Volume 4  Local Autonomy in the Period of Economic Depression and in Wartime (1930 – 1945)

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Foreword

The Council of Local Authorities for International Relations and the National Graduate Institute for Policy Studies have been working since FY 2005 on a “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. On the basis of the recognition that the dissemination to overseas countries of information on the Japanese local governance system and its operation was insufficient, the objective of this project was defined as the pursuit of comparative studies on local governance by means of compiling in foreign languages materials on the Japanese local governance system and its implementation as well as by accumulating literature and reference materials on local governance in Japan and foreign countries.

In FY 2010, we continued to compile “Statistics on Local Governance (Japanese/English)”, “Up-to-date Documents on Local Autonomy in Japan”, “Papers on the Local Governance System and its Implementation in Selected Fields in Japan” and “Historical Development of Japanese Local Governance”. We also continued to conduct a search for literature and reference materials concerned with local governance in Japan and overseas to be stored in the Institute for Comparative Studies in Local Governance.

We would like to express our sincere appreciation to the members of research committee on “Project on the overseas dissemination of information on the local governance system of Japan and its operation” for their considerable efforts, and to all who offered valuable advice and cooperation to this project.

March 2011

Yoko Kimura
Chairperson of the Board of Directors
Council of Local Authorities for International Relations
Tatsuo Hatta
President
National Graduate Institute for Policy Studies
Preface

This booklet, one of a series which started to appear in 2010, is one result of collaboration that started in 2005 between the Institute for Comparative Studies in Local Governance, National Graduate Institute for Policy Studies, and the Council of Local Authorities for International Relations, under the title, “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. For the purpose of implementing the project, a “Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation” was established, and a chief or deputy chief with responsibility for each part of the project have been designated.

Within the framework of the above project, we began to study in 2008 how to establish and take forward a self-contained project under the title “Historical Development of Japanese Local Governance”. The project will comprise the publication of 10 volumes in the form of booklets which will examine the formation, development process and history of local governance in Japan. We are convinced that the results of the research that underlies this project will be of immense use in the comparative study of local governance in many countries. The work has been taken forward primarily by the core team members listed below, and it is planned that all the research will be brought together by the publication, one at a time, of a booklet authored by each team member during 2010 and 2011.

(Chiefs):

Hiroshi IKAWA  Professor, National Graduate Institute for Policy Studies
Akio KAMIKO  Professor, School of Policy Science, Ritsumeikan University

(Deputy Chiefs):

Atsushi KONISHI  Director-General, Research Dept., Japan Intercultural Academy of Municipalities
Nagaki KOYAMA  Formerly Associate Professor, Graduate School of Library, Information and Media Studies, University of Tsukuba (until March 2009)
Makoto NAKADaira  Professor, Graduate School of Human and Socio-Environmental Studies, Kanazawa University (since May 2010)
Yasutaka MATSUFUJI  Professor, Faculty of Regional Policy – Department of Regional Policy Takasaki City University of Economics
This booklet, Vol. 4 in the series, “Historical Development of Japanese Local Governance” gives an account of the development process and history of local governance in Japan in the period 1930-1945.

The period (1930-1945) covered by this volume is one which is characterized by a deepening economic depression and the rise of militarism, leading finally to Japan’s entry into the Pacific War. Against this backdrop, the period can be seen as one in which the highest priority was given to the pursuit of the war, and in which development of the infrastructure appropriate to a country at war was actively taken forward. It is within this context that this volume, at the same time as touching on the current of the times and the movement of national policies, sets out the changes in the system of local governance and the management of local administration and finance.

I would like to express my heartfelt appreciation to the members of the research committee for their expert opinions and advice.

Lastly, I need to thank Mr. Maurice Jenkins for his work in translating this booklet into English from the original Japanese booklet.

March 2011

Hiroshi Ikawa
Chairperson
Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation
Professor
National Graduate Institute for Policy Studies
Introduction

The period covered by this volume (1930-1945) is characterized by a deepening of the economic depression and, within this context, by the occurrence of 2 attempted military coup d’ états, known respectively as the May 15 Incident of 1932, and the February 26 Incident of 1936. Japan’s invasion of Manchuria in 1931, and the outbreak of the Sino-Japanese War in 1937 must also be seen against the background of the rise of militarism in Japan, leading to Japan’s declaration of war against the U.S. and Britain in December 1941 and the country’s entry into the Pacific War.

As a result of the Great Depression and the implementation of austerity measures in 1929, the Japanese economy suffered severe damage, and the depression sustained in farming villages reached crisis proportions. It is against this background that emergency financial support measures in the form of public works were implemented in 1932, and a movement to revitalize the economy of farming villages was taken forward. Further measures that were taken forward included legislation in the social welfare field such as the implementation of the Relief and Protection Law and the revision of the Health Insurance Law, while developments in the fields of labor administration and public health respectively included the revision of the Factory Law and the Medical Practitioners Law.

However, the most prominent characteristic of local governments in this period can be identified as the attempt to construct a system of the mobilization of all the Japanese citizenry in pursuit of the effective implementation of the war within the framework of giving absolute priority to the war effort as the primary objective. For example, in the context of enactment of the National Mobilization Law in 1938 and the establishment of systems to support a nation at war, hamlets, neighborhood associations and the like were formalized at the lowest level of the administrative structure. Local government duties related to the national war effort also increased in number, and in 1943, the system of metropolitan Tokyo was implemented in addition to revisions of the prefecture system, the city system, and the town and village system; in ways such as these, changes in the mechanisms of local autonomy and structural modifications were taken forward with the aim of enabling the national war effort to function more smoothly. It is in this sense that one can say that the system of local governance itself,
which had developed in Japan through the 1910s and the 1920s, also changed into a device to serve strong central government control within the framework of a general strengthening of systems appropriate to a nation at war. In the area of election systems too, laws were enacted related to, for example, the lengthening of the periods of tenure of local assembly members, thereby ensuring that measures could be taken that responded to the demands of wartime Japan.

On the other hand, in the context of the lengthening of the Pacific War and the worsening of the wartime situation, people came to experience greater hardships in their daily lives as a result of shortages of necessary everyday items, and in many cities in Japan in 1944, large numbers of ordinary people were killed or wounded as a result of American aerial bombing.

Within the limits of the period covered by this volume, the scale of local expenditures (ordinary account, same in references below) underwent a large increase, rising from 1.78 billion yen in fiscal 1930 to 5.01 billion yen in fiscal 1945. However, as the result of a further growth in expenditures resulting from a sharp increase in national military expenditures, the percentage of local expenditures taken up by public expenditures showed a large decrease. It was against the background of the severe impoverishment of local finances in agricultural areas as a result of the economic depression that an examination was made of introducing a system of local financial adjustment. The result of this was the establishment in 1936 of the temporary system for the provision of financial assistance to towns and villages, in the following year, 1937, of the temporary system for the provision of financial assistance to local bodies, and in 1940, of a local tax apportionment system. Looking next at local public enterprises, the development of bus and subway enterprises could be observed, but as the wartime control system grew stronger and the war situation worsened, the environment for tackling local public enterprises such as water supply and transport became extremely severe.

Accompanying the revision of national tax in 1931, local taxes such as land tax surtax were also revised. In addition, in 1936, a radical tax reform was suggested by the Minister of Finance and the Minister of the Interior, aimed at equalizing the burden imposed on people and increasing tax revenue. Against this kind of background, by means of the reform of the local tax system in 1940, local tax headings were reviewed on a large scale, the local tax system was systematized, and a local apportionment tax system was created, consisting of a tax refund system and a distribution tax system.

On the basis of the currents of the time as sketched out here, the composition of this paper is as follows.

Firstly, in Chapter 1, after an overview of the deepening economic depression and the rise of militarism, an account is given of the implementation of emergency financial support measures and of the movement to revitalize the economy of farming villages. This chapter will also look at the development and strengthening of laws concerned with social welfare, labor and public
health.

Chapter 2 looks at trends indicating the advent of war, such as the National Mobilization Law, the restructuring of hamlets and neighborhood associations, etc., as well as setting out changes at the lowest level of the local administration system and the difficulties faced by people in their daily lives in the shadow of the Pacific War.

Chapter 3 gives an account of reforms connected with the Municipal System (City System and Town and Village System) in 1943, and at the same time, touches on changes to the local election system in wartime and on movements to clean up and get rid of corruption in elections in the 1930s.

Chapter 4 begins by giving an overview of the characteristics of local finances during the economic depression and in wartime, and on this basis, sets out details of the creation of local financial adjustment systems such as the temporary system for the provision of financial assistance to towns and villages, local apportionment tax and so on. It also touches on changes to local public enterprises during this period.

Chapter 5 looks at the revision of the local tax system in 1931, and at the radical tax system reform plan jointly proposed by the Minister of Finance and the Minister of the Interior in 1936. It also sets out details of the large-scale local tax reform resulting from the enactment of the Local Tax Law in 1940.

Finally, the Conclusion sets out briefly such factors as the main characteristics of local autonomy during the period in question.

1 Deepening of the economic depression and the government's responses

1.1 Deepening of the economic depression and the rise of militarism

(1) Deepening of the economic depression in farming villages

In 1927, the Japanese economy, as evidenced by such phenomena as the outbreak of financial panic, was in dire straits, and it was in this situation that in July 1929, the cabinet of Hamaguchi Osachi launched a policy of financial austerity and industrial rationalization, and promoted the lifting of the gold embargo. Through expenditure reductions, a lowering of commodity prices, and attempts to restructure failing enterprises, the government tried to increase the level of competitiveness of the economy, and abolish the gold embargo. However, with the massive drop in share prices on the New York Stock Exchange acting as a trigger, a global panic broke out in October 1929, and when the gold embargo was lifted in January 1930, huge amounts of gold were shipped overseas, while Japanese exports and imports sustained a large decrease. In this situation, commodity prices and wages suffered a large decrease, confusion reigned on the Japanese stock exchange, and many small and medium-sized firms were driven into bankruptcy; in short, the overall situation was exceedingly serious. In large companies too, production
adjustments were strengthened, and the national income in 1930 fell by 19.3% compared to the previous year (see Table 1).

In rural areas, as a result of the steep drop in the price of rice and silkworm cocoons, the income of farming families decreased sharply, so that their situation become even more severe. As the depression deepened, a not insignificant number of unemployed workers returned to the farming villages in which they were born, and in addition to problems such as an increase in starvation among children, the appalling tragedy of the sale of young girls could also be found. In this kind of environment, disputes among tenant farmers were a frequent occurrence, and strident demands were made for such things as the provision of food supplies and the cancellation of debts.

