

## British Point to ‘Success’ Of Japan’s 1930s Reflation

April 4—British financial oracles are praising Tokyo’s decision to reflate its economy, citing the “success” of Japan’s 1930s Finance Minister Korekiyo Takahashi.

In a column in today’s *Financial Times* titled “Japan and Britain must lead the way to a reflationed economy,” Tokyo-based analyst Peter Tasker praises Japanese Prime Minister Shinzo Abe’s “three arrows” policy of monetary expansion, fiscal pump-priming, and structural reform. By way of explaining what happens to a country emerging from deflation, he cites Japan under the policies of Takahashi: “His programme involved taking the country off the gold standard and issuing large amounts of bonds to be bought by the central bank.... The effect was dramatic. Under Takahashi, national income rose 60 per cent while consumer prices rose 18 per cent. The debt-to-GDP ratio stabilised while stocks doubled.”

Ambrose Evans-Pritchard’s column in the *Daily*

*Telegraph* April 3, titled, “Helicopter QE will never be reversed,” quotes Lord Turner, former head of the Financial Services Authority: “The danger in this environment is that if we deny ourselves this option [i.e., money-pumping], people will find other ways of dealing with deflation, and that could be worse.” Evans-Pritchard comments: “A breakdown of the global trading system might be one, armed conquest or Fascism may be others—or all together, as in the 1930s.” He writes that in the early 1930s, Takahashi used monetary and fiscal stimuli, in which “The Bank of Japan was ordered to fund the public works programme of the government. Within two years, Japan was booming again, the first major country to break free of the Great Depression. Within three years, surging tax revenues allowed him to balance the budget. It was magic.”

Evans-Pritchard neglects to mention that the historical complement to 1930s Japan’s reflation, was a policy of military imperialism. In 1931 (the year Takahashi became Finance Minister), Japan invaded and occupied Manchuria, and in 1937, invaded China. The “successes” of the 1930s were followed by events such as Japan’s 1941 military offensives east toward the United States, and south into the Philippines and the East Indies.