

## Ishibashi Tanzan's World Economic Theory

### The War Resistance of an Economist in the 1930's

#### 1. Introduction

In the 1920's, Japan was characterized by recession and the decline of Capitalism. A series of economic disasters helped bring the perilous situation of Japanese capitalism to the surface: first, the economic panic in 1920 after the First World War, then the Great Kanto earthquake of 1923, then the financial crisis of 1927, and finally the coming of the great world depression of 1929. Under the economic conditions created by these events, the word "reconstruction" came into widespread use. The right wing was reaching towards a "reconstructing the nation," while the left wing was reaching for a "reconstructing society"; however, both right and left coincided in their call to overturn the Capitalist system, and both also aimed at a complete change of the political system. In current research, the 1920's are commonly defined as the age of democracy<sup>1</sup>; however, in this paper I will argue that the 1920's were actually an age when free Capitalism was in

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<sup>1</sup> Matsuo Takayoshi. *Taisho Democracy* (Iwanamishoden, 1974) is a good representative of this type of research.

danger, and when individualism and liberalism were giving way to Totalitarianism.<sup>2</sup> As such, the war, fascism, and totalitarianism of the 1930's did not occur suddenly on top of a healthy democracy, but were rather prepared for by the economic panic and general feeling of uncertainty of the 1920's.

The most important point to consider when trying to grasp the dangerous decade of the 1920's is whether the ailing capitalist system would be helped or overturned, which was the turning point between individualism and totalitarianism. Concerning this point, Ishibashi Tanzan, the chief editor of *The Oriental Economist*<sup>3</sup> (afterwards O.E.), preached the doctrine of saving Capitalism through a "New Liberalism,"<sup>4</sup> and strove to overcome the danger through a process of intellectual production development. Behind these proposals was Ishibashi's intellectual foundation of free-trade and international division of labour, as

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<sup>2</sup> The most difficult point in research up to this point is the question of why the healthy democracy of the 1920's turned out to be so fragile – why it gave way so easily to the age of totalitarianism in the 1930's. This point has never been sufficiently explained. In this paper, I hope to be able to solve this problem by viewing democracy from the point of view of capitalism.

<sup>3</sup> *The Oriental Economist*, founded in 1895, is Japan's representative economic magazine. It was first known for setting out the argument, following the British example, of free trade and founding the nation on commerce. Afterwards, it became known for its insistence upon a policy of "Little Japanism" and anti-imperialism. Ishibashi Tanzan was the fifth chief editor from 1924 to 1946.

<sup>4</sup> New Liberalism was a version of Keynesism, recognizing the need to revise laissez faire capitalism and allow for government interference in certain parts of the economy.

well as his belief in the idea of “Little Japanism,”<sup>5</sup> which tried to draw out the greatest potential of intelligence from all people.

From the 1930’s, when Japan fell into totalitarianism and rushed into the invasion of China, Ishibashi maintained the position of free trade and the world economy that he had held in the 1920’s. He attacked the theory of block economics and the theory of the East Asian Community, and he criticized and tried to restrain the Japanese military actions in China. This essay will present Ishibashi’s anti-war actions from the time of the Manchurian incident to the beginning of World War Two.

## **2. The Theory of Indirect Profit at the time of the Manchurian Incident**

The night of September 18, 1931, the Japanese Kanto army blew up a railway of the South Manchuria Railway Company. Claiming that the railway explosion was perpetrated by the Chinese army, the Japanese Kanto army began a preplanned military invasion of North East China (Liutiaohu Incident). After this incident, Ishibashi raised

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<sup>5</sup> This idea is in opposition to imperialism and expansionism. It was first preached by the third chief editor of O.E., Uematsu Kosho, starting with a call to economic rationalism. It was then taken up by Miura Tezutarō with his critique of imperialism. It finally bore fruit with Ishibashi Tanzan’s idea of intellectual production development. (reference to my own book: *Historical Research on the ideas of Ishibashi Tanzan*, Waseda University Press, 1992. Chapter 4 and 5.)

the Manchuria-Mongolia problem in an essay published in *O.E.* on September 26. In this article, Ishibashi first reaffirmed his theories from the 1920's, in which he argued that the Japanese government should make a policy of limiting Chinese sovereignty in Manchuria and Mongolia, and of protecting Japanese special rights and interests in the region, and that if Japan did not do this, it could never hope to solve the Manchuria/Mongolia problem.<sup>6</sup> Further, in order to figure out how to solve the problem, Ishibashi sponsored a conference on the second of October, and in this conference he tried to find a government policy that could secure prosperity and safety for Japan without reliance on special rights and interests. However, contrary to Ishibashi's hopes, there was disagreement between the experts from various fields who attended the conference on whether peaceful or military means were better – which meant that on the whole, the conference did not produce a unified opposition to Japan's claim to exclusive rights and interests in Manchuria.<sup>7</sup> After the conference, Ishibashi accepted the fact that it was impossible for him to agree with public opinion, and in the next issue of *O.E.*, he published an editorial in which he firmly stated his opposition.