Table 1  Population, National Income, Central Government Expenditure, Local Expenditure Local Tax Revenue, Price of Rice, and Retail Price over the Years
(Unit: thousand people (population), million yen (national income), 10 thousand yen (central government expenditure, local expenditure, local tax revenue), yen/180.4 liters (rice), % percentage change))

<table>
<thead>
<tr>
<th>Year (Fiscal year)</th>
<th>Population</th>
<th>Percentage change</th>
<th>National income</th>
<th>Percentage change</th>
<th>Central government expenditure</th>
<th>Percentage change</th>
<th>Local expenditure</th>
<th>Percentage change</th>
<th>Local tax revenue</th>
<th>Percentage change</th>
<th>Price of rice</th>
<th>Percentage change</th>
<th>Retail price</th>
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<td>-</td>
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<td>-</td>
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<td>-</td>
<td>40,398</td>
<td>-</td>
<td>6.05</td>
<td>-</td>
<td>1.185</td>
</tr>
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<td>-</td>
<td>12,834</td>
<td>-</td>
<td>117,233</td>
<td>-</td>
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<td>-</td>
<td>40,398</td>
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<td>-</td>
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<td>16.5</td>
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<td>-</td>
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<td>16.5</td>
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<td>7.0</td>
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<td>-</td>
<td>147,688</td>
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<td>1.6</td>
<td>16,045</td>
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<td>3.0</td>
<td>177,507</td>
<td>2.1</td>
<td>188,401</td>
<td>16.5</td>
<td>36.44</td>
<td>2.9</td>
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<td>19,306</td>
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<td>16.5</td>
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<td>328,803</td>
<td>21.4</td>
<td>217,865</td>
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<td>16.5</td>
<td>36.44</td>
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<td>16.5</td>
<td>36.44</td>
<td>2.9</td>
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<td>19,306</td>
<td>16.0</td>
<td>270,916</td>
<td>18.7</td>
<td>235,779</td>
<td>27.4</td>
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<td>284,857</td>
<td>17.3</td>
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<td>43.20</td>
<td>16.3</td>
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<td>487,648</td>
<td>1.8</td>
<td>348,491</td>
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<td>6.2</td>
<td>43.26</td>
<td>4.3</td>
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<td>1.4</td>
<td>55,830</td>
<td>16.3</td>
<td>625,181</td>
<td>51.7</td>
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<td>26.9</td>
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<td>1944</td>
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<td>34.7</td>
<td>1,298,195</td>
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<td>866,453</td>
<td>12.6</td>
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<td>4.1</td>
<td>1.874</td>
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<td>1945</td>
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<td>0.2</td>
<td>2,149,619</td>
<td>8.2</td>
<td>501,374</td>
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<td>98,517</td>
<td>14.2</td>
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<td>29.7</td>
<td>49.56</td>
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</table>

Average rate of increase (simple average) - 0.9 - 12.8 - 18.7 - 8.3 - 2.7 - 4.3 -

[Source]
1. Produced by author using the following publications.
   i. Data for Population, National income, Central government expenditure, Price of rice, and Retail price was taken from "Hundred-year-statistics of the Japanese economy" (Bank of Japan, Statistics Department, ed.)
   ii. Data for Local expenditure and Local tax income was taken from "Hundred-year history of local autonomy, Vol. 3" (Editorial Committee for the Hundred-Year History of Local Autonomy, ed.) documentary section*
2. Data for Population, National income, Price of rice and Retail price denotes the figures for a "calendar year", and data for Central government expenditure, Local expenditure, and Local tax income denotes the figures for a "fiscal year".
3. Central government expenditure is the general account expenditure, and local expenditure is the local bodies' ordinary account expenditure.
4. Price of rice is the price for a koku (about 180 liters) of rice, and retail price is the Tokyo retail price index (1934-36 average=1).
(2) The rise of militarism

In the general election of February 1930, the Minseito Party under Prime Minister Hamaguchi won a sweeping victory. However, in November of the same year, Prime Minister Hamaguchi was shot and wounded in Tokyo Station, in April 1931, he resigned, and in August 1931, he died. During this period, the very serious economic situation continued, and the Cabinet formed under the successor Prime Minister, Wakatsuki Reijiro, continued to adopt the previous Prime Minister’s policy of austerity, an example of which was the reduction in the salary of government officials adopted in May 1931.

In this kind of environment, an explosion occurred in September 1931 in the northern part of Mukden near Liutiao Lake, destroying part of the railroad track belonging to the South Manchuria Railway Company (the Manchurian Incident), and soldiers of the Japanese Army clashed with Chinese forces. The Manchurian Incident expanded to cover the whole of Manchuria, and the Wakatsuki Cabinet resigned in full in December 1931; as its successor, the Seiyukai Party then formed a Cabinet under Prime Minister Inukai Tsuyoshi. The new government made a number of major changes in financial policy, including re-imposition of the gold embargo. The post of Finance Minister in the Inukai Cabinet was held by Takahashi Korekiyo, who implemented the program of emergency financial support measures as well as adopting positive financial policies through the issuance of public bonds. In March 1932, a declaration of the founding of the State of Manchu (Manchukuo) was issued, and the newly established state was formally recognized by Japan in September of the same year. Japan followed up this step by withdrawing from the League of Nations in March 1933, and in November 1936, Japan and Germany signed the Anti-Comintern Pact. In July 1937, a battle broke out at Lugou Bridge (Marco Polo Bridge Incident), located to the southwest of Beijing, and this soon escalated into the Second Sino-Japanese War.

Against the background of the kind of incidents reported above, 2 attempted coup d’ états were planned by officers of the Japanese army in 1931, and although both ended in failure, former Minister of Finance, Inoue Junnosuke, was the victim of a terrorist assassination in February 1932. After this came the May 15 Incident in the same year, when Prime Minister Inukai was assassinated by a group of young naval officers from the Imperial Japanese Navy, aided by army cadets. This incident signaled the end of party politics in Japan.

Subsequently, 2 cabinets were formed headed by prime ministers with naval backgrounds, and it was in this context that the February 26 Incident occurred in 1936. In this Incident, a group of young Army officers led some 1,400 troops in an attack on the Prime Minister’s official residence, killing Minister of the Imperial Household (former Prime Minister) Saito Makoto, and Finance Minister Takahashi Korekiyo. It should be noted that Finance Minister Takahashi is said to have rejected the budgetary demands of the military and earned the enmity of the army. The
February 26 Incident itself was suppressed, but from that moment on, the system whereby the Army Minister and the Navy Minister were nominated from among serving officers was revived, and the influence of the military on cabinet and national decision-making became stronger.

1.2 Implementation of Emergency Financial Support Measures

(1) Implementation of Emergency Financial Support Measures

The condition of the Japanese economy was in a chronically depressed state as a result of the Great Depression after the end of World War I. Specifically, following the financial panic in Japan of 1927, global panic broke out in October 1929, throwing the stock exchange into confusion and dealing a severe blow to industry, with small and medium-sized firms declaring themselves bankrupt. The number of unemployed persons also increased, and in the context of a fall in the price of rice and silkworm cocoons, the income of farming families dropped, and disputes among tenant farmers became a frequent occurrence.

With a view to responding to this kind of severe economic situation, the cabinet formed in July 1932 under Prime Minister Saito Makoto endorsed in August of the same year the Agricultural and Civil Engineering Support Projects and the Fundamental Principles of a Plan for the Revitalization of Farming and Fishing Villages. The budget for these initiatives and for the Emergency Financial Support Measures, which was added to the budget, amounted to 146.6 million yen, the major part of which was accounted for by the cost of civil engineering projects aimed at revitalizing farming villages. The time scale of the Emergency Financial Support Measures Plan was set at 3 years, and in terms of expenditures, the total amounted to the very large sum of 1.6 billion yen, including central government project costs (560 million yen), local projects financed by low-interest, central government loans (300 million yen), and real estate mortgage loans (800 million yen).

Within the overall framework of the implementation of the Emergency Financial Support Measures, there was a large-scale increase in the civil engineering costs of local bodies; the total amount for the period of 3 years from fiscal 1932 was about 1 billion yen. In addition, for 3 years from 1932, the Ministry of the Interior and the Ministry of Agriculture and Forestry together made grants amounting to about 240 million yen to local bodies as emergency civil engineering project support grants concerned with farming villages.

(2) Movement for the Economic Revitalization of Farming Villages

In August 1932, the Ministry of the Interior placed before the local chiefs a document entitled “Fundamental Principles of a Movement for National Revitalization”, indicating the promotion of a movement aimed at revitalizing the agricultural economy. In a further move, in September of the same year, an Economic Revitalization Department was established within the Ministry of
Agriculture and Forestry, and in October, implementation proposals aimed at establishing economic revitalization plans for farming, mountain and fishing villages were shown by the Agricultural Minister to local chiefs.

In response to movement of this kind, at prefectural level too, economic revitalization committees chaired by prefectural governors were established, and these committees made efforts to take forward and provide leadership for the implementation of revitalization plans. At a lower level of the administrative hierarchy, in the towns and villages which were the target of the said plans, economic revitalization committees chaired by municipal mayors were established, and persons with power and influence in local communities were nominated as members. The number of towns and villages targeted by these plans underwent a large-scale increase, to the extent that in 1936, they numbered 6,600, accounting for about 60% of all towns and villages in the country.

1.3 Strengthening laws concerned with the welfare of society and public health

(1) Development of social welfare legislation

Against the background of a rise in voices calling for the establishment of a system to succor people whose daily lives were threatened by poverty and destitution, the Relief and Protection Law was promulgated in April 1929. However, as a result of the very severe financial circumstances of the time, the implementation of the said law was delayed until January 1932. On the other hand, in the area of child protection too, against the background of the problem of parent-child suicides and child abuse, the Child Abuse Prevention Law was enacted in March 1933, and the Juvenile Relief Law in May 1933. A further measure was the enactment of the Mother and Child Protection Law in March 1937.

In another area, the establishment of a social insurance system was also taken forward. In March 1934, the Health Insurance Law was revised in terms of content such as expanding the scope of insured persons or extending the period during which benefits were payable, and in 1939, the Mariners’ Insurance Law was enacted. In April 1938, the National Health Insurance Law, targeted at the residents of farming, mountain and fishing villages as well as at small and medium-sized businesses, was enacted, and in 1939, the Employees’ Health Insurance Law, targeted at urban wage-earners and shop employees, was enacted. In the area of pension systems too, the Workers’ Pension Insurance Law, targeted at general workers, was enacted in June 1942, and further major improvements to the workers’ pension insurance system included the advent of the national welfare pension insurance system in October 1944.

