

THE ANNALS OF THE HITOTSUBASHI ACADEMY

Vol. VII No. 2 April 1957

PREREQUISITES FOR JAPANESE ECONOMY AND SMALL-MEDIUM INDUSTRY

By Tokutaro Yamanaka

Professor of Economic Policy and Labour Problems

I

The Japanese economy is at present in the process of becoming a "self-sustaining" economy independent as a member of world economy in pursuing the laws of economic development, a process which is, of course, both necessary and unavoidable if Japanese capitalism is to continue its development.

Needless to mention, the basic power in Japan's capitalism is the activity of capital. As the development of the Japanese economy since the Meiji Era shows, capital, particularly in Japan, does not and cannot occupy the premier position in economic organization independent of other economic factors. Capital, evidently dominant factor, exists in a reciprocal and conditional relationship with various other economic factors. It is doubtless these reciprocal and conditional relationships which distinguish the structural characteristics of the various capitalistic economies of various countries.

Thus also, in the case of Japanese capitalism which is now following the "necessary" course toward a self-sustaining economy, the process cannot be viewed in accordance with the principles of capital activity alone. The crucial and determining factor as might be expected when considering this course is labour, as is quite natural in any capitalistic society. In Japan, particularly in post War Japan, as contrasted with the period prior to World War II, the labour factor assumes a character of entirely new importance; it is, in fact, a "new" factor, in the sense that it now is modern organized labour, because she had scarcely the industrial relation equipped with trade unions before the War. There is at the same time, another aspect of the labour factor which is growing with and allied to this new factor. This is the pressure of an increasing 15-64 years of age population.

As in the case of England in the 19th century, if Japanese capitalism is to go beyond the phase at which it has now arrived, it must face up to this problem of an increasing labour force, not from humanitarian or ethical considerations alone, but out of sheer economic necessity. Without solving this problem, there will be no future development of capitalism in Japan. Needless to say, this factor of an increasing labour force is of crucial importance.

Fundamentally, of course, economic development implies progress, both qualitatively and quantitatively, in the economic activities of man; it is axiomatic that economics is concerned basically and ultimately with man. Though capitalistic economy has made a big advance in economic development, it has also introduced such a problem as unemployment into this "economy for man".

It is needless here to mention such an ever-present institutional contradiction. For the present Japanese capitalistic economy the problem is taking a more keen shape. The ever growing pressure of an increasing labour force raises the following question: how can the Japanese people maintain their livelihood within the Japanese national economy and how is Japan's capitalistic economy responding to this fundamental problem? This basic problem which may be suggested as the second severe contradiction in the history of Japan's economic development since the Industrial Revolution; so severe that it might be postulated that there will be no economic development under the capitalistic system in Japan ignoring the question.

While the problem of a rapidly increasing population pressure is not in itself new, it has in Japan today certain characteristics and implications which are new and which should be noted.

It is generally expected that a natural increase of population will be accompanied by a corresponding increase in the production age population. However, the production age population not only increases but an increase in the child population also constitutes an important part of the overall population increase. For instance, the Japanese population which was 55,400,000 in 1920 increased to 68,700,000 in 1953, and to 83,200,000 in 1950 and approximately 40% of this increase of 13,300,000 in the first 15 years represented children under 14 years of age, whereas the increase in production age population, that is persons 15 to 64, was 7,900,000. In the next 15 years, however, of an increase of 14,500,000 in Japan's population, the increase of children 14 years represented only 30% with the remaining percentage representing a population at production age. In estimating the population increase in Japan for the period 1950 to 1965, which is estimated to be 14,100,000, allowing for the rapidly declining birth and death rates, the child population should decrease for the first time about 5,200,000, whereas the increase of the production age population, making up for this decrease in the child population, is estimated to be 17,300,000. That is to say, the age structure of Japan's population tends to show an increase differing remarkably from those of the past. Furthermore, this increase, since it will be due to the decline in the death rate, will be steady. The real increase will be an increase of the production age population alone. Assuming that the

birth rate remain constant, it can be estimated that the increase of the production age population will slacken after 1965. In this connection, the following series of assumptions could be made here: that the production age population will increase by 1,150,000 per year during 15 years up to 1965 and the number of employed should increase by 750,000 yearly according to the present rate of employment in Japan which has been 67% of the producing age population.

While it would be interesting to analyze how and why this change with respect to the increase of the production age population has occurred in the economic process of Japanese capitalism, this is a question which can be postponed for further discussion (although it should not be laid aside as being "outside" of the economy). The basic proposition remains that Japanese capitalism must proceed toward self-sustaining economy answering this new pressure of growing population. The general economic conditions which support this proposition indicate how difficult it is for Japanese capitalism to answer this proposition at the same time in terms of the standard of income. However, I would like to refrain from touching upon such general problems now.

It has been estimated by a French demographer that the costs in terms of national economy of raising a human being from infancy to the age of 18 is equal to the earnings which would accrue from 9.5 years' labour.¹ The increase of the production age population therefore constitutes not merely an increase of population but an increase in the supply of potential economic power, a matter for congratulation, not regret. However, such increases in the population raise in the modern world a demand not merely for more food and clothing from charity but for real proper opportunities for employment. If such demands are not met, it may be feared that serious social unrest will accompany such a growth of population.

It may be concluded, therefore, that the classes belonging to the producing age population may not accept Japanese capitalism as a self-sustaining economy, if it could not offer sufficient and proper employment to these classes. Frankly speaking, Japanese capitalism is under demand that it should draw up its plans for a self-sustaining economy in such a form as to answer this employment problem. Has Japanese capitalism, however, taken up this problem with due "frankness" and is it demonstrating ability to cope adequately with it?

The problems of small-medium industry, the subject of this paper, are arising in such a context of the Japanese capitalistic economy at the present time.

II

First, turning briefly to available "official" material, attention will be paid to the question of how Japanese capitalism at present is answering of preparing to cope with the pressures of an increasing working population.

¹ Sauvy, Alfred; *Théorie générale de la population*, Vol. I Economic et population, Paris, 1952, p. 328.

