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# THE MILITARISATION OF THE JAPANESE ECONOMY

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The economic development of this country after the war has been watched with open-eyed wonder. The average annual rate of industrial growth in this country after the war was 12.9% for the period 1953–1965. Conservative politicians in this country advance the opinion that one of the causes of such a striking rate of growth is ascribable to the small military defrayment due to the Treaty of Mutual Cooperation and Security between Japan and the U.S.A., and some economists regard the fact that there existed no military industry in this country after the war as one reason for such growth.

Nevertheless it is impossible to say, though believed by so many people, that the Japanese economy has made peaceful progress after the war and that the structure of the national economy has also been of a peaceful nature. It may be true that the U.S. Forces made it the primary task of the military occupation to disarm and demilitarise this country<sup>1)</sup>, and a variety of counter-measures were carried out for the purpose of economic disarmament by eliminating all existing specialised facilities for the production of arms, munitions or war materials of any kind and by preventing this country from preserving any production capacity of a military nature<sup>2)</sup>, but this original basic policy came to be changed by 180 degrees from as early as the beginning of 1948 in order to make this country “a defensive wall against communism”, by making use of Japanese industrial power as “an arsenal of the East”.

It was by the speech delivered by the Chief U.S. Army Administrator, Royal, at the Commonwealth Club in San Francisco on 6th January 1948 that the complete change of American policy toward Japan was made publicly known. Part of the speech runs as follows: “...And with this increasing economic approach there has arisen an inevitable area of conflict between the original concept of broad demilitarisation and the new purpose of building a self-supporting nation. ...The destruction of synthetic rubber or shipbuilding or chemical or non-ferrous metal plants will certainly destroy the war potential of Japan, but such destruction may also adversely affect the peace potential. ...But at some stage extreme deconcentration of industry, while further impairing the ability to make war, may at the same time

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1) *United States Initial Post-Surrender Policy for Japan*, Sept. 22, 1945.

2) *Basic Initial Post-Surrender Directive to Supreme Commander for the Allied Powers for the Occupation and Control of Japan*, Nov. 1, 1945.

impair the manufacturing efficiency of Japanese industry—may, therefore, postpone the day when Japan can become self-supporting. ...We hold to an equally definite purpose of building in Japan a self-sufficient democracy, strong enough and stable enough to support itself and at the same time to serve as a deterrent against any other totalitarian war threats which might hereafter arise in the Far East.”

# I

The weight of the Japanese heavy chemical industry in relation to the total production of her manufacturing industry, i.e., the rate of heavy chemical industrialisation, ranks first among all capitalist countries as shown in Table 1.

Table 1. The Weight of the Heavy Chemical Industry in Relation to the Whole of the Manufacturing Industry (1961)

| Country      | Percentage |
|--------------|------------|
| Japan        | 68.1       |
| U. S. A.     | 55.6       |
| U. K.        | 58.4       |
| West Germany | 59.3       |
| Italy        | 58.4       |

The Ministry of International Trade and Industry, *White Paper*, Introduction, 1966, p. 157.

The economic foundation which supported Japanese militarism prior to the last World War was, needless to say, heavy manufacturing industry and a great number of financial combines were reared on the priority arising out of military necessity during the pre-war period. The rate of progress (according to the amount of added values) in the field of metal and machines in relation to the production of manufacturing industry as a whole may briefly be stated as follows: not more than 10% in 1900, 34.3% in 1930, 53.4% in 1935 when the invasion of China began and as great as 71.6% in 1940, the very year immediately before the Pacific War broke out. The rapid growth rate of heavy chemical industrialisation particularly after 1930 was ascribable to rapid developments in the field of machinery which provided a direct foundation for munition production, while the relative weight of the ordinary machine industry was 2.6% in 1930, 9.9% in 1935 and 33.2% in 1940.

What could be the factor which facilitated heavy chemical industrialisation during the pre-war period? A very definite answer to this question was given by Mr. Uemura, Chairman of the Federation of Economic Organisations who stated: “The defense industries played a very important part in the past in the industrialisation of this country. A variety of manufacturing techniques began to be introduced from overseas after the Restoration of 1868 and this country consistently made rapid

progress in industrialisation, being partly encouraged by the Government, and no one can deny the fact that the national power of this country was greatly strengthened by the Sino-Japanese War and Russo-Japanese War, not to speak of the World War. During those war periods it was a mandatory requirement for the specific purpose of national defense that the defense forces should be increased and at the same time that ordnance should be domestically manufactured. Consequently there is no room for any doubt that not merely production techniques of weapons were improved by the expanded arsenals of the Government itself on the one hand, and governmental protection and encouragement of civilian manufacturers on the other, but also that such circumstances made no small contribution to progress in the field of ordinary industry, particularly to the process of heavy chemical industrialisation.”<sup>3)</sup>

Monopoly capital in this country encouraged the militarisation of the Japanese economy in order to reap the maximum profit during pre-war times and endeavoured to reinforce militarism. As a result it is a well-known series of facts that “the defense forces” were turned into “aggressive forces”, the armed invasion of the Chinese mainland was attempted and that this country became notorious throughout the world for her militarism.

In the meantime, would it be reasonable to assume, as often remarked by those types of people who call themselves revisionists, that the characteristics of Japanese monopoly capital, which provided an economic foundation for her militarism, were altered after her defeat in the war to the effect that Japanese capitalism after the war happened to turn into a new capitalism of a “modified type”, having nothing to do with the military economy which was formed “through the modified change of the former monopoly capitalism or classical capitalism arising from the military economy of the Fascist type”?<sup>4)</sup> Could it be true that the so-called “rapid growth” of this country after the war was accomplished, though imperfectly, through a “reform of Keynes type”<sup>5)</sup>, the content of which was said to be composed of three “requisites” such as “the policy of effective demand”, “the social security policy of the welfare nation type” and “the enforcement and introduction of national plans”? Again, would it be justifiable to remark that the economic growth of Japanese capitalism could after all have been materialised by the mere fact that a possible rapid increase of military expenditure was arrested by American control?<sup>6)</sup> According to the people mentioned the causative factors contributing to “rapid growth” are, in short, investment for equipment and consumer demand (individual consumer outgoings). Capitalists and bourgeois economists also regard

3) K. Uemura, “The Industrial Structure of This Country”, *Monthly Report of the Federation of Economic Organisations*, Vol. III, No. 3, 1955, p. 5.

