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Charles D. Sheldon

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## ‘Pre-Modern’ Merchants and Modernization in Japan

BY CHARLES D. SHELDON\*

THE problem of the degree of economic development which took place in the Tokugawa period (1600–1868) and its effects on the modernization of Japan has given rise to considerable controversy. This is in part due to Marxist efforts to fit this development into Marxian categories, and to see in it elements of class struggle. These efforts have met stiff opposition from historians who have shown fairly persuasively how inapplicable these concepts are to the period. The trouble goes much further than this, however. Any kind of statistical measurement of the degree of economic development before 1868 is vastly complicated by the scarcity and by the notorious inaccuracy of Tokugawa statistical records, both public and private. Then, there is the inherent difficulty of discovering exactly how important a role the merchant class, for example, played in the downfall of the Tokugawa Shogunate, in the demise of feudalism, and in the modernization of Japan which followed. The general lines of the story of the merchant class before 1868, whose ‘rise’ was chiefly economic and cultural, rather than political, are fairly well known among students of Japan. They have been outlined, for example, in this writer’s book on the subject.<sup>1</sup> But a number of points of interpretation remain to be made, even drawing largely from material in that book. Here, after sketching in the background, we would like to push the interpretation of the role of the merchants a bit further, taking into consideration more recent scholarship on the subject.

A hundred years ago, the Japanese were on the threshold of the dynamic transformation which has resulted in what we can now call a modernized, industrialized nation. In fact, Japan has become the third most important industrial nation in the world, after the USA and the USSR. When Commodore Perry arrived to force open the

\* University of Cambridge.

<sup>1</sup> *The Rise of the Merchant Class in Tokugawa Japan, 1600–1868, an Introductory Survey* (Assoc. for Asian Studies, New York: 1958). A monograph based chiefly on Japanese sources.

door a crack, Japan was still a largely feudal state, with roughly 75 per cent of its population engaged in agriculture. For more than two hundred years, Japan had been largely isolated from the rest of the world. The nationalism which supplied the motive force for the effort to modernize got out of hand in the 1930s and 1940s, with unfortunate results. But Japan's economic achievement, largely a bootstrap operation, sets Japan aside as the only Asian nation to modernize successfully. Little help came from outside; some loans were resorted to, mainly for railway construction, but these were quickly repaid due to fears, largely unjustified, of economic dependence leading to a further loss of sovereignty. Students were sent abroad, and for a time foreign technicians, advisers and educators were employed. Japan's achievement becomes all the more impressive when one remembers the poverty of the bulk of the population, already more than thirty million in 1868, the poverty in natural resources, and the fact that Japan's efforts were somewhat hampered by the unequal treaties (complete tariff autonomy was obtained only in 1911). Given this seemingly unpromising beginning, how do we account for this successful response, which contrasts so strikingly with China's, to the threat posed by the intrusion of the Western powers?

Western observers, seeing the Japanese quickly adapting Western ideas, techniques and institutions to their own use, interpreted it as a kind of miracle of energetic pragmatism, a rather gratifying proof of the superiority of Western European or American ways, and of their applicability to non-European societies. They assumed that underdeveloped (they would have said 'backward') countries, given sufficiently clear-sighted and energetic leadership, could easily do likewise. But as more recent experience with the economic and political troubles of modernization has shown, energetic and clear-sighted leadership, as in India, cannot alone assure success in modernization.

