

Nippon economic thinking during the Meiji restoration

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Abstract: The main objective pursued within the research is presenting the Shogunate period from the perspective of economic thinking, how the economical components were approached and analysed during the Shogunate period, to emphasise the importance of this period on Japanese economic thinking overall. The aspects presented showed that the vast majority of the ideas expressed by the representatives of this period indicated that during the Shogunate a series of values were founded, such as long work, restraint, acceptance of the hierarchy, acceptance of the authority, high savings, endless ambition, awareness of the group's power, caring for the subjects' good. All these, combined with the critical economic doctrines, through their Nipponisation, led to the strengthening of the Nippon economic doctrine.

Keywords: economic thinking; Shogunate; Japan; theories; doctrines.

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1 Introduction

With the exit from the isolation period during the Shogunate, the strong Japanese desire was headed towards reaching out to the westerners and exceeding them. Thus, the new purpose of Nipponism was 'to create a strong army and a strong country' (fukoku kyohei).

To achieve this new objective, it was attempted to assimilate as many new western elements as possible, so that they could reach them and then overcome the westerners. With the opening of Japan's borders, a massive import of both technologies and ideas has been made. Among the latter, we include the Western economic thinking, the economic doctrines, which (adapted to the Japanese spirit) represented the foundation of Nipponism, among which: classical and neoclassical liberalism (notably marginalism of Gossen, Jevons and Walras), German-inspired protectionism, namely socialism.

The Meiji Restoration is based on two essential phases in coagulating the economic doctrine of Nipponism, namely:

- Until 1890 – import of ideas – A stage represented by the translation of important works with existing economic content up to that period.
- After 1890 – their Nipponisation – The stage in which the interference of imported economic doctrines would be carried out, thus forming their own doctrine.

The import of Western economic ideas had two sources for the Nippon archipelago: the first was the invitation, namely the hiring of foreign experts in Japan, and the second took the form of the Nipponese whom were allocated important financial resources to study abroad and to return with new ideas from the West. Also, if possible, another aim was to bring as many works as possible to create new libraries. For example, Juro Tedzuka himself would bring in Japan 6,624 books written by French economists and philosophers during the six years spent in the hexagon between 1920–1926 (Misaki, 2006). Kinnosuke Otsuka, another economist, got involved in bringing Menger Library to Hitotsubashi University, where it can be found nowadays. We must note that besides these, many others had the same responsibilities, which is why a large part of the original works of that period is found today in Japan.

The following step was the translation of important Western economic works of that time, of those found in the west and the Nippon area, as well. Thus, in 1876 Malthus's *Essays on the Principles of Population*, in 1882 Jevons's *Money and Mechanism of Exchange*, in 1884 Smith's *Wealth of Nations*, in 1886 J.S. Mill's *Principles of Political Economy* were translated, followed by List's *National System of Political Economy* in 1889.

As Eijiro Honjo indicated, as quoted by Tuiiu (1987), between 1867–1890 274 works on economic theory were translated. Until 1890, only a gross import of economic ideas was achieved, but since then it has been switched to Nipponisation.

The synthesis made by the Japanese was fuelled by three great thinkers: Adam Smith (*laissez-faire*), Friedrich List (protectionism) and subsequently by Karl Marx (socialism), these 'stars of classicism' (Tuiiu, 1987), around which there were other constellations, but which derived from the first ones. During the Meiji era, the first two doctrines appeared, and the Japanese Academic Society of Social Policy was established to represent a bridge towards the propagation of Marxism, developed in the inter-war period alongside marginalism.

It is considered that author Sumiyo (2010), analysed the life and career of Ito Yozo, an entrepreneur in Shizuoka Prefecture, in order to study the transition through which the entrepreneurs passed through from the Shogunate to Meiji era.

In this article our main objective was a cross-cutting and longitudinal analysis of the economic thinking of the Japanese during the Meiji restoration, bringing to the fore the main currents which marked the Nippon development, respectively the liberal doctrine, protectionism and socialism. These currents have marked Japan, shaping the Nippon economic thinking and Nippon capitalism nowadays. In achieving this objective, we divided the study into three main sections which approach the three significant currents around which the economic thinking was outlined, using content analysis of the main works and books that analysed that time as research methods.

