

China, coal mining in Manchuria suffered a decline, and Japan's defeat in 1945 put an end to the South Manchuria Railway Company's control of the coal industry.

Hoshino points out in his essay that despite the considerable progress in mechanizing Japanese mining, and particularly copper mining, after the mid-1950s, domestic ore production reached its limit. Thereafter, Japan imported mineral ores and refined them.

Following the Second World War, on the advice of the occupation forces, Japan surveyed its mineral deposits scientifically and standardized its methods for measuring yields, giving industry greater access to domestic mineral resources. As a result, large-scale equipment was introduced to active mines, and production increased appreciably. Chemical plants were outfitted to produce chemical fertilizers by recovering sulphur dioxide gas, a noxious by-product released during mining operations, which they transformed into sulphuric acid. Refining equipment, such as the fluosolid roaster, and flush smelting technology were imported from the United States and Finland respectively. Recently, the Japanese mining industry has begun to develop its own techniques, such as oxygen copper refining and continuous copper smelting.

These technical innovations induced a remarkable boom in copper production in the 1960s and 1970s, but most of the ore smelted in Japanese furnaces was imported from abroad. Famous mines, such as Ashio and Besshi, were forced to close down at this time, and smelters turned to joint participation in overseas resource-development projects. Despite the high sophistication attained by its smelting technology, Japan, Hoshino indicates, would sooner or later have been required to heavily rely on imported refined copper.

## 7. FINANCIAL INSTITUTIONS

1. Japan's financial system as a late starter -- Ryuichi Shibuya
2. The development of the Yokohama specie bank -- Hisahiko Saito
3. Foreign capital and the industrial bank of Japan -- Yoshio Asai
4. The role of co-operatives in agricultural financing -- Osamu Chiba
5. The transfer of the credit co-operatives system to former Japanese colonies -- Shoichi Namikata
6. Mutual loan companies for providing small loans -- Shoichi Asajima
7. Pawnshops as financial institutions for commoners -- Ryuichi Shibuya
8. The development of postal savings -- Yurio Mukai

In his first paper, Shibuya mentions three points as characteristic features of the development of the Japanese financial system.

The first characteristic was that the division of labour in banking based on the model of advanced countries as espoused by Finance Minister Masayoshi Matsukata, developed not in the direction of a separation of long-term and short-term financing, but rather in the direction of the separation of agricultural banking, commercial banking, and industrial banking, and the separation of banking in the mother country and banking in the colonies.

The second characteristic was that a particularly significant role was played by special banks, to which the government contributed funds and gave the privilege of issuing bonds. Such special banks were characterized as both state financial institutions and profit-making financial institutions, but in the course of the economic development, their profit-making character became more pronounced. On the other hand, postal savings, a government financial institution, promoted small savings by the general public, which were used by the Deposit Bureau of the Ministry of Finance as an important source of funds for relief financing and for other financing to foster social policies.

The third characteristic was the early occurrence of the special social problems that have plagued countries which experienced a late start in capitalism and the diversity of financial institutions for commoners, i.e., pawnshops, mutual loan companies, etc. Shibuya also explains the diversity in the role of the state during the course of the modernization of the Japanese financial system.

Saito discusses how the role of the Yokohama Specie Bank (Yokohama Shokin Ginko, established in 1880) developed from its initial role of providing advances for export bills in order to recover Japanese commercial rights from foreign interests and foreign banks, to the role of foreign exchange dealings with government funds to promote direct exports. After the Sino-Japanese War of 1894-1895, the role again changed to that of the collection of war reparations and, after the Russo-Japanese War of 1904-1905, to that of participation in the acceptance of foreign bonds. Thus Japan's position in international finance was gradually consolidated. Saito also explains the background of the government protection, including the government's contribution of funds on several occasions through the Bank of Japan, and particularly on the sound management of the bank.

Asai's paper describes the activities of the Industrial Bank of Japan (Nihon Kogyo Ginko, established in 1902), which played an important role in aiding government control of foreign exchange along with the Bank of Japan and the Yokohama Specie Bank. Through a revision of the Industrial Bank Law in 1905, the government assigned the bank the role of an intermediary in the introduction of foreign capital by state companies in the colonies and by local governments in Japan. Particularly important among the activities of the bank was its financing of the South Manchuria

Railway Company, the artery to north-eastern China, which Japan acquired as a result of the Russo-Japanese War. After the Russo-Japanese War, the bank became an investment bank for Japan's colonies and semi-colonies with foreign capital imported from Europe and the United States.

