

History of Japanese Economic Thought

Lecture No. 9

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Haruhito Takeda

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7 National Interests and National Wealth

1. National Interests and Nationalism

- There is a strong national-interests orientation in Japanese business activities, and many set their business objectives on a “national service” before the World War II, and on contributions to the economic recovery and economic development after the War, that were stated clearly.
- For example, according to Hiroshi Hazama:
“The modality of value integration founded on the center-oriented annular aggregation was: One’s service to the nation (contribution value) is conducted through the course of one’s social climbing, in which one responds to expectations of the family and hometown folks (concord value), and is satisfied with one’s accomplishments in repayment of kindness and improvements in self-discipline (satisfaction value), and grows into a full-fledged person by pushing forward with one’s work (achievement value).”

(Hiroshi Hazama, *Concept of Values and Business Behavior of Japanese*, included in *Lecture on Japanese Business History 6: Japanese Corporations and Societies*, Nihon Keizai Shimbun, 1977, p.46)

- “Contribution value of national service signifies aggregation centrality which admits that a way of life to position the loyalty to aggregation as the ultimate goal of behavior is socially correct,” and business activities targeted at nationalism in terms of a philosophy to center on the nation.
- Among groupism-oriented Japanese, a “value concept of the managements who embarked upon business activities with their special focus on national interests” can be called managerial nationalism. Its origin was in the spirit of “*Son-no-joi*,” which led up to “*Fukoku-kyohei*,” and “its aim was a kind of ‘*Joi*’ [expulsion of foreigners] seeking for an independence as the ethnic group (racial nationalism).”

[*Son-no-joi*: the principle of advocating reverence for the Emperor and the expulsion of foreigners]

[*Fukoku-kyohei*: the wealth and military strength of the country]

- Thus, many corporations in the 1st year of Meiji declared “to recover the commercial rights,” and “to regain the market.”

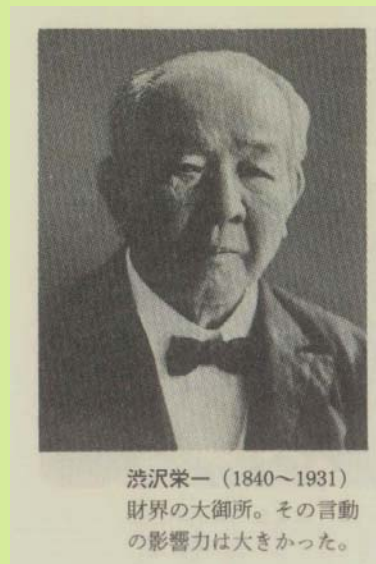
- The essence of the term “*Jitugyo*” [business] is said to have meant managerial nationalism in examples of its use.
- Likewise, according to Hiroshi Hazama:

“*Jitugyo*” is used against “*Kyogyo*” [risky business] that mainly pointed out activities of merchants in feudal societies. It pointed partly to a lack of generally accepted morality as in a satire that “merchants and folding screens don’t stand unless twisted,” but more importantly, to the tendency of their behavior that prioritized self interests over profits of their countries (feudal clans/domains). In contrast, the characteristic of *Jitugyo* is that it absolutely gives priority to national interests.
- Alternatively, Eiichi Shibusawa puts it:

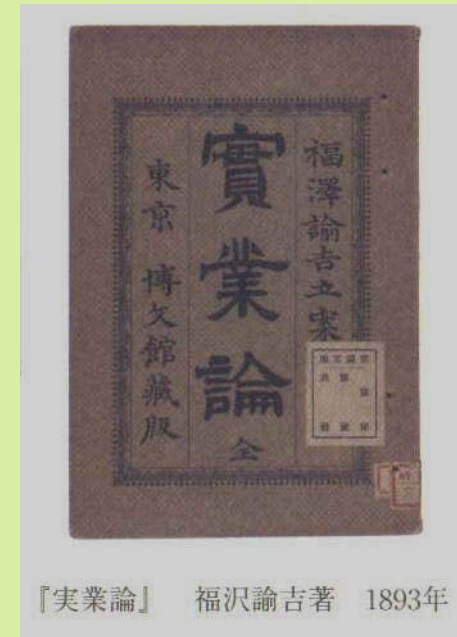
“The proper province of businessman” is “if he firstly seeks true and correct progress of the country, true and correct civilization of the country, he must put effort into making the country wealthy. Making the country wealthy has to depend on commerce and industry. Speaking of dependence on commerce and industry, a corporate organization is quite necessary nowadays.”



