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European Reformism, Nazism and Traditionalism

**Economic Thought in
Imperial Japan, 1930-1945**

Introduction

This study is a first attempt to analyse the development of economic thought dominant in Japan in the critical period between the Great Depression and World War II in relation to European and American ideas about the transformation of capitalism from a liberal to a controlled economy. It pays particular attention to how the contemporary Japanese perceived their economic system, both in terms of a new stage of capitalism and its function in an age of total war, and how they received and modified ideas from Europe and the United States. This work also contributes to the study of the development of economic thought in Europe and the United States and their spread to the Far East by investigating western discussions about the reform of capitalism and their impact on the Japanese system. In this sense, it is a unique attempt to look at the history of European and American economic thought at a time of changing capitalism through developments in Japan.

The period, mired in the Great Depression and continuing serious recessions, was also heavily overshadowed by the rise of militarism and nationalism, as exemplified by the May 15 Incident of 1932 and the February 26 Incident of 1936,¹ and a parallel shift towards totalitarianism. Military incursions and wars, from the Manchurian Incident (1931) to the Second Sino-Japanese War (1937-) and the Pacific War (1941-45), ushered in a wartime economy and a system of national mobilization.² Nevertheless, it is not appropriate to define this turbulent period as a “Dark Valley”³ marked by an abnormal degree of political and social repression, or as a transitional period of chaos, sandwiched between the 1920s

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- 1 On May 15, 1932, the Prime Minister, Inukai Tsuyoshi, was assassinated by a group of young naval officers, whose light punishments led indirectly to the attempted coup d'état by the military in February 1936, following which the Okada Cabinet resigned, paving the way for increased military influence in the government. For further details, see Shillony 1973, Honjō 1982, Gow 2004.
 - 2 For an outline of the socio-economic development of Japan in prewar and wartime Japan, see Nakamura 1998. For the war economy, see Schumpeter ed. 1940, Cohen 1949 (reprint 2000), Hara 1998, 2013, Pauer ed. 1999. Yamazaki 2011.
 - 3 Jap. *kurai tanima*. This was an expression used by contemporaries after the war. See Ōkōchi 1979.

and the postwar period. Neither is it enough simply to focus on the wars Japan was involved in during the 1930s and 1940s and define the period only in terms of military conflict, a time of total war and national mobilization, as several scholars have asserted.⁴ It is clear from studies of modern economic history that the period from the end of the 1920s through to the Second World War cannot be discussed separately from global trends towards a transformation of the capitalist economy that had been long in gestation, or apart from how these trends affected Japanese capitalism, so tightly associated with conditions world-wide, and brought it to the brink of crisis.⁵

The period of global change and crisis forced the Japanese policy makers and intellectuals of the time to assess their country's social and economic problems in the wider context of the development of capitalism in western countries. They were interested in the breakdown of the liberal economic system and the rise of state intervention in Europe and North America, and in plans to modify capitalism. They subsequently related this understanding of the world to forming their own ideas and planning policy.⁶

Japanese intellectuals were interested in English theories, such as Alfred Marshall's idea of "economic chivalry", those of J. M. Keynes in his *The End of Laissez-Faire* (1926) and the reformism of G. D. H. Cole and R. H. Tawney, as well as American ideas like Taylorism⁷ and Gerard Swope's plan for industrial organization that influenced the National Industrial Recovery Act of 1933, one of the first pieces of legislation in President Roosevelt's New Deal. But they took a particular interest in the German situation, which they perceived to be very similar to their own, and its underlying ideas. The ideas of Walther Rathenau, a prominent German politician and industrialist, about reforming capitalism attracted the attention of reform-minded Japanese. The debates over structural changes in capitalism among German economists of the Historical School were observed closely

4 For example, Yamanouchi, Koschmann and Narita eds (1995, 1998).

5 For the structural changes in, and the crisis of, capitalism in prewar and wartime Japan, see Nakamura 1971 (part 2) and Hoston 1986.

6 Bai Gao accurately points out: "Economic ideas played an extremely important role in formulating the state policy in the managed economy. When the laissez-faire doctrine was discredited by the Great Depression, the Japanese searched for new solutions from various sources, especially Western countries. These elements from various sources together constituted a coherent logic for the managed economy." (Gao 1997, p. 99.).

7 For the influence of Taylorism on the rationalization movement in Japan at that time, see Tsutsui 1998.

by social scientists in the Far East. In particular, the concept of “Late Capitalism” introduced by Werner Sombart was widely accepted by Japanese intellectuals.

Contemporary Japanese regarded German National Socialism and its economic system to be distinctive phenomena that had arisen in the process of the transformation and modification of laissez-faire capitalism. The Nazi economic system was to have a great impact on Japan’s policy formation, both in terms of a new stage of the economy and of preparation for total war.⁸ The contemporary influence of German National Socialism and its theory of total war (*Wehrwirtschaft*) in Japan can be seen particularly in the policy of the New Order (*shintaisei*) for labour and the economy that was hotly debated throughout the second Konoe Fumimaro Cabinet (1940-41) and which provided the preconditions necessary for waging the Pacific War.⁹ For Japanese leaders of the time, who had rejected the liberal means of mobilization in England, France and the United States, German National Socialism seemed to be the best model, since it had succeeded in establishing a war economy based on capitalism under totalitarianism. The connection between the Japanese and German New Orders has been remarked upon in many historical studies, but their inherent relationship has not been properly explored. This study therefore proposes to go into the subject as deeply as possible, clarifying how Japanese policy makers and thinkers incorporated Nazi ideas into their own concept of the New Order, and discussing the complementary fusion of both Nazi elements and distinctive Japanese features such as the emperor system (Tennoism) and its ideology.¹⁰

This study pays attention to the analyses about German National Socialism made by Japanese social scientists at the time.¹¹ They regarded the *Neuordnung*

8 See Ando 1963, Fletcher 1982, Garon 1987, Gordon 1991, Gao 1997, Kerde 1999, Lehmbruch 2001.

9 The “new economic order” of the Konoe cabinet and the important role played by leading bureaucrats and intellectuals are discussed in Fletcher 1982, Nakamura 1998, p. 3, Gordon 1991, p. 11, Gao 1997, p. 113.