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<sup>6</sup> "What fundamental Policy will Solve the Manchuria/Mongolia problem," *The Collected Works of Ishibashi Tanzan* (afterwards *Collected Works*): 8. p. 23.

<sup>7</sup> "Conference on the Problem of Manchuria," *O.E.*. October 10, 1931.

In this editorial, Ishibashi argued that the most important condition to solving the Manchuria/Mongolia problem was that Japan recognize the demand of the Chinese people for the establishment of a unified country. Furthermore, he proposed that Japan stop its claims for special rights and interests, and instead focus on promoting peace and prosperity in the region. He strongly argued that not only were special privileges not necessary to the interest of the government, the interest of the economy, or the interest of national defense, but that such privileges were in fact impossible to seize and maintain. He also touched upon the major opinions brought forth in the conference, suggesting that even if special economic privilege in Mongolia and Manchuria was a correct policy (in order to secure natural resources), it was not necessary to try to secure this privilege by acquiring special political rights. Ishibashi insisted that this aim could in fact be achieved through peaceful economic and business relations.<sup>8</sup> Even after the Manchurian incident, Ishibashi still held the fundamental position that special political rights should be abandoned, and that economic profit should be secured through trade.

Meanwhile, the Japanese invasion of Manchuria was progressing quickly. Because of the Zhangxueliang army's policy of non-resistance, as well as the appeasement

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<sup>8</sup> "What fundamental Policy will Solve the Manchuria/Mongolia problem, version 2," *The Collected Works*. p. 26-30.

policy of the great powers, it took the Japanese army only three months from the Liutiaohu incident to occupy all of Manchuria. Not only did this success fan the excitement of the war supporters, but also many of the so-called scholarly elite, meeting with the seduction of Manchuria which had come into their hands so easily, began to fall under the sway of a new illusion. The general opinion in the world of Japanese economists was that by developing Manchuria, the recession economy within Japan itself would improve. Ishibashi, however, opposed this “theory of the Manchurian market,” saying that in reality it was an empty dream which he could not grant his approval to.<sup>9</sup> He published his counter-theory in various editorials. In an editorial entitled “Government policy and the Correct Awareness of China” published in February of 1932, Ishibashi argued that the government and the army had greatly overestimated the value of Manchuria’s natural resources, and therefore had also overestimated the profit that Japan might reap from possessing the region. Ishibashi further stated that economically speaking, the region was essentially Chinese, and it was impossible that it could become Japanese. Furthermore, he pointed out that the only way for Japan to profit from Manchurian farms and mines was to promote economic development in the region, and promote an increase in both the population and

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<sup>9</sup> “Conference on the Problem of Manchuria,” *O.E.*, January 2, 1932. p. 91.

the wealth of the indigenous Chinese, such that Japan would profit indirectly through trade.<sup>10</sup> In this way, coming from the point of view of a theory of “Manchuria for the Chinese,” Ishibashi concluded that Japan should not attempt to occupy Manchuria and manage it directly, but should instead allow the Manchurian people to run their political and economic institutions for themselves, such that Japan would profit from the region indirectly.<sup>11</sup>

The State of Manchukuo was founded by the Japanese army in March of 1932. Ishibashi Tanzan criticized this, pointing out that the new state was founded only through the protection and interference of the Japanese army, and that such a hurried construction would be nothing more than a puppet nation to Japan. He offered four proposals for future Japanese government policy in regards to the new state: one, that the Japanese army completely withdraw from the territory of Manchukuo; two, that the Japanese government not interfere in the politics of the new country; three, that the Japanese government take an attitude of extreme kindness towards the new country and protect its political rights; four, that instead of promoting immigration to Manchukuo, Japan should stop such immigration, and at the same time invest a great deal of capital in the country’s

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<sup>10</sup> *The collected Works: 8* pp. 53-54.

<sup>11</sup> *The collected Works: 8*. p. 59.

development.<sup>12</sup> Essentially, he requested that the people already living there be allowed to run their own country. Ishibashi Tanzan recognized and accepted the existence of the state of Manchukuo as it had come to be through the actions of the Japanese army invading Manchuria, but he continued to criticize Japanese claims to special rights and privileges, and the direct management of the new country's economy.

