

THE DEVELOPMENT OF ECONOMIC THOUGHT IN THE MEIJI ERA (1868-1912) OF JAPANESE MODERNIZATION

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The history of economic thought in the Meiji era, the era known as the period of Japanese modernization, was that of the importation to, and the settlement in, Japan of various economic ideas of Western origin. This by no means imply that there had originally been no economic thinkers but, inevitably, their thought had inseparably been fused with the traditional moral and political doctrines, mostly Confucian, which had obtained for so long. Naturally enough, in order for the modern economic thought to be introduced into the country, the isolation policy of the Tokugawa régime had had to be abolished and besides, in order for it to have any practical meaning at all, a single national market had had to be formed by way of a political revolution. Thus the Meiji Restoration of 1868 was not only an epoch-making but a necessary event for the economic thought as well as for everything else.

It seems that the *laissez-faire* idea prevailed at first for diverse reasons. First, at least up to the time of the Restoration the liberalist school of economics had been more influential in the West than any other. So it was natural that the economic thought imported into Japan was predominantly of the kind. Secondly, when economics was in itself a strange subject to the people at large, liberalism that reduced everything to clear-cut human propensities must have looked the most convincing to those who took up the task of enlightening people. Indeed, «Civilization and Enlightenment» was one of the greatest mottos of the government and the leading intellectuals at the earlier stage of modernization ensuing the Restoration. Thirdly, for the government to pursue new policies in place of every feudal restraint, liberalism was doubtless essential. And this last reason explains the fact that when fifteen intellectuals organized the society Meirokusha in 1874 for promoting and propagating new studies, nearly all of them were government officers.

In fact, the enlightenment on economic matters had started even before the Restoration, for Takahira Kanda and Yukichi Fukuzawa had respectively written

Nôshô-Ben (On Agriculture and Trade) and *Tôjin Orai* (Foreigners In and Out) some years previously. Kanda assumed that agriculture was less profitable than industry, and industry less than commerce. The expenses of the state were bound to increase unlimitedly, whereas the productivity of agriculture was limited, so that to keep trying to pay the expenses with the tax on agriculture would only lead to the impoverishing of both the state and the agriculture. Hence it should be on commerce, whose profitability could be unlimited, that the government ought to depend thereafter.

To the existing system of feudalism whose economic basis was nothing but agriculture, and to the traditional views which paid the least respect to the act of buying and selling and consequently to the trading part of the society, such a proposition as Kanda's was almost revolutionary. As though he had known Thomas Mun's analogy of «husbandman» and «madman» he wrote: «A million bags of rice, if kept without diminution, are no more than a million. But if spent in commerce, they will increase to two or three times as many». As Holland had been for Mun, so the West in general was the example for Kanda to follow, for he continued that the Western countries were rich because instead of relying on their infertile soil, they had been striving in commerce, whereas the Eastern countries were overwhelmed by the West because they had been relying on their fertile soil¹.

Fukuzawa's wish to enlighten the contemporary mind was even more apparent. He wrote the above book in his hard attempt, as he recollected years later, to uproot the popular bias towards foreigners and foreign trade. According to him, foreign trade was generally believed to be harmful because it brought in useless things and carried away useful ones, thus making commodities of national produce scarce and their prices high. This seemed to him totally groundless. Foreigners bought Japanese commodities because they found it profitable to do so; Japanese merchants sold national commodities because they also thought it profitable. Buying and selling were reciprocal things. Trading with foreigners, then, was the source of the wealth of the nation as a whole².

Along with these original writings translations of Western books had also been published, though their number had been just as small. Fukuzawa's *Seiyô-jijyô Gaihen* (Western Circumstances Continued, 1867) was in fact the translation mainly of the popular textbook *Political Economy for Use in Schools, and for Private Instruction* edited by the Scottish publishing house Chambers (n.d.) and partly of Francis Wayland's *Elements of Political Economy* (1837). In the same year Kanda also translated William Ellis's *Outlines of Social Economy* (1850), though from the Dutch edition. It may be worth noting that those books, i.e. the first economic books ever translated into Japanese, were of the liberalist school.

¹. *Meiji Bunka Zenshû* (to be hereafter abbreviated as *M B Z*), Tokyo, 1929, Vol. 9, pp. 470-1.

². *Fukuzawa Yukichi Zenshû* (to be abbreviated as *F Y Z*), Tokyo, 1958-63, Vol. 1, pp. 15-19.