As has already been mentioned, the new pressures of Japan's working population were first apparent in 1950, and it would be expected, therefore, that answers of some sort must already have been put forth. Although the data found in the "Rodoryoku Chosa" (Survey of Labour Force) must be taken as rough estimates, on the basis of this, let us see the sorts of employment in which the increased working population was absorbed during 1951-1954. (Table 1)

Table 1
Increase of Employment Population during 1951-1954
(10,000 persons)

Classification of Industries		Increase in Tertiary Industry		Classification by Status			
					Total	Agriculture	Non-Agriculture
Primary Industry	53	Commercial, financial, real estate trades	116	Proprietor	32	*21	53
Secondary "	101			Family workers	155	67	88
Tertiary "	180	Servicing trades	53	Employees	149	4	145
Unknown	2	Civil service	10				
		Others	1				
Total	336		180		336	50	286

Rodoryoku Chosa (Survey of Labour Force)

* shows decrease

Number of unemployed increased by 190,000 during this period

During this period, it will be seen that while unemployment increased by 190,000, employment increased by 3,360,000. The figures for employment have been broken down as follows: 530,000 in primary industry; 1,010,000 in secondary; and 1,800,000 in tertiary, the absorbing power of the tertiary being over 53%. The increase of 1,800,000 in the tertiary industry includes: 530,000 in servicing and entertainment, and 1,160,000 occupied in commercial, financial and real estate trade. In other words, one-third of the total increase was in the commercial, financial and real estate trades, which in turn consist essentially of retail trades. As will be seen later, employment in commerce includes occupations in petty retailing with less than 5 engaged persons. Statistics which break down the employment figures in terms of status of employment reveal that those engaged as "family workers," an old form of labour, totalled 1,550,000, slightly exceeding the number of 1,490,000 employed workers. Under agriculture and forestry, the number of family workers increased by 670,000 and the number of employees by only 40,000, with the number of self-employed showing a slight decrease. In the tertiary and secondary industries there was a distinct increase; the number of proprietors increasing by 530,000 and that of family

workers by 880,000. As can be seen from the industrial statistics, the number of family workers was highest in petty industries. For instance, in Osaka Prefecture (Table II, 1950), there were 2.26 family workers to 1 employee in small scale industrial establishments with less than 3 persons engaged. In the case of establishments with 4 persons, there were 0.48 family workers to 1 employee.

Table II
Labour Structure in Small Industries in Osaka Prefecture (1950)

	less than 3	4	5~9	10~19	all scales
Regular employees (A)	6,025	3,802	28,370	49,875	402,259
Family workers (B)	13,664	1,852	5,011	2,036	23,110
B ÷ A	2.26	0.48	0.18	0.04	0.05

Based on Analytical Report of Industrial Statistics, Osaka Prefecture

It will be seen that particularly in commerce, according to commercial statistics (1952), among the total number of persons engaged in commerce (including proprietors and officers of corporations) which was 3,530,000, 25.6%, that is, 900,000 were family workers whereas 40.2%, that is, 1,420,000, were proprietors (and corporation officers). The increase of 530,000 in the number of proprietors and 880,000 in family workers in the non-agriculture figures is considered to have been absorbed mainly in petty commercial trade. Most of the increase of 1,450,000 in the number of employees in non-agriculture was absorbed in secondary industry, especially manufacturing industry. However, it is quite possible that at least 50% of the employment increase in manufacturing was absorbed in industries employing less than 50, that is, in small-medium industries. Thus, Japanese capitalism to date has been meeting with the increase in its productive population essentially through employment in the small-medium industries.

Table III
Estimated Increase of Employment in Five-Year Plan (1954-1960)
(10,000 persons)

	Total	Employees	Others
Total	504	276	228
Primary industry	76	6	90
Secondary "	163	138	25
Tertiary "	267	131	136
Manufacturing industry	111	100	11
Commercial, financial, real estate trades	150	51	99
Servicing trades	82	45	37

Before turning to the question what sort of employment these are, it should be noted that the official viewpoint is likely to remain unchallenged at present, accepting such trends and places of employment. Illustrations of this will be seen in the following.

With respect to the actual prospects for increase of employment, the Five-Year Economic Plan drawn up in early 1955 by the Liberal-Democrat, government, envisages an increase of employment by 5,040,000 during the period 1954-1960 (Table III).

Of this total increase, tertiary industries account for 2,670,000; 1,630,000 to be absorbed by secondary industries and merely 760,000 in primary industries. It is not unusual that the prospects for increase in primary industries should be small. Of the increase of 2,280,000 in the number of proprietors and family workers, 1,360,000 are estimated to be in tertiary industries: —approximately 1,000,000 in commercial, financial and real estate trades and 370,000 in servicing and entertainment trades. These estimates, which represent nothing but statisticalized, overall projections, show the attitude leaving the things going themselves and thinking it simply natural to discover the increased supply of labour directed into commerce, proprietors, and family workers engaged in petty business. In short, Japanese capitalism is attempting to meet the pressure of an increasing working population brought forth against her course toward a self-sustaining economy in small-medium industries. Can an increase in such a direction be considered a matter for rejoicing?

III

It may be said that industries, like human beings, are of different structures and sizes. For instance, we find it not possible to establish a modern steel plant with a capital of ¥100,000,000, and yet it would be absurd to invest this amount in the establishment of one large-scale kite manufacturing concern. That is to say, under given economic conditions, there are for each industry proper standards of scale and size, depending upon the kind of industry. As large sized industries are not always appropriate, the existence of small-medium sized industries can never be considered irrational. Even in the United States, country which is typical example of monopolistic capital and of mass production economy, small sized enterprises occupy an important position with respect to number of establishments, in manufacturing as well as in commercial and servicing and entertainment trades. Though I would not say there are no problems with respect to small-medium industries, small-medium industry can hardly be dismissed as having no employment value in our present day economic system.

It is true that by small-medium industries, we mean enterprises small or medium and not large is size. It might be right to point out why such enterprises, because of being small or medium in size, should necessarily and specially be classified as small-medium industries.

They are, in fact, classified as small-medium not merely because of the quantitative scale. In the United States, for instance, enterprises with as many as 500 employees are still considered small, while in Japan enterprises with up to 300 employees are in the category of small-medium industries. Moreover, a garment factory and an atmospheric nitrogen processing factory may differ far more in terms of capital invested but not so in terms of numbers of workers employed. In comparing size of industrial enterprises, even those with the same number of employees, various factors such as capital, scale of operation and so forth must be taken into account. "Size", then depends upon the industry, the time and country. The problem is to determine the unique "quality" or characteristic common to all the various small-medium enterprises by which they may be appropriately classified as small-medium industry regardless of actual size.

