

# History of Japanese Economic Thought

## Lecture No. 13

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# 13. Nongovernmental Economic Scheme

## – – Economic Scheme of Activist for the Freedom and People's Rights Movement

- Ukichi Taguchi

- 1855 – 1905 (Apr. 29, 2nd yr. of Ansei – Apr. 13, 38th yr. of Meiji)  
Economist and historian; borne in Edo; Mitsu as given name, with pen name of Teiken; commonly known as Ukichi originated from his birth in the month and year of *U*; learned in Numazu Military Academy after the Restoration, and devoted to studies of economics and cultural science for many years as senior student of the translation bureau in the Ministry of Finance. He launched *Tokyo Economic Magazine* in 1879 and initiated Economic Dialogue Association (subsequently renamed Tokyo Economics Course, and Tokyo Economics Society). He asserted a free economy doctrine, and participated in Omeisha. Also published *Brief History of Japan's Enlightenment* ('77-82), expanded a theory on history of civilization, and these historical research led to the publication of a magazine *Shikai* ('91-96) and the issuance of *Japanese Historical System*. Member of the House of Representatives since '94. (*Iwanami Dictionary of Japanese History*, Iwanami Publishing)

- Yukichi Fukuzawa

- 1834 – 1901 (Dec. 12, 5th yr. of Tempo – Feb. 3, 34th yr. of Meiji)  
Enlightenment thinker; founder of Keio Gijyuku; borne as child of clansman of Buzen Nakatsu at the clan's storehouse estate; went back to Nakatsu upon his father's death, and studied away from home in Nagasaki in 1854 (1st yr. of Ansei); learned *Rangaku* [the study of Western sciences by means of the Dutch language] next year at Tekijyuku in Osaka from Koan Ogata; in '58 went to Edo and opened a *Rangaku* school within the clan's estate, then switched to British studies next year. He entered the service of the shogunate government for '60-70, during which he toured Europe and North America for three times by accompanying the governmental envoys sent abroad; became popular via pen name as an introducer of Western civilization through the issue of *Western Situation* (66-70); moved his private school in Apr. 68 (4th yr. of Keio/1st yr. of Meiji) to Shiba and named it Keio Gijyuku; after the Meiji Restoration, he expanded energetic speech activities as a foremost Enlightenment thinker out of office; also participated in Meirokusha. Through *Encouragement of Learning* (72-76), *Outline of Doctrine on Civilization* (75), he advocated to attain the formation of a nation-state and international independence by cultivating the national spirit of 〈self-respect〉. In 79 he assumed the first chairman of Tokyo Academy, and launched *Jiji Shimpo* in 82. Amid an exaltation of the people's right movement, he preached 〈internal peace and external competition〉〈the State-people harmony〉, and by voicing an 〈out-of-Asia doctrine〉, he pushed to the front a doctrine on extending the sovereignty, and built up a stern advocacy of war at the time of the Sino-Japanese War. He consistently held an expectation to materialize a parliamentary cabinet system and a party cabinet system. (*Iwanami Dictionary of Japanese History*, Iwanami Publishing)

## ● Emori Ueki

● 1857-92 (Jan.20, 4th yr. of Ansei – Jan. 23, 25th yr. of Meiji)

Activist for the Freedom and People's Rights Movement, thinker, and statesman; son of clansman of Tosa. He went to Tokyo in 1874 aspired for politics at hearing Taisuke Itagaki's public speaking; became Itagaki's student, studied by himself Western thought, wrote for newspapers. He went back to Tosa in '77 to join Risshisha, wrote Risshisha Petition for the establishment of a national assembly, and in '80, edited *Aikoku Shirin* and *Aikoku Shinshi*, and made a draft of Proposal for the Constitution of Japan that specified the people's sovereignty/right to resistance. In '82 he held a conference for liquor shops in Osaka, entered Jiyu Shimbun and wrote its discourses after Tatsui Baba's resignation from thence due to the problem over Itagaki's trip abroad. He issued *Principle of Freedom of Civil Rights*, *Principle of Freedom of Speech*, and *Discussion on Inborn Human Rights*. He went back to Kochi in '84 after the dissolution of Liberal Party and wrote editorials for Doyo Shimbun, issued *Oriental Women* to advocate the theory of the emancipation of women. He got into the Diet in the first general election in '90 (belonged to Aikoku Koto Party). Joined Rikken Jiyu Party and supported the voting against the request to cut back the budget in the first assembly. He died of illness prior to the second general election.

