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Changes in Japanese Commerce in the Tokugawa Period

E. S. CRAWCOUR

THE development of commerce and the rise of a merchant class in Tokugawa Japan have deservedly received considerable attention from both Japanese and Western scholars. In Japan that interest would seem to have been prompted by the problem of the rôle of the pre-Restoration merchant class in the development of the modern capitalist Japanese economy. The study of this problem was characterized by a long controversy in which the Tokugawa merchants were depicted as either "progressive" or "feudalistic," depending on the historical philosophy of the participants. The argument was conducted at a high level of generality and on both sides within frameworks derived from the leading European (mainly German) schools of economic history. For some time neither side seems to have doubted the applicability of these frameworks to Japan's experience, but the controversy did eventually lead to valuable detailed studies of Tokugawa commerce and to attempts to interpret Japan's economic development in its own terms. Among the first to do this were the members of the so-called "Kyoto School" under Professor E. Honjō.

The early work of the Kyoto School, particularly that published in English, was itself on a very general plane, and in the light of subsequent factual studies now seems rather simplistic. One thinks in particular of its view of a monolithic merchant class first freeing itself from dependence on the feudal government, then consolidating its strength through internal organization and, after a bit of seesawing of the balance of power, gaining control of economic life. While the merchants were threatened (or should it be "re-enforced"?) by rural economic developments, they eventually created conditions under which feudal government became an anachronism. A fair statement of this view has been transmitted to English readers through C. D. Sheldon's *The Rise of the Merchant Class in Tokugawa Japan*.¹

This interpretation has, however, tended to underemphasize the diversity within the merchant class and to attribute to the class as a whole characteristics and motives which would, at a less general level, be properly applicable only to particular groups and at particular periods. In Tokugawa political theory, all those who gained their livelihood through commerce were members of the same legal and social category. In practice, however, this vague theoretical community of interest was far outweighed by stratification along income or regional lines. The merchant class included not only the wealthy and economically powerful leaders of wholesale trade and the great financiers who held the purse strings of the feudal lords, but also the pedlars and small shopkeepers and the whole range between these extremes.

The author is a Fellow of the Australian National University. Much of the work for this study was done under the auspices of the Saionji Memorial Society.

¹ (New York: J. J. Augustin, 1958.)

But it is with changes over time that this article is primarily concerned, specifically with changes in the top echelons of the merchant ranks in response to changing economic and political conditions. Although the Tokugawa period is famous for its stability, it is only to be expected that considerable changes should have occurred between its opening at the end of the military struggles of the sixteenth century and its close with the restoration of imperial rule in 1868. We need only remind ourselves that this era coincides with a stretch of British history extending from the reign of Queen Elizabeth to that of Queen Victoria to see the appropriateness of Hall's phrase, "the changes behind the façade of seeming permanence in the Tokugawa polity."²

The daimyo of the "Warring Barons" period had sought to control commercial as well as other economic activity in the interests of their respective war efforts, and the development of free commercial communities had been choked off as obstructing rather than furthering their military ambitions. To prosper under a warring baron, a merchant had to be first and foremost a thoroughly reliable quartermaster. With the end of the "Warring Barons" period and the establishment of the system of a central shogunate and local daimiates known as the *bakuhhan taisei* around the 1630's and '40's, these requirements changed substantially. The main economic concern of a daimyo was no longer how to provision an army, but how to raise enough cash to cover the heavy expenses which his new status involved. The old quartermasters were relegated to various odd jobs, while the daimyo turned for commercial services to a new group of Osaka merchants who were better able to provide such services as bulk storage and marketing of tax rice, and who were able to make available lines of credit when and where they were required. By the second half of the seventeenth century, these merchants had become a privileged group and were the undisputed leaders of the merchant community. They continued with remarkably little change in membership to occupy an important position until the *bakuhhan taisei*, which was their *raison d'être*, collapsed in 1868.

With the rise of large centers of consumption, the growth of geographical specialization of production, and the development of national markets, this group of merchant financiers, although still the leaders of the banking system, failed to maintain its share of the country's commercial business. From about the start of the eighteenth century, wholesale interregional trade became important and was handled by a new group of merchants, the *tonya* or wholesale distributors. In many parts of eighteenth-century Japan, the growth of production was running ahead of the development of commercial facilities. The only alternative to a marketing system organized by the *han* government—a method rarely employed at this time—was to rely on substantial *tonya* from outside, usually from the three main cities of Osaka, Edo, and Kyoto, but often originating from such economically advanced provinces as Ise and Ōmi, and in any case having only an indirect connection with the Osaka banker/rice merchants. The *tonya* flourished throughout the eighteenth century, and by its end were generally incorporated into the official scheme of things as privileged groups. By this time, however, the development of commercial facilities in production centers was already catching up, and it proceeded rapidly in the first half of the nineteenth century. Despite official protection, the *tonya* who had once monopolized interregional trade were being increasingly bypassed. By 1841, the much-criticized but probably

² John W. Hall, *Japanese History—New Dimensions of Approach and Understanding*, Publication No. 34, Service Center for Teachers of History (Washington, 1961), p. 39.

realistic Mizuno Tadakuni appears to have decided that there was no point in continuing the association any longer. His inability to replace it with an alternative control mechanism at a time when potentially hostile *han* were successfully moving towards direct control of the economic activity of their fiefs proved fatal.

