

Special Feature

# Changes in the Business Environment under the Wartime Control Economy and the Response of the Gyeongseong (Keijō) Electric Co.

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## Introduction

The onset of the Sino-Japanese and Pacific Wars spurred imperial Japan to seek to transform the existing political, economic, and social system into one that revolved around general mobilization. The economy was rearranged in a manner that allowed funds, materials, and labor to be concentrated on the munitions industry, and a strong control system based on the exclusive intervention of the state in all aspects of the economy was established (Bang 2004, 2005, 2007).<sup>1</sup> Thus, a wartime control economy was formed. As part of its efforts to establish a Japan-Manchuria-China economic bloc as the war dragged on, imperial Japan began to call for the reorganization of the Joseon economy. The Government-General of Joseon (Chosŏn)'s response to such requirements was one that emphasized Joseon's role as a military supply and forward base for operations on the mainland. This new economic system was not one which was to be based on partial and passive 'economic control' in the form of basic industrial controls over individual capital. Rather, a qualitative transformation towards a 'new economic structure' that revolved around an 'advanced national security oriented state' rooted in the state's comprehensive and active control of the economy was sought.

As direct economic control was established over all economic sectors, including finance, production, distribution, consumption, price, and labor, and a production expansion plan based on the development of the munitions industry and large-scale industrial areas under the wartime control economy was put into place, individual companies found themselves facing great changes in terms of their managerial environment. To this end, the examination of how individual companies responded to the changes in the management environment that emerged during the wartime economy has been perceived as an important theme in the study of economic history during the Japanese colonial period. A great number of studies that have approached matters based on this perception have in fact been produced (Eckert 1991; Bae 2006, 2008, 2009, 2010; Joung 2002, 2003, 2005, 2008, 2009; Ju 2008). This particular field of study has been successfully taken to the next level as a

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1. These three papers are re-published in Bang, Ki-jung, *Singminji Fascismron* [The Theory of Colonial Fascism] (Seoul: Yonsei University Press, 2010).

result of the publication of studies that have made use of the internal materials of companies involved in industries such as textile, steel, shipbuilding, and machinery to thoroughly analyze corporate management during wartime. However, as the majority of these studies have been focused on specific industrial fields, a comprehensive review of the changes that took place in terms of the management structure of enterprises during wartime has so far proven elusive. This has proven to be especially true in the case of the electricity industry, which, in its capacity as a core industry, played an important role in terms of the economy. More to the point, under the new economic system at the time, the mobilization of electricity came to be perceived as an urgent task with regards to the support and development of the munitions industry. To this end, the decision was made to establish a national electric power management system. Although some studies have been undertaken from the standpoint of policy history (Compilation Committee for History of Joseon Electric Industry 1981; Hori 1984; Kim 1996; Oh 2011),<sup>2</sup> there have been practically no case studies that have focused on individual electric power companies' attempts to cope with the policy changes.

Based on an awareness of this problem, the present study analyzes the Gyeongseong (Keijō) Electric Co. so as to highlight the changes that took place in terms of the management structure of electric power companies.<sup>3</sup> The Gyeongseong Electric Co. was born as the Japanese-Korean Gas Co. (日韓瓦斯) in 1908. It was founded by businessmen, including the influential figure Shibusawa Eiichi 澁澤榮一 who had ties to politics and conglomerates (*zaibatsu* 財閥). Its name was changed to the Gyeongseong Electric Co. in 1915. It emerged as one of the Japanese-owned monopolies. Although the Gyeongseong Electric Co. faced a management crisis during the mid-1910s, newly-appointed Chief Executive Officer (CEO) Ōhashi Shintaro was able to overcome this crisis by luring shareholders with promises of high returns and high dividends based on an 'extreme pursuit of profits strategy,' and by promoting an innovative management policy. However, this monopolistic management policy was opposed from both inside and outside the company.

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2. Hori's article is also published in *Chōsen Kōgyōka no Shiteki Bunseki* 朝鮮工業化の史的分析 [Historical analysis of Joseon industrialization], (Tokyo: Yuikaku, 1995).

3. For more on the Gyeongseong (Keijō) Electric Co., see Oh 2003, 2007, and 2009.

The municipalization campaign of the early 1930s forced the Gyeongseong Electric Co. to face a crisis of existence. Nevertheless, the Gyeongseong Electric Co. was able to avoid municipalization by making use of media outlets, members of the Gyeongseongbu Council, and business associations with whom it had forged close ties. It also responded positively to the electric power control policy implemented by the Government-General of Joseon at the time.

The Gyeongseong Electric Co. faced a great change in its operational environment following the full-fledged implementation of the wartime control economy that began at the end of the 1930s. It was at this time that the Gyeong-In Industrial Area started to be developed in a full-scale manner as the center of the munitions industry. While this provided the Gyeongseong Electric Co. with an opportunity to expand its business, funds in the form of facility investment were required. Furthermore, the company had to go through changes to its management structure during the process that saw the Government-General of Joseon establish a national electric power management system. In order to push through controls over electric power distribution as a part of its wider efforts to establish a national electric power management system, the Government-General of Joseon decided to force through a merger between Gyeongseong Electric Co. and Geumgangsán (Kongōsan) Electric Railway Co. After many twists and turns, the merger between the two companies was completed; as a result, the Gyeongseong Electric Co. encountered large-scale changes in its management structure. Against this backdrop, this study will examine how the Gyeongseong Electric Co. responded to the changes in its management environment during wartime, what impact these changes caused in the management strategy and structure of the Gyeongseong Electric Co., and how the relationship between the Government-General of Joseon and Gyeongseong Electric Co. was altered.

## **Modification of the Business Strategy in Accordance with the Development of the Gyeong-In Industrial Area**

Gyeongseong Electric Co. was able to avoid the municipalization campaign, which constituted the most significant crisis since its foundation, by making use of the close ties with the Government-General of Joseon that had been formed during the process of establishing the electric power control policy

during the early 1930s. The Gyeongseong Electric Co. had originally been able to achieve favorable business results when its transport division was expanded following the acquisition of companies operating buses that had been in direct competition with its own electric trams (Oh 2007). However, the relationship between the Government-General of Joseon and Gyeongseong Electric Co. subsequently began to worsen during the process that led up to the full implementation of the electric power control policy. The Gyeongseong Electric Co. strongly complained about the fact that the Joseon Electric Transmission Co., which constituted the company at the center of the electric power control policy, was established and operated under the leadership of Japan Nitrogenous Fertilizer Co. (日本窒素). In this regard, it subsequently refused to continue to participate in the policy. Thereafter, a merger of electric distribution companies on a regional basis was undertaken on a regional basis in accordance with the policy of integrating power distribution companies. This led to the emergence of large-scale power distribution companies such as the West Joseon Electric Distribution Co., South Joseon Electric Distribution Co., and North Joseon Electric Distribution Co. In addition, large-scale power plant companies such as the Jangjin River Hydroelectric Co. (renamed Joseon Hydroelectric Co. in July 1941), Joseon Amnok River Hydroelectric Co., Joseon Electricity Co., Buryeong Hydroelectric Co., and Ganggye Hydroelectric Co. also began to appear on the scene. Under these circumstances, having failed to take over or merge with any electric company, the Gyeongseong Electric Co. found itself thoroughly excluded. Although the Gyeongseong Electric Co. was expected to be in charge of the process of integrating the electric power distribution companies in the central region of Joseon, the Government-General of Joseon refused to allow it to play such a role. As such, the status of the Gyeongseong Electric Co. within the electric power industry was relatively degraded.

However, the full-scale implementation of the wartime control economy at the end of the 1930s provided the Gyeongseong Electric Co. with an opportunity to reverse this situation. During the process of constructing the general mobilization system needed to conduct total warfare, imperial Japan began to pursue the establishment of an economic bloc linking together Japan-Manchuria-China. Accordingly, the imperial government demanded that the Government-General of Joseon reorganize the economy of Joseon. The Government-General of Joseon responded to the imperial government by emphasizing the role of Joseon as a forward military supply base on the

mainland. In accordance with this role, the Government-General of Joseon proceeded to develop a large-scale industrial area for the munitions industry. First, it amended the Enforcement Regulation of the Urban Planning Act in September so that it became possible to forcefully establish industrial lands (The Government-General of Joseon 1938). When attempts to secure large swathes of industrial land within existing urban centers proved impossible, the Government-General of Joseon turned to erecting, based on local planning, industrial sites on undeveloped land that lay between cities. A salient example was the Gyeong-In urban planning venture, which targeted the undeveloped land between Gyeongseong and Incheon (Son 1990; Bae 1998; Yeom 2007, 2008).

The Gyeongseong and Incheon area had long functioned as the political and economic center of the Korean peninsula. This area constituted a strategic point that one had to traverse in order to reach Manchuria and China by land. Incheon, which constituted the main port access to Gyeongseong, served as a gateway to China by sea. As such, Gyeongseong and Incheon held an important position from both a domestic and international standpoint (Haruno 1939:113-116; The Government General of Joseon 1939a:80-81, 1939b:82-85; Masahisa 1941). To this end, the Government-General of Joseon's growing emphasis on the role of Joseon as a military supply depot and forward base for operations on the mainland following the emergence of the second Sino-Japanese War resulted in further highlighting the importance of the Gyeong-In area. The establishment of factories centering on the Yeongdeungpo area of Gyeongseong and the northern parts of Incheon paved the way for a plan to create a mega-munitions industrial area that would connect these two areas and span from Yeongdeungpo south of Gyeongseong to Incheon Port via Oryudong, Sosa, Bupyeong, and Juan. As a result of the increased convenience in terms of the provision of logistics and electric power, the completion of the construction of the Incheon Port and the establishment of the Han River Hydroelectric Co. was expected to result in various types of large factories being established.

