted itself in the period around the end of the war. Table 21 on the changes in the possession of shares of *Ataka Sangyo* from before to after the war shows how the degree of share concentration became gradually lower.

Table 19: Concentration of share possession (manufacturers)
Yawata Iron Manufacturing Co.

No. of shares	No. of shareholders (A)	No. of shares in possession (B)	Proportion of (A) to total number of shareholders	Proportion of (B) to total number of shares
Over 100,000	28	10,054,600	0.3%	62.8%
“ 50,000	15	1,007,930	0.1	6.3
“ 10,000	77	1,898,780	0.6	11.9
“ 5,000	51	219,070	0.4	1.4
“ 1,000	413	691,550	3	4.3
Less than 1,000	12,640	2,128,070	95.6	13.3
Total	13,224	16,000,000	100	100

(January 30, 1951.)

Source: Debenture issue plan.

Fuji Iron Manufacturing Co.

No. of shares	No. of shareholders (A)	No. of shares in possession (B)	Proportion of (A) to total number of shareholders	Proportion of (B) to total number of shares
Over 100,000	20	4,338,950	0.2 %	54%
“ 50,000	8	516,400	0.08	6
“ 10,000	67	1,319,000	0.6	16
“ 5,000	35	209,450	0.3	3
“ 1,000	348	453,370	3	6
Less than 1,000	10,695	1,162,830	95.8	16
Total	11,173	8,000,000	100	100

(January 30, 1951)

Source : Debenture issue plan.

Table 20 : Concentration of share possession (wholesalers)*Marunouchi Shoji*

No. of shares	No. of shareholders (A)	No. of shares in possession (B)	Proportion of (A) to total number of shareholders	Proportion of (B) to total number of shares
Over 10,000	4	47,967	1.2%	12.0%
“ 5,000	12	70,436	3.5	17.6
“ 1,000	125	223,075	36.7	55.8
“ 500	46	28,211	13.5	7.1
“ 100	130	29,111	38.1	7.2
Less than 100	24	1,200	7.0	0.3
Total	341	400,000	100	100

(January 30, 1951)

Source : Capital increase plan.

Muromachi Bussan

No. of shares	No. of shareholders (A)	No. of shares in possession (B)	Proportion of (A) to total number of shareholders	Proportion of (B) to total number of shares
Over 10,000	16	262,900	2.2%	26.3%
“ 5,000	32	210,150	4.3	21.0
“ 1,000	180	396,250	24.5	39.6
“ 500	110	61,850	15.0	6.2
“ 100	376	67,900	51.3	6.8
Less than 100	19	950	2.7	0.1
Total	733	1,000,000	100	100

(March 31, 1951)

Source : Capital increase plan.

**Table 21: Changes in the distribution of share possession
of Ataka Sangyo**

(Based on its business report)

September 30, 1945

	Over 10,000 shares	Over 5,000 shares	Over 1,000 shares	Over 500 shares	Over 100 shares	Less than 100 shares	Total
No. of Shareholders(A)	1	3	14	9	66	188	281
No. of shares in their possession (B)	118,350	19,600	37,770	5,760	13,180	5,340	200,000
Proportion of (A) to total number of share- holders	0.36%	1.07	4.98	3.20	23.41	66.90	100
Proportion of (B) to total number of shares	59.18%	9.80	18.89	2.88	6.59	2.67	100

March 31, 1949

	Over 10,000 shares	Over 5,000 shares	Over 1,000 shares	Over 500 shares	Over 100 shares	Less than 100 shares	Total
No. of shareholders(A)	10	3	40	50	325	55	483
No. of shares in their possession (B)	275,100	18,570	96,220	34,720	73,500	1,840	500,000
Proportion of (A) to total number of share- holders	2.07%	0.62	8.28	10.35	67.29	11.39	100
Proportion of (B) to total number of shares	55.00%	3.71	19.24	6.94	14.71	0.37	100

September 30, 1950

	Over 10,000 shares	Over 5,000 shares	Over 1,000 shares	Over 500 shares	Over 100 shares	Less than 100 shares	Total
No. of shareholders(A)	10	8	86	142	240	10	964
No. of shares in their possession (B)	162,350	47,700	133,700	89,650	66,110	490	500,000
Proportion of (A) to total number of share- holder	2.01%	1.61	17.34	28.63	48.31	2.01	100
Proportion of (B) to total number of shares	32.47%	9.54	26.74	17.93	13.22	0.1	100

As to the changes of shareholders, major wholesalers of long standing show a strong trend toward individualistic management. Both in *Ataka Sangyo* and *Iwai Sangyo* the shares in the possession of the members of the *Ataka* and *Iwai* families had always been in the upper bracket. Among the other shareholders, too, there many individuals.

The reason why this tendency long continued is because, as mentioned before, the wholesalers had less capital than the manufacturers.

After the war the destruction of capital and the unprecedented inflation made capital so scarce that individual capital alone could not meet the requirements. Thus of necessity the possessors of capital changed from individuals to banks and other juridical persons.

Take for instance the case of *Ataka Sangyo* (see Table 22) Banks, insurance companies and other financial organs gradually increased among its shareholders after the war, whereas individuals were predominant during the war.

The same tendency is seen also in the case of *the Muromachi Bussan* shown in Table 23.

