

# FUTURE ADJUSTMENTS OF POPULATION TO RESOURCES IN JAPAN

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**I**N order to say anything worth while on this topic it will be necessary to make some brief and, therefore, rather dogmatic statements regarding the population and resources of Japan today and to guess at future developments in certain fields, which guesses must be expressed rather positively because of time limits, although I by no means feel as certain of their correctness as these statements may indicate.

In the first place, in the ensuing decade the population of Japan will probably increase by at least 10 million, provided the following conditions are fulfilled: (1) that in some way the essentials of existence will continue to be supplied to the people of Japan in approximately the present per capita amounts; (2) that the public health services will continue to operate about as efficiently as at present; and (3) that the decline in the birth rate during the next ten years will not be more than about 40 per cent. If the decline should be less, as it well may be, while the two preceding conditions are met, the population growth will be greater than indicated above.

In the second place, the food supply of Japan, which is already short of self-sufficiency by 15–20 per cent, is not likely to increase any faster than, if as fast as, the population, unless there is a large increase in the proportion of Irish and sweet potatoes in the Japanese diet. From the standpoint of the Japanese, this would constitute a decline in the level of living, although it need not constitute an added health hazard. It should be noted, however, that the variations in the production of root crops per acre due to variations in the weather and to the injuries inflicted on them by diseases and pests, are likely to be greater than the variations in the annual yields of the staple grain crops. This is especially likely where these root crops are not irrigated and the farmers are not experienced in

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caring for them as is quite commonly the case in Japan. Besides, any considerable increase in the acreage of root crops will take place chiefly at the expense of the staple grains since Japan has very little good land not now in crops which can be converted to such use with the reasonable expectation of obtaining large yields.

In the third place, Japan's domestic mineral resources are wholly inadequate to support more than a very modest and high cost industrial development. She has been and will remain highly dependent on imports of most important minerals. The same is true of industrial crops except silk, and wood for paper. Only coal, sulphur, and zinc, among important minerals are present in reasonably adequate amounts. Even salt, both for human consumption and for industry, must be imported or produced at a very high cost by the evaporation of sea water.

Improvement in the technology of mining and in the utilization of the minerals she does possess may do something to alleviate this situation, but even when this is allowed for, the best that can be said is that Japan is very poor in most of the important minerals needed in modern industry, while those she does possess are often of inferior quality and costly to produce. She must, therefore, import large quantities of many minerals and industrial crops such as cotton, wool, hides, and rubber if she is to develop her industries efficiently and on the relatively large scale essential to enable her to care for her population.

The situation in Japan as regards probable population growth and the domestic resources available for its support just outlined will go far towards explaining the inability of Japan to support herself under the Occupation, although the destruction of much of her industrial plant and the complete disruption of her foreign trade should not be forgotten in this connection. (In 1948 the United States supplied about 600 million dollars worth of goods to make up the difference between her exports and her imports. The 1949 figures are not yet available.)

## JAPANESE FOREIGN TRADE IN THE FUTURE

Since any conclusions regarding the adjustment of Japanese population to resources must take account of the probable development of Japanese foreign commerce if they are to be of any value, I find it necessary to explain briefly my view of the probable development of her foreign trade. Although I am not a specialist in foreign trade I have given considerable study to the economic development of Japan over a period of more than 25 years. I believe that this knowledge furnishes a part of the indispensable background for judging the probable developments of this trade in the postwar world. One must also try to evaluate the world trends in foreign trade as they are developing today.

My general conclusion regarding the development of Japan's foreign trade during the ensuing decade is that there is little probability that she can become an exporter of manufactured goods and of services (insurance, shipping, etc.) on a scale large enough to enable her to buy the imports she must have in order to maintain even her present very modest level of living after the subsidy provided by the United States is withdrawn.

I fully realize that the expression of such a conclusion demands some further statement of the facts and reasons on which it is based. Obviously this cannot be done in any detail at this time, but I will very briefly outline the situation which seems to me to support this view. It seems to me highly improbable that any country which does not possess large foreign investments and which is not well equipped to supply many services to other countries can reasonably hope to support a considerable part of its population at a good level of living by foreign trade in the world of today. I do not believe that what Great Britain did in the way of supporting a rapidly increasing population at a rising level of living during much of the nineteenth century through her foreign trade can be repeated by Japan or any other land in the second half of the twentieth century.