However, speculation on the part of land brokers in the areas where the factories were slated to be established resulted in a sudden rise in land prices. Problems were also expected as far as the housing of factory workers was concerned. The Government-General of Joseon perceived that the future development of this area as the center of the munitions industry was

predicated on the establishment of the urban plans needed to prevent land speculation and secure industrial land on a significant enough scale to host large factories. As such, plans that involved the setting aside of an area of 350.59 million square meters that covered three counties (*gun* 郡) and eleven townships (*myeon* 面), including Siheung, Bucheon, and Gimpo, were drawn up. The sale of land in districts designated as targets of urban planning was suspended in accordance with the tenets of the Land Expropriation Act, with only transactions involving controlled land prices accepted. Plans called for the provision of land to those who demanded it at lower prices following the installment of basic facilities such as the water supply, roads, and sewer system. The original draft of the urban plans for the Gyeong-In area was announced with a sense of urgency by the Home Affairs Bureau on October 2, 1939. Following modifications made during the meeting of the fifth urban planning committee, the urban plan was officially adopted on October 20, 1939. All in all, 34.88 million square meters of land in seven districts (Guro, Siheung, Sosa, Bupyeong, Seogot, Gyeyang, and Yangcheon) were set aside as industrial land. Meanwhile, 81.48 million square meters of land from eleven districts (Guro, Siheung, Oryu, Gwian, Sosa, Gogang, Bupyeong, Seogot, Gyeyang, Yangcheon, and Sinjeong) were identified as land that was to be used for housing purposes. Finally, 2.75 million square meters of land around Bupyeong Station was set aside for land readjustment purposes (The Government-General of Joseon 1940). The urban plans for the Gyeong-In area, which were drawn up as part of a policy to develop the Gyeong-In area into a center for munitions factories, were designed to eventually incorporate these areas into the districts of Gyeongseongbu and Incheonbu. As a result, this urban plan was also called the ‘Gyeong-In Unification Plan.’

The administrative districts of Incheon were extended as part of the development of the Gyeong-In industrial area. From April 1, 1939 onwards, Incheon began the process of incorporating the Munhak, Namdong, Bunae, and Seogot-myeon areas of Bucheon County, as well as to change the administrative district unit of these areas from *dong* 洞 (Korean administrative district) to *chō* 町 (Japanese administrative district). As a result of this undertaking, the total area of Incheon increased six-fold and the population grew by 30,000 to reach 150,000 (*Chosun Ilbo* March 28, March 29, April 2, April 17, and April 28, 1940). Thus, viewed from the standpoint of territory, Incheon expanded more than Gyeongseong. Meanwhile, in terms

of population, Incheon now ranked as the fifth largest city in Joseon. Laws and regulations were also enacted to support the urban planning process.<sup>4</sup> In addition to efforts to secure large swathes of industrial land for factories, plans were also drawn up for the establishment of the necessary infrastructure. To this end, the construction of a Gyeong-In highway was reviewed, as was the establishment of an industrial water supply. Other measures, such as those related to a double track railway line, railway electrification, the construction of a high speed electric train, and a Gyeong-In canal, were also envisioned.

While the electric power and gas provided by the Gyeongseong Electric Co., was regarded as the ‘blood’ of the industrial area, the trams and buses operated by the Gyeongseong Electric Co. played the role of the arteries. As such, the Gyeongseong Electric Co. came to take on a very important role (Tokuta 1939, 1940a, 1940b; Management Department of the Gyeongseong Electric Co. 1940a, 1940b; Yamaguchi 1940; Gishi 1941). Thus, the Gyeongseong Electric Co. was presented with a golden opportunity to reverse its recently degraded status. To this end, the company made efforts to attract factories that could assist in the development of the Gyeong-In industrial area, which in turn was perceived as helping to bring about its own growth. It emphasized the fact that the Gyeong-In industrial area constituted the best location in Joseon. It actively promoted the strengths of the Gyeong-In area, such as its standing as a strategic transport hub, the easy access it provided to government bodies and financing, the presence of an abundance of industrial land and water, and the existence of a quality low-wage labor force. On the other hand, the Gyeongseong Electric Co. also expected that the development of the Gyeong-In industrial area would result in a rapid increase in the demand for electric power in the future. In this regard, expectations were that the provision of electric power through six power substations set up within the industrial area would result in a 3.3-fold increase in electrical output in 1943 compared to 1938. Based on these expectations, the company’s Business Affairs Department set out to develop countermeasures that included the expansion

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4. Chōsen shigaichi keikaku reikaisei 朝鮮市街地計劃令改正 [Amendment of the Joseon Urban Planning Ordinance]. *Chōsen* 朝鮮 [Joseon] 308. January 1941. 93-94; Kōgyō chitai no kaihatsu to hoken bōkū toshi no kansei 工業地帯の開発と保健防空都市の完成 [The development of industrial areas and the completion of public health and safety]. *Kokumin Sōryoku* 國民總力 [Total Strength of Citizens] 3-2. February 1941. 50.

of the production of electric power. Above all, the inability to meet the supply and demand for electric power in the future based solely on the increase in the capacity of the Dangin-ri Thermal Power Plant meant that it was crucial that hydraulic resources be independently developed at low cost, or that such hydraulic resources be secured by participating in capital investment projects, and this even if only in an indirect manner. Furthermore, they also suggested that transport convenience between Gyeongseong and Incheon be improved by providing intercity bus service lines via highways and constructing high speed trams. They especially emphasized the need to provide industrial gas by not only constructing new factories, but also expanding existing facilities. Although not all of these plans were implemented, the Gyeongseong Electric Co. nevertheless actively searched for opportunities to expand its own businesses based on these opinions and suggestions.

The Gyeongseong Electric Co. set out to increase the power transmission lines and power substations needed to distribute electric power to the Gyeong-In industrial area. To this end, it built a 10 km. long transmission line with a 22 kV capacity between Susaek and Oryu in January 1938. Thereafter, it completed a 19.8 km. long transmission line with a 66 kV capacity between Oryudong and Incheon in October 1938, a 17.9 km. long transmission line with a 66 kV capacity between Susaek and Bupyeong in November 1941, and another transmission line between Bupyeong and Baengmajeong in November 1942. In addition to the installation of power substations in Siheung (August 1939), Bupyeong (August 1939), Songhyeonjeong (September 1941), and Noryangjin (September 1941), the capacity of existing power substations in Yeongdeungpo (July 1939), Oryudong (April 1940), Incheon (August 1940), Bupyeong (August 1940), and Susaek (September 1940) was also expanded. Meanwhile, a high voltage distribution facility was established within the Songhyeonjeong power substation (July 1942) shortly after the construction of a switching station in Bupyeong (May 1942). Power supply facilities in Gyeongseongbu were also expanded during this period. The establishment of power transmission lines in Yongsan and Noryangjin was accompanied by the construction of power substations in Gwangjang-ri (June 1939), Wonjeong (July 1939), and Changdong (December 1941). In addition, gas production facilities were also greatly expanded. A new gas plant, which could also produce coke, was established in Wangsimni in May 1944, following the extension of the gas facility in Yongsan. For the supply of industrial gas, the Incheon Gas

Plant (renamed the Bupyeong Gas Plant) was installed in March 1942. This particular plant was designed to provide gas to the armories which produced munitions materials.

The increase in the speed of the development that took place in the Gyeong-In industrial area resulted in a rapid heightening of the demand for electric power. In 1943, the Gyeongseong Electric Co. established the Yangpyeongjeong Power Substation at the point where the transmission line diverged between Susaek and Oryudong when it became difficult to meet the increased demand for power based solely on the Yeongdeungpo Power Substation (Oda 1943). Moreover, a high voltage distribution facility designed to assist in the Incheon and Oryudong Power Substations' provision of power to important munitions companies was also installed. Four electric transformers were additionally installed at the Anyang Power Substation in order to help it cope with the increased power demand emanating from the factories near Anyang. Meanwhile, another set of four electric transformers were installed at the Suwon Power Substation so as to cope with the increase in power demand generated by the establishment of new factories in town. Thus, the advent of factories in the Gyeong-In industrial area resulted in a significant increase in power distribution facilities.

As such, the Gyeongseong Electric Co. responded to the Government-General of Joseon's development of the Gyeong-In industrial area from the late 1930s onwards by rapidly increasing facility investment. This is evidenced by the fact that the fixed assets of the Gyeongseong Electric Co. began to rapidly increase from the first half of 1937 onwards. While fixed assets only increased by 5.9% a year on average from the first half of 1934 to the first half of 1937, this figure grew to about 13.6% from the first half of 1937 to the second half of 1941, before settling, following the merger with the Geumgangsan Electric Railway Co, at 10.4% from the first half of 1942 to the first half of 1944.<sup>5</sup> The fixed ratio, which is obtained by dividing fixed assets by equity capital, increased from 95% in 1934 to 140% in 1944. The business divisions which experienced the most significant increase in fixed assets were the electric train and vehicle-related facilities. This result can in large part be attributed

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5. For more on the management index of the Gyeongseong Electric Co., see Gyeongseong Electric Co. 1958 and *Eigyō Hōkokusho* 營業報告書 [Business Report]. Also see Gishi 1944:42.

to the increase in railway division assets occasioned by the merger with the Geumgangs Electric Railway Co. In actuality, it was the fixed assets of the electric power supply facilities that experienced the most significant increase.

Based on this expansion of facility investment, the Gyeongseong Electric Co. was able to achieve favorable business performance. While the overall sales of the company from 1938 to 1944 increased 2.5-fold, its main business divisions such as power, trams, and gas recorded two-fold growth during this same period.

The problem was to deliver the necessary funds. The company's first choice to cope with this problem was to secure equity capital through the steady payment of shares or capital increases. The CEO of the Gyeongseong Electric Co., Ōhashi Shintaro, abided by the management principle that the company should operate based on equity capital and avoid resorting to the securing of unreasonable loans. To maintain this management principle, Ōhashi adopted a management strategy that placed great importance on shareholders and the promotion of a high-dividend policy (Oh 2003). However, in the aftermath of the implementation of the electric power control policy, it became increasingly difficult for companies to maintain a high-dividend policy in order to augment their capital. In the name of the wider public good, the Government-General of Joseon established measures designed to induce companies to invest their profits in facility development and refrain from paying out high dividends to their shareholders. When it did permit electric companies to engage in capital increases, the Government-General of Joseon added the condition that the pertinent dividend rate should be lowered (*Joseon Commerce and Industry Newspaper* June 30, 1937).

