

Wealthy elite in modern Japan in the period of the series of economic crisis: From the perspective of their income structure –the case of the Kanto region in 1930s

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Introduction

Economic development in modern Japan led to the emergence of a wealthy elite class predominantly comprising those who pursued modernized business activities in this period. As in the case of the *zaibatsu* owners, who effectively became symbols of the modern Japanese economy, the other constituents of this new elite class witnessed a rapid and drastic process of wealth accumulation. Accordingly, the economic and social triumphs of these families and their abundant wealth highlighted the unbelievable distance between the rich and poor in modern Japan, resulting in public displays of antagonism from all sides of the political spectrum. The business activities and sources of wealth of the modern Japanese wealthy elite have thus become major topics for academic research. However, existing studies have been limited by the lack of reliable data on the income or net wealth of these families.

Since the late 20th century, considerable progress has been made by Japanese business and economic historians in exploring and collecting income and wealth data, including data from available primary and published sources.¹ In addition, certain official published records such as annual statistical data on tax collection and reported tax earnings have furthered academic inquiry.² Further, the personal income tax data reported by the Japanese Who's Who (*Nihon Shinshiroku*) has become a useful source for analysis of wealth at an individual level.³ Therefore, considerable materials and

¹ In particular, the data collection conducted by Shibuya Ryuichi, a Japanese economic historian, is the most significant contribution for research on the income structure of the emergent wealthy elite group. For example, see Shibuya (ed.), *To-Do-Fu-Ken betsu Shisanka Jinushi Sōran* (Compilation of the data on wealth holders and landlords) 51 volumes (Tokyo, 1988-1995), which covers both primary and published data on the wealthy elite group.

² For official data on tax collection in modern Japan, see Shuzeitkyoku (ed.), *Shuzeitkyoku Tōkei Nenpōsho* (The Statistical Yearbook of the Tax Bureau) published annually from 1886. As an example of a study utilizing data from this source, see Chiaki Moriguchi and Emmanuel Saez, "The Evolution of Income Concentration in Japan, 1886-2005: Evidence from Income Tax Statistics," *The Review of Economics and Statistics* 90-4 (November 2008).

³ For instance, *Nihon Shinshiroku* (Japanese Who's Who) published annually by

sources for analyzing the wealthy elite in modern Japan have surfaced more recently.

However, it is also apparent that, even with these sources, a detailed analysis of the income or wealth of the target group is still not possible. Many of the published sources mainly consist of data on the estimated wealth of the individual wealthy elites; given that the methods of wealth estimation used are unclear, the reliability of information from these materials is quite dubious.⁴ Moreover, it is difficult to access detailed personal information from the statistical references published by the tax authorities, since these publications present aggregate results on the basis of earning categories. Moreover, the data on personal income tax in published materials is also problematic, since several reforms of the income tax system were undertaken during Japan's early period of modernization. Notably, dividends from firms' shares were exempt from tax payments until the income tax reform in the 1920s.⁵ This poses special challenges for wealth estimations of members of the *zaibatsu* families, who principally gained their income in the form of dividends from the *zaibatsu* holding companies.⁶

This paper aims to examine and analyze the income structure of the modern Japanese wealthy elite by utilizing newly discovered official income data published by the Japanese tax authority. This official document, *Dai-Shotoku Nozeishashirabe* (Examination on the annual income of higher taxpayers), covers detailed income data by category—for instance, tenants, rents, salaries, and dividends—for each higher-income taxpayer. Therefore, the document can be utilized as a valuable source for data analysis.⁷ Nevertheless, it should be noted that even if this document provides

Kōjunsha, a Japanese publisher, reported personal income tax data of individuals listed on *Shinshiroku*. As an example of a study utilizing such data from this publication, see Yazawa Hirotake, *Kindai Nihon no Shotoku-Bunpu to Kazoku Keizai* (Income distribution and family economy in modern Japan: Tokyo, 2004).

⁴ However, it should be noted that some wealth estimates were based directly on personal income tax data, officially announced by the tax authority. When income tax was introduced in the late 19th century, the tax authority initially approved the public announcement of data for higher-income taxpayers at the local level. See Zeimu Daigakko (ed.), *Shotokuzei no Dōnyū to Chōsa-In Seido* (The introduction of income tax system and the income tax investigation committee: Tokyo, 2007).

⁵ For the history of changes in the income tax system in modern Japan, see Ōkurashō (ed.), *Meiji Taishō Zaiseishi* Vol. 7 (Tokyo, 1950), especially, pp.1000–1150.

⁶ For instance, until the income tax reform of the 1920s, the income tax payments of the Mitsui families were considerably lower than that of the other wealthy elite. According to the data for 1916, the income tax payment of Mitsui Takamine, the head of the Mitsui *zaibatsu* in this period, was 453 Japanese yen, compared to 42,814 yen for Iwasaki Hisaya, the head of the Mitsubishi *zaibatsu*. This data is derived from Kōjunsha (ed.), *Nihon Shinshiroku* Dai 21pan (21th edition: Tokyo, 1916).

⁷ Although dates and areas covered by this official document are limited, it is collected in *Shōwa Zaiseishi Shiryō* (Documents of Financial History in the Shōwa period), and can be found in the National Archive of Japan. The remaining *Dai-Shotoku*

accurate and useful information on the kind of personal wealth of interest in this paper, owing to the insufficient numbers of tax officers, the tax authority sanctioned a 10 to 20 percent tax reduction policy to encourage “respectable” income tax payment on the part of higher taxpayers.⁸ This indicates that, in some cases, the data contained in the *Dai-Shotoku Nozeishashirabe* may reflect such reductions. Furthermore, from other evidence, it is apparent that there was a significant gap between the official data on annual income listed in the *Dai-Shotoku Nozeishashirabe* and actual annual income.⁹ However, even though this document has some clear limitations, it undoubtedly provides detailed information, which proves to be useful in analyzing the structure of the annual earnings of higher income taxpayers.

Particular attention is given to the Kanto region, containing the capital city of Tokyo and its suburban surroundings, the heart of modern Japan’s economic activity. This paper’s focus on the Kanto region directly reflects the fact that the *Dai-Shotoku Nozeishashirabe* data is the most comprehensive for this area. In addition, it is difficult to examine the data from this document over a long-term time series, since we can find data for 1931, 1932, 1933, and 1936 from the remaining documents.¹⁰ Furthermore, there are differences between data for 1931 and 1932, and 1933 and 1936, as regards the targeted taxpayers and areas covered.¹¹ By analyzing the limited data collected from these documents and with the assistance of other official publications such as *Shuzeikyoku Tōkei Nenpōsho*, we discuss the characteristics of the Japanese wealthy elite in this period as follows.

First, along with the data collected from *Shuzeikyoku Tōkei Nenpōsho*, a general perspective on the wealthy elite in the Kanto region and this class’s characteristics is

Nozeishashirabe can be found in *Shōwa Zaiseishi Shiryō* dai 4gō dai 33satsu (Vol.4, book 33: 05-059-00, 00359100; National Archive of Japan).

⁸ This tax reduction policy has been corroborated by publications of the contemporary tax office. See, for example, Kataoka Keiichi (ed.), *Kojin Nōzei Dokuhon* (The book for personal tax payment: Tokyo, 1934).