The Restoration put spurs to this tendency. Out of over 160 economic books translated only within the first twenty years of the era, over 60 were British, nearly 30 American and another 30 French³, the absolute majority of which all was liberalist. A.L. Perry, Francis Wayland, M.G. Fawcett, J.E.T. Rogers, F.A. Walker, G. Boisonade de Fontarabie, T.R. Malthus, Germain Garnier, C.F. Bastiat, T.P. Thompson, Léon Levi, Augustus Mongredien, W.S. Jevons, J.B. Say, J.E. Cairnes, Walter Bagehot, Adam Smith, H.D. Macleod and J.S. Mill are only examples. It could not have been helped that selections were at random and disorderly in such a way, for instance, that Perry, the American propagator of Bastiat's economics, was taken up before Bastiat himself, or Bastiat, Say and Garnier, the French propagators of Smithian doctrines, before Smith himself, or Fawcett, the disciple of J.S. Mill's theory, before Mill himself. Even so, considering the short time that had elapsed since Japan had unwillingly opened the country to the outer world, or, more exactly, opened its five ports to the merchants of America, Holland, Russia, Britain and France, in 1858, this was a remarkable process. And the process is not merely characterized by the number of books offered to the reader in translation, but by the fact that such voluminous and not really «vulgar» books as Smith's *Wealth of Nations* and Mill's *Principles* came to be translated nearly completely.

The task to popularize economics was promoted by original writings as well, where again Kanda and Fukuzawa were conspicuous, though Ukichi Taguchi, Tameyuki Amano and some others must also be added. Kanda proposed the reformation of the system of land ownership and land tax. The proposal was to permit the freedom of buying and selling land, and to let the proprietors issue land bills with the price of their own choice written on them. If a proprietor should be offered a higher price than that of the bill, he ought to be compelled either to sell the land or to revise the original price to that higher level. The old tax in kind should be replaced by the new one in cash to be levied according to the price of the bill. The effect of the proposal would be that «by so doing, high land prices would gradually be lowered and low ones raised, so that an equilibrium would eventually be reached». Indeed, he believes, no one wants high tax. But low tax means low price and low price obliges one to sell one's land to the offerer of higher price or else to raise the price. Consequently it would be impossible that tax alone falls or price alone rises. The result of this alternating rise and fall must only be a right average⁴. What Kanda had in mind was the arguments of a sect of people who, clinging to the old system of land tax based on the traditional system of ownership, objected to the land reform then under discussion. They were of the opinion that once the free buying and selling of land was introduced, the inequality of property would inevitably follow. To this Kanda's reply was in general terms: «Men are by nature different from each other. Some are clever while others are dull, some work industriously but others remain lazy, some

3. Eijirō Honjō, *Nihon Keizai Shisō-shi Kenkyū*, Tokyo, Vol. 1, 1966, p. 194.

4. T. Kanda, *Denzei Shinpō*, 1872; *M B Z*, Vol. 9, p. 507.

tend to be thrifty but others wasteful, so that it is natural that those who are at the same time clever, industrious and thrifty grow rich, whereas those who are at once dull, lazy and wasteful become poor. To try to prohibit the free purchase and to eliminate the inequality, therefore, is nothing other than to rob the rich in order to give to the poor, of which the result would be to discourage cleverness, industriousness and thrift and to encourage the opposites. It would simply be a policy of impoverishing the nation⁵». His proposition based on this fundamental theme of *laissez-faire* and stated in such general terms was vitally related to the imminent issues of the day. Among other policies for removing feudal elements, land reform was of particular importance, because with hardly any modern industry, 80 to 90 per cent of the governmental revenue had to come from land tax, without which, consequently, no policy of the new government could have been carried out. The fact that his proposition actually resulted in the Land Tax Reform Ordinance of 1874 shows what progressive role economic liberalism could play in those earliest stages of modernization⁶.

Fukuzawa, under the influence of the liberal school as expounded in the books he had translated, wrote a popular book of economics to say that the government must not intervene in the people's economic activities with the exception of those affairs which concerned the interest of the public at large such as railways, gasworks, water supply and the like. These should be maintained by the governmental expenses. Those things which did not directly concern the public interest and yet cost too much to be paid privately, such as iron-mining, could also be exception⁷. Indeed this is not the classical do-nothingism, as it were. But the contemporary stage of economic development taken into consideration, such a deviation may be regarded as small and inevitable. Its contents were by and large a popularized version of the theories of classical economics and the complete absence of Chapters dealing with the capitalist mode of production and accumulation merely corresponded to the reality of the day.