Furthermore, this was a period marked by extremely low interest rates. When prices from the mid-1930s onwards are taken into consideration, the real interest rate was in fact negative (Huh 2003). As 10% of dividends had to be provided if the necessary funds were secured through the payment of shares or capital increases, bank loans became a more attractive option for the Gyeongseong Electric Co. To this end, the Gyeongseong Electric Co. secured the funds needed for facility investment through bank loans and did not engage in any increase in equity capital. As such, Ōhashi Shintaro's principle of 'sound management based on an aversion to loans,' which had been in place since the 1920s, all but collapsed. With the exception of the first half of 1933, the company did not have any loans, or such loans were limited to the

100,000-won level, up until the first half of 1937. However, such loans rapidly increased thereafter, starting with 810,000 won in loans during the second half of 1937 (*Joseon Commerce and Industry Newspaper* June 25, 1937). This amount reached 14.71 million won during the first half of 1941, with the debt-to-equity ratio reaching the 70% level. On the other hand, the paid-in capital did not increase at all from 1937 to the end of 1941.

This extreme dependence on short-term loans posed a clear threat to the stability of the financial structure. Gyeongseong Electric Co.'s response to this problem took the form of transformation of short-term loans into long-term loans based on the issuing of corporate bonds. The company issued 10 million won in secured bonds on December 15, 1941, with the condition being a 4.3% annual interest rate, 99.75 won purchase price for each 100 won in value, and a 10-year repayment period. These corporate bonds were purchased by six powerful financial institutions in Japan and Joseon, namely the Jeil (Daichi) Bank, The Industrial Bank of Japan, The Bank of Joseon, The Joseon Industrial Bank, Daichi Trust, and Joseon Trust (Gyeongseong Electric Co. 1942). In this regard, there is a strong likelihood that the Gyeongseong Electric Co. secured its loans from these financial institutions. The company assumed 6.9 million won in corporate debentures when it merged with the Geumgangsan Electric Railway Co. in January 1942, with the funds being provided by the Joseon Industrial Bank. The company received 5.8 million won in unpaid capital in two installments following the merger with Geumgangsan Electric Railway Co. to help it cover the necessary funds. However, the company increasingly began to depend on loans whenever it suffered from a lack of funds. Although the corporate bonds were partially repaid such that the outstanding amount had been decreased to 15.60 million won by the first half of 1945, short-term loans once again started to increase. While such loans reached 18.95 million won, the debt ratio rocketed to 85%.

In short, rather than ensuring capital equity through the payment of shares or capital increases, the Gyeongseong Electric Co. resorted to loans and the issuance of corporate bonds when it found itself at the end of the 1930s faced with a lack of funds as a result of the rapid increase in facility investment. Although circumstances made it hard to continue to adhere to a high-dividend policy and no-loan management principle, the company still intended to maintain a high-dividend policy (10%) as far as the payment of shares was concerned, and this even though it had moved towards loan-based

management. In keeping with the financial leverage effect, the loan-based management system resulted in significant management performances.<sup>6</sup> The profit rate of Gyeongseong Electric Co. per paid-in capital remained in excess of 15% per business cycle, skyrocketing to 25% in 1944. Meanwhile, the return on assets (ROA), which was obtained by dividing current net profits by total assets, only reached 6-9% every business cycle. This can be regarded as evidence that the company was heavily dependent on borrowed capital. Meanwhile, the Government-General of Joseon gradually strengthened its policy of controlling dividends. As a result, despite the increase in the ratio of profit rate to paid-in capital, the Gyeongseong Electric Co. found itself having to lower the dividend rate from 10% to 9% during the first half of 1944.

## **The Implementation of the National Electric Power Management System and Changes to the Management Structure**

At the end of the 1930s, the theory of the national management of electric power designed to ensure strong control over the electric power industry began to gain traction amongst the military and reform-minded officials in Japan. The first plan for the national management of electric power was accompanied by the organization of the Electric Power Office (電氣廳) and the establishment of Japan Electric Generation and Transmission Co. (日本發送電). As part of the move towards solidifying unitary control within the yen bloc, strong pressure began to be applied on the Government-General of Joseon to implement a national electric power management system (Oh 2011). The Government-General of Joseon responded by initiating a review of potential measures through which a national electric power management system could be established. As a result of this review, the Government-General of Joseon set out to actively implement the integration of power distribution companies on a regional basis; however, it refused to establish a large-scale national corporation akin to Japan Electric Generation and Transmission Co. by integrating power plants and power transmission companies.

In fact, the regional integration of power distribution companies had

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6. For more information on the financial leverage effect, see Hong 1990.

begun during the early 1930s, having been implemented as a part of the electric power control policy. As a result, large-scale power distribution companies such as the West Joseon Electric Distribution Co., South Joseon Electric Distribution Co., and North Joseon Electric Distribution Co. began to appear on the scene in the mid-1930s; moreover, the integration of small electric companies was also carried out. However, this process did not always follow the tenets of the original plan. For example, although the original plan called for the creation of five large regional entities, only four were in fact created. While the integration of the North Joseon Electric Distribution Co. and Hamnam Electric Distribution Co. was delayed in 1939, the Chuncheon (Shunsen) Electric Co, Geumgangsán Electric Railway Co., and Gangneung Electric Co. that operated in the central region were unable to find any company to integrate with. Here, the Gyeongseong Electric Co. emerged as one of the main factors behind this denouement. More to the point, it had originally been expected that the Gyeongseong Electric Co. would be responsible for integrating the power distribution companies in the central region. However, having fallen out with the Government-General of Joseon over its failure to participate in the establishment of the Joseon Electric Transmission Co., the Gyeongseong Electric Co. found itself thoroughly excluded from the process of taking over or merging with any electric company. Rather, the Gyeongseong Electric Co. had to cede its Masan and Jinhae branch offices to Joseon Gas and Electric Power (which was subsequently integrated into the South Joseon Electric Distribution Co.) in October 1935. Gaeseong Electricity, which was originally planned to be merged with the Gyeongseong Electric Co., was actually merged with the West Joseon Electric Distribution Co. in November 1936. Meanwhile, Yijang Electricity was merged with Daejeon Electricity (which was subsequently integrated into the South Joseon Electric Distribution Co.) in October 1936. In addition, the South Joseon Electric Distribution Co. also targeted the Chuncheon Electric Co. and Geumgangsán Electric Railway Co. as potential merger targets (*Joseon Commerce and Industry Newspaper* June 12, 1938). All of this inevitably had to create a sense of crisis within the Gyeongseong Electric Co.

Meanwhile, the emergence of the Han River Hydroelectric Co. served as another stimulus for the Gyeongseong Electric Co. The Han River Hydroelectric Co. was established in February 1939 as part of efforts to construct hydroelectric plants in the Hwacheon and Cheongpyeong areas, plants which were needed to

meet the power demands of a subsidiary of the Joseon Industrial Bank, namely the Nippon Koshuha and Heavy Industries Ltd (Hayashi 1955; Ihara 1955). The Han River Hydroelectric Co. decided to supply its surplus electric power to the Gyeong-In industrial area, a situation that inevitably put it at odds with the Gyeongseong Electric Co. (*Maeil Sinbo* November 1, 1938, July 16, 1939, and January 10, 1940; *Joseon Commerce and Industry Newspaper* August 10, 1938). The fact that Sakurai Koichi of the Joseon Industrial Bank was appointed to the post of Executive Managing Director of the Geumgangs Electric Railway Co. and that the Geumgangs Electric Railway Co. purchased shares in the Joseon Industrial Bank, led to the emergence of rumors that the Han River Hydroelectric Co. attempted to buy up the Geumgangs Electric Railway Co. (*Maeil Sinbo* December 8 and 11, 1938, April 27, 1939; *Joseon Commerce and Industry Newspaper* December 2 and 8 1938, February 11, March 14, September 27, and October 11, 1939). This can be regarded as the background to the Gyeongseong Electric Co.'s business affairs team's initiation of merger talks with the Geumgangs Electric Railway Co. and calls for capital participation in the Han River Hydroelectric Co.

Furthermore, the Gyeongseong Electric Co. regarded the assurance of electric power at a low price as being of great importance once the demand for electric power rapidly increased as a result of the development of the Gyeong-In industrial area. In this regard, the Gyeongseong Electric Co. secured its electric power from three sources: the Dangin-ri Thermal Power Plant, the Joseon Electric Transmission Co. that supplied the electricity produced at the Jangjin River Hydroelectric Co., and the Geumgangs Electric Railway Co. However, the electricity produced in thermal power plants was more expensive than that produced in hydroelectric plants. Thus, the Gyeongseong Electric Co. mainly used the electricity that emanated from the Joseon Electric Transmission Co. and the Geumgangs Electric Railway Co., with the Dangin-ri Thermal Power Plant merely serving as a source of power reserves. These factors made the Gyeongseong Electric Co.'s merger with the Geumgangs Electric Railway Co., with whom it had maintained a close relationship since the foundation of the company, an absolute necessity.