### **3. Ishibashi's Opposition to Block Economic Theory**

At the beginning of the 1930's, as a response to the Great Depression, turning the world into economic blocks became a popular economic theory. Starting in 1932 with the Ottawa agreement,<sup>13</sup> which founded the Pound Block centered around England, and continuing with the founding of an economic block centered around Germany (Grossraumwirtschaft), and the Gold Block centered around France, rival economic blocks gradually began to form around the world. This process also occurred in the Far East, as Japan successively tried to form an economic block centered around itself. The first attempt was Japan/Manchuria block, followed by the Japan/Manchuria/China block,

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<sup>12</sup> *The collected Works: 8*. pp. 65-68.

<sup>13</sup> The Ottawa agreement was an agreement reached at a conference held in Ottawa, Canada, between the member states of the British Empire. It was a system of preferential duties for the members of the British Commonwealth, and was the first step towards the world change to block economics.



followed by the attempt to form the New Order of East Asia. The political and economic opposition between rival powers attempting to conquer their own regional blocks fanned the flames of nationalism, and can be seen as one of the causes of World War Two. Ishibashi recognized that this closed block economic theory was destroying both Japanese capitalism and world peace, and as such, during the 1930's, he opposed it from the standpoint of his theory of free trade and world economics.

With the completion of the new state of Manchukuo, Japan/Manchuria block economic theory became an element of the military authority's plan for systematized total war. The theory also began to quickly infiltrate the financial world and the world of critical economics. However, Ishibashi worried that block economics might cause the economic isolation of Japan. He worried whether Japanese rights and interests in Manchuria were valuable enough to provide for Japanese independence from the international community; he also worried whether Japan could survive a trade embargo from the League of Nations. In order to resolve these doubts, Ishibashi Tanzan collected the opinions of many well informed people,<sup>14</sup> as well as information from surveys of Manchuria itself, such that in the July 23, 1932 edition of the *O.E.*, he published a special

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<sup>14</sup> "Conference on the problem of an Economic Embargo," *O.E.* February 12, 1932 .

feature on Manchuria in which he insisted that the Manchurian economy should be opened to international trade. In this same article, he vehemently criticized the theories of planned economics and controlled economics, as well as the Japanese intention to unify the economies of Japan and Manchuria, pull out of free trade agreements, and create a new economic block.<sup>15</sup>

In October of 1932, Ishibashi wrote an article entitled “The International Aspect of Economics” for *The Review of the World*, which was the Japanese League of Nations Association’s publication. In this article, he pointed out the deficiencies of block economics in the areas of trade relations and industrial organization, and argued that the theory currently popular in Japan, concerning the construction of a Manchurian/Japanese economic block, was in fact contrary to the general ideas of the modern world.<sup>16</sup>

Much as in the field of economics, Ishibashi Tanzan argued consistently for the protection of world trade, in the field of politics, it cannot be emphasized enough how completely Ishibashi backed the position of international cooperation. After the Manchurian incident, Ishibashi became worried about the deterioration of Japanese

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<sup>15</sup> “The Present State and Special Characteristics of the Manchurian Economy,” (no author). *O.E.* July 23, 1932. p. 31.

<sup>16</sup> *The Review of the World*. October 1932 . pp. 38-39.

international relations due to the invasion of Manchuria. Concerning the trend against the League of Nations that filled Japanese public opinion, Ishibashi urged the people to consider the bad effects that would result from a Japanese withdrawal from the League of Nations, or the imposition of economic sanctions from the League. After the October publication of "The Report of the Commission of Enquiry of the League of Nations into the Sino-Japanese Dispute," contrary to the general public opinion, which was entirely opposed to the findings of the report, Ishibashi emphasized the report's fairness and clear desire for peace in the Far East, and urged the Japanese people to accept the criticism of the League of Nations and work for peace both in Asia and for civilization for all people in the world.<sup>17</sup>

In the beginning of 1933, Japanese anti-League of Nations fervor, increased by the League's report on the Sino-Japanese dispute, had reached a dangerous pitch. Japan ignored the League's warnings, and at last was driven to decide to withdraw from the League entirely. *O.E.* continued with its earnest hope that the Japan would not withdraw from the League, such that even when international negotiations seemed to be about to fall apart, it still pressed for a compromise. It requested that the negotiators on both sides exercise impartiality and caution, and continue to exercise the maximum patience in trying