The essence of Fukuzawa's view on the government was shared by Taguchi. The only thing for the government to do, he wrote, must be limited to constructing roads, railways and the like, whereby to keep the «field of exchange» wide, for the wider the «field» was, the more likely «the mixing of one kind of commodity with another» was to be realized, and therefore «the balancing of one another» achieved⁸.

Some more years had to pass before a more sophisticated book could appear, and it was only in 1886 that the first one of the kind, a book by Amano entitled *Kei-*

5. *Loc. cit.*

6. To add, unlike his plan for land reform, Kanda's proposal for convertible money was not effectuated. Inflation had later to be stopped by the convertibility policy of Masayoshi Matsukata who became the Minister of Finance in 1881.

7. Y. Fukuzawa, *Minkan Keizai-roku*, Pt. 2, 1880; *F Y Z*, Vol. 4, pp. 374-5.

8. U. Taguchi, *Jiyū-kōeki Nihon Keizai-ron*, 1878; *Teiken Taguchi Ukichi Zenshū* (to be abbreviated as *T U Z*) Tokyo, 1928, Vol. 3, pp. 25-42.

zai Genron (Theory of Political Economy) was published. The book was so systematically written as to be divided into three different parts, and each part again into three distinct chapters. The first part dealt with production, the second with distribution, and the third with exchange, thus corresponding to the first three parts of Mill's *Principles* (1848). Not only the division into parts, but also the contents were substantially taken from Mill, though he also enumerated in the preface the works of some other authors as the books of reference. On the other hand, Amano deviated from Mill in some respects. For example, Mill differed from any of his predecessors in that he distinguished between the laws respectively regulating production and distribution, and from there on proceeded to his prediction of the future development of working classes and to his sympathy for socialism, whereas Amano never went that far. About this, there is an interpretation that he was too conscious of methodological consistence to follow Mill's distinction⁹. This may be right, but more basically, the deviation should be attributed to the fact that he did not understand the practical significance of the distinction, which fact is also related to his attitude towards socialism. The attitude was not even of Fawcett's who simply denied its adequacy. If one takes it into account that even some of his forerunners had an inkling of socialism, this may look strange¹⁰. But it belonged to a little later day that socialism became an object of serious interest. There lay the difference between England at the time of Mill's *Principles* where the Industrial Revolution was nearly over, and Japan at the time of Amano's *Genron* where it was still incipient.

Immediately afterwards, Amano published a book concerning economic policy. Already in his former book he had urged the need to discriminate between theory and policy. Theory should be concerned with truth and not with evaluation. Evaluation, or the «application of theory», belonged to a different sphere, which was economic policy or «economic art» as he put it (pp. 17-20). That, he claimed, was why he wrote the latter book *Shosei Hyôjun* (Principles of Commercial Policy, 1886). Here again he was not really original, for it was substantially taken from Cairnes's *Character and Logical Method of Political Economy* (1857). Without further comments, therefore, it may suffice to point out that Amano, unlike his predecessors, was no longer solely concerned with the popularization of economics or with the discussion of current issues, but had embarked on the writing of specific studies, and that, particularly in the latter book, he ceased to be a faithful follower of *laissez-faire* and free trade and allowed room for protectionism.

By this time protectionism that had been introduced earlier, if not as early as liberalism, was gaining ground. Already in 1871, only three years after the Restoration, Norikazu Wakayama argued for protective methods. It was impractical to adopt free trade in a country where the majority of people were still poor, unfamiliar

9. E. Asakawa & Nishida, *Amano Tameyuki*, Tokyo, 1950, p. 103.

10. A. Nishi, Y. Fukuzawa, H. Katô, K. Sugi and H. Kosaki referred to socialism. Kosaki even referred to Marx and Engels in his periodical *Rikugô Zasshi*, No 7 (1881).

with manufacturing and commerce, and too unenlightened to think much of the public interest. The most urgent was «to prohibit the export of agricultural products and thereby recover the fertility of soil, to prevent the activities of cunning merchants and thereby rescue trade from decay, to prohibit the import of, or levy heavy duties on, foreign commodities and thereby encourage useful industries»¹¹.