The Gyeongseong Electric Co. sought to use the Government-General of Joseon's implementation of the national electric power management system as an opportunity to achieve a breakthrough. As previously mentioned, the Government-General of Joseon hurried to push through the integration of power distribution companies as a part of its national electric power

management plan. However, as controls over power distribution in the central region were not as developed as in other regions, the resolution of this matter became an urgent task. In this regard, the Gyeongseong Electric Co. appears to have determined that the focus of the national electric power management system on the separation of electric power generation and transmission and the integration of power distribution rendered it highly likely that the Gyeongseong Electric Co. could eventually incorporate the Geumgangsan Electric Railway Co. into its own structure (*Maeil Sinbo* August 11, 1939). Therefore, the management of the Gyeongseong Electric Co. actively expressed its support for the implementation of the new national electric power management control policy being promoted by the Electricity Division. Perceiving Joseon's role as a military supply and forward base for operations on the mainland during the process of establishing the Greater East Asia Co-Prospersity Sphere, the company asserted that the establishment of a second national electric power management plan constituted the most urgent task with regards to increasing the productivity of the munitions industry (Musha 1938, 1939; Gishi 1939). The Gyeongseong Electric Co. also emphasized the slogan of 'patriotism within the electric power industry' (電業報國) under which the supply and demand of electric power at reasonable prices as well as the maintenance of power facilities as urgent tasks were regarded as important elements of the expansion of production (Musha 1940). This approach set it apart from other electricity companies, which, while pledging to abide by the national policy, did not openly advocate the need to strengthen the electric power control policy (Matsui 1939; Imai 1939; Ogura 1939; Inoue 1939; Kubota 1939).

Before moving ahead with the merger of the Geumgangsan Electric Railway Co., the Gyeongseong Electric Co. set out to integrate the Chuncheon Electric Co., a move which it perceived as a bridgehead for its future plans. The Chuncheon Electric Co. was founded in May 1924 with 170,000 won of paid-in capital. It operated a small thermal power plant (270 kW) that provided electric power to areas such as Chuncheon, Yangyang, and Goseong in Gangwon Province as well as Gapyeong-gun in Gyeonggi Province (Chuncheon Electric Company 1938; Murakami 1939; Miyauchi 1939a, 1939b, 1940; *Donga Ilbo* March 12 and 31, 1939; *Chosun Ilbo* March 12, 1939).

In accordance with the growing integration of power distribution companies, the Chuncheon Electric Co. began to study the possibility of

merging or ceding its assets in June 1937. Negotiations over an eventual merger became even more heated following the death in February 1938 of company president Yamanaka Tomotarou during the process of restoring a power plant that had been damaged by fire. After having exchanged a memorandum regarding business control with the South Joseon Electric Distribution Co. on March 30, 1938 at the behest of the Post Service Bureau (遞信局), the two parties thereafter engaged in steady negotiations for a year.

While the successful completion of the negotiations would have resulted in the Chuncheon Electric Co. being absorbed into the South Joseon Electric Distribution Co. (*Maeil Sinbo* March 9, 1939), the negotiations broke off because of differences of opinions between the two parties. Having obtained the cooperation of government officials such as then Director of the Electricity Division within the Post Service Bureau Shiraiishi Kōhirō, the Gyeongseong Electric Co. proceeded to step into the vacuum (*Journal of Joseon Electric Association* 1939). Viewed from the wider standpoint, the Gyeongseong Electric Co.'s active support for the Government-General of Joseon's implementation of a national electric power management system can only have helped its efforts to this end. On February 18, 1939, the Post Service Bureau suddenly changed course and forced the Chuncheon Electric Co. to negotiate a transfer of its businesses to the Gyeongseong Electric Co. As a result, the companies signed an initial agreement on a 475,000 won contract on March 10 and completed the takeover process on March 31. As such, Gyeongseong Electric Co. assumed the management of the Chuncheon Electric Co. from April 1, 1939 (*Maeil Sinbo* March 12, 16 and 31, April 2, 1939; *Joseon Commerce and Industry Newspaper* March 7, 12, and 15, 1939). The Gyeongseong Electric Co. installed business offices in Chuncheon and Yangyang after the takeover, and soon thereafter upgraded the status of its business office in Chuncheon to that of a branch office. In this regard, Miyauchi Ikutarō, who had been part of the management group of the Chuncheon Electric Co., was appointed as the head of the Chuncheon branch office. As such, the Gyeongseong Electric Co. expanded its business area to the Gangwon area.

The Gyeongseong Electric Co. actively participated in the negotiations. Despite his illness, Managing Director Musha Renjō exhibited a passionate attitude during the negotiations. Moreover, a generous purchase price was offered, and all the employees of Chuncheon Electric Co. were not only retained but treated in a favorable manner. This approach allowed the

negotiations to be completed in a short period of time.

The Gyeongseong Electric Co. had reason to hastily proceed with the takeover of the Chuncheon Electric Co. First, the areas in which the Chuncheon Electric Co. operated (Chuncheon, Yangyang, and Goseong in Gangwon Province and Gapyeong-gun in Gyeonggi Province) lay adjacent to those of the Railway Co. (Gyeongseongbu, Siheung, Pocheon, and Yeoncheon-gun in Gyeonggi Province; Cheolwon, Tongcheon, Gimhwa, Pyeongyang, Hoeyang, and Goseong-gun in Gangwon Province). This move had the concrete effect of removing the possibility of South Joseon Electric Distribution Co. absorbing the Geumgangsang Electric Railway Co. Furthermore, the economic environment in Gangwon Province, which was the major area of business of the Chuncheon Electric Co., was gradually improving. The imminent opening of the Gyeong-Chun railway (July 22, 1939) was expected to greatly reduce the transport issues that had long kept Gangwon Province isolated. The development of mining in this area became even more promising as a result of the Han River Hydroelectric Co.'s construction of a hydroelectric plant and the rapid increase in the wartime demand for mineral products. By merging with the Chuncheon Electric Co., the Gyeongseong Electric Co. targeted not only power distribution in the Gangwon area, but also the supply of industrial electric power needed to construct two power plants in Hwacheon and Cheongpyeong, and the construction and management of the power transmission lines used by National Gold Mining Bureau as part of wider efforts to provide electric power to mining companies (Ogura, 1939; *Donga Ilbo* March 19, 1939; *Joseon Commerce and Industrial Newspaper* March 19, 1939). In particular, as the construction of power transmission lines for gold mining could be conducted in a manner that made it possible to not only receive funds from the Government-General of Joseon, but also operate the constructed power transmission lines on behalf of the Government-General of Joseon, this particular business item came to be regarded as being especially advantageous in that no equity capital was required. The Gyeongseong Electric Co. constructed a 63.7 km. transmission line (66 kV) between Gimhwa and Chuncheon in March 1940 and a 29.4 km. transmission line (22 kV) between Chuncheon and Gapyeong in August 1940. It also constructed transmission lines and power substations in Daeri-ri, Seowon-ri, and Cheongpyeong-ri in order to provide the industrial electric power needed to construct the Han

River Hydroelectric Plant. In addition, it separately operated the Yangyang Power Plant (100 kW of internal combustion power) that supplied the electric power needed by the Kanegafuchi Spinning Co. (鍾淵紡績) for the development of an iron mine in the Yangyang area.<sup>7</sup>

The opportunity to restore the relationship with the Government-General of Joseon provided by the purchase of the Chuncheon Electric Co. proved to have a beneficial impact in other fields as well. In March 1941, the Gyeongseong Electric Co. signed a contract to construct a switching facility at the junction of the Chuncheon Power Substation, which was established as part of the Chuncheon-Hongju national power transmission line used by gold mining. It also reached a contract to build a 47 km. long transmission line between Bupyeong and Suwon along the north-south transmission lines that connected Bupyeong and Daejeon, with actual power transmission beginning on November 1, 1941.

Having successfully integrated the Chuncheon Electric Co., the Gyeongseong Electric Co. then turned its attention to the absorption of the Geumgangsan Electric Railway Co. In fact, the Geumgangsan Electric Railway Co. had maintained a close relationship with Gyeongseong Electric Co. since its foundation. The Geumgangsan Electric Railway Co. was founded by Kume Taminosuke (久米民之助), who, after a visit to the Geumgangsan area, made the determination that hydroelectric plants had a promising future (Geumgangsan Electric Railway Co. 1939; Geumgangsan Electric Railway Co., *Business Report*; Yamasaki 1942; Gyeongseong Electric 1942). Having gathered influential financiers in Japan, Kume Taminosuke set out to construct a 10,000 kW capacity hydroelectric plant along the Hwacheon River that flowed through the mountainous area of Anpung-myeon, Hoeyang-gun in Gangwon Province. This plant gained a lot of attention because it employed 'watershed change hydroelectric generation,' based on the tunnel in Chujiryong that rerouted the waterway headed to the West Sea to the East Sea. Although the amount of power that could be generated was not enough to attract the electrochemical industry, which consumed a lot of electric

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7. Refers to the Jangseung Iron Mine owned by the Yangyang Mining Office of Kanegafuchi Industry (鍾淵實業). This was the biggest open-pit magnetic iron mine in Joseon (Joung 2003:112).

power, it made possible the increase of tourism based on the construction of an electric railway from Cheolwon to Naegeumgang. It received a permit to construct a lightweight railway on August 11, 1919, and the foundation of the company was officially completed following the holding of a general meeting on December 16, 1919.

After having constructed the Jungdae-ri power plant (7,000 kW) in November 1923, the Geumgangs Electric Railway Co. constructed the Panyu-ri power plant (720 kW) in December 1927 and the Hyangcheon-ri power plant (3,250 kW) in November 1928. The construction of the Sinil-ri power plant (2,600 kW) in November 1936 brought its overall capacity to 13,570 kW. It also started to construct electric railways, extending the railroad line after the 28 km. line between Cheolwon and Gimhwa was opened in October 1924. It fully completed the railroad line from Cheolwon to Naegeumgang in July 1931.