(2) The progress of labor administration

On 2 occasions, in 1929 and 1936, the Factory Law was revised with the aim of strengthening
it. In addition to this, as a result of further developments such as the enactment in April 1931 of the Industrial Accident Aid Law, attention became focused on the construction of a system of providing aid for workers in the event of disasters related to their work activities.

(3) Progress in public health administration

The Medical Practitioners Law and the Dentists Law were both enacted in 1933, and as a result, developments in public health could also be observed. Furthermore, in 1937, the Public Health Centers Law was enacted, and public health centers were established to facilitate the implementation of policies to prevent tuberculosis and to safeguard the health of mothers and babies.

In this kind of environment, the Ministry of Health and Welfare was newly established in January 1938 following the experimental dissolution and merger of the former Public Health Bureau of the Ministry of the Interior and the Social Bureau, which was the external affairs bureau of the Ministry. In the initial stages, consideration was given to establishing a Ministry of Public Health centered on public health administration, but finally, it was the Ministry of Health and Welfare that was established with a remit to deal comprehensively with public health administration and social welfare administration.

2 The development of wartime systematization and local autonomy

2.1 The development of wartime systematization

(1) The start of the National Spiritual Mobilization Movement

Starting with the outbreak of the Sino-Japanese Incident (the Battle of Lugou Bridge) in July 1937, the conflagration expanded into the full-scale Sino-Japanese War, and against this background, attention was focused on the development of wartime systematization in people’s daily lives; specifically, a cabinet resolution endorsed the publication of the Implementation Principles of National Spiritual Mobilization. According to these Principles, all government ministries, with a view to responding to the controlled economy of wartime, would establish a system of control, and at local level, prefectural chiefs and municipal mayors would take the lead in the development of a wartime system of comprehensive mobilization of all kinds of organizations such as hamlets and neighborhood associations.

(2) Enactment of the National Mobilization Law

The National Mobilization Law was enforced from May 1938, and with this development, the wartime system of control was tightened by another notch. Specifically, it was stipulated under the said law that 1) at times when comprehensive national mobilization was deemed necessary, it would be possible to enforce controls concerned with such matters as national conscription,
limitation and prohibition of labor disputes, utilization of material resources, and control of production, distribution and consumption; and 2) it would also be possible to issue control orders on commodity prices and government ordinances concerned with the funding operations of financial organs.

In a further development, a large number of laws with a bearing on military affairs, the economy and social welfare, were enacted in 1938, including the Law to Increase the Mining Production of Important Minerals and the National Health Insurance Law.

In April 1939, by means of the enforcement of the Civil Defense Unit Ordinance, civil defense units were activated all over the country, with a large role being played by the sub-unit for air defense. In the same year too, the Wage Control Ordinance and the National Conscription Ordinance were promulgated, and in October of the same year, the Rice Distribution Control Law was enforced, thereby taking forward a rapid development of wartime controls.

In July 1940, the Second Konoe Cabinet was formed, a “national unity system” was declared, and political parties were dissolved one after the other. In October of the same year, the Imperial Rule Assistance Association was formed, the Prime Minister appointed himself as president of the said Association, and local chiefs (prefectural governors) were appointed as local heads of prefectural branches, as a result of which, vigorous development of the Association took place in local areas.

(3) The development of a controlled economy

As a result of the strengthening of the anti-Japanese economic blockade, difficulties occurred under the National Mobilization Law in terms of the implementation of the wartime economy in such areas as the control of personnel, commodities and finance. In these circumstances, the National Mobilization Law was revised in 1941, and as a result, control machinery and control companies were established in important industrial sectors. Furthermore, with a view to implementing the wartime economy, public finance corporations such as the Wartime Financing Corporation, authorities such as the Housing Authority, and special companies such as the Japan Electric Generation and Transmission Company were established.

Against the background of the establishment of control systems such as described here, commodity distribution systems and ration ticket systems were also introduced. A distribution system for rice and silkworm cocoons was implemented in the 6 large cities, with Tokyo and Osaka in the lead, in April 1941, and extended over almost the entire country in December of the same year. Systems of staged availability, controlled distribution and ticket rationing were also implemented in respect of fresh food and clothing items. However, it was not an easy task to guarantee the availability of sufficient items to meet people’s everyday living needs, and circumstances became more and more severe as the war situation worsened.
2.2 Restructuring of the lowest level of administration

(1) The historical development of hamlets and neighborhood associations

Taking the villages that existed at the time of the Meiji Restoration, as a result of the municipal mergers that accompanied the implementation of the Municipal System in the closing years of the 19th century, the internal organization of cities, towns and villages underwent a restructuring process. Subsequent to this process too, residents’ organizations and communal bodies, which implemented local matters which had a close relationship with the daily life of residents, continued to exist. However, the Ministry of the Interior, which had invested considerable efforts into fashioning a modern type of city, town or village, was pessimistic about systematizing the hamlets and neighborhood associations, which constituted the internal organizations within municipalities.

Around the 1930s, however, a change could be observed in this attitude on the part of the Ministry of the Interior, and in 1932, when the Movement for the Economic Revitalization of Farming Villages began, emphasis came to be put on the activities of neighborhood associations and the like. In urban areas too, the role of hamlets and neighborhood associations came to be seen as important, and from 1935, as the movement to clean up elections spread across the entire country, hamlets and neighborhood associations came to be used as enforcement organs.

(2) The structuring of hamlets and neighborhood associations as national policy organizations

In the ways described above, hamlets and neighborhood associations came to carry out many sorts of administrative activities as the lowest level organizations of the administration in cities, towns and villages. It followed that with the spread of the wartime system throughout the country, the expansion and restructuring of the organization and functions of hamlets and neighborhood associations came to be recognized as an important issue.

In this kind of framework, the Ministry of the Interior issued instructions to local chiefs to take forward the restructuring of hamlets and neighborhood associations with the aim of letting national policy penetrate more deeply into people’s hearts and minds, and enabling national policy to be operated more smoothly. More specifically, the Ministry of the Interior aimed to hand over municipal duties to hamlets and neighborhood associations, and to set up liaison mechanisms with agricultural bodies within hamlets, thereby putting effort into strengthening hamlets and neighborhood associations. The cities, towns and villages of Japan received the instructions, and efforts to restructure neighborhood associations were taken forward. For example, in the city of Tokyo, the criteria for neighborhood associations were revised in 1941, and they were given additional duties to implement such as cooperating with national policy and local government administration.
In August 1942, a Cabinet resolution entitled “The Direction of Guidance of Hamlets, Neighborhood Associations, etc.” was issued, and according to this document, it was stipulated that the Imperial Rule Assistance Association had the task of giving guidance to hamlets and neighborhood associations. The result of this was that in addition to having the character of organs at the lowest level of the administrative structure, hamlets and neighborhood associations also took on the appearance of subsidiary structures of the Imperial Rule Assistance Association. As wartime structures became more systematized, the administrative structure of hamlets and neighborhood associations was fashioned and taken forward in such a way as to ensure the thorough implementation of national policy and to guarantee the cooperation of all citizens.

2.3 Local autonomy under wartime systems
(1) The beginning and end of the Pacific War

World War II began in 1939. In September of that year, the German army invaded Poland, and in April 1940, achieved victory on the Western front. Against this background, Germany, Italy and Japan signed the Tripartite Pact in September 1940, and the Japanese army invaded the northern part of French Indochina. In the following year, July 1941, as the Japanese army advanced into southern Indochina, relations with America became decisively worse. In October 1941, Tojo Hideki was nominated as Prime Minister, and on December 8 of the same year, war broke out between Japan and America, marking the start of the Pacific War.

In the early stages of the war, Japan gained a number of victories, but by the summer of 1942, the American counter-offensive began, and the war situation became steadily worse. In July 1944, the Japanese army chose to defend Saipan to the last man rather than surrender, and American aerial bombing of the Japanese mainland became much more ferocious. In May 1945, Germany surrendered unconditionally, and Japan too accepted the Potsdam Declaration. The Pacific War came to an end.

(2) The expansion of wartime duties in prefectures and municipalities

Accompanying the expansion of the wartime situation, all kinds of administrative duties were performed in the context of giving absolute priority to the pursuit of the war. Since the beginning of the Sino-Japanese War in 1937, the number of laws and Imperial ordinances expanded very greatly. Particularly in 1941, 1,250 Imperial ordinances were enacted, more than 4 times the total issued 10 years earlier in 1931, and after 1942 too, large numbers of laws and Imperial ordinances were enacted. Many of these, such as the National Mobilization Law, the National Conscription Ordinance, and the Price Control Ordinance, were concerned with wartime duties. It should also be noted that many of these wartime duties were stipulated as having to be implemented by prefectural governors as organs of the state, and by prefectures and
municipalities in the capacity of local governments, and as the sphere of the war expanded, many laws and Imperial ordinances were enacted, and within this framework, the duties of prefectures and municipalities underwent a great increase.

(3) The emergency wartime systematization of hamlets and neighborhood associations

In October 1942, the rationalization of distribution and consumption was taken forward, and with the aim of guaranteeing stability in the everyday lives of citizens, consumption economy units were established in the approximately 67,000 neighborhood associations in the country as a whole. The role of a consumption economy unit was stipulated as being to operate the commodity distribution system in such ways as liaising with distribution organs. In addition, as well as undertaking the distribution of items necessary for people’s daily lives, neighborhood associations also provided a source of strength in various ways connected with daily living, such as seeing off soldiers going to the front or welcoming them back, dealing with the apportionment of public bonds, mobilizing manual labor, and so on.

As a result of the revision of the local system in 1943, hamlets and neighborhood associations were systematized as the lowest level of municipal administration. According to “A hundred-year history of Tokyo”, as neighborhood associations and neighbor-contact groups came to carry out the roles of passing communications to citizens and collecting their opinions, the function of local assemblies showed a decline. Moreover, it was also stipulated that within municipalities, neighborhood associations and neighbor-contact groups played an extremely important role in mobilizing the power of the local residents, whether in terms of implementing the supply of commodities or in terms of providing a safeguard of local security and safety.

