

Economic Development of Japan



No.3 Meiji Goals

Topics for Discussion

- ❑ When the West approached and opened Japan by military threat in the mid 19th century, how did Japan react? How did the Edo government, hans (local daimyos & samurais) and intellectuals respond to this challenge?
- ❑ What was the impact of new foreign trade with the West on Japanese society, economy and politics?
- ❑ Unlike many other non-Western countries at that time, Japan was not colonized or subjugated by the West. What was the reason?

Political Economy of Transition

- ❑ Re-encounter with the West in the nineteenth century was a great shock to Japan. It found itself a backward agro-economy which was no match for the powerful West.
- ❑ Entire Japan as well as each han was split between anti-foreigner campaigners and “open door, import technology” proponents. Political battles ensued for about 15 years (1853-1867) with the victory of the latter, more realistic view.
- ❑ Another point of contention was who would lead Japan in this national crisis—the Bakufu or the Emperor (who was only nominal and symbolic for centuries). The Bakufu’s power and legitimacy were weakened and finally ended by the military force of strong hans (mainly Satsuma and Choshu).
- ❑ During this transition, Japan did not disintegrate into total chaos or a civil war. Internal fights were small-scale. Cementing factors included nationalism which was formed in the Edo period, the emperor as a unifying symbol, and the knowledge of colonization of India and others.
- ❑ Seeing Japan rapidly absorb Western technology and systems and maintain national unity, foreigners decided to pursue commercial profit instead of colonization by force.

Second Arrival of the West and End of Bakufu

- ❑ US Commodore Perry and his “Black Ships” entered Edo Bay and used military threat to open up Japan (1853-54), resulting in “Treaties of Amity” with the US and with European powers (1854).
- ❑ Trade with the West began under “unequal” commercial treaties of 1858, in which Japan had no tariff right or right to judge foreign criminals. Trade brought significant social and economic changes.
- ❑ Fights over pro- vs. anti-foreigners, and pro- vs. anti-Bakufu began, eventually toppling Bakufu in 1867-68 and establishing the Meiji government which pursued open trade and technology import.



M.C. Perry (1794-1858)



Black Ships



Odaiba No.3 (Bakufu's fortified artificial island)

	Support Bakufu (佐幕)	Support Emperor (尊王)
Anti-foreigner (攘夷)	Satsuma Han	Choshu Han
Open door (開国)	1862	1865
	1866	Meiji Gov't



French support



British support



Perry's Entry into Edo Bay 1853-54



Edo

New forts
(1854)

Yokohama

Uraga

Attack line

Kurihama

O-daiba
(forts)

Stop line

July 1853
(4 ships)

Feb. 1854 (7 ships)



Japan-US Treaty of Amity (Mar. 1854)

Officially: Convention of Peace and Amity between the USA and the Empire of Japan (or the Kanagawa Treaty)

1. Two nations shall build permanent friendship.
2. Shimoda & Hakodate shall be opened as ports for supplying necessities for US ships.
3. Shipwreck shall be rescued.
4. Freedom and rights for Americans in shipwreck.
5. Americans may travel in limited areas around two ports.
6. Additional requirement shall be discussed by two sides.
7. Exchange of coins & goods is allowed subject to Japanese law.
8. Fuel, food & coal shall be supplied through government and in non-excessive amounts.
9. US shall enjoy all privileges given to other nationalities [MFN].
10. In emergency, other ports may be used for taking shelter.
11. US representative shall be stationed if necessary after 18 months.
12. Ratify this treaty within 18 months.

Japan-US Treaty of Amity & Commerce (July 1858)

1. Mutual exchange of diplomatic missions.
2. US shall mediate disputes between Japan and Europeans.
3. Kanagawa, Nagasaki, Niigata, Hyogo, Edo & Osaka shall be additionally opened. Americans may reside and freely trade without official interference in designated port cities.
4. Official inspection is required for export & import goods.
5. Rules about monetary exchange.
6. American criminals are judged by the US Consulate; Japanese criminals are judged by Japanese court. Appeal is possible. Government shall not intervene in trading activity.
7. Americans may travel in designated areas around open ports.
8. Freedom of religion.
9. Mutual assistance in criminal arrest & detention.
10. Japan may hire American experts for purchasing ships & weapons, and for other professional services.
- 11-14. Attachment, revision, ratification, etc.