In Japan at present small-medium industry is conceived of as a group of enterprises defined not in terms of traditional industrial scales but rather with respect to a specific essential quality common to all in the group.¹ Here at least, the concept of small-medium industry starts with the assumption that it possesses a certain fixed quality in addition to being small in size.

IV

Let us inspect some data on manufacturing, which holds an important position among small-medium enterprises. Although most of the data have al-

Table IV

Scale (Number of Persons engaged)	Wage Differentials		Establishment Earning per person	
	Japan (1952)	Britain (1949)	Japan (1952)	Britain (1949)
4 ~ 9	39.2	—	30.2	—
10 ~ 19 (11 ~ 24)	45.5	*83.9	36.3	*90.0
20 ~ 49 (25 ~ 49)	52.5	*83.4	45.4	*92.2
50 ~ 99	60.4	83.7	58.5	93.8
100 ~ 199	69.3	84.8	70.8	95.6
200 ~ 499	83.3	85.9	94.1	96.7
500 ~ 999	96.4	89.3	103.7	98.1
1000 ~	100.0	100.0	100.0	100.0

Note: Sources for Japan: Census of Manufacture.

Sources for Great Britain: Census of Production, for 1950, 1949 and 1948, Summary Tables, Part I.

Figures with asterisks are for the parenthetical numbers. Persons engaged include other than paid workers such as salary earners or family workers without pay for Japan and only paid workers excluding outworkers for Great Britain.

¹ See my article, "The Nature of Small Industries. A Survey of the economic intertation in Japan", in the *Annals of the Hitotsubashi Academy*, Hitotsubashi Univ, Vol. IV, No. I, 1359.

ready been quoted on various other occasions,¹ I shall refer to them again insofar as they are related to the problems dealt with in this article.

Table IV is a comparison of wage and establishment earning differentials by size of establishment in Japan and Great Britain.

The figures are indices of average per capita earnings by establishment² in all industries classified by the size of business (number of engaged persons, a little wider in its sense in Japan than in Great Britain), with the scale high point (for establishments with more than 1,000 persons) set at 100. The table also sets forth the index numbers of average per capita yearly income for paid employee calculated in the same way.

These indices are defective in that they are calculated on the basis of just one year and are by establishment and not by individual field of business, and that they are merely a comparison of per capita index numbers which in turn are the average for all industries. Moreover the method of statistics is more or less different for the two countries. Nevertheless, because of their comprehensiveness, they are fully suggestive. As an example, the margin between the highest and lowest earnings of establishments in Great Britain amounts to only 10% whereas it almost reaches 64% in Japan.

Table V is a comparison of indices for per capita average wages and earnings of establishments classified by the field of industries, calculated by the same method and from the same sources, and setting for the top of the one hundred-high scale the average income of the field in the forefront.

As shown in the table, the margin between maximum and minimum earning indices of establishments in Great Britain is 48, whereas in Japan it is 82. However, since the oil and coal products industry which is the highest for Japan may be said to be somewhat exceptional as indicated by the margin between it and the second highest, the chemical and allied industry, the two fields may be taken together. In that case the margin between the highest and lowest would come to 72, or twice as much as that of Great Britain. The margin in Japan attains in six fold approximately compared with Great Britain the case of size of establishments, so the margin between fields of industries in Japan is not so wide as it seems at first sight.

Moreover, it may be concluded from the table that the structure of industry in Japan classified by field, insofar as the per capita earnings of establishments is concerned, is normal, with chemical products, paper, primary metals, and machinery ranking high, and clothing, woodcrafts, and textiles low.

¹ See my articles written in Japanese and "Small-Medium Industries in Japan's Social Economic Structure", Oct., 1955 prepared for the International House of Japan, Inc., Tokyo (this latter written in English is about to be published by the Division of Economics & Commerce, the Science Council of Japan, as one of its economic series).

² The earning of establishments is referred to as "Added Value" in Japan and "Net Output" in Great Britain. Although the two terms differ in connotation, they are roughly similar in that they are the margin figures obtained after deducting from the value of shipments the cost of raw material and power, cost of parts and put-out works and the excise. Wages and salaries, interests, overhead charges, and profits are not subtracted. Hence the term, rather vague, "Earning of establishment" seems less misleading.

Table V
Comparison of Per Capita Wages and the Earnings of Establishment
in Japan and Great Britain by Fields of Industry

Field	Japan (1949)				Field	Great Britain (1953)				
	Total per Capita Wages		Establishment Earnings per Person			Total per Capita Wages		Establishment Earnings per Person		
	No. of Workers (1,000)	Actual Amount (1,000yen)	Index	Actual Amount (1,000yen)		Index	No. of Workers (1,000)	Actual Amount £	Index	Actual Amount £
Food & Kindred Products	456.1	126	53.3	354.1	35.7	626.7	301	78.3	734	97.6
Textile Mill Products	962.6	102	43.2	250.5	25.3	936.0	262	68.2	516	68.6
Apparel & Other Finishid Products made from Fabrics & Similar Materials	115.5	88	37.2	182.7	18.4	531.2	244	63.5	394	52.3
Lumber & Wood Products	300.4	105	44.4	199.4	20.1	235.9	321	83.5	480	63.4
Furniture & Fixture	88.4	116	49.1	183.0	18.5					
Paper & Allied Products	142.2	194	82.2	549.9	55.5	428.9	339	88.2	608	80.8
Printing & Publishing	202.1	178	75.4	425.8	43.0	347.2	363	94.5	752	100.0
Chemicals	344.7	194	82.2	638.0	64.4					
Oil and Coal Products	27.4	208	88.1	990.7	100.0					
Rubber	71.7	149	63.1	403.2	40.7					
Leather	26.2	141	59.7	263.9	26.5	57.5	320	83.3	648	86.1
Glass and Earthenware	237.1	154	65.2	387.5	39.1	286.5	303	78.9	547	72.7
Primary Metal Products	381.8	236	100.0	533.7	53.9	530.4	384	100.0	653	86.8
Fabricated Metal Products	214.6	152	64.4	290.6	29.3	401.6	298	77.6	524	69.6
Ordnance	8.4	162	68.6	264.3	26.7	1,623.5	343	89.3	535	71.1
Machinery	365.0	173	73.3	306.6	30.9					
Electrical Machinery	225.7	186	78.8	447.0	45.1					
Transportation Equipment	305.6	219	92.3	417.2	42.1	731.4	373	97.1	522	69.4
Precision Apparatus, etc.	68.5	167	70.7	268.4	27.1	113.2	320	83.3	543	72.2
Miscellaneous	122.4	109	46.1	212.7	21.3	199.7	323	84.1	552	73.4

Note: Sources for Japan: Census of Manufactures
Sources for Great Britain: Census of Production (ref. Table IV).
Index 100 for the highest entry in the Actual Amount Column.