2.4 The destitution and misery of people’s everyday lives

(1) The lack of the necessities of life

As the war situation worsened, extreme shortages of commodities came to be felt, starting with basic foodstuffs such as rice, and extending to clothing items. For example, mixing soybeans into the main dish as a substitute food started in 1942, and by 1944, the proportion of the admixture had reached 14%. The quantity of foodstuffs such as soy sauce and fish also decreased, and in 1945, there was almost no sugar to be had anywhere. In circumstances of this kind, the per capita consumption of calories (on the mainland of Japan) dropped in 1944 to 88%, and in the following year, 1945, to 66% of the average quantity in the period from 1931 to 1940.

In the area of the production of civilian (non-military) goods too, the supply of materials such as cotton and woolen fabrics, in respect of which there was a high level of dependence on imports, also decreased sharply, with the result that from 1943 on, such basic items as underwear could barely be provided through the neighborhood association supply chain.
Against this kind of background of a shortage of everyday living necessities, there was a large rise in the cost of those items that could be obtained. For example, the official market price of 1 sho (1.8 liters) of rice was 0.5 yen. Compared to this, the black-market price of rice was 3 yen in December 1943, and rose steeply to 18 yen in September 1944, and to 35 yen in July 1945.  

(2) Strengthening of military service

As a result of the expansion of the war, many citizens were mobilized as soldiers. In 1941, the number exceeded 2.4 million, rising to 5.39 million in 1941, and reaching 7.16 million by August 1945. This number represented more than 40% of the 17.4 million persons comprising adult males between the ages of 17 and 45 in Japan at the time in question. With a view to securing a larger supply of soldiers, the number of soldiers conscripted in relation to the number who took the conscription test (the conscription ratio) increased year by year. In 1933, it stood at 20%, increasing to 50% in 1939, and reaching 77% in 1944. A further point is that the upper age limit for serving soldiers was increased in 1943 from 40 to 45, while the younger age limit was reduced in 1943 from 20 to 19.

In addition to the above, in order that all Japanese citizens could be mobilized, without regard to whether they were male or female, and assigned to such tasks as assisting with preparations for military operations, a Cabinet resolution entitled “Matters concerning the organization of national voluntary neighborhood groups” was endorsed in April 1945, and in June of the same year, the Voluntary Military Service Law was enacted.

(3) Increased severity of aerial bombing

In June 1944, an aerial bombing attack was carried out on northern Kyushu, and from that point on, large numbers of aerial bombing raids were carried out on Tokyo and other Japanese cities. Initially, the American bombing attacks targeted factories engaged in the production of military equipment, but from the beginning of 1945 on, they widened their targets to include indiscriminate bombing of Japanese cities, with the result that almost all the cities of Japan were burned to the ground.

On August 6, 1945, an atomic bomb was dropped on the city of Hiroshima, and on August 9, a further atomic bomb was dropped on the city of Nagasaki. In the case of both cities, devastating damage was inflicted.

According to an investigation carried out by the Economic Stabilization Headquarters in 1949, the number of fatalities resulting from the aerial bombing attacks was about 300,000, while the number of those who were listed as injured or missing was about 370,000.  

In April 1945, American troops landed on the mainland of Okinawa, and heavy fighting continued until June of that year. The number of fatalities resulting from these battles is
estimated at 200,000, and it was found that about half the number of casualties were ordinary civilians.

3 Reform of the local autonomy system and the election system
3.1 Reform of the local autonomy system

(1) Reform of the Municipal System (City System and Town and Village System)

In March 1943, the City System and the Town and Village System were reformed at the same time as the Prefectural System and the Hokkaido Assembly Law. The aim of the reform was to simplify and carry out a radical reform of municipal administration within the context of the broad range of duties that had to be shouldered by municipalities as part of the expansion of the war, and at the same time to aim at promoting national policies and providing stability in the daily life of the people.

The specific contents of the reform aimed at achieving the following objectives: 1) to enable the delegation of national policy duties through orders other than laws and Imperial ordinances; 2) to give to the chiefs of cities, towns and villages the authority to issue directives, in accordance with needs at the time in question, to organizations etc within the said municipalities; 3) to adjust and rationalize the authority of municipal assemblies, and strengthen the authority of city councils; 4) to reform the methods of appointment of municipal chiefs in such a way that the city mayors could be appointed by the Minister of the Interior on the basis of the recommendations of city assemblies; and 5) to legally recognize and systematize hamlets and neighborhood associations.

In the matter of reform of the Prefectural System, the targeted aims were, as in the case of cities, 1) simplification of the method of delegating national policy duties, and 2) strengthening of the authority of prefectural councils. The Hokkaido Assembly Law was also reformed in the same way as the Prefectural System.

Furthermore, with regard also to local administrative structures, the local government official (office) system was reformed with a view to facilitating a more comprehensive and efficient style of administration, and in July 1942, a system of local offices was established.

(2) The implementation of the Tokyo metropolitan system

In July 1943, the system of metropolitan Tokyo was established.

Tokyo had been specially established alongside Kyoto and Osaka at the time of the implementation of the Municipal System in 1889. As the next stage in the development of Tokyo’s local autonomy status, in addition to the movement to abolish the special measures of the City System, many related questions were debated, including the proposal of 1896 to establish the Tokyo metropolitan system. As a result of this, the Law concerning the
Administrative Supervision of 6 Large Cities was enacted in 1922. Subsequently too, the preferred pattern of Tokyo metropolis continued to be examined within the Ministry of the Interior, and against the background of the outbreak of the Pacific War, a document entitled “The Fundamental Principles of the Tokyo Metropolitan System” was issued by the Tojo Cabinet in November 1942. The skeleton of the Fundamental Principles consisted of the following 4 main points: 1) Tokyo Prefecture and Tokyo City are to be abolished, and a new entity in the form of Metropolitan Tokyo is to be established; 2) The top official of Metropolitan Tokyo is to be the Chief (Governor) of Metropolitan Tokyo, who is a central government official; 3) In line with the existence of prefectural assemblies and prefectural councils, an assembly and a council are to be established in respect of Metropolitan Tokyo; and 4) Subsidiary organs of Metropolitan Tokyo are in principle stipulated to be special wards, but the cities, towns and villages which exist outside the boundaries of the present city of Tokyo will continue to have their existing status. On the basis of the said Fundamental Principles, The Draft of the Tokyo Metropolitan System was presented to the Imperial Diet as a bill in January 1943, and after partial revisions, was promulgated in March of the same year. It was explained that the objectives of the new system included the following: to establish the system of Metropolitan Tokyo; to correct the abuses resulting from the dual administrative system of Tokyo prefecture and Tokyo city; to achieve a radical renewal and increase in the efficiency of the metropolitan administration. The new metropolitan system was implemented from July 1943, and as a result of the abolition of the previous dual administration was favorably received.

(3) The creation of a block structure

In July 1943, with the aim of forming a comprehensive liaison and adjustment administrative organization, Local Administration Councils were established. Each of the Councils had responsibility for one of the 9 blocks, into which the entire country was divided; in each block, a governor (or local chief) of the prefecture where the council was located would be appointed as chief of that Council, and other governors would be appointed as members of the said Council.

In addition, within the context of a steadily worsening war situation, Local Offices of the Superintendent-General were established in June 1945. In this case, the country was divided into 8 administrative blocks, and local offices were established in each of the following 8 cities: Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Takamatsu and Fukuoka. The Office of the Superintendent-General had the objective, through each of the local offices, to make preparatory arrangements for combat engagements, and had the authority to carry out many kinds of local administration. In practice, their activities remained at an inadequate level, and it was thus that the war ended with Japan’s defeat in August 1945.
3.2 Reform of the local election system

(1) Reform of the election system

By means of the revision of the Prefectural System and the Municipal System in 1935, reforms were carried out in such areas as the system of standing as a candidate for election to a city assembly.

Other reforms, carried out from the perspective of simplifying duties in respect of the system of elections for municipal assemblies, including preparation of lists of candidates and ballot counting, were made by means of the revision of the Municipal System (City System and Town and Village System) in 1943. In addition, as well as reforms concerned with special elections and re-elections, reforms were made to the right of suffrage and the right to stand for election, and the upper limit to the number of municipal assembly members was fixed at 80 persons.

In the reform of the Prefectural System, also carried out in 1943, in addition to reforms concerned with such matters as ballot counting, special elections and rights of suffrage, all made in response to the similar reforms carried out in respect of the City System and the Municipal System, the upper limit of members of prefectural assemblies was set at 90 persons.

Within the framework of an expansion of the war theater, and with the intention of avoiding “unnecessary friction and competition among citizens”, the “Law concerning the extension of tenure for prefectural and municipal assembly members” was promulgated in February 1941. As a result of the said law, the tenure of local assembly members was extended, generally for a period of 1 year, between March and May 1942.

Furthermore, in June 1943, the “Law concerning extension of the tenure of prefectural assembly members, etc.” was promulgated; it was stipulated that the tenure of prefectural assembly members was to be extended until August 1944, and that of municipal assembly members until September 1944.

(2) Clean-up of elections

Movements for the clean-up of Tokyo City politics took off in earnest from the 1920s onwards, and in the city assembly election of 1933, the corruption that was evident in the election process acted as a trigger to reactivate the movement to clean up city politics. A specific result of this movement was that, in the Tokyo city assembly elections of 1937, the organization campaigning for a reform of Tokyo city (clean-up of city politics) put forward 16 candidates, and of these, 10 were elected.

Against this kind of background, further examination of a system to get rid of corruption in elections continued to be taken forward, and in 1930, a House of Representatives Election Reform Commission was established. In 1932, the Legislative Council was established and various investigations were carried out. As a result of these investigations, a report
recommending the establishment of the Election Anti-Corruption Committee was issued, with the aim, among other things, of wiping out corrupt practices from elections. In May 1935, the Election Clean-up Committee Ordinance was promulgated with a view to establishing Election Clean-up Committees in each prefecture. Municipal clean-up committees were also established in more than 30 prefectures, and over the whole country, the implementation of clean-up movements got underway.

It should also be noted that in Shimane Prefecture and elsewhere, election clean-up movements jointly operated by government officials and private citizens working together were implemented, and in June 1935, many private-sector organizations coalesced to form the Central Election Clean-up Federation, aimed at implementing clean-up movements on a nationwide basis. Specifically, the Federation, acting in cooperation with election clean-up committees located in each prefecture, developed movements aimed at cleaning up elections, using a wide variety of different methods. Through its activities over a period of 7 years, the Central Election Clean-up Federation was able to show significant results, but then the Pacific War broke out, and in the context of strengthened militarization, the Federation was dissolved in July 1942.