These facts show the insufficiency of individuals' assets to cover capital increase as well as the advance of banks, insurance companies and other financial organs in the capital ownership of wholesalers.

Table 22: Changes in shareholders of *the Ataka Sangyo*
(Based on capital increase and business reports)

September 31, 1945

Name of shareholder	No. of shares in possession	Proportion against the total number of shares
Yakichi Ataka	118,350	59.18%
Eiichi Ataka	6,600	3.30
Shigeo Ataka	6,600	3.30
Sumitomo Trust Co., Ltd.	6,400	3.20
Yoichiro Nishikawa	4,840	2.42
Eikichi Koshida	4,740	2.37
Koji Kawamura	4,710	2.36
Shuzo Ataka	4,400	2.20

(Total number of shares: 200,000)

December 23, 1948

Name of shareholder	No. of shares in possession	Proportion against the total number of shares
Bank of Osaka, Ltd.	110,520	22.10%
Ataka Kyosaikai	30,170	6.03
Masakichi Kanda	19,910	3.98
Kyutaro Isaki	18,360	3.67
Senkichi Kuroda	17,930	3.59
Sauo Koshida	16,510	3.30
Akira Akamatsu	16,020	3.20
Kazuo Honda	15,851	3.17
Eikichi Ichii	14,620	2.92
Eiichi Ataka	14,125	2.83

(Note) Capital increase on November 1948

(Total number of shares: 500,000)

September 30, 1950

Name of shareholder	No. of shares in possession	Proportion against the total number of Shares
Ataka Kyosaikai	26,850	5.37%
Bank of Osaka, Ltd.	25,000	5.00
Tokyo Marine & Fire Insurance Co., Ltd.	25,000	5.00
Eiichi Ataka	20,000	4.00
Masakichi Kanda	13,000	2.60
Kyutaro Isaki	11,500	2.30
Senkichi Kuroda	11,000	2.20
Nippon Life Insurance Co. Ltd.	10,000	2.00
Bank of Tokyo, Ltd.	10,000	2.00
Osaka Sumitomo Marine & Fire Insurance Co., Ltd.	10,000	2.00

(Note) same as above.

Table 23: Major shareholders of the *Muromachi Bussan*

Name of shareholder	No. of shares	Proportion to total number of shares
Bank of Tokyo	45,000	4.5 %
Taisho Marine & Fire Insurance Co.	31,500	3.15
Chuo Life Insurance Co.	31,100	3.11
Teikoku Bank	17,500	1.75
Kakumaru Securities Co.	15,200	1.52
Sakura Special Steel Rolling Co.	15,000	1.5
Toshiro Hiroshima	14,500	1.45
Takao Kuranishi	11,500	1.15
Suekichi Shiina	11,400	1.14
Seijiro Mizukami	10,200	1.02

Total number of shares: 1,000,000 (March 31, 1951)

Based on the capital increase plan

C. Relations between profits and labour wages

With the intensification of the Pacific War the rate of wholesalers' profits gradually decreased. It registered an abrupt fall immediately after the war.

When the wholesalers began to revive, the rate of profits also started an upward march. It made a remarkable increase after the abolition of the control on steel materials and the commencement of free transactions in July 1950, being spurred by the special procurement demand and business upswing in connection with the Korean War.

The business improvement had its effect on the rate of dividend to shareholders as well. *Marunouchi Shoji*, for instance, which paid no dividend from the end of war up to March 1949, began paying a dividend of 10 per cent per annum in April 1949 and increased the rate to 20 per cent per annum in April 1950.

Table 21: Change in the rate of net profits

(*Ataka Sangyo*)

	Rate of net profits $\frac{\text{Profits} \times 2}{\text{Capital}}$
April 1, 1944-September 30, 1944	47.7%
April 1, 1945-September 30, 1945	3.6
April 1, 1946-August 10, 1946	68.4
April 1, 1949-September 30, 1949	99.6
April 1, 1950-September 30, 1950	484.9

Table 25: Change in the relation between net profits and capital

(*Muromachi Bussan*)

	Rate of net profits $\frac{\text{Net profits}}{\text{Capital}}$
October 1949-March 1950	423.9%
April 1950-September 1950	795.1
October 1950-March 1951	1,843.7

Table 26: Comparison between the rates of increase in net profits and wages

	Marunouchi Shoji		Marunouchi Bussan		Ataka sangyo	
Average monthly wages :						
Oct. 1949-Mar. 1950	¥13,824	100 %	¥11,714	100 %	¥12,940	100 %
Apr. 1950-Sept. 1950	14,023	101.4	12,765	109.0	13,325	102.2
Oct. 1950-Mar. 1951	15,276	110.5	14,062	120.0	14,210	109.8
Net profits (unit, ¥1,000)						
Oct. 1949-Mar. 1950	7,699	100	26,874	100	11,780	100
Apr. 1950-Sept. 1950	20,656	269	66,200	247	60,619	515
Oct. 1950-Mar. 1951	73,572	956	259,892	967		

In spite of the increase in the rate of profits after the war the wages did not show a proportionate increase, following the general rule of the capitalistic production system.

As seen in Table 26 the wages increased but 1.2 times during the one year from March 1950 to March 1951 in spite of the fact that the net profits of all wholesalers increased 9.5 times during the same period.

3. Concentration of wholesalers and their relations with makers

As mentioned before, the share ownership of wholesalers is less concentrated than that of manufacturers. The business volume of wholesalers, too, is less concentrated than that of manufacturers.