The following sections discuss four groups of merchants and relate their activities to Japanese development in general and to connections between government and commerce.

Privileged Merchants of the Early Tokugawa Period

In the *Sengoku* (Warring Barons) period, the requirements of the leading warlords for munitions, provisions, other commodities, and cash were far greater than could be supplied by the existing commercial facilities. The management of the commissariat was therefore entrusted to someone with the capital and experience to handle it. Takeda Shingen was supplied by a man called Sakata Gengo of Shinano, and Uesugi Kenshin by Kurata Gorozaemon of Echigo Funai and Arahama Sōgorō of Kashiwazaki. Oda Nobunaga employed the Itō family of Kiyosu.³ These official merchant quartermasters, who were usually of samurai origin, were generally granted exemption from taxes and services, given monopoly rights to conduct certain kinds of trade or even all major trade within the baron's territory, and were often appointed as leaders and supervisors of the merchant community.

At the opening of the Tokugawa period, the leaders of Japanese commerce were all of this type. After it became clear in the 1630's that the *Sengoku* period was at an end, they lost their economic pre-eminence but retained their social prestige for a long time. In these early years the three great merchants⁴ of Kyoto were Suminokura Ryōi, Gotō Mitsutsugu, and Chaya Shirojirō. All had been closely associated with Tokugawa Ieyasu during the campaigns that culminated in the battle of Sekigahara, and all were fully fledged samurai as well as merchants. Chaya had fought for Hideyoshi and Ieyasu under his family name of Nakajima Kiyonobu. In the same group were Kameya Einin (the former Kitasumi Hisamasa), Sueyoshi Magozaemon, Suetsugu Heizō, Hirano Tōjirō, and Yodoya Keian. All of the group held various licences and privileges, including licences to engage in foreign trade.⁵ How these *Sengoku* merchant princes fared once the *Pax Tokugawa* became an established reality is best illustrated by following the careers of two or three of them.

Suminokura Ryōi⁶ was born in 1553, the son of a successful doctor, and his family was closely associated with the leaders of the day. He was granted a licence for foreign trade by Hideyoshi and later by Ieyasu, who seems to have backed his trading ventures to Annam. In 1611 his son, Yoichi, presented silks and spices to Ieyasu through Gotō Shōzaburō (Mitsutsugu), and these may well have represented Ieyasu's share of the venture. The family continued to trade with Annam until 1634, amassing a huge fortune. From 1605 to 1611 Ryōi developed river navigation on the Hozu,

³ Toyoda Takeshi, "Sengoku shokō no shōgyō tōsei" [Control of commerce by barons of the Sengoku period], *Rekishigaku Kenkyū*, XI (July–August 1941), 15–27.

⁴ San Dai-chōja.

⁵ Go-shuin. See Kawashima Motojirō, *Shuinsen Bōeki-shi* [History of Red Seal Ships Trade], 4th ed. (Osaka: Kōjinsha, 1942).

⁶ His original family name was Yoshida. See the inscription on his tombstone composed by Hayashi Dōshun and given in Yamazaki Yoshishige, *Kairoku* [Records of the Sea], (Tokyo: Kokusho Kankōkai, 1915), p. 514. For his career in foreign trade see Kawashima, pp. 210–256.

Tenryū, Takase, and Fuji rivers and was in return granted certain navigation rights. A grandiose plan to lower the level of Lake Biwa by two or three feet by diverting the Uji River and so reclaim a large area of good rice-growing land apparently came to nothing. Ryōi died in 1614. His son Yoichi (Genshi) was an accomplished scholar who had performed distinguished service in the campaigns against Osaka. In the year after their conclusion, he was rewarded with the post of inspector of shipping on the Yodo River between Fushimi and Osaka, a post which carried the right to levy an inspection charge. With the end of foreign trade opportunities, the Suminokura income dwindled and the river and reclamation schemes must have consumed a good part of their wealth. Many of his contemporaries were ruined by similar grandiose schemes.⁷ The family fortunes went steadily downhill, and they continually petitioned their old patrons, the Tokugawa, for an official position. Times had changed, however, and it was not until the end of the seventeenth century that they were given a small post which they did not keep long. By the late eighteenth century Suminokura, once one of the three millionaires of Kyoto, was described as "once a merchant, but now barely anything."⁸