Pictorial Magazine of Modern 100 Years' History, Vol.3: 1868-1872, Kokusai Bunka Jyohosha, 1951, p.217



✚ *Biographical Data of Eichi Shibusawa, additional vol. 10 No.665, Shibusawa Reference Library*



✚ *Insert in booklet Onset of Business, Shibusawa Reference Library*

According to a scholar of business history Tsunehiko Yui:

- Speaking on the basis of business management, industrialists of Meiji Period were not only motivated by economic profits, but also by numerous values that were approved theoretically, or, in other word, publicly.
- Among various socially-approved values in Meiji Period were a variety of these at the aggregation level such as realization of national interests, glory of hometown folks, and prosperity of the family (name), which motivated exertions of industrialists and people in commerce and manufacture of various sizes; To representative industrialists, as a matter of course, nationalism played the most important and universal role.
- “Defense against imported goods” “independence of industry” “export of domestic products,” as well as an establishment and expansion of the sovereign right, galvanized enthusiasm and vigor of entrepreneurs. A famous argument Yataro Iwasaki made to the company employees on the occasion of Mitsubishi Co.’s challenge to Pacific Mail of the U.S. must be an archetype of the spirit of avant-garde entrepreneurs: “The purpose of my endeavor to date is to reinstate the imperial prerogative of navigation in our Empire.”

(Tsunehiko Yui, *Industrialization and Entrepreneurial Activities*, included in *Lecture on Japanese Business History 2: Industrialization and Entrepreneurial Activities*, Nihon Keizai Shimbun, 1976, pp.45-46)

- There are two types of this “philosophy of industrialists’ nationalism,” according to Yui’s sorting out:
- One is based upon “unmistakably one’s own strong belief or sense of mission .”
- Another is to aspire to national interests wishing to gain social reputation and prestige as an industrialist.
- Thus, there were those “aspired to national interests” for the sake of their own interests, and the scheme to provide incentives like knighthood award by the government encouraged this.

Although an aspiration for national interests in such meaning in itself is not the one in a genuine sense, this is rather natural on the premise that a purpose of business constitutes a means to enhance its position in societies as observed in Japan and Europe, and in a manner that Veblen found the business society to be the ignition appliance of the American century.

2. Objective to Make Contribution to The Nation

- Objective of Meiji's youth was —according to Kinmonth's research—to “grow into a respectable person.”
- And yet young people looking to advancement in life “did not try to bring about any particular benefits to societies or the nation. Composition writings intended to tie in personal conducts with national interests accounted for nothing but 20%, and only 3 pieces out to 200-something compositions in total referred to the Emperor.”

(Earl H. Kinmonth, *The Self-Made Man in Meiji Japanese Thought*, 1981, Tamagawa University Press, 1995, p.74)

- In addition, “by going through readers' compositions in *Eisai Shinshi* about the nation, it is revealed that educated youths were not necessarily forced into tying their aspirations with national objectives. It was merely in the 1880s and 90s that a personal ambition was conformed to the context of rendering a service to the nation and the Emperor. Furthermore, composition writings contextualized thereto were observed only for a limited period during the Japanese-Sino War, and disappeared around the time of the Japanese-Russo War.”

