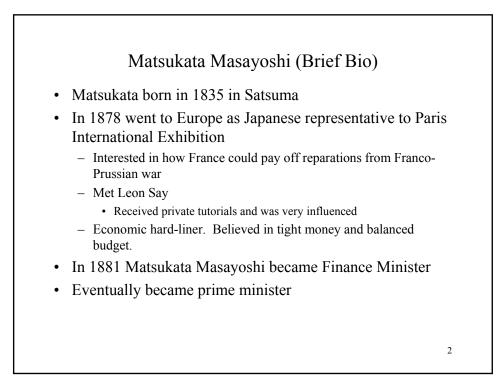
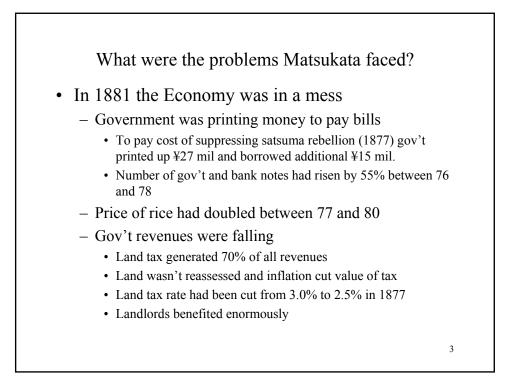
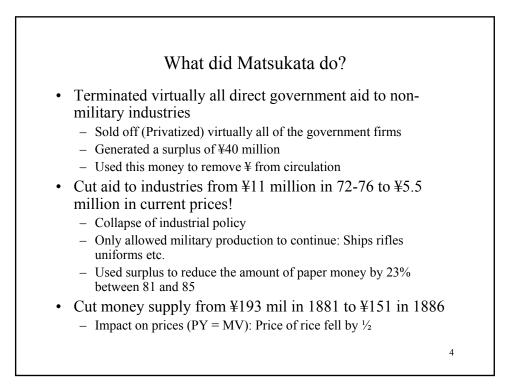
Economic Policy Under Matsukata Masayoshi Major Policy Goals Stabilize the economy Eliminate Government Deficit Expenditure Policy Tax Policy Achieve convertible currency Establish Central Bank Create Specialized Financial Institutions Industrial Policy After Matsukata

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Year	pply in Japan, 1875-1914 Ratio of Money Supply to
i cui	National Income
1875-80	35
1880-85	26
1885-90	23
1890-95	24
1895-1900	24
1900-1905	24
1905-10	26
1910-14	23

	Тах	k Polic	y		
 Raised sin taxes or Also raised taxes o Deflation greatly in This benefited the In Meiji land was n Now main drain on 	on non-l ncrease governm main sou	land sou d reven mentt urce of in	urces ues fro come		
Land tax/Ag Income	80 11.2	82 15.5	83 20	85 25.5	
					6

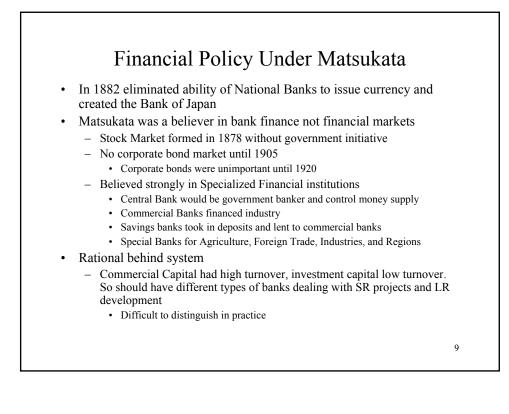
The Result

- The good news:
 - Achieved main targets and stabilized the economy
 - Monetary Policy was key
 - Managed to pay off debt in ten years
- The bad news:
 - Massive dislocations
 - No. of Joint stock co's fell from 3336 in 82 to 1279 in 85

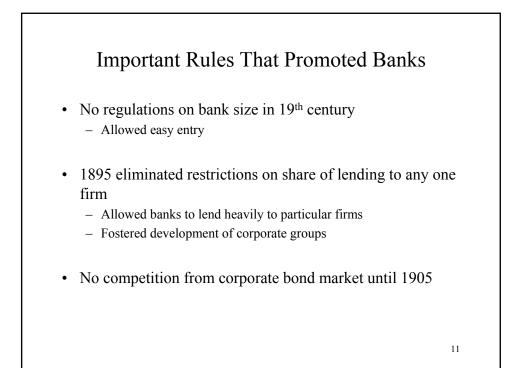
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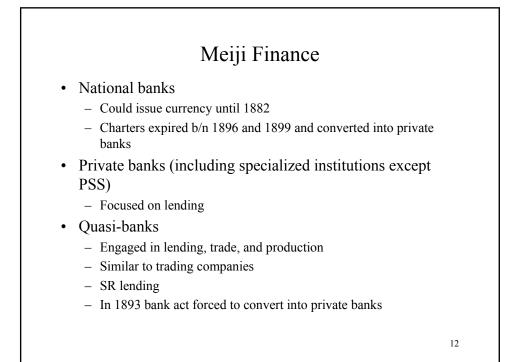
- 10% of all peasant proprietors were disposessed