The career of Chaya Shirojirō was similar. His ancestor had been lord of a castle in Owari Province and his father was a friend of the Ashikaga Shogun Yoshiteru. As Nakajima Kiyonobu, the first Shirojirō served Tokugawa Ieyasu when he was lord of Okazaki, and is said to have fought in fifty-three battles. He settled in Kyoto and was appointed official draper and general factotum to Ieyasu. He was offered the post of *daiikan* of Moriyama in Ōmi Province but declined it, and instead was given a stipend of 200 *roku*. In 1591 he received a licence from Hideyoshi to engage in overseas trade, and like Suminokura he made a fortune out of the Annam trade. He died in 1596 and was succeeded by his son, Shirojirō the second, Kiyotada. He too maintained very close connections with Ieyasu, was his official draper, and was granted land in Kyoto and Edo. After Ieyasu's victory at Sekigahara, he was appointed head of all the merchants in the Kansai area, with particular jurisdiction over the business community of Kyoto. The family fortunes were now at their peak. With the prohibition of overseas trade they received a severe blow, but the family was able to make a fair profit from the Itowappu or silk-importing monopoly of which they were foundation members. The profits of this organization, however, declined and in 1655 it actually incurred a heavy loss. The monopoly was abolished the same year; although it was restored in 1685, profits again fell, and by the 1720's there was again a loss.⁹ In 1700 the members of the Kyoto Itowappu were granted the privilege of minting iron coins to help them out of their financial difficulties, but they even managed to lose on this operation.¹⁰ Chaya's other iron in the fire was also getting rather cold at about this time. By 1700 the official drapers had lost their *raison d'être*. The Shogunate could get better and cheaper service from the "professional" wholesalers who were by then flourishing in Edo and who got most of the government orders. Chaya and

⁷ See E. S. Crawcour, "Some Observations on Merchants—a translation of Mitsui Takafusa's *Chōnin Kōken Roku*," *Transactions of the Asiatic Society of Japan*, VIII (December 1961), 55–56.

⁸ Kanzawa Tokō, *Okīnagusa*, Sect. 195 in *Nihon Zuihitsu Taisei*, Third series, XIII, 826.

⁹ Nakada Yasunao, "Itowappu no hensen" [Changes in the Itowappu] in Itō Tazaburō, ed. *Kokumin Seikatsu-shi kenkyū* [Studies in the History of the Life of the People], II, *Seikatsu to Shakai Keizai* [Life and Social Economy] (Tokyo: Yoshikawa Kōbunkan, 1959) pp. 369–429.

¹⁰ Sekiyama Naotarō, "Kyōto Itowappu nakama no chūsen jigyō" [The minting operations of the Kyoto Itowappu], *Keizaishi Kenkyū*, XIV (October 1955), 20–28.

his colleagues were reduced to a 10 per cent commission on special orders for ceremonial clothes for the Shogun's own use or to be given as official presents. Efforts to help them out involved a robbing-Peter-to-pay-Paul arrangement whereby the official drapers were given a share in the profits of the Itowappu. With the death of the Shogun Tsunayoshi, this too was eliminated and the austerity measures of his successor proved to be the final blow.¹¹

Of the great merchants and overseas traders of the late *Sengoku* and early Tokugawa periods, Gotō Nuinosuke, once chief supplier and confidential ambassador of Ieyasu, suffered the same fate as Chaya. Gotō Shōzaburō¹² became master of the gold mint, an honourable but poorly paid position. An attempt to make use of the obvious opportunities to supplement the salary brought dismissal in 1810, but the family were government servants rather than merchants over a hundred years before that. Sueyoshi (Hirano) Kambei became a *daiikan* and an official of the Fushimi silver mint. The family seems to have remained prosperous enough, but left the ranks of the merchant class.¹³

The decline of these carry-overs from the *Sengoku* period was due largely to the prohibition of foreign trade, but also to the changed political situation and the development of organized commercial facilities in the major cities, particularly in Osaka. With the end of the wars and the establishment of the *bakuhan taisei*, the commercial and financial requirements of the daimyo changed. By the 1650's most daimyo were dependent on the services of a new group of Osaka merchants. Outside of the major cities, however, commercial development was far less advanced. In the provincial castle towns, there was still a function for privileged merchants who provided services for the *han* and regulated local commerce under the supervision of the *han* administration. It was clearly to the interest of these privileged merchants to delay general commercial development as long as possible, since such development threatened them with decline. In this their interests coincided with those of the feudal authorities, who for other political reasons consistently aimed to prevent the commercialization of rural life. In the end, the continuance of the *status quo* depended as much on the geographical position and state of economic development of the *han* as it did on the policies and strength of the *han* government. In the more advanced areas of central Japan and around the Inland Sea, it was becoming difficult to hold the line as early as the first half of the eighteenth century. In the more backward areas of northern Honshu, the position of the privileged merchants was not seriously challenged until the nineteenth century.¹⁴

The BAKUHAN TAISEI and the Osaka Merchant Financiers

With the end of the wars, the incomes of the daimyo were more or less restricted to their agricultural taxes, and their financial problem was to convert this tax revenue, which was levied mainly in rice, into a more readily expendable form. Cash was required partly for the running of the fief, but mainly for the expenses of biennial

¹¹ Nakada Yasunao, "Edo jidai no gofukushi" [The official drapers of the Edo period], *Rekishi Kyōiku*, IX (October 1961), 12-22.

¹² No relation to Nuinosuke, who was known as "Gofuku Gotō" to distinguish him from Shōzaburō, known as "Kinza Gotō."

¹³ The fate of a number of others of the same sort is recorded in *Chōnin Kōken Roku*.