(Earl H. Kinmonth, *The Self-Made Man in Meiji Japanese Thought*, 1981, Tamagawa University Press, 1995, p.208)

Haruhito Takeda

- It is considered that, in the early phase of Meiji, the following was “often talked about: first, an individual should make his way in life, and then improve the family’s position, and eventually exert himself to the advancement of the nation.”
- Nonetheless, majority of youths in the 1870s who turned up in compositions in *Eisai Shinshi* did not actually have that kind of discussion.
- For, they did not argue over national interests, nor had any “community orientation.” In particular, young people absolutely had no interest in serving to regional societies.
- There were few compositions that referred to helping develop hometown regions as a result of having pursued a success in their life.
- ... In the initial stage of Meiji, if youths had any community orientation at all, it was limited to a notion of “going home in triumph” that depicts a person who, having greatly succeeded in life, comes back to the land of his origin, shows off the position he has acquired, enjoys respects paid by his family, relatives and friends, and then, goes back to his city.

(Earl H. Kinmonth, *The Self-Made Man in Meiji Japanese Thought*, 1981, Tamagawa University Press, 1995, p.74)

- Many of youths in these years set their goal for a career option to work for governmental institutions as their future hope, which did not necessarily mean that they wanted to play some national roles thereby.
- It turns out that they chose such a career option simply because entering the government service would, in their view, pave their way to earn the esteem of societies and receive the full benefit of economic affluence. From this analysis, it is hard to consider that, in the first half of Meiji Period, nationalistic or national-interests-oriented human resources were supplied in abundance.

● Viewed from a standpoint of their eligibility as candidates for industrialists, “there were few compositions which selected private enterprises (as their career option).” And, while laying stress on an importance of patience or study, they never referred to issues of thriftiness or savings required for capital formation.

(Earl H. Kinmonth, *The Self-Made Man in Meiji Japanese Thought*, 1981, Tamagawa University Press, 1995, p.106)

● Those young people with such characteristics, after the Japanese-Sino War, had an aspiration for advancement in life in industrial fields aiming at “moneymaking,” and absorbed the fundamentals pertaining to “how to bring about a victory for the employer,” i.e., the business world aimed at putting the pursuit of own profit first, and which was a commonplace affair and quite natural as a philosophy that supported the industrial development.

3. What Were National Interests?

- In Meiji Period, “national interests” were not equal to “nation’s profit and damage.” That is, when literary documents and people of the times used the term “national interests,” they meant differently from the contemporary context.

- According to Sadaichiro Fujita (*Headstream of National-Interest Thought of Management in Meiji Period*, included in *Japanese Business History 1: Development of Modern Management*, Iwanami Shoten, 1995):

It was after the 1960s that a concept of “*Kokueki*” as the translation of “**national interests**” began to be used in Japan, and what it meant was a political concept.

- In contrast to this, the term *Kokueki* often comes onstage in propositions/editorials left by bureaucrats of the Imperial Restoration and civilians in Meiji, which is natural inasmuch as the term *Kokueki* **was frequently used in Edo Period.**” (same as foregoing, p.265)

Formation of Thought on National Interests

— Fujita's Theory

- Talking about the formation of the thought on national interests and internal capsule of its concept in the mid-Edo Period, the term *Kokueki* in the history of Japanese language appeared on the scene as an economic concept to express an idea regarding self-sufficiency with the domestic products in commodity production/handicraft production within each *daimyo's* fief in Horeki–Tenmei eras in the mid-Edo Period (the latter half of the 18th century).
- The thought on national interests “came into effect taking the form of self-sustaining measures of a feudal domain's economy, i.e., the departure from the dependence upon the three cities' central markets being under the direct control of the feudal government, and a thought of self-sufficiency in the home fief's local products, and came to be polished up in a practical manner as an economic thought of *samurai* engaged in business routine of the feudal domain's finance, or, sort of economists of the government office of the clan country.” (same as foregoing, p.267) And, the movement—intended to realize the home-fief's closed economy with its local goods for the sake of its prosperity—developed into a more proactive measure to sell domestic goods to other feudal clans through a series of written reports which Shihei Hayashi submitted to the Sendai feudal clan for 1765–1785.