The Geumgangs Electric Railway Co. initially planned to use the electric power it produced in operating electric railways. However, the presence of short distances and small amounts of transportation resulted in the emergence of surplus power. To this end, having begun to search for a large power demander, it eventually decided to provide power to Gyeongseong. In an unprecedented move, it installed a long-distance transmission line (116.9 km, 66 kV-level). However, from the standpoint of the Gyeongseong Electric Co., which also provided power in the Gyeongseong area, the emergence of the Geumgangs Electric Railway Co. represented a potential threat. On September 13, 1923, the two companies coordinated their interests and signed a ten-year power supply-demand contract to provide a maximum of 2,500 kW a year (5,000 kW a year after the expansion of power plants). The Gyeongseong Electric Co. clearly specified that although it granted responsibility for power transmission to the Geumgangs Electric Railway Co., it would not purchase electric power from any other companies unless the existing power supply proved insufficient. Meanwhile, the Geumgangs Electric Railway Co. was to refrain from establishing any power supply contracts within the area in which Gyeongseong Electric Co. operated without the approval of the Gyeongseong Electric Co. The two companies once again signed a contract on March 31, 1927 that featured 'epochal contents.' The contract stated that, in accordance with the opening of the Panyu-ri and Hyangcheon-ri power plants, the Geumgangs Electric Railway Co. now agreed to provide all the

electric power it produced, with the exception of what it required for itself, to the Gyeongseong Electric Co. at a flat rate. The relationship between the two companies became even closer following this contract.

Nevertheless, the Geumgangs Electric Railway Co. remained on shaky ground from a financial standpoint. The economy sank into chronic depression shortly after its foundation, and its facilities were damaged by severe flooding. The growing difficulty in meeting paid-in capital targets occasioned by this economic depression forced the Geumgangs Electric Railway Co. to start to increasingly depend on loans and bonds. While loans from the Bank of Joseon and Joseon Industrial Bank totaled 10.61 million won, bonds, which were issued on five occasions, reached 25.75 million won. Thus, the company was only able to stay afloat because of government subsidies. At the time, in order to develop privately owned railways as secondary lines of national railways and to facilitate the inflow of Japanese capital, the Government-General of Joseon provided subsidies to private railway companies. In this regard, the Geumgangs Electric Railway Co. benefited from this policy. The subsidies provided to Geumgangs Electric Railway Co. by the Government-General of Joseon prior to the merger totaled 12,923,812 won, which accounted for 58.5% of its net profits. Thus, the Geumgangs Electric Railway Co. had a high degree of dependence on the Government-General of Joseon. Okamoto Keijirō 岡本桂次郎, who worked within the Electricity Division of the Post Service Bureau, and the Director of the Joseon Industrial Bank Sakurai Koichi 櫻井小一 were respectively appointed as the Marketing Director and Auditor of the Geumgangs Electric Railway Co. Kimura Yūji 木村雄次 of the Bank of Joseon was also appointed as the Marketing Director of the company. These personnel appointments were in large part occasioned by the company's high dependency on the Government-General of Joseon.

The Geumgangs Electric Railway Co. consisted of two departments, namely railways and lights & electric power. While the railways department could not turn a profit without government subsidies, the lights & electric power department constantly garnered profits. In particular, the increase in the demand for power occasioned by the development of mines in Gangwon Province and the construction and management of the transmission lines for the National Gold Mining Bureau resulted in the gradual expansion of the lights & electric power department. The growth of the lights & electric power department made it possible to repay the loans of the Geumgangs Electric

Railway Co. at the time of the merger, with only 7.0 million won remaining in debentures. Although the bottom line improved, its overall results remained rather poor, with government subsidies accounting for 40-50% of its net profits during the late 1930s.

As previously mentioned, the Geumgangsan Electric Railway Co. enjoyed a close relationship with the Gyeongseong Electric Co. from the outset, and talk of merger between the two companies had continuously emerged since the 1920s (*Sidae Ilbo* August 25, 1925; *Donga Ilbo* June 29, 1926; *Jungoe Ilbo* November 28, 1929). Nevertheless, such a merger never took place. However, the impetus for a merger became more pronounced as the two companies drew even closer in the late 1930s, and the Geumgangsan Electric Railway Co. expanded the scope of its business. The Geumgangsan Electric Railway Co.'s opening of the Sinil-ri power plant on November 20, 1936 spurred the Gyeongseong Electric Co. to set itself up as the supplier of the electric power produced in this power plant. In addition, the Geumgangsan Electric Railway Co. began to provide lights and electric power to Yeoncheon-myeon and Yeongeun-myeon in Yeoncheon-gun in Gyeonggi Province in August 1937, and to Pocheon-myeon, Yeongjung-myon, Sinbuk-myeon, and Soheul-myeon in Pocheon-gun in Gyeonggi Province in August 1938. Thus, it expanded its area of operation to include northern Gyeonggi. Feeling increasingly threatened, the management of Gyeongseong Electric Co started to seriously study the possibility of a merger with the Geumgangsan Electric Railway Co.<sup>8</sup>

The merger of the two companies became a pressing matter in 1939 (*Chosun Ilbo* July 22, August 12 and 19, October 14, and November 30, 1939 and February 22, 1940; *Donga Ilbo* July 23, August 23, September 26, October 12, November 30, 1939 and February 22, 1940). Based on its strong desire to complete the integration of power distribution companies as part of the implementation of its national electric power management system, the Government-General of Joseon actively started to push a merger between the two companies. In March 1939, the Director of the Electricity Division within the Post Service Bureau Shiraiishi Kōjirō 白石光治郎 required the Gyeongseong Electric Co. to submit a draft of a merger agreement before the end of the year.

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8. For more on the merger process between the two companies, see the Management Department of the Gyeongseong Electric Co. (1942) and Hattori (1944).

The Gyeongseong Electric Co. started to make preparations for the merger. First, as a preliminary measure, it undertook a reorganization of the company. It abandoned the division system that had been in place since 1924 in favor of a department structure, with five new departments created: general affairs, marketing, technology, gas, and transport. Six new divisions (fees [bill collection], interior wiring, electric power, electric circuits, vehicles, and engineering) were established under the five departments. The company was reorganized into five departments, fourteen divisions, one secretariat, four branch offices, and one business office (*Chosun Ilbo* April 6, 1939; *Maeil Sinbo* April 6, 1939). This was carried out based on the awareness that the organization of the Geumgangs Electric Railway Co. was based on a department system. In this regard, Hirai Hideo 平井秀雄 was appointed as the Director of the General Affairs Department, Yonekura Genishi 米倉元一 as the Director of the Technology Department, Negami Kōsaku 根上幸作 as the Director of the Gas Department, Yagi Sadamu 八木定 as the Director of the Transport Department, and Kenmoku Tokuta 見目徳太 as the Director of the Marketing Department. A few months later, Hirai Hideo was promoted to the post of Standing Auditor, and Sawaki Sei 佐脇精 was named as the Director of the General Affairs Department and Masuda Takeo 増田武雄 as the Director of the Marketing Department (*Maeil Sinbo* April 6 and August 12, 1938; *Joseon Commerce and Industry Newspaper* April 4, July 28 and August 12, 1939).

However, the results were not very encouraging. In this regard, the main problem that emerged was the Geumgangs Electric Railway Co.'s railway department. More to the point, the Geumgangs Electric Railway Co.'s railway department was steadily in the red, only being kept alive with the subsidies provided by the Government-General of Joseon. Thus, while the Gyeongseong Electric Co. wanted to assume control of the lights & electric power department, it had no interest in taking over the railway department. However, the Railway Bureau of the Government-General of Joseon strongly opposed Gyeongseong Electric Co.'s proposal of a separate merger. Nevertheless, the biggest opponent of the merger was Ōhashi Shintarō, the CEO of Gyeongseong Electric Co. Ōhashi Shintarō, who had long regarded a sound management and high dividend policy that did not include any dependence on loans as being of prime importance, was less than happy about the thought of merging with the Geumgangs Electric Railway Co., which had long received subsidies from the Government-General of Joseon. Ōhashi

Shintarō severely criticized the management style of the Geumgangsan Electric Railway Co., which barely offered dividends to its shareholders and instead depended on government subsidies, as ‘extremely outrageous, suspicious, and strange behavior’ which should not be adopted by management. He refused to even listen to his own people’s explanations (Hattori 1944). Thus, the merger of the two companies would remain difficult to implement as long as top management remained dead set against it.

However, the second national electric power management plan implemented in Japan in 1941 corrected many of the problems that had been exposed during the implementation of the first national electric power management plan. The portion of power plants and power transmission lines controlled by the Japan Electric Generation and Transmission Co., was greatly increased. The forced integration of power distribution companies in accordance with the related laws and regulations was also implemented. The Government-General of Joseon responded to this turn of events by reviewing the possibility of establishing a large-scale national company (subsequently establishing the Joseon Electric Co. (朝鮮電業) and set out to complete the integration of power distribution companies as soon as possible. Furthermore, as previously mentioned, the Gyeongseong Electric Co. started during this period to secure the funds needed for facility investment and the expected expansion of businesses occasioned by the development of the Gyeong-In industrial area in the form of financial loans and bonds. As far as the composition of its shareholders was concerned, the national financial agency and financial institutions under the control of the nation started to assume important posts. The ratio of shares in the Gyeongseong Electric Co. owned by the Joseon Commerce Bank, Joseon Trust, Joseon Savings Bank, and Dongil Bank greatly increased in the late 1930s, with 10.1% of the company’s shares owned by these four financial institutions in December 1941. Furthermore, plagued by worsening health, Ōhashi Shintarō found himself unable to exercise strong leadership (Shimatani 1944; Shiraishi 1944). As such, the Gyeongseong Electric Co. could no longer refuse the demands of the Government-General of Joseon.