¹⁴ See Andō Seiichi, *Kinsei Zaiikata Shōgyō no Kenkyū* [A Study of Rural Commerce in the Tokugawa period] (Tokyo: Yoshikawa Kōbunkan, 1958), especially pp. 388-402.

residence in Edo. Since there was no market for such large amounts within their own domains, most *han* made arrangements to market their rice in Osaka. In the first twenty years of the Tokugawa Shogunate, most major *han* arranged for warehouse facilities there, and senior retainers were appointed to handle the marketing. With the exception of two *han* which had presumably owned land in Osaka since an earlier period, daimyo were not permitted to own land in this city, which was administered directly by the Shogunate. The warehouses and associated offices were therefore built on land held in the names of Osaka citizens. The samurai officials in charge of the warehouses were, moreover, heavily dependent on the services of Osaka merchants. At first the tax rice was sold by tender, and a good deal of it seems to have passed through the hands of the famous Yodoya, whose huge rice-broking business apparently started before the beginning of the Tokugawa period. By about the 1650's, most *han* put the management of their Osaka warehouses into the hands of Osaka merchants,¹⁵ who were then known as *kuramoto*. They usually acted as financial agents (*gin-kakeya*) also and received a salary and various social and economic privileges. When the Osaka banking system was organized in 1670, most of the ten members of the controlling group (*Jūnin ryōgae*) were active as *kuramoto* and/or *kakeya* for the various *han*. None seems to have been prominent before the beginning of the Tokugawa period.

The relations of this group with the Shogunate and *han* were not limited to the handling of tax rice.¹⁶ Other products marketed by the *han* passed through the hands of these agents. The financial services provided included not only the handling and remittance of the proceeds of rice sales, but to an increasing extent the provision of advances in anticipation of revenue. These advances developed into long-term loans, in many cases of amounts equivalent to several years' revenue. The loans usually bore interest at the rate of between 15 and 20 per cent a year, and accumulated interest often raised the amount of the advances carried by the Osaka merchants to very high levels. When the property of Yodoya Saburoemon was confiscated by the Shogunate in 1705, his outstanding loans to daimyo were estimated at the incredible total of 100 million *ryō*, or several times the total national income of Japan at the time. All of the daimyo of western Japan are said to have been heavily in his debt. The whole story of Yodoya is, however, thickly overlaid with fiction. If the famous inventory of his wealth were anywhere near accurate, he would have been at least a thousand times richer than any of his merchant contemporaries. The "nice profit" of 121,867,610 *ryō* which the Shogunate is supposed to have made out of the confiscation of his property and which Sheldon regards as "possibly an exaggeration"¹⁷ would have been equivalent to the total ordinary revenue of the Shogunate for about two hundred years!¹⁸ It is odd, to say the least, that the name of Yodoya does not even

¹⁵ See *Dōjima Kyūki* [Records of Dōjima] in *Tokugawa Jidai Shōgyō Sōsho* [Collection of Writings on Tokugawa Period Commerce] (Tokyo: Kokusho Kankōkai, 1913) II, 27. See also Suzuki Shōhei, *Dōjima Kome-ichiba Shi* [History of the Dōjima Rice Market] (Tokyo: Nihon Hyōronsha, 1940).

¹⁶ An account of the way in which Hiranoya Gohei acted as *kuramoto* and *kakeya* for the Tokuyama *han* is given in Takekoshi Yosoburo, *The Economic Aspects of the History of the Civilization of Japan* (London, 1930), III, 97-101.

¹⁷ *Op. cit.*, p. 103.

¹⁸ Taking as a rough guide the figures given for shogunal revenue for 1716 in Ōkurashō [Ministry of Finance] ed. *Nihon Zaisei Keizai Shiryō* [Materials on Japanese Finance and Economics] (Tokyo: Zaisei Keizai Gakkai, 1922), I, 31.

figure prominently in the records of the business community after the middle of the seventeenth century. Evidence and common sense strongly suggest that the traditional accounts of the fall of this famous house should be treated as fiction.

The extent of the loans made to daimyo by these Osaka merchants is far better documented in the case of Kōnoikeya Zen'emon, one of the foundation members of the *Jūnin ryōgae*.¹⁹ In 1684 his loans to daimyo totalled 3445 *kamme* (about 57,500 *ryō*) out of a total amount lent of 3858 *kamme*. By 1706 loans to daimyo had risen to 16,160 *kamme* (about 278,600 *ryō*) out of total loans of 18,258 *kamme*, and by 1795 the figure had risen again to 26,660 *kamme* (about 416,300 *ryō*) out of total loans of 33,470 *kamme*.²⁰