- In his first report in 1865, Shihei Hayashi made a proposal that goods required at the clan's residence in Edo be catered for with produces of the home fief.
- The second report of 1981 stated that having a multitude of local produces would constitute “interests of the home country,” and that “a progress is expected in localization of variety of handicraft products such as mulberry, *haze* [popped rice], camellia, bowls for meal, porcelains, brollies.”
- Except that, at that occasion, “it should not shake up the pillar of the render system of paying land tax in rice, and its uppermost purpose is to fulfill the domestic requirements .”
- But in his “third proposal” of 1985, “such local produces are now expected to be sold in Edo as well.” Passing through the theory of self-support with localized produces, Shihei Hayashi developed himself into looking for an accumulation of gold, silver and *Kokueki*. (same as foregoing, pp. 269-270)

- According to *Kangyo Yoroku* [unofficial record regarding encouragement of industry] which Yuei Fujiwara presented in 1833 to the clan lord in hope of the “national security” of Goto Clan:

Preaching needs for the promotion of industries, Fujiwara pointed out that those engaged in their own family businesses “strive for the production of local goods, and then, ship these produces out of the clan to gain gold and silver, which serves *Kokueki*.”

- Common to the examples of Shihei Hayashi and Yuei Fujiwara is an idea to devote localized produces to trades with other feudal clans/countries, thereby enhance *Kokueki*.

- This idea expanded to include commerce with overseas as overseas trades started with the opening of the port. At all events, as explained above, “*Kokueki*” was “a concept to tabulate wealth out of the whole industrial structure including land, and also the one to tally wealth from external trades with other feudal clans.” Which is Fujita’s definition of *Kokueki*. (same as foregoing, p.273)

- In his “general theory on *Kokueki*” included in the rough draft of *Kyokyusha Engi Soko* in 1869 of Meiji Period, Yonesaburo Tsunoda, a retainer of the Hitotsubashi family, emphasized “manufacturing various foreign-made goods” and “widening a passage to international trades by exporting to seaports around the world,” through railroads construction and introductions of steam devices.
 - Independence of industry and development of foreign trade constitute *Kokueki*.
- The term *Kokueki* was used in a context like this; When establishing a new firm with the introduction of foreign technologies, it is to be founded by adopting Western manufacturing methods for the sake of *Kokueki*. Also, in many kinds of petitions, “it is acknowledged that, around that time, *Kokueki* was widely used and discussed throughout a broad range of echelons across the country,” in such wide fields as “cultivation, fostering of various industries, introduction of steam devices, foreign trade issues.”
- Therefore, seeking after *Kokueki* came into power as a philosophy of entrepreneur managers, who, at the same time, could find sounding boards for this philosophy across the public at large including employees’ empathy.

Objective Called *Kokueki*

- Even if industrialists had an aspiration for *Kokueki*, it did not contain such a political meaning as expanding national sovereignty, boosting national prestige through business development.
- The problem is whether or not it makes a contribution to increasing wealth of the nation.
- Corporations could consider that increasing an output quantity through an expansion of their own business activities was a route to realize *Kokueki*.
- Thus, *Kokueki* was not a concept opposed to *Shieki* [private interests], either. Because “each individual strives in own family business, and ships local produces out of the feudal clan to gain gold and silver, which serves *Kokueki*,” industrialists did not have to worry about being forced into pursuing *Kokueki* at the sacrifice of self-profits.

Criticism Toward Fujita's Theory

- Against the theory of Fujita, Osamu Saito insists that *Kokueki* should be grasped more strictly.

(Osamu Saito, *Political Arithmetic in End-of-Edo Period/Imperial Restoration*, included in *Annual: Study on Modern Japan 14; Reform and Succession in Meiji Restoration*, Yamakawa Shuppansha, 1992)

- Saito discusses what kind of norms people in charge of policy in the period of the Meiji Restoration employed to assess economic development, and what sort of barometers they monitored to make political judgments, and “if it was truly a mind-set of those in the end of Edo Period/Restoration to build an industrial nation with the purpose of raising gross production and income per capita.”

