THE ANNALS OF

THE HITOTSUBASHI ACADEMY

Vol. IV No. 1 October 1953

THE NATURE OF SMALL INDUSTRIES
A SURVEY OF THE ECONOMIC INTERPRETATION IN JAPAN

By TOKUTARO YAMANAKA

Professor of Economic Policy and Labour Problems

I. *Why the problem of small industries is so much discussed in Japan?*

a

Even in highly industrialized countries, small or medium sized plants or firms are an important numerical proportion of the whole industrial organization. From time to time their position or fate has come to attract economic, social and political attention. As regards Japan the situation is deeply different. Small scale industries have a specially important place and are a characteristic of the economic structure. Many nations, especially in eastern under-developed areas, look to her guidance in order to bring up their native small industries.

Japan has grown during the last three quarters of a century from an undeveloped Asian country to an industrialized one. This transition means that modern capitalistic enterprise generally dominates the whole economic life while old and smaller productive units fade away under the competitive impact of capitalism. This was not true in Japan. The industrial revolution of the country left capitalist enterprise firms and the traditional small plants side by side. The reason I have given in another article.[1]

[1] See my article, "*Japanese Small Industries during the Industrial Revolution*", The Annals of the Hitotsubashi Academy, Vol. II, No. 1, Oct., 1951.

In the 1930's when Japan was already an industrialized country, her export expanded remarkably. Most of these exported goods were manufactured by small plants. Moreover, when a further development of industrialization was reached stage in which producers' goods dominated output, a stage which is ordinarily marked by the growth of large plants, small plants continued to increase even in producers' goods industries.

Such development of small industries did not always involve healthy industrial progress but often they meant cut-throat competition, social dumping, inferior quality production, exploitation by trading capital and parent plants, etc. Despite these eviles small plants continued to grow side by side with monopolistic large enterprises.

Small scale industries thus represent a large part of the industries not only in the number of plants but also in gainfully occupied industrial population. As these small industries form, with peasant farming, the biggest market for the employment of the labouring population, they evidently have an importance worthy of special attention.[2]

b

Thus for Japan the problem of small-scale industries is not of recent date. But it was after World War I that discussions about small industries from a political, social and economic viewpoint ensued. Since then the problem developed with the changing of the Japanese economy. At first it was thought that small industries, remnants of by-gone days, would pass away and be supplanted by modernly equipped industries, leaving only exceptional cases such as artscraft, etc. Some thought that smaller business could thrive where conditions of supply or demand were irregular, small, and local, where initiative and the flexibility of a manager could attain better results than large concerns. Some emphasized, on the contrary, that pressure of population cannot but give rise to industries which solely depend for existence to cheap labour. These early studies are either mechanical interpretation simply borrowed from the German Historical school or undue stress was laid on Japanese peculiarities, moreover they were a way of thought which may be said an analysis of the small scale industries, isolating

[2] As for 1930, the following figures were obtained by more or less complicated procedure. For more recent figures see those of 1951 by the Government Statistical Office, but the latter cannot be compared with the former as statistical methods are different.

Distribution of industrial workers
by size of plants classified by the number of employees

1930			1951		
Less than 5 employees		55.2 %	Less than 5 employees		12.51 %
5～29	〃	11.9 %	5～29	〃	30.81 %
30～99	〃	8.3 %	30～99	〃	17.61 %
100～499	〃	10.8 %	100～199	〃	7.30 %
500～999	〃	4.7 %	Over 200	〃	31.77 %
Over 1000	〃	6.0 %			
Government works		3.3 %			

them from the rest of the economic phenomena.[3]

Since the world depression of 1930, small-scale industries have experienced several ups and downs and added new problems or renewed old ones; that is to say, the expansion, under cut-throat competition, of small export industries during the 30's; the creation of small machine-producing industries utilized and exploited as branch plants by leading firms during the late 30's; coerced stoppage or change of production of numerous small industries which produced export goods, consumers' goods, other than for war purpose at the outbreak of the World War II; destruction of plants, by bombing at the later stages of the War; the revival of small business, something like Phoenix appearing out of ash of War destruction, during the postwar inflation period; keen pressure of deflation since the so-called Dodge plan of 1949 which struck harder small firms; rapid ups and downs and everlasting financial difficulties since Korean War.