In fiscal 1949 the rate of concentration in the production of manufacturers was:

Pig iron: 100 per cent by *Yawata* and two others.

Steel ingot: 81 per cent by *Yawata* and five others.

Ordinary steel materials: 68 per cent by *Yawata* and five others.

The rate of business concentration among wholesalers was, as shown in Table 15, 27.1 per cent into the five major companies and 44.6 per cent into the "big 10". Although the rate is low compared with that of manufacturers, the major wholesalers are in a definitely superior position compared with medium and small wholesalers or agents.

As to the business relations between wholesalers and manufacturers, *Iwai Sangyo* buys the entire amount of pig iron, 67 per cent of steel materials, and 97 per cent of wire rod from *the Nippon Iron Manufacturing Co.* Nissho*, too, purchases the bulk of pig iron, bar steel, wire rod, etc. from *the Nippon Iron Manufacturing Co.* and *the Kobe Steel Manufacturing Co.*, two of the "Big Five".

The major wholesalers specializing in iron and steel, such as *Osaka Kozai* and *Nippon Tekko Kogyo*, also have the greatest amount of business with *the Nippon Iron Manufacturing Co.* though the percentage is less.

The same thing can be said from the standpoint of manufacturers as well. The accompanying table shows the quota and actual sales of *the Yawata Iron Manufacturing Co.* to various wholesalers:

(unit, ¥1-million)

Name of wholesaler	Quota	Actual sales
<i>Iwai Sangyo</i>	550	410
<i>Ataka Sangyo</i>	550	500
<i>Muromachi Bussan</i>	380	380
<i>Hitomaru Sangyo</i>	370	330
<i>Kinoshita Shoten</i>	180	170
<i>Iida-Takashimaya</i>	190	150
<i>Osaka Kozai</i>	130	130
<i>Nippon Tekko</i>	120	120
<i>Okaya Koki</i>	40	35
<i>Marunouchi Shoji</i>	20	20
<i>Morioka Kogyo</i>	40	39
<i>Nissho</i>	50	30

Note: *The Nippon Iron Manufacturing Co. as divided into two companies, the Yawata Iron Manufacturing Co. and the Fuji Iron Manufacturing Co., on April 1, 1950, in accordance with an order based on the Anti-Excessive Economic Concentration Law.

Table 27: Concentration of production (fiscal 1949)

	Blast furnace pig iron		Steel ingot for ordinary steel rolling		Steel materials for ordinary steel rolling	
	Output (tons)	Percentage	Output (tons)	Percentage	Output (tons)	Percentage
Yawata Seitetsu	687,299	46	1,037,681	34	607,475	27
Fuji Seitetsu	424,569	28	334,031	11	139,398	6
Nippon Kokan	382,012	26	503,867	16	328,854	14
Kawasaki Seitetsu	—	—	310,799	10	246,077	11
Kobe Seiko	—	—	193,233	0	153,616	7
Shinfuso Kinzoku	—	—	136,582	4	72,973	3
Total for six companies	1,494,880	100	2,516,193	81	1,548,393	68
Other	—	—	585,282	19	714,556	32
Total	1,494,880	100	3,101,475	100	2,262,949	100

Table 28: Suppliers to *Iwai* and *Nisseo* and the percentages of purchases

Iwai Sangyo		
Item	Supplier	Percentage
Pig iron	Nippon Seitetsu	100
Steel materials and semi-finished steel	Nippon Seitetsu	67
	Tokuyama Teppan	15
	Others	18
Wire rod	Nippon Seitetsu	97
	Others	3
Special steel	Nippon Seitetsu	46
	Tokuyama Teppan	27
	Others	27
Scrap iron	Tokuyama Teppan	87
	Others	13
Nisseo		
Pig iron	Nippon Seitetsu	85
	Others	15
Bar steel	Kobe Seiko	65
	Amagasaki	25
	Others	10
Wire rod	Kobe Seiko	98.6
	Others	1.4

(During the six months from September 1948 to February 1949)

Table 29: Business relations of *Osaka Kozai* (From April to March 1950)
Relation with producers

Item	Main supplier	Quantity	Value	Percentage in total amount of transactions	
				Quantity	Value
Steel materials	Nippon Seitetsu	51,370 tons	¥654,854	34.9	34.1
"	Kokko Seisa	9,910	121,236	6.7	6.3
"	Kawasaki Seitetsu	8,956	163,362	6.1	8.5
"	Amagasaki Seiko	7,580	100,201	5.2	5.2
"	Daido Koban	6,584	120,009	4.5	9.3
"	Daiwa Seiko	5,124	50,470	3.5	2.6
"	Tokai Kogyo	3,860	58,987	2.6	3.1
"	Nippon Kokan	2,340	43,289	1.6	2.3
"	Nichia Seiko	2,180	43,638	1.5	2.3
"	Others	13,636	166,963	9.3	8.7
Semi-finished steel	Nippon Seitetsu	15,905	224,315	10.8	11.7
"	Tosa Denki	2,779	32,874	1.9	1.7
Pig iron products	Nippon Seitetsu	16,815	91,923	11.4	4.8
	Others	—	46,183	—	2.4
Total		147,004	1,918,304	100.0	100.0

(3) Actual conditions and problems of agents

1. Revival of agents

The agents which had long been in existence, though suffering from changes in the economic conditions, as selling organs acting as cells in the distribution mechanism catering to many medium and small-scale industries, were dealt a crushing blow following the outbreak of the Pacific War.