4 The economic depression; local finances under militarization

4.1 The economic depression; local finances under militarization

(1) Expansion of the scale of national finance

Looking at the scale of national finances, military expenditures showed a steep and large-scale expansion after fiscal 1937, i.e. the year in which the Sino-Japanese War broke out. Looking also at central government expenditures in the general account, it is clear from Table 1 (p.4) that there was a large increase in these expenditures. If one adds to this the expenditures in the special account for military costs established in fiscal 1937, the expansion in the scale of national finances must be seen as something even more surprising. The result of combining the two sets of expenditures referred to here is that in fiscal 1940, expenditures were 4.5 times as much as they were in fiscal 1936, and in fiscal 1943, 16.7 times as much, amounting to 38 billion yen. It is in this context that the state imposed a large tax increase, with the result that income from tax and stamp duty amounted in fiscal 1943 to 8.67 billion yen, 7.6 times as much as in fiscal 1936, representing a striking increase\. However, even when this amount of revenue had been secured, it was still not sufficient to meet the massive increase in expenditures, and large numbers of national bonds were issued in order to compensate for the shortfall in revenue. The result of this was that the national debt (the minus balance on the general account) increased sharply, rising in fiscal 1943 to 9.4 times what it was in fiscal 1936, and at the end of the war, in fiscal 1945, to 18.1 times the fiscal 1936 figure, reaching 136.3 billion yen.
(2) The general condition of local finances – characteristics and changes

Turning to local finances, although their increase was not as large as that of national finances, they also showed an increase as the war progressed and militarization increased. Specifically, the scale of local finances in the 1930s, as can be seen from Table 1, amounted, broadly speaking, to 2 billion yen. Up until fiscal 1932, influenced by the then prevailing policy of financial austerity, the scale of local finances was in the region between 1.6 billion and 1.9 billion yen, but thereafter, large-scale growth was seen as a result of the implementation of emergency financial support measures. In the latter part of the 1930s, the scale of local expenditures stood at about 2 billion yen, but from the 1940s onwards, this figure increased against the background of the expanding theater of the war and the rising cost of commodities, reaching 5 billion yen in fiscal 1945.

As can be seen from the structure of revenues of local bodies shown in Table 2, local tax revenue ranged from 18% to 31%, national treasury disbursements (subsidies) from 9% to 27%, and local (government) loans from 7% to 27%. While in terms of local tax, the constituent percentage decreased, in contrast to this, the percentage taken up by national treasury disbursements increased in line with the expansion of war-related duties. A particular factor in fiscal 1933 was the steep increase of local (government) loans associated with the implementation of emergency financial support measures, but the period around 1940 was marked by a declining trend. A further factor to be noted is the creation in fiscal 1940, as referred to below, of the local apportionment tax. If local government income at this time is compared with that of the 1920s, a declining trend in the constituent percentage taken up by local tax can be noted.

Table 2  Changes in the Revenue Structure of Local Bodies

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total revenues</th>
<th>Local taxes</th>
<th>Local apportionment tax</th>
<th>National treasury disbursement</th>
<th>Local (government) loans</th>
<th>Rents and fees</th>
<th>Amounts carried over from the previous year</th>
<th>Others</th>
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</thead>
<tbody>
<tr>
<td>1929</td>
<td>198,378</td>
<td>34.1</td>
<td>—</td>
<td>10.1</td>
<td>15.4</td>
<td>11.9</td>
<td>14.0</td>
<td>14.5</td>
</tr>
<tr>
<td>1930</td>
<td>201,949</td>
<td>30.3</td>
<td>—</td>
<td>9.6</td>
<td>23.7</td>
<td>11.5</td>
<td>11.5</td>
<td>13.4</td>
</tr>
<tr>
<td>1935</td>
<td>274,885</td>
<td>23.1</td>
<td>—</td>
<td>9.3</td>
<td>26.8</td>
<td>11.4</td>
<td>12.1</td>
<td>17.3</td>
</tr>
<tr>
<td>1940</td>
<td>380,110</td>
<td>20.6</td>
<td>9.2</td>
<td>12.0</td>
<td>10.8</td>
<td>11.9</td>
<td>17.6</td>
<td>17.9</td>
</tr>
<tr>
<td>1945</td>
<td>536,155</td>
<td>18.4</td>
<td>15.8</td>
<td>26.1</td>
<td>7.7</td>
<td>9.7</td>
<td>5.3</td>
<td>17.0</td>
</tr>
</tbody>
</table>

[Source] 
Produced by the author using data from "Hundred-year history of local autonomy, Vol.3" (Editorial Committee for the Hundred-Year History of Local Autonomy, ed.) "documentary section"

When we look at the expenditure structure of local bodies, as shown in Table 3, we see that education expenses account for 21% to 26%, public works (civil engineering) expenses for 12%
to 17%, expenses related to industry and the economy for 3% to 11%, and public debt payments for 11% to 30%. While the constituent percentage taken up by expenses related to industry and the economy shows growth over the period, public debt payments show a decline in terms of the constituent percentage over the same period, within the framework of an overall increase in the scale of expenditures. From another perspective, if we compare the expenditures of local bodies over the period shown in the Table with those in the 1920s, we find that there is a declining trend in terms of constituent percentages for expenses related to public works and sanitation, but an increasing trend in expenses related to industry and the economy.

### Table 3  Changes in the Expenditure Structure of Local Bodies

(UNIT: 10 thousand yen, %)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Total expenditures</th>
<th>Social works expenses</th>
<th>Sanitation expenses</th>
<th>Expenses related to industry &amp; the economy</th>
<th>Public works expenses</th>
<th>Police expenses</th>
<th>Educational expenses</th>
<th>Public debt payments</th>
<th>Others</th>
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</thead>
<tbody>
<tr>
<td>1929</td>
<td>173,778</td>
<td>1.1</td>
<td>7.0</td>
<td>4.4</td>
<td>15.9</td>
<td>4.9</td>
<td>25.7</td>
<td>15.7</td>
<td>25.3</td>
</tr>
<tr>
<td>1930</td>
<td>177,507</td>
<td>2.3</td>
<td>5.9</td>
<td>3.7</td>
<td>14.4</td>
<td>4.6</td>
<td>22.7</td>
<td>24.1</td>
<td>22.3</td>
</tr>
<tr>
<td>1935</td>
<td>216,480</td>
<td>2.1</td>
<td>2.9</td>
<td>8.8</td>
<td>16.4</td>
<td>4.8</td>
<td>21.7</td>
<td>29.6</td>
<td>13.7</td>
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<tr>
<td>1940</td>
<td>284,857</td>
<td>2.8</td>
<td>3.8</td>
<td>10.3</td>
<td>14.1</td>
<td>5.6</td>
<td>21.0</td>
<td>17.1</td>
<td>25.3</td>
</tr>
<tr>
<td>1945</td>
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<td>2.7</td>
<td>3.8</td>
<td>10.5</td>
<td>12.2</td>
<td>9.3</td>
<td>25.3</td>
<td>11.0</td>
<td>25.2</td>
</tr>
</tbody>
</table>

[Source]
Produced by the author using data from "Hundred-year history of local autonomy, Vol. 3" (Editorial Committee for the Hundred-Year History of Local Autonomy, ed.)" documentary section"

If we look next at the movement of the financial scale over time by kind of local body as shown in Table 4, we see that prefectures show an increasing constituent percentage. In contrast to this, the constituent percentage for municipalities (cities, towns and villages) shows a declining trend. This trend is particularly noticeable in the case of towns and villages, in respect of which the figure in 1945 is less than 60% of what it was in 1930. A further point is that in a comparison of the financial scale by kind of local body with that of the 1920s, the constituent percentage of prefectures increases, while that of municipalities decreases.
Table 4  Changes in Expenditure by Type of Local Body
(Unit: 10 thousands yen, %)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Prefectures</th>
<th>Cities</th>
<th>Towns / Villages</th>
<th>Irrigation Associations</th>
<th>Ratio of Local Expenditure to Central Government Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>40,966</td>
<td>54,762</td>
<td>45,191</td>
<td>2,025</td>
<td>93.7</td>
</tr>
<tr>
<td></td>
<td>28.7</td>
<td>38.3</td>
<td>31.6</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>47,824</td>
<td>77,635</td>
<td>49,815</td>
<td>2,233</td>
<td>113.9</td>
</tr>
<tr>
<td></td>
<td>26.9</td>
<td>43.7</td>
<td>28.1</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>85,728</td>
<td>95,969</td>
<td>56,038</td>
<td>-</td>
<td>107.7</td>
</tr>
<tr>
<td></td>
<td>36.1</td>
<td>40.4</td>
<td>23.6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>146,144</td>
<td>110,054</td>
<td>56,134</td>
<td>-</td>
<td>53.3</td>
</tr>
<tr>
<td></td>
<td>46.8</td>
<td>35.2</td>
<td>18.0</td>
<td>-</td>
<td></td>
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<tr>
<td>1945</td>
<td>296,749</td>
<td>153,359</td>
<td>86,097</td>
<td>-</td>
<td>24.9</td>
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<td>55.3</td>
<td>28.6</td>
<td>16.1</td>
<td>-</td>
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</tr>
</tbody>
</table>

[Source]
Produced by the author using data from "Overview of local finances" (Ministry of the Interior, Local Affairs Bureau, ed.) and "Hundred-year history of local autonomy, Vol.1" (Editorial Committee for the Hundred-Year History of Local Autonomy, ed.)

(3) Financial austerity policy and the implementation of emergency financial support measures

With the aim of implementing the lifting of the gold embargo, the Hamaguchi Cabinet, formed in July 1929, implemented a policy of financial austerity. For its part, central government, at the same time as taking forward austerity measures in respect of matters under its own direct jurisdiction, also issued, aimed at local bodies, a number of orders directing the implementation of austerity policies, in order to try as far possible to reduce the initial budgetary demand in fiscal 1930.

In January 1930, the gold embargo was lifted. Taking a wider perspective, in terms of the budget for fiscal 1931, it was stipulated that the financial austerity policy would continue, and in the area of local finances too, austerity and restraint were the target objectives. Within this kind of overall framework of decreases in local government income, problems such as salary reductions for elementary school teachers and grade adjustments in schools arose; and in farming villages in particular, the conditions were very severe.

As a result of the implementation of austerity policies as outlined here, the scale of local expenditures (ordinary account), amounted, as shown in Table 1, to 1,738 million yen in fiscal 1929, decreasing significantly to 1,618 million yen in 1931.