4) *The Present Japanese Capitalism*, Vol. 1, p. 5.

5) *Ibid.*, pp. 37-38.

6) *Ibid.*, p. 40.

“technical innovation and revolutionalised consumption” as causative factors of “rapid growth”. Needless to say, it is not denied that the excessive accumulation of capital was one of the factors of “rapid growth”, but it must also be admitted that it was only for the purpose of gaining a special surplus value that nothing else was done except rushing about to introduce new techniques and making further investments for the purpose of “rationalisation”. Moreover, the facts that the accumulation of capital began to be intensified, taking advantage of the “special procurement demand” arising from the needs of the Korean War, and that the resultant process of structural reorganisation of the production system to be carried out by monopoly capital came to take a further step forward, are very suggestive of the very fact that either the causative factors of “rapid growth” or its results should by no means be such a simple matter to be seen in rosy colours.

It is no more possible to look upon such problems as the development of Japanese capitalism, the rapid progress of heavy chemical industrialisation and the improvement of techniques as having nothing to do with war industries the post-war period than it was during the pre-war period. It may be true that during the relative weight of munition production in the post-war Japanese economy is far smaller than it was in the pre-war economy, as shown in Table 2, but this fact by no means furnishes sufficient proof that the militarisation of the Japanese economy has not been effected at all, or that there is no such fear.

Table 2. The Position of Munition Production in Relation to the Production of Manufacturing Industry

| Year | A Amount of Munition Production<br>(Unit: ¥1,000,000) |                                                 |                        | B Amount of<br>Production of<br>Manufacturing | Percentage<br>A/B |
|------|-------------------------------------------------------|-------------------------------------------------|------------------------|-----------------------------------------------|-------------------|
|      | Total<br>Amount                                       | Domestic Procurement<br>from Self Defense Force | Special<br>Procurement |                                               |                   |
| 1954 | 78,058                                                | 24,562                                          | 53,496                 | 6,461,925                                     | 1.2               |
| 1955 | 74,772                                                | 42,903                                          | 31,869                 | 7,149,489                                     | 1.0               |
| 1956 | 86,591                                                | 49,857                                          | 36,734                 | 9,193,033                                     | 0.9               |
| 1957 | 108,790                                               | 57,332                                          | 51,585                 | 10,287,840                                    | 1.1               |
| 1958 | 101,622                                               | 73,560                                          | 28,162                 | 9,246,400                                     | 1.1               |
| 1959 | 100,185                                               | 65,968                                          | 34,217                 | 13,231,248                                    | 0.8               |
| 1960 | 115,842                                               | 79,080                                          | 36,762                 | 16,906,809                                    | 0.7               |
| 1961 | 103,462                                               | 74,075                                          | 29,387                 | 20,299,187                                    | 0.5               |
| 1962 | 127,371                                               | 101,445                                         | 25,926                 | 21,088,593                                    | 0.6               |
| 1963 | 129,367                                               | 121,668                                         | 7,799                  | 24,678,383                                    | 0.5               |
| 1964 | 166,848                                               | 157,218                                         | 9,630                  | 28,174,211                                    | 0.6               |
| 1965 | 133,569                                               | 116,999                                         | 16,570                 | 28,342,973                                    | 0.5               |
| 1966 | 152,790                                               | 133,018                                         | 19,772                 | 33,845,115                                    | 0.5               |

*National Defense Yearbook*, 1968, p. 359.

The former National Police Reserve Force was reorganised into the National Ground Defence Force (Safety Force) in 1952 and it became definite war potential if seen from its organisation, formation, personnel strength, equipment and training, which is solemnly prohibited by the Japanese Constitution. Going still further in 1954, it was again reorganised to establish the Self Defense Force, undergoing a "qualitative change", when the original organisation grew into a "National Defense Force", the primary purpose of which was to defend the nation against hostile attack, the maintenance of public peace being its secondary mission<sup>7)</sup>. These facts illustrate the established truth that there do exist, both nominally and virtually, troops in Japan similar to an army in other countries—in short an army which should by no means exist in this country from the point of view of Clause 9 of our Constitution.

In the meanwhile, "as it becomes more and more important for the present day army to have defensive power in readiness to cope with the recent progress in weapon-making and changes in international relationships, so it becomes more and more essential to have equipment ready for immediate use. What makes it possible to do so is nothing but defense production capacity which can be put into full play at any time. However recent any type of equipment which particularly requires highly specialised techniques may be, it simply can not be anything if production in the rear is not supported by an effective production capacity in readiness"<sup>8)</sup>. "Once the scale of the troops is determined, it is natural that their equipment is of necessity to be domestically manufactured"<sup>9)</sup> and "the defense industry is now making headway" on the pretext that defensive power without an industrial foundation is a mere "castle in the air"<sup>10)</sup>.

Furthermore, most monopoly capitalists and bourgeois economists advance the following views: that "the extreme importance of the position of war industries should be emphasised not only from the point of view of encouraging ordinary industry, but also for the reason that building up defense industries would further closer relationships with the improvement of the technical level in ordinary manufacturing industry because of the highly specialised techniques required in today's defense, such as aircraft and electronic weapons"<sup>11)</sup><sup>12)</sup>: for example, ball-bearings for military use required a precision of 99.9999, and that "national defense expenditure should be allowed to force its way into the national economy to a far greater extent, inconceivable in weight in comparison with those days in the past when production power in reserve used to play a more important part, for the reason of its giving a continual and effective stimulus to the specialisation of industry

7) Chuichi Fukase, "Defensive System I: Self Defense Force", *Jurist*, January 1967, pp. 38-39.