Clearly, a political and economic system that changed so rapidly had to have already existing within it a very great potential for change. To begin with, Japan had been undergoing a long period of feudalism, during which contractual relationships and a more impersonal, bureaucratic rule of law were beginning to emerge. The obvious analogy here is not to Asia, but to Europe, where capitalism grew out of similar feudal systems. In looking more closely at Japan's history before 1868, historians have found the Tokugawa period not nearly so static as earlier scholars had assumed. The Japanese involved in the modernizing process, who themselves were the beneficiaries of changes which had occurred during the Tokugawa period, viewed it as dull, static and

stultifying, in contrast to the colour, excitement and relative freedom of modernizing Japan. But this is no doubt because, as Marius Jansen has put it, 'They were so glad to be out of it that they had nothing good to say for it.'<sup>2</sup> Historians have nevertheless discovered in the Tokugawa period many elements which combined to furnish an important set of preconditions essential to modernization. These included, in 1868, the consciousness of the nation as the principal object of loyalty, and the existence of a literate population estimated at about 35 per cent, capable of translating national goals into reality at the local as well as the national level. The majority of the population proved willing to accept, even to welcome, radical changes, towards which some steps had already been taken before 1868.

The very considerable growth, within the Tokugawa feudal system, of a money economy, domestic trade on a national scale, and incipient capitalism in agriculture as well as in handicraft industry, spread throughout much of Japan the profit motive and the substitution of a 'cash nexus' for feudal or traditional social relations. This played a crucial part in creating a more rational, pragmatic approach to problems, and an openness to change. Here we will confine ourselves to a short outline of the economic changes in which the merchant was the foremost agent. He was also the unknowing agent of economic forces which, although they did not bring down the feudal system, did much to weaken the position of the Tokugawa regime.

In 1467, when armed struggles broke out which led to more than a century of sporadic civil wars, feudal localism had reached the point where neither the Shogun nor the Emperor had any real national power or influence. Important institutional changes took place during the wars among local barons (*daimyō*), until a gradual consolidation of domains took place with the appearance of able military leaders who made use of new methods of warfare, including firearms, and more effective political organization, to achieve the unification of Japan. It was left to the Tokugawa Shoguns, who completed this process, to transform their military organization into a peacetime governing bureaucracy (or rather, as the military organization was retained, to change its functions to deal with peacetime problems). Merchants,

<sup>2</sup> 'Tokugawa and Modern Japan' in Jansen and Hall, eds., *Studies in the Institutional History of Early Modern Japan* (Princeton: 1968), 318-19. Also in this collection, E. S. Cawcours, in 'Changes in Japanese Commerce in the Tokugawa Period', 189-212, ably and rightly stresses the regional, functional, and chronological diversity of the Tokugawa merchants, but in presenting the study as a revision of previous work, criticizes it in a somewhat uncharitable and inaccurate manner. (See my review in *Pacific Affairs*, Winter 1969-70, 528-9.)

some of them living in self-governing commercial towns, who had risen to prominence as purveyors of goods needed in the wars, or who had prospered in the foreign trade, lost their immediate importance and influence with the feudal lords and Shoguns when the wars ended and most foreign trade was cut off. They had to be content with developing domestic commerce and banking, which they did with energy.

Although no longer having a political role to play, townsmen were given new economic advantages. The feudal rulers competed among themselves to welcome merchants and artisans to their fast-growing castle towns and cities, offering them free business sites and excusing them from the payment of property taxes, in order to provide for the economic services they needed. The military men began to settle down to enjoy the peace they had achieved, served by the lesser members of the society. Neo-Confucian ideas were utilized in stabilizing the society, and an ancient Chinese theory of social class was seized upon in an effort to prevent the recurrence of what was seen as the social chaos of the preceding years. *Shinōkōshō*, in its Japanese pronunciation, was a physiocratic theory classifying people into four major functional categories. In order of importance, they were: (*shi*) the *samurai*, a small educated ruling class; (*nō*) peasants, the only real producers, and the bulk of the population; (*kō*) artisans, who changed the form of things, and were therefore useful, and (*shō*) merchants, who merely moved things around and held them available for purchase, and were accordingly the least important of all. This theory was taken seriously only in the late 16th century and integrated into an effort to avoid the unsettling social mobility of the civil wars which had finally been brought to an end. It was applied to a degree and in a way never imagined in China.

A legal monopoly of function (including weapons for the *samurai*) and a particularistic criminal code were fixed according to class. Movement between classes was prohibited, and status was hereditary. 'The offspring of a toad is a toad; of a merchant, a merchant!' 'Know your station in life!' These were popular sayings of the time.