The only difference between Japan and Great Britain is that in the case of the latter, foodstuffs and leather rank high, whereas in the case of the former, they hold a subordinate position. In short, although on an absolute scale the per capita productivity of Japan lags far behind that of Great Britain due to backwardness in automation, etc., it holds a relatively similar position as that of Great Britain in the structure of industry. It may be said that this great divergence between Japan and Great Britain, not in structure, but in size of business indicates something peculiar to the Japanese industry.

Let us now proceed to a comparison of the earnings of establishments in Japan and Great Britain classified by size of business in each subdivided field.

In the case of Great Britain, it is pointed out by economists such as Colin Clark¹ and L. Rostas² that the several industries investigated fall into the following categories: industries whose earning increase proportional to the size of business; industries in which the middle group has the largest or the smallest amount of earning; industries whose earning is in inverse proportion to the size of business; and finally, industries whose earning has irregular correlation with the size of business. According to Rostas,³ for example, when the analysis of earning of establishments is taken alone, 11 industries fall into the first category

Table VI

Percentage Comparison of Relationship Between
Establishment Earning per Person and Size of
Business Number of Subdivisions Japan (1952)

Size of Business	No. of Fields	A	B	C	Total
Petty (4~29 persons)	34	15%	32%	53%	100%
Small (4~49 persons)	37	19	8	73	100
Medium and Small (4~199 persons)	120	3	18	79	100
Large and Small (4~999 persons)	101	3	17	80	100
Largest and Small (4~1000 persons or over)	20	—	5	95	100
Large (over 200 persons)	8	63	—	37	100
Total	320	7	17	74	100

- Note: 1. Source: Census of Manufacture.
 2. The Classification in this table are tentative and are subject to further, more accurate calculation.
 3. A indicates industries whose per capita earning decrease in inverse proportion to the size of business.
 B indicates industries among which the middle group has the highest or lowest per worker earning or whose earning has little correlation with increases and decreases in the size of business.
 C indicates industries whose per worker earning increase proportional to the size of business.

¹ Colin Clark, *Conditions of Economic Progress*, London, 1940

² L. Rostas, *Prices and Distribution in Selected British Industries*, Cambridge, 1948.

³ L. Rostas, *ibid* pp. 28-30.

(inclusive of 4 industries which partially belong to this category), 2 into the second, 2 into the third, and 5 into the fourth category. The results obtained by Rostas and Clark are discrepant in that industries falling in the first category with Rostas are much greater in number than with Clark.

This leads to the long-pending question of whether it is possible to make a comparison of per capita earning of establishments in small-medium businesses of Japan. The data for this have recently become available and are still under investigation, and we have not yet arrived at the stage of giving accurate figures. Leaving such to a later report, we shall, in this report, use the above rough figures set forth in Table VI as an interim measure.

The above table sets forth the rough percentage of the different categories in each subdivided field with respect to the relation of per capita earning of establishments to the size of business, calculated from the 1952 Census of Manufacture. Out of 335 business fields treated, 15 would not fall under any of the categories and were excluded. Among the remaining 320 fields, those whose establishment earning increases entirely or partially proportional to the size of business account for 76% or three-fourth; those among which the middle size have the highest or lowest earning, or whose earning has no correlation with size account for 17%, and those whose earning wholly or partially in inverse proportion to size account for 7%. This is further classified under the following 6 scales of business: petty businesses (consisting of establishments employing 29 persons or under), small-size businesses (consisting of establishments employing 49 persons or under), medium and small size businesses (consisting of establishments employing 199 persons or under), small and large size businesses (consisting of establishments employing 999 persons or under), small and largest size business (consisting of establishments at the largest which employ 1,000 persons or over), large-size businesses (consisting only of establishments employing 200 persons or over). What should be noted here is that the fields belonging to the third category, namely, those the per capita establishment earning of which is in inverse proportion to the size of business, concentrate upon the two extremes, namely, petty and small size businesses in one hand and large size business (consisting exclusively of establishments employing 200 workers or over) on the other hand. Although those figures are still subject to further detailed analysis as stated before, it may be safe to say that conspicuous "diminishing return" patterns are seen not in all the fields which comprise both large and small establishments but only in those which consist exclusively of large or small establishments. Japanese industries taken as a whole would fall under the first category in which the earning of establishments is proportional to the size of business. The average differentials by size of business of all industry which we referred to before would fairly well represent the average figures of these subdivided fields.

The following remarks should be added further to the above analysis of the tables concerning manufacturing industry. Since the fields in which the per capita earning of establishment ranks high when classified by the fields of industry are not so different, although slightly lower in the actual amount,

from those in Great Britain, it may be said that the fields ranking low in differentials in the case of Japan are extremely low. Again although hardly any reference was made to the wage differentials set forth in the table V, we might point out here that the vertical order in wage differentials in the case of Japan, which starts from primary metal industries and descends in the order of transportation machinery, chemical goods, paper, etc. down to textile and clothing, is, with a few exceptions such as woodcraft and leather, generally similar to that of Great Britain. As it is in the case of per capita earning of establishments, however, the margin between the highest and the lowest wage differentials in Britain is 36% whilst it is 63% in Japan. In both countries the margin of wage differentials is smaller than that of the per capita earning of establishments, but insofar as the margin between the two countries is concerned, Japan is twice as much as Britain, which is almost same as in the case of per capita establishment earning. When considering the leader in actual amount of wages, it is merely two-thirds of the corresponding figure of Great Britain. This points to the fact that the lowest wages in Japan are conspicuously low. Moreover, in the case of wage differentials classified by size of business, the margin between the largest and the 10-29 persons in size is 54% in Japan, which is 3.5 times as much as the 16% for Great Britain. This divergence of wage by size of establishment between the two countries, although smaller than that in per capita establishment earning by size where Japan has 6 fold differential, may be considered large when compared with the divergence of wage between Japan and Great Britain by field of industries, in which Japan's divergence is a little less than twice as much.