8) "Ten Years' History of the Defensive Production Committee", *Opinions with Respects to the Basic Policy of the Home Making of the Defensive Equipments*, February 1962 published by the Federation of Economic Organisations.

9), 10), 11), 12) K. Uemura, *The Industrial Structure of This Country*, p. 5.

and strengthening its international competitiveness, ...and that defense expenditure within a certain extent would rather expand the national economy<sup>13)</sup>, and increase employment and individual income<sup>14)</sup>. What munition production means to Japanese monopoly capitalists is the implication that it is of such a nature that such production must naturally be accepted from the higher aspect of mutual economic cooperation between this country and the U.S.A. as far as it serves to maintain peace and safety in the Far East and at the same time it is after all an export industry, providing that U.S. dollars may be gained therefrom<sup>15)</sup>. There is so far no indication of any reflection or awakening with respect to war industries or our militarised national economy by monopoly capitalists or bourgeois economists. "Munitions are an export industry" and monopoly capitalists are none other than "death merchants".

War industries, for which the demand is fixed by national military expenditure, the materialisation of which is guaranteed, are now steadily making headway on the basis of mass production of the latest munitions on a heavy chemical industrialisation foundation by acquiring the latest techniques and by establishing the latest production management systems as powerful potential to beat the keen competition. It is generally said that war industries do not usually pay sufficiently, but when orders are issued from the Defense Force Headquarters, gains ranging from 8-10% are approved as reasonable profit<sup>16)</sup>, the fact of which shows that the rate of profit is not too small. On what basis of cost accounting are those orders issued from the Self Defense Headquarters and accepted in business circles? It is not hard to imagine that cost accounting in such cases is being made with sufficient margins. Needless to say, the reliable guarantee of a fixed profit, small as it may appear, must be most attractive to monopoly capital under the present circumstances of keen competition. In addition, the latest techniques acquired through military production would yield far greater benefits, perhaps fruits certainly well worth the while to cover the actual small profit. It is not a matter of mere chance that monopoly capital enters a desperate business fight whenever a business order is issued from Self Defense Headquarters. It is because the progress of monopoly capital and war industries are inseparably related to each other and because munition production is essential for them to reap the maximum profit.

As far as this point is concerned, there is no substantial difference between the pre-war and post-war periods. Nevertheless, what should not be disregarded when

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13) "Ten Years' History of the Defensive Production Committee", p. 259.

14) "Mr. K. Akamatsu's opinion at the Round-Table Talk in the *Central Review*, November issue, 1952, p. 97. Mr. Akamatsu made a further commitment on the same page that, should inflation be brought about by the increase of military expenditure, "it might as well be invested in war industries through a savings campaign."

15) "Ten Years' History of the Defensive Production Committee", p. 49.

16) *Keizai Shunju*, April 1966, p. 23.

the post-war Japanese economy is considered are the facts that this country has been placed in such a subordinate political, military and financial relationship to the U.S.A. that the Japanese heavy chemical industry, which is none other than war potential in itself, has grown with the specific intention of letting Japan carry out the mission of a supply base for extensive areas in the Far East as well as in South-East Asia<sup>17)</sup>, and that every effort has been put into upholding war industries with the primary aim of producing war materials consistently since the end of the war. In this way the war industries of Japan came to operate again without her own accord in the form of the "off-shore procurement demand" from the American Forces arising out of the needs of the Korean War. For these specific reasons Japanese war industries were obliged to develop not as self-sustaining economic activities to assure her own independent peace of her own accord but more or less as something characterised by the nature of sub-contracted activities which were forced to be activated. Even in those days when the equipment for the Japanese Self Defense Force had to be domestically manufactured, the situation remained the same. The Japanese troops—the Self Defense Force—were placed under American command as to constitute a part of one great united army composed of many other foreign armies of the anti-communist countries in the Far East, and all kinds of arms for this great army are inevitably limited to those of standard gauges. All weapons for the Self Defense Force at the time of its establishment were those given by the American Forces and it was an absolute necessity to use standard gauge weapons because of the relationships with the armaments of other anti-communist countries. Consequently, when weapons were to be domestically manufactured, it was required that their specifications were to be made in conformity with the American standard and for this reason, the domestic makers were obliged to purchase the relevant rights to make them, or to buy vested rights for specific designs and techniques involved. (See an instance of an airplane referred to later.) Even when they were domestically made, such production in this country not but become a type of self-supplying system of production without her own accord, by making them in this country at a cheap cost of labour under the subordinated control of American monopoly capital.

As can be imagined from the foregoing discussion, even if the relative weight of the production of war materials, of which major items were weapons, in relation to the production of the mining and manufacturing industries as a whole was small, the equipment system of the latest arms was based on the integrated whole of the latest and most specialised science and techniques in an extensive field of production, such as metal as well as machines, chemical industry, not to speak of the electronic industry of late. The production of arms, which is by nature concerned with all fields of production and which requires the highest effectiveness and

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17) "Ten Years' History of the Defensive Production Committee", p. 77.

strict conformity with standard specifications, has been very helpful for the post-war Japanese economy in raising the level of the structure of her production and to facilitate her heavy chemical industrialisation, and it has played an important part in stimulating her national economy. No one can deny the fact that this country has learned a lot in the field of munition production in securing repeated technical training to produce arms in strict conformity with the specifications and standard gauges, and also in mastering not only the technical control of the production process the latest type, but also in the latest financial administration<sup>18)</sup> since the period of Korean War, when this country had practically no weapons of the modern type at all. Moreover from the aspect of the direct production of arms "the facilities of producing projectiles which came to be provided to meet the needs of the "special procurement demand" did have the capacity for all sizes, ranging from rifle bullets to large caliber projectiles, and in addition the efficiency and precision to be achieved at these facilities which were operating on the mass production system were just as good as those in the U.S.A., and their technique of production was also of the highest and latest type"<sup>19)</sup>. It was in an effort to conform, or to be ready to conform, with the military production system that "scientific control" and "labour administration" have come to be extensively adopted in this country after the end of the war.