- In the opinion of Saito, among numerous source materials on which Fujita's theory is founded, it was rare that *Kokueki* was grasped as a tabulated quantity, and, in most cases, was expressed in the manner of enumerating domestic produces.
- Further, even in these cases, the “write up” enumerating domestic goods did not include “ordinary produces” like rice, and was normally a list of “peculiar goods.” Hence, those goods that attracted the attention were “ones which were sold outside the country (outside the fief), or, ones which were considered to be salable by the drafter.”
- In other words, with respect to Fujita's theory, instead of the aggregate of the production of that country, it was considered as a “notion to tabulate wealth derived from trades with other feudal countries that is stated in the latter half of Fujita's definition of *Kokueki*,” according to Saito.

- Saito points out the following: “To economic bureaucrats of many feudal clans in the end of Edo Period, ‘wealthy nation’ meant nothing but an increase in ‘accommodations of various produces within own thief’ derived from ‘a wide range of trades with the three cities, other clans and Hakodate.’ He asserts that the very profits out of trades were *Kokueki*.
 - This kind of concept of *Kokueki* is more suitable to be called “trade surplus.” While Fujita and Saito are not exactly opposed to each other in their arguments, the following has an effect on the selection of specific economic activities and setting of objectives: to increase an aggregate amount of output; and, to make a contribution to trade surplus (expansion of export, or import substitution).
 - Meanwhile, in *Statistical Table of Kyoto Prefecture* of the early 1880s, there is a statistical item entitled “land profit,” which assembles statistical input and output per 1 *tan* [992m²] of land by county in the prefecture.
 - → “land profit” = “produce” of land
- In this expression, it may have to be said that there was a thought to grasp broadly as in the theory of Fujita, rather than that of Saito.