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<sup>17</sup> "The Spirit of the Litton Report," (no author) *O.E.*. October 8, 1932.

to reach a peaceful solution.<sup>18</sup> Further, it warned that not only was the withdrawal from the league, which had become the majority public opinion within Japan, a matter of life and death for the Japanese state, but that it was also a matter of life and death for Japanese capitalism,<sup>19</sup> since if the world imposed economic sanctions on Japan, there would be no choice but to impose controls on the economy.<sup>20</sup> Finally, it warned of the danger of the change towards Fascism which was apparent in the Japanese people in general, and specifically the Japanese capitalist class, who had become dizzy with the thought of profit from Manchuria, and it urged one “final reflection” before taking the step to withdraw.

After the establishment of the state of Manchukuo, the tempo of the development of the region, and the tempo of the creation of the new economic block centered around Japan, both increased. In March of 1933, the Kwantung Army and the Manchuria Railway Company (Mantetsu) finished their economic survey, according to which Manchuria would become a supplier of natural resources to Japan, and a market for the export of Japanese goods, become thus a subordinate member in the sphere of Japanese

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<sup>18</sup> “The Critical Situation of the League of Nations,” *O.E.*, February 4, 1933.

<sup>19</sup> “The Difficulties of Carrying Out an Economic Embargo,” *The Collected Works: 9*, p. 11.

<sup>20</sup> “Do not be Pessimistic about Relations with the League of Nations,” *Yomiuri* Newspaper, February 20, 1933.

economic influence.<sup>21</sup> During this same time, the worldwide trend for the formation of economic blocks continued to advance, such that the Manchuria/Japan economic block was seen as a suitable measure of resistance in the face of this general global trend, and in fact became a popular model in the world of economic theory.

At this time, Ishibashi hoped that the world economic conference of June, 1933, would provide a solution to the problem of block economics and impediments to free trade. From February of 1933, in order for the conference to succeed, he prepared several proposals, including a proposal for the United States to be the center of a multi-lateral cooperation to promote world-wide inflation,<sup>22</sup> as well as raising the topic of free-trade to general discussion.<sup>23</sup> However, in the actual conference, there was disagreement between the various participating countries on how to handle the problems of war reparation payments (specifically German payments for the First World War), the protection of the gold standard, and the important matter of an agreement on international monetary exchange – and as such, without even touching upon the matter of international free trade, the conference ended in failure.

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<sup>21</sup> Sakamoto, Masako. “War and Financial Cliques,” *Systematized Japanese Modern History: 4*. NihonHyoronsha, 1979. p. 52.

<sup>22</sup> “The Subject of the World Wide Economic Conference and the Important Responsibility of the Japanese Representatives,” *The collected Works: 9*. p. 147.

<sup>23</sup> *The collected Works: 9*. p. 150.

Despite this unfortunate ending, however, Ishibashi Tanzan did not fall into pessimism. Since the economy of the United States was large enough to exercise great influence on the economies of the rest of the world, Ishibashi predicted that the aim of the conference, which was to promote world wide inflation, might be achieved naturally through a strengthened United States economy.<sup>24</sup> He argued that the global trend towards mutually isolated economic blocks acted to block natural demand, and that the development of internationalism in economics had progressively strengthened world economies, such that the best way to ensure the future health of the global economy was to continue internationalism.<sup>25</sup>

In 1934, Japan, driven forward by the dream of occupying all of East Asia, progressed further along the road towards international isolation. In April, following the “Amou Doctrine,”<sup>26</sup> Japan set forth the “Asia Monroe Doctrine.” In October, Japan caused the breakdown of the preparatory meeting between great powers to decrease the size of the world’s navies, and following this, in December, Japan informed the world that it would be

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<sup>24</sup> “Predictions for the Revival of the Economy and the Future of Currency Systems,” *Yomiuri* Newspaper. July 17, 1933.

<sup>25</sup> “The Aim of the World Economic Conference Advances,” *O.E.* July 15, 1933 . (*The collected Works: 9*, p. 157.)

<sup>26</sup> The Amou Doctrine was the government policy of Japan in regards to China as published by the general manager of the information department of the ministry of foreign affairs, Amou Eiji. It was seen as the announcement of an “Asia Monroe-ism,” and invited strict opposition from the other great powers.

unilaterally pulling out of the Washington Treaty, which had previously limited the size of world navies.