Another remark should be added to the above analysis. Namely, nevertheless such a wide margin in the size of business there still exist a large number of small scale businesses in Japan as shown in Table VII.

It is natural in any country that small size be dominant in number of establishments. In Great Britain, for instance, establishments which employ less than 50 workers account for 82% of the total establishments. However coming to the total number of workers in these establishments employing less than 50 workers, we find they account for only 15%. In the case of Japan, the number of establishments on a similar size accounts for 97%, while the number of persons accounts for nearly 51% of the total number. Hence it should be pointed out that in Japan there is not only a wide divergence in the size of business, but also these small size establishments which have low wage and earning differentials cover a wide range in the structure of establishments.

In a sense this wide divergence in the per capita earning of establishments classified by fields of industry is understandable, since it is merely a result of a direct comparison of per capita earning, neglecting the percentage of fixed capital in each field. This is also applicable to a certain degree to the size. Moreover, these figures themselves signify only the divergence in the wages and per capita earning, and do not in any way show how these figures represent qualitative relations between large and small size businesses. Nevertheless, it is still possible

Table VII
Comparison between Size of Establishments in Japan (1952)
and Great Britain (1949)

(Percentage)

Scale		Number of Establishments		Number of Engaged persons	
Japan	Britain	Japan	Britain	Japan	Britain
~3	~10	57.8	57.6	10.3	4.9
4~9	11~24	21.4	12.7	11.0	3.1
10~19		11.4		12.6	
20~49	25~49	6.5	11.2	15.8	7.2
50 ~ 99		1.6	7.8	9.0	10.0
100~199		0.7	5.0	7.6	12.9
200~499		0.4	3.5	10.2	19.9
500~999		0.1	1.0	6.8	13.1
1,000~		0.1	0.6	16.7	28.0
Total		100	100	100	100
(Actual number)		(398,403)	(137,232)	(4,815,000)	(7,464,000)

Note: Source: same as for Table VI

to say that this wider divergence between large and small businesses than in Great Britain suggests the existence of certain qualitative demarcation lines between large and small businesses in general in Japan.

V

Let us now proceed to commerce which holds another important position among small-medium enterprises.

It has been pointed out by Colin Clark that in Western countries an increase in the working population engaged in tertiary industries is a reflection of an increase in the national income, whereas in Japan the largeness of the commercial population is not attributable to such cause. It is true the great commercial population in Japan comprises something which would not conform with economic advancement.

Just as in the case of manufacturing industries, the statistics on commerce published for 1952 made possible a rough delineation of the scale of this vast field. Table VIII shows the number of persons engaged, number of shops (wholesale and retail) and the amount of proceeds, classified by three groups: corporation; private shops with paid employees, and private shops operated only by the entrepreneur himself or his family members.

The above table shows that short of 1.07 million concerns or 79% out of

Table VIII
Structure of Persons Engaged in Commerce

Type of Business	Number of Persons				Total	Number of Shops	Monthly Proceeds (100,000,000 yen)
	Entrepreneur, Officers, etc.	Family Workers	Employee	Total			
Actual Figuer	Corporations	268,633		888,935	1,157,568	280,453	626
	Private concerns	129,357	115,081	319,645	564,083		
	Total	1,022,110	794,673	1,208,580	3,538,434	1,067,346	80
Percentage	Corporations	7.6		25.0	32.6	20.8	88.2
	Private concerns	3.7	3.2	9.1	16.0		
	Total	28.9	22.4	51.3	51.3	79.2	11.8
	Corporations	40.2	25.6	34.1	100.0	100.0	100.0
	Private concerns	23.2	20.4	76.8	100.0		
	Total	56.3	43.7	56.6	100.0		
	Total	40.2	25.6	34.1	100.0		

Source: Census of Commerce,
1952, Vol. I.

Source: Census of Commerce, 1952, Vol. I.

short of 1.35 million concerns are small shops operated only by entrepreneurs and their families without employing any paid workers. Although the number of persons engaged in this kind of business accounts for 51% of all those engaged in commerce inclusive of entrepreneurs, officers, family workers, and paid employees, the amount of proceeds of these small scale concerns accounts for only 11%. It is a well known fact that these shops are operated on an extremely meagre economic basis, not even separating family accounts and business accounts. Table IX shows the number of private shops without employing paid workers.

Table IX
Scale of Private Shops without paid Employee

Number of Shops classified by Number of engaged persons		Number of Shops classified by Amount of Proceeds	
No. of persons engaged regularly	No. of Shops	Monthly amount of Proceeds (10,000 yen)	No. of Shops
		~5	621,112
1	471,118	5~10	221,148
2	474,251	10~15	88,257
3	97,846	15~20	49,926
4	19,438	20~25	26,459
5~9	4,641	25~30	14,550
10~	52	30~40	20,369
		40~50	9,070
		50~100	13,094
		100~	3,361

Note: 1. Source: Census of Commerce, Vol. I, pp. 203 ff.
2. The Amount of Proceeds is for August 1952

classified by the number of engaged persons and by the amount of proceeds.