The *samurai* were thus both morally and legally placed above matters of commerce and money-making, and the merchants, at the bottom of the social scale, were given a monopoly of these functions.<sup>3</sup> Merchants lost little time in taking advantage of this, elaborating an extremely complex financial and distribution system, and forging a new class consciousness and solidarity within the feudal system. They built the

<sup>3</sup> It should be remembered that in the agrarian society of the late sixteenth century, these functions were still not very important.

great storehouses in Osaka and other centres used for the excess tax commodities (mostly rice) sent by the feudal rulers to the central markets, for which they collected a modest standard commission for storing and selling, totalling from 2 per cent to 4 per cent of market value. These privileged rice merchants were given stipends and permitted by the feudal lords to use surnames and to wear the two swords, otherwise the privilege of the *samurai*. But the bulk of their incomes came from loans. They made advances to the feudal lords and *samurai* on the security of crops not yet harvested, because members of the ruling class, whose spending tended to run far ahead of income, needed money throughout the year. The merchants collected usually from 15 per cent to 20 per cent per annum on these loans. Fifteen per cent was the legal maximum during most of the Tokugawa period, but lenders often made additional charges. The privileged rice merchants also prospered on the money and commodity exchanges, and became expert at waiting for higher prices before marketing goods.

The Shogunal institution which contributed most to the development of the money economy and to the prosperity of the merchants was the *sankin kōtai*. This was the system of alternate attendance on the Shogun. The feudal lords, who economically were virtually independent in their domains and paid no taxes to the Shogun, were required to travel with their retinues to Edo, the Shogun's capital, and remain for regular intervals, usually a year, spending the alternate year in their own domains. As their families were required to live permanently in Edo, they had to build and maintain residences there, and their wives and children became hostages to guarantee the loyalty of the lords during their absences from the capital. Roughly half the expenditures from the treasuries of the feudal lords were connected with the *sankin kōtai*. In addition, these expenditures had to be made outside their own domains in money which they had no legal right to coin (although many obtained the right to issue paper money for use within their own domains). This made it necessary for them to send off to national markets like Osaka and Edo maximum amounts of commodities collected as taxes, in order to convert them into cash. The entire operation was managed by merchants who, of course, handled non-official goods as well. Villages began to abandon their traditional self-sufficient economies, and itinerant merchants began to appear, selling fertilizers, tools, and other needs of the peasants, including increasing amounts of consumer goods. By the late 17th century, the money economy had penetrated into the agricultural villages. The Osaka novelist Ihara Saikaku (1642-93) was surprised to find money in use in the most remote villages, where as he

wrote, 'they think dried sea-bream grow on trees, and where no one knows how to use an umbrella'.<sup>4</sup>

The next logical step was for merchants to make arrangements for the villages to produce the goods which were in demand in the cities and towns. Farmers devoted more acres to cash crops, and engaged in cottage handicrafts when not occupied in the fields. Putting-out systems were in operation in the late 17th century, and a factory system, without power-driven machinery, which had begun earlier in such industries as *sake* brewing, extended to textiles and other handicraft industries in the 18th and 19th centuries. Many small establishments were operated by well-to-do peasants in the villages.

There were several factors stimulating this development of investment in productive enterprises: to begin with, there was inflation. The price of rice rose by three and a half times in the 17th century, and by the middle of the 19th century it had reached eleven times the price in 1616. The attraction of usury was still strong, but inflation operated in favour of investment in productive enterprises, as one could expect that in the future goods produced would be sold at higher prices, while the money paid back by debtors would have less value. There is more to it than this, of course, and it raises the question of why interest on loans in Japan remained so low compared to India and China. The feudal rulers had a way of arbitrarily confiscating merchants' wealth when their profiteering exceeded what was thought proper, so fear of retribution had something to do with it. But strong desires for social esteem in a society whose ideals called for the sacrifice of individual to group interests were perhaps more important. Also the merchants' monopoly of commercial and financial functions offered little motivation for profiteering in order to buy oneself or one's descendants into a higher social class, illegal in any case, but occasionally done. The merchant code called for honesty, moderate profits, frugality, and the establishment of good reputation and credit. The family enterprise head's primary responsibility was to the family, of whom ancestors and descendants were equal members. As the enterprise had been built up by the ancestors, it was essential, indeed something akin to a religious duty, to preserve it, expand it, and assure a better future for the heirs-to-come, and this encouraged a long-run view of business profits.