10 Historians have discussed the affinities of totalitarianism between German National Socialism and Japanese emperor system, in which the similarities and differences between the Fascisms of two countries are made clear (see for example Maruyama 1969.) But the transfer of Nazism from Germany to Japan, its modified acceptance by the Japanese, and the process through which the totalitarian regime of the emperor system was moulded, have not received much attention (for exceptions to this, see Gordon 1991, Mimura 2011). The English term “Tennoism”, referring to the system of imperial rule, is rather dated, but it can still be found.

11 For intellectuals in prewar and wartime Japan, see the interesting studies made by Andrew E. Barshay and Harry Harootunian. Barshay 1988 examines the political

of Nazi Germany as a modern phenomenon, in its criticism and totalitarian reform of *laissez-faire* capitalism. While many critical scholars questioned the political system of totalitarianism and the irrational and abnormal elements of Nazi thought (*Weltanschauung*), such as racism and anti-semitism, they also paid keen attention to the modern side of the structural reforms carried out in Nazi Germany. Comparing the social and economic progress of Japan and Germany, they linked their perception of Nazi Germany with an analysis of Japan's backwardness and its quasi-feudal traditionalism, which implied a criticism of Japan's existing emperor system. Such intellectual activity was bound to create sharp tensions with the authorities, who thought to preserve and utilize such traditional elements in society and the economy. Such critical thought and research were banned under the banner of the "Thought War", as the country moved toward a system of total war. Conservative intellectuals, on the other hand, who regarded the traditional inheritance, bound up with the emperor system, as indispensable for the development of the country, were able to influence the government.

Studies by social scientists of the German system under Hitler attracted the attention of political leaders who would go on to utilise the Nazi New Order to build a mobilisation system for total war in Japan. Japanese of the time understood German National Socialism as a totalitarian regime for a time of crisis, comprehending it through how it resembled or differed from the liberal systems of Great Britain, France and the United States. By so doing, they recognised resemblances between Germany and Japan in terms of national development and so regarded German-type totalitarianism as suitable for the Japanese situation. At the same time, however, they discovered important differences in both policy and the economy between the two. There was no equivalent in Japan of the type of dictatorial power held by Hitler's NSDAP in Germany, and this proved to be a grave defect in attempts to form and enforce a totalitarian system in Japan. But Japanese leaders found a decisive substitute in the emperor system, and prevailing popular ideology lent valuable support to the formation of totalitarianism. This study analyses that elements of National Socialism were accepted and amalgamated into a Japanese style of totalitarianism under the emperor system, recognising both affinities and differences in developments in the two countries.

discourse and activities of two important intellectuals: Nanbara Shigeru (1889-1974), a professor at the Tokyo Imperial University, and Hasegawa Nyozeikan (1875-1969), a prominent journalist of the time. Barshay 2004 studies two Marxian social scientists, Yamada Moritarō (1897-1980) and Uno Kōzō (1897-1977), who were also active after World War II. Harootunian 2000 examines the ideas of intellectuals in the fields of history and philosophy.

It is hoped that this analysis will contribute to the comparative study of international fascisms.¹²

Since the end of World War II, Japanese scholars have discussed changes and continuities in the political and economic system of the country between the prewar and postwar periods, insisting on a discontinuity between the two: that the quasi-feudal factors in the economy and the totalitarian emperor system had been abolished as a result of postwar reforms during the Allied (particularly American) Occupation and Japan had been transformed into a democratic country. Recent studies note, however, that many policy ideas of the prewar and wartime periods, and the economic institutions based on them, were carried over into the postwar period. It has also become increasingly clear that many elements of traditionalist and Japanist ideas were inherited by postwar society, despite the postwar reform efforts to eliminate them. It seems today that not only do such modern ideologies as globalization and a revised doctrine of *laissez-faire* coexist with a tendency towards a realignment of ideas about the emperor system and traditionalism, but they also often merge with one another. For example, the use of traditional era names (*nengō*) based on imperial reign names remains compulsory within the bureaucracy, pupils and teachers are obliged, during school ceremonies, to sing the national anthem (*Kimigayo*) that has strong ideological connections with the emperor system, particularly its wartime manifestation, and there is a growing patriotic (or nationalist) movement based on traditionalism and the emperor system among conservative politicians, economists, journalists and historians, who, supported by right-wing extremists, claim Japan's legitimacy vis-à-vis the Pacific War, in defiance of the critical interpretation of prewar and wartime militarism and totalitarianism in Japan.

I hope that this study will help shed light on aspects of both the continuities and discontinuities between prewar/wartime and postwar Japan.

12 Historians have argued about applying the word "fascism" to Japan. See Gao 1997, p. 68.