As shown in the above table, number of shops with only 1 and 2 persons account for almost half and the rest are mainly those operated with 3 persons. As to the amount of proceeds, shops with less than ¥50,000 account for 60% and those with ¥50,000-100,000 account for another 20%. It should be noted, however, that the figures present those for August which is generally considered to be a month of low tide of business. Viewing this from the kinds of business, foodstuff retailers occupy approximately half; "draperies and kimonos", "footwear", and "haberdashery" account for 12%; and the rest are "cigarettes", "books and stationery", "bicycles", etc. It is not easy to get at the net income of these shops owing to their different business conditions, but it is not difficult to imagine how much it would come to with monthly proceeds of less than ¥-50,000. From

Table X
Number of Private Shops with paid employees and Corporated Shops

Size by No of Persons Engaged regularly	Actual Figures			Percentage		
	No. of Shops	Monthly Cumulative No. of paid employees (1,000 persons)	Yearly Proceeds (100,000,000 yen)	No. of Shops	No. of employees	Proceeds
	280,457	13,496	70,659	100.0	100.0	100.0
1~4	161,635	2,782	6,962	57.5	20.6	9.9
5~9	85,939	3,867	12,793	30.6	28.8	18.1
10~19	24,316	2,779	13,528	8.7	20.6	19.2
20~29	4,627	1,054	6,396	1.7	7.8	9.1
30~49	2,350	882	6,773	0.9	6.5	9.6
50~	1,586	2,129	24,205	0.6	15.8	34.1
Seale by Yearly Proceeds (1000 yen)	No. of Shops	No. of Regularly Engaged Persons (1,000 persons)	Yearly Proceeds (100,000,000 yen)	No. of Shops	No of persons	Proceeds
	280,453	1,721	70,659	100.0	100.0	100.0
~1,000	57,736	186	287	20.6	10.8	0.4
1,000~2,500	58,008	224	969	20.7	13.0	1.4
2,500~5,000	49,806	227	1,794	17.8	13.2	2.6
5,000~10,000	44,473	241	3,174	15.8	14.0	4.5
10,000~	70,430	842	64,434	25.1	49.0	91.0

Note: 1. Source: Census of Commerce 1952, Vol. I, pp. 87, 94
2. Regularly engaged persons include proprietor, family worker, paid corporate officer, paid regular employee.

these figures, it is evident that the majority of these family shops assume a character less of an enterprise than of a bare means of livelihood. Of course, the character of this meagreness is not simple since these shops comprise to a large degree such ones as side-jobs or odd-jobs done by family members for whatsoever earnings in order to cope with the insufficient income earned by the head of family.

Excluding the shops which have a character of a means of livelihood, however, the remainder, inclusive of those which have paid employees or shops on the legal status of corporation, are still reflective of meagreness as indicated in Table X.

Among 280,000 concerns, those with 4 engaged persons or less account for 57%, whereas those with less than 9 persons account for another 30. Moreover, differing from manufacturing industry, only 20% of the number of paid employees (not that of all persons engaged) are in the less-than-4-persons group and another

28% in the less-than-9-person shops. As to the amount of proceeds, the less-than-9-person group accounts for another 18%. In view of the fact that the number of persons engaged exceeds that of paid employees and the ratio of those engaged other than paid employees increases in inverse proportion to the size, the percentage can be calculated not on the basis of the number of paid employees but on that of the number of engaged persons. In this case the ratio of the number of engaged persons in small scale private shops would be much higher, resulting in divergence between the ratio of the number of persons by size and that by scale of proceeds. In other words, this in turn would bring the per capita amount of proceeds of small scale private concerns far lower.

When these shops (Table X) are classified in terms of the amount of proceeds, the number of shops which earn yearly proceeds of less than 1 million yen account for 20% and those with 1 million to 2.5 million yen proceeds account for another 20%; the number of persons engaged in these two groups account for 24% of the total number of engaged persons, whereas the proceeds of these shops account for barely 1.8%. Since 90% of the total proceeds are occupied by large scale shops in the more-than-¥10,000,000 group which account for 25% of the total number of shops and 50% of the total number of engaged persons, it would turn out that more than one half of all the persons are engaged in other establishments which total 2.1 million in number of shops and account for 75% of the total number of concerns, earning only for less than 10% of the total proceeds. Calculating this on the basis of per capita monthly proceeds, the meagreness of these small scale shops becomes conspicuous.

These overall observations would be insufficient in the field of commerce, since there is a great divergence in the number of persons engaged and the amount of proceeds between wholesalers and retailers. Though wholesalers, looking at the number of shops, are only 140,000 in number or 10% of the 1.35 million total number of shops, they account for 24% in the number of engaged persons and 77% in the monthly proceeds. Hence it is necessary to inspect them separately.

According to the table XI, wholesalers with fewer than 4 engaged persons account for 61% of some 140,000 shops, and the average number of persons per shop is 6. The monthly per capita proceeds amount to approximately ¥650,000. In view of the fact that this amount is almost equal to the per capita monthly proceeds of the large scale shops with yearly proceeds of over ¥10,000,000 shown in Table X, it may be said that wholesalers are on a much higher level in the matter of proceeds than ordinary retailers.

Let us next take up retail shops which are also subject to variation in the type of business. Department stores would be one kind of business playing a unique role in that field. Table XII shows the structure of seven kinds of retail dealers.

With the exception of two types of business—the various-kinds-of-goods dealers (represented by department stores) and petroleum and oil dealers—small size shops with 4 persons or less account for 90 to 90% of all shops in each field.

Table XI
Structure of Wholesale Trade

		General Wholesalers	Special Wholesalers	Total
Number of Shops		131,152	10,305	141,457
Percentage of Shops by Size (Number of en- gaged persons)	1~4	59.0	90.3	61.2
	5~9	26.0	5.4	24.6
	10~19	10.8	2.7	10.2
	20~29	2.2	0.8	2.1
	30~49	1.2	0.4	1.1
	50~	0.8	0.4	0.8
Number of Persons engaged		822,987	26,479	849,466
Number of Persons per Shop		6.3	2.6	6.0
Monthly proceeds (1,000,000 yen)		548,931	1,584	550,515
Monthly Per capita proceeds (1,000 yen)		667	60	648

- Note: 1. Source: Census of Commerce (1952) Vol. II, Pp. 2-4.
 2. Proceeds are for August 1952.
 3. "Special Wholesalers" refers to agents, brokers, collecting agents for agricultural products, etc.

Consequently, the average number of persons per shop comes to 4.5 at the maximum and 2.2 when the average of all types of business is taken (Here again, the various kinds-of-goods dealers are exceptional, having 14 persons per shop). All this will again point to the meagre size of these retail dealers.

As to the monthly proceeds per person engaged, the figures for the various-kinds-of-goods dealers and petroleum and oil dealers, which amount to ¥170,000 and ¥300,000 respectively, are rather exceptional. Most of others range between ¥27,000 and ¥70,000, the average of all being to ¥58,000. In any case, these figures depict nothing but the extreme meagreness of these retail dealers.