Kōnoikeya is a good example of the merchants closely associated with the *bakuhantaisei* who are often thought of as the Tokugawa merchants *par excellence*.²¹ The family may or may not have been of samurai origin. The story that they were descended from the famous sixteenth-century warrior Yamanaka Shikanosuke was denied by the family when approached for financial assistance by an unemployed samurai claiming to be of that family. The surname Yamanaka was used from time to time, but of itself this proves nothing. In any event the family was not of samurai status at the beginning of the Tokugawa period. About 1600 they were brewing and selling *sake* (rice wine) in the village of Kōnoike. From the Middle Ages on, *sake* brewers were among the richest members of the rural community and usually combined pawnbroking and moneylending with their manufacturing activities. About the 1660's, the family hit upon a technical innovation which revolutionized the brewing industry by making possible large-scale production of clear (as opposed to cloudy) *sake*. According to the traditional story, the discovery was made accidentally when a disgruntled employe tossed a bucket of ashes into a vat. Their improved product became famous, and to fill the demand for it in the growing city of Edo, they went into the shipping business. This too prospered, and by 1690 the firm owned over a hundred vessels. Shipping operations included the transport of rice to Osaka for the daimyo of western Japan. As early as the 1630's Kōnoikeya began advancing money to these daimyo, at first through the banking pioneer Tennōjiya Gohei. Through this connection he became, from about the 1670's, *kuramoto* and *kakeya* to many of the western *han*. In 1656 Zen'emon gave up brewing and opened an exchange shop (*ryōgaeya*) or bank modelled on that of Tennōjiya. When the *Jūnin ryōgae* were set up in 1670 to handle the financial transactions of the Shogunate and to supervise the Osaka money market, Zen'emon was one of the number. As a fully fledged banker, Zen'emon's relations with the *han* became closer, and by the end of the seventeenth century the firm had established business connections with thirty-two *han*.

It was merchant financiers like Kōnoikeya, Tennōjiya, and Hiranoya who were the undisputed leaders of the merchant class in the period following the establishment

¹⁹ The annual accounts of Kōnoikeya Zen'emon have been analyzed by Yasuoka Shigeaki in "Zenkitteki shihon no chikuseki katei" [The process of accumulation of pre-modern capital], *Dōshisha Shōgaku*, XI, No. 5 (1960) and XII, Nos. 2, 4 and 5 (1961).

²⁰ I have excluded loans to other branches of the Kōnoike family which were more in the nature of subscriptions of capital. Conversions from *kamme* to *ryō* are at the rate of exchange used in the accounts for the year in question.

²¹ The following is taken mainly from Miyamoto Mataji, *Kōnoike Zen'emon* (Tokyo: Yoshikawa Kōbunkan, 1958).

of the *baḱuhan taisei*, which we may date from about 1640. As the leaders of the banking system, they controlled the credit system not only of Osaka and its environs, but of all the major centers of Japan. Through their exchange and remittance business, they controlled the market in which the relative values of gold and silver—and thus in effect the rate of exchange between Edo and Osaka—were set, and acted as the financial agents of the Shogunate. They thus collectively performed some of the functions of a central bank.²² As commercial and financial agents and major creditors of the various *han*, they had considerable influence on *han* economic policy and a practical monopoly of the main exports of the *han*. Through their handling of tax rice, which amounted to about three-quarters of the supply, they controlled the Osaka rice market and thus the wholesale rice market for the whole country. When *han* began to issue paper currency for circulation within their territory, the issue was often underwritten and backed by members of this group and when, early in the eighteenth century, *han* sought to increase their revenues by developing new agricultural land, these merchant financiers often financed and carried out major reclamation projects. In this way most of them became large-scale landowners. Through their work for the Shogunate and the *han*, they became essentially civil retainers or quasi-samurai, with permission to use surnames and wear two swords when on official business. They also received stipends which, in the case of the Kōnoikeya, totalled 10,000 *ḱoku*,²³ as much as a minor daimyo. The same type, though on a smaller scale, can be found in the so-called *fudasashi* of Edo, who began as agents for the direct retainers of the Shogunate, collecting and marketing their rice stipends for them and later advancing substantial amounts to them.

This group was obviously very closely tied to the *baḱuhan taisei*. Although they took part in financing private commercial and even industrial undertakings, most of their business was with the *han* or the Shogunate. This demand for their services arose out of the political system, and the demand for cash advances in particular was largely for the expenses of the *Sanḱin Kōtai* system. Consequently they retained a leading position in the national economic life as long as the *baḱuhan* system lasted. Although, as we shall see, economic development tended to be mainly outside their sphere of influence after the second half of the eighteenth century, Osaka nevertheless retained its paramount position. Cracks began to appear in the *baḱuhan* system at least as early as the arrival of Commodore Perry, but the relaxation of the *Sanḱin Kōtai* requirements in 1862 gave a concrete indication that the system could not continue without considerable modification. The shogunal protection which the Osaka merchant financiers enjoyed by virtue of living in a city under direct shogunal administration proved to be a broken reed well before the Chōshū revolt exposed the Tokugawa Government's weakness. The financial position of most of the group was shaken when silver was drastically devalued to bring it into line with the gold/silver ratio in the outside world.²⁴ Since their assets were expressed in silver, and the group as a whole was holding a large part of the country's silver specie, the devaluation involved enormous losses. For most, the Restoration itself proved to be the final

²² See E. S. Crawcour, "The Development of a Credit System in Seventeenth-century Japan," *Journal of Economic History*, XXI (September 1961), 342-360.

²³ That is, the right to receive the tax income on land rated at 10,000 *ḱoku*. 1 *ḱoku* = approximately 5 bushels.