US Consul General
Townsend Harris

Other Asian Nations during the Meiji Period

China's Westernization Movement (1860s-90s)

- ❑ High officials of Qing Dynasty imported Western technology to strengthen China. About 250 students were sent to US and Europe in the 1870s.
- ❑ Military mills, shipyards, telegraph, paper mills, steel plants, marine transport, military academies, mines and a foreign book translation agency were created. Qing's naval fleet was larger and more modern than Japanese.
- ❑ Modern technology in traditional empire?—lack of political and administrative reform and persistent resistance to Westernization prevented success.

Thailand's Chakri Reform (Rama V, 1868-1910)

- ❑ Reforms in education, military, roads, railroads, telecom, water, etc. Royal family members studied abroad.

Vietnam's Dong Du Movement (1905-1910s)

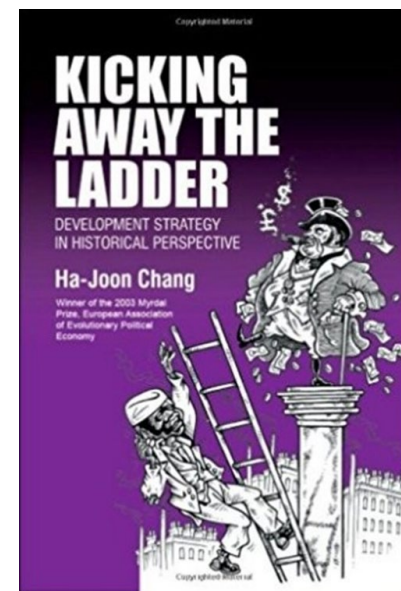
- ❑ Pham Boi Chau solicited Japan's support for anti-French independence movement, and sent Vietnamese students to Japan (Dong Du or Eastern Study).

Korea was not eager to open up or learn Western technology or system in this period. Japan, China and Russia competed for dominance over Korea.

Kicking Away the Ladder

Development Strategy in Historical Perspective, Anthem Press (2002)

- ❑ Ha-Joon Chang, a Cambridge economist, says Europe, USA and successful East Asian latecomers (incl. Japan) all practiced *infant industry promotion*, a policy of protecting domestic industries until they attain competitiveness. Free trade was embraced only after they became rich and industrialized.
- ❑ Today's developing countries are counselled by advanced nations, World Bank, WTO and IMF to open up and integrate quickly, and avoid infant industry protection because it is both ineffective and prone to political capture.
- ❑ Chang considers this as double standards and injustice to latecomers. This will bar latecomers from rising to challenge existing industrial nations.
- ❑ Chang's argument is not new. In the late 18th to early 19th century, the need for latecomer protection was argued by Alexander Hamilton (USA) and Friedrich List (Germany).
- ❑ Meiji leaders also reacted negatively to British Ambassador Sir Alcock's advice for free trade (*Imperialism of Free Trade*).



Meiji Leaders were Clearly Aware of the Disadvantages of Free Trade to Latecomers



Ito Hirobumi 伊藤博文 (First Prime Minister)

“Free trade advocated by Britain is merely an excuse to pursue its own national interest whose adoption would greatly harm an underdeveloped country like Japan.” (A letter from USA, 1871)