Faced with strong pressure from the Government-General of Joseon to push ahead with the merger of the two companies, including the railway department, Ōhashi Shintarō eventually acquiesced and accepted the management group’s decision to approve the merger in May 1941. Representatives for the two

companies held meetings in Tokyo from August 5–8, 1941, meetings in which the Director of the Electricity II Division Tanaka Jurō and Nakamura Chōichirō from the Government-General of Joseon also took part. The two companies officially signed the merger agreement on August 30, 1941. The merger agreement called for the merger between the two parties to go into effect from January 1, 1942. Moreover, while the Geumgangs Electric Railway Co. would be dissolved, its share would be transferred to the Gyeongseong Electric Co. at a ratio of 10:9. The Gyeongseong Electric Co. was to provide the Geumgangs Electric Railway Co. 200,000 won as compensation for its dissolution (Merger Agreement 1942). On September 20, the two parties held an emergency general meeting of shareholders to obtain approval for the merger agreement. On October 27, the Gyeongseong Electric Co. started to work on the takeover process, appointing an eight-member merger committee that was to be led by Hirai Hideo. The two companies were finally merged on January 1, 1942. As such, the stated capital of the Gyeongseong Electric Co. significantly increased to 33.80 million won (28.08 million won of paid-in capital). This can be regarded as the moment that the process of securing control over power distribution in the central region, and further the Korean peninsula, was completed (*Keiden* 1942:7-9; Kenmoku 1942).

The Gyeongseong Electric Co. underwent great changes following its merger with the Geumgangs Electric Railway Co. Above all, the newfound ownership of hydroelectric plants meant that it now, when such facilities were combined with the Dangan-ri Thermal Power Plant, possessed great power generation capacity (36,070 kW). Moreover, the securing of long distance power transmission lines to Gyeongseong allowed it to become more than a simple power supply company; in effect, it became an electric company that managed power generation, transmission, and distribution. In addition, by taking over the railway department of the Geumgangs Electric Railway Co. and adding it to its existing business items (electricity, transport, and gas), the company experienced a further diversification of its business divisions.

The number of shareholders in the Gyeongseong Electric Co. that emanated from national financial institutions increased even further after the merger. Although difficult to know the exact ownership structure because the list of shareholders has yet to be discovered, this structure can be estimated based on the list of shareholders of the two companies prior to the merger. Let us add up the shares of the Gyeongseong Electric Co. and Geumgangs Electric Railway Co. at the end of 1941 based on the assumption that the

shares of the Geumgangs Electric Railway Co. were exchanged for shares in the Gyeongseong Electric Co. at a ratio of 10:9. Thus, the Joseon Trust became the second biggest shareholder (35,150 shares) after Daichi Life Insurance (73,349 shares). Looking at other shareholders such as the Joseon Commerce Bank (27,868 shares), Joseon Savings Bank (7,027 shares), and the Dongil Bank (6,809 shares), we can conclude that the national financial agency and four financial institutions accounted for 12.8% of the shares of the Gyeongseong Electric Co.

The management group of the Gyeongseong Electric Co. also underwent changes after the merger. Ōhashi Shintarō, who had led the company with an iron hand, was removed from actual management and given the ceremonial role of chairman. Managing Director Musha Renjō and Executive Director Kenmoku Tokuta were respectively promoted to the post of President and Managing Director (*Maeil Sinbo* January 29, 1942). However, Musha Renjō stepped down in December 1942, and the former Director of the Productive Industry Bureau (殖産局) of the Government-General of Joseon (September 1932-April 1941) Hozumi Shinrokurō was appointed as President of the Gyeongseong Electric Company (Hozumi 1943a). Musha Renjō had joined the company in 1909 when it was still known as Japanese-Korean Gas Co. (日韓瓦斯). With the exception of a brief period during the late 1910s, he had worked almost his entire lifetime for the company. Having earned the profound trust of Ōhashi Shintarō, Musha Renjō was, in his capacity as the managing director, responsible for the company for almost 20 years. He was commonly referred to as the ‘embodiment of the history of the Gyeongseong Electric Co.’ The retirement of Musha Renjō and the emergence of the former Director of the Production Bureau of the Government-General of Joseon Hozumi Shinrokurō can be regarded as clear signs of the changes that took place in terms of the management structure of the Gyeongseong Electric Company (*Chōsen Denki Zasshi* 1941:31-34; Joseon Electric Association 1943:2-3; Musha 1943; Tokuta 1943; Hozumi 1974). Hozumi Shinrokurō was also an active member of the Gyeongseong Chamber of Commerce and the Joseon Chamber of Commerce at the time (*Keiden Ihō* 1942). Although he had personal ties to the Gyeongseong Electric Co., his grandfather Shibusawa Ēichi having been one of the founders, the appointment of Hozumi Shinrokurō as the President of the Gyeongseong Electric Co. was in fact motivated by his status as the former Director of the Productive

Industry Bureau of the Government-General of Joseon, as well as his close relationship with the Governor-General of Joseon Koiso Kuniaki 小磯國昭 and Administrative Superintendent Tanaka Takeo 田中武雄 (Kōtaki 1974).

The size of the management group was also increased as a result of the merger of the two companies (*Maeil Sinbo* January 29, 1942). In particular, the number of executive directors was increased from one to four people. Hirai Hideo and Yonekura Genichi, who were part of the management group of the Gyeongseong Electric Co., were appointed as executive directors. Individuals from the Geumgangsán Electric Railway Co. also joined the management group after the merger. To this end, Sugimura Sadao and Kimura Yūji were appointed respectively as Executive Director and Member of the Board of Directors of the Gyeongseong Electric Co. Meanwhile, Maehara Hajime 前原肇, who had served as the Director of the Operational Division of the Railway Bureau and as the Director of the Busan Railway Bureau, was appointed as the Executive Director of the newly added Railway Department. The appointment of individuals from the Government-General of Joseon such as the Hozumi Shinrokurō and Maera Hajime to the management of the Gyeongseong Electric Co. marked a clear departure in the history of the company. Thus, with the merger serving as an opportunity, the Government-General of Joseon was able to fully intervene in the management of Gyeongseong Electric Co. The Hozumi Shinrokurō management system appears to have been further strengthened after the death of Ōhashi Shintaro on May 5, 1944. In October 1944, Hozumi Shinrokurō forced Kimoto Shōji 木本昌二, who had been referred to by the auditor of the company as the ‘right-hand man of Ōhashi Shintaro,’ into early retirement. In his place, Hozumi Shinrokurō appointed the former Director of the Joseon Industrial Bank, Joseon Savings Bank, and Joseon Trust Yamaguchi Shigemasa 山口重政.<sup>9</sup>

One finds many similar instances within the electricity industry at the time. The relocation of officials from the Government-General of Joseon to private companies became an increasingly frequent occurrence from the

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9. The Gyeongseong Electric Co. always held its general meetings of shareholders in Tokyo even after the head office was moved to Gyeongseong in 1932. However, from the 70<sup>th</sup> General Meeting of the Shareholders held in August 1943, this meeting was held at the head office of the company in Gyeongseong. This clearly exhibited the growing influence of the Government-General of Joseon over the Gyeongseong Electric Co.

mid-1930s onwards. For example, the Director of the Post Service Bureau Yamamoto Saizō 山本犀藏 was appointed to the post of President of the West Joseon Electric Distribution Co. and as Director of the Joseon Electric Transmission Co. after his retirement. Meanwhile, after having retired from the Post Service Bureau, Inoue Kiyoshi 井上清 was appointed to the post of Managing Director of the Joseon Electricity Co. before becoming the President of the South Joseon Hydroelectric Co. and the Director of the Gangneung Electricity Co. He then became the President of the North Joseon Electric Distribution Co. in December 1943. For his part, Imai Yorijirō 今井頼次郎 of the Electricity Division was appointed as President of the West Joseon Electric Distribution Co. and as Director of the Joseon Electric Transmission Co. after Yamamoto Saizō. He was also appointed as Director of the Ganggye Hydroelectric Co. Moreover, while Honma Takayoshi 本間孝義, who had worked for the Government-General of Joseon as a civil engineer, was appointed as the Executive Director of the Han River Hydroelectric Co., Shinba Kōhei 榛葉孝平 of the Public Works Division became the Vice President of the Ganggye Hydroelectric Co. The Joseon Electric Association, which was an umbrella organization of electric companies, also experienced a similar phenomenon. In this regard, Yamada Tadatsugu 山田忠次 and Shingai Hajime 新貝肇 from the Post Service Bureau, Kōtaki Motoi 上瀧基 from the Bureau of Productive Industry, and Eguchi Chikanori 江口親憲 and Shioda Masahiro 鹽田正洪 from the Mining and Manufacturing Bureau were all appointed as presidents of the Joseon Electric Association. The linkages between the conglomerates and the national authority within the electricity industry were thus further strengthened. It is within this context that the appointment of Hozumi Shinrokurō as President of the Gyeongseong Electric Co. should be perceived.

The Gyeongseong Electric Co. also implemented a restructuring of its organization (Managing Director of Gyeongseong Electric Co. 1942:2-6; Regulatory Commission 1942:25-26; Investigation Department 1942:7-10; *Maeil Sinbo* January 8, 1942). While the structure of the transport and gas departments remained the same, a railway department was established to manage the Geumgangsan Electric Railway Co.'s railway business. A new electricity department was established by integrating the electricity-related work duties that had been conducted by the marketing and technology departments. An accounting department was established to handle general

accounting matters, materials distribution, the management of fixed assets, and the operation of funds. The existing general affairs department was abolished and the secretarial and general affairs-related duties were transferred to the newly organized directorate office. In accordance with the merger agreement with the Geumgangs Electric Railway Co., a branch office was established in Cheolwon. As such, the structure of the Gyeongseong Electric Co. was reorganized from five departments (general affairs, marketing, technology, gas, and transport), fourteen divisions, one secretariat, four branch offices, and one business office in April 1939 to five departments (accounting, electricity, transport, railway, and gas), one directorate office, nineteen divisions, five branch offices, and one business office in January 1942. The staff positions were also reorganized. Assistant secretary and assistant technician positions were established under the existing secretary and technician positions. Persons who had long distinguished careers were appointed as investigators, a position which was regarded as being on the same level as a director or head of a department. Senior staff members were installed at the sectional level, thus making it possible for clerks who had enjoyed long careers to be appointed to this position. In addition, the general regulations were also reestablished.