The majority of them were forced to suspend business or change their lines of business due to the strengthening of Government control and the readjustment of enterprises.

With the removal of wartime control and the abolition of the enterprise readjustment policy after the war, however, the agents began to revive. In 1946 they already numbered twice as many as at the time of the enforcement of the enterprise readjustment policy.

Revival of agents

1941	Before enterprise readjustment	1,900
1942	After enterprise readjustment	700
1946	After the war	1,478

The sudden revival of agents immediately after the war, however, was due not so much to the removal of wartime control and the increase

of civilian demand as to the unlawful disposal of the so-called "*Stock goods*", including special goods, arms and concealed goods, at the time of confusion right after the war, which enabled them to carry on business.

Up to around 1949 the amounts of iron and steel products sold by makers to wholesalers and then by wholesalers to agents were very small. The commissions obtainable through the transactions therefore were not large enough to sustain, to say nothing of promote, the business of the agents which had suddenly increased.

Viewed in this light, most of the agents which revived after the war were a sort of brokers until around 1949. The subsequent increase in production and the dearth of stock, however, caused the agents to fulfil their original role. Meanwhile, those agents whose existence had depended solely on the broker business gradually went out of existence.

Thus the agents which numbered 1,478 in 1946 decreased to 1,154 by April 1950, whereas in the same period the number of wholesalers increased from 58 to 174.

The increase of wholesalers is due to the increase in the quantity of goods sold by makers to wholesalers along with the increase in production. For instance, the sales of ordinary steel materials from makers to wholesalers, which amounted to 406,928 tons in 1947, increased to 2,326,841, or more than five times, in 1950.

The quantity handled by agents was, however, very small as compared with the total shipments of iron and steel. The quantity of ordinary steel materials handled by agents and small brokers in 1950 accounted for only 8.1 per cent of the total shipments of ordinary steel materials by manufacturers.

2. Present Conditions of Agents

It is very difficult to know the present conditions of many agents which are scattered all over the country.

Inasmuch as there are not enough data and the investigation is insufficient, as mentioned in the foreword, it is practically impossible to grasp the actual situation. Suffice it, therefore, to give a general idea about the present conditions by citing a few examples.

Firm A

Location: Osaka City.
Capital: ¥ 1-million.
Supplier: Iwai Sangyo

It is more appropriate to call this firm a semi-wholesaler-semi-agent, for it buys galvanized iron sheets directly from makers, although it purchases steel materials from *the Iwai Sangyo*, of which

it is an agent. The firm is engaged also in export trade which an ordinary agent does not carry out.

As to the sales of steel materials, the firm sells the products to consumers at prices fixed by the makers in case the sales are "with strings attached" and the selling prices include commissions. The commissions are halved by the firm and *the Iwai Sangyo*.

In case the sales are "*with no strings attached*", the firm is in the position of a buyer from the wholesaler (*Iwai Sangyo*) even if the quotation includes commission. It buys therefore from the wholesaler even at a price higher than the designated quotation if the market situation is favorable.

There are many firms like this particular one which act as an agent on the one hand and as a wholesaler on the other.

Firm B

Location: Osaka City.

Capital: ¥ 500,000.

Suppliers: Ataka Sangyo,
Muromachi Bussan,
Asano Bussan and
Osaka Kozai.

The firm deals mainly in steel shapes. The transactions amounted to ¥ 2,500,000 during the period from January to March 1951. For both buying and selling operations the firm uses its own capital as a rule. The firm borrows money from banks on the security

of deposits, materials and facilities as well as on commercial bills. The loans on commercial bills are, however, limited in amounts, while those on the security of deposits, materials and facilities are almost nil at present.

In order to assure a smooth revolution of funds, therefore, the company offers different prices for buyers paying in cash and those paying in bills.

The firm has almost no direct transactions with makers, buying almost entirely through wholesalers. The formulas of business connection with different wholesalers are not necessarily uniform.

Firm C

Location: Osaka City.

Capital: Unknown.

Suppliers: Muromachi Bussan
and Tominaga Bussan

The firm mainly deals in galvanized iron sheets and steel sheets. Besides the above-mentioned two wholesalers, which are the main suppliers, the firm is said to be buying also from small makers

directly. The direct transactions are, however, limited to the cases where the firm is asked by makers to sell their products.

The firm in the past often asked makers to process galvanized iron sheets but it is said that the firm has ceased to do so recently because

this is no longer profitable.

Like Firm B this firm's transactions are carried out almost entirely in cash. Its loans are not sizeable as it operates its business almost entirely with its own capital.

A rough conclusion which can be derived from the above few examples is that the purchases from wholesalers via regular routes and the sales of the goods thus purchased have come to occupy the bulk of the agents' business of late.

The fact that they are thus gradually getting rid of the broker-like character has made their business conditions unfavorable in general. The agents have been opening the way to gain profits by making the most of small price advances or declines or through processing or stock manipulation.

Financially, it is difficult to obtain bank loans so that the agents are compelled to carry on business almost entirely with their own capital. Due to the recent instability of the market conditions, agents except those whose relations with wholesalers are normal seem to be gradually going out of existence.