# Criticism Against Matsukata's Finances by Freedom and People's Rights Movement

- “The revenue and expenditure budget for 15th yr. of Meiji,” an editorial article of the Liberal Party's bulletin, Jiyu Shimbun (serialized since Aug. 19, 1882):
- With its main objective to criticize the budget for the fiscal year 1882 (15th yr. of Meiji) which Matsukata prepared for the first time in his tenure as the Minister of Finance, this editorial found fault with the fact that, while levying additional taxes under the name of the repayment of paper money, the Government reduced the cost for the paper-money repayment in subject year's budget as compared to that in the previous year, and increased the expenditure for its “interference and protection.” And the editorial extended its coverage over the financial measures as a whole, plainly referring to how the fiscal adjustment and the paper-money repayment should be, as follows:
- The adjustment of paper money ought to be conducted on the burden of the Government by the savings of its budget, not by collecting additional taxes from people. For, what has brought about the depreciation in paper money and the appreciation in commodity prices, i.e., financial difficulties, has resulted from the increased issue of paper money, which has been implemented by the Government of itself: The government is solely responsible for having brought about the financial difficulties. In particular, inasmuch as people are suffering from fiscal failures done by the Government, they should not be troubled with an additional tax burden.

- “The profits of businesses conducted under the spirit of the interference and protection by the Government are on the diminishing trend every year despite the magnitude of the injection of its money. On the contrary, the ones of people earned by their own works are on the increasing trend, in spite of a flood of paper currency, of the Governmental interference, of the imposition of heavy additional local taxes; Isn’t it amusing that the taxes on those show a thriving situation? .....It should be known that works of Japanese people produce profits while those of Japanese Government incur losses. Indeed, who says Japanese people’s operations require Japanese Government’s encouragement?”
- In sum, it is a liberal economic thought of a classical school claiming to remove the “interference and protection” by the government.
- This constitutes the grounding for activists for the People’s Rights Movement to demand the reduction in taxes and the criticism of businessmen with political affiliations. The writer of this discourse is Ukichi Taguchi.

# Ukichi Taguchi's Assertion

## “Theory of Financial Affairs” (Jul. 1880)

● “To save paper money from its depreciation is one thing and to save public finances from their difficulties is another matter. ... To rescue the paper-money depreciation based on an economic reason, there is no other measures than cutting down its distribution. To save financial difficulties, the only possible way is to curtail the annual expenditure.” From this perspective, Taguchi studied practical methods to arrive at the reduction in the annual expenditure, being common to the solutions of the above two issues, and advocated, “Stop the political maneuver of the interference and protection, and limit the Governmental affairs to an appropriate boundary.”

## “Japanese Finance” (Jan. '82)

● His sharp attack: While “it is reasonable to cut down on the annual revenue and depreciate paper money,” the Government obviously collects additional taxes with a reason to increase funds for the paper-money depreciation and, moreover, does not appropriate them for subject depreciation.

## “Request for Revision of Method for Paper-Money Repayment (Dec. '83)

● He analyzes that the stagnation of market conditions and the agricultural poverty are attributed not merely to the decrease in paper money, but also to the “mistake in the method of the paper-money repayment” that accompanies the increase in local taxes and the imposition of additional brewery tax, and presents a revision of the way to arrange paper money, that is, concrete ways by installing the conversion system to diminish gaps between silver and paper moneys by stages.

**“To discuss the reduction of taxes, the revision of the way to levy, and the method to cure market conditions hereunder” (*Tokyo Economic Magazine*, Vol. 197, Jan. 19, 1884)**

● **Clearly criticized Matsukata’s anti-public paper-money arrangement that was linked to the stream of the military expansion →the increase in public expenditures→ the collection of additional taxes, and insisted that the following be implemented immediately: The revision of the period for the land tax payment, the revision of tax on the brokerage at American commercial club, and the reduction in brewery tax, tobacco tax and local tax.**