There is little doubt that by the end of the 17th century, prosperity was more widespread than at any earlier time in Japanese history. The observant German physician at the small Dutch trading post in

<sup>4</sup> Howard S. Hibbett, 'Saikaku as a Realist', *Harvard Journal of Asiatic Studies*, 15, 3-4 (December 1952), 411.

Nagasaki, Engelbert Kaempfer, who had a rare opportunity to travel to the 'three great cities', Osaka, Kyoto (the Imperial city), and (Y)edo, wrote, in 1691, 'The city of Jedo is a nursery of artists, handicraftsmen, merchants and tradesmen, and yet everything is sold dearer than anywhere else in the Empire, by reason of the great concourse of people, and the number of idle monks and courtiers, as also the difficult importing of provisions and other commodities. . . .' Of Kyoto, he said, 'There are but few houses in all the chief streets, where there is not something to be sold, and for my part, I could not help admiring, whence they can have customers enough for such an immense quantity of goods.' In another passage, he observes, 'It is scarce credible, how much trade and commerce is carried on between the several provinces and parts of the Empire! how full their ports of ships! how many rich and flourishing towns up and down the Country! There are such multitudes of people along the coasts, and near the sea-ports, such a noise of oars and sails . . . that one would be apt to imagine the whole nation had settled there, and all the inland parts of the Country were left quite desart and empty.'<sup>5</sup> The population of Osaka was roughly 350,000, Kyoto 450,000 and Edo 800,000 at the time. Sir George Sansom has well described the Genroku period (1688-1703) as the 'zenith of Tokugawa prosperity, and perhaps even the justification of feudal rule, for here was peace and plenty and a great flourishing of the arts—a happy society as human societies go'.<sup>6</sup>

But even by 1703 there were signs that the economic expansion was slowing to a halt. The great period of building after the destructive civil wars, of castles, temples, castle towns and cities, including the imposing residences in Edo of the feudal lords and their retainers, was at an end, and peasants coming into the cities and towns looking for work found little. By the middle of the 18th century it was clear that there was a widening gap between rich and poor, in the villages as well as in the cities and towns. Japan had entered what later historians came to call the 'Tokugawa plateau', a period in which there was little further expansion and little further increase in population. There was much evidence of endemic depression with terrible famines, increasingly frequent local peasant uprisings and, finally, riots and looting in the cities directed mainly at merchants who were thought, often correctly, to be hoarding foodstuffs in periods of scarcity, waiting for even higher prices. The feudal authorities found no permanent solutions.

<sup>5</sup> *History of Japan, 1690-1692* (New York: 1906, English translation of 1727), III, 76, 316-17.

<sup>6</sup> *The Western World and Japan* (New York: 1950), 197.



This is perhaps understandable in a period when Malthusian controls were operating in a largely isolated country unable to import needed foodstuffs in emergencies, and where even to move foodstuffs over feudal boundaries within the country was almost impossible. Debasement of the coinage, forced loans and confiscations levied against the merchants, who were blamed, because of their 'greed', for the high prices and the general economic dislocation, and inept efforts at price control, only caused even greater price fluctuations. The feudal rulers and *samurai*, despite reforms including retrenchment and frugality measures, remained deeply in debt to merchant lenders, and peasants who had failed to adjust to the money economy and whose tax burden was increased, were in the depths of poverty made all the harder to bear by the obvious prosperity of well-to-do peasants in the villages who were flourishing in commerce, usury, and often in industry as well.