In the face of the ever increasing danger in the international situation, Ishibashi Tanzan did not retreat. Instead, he continued to argue as before for international economics, saying that Japan should open the Manchurian market to other countries. He also continued to criticize Manchuria/Japan block economic theory. In July of 1934, in *Fujinnotomo* (*The Friend of Women*) magazine, Ishibashi published an article in which he criticized what he called the “bad propensity”<sup>27</sup> of the Japanese people to brag about this or that economic block, or to proclaim the Asian Monroe Doctrine, without actually studying economics or even really thinking about it at all. In August, he republished an article called “The International Aspect of Economics,” that had appeared two years previously in a magazine entitled *The Review of the World*. Updating it with new statistical data and republishing it in the form of a single book entitled *Our Country’s Recent Economy and Finances*, Ishibashi showed his consistent opposition to block economics.

In October, when the English industrial envoy came to Manchuria, Ishibashi hoped that by England investing in Manchuria, Japanese/English and Manchuria/English

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<sup>27</sup> “The Problem of the Non-Formal Statements in Regards to Chinese Policy,” *Fujinnotomo*. June 1934.

trade relations would improve.<sup>28</sup> In November, after the passing of the Manchurian Oil Monopoly Act, Japan incurred strong criticism from England, the United States, and Holland. Ishibashi Tanzan asserted that Japan should recognize the stupidity of fighting against these great powers, and use this opportunity to reexamine its economic policy, specifically comparing the idea of the Manchuria/Japan economic block with the idea of an Open door economic policy.<sup>29</sup>

On November 2, under Ishibashi's direction, a round table discussion was opened by *O.E.* company concerning the Manchuria/Japan economic block and its relation to an open door policy. Although the position in favor of an open door policy was in the minority, it was supported by such liberals as Kiyosawa Kiyoshi, Miura Tetsutaro, and Miyake Haruki.<sup>30</sup> Even after the preparatory meeting for the reductions in world militaries to be held in London reached a stand still, Ishibashi Tanzan borrowed the words of Kiyosawa, satirizing those who upheld the closed door policy as "romanticists," and arguing that it was impossible to measure the extent of Japan's loss of profit if it should turn the United States and Britain into enemies and close the door of trade in the Far East. He suggested

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<sup>28</sup> "The General View of the Financial World," *O.E.*, October 20, 1934. p. 7.

<sup>29</sup> "Open Door Economics in Manchukuo," *O.E.*, November 3, 1934, pp. 6-7.

<sup>30</sup> *O.E.*, November 17, 1934 . pp. 39 and onward.



that at the current juncture, Japan needed to cultivate a thorough going utilitarianism, and requested that the Japanese people reflect upon this.<sup>31</sup>

In November of 1935, in an article he wrote for *Fujinnotomo* magazine, Ishibashi followed his long held opinion and developed a harsh critique of the theory of the Manchuria/China/Japan economic block. Essentially, he argued that the economic block theory insisted upon only traffic and trade between Manchuria and Japan; however, this was clearly against the true meaning of economic culture. He showed that in a situation in which foreign trade was entirely between Japan and Manchuria, simply by looking at the relatively small amount of trade between these two countries, one could understand that the plan to support a modern economy by cooperating only with Manchuria was completely hopeless. Furthermore, Manchuria was simply not as rich in natural resources as the Japanese were being told – such that if Japan hoped to reap a profit from its colony, not only would a great deal of investment capital be necessary for development, but it would not see the benefits of this investment for twenty or thirty years – and until that time, Manchuria would be nothing more than an economic burden on Japan. Therefore, Japan should take a policy of cooperating with the great powers to endeavor to develop

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<sup>31</sup> “Gloomy London Negotiations,” *The collected Works: 9*. p. 74.

China and Manchuria together. From such a policy, Japan could hope to benefit from the economic prosperity of China. In this way, Ishibashi tried to show that it was a great mistake to oppose the influence of other countries in China.<sup>32</sup>

In January of 1936, Japan pulled out of the London Naval Conference, and because of this, the Washington Treaty System, which had endured since 1921, was completely annulled. Thinking about the declining state of Japan's international relations, on January fourth 1936, Ishibashi wrote a piece for *Yomiuri* newspaper entitled "The Causes of World Chaos and Countermeasures that Japan Should Take." In this article, Ishibashi named economic nationalism as the cause of the chaos that was facing the modern world. From this, Ishibashi argued that even if the Manchuria/Japan Economic Block, or the Asian Economic Block was successfully built, there was no guarantee that the Japanese would be able to live better. The only way for the world to be saved from chaos was for all peoples to overcome the lure of economic nationalistic competition, and to once again restore the world economy into one world economic system. In order to bring this about, Ishibashi said that the principle of Japanese leadership had to be a policy of international cooperation – in opposition to internal Japanese public opinion, which was

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<sup>32</sup> "The Economic Relations between Japan, Manchukuo, China, and Britain," *Fujinnotomo*. November 1935. pp. 60-64.

leaning towards militarism.