⁹ This is applicable to the case of the Mitsui families. According to detailed research, it is clear that a huge gap existed between the annual income of families and the annual allowance that they received from their respective holding companies, owing to the fact that a certain percentage of annual income was reserved for the expansion of Mitsui’s business activities. For details, see Mitsui Bunko (ed.), *Mitsui Hachirōemon Takamine Den* (Biography of Mitsui Hachirōemon Takamine: Tokyo, 1989), especially, pp.315-336.

¹⁰ The data for 1936 was found from another document in the library of the Faculty of Economics at the University of Tokyo. *Showa 11endo bun Dai3shu Shotoku Dai-Nozeisha Shirabe* in Hamada Tokumi Shiryō II (University of Tokyo, mf99:w1:8).

¹¹ Although the data for 1931 and 1932 include information on higher-income taxpayers, whose annual income topped 30 thousand yen and who resided in the Kanto region, the data for the years 1933 and 1936 cover those with an annual income of over 100 thousand yen residing in mainland Japan.

analyzed at the national level. Next, from the data obtained from *Nenpōsho*, which focuses on the period from 1926 to 1935, the early era of the Shōwa period in Japan, a comparison of the Kanto region with other regions is made. This comparison also aims to consider differing wealth concentrations at the regional level and the impact of the national-level depression (Shōwa Kyōkō) and the Great Depression of 1929, which occurred during this period. Following this general view, a detailed analysis of annual income is conducted in the next part. Note that, owing to limitations of the available data, our attention is focused on individuals with annual income exceeding 100 thousand yen—probably, the *crème de la crème* of the Japanese rich.¹² For example, this section explores whether these individuals derived their income from salaries or dividends. Further, a detailed analysis by occupational classification and social class is conducted to identify structural income differences on the basis of each occupation or social group. Moreover, the influence of the economic depression and lingering stagnation on the wealthy elites' incomes is discussed, since the 1930s was a decade marked by financial and economic crises, both national and global. A major aim throughout this paper is estimating the possible influence of the series of crises on Japanese income levels and wealth disparities between the rich and poor.

1. General Perspective of the Japanese wealthy elite from the late 1920s to the early 1930s

Description of data and sources

Before focusing on the main point of analysis in this section, we briefly describe the nature and contents of the data used in this paper, along with a review of the income tax system in modern Japan. Owing to several systemic reforms, income tax in modern Japan was divided into several categories, namely: the first category (*Dai-Isshū*, or taxation of company profits, which closely approximates the current corporate tax); the second category (*Dai-Nishū*, or taxation of interest on bonds and bank deposits); and the third category (*Dai-Sanshū*, which closely resembles the current personal income tax).¹³ From taxpayers' perspective, *Dai-Nishū* and *Dai-Sanshū* were significant, since these categories applied to personal income tax collection. However, using this data may preclude an accurate estimation of personal wealth. First, there was a difference between *Dai-Nishū* and *Dai-Sanshū* with regard to the tax rate system. The former was

¹² For example, the currency conversion rate between the Japanese yen and British pound in the 1930s averaged 20 JPY = 1 GBP. Therefore, the wealthy elite, the subject of detailed analysis in this paper, had annual incomes in excess of 5,000 GBP in this period. See Nakamura Takafusa, *Economic development in modern Japan* (Tokyo, 1981), p.34.

¹³ For more on these categories, see Ōkurashō (ed.), *Meiji Taishō Zaiseishi* Vol.7, pp. 1035-36.

levied at a flat rate, and the latter was a progressive tax. This signifies that some personal income, in particular, income from bonds or deposits, was taxed at a different rate.¹⁴ Moreover, most of the income tax data included in publications such as the Who's Who was based on *Dai-Sanshu* income tax payments. Thus, it is difficult to estimate personal income from these types of publications, since the data does not cover personal income beyond that taxed in the *Dai-Sanshu* category. In addition, statistical data of personal income in official publications, as in the case of *Shuzeikyoku Tōkei Nenpōsho*, provided information on numbers of tax-paying individuals, net incomes, and individual income tax payments by income categories. However, it is impossible to break down this aggregate data on an individual level.

In the case of *Dai-Shotoku Nozeishashirabe*, the document provides various data on personal income, since it divided the revenue of higher-income taxpayers into categories such as agriculture, rent and lease, business, dividends, salary (including bonuses and pension monies), and other income sources. Another advantage of this official document is that it covers information on income that was subject to not only the *Dai-Sanshu* payment, but also, the *Dai-Nishu* payment.¹⁵ This would suggest that *Dai-Shotoku Nozeishashirabe* is a comprehensive source of personal income data for the higher-income taxpayers in this period.

However, because of the limitations of the available documents, which were mentioned in the section above, the analysis and discussion in the present study are confined only to the ultra-rich in this period. In addition, it is expected the results from these data only represent the minority among the income taxpayers in 1930s.¹⁶ Therefore, data from *Shuzeikyoku Tōkei Nenpōsho* is necessary to describe and analyze general trends, changes, and perspectives on the income of the wealthy elite in this period. Nevertheless, it should be noted that, in addition to drawing from *Nenpōsho* and *Dai-Shotoku Nozeishashirabe*, additional data processing would be needed. First, until

¹⁴ The historical background of the income tax reforms is concisely described in Teranishi Jūrō, *Senzenki Nihon no Kinyū Sistemū* (The financial system in prewar Japan: Tokyo, 2011), especially, pp.751-757. In addition, for an economic analysis of income tax reform in this period, see, for example, Jinno Naohiko, “Shakai seisakuteki sozei seisaku no tenkai-1920nen dai no sozei seisaku” (The development of the taxation policy as social policy in the case of 1920s taxation policy), *Keizaigaku Zasshi* 86-3 (1985).

¹⁵ The income subjected to the *Dai-Nishu* payment, such as interest earned on bonds or bank deposits, is categorized as “other income sources” as per *Dai-Shotoku Nozeishashirabe*.

¹⁶ According to the data in *Shuzeikyoku Tōkei Nenpōsho*, the wealthy elite whose annual income was over 100 thousand in this period represented only 0.08-0.09 percent of the total number of income taxpayers in the 1930s. This finding is based on Shuzeikyoku (ed.), *Shuzeikyoku Tōkei Nenpōsho* vol. 58–vol.63 (1930–36).

the end of World War II, the income tax was calculated and paid on the basis of the household unit (in Japanese: *Ie*), or an aggregate of family members' incomes for tax purposes.¹⁷ Since the data contained in *Nozeishashirabe* is based on this household unit system, a recalculation of the *Nenpōsho* data is needed to standardize individual payments from the household unit.¹⁸ Second, a reorganization of the *Nenpōsho* regional divisions is necessary, since such divisions reflected the jurisdiction of the local tax bureau (*Zeimu Kantokukyoku*).¹⁹ In addition, for analyzing this particular group on a broader and more holistic level, the *Nenpōsho* data is used only for those taxpayers whose annual income exceeded 30 thousand yen (since *Nozeishashirabe* in 1931 and 1932 targeted those higher-income earners).²⁰ After such data processing, the findings and characteristics of this particularly elite group, at the national and regional levels, are discussed. The aim is to present a clear picture of the level of income concentration and inequality in modern Japan during this period, which was marked by a series of economic crises.