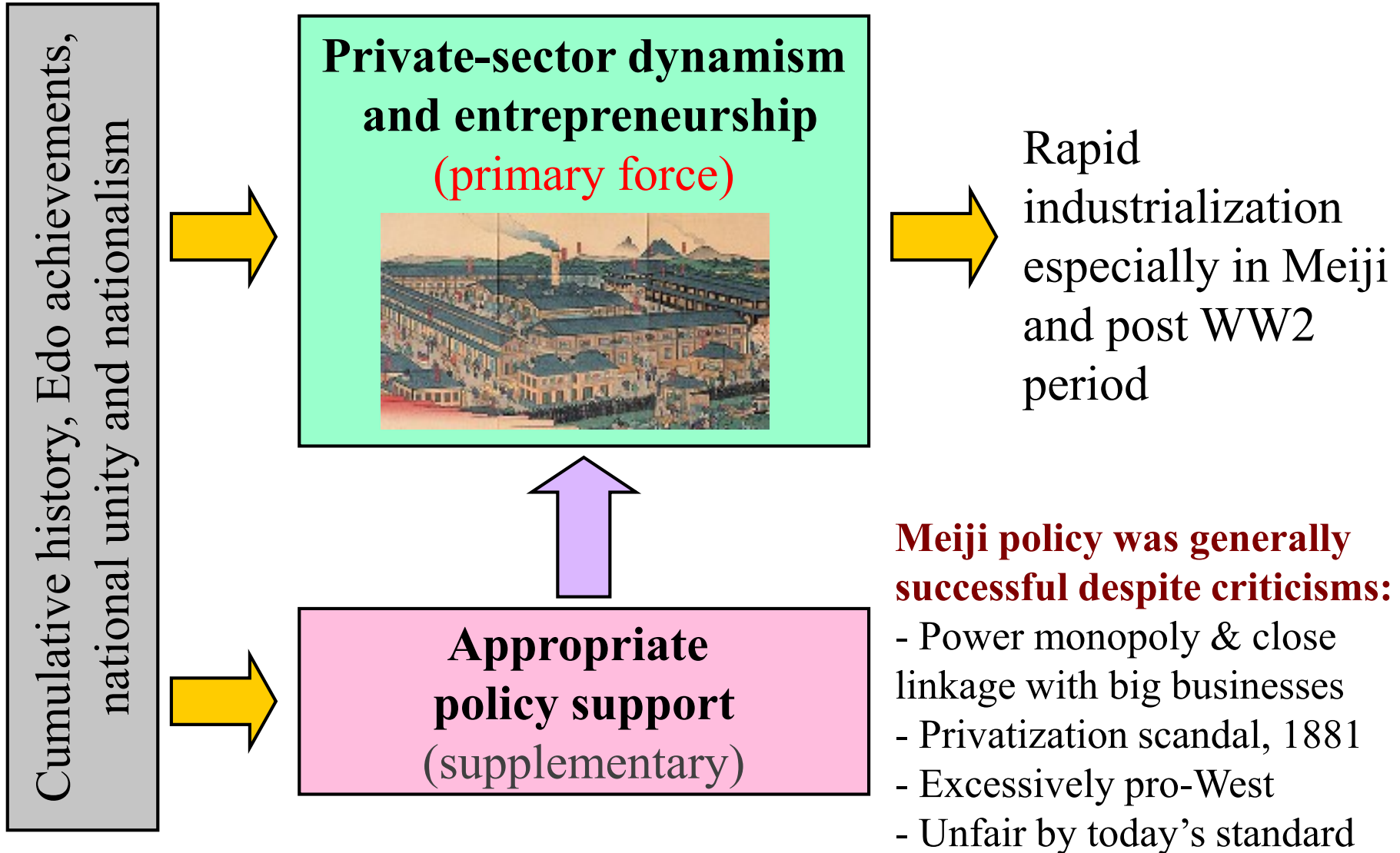


Okubo Toshimichi 大久保利通 (Interior Minister)

“If we do not regard this [industrial promotion] as the duties of the government and leave the matter to people’s own devices and simply wait for the results, will the decline ever stop? This is the most pressing of all national issues. Even though such policy may not be endorsed by the orthodox doctrine of political economy, rules must be bent to respond to the urgent needs of our time.” (A policy proposal to government, 1876)

[Note: Okubo refers to the Ricardian doctrine of comparative advantage, a theory preached by the then British delegation to Japan to “prove” that free trade was best for all nations.]

Japan's economic growth was driven primarily by private dynamism while policy was also helpful



Late Edo & Early Meiji Socio-political Conditions

Nationalism developed and society matured during the Edo period. The arrival of US Black Ships activated these elements which began to challenge Bakufu's rule and legitimacy.

**Cumulative socio-economic evolution
under political stability (Umesao Theory)**

**Bakufu: loss of
political legitimacy**

**Military, diplomatic &
economic failures**

**National unity
& nationalism**

Avoidance
of civil war &
colonization

**Rise of rich &
intellectuals**

Demand for
knowledge &
participation

**Socio-economy
vs. old system**

Contradiction &
need for new
policy regime

**Political
competition begins**

Possibility of
new leader
and new social order

These factors collectively maintained subtle balance between fierce political competition (dynamism) and ultimate national unity (stability)

Kokugaku (National Study)

From Academic Research to Nationalism



Kamono Mabuchi
(1697-1769)



Motoori Norinaga
(1730-1801)

- ❑ Japanese academic research had long been dominated by imported foreign ideas (Buddhism and Chinese philosophy).
- ❑ However, in the Edo period, respect for and study of Japan's ancient ideas and literature emerged.
 - Keichu 契沖** - literary research must be done from the viewpoint of the time when the work was written, not by modern or foreign standards.
 - Kamono Mabuchi 賀茂真淵** - research on *Manyoshu*
 - Motoori Norinaga 本居宣長** - research on *Tale of Genji* and *Kojiki*
 - Hirata Atsutane 平田篤胤** - politicization of Kokugaku
- ❑ When Perry and his US Black Ships arrived in 1853, Kokugaku quickly turned from academic research to political ideology: “Respect Emperor and Repel Foreigners” (*Sonno Joi*).