Six years later, to plead his cause still further, he tried to contradict liberalist thought once again. Appealing to the analogy of babies to whom the parents' care was indispensable, he wrote that no country had ever achieved wealth without exercising protective methods, as the examples of France, Germany, Belgium, Switzerland, Denmark or America showed. Any of those late starters could not do without protection. Should Japan copy England and adopt free-trade policy, «its fate would be that of a lamp with no additional oil, because it is an island country in the East with no other country to rely on»¹².

Although Wakayama asserted that free trade was in good theory but not in practice, his assertion «to prohibit the import of, or levy heavy duties on, foreign commodities» was impractical on its part, because under the «Unequal Treaties» of 1858 which had fixed import and export duties at 20 (at 5 from 1866) and 5 per cent respectively, Japan had no right of raising its own customs duties. And one of the clauses of the Treaties obliged Japan «free trade» at those fixed rates. Wakayama's assertion, therefore, should have been that protective trade was good in theory but not in practice, or that the «Unequal Treaties» should the first thing be revised. Indeed the revision of the Treaties was to become one of the greatest national issues before long. Yet, despite the «free trade», Japan's exports kept exceeding its imports for some time since the opening of the country, though gold itself kept flowing out. The proportion of exports to imports was 3.24 to 2.99 in 1860, 8.67 to 8.37 in 1866, and 15.55 to 10.69 (million yen) in 1868, and it was only from the second year of the era that the balance turned unfavourable.

So it was not without reason for Masamichi Tsuda to believe: «Imports and exports are reciprocal. Sometimes the former may exceed the latter but sometimes the balance goes the other way round . . . Imports and exports circulate according to the law of nature, so that there is nothing to worry about»¹³. For him even the excess of imports was a good sign, for it promised the future increase in the amount of productive capital¹⁴. As foreign trade seemed to Tsuda like «heat and cold or ebb and flow», so it looked like the «flow of water» to Masano Nakamura. He believed that

11. N. Wakayama, *Hogozei-setsu*, Tokyo, 1871; *Wakayama Norikazu Zenshû* (to be abbreviated as *W N Z*), Tokyo, 1940, Vol. 2, pp. 734-5.

12. *Jiyû Kôeki Anasagashi* (J.B. Byles, *Sophisms of Free Trade and Popular Political Economy Examined*, 1849 tr. Wakayama), Tokyo, 1897, Translator's Preface; *W N Z* Vol. 2, pp. 792-4.

13. *Meiroku Zasshi*, No 5, 1894; *M B Z*, Vol. 18, pp. 71-4.

14. *Ibid.*, No 26, 1895; *M B Z*, Vol. 18, p. 182.

the outflow of gold was not caused by the unfavourable balance of trade but by the governmental expenditure in sending students abroad, employing foreigners, and purchasing weapons and warships¹⁵.

Such an analogy of economic laws to natural ones was answered by Wakayama who said that «it is as clear as day that an economic policy suitable to one country is not necessarily so to another», and that «it is absurd to believe that there is one economic rule which applies in every country»¹⁶. Needless to say, this statement is in effect the same as the premise from which Friedrich List started, though Wakayama got the idea not directly from List but from American protectionists in general and, as the liberalist Masaki Hayashi pointed out, from H.C. Carey in particular¹⁷.

Wakayama's arguments offered a common basis for other protectionists such as Kyôji Sugi, Takuzô Ushiba, Shigeki Nishimura, Tsuyoshi Inugai and the rest. Foreign trade, Sugi thought, must at any rate be balanced. Whatever the situation might be in future, when Japan had achieved enough development to cope with others in trade, it must at present be the best policy to aim at the development by protection¹⁸. Ushiba's argument was much the same. Writing to contradict the liberalist Tsuba, he said that it was not simply in consideration of the unfavourable balance of trade but of the result it must lead to, that he defended protective means. Without them, gold would flow out, land would go out of use, production would sink and wealth decrease¹⁹.