Within the context of a deepening depression, people suffered conditions of extreme hardship in their daily lives. It was in this kind of situation that the government changed its financial
policies, putting positive efforts into the development of enterprises with the aims of countering unemployment, helping farming villages, and supporting small and medium-sized businesses and factories. In August 1932, the government unveiled its budget for emergency financial support measures, amounting to 150 million yen, and in the following fiscal year of 1933, added a number of projects as new measures. In fiscal 1934 too, further items were added to the budget, with the result that over a three-year period, the costs of nationally run enterprises exceeded 500 million yen, while those of locally run enterprises exceeded 300 million yen.

Summing up, the result of the implementation of the emergency financial support measures program was that the scale of local expenditures (ordinary account), as can be seen from Table 1, increased from 1,618 million yen in fiscal 1931 to 1,884 million yen in fiscal 1932, and to 2,602 million yen in fiscal 1933. In terms of methodologies, many of the necessary financial adjustment measures were implemented through borrowing, and the result of these local government loans was an accompanying increase in local debit balances, imposing heavy burdens on local finances.

(4) Local financial policy under the wartime system

Subsequent to the period described above, the scale of local finances over the period from fiscal 1934 through to fiscal 1940, as can be seen from Table 1, shifted to a figure of 2 billion yen plus. Against the background of continuing development of the military situation, in consideration of such factors as the expansion of national finances, the aggravated burden of taxation on the people of Japan, the supply and demand of military equipment, and so on, a policy of restraint vis-à-vis local finances was adopted, so that in September 1937, for example, a directive was issued by the Ministry of the Interior to local chiefs advocating restraint and austerity in respect of the budget for fiscal 1938.

With the advent of the 1940s, there was an expansion in fields related to the military situation, including civil defense, military support, public health and sanitation, increased production of food supplies, and so on, and in the context of a rise in commodity prices, the scale of local expenditures showed a large increase. In fiscal 1939, the scale of local expenditures stood at 2,429 million yen, a figure which more than doubled by fiscal 1945 to 5,014 million yen. But that said, the rate of increase in local expenditures was low compared to the rate of increase amounting to 4.8 times in terms of national expenditures (ordinary account) over the same period.

If we look next at the changes in the financial structure of local bodies over this period, we see that while on the one hand, in the area of income, there was a growth in national government treasury subsidies within the framework of an increase in the wartime duties of local bodies, on the other hand, in the area of expenditures, a large growth could be observed in expenses related
to industry and the economy within the context of an increase in such duties as the production of important commodities (see Table 2 and Table 3).

4.2 Creation of the local finance adjustment system

(1) Examination of a local finance adjustment system

The global panic of 1929 sent great shockwaves through the Japanese economy. The duties of local bodies expanded as a result of such factors as the enactment of social legislation and the development of public health administration. In this kind of environment, local bodies made efforts to secure the necessary financial resources through such means as an increase in local taxation, but they faced many difficulties in the way of trying to achieve their aims.

Moreover, the environment was such that while tax revenue accumulated in urban areas, there was a very severe shortage of revenue in agricultural areas, resulting in a striking imbalance of tax revenue between different local areas. Against this sort of background, tax rate increases were applied in areas in which there was a large revenue shortfall, with a view to securing a source of revenue. For example, in Aomori Prefecture, the ratio of the local tax revenue to direct national tax revenue was 4.78, more than 6 times the ratio for Tokyo (0.76); this example clearly shows the extent of the disparity among local areas. However, even with the help of the severe tax increases, local governments in agricultural areas were unable to secure the necessary revenue, and cases of extreme hardship were observed, with these areas unable even to implement compulsory education smoothly.

For its part, the Ministry of the Interior, with the aim of adjusting the imbalances in tax revenue between different areas and helping to alleviate the distress of farming villages, issued in August 1932 a document entitled “Draft Guidelines of a Local Financial Adjustment Grant System”. The content of these Draft Guidelines was as follows: 1) The total amount of the grant was to be set at 10% of the local tax revenue (about 66 million yen); 2) The allocation rate was set at one-third for prefectures, and two-thirds for municipalities; 3) One-third of the grant was to be allocated according to population criteria, and the remaining two-thirds to local governments in which the per capita tax revenue fell below the national average; and 4) The grant was aimed at lightening the tax burden.

The reaction evoked by the Ministry Guidelines was very strong. In the Imperial Diet in March 1933, a petition concerning the creation of a local financial adjustment grant system was adopted. And in January 1934, draft bills concerning such a system were presented by each political party. In 1935 too, draft bills were again presented by the political parties, but in both cases, the bills did not get beyond the discussion stage in the Upper House, and were not enacted in law.
(2) Creation of a financial supplement system

Subsequently too, the local financial situation, particularly in towns and villages, continued to be very severe, and in the Imperial Diet of 1936, a budget concerning a system of temporary grants to support town and village finances was passed; the system was for temporary support, and marked the first occasion for such a system of local financial adjustment to be created in Japan. Furthermore, in November of the same year, temporary municipal (town and village) financial support grant regulations were promulgated and implemented.

The system described here was targeted by the government particularly at towns and villages that were suffering hardship, and was a measure limited to fiscal 1936. The total amount of the support was 20 million yen, and was in principle aimed at lightening the tax burden on the towns and villages concerned. It was stipulated that more than 85% of the support was a general grant, distributed to towns and villages in terms of an examination of such criteria as whether they bore an excessively heavy taxation burden. The remainder was stipulated as a special grant, and was allocated to towns and villages in which the population was very small, or which had suffered from natural disasters and for these or other reasons, the revenue was extremely straitened.

In terms of practical steps, the government, under the guidance of Minister of Finance, Baba, and Minister of the Interior, Ushio, promoted a radical tax system reform bill, and in September 1936, promulgated “Fundamental Principles of Tax Reform” and “Fundamental Principles of Reform of Local Finances and the Tax System”. The concept of the creation of a local financial adjustment system was one of the important items incorporated into these Fundamental Principles, the large scale of which is demonstrated in the proposals that: 1) a portion of income tax should be returned to prefectures, and 2) land tax, business profit tax and house tax should be returned to municipalities (cities, towns and villages), the respective returns to be implemented by a local finance adjustment grant. The proposal was presented to the Imperial Diet, but as a result of political changes and other factors, was never actually realized.

In the above kind of context, as an temporary measure in fiscal 1937, the temporary local financial support grant system to local bodies was created. In this system, the targets of support were expanded from towns and villages to include cities and prefectures, and the total amount of support was increased to 100 million yen. Support grants of 27.5 million yen were distributed to prefectures, and grants of 72.5 million yen to municipalities. The basic principle of the grant was stipulated as being to reduce the burden of local taxation.

At prefectural level, 7.5 million yen was taken as the taxability criterion, and 20 million yen was distributed, using as a criterion the sum by which it was necessary for prefectural taxes to be reduced. And at municipal level, with 32.5 million yen as the taxability criterion, 35 million yen was distributed to municipalities (towns and villages) which were subject to a surcharge (house rate levy), and 5 million yen was distributed to the Seven Islands of Izu and to municipalities.
(cities, towns and villages) where special conditions existed.

As a result of the outbreak of the Sino-Japanese War, this radical reform did not show any further development, but the system was continued, and in fiscal 1938, the total sum of the temporary local financial support grant to local bodies was increased to 130 million yen, and even in fiscal 1939, was further increased to 148 million yen.

(3) The creation of the local apportionment tax system

In October 1939, the Tax Investigation Council issued a report concerning the local tax system, including the creation of a local apportionment tax system. On receipt of the report, the government presented a tax reform bill to the Imperial Diet. After partial amendment, the law was promulgated in March 1940.

According to the Local Apportionment Tax Law, set taxes were received by the national government, and these taxes were then apportioned to local bodies. In rather more detail, local apportionment tax is made up of a tax refund and distribution tax. In the case of the tax refund, land tax, house tax and business tax are levied and collected, for the sake of convenience, as national taxation, and that sum is refunded to the prefectures that collected it; the tax refund does not have the function of adjusting revenue among local governments. In contrast to this, distribution tax consists of a set percentage of income tax, corporate tax, admission tax and entertainment (eating and drinking) tax, and is allocated, without reference to the organs that collected it, with the aim of achieving a financial equilibrium among local governments.

In fiscal 1940, the tax refund amounted to 65 million yen, and the distribution tax to 277 million yen. 62% of the distribution tax was distributed to prefectures, and for half of this amount, the taxability of prefectures was used as the criterion. The remaining half was distributed in proportion to the adjusted population of the prefecture concerned. The amount of the distribution tax distributed to municipalities (cities, towns and villages) was 38% of the total amount, and this was divided into 3 categories, namely tax distributed to large cities, tax distributed to ordinary cities, and tax distributed to towns and villages. In order to be able, in addition to the taxability of the municipality concerned, to assess the financial need, distribution also took account of such criteria as the adjusted population.

Relatively large amounts of distribution tax were given to local bodies which were in a weak financial situation. Furthermore, the total sum distributed represented a set proportion of national tax, and its use was not specified, so for reasons such as these, the fundamental financial adjustment system is understandable in terms of the modern local allocation tax system.

The distribution tax system as described here continued to function until fiscal 1949. Looking at the percentage that it accounted for in local revenue, this increased from 7.3% (280 million
yen) to 9.5% (570 million yen) in 1943, so one can say that distribution tax came to play a very important role in local finances.

4.3 The vicissitudes of local public enterprises

(1) The development of transport businesses

After the occurrence of the Great Kanto Earthquake in 1923, bus business underwent great development in the place of streetcars. In addition to bus businesses operated by the city of Tokyo, many private entrepreneurs also participated in the transport business, with the result that at the end of 1938, routes extended for more than 1,700 km. In Osaka too, city-operated buses began to be developed in 1927, and a severely competitive economic environment developed as they came into competition with privately run bus services. In 1940, the private services and the city services merged, so that bus businesses within Osaka city were unified.

In Tokyo, the first subway line in Japan opened as a privately run business in 1927. Osaka city started a subway enterprise in 1927, and in 1933, Japan’s first subway line run by a local government was opened. From this beginning, the city-operated subway line in Osaka was extended, and in fiscal 1939, about 140,000 people a day traveled on it.

(2) Local public enterprises in wartime

As a result of such measures as the enactment of the National Mobilization Law in 1938, the development of the wartime system had a very great effect on local public enterprises.