Westerners' settlement



Japanese merchants' street

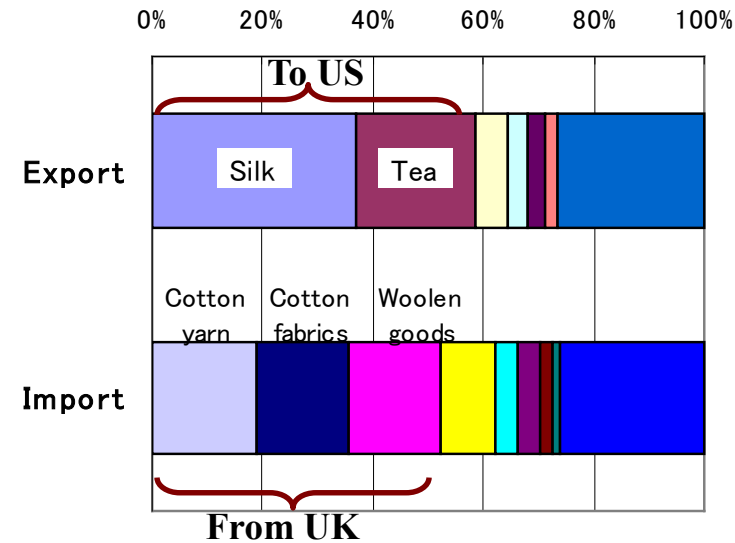


False color photos of early Yokohama

Resumed International Trade

- Open ports (1859): **Yokohama**, Nagasaki, Hakodate, Niigata; Hyogo (delayed, 1867)
- Unequal treaties with West vs. no internal travel right for foreigners
- Rise of Yokohama merchants
- Beginning of rapid westernization and technology import
- Inflation, relative price changes, and rise and fall of industries

Trade 1876-80



Steel Pier (1894)

Meiji Government: Radical Reformist

Shifting national goals:

- ➔ Avoid colonization by the West
- ➔ Rapid modernization and Westernization
- ➔ Become “first-class” nation on a par with West

- *Political goal* - abolish feudalism and class society; introduce Western style constitution and parliament
- *Economic goal* - industrialization based on rapid adoption of Western technology
- *External goals* - (1) revise unequal treaties as soon as possible; (2) modernize army & navy, establish “sphere of influence” around Japan

Fukoku Kyohei (富国強兵) - Enrich the country, strengthen the military

Shokusan Kogyo (殖産興業) - Increase production, encourage industry



Iwakura Mission (Dec.1871-Sep.1873)

- Organized quickly after abolishing hans (廃藩置県).
- Half the cabinet went abroad - Iwakura (Ambassador), Okubo, Ito, Kido, Yamaguchi (Deputies) and other officials (46); attendants (12), students (49); **total 107**

- { Purpose 1: Start re-negotiating unequal treaties (failed)
- { Purpose 2: Inspect Western systems and technology

Official report with illustrations was written by Kume Kunitake (scholar)

<Results>

- (1) Valuable insights were collected for policy making.
- (2) Conflicts with “home-keeping” government (leaders who stayed home) emerged over proposed Korean campaign.

Okubo Toshimichi (1830-1878)

Industry-promoting High Official



- ❑ Formerly, Okubo was a low-ranking samurai in Satsuma Han.
- ❑ A top-down promoter of technology import and state-led industrialization (after returning from the Iwakura Mission, 1871-73).
- ❑ He was among the top leaders of the Meiji government—the Councilor (Minister) of Finance; then the first Councilor of Home Affairs, a ministry which he created.
- ❑ His policies included:
 - Supporting zaibatsu (Iwasaki, Godai) to promote industries and drive out foreign firms (e.g., international shipping)
 - Establishment of state-owned enterprises and research centers
 - Trade and industry exhibitions (for Japanese products)
 - Creating new ministries, police and a local government system
 - Suppressing Saigo's Rebellion, which ended all military resistance by disgruntled former samurais; Saigo was Okubo's bosom friend from Satsuma days and strategic colleague in attacking the Bakufu, but he staged an anti-government rebellion in 1877.