## II

The pre-war Japanese heavy chemical industry used to develop primarily in line with military demand, and this causative relationship still holds true even after the post-war period. In other words, basic production power which is none other than war potential has consistently been kept reinforced primarily in the field of the heavy chemical industry, so that post-war Japanese heavy industry could meet the needs of the American off-shore procurement demand as pointed out before, could cope with the rearmament scheme of this country and could supply a variety of arms to anti-communist countries in Asia only to achieve the mission of being "the arsenal of Asia". Table 3 shows that heavy chemical industrialisation has been making rapid progress since the end of the war. It is true that the component ratio of the heavy chemical industry is found to decrease temporarily immediately after the war, (in fact 46.3% in 1950), but this decrease can well be accounted a result of the restored production activity of all kinds of consumer goods which used to be extremely pressed and restricted by the war, and it is seen that the component ratio came to restore the ratio of over 50% from 1951. Needless to say, the background of this increased component ratio of the heavy

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18) *The Problems of the Japanese Industrial Structure*, last volume, p. 230.

19) *National Defense Yearbook*, 1960, p. 99.

Table 3. Component Ratio of the Heavy Chemical Industry in Relation to Manufacturing Industry

| Year | Component Ratio | Year | Component Ratio |
|------|-----------------|------|-----------------|
| 1940 | 71.6%           | 1958 | 60.2%           |
| 1947 | 57.0%           | 1959 | 62.5%           |
| 1950 | 46.3%           | 1960 | 64.8%           |
| 1951 | 51.2%           | 1961 | 66.6%           |
| 1952 | 51.4%           | 1962 | 63.9%           |
| 1953 | 53.5%           | 1963 | 61.6%           |
| 1955 | 54.4%           | 1964 | 63.8%           |
| 1956 | 56.8%           | 1965 | 62.6%           |
| 1957 | 60.7%           |      |                 |

Figures up to 1953 are the calculated results of *Industrial Statistics*, while those after 1955 are taken from *News Report of Manufacturing Industry Statistics*, 1965, p. 14. Both are figures based on the amount of added values.

chemical industry is "the special procurement demand" arising out of the needs of the Korean War, that broke out in June 1950.

However, the nature of the original "special procurement demand" was gradually changed into a different order primarily concerned with completed arms, availing itself of the opportunity of the conclusion of the San Francisco Peace Treaty in 1951. Then the "Act of Arms Manufacturing" was promulgated for the purpose of resuming the production of completed arms<sup>20)</sup> to cope with the national situation and simultaneously the Anti-Trust Law came to be drastically revised. As a result of such changes in the nature of the demand the relative weight of the heavy chemical industry was consistently kept increasing, both in the absolute and relative sense of the word, from 1953. In other words, the switch over to a new type of "special procurement demand", the content of which was concerned with steel works and motor cars, from the original "special procurement for Korea" which was characterised by repair and servicing came to create more and more active investments for further equipment in a wider field of production and accumulation in a high pitched tendency came to be practised in a more and more active way. In this connection what should be noted is the fact that the reopening of arms production played an important part in reconstructing the

20) The Anti-Trust Law underwent a drastic revision in the direction of mitigation in 1963. "As for the trust-control, it was primarily aimed to delete the provisions to exclude the difference of the unjustified enterprising capability (Clause 8) and a drastic mitigation of the limitation placed the consolidation of enterprises (Clause 9-16). Correspondingly the effectiveness of the private on anti-monopoly law was secured because the provision to prevent it from happening was nullified," making it a completely mutilated control as a result.

machine industry which was suffering badly because of the large-scale facilities forced to be kept out of operation throughout the post-war period<sup>21)</sup>.

Monopoly capital, emphasising the necessity of new fixed investments and the urgent need to renew their equipment, "submitted their request to the Government to get national support for their required funds to meet the need of reopening arms production"<sup>22)</sup>. This eloquently illustrates the fact that heavy chemical industry, which was primarily supported by monopoly capital, did have an inseparable relationship with the militarisation of the national economy and, moreover, that the so-called "rapid growth" originating from 1955, of which the main factor was composed of investments for equipment and facilities, was stimulated and hastened, being backed up by the war industries. Needless to say, the needed funds were managed to be appropriated through inflated loans on credit from the Bank of Japan, taking advantage of the low cost of labour.

In this way the year 1953 became the starting point for the establishment of a new systematic structure for the war industries on the basis of the newly arising "special procurement demand", chiefly to supply completed arms, and in March of the following year, 1954, the M.S.A. Agreement came to be signed, when "economic cooperation between the U.S.A. and this country" marked a new stage. The period 1954-55 happened to become "the period in which an extreme interest was taken"<sup>23)</sup> by monopoly capitalists—"death merchants". Putting it another way, during this period a variety of definite activities came to be motivated in a great number of fields, such as the production of jet-planes, construction of guard-ships, the decision of a distribution plan of funds coming from released wheat through the M.S.A., which became one of the good chances for the domestic production of all kinds of equipment of the latest type, the starting of a GM round-table conference as represented by a civilian research agent for the study of missiles and what not"<sup>24)</sup>. The particular move which we (monopoly capitalists) can not overlook is that the first term national defense programme which had been in the planning stage in secret since the establishment of the National Safety Force (a 5-year plan covering the period 1956-60) was tentatively approved, though unofficially, in the fiscal year 1955."<sup>25)</sup>

In this way, taking advantage of the assistance accepted from the M.S.A. for one thing and simultaneously the reopening of production of completed weapons for another, the contemplated national defense plan to reform the structure of defense production to back up Japanese military power (the Self Defense Force) plunged into a new stage and for this reason the rearmament plan under the mask of the first term national defense programme came to be approved in secret.

21) *The Problems of the Japanese Industrial Structure*, last volume, p. 229.

22) "Ten Ten Years' History of the Defensive Production Committee", p. 55.

23), 24), 25) *Ibid.*, p. 14.