Is it not the case, however, that the agents, which are like calls in the commercial world, always have a means to sustain themselves one way or another by functioning as quasi-brokers?

III. Characteristics Of Postwar Distribution Structure

It is believed that the description in Chapter II will have given the reader an outline of the characteristics of the postwar distribution system. The present chapter will present a general view of the subject by amplifying the description in the preceding chapter.

What can be mentioned first of all as a characteristic of the postwar distribution system is the comparative decline in the position of wholesalers against makers. They have turned into modern commercial capitalists (who merely receive commissions from makers).

One of the reasons for the change in their position is an increase in the number of wholesalers out of proportion to the makers' output. There were 54 wholesalers in 1937 when the pig iron and steel output totaled 13-million tons. In spite of the fact that the pig iron and steel output in 1946, totaling 1-million tons, was less than eight per cent of 1937's, the wholesalers numbered 58 in that year, the number being larger than in 1937.

In 1950 when the output considerably increased to 10-million tons, approaching the 1937 figure, the increase in the number of wholesalers

was more spectacular, reaching 174, or about three times that of 1937.

As an inevitable result, competition among wholesalers in their business with makers became intensified, leading to the subordination of wholesalers to makers and giving wholesalers the character of modern commercial capitalists who merely buy and sell goods produced by makers.

The second and third reasons, which are similar to the first in nature, are the establishment of new firms and the low degree of wholesalers' concentration compared with that of makers. We shall not, however, delve further into this problem here, for mention has already been made about it before.

The fourth reason is the severe loss suffered by the wholesalers' capital and the dearth of their own capital due to the extreme state control during the Pacific War and the defeat in war. The paucity of capital made it impossible for the wholesalers to extend financial aid to makers, whereas in the past the financial aid was a big factor that enabled the wholesalers to maintain a superior position.

These were the four main factors that placed the wholesalers in a subordinate position, turning them into modern commercial capitalists.

What can be cited as another characteristic of the postwar distribution system was the subordination of wholesalers to banking capital. This trend is seen in two phenomena. One of them is the increase of wholesalers' bank loans and the other is the advent of banks as the wholesalers' major shareholders. These phenomena of course resulted from the dearth of wholesalers' capital.

The third characteristic is that the wholesalers are not only subordinate to domestic makers and banking capital but also are controlled by foreign merchants through foreign trade.

Before the war the wholesalers had many branch and sub-branch offices abroad. Those in Asian colonies, in particular, served as collecting organs for the enormous excess profits cleared by the wholesalers in these regions.

With their position reversed after the war, they are now subjected to the extraction of excess profits by foreign merchants.

In the case of the iron and steel trade, foreign merchants are gaining excess profits through the collection of high freightage made feasible by the control of shipping instead of directly participating in Japanese trade.

(Note: Foreign merchants handled 5.4 per cent of Japan's iron and steel export during fiscal 1949)

Eighty per cent of ships engaged in Japanese trade are foreign

vessels which charge exorbitant freightage. Their rate is so high that Hailan coal carried by foreign ships costs almost twice as high as the same coal transported by Japanese vessels.

The freightage further rose following the outbreak of the Korean War. By February 1951 the average rate of advance in world freightage had reached 260 per cent according to a Ministry of Transportation survey. In spite of such favorable conditions for foreign merchants and foreign transportation companies all that the Japanese wholesalers engaging in the trade received was a commission at a fixed percentage of the FOB price.

Putting aside the third characteristic, what the first and second characteristics indicate is the modernization of wholesalers. For this an annotation is necessary.

By the modernization of wholesalers we do not merely mean the replacement of wholesalers of long standing with newly established ones having modern character. As mentioned in (1) of this chapter, leading old wholesalers have a position superior to newly established wholesalers or medium and small wholesalers both in domestic and foreign transactions. In this sense the "*modernized redressing of old wholesalers*" may be a better expression than the "*modernization of wholesalers*".

An annotation is necessary also on what "*modernized redressing*" actually means. With regard to personnel, for instance, there has been little change after the war. In the case of *Iwai Sangyo*, *Muromachi Bussan* and other wholesalers, the postwar presidents and directors were directors or those who held similar posts during or before the war.

Nor was there any serious effect upon wholesalers as a result of the enforcement of a series of postwar laws and ordinances aimed at economic reform after the war, including the Anti-Zaibatsu Ordinance, Economic Decentralization Law and Anti-Monopoly Law.

It was only *Mitsui Bussan* and *the Mitsubishi Shoji* which were designated as special companies and ordered to disband. All others were immune from the above-mentioned laws and ordinances. Moreover, the successors to *Mitsui Bussan* and *the Mitsubishi Shoji* held a predominant position in the subsequent iron and steel transactions as mentioned before.

Lastly, it may be necessary to mention that despite the above-mentioned change in their character after the war, the iron and steel wholesalers continue to be indispensable to the iron and steel distribution system in this country.

This characteristic is not a postwar phenomenon. It has been a characteristic that the wholesalers have had continually since before

the war.

From the days of the *Yawata Iron Works* and the Joint Selling Association up until the wartime control period, the wholesalers continually disposed of up to 80 to 90 per cent of the makers' iron and steel products as the latter's selling and buying organs though they underwent some changes in their character at different times.

The explanation for this relationship between makers and wholesalers may be given by the fact that the Japanese iron and steel industry depend on wholesalers regarding operations in the distribution field from its very beginning. The wholesalers' position has undergone no change after the war.