● **“An observation of our country’s current political tactics reveals that there is a momentum to let Japan become a major strong power in the Orient, conspicuous in the east of Asia, with its military power in parallel with the European strong nations. Though such is indeed in line with what we hope for, still soldiers are the lethal weapon and war is a dangerous affair, and since there is no immediate fear of hostile countries or foreign troubles, consuming a huge amount of property and money for these is unwise to the poor country, not to mention about the people’s economic suffering. It is safe to firstly enrich the country, amass assets, become a major commercial power in the Orient, and subsequently to enhance armaments getting prepared for hostile countries. ... We are so afraid that the surge of paper money once comes to evacuating...how these issues would make farmers unbearable. If it be so, then, how about implementing the following?: To notify idle bureaucrats of their salary cuts as in the 10th year of Meiji, reform measures on the interference and protection, moderate the policy of arms buildup, and reduce taxes with the objective to make our country a major commercial power in the Orient. Except for these, there is nothing else to be done.”**



# Taguchi and Yukichi Fukuzawa

- In his *Jiji Kogoto* [lecture on current affairs] (Sep. 1881), Fukuzawa divides public finances into “the finances of the country of Japan” and “the finances of the Japanese government,” and makes his judgment as to financial difficulties that the financial situation of the latter is quite difficult, but that the one of the former is quite affluent. “The government’s finances should be borne by the people rich and poor alike. When the people are courageous enough to willingly offer their fortune, the government likewise ought to willingly carry out internal and external affairs, strengthen its administrative power and expand the sovereignty, so that, at the end, the people will merit the honor to be wealthy and powerful as well,” said he, with the emphasis on the conquest of financial difficulties and the expansion of the sovereignty by increasing taxes.

- To this advocacy, Taguchi asserts in “To discuss financial difficulties” (*Tokyo Economic Magazine*, Vol. 83, Oct. 3, 1881) as follows:
  - Current difficulties in the government finances are owing to the pressure of the official affairs since the Restoration, but “the fact that the government is busied with many affairs is not intrinsic to its substance, but rather is linked to its sickness.” Taguchi’s criticism continues that the governmental proper function lies in “protecting the people’s rights,” and that if it acts on its own authority, revenues ought to be adequate and that it would never run into financial difficulties. Further, he points out that the people are responsible for the government’s finances only in regard to what the government does for the protection of the people’s rights, and that, when the government forgets its proper function by “wasting” its revenues “in all kinds of businesses,” “why can the people have a courage to offer their fortune?”

# Fukazawa's Theory of Levying Additional Taxes

- — — — *Minkan Keizairoku* [nonofficial economic document], Dec. 1877 (10th yr. of Meiji)
- This is evaluated as the “literature that systematically explained various economic categories based on the fundamental idea of liberalistic economics.”
- Subsequent to the exposition that “taxes are the price to buy one’s mental pleasure,” an explanation nearly identical to the so-called the theory of a night watchman state by Adam Smith, Fukuzawa speaks in favor of the then heavy taxes, as follows:
  - “Concerning taxes, there are many complains ...but don’t they have quite mistaken ideas? The current revenue of the government is almost ¥70 million, and if apportioned to the people of 35 million, it is an expenditure of ¥2 per capita per annum. This is truly unworthy of a discussion as compared to private costs in luxury of the citizens on ordinary days. Unless the government levies and wastes/abuses such payments, the people should not casually utter complains about taxes.”

# Fukazawa's Theory of Levying Additional Taxes 2

- *Minkan Keizairoku* (2nd Chapter), Aug. 1880 (13th yr. of Meiji)
- “Speaking of friendships among the countries of the world from ancient times up until now...the interest of both parties is only benefits and soldiers. ...In order to protect our independence and to topple other’s independence, military preparations are essential, which requires no wise person to understand clearly. ...It goes without saying that the expansion of the sovereignty needs national fortunes. As for ways to collect these fortunes...there is no other way but taxes...and yet we are not talking that taxes should be increased immediately like this month or this year. ...Be that may the constitutional system of the government or the establishment of the Diet... when the general public reach to a climate whereby they feel assured, then, they as the citizens will start offering their fortunes for the benefit of the country without becoming choosy and, by any means, stingy. This is what we expect and pray for even from today.”