Okubo's Back-to-Office Report after Iwakura Mission, 1874

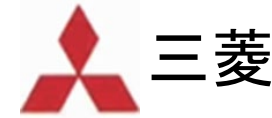
“The strength of a country depends on the prosperity of its people which, in turn, is based on the level of output. To increase output, industrialization is essential. However, no country has ever initiated the process of industrialization without official guidance and promotion.”

Okubo's Proposal on Constitutional Politics, 1873

“Monarchy is a thing of the past, but we are not yet ready for democracy. Moreover, the central government must have strong authority for the time being to carry out bold reforms. Thus, the most practical system Japan can now adopt is ... constitutional monarchy.

Iwasaki Yataro 岩崎弥太郎 (1835-1885)

Founder of Mitsubishi Zaibatsu



- ❑ Iwasaki, from Tosa Han, emerged as the most powerful *Seisho* (政商、politically connected businessman) in the Meiji period.
- ❑ His first business was marine transport, which grew fast with official help—receiving ships for free, then a contract for military transport.
- ❑ His company, Nippon Yusen (now NYK Line), ended foreign monopoly of international routes; then fought a fierce marketing battle with Kyodo Unyu (an anti-Mitsubishi marine transport company) in 1883-1885. The two companies merged eventually.
- ❑ His business empire expanded to trade, banking, shipbuilding, coal mining, and many more later.



The Bakufu's steel mill in Nagasaki, transferred to Mitsubishi in 1884





← Shibusawa Eiichi (1840-1931)

渋沢栄一 From Saitama

Godai Tomoatsu (1836-1885) →

五代友厚 From Satsuma



These were super business promoters who did not form their own zaibatsu. They created many companies and institutions for others.

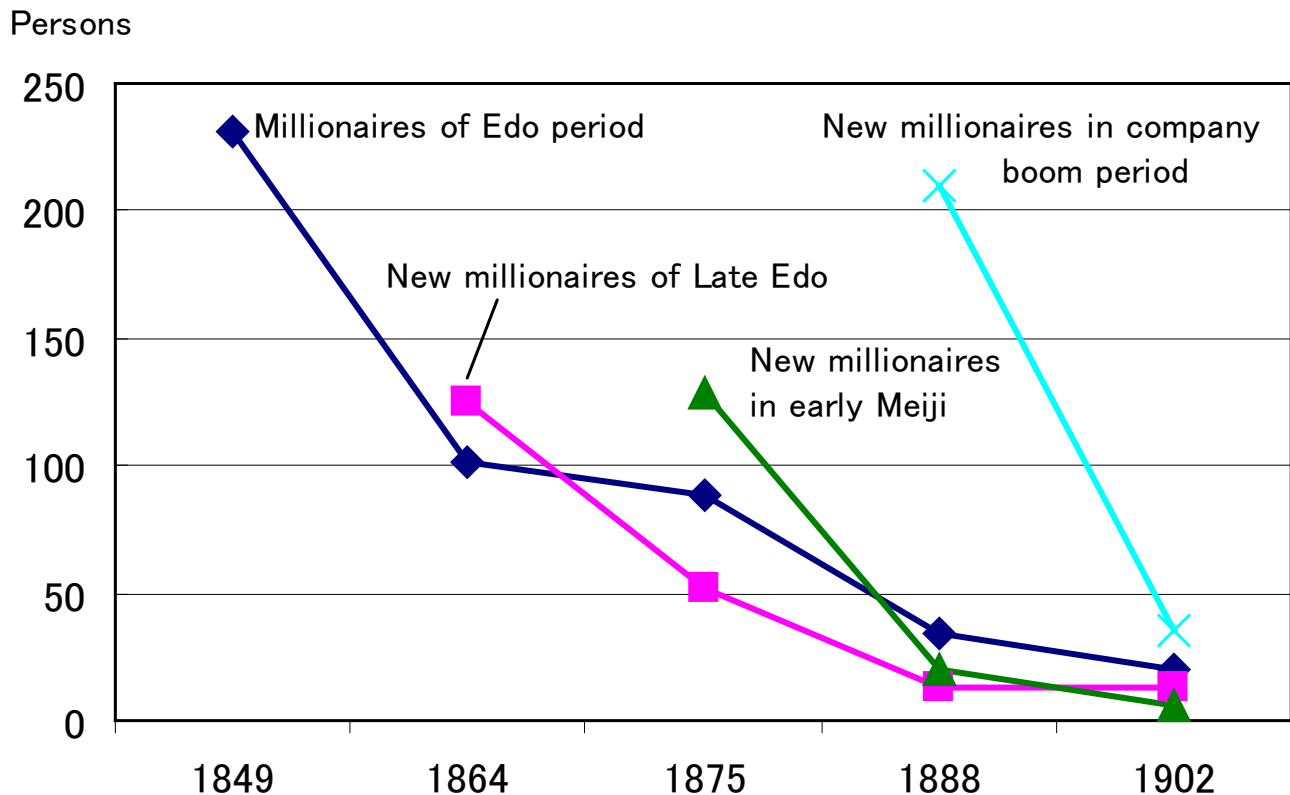
- Initially, anti-Bakufu fighter
- Next, assistant to last shogun
- Invited by the Meiji government to work for the Ministry of Finance
- President of First “National” Bank (private) which he established
- A company builder and business coordinator for many years, creating about 500 joint stock companies
- He also created universities, charity organizations, hospitals, stock exchange, Japan-US Association, etc.