General trends on national and regional levels

Figures 1 to 4 present the general trends with regard to income taxpayers on the basis of *Nenpōsho* reports. Figures 1 and 2 depict changes in the numbers and total income of all income taxpayers from 1926 to 1936. In this particular period, the Japanese economy suffered from several economic crises that deeply damaged economic activities. Events such as the financial crisis in the late 1920s, followed by the Great Depression from 1929, certainly triggered substantial reductions in Japanese personal and household

¹⁷ For details on the origins of the family unit payment system, see Yamamoto Hiroshi and Orii Nobuyoshi, "Sōseiki no Shotokuzeisei Sōkō" (The inauguration period of the income tax system), *Zeidai Ronsō* 20 (1990), esp. pp.64-66.

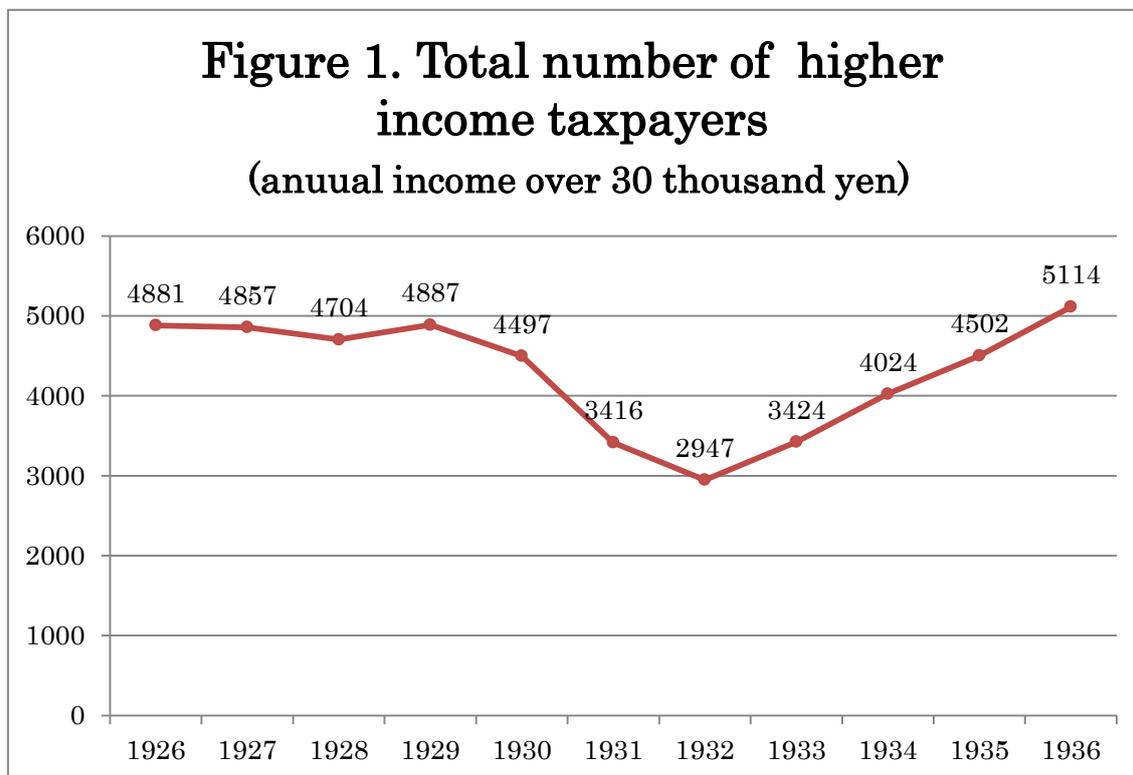
¹⁸ Recalculation of the *Nenpōsho* data is simple, since both the number of individuals who paid income tax and the number of individuals who were members of families whose income was aggregated for tax purposes were reported. Therefore, the number of household units in each income bracket can be obtained by subtracting the number of the latter from the former.

¹⁹ As the jurisdictional divisions of the tax authority certainly differed from the Japanese regional divisions, some data processing will be needed. The regional division of Japan in this paper on the basis of the general definition is as follows:

Hokkaido; Tōhoku (Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima); Kanto (Tokyo, Kanagawa, Saitama, Chiba, Gunma, Tochigi, Ibaragi, and Yamanashi); Chubu (Aichi, Shizuoka, Nagano, Gifu, Mie, and Niigata); Hokuriku (Toyama, Ishikawa, and Fukui); Kansai (Osaka, Kyoto, Hyogo, Nara, Shiga, and Wakayama); Chugoku (Okayama, Hiroshima, Tottori, Shimane, and Yamaguchi); Shikoku (Kagawa, Tokushima, Ehime, and Kochi); Kyushu (Fukuoka, Saga, Nagasaki, Oita, Miyazaki, Kagoshima, and Okinawa). In each case, the parenthetical names refer to prefectures located within each regional division.

²⁰ *Nozeishashirabe* for 1933 and 1936 only targeted those whose wealth exceeded 100,000 JPY. This data was collected on the national level.

incomes.²¹



Sources: Shuzeikyoku (ed.), *Shuzeikyoku Tōkei Nenpōsho*, Vol. 54 – Vol. 64 (1926-1936).

Figures 1 and 2 clearly show the effects of such crises on taxpayers both in numbers and total income. The number of both figures gradually declined from 1927, the year that the financial crisis started, and experienced a steep fall beginning in 1930, probably because of the ripple effects of the global Great Depression from 1929. After bottoming-out in 1932, shown in both figures, incomes gradually recovered—and although the amount of total income reached the level of 1926 in 1936—the total number of high-income taxpayers was certainly lower in 1936 than in 1926. Thus, in terms of general income tax trends, there are large fluctuations throughout this period of economic crises.

²¹ For a general description of the period from an economic perspective, see, for example, Nakamura Takafusa *Showa Kyōkō to Keizaiseisaku* (Showa Depression and the Economic Policy: Tokyo, 1994).