Such views were shared by Nishimura as well, for he wrote that those who clamorously supported free trade probably saw Britain flourish by free trade and believed that Japan ought to follow suit. But there was nothing in common in the trade of the two countries. «The British opened their foreign trade of their own accord, whereas we were forced to do so by America. . . . When the British started free trade, they had already excelled other nations in manufacture and commerce, whereas when we opened our trade, other nations had already surpassed us. . . . Even Britain exercised a policy called mercantilism to encourage export and home industry, and to prevent money from flowing out». Afterwards Adam Smith denounced mercantilism for the first time and eventually led to the alteration of the policy. However, it was only by that mercantilist policy that the wealth of the country had by then been attained²⁰. The example the Japanese should follow, he concluded, was not of the British but of the Americans, who, conscious of their inferiority to the Europeans, put heavy taxes on their imports.

15. *Keizai Meimô* (C.F. Bastiat, *Sophismes Économiques*, 1845-48, tr. M. Hayashi), Tokyo, 1878, Introduction by Nakamura.

16. *Jiyû Kôeki Anasagashi*, Translator's Preface; *W N Z*, Vol. 2, p. 769.

17. See *Keizai Meimô*, Translator's Preface.

18. *Meiroku Zasshi*, No 24, 1874; *M B Z* Vol. 18, pp. 172-5.

19. *Minkan Zasshi*, No 10, 1875; *M B Z*, Vol. 18, pp. 307-9.

20. *Meiroku Zasshi*, No 29, 1875; *M B Z*, Vol. 18, pp. 194-6.

Just like the liberalists, the protectionists asked for, and stood upon, the authority of the Western economists. Within the first twenty years of the era the writings of several Western protectionists were translated. H.C. Carey, J.B. Byles, R.T. Thompson, William Elder and Luigi Cossa were translated from 1874 to 1887. The translations of Edward Sullivan, R.T. Ely, J.B. Clark, J.K. Ingram, and more important still, German historicists were only to follow. If Mrs Fawcett and then J.S. Mill were the most popular among the supporters of free trade, Carey was the most influential to those of protectionism.

In the first number of the periodical he started in 1880 to defend his cause against the periodical Taguchi had launched the previous year, Inugai declared that «national economy» was different from «private economy» and that «before a cosmopolitan economy has been established, all countries must be united in a single society, where there is no war, no difference of nationalities or of national interests». Otherwise, to talk about «cosmopolitanism» was utterly idle talk²¹. In this and the ensuing numbers Inugai kept trying to refute Taguchi's defence of free trade and *laissez-faire* as propounded in his book *Jiyū Kōeki Nihon Keizai-ron* (Japanese Economy Discussed from Free-Trade Standpoint, 1878). To this again Taguchi did not lose time to reply in his own periodical, *Tokyo Keizai Zasshi*.

Thus the fighting between the two camps, the liberalist and the protectionist, went on. But the trouble of pursuing it further may be spared. It must suffice to point out that it was natural for such discussions to take place because the contemporary reality was in itself quite complex. Apart from the above - mentioned character of foreign trade which somehow resembled a free trade, all the modernization policy of the government for the freedom of buying and selling land also mentioned above, for the dissolution of merchant guilds and of *samurai* classes whereby to encourage the freedom of trade and to increase the number of productive people, for the establishment of the Ministry of Agriculture and commerce to promote the freedom of people's economic activities, and for the transfer of the government - owned enterprise to private firms may be regarded as representing a liberal element. On the other hand, about ten years had had to pass before the transfer of public enterprise was started, until when modern industry had to be initiated by the government and consequently public enterprise ranged over varieties of industry such as mining, shipbuilding, spinning and weaving, arsenal, railway, glass, cement and so on. And it was understandable because when Japan opened the country, the Western Powers had so much developed in their productive power that they were entering the stage of modern imperialism. And the very disposal of government-owned enterprise was made at so low prices that, together with other policies such as the financial aid and every other privilege given to private firms, it led to the growth of the *saibatsu*, the notorious monopoly groups. Besides, even when the foreign trade of Japan looked

21. *Tōkai Keizai Shinpō*, No 1, 1880, Editorial.

favourable in its balance, all imported commodities had to be carried in by foreign ships and, moreover, the items of those imports did not include weapons and warships bought by the government from abroad. And even that apparently favourable balance lasted only for a limited period. After then the balance changed and during the first ten years of the era the proportion of imports to exports became sometimes as bad as 33.7 to 15.5 million yen (1869) or 30 to 18.6 million yen (1875). So, there was a strong ground for the government to exercise the policy of encouraging «Trade and Industry», another wholesale motto of the day, and for the economic writers to tend to be nationalistically minded. No wonder Hiroyuki Katô, who wrote *Kôeki Mondô* (A Dialogue on Trade) in 1869 to praise the benefit of foreign trade in as optimistic a way²² as Fudzawa had done in his first book, soon turned out to be a nationalist. Even Fukuzawa went as far as to say that it was of no use to blindly believe the *laissez-faire* and free trade doctrine of the West and denounce the government interference²³. He indeed became a kind of mercantilist and remained so through the rest of his career as an economic writer, though he was never completely free from the influence of classical economics under which he had started the career.