- Studies and builds a human network in Nagasaki
- Visits UK to realize the need to industrialize, and writes a report
- Helps to create new companies and railroads, rice and stock exchanges, chamber of commerce, university, test centers, trading center, etc. in Western Japan
- Caught in a state enterprise privatization scandal

Rise and Fall of Merchants and Enterprises

Q: Who were the main drivers of Meiji industrialization?

A: All types of entrepreneurs including Edo goشو, Yokohama merchants, Meiji zaibatsu, and company boom millionaires.



- ▶ Survival game was severe: many entries, many exits
- ▶ Japan's industrial revolution: from 1880s to 1900s
- ▶ Japan-China War, Japan-Russia War also accelerated industrialization

Source: Computed from Miyamoto (1999), p.53. Each line shows how many of the new millionaires emerging each period survived in later periods.

Constitution and Parliament

Western style legal system and functioning parliament were considered absolutely necessary to become a “first-class” nation

	Preferred model	Desired speed	Remark
Government (Okubo, Ito, Iwakura, K. Inoue)	German constitutional monarchy	Gradualism; study and draft over 1881-90	After expelling opponents, Ito & his team drafted constitution
Freedom & People’s Rights Movement (Fukuzawa, Okuma)	British (two-party) parliamentary system	Impatient; as soon as possible	Tosa samurai, rich farmers; sometimes turned violent



<First parliamentary debate, 1890>

- Oppositions demanded “Budget Cuts, Reduce People’s Burden” (tax cuts for landlords)
- Government wanted active spending for military buildup & infrastructure; declaring policy independence from party politics

← **Emperor promulgates Constitution, 1889.**

Foreign policy and military modernization

(1) Revision of unequal treaties with West

- Considered impossible until Japan became a Westernized nation
- Legal preparation (constitution & laws, functioning parliament)
- Superficial imitation (e.g., Rokumeikan) and excessive concession to the West were severely criticized by press and oppositions
- Regaining customs rights over 1899-1911, court right 1894-99

(2) Military modernization and expansionism

- Introduction of Western military technology and systems
- Military budget (esp. battleships) was main cause of fiscal deficit
- Invading Korea—provocation, victory over China's Qing Dynasty (1894-95), fighting with Russia (1904-05), annexation (colonization) of Korea (1910)
- Japan colonized Taiwan after Japan-China War, 1895

Key Ideas for This Lecture

- ❑ Japan's response to the Western shock was relatively dynamic and consistent in both government and the private sector thanks to the long history of social evolution and importing foreign things with adjustment.
- ❑ Battles over political leadership and foreign trade ended in the victory of the new Meiji government with a strong desire for modernization and industrialization.
- ❑ Balance between fierce internal fighting and national unity was maintained by the existence of several centripetal forces (kokugaku, Emperor, rise of intellectuals, knowledge of colonization of other countries...)
- ❑ Japan had active business people who responded strongly to government's industrialization drive.