It is now clear from the above analysis that the bulk of retailers in Japan, with their great variation in type of business, are conspicuously paltry and weak.

Let us refer back to Table VIII and look at it from another aspect, namely, the type of employment. The structure of personnel in the field of commerce is characterized by the importance of family workers. Out of the 3.54 million person engaged in 1.34 million establishments, 34% are paid employees, 25.6% family workers, and 40.2% entrepreneurs and officers of corporations. This high rate of family workers is almost equal to that in agriculture. Moreover, since the officers of corporations who account for 7.6% of all engaged persons are included in the 40.2% ratio stated above, the remainder of a short 33% are

Table XII
Structure of Retail Dealers

No. of Shops	Total	Various kinds of Goods	Drapery, Clothing & Accessories	Food- Stuffs	Restaurants	Road Transport Machinery	Petroleum and Oil	Others
		1,206,342	5,924	154,474	548,753	126,614	30,376	21.20
engaged persons 1~4 5~9 10~19 20~29 30~49 50~	94.31	63.15	91.68	96.61	85.65	96.52	66.93	95.52
	4.63	24.58	6.63	3.02	11.68	2.60	23.73	3.41
	0.82	6.75	1.38	0.31	2.10	0.61	7.31	0.79
	0.14	1.64	0.19	0.03	0.33	0.11	1.65	0.17
	0.06	0.93	0.08	0.02	0.15	0.05	0.24	0.08
0.04	2.95	0.04	0.01	0.01	0.09	0.11	0.14	0.03
No. of Persons engaged	2,688,963	82,818	374,580	1,102,683	379,267	57,607	9,612	682,399
No. of Persons per Shops	2.2	14.0	2.4	2.0	3.0	1.9	4.5	2.0
Monthly Proceeds (Million yen)	155,958	14,440	22,371	64,772	10,248	4,043	2,887	37,194
Per capita Proceeds (1,000 yen)	58	174	60	59	27	70	300	55

Note: Source: 1. Census of Commerce 1952, Vol. 11, pp. 5-8.
2. Proceeds are for August 1952.

entrepreneurs engaged in retail business. This 33% in turn includes entrepreneurs who are employers accounting for 4% of the whole population engaged in retail business. This brings other entrepreneurs who are not employers to 29% of all retail business people. In short, the last group are entrepreneurs who work themselves alone or together with family workers. The first group of entrepreneurs namely, those who are employers, are by no means pure employers since a great many of them work with the other paid workers, as may be seen from the structure of commerce stated before. What is important to note here is that entrepreneurs in this case are those who exist in close combination with family workers and not those who hold a position of a modern employer of wage workers. In contrast with modern wage workers who carry on the social function of "pure labour", family workers are a restricted, old, and unproductive type of labour, unable to pursue freely economic rules. Such entrepreneurs who have to depend upon family labour can only exist on the basis of old labour relations peculiar to family labour. Hence they are under similar social and economic restraints as those of family labour, and are consequently unable to develop themselves rationally in the modern economic society. They are, in other words, far from being the economic man furthering economic develop-

Table XIII
Wage Differentials by size of shops in Commerce

1~4 persons engaged	38
5~9	44
10~19	54
20~29	63
30~49	72
50~	100

- Note: 1. Source: Census of Commerce 1952, Vol. II.
2. Indices are obtained by dividing the amount of wages by the monthly cumulative number of paid workers, with the figures for the more-than-50-person group set at 100.

ment based on the laws of economy, and that is the main reason why they have hang low on an extremely low economic level. The fact that such entrepreneur and family labour account for 58.2% of the total persons in commerce is a direct proof of the backwardness of commerce as employment market. Such entrepreneur-family labour is 100% of shops by family workers and is also 43.4% of persons engaged in private shops with employed workers.

There are also other problems. The pressure of such entrepreneur-family labour would naturally have impact upon the conditions and character of wage labour in the same field. There is a tendency for such wage labour, as is in the case of small scale manufacturing industries, to lack in self-organizing power, and consequently, to be placed under extremely poor conditions as unfree labour, bound by the family labour. The low wages are one evidence of this tendency

Let us look briefly, in Table XIII, at the average wage indices of wholesale and retail concerns which are incorporated or which employ paid workers, classified by number of engaged persons.

Against the average wages of the more-than-50-person group which consists chiefly of the wholesale dealers and corporations, the average wages of the less-than-10-person group show an index of 44, while that of the less-than-4-person group is merely 38. The margin between large scale establishments, namely between the more-than-50-person group which is the leader and the second largest in size is already as wide as 100 : 72. It should be noted, however, that large scale establishments which would fall into the more-than-50-person category would naturally employ persons who have received higher education, as in the case of a foreign trading company, and would consequently make the margin of wages wider.

These differentials by average figures of all the wholesale and retail dealers, however, would turn out to be almost the same even if they were calculated sepa-

Table XIV

Wage Differentials by Size of shops in 6 Fields of Commerce

Size	Field		Field	
1~4 persons engaged	General Wholesale- salers	45	Foodstuffs	55
5~9		50		52
10~19		58		61
20~29		69		63
30~49		78		74
50~		100		100
1~4 persons engaged	Various kinds of Goods	37	Restaurants	41
5~9		42		57
10~19		51		74
20~29		64		85
30~49		71		99
50~		100		100
1~4 persons engaged	Drapery Clothing & Accessories	70	Road Transport Machinery	34
5~9		79		50
10~19		87		62
20~29		88		66
30~49		99		79
50~		100		100

Note: 1. Source: Census of Commerce 1952. 6 fields have been selected out of 9 fields.
2. Method of calculation ref. Table VIII.

rately within each field of commerce. Let us next look at the wage differentials by size of shops within different fields.