Table 4 (A). Changes in Military Expenditure

|                                                                  |         |         |         |           | March: MSA/effectuated<br>→<br>July: Self Defense Force/esta-<br>blished<br>→ |           |           |
|------------------------------------------------------------------|---------|---------|---------|-----------|-------------------------------------------------------------------------------|-----------|-----------|
|                                                                  | 1950    | 1951    | 1952    | 1953      | 1954                                                                          | 1955      | 1956      |
| A Total Annual Expenditure                                       | 633,259 | 749,838 | 873,942 | 1,040,761 | 1,040,761                                                                     | 1,018,169 | 1,069,204 |
| Annual Rate of Increase                                          |         | 18.4    | 16.6    | 26.7      | -2.3                                                                          | -2.2      | 5.0       |
| B Military Expenditure                                           | 13,202  | 21,400  | 104,116 | 157,336   | 154,699                                                                       | 135,968   | 134,492   |
| Annual Rate of Increase                                          |         | 62.1    | 487.5   | 51.1      | -1.7                                                                          | -2.2      | -1.1      |
| B/A                                                              | 2.0     | 2.9     | 11.9    | 15.5      | 14.9                                                                          | 13.4      | 12.6      |
|                                                                  |         |         |         |           | Sub-Total of Military                                                         |           |           |
| C Total Annual Expenditure                                       |         |         |         | 1,027,250 | 999,879                                                                       | 1,013,314 | 1,089,652 |
| Annual Rate of Increase                                          |         |         |         |           |                                                                               | 1.3       | 2.5       |
| D Defense Expenditure                                            |         |         |         | 153,110   | 147,765                                                                       | 132,765   | 140,765   |
| Annual Rate of Increase                                          |         |         |         |           |                                                                               | -10.2     | 6.0       |
| E Pension of Military Per-<br>sonnel                             |         |         |         | 49,999    | 68,822                                                                        | 68,710    | 75,221    |
| F Maintenance/Repair of<br>Roads, Harbours, Air-<br>fields, etc. |         |         |         |           |                                                                               | 31,575    | 35,840    |
| X D+E+F                                                          |         |         |         |           |                                                                               | 233,050   | 251,829   |
| Annual Rate of Increase                                          |         |         |         |           |                                                                               |           | 8.1       |
| D/C                                                              |         |         |         | 14.9      | 14.8                                                                          | 13.1      | 12.9      |
| X/C                                                              |         |         |         |           |                                                                               | 23.0      | 23.1      |
| Rate of Heavy Chemical<br>Industrialisation                      |         |         |         |           |                                                                               | 54.4      | 56.8      |

A and B are taken from *Major Economic Statistics*. C, D and E from *Financial Statistics*, and the rate of heavy chemical industrialisation from *News Report of Manufacturing Industry Statistics*.

Besides, the inherent nature of war industries is such that once they start to operate, they can not survive without a definite military plan, because war industries must make headway with a far-sighted long range plan which will be discussed later. The national defense conference should indisputably be held for the explicit purpose of determining a basic policy of national defense, to prepare an outline of the military plan and to control industry in conformity with the military plan (see Clause 42 of the Act of Establishing the National Defense Force).

(Unit: ¥1,000,000)

| → 1st Term National Defense Prog. → |           |           |           | Double Income Plan<br>→ 2nd Term National Defense Programme → |           |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|---------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1957                                | 1958      | 1959      | 1960      | 1961                                                          | 1962      | 1963      | 1964      | 1965      | 1966      |
| 1,187,676                           | 1,331,562 | 1,495,039 | 1,743,148 | 2,063,468                                                     | 2,556,617 | 3,044,292 | 3,340,493 | 3,658,080 | 4,314,270 |
| 11.0                                | 12.1      | 12.3      | 16.6      | 18.4                                                          | 23.9      | 19.1      | 9.7       | 9.5       |           |
| 152,973                             | 151,476   | 157,138   | 163,493   | 182,743                                                       | 217,306   | 245,170   | 182,092   | 302,771   | 340,666   |
| 13.7                                | -1.0      | 3.7       | 4.0       | 11.8                                                          | 18.9      | 12.8      | 15.1      | 7.3       | 21.5      |
| 12.9                                | 13.8      | 10.5      | 9.4       | 8.9                                                           | 8.5       | 8.1       | 8.4       | 8.3       |           |

Expenditures=¥1,050,229...A'

Sub-Total of Military Expenditure=¥1,570,749...B'  
Rate of Increase against A'...49.65%

| Sub-Total of Military Expenditure<br>=¥654,900 (¥163,790 per year) |           |           |           |           | Sub-Total of Military Expenditure<br>% ¥1,388,000 (¥277,600 per year) |           |           |           |           |
|--------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| 1,184,613                                                          | 1,333,083 | 1,512,095 | 1,765,163 | 2,107,382 | 2,563,091                                                             | 3,506,807 | 3,340,498 | 3,744,498 | 4,314,270 |
| 8.7                                                                | 12.5      | 13.4      | 16.7      | 19.4      | 21.6                                                                  | 19.3      | 9.3       | 12.1      | 15.2      |
| 141,165                                                            | 146,165   | 153,318   | 157,662   | 180,924   | 210,976                                                               | 247,550   | 280,775   | 305,297   | 340,660   |
| 0.2                                                                | 3.5       | 4.9       | 2.8       | 14.8      | 16.6                                                                  | 17.3      | 13.4      | 8.8       | 11.5      |
| 76,159                                                             | 92,554    | 94,528    | 112,754   | 114,635   | 113,221                                                               | 116,969   | 139,454   | 148,756   | 167,936   |
| 59,579                                                             | 67,698    | 102,378   | 109,826   | 164,150   | 209,377                                                               | 165,080   | 319,807   | 358,930   | 425,063   |
| 276,934                                                            | 306,417   | 350,224   | 380,242   | 459,709   | 533,574                                                               | 629,599   | 740,036   | 813,083   | 933,665   |
| 10.0                                                               | 10.6      | 14.3      | 8.6       | 20.9      | 16.1                                                                  | 18.0      | 17.5      | 9.9       | 14.8      |
| 11.9                                                               | 11.0      | 10.1      | 8.9       | 8.6       | 8.2                                                                   | 8.1       | 8.4       | 8.2       | 7.9       |
| 23.4                                                               | 23.0      | 23.2      | 21.5      | 21.8      | 20.8                                                                  | 20.6      | 22.2      | 12.7      | 21.6      |
| 60.0                                                               | 60.2      | 62.5      | 64.8      | 66.0      | 63.9                                                                  | 61.6      | 63.8      | 62.6      |           |

See Table 4 (B).