Meanwhile, Sawaki Sei was appointed as the Director of the Accounting Department, Yonekura Genichi as the Director of the Electricity Department, Yagi Sadamu as the Director of the Transport Department, Negami Kōsaku as the Director of the Gas Department, and Maehara Hajime as the Director of the Railway Department. Executive Directors Yonekura Genichi and Maehara Hajime were also put in charge of the Electricity Department and Railway Department, which were regarded as core business divisions of the Gyeongseong Electric Co. Thus, we can surmise that a directorship-oriented management system was put in place. This directorship-oriented management system was further strengthened when the Director of the Gas Department Negami Kōsaku, and Yagi Sadamu, who had been appointed to the post of Director of the Accounting Department after Sawaki Sei, were appointed to the board of directors.<sup>10</sup>

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10. Yagi Sadamu 八木定 became the Director of the Accounting Department in July 1943, and Sakamoto Shigeru 坂本茂 was appointed as the Director of the Transport Department (*Maeil Sinbo* July 15, 1943).

In accordance with the expansion of its businesses, the Gyeongseong Electric Co. began to establish affiliated companies. For instance on December 6, 1943, it established the Gyeongseong Electric Construction Co. with one million won of capital (paid-in capital) that was to be responsible for the repair, assembly and sale of electric equipment. This move came as part of the Government-General of Joseon's campaign to reorganize and integrate the companies designated by the Railway Bureau and Gyeongseong Electric Co. as being responsible for electric construction projects (*Chōsen Denki Zasshi* 1943a:54-55; *Keiden Ihō* 1943:1; *Chōsen Denki Zasshi* 1943b:41-42; *Chōsen Denki Zasshi* 1944:34; Compilation Committee for History of Joseon Electric Industry 1981:104-105; *Maeil Sinbo* December 15, 1943).<sup>11</sup> The Gyeongseong Electric Co. not only possessed 10,940 of the 20,000 total shares of the Gyeongseong Electric Construction Co., but also oversaw the appointment of its directorship. It appointed Yonekura Genichi 米倉元一 to the post of President, Terashi Hidetoshi 寺師英敏 as Managing Director, Masuda Takeo as Executive Director, Hirai Hideo as Auditor, and Kenmoku Tokuta as Counselor. In addition, it also dispatched capable workers to the Gyeongseong Electric Construction Co. to handle the working-level duties. Meanwhile, the Government-General of Joseon dispatched Terashi Hidetoshi and Kimura Yoshisuke to the Electric Construction Co. As such, viewed from the standpoint of human resources and capital, this company can be characterized as having been an affiliate of the Gyeongseong Electric Co. established in close collaboration with the Transport Bureau of the Government-General of Joseon. It was during this period that the Government-General of Joseon strongly pushed for the consolidation of the power distribution companies into the North Joseon Electric Distribution Co., West Joseon Electric Distribution Co., and South Joseon Electric Distribution Co. The Gyeongseong Electric Construction Co. was established as a part of this plan.

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11. The directorship of this company consisted of: President Yonekura Genichi (Executive Director of the Gyeongseong Electric Co.), Managing Director Terashi Hidetoshi (Transport Department), Executive Directors Masuda Takeo (Secretary within the Gyeongseong Electric Co.), Kimura Yoshisuke 木村義介 (Transport Division), Tamura Hideo 田村秀雄, Ōyabu Tsuneyoshi 大藪常吉, Zōza Toku 左座徳, Mori Yasukazu 森安一, Umasugi Shu 馬杉秀, Auditor Hirai Hideo (Executive Director of the Gyeongseong Electric Co.), Mimura Seiji 三村清治, Tajima Gōroku 田島伍祿, and Counselor Kenmoku Tokuta (Managing Director of the Gyeongseong Electric Co.).

In addition, after having constructed a coke manufacturing company (gas plant) in Wangsim-ri, the Gyeongseong Electric Co. set up an affiliated company to be in charge of the sale of the coke produced by this company (*Chōsen Denki Zasshi* 1944b:60, 1944c:36).<sup>12</sup> It established the Gyeongseong Coke Distribution Co. with 180,000 won in capital on May 27 1944. The entire management of this new entity, which included Nagami Kōsaku as President, and Yokomizo Katsuzi 横溝勝次 as Executive Director emanated from the Gyeongseong Electric Co.

Having actively searched for ways to hitch its future to the government's proposed national electric power management system from the late 1930s onwards, the Gyeongseong Electric Co. increasingly found itself becoming dependent on loans and bonds from financial institutions. The character of the company underwent a significant transformation following the merger with the Geumgangsŏn Electric Railway Co. and the changes made to the core management group. The adoption of an enterprise management philosophy that revolved around the notions of 'patriotism within the electricity industry' and 'putting the public interest first' amidst emergency circumstances was closely related to these changes (Kenmoku 1942a:10, 1942b:4-5, 1944:14; Musha 1942:2-3; Hozumi 1943b:4-5, 1944:9-10). The members of the core management group emphasized the fact that the mission of electric companies under the new economic structure was that of supplying the electric power needed by the munitions industry to engage in prolonged warfare. They asserted that rather than focusing on expected demand and the creation of profits, the electricity industry should contribute to the construction of a highly advanced defense state by assuming the role of spurring other industries to develop a spirit of selfless devotion to the nation. Furthermore, cognizant of Joseon's increased role as a military supply and forward base for operations in the mainland and the emergence of the expansion of production as the most urgent task, the management group emphasized the fact that the active and logical supply of electric power to the munitions industry constituted

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12. The directorship of this company consisted of: President Nagami Kōsaku (Director of the Gas Department of the Gyeongseong Electric Co.), Executive Director Yokomizo Katsuzi (Chief of the Gas Division of the Gyeongseong Electric Co.), Director Tokuyama Hidemitsu (senior staff within the Manufacturing and Planning Section of the Gas Division), and Auditor Yagi Sadamu (Director of the Gyeongseong Electric Co.).

the main mission of the electricity industry. They concluded that Japan could emerge victorious as long as the national will was united under the spirit of putting public interest first; people patriotically got behind the war and engaged in selfless devotion to the country at home and in workplaces. During commemorations marking the 35<sup>th</sup> anniversary of the company's foundation at the end of 1943, the management of the Gyeongseong Electric Co. made clear the need to contribute to the construction of the Greater Asia Co-prosperity Sphere under the slogan, 'Reform and renewal' (Hozumi 1943c:2-3,4-5; Kenmoku 1944b:10-11; Gishi 1943:13-20.) Enterprises became a tool with which to implement the objectives of the state as extreme totalitarianism, and statism emerged to completely supplant liberalism. This state-oriented enterprise managerial philosophy was one that was widely adhered to within the Gyeongseong Electric Co. (Yuzuriha 1941:47-48; Negishi 1941:58-63; Miyauchi 1941:63-64; Yonekura 1942:37-46; Koizumi 1942:47-50; Baba 1943:8-9; Yoshikawa 1943:9-10; Tatsuzaki 1943:11-12; Tokuyama 1943:19-20; Koda 1943:22-23).

This state-based enterprise managerial philosophy impacted the activities of the Gyeongseong Electric Co. in many ways. The Gyeongseong Electric Co. actively cooperated with the Government-General of Joseon in the establishment of a general mobilization system and the construction of a highly advanced defense state. For instance, the Gyeongseong Electric Co. received an order from the Government-General of Joseon to transfer control of the Susaek-Bupyeong power transmission line, which constituted the major transmission line connecting the northern and southern parts of the country, to the Joseon Electric Co. as part of efforts to complete the process of establishing a national electric power management system, and followed this order in September 1943 (*Chōsen Denki Zasshi* 1943:41). The Gyeongseong Electric Co. also prepared special electric train transport schedules so defense units could be properly deployed whenever air-raid alarms sounded, and removed 50 km. of railroad tracks between Changdo-Naegeumgang so that these could be used for military purposes (*Chōsen Denki Zasshi* 1944d:45-46, 1944e:45; Tokyo Office of the Gyeongseong Electric Co. n.d.). In addition, the Gyeongseong Electric Co. frequently dispatched workers to take part in the Labor Service Corps. It also donated defense expenditures and aircraft manufacturing expenses, and was also involved with the Federation for the Mobilization of Joseon's Total Strength (國民總力朝鮮聯盟), which

was the government body responsible for implementing the mobilization policy of the Government-General of Joseon on the frontlines (Oh 2010). It installed the Gyeongseong Electric Co. Transport Federation to serve as a sub-organization of the Federation for the Mobilization of Joseon's Total Strength. The establishment of a Training Bureau (鍊成部) in accordance with the reorganization of the Federation for the Mobilization of Joseon's Total Strength was accompanied by the company's organization of a Training Corps. The installment of the Youth Training Center in charge of the military-style training of its employees and the organization of a branch office of the Military Veterans Association within the Gyeongseong Electric Co. should also be regarded from the same standpoint. The Gyeongseong Electric Co. all established a Total Strength Section which was in charge of the general matters related to the current state of affairs within the nation under the core management group (*Maeil Sinbo* January 8, 1942).

Ultimately, the Gyeongseong Electric Co. intended not only to make use of the mobilization ideology to establish labor controls and training organizations, but also to achieve the militarization of the enterprise by effectively transforming it into a military organization. One salient example in this regard is the military-style organization known as the Special Defense Corps established to respond to attacks on Gyeongseong in the case of an emergency. The militarization movement within the Gyeongseong Electric Co. was completed with the founding of the Defense Bureau made possible by the reorganization of the defense system in August 1944 (*Chōsen Denki Zasshi* 1944a:48). A General Defense Headquarters consisting of the staff, command unit, distribution unit, medical corps, and other miscellaneous units was also established. Thereafter, a Special Defense Corps (head office unit, electricity unit, transport unit, gas unit, and railway unit) and a Special Workmanship Corps (electric corps, transport corps, gas corps, and railway corps) were organized under the General Defense Headquarters. Members of the core management group of the Gyeongseong Electric Co. were appointed as commanders of each of these units and corps. The Defense Bureau was designed to reorganize the entire company, including the existing Special Defense Corps, into a comprehensive military organization. Thus, the Gyeongseong Electric Co. became a full-fledged component of the national electric power defense management system.