Figure 2: Total number of income taxpayers

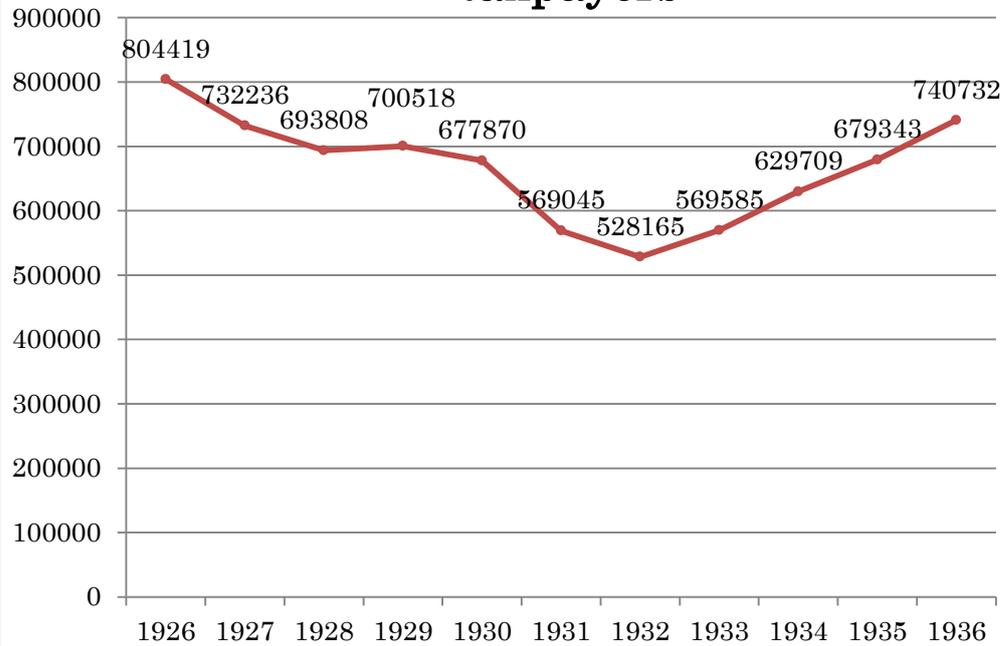
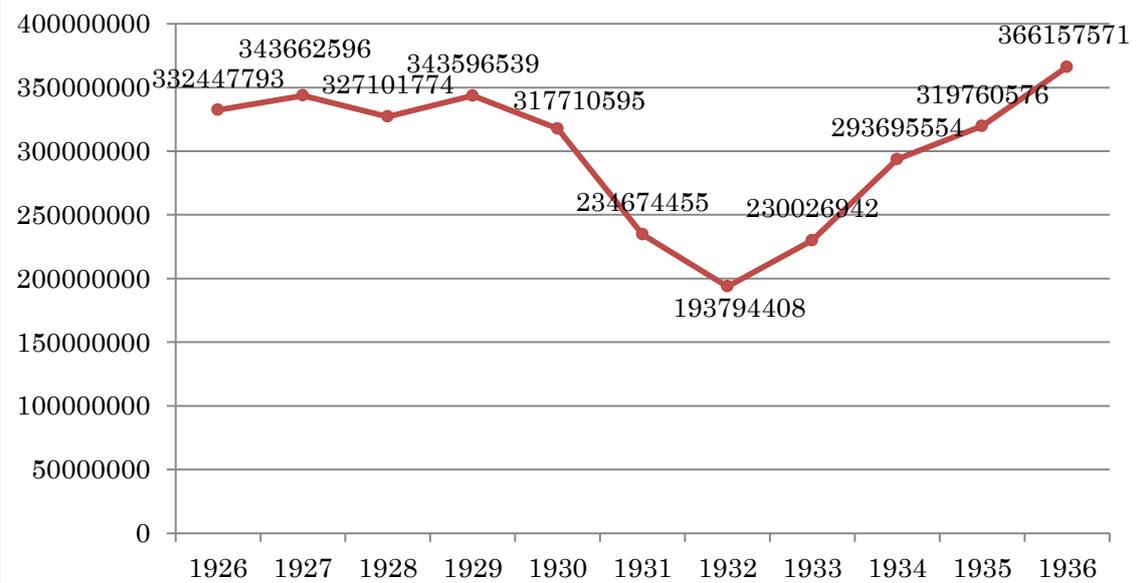
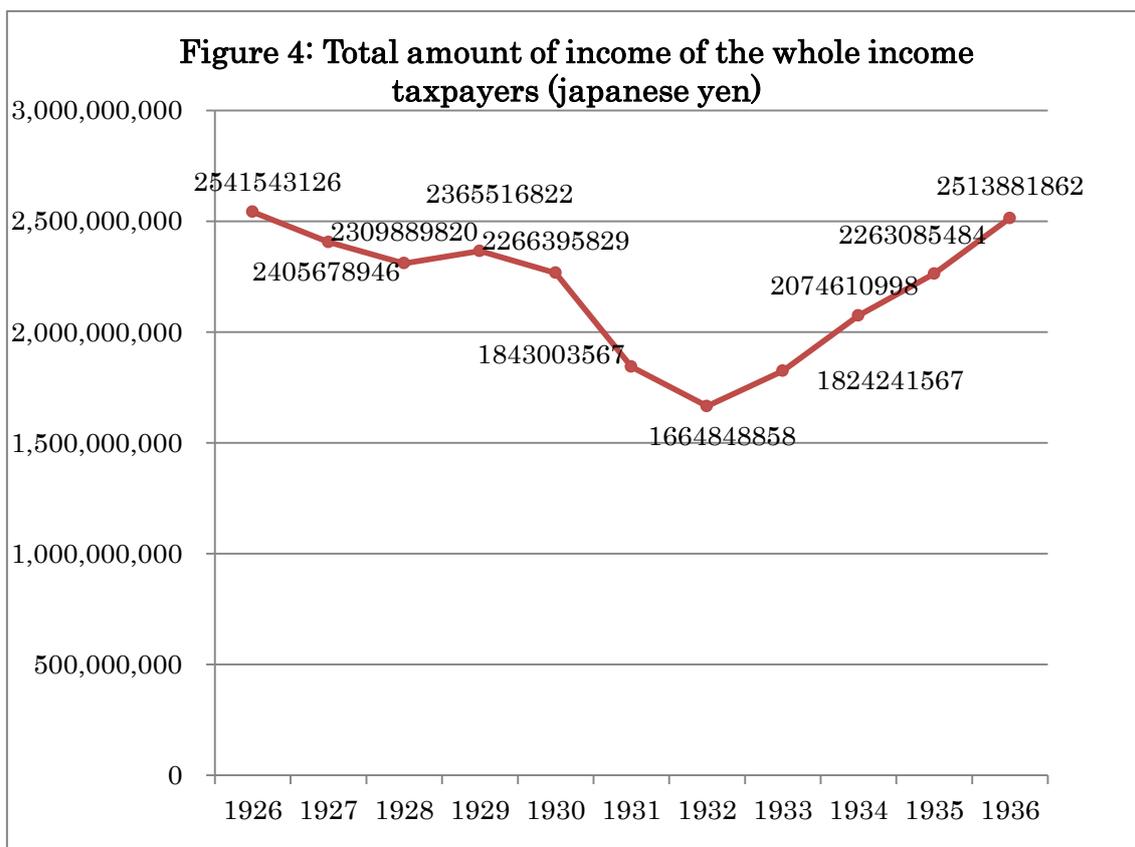


Figure 3: The total amount of wealth among higher income taxpayers (japanese yen)



By contrast, changes in numbers and total income among higher-income taxpayers shown in Figures 3 and 4, reveal that the effects of the economic crises were shorter and

milder than for general income taxpayers. During the first stage of the economic crises in the late-1920s Japan, both figures show relative stability. Changes or losses were quite small in comparison to the general group; a recovery among this particularly rich group can even be witnessed for the year 1929. Although this group suffered an abrupt and precipitous income decline in 1930, their recovery was swifter and more complete in the middle of the 1930s. The total amount of income among high-income taxpayers slightly exceeded the 1926 level in 1936, and the number of individuals in this wealthy group surpassed the original count.