It was through the distribution of the counter-funds of released wheat coming from the M.S.A. that "the historical role was played" to establish and reinforce the munition production system<sup>26)</sup> and "the reorganisation of enterprises under

26) *Ibid.*, p. 75. On the basis of the "Agreement between Japan and the U.S.A. with respect to the Purchase of Agricultural Products" which is one of four agreements under the Mutual Security Act, it was so agreed that Japan shall buy surplus American wheat in yen and 20% of this amount in yen shall be given to Japan by America and the remaining 80% is to be paid for the off-shore procurement by America. In this way wheat imported as a foodstuff was converted into war potential by the M.S.A. Agreements.

Table 4 (B). Index Number based on the National Defense Programme

|                                                                      | Commencing Year<br>100 | Completing Year:<br>Percentage against<br>100 |
|----------------------------------------------------------------------|------------------------|-----------------------------------------------|
| Annual Revenue                                                       | 323.6% (1955-65)       | 425.8%                                        |
| Defense Expenditure                                                  | 233.1% (1955-65)       | 256.6%                                        |
| Expenditure for Pension of<br>Military Personnel                     | 18.1% (1955-65)        | 244.4%                                        |
| Maintenance/Repair Expenditure<br>for Roads, Ports, Air fields, etc. | 627.9% (1955-65)       | 1,346.2%                                      |
| X                                                                    | 304.7% (1955-65)       | 400.6%                                        |
| Expenses for Social Security, etc.                                   | 478.2% (1955-65)       | 601.6%                                        |
| Education, Assistance for<br>Scientific Development, etc.            | 319.1% (1955-65)       | 455.0%                                        |

strict administrative control, and thus a rationalising scheme” were driven forward with emphasis by monopoly capital<sup>27)</sup>. One of the reasons was because the metal, all other raw materials, component parts, equipment—all had to be of the highest quality, since arms had to be made with maximum effectiveness. The other reason was because the reinforcement and improvement of all related industries were urgently needed on priority and it was essential that production channels should be strengthened and that the technical and financial control over sub-contractors should be improved, under which circumstances the labour engaged in the production process was obliged to be reinforced. For these reasons it was as early as 1954 that “many enterprises were already in readiness for the mass production (of arms)<sup>28)</sup>).

The component ratio of heavy chemical industry after the war is found to show some differences even after 1953. This is because the ratio is calculated on the basis of added values, on which good or bad business conditions immediately reflected their effects. In other words, “if compared with the ratio of the amount of added values in the preceeding year, heavy chemical industry shows a greater tendency of growth during the prosperous period and a smaller tendency during the business depression period<sup>29)</sup>. For instance, in each of the years 1958 and 1962, both of which are well-known as business depressions, the ratio of heavy chemical industrialisation is found to decrease. This indicates that heavy chemical industry which kept expanding on the basis of war production is likely “to be governed by the state of good or bad business<sup>30)</sup>).

27) *Ibid.*, p. 65.

28) *National Defense Yearbook*, 1955 ed., p. 482.

29) *News Report of Manufacturing Industry Statistics*, 1965 ed., p. 14.

30) *Ibid.*, p. 14.

During the period covering 1955–1960 the component ratio of heavy chemical industry made further growth and came to exceed 60%. The group of heavy chemical industries made such a rapid growth as this, but among this group the following four specialised industries concerned with machinery have made particularly prominent advances and each relative weight (due to the amount of delivered products) of those four industries in relation to heavy chemical industry as a whole may be summarised as follows:

|      | Machine Making | Electric Equipment Making | Transport Equipment Making | Precision Machine Making |
|------|----------------|---------------------------|----------------------------|--------------------------|
| 1955 | 4.7%           | 4.3%                      | 6.6%                       | 0.8%                     |
| 1960 | 8.0%           | 9.5%                      | 9.9%                       | 1.1%                     |
| 1964 | 8.4%           | 9.5%                      | 10.0%                      | 1.2%                     |

As shown here the machine making industry which has been most closely related with the production of arms shows a consistent increase in its relative weight. Consequently, the machine industry played a most important role not only for the so-called “high pitched growth” after 1955 but also for heavy chemical industrialisation. Nevertheless, it must be pointed out that the development thus achieved can not always be characterised merely by such a rosy content as to say that “the course of growth primarily led by the machine industry came to be accelerated by a rising movement of spiral type which went through processes such as the increase of the demand for labour power, which in turn caused an increase in the purchases of consumption goods as a result of the increased wages, thus resulting in the further expansion of the machine industry.”<sup>31)</sup> Without taking into due consideration the part played by munition production which was made possible through the medium of “technical innovation”, the economic development of this country after the war would never be properly grasped.