These changes in small plants soon showed the insufficiency of the above interpretations. Some new theory seems to be called for. One thing was clear. Originally small industries were considered as "Kleinbetrieb" by German economists at the end of last century. They gave the name to handicrafts, domestic industries or small independent producers. These were to be supplanted by the factory system of production, according to the stage theory of industry. But this classical conception of small industries is no more applicable to present industrial facts. This stimulated various studies of small industries in Japan which studies, though showing a wide difference of views, seem to have arrived at some general agreement as to essential points. These points consist of the following four.

As above stated, originally the problem was that of small businesses or producers, but at present it is of small and medium scale industries.[4] This is the first point. It comprises a large part of factories. Therefore the term is to-day used in a wider and different sense than the classical meaning. In Japan this different meaning is clarified in the word itself. Instead of "small industries", the word "small-medium" or correctly speaking "medium-small" industries is in common use. Until about the end of World War I we met the term "small industries" ordinarily, and even "medium-large industries" on some occasions. Thus especially in our case the problem is that of a group of industries which embody small and medium enterprises as distinct from large ones. In other words, it is a group of industries from handicrafts to more or less modernly organized factories.

---

[3] As to these various points of view, a more minute survey is necessary. I have done this in my work, "Nature and Development of Small Industries—An inquiry on the structural contradiction of the national economy", Tokyo, 1948. (*in Japanese*).

[4] In Japanese the common use of the term is "medium-small" industries, while "small" industries define a more narrow sphere of facts. But, in this article, for the sake of simpleness of expression, "small" industries is used in order to represent the special meaning of Japanese "medium-small" industries.

In the second place, as "Kleinbetrieb" was conceived first in Germany, it was the result of the decline of small producers in handicrafts or putting-out system. The problem was treated as a social or labour question. The social position of these petty producers was similar to that of workers. The difference compared with modern factory workers was that they were "dispersed" wage earners. Or, the small industries at that time were discerned from factories or large enterprises which were driving them to decline by competitive force. Thus, originally small industries did not include factories. The main line of the study of small industries in Germany such as conducted by Paul Arndt was "Heimarbeit". Of course, the problem of present small industries includes labour and the social problem. For example, in the case of Japan, small industries can never be discussed without alluding to the fundamental tie with Japanese overpopulation. That is to say, her overcrowded working population provides the basis upon which small industries depend. So it can not be gainsaid that small industries are yet now social or labour question. However, today's small industries do not remain in this traditional place. Small industries comprise nowadays not only the remnant of the old industrial system but also industrial units which take the form of the factory system. Contrary to typical handicrafts or domestic work, they use machines driven by motor power. They employ not a small number of wage earners. It is now a problem of factories as well as labour. In other words, it is an economic, industrial, managerial and social problem.

Thirdly, originally small industries were supposed to be destined to collapse under the competitive pressure of capitalist production. This view has long been maintained by many. The opinion which Fernand Maurette of I L O published after a research trip to Japan some twenty years ago may be considered an example. In his report he foresaw the decline of Japanese small industries. But this proved not to be the case. Traditional or new small industries survived through economic fluctuations even after the first World War. Though their existence has been always uncertain, they have come through even equipped with more or less modern productive apparatus. Moreover, new branches of small industries other than the traditional ones have grown up in textiles, chemicals, woodworking, electro-engeneering, machine-making, etc. In these branches their conditions have always been unstable and sometimes illogical; nevertheless they have continued to exist. This fact means that the theory of small industries should be that of their continued existence rather than their fading away under the impact of the capitalist system.

Fourthly as regards Japan, they demand an explanation why they are so numerous. In Japan, it is now thought generally that these are the essential points to be answered necessary in regard to the problems of small industries.

II. *Some Theories in Japan concerning Small industries*

As shown in another article it was a singular feature of her industrial revolution that Japan passed the period without the problem of small industries arising. When, for the first time during the prolonged depression following World War I, the problem became the subject of wide public interest, Japan has grown as a capitalist industrial nation with comparatively high monopolistic capital. Since then many studies have been made on this problem. In the course of these studies, in the late 1930's and during the period after World War I, there have been two instances of remarkable progress. Sample of publication during the later 1930's is prof. Teijiro Uyeda and associates' "Small Export Industries in Japan", 1937 published by I P R. As regards the opinions published until the end of World War II, I have reviewed them in my above cited work. In this article, attention will be paid mainly to see later studies added since the World War II ended.