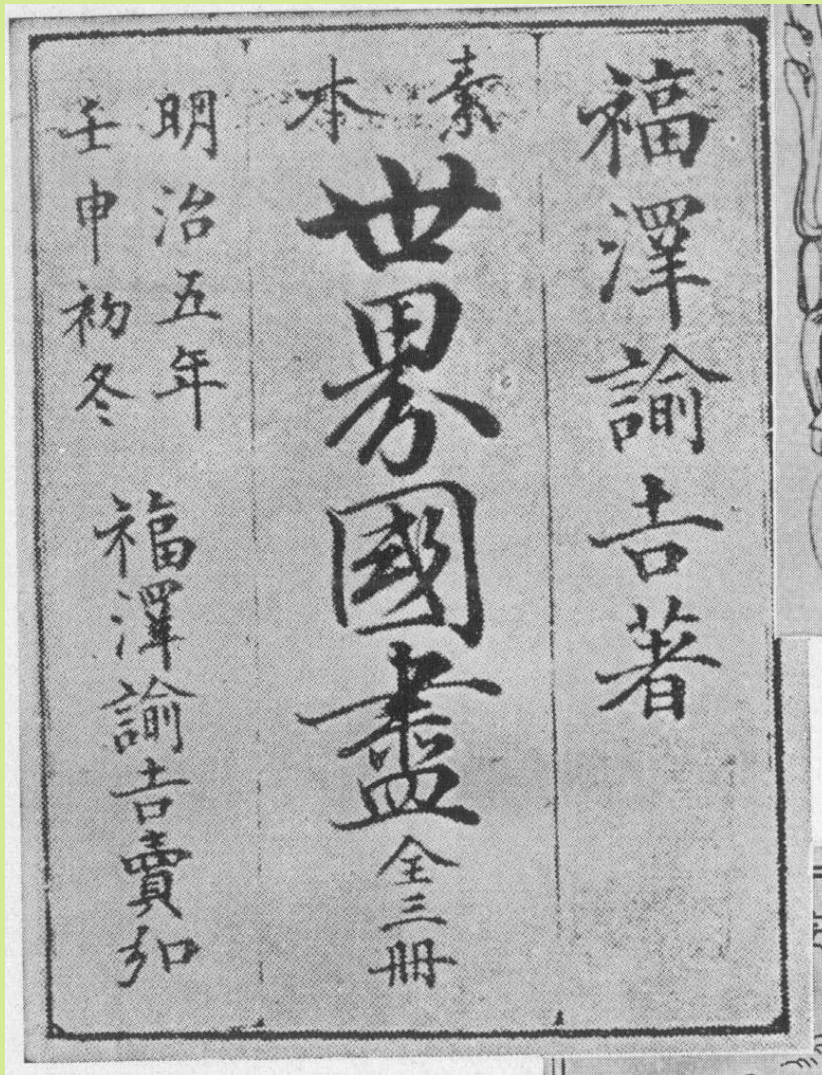
Trade as Norm of Wealthy Nation

- There was no difference in the opinions of the both that *Kokueki* meant achievements of some economic activities.
- According to Saito, this concept of *Kokueki* leads up to the commercial-nation theory by Kohei Kanda, financier in the early Meiji Period, namely, “Build a nation on commerce, it becomes affluent; build one on farming, it gets stranded,” which became an important foundation to disseminate a notion attaching a high value to the trade, a commerce with foreign countries.
- Fujita contends that a thought to emphasize expansion of production for promoting *Kokueki* became widely known, which brought forward the introduction of Western technologies, etc.
- Per contra, Saito’s opinion is that, in discussions on *Kokueki* by those responsible for economic policies and opinion leaders around that time, there was no “implication of expansion of foreign trade by industrialization,” and that “an idea on production capacity was rare.”

(Osamu Saito, *Political Arithmetic in End-of-Edo Period/Imperial Restoration*, Yamakawa Shuppansha, 1992, p.281)

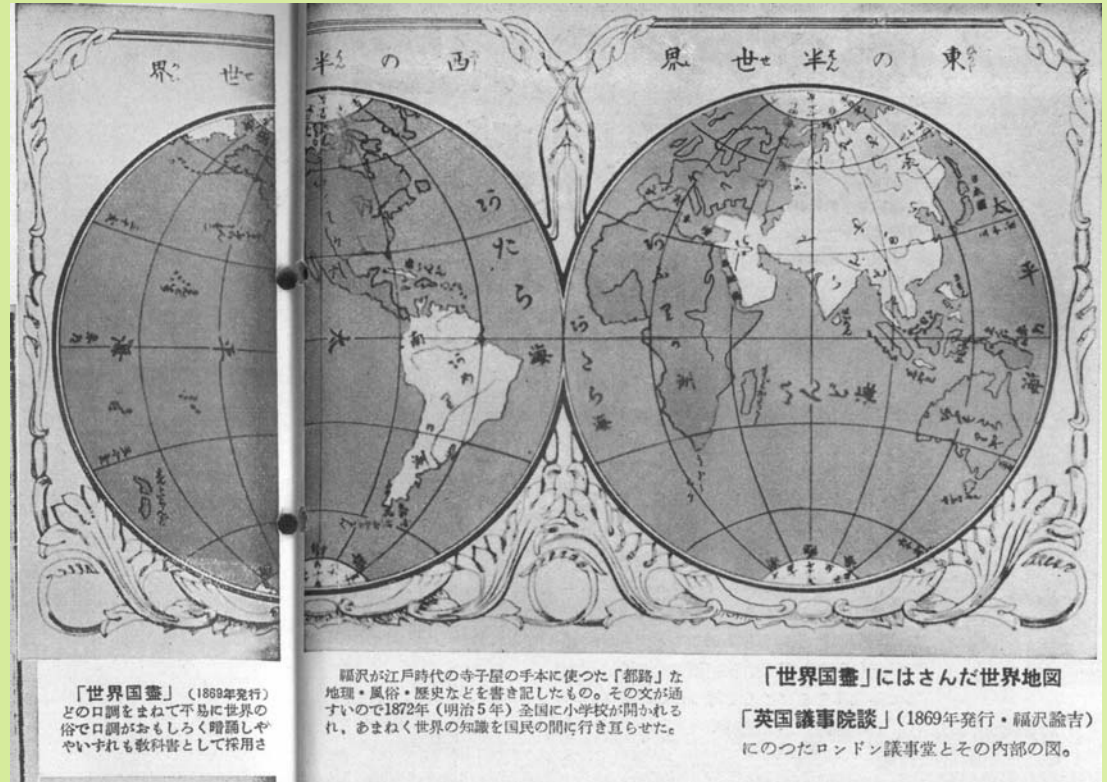
- Yukichi Fukuzawa stated, “The cornerstone for economy lies in collecting property and distribute it. Distribute and collect it, and collect and distribute it.... And, one with outstanding collection and distribution is called a wealthy man or wealthy nation.”
- Of course it was not that Fukuzawa did not understand an importance of improving production methods, but in many cases, commerce and industry were reportedly represented by business transaction forming a harmonious whole.
- And also Fukuzawa is said to have insisted, “It is not that a nation engages in foreign trade because she is wealthy; it is because she engages in the one that she gains profits and wealth. Wealth evolves out of foreign trade, and no wealth ingenerates foreign trade.”