As seen in Table 31 the wholesalers in Japan continue to dispose of more than 80 per cent of the output, or not much different from the prewar percentage, while in the United States the corresponding percentage is only about 20 per cent with the quantity handled by dealers decreasing annually and direct sales by makers increasing on the other hand.

Table 30: Export and import cargoes carried by foreign and Japanese ships and their percentages

(Unit, 1,000 freight tons)

Year	Foreign ships		Japanese ships		Total	
	Export and import	Percentage (%)	Export and import	Percentage (%)	Export and import	Percentage (%)
1945	—	—	115	100	115	100
1946	1,249	45.3	1,511	54.7	2,760	"
1947	4,418	67.2	2,129	32.8	6,547	"
1948	6,843	75.4	2,231	24.6	9,047	"
1949	11,888	88.3	1,577	11.7	13,465	"
1950	10,800	80.2	2,672	19.8	13,472	"

Note: Figures for 1950 are for the first 11 months.

Source: Ministry of Transportation survey.

Table 31: Proportion of wholesalers' handlings and makers' direct sales in Japan and the United States

	Japan			U. S. A.		
	Wholesalers' handlings	Makers' direct sales	Total	Brokers' wholesalers' and dealers' handlings	Makers' direct sales	Total
1947	78.0%	22.0%	100%	26.6%	73.4%	100%
1948	84.0	16.0	100	17.3	82.7	100
1949	85.9	14.1	100	17.1	82.9	100
1950	82.2	17.8	100	—	—	—

(Note) Japan...Comparison of wholesalers' handlings and makers' direct sales of ordinary steel materials based on an investigation by the Kozai Club.
U.S.A....Comparison of brokers', wholesalers' and dealers' handlings and makers' direct sales of steel materials appearing in the January 2, 1950, issue of the magazine Steel.

SUPPELEMENT: Actual conditions of supply and demand and changes in prices

As is well known, before the end of the war and especially during the war, the demand for iron and steel was almost monopolized by the military and the Government.

After the defeat in war the production decreased, while the demand was switched from military and Government to civilian circles. Although the civilian demand was only 1.9 per cent of the total in 1942 and as small as 0.1 per cent in 1944, the bulk of the demand except that of the Occupation forces and requirements for communications and electric industry came from civilian circles after the war.

As for the demand from abroad, the iron and steel exports remained inactive after the war until about 1949. At the end of 1949 the balance of the postwar iron and steel trade stood at \$ 47-million against Japan. The excess of imports alone was 1.5 times as large as exports.

The destinations of Japanese iron and steel exports changed considerably after the war with the United States and Australia coming to the fore. Following the outbreak of the Korean War, however, China, which was one of the principal destinations before the war, assumed a leading position both as an exporter and an importer. The steel materials export including primary and secondary products to China during November 1950 amounted to 30,000 tons, or 2.5 times the shipments to the United States totaling 12,000 tons and nearly 40 per cent of the total export. On the other hand the import of Hailan coal accounted for 60 per cent of the total coal import. However, the Korean War, which had served as a means to solve the business depression that started toward the end of 1949, caused the resumed trade with China to stop again.

The special procurement demand is, needless to say, the demand for materials directly necessary for the prosecution of the Korean War. It was different in character from ordinary export as it took the form of domestic sales.

As the appearance of the special procurement demand coincided with the business depression and the abolition of the steel materials subsidy, it was welcomed like rain in the dry weather. With the advent of special procurement orders as a turning point, business conditions became active, favored by the worldwide armament expansion. The increase in exports was especially conspicuous.

Table 32: Proportion of military demand during the war

	1942	1943	1944
Army, Navy, Air Force	45.7	45.4	39.6
Shipbuilding	10.3	21.8	35.5
Production increase, Government demand	14.2	14.6	12.8
Total	70.2	81.8	87.9
Civilian demand	1.9	0.4	0.1
Export, others	27.9	17.8	12.0

Table 33: Special procurement orders and shipments

	Total output	Special procurement orders	Shipments on special procurement orders	Comparison of shipments on special procurement order with total output
July	233,368 tons	36,390 tons	32 tons	0.013%
August	246,992	67,538	10,443	4.22
September	267,778	17,489	36,743	13.72
October	318,913	6,721	24,104	7.56
November	319,652	14,737	17,334	5.42
Total	1,386,703	142,875	88,530	6.38

Table 35: Export of iron and steel and products thereof

	China	Southern regions	U. S. A.	Australia	Others
Average for 1927-1929	88.5	2.5	—	—	—
Average for 1930-1934	81.3	10.6	—	—	—
Average for 1935-1936	66.6	19.2	—	—	—
1949	7.0	21.8	16.9	29.1	25.2

Note: China includes Manchuria. Southern regions include Siam, the Philippines, the Netherlands East Indies and Malaya.

Source: Page 8 of Mr. Ichikawa's *"Iron and Steel Industry in Crisis"* for 1927-1936. The Asahi Economic Year Book for 1949.

Up until July 1950 when the official prices of steel materials were abolished, there were official producer and consumer prices as well as officially set amounts of subsidy. Table 36 shows the changes of these rates for pig iron, steel bar and steel sheet.