At this time, state subsidies for water supply work gradually diminished. In addition, with the aim of encouraging the smooth use of national bonds, the increased issuance of which accompanied the increase in military expenditures, it was decided in 1937 that in principle, local bonds would not be approved for new, water supply construction work. It was in this context that water supply construction work showed a very large decrease, and at the same time, from 1940 on, as a result of accelerating inflation, the waterworks environment became extremely severe.

Furthermore, in the area of traffic enterprises, control over fuel and supplies was strengthened, and in terms of human resources too, priority was given to the needs of the war, so that in this sort of context, the severity of the situation gradually increased, firewood and charcoal were used as alternative fuels, and efforts were made to secure women drivers in the area of public transport. Despite all these efforts, however, the closure of many lines continued.

In the above environment, the system of city counselors, which was established by the reform of the city system in 1911, and which can be seen as the forerunner of the present-day system of managers of public enterprises, was abolished in the city system reform of 1943.
5 Reform of the local taxation system

5.1 Local tax reform of 1931

(1) Reform of land tax and business profit tax (national tax)

With the aim of providing help to farmers and to small and medium-sized businesses, which were dealt a severe blow by the global financial panic, an amelioration of two national taxes, namely land tax and business profit tax, was implemented.

Taking land tax first, no fundamental reform had been implemented since the reform of 1883. With regard to the value of land, an amendment was carried out in 1910, using the rental value of the land as the criterion, but a large difference arose between this and the actual profit obtained from land. In these circumstances, on the basis of a nationwide investigation carried out from 1926 to 1927, the government stipulated afresh that the rental value of land should be the criterion for the calculation of land tax. As a result, the land tax was uniformly set at 3.8%, and compared to the hitherto prevailing procedure, the land tax system came to be based on the reality of the profit to be made from land.

Furthermore, with the aim of alleviating the burden on small and medium-sized businesses, business profit tax was reduced. Giving due consideration to achieving a balance with land tax, the rate of corporate taxation was reduced from 3.6% to 3.4%, and the individual tax rate was reduced from 2.8% to 2.2% and to 2.6%.

(2) Reform of the local tax system accompanying national tax reform

Accompanying the national tax reform described above, reforms to land tax surtax, special land tax, and business profit tax surtax were also carried out.

With regard to land tax surtax, with a view to being able to safeguard existing tax revenue, various reforms were carried out, including setting the restricted rate (limited rate of taxation) for prefectures at 82%, and the rate for municipalities at 66%. Through these reforms, large changes were generated in terms of disparities between different local bodies, so that, for example, the tax revenue of Tokyo Prefecture (Tokyo-fu) was increased, while on the other hand, the tax revenue of local bodies in rural areas was reduced.

It should also be noted that special land tax, which had the status of a prefectural tax, set the standard levy at the rental value of land, in the same way as for land tax, and various reforms were carried out, such as setting the restricted rate at 3.1%.

With regard to business profit tax surtax, given that the government wanted the amount derived from the existing surtax to continue, in order to make up for the income reduction as a result of the reduction in prefectural business tax, the restricted rate was set for prefectures at 46.5%, and for municipalities at 66%.

With specific regard to prefectural business tax, the implementation of the tax reduction was
carried out in the same way as for business profit tax, and in the case of municipal business tax surtax, the restricted rate was set at 90%.

5.2 Presentation of the Baba and Ushio tax reform proposal

(1) The Baba and Ushio tax reform proposal

As explained above, the “Fundamental Principles of Tax Reform” and “Fundamental Principles of Reform of Local Finances and the Tax System” were issued in September 1936. The epoch-making objectives of these reforms, which were formulated by Finance Minister Baba and Minister for the Interior Ushio, were as follows: 1) to achieve balanced equilibrium in the tax burden borne by citizens; 2) to increase the amount of tax revenue, and confirm a sound financial base; and 3) to establish a strong fiscal system.

As the main features of this tax reform, it was intended 1) to increase national tax revenue in an average year by about 300 million yen; 2) to reduce local taxes in an average year by about 290 million yen; and 3) to cover faults in local annual revenue by the creation of a local financial adjustment grant system. Turning to local tax, the reforms proposed were 1) to limit income tax surtax to a set amount; 2) to shift house tax into the national tax category; 3) to reduce land tax surtax; 4) to reduce business tax and business tax surtax; and 5) to abolish the household levy. It was also proposed to create a local financial adjustment system, and to make prefectures liable for the salaries of teachers in municipal elementary schools.

(2) Opinions on the reform proposals

Opinions regarding the Baba / Ushio reform proposals were divided into those who supported them and those who did not. The framers of the proposal argued that 1) it would reduce the burden of local tax on residents; 2) it would make tax based on the taxability of taxpayers the main consideration of national tax, and tax focused on benefits the main consideration of local tax; and 3) while taxes on profits such as land tax and business profit tax would be formally classified as national taxes, in actual practice, they would be treated as local government revenue by means of the local financial adjustment system. While opinions in favor of the reform proposals pointed to such objectives as lightening the tax burden on residents and confirming a firm financial base, criticisms put forward on the other hand were that the reforms were centralized, and that they would hinder the autonomy of local governments. For example, opposing such proposals as the abolition of the household levy or transfer of the house tax to the national tax register, an opinion was expressed by the head of the National Association of Chairpersons of City Assemblies from the point of view of the need to protect local autonomy, and in a resolution by the Japan Association of City Mayors, the fear was expressed that the proposals would take away local government revenue and injure the development of local
autonomy.

As a result of such factors as the outbreak of the Sino-Japanese War and the change of governments, the proposals failed to be implemented, and radical reform of the local tax system had to wait until March 1940. The local tax reforms of March 1940 did show some differences from the Baba / Nishio proposals, but the fundamental direction of the reforms was the same.

5.3 Radical reform of the local tax system

(1) The direction of radical reform of the tax system

The Tax Investigation Council decided in May 1939 on a radical reform of the tax system, and in October of the same year, issued a report on the Fundamental Principles concerned with tax reform.

On the basis of this report, the government endorsed in December 1939 a cabinet resolution concerning the direction of the local tax system reform, the Fundamental Principles, and other matters. According to this resolution, clarification was provided of 1) the tax headings for national tax surtax, independent prefectural tax, prefectural tax surtax, and independent municipal tax, 2) the local taxes to be abolished, and 3) tax rates (rates to be levied), so that a new systematic structure for local tax was set out. For example, it was stipulated that 1) land tax surtax, house tax surtax, and business tax surtax were to be included in the national tax surtax category, and 2) with regard to independent prefectural taxes, a part of miscellaneous tax would be transferred to municipalities, and special land tax would be abolished; such were the directions indicated in the resolution.

(2) Enactment of the Local Tax Law and other matters

On the basis of the direction of local tax system reform as indicated above, the government presented in February 1940 to the 75th session of the Imperial Diet a Bill concerned with Local Tax. The bill was slightly amended, but thereafter, was enacted almost in its entirety in March of the same year.

As a result of the enactment of the Law concerned with Local Tax, many laws and regulations concerned with local taxes which had hitherto existed in parallel with one another, were unified. More specifically, at the same time as the new Local Tax Law was enacted as the fundamental law concerned with local tax, the Local Apportionment Tax Law was also enacted. In connection with the latter law, it should be noted that although the special tax designated by this law would be formally categorized as a national tax, in reality (by means of the indirect levy modality), it could be regarded as local tax.
### Table 5  Local Tax Revenue by Type of Local Body  (FY 1936 and FY 1943)

(Units: 10 Thousand yen, Percentage)

<table>
<thead>
<tr>
<th>Headings</th>
<th>FY 1936</th>
<th></th>
<th>FY 1943</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax amounts</td>
<td>Ratio</td>
<td>Tax amounts</td>
<td>Ratio</td>
</tr>
<tr>
<td><strong>Prefectures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National tax surtax</td>
<td>26,451</td>
<td>39.9</td>
<td>22,992</td>
<td>35.7</td>
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<tr>
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<td>8,897</td>
<td>26.1</td>
<td>2,962</td>
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<td>17.6</td>
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<td>2,487</td>
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<td>18,112</td>
<td>53.3</td>
</tr>
<tr>
<td>Other</td>
<td>69</td>
<td>0.3</td>
<td>95</td>
<td>0.3</td>
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<td>Independent tax</td>
<td>11,383</td>
<td>43.0</td>
<td>6,312</td>
<td>18.6</td>
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<td>House tax</td>
<td>4,186</td>
<td>15.8</td>
<td>4,428</td>
<td>13.0</td>
</tr>
<tr>
<td>Miscellaneous tax</td>
<td>6,279</td>
<td>23.7</td>
<td>1,884</td>
<td>5.5</td>
</tr>
<tr>
<td>Other</td>
<td>918</td>
<td>3.5</td>
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</tr>
<tr>
<td>City planning special tax, etc.</td>
<td>950</td>
<td>3.6</td>
<td>1,661</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Cities</strong></td>
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<td>27.0</td>
<td>28,850</td>
<td>42.2</td>
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<td>30.2</td>
<td>25,040</td>
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<td>17,344</td>
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<td>Other</td>
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<td>0.6</td>
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<td>Prefectural tax surtax</td>
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<td>45.6</td>
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<td>House tax</td>
<td>4,997</td>
<td>27.9</td>
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<td>2.1</td>
</tr>
<tr>
<td>Other</td>
<td>363</td>
<td>2.0</td>
<td>5,179</td>
<td>13.3</td>
</tr>
<tr>
<td>Special taxes (Household levy; independent tax)</td>
<td>2,992</td>
<td>16.7</td>
<td>981</td>
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</tr>
<tr>
<td>City planning special tax</td>
<td>1,358</td>
<td>7.6</td>
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<td>15.2</td>
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<tr>
<td><strong>Towns and villages</strong></td>
<td>21,909</td>
<td>32.7</td>
<td>23,885</td>
<td>24.7</td>
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<td>National tax surtax</td>
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<td>18.9</td>
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<td>66.3</td>
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<td>Land tax surtax</td>
<td>2,893</td>
<td>12.2</td>
<td>4,912</td>
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</tr>
<tr>
<td>Income tax surtax</td>
<td>69</td>
<td>0.3</td>
<td>2,999</td>
<td>12.6</td>
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<td>Business profit tax surtax</td>
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<td>4.5</td>
<td>7,838</td>
<td>32.8</td>
</tr>
<tr>
<td>Other</td>
<td>190</td>
<td>0.8</td>
<td>77</td>
<td>0.3</td>
</tr>
<tr>
<td>Prefectural tax surtax</td>
<td>5,688</td>
<td>26.0</td>
<td>2,519</td>
<td>10.5</td>
</tr>
<tr>
<td>House tax</td>
<td>1,679</td>
<td>7.7</td>
<td>1,475</td>
<td>6.2</td>
</tr>
<tr>
<td>Miscellaneous tax surtax</td>
<td>3,181</td>
<td>14.5</td>
<td>1,044</td>
<td>4.4</td>
</tr>
<tr>
<td>Other</td>
<td>828</td>
<td>3.8</td>
<td>5,264</td>
<td>22.0</td>
</tr>
<tr>
<td>Special taxes (Household levy; independent tax)</td>
<td>12,084</td>
<td>55.2</td>
<td>1,959</td>
<td>8.2</td>
</tr>
<tr>
<td>City planning special tax</td>
<td>2</td>
<td>0.0</td>
<td>276</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,269</strong></td>
<td><strong>100.0</strong></td>
<td><strong>95,827</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Subtotals:** National surtaxes