It is true that he often said that to enrich oneself was to do good to others, but his attitude there was not that of Adam Smith or his disciples, even less of Mandeville, because in all his arguments, economic or political, the ultimate aim was always laid on the «ινδεδενδενψε» of his country. B.K. Marshall is perhaps right in saying that this attitude of Fukuzawa's was representative of the ideology of the business elite in those days²⁴. For instance, Eiichi Shibusawa, one of the most distinguished businessmen, later recollected the day when he had determined not to keep his official position any longer, and said: «In order to make the country rich, we must make our industry and trade develop. And that is why, with all the lack of capability, I made up my mind to throw myself into the business world»²⁵. Indeed there was a fundamental difference between their ways of thinking, for Shibusawa subscribed to Confucianism, while Fukuzawa paid disrespect to it. But it is true that there was something in common in their attitudes. Marshall may also be right in ascribing such common attitudes to the tradition of the duty-consciousness peculiar to *samurai* classes. But they must also be attributed to the international circumstances and national conditions in which Japan had to start its modern history. When Tomatsu Godai, another leading businessman, pointed out in 1883 that *laissez-faire* was not applicable and advised the government to give protection to the business run by «the people» in order to «lay the foundations of wealth and strength of the country»²⁶, he

22. *M B Z*, Vol. 9, pp. 57-74.

23. Y. Fukuzawa, *Bunker-ron*, Tokyo, 1877; *F Y Z*, Vol. 4, pp. 268.

24. B.K. Marshall, *Capitalism and Nationalism in Prewar Japan*, Stanford, 1967, p. 32.

25. Cit. Yoshio Sakata, *Shikon Shôsei*, Tokyo, 1964, p. 50.

26. Cit. Marshall, *Capitalism and Nationalism*, p. 19.

doubtless represented the businessmen's response to such a situation.

In any case, the policy for «Industry and Trade» gave birth to the Japanese industrial Revolution in about the 20th year of the era. The percentage in value of the manufactured commodities rose from 13 to 24 per cent of total exports and fell from 44 to 33 per cent of total imports within so short a space of time from the same year 1887 to 1893, the year immediately before the Sino-Japanese War. Imports and exports put together, the sum in 1893 was twice as large as that in 1887. Cotton yarns, for example, which had once been the biggest item of import, now became one of the biggest ones of export. The number of cotton mills and spindles rose from 19 to 40 and from 76 to 381 respectively within the same period²⁷. The «Unequal Treaties» were at last dissolved in 1894 and the new treaties based on the «principles of fairness and mutual interests» were concluded with Britain and fourteen other countries. After the Sino-Japanese War ended in Japan's victory in 1895, Fukuzawa, who had so often been critical to the policies of the government, confessed that he was perfectly satisfied to have lived enough to witness these developments²⁸.

Meanwhile, German historicism that had partly introduced via America was now coming directly from Germany. The Society for the Study of State Sciences was established in 1887 according to the advice and support of Hirobumi Itô and his government. No wonder, because Itô, the politician of the Imperial Constitution to be promulgated two years later, was a convinced protectionist. The President of the Tokyo University Kôki Watanabe contributed an article to the first number of the Society's periodical to announce that more attention should now be paid to the state sciences of German origin than to the social sciences of British birth²⁹. Friedrich List, W.H. Roscher, A.H.G. Wagner, G.F. von Schönberg and Lujo Brentano were translated in the period from 1889 to 1899. Largely following List's doctrines, Sada-masu Oshima could write that the liberalist policy of the earlier part of the era had been useful in eliminating feudal elements. It applied no more, since Japan was no longer a totally agricultural country; nor could it apply yet, because the country was still too premature to compete with others. Taguchi and his friends were wrong in believing that the Japanese economy had developed because of low customs. On the contrary, it had developed despite them. They were a burden laid by the unequal treaties, a burden to be cast off by way of treaty revision³⁰. To Ôshima's accusation that liberalists were «short-sighted», Taguchi replied in his periodical but here again no more tracing up is asked for.