There is no longer even a semblance of free trade between nations anywhere in the world. If Japan plans to sell large quantities of any kind of manufactured goods in the United States or any other country having a higher level of living and if she actually achieves large sales of particular types of goods for a time, it is practically certain that she will very shortly find tariff barriers and other restrictions being placed on this trade. Today no country with a well-developed industry of its own is willing to admit a considerable quantity of goods to compete with domestic goods where the ability to compete arises largely from the cheapness of labor in the exporting country. This is a fact which no one moderately familiar with world trade today will deny. If, on the other hand, Japan confines her trade largely to Asia and to other lands less industrialized than herself, the chief immediate question becomes: What volume of Japanese imports can these countries pay for, assuming that the colonial areas of prewar Asia will no longer give decisive preference to trade with the former governing power?

This change in the trade status of a number of Asiatic countries with the passing of colonialism should be of help to Japan in building up trade in this area, but it must be remembered that the incomes of the people of these backward industrial areas are pitifully small and that after they have purchased within their own countries the bare necessities of life they have almost nothing with which to buy foreign goods. On the whole, the war period has increased the poverty of the people of China, Indonesia, the Philippines, Burma, Indo-China, and Malaya. The Indians I have talked to believe that the same is true of their people. Besides, in spite of the fact that Japan's labor is cheaper than that of Europe and America, there are many types of consumption goods in the sale of which Japan cannot yet compete with these higher-wage countries. The possibility of the export of capital goods will be discussed separately since it is different from that of consumption goods in certain important respects.

The difficulty of Japan in developing satisfactory amounts of foreign trade with these nonindustrialized lands is further increased by the fact that two-way trade can seldom be made to balance satisfactorily. For example, there is no assurance that India possesses adequate amounts of the particular materials Japan needs in return for the manufactured goods she might be able to send to India. But this is, perhaps, not of decisive importance although the fact that there is an increasing tendency in the world today to negotiate bilateral trade agreements is a most serious development. I am not assuming that multilateral trade has gone, or will go, by the board, but I do believe that one of the most important questions we must ask regarding Japan's future foreign trade, or regarding that of any other country, must be very specific. They must deal with the kinds and amounts of goods that Japan can trade to each particular country in return for given amounts of iron ore, pig iron, bauxite, coking coal, manganese, cotton, sugar, jute, rubber, etc., which that country may have to sell. Such specific questions seem to me much more significant in the world today than the more general question: How much goods can Japan place on the world market and/or at what prices she can sell these goods?

I am not arguing that Japan cannot considerably increase her foreign trade in consumption goods, but I am saying that the growing tendency to negotiate bilateral trade agreements is additional hurdles for Japan to clear in her effort to expand her foreign trade and these hurdles are not so spaced that they can be cleared without loss of stride.

When, in addition to the matters already mentioned, one takes into account the growing trend towards autarchy all over the world and the increasing need of many European countries for larger trade in order to secure both food and raw materials, it seems practically certain that the competition for trade will be far keener than in the past. Because of these conditions it seems to me that one must remain highly skeptical of Japan's ability to increase her foreign trade sufficiently in the near fu-

ture to provide herself with food and raw materials adequate to maintain even the present level of living in a population increasing at about the rate indicated above.

Thus far I have considered primarily Japan's trade in consumption goods, although most of the factors mentioned will also operate with minor qualifications to impede the export of capital goods. In addition, trade in capital goods will encounter other serious obstacles. Any large import of capital goods into the less industrialized countries of Asia today must be financed to a considerable extent by loans and credits. Such a conclusion assumes that these countries will not be able to supply their own capital to anything like the same extent as the Soviet Union did after the beginning of their five-year plans since there is little, or nothing, to be squeezed out of their consumption without raising their death rates. Furthermore, the people in these unindustrialized countries live under conditions such that any increase in food and any increase in consumption favoring better health (lower death rates) is accompanied by a relatively rapid increase in population. It is highly doubtful, to say the least, that the raw material production in these areas will increase sufficiently rapidly to enable them to buy any considerable amounts of capital goods in addition to their consumption necessities. Besides, the large food exporters like Burma, are nearing the end of their surpluses.

In prewar years the capital goods in these countries were supplied largely through investment by Europeans and Americans and were directed chiefly to the production of those types of raw materials needed by the industrial nations and to the development of adequate transportation facilities. There was, of course, some capital put into consumption industries, and in India into basic industries, but this type of investment was relatively small. In view of the conditions likely to determine the purchase of capital goods, I do not see how these countries can buy much of such goods without large credits and loans and if, by any chance, they are able to follow the pattern of the Soviet Union, they will buy very little abroad in any event.