2 The liberal doctrine in Japan

The doctrine of classic Smithian liberalism could not take shape on land where Confucianism had been the basic ideology for more than two centuries, and Shintoism had the first plan (as a result of the Meiji restoration). Thus, ideas such as ‘laissez-faire’ had a much less significant influence than in the Anglo-Saxon world, the companies themselves demanding the involvement of the authorities. Therefore, if the British and the Americans had a strong sense of antipathy in terms of state intervention in the economy, in Japan, this aspect was desirable.

In addition, throughout the Meiji era, the oligarchs (power holders) led a fierce battle against liberalism, falling victim to several media elements including the Meiroku Zasshi newspaper (issued in 1875 to serve the cause of laissez-faire), whose activity ceased. Liberal economists such as Yukichi Fukuzawa (1835–1901), Ukichi Taguchi (1855–1905), Tsuda Mamichi (1829–1903), and Kanda Takahira (1830–1898) (throughout the Meiji period, without many tools at hand) had to wear a permanent duel with the protectionists, won by the latter. Of them, as indicated by Pence (2019), probably the most crucial role was held by Yukichi Fukuzawa, who had two significant contributions: firstly, he argued that in order to maintain its independence, Japan had to assimilate the more advanced Western countries as soon as possible, and secondly, he argued that the country had to shift from the producer nation to a manufacturer nation as soon as possible.

Throughout half of decade, the liberalists succeeded in imposing a reform on agrarian tax (but adapted to the Nipon spirit and not a liberal one-as desired by Kanda Takahira, for instance), to transform public companies into private enterprises towards 1890 (a measure which was based more on financial reasons due to the liquidity crisis that affected the Nipon treasury), namely the restoration of the conversion of the yen.

They also tried to impose free-change through several authors, whose work was developed by Sugiyama (2005), of which we remind, in addition to Fuzukawa and Kato Hiroyuki, Tsuda Mamichi, and Nakamura Masanao. Kato Hiroyuki, in his work *Dialogue on Trade* (Koeki Mondo), stated that: “there are beautiful things in Western countries that are not available in Japan and there are commodities in the attractive Nipon archipelago for Westerners, so free-change is useful and enriches both sides.” In Tsuda’s opinion: “import and export are reciprocal. Sometimes the first ones exceed the latter, and sometimes the balance is reversed. Like heat and cold, flow and reflux, they fluctuate and tend towards balance ... thus there is nothing to worry about.” As for the gold exits due to free trade, the same author believes that “such a theory is a mistake. Most Western economists, without any major exceptions, agree that protectionist tasks are not for the benefit of the nation, affecting it.” Nakamura Masanao also himself was in favour of free-exchange, arguing that the gold exits in Japan are not due so much to this policy, as to the acquisition of weapons, to the offering of scholarships to study abroad, as well as the hiring many experts from abroad. All these opinions were struck by the protectionist theory that shall be presented in the following subchapter.

3 Protectionism in Japan

In a holistic society such as the Nipon one, protectionism found its ground to develop, List (the founder of protectionism) from diametrically opposed positions towards the

liberalism supported by the utilitarian philosophy. The foundation is no longer represented by homo oeconomicus, but by society, a kind of ‘homo economicus socialis’ (Pohoață, 1995). The nation replaces homo oeconomicus, its paradigm being thus based on the community. The individual is no longer a stand-alone element, but an integral part of a group, without whom everything is vain, apart from whom happiness cannot be found. In the new doctrine, the national interest prevails over the individual one. Therefore, the centre of gravity is moved from the individual to society, which holds full power.

In opposition to the Smithian theory that the interests of the individual with other individuals or society correspond, and the state does not have to intervene in the economy because the invisible hand self-regulate the potential problems, List brings an example by demonstrating that this is not always true: an importer of manufactured products is focused on as many sales as possible, while for society the development of the national industry is more critical. Also, the present interests do not always correspond to the subsequent ones, which, according to List, makes state intervention (on the capitalist basis) necessary to channel all these visions towards the future benefit of society. All this would fit on the existing genetic in the Nippon archipelago, where groups always prevailed over the individual.