(Osamu Saito, *Political Arithmetic in End-of-Edo Period/Imperial Restoration*, Yamakawa Shuppansha, 1992, pp.282-283)



- Through Fukuzawa's books such as *All countries of the world, for children written in verse*, and, *Pocket almanac of the world*, readers received an impression that "a wealthy nation is the one which is active in foreign trade, equipped with many steam ships and trains, and advanced in transportation."

Pictorial Magazine of Modern 100 Years' History, Vol. 4: 1873-1879, Kokusai Bunka Jyohosha, 1951, p.265



「世界国畫」(1869年発行) どの口調をまねて平易に世界の 俗で口調がおもしろく暗誦しや やいずれも教科書として採用さ

福沢が江戸時代の寺子屋の手本に使った「都路」な 地理・風俗・歴史などを書き記したのもの。その文が通 すいので1872年(明治5年)全国に小学校が開かれる べ、あまねく世界の知識を国民の間に行きまらせた。

「世界国畫」にはさんだ世界地図

「英国議事院談」(1869年発行・福沢諭吉) につたロンドン議事堂とその内部の図。

Pictorial Magazine of Modern 100 Years' History, Vol.4: 1873-1879, Kokusai Bunka Jyohosha, 1951, p.266

Pictorial Magazine of Modern 100 Years' History, Vol.4: 1873-1879, Kokusai Bunka Jyohosha, 1951, pp.265-266

→ Under a common value concept of the pursuit of *Kokueki*, an economic concept setting the expansion of foreign trade as the business objective began to have a strong influence.

View

Saito emphasizes that this sort of “strong obsession with international trade” is a characteristic consistently seen from the beginning of the epoch of promotion of new industry throughout the time between the two wars, and that Japan “could not have a more direct arithmetic expression regarding wealthy nation, i.e., did not have a mentality to measure national strength by means of a macro quantity per capita.”

(Osamu Saito, *Political Arithmetic in End-of-Edo Period/Imperial Restoration*, Yamakawa Shuppansha, 1992, p. 298)

- Conforming to the Saito theory, to make a contribution to trade expansion is a way to actualize *Kokueki*;
 - While following the Fujita theory, to make a contribution to national wealth by production expansion leads to an increase in *Kokueki*.
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- At any rate, it turns out that, under this kind of economic viewpoint to emphasize and endorse the expansion orientation on the economic front, industrialists could possess a consciousness that they contributed themselves to the country through their proactive pursuit of self-profit.
 - Provided that they could become friendly with a sovereignty-oriented ideology, it is possible to consider that this economic perspective lay in the background.