Attention to the problem of small industries from the social and economic viewpoint has not been as keen in Europe and America as in our country. However, after the 1930's more attention seems to be paid to this problem among Western Nations. Perhaps, Kaplan, Small Business: Its Place and Problems, 1948, may be taken to represent the trend in U. S. A., and J. Steindl, Small and Big Business, Economic problem of the size of firms, 1947, the trend in England.[5] Compared with these recent Western works our methods or chief interest has evident characteristics. It is not an easy task to introduce here the full results or trends of various works in our country.[6] But it may be possible to classify them roughly in the following way, according to the way used in order to see the nature of small industries.

a

The first view tries to explain small industries by their conditions of existence. Among them one lays stress on the capacity of the entrepreneur. What divides small industries from big ones depends on the managing or

[5] These American or European books are studied and analysed in : Prof. G. Suyematsu (ed.) "On Small Industries in Foreign Countries", Tokyo, 1953 (*in Japanese*). This is one of the reports of the research committee on small industries over which I preside, composed of 16 members, mostly university professors, which has been working these 6 years.

Compared with these foreign studies, Japanese studies have something left untouched which cannot be dispensed with. A comparison of added value according to size of firms in the whole industry may be one example. In Japan it has been impossible to conduct such a statistical research on industry as a whole, because no wholesale production census has been carried out until 1950.

[6] About recent views upon small industries see the forthcoming book, one of the reports of the research committee above cited: Prof. K. Fujita and Prof. T. Ito (ed.), "The Nature of Small Industries", Tokyo, (*in Japanese*). Our committee has already published several reports *in Japanese*. I have the intention to publish in English a summary covering all these reports if the publication becomes possible financially for the committee.

administrative ability of the person who leads the business. If this ability is limited his firm can not grow whatever favourable conditions may otherwise exist. Among others belonging to this first type of view, the most important may be those whose who insist on the theory of optimum size. When the demand for a product is small, local or irregular, or when raw material, labour force neccessary for the industry are supplied in small or irregular quantity or in limited or more or less immovable form the optimum size of industry should be smaller. That is to say in these cases smaller industries can favourably compete with bigger ones.

This conception leaves of course many questions to be answered. Various factors as regards optimum size in theory are apt to change in practice while a new combination of factors will tend to make the optimum size bigger as shown in many cases of rationalization. Moreover, this theory does not touch the difference of numerical importance of the small-industry population, for example the difference between Japan and U. S. A. In other words, this theory does not take account of the condition which influences the above mentioned conditions for optimum size.

b

A second view concerning small industries insists on the pressure of overpopulation. When the phenomena of overpopulation exist, labourers endeavour to obtain work at any cost. This is the chief source which keeps up small industries as well as poor peasant farming. This is also the source of cheap labour in under-developed countries. As in the case of Japanese export industries, a cheap and numerous labour force may enable small industries to beat Western competing industries in world markets.

Taking the case of Japan, the connection between small industries and over-population cannot be denied. The pressure of population influences industry as a whole. Cheap labour is the characteristic of Japanese industry big or small. Among this general cheap labour, labour in small industries is in fact specially cheap. Though the "cheap labour" is used often in different way, special cheapness of small industries ought to be clarified.

But over-population has some other important consequences. Admitted that the population pressure exists, the pressure is aggravated by the meager supply of industrial capital. Therefore the problem is not only one of population, but of lack of balance between population and industrial capital. Therefore in a strict sense the over-population theory may mislead the conclusion. If population only were responsible for the formation of small industries, depopulation would be the sole remedy of the small industries problem. This conclusion is, of course, not accepted even by the over-population theory.

C

The third view point tries to approach the problem from industrial capital. According to this, small industries have a special character vis-à-vis large industries in the national economic structure. This type of view may be classified further in various arguments.

The first one defines the position of small industries by competition. "Monopolistic" capital is armed with the power to influence competition for monopolistic gain, whilst, "large" capitals standing as independent capital, small industries are placed in a position of economic subordination. This status of subordination is a general feature of small industries as a whole. In some cases they are bound in organized structure to a parent plants or controlled by the putters-out. In other cases, they seem to compete as free and independent units but in reality they are forced to subordinate status by tacit market relations through price control or financial mechanism, etc. Small industries thus defined consist of two groups. The one may be called as capitalist in nature but is so small that it survives barely with a poor margin of profit. The group represents the "medium" in Japanese small industries. The part of "small" among the so-called medium-small industries fall short of capitalist production. Though it may be an exaggeration to identify them with the old handicrafts and domestic industry, the management and plant do not partake of the capitalist system.