#### **4. World Open Door Economic Policy – Confronting the New East Asia Order**

##### **a. The Theory of Introducing Foreign Capital**

In July of 1937, after the break out of full scale war between Japan and China, besides criticizing the war from the standpoint of the burden it would put on the government budget, Ishibashi proposed ending the war as quickly as possible and restoring Japan's international relations. After the first phase of the war was over near the end of 1937, Ishibashi developed a theory of international development for Manchuria and Huabei in northern China. Part of the reason he proposed this was to reduce the burden on the Japanese economy that would come from having to develop these regions; however, he also hoped that by allowing the opportunity for foreign investment in Manchuria and Northern China, there would be a positive effect on Japan's relations with the other great powers.

In November of 1937, when the Ayukawa Yoshisuke published his plan to lead the Nissan group in the development of Manchuria, Ishibashi published an Editorial in *O.E.* entitled "Celebrating the Transplantation of Japanese Industry to Manchuria" (November 6). In this article, Ishibashi praised the position of active introduction of foreign

investment capital taken by Ayukawa, and hoped that the progress of this management policy in Manchukuo would lead to a switch from a military and bureaucratic management monopoly to a system of cooperative management by international and private capital. Furthermore, Ishibashi proposed importing foreign capital as a countermeasure to the lengthening war in China. He emphasized that such investment would not only help to develop the region's natural resources, but it would also improve Japan's international relations.<sup>33</sup>

While preaching this theory of foreign development in Manchuria and Huabei, Ishibashi tried to gauge the level of foreign interest. He received a visit from a special dispatch of a powerful London newspaper, and this gave him the opportunity to ask directly after the real intention of British financial world. Further, in December of 1937, Ishibashi sent a telegram to Jules Borgen, the chief editor of *The Journal of Commerce*, which was the largest American daily economics newspaper. In this telegram, he asked whether the American financial world was prepared to invest capital in the economic development of Northern China, and whether there might be some hindrance to this, and whether a solution to this hindrance might be found. Ishibashi published the Borgen's response on

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<sup>33</sup> "The Realization of the Lengthening War and the Introduction of Foreign Capital," *O.E.*, December 11, 1937. p. 10.

New Year's day, 1938.<sup>34</sup> In his response, Borgen said that the United States was interested in developing China. However, he also criticized the Japan's closed government policy, and expressed anxiety over the military situation on the continent. Ishibashi welcomed this response as being very valuable, and concluded from it that if Japan truly wanted to allow foreign investment in Japan itself, Manchuria, and Northern China, there would be no trouble in finding foreigners who wanted to invest.<sup>35</sup>

Having been encouraged by Borden's response, in January of 1938, Ishibashi increased his efforts to develop his theory of foreign investment. In an editorial entitled "The Method of Easing the War Situation and Japan's Future Foreign Relations," which was published in the January eighth edition of *O.E.*, Ishibashi argued that understanding the lessons of history, specifically the examples of the Twenty-One Demands and the Tripartite Intervention following the Japanese victory in the first Sino-Japanese War, it was easy to see that the Japanese action to monopolize profit in China was in fact inviting great loss – and that from this, starting from the current situation in Sino/Japanese relations, Japan should progressively distribute the profit to be reaped from China to the

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<sup>34</sup> "Preparations for Japanese Cooperation in American Investment in Northern china," *O.E.* January 1, 1938.

<sup>35</sup> "The New Year Bright with Hope for Japan's Financial World," *O.E.* January 1, 1938.

rest of the world. He strongly argued that Japan could absolutely not think that it could monopolize China, but had instead to place China into the fundamental base of international relations. Following this article, on the tenth of January, Ishibashi published an editorial entitled “Development in Manchuria/China and Methods of Foreign Investment” in the *Chugaishogyoshinpo*, in which he argued that foreign investment was necessary in Manchuria and Northern China, and he tried to show a method by which such investment might be encouraged.