<table>
<thead>
<tr>
<th>FY 1936</th>
<th>FY 1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>23,655</td>
<td>66,885</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>FY 1936</th>
<th>FY 1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,845</td>
<td>5,327</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 1936</th>
<th>FY 1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>28,769</td>
<td>24,615</td>
</tr>
</tbody>
</table>

**[Source]**

1. Produced by the author on the basis of the data in "Overviews of local finances" (Ministry of the Interior, ed.) (see References)
2. Constituent percentages in italics show constituent percentages of the overall totals. Other constituent percentages are figures listed in respect of prefectures, cities, and towns and villages.
In the new local tax system, the following taxes within the framework of ordinary prefectural taxes, namely land tax surtax, house tax surtax, business tax surtax and so on, were recognized as being national tax surtaxes, while the following taxes, namely real estate acquisition tax, tax on agricultural land, automobile tax, tax on geisha performers, and so on, were designated as independent prefectural taxes. Further, city planning tax was recognized as an earmarked prefectural tax.

On the other hand, the following taxes were acknowledged as falling within the category of ordinary municipal taxes. Specifically, the taxes concerned were land tax surtax, business tax surtax, etc within national tax surtax, real estate acquisition tax, etc within prefectural tax surtax and municipal resident tax, bicycle tax, wagon tax and so on within the category of independent municipal taxes. Further, city planning tax and other similar taxes are designated as earmarked municipal taxes.

The revenue in terms of prefectural tax and municipal tax for 1943 within the new local tax system is as shown in Table 5.

**Conclusion**

In conclusion, I would like to set out briefly the main characteristics of local autonomy in the period covered by this volume.

Firstly, the predominant characteristic of the period is the way in which the structures and mechanisms of local governance were arranged, and its operations carried out so as to conform with the absolute priority given to pursuit of the war and achievement of victory in war. For example, the following list clearly shows the characteristics of a local government system which is aimed at strengthening military preparedness: 1) the increase in wartime duties to be undertaken by prefectures and municipalities as a result of the large number of newly enacted laws and regulations; 2) the re-arranging and strengthening of the functions of hamlets and neighborhood associations carried out in the service of strengthening the country’s military posture; 3) the reform of the city system and the town and village system, and the implementation of the Tokyo metropolitan system; and 4) the creation of a structure of regional blocks, and the extension of the tenure of local assembly members.

Secondly, against the background of the above factors, the structure (scale) of expenditures by the national government and local bodies showed great changes. In the mid-1920s, the scale of expenditures by local bodies (ordinary account) exceeded the scale of national expenditures (ordinary account), but within the context of the progression of the military situation, from fiscal 1937 on, the scale of national expenditures once again surpassed local expenditures, and in fiscal 1945, national expenditures had grown to such a scale that they were 4 times as large as local expenditures. Furthermore, after the advent of the 1930s, prefectural duties expanded as a result
of the increased duties necessitated in wartime, and from 1943 on, prefectural expenditures came
to exceed those of municipalities. On the other hand, from the latter half of the 1930s, the
constituent percentage of national treasury subsidies showed an increasing trend, and in fiscal
1945, the amount of such subsidies was greater than local tax revenue.

Thirdly, in the context of sluggishness in the Japanese economy, measures aimed at
stimulating the economy (emergency financial support measures) were positively applied in the
early 1930s. A further factor to be taken into account is that through such measures as the
implementation of the Relief and Protection Law in 1932, and the enactment of the National
Health Insurance Law in 1938, advances in social welfare legislation could be clearly seen.
Furthermore, with a view to guaranteeing local finances in agricultural areas of conspicuous
poverty, a financial support system vis-à-vis local bodies was established, and in fiscal 1940, a
system of local apportionment tax was established. In the ways described here, different kinds of
systems were devised, and policies implemented, aimed at rescuing people from poverty and
raising the living standards of citizens. That said, with the outbreak of the Sino-Japanese War in
1937, and the advance of a system which put absolute priority on the pursuit of the war, the
perspective of welfare and the daily lives of citizens was forgotten, and within the framework of
the outbreak of the Pacific War, many citizens suffered appalling deprivation, and passed their
lives in poverty.

It is reasonable to assume that in the experiences that Japan underwent in this period, there are
many lessons that can be utilized in the future, not simply in the area of local autonomy.
When we compare the expenditure scale of the national government (ordinary accounts) and local bodies (ordinary accounts), we see that from the Meiji era on, national government expenditures exceeded those of local bodies; for example, in fiscal 1910, the expenditures of the former were twice as large as those of the latter. However, in line with the development of local autonomy and the increase in the duties of local bodies, the relative positions were reversed from the mid-1920s on, with the result that the expenditures of local bodies exceeded those of the national government. It should also be noted that the expenditure scale of prefectures in the 1920s was less than half that of municipalities. For further details, see pp. 4, 17 and 18 in the reference cited in footnote 5 above.

[References]


<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>Lifting of the gold embargo, deepening of the economic depression (current)</td>
</tr>
<tr>
<td>1931</td>
<td>The Manchurian incident (Mukden Incident) (current) Enactment of the Industrial Accident Aid Law (policy)</td>
</tr>
<tr>
<td>1932</td>
<td>Declaration of the founding of the State of Manchu (current)</td>
</tr>
<tr>
<td>1931</td>
<td>Reform of the local tax system (finance)</td>
</tr>
<tr>
<td>1931</td>
<td>Implementation of the Relief and Protection Law (policy)</td>
</tr>
<tr>
<td>1931</td>
<td>Implementation of emergency support measures and the movement for the revitalization of farming villages (policy)</td>
</tr>
<tr>
<td>1932</td>
<td>Enactment of the Child Abuse Prevention Law and the Juvenile Relief Law (policy)</td>
</tr>
<tr>
<td>1933</td>
<td>Reform of the Medical Practitioners Law and the Dental Practitioners Law (policy)</td>
</tr>
<tr>
<td>1934</td>
<td>Reform of the Health Insurance Law (policy)</td>
</tr>
<tr>
<td>1936</td>
<td>The February 26 Incident (current) Reform of the Factory Law (policy)</td>
</tr>
<tr>
<td>1936</td>
<td>Reform of the Factory Law (policy)</td>
</tr>
<tr>
<td>1937</td>
<td>Outbreak of the Sino-Japanese War (the Lugou Bridge Incident) Enactment of the Law for Public Health Centers and of the Mother and Child Protection Law (policy)</td>
</tr>
<tr>
<td>1938</td>
<td>Establishment of the Ministry of Health and Welfare (policy)</td>
</tr>
<tr>
<td>1938</td>
<td>Implementation of the National Mobilization Law (policy)</td>
</tr>
<tr>
<td>1938</td>
<td>Enactment of the Law to Increase the Mining Production of Important Minerals and of the National Health Insurance Law (policy)</td>
</tr>
<tr>
<td>1939</td>
<td>Outbreak of World War II (current)</td>
</tr>
<tr>
<td>1939</td>
<td>Issuing of instructions by the Ministry of the Interior concerning the restructuring of hamlets and neighborhood associations (admin)</td>
</tr>
<tr>
<td>1940</td>
<td>Conclusion of the Tripartite Pact between Japan, Germany and Italy (current) Formulation of the Imperial Rule Assistance Association (current)</td>
</tr>
<tr>
<td>1940</td>
<td>Enactment of the Local Tax Law; creation of the local apportionment tax system (finance)</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Year/Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941 (Dec.)</td>
<td>Outbreak of the Pacific War (Declaration of war against the USA and Britain (current)</td>
</tr>
<tr>
<td>1941</td>
<td>Promulgation of the &quot;Law concerning the extension of tenure for prefectural and municipal assembly members&quot; (admin)</td>
</tr>
<tr>
<td>1942 (June)</td>
<td>The Battle of Midway (current)</td>
</tr>
<tr>
<td>1942 (July)</td>
<td>Establishment of local offices (reform of the local government official (office) system) (admin)</td>
</tr>
<tr>
<td>(Aug.)</td>
<td>Direction of Guidance of Hamlets, Neighborhood Associations, etc. (Cabinet resolution) (admin)</td>
</tr>
<tr>
<td>1942</td>
<td>Enactment of the Workers Pension Insurance Law (policy)</td>
</tr>
<tr>
<td>1943 (July)</td>
<td>Implementation of the Tokyo Metropolitan system (admin)</td>
</tr>
<tr>
<td>(July)</td>
<td>Establishment of the Local Administration Council (admin)</td>
</tr>
<tr>
<td></td>
<td>Revision of the Prefectural System, the City System, the Town and Village System, and the Hokkaido Assembly Law (admin)</td>
</tr>
<tr>
<td></td>
<td>Promulgation of the &quot;Law concerning the extension of tenure for prefectural assembly members, etc.&quot; (admin)</td>
</tr>
<tr>
<td>1944 (Nov.)</td>
<td>Start of the aerial bombing of Tokyo by B29 bombers (current)</td>
</tr>
<tr>
<td>1945 (Aug.)</td>
<td>Agreement to the Potsdam Declaration, end of the Pacific War (current)</td>
</tr>
<tr>
<td>1945 (June)</td>
<td>Establishment of Local Offices of the Superintendent-General (admin)</td>
</tr>
</tbody>
</table>

[Note] In this table, "current" denotes matters concerned with the current of times, "policy" matters concerned with national policy, "admin" matters concerned with local administration, and "finance" matters concerned with local financial policy.