The German influence went still further, for a group of economists gathered to

27. For more details see, for example, Takao Tsuchiya, *Nihon Keizai-shi*, part 2, Tokyo, 1939, pp. 129-204.

28. Y. Fukuzawa, *Fukuô Jiden*, Tokyo, 1899; *F Y Z*, Vol. 7, p. 259.

29. *Kokka Gakkai Zasshi*, No 1, 1887.

30. S. Ôshima, *Jôsei-ron*, Tokyo, 1891, p. 142-5.

establish the Society for Social Policy as early as 1896, a Japanese copy, needless to say, of the Verein für Sozialpolitik established in Germany in 1872. This short space of time that lay between the copy and the original should be contrasted with that needed to bring in Smithian doctrines. The space becomes even shorter when an article is taken into consideration which Kenzô Wadagaki had written in 1888 to introduce the ideas of social policy school in Germany³¹. Here one sees what the pace was with which the modern history of Japan had been proceeding.

The Industrial Revolution and therefore the progress of capitalist economy was inevitably accompanied with social problems. For example, already in 1898 the number of workers who went on strike was over six thousands³². A factory law to regulate working hours began to be an issue, though the enactment delayed until later (1910), and its actual enforcement until later (1916). The consistent and persistent liberalist Taguchi objected to it, too, and wrote an article on «labour problems and socialism» in 1901 to proclaim once again that left alone, things would go right without intervention: «Nothing is more absurd than to hear workers complain and regard legal intervention as necessary. It is only too natural that workers want shorter hours and more wages, and employers longer hours and less wages. Their respective self-interests will come into collision and then to agreement. What else can the state do with effect than to leave the matter to the parties concerned³³.»

Economic liberalism seemed to have lost the progressive role it had played years ago, for in an article he wrote, as Wadagaki had done, to introduce the ideas of social policy, and to criticize Boissonade's article on «labour problems in Japan», Noboru Kanai called *laissez-faire* «old-fashioned doctrines of Say and Bastiat», or of the «Manchester School»³⁴. Kanai and other members of the Society declared in its «Programme» published in 1900 that they objected to *laissez-faire* because excessive self-interest and unlimited free competition could only add to the inequality between the rich and the poor, and that they were also opposed to socialism because any attempt to overthrow the existing economic system and to exterminate the capitalist class could only harm the development of the nation³⁵. This way of thinking is well represented by Matao Toyohara's book entitled *Shihon to Rôdô no Chôwa* (Harmony between Capital and Labour, 1899). He asserted that economic individualism was mistaken in the premise that men were independent of one another, and in the concl-

31. *Kokka Gakkai Zasshi*, Vol. 2, No. 13, 1888; *M B Z* Vol. 21 pp. 465-9.

32. J. Okazaki, M. Kajinishi & H. Kuramochi (ed), *Nihon Shihonshugi Hattatsu-shi Nenpyô*, 1954, Appendix, p. 59.

33. *T U Z*, Vol. 2, 559.

34. *Hôgaku Kyôkai Zasshi*, Vol. 10, No 12, 1892; Vol. 11, Nos. 1-2, 1893; *M B Z*, Vol. 21, pp. 484-92.

35. See Tetsuji Kada, *Meiji-shoki Shakaikeizai Shisô-shi*, Tokyo, 1937, pp. 863-4; Etsuji Sumiya, *Nihon Keizai Shisô-shi*, Kyoto, 1958, revised 1967, pp. 170-1, 252.

usion that being independent, men should be left absolutely free unless they obstructed the freedom of others. «Men are social beings unable to live by themselves. The society and the state are the indispensable condition of their existence and development. Should the freedom of each individual be allowed to expand to such an extent as to make the society and the state unable to stand, then, even though that expansion might not be obstructing the freedom of others, the very condition of human existence and development must necessarily be denied». Besides, when workers had fallen into the present misery and the existence and development of the majority of people was in possible danger, it was not right to confine the duties of the state merely to military and judicial affairs and to disapprove its taking a proper measure.