Table 34: Shipments of steel materials prices for different destinations (Based on Kozai Club survey)

Destination	1943		1944		1945		1946		1947		1948		1949	
	Quantity	Per-centage	Quantity	Per-centage	Quantity	Per-centage	Quantity	Per-centage	Quantity	Per-centage	Quantity	Per-centage	Quantity	Per-centage
Occupation forces	—	—	—	—	570	0.3	53,000	12.1	95,556	18.4	69,488	6.3	10,471	0.6
Export	—	—	—	—	—	—	3,338	0.76	6,203	1.2	39,951	3.6	102,538	5.5
Land transportation	158,446	6.9	138,498	9.0	58,760	33.2	51,414	11.7	38,492	7.4	128,803	11.7	169,401	9.1
Shipping, warehousing	—	—	—	—	—	—	15,197	3.4	8,666	1.7	17,246	1.6	21,846	1.2
Communications	234	0.01	126	0.08	1,623	0.9	3,411	0.7	7,435	1.4	13,840	1.2	6,657	0.3
Electricity	18,201	0.79	3,886	0.25	366	0.2	2,286	0.5	8,916	1.7	25,775	2.3	18,265	0.9
Coal	38,648	1.6	11,671	0.7	2,574	1.4	70,417	16.1	55,685	10.7	97,235	8.9	83,442	4.5
Gas and coke	3,092	0.1	1,232	0.08	585	0.3	775	0.17	1,002	0.2	2,136	0.2	12,341	0.7
Iron and steal	274,930	11.0	88,795	5.7	4,075	2.3	57,634	13.1	74,905	14.4	146,260	13.3	428,756	23.0
Mining, metal refining	23,359	1.0	18,826	1.2	3,799	2.1	—	—	7,981	1.5	12,042	1.1	14,130	0.8
Ships	985,982	43.0	939,566	61.0	21,371	12.0	7,530	1.7	20,913	4.0	70,313	6.4	206,572	11.1
Machinery	214,700	9.3	110,059	7.1	7,657	4.3	14,612	3.3	24,661	4.7	91,115	8.4	206,182	11.0
Chemical fertilizer	238	0.01	4,600	0.2	148	0.08	30,707	7.0	11,979	2.3	14,661	1.3	27,111	1.5
Civil engineering	2,944	0.1	186	0.01	2,079	1.1	4,862	1.1	5,776	1.1	15,678	1.5	38,877	2.1
Raw materials for manufacturing	381,284	16.0	150,908	9.8	37,701	21.3	50,217	11.4	59,847	11.6	156,200	14.2	259,225	13.9
Others	190,193	8.0	69,928	4.5	35,338	20.0	70,252	16.0	83	17.7	196,669	18.0	257,289	18.8
Total	2,292,251	100.0	1,538,281	100.0	176,646	100.0	437,122	100.0	519,703	100.0	1,097,402	100.0	1,863,103	100.0

Table 36 : Iron and steel official prices (Unit, Yen per ton)

		Mar. 1946	July 1947	June 1948	Apr. 1949	Sept. 1950	Jan. 1951	July 1952	Oct. 1953	Mar. 1954	Apr. 1955
Pig iron	A	1,186	6,750	15,080	13,200	17,000	18,360	17,730	16,300	20,300	Free Price
	B	1,300	3,050	3,600	3,600	7,400	9,750	11,880	12,600	16,600	
	C	—	3,700	11,480	9,600	9,600	8,610	5,850	3,700	3,700	
Steel bar 19 mm	A	2,371	10,510	21,300	19,360	23,000	25,540	Free price			
	B	2,600	5,990	10,120	10,120	13,760	18,000				
	C	—	4,520	11,180	9,240	9,240	7,540				
Steel sheet 1.6 mm	A	3,429	15,270	30,160	27,220	32,790	33,540	Free price			
	B	3,030	8,690	14,690	14,690	20,260	25,940				
	C	—	6,580	15,470	12,530	12,530	7,600				

Note: A. Producer price. B. Consumer price. C. Subsidy

The market prices temporarily advanced early in 1949 but began falling later. The fall became sharper toward the end of 1949, causing fear about the future of the Japanese iron and steel industry, which had bought raw materials at high prices and whose cost of production was consequently high.

The market rallied, however, from July 1950. The market prices for some of the products came to surpass the producer prices, to say nothing of the official prices.

Since then the prices of raw materials, freightage and the prices of products have been generally on the upswing though there were temporary setbacks at times.

Table 37 : Raw materials prices, January-December, 1950

	Domestic coal	Chinese coal (Hailan)	U.S. coal
January	\$13.50	\$11.34 (average)	\$23.11
February	13.50		
March	14.30		
April	14.60		
May	14.20	\$11.20 (average)	No important
June	14.40		
July	12.40		
August	14.10		
September	14.50	\$11.72 (average)	18.00
October			
November			
December			

Note: Average C.I.F. price per ton for imported coal. Average wholesale price per ton for domestic coal.