**b. The Theory of English/Japanese Cooperation**

Contrary to the hopes of Ishibashi, even after the fall of Nanking the war between China and Japan did not stop, but in fact grew larger. In January of 1938, the war administration of Shanghai was set up; in April, the war administration of Xuzhou was set up; in August, Wuhan was invaded. Because of the lengthening swamp of war that Japan had fallen into, the economic and financial situation of Japan became more and more troublesome, such that in order to conduct the war effort, the general national mobilization law was put into effect. This meant establishing national control over all essential materials, and forcing the country into a Fascist war-time organization. As the natural

resources and productivity of both Manchuria and Huabei were now a part of Japan's long term war strategy, Ishibashi's hope for the introduction of foreign capital investment in the region became realistically impossible.

However, even under this general situation, Ishibashi did not cease striving to ease international relations. In February of 1938, the British foreign minister Robert Anthony Eden, who was firmly anti-Germany and anti-Italy, was forced to resign. E. F. L. W. Halifax, who supported British Prime Minister Chamberlain's policy of appeasement, was chosen as Eden's successor. In an editorial entitled "The Change in the English Minister of Foreign Affairs and World Diplomatic Trends," published on the fifth of March, Ishibashi welcomed this omen of the diplomacy of appeasement, hoping that the approach of England, Germany, and Italy would ease the situation in Europe, and that this policy of appeasement might eventually be taken up in the Far East. From this, he urged the government to change its policy. Moreover, in order to find the key to British/Japanese cooperation<sup>36</sup>, Ishibashi sent a letter to the journalist Hugh Byas<sup>37</sup>, who was the special dispatch to Tokyo from the London Times. In this letter, he tried to sound out English

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<sup>36</sup> Ishibashi Tanzan. "Britain should Consider Japan's Position," *O.E.* February 1938.

<sup>37</sup> For the concrete content of Byas' personal history and his communication with Ishibashi, refer to Yamaguchi Masa's "Concerning Hugh Byas' *Japan: the Enemy Country* and the Report of the Friendly Exchange of Messages between him and Ishibashi," (*The Idea of Liberty*. Ishibashi Tanzan Memorial Fund, May 2002.)

public opinion, as well as show that the destruction of English/Japanese relations due to an anti Japanese government policy would not bring any benefit to either the Japanese people or to the English people. He argued that anti-Japanese sentiment was not good for the world's welfare, and sought a frank explanation concerning England's anti-Japanese policy. Byas' reply to this question was frank and good-willed, including the sentence "Japan should cooperate with Britain." Ishibashi viewed this sentence as containing a very important hint, and published both his letter and Byas' response in the March fifth edition of *O.E.*, under the title of "Looking for the Key to Cooperation Between Japan and Britain: a Report on the Exchange of Opinions between Ishibashi and Byas."<sup>38</sup>

At the same time as working for Japanese and English mutual understanding, Ishibashi published another article in *Chugaishogyoshinpo*. In this article, he said that the theory of the former Japanese ambassador to Sweden, Shiratori Toshio, who defined Japan as a fascist and totalitarian state, only provoked the democratic nations, and was an example of the "Don Quixote trend in thought" – concluding that it was a delusion that only increased the danger.<sup>39</sup> As always, Ishibashi tried to protect the position of liberalism.

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<sup>38</sup> *The collected Works: 11.* pp. 41-51 – particularly p. 42.

<sup>39</sup> "The Don Quixote Trend in Thought," *Chugaisyogyoshinpo*. March 7, 1938.



### c. The Principle of World Open Door Economics

At the beginning of 1938, Japan/China/Manchuria block economic theory had come to occupy the position of single government approved orthodox war-time economic theory. Furthermore, the theory of the “East Asian Community” had begun circulating in society, and had gained favor and attention as an economic theory. Even economic theorists such as Takahashi Kamekichi and Yamazaki Yasuzumi, who had formerly agreed with and worked together with Ishibashi, converted to block economics, and changed into inspired supporters of the theory.<sup>40</sup>

Just as Japanese Imperialism was completely closing the doors of East Asia, on October 15, Ishibashi sent an editorial to *O.E.* entitled “Re-examining the Principle of Open Door Economics.” Responding to Joseph Clark Grew’s request that Japan adopt a policy of open door economics, Ishibashi asserted that Japan should form part of a world wide open

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<sup>40</sup> Takahashi Kamekichi began his change towards a theory of block economics right after the Manchuria incident. After 1938, he added his own “East Asian Block Economics Research Council” to the Showa Research Council, and had become the brain behind Konoe Fumimaro, and had begun to advocate the creation of a new order in East Asia (Takahashi Kamekichi *The Theory of East Asian Block Economics*. Chikurasyobo, 1939.) In the same way, at this time, Yamazaki Yasuzumi, a central member of the East Asian Block Economics Research Council, was advocating block economics and East Asian cooperation from the base of *Critic* the magazine (published by the Yamazaki Economic Research Institute).