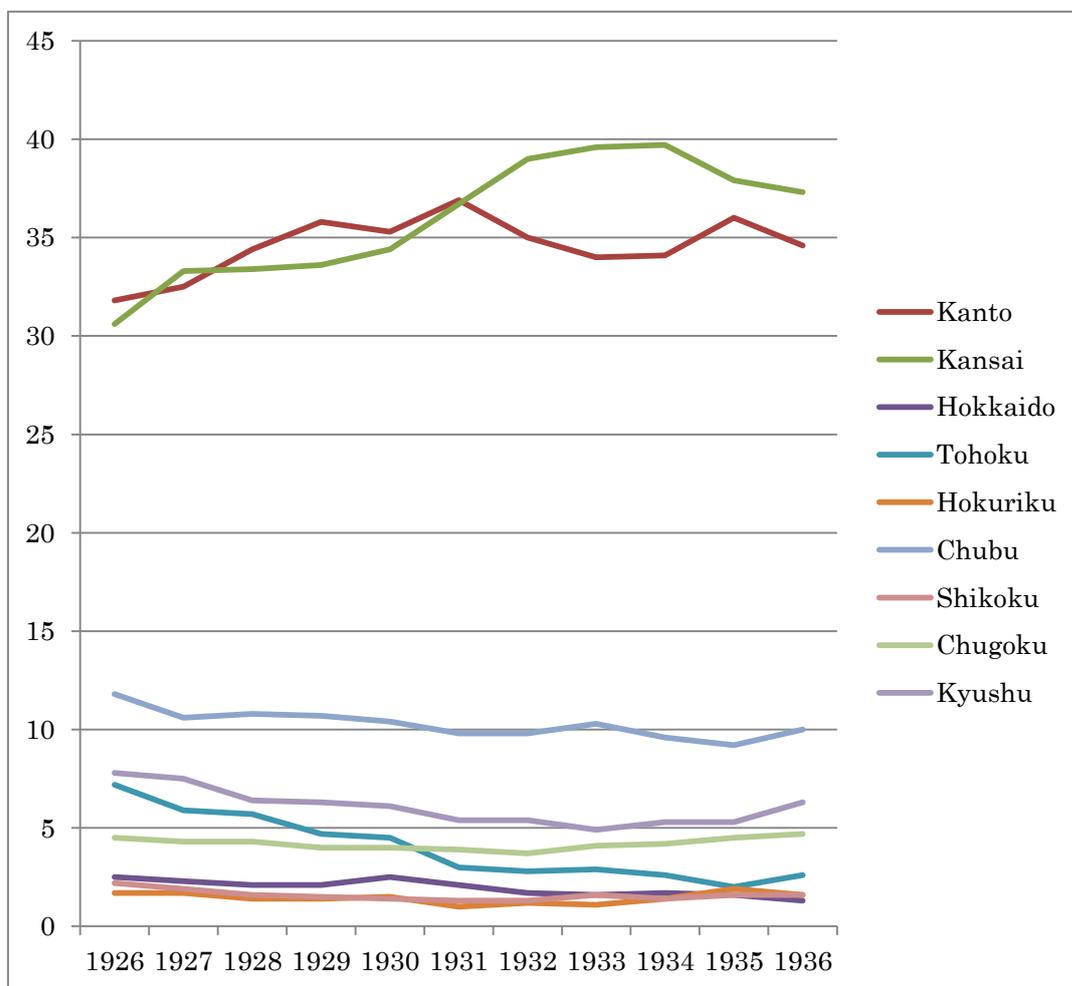


Another finding also supports this perspective of the wealthy elite in this period. As partly displays on Table 1 in later, the changes in the share of these high-earners' incomes as a percentage of the total income of taxpayers was around 13 to 14 percent throughout this period (even if there was a certain decline in 1932, to about 11.6 percent). This characterization of the top group is consistent with findings from other studies and demonstrates the extreme income concentration among the ultra-wealthy.²²

²² See, for example, Moriguchi and Saez, "The Evolution of Income Concentration," especially, pp.718-721.

A regional-level examination of data reveals different findings than that from a national-level perspective. Figures 5 and 6 show changes and shifts in regional distribution and incomes of higher-income taxpayers.

Figure 5. Shares of higher income taxpayers of each region (by %)

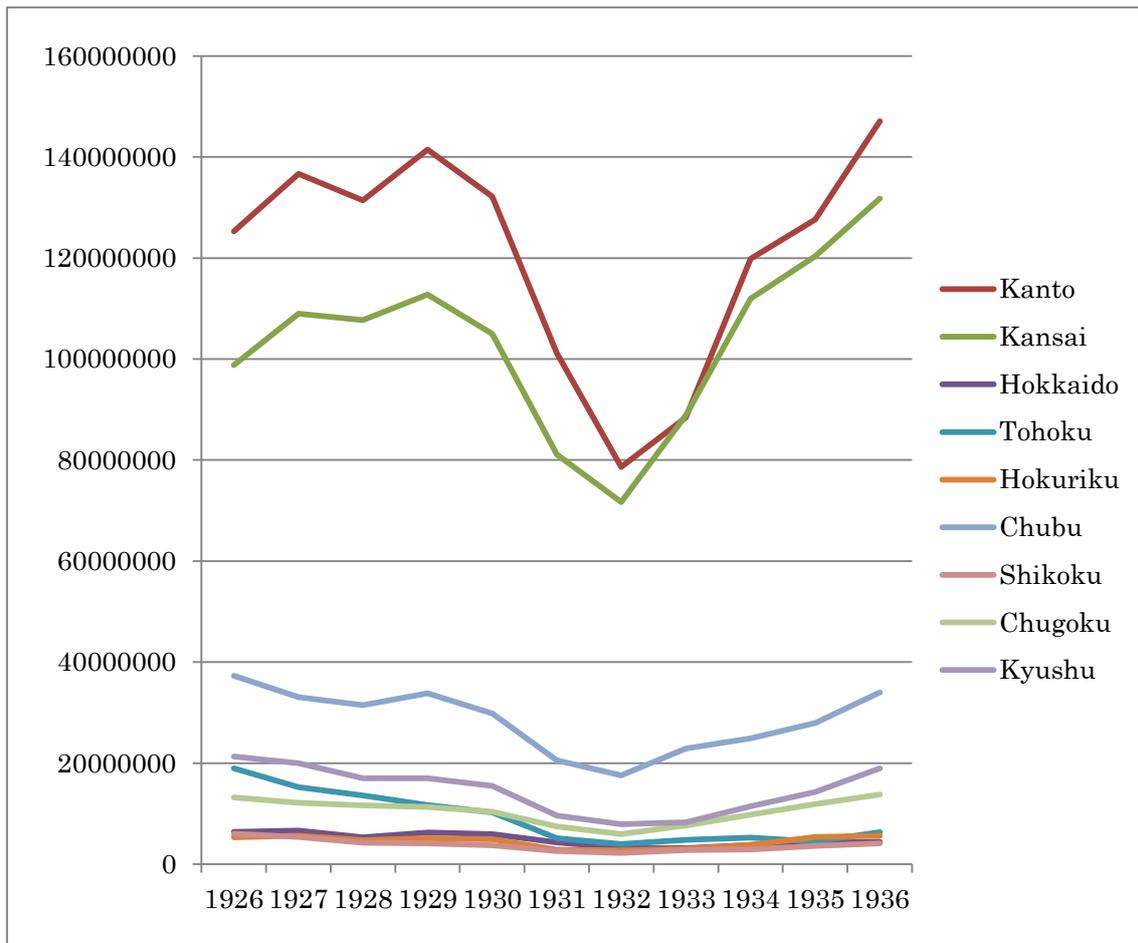


As indicated in Figure 5, the majority of this group resided in two particular regions, that is, Kanto and Kansai. Kanto has the Japanese capital, Tokyo, at the heart of the region, and thus, is a natural political and economic center. Kansai is home to another economic center of modern Japan, Osaka, and is regarded as a symbol of industrial and economic development in this period.²³ Around 70 percent of higher-income taxpayers were concentrated in these two regions throughout this period; the other regions had relatively minor concentrations of wealth and wealthy individuals. However, if we compare the Kanto and Kansai regions, there were several relevant differences between

²³ For details of the role of Kansai or Osaka in the modern Japanese economy, see, for example, Abe Takeshi, *Kindai Osaka Keizaishi* (Economic History of Osaka in the Modern Period: Osaka, 2006).

the two areas. First, although both regions show similar trends on the national level with regard to changes in total amount that influenced by economic events, it is apparent that the *crème de la crème* of this wealthy group tended to cluster in the Kanto region.