In short, the status of the Gyeongseong Electric Co. as an entity

that supported the munitions factories became even more pronounced in accordance with the development of the Gyeong-In industrial area during the final period of the war, when it found itself supplying electricity and gas and operating trams and buses. The Gyeongseong Electric Co. actively collaborated with the Government-General of Joseon's policy, even going as far as to adopt a state-based management philosophy that revolved around the slogan of 'putting the public good first.' However, the notion of 'public good' promoted by the Gyeongseong Electric Co. was not one that sought to advance the interests of society, but rather one that sought to foster imperial Japan and the military government's capacity to wage war. This reality is clearly evidenced by the fact that the Gyeongseong Electric Co. reorganized the company into a military structure, thereby deserting its role as an effective production mechanism. In this regard, the state-based enterprise management philosophy adopted by the Gyeongseong Electric Co. at the end of the war can be perceived as having been laden with great limitations.

## **Conclusion**

Using the case study of the Gyeongseong Electric Co, this study examined how individual enterprises responded to the changes in the management environment during the era of wartime control. Let us now summarize the contents presented above.

The advent of a wartime control economy created significant changes for the Gyeongseong Electric Co. in terms of its management environment. As part of its efforts to develop the area into the center of the munitions industry, the Government-General of Joseon established urban plans for the Gyeong-In region and emphasized Joseon's role as a military supply and forward base for operations on the mainland. As it provided essential items such as electricity, gas, trams, and buses to the Gyeong-In industrial area, the Gyeongseong Electric Co. came to play an important role during this process. As part of its response to the Government-General of Joseon's policy of developing the Gyeong-In industrial area, the Gyeongseong Electric Co. rapidly increased facility investment from the late 1930s onwards. This strategy allowed it to achieve favorable results. Its total sales increased 2.5-fold from 1938 to 1944.

However, the problem became that of delivering the funds needed to

increase the facility investment. Rather than securing equity capital through the existing system of continuous payment of shares or capital increase, the Gyeongseong Electric Co. opted to introduce loans and issue corporate bonds. The Gyeongseong Electric Co. had from the mid-1910s onwards adopted a shareholder-oriented management structure that was rooted in sound management based on no loans and the paying out of high dividends. However, from the late 1930s onwards, it adopted a new management strategy that revolved around a leveraged financial structure. Such a move was motivated by the fact that the Government-General of Joseon had established measures to redirect profits towards facility investment by emphasizing the public nature of electric companies and curbing the paying out of high dividends to shareholders. In this regard, in cases where it permitted enterprises to increase their capital, the government demanded that the dividend rate be decreased. As a result of effective financial leveraging, the Gyeongseong Electric Co. was able to use its loan-based management system to achieve good financial results. The profit ratio of the Gyeongseong Electric Co. in terms of the paid-in capital exceeded 15% during each business cycle, even skyrocketing to 24% in 1944.

On the other hand, the Gyeongseong Electric Co. also underwent a great change in its management structure as a result of the Government-General of Joseon's national electric power management policy. The first national electric power management plan was put in place in Japan at the end of the 1930s. As part of its efforts to establish unitary control within the yen block, the imperial government demanded that the Government-General of Joseon also implement this national electric power management plan. The Government-General of Joseon responded to this demand by initiating a review of detailed measures related to the national electric power management plan. As part of these measures, it set out to complete the integration of power distribution companies. However, the Gyeongseong Electric Co. found itself excluded from playing a role in the integration of the power distribution companies in the central region. This situation was the result of its uncomfortable relationship with the Government-General of Joseon, a relationship that had been soured by its refusal to participate in the newly established Joseon Electric Transmission Co. To this end, the Gyeongseong Electric Co. desired to acquire both the Chuncheon Electric Co. and Geumgangsan Electric Railway Co., both of which were expected to be merged into other companies.

The management of the Gyeongseong Electric Co. started to improve its relationship with the Government-General of Joseon following its active support for the national electric power management policy implemented by the government's Electric Division. As a result of this approach, the Gyeongseong Electric Co. was able to forge ahead with the purchase of the Chuncheon Electric Co. Thereafter, the Gyeongseong Electric Co. proceeded to begin the process of merging with the Geumgangs Electric Railway Co. However, the Geumgangs Electric Railway Co.'s railway department, which was mired in a deficit, emerged as a potential obstacle to such an agreement. While the Government-General of Joseon instructed the Gyeongseong Electric Co. to take over the Geumgangs Electric Railway Co., including its railway department, the latter only intended to take over the Geumgangs Electric Railway Co.'s lights & electric power department. CEO Ōhashi Shintaro was particularly opposed to the taking over of the Geumgangs Electric Railway Co.

However, the imperial government's correction of the problems exposed during the implementation of the first national electric power management plan and implementation of the second national electric power management spurred the Government-General of Joseon to start the process of establishing a large-scale national company that would integrate all electric power generation and transmission companies. As such, it intended to complete the integration of power distribution companies in short order. On the other hand, the Gyeongseong Electric Co. started to depend on loans from financial institutions and corporate bonds to secure the funds it needed to engage in facility investment and the expansion of its business made possible by the development of the Gyeong-In industrial area. Members of the national financial agency and financial institutions gradually assumed important positions within the shareholder structure of the Gyeongseong Electric Co. Furthermore, Ōhashi Shintaro found himself unable to wield the same type of strong leadership he had exercised in the past because of his worsening health. Consequently, in accordance with the policy of the Government-General of Joseon, the Gyeongseong Electric Co. merged with the Geumgangs Electric Railway Co. on January 1, 1942.

The merger with the Geumgangs Electric Railway Co. resulted in great changes being made to the management structure of the Gyeongseong Electric Co. All of a sudden, the Gyeongseong Electric Co. became more than a simple

power supply company; it effectively became an electric company that was engaged in the generation, transmission and distribution of electric power. In addition, its business activities were further diversified as the railway business was added to its existing electricity, transport and gas businesses. The share of ownership occupied by national financial institutions was further increased following the merger with the Geumgangs Electric Railway Co. It was against this backdrop that great changes were made to the core management group. Ōhashi Shintaro, who had long led the Gyeongseong Electric Co. with an iron fist, was excluded from the actual management of the company. Hozumi Shinrokurō of the Productive Industry Bureau of the Government-General of Joseon was appointed as President of the Gyeongseong Electric Co. In addition, other individuals from the Government-General of Joseon, national financial agency, and the Geumgangs Electric Railway Co. were appointed to the core management positions within the Gyeongseong Electric Co.

The core management group of the Gyeongseong Electric Co. emphasized the state-based enterprise management philosophy symbolized by the prioritization of the public interest, patriotic support for the war, selfless devotion to the country, and devotion to the country at workplaces. The company was thus transformed into a tool through which to implement the objectives of the state as extreme totalitarianism and statism emerged to completely supplant liberalism. In this regard, the Gyeongseong Electric Co. actively cooperated with the Government-General of Joseon in the establishment of a mobilization system and the construction of a highly advanced defense state. It also pursued the militarization of the enterprise by establishing a Special Defense Corps and Defense Bureau.

In short, the status of the Gyeongseong Electric Co. as an entity that supported the munitions factories became even more pronounced in accordance with the development of the Gyeong-In industrial area during the final period of the war, when it found itself supplying electricity and gas and operating trams and buses. The Gyeongseong Electric Co. actively collaborated with the Government-General of Joseon's policy, even going as far as to adopt a state-based management philosophy that revolved around the slogan of 'putting the public good first.' However, the notion of 'public good' promoted by the Gyeongseong Electric Co. was not one that sought to advance the interests of society, but rather one that sought to foster imperial Japan and the military

government's capacity to wage war. This reality is clearly evidenced by the fact that the Gyeongseong Electric Co. reorganized the company into a military structure, thereby deserting its role as an effective production mechanism. In this regard, the state-based enterprise management philosophy adopted by the Gyeongseong Electric Co. at the end of the war can be perceived as having been laden with great limitations.

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## Abstract

Using the case study of the Gyeongseong (Keijō) Electric Co., this study examines how individual enterprises responded to the changes in the management environment during the era of wartime control.

In the aftermath of the onset of the Sino-Japanese War in 1937, the Government-General of Joseon established 'urban plans for the Gyeong-In area' that consisted of developing it into a center of the munitions industry, and emphasized the role of Joseon as a military supply and forward base for operations on the mainland. The Gyeongseong Electric Co. responded to the policy of the Government-General of Joseon by rapidly increasing facility investment. The necessary funds were secured through loans from financial institutions and the issuing of corporate bonds. As such, the principle of sound management based on a refusal to introduce loans, a principle which had been maintained since the late 1910s, was effectively abandoned.

On the other hand, the Gyeongseong Electric Co. also underwent a great change in its management structure as a result of the Government-General of Joseon's national electric power management policy. The conclusion of the purchase of Shunsen (Chuncheon) Electric Co. and of the long-delayed merger with the Kongōsan Electric Railway Co. made possible by the government's policy of integrating power distribution companies allowed the Gyeongseong Electric Co. to become a company that was engaged in the generation, transmission, and distribution of power. The business of the Gyeongseong Electric Co. was as such further diversified to include electricity, transport, gas, and railways. In terms of the ownership structure of the Gyeongseong Electric Co., the national financial agency came to exercise strengthened influence; moreover, individuals from the Government-General of Joseon, national financial agency, and the Kongōsan Electric Railway Co. were appointed to the core management group. It was against this backdrop that the Gyeongseong Electric Co. cooperated with the Government-General of Joseon in the establishment of a mobilization system, and adopted the state-based enterprise management philosophy characterized by the prioritization of the public interest and selfless devotion to the country.

**Keywords:** Gyeongseong (Keijō) Electric Co., Geumgangsán (Kongōsan) Electric Railway Co. management structure, 'urban plans for the Gyeong-In area', national electric power management system, state-based enterprise management philosophy