Most Japanese writers on Tokugawa economic history see the rise of the money economy controlled by the merchants, the spread of commercialism in the agricultural villages, and the beginnings of capitalistic organization of production, as 'inevitably contradictory' to the feudal system based on land tenure. It is hard to agree, for several reasons:

(1) During the first hundred years of the Tokugawa period, the unification of the country and peace brought an unprecedented expansion of towns and cities, a steady increase in agricultural production greater than the population increase (from about 18 million in 1600 to about 26 million in 1700), economic expansion, higher standards of living and increasing prosperity which affected even the villages. During this time there was quite clearly a rather happy coexistence between the commercial and money economy operated by prosperous merchants, who were thought of as commercial retainers and furnishers of money and loans to the feudal lords and *samurai*, and the feudal system under which the military ruling class collected taxes in kind from the land.

(2) It would appear that throughout the period, the vast majority of Tokugawa merchants were fairly well satisfied with the *status quo*, and one looks in vain for revolutionaries among them. There was a modest attempt by scholarly writers, including merchant writers, to justify trade and reasonable profits, as contributing to the general welfare. But any expectation that merchant scholars would have striven for the enhancement of commerce is not fulfilled. They made no attempt to glorify trade or to claim a more realistic (*i.e.*, higher) place in society for the merchant class. Rather, they tried to harmonize commerce and the merchants within the feudal system, and to make the merchants

satisfied with the social structure as it was. The acceptance by merchant scholars of a subordinate role for merchants was no doubt based in part on the recognition of the close interdependence of the merchants and the *samurai*, their principal customers and protectors of the privileged rice merchants, financial agents and purveyors who were the élite members of the class. The merchants, who enjoyed no legal security of person or property, had reason to fear a sometimes aroused tyranny, and the more cautious, established merchants were obviously aware of the force of the popular adage that the protruding nail will be hit on the head. This general attitude was also strongly influenced by powerful social pressures for the sacrifice of individual, family or small group interests to the larger group, ultimately, to the interests of the society as a whole.

(3) In the event, Tokugawa merchants played a largely passive role in the Restoration movement. It is true that merchants provided funds, on occasion, for the Imperial armies during the struggle against the pro-Tokugawa forces. But these contributions can hardly have been called voluntary. They took the form of forced loans from merchants in Osaka when the city had been taken by the Imperial armies, and additional 'contributions' from prominent merchant bankers like the Mitsui who continued, through necessity, to supply funds to the other side. Also, some sons of merchants joined the militia units organized, for example, in Chōshū, the most consistently anti-Tokugawa feudal domain, when Chōshū was preparing to defend itself both against foreigners and Shogunal punitive forces. But these were chiefly sons who were not inheriting the family enterprise, and this was, hopefully, a means of rising socially from the lowest to the highest position.

(4) Finally, the Restoration movement, which in the period 1853-68 brought down the old Tokugawa regime and substituted a more centralized political control under the Emperor, was not led by advocates of a modern, capitalist economy, which was in any case little understood at the time. The two feudal domains whose semi-modernized military forces forced the resignation of the Shogun were perhaps the most feudal in organization and outlook in Japan. At the same time, they were convinced of the effectiveness of Western arms and tactics, and had made excellent use of surplus American rifles secretly purchased after the American Civil War. The *samurai* leaders from these two fiefs did not mean to replace the feudal system, but only to replace the Tokugawa semi-centralized political system by one which would exclude the Tokugawa and create a much more effectively centralized system under the Emperor which would put their own domains, and themselves, formerly largely excluded from national political life, into control. The

old régime, clearly unable to deal effectively with either financial problems or troublesome foreign powers, was seen as a liability to the nation. There was a pressing need for a truly national government which could deal effectively with the double menace: the domestic crisis and the foreign threat.