Figure 6. Total amount of income of higher income taxpayers in each region (by Japanese yen)



It is assumed that many *zaibatsu* families or salaried managers of big enterprises, whose revenues were considerably higher than most, were predominantly concentrated in Kanto (especially in Tokyo). This caused a difference in income concentration between the two regions. And second, although this tendency is not directly revealed by the figures, the regional distribution of higher-income taxpayers within each region was certainly different. In the case of the Kanto region, the highest percentage (90%) of the ultra-wealthy resided in Tokyo, doubtless a peculiarity of this particular region. Other areas—for instance Kanagawa, where the most important port for Japanese export was located—played relatively minor roles in this region, amounting to less than 10 percent of the elite group by number. In contrast, higher-income taxpayers in the Kansai area

tended to disperse from Osaka, the economic center of the region, to suburban areas of the Hyogo prefecture, which developed as a residential area favored by the wealthy elite.²⁴ Thus, in contrast to the case of the Kanto region, only around 50 percent of wealthy individuals resided in the central hub of Osaka.

Year	National level	Kanto	Kansai	Hokkaido	Tohoku	Hokuriku	Chubu	Shikoku	Chugoku	Kyushu
1926	13.1	17.5	16.5	7.8	11.5	8	10.6	7.3	7.2	7
1927	14.3	19.7	17.8	9.2	11.1	8.9	10.9	6.9	7.5	7.1
1928	14.2	18.7	17.9	7.4	10.9	8.5	11.4	6.4	7.5	6.6
1929	14.5	19	18.2	8.4	10	9.4	12.2	6.2	7.4	6.6
1930	14	18.5	17.6	8	9.2	9.7	11.3	5.9	7	6.3
1931	12.7	16.8	16.1	6.8	6.3	7.3	10.1	5.4	6.3	5.1
1932	11.6	15	15.5	5.9	3.7	7.4	9.6	4.9	5.4	4.4
1933	12.6	15.9	17	6.2	6	7.3	10.8	5.7	6.2	4.4
1934	14.2	18.9	18.3	6.9	6	8.1	10.6	5.4	6.9	5.5
1935	14.2	18.5	17.9	7.2	5.5	9	10.8	6.4	7.6	6.1
1936	14.6	19.6	17.9	7.5	6.7	9.2	11.5	6.5	7.8	6.8

Year	National level	Kanto	Kansai	Hokkaido	Tohoku	Hokuriku	Chubu	Shikoku	Chugoku	Kyushu
1926	0.6	0.7	0.9	0.4	0.7	0.3	0.5	0.4	0.3	0.3
1927	0.7	0.8	1	0.4	0.7	0.4	0.5	0.4	0.4	0.4
1928	0.7	0.8	1	0.4	0.7	0.3	0.6	0.3	0.4	0.3
1929	0.7	0.9	1	0.4	0.7	0.4	0.6	0.3	0.4	0.3
1930	0.7	0.8	1	0.4	0.6	0.4	0.6	0.3	0.3	0.3
1931	0.6	0.7	0.9	0.3	0.4	0.2	0.5	0.3	0.3	0.3
1932	0.6	0.7	0.9	0.2	0.3	0.3	0.5	0.2	0.3	0.2
1933	0.6	0.7	0.9	0.3	0.4	0.3	0.5	0.3	0.3	0.2
1934	0.6	0.8	1	0.3	0.3	0.3	0.5	0.3	0.3	0.3
1935	0.7	0.8	0.9	0.3	0.3	0.4	0.5	0.4	0.4	0.3
1936	0.7	0.9	1	0.3	0.4	0.4	0.5	0.4	0.4	0.3

Tables 1 and 2 show shifts and changes in income concentration in the context of the amount of total income on the regional and household levels. As displayed in Table 1, Kanto and Kansai, the residential areas home to the greatest numbers of the extremely wealthy, witnessed minimal changes and much milder effects owing to economic depression than other regions. As shown in the figures, the level of income concentration was higher among these regions throughout the period covered by this analysis. Other regions, relatively minor ones next to these two particular regions, indicate other tendencies, although, in the context of income concentration, the results signify small shifts or changes. Even if the data shows the impacts of the series of economic crises, most other regions display recovery from the crises, albeit at varying levels and speeds. However, there is an exceptional case, which indicates a large fluctuation: the case of the Tohoku area. Although the number of higher-income taxpayers in Tohoku remained relatively stable in the late 1920s, accounting for about

²⁴ For a discussion of the progress and general description of this suburban area, see, for example, Takemura Tamiro and Suzuki Sadami (eds.), *Kansai Modanizumu Saikō* (Reconsideration on Kansai Modernism: Kyoto, 2008).

10 to 11 percent of the population, this demographic experienced an abrupt decline in the following period (from 10 to around 3 percent), and did not recover to the pre-crisis level in the mid-1930s, in sharp contrast with other regions. In addition, as shown in Figure 8, Tohoku also experienced a certain decline in the number of higher-income households; by contrast, other regions display relative stability in this regard. The exceptional position of the Tohoku region is plausibly owing to its unique economic structure, heavily reliant on agriculture. It may be assumed that decline in agricultural production prices, because of the Great Depression, led to the precipitous decline of overall income in this region.²⁵

Although the data itself is limited to discuss on the trend of the short period when the Japanese economy managed to survive extreme economic condition, the results from this section's analysis would be beneficial in distinguishing the features of the Kanto region with regard to higher-income taxpayers (in other words, the wealthy elite) more fully. The first point is that, although Kanto had a rival region in Kansai, in the context of income concentration (both with respect to the numbers of the wealthy and their net wealth), the former region occupied a more prestigious position in modern Japan. This economic supremacy of the Kanto region was because the nation's very highest income earners, like *zaibatsu* families, tended to concentrate here. The second point is that even if the series of economic crises had an impact on the Japanese ultra-rich in this period, the effects were much milder for those in the Kanto region in comparison to other regions. The fluctuation in income or numbers was shorter. The decline was temporary and was followed by a steep and swift recovery. These characteristics illustrate the predominant position of the Kanto region with regard to wealth accumulation and income concentration. A further detailed analysis is attempted in the next section.