²⁴ See Takekoshi, III, 329-337.

blow. One of the first acts of the new government was to demonetize silver, close the Osaka gold/silver exchange, and order conversion of all assets and liabilities expressed in silver at the current rate, which was very unfavourable to silver. There ensued a run on the Osaka banks which they were unable to meet, and most closed their doors, never to re-open. Furthermore, most of the assets of these merchant financiers, which were held in the form of advances to the *han*, were now no longer recoverable. Although the Restoration Government agreed to take over a part of the *han* debts, all such debts contracted before 1843 were repudiated. Almost half of the total claims of 74,130,847 yen were repudiated in this way.²⁵ Debts contracted between 1844 and 1867 amounting to about 11 million yen were to be repaid over fifty years free of interest. Some 12.5 million yen of debts contracted by the *han* between the Restoration of 1868 and 1872 were to be repaid at 4 per cent interest over twenty-five years with a respite of three years.²⁶ Most of these "New Loans" were probably held by people other than the old-established merchant bankers of Osaka.

With the collapse of the *baġuhan* system, therefore, the group of merchants who were so closely associated with it, and whose prosperity had depended on it for two hundred years, was thus practically wiped out. The few who survived, like Kōnoikeya and Mitsui, did so because of special circumstances. Since the Restoration was such a catastrophe for them, it is hard to understand why this group should have worked for the overthrow of the Tokugawa system on which they were so dependent. In fact, there is very little evidence that they did. Some sections of the merchant class did actively support the Restoration movement, but these were mainly wealthy rural entrepreneurs, not the class with which we are concerned here. It is true that they paid the levies or forced loans (*goyōġin*) demanded by the Shogunate with considerable reluctance, but probably with no more reluctance than they would have shown towards a similar demand from any other quarter. The famous contribution by the firm of Mitsui to the Imperial cause on the eve of the battle of Toba-Fushimi seems to have been an exception. After the setbacks of the 1860's, few of the other Osaka financiers had the ready cash to support the new government even if they had wanted to. Mitsui were tied to the central government, whatever form it might take, rather than to the *baġuhan* system, and they were fortunate or farsighted enough to have cash on hand in the form of a special reserve fund created by setting aside annually a percentage of profits, to be used only in an emergency such as a fundamental change in economic or political conditions.

Interregional Trade and the City TONYA Merchants

The last quarter of the seventeenth century and the first quarter of the eighteenth saw a very rapid growth of interregional trade. Several factors contributed to this development. On the demand side, the growth of large consumption centers, particularly Edo, was important. From about 1650, Edo developed rapidly as the administrative capital of Japan. Its population roughly doubled in the second half of the seventeenth century and reached a peak of about one million in the 1720's. With

²⁵ In the case of Kōnoikeya, the Meiji Government assumed responsibility for only about a quarter of the claims, which totalled close to 1.5 million yen. Miyamoto, pp. 233-234; Nihon Rekishi Gakkai, ed. *Jimbutsu Sōsho Furoġu*, No. 13 (September 1958), Yoshikawa Kōbunkan.

²⁶ *Hansai Shobun Rokū*, in Ōuchi and Tsuchiya, ed. *Meiji Zenġi Zaisei Keizai Shiryō Shūsei* [Collected materials on finance and economics in the early Meiji period] (Tokyo: Kaizōsha, 1932), Vol. IX.

large and lavish establishments of the military aristocracy, free-spending citizens, and fluctuating but usually heavy government deficits, Edo enjoyed the reputation of having by far the highest propensity to consume in Japan. Here was a market far too big to be supplied from local sources, and from about the middle of the seventeenth century Osaka developed a growing export trade to the eastern capital. Payment for Edo's imports from western Japan was usually effected by setting it off against the flow of feudal tax revenues to be remitted from the Western Provinces to Edo. Interregional trade was also promoted by improvement of communications. The system of national roads converging on Edo and slow but steady improvement in local roads facilitated land travel, although land transportation was still limited to coolies and packhorses. Consistent attempts were made to improve inland waterways, and in the 1670's the coastal shipping routes all around the main island of Japan were greatly improved.²⁷ On the supply side, rising agricultural productivity permitted greater regional specialization and the development of simple rural industries.

These conditions combined to provide new opportunities for trade which were grasped by a new group of wholesalers and shippers known as *tonya*. The term refers to an occupation (not an organization), and was originally applied to forwarding agents. In the 1680's this group of merchants, based mainly on Kyoto or Osaka, vigorously developed wholesale trade between Kansai and the Western Provinces and Edo. Wholesale drapers like Tomiyama (Daikokuya), Izukura, Shirokiya, and Echigoya (Mitsui) had large purchasing establishments in Kyoto and often contracted for the textile production of whole districts. By their practice of advancing working capital to the producers, they were able to buy on very advantageous terms, and when they opened their wholesale and retail stores in Edo, the established local traders were unable to compete with them. Competition from this new group with its "modern" trading methods was a major reason for the final disappearance of the privileged or official merchants like the *gofukushi* from the ranks of active businessmen.²⁸

The formation of the *Tokumi-donya* or "Ten groups of *tonya*" in Edo in 1694 and their successful struggle with the major shipping combines mark the arrival of this group as captains of commerce. The new merchants dealt in soft goods, ginned cotton, haberdashery, sake, paper, rice, matting, pharmaceuticals, lacquerware, crockery, ironmongery, builders' hardware, and various other goods. The granting of official monopoly privileges to these and other similar groups did not come until the time of Tanuma Okitsugu in the 1760's and 1770's,²⁹ although unofficial combination amongst themselves and with similar groups in Osaka and Kyoto seems to have been practiced for some time before that. In the period in which the new *tonya* were coming to the fore, between 1680 and 1720, however, competition among their own ranks seems to have been fierce. At this time they were independent, adventurous entrepreneurs, with no particular ties with the government and ready to try anything that promised a profit. It was members of this group who developed trade with

²⁷ See E. S. Crawcour, "Kawamura Zuiken—A Seventeenth Century Entrepreneur," to be published in *Transactions of the Asiatic Society of Japan*, Vol. IX.