# Emori Ueki's Contention

- Characteristics of the theory of the Freedom and People's Rights systematized by Ueki:
  - – – Kaichiro Oishi, *Economic Thought of "Promotion of Industry"* and *"Freedom and People's Rights"*
- Firstly, in case equality of political freedom, i.e., rights of all people, was asserted in accordance with the so-called theory of inborn human rights, the problem of power versus freedom was grasped as the rivalry between absolutism power and civic freedom, and in the scope of civic freedom, freedom of "speech and idea" and "person" was asserted as being inseparable from freedom of "civilian craft," "manufacture and production," "working," "undertaking," and "living." There, it can be observed that the right to property, i.e., freedom of ownership, and freedom of working and business were almost theoretically standardized as the foundation of civic freedom.
- Secondly, in the theory of the people's rights founded on civic freedom, the demand for people's rights was not subordinated to the theory of the expansion of sovereignty. ...It was in accord on the so-called theory of social contract. As logical necessity of such a vision of the state, an ideal type of state cannot help but be found in a republican form of state...
- Thirdly, in case civic freedom was violated and social contract was destroyed by the oppression of the state, i.e., the government, the right to resistance or the right to revolution was asserted for the public to put up resistance to the state, i.e., the government, so as to defend the public's natural right of its own accord.

- Ueki's recognition of the status quo: As a result of the Land Tax Reform in the “**use of the extreme argument in the current government**,” farmers were forced into getting involved in a commodity economy and could not help but mortgage/pawn their land in order to pay the high land tax in cash.
- Based on this understanding, he pointed out that the ultimate method to save such a situation was “to abandon the endlessly despotic politics, extend the suffrage to the whole nation, and establish a government form in the so-called joint reign by the monarch and his subjects.”
- In that case, for him, farmers' forfeiture of their land ownership meant the destruction of agricultural production per se that was the “upright profession under the sun.” As he said, “Private ownership is the source of wealth ownership,” private ownership, for him, was the very foundation of the people's independence, and the physical base of the ownership of fortune, knowledge, and health.

Kenkichi Kataoka and Hironaka Kono “Letter requesting the approval of the establishment of the Diet,” Apr. 1880 (13th yr. of Meiji):

- The gist of this argument is almost the same as that of Ueki’s; to request the set up of the right to consultation on taxes based on the theory of private ownership of land, i.e., the establishment of the Diet and the reduction in taxes... Regarding the Land Tax Reform, although the private ownership of land should have been originally created in the first place, due to the absence of the right to consultation on taxes, the private ownership of land has not been materialized in a strict sense...

Ichiji Nagata’s “Theory of the Diet” (“*Aikoku Shirin*”, May 26, 1880, from its 3rd chapter and after):

- With respect to taxes, Nagata claims, “Though detailed deliberations are conducted on other matters, just on one issue of taxes, nothing is different from what it was in the so-called feudal government system in old times. “ And as for the depreciation of paper money and the appreciation of commodity prices, he states, “Judged from the level of decrease in our people’s fortune, it is just like we pay taxes indirectly.”

# Reference Material 1: Ukichi Taguchi's Criticism Against Subsidy for Mitsubishi Co. (Nov.-Dec. 14th yr. of Meiji)

- I shall discuss the subsidy for Mitsubishi Co.:
- ...With the state of things as in the above, the subsidy for Mitsubishi Co. is greater than the fixed amount for the head office of the Ministry of Agriculture and Commerce [abbreviated as MAC hereafter]. Out of the total of ¥458,000, what belongs to the subsidy for Mitsubishi is ¥269,000. Thus, to our surprise, it's only ¥180,000-something that belongs to MAC's head office, which is an extreme case indeed. I am not being surprised that the fixed amount for MAC's head office is less than the amount for Mitsubishi, but rather that the one for Mitsubishi is more than what it is for MAC's head office. I'm sure you readers affirm my point as well. MAC is no doubt one ministry of the government and should not be an aide to lordship, nor a clerk, subordinate, or servant. It supervises agricultural and commercial affairs across Japan and investigates overseas business situations, but has no other source of income. Viewed from us, the advocates of free trade, it is difficult for this ministry to escape from its position of a useless establishment; but as long as this already exists, it is considered that the Ministry necessarily requires expenses. When it comes to Mitsubishi Co., what expenditure does it ever incur?
- Furthermore, Mitsubishi is just a trading firm, which on the voyage always transports cargo and carries passengers back and forth. Doesn't it ever charge the fares? That this firm carries out the collection and voyage has never been any different from other sailing trade companies. Then, is it not groundless that Mitsubishi requests the government for such a huge amount of subsidy? ...
- ...In this way, Mitsubishi Co. will get hold of absolute powers over Japanese voyages, reduce the number of ships, raise the fares, and then, demolish the monetary system. And yet, there is an even more flagrant matter: The firm does not make repairs on its ships...