2. Income structures and differences of the wealthy elite in the Kanto region

Composition of the wealthy elite in the Kanto region

To understand the wealthy elite of this particular region, an occupational distribution analysis is conducted to highlight the social and economic characteristics of this group in detail. Although the occupational data is according to information listed in *Nozeishashirabe* in 1931, 1932, 1933 and 1936, supplementary information is collected from other biographical materials, for instance, the Who's Who (*Shinshiroku*) and biographical dictionaries (for instance *Jinji Kōshinroku*).²⁶ In the following figures, the

²⁵ For details of the local effects of economic crises in this period, see, for example, Kusumoto Masahiro, *Kyōkō ka no Tohoku Nōson* (The farming area of Tohoku in the period of the Great Depression: Tokyo, 1984), and also Kerry Smith, *A Time of Crisis: Japan, the Great Depression and Rural Revitalization* (Cambridge; Mass, 2003).

²⁶ Some of these materials included those republished in the postwar period. For

wealthy elite are classified into eight categories on the basis of available occupational information: (1) members of the *zaibatsu* families, (2) businessmen and merchants (who owned firms), (3) salaried managers, (4) political elites (in this case, including politicians, officials, and military officers), (5) professionals (lawyers, doctors, accountants, etc.), (6) landlords (both urban and agricultural), (7) Japanese nobility, and (8) others (whose occupational information is unknown).

Table 3. occupational distribution of the wealthy elite in the Kanto region (annual income over 100 thousand yen: by %)

Occupation	Year	1931	1932	1933	1936
<i>Zaibatsu</i> families		15.9	14.2	12.8	10.9
Businessmen & merchants		33.3	33.3	38.4	38.6
Salaried manager		34.4	34.7	31.8	38.6
Political elites		1.5	1.4	1.8	0.9
Professionals		2.1	3.4	2.4	1.9
Landlords		0.5	2.1	1.2	3.1
Others (nobility)		9.2	9.5	7.9	5.6
Others (unknown)		3.1	1.4	3.7	0.4
Total (%)		100.0	100.0	100.0	100.0
Number of Total		195	147	164	321

Sources: Tokyo Zeimu Kantokukyoku, ‘Showa 6nen do Dai-Nōzeisha Shotokushirabe’ (1931); Tokyo Zeimu Kantokukyoku, ‘Showa 7nen do Dai-Nōzeisha Shotokushirabe’ (1932); Shuzeikyoku, ‘Showa 8nen do Dai-Sanshu Shotoku Dai-Nōzeisha Shirabe’ (1933), Shuzeikyoku, ‘Showa 11nen do Dai-Sanshu Shotoku Dai-Nōzeisha Shirabe’ (1936).

Table 3 displays the occupational distribution for the categories above. As indicated by this figure, the total number of the *zaibatsu* family members represents a relative minority—even in the case of this particular region. However, they undoubtedly stand at the apex of the pyramid of the wealthy elite; in other words, they are at the uppermost level of taxpayers. The top 10 in this region are almost exclusively family members associated with the largest *zaibatsu*, Mitsui and Iwasaki (Mitsubishi), and their annual

instance, see Nakanishi Rihachi (ed.), *Shōwa Senzenki Zaikai Jinmei Daijiten* (Biographical Dictionary of Businessmen in the Showa period: Tokyo, 1929; re-published in 1993). For other materials generally regarded as reliable sources, see, for instance, *Zaikai Bukko Ketsubutsuden* (Biography of the deceased distinguished businessmen) 2 vols. (Tokyo, 1936).

incomes exceeded 1 million yen in the periods both pre- and post-crisis. Even in the year 1932, in which the lowest incomes were posted, the top 10 rankings did not experience any changes, despite apparent reductions in income. Other *zaibatsu* families residing in this region, as in the case of Yasuda, Okura, or Furukawa, also ranked highly in terms of overall wealth. However, in contrast to the cases of the Mitsui and Iwasaki families, it is rare that members other than the household head made the list of top-earners.²⁷ Nevertheless, it is certain that the existence of the *zaibatsu* families partly accounts for the accelerated income concentration in the Kanto region.

Along with these families, salaried managers also accounted for a good share of the wealthy elite in this leading region. Certainly, on combining the category of salaried managers with that of the merchant, businessmen, and *zaibatsu* families, the so-called business elite would account for 80 percent of the ultra-wealthy. However, within this group of the business elite, salaried managers were by far the largest group in size. This result undoubtedly reflects the fact that many large and influential enterprises, including a number of *zaibatsu* affiliates, established their headquarters in Tokyo; further, this possibly indicates that only salaried managers of these enterprises could earn such substantial annual wages. In fact, many of the individuals in this category who made the *Nozeishashirabe* list were managing directors of Mitsui or Mitsubishi affiliates. A small number of other exceptional cases can be found in which directors of large firms in modern Japan managed to break into the elite group. Further, with Kansai as an exception, salaried managers would be in a minority among the wealthy elite in other Japanese regions.

Other occupational categories account for lesser shares of the wealthy elite as shown in Table 3. The fact that landlords account for less than 3 percent of the total (in number) of Kanto's elite is perhaps partly owing to the region's strongly developed industrial, commercial, and financial business sectors. Thus, agricultural production was comparatively less important in this region, and this particular feature consequently influenced the composition of the elite class in Kanto. In addition, other groups only represented tiny proportions among the total sample. Even the Japanese nobility, who occupied the highest position within the modern Japanese class society, were around 10 percent. The nobility's less powerful position in the context of wealth accumulation is

²⁷ Even in the case of the Mitsui clan, there were huge differences among the individual members—even if all of the family heads who partly owned the Mitsui business were listed much higher in the *Nozeishashirabe* rankings. For details of the complex ownership system within the Mitsui *zaibatsu*, see, for example, Yasuoka Shigeaki, *Zaibatsu Keiseishi no Kenkyu* (Study on the history of the development of *zaibatsu*: Kyoto, 1995).

partly owing to their economic vulnerability beginning in the modern period.²⁸

Characteristics and differences in income structure

In this part, the elites' income is decomposed into six categories in line with the categorizations provided by *Nozeishashirabe*.²⁹ Although the data utilized for the detailed analysis were taken from a period marked by large economic fluctuations, there were almost no significant changes in general trends and characteristics of income structure as displayed in Table 4.

Table 4. income distribution of the wealthy elite in the Kanto region (annual income over 100 thousand yen: by %)

Category of income	Year	1931	1932	1933	1936
Agriculture		0.6	0.9	0.8	0.8
Rent (land or house leasing)		7.6	8.1	6.0	4.2
Business		4.8	4.8	8.9	8.4
Dividends		58.1	58.1	53.7	55.0
Salaries (including bonus and pension)		26.6	24.5	27.1	29.5
Other		2.3	3.6	3.5	2.1
Total (%)		100.0	100.0	100.0	100.0

Sources: see Table 4.

Over 50 percent of income in this sample group was derived from share dividends, followed by salaries (around 30 percent), rent (about 5 to 8 percent) and business activities (about 4 to 9 percent). Further, as indicated by the results of the occupational distribution in the former section, income from agricultural activities represented less than 1 percent of the total at the time. It is assumed that an analysis of the income structure along the above lines demonstrates, to some extent, the predominantly

²⁸ For their economic problems, see, for example, Otabe Yūji, *Kazoku: Kindai Nihon Kizoku no Kyojō to Jitsuzō* (Kazoku: The myth and reality of the modern Japanese aristocracy; Tokyo, 2006), especially, pp.55-116. In English, see, for example, T. Sugiyama-Lebra, *Above the Clouds: Status culture of the modern Japanese nobility* (Berkeley, 1993).