This view is developed ordinarily combined with the overpopulation theory. Therefore it covers most problems of small industries. However, the explanation puts emphasis on the relationship existing between small industries and others. Why the relationship exists and why the various forms of plants from monopolistic ones to small exist side by side are not yet answered.

The second point of view is that of Marxism. It is based on the theory of surplus value. This view classifies capital into three grades, monopolistic, large and medium-small. In semi-feudalistic Japan monopolistic capital is weak and parasitic and enforces profit through the commodity circulation rather than production. Large capital works not as free and independent capital but as a lesser associate of monopolistic capital. Medium-small capital exploits labour and is in turn exploited by bigger capital, and this function of small industries is a necessary basis for bigger capital. Therefore, it is thought that, in backward countries, the monopolistic structure of the national economy necessitates the formation and existence of small industries. Though this method of analysis is broader and more comprehensive than the competition theory, questions remain. For example is it true that no independent or free industrial capital exists at all where monopolistic capital prevails?. Though it is said that small industries are exploited by monopolistic capital and barely gain what can be called profit, they are defined as

small "capital". Whether capital structurally deprived of the power to gain profit can be called capital, or whether all small industries can be treated as driven by "capital", ought to be examined by industrial facts.

d

The fourth view is the "structural" interpretation, which may be shown in the following part. This interpretation has something common with above ones, chiefly the third. I have been of this opinion and I think it characterizes the study of small industries in our country.

III. *The "Structural" Interpretation of Small Industries*

The structural interpretation of small industries begins from the starting point of the study of small industries, that is to say, the correct standpoint from which the study ought to be commenced. This may seem an academic trifle and of no practical use to bother about. However, these are not results of abstract thought but of objective research. In other words, the study of small industries has been done from various needs, mostly practical, and from this reflexion on basic conditions has been made.

a

In order to know the nature of small industries one must learn what constitutes small industries. This attitude to approach the problem can be said to be universal not only in Japan but also in other countries. In this way, factors which constitute small industries are found "in" their constitution itself. Thus to see the inner factors which create small industries one must extract those factors from small industries such as those which seem to make up small industries.

This line of study is evidently right. And for this purpose one takes out from general industrial phenomena what one deems to be small industries. Then he concentrates the observation only into the inside of them in order to find proper natures compared with bigger industries. In this course of observation one might take out the size of firms which seems to make them small industries. Of course the size may be one of the most important factors but what is the size which divides small firms from others? To show the size of industries the figure of employees is commonly resorted to. For example, in Japan such a classification is used, industries with under 5 employees being considered "very small", from 5 to 30 "small", and from 30 to 100 "medium", that is to say units which employ less than 100 persons are "small" (in Japanese, "medium-small"). But why are firms which employ less than 100 considered small? Before World War II, the usual size of plants in the Japanese cotton spinning industries was about

600 to 2,000 employees. But one member of the Japan Federation of Cotton Spinning, a world wide known big cartel, was of the size of 350. This firm was exceptionally small among the cotton mills but it was thought in Japan that it was not so small to be classified in "small industries". On the other hand, in Japanese chamber mat production the units were so small that even the biggest did not exceed 30. In mat production a unit composed of 30 persons might be big but it could never be called so in the industry as a whole. It goes without saying that the size which makes some industry or industrial unit small is not something definite. The size which may be called small varies according to branch of industry, historical stage of industrialization and economic conditions of individual nations. A unit of, say, 50 employees may justly be called small but only because of their nature though not on account of size.

It is usual, therefore, to look for other factors than size in small industries. For this purpose the most usual way is to visualize the various conditions upon which small industries founded. The above optimum size theory or over-population theory are examples. That is to say, the nature of small industries and what seem to sustain their existence are taken as a criterion. By this analysis one can approach the inner constitution of small industries. But this method has its apparent deficiencies.

By this method one can grasp many which characterizes small industries. For example, the ability of management, irreguralities of demand, backwardness of technical organization, local nature of raw material supply, cheap labour, etc., these may be recognized as factors upon which small industries depend. But these factors are not necessarily always found in every small industry. Each one of small indistries possess these factors in various combinations. If one looks for those which have all these factors, small industries will become a small segment of industries, leaving unaffected many which should be really so considered.