As a result of the recent improvements of airplanes and other arms of the latest type the scope of war industries began to be increasingly widened, their relationships with other ordinary civilian industry came to be more and more closely connected and it is now no longer possible to make a clear distinction between the two types of industry. Above all the aircraft industry, one of the most important war industries which is based on the latest and most advanced techniques has the closest relationship with all other kinds of industries. Consequently, the problem of war industries as well as that of the militarisation of the Japanese economy can no longer be understood only from the standpoint of determining the relative amount of the production of arms which are no more than expendables necessitating no more production or merely from the aspect of the relative

31) *Today's Japanese Capitalism*, Vol. 1, p. 26.

weight of profit coming from the production of arms in relation to the related monopolistic enterprises"<sup>32)</sup>. It is impossible to analyse the role played by war industries and its effect upon the Japanese economy after the war merely by quantitative comparison. War industries backed up by military power (the Self Defense Force) "will not suffice to maintain their supply capacity in sufficient readiness to replenish consumption only for the use of training during peacetime."<sup>33)</sup> "In order to be able to maintain at all times the needed scale which might be required in time of emergency"<sup>34)</sup> monopoly capital did confirm in 1955 "that the establishing of such a production structure on the scale needed to insure possible supplies for procurement in time of emergency should be taken up as a national question."<sup>35)</sup> The rapid increase of the total amount of investments for tangible

Table 5. Total Amount of Investments for Tangible Fixed Properties in Manufacturing Industry

(Unit: ¥1,000,000)

| Fiscal Year | Actual Amount | Index of Increase<br>(1955=100) |
|-------------|---------------|---------------------------------|
| 1955        | 256,219       | 100.0                           |
| 1956        | 436,419       | 155.4                           |
| 1957        | 701,940       | 274.0                           |
| 1958        | 599,334       | 233.9                           |
| 1959        | 698,086       | 272.5                           |
| 1960        | 1,232,022     | 380.8                           |
| 1961        | 1,655,364     | 646.1                           |
| 1962        | 11,750,743    | 683.3                           |
| 1963        | 1,618,190     | 631.3                           |
| 1964        | 1,913,555     | 746.8                           |

*News Report of Manufacturing Industry Statistics*, 1964 ed., p. 17.

fixed properties in the field of manufacturing industry after 1955 as shown in Table 4 proves that such a question is consistently being materialised. Putting it an other way, the total amount of investments for tangible fixed properties, taking 1955 to be 100, made an extreme increase as great as almost 5 times in the course of 5 years in 1960 and 7.5 times in 1964. The fact that manufacturing industries as a whole in which such a rapid increase of investment for fixed properties was made—among them the heavy chemical industry, particularly the machine industry—played the leading role was the background of "a driving force of

32) *Reviving Japanese Militarism*, p. 265.

33), 34), 35) "Present Position of the Defensive Industry and the Problems for This Fiscal Year", *Monthly Report of the Federation of Economic Organisations*, Vol. 3, No. 2, 1955, p. 51.

the national economy"<sup>36)</sup> eloquently proves that the needed production capacity that may be able to supply the required war materials in time of emergency has already been developed in readiness.

The equipment of arms of the latest type is to be made up of the latest techniques and sciences of the highest level. From the aspects of the nature of the latest arms the aim of their production it is essential that production facilities should be exclusively used for this purpose only, that the method, scale and quantity of production should be pre-determined and planned, and that both administration and technique should be placed under a consistently concentrated control. In this way the war industries of the present day are to be built up with planning at the highest level. Consequently, since today's munition production is so closely related with the other fields of production, it is inevitable that all fields of production should be placed on a military footing. Because of the necessity of planning at the highest level from the aspect of the national economy as a whole, the relationship between the military budget and war industries becomes more and more inseparable through the instrumentality of military planning (the national defense plan)—troops (the Self Defense Force). The policy of heavy chemical industrialisation in this country has been carried out with careful planning in the post-war period, with emphasis on the production of war materials under the subordination of American imperialism. It was primarily because the annual budget was kept consistently expanding in a very rapid and greatly increasing tendency from year to year and because heavy chemical industry was kept constantly progressing with great strides that the total war potential of the Self Defense Force "has grown to be one of the most powerful troops in all liberalist countries in Asia—in fact being ranked 7th in the world"<sup>37)</sup> as a result of the materialisation of the 2nd term national defense programme (1962–1966). In short, the total sum added together of military expenditure involved in the first term national defense programme (1958–1961) comes up to ¥654,900 million, while that involved in the second term programme comes up to ¥1,388,000 million (¥277,600 million per year), which shows an increase more than twice as large, or an annual increase of roughly 70%. The relative weight of pure military expenditure in relation to budgetary annual expenditure shows a rate a little less than 10%, but when semi-military expenditure, such as expenses for pensions for former military personnel and repair/maintenance expenses for roads, harbours, airfields, etc. are included, it comes up to over 20%, which shows the predominance of a military colour. It is widely known that "the Mitsuya Study" was pursued to determine the concrete content of the second term national defense programme, and this fact in itself furnishes good proof that the economic and military foundations which were to be pre-determined

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36) *News Report of Manufacturing Industry Statistics*, 1964 ed., p. 14.

37) Chuichi Fukase, "Defensive System I: Self Defense Force", *Jurist*, p. 41.

as prerequisites of a military nation by "the Mitsuya Study" are now being enforced, and making are steady progress.

The aims of the third term national defense programme, which came to be contemplated from the end of 1962 and which was put in to operation from 1967, are concentrated on (1) improvement of defensive power for the surrounding seas in the Far East, (2) reinforcement of guided missile (nuclear-equipped) units and (3) a complete domestic manufacturing scheme for all kinds of military equipment with emphasis on the development and production of military planes (F-X fighters) for the fiscal year to come. The third term national defense programme, therefore, under the new circumstance of the Treaty of Mutual Cooperation and Security between Japan and the U.S.A. to be renewed in the near future, is the most likely to bring forth the danger of placing another milestone on the road to becoming a subordinated military nation, since this national project is now being materialised to combine the military forces (the Self Defense Force) and the major group of monopoly capital in closer and closer relationships, with emphasis placed on the domestic manufacture of military equipment, driving the military scheme forward not only in the economic field but also in the fields of politics and free thought, and making every effort to establish "the production system of military materials". The adoption of offensive weapons, such as guided missiles and fighter-planes, would tend to make the nature of the Self Defense Force more and more aggressive, and the domestic manufacturing scheme for all kinds of arms would inevitably produced a very fair possibility of giving rise to an export industry for completed arms, resulting in giving the nation a background of a reinforced military and economic aggressiveness.