*Koku*eki as Political Term

- “Imperial rescript” at the time of Matsukata’s deployment of the financial administration in Dec. 1882:
 - It is my eager wish that peace is preserved across the entire Orient. However, due to a recent request from Korea, based on a friendship of the neighboring country, our country has become involved in a policy to provide Korea with an assistance in its capacity to defend itself in order for Korea to compel recognition of its independence toward other nations; and it is appropriate that the cabinet council simultaneously desires to directly protect our *Koku*eki into the future. In light of the situation of the neighboring country, where there might conceivably be contingent changes, the measure’s righteous key point lies in making an arming preparation satisfactory for the sake of protection of our country.
- In this Imperial rescript, *Koku*eki carries a political and diplomatic meaning such as international interests.
- However, a concept antonymous to self-interests was “public interests.” For example as in “Replacing public interests with self-interests”...
- In contrast to this, it was the stance of Meiji Government to clearly stipulate *Koku*eki in the Emperor’s words.
- Accordingly, there was a possibility that *Koku*eki was talked about in two different meanings at least after this period of time.

4. Pursuit of Trading Nation

- Saito by using an expression of “strong obsession with international trade” presented a problem that the pre-war Japan “could not have a straightforward arithmetic expression regarding wealthy nation,” and which is a valid viewpoint for Japan after the World War II too.
- Expression of “Japan with the national credo of a trading nation” is found in propositions of political measures around 1950.
- Which is a state where a promotion of *Kokueki* once again became a prerequisite for economic growth.

- With respect to deflationary measures triggered by a crisis in the balance of payments, *the economic white paper* of 1954 mentioned:
 - “The objective lies in the improvement of the international trade balance. Cut back on imports and the contraction of domestic buying power are necessary to attain this objective. Setting back economy is not an objective but a means. Without cutting down on citizens income by constraint, if each individual controls as much as possible the ratio appropriated for consumption out of one’s income, or, preferably tries not to buy foreign-made goods even with the same spending, that much we will come closer to the purpose.
 - “For example, a saving of sugar for cooking or drinking coffee by one spoonful per person per day amounts to a relief of import liability at about \$10 million a year, and ingenerates that much room for an import of other raw materials for heavy industries.”

- Expansion of export “has the dual functions: one, to raise the level of effectual demand, and another, to secure import which constitutes the corroboration of substantive production. If economy swells only with purely domestic factors like investment, then, import increases but income in foreign currencies does not necessarily go with it, which enlarges the gap of the international trade balance.” Additionally, “if investment continues to be a stimulant to the economic front, it will gradually increase domestic production capacity in later years, ... and it might become a sprouting of tendency toward an excess production.”
- → Investment-driven economic expansion was denied due to concerns on the restriction of foreign currencies and the fomentation of an excess production capacity, and, the one driven by export was considered to be the only alternative.

MITI's stance in negotiations on the post-war reparations:

[MITI = Ministry of International Trade and Industry]

- MITI was attentive to evading situations “to end up with passively implementing the settlement of obligations on the basis of requests from other countries,”
- and emphasized that “by conducting reparations and associated economic cooperation faithfully and positively toward these countries, our nation can expect to secure stable markets for heavy industrial products, and to foster markets for imports of industrial raw materials, as well as to develop significant investment opportunities there.”

(MITI, ed., *History of Political Measures on International Trade and Industry, Vol. 5*, International Trade and Industry Investigation Committees, 1989, pp. 41-42)

Justification on the control of consumption of heavy oil in 1955

- Ironically enough, the reason for the success of high growth was not that policymakers made an accurate assessment of the situation.
- As for recognition of mechanism of Japanese economic growth, policymakers continued to be constrained by their crisis awareness of the “restriction of foreign currencies” embedded in the beginning of the 1950s, and by the goal of national economy set in building a “trading nation.”
- And they could not yet grow out of the Japanese economic notion of “poor country Japan” in terms of resources and markets that drove the nation into the road to the war; This fixated thought justified industrial policy measures focusing on the rationalization and nurture of industries as these best suited for *Kokueki*.
- In this way, the situation which Saito described as a “strong obsession with international trade” continued to stay alive as the fundamental characteristic of the industrial policy management even after the war.