As shown in the table XIV, 4 fields—general wholesalers, various kinds of goods, road transportation machinery, and foodstuffs—conform to the trends seen in the previous table, namely, shown a wide margin between the highest and lowest indices, and a margin of 30% between the highest and the second highest. The average differential of the 6 fields is 100 : 41. The only exceptions are the differentials in the case of restaurants which hardly have any margin between the highest and the second highest, and that of drapery and clothing retail dealers, the differentials of which are 100 : 70. However when we compare the wages of the smallest scale group in these 6 fields, setting the average wages of the smallest scale (1—4 persons) among all commercial enterprises at 100, we shall find that general wholesalers would come to 127, foodstuffs 113, various kind of goods 101, drapery and clothing 87, road transportation machinery 77, and restaurants as low as 50. The differentials within drapery and clothing is apparently small, but with the above analysis it is clear that the level of wages within this kind of business are on the whole low. Similarly, restaurants show extremely low level among the small scale businesses as well as in the whole structure of retail trade. This indicates not only the fact that wages of retail dealers are on the whole low, but also that there exists a wide diversity in wage differentials between sizes of business, just as it was the case in manufacturing industries. These facts show again that same low labour conditions such as the “entrepreneur-family worker” relationship are covering the wage workers situation.¹

VI

Because of limited space I am not able to make any further analysis. It would be evident, however, from what has been said before that small-medium enterprises in Japan comprising extremely small establishments are a group of enterprises which are not entirely free in a certain degree in order to follow economic laws as shown by the quality of workers engaged in commercial business. This gives rise to hosts of problems concerning small-medium enterprises. In other words, they are not just small and medium in size or small and medium in the sense as economic optimum.

As I have pointed out on several occasions,¹ Japanese capitalism, because of its backwardness—lack of power in raising and accumulating industrial capital—was compelled to create and develop unbalanced fields of production without weeding out old small businesses which existed at the time of the industrial revolution to the effect that it might establish a capitalistic system as early as possible. Again, the feudalistic economic character rooted in the structure of the reproduc-

¹ In general, these analysis must be compared with results shown in the Distribution Censuses in U. K., U.S, etc. I hope to try this comparison in another chance

tion of labour power in Japan, through the form of low wages, made it possible for the industrial revolution to develop in such a way as to admit this dual structure in the Japanese national economy. It is true productivity in Japan would not have developed if it were not for the capitalized industrial fields which had been a driving force in developing modern productivity. This development, however, was unable to penetrate into the core of Japanese economy, and capitalization and its development in Japan always had to utilize and to go with those part of her economy which were left out of the capitalization. This historical structure and relationship was naturally carried on into the periods between the two World Wars. Japanese capitalism had to create new small-medium businesses in order to further its fields of production—namely, to grow the producers' good industries. Thus, small-medium enterprises in Japan which comprise time-honored handicraft, home industry, and traditional small enterprises existing together with newly created small-medium manufacturing factories equipped with more or less modern production facilities characterize Japanese economy and are a constituent element of the Japanese economy, side by side with the capitalist organisation which has monopoly at its apex. In short Japan has come to be known internationally as a "country of small-medium enterprises."

Although one may detect some change in the conditions of small-medium industries in Japan during these ten years, it seems that further formation of new small-medium businesses is structurally unavoidable in the future process of Japanese capitalistic system. The call for a self-sustaining economy is, concretely speaking, because of the lack of spontaneous accumulation of capital, a need for a positive and willful attempt to increase the fields of producers' goods industries. Japan has remarkably regained the power of raising and accumulating industrial capital, but it is not quite sufficient yet, as indicated by the figures on the structure of invested capital in key industries. The expansion of producers' goods industries should start under this state of conditions, but even in Japan a considerable amount of investment is necessary in order to achieve this course of progress shown as in the case of chemical industries. In these fields, however, the amount of labour directly employed is not as proportionately large as the amount of capital invested, although there may be a slight increase in the indirect employment. On the whole, a large part of the scanty capital would be absorbed by the fields of industry which are deemed necessary for establishing a self-sustaining economy and for raising the standard of productivity. This in turn would result in relatively small supply of capital to other fields, especially to wage goods industries. Unquestionably, enterprises with low capital per labour unit are for the most part small enterprises. Moreover, this creation of small-

¹ Cf. my book "Chusho Kogyo no Honshitsu to Tenkai—Kokumin Keizai Kozo Mujun no Ichi Kenkyu" (Nature and Development of Small-Medium Manufacturing Industries—A Study of a Contradiction in the Structure of the National Economy), 1949. See also my articles: "Japanese Small Industries during the Industrial Revolution", in the *Annals of the Hitotsubashi Academy*, Hitotsubashi Univ., Vol. II, No. 1, 1951; "Historical Sketch of Japanese Small-Medium Industries", Oct., 1955 prepared for The International House of Japan, Inc., Tokyo (this paper is about to be published by the Division of Economics & commerce, the Science Council of Japan, as one of its economic series).

medium enterprises as a product of the capital's attempt to raise the productivity is directly connected with the problem of the pressure of the present productive age population. The gap between the supply of funds and labour becomes aggravated. Hence, this adds to the conditions conducive to the formation of small-medium enterprises. It is thus that small-medium enterprises will spring out of the structural conditions of the national economy, irrespective rather optimum size conditions.

The poor conditions of small-medium businesses are even now dragging workers into potential unemployment.¹ The extreme wage and earning differentials are evident proofs of this. Such small-medium businesses have, in spite of their appearance to be enterprise, many an aspect which are contradictory to the rules of economy in various phases of management such as funds, accounts, selling, technique, administrative organization, etc. These difficulties which rise both from the interior and exterior of small-medium enterprises may have been able to be overlooked hitherto within Japanese capitalistic economic system. It would, however, be impossible now to overlook them in view of the labour forces which have now a fairly well organized trade union movement and which are under the pressure of extremely large growth of producing-age population. Agriculture which had been considered a largest reservoir for the latent unemployment during the period between the past two World Wars has now come to lose that function, and small-medium enterprises are taking its place as a center for the vast potential unemployed. This would naturally result not in decentralization of latent unemployment into rural districts but in concentration of latent unemployment in large cities, which in turn would aggravate labour unrest.

In conclusion we must admit that small-medium enterprises will endure along with, and will continue to further develop as a contradiction entwined around, the development of the Japanese capitalistic system.

¹ On the nature and existence of latent unemployment in Japan, see an analysis in my article, "On Latent Unemployment—An interpretation as an economic problem", in *the Annals of the Hitotsubashi Academy*, Hitotsubashi Univ., Vol. VI, No. 2, April, 1956.