²⁸ See Nakada Yasunao, "Tenna nenkan shinkyū shōnin-sō no kōsō" [The struggle between old and new merchants during the Tenna era], *Nihon Rekishi*, LXXI (May 1954), 21.

²⁹ See John W. Hall, *Tanuma Okitsugu, Forerunner of Modern Japan* (Cambridge: Harvard University Press, 1955).

Hokkaido. During their period as government-licensed monopoly companies from the 1760's to 1841, their spirit of enterprise seems to have ebbed away, and when their monopoly privileges were withdrawn, many were unable to meet the challenge of vigorous outsiders or to adjust to the development of local as opposed to interregional trade. Nevertheless, they still had an important function and many of the old *tonya* survived the Restoration and are still in business, although not as a rule among the leaders.

The Development of Local Commerce and the Rural Merchants

Although some local commerce existed in Japan from the beginning of the Tokugawa period, it was with the great increase in the production of industrial crops and the accelerated development of rural industries after 1800 that it became nationally important. Industrial development in the Tokugawa period was characterized more by the geographical spread of industry than by any marked advances in technique or industrial organization. The spread of industry was prompted in part by the desire to escape from the restrictive practices of the city industrial and commercial guilds, and partly by an enormous increase in demand for industrial products for which new sources of supply had to be sought. The spread of industry into the villages was permitted by increases in agricultural productivity, the existence of fairly large numbers of villagers either owning no land or needing to supplement their agricultural income, and the growing need of peasants for cash income. The initiative in introducing industries in rural areas sometimes came from city or Kinki (Ōmi, Ise) merchants seeking bigger and cheaper supplies to meet rising demand.⁸⁰ This was the case particularly in the districts surrounding Kyoto, Osaka, and the larger castle towns. Sometimes new industries were introduced by *han* to help solve local balance of payments problems and to increase revenue. Funds for such projects might be procured by raising a loan in Osaka, or by entrusting the operation to privileged castle town merchants who financed the project in return for a share of the profits or the right to collect fees. In many cases, however, industries were introduced by local entrepreneurs, usually substantial farmers with interests in moneylending, commerce, and such ubiquitous industries as brewing and the manufacture of soya sauce.

When the initiative came from city merchants, marketing was naturally taken care of by them. In many cases, however, particularly in the more remote and economically less advanced areas, the growth of production tended to run ahead of the development of commercial facilities. This was one reason for the establishment of *han* monopoly marketing organizations. Some official marketing boards may have represented an attempt to use the political power of the *han* to come between the producer and the market, but such monopolies were very hard to maintain and there was invariably a great deal of evasion. Quite often a marketing board organized by the *han* was the only possible method of obtaining outlets.⁸¹ By marketing such products through its officials warehouses, moreover, a *han* was able to circumvent the powerful monopolistic commercial organizations (*kabunakama*). This practice led to disputes

⁸⁰ In 1815, for example, Ōmi merchants introduced sericulture to the Tanabe *han* in return for the exclusive right to buy the product. See Andō, pp. 189-190.

⁸¹ A peasant uprising in Kii in 1855 protested against, among other things, the abolition of the *han* monopoly marketing board in its area. Andō, p. 392.

between *han* marketing organizations and merchant groups sponsored by the Tokugawa Government as early as the late seventeenth century.³² In the nineteenth century such disputes became very frequent and usually the *han* got its way.

By the 1820's or 1830's local commerce was developing, at least in the geographically better placed and economically more advanced areas of Kinki, Chūgoku, the Kantō Plain, the districts bordering the Inland Sea, and parts of the Japan Sea coast. This development saw something similar on a provincial scale to the competition between protected merchants-by-appointment and a new class of professional businessmen in the major cities a century earlier. This time, however, competition was for the purchase of industrial materials and products rather than for markets. The lead was taken by prosperous farmer/businessmen who had by this time accumulated a good deal of capital and had largely replaced the old farming families as the leaders of the village community.