Large capital purchases abroad within the next decade can only take place, therefore, if large loans and credits become available.

Since Japan is not in position to extend loans and credits to the nations of Asia needing and wanting capital goods it is not likely that she can quickly develop any very considerable trade in capital goods. In the past the country which has supplied the credit has generally insisted on supplying the lion's share of the capital goods for which it was spent. I can see no indication that there will be any significant change in this respect in the near future even though we are developing new international financial agencies.

I would not be misunderstood. Japan can no doubt increase her resources significantly through trade as she did in the past. Malaya will take a certain amount of Japanese goods—textiles, bicycles, rubber shoes, flashlights, etc.—for iron ore, rubber, and tin. Burma will also trade rice for such goods and, the terms being changed to suit the circumstances, a similar trade with Indonesia, the Philippines, and other Asiatic countries should be possible. But it must be remembered that the buying capacity of these peoples is small and that the total volume of imported consumers goods they can take will be relatively small. Besides, there is increasingly keen competition in the sale of many types of goods which the industrially backward peoples wish to buy.

Furthermore, any change in the political and economic organization of these countries which might result in the import of a larger proportion of capital goods and a smaller proportion of consumers' goods, or which might lead to the diversion of a larger proportion of the national income into the domestic production of capital goods will almost certainly decrease the foreign trade of these countries for the time being.

On the other hand Japan's competitive position in foreign trade will be improved by a general increase in her industrial efficiency. That there is much room for such an increase in efficiency and that it will take place admits of no question. But

it is by no means certain that this improvement will be rapid or that it will be sufficiently great to enable Japan to meet European and American competition in many lines where good machinery, efficient labor, and good business organization can offset lower wages in maintaining low unit costs.

When considering the matter of improvement in the efficiency of Japanese production it is necessary to take account of the unusual need of Japan herself for new capital due to bombing and to recent progress in technology and to recognize that at the same time the new structure of her economy envisaged in the instructions to SCAP have badly disrupted the operation of Japanese industry and the processes developed in the past for the accumulation of capital. Foreign exchange is very difficult to come by in Japan. Under these circumstances the progress of rehabilitation will necessarily be slow. Japan will be in position to compete actively in world markets only after the United States and certain European countries have more or less re-established their trade. This delay will certainly increase Japan's trade difficulties during the next few years.

Finally, a word should be said about the new labor laws operating in postwar Japan. While these may be all to the good from the standpoint of developing a democratic spirit among the people, they raise many difficulties in practice and affect the efficiency and discipline of workers adversely for the time being. A revolution in labor-management relations such as is now under way cannot be effected without substantial loss in efficiency while it is in its early stages, however much it may conduce to greater efficiency in the future.

These considerations seem to me to make it extremely questionable whether the increase in productivity to be expected in Japan during the next decade and the expansion of foreign trade which should accompany it will be large enough to provide any substantial improvement in the level of living once the subsidy furnished by the United States is withdrawn. Indeed it seems to me that the increase in productivity to be expected will do very well if it provides for the increase in popula-



tion predicted above. The deficit is likely to remain about as large as at present or even to increase, if the present level of living is maintained. I realize fully that this is only my opinion and that I am dealing in terms of probability when speaking of the future, but I have done the best I can to assess these probabilities reasonably and come out with this conclusion as regards the way in which the increase in productivity and the expansion of foreign trade are likely to affect living conditions in Japan if the population grows as now appears likely.

But, of course, greater production and trade are not the only factors which might affect the level of living by changing the relation between population and resources although I believe they are by far the most important factors. Many Japanese are greatly interested in emigration as a factor which may reduce the pressure of population on resources. They point out that in Europe rapid population growth and improvement in the level of living were in part made possible by emigration to new lands. They ask why Japan cannot send out large numbers of people to new lands to which Japanese manufactures may then be sent and from which colonial goods will be exported to ease the pressure of population on resources in the home land. The answer to such a question seems to me fairly obvious if we confine our attention to the next few years. The unused lands in which extensive settlement is possible to the Japanese are far smaller than those open to Europeans in 1750. They are largely tropical lands with only a primitive political and economic organization. They possess no large and well organized facilities to care for immigrants, either those going into agriculture or those desiring to go into industry.