It was only later that the new leaders, now in control of an imperial government, and aided by others with greater knowledge of the West, began to realize that the West was not simply a threat, but a challenge and an opportunity as well. Old solutions had proved wanting, and with the slogan, 'A prosperous nation, a strong military', they began an ambitious program of political and economic reform, to catch up with the West. The *samurai* were the natural political leaders in this effort, and played a conspicuous part, especially in the first years, in leading the economic modernization.

To go back for a moment to the problem of the 'Tokugawa plateau', one can find many reasons for it. Some have already been suggested. One could add here the point that the *sankin kōtai* system, which did so much to stimulate the economic expansion of the 17th century, acted as a drag after that time. Financial difficulties, retrenchment, cutting of *samurai*'s stipends, and exhortations to frugality affected not only general spending but the scale of the *sankin kōtai* system as well: the numbers of retainers brought along to Edo, and the style of life of the feudal lords and their retainers. Also, there was a continued trend towards a retreat by the feudal lords from freer trade, and mercantilistic efforts to ship goods out, prohibit certain imports, and bring money into the various feudal domains ultimately became self-defeating and inhibited the further expansion of commerce.

Among peasants, the switch, gradual but far-reaching, from basic food crops to cash crops complicated the task of the feudal authorities in collecting increased taxes in commodities to provide sufficient income for the increasing *samurai* population, which reached about two million, including families, by 1868, while still leaving enough food for the peasants in years when crops were bad. Socially, the earlier cooperative self-sufficient organization of the villages had been to some degree replaced, especially in areas near the cities and towns, by small individual families dependent upon their very small holdings and unstable markets and no longer enjoying the security of the larger group.<sup>7</sup>

<sup>7</sup> See Thomas C. Smith, *The Agrarian Origins of Modern Japan* (Stanford: 1959). In the Tokugawa period, people can be classified either by actual function or by social class, and this can cause some confusion. Smith's peasant usurers, traders and capitalists and my 'provincial merchants' are roughly identical.

Although capitalistic farming had brought potential advantages, it also brought much insecurity and economic dislocation. Unable to pay debts, many smallholders absconded, sometimes leaving the land untilled, and peasant rebellions from time to time also decreased the yield of the land.

Among all classes, the 'cash nexus' had begun to replace traditional relationships, and the *samurai*, pressed for money, dismissed retainers, who were expected to fight with them, or hired them for short periods. As war seemed to have been permanently abolished, they did not keep up martial exercises (some were too busy staving off poverty with cottage industries in their homes). Many even sold or pawned their weapons and armour. These trends were much stronger in the areas of Japan which had developed first, where exploitation of agriculture and commerce had been most efficient, that is, in the central areas, where most of the domains of the Tokugawa family and its hereditary followers were concentrated.

The least economically troubled areas included the parts of western and southern Japan where there had been much more potential for agricultural improvements and expansion, and in this area were the two 'outer' fiefs, Chōshū and Satsuma, which combined ultimately to bring down the Tokugawa regime. Chōshū and Satsuma had been notably successful in keeping commercialism both at a minimum and under control, and in preserving feudal loyalties and fighting spirit. In this way it can be said that the money economy controlled by the merchants, who without doubt were quite unaware of any responsibility, contributed to the fall of the Shoguns. But the money economy was by no means the sole cause of the Shoguns' troubles. Basically, the population was simply too large, given the isolation of Japan, the limitations of the political structure, and the stage of technological development of agriculture and industry. Things were quite otherwise after Japan abandoned its isolation and its outdated political structure, and began the great effort, ultimately successful, for change and technological improvement.