door economic system. In this editorial, Ishibashi praised the spirit of the Washington Conference and the Nine Powers Treaty, called open door economics the basic principle that could bring about world peace, reexamined the problem of Japan opening its markets, established a practical plan whereby this could be achieved, and in general extolled Japan to abandon its ambition to an East Asian monopoly and both open its own markets as quickly as possible, and insist that other countries open theirs.<sup>41</sup>

On the third of November, the Kono cabinet announced its ambition to establish a new order in East Asia based upon a Japanese monopoly over the entire region. In an editorial published on the 12<sup>th</sup> of November, Ishibashi said that the government should concretely state its plans for China. He was disappointed that the drafters of the outline of the existing statement had taken pains to choose jargon such that there was no real content to it. Further, against the heart of the statement – “the three countries of China, Japan, and Manchukuo will hold hands together, such that in politics, economics, and culture, and across many other fields, there would be an established foundation of mutual aid and linked relations” – Ishibashi set down the following: “mutual aid and linked relations are not a problem that should be willfully limited to the three countries of China,

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<sup>41</sup> *The collected Works: 11.* p. 77.

Japan, and Manchukuo. Trade in the modern world, the transportation relations between countries, political relations, cultural relations, economic relations, whatever relation it is, they all must be made up of relations of mutual aid. Of course Japan must have relations of mutual aid between Manchukuo and China; however, *at the same time, Japan must also have such relations with England, the United States, France, and all other countries in the world. If it does not do this, then it will be impossible to live together in the world*" (italics added).<sup>42</sup> In this way, Ishibashi preached the oneness of the Earth, and denied Prime Minister Konoe's localized East Asian policy statement.

## 5. Conclusion

The above paper was centered around looking at Ishibashi Tanzan's anti-war activities in the 1930's. In the 1940's, even under the Pacific War, Ishibashi unceasingly continued this same type of resistance. Further, his resistance was even then not passive resistance, such as "silent" or non-opportunistic conscientious action, but surpassed the level of mere legal resistance that stops at individual action.<sup>43</sup> Ishibashi made a base of

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<sup>42</sup> *The collected Works: 11*. pp. 83-85.

<sup>43</sup> Concerning the state of resistance during the Pacific War, please refer to Ienaga Saburo *The War in the Pacific*. Iwanami Press, 1968. chapter 12. In this book, the Ienaga points out the impossibility of organized resistance during the time of the War in the

resistance in the form of organizations such as *Kokusaikankeikenkyukai*, “The Toyo Economic Research Institute,” and “The Wartime Economy Special Investigation Team.”<sup>44</sup> This resistance was also not merely in the field of economics, but rather touched upon politics, and other fields as well. In the field of foreign relations, it is possible to recognize the interaction and development of Internationalism and the critique of Regionalism by Ishibashi’s sworn friends Kyosawa Kyoshi and Yokota Kisaburou.<sup>45</sup> Turning towards post-war management, with this type of resistance he quickly merged with the mentality of the United Nations. Standing at the forefront of this movement, having recognized before 1944 that Japan was going to lose the war, Ishibashi went ahead with considerations for the post war period. In May of 1945, he collected and presented the results of his research into the possible unified economic and political systems of the post war world, in a work entitled “Proposals for the Post-War World Economic System.”<sup>46</sup>

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Pacific.

<sup>44</sup> In October of 1944, Ishibashi was put to work by the Minister of Finance Ishiwatari Sotaro in a special organization set up by the General Affairs Bureau of the Ministry of Finance. The organization was composed mainly of people from the fields of economics and finance. The president of the General Affairs Bureau, Yamagiwa Masamichi, took responsibility for it. The main topics of its meetings, which continued once a week until the end of March of 1945, were the problems of Japanese territory after the war, economic development, and the formation of global peace.

<sup>45</sup> Jiang, Keshi. “Resistance during the War,” *The War in the Pacific*. Ed. Yui Masaomi. Yoshikawakobunkan, 1995.

<sup>46</sup> *The collected Works*: 12. pp. 253-257.

Ishibashi's resistance during the time of war, taking place as it did beneath strict controls on speech, turned the weight of criticism from politics to economic theory. On the surface, he appeared to yield beneath the reality of the invasion of China; however, in reality, he continued to deny the regional and block economic theories that supported the invasion. Ishibashi's strong position of liberalism and individualism supported this resistance. These positions were fixed in place by Ishibashi's pre-war theories of "Little Japanism" and the accompanying ideas of free trade and international economics.