Emigrants from Japan to the unused tropical areas of the world today would either have to start from scratch as did immigrants to America in the early years of settlement, or for several years be largely supported from home in communities developed by imported capital. Moreover, the health hazards of the Japanese going into New Guinea or other tropical areas today would probably be considerably greater than those faced

by the people who went into the Americas even as early as 1700 unless large public health works were undertaken in advance. It should also be remembered that until about 1825 when the United States had a population of approximately 11 million the total number of immigrants entering the United States in any one year never exceeded a few thousand. It takes decades of settlement to build up a population and a social and political organization in a new land capable of absorbing hundreds of thousands of immigrants annually even when resources are ample. As late as 1913 the United States absorbed only from three-quarters of a million to one million immigrants annually when economic conditions were at their best.

In order to secure any substantial relief of her population pressure through emigration Japan must send out hundreds of thousands of people each year and it is not reasonable to expect that emigration on this scale can be achieved in less than two or three decades even with the wholehearted encouragement of the Japanese government and the United Nations and with very substantial financial support from outside sources. Japan would have had to send out 4,500 emigrants every day during 1948 in order merely to prevent her population from increasing. This is equal to a fairly large Japanese agricultural community.

In addition, in the case of Japan there are other difficulties which appear insuperable at present. Owing to the aggressiveness of the Japanese in the past, no country is willing to admit any appreciable number of them at present, and this applies equally to the colonial areas still under European control; nor does it seem likely there will be any change in this attitude in the next few years. At best, only a small number would be allowed anywhere in the world today and, as said above, we must think in terms of a million and a half or more annually if Japan is to obtain substantial economic relief from this source.

Although at the moment Japan has achieved a death rate so low that substantial emigration could be expected to reduce

the rate of natural increase rather than merely to reduce the death rate further, this condition may not hold good for long. The sudden withdrawal of the subsidy being supplied by the United States might result in raising the death rate substantially. If this were to happen, emigration on a large scale would probably only result in a lower death rate and have little or no effect on the rate of population increase. The important point to remember is that emigration from a crowded country having a high birth rate and death rate usually has little effect on the growth of population in the home land since the reduction of the death rate due to the momentary easing of the pressure raises natural increase at home. But, as just noted, with Japan's present death rate a large emigration would probably reduce the rate of population increase. It would have to be an incredibly large emigration, however, to effect any substantial lowering of the actual population at home.

It seems to me, therefore, that emigration offers no hope of significant relief from the increase in economic pressure in Japan. This pressure is likely to increase rather than decrease. However, I have long believed that the granting of the right to emigrate might have beneficial psychological effects upon the relations between nations even where the exercise of the right by any appreciable number of persons in the crowded nation was impossible. I would, therefore, favor giving the Japanese limited rights of emigration although I do not believe they will be able to exercise these rights to an extent sufficient to make any appreciable difference in the pressure of their population on their resources.

It will be abundantly apparent by this time that I do not believe the means of relieving the pressure of population on resources which have been discussed above will do a great deal to help Japan within the next decade or two. I do not see how increased productivity, expanded foreign trade, and emigration can add to the per capita production of the Japanese enough to improve their level of living substantially as long as their numbers increase from 1.0 per cent to 1.5 per cent per year.

It actually has averaged about 2.0 during 1947-49. The only solution of their problems of improving their level of living, or even of maintaining the present level, is to adjust the rate of population growth to the actual increase in production. I have indicated above that I believe the rate of population growth will probably fall from the 2.2 per cent of 1948 to 1.0 per cent or 1.2 per cent in the next ten years. But I do not believe this is fast enough or will occur soon enough to permit a substantial increase in per capita production under the conditions prevailing today and likely to prevail in the next few years.

In the United States we talk about an increase in productivity of 2-3 per cent a year as being very good although we have abundant resources and capital and a large and experienced personnel, both in management and in labor. Japan lacks all these except an abundance of labor and the majority of her workers are not yet highly experienced in modern industrial processes, and her experienced farmers cannot add new acres for production. Is it reasonable to believe that under these circumstances the productivity of Japanese industry and agriculture can increase at a rate equal to that which seems probable in the United States? I do not believe that it is. Hence, I find myself highly skeptical regarding the outlook for the future of Japan. As a man of humane sentiments, I hope that the conclusions expressed above are wrong in two respects: (1) that I have magnified the difficulties Japan will encounter in increasing production and foreign trade and emigration, and (2) that I have underestimated the speed with which the Japanese will reduce their birth rate. However, when I try to weigh objectively the probabilities I do not believe that I have made these errors. Hence, I find myself very apprehensive regarding Japan's future. A real catastrophe involving millions of persons may be in the making and it may very well be precipitated by the rather sudden withdrawal of American support from the economy of Japan before the Japanese have been able to make any workable adjustment of population to resources.