The adoption of weapons of an offensive nature and the domestic manufacturing scheme would conversely in turn prescribe the scale of the military structure in itself to a great extent, and the result would be accompanied by an accelerating increase of military expenditure, all of which facts would find their way in the form not only of the militarisation of the various fields covering politics, free thought and education, but also of a straightforward revival of militarism.

### III

The development of the Japanese economy after the war can by no means be properly understood without taking the revival of war industries in this country into due consideration. To begin with, the fact that the American policy toward Japan of making her "a factory in the East" as "a defensive wall against communism" was adopted in January 1948 formed a precondition for disregarding Clause 9 of the Constitution of Japan which prohibits her to rearm. Later the evacuation of reparation items came to be eased and at the same time potential production power for munitions was deliberately preserved. It is reported that

as much as 72% of the facilities and factories which happened to have been rescued from destruction on account of the discontinuance of evacuation of reparation items used to have direct engagement in the production of weapons, and as much as 80–90% of their former production capacity was still reserved at the time of the Korean War (1951)<sup>38)</sup>. The same was true with human resources. But, now, let us turn to the case of the aircraft industry which comprised one of the most important war industries. In the case of Mitsubishi Heavy Industries immediately after the end of the war, “all of their aircraft specialists were gathered together at their two main factories located at Matsumoto in Shinshu for the purpose of keeping them in safety and the present President, Kono, of this company was then the Chief of one of these two main factories and two other directors at present (Moriya and Kubo) were also among that group of specialists”<sup>39)</sup>. And then this group of specialists was split up to operate three brother industries making ships and automobiles called “East”, “Middle” and “West” Mitsubishi Heavy Industries respectively, and it was these elite specialists who made every effort to assemble a technical staff of as many as 700 airplane designing specialists for this company at present since the reopening of arms production in 1952–3, irresolute as they were at the very beginning because of no knowing of any definite prospect in the future development of airplane-making then”<sup>40)</sup>. It was only because the physical as well as human resources had been deliverately preserved in this way that munition production could be reopened without delay to meet the needs of the “special procurement demand for Korea” starting in 1950.

The period covering 1945–1949 after the war was roughly characterised by low wages, the cheap price of rice and unprecedentedly heavy taxes on the people at large, during which period working funds were primarily concentrated by monopoly capitalists under circumstances such as the inflation policy mainly in line with the interests of the monopoly capitalists, financial subsidies and rehabilitation loans for the purpose of redistribution of the national income. In this way the production conditions which had been completely smashed by the war came to be rehabilitated.

Monopoly capital enforced the accumulation of its capital through the structure of national monopoly capitalism, taking advantage of the impetus that had arisen from the “special procurement demand for Korea”. In other words, assistance was given from national finances to monopoly capital in the form of subsidies through a national budget mechanism to accumulate capital, i.e. the re-evaluation of properties, special measures for depreciation, financial loans, etc., and thus the basic production powers such as iron and steel, shipbuilding, machinery, coal,

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38) Ryoza Takahashi, “The Entire Picture of Planning of ‘The Defensive Production’”, *Central Review*, April 1953, pp. 77–78.

39) *Diamond*, December 1966, p. 56.

40) *Ibid.*, p. 56.

petroleum, etc., were reinforced. In this way the fundamental requirements for war industries came to be materialised. Thus the production of completed weapons activated by the new "special procurment demand" and the ever "accelerating accumulation" through M.S.A. assistance" were facilitated and in 1955 Japanese monopoly capitalism came to be firmly established through dependency on and subordination to American imperialism, which provided this country with a foundation for reviving a new militarism and imperialism.

During the period covering 1956-1960 the policy of high pitched accumulation called "rapid growth" was further enforced and a substantial system of monopoly capital has come to make rapid developments to its full scale on the background of heavy chemical industry under reinforced financial subordination through the mechanism of national monopoly capitalism, such as an instrumentality of expanded loans (created by the Bank of Japan), taking advantage of the low cost of wages. Arms have come to be no more than an important item of an export industry, the Safety Force or Self Defense Force has now grown into an army and navy in the true sense of the word and the intention of overseas expansion has come to be carried out in a more and more straightforward manner.

In 1960 the Japanese subordinate relationship to the U.S.A. was reorganised on the basis of the development and reinforcement of Japanese monopoly capital, resulting in the conclusion of the new Treaty of Mutual Cooperation between Japan and the U.S.A., which is none other than a military alliance. By this new Treaty Japan has been obliged to be incorporated in American nuclear strategy and as a result Japanese war potential has had to be reorganised accordingly. Simultaneously the know-how for the modernisation of Self Defense Force equipment and the domestic manufacturing scheme for it have been driven forward while the production of war materials has also leapt forward a stage to make substantial progress. Besides, monopoly capital, after overcoming its engineering and technical backwardness, is now attempting to find its way into overseas competition, coping with waves of international "liberalisation". It must be said that the increase of military expenditure, as already pointed out, and the issuance of government bonds from 1966 in themselves explicitly illustrate such an intention of monopoly capital as to tracing the road to militarism. "The new policy of doubling individual income" which began to be adopted after 1961 is no more than a national monopoly capitalistic "scheme".

Nevertheless, Japanese monopoly capitalism came to face its own contradictions less than several years directly after its enforcement, and has been driven into a resultant crisis. Monopoly capital is now attempting, in the hope of solving this contradiction, to carry out its militarisation scheme not only in all the domestic fields of economy, politics, free thought, culture and what not, but also in the form of aggressive expansion overseas. For this purpose the heavy chemical industrialisation of the national economy is a mandatory and supreme order, which

is typically revealed in the recent conspicuous inroads in to South-East Asian countries attempted by this country. It is, therefore, of primary importance for us to have a correct understanding of the exact part to be played by the heavy chemical industrialised Japanese economy created by Japanese monopoly capital and American imperialism, and we must also take full recognition of the fact that the Japanese economy is now stepping through a most momentous stage.