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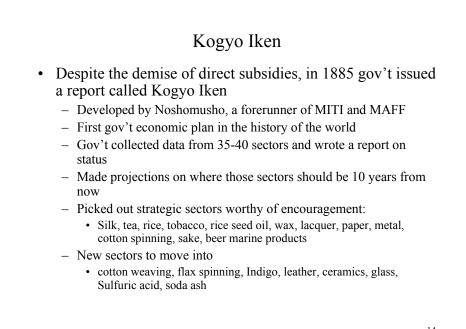


	Specialized Institutions
•	Postal Savings System – Established in 1875 for small savers
	 Served as depository institutions before these existed Were an alternative to the government bond market
•	 By 1890's half of all deposits were in PSS Special Banks
	 Idea was these were public service institutions Industrial Bank of Japan, Hypothec Bank, Hokkaido Takushoku Bank Stock held by private sector
	 Did not take deposits but raised capital through debentures (unsecured bonds) that they sold to the government Gov't obtained the money from the Postal savings system
	 By 1914, 26% of all loans were from these institutions
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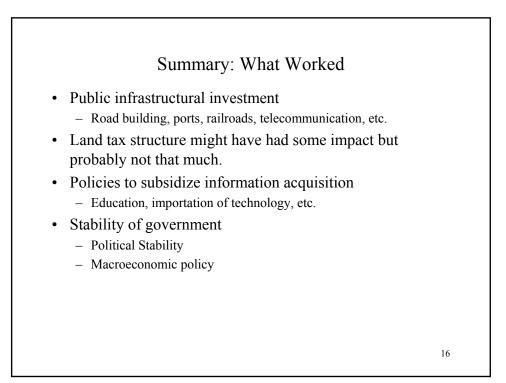




Number, Total Paid-In Capital, and Average Capital of National Banks, Private Banks, and Quasi-Banks in Japan, 1873-1899										
(capital in thousand yen)										
		National Banks		Banks	Quasi-Banks					
Year	No.	Total	No.	Total	No.	Total				
		Cap.		Cap.		Cap.				
1873	1	2,441	0	0						
1874	4	3,432	0	0						
1875	4	3,450	0	0						
1876	5	2,350	1	2,000						
1877	26	22,986	1	2,000						
1878	95	33,596	1	2,000						
1879	151	40,616	10	3,290						
1880	151	43,041	39	6,280	120	1,211				
1881	148	43,886	90	10,447	369	5,894				
1882	143	44,206	176	17,152	438	7,958				
1883	141	44,386	207	20,487	573	12,071				
1884	140	44,536	214	19,421	741	15,142				
1885	139	44,456	218	18,750	744	15,397				
1886	136	44,416	220	17,959	748	15,391				
1887	136	45,839	221	18,896	741	15,112				
1888	135	46,878	195	15,790	711	14,408				
1889	134	47,681	218	17,432	695	14,421				
1890	134	48,645	217	18,976	702	14,512				
1891	134	48,701	252	19,796	678	13,827				
1892	133	48,326	270	22,856	680	13,944				
1893	133	48,416	604	31,030	0	0				
1894	133	48,816	700	37,411	0	0				
1895	133	48,951	792	49,967	0	0				
1896	121	44,762	1,005	88,970	0	0				
1897	58	13,630	1,217	149,286	0	0				
1898	4	390	1,444	189,440	0	0				
1899	0	0	1,561	209,973	0	0				



Kogyo Iken Strongly emphasized infrastructural investment: • - Transportation: (railroads, roads, ports, harbors) - Advocated subsidies for ship building Report contained a keen sense that the government should ٠ not be directly involved - No Western government was doing anything like this Indicative Planning · Forecast based on market forces and see how the government can facilitate trends · This formed basis of Japanese planning · Very different from Central Planning that arose in Soviet Union that picked outcomes. 15



Summary: What didn't

- Not a strong case connecting government development and success of these firms
- Government did run some training programs, but often trained workers on the wrong machines.
- Nationalized industries: After privatization
 - 50% took 5 years to become viable
 - 30% took 15 years to become viable
 - 20% of these firms weren't viable until 20 years after privatization
- Government picking of sectors
 - about 70% of taxes came from agriculture
 - Gov't policy may have helped factors out of unproductive sectors decline
 - generally failed to create new sectors

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