# Reference Material 2: Ukichi Taguchi's Theory of Wealthy Nation by Reduction in Taxes (Jan. 17th yr. of Meiji)

- “I will discuss a measure to reduce taxes, reform the way to levy them, and save the market situation therewith.”
- A part of the reason why the current Japanese business has grown depressed and stagnant is the increase in taxes. Thus, upon seeking to recover the situation, taxes must be reduced. No doubt, just like the strategy of warfare is to win over an easy opponent, the way of levying taxes is to collect from whomever easy to raise them. But if such levying causes the people difficulties, taxes should be reduced. And in case the expenditures surpass what's collected, then, the system should be revised. ...

● We are concerned about the taxation law of the country today since the collection does not please the people, and the government spending is truly extravagant. There is no doubt that our officials, wise as they are, inevitably know about this. It is simply because the national expenditures are always overwhelming, military preparations are urgent, that what ought to be corrected has not been materialized as yet. And, contrary to our expectation, it has yielded the result that taxes need to be raised. However, in view of the current economic situation of our country, we cannot help but consider the utmost urgency to reduce taxes. This idea is founded on the status where paper money retrieves its value and the effect of the Land Tax Reform comes to light for the first time. ...

● In short, a country in an impoverished condition right now, Japan has no chance to become powerful no matter how hard it tries. In that case, the sensible measure to take is, firstly to cure its numerous economic deceases, and to adequately cultivate its stamina, and then, to proceed to strengthening military preparations. Since the 13th year of Meiji, taxes have been raised in succession. People have grown rich during this time, thus have felt little pain about it. But nowadays the price of rice went down sharply, which must make farmers neurotic about the tax hikes; brewery tax, tobacco tax, tax on the brokerage at American commercial club, each of which is strain on their nerves. Then, the additional tax imposed on local tax is to come to farming houses in the form of land tax in its entirety, not to speak of a surprising increase in consultation expenditures ingenerated by the governmental interference in education with its ordinance that became gradually contiguous. Amid such state of affairs, we are so afraid that the surge of paper money once comes to evacuating, the existing problems would stand out even more steeply, which should make farmers truly unbearable. If it be so, then, how about implementing the following?: To notify idle bureaucrats of their salary cuts as done in the 10th year of Meiji, reform measures on the interference and protection, moderate the policy of arms buildup, and reduce taxes with the objective to make our country a major commercial power in the Orient. Except for these, there is nothing else to be done.” (*Tokyo Economic Magazine*, Vol. 197, Jan. 19, 17th yr. of Meiji)

## **Commentary:** Masanori Nakamura, “Commentary” in *Economic Scheme*, Iwanami Publishing, 1988

● In this essay, Taguchi points out first, based on his study of the budget for the Ministry of Agriculture and Commerce for the fiscal 14th year of Meiji, that the subsidy for Mitsubishi Co. amounts to ¥269,000 (58.6% of the whole), surpassing the expenditure budget for the Ministry’s head office at ¥180,000. And he presented a question as to why it was necessary to provide this huge amount of support to a mere trading firm that Mitsubishi was. Next, through his discussion on its cohesiveness with the government since “Taiwan Expedition of 1874,” and Southwestern Rebellion, he makes it clear that majority of the ships owned by Mitsubishi were granted at low prices through the hands of the government. However, as the result of the protection of Mitsubishi Co. conducted under the objective to make our country’s marine-transportation business flourishing, did the industry actually grow prosperous? Taguchi pins down the fact, through the annual reports of railway stations and communication offices and such, that the number of steam ships, far from increasing, actually decreased, of both sizes of 1,000 tons or more and less than 1,000 tons. Further, he criticized that the firm makes unjustified profits recently by having its users pay in nickel silver (Mexican dollar) the passage/fare which it formerly received in the yen. Moreover, he follows after Mitsubishi that does not spend for refits and ship-building the profits and huge amount of subsidy it obtained through such ways, but rather uses the fund for the investment in other companies. In fact, as pointed out by Taguchi, the firm was laying its foundation as *Zaibatsu* by acquiring interests of such corporations as Tokyo Stock Exchange, Yokohama Specie Bank, Tokyo Marine Insurance, Japan Railroad Company, and furthermore, by investing in coal industry. His point was that, the government subsidy as much as ¥260,000 was expended simply because its recipient was “Mitsubishi Postal Steamship Company,” thus this situation is totally unreasonable.