Another aspect that was perfectly folded with the Japanese philosophy was the fact that List (contrary to Smith) believed that individuals were united not because of selfishness (as the stated by classical liberalism), but to become stronger. In the Listic paradigm, his selfishness becomes the nation’s, not the individual’s. This protectionism is a nationalist one, aimed at transforming its own country into a strong one, and this is the strongest wish of the Japanese, that is to reach and overcome the westerners.

The first Japanese economist to adopt this doctrine was Wakayama Norizaku, who in his work entitled *Theory of Protectionist Tariffs* (1870) declared himself a defender of the new ideas, attacking the ricardial theory of comparative advantage (more empirically than theoretically). He generally supported the arguments used in the Shogunate period, claiming that liberalisation of trade would lead to the importation of luxury products that would impoverish the country by leaving gold and silver outside the Nipon area. Norizaku further pointed out that no country had acquired well-being without protectionism (be it England, USA, France, Germany, and Denmark), and Japan was still a poor country then and it was not familiar with the manufacturing industry and trade. Thus, the urgent needs were to “prohibit exports of agricultural products and to restore thus soil fertility, prevent cunning trade activities and thus save trade from decomposition, stop imports, impose a tax on foreign products, encouraging hence the domestic industries” (Sugiyama, 2005). The same author wondered: “when a child is born, is it not the parents’ duty to take care of him/her in all possible ways until he/she grows to become independent?” (Sugiyama, 2005).

The same line would be followed by several Nippon economists, including Sugi Koji, who would publish in 1874 an article in which he tried to develop the ideas of his predecessor. He believed that “those who have reached full development embrace free trade and loathe protectionism because it would prevent them from performing their activities. Those who have not yet reached full development are against free trade, embracing protectionism. This is because they must be protected until they become ‘mature’, just like the child’s protection from his/her parents” (Suzuki, 2005).

Another economist, in the person of Nishimura Shigeki (1828–1902), carried out a pertinent analysis of the conditions of those times, existing in Japan and the UK, where he concluded that the only solution for the Nipon archipelago was embodied by protectionism. He showed that:

“Those who entirely support free trade, probably see Britain thriving because of such a policy which he believes we should therefore follow. However, the trade between the two countries has nothing in common. The British have opened the boundaries of international trade of their own free will, while we have been forced by the Americans. They are intelligent and skilled in the manufacturing industry, while we are naive and untrained for the manufacturing industry. Their soil is exploited to the fullest, and the population works in the industry, while our situation is opposed. When they began free trade, they already had exceeded other nations in the manufacturing and trade industries, while we were outclassed by many other countries at the opening-up of borders. In this respect, it is obvious that we must not follow the free-trade path.” (Sugiyama, 2005)

We want to note this comparison between the two island states because of its complexity through the multitude and depth of the factors listed.

Shigeki also drew attention to the fact that even England applied protectionist policies until it exceeded the other states, and the inferiority to Europe determined the USA to impose high customs duties to promote its industries.

All these opinions expressed by Nipon economists seem to have been influenced by the listic ideas, whose work *The National System of Political Economy* would be translated in 1889, by Oshima Sadamasu (1845–1914). Two years later, he would publish Josei Ron (treatise on the current situation), in which he believed that free-exchange, along with the comparative advantage would advantage great powers, emphasising thus their supremacy.

To argue that this hypothesis, the listic conception was used, to distinguish between the short-term vision – where free-exchange offered advantages – and the long-term one – which has “adverse consequences on the ‘unripe’ ones, showing that agricultural nations will remain agricultural nations, and the industrial ones will remain industrial” (Suzuki, 2005).

In addition to the reasoning mentioned above, Oshima, with great clarity, understood that specific policies are beneficial in a particular place, under precise geographic, demographic, economic, historical conditions, etc. with no universal laws available worldwide. Thus, just like Wakayama Norizaku, he stated that if Britain is the first country worldwide and if classic liberalism is widely used here, it does not necessarily mean that in Japan its use would bring wealth. He encouraged the use of theories that correspond with Japan showing that:

“If apples fall on the earth in England, we can assume that all apples fall on the earth in all countries of the world. Nevertheless, as far as politics, laws and the economy are concerned, what is appropriate for England, perhaps it is suitable for France, and nations may be old or new, large or small, strong or weak, while each country is differently located, and the common laws, the climate, the habits are also interconnected.” (Suzuki, 2005)

Moving forward, he accuses those who believed that Japan should apply free-exchange because only thus it would succeed in reaching the performance of the first country: “there are those who read two or three books in English on economics and who want to

apply those theories to our country, where circumstances, population, well-being and position are different” (Suzuki, 2005).