Official policy was to restrict these developments to protect peasant morality from corruption by the merchant ethic and in the interests of the castle town merchants associated with the *han*. By the 1830's (or earlier or later according to the region), this policy was becoming increasingly difficult to maintain, and rural merchants were being brought into the official system as peasant officials and agents of *han* marketing boards.³³ In Chōshū many businessmen were *shōya* by the mid-nineteenth century,³⁴ and the same was true of Tosa where this class was entering the lower ranks of samurai as *gōshi*.³⁵ In the Tottori *han* in 1861, rural businessmen were put in charge of silk cocoon marketing and given permission to wear two swords and use surnames;³⁶ at about the same time, they were entrusted with the marketing of iron,³⁷ successfully by-passing the Tokugawa Government-sponsored organization which had been set up in Osaka in 1780. In Okayama, rural businessmen played an important part in the economic life of the *han* as early as the 1830's.³⁸

The way in which this new class challenged the established commercial channels is described by Sheldon.³⁹ Zeniya Gohei of Kaga, whom he gives as an example, would in the scheme adopted here be more typical of the *tonya* who exploited inter-regional trade around the beginning of the eighteenth century than of the local businessmen who were so active in the nineteenth. Kaga was, economically speaking, relatively backward with little spontaneous development of commercial agriculture, and this probably accounts for the late emergence of *tonya* like Zeniya. When the Kaga authorities began to encourage the production of industrial crops in the nineteenth century, they had to rely on people like Zeniya to provide commercial facilities which had not yet developed locally.

In more advanced areas, however, local businessmen were already very active. Local linen cloth dealers of Echigo, for example, challenged the Edo drapers as early

³² See Yasuoka Shigeaki, *Nihon Hōken Keizai Seisakushi-ron* [History of Japanese Feudal Economic Policy] (Tokyo: Yūhikaku, 1959), pp. 45-78.

³³ Andō, pp. 390-391.

³⁴ Albert M. Craig, *Chōshū in the Meiji Restoration* (Cambridge: Harvard University Press, 1961), pp. 285-295.

³⁵ Marius B. Jansen, *Sakamoto Ryōma and the Meiji Restoration* (Princeton: Princeton University Press, 1961), p. 29.

³⁶ Andō, p. 230.

³⁷ Andō, p. 236.

³⁸ Andō, p. 200.

³⁹ Sheldon, pp. 144-161.

as 1814, and by the 1850's had gained direct access to the Edo market.⁴⁰ In 1859 only 10 per cent of the silk fabric coming into Edo was from Kyoto, which had once had almost a monopoly. The rest was from rural districts.⁴¹ The history of one probably typical local merchant, Aburaya Yahei of Yamashiro, has been treated in detail by Professor Adachi.⁴² Shibusawa Eiichi's father was no doubt fairly representative of this class on the edges of the Kantō Plain. By the 1850's, one or two businessmen of this type were to be found in almost every village outside of the backwoods areas.

It was this group which often, as in Tosa and Chōshū, supported reform movements in the *han* from about 1850 and which supported the Restoration movement.⁴³ The same group was active in the early Jiyū Minken movement and formed the majority of the propertied classes eligible to vote at the first general election of 1890. In the formation of industrial capital and the promotion of modern industrial enterprises, they were as active as the privileged financiers and merchants of Osaka, Kyoto, and Edo were passive. They would seem to have provided about 40 per cent of entrepreneurship and perhaps over a quarter of national domestic capital formation over and above a substantial contribution to investment through tax payments. Their prominence in the Meiji period may have been due partly to the collapse of older merchant groups, but it must be attributed mainly to the fact that it was they who had least difficulty in adjusting to a free enterprise capitalist economy.

Conclusion

When changes in pre-modern Japanese commerce are analysed, relations between commerce and government no longer appear as a two-and-a-half-century-long struggle between *the* merchant class and feudal authority. Although official opinion was generally hostile to commercialization, some degree of commercial development was essential to the working of the Tokugawa system. In their dealings with commerce, the authorities sought to keep it within the bounds of what they considered necessary and to control it within established channels. With the exception of a few ultra-conservative outbursts, the authorities do not seem to have been much worried by development within those channels. Relations between government and commerce, therefore, took the form of a series of associations between government and established merchant groups. By granting exclusive privileges to these groups, the authorities hoped to control them and to prevent what they regarded as the pernicious spread of commerce elsewhere. For their part, these established groups were willing enough to accept controls which could in any case easily be evaded; and they regarded the more or less token tax payments as a small price to pay for the protection which they received. The arrangements with the authorities made in this way, however, usually involved merchant groups whose interests were already being threatened, and with slow but steady economic change, it became from time to time impossible to hold

⁴⁰ Andō, pp. 255-258.

⁴¹ Thomas C. Smith, "Landlords and Capitalists in the Modernization of Japan," *Journal of Economic History*, XVI (1956), 169.

⁴² Adachi Masao, *Kinsei Zaigō Shōnin no Keichishi* [The business history of village merchants in the Tokugawa period], (Kyoto: Yūkonsha, 1955).

⁴³ Thomas C. Smith, *Political Change and Industrial Development in Japan: Government Enterprise 1868-1880* (Stanford, 1955), pp. 13-22. See also the same author's *Agrarian Origins of Modern Japan* (Stanford, 1959).

the line against outside economic development. The Shogunate itself was thus frequently in the position of being associated with sections of the merchant class for whom time was running out, and in the closing years of the period it lost control altogether, just when its vastly increased fiscal needs made access to commercial sources of revenue more necessary than ever. Most *han* faced similar problems, but in the end some were able to do on the smaller scale of their own fiefs what the Shogunate was unable to accomplish.

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²² **The Development of a Credit System in Seventeenth-Century Japan**

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⁴¹ **Landlords and Rural Capitalists in the Modernization of Japan**

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