²⁹ The categories utilized for dividing income sources per *Nozeishashirabe* are as follows: agriculture (revenue from agricultural production), rents (from farmland, residential land, housing and building), business (including business profits and self-employment profits), dividends, salaries (including bonuses and pensions) and others (including interest from money-lending and bank deposits, which was subjected to the *Dai-nishu* income tax payment).

business-oriented characteristic of the wealthy elite in Kanto. However, from the standpoint of general trends, it is certain that the individuals who formed part of this elite group did not rely on one particular income source and tended to display diversification in their wealth management. In addition, even if certain income reductions were apparent in a certain year, for example in 1932, the income structure of this sample group did not experience significant changes throughout the period.

Table 5a). *zaibatsu* families

Category of income	Year	1931	1932	1933	1936
Agriculture		0.1	0.1	0.1	0.1
Rent (land or house leasing)		0.7	0.8	0.7	0.4
Business		0.0	0.0	0.0	0.0
Dividends		79.3	81.6	79.3	81.6
Salaries (including bonus and pension)		18.5	15.1	17.3	16.2
Other		1.4	2.4	2.6	1.7
Total (%)		100.0	100.0	100.0	100.0

Sources: see Table 4.

Nevertheless, another difference can be found if we analyze the income data according to occupational distribution. In the case of the *zaibatsu* families, most of their income was derived from dividends from the holding company or firms they owned (over 80 percent), followed by salaries (around 15 percent). Other sources of wealth were less significant. However, in some cases, we can find notable differences in income structure within this group. For instance, on the one hand, the Mitsui and Yasuda families (the latter of which adopted the ownership system modeled by the former) both were heavily dependent on dividends for income.³⁰ On the other hand, the income structure of the Iwasaki Family (owner of the Mitsubishi *zaibatsu*) was considerably different.³¹

³⁰ For the ownership system of the Yasuda family, see Yui Tsunehiko, *Yasuda Zenjirō* (Tokyo, 2010), especially, pp.172-175.

³¹ According to the data from *Nozeishashirabe*, although over 90 percent of total income was derived from dividends in the case of Iwasaki Hisaya, the household head of the Iwasaki family, around 40 percent came from salaries in the case of Iwasaki Koyata, the head of the Mitsubishi *zaibatsu* in this period, along with income from dividends at around 60 percent.

Table 5b). Salaried manager

	Year	1931	1932	1933	1936
Category of income					
Agriculture		0.1	0.2	0.2	0.1
Rent (land or house leasing)		1.5	2.8	2.6	1.7
Business		0.0	0.3	0.0	0.0
Dividends		34.7	32.0	26.6	27.4
Salaries (including bonus and pension)		62.5	60.5	68.4	69.3
Other		1.2	4.2	2.2	1.5
Total (%)		100.0	100.0	100.0	100.0

Sources: see Table 4.

In the case of salaried managers, their income structure displays a different pattern. Though these individuals received a certain amount of income from dividends (around 30 percent), they gained a majority of their income directly from salaries (around 60 percent). Their income distribution differs from that of the aforementioned *zaibatsu* families. However, from the data, we can divide this group of salaried managers further according to income structure. For example, in the case of salaried managers who managed *zaibatsu* affiliates, like Mitsui or Mitsubishi, a larger proportion of their income came from salaries. By contrast, for other salaried managers, especially those who were independent and well-experienced businessmen, the share of dividends tended to be larger compared to *zaibatsu* affiliate managers. This evidence suggests that this group was not so homogenous with regard to the income structure.

Table 5c). Businessmen and Merchants

	Year	1931	1932	1933	1936
Category of income					
Agriculture		0.4	0.4	0.5	0.4
Rent (land or house leasing)		12.0	10.6	5.6	5.2
Business		16.9	17.9	30.6	24.9
Dividends		54.8	54.5	46.9	52.6
Salaries (including bonus and pension)		14.1	15.3	13.1	15.6
Other		1.8	1.3	3.3	1.3
Total (%)		100.0	100.0	100.0	100.0

Sources: see Table 4.

The income distributions of merchants and businessmen tended to be more diversified

still. For this category, there was a marked dependence on income from dividends (around 60 percent) compared to salaries (about 13 to 15 percent) and other sources of income. The higher proportion of income from dividends was possibly caused by several factors. First, there was a strong tendency that business ownership and investment was heavily concentrated among individual shareholders, in particular, among those from the wealthy business elite group.³² Second, since many companies established in the modern period distributed a large amount of their profits as shareholder dividends, this policy plausibly accelerated investment even in the case of wealthy merchants and businessmen, who formed part of the wealthy elite targeted by this data analysis.³³ However, it should be noted that if we focus on individual cases, we could discover many exceptional findings. Several cases indicate a diversification of assets into residential land or house holdings, along with business activities, the main source of income; other cases show well-balanced earnings from business, dividends, and salaries. Therefore, as in the case of salaried managers, the income structure of this group was not homogenous but diversified.³⁴

Concluding Remarks

In this paper, we attempted to analyze the income structure of the Japanese wealthy elite from the late 1920s to the early 1930s, when Japan underwent serious economic crises. Although this work is still in progress, and some parts of this paper need further consideration, some remarks from the analysis bear further explanation by way of conclusion.

From an inspection of the trends surrounding this particular group in such an extreme period, as undertaken in the first section, it is clear that the wealthy elite in the Kanto region occupied a unique position. Although the economic losses were relatively small and recovery was swift nationwide for the ultra-wealthy elite considered in this paper, the data suggests that the Kanto elite were indeed at the top nationally in terms of the number of individuals in this category and their total income. This was owing to the heavy concentration of the highest income earners in this region, in addition to the

³² For detailed analysis on this concentration, see, for example, Suzuki Tsuneo et Al. (eds.), *Kigyō Nettowāku no Keisei to Tenkai* (Formation and development of networks of businessmen in modern Japan: Nagoya, 2009).

³³ For details, see, for example, Abe Takeshi and Miyamoto Matao “Meiji no Shisanka to Kaisha Seido” (Wealth holders and the enterprise system in the Meiji period), in Abe and Miyamoto (eds.), *Keiei Kakushin to Kōgyōka: Nihon Keieishi vol.2* (Managerial innovation and Industrialization: Japanese Business History vol.2; Tokyo, 1995).

³⁴ For other occupational groups, which were relatively minor within the sample, and which were not discussed in this section, individual cases varied greatly and were more diversified.

prominent political and economic status of Tokyo the main city in the region. On considering other data sources, the predominant position of Kanto also indicates the likely expansion of wealth and income equality in this period.

In the context of income structure, revenues consisted primarily of earnings from business activities, for instance, dividends or salaries; this, in turn, certainly influenced the composition of the ultra-wealthy class, with a business elite a clear majority. Moreover, dividing the sample group according to occupational categories illustrates the clear distinction of income structure among different occupational groups that formed characteristics of business activities and source of revenue of each category. However, it should be noted that if we focus on the individual income structure of each category, different structural characteristics, which are at odds with the general trend, might be observed.

Finally, unanswered questions related to the subject of this paper remain. First, an analysis on the elites' survival—that is, whether the individuals listed in the *Nozeishashirabe* maintained their status among the wealthy class in the long run—is needed. Second, and related to the first question, it is necessary to examine kinship ties within the sample groups to ascertain the level of income concentration among individuals in a particular group. These, among other questions, would be important subjects for future investigations.