Chiba explains how the Hypothec Bank of Japan (Nihon Kangyo Ginko, established in 1896) and the Agricultural and Industrial Bank (Noko Ginko, established in 1896) came to prefer making loans to industry in the course of the rapid development of the country, although they were originally intended for providing loans to co-operatives and other organizations for the promotion of both agricultural and industrial activities. Chiba also explains how a financing system for corporations, centred on the Central Bank for Industrial Co-operatives (Sangyo-Kumiai Chuo Ginko, inaugurated in 1924), was created separately from the special banks for the development of co-operatives because of an increase in the importance of providing financing to small farmers in order to cope with frequent outbreaks of tenant farmer disputes after the First World War.

In Namikata's paper, it is pointed out that although the systems of Korea Credit Co-operatives (established in 1907) and Taiwan Credit Co-operatives (from 1913) were helpful in the sense of reducing the interest burden of the small farmers belonging to the co-operatives and giving them relief from usurers, the money lent by such credit co-operatives in fact served as a medium for the loss of land by the poorer members and for the accumulation of land by the members who were better off. This conflicted with the spirit of the system as originally intended.

Asajima criticizes the fact that the government not only did not protect or promote the mutual loan company system as a system whereby ordinary people helped each other, such as by collecting their funds for use by other people like them, but rather it subjected the system to strict controls. Among the reasons that that system was nevertheless able to develop is the fact that there were no other suitable financial institutions for providing financial assistance to small businesses and industries, and the fact that mutual loan companies were relatively easy to organize because they did not require large amounts of capital. As Asajima points out, however, after the Second World War such mutual loan companies were reorganized as mutual savings and loan banks (Sogo Ginko) on the basis of the Mutual Savings and Loan Banks Law. They came to concentrate on deposit savings, with the result that mutual loans became less frequent and eventually disappeared altogether.

Shibuya's second paper explains how pawnshops, which have continued to prosper up to this day on a private business basis as a main source of consumer funds, contributed to the impoverishment of the lower classes because of the unreasonable interest and commissions demanded by them. Various steps were taken to cope with this situation, including the establishment of public pawnshops (1927) and co-operative pawnshops.

(throughout the 1920s), but the public pawnshop business stagnated when public assistance to them was discontinued and co-operative pawnshops, which were a creative new idea that did not benefit from any government assistance, were gradually transformed into savings co-operatives. Both eventually disappeared from the scene.

Mukai explains how the postal savings system was introduced into Japan from Britain in 1874 and was rapidly expanded and improved in the 1880s. Through continued development, by 1910 postal savings represented 29 per cent of all deposits by the general public, with savings by small merchants and medium and small farmers accounting for a large percentage of the total. The author cites as reasons for the popularity of the postal savings system: (1) the zaibatsu banks were not enthusiastic about collecting petty savings because of the high costs involved; (2) the handling costs of postal savings were borne by the general account of the government treasury, making postal savings interest rates more than competitive with those of the savings deposits of other financial institutions, in spite of use of postal savings funds for investment in public bonds and other low-interest areas of investment; and (3) the government carried out an active campaign for the encouragement of postal savings.

## 8A. BUSINESS MANAGEMENT

1. "Japanese management" reconsidered: introduction -- Shigeaki Yasuoka
2. Ownership and management in family business -- Shigeaki Yasuoka
3. Nationalism in business -- Makoto Seoka
4. Values and characteristics of prewar industrialists -- Kenjiro Ishikawa
5. The formation of the employment system: the case of Mitsui -- Akiko Chimoto
6. The family business and inheritance among Kyoto merchants -- Ken Nakamura
7. Prewar local zaibatsu -- Teiichiro Fujita
8. The market-oriented development of the indigenous industry -- Masahiro Iwashita

In his introduction, Yasuoka points out the high absorbability of imported technology as one of the features of Japanese management. Such receptiveness does not mean merely a capacity for the assimilation of new technology, but also a flexible capability on the part of management to switch over to another industry when the industry that it has been engaging in suffers because of the introduction of new advanced technology.