Socialism was just as wrong, because it presupposed that all men were equal. The truth was that they were by nature different in all ways. If so, even a powerful attempt to remove the inequality of property once and for all would succeed only temporarily, because the very cause of economic inequality could never be removed. Moreover, to propose to nationalize so great a number of industries run by so large a number of individuals, and to allot every different kind of work to every different individual according to his best aptitude was highly impractical. Toyohara also criticized the labour theory of value but it may be unnecessary to go into details here, for simply confused value with price, and wrote that labour was less significant than demand and surply (pp. 17-52).

Kumazô Kuwata's attack on socialism was roughly the same as Toyohara's. Calling it a chimera that could exist only in the mind of socialists, he claimed that in socialism, no one having freedom of choice in wages or in employment, the state would exclusively be in charge of such matters and yet the state could not possibly have any proper standard by which to decide what work would be suitable for each individual or what wage would be reasonable for every type of work³⁶.

Thus fighting with the two sorts of opponent, the liberalist and the socialist, the social policy school was somehow successful in achieving the enactment of the above-mentioned Factory Law.

The outline of the doctrines of Karl Marx and Friedrich Engels was no longer unknown to intellectuals. Kuwata, for instance, referred to *Das Kapital* and refuted it, though only in its theories of unemployment and impoverishment³⁷. Furthermore, a partial translation of *Manifest der Kommunistischen Partei* was printed on the *Heimin Shinbun* (The Commoners' Newspaper) in 1904 to commemorate the one-year anniversary of its foundation. But their thought was not influential yet. The *Heimin Shinbun* was not really, as is often believed, a Marxist periodical, for the «Proclamation» printed on its first number (March 1903) said that their aim was to promote «li-

36. K. Kuwata, *Ôshû Rôdô-mondai no Taisei*, Tokyo, 1899, pp. 179-92.

37. *Loc. cit.*

berty, equality and fraternity» as the «three great ideals of humanity», and that they would try to realize those ideals by peaceful means and never by revolution. Sen Katayama, who later became a distinguished communist, was then a social democrat not yet really free from the Christian belief he had converted to during his stay in America. Denjirō Kōtoku, who later became a famous anarchist and was sentenced to death in 1911, was still a social democrat. Apart from them, most socialists such as Isō Abe, Naoe Kinoshita, Mitsujirō Nishikawa and their friends were Christian socialists.

Yet socialism without Marx was already a «dangerous thought» to the establishment. When the Democratic Socialist Party (which was the reorganization of the Socialist Party of 1901 which latter again the reorganization of the Society for the Study of Social Problems of 1898) was organized in 1902 and published its «Declaration» calling for public ownership of all means of production, the Party was immediately dissolved and the newspapers which inserted the Declaration were also stopped by the authorities.

When the Party was dissolved, Wadagaki, Kanai and Kuwata, obviously on behalf of their Society and apparently in fear of their principles being confused with socialism, published a statement that although there were some who neglected the difference between social policy and socialism and mistook their principle for socialism, both were different in that the former was compatible with the peace of the society, whereas the latter was not³⁸. To a socialist like Abe, social policy appeared to be only a step towards socialism. He claimed that the disagreement was simply that they regarded social policy as the ultimate means of solving social problems, while socialists did not. The difference, he thought, was as though the one had insisted to travel to Kyōto, whereas the other had wanted to travel up to Kōbe. To this, and to this only, Taguchi expressed his agreement, saying that he thought Abe's opinion quite understandable, because both accused employers' attitudes and called for the restriction of working hours by law³⁹. However, when Taguchi continued to say that employers were not distressing workers but giving them employment, and that the richer the former grew, the higher the latter's wages could rise, of when Amano wrote some years later, presumably with social policy school in mind, that while there existed nothing like class antagonism in Japan as in the West, there were some who, with an excuse to help workers, instigate hostile feelings towards employers⁴⁰, their words could not help sounding rather apologetic.

38. See Kada, *Meiji-shoki Shakaikeizai Shisō-shi*, pp. 865-6; Sumiya, *Nihon Keizai Shisō-shi*, pp. 172-3.

39. *T U Z*, Vol. p. 560.

40. T. Amano *Keizaisaku-ron*, Tokyo, 1910, pp. 611-3.

Yet for the time being the social policy school prevailed until its Society died a natural death some time in the next era. But as the above reference to the dissolution of the Democratic Socialist Party and to the execution of the anarchist Kôtoku may hint, a prelude to the Dark Ages of modern Japan, where not only the ideas of socialism but also of social policy and even of liberalism had to suffer, was already being played in the era under consideration.