Therefore by this method one can enumerate factors which contribute to form small industries. At the same time, one may find himself amidst a heterogeneous mass of industries, loosing sight of small industry as a whole.

b

Thus the most practical way to see small industries fails to satisfy us. An advance is necessary to grasp small industries in a more comprehensive way.

There are many ways to grasp the nature of small industries. Some approach it by way of the optimum problem, some by overpopulation, others by cheap labour, etc. The optimum size theory adheres to the rationality of small industries, while the cheap labour theory considers them unsound socially. Is there no single point of view from which the study can grasp the object?

Or is there no renewed point of view which can grasp on the same time the existence and volume of small industries as a whole? Is there no way which is able to explain at once small industries both in their inner heterogeneity as well as in their outer front as one group?

There seem to be at least two ways to which insufficient attention has been paid. The first is the standpoint from which small industries are approached, the second is one which concerns the method of analysis itself. The latter is more important in that it envisages small industries from the structure of the national economy and covers the former. So, in other words, one may say that there is one way of study but not two different ways.

The first attitude may be called "problem" interpretation. This standpoint considers small industries as an economic contradiction and industrial inconsistency. Small industries attract attention because of their nature as an economic and social problem. It is not the size but the social or economic problem which is essential here, because this problem appears to apply to both small and medium industries. If it has no such nature as problems there will be socially no or few need to study small industries.

These problems began when small industries were driven out of existence by competition of the capitalist system. These problems are cheap labour, bad working conditions, low level of technical equipment, financial deficiencies, status of subordination either direct or indirect, cut-throat competition, illogical management, low capital accumulation, etc. In other words, these problems are immovably attached to small industries and will continue as long as the latter exist.

These problems are not constant but variable according to the structural development of the national economy. With the development of problems the sphere of small industries develops also. But, at every stage of the development, it is always this problem and not the mere size that causes the recognition and existence of small industries. In this sense the problem is the body and the size its shadow.

This attitude of envisaging small industries does not, on the other hand, contradict with the following second method as the various problems inherent in small industries are products of the national structure of economy. In other words, the national structure of economy is the mother of the small industries problem as well as of the small industries themselves.

c

The second and more comprehensive standpoint above mentioned is to be called the structural interpretation of small industries.

As above seen, the common way of analysis reveals various parts which constitute small industries, part by part. These parts give only a fragmentary idea of small industries. They show the truth so far as the parts are

concerned, but do not reveal the whole of small industries. By this analysis, one may be lost amidst the heterogeneous mass of small industries and loose sight of them as a whole. But this does not mean that the method is entirely mistaken. The small industries of today consist of traditional handicrafts, sweating industries under the control of putters-out, small machine-equipped factories with passive market relations, plants led by commercial capital as putters-out, factories tied loosely or tightly to parent plants, etc. These are various types of small industries classified according to the form of existence. From financial and technical conditions, management, market conditions, etc., further varieties of small industries could be enumerated. But these varieties are the truth and never consequences of wrong analysis. In reality small industries, heterogeneous as they are, belong to one and the same family, and it is necessary to grasp the nature of this one family as a whole. When one looks for features which they "have", they become heterogeneous units, but if, on the contrary, one looks for what they lack, they can be grouped in one family. The lack is largely the movement of capital culminating in monopoly. Or, if one chooses, one might also name the lack of rationality of large-scale organization.

The reason may be seen without difficulty if the historical background of the birth of small industries is reviewed. From the first, they were no new industries. On the contrary, they were industries of long, old tradition. What made them small industries was a new industrial circumstance, the growth of capitalist production. This meant the appearance of modern large-scale organization. This large-scale rationality led by private capital, in the course of the diffusion of industrialization in the world, has come to be represented by monopolistic organization. The idea of monopoly and concentration of capital may be taken as a general trend. Under this trend small capital which might be considered in the 19th century independent industrial capital but not small industry is placed in a subordinate position similar to traditional small industries. What makes them small industries lies in and outside of them. The outer factor acts on the inner factor, so that the inner factor becomes from that moment the factor upon which small industries are constituted. In other words, these two factors co-exist on the same foundation. These two factors are offsprings of the same root and without this co-existence small industries can never be conceived. Therefore it is not enough in order to grasp small industries to see their inner factors or to see inner factors in relation to outer factors. The true and essential key is the ground upon which both inner and outer factors themselves depend at the same time for birth. This common ground is the structure of the national economy.