The economists mentioned above, who opposed a vehement resistance to classical liberalism, were part of the Japanese historical school. In this endeavour, they were also supported by the vast majority of the Japanese academic society of social policy.

4 Japan academic society of social policy

The Japanese academic society of social policy was founded in 1896. Its memorandum wrote:

“We are against laissez-faire because excessive self-interest and unlimited competition cannot be added to the existing inequalities. We are also against socialism because an attempt to overthrow the current economic system and to exterminate the capitalist class can only affect the development of the nation. We aim to maintain the current economic order based on private property and within this limit, to prevent the antagonisation of classes and to achieve social harmony through activities of both individuals, as well of state power.” (Sugiyama, 2005)

Therefore, this school claimed protectionism in its struggle with liberalism, but after the final defeat of the latter, when economic ideas would challenge List’s descendants: the German historical school, and the Marxism-oriented economists, a split in society occurred. Although it was against the memorandum, several members subsequently moved to the Marxist camp, with others remaining to fight against this doctrine.

The prominent representative of the Japanese academic society of social policy was Fukuda Tokuzo, who in order to criticise Marxism, began his study, as early as 1906, being among the first Nippon economists who analysed the original writings in German. The understanding of the doctrine that he criticised represented a valuable asset that the Nippon economist acquired, his knowledge of Marxism being remarkable and found along with the numerous controversies he had with his opponents.

Fukuda’s primary attacks were directed, initially, against the deterministic tendencies that they considered an integral part of the materialistic vision of history. Further, he accused the Marxists economists of inconsistency because they were demanding support for certain social reform policies, while they should have generally believed that without these reforms the capitalist system would have been pushed to collapse and replaced by socialism; thus they do not understand the reason for which they do not allow this to materialise. Ultimately, he turned his attention against the Marxist vision on the economy as a zero-sum game and the opinion according to which, in order for the workers to gain, it would be necessary to suppress private property (Suzuki, 2005).

In order to scientifically combat an expansion of the Marxist thinking, Fukuda turned his attention towards marginalism. Starting with 1905, he used Alfred Marshall’s work, *Principles of Economics*, as a handbook for the courses he taught at the university, which were afterwards published in 1909 (in courses on political economics).

Apart from the British neoclassical economists, Fukuda also studied the Austrians, attacking the inconsistencies in the theory of value between chapters 1 and 3 of Marx’s *Capital* and using Bohm Bawerk’s theory of capital and interest, disapproving the theory of added value. He was keen on economics based on mathematics, contributing to the translation of Japanese works such as Antoine Augustin Cournot’s *Recherches sur*

les Principes Mathematiques de la Theorie des Richesses, Stanley Jevons's *The Theory of Political Economy*, Leon Walras's *Elements d'economics Politique Pure*, Hermann Heinrich Gossen's *Entwicklung der Gesetz des menschliches Verkehrs*, and Alfred Marshall's *Principles of Economics*. Apart from these works which he influenced, some of his disciples started also the translation of critical socialist works.

Thus, his name is strongly related to the development of marginalism and of Marxism which he criticised, because his disciples were those who brought, Niponised and promoted these doctrines into the Nipon archipelago during the inter-war period.

5 Some conclusions

Throughout its history, the Nipon archipelago opened three times to the other cultures, clutching everything with impressive greed and respecting each time the universal fundamental law, which represented the adjustment of the 'new' to the common Japanese denominator. Whether it was about writing (copying from the Chinese), about social stratification or quality management (invented by Edwards William Deming and Joseph Moses Juran), all elements followed an intense process of transformation (of Niponisation), which often made the finished product differs significantly from the original model (Japanese writing). The new germ is quickly integrated into the traditional fund, assimilated, transformed, modelled, to appear Japanese. Assimilated (final) products must resonate with the sensitivity of the Japanese and are modified until they meet this condition. The expressions 'Japanese soul, Chinese know-how' and 'Japanese soul, Western know-how' show their concern to preserve the 'Nipon identity and permanence'. The same thing happened to the economic thinking in the Meiji era, when several theories were firstly taken over, and subsequently were passed through the Japanese filter and modified in accordance with it. The Niponisation process can be observed through how they approached the two mother civilisations: the Chinese and Western ones. This engine is one that works in two strokes: during the first period, the selection is made so that the actual Niponisation takes place.