Table 38 : Producer prices and market prices of ordinary steel materials

Item and size		Revised official consumer price of January 1, 1950 (A)	Producer prices		Market prices			Difference between (A) and (B)	Difference between (B) and (D)	Difference between (B) and (E)	Difference between (D) and (E)
			August shipments (B)	Company	July 15 (C)	Aug. 1 (D)	Aug. 15 (E)				
Steel sheet :	9 mm	23,500	27,000	Yawata	22,000	22,000	24,500	14.9%	-18.5%	- 9.3%	11.4%
	19 "	18,000	24,000	"	19,000	20,000	21,000	33.4	-16.7	-12.5	5.0
	50 "	18,000	25,000	"	18,000	18,500	19,500	38.9	-26.0	-22.0	5.4
Steel shapes :	4×50×50	21,600	27,300	"	22,500	23,000	26,000	26.4	-15.8	- 5.0	13.0
	6.8×50×50	20,400	26,000	"		22,000	24,000	27.5	-15.4	- 7.7	9.1
	Over 1.00 on one side	20,400	27,000	"		19,000	22,000	32.4	-29.6	-18.5	15.8
Steel sheet :	0.29×3×6	36,700	48,000	,	53,000	55,000	58,000	30.8	14.5	20.8	3.6
	0.40× "	34,100	43,500	"		40,000	43,000	27.6	- 8.0	- 1.1	7.5
	0.50× "	30,700	39,000	"	32,000	34,500	36,000	27.0	-11.5	- 7.7	4.3
	12.025× "	25,940	32,000	"	30,000	30,000	36,000	23.4	- 6.2	12.5	20.0
Medium plate :	3.2×3×6	25,500	31,200	"	31,500	33,500	34,500	22.4	4.2	10.6	6.2
	6.0× "	22,300	27,900	"		27,500	28,000	25.1	- 1.4	0	1.8
	1.60× "	20,200	26,000	"	22,000	23,000	23,500	28.7	-11.5	- 9.6	2.2
Galvanized iron sheet :	0.29×3×6	209	275	Daido	290	290	300	31.6	5.5	9.0	3.4
	0.40× "	275	310	"	310	320	330	12.7	3.2	6.5	3.1
	0.50× "	315	340	"	340	340	345	7.9	0	0	0

Table 39: Producer prices of ordinary steel materials
(Based on Kozai Club Survey)

Item and size	1950			1951				
	Aug.	Oct.	Dec.	Jan.	Mar.	May	July	Sept.
Bar	24,000	25,000	27,000	29,000	32,500	43,000	49,000	49,000
Structural steel	26,000	27,000	29,200	31,800	34,500	47,500	53,200	53,200
Rail	30,000	30,000	30,000	32,500	36,500	89,000	55,000	55,000
Wire rod	25,000	27,600	29,000	31,000	36,000	52,000	58,000	58,000
Plate { 3.2×3×6	31,200	32,200	34,300	36,000	43,700	55,200	61,900	61,900
{ 12-25	26,000	27,000	28,500	30,500	35,500	46,000	51,500	51,500
Sheet { 0.29×3×6	48,000	49,500	54,000	57,000	68,800	89,000	95,000	95,000
{ 1.6×3×6	32,000	33,000	36,000	38,000	48,000	65,000	75,000	75,000
Tin plate 0.228×20×28	88,800	94,300	102,430	112,110	129,630	163,960	184,230	184,230
High-class finish	45,600	48,500	51,300	55,100	69,300	82,500	104,800	104,800
Silicon steel { T. 120 class	67,200	70,500	76,000	81,800	93,000	122,700	138,000	138,000
{ B. class	50,000	50,000	54,000	57,000	67,000	85,700	94,000	94,000
Hoop	29,000	31,700	34,700	38,000	45,000	60,000	68,000	
Gas pipe	17,330	18,700	19,350	20,800	25,970	31,460	34,090	
Billet	19,000	19,000	22,000	24,000	27,000	38,000	43,000	
Sheet bar	21,500	24,000	28,500	30,000	35,000	48,000	52,500	

Note: Fuji Seitetsu's prices for semi-finished products and hoop, Nippon Kokan's price for gas pipe, and Yawata's prices for all other items.

NOTE

Rank of Big 6 Makers in Japan Iron & Steel Production. (1948)

Maker Item	Fuji Iron Steel Co., Ltd.	Yawata Iron & Steel Co., Ltd.	Nippon Steel Tube Co., Ltd.	Shinfuso Metal Industry Co., Ltd.	Kawasaki Iron & Steel Co., Ltd.	Kobe Steel Works, Ltd.	Total (A)	Grand Total in Japan (B)	(A)/(B)
Pig Iron	181,899	365,332	115,398				662,629	662,629	100
Steel	110,742	496,148	199,584	137,687	129,653	105,943	1,179,757	1,714,676	68.8
Rolled Steel Products	43,601	261,263	163,683	54,280	91,086	86,708	700,622	1,200,801	58.5

Abbreviation

A.S. Azuma Steel Co., Ltd.
 A.S.W. Amagasaki Steel Works, Ltd.
 F.I.S. Fuji Iron & Steel Co., Ltd.
 K.I.S. Kawasaki Iron & Steel Co., Ltd.
 K.S. Kokura Steel Co., Ltd.
 K.S.W. Kobe Steel Works, Ltd.
 N.S.T. Nippon Steel Tube Co., Ltd.
 Na.S.W. Nakayama Steel Works, Ltd.
 Ni.S.W. Nippon Steel Works, Ltd.
 S.M.I. Shinfuso Metal Industry Co., Ltd.
 T.S. Tōto Steel Co., Ltd.
 Y.I.S. Yawata Iron & Steel Co., Ltd.
 Y.S.W. Yodogawa Steel Works, Ltd.