The structure of a national economy is a historical product. Strictly speaking, it differs from country to country. We may, of course, admit that several important factors are inherent in every national economy at

whatever place and time, for example, the national structure of productive power in the sense of Walter Hoffmann or Colin Clark, or the national structure of enterprise units such as monopolies, free industrial capital, small industries and old primitive units, or the labour structure such as free modern labour and semi-feudal labour, or the structure of international economic relations as shown by various combinations of import and export both visible and invisible. These various factors have a specific nature as they exist in the historical structure of each national economy.

For example, the conditions for the formation of monopoly are theoretically the same everywhere. But the extent how far monopolies are organized depends on the structural development of each country. In a country like England, capital has till recent times maintained a structural relation which has been specialized by homogeneous or equal capital competition. In the United States and Germany, industrialization was more or less conditioned by the British supremacy already established and development were featured by monopolistic capital. The terms which denote monopoly, cartels and trusts, are German and American but not British in origin. In Japan, where industrialization developed later and in more difficult conditions, the formation of industrial capital was in the main and from the beginning by monopolistic organization.

Their character as monopoly in these countries resulted from increased competition, a tendency toward capital concentration, large scale-organization, technical progress, etc. Nevertheless, their emergence, history, date of birth, relative weight in each society, inner constitution as capital, etc., are not always the same. In other words, theoretically the origin and character of monopoly is one but the conditions necessary for this origin or character are historically fixed by the structure of each national economy.

For small industries the same reasoning can be adopted. This structural point of view answers many questions left unanswered as seen above. For example, it explains why outer and inner conditions co-exist to make small industries. Hitherto monopoly, the antithesis of small industries, has been treated as an entirely different and separated phenomenon from small industries. In a society where monopolistic capital prevails, no small industries, it was thought, can survive. The facts in Japan show that this is not true. Structural conditions in Japan allow the co-existence of monopolies and small industries. From this method of analysis, one can also discern why and to what extent small industries are or are not reproduced in certain countries.

In this sense, small industries are not a simple expression of size in industry. They are an outcome of the national structure of a capitalist economy. They are an industrial phenomenon produced by the characteristics of the national economic structure.

d

For my part, I have been of the opinion that small industries are originally an industrial "problem". As they have this nature, namely, industrial "problem", the public finds the existence of small industries. If one argues the size in industry there are always the differences of sizes. It ought to be noted why at a certain time fixed men find their existence or begin to recognize them. Society find them at the moment when they become certain contradictory or problematic thing on the route of economic progress, though before that time different sizes of industries have not been rare. The situation in Japan may be cited as an example. During the period of her industrial revolution there were small industries but they were nearly unknown. This was possible because they existed as before, not being oppressed by newly born capitals, as I have shown in the article above mentioned.

At the same time, I have also been of the opinion that small industries as well as other forms of industry are a logical offspring of the structure of a national economy. For backward countries efforts towards industrialization are imperative but these are made under the pressure of overpopulation, or competition of advanced countries and against a poor supply of capital, inferior market conditions and lower technical standard. In order to achieve industrialization under these conditions only a few branches can or ought to be industrialized. These branches commonly demand a great burden for the country. Therefore, large parts of the small supply of capital are absorbed in these branches only. In other parts of industry a large part of the working population and a small part of capital are both employed. In this way a tendency is produced for the existence and even growth of industries which are in many a sense below the level of modern industries. In Japan a special fact has, until World War II, aided this tendency, the fact that general consumers have maintained their way of life of their ancestors during the Tokugawa period in an internationally isolated economy. On the other hand, a few branches of industries have attained a relatively monopolistic position in consequence of the unbalanced distribution of capital and thus many industries are placed in an unfavourable position, in regard to the former. These relative process of the birth of small as well as monopolistic industries is a logical outcome of the national economic structure of Japan. Her present economic conditions after World War II present the same industrial tendency, for the destruction of capital equipment by the War together with the growth of population through the sharp decrease of the death rate makes to restoration of economic independence more imperative as the world recovery of productive power is much faster than after World War I.

As regards the results in detail in following the method the answer

will be a matter to be treated in an other place than in this article which is a survey of the theoretical interpretation of small industries in Japan. I have analysed historically the subject as far as Japan is concerned in the work above cited by the above outlined methods of interpretation. I hope to relate the results of my own structural analysis on another occasion.

— Written in August, 1953 —