The 'Western shoe' is too small or too large, failing to correspond to the 'Japanese ilk'. The Japanese consider that 'the blue deriving from indigo is even bluer than indigo'.

Economic ideas that percolate into Japan are also subject to Niponisation, "capitalism, planning, protectionism having a new shape, being adapted to fold on the Nipon realities, also imitating the forms and colours of the Japanese society" (Tuii, 1987).

Thus, the economic doctrine of Niponism, focused on "the art of government and the well-being of people", was established and developed over time, in several stages, among which two are fundamental: Tokugawa Shogunate stage (1603–1868), respectively the Meiji Restoration (1868–1912). These were followed by two other periods of shaping this doctrine, namely: the inter-war one, respectively the one after World War II.

Shintoistic philosophy (the spirits' path), which is characterised by love for the homeland, veneration of nature, worship of the Sovereign, honour of the gods, respect for family values, where personal honour is the ultimate value, combined Confucianism and Chinese Buddhism (with similar values) and created a specific Japanese life philosophy and within it, an economic doctrine focused on agriculture, close to the European physiocracy, but developing specific Japanese elements: hard work, tempering, maximum

savings, acceptance of hierarchy and authority, awareness of the group's power, perfect ambition, caring for the sake of the subjects.

Pure liberalism has been and is perceived in the Nippon area as a bearer of negative valences, representing system deregulation and internal erosion, an outward threat to the way of life, an open gate for a colonisation attempt by the strong over the weak, a moral decadence, and time-social chaos.

Protectionism moulds into the countries where nation plays a central role, and not the individualities, and nationalism is a religion of strong ranking, while the 'advices' from the strong ones are immediately accepted with any doubt, where any sacrifice made for the emperor and society is an honour for the citizen. At the same time, the objectives are drawn in the long-term, the Japanese would sacrifice themselves for future well-being.

In a society where the collectively prevails over the individual, socialist aspects were expected to arise. Thus, an important fact to note is that Marxism has percolated through Japan as a labour movement, due to the heavy conditions imposed on the proletariat class, and it was only after a generation it penetrated the academic environment.

The path subsequently chosen by Japan was not represented by the USSR model, where there was socialist planning, nor by the Anglo-Saxon liberal model, following a middle path through which rational capitalist-based planning made its way. Thus, this Nippon capitalism opposed the Anglo-Saxon one, which could not be assimilated into the archipelago, and the western conception having the isolated individual as its starting point could not be rooted in Japan's soil where the group, harmony and consensus are the most important. Here, individualism has a derogatory meaning, the praise belonging to the group, not to a single person, in order not to destabilise harmony. Therefore, each member of the group must fulfil their role as good as possible, and they must not make any impression, so as not to stir up adverse reactions from colleagues and not to affect Wa (harmony).

The economic doctrine that we find in Japan can be called late capitalism, development, capitalism, growth, the capitalism of the latter, planning on liberal structures, controlled capitalism, organised liberalism, planned liberalism, contemporary feudalism, organised capitalism or we can call it Nipponism. It is composed, as we have previously presented, of the interference in the specific Nippon crucible of several 'Nipponised' doctrines: classicism, but especially neoclassicism, keynesism and neokeynesism, protectionism and socialism, succeeding the symbiotic combination of the free market with the elements of capitalist planning, a state-market complementarity. It is a fact that the theories mentioned above have been consecrated in the West, but elements of originality have been impregnated by their implantation with a Nipponised graft in a specific Japanese soil (formed throughout the ages), where they caved, have risen and amazed the entire world with their fecundity. In this way, Nipponism is the result of the merge between Western economic thinking and the Japanese millennial system.

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