In its economic reforms of the Meiji period (1868–1912), the new government, seizing upon the Western example, instituted financial policies and institutional reforms essential to Japan's economic modernization. It also took the initiative in establishing modern capitalist enterprises, model factories, etc., later mostly sold to private entrepreneurs. The building of a modern economy was considered a patriotic duty, giving commerce, industry and finance a new respectability. Patriotism provided a heaven-sent justification for the partici-

pation of *samurai* (deprived of their traditional prerogatives and given government bonds in place of stipends) and affluent former 'peasants' as well in the otherwise defiling business of making money. Seldom have self gain and national gain been so closely identified. In Natsume Sōseki's novel, *Sore Kara* (Since Then), the son of a successful Meiji capitalist says, 'Father . . . told me that from the age of eighteen until today he has gone on serving the country to the best of his ability. . . . If you can make as much money as father has by serving the nation, I wouldn't mind serving it myself.'<sup>8</sup>

The principal economic planners and instigators in government were without doubt former *samurai*, although some moved between government and industry, and some were of very recent *samurai* status. Shibusawa Ei'ichi, who began the first large modern cotton spinning mill, is a good example of this type. Until recently, the generally accepted view was that the chief entrepreneurs were *ex-samurai* who had the initial advantages of close associations within the government and superior education, sometimes including foreign travel and study. They lacked the extreme conservatism and caution which had become typical of the established merchants, were willing to take risks, and thought less of personal, or family, gain than of the national good. This represented a natural Meiji period adaptation of the *samurai* ethic of loyalty and service under which business leaders could fight on an economic battlefield to raise Japan from shameful inferiority to the position of a great power, and a prosperous one. This type of enterpriser, considered unique and representative, has been called 'the community-centered entrepreneur'.<sup>9</sup>

But recent scholarship asks just how important class lines were, whether the *samurai* entrepreneur was truly representative, and, perhaps most important, questions whether the *samurai* ethic of selfless devotion to the nation furnished the real motive of Meiji businessmen. First, the picture was modified by Father Hirschmeier in the most substantial contribution thus far to the study of Meiji entrepreneurs. He has shown the class lines blurring, brave new *samurai* enterprises meeting early and untimely deaths, and men of essentially merchant origins (many coming from the villages, where commercial activities had been less

<sup>8</sup> Quoted in Maruyama Masao, *Thought and Behaviour in Modern Japanese Politics* (London: 1963), 7. The effort to create a respectable image for the entrepreneur is most interestingly treated in Johannes Hirschmeier, *The Origins of Entrepreneurship in Meiji Japan* (Harvard: 1964), 162-75. Also see B. K. Marshall, *Capitalism and Nationalism in Prewar Japan, The Ideology of the Business Elite, 1868-1941* (Stanford: 1967).

<sup>9</sup> See G. Ranis, 'The Community-centered Entrepreneur in Japanese Development', *Explorations in Entrepreneurial History* 2 (December 1955), 80-97.

shackled by tradition and conservatism), coming to the fore as business leaders. Established merchants tended to hold back, waiting to see where the best new opportunities lay. Sometimes forced to change by new competition, both foreign and domestic, many finally joined in the effort which was to bring the economy up to date and create 'a prosperous nation and a strong military', but only when it was clearly profitable to do so. On the difficult problem of motives, Hirschmeier on the whole tends to take Meiji businessmen at their word as putting the good of the nation before their own interests. His examples of the reckless pursuit of unpromising projects give substance to this view. Hirschmeier's typical captains of industry are romantic, not always rational operators who may have begun out of love of profits and power, but, leaving the past behind, achieved 'a vision of a new order and a new ideal', and became 'industrial pioneers with a sense of mission for the country and its economy'.<sup>10</sup>

More recently, Yamamura Kozo, who has done good work on the *zaibatsu*, the leading commercial-industrial-financial combines, and on the lives of Meiji business leaders, apparently views the 'community-centered' entrepreneur as rather too flattering a concept. He assigns greater importance to commercial origins and motives, concentrating on examples of profit-making and seeing expressions of high-minded patriotism as little more than the erection of pious, conventional façades. Yasuda Zenjirō, the founder of the famous banking-centred *zaibatsu*, as described by Yamamura, was a self-made man of humble provincial origins, a remarkable example of the rational, far-sighted, single-minded profit maximizer who fits closely the Western, especially the American, image of the business tycoon.<sup>11</sup> *Samurai* in banking, after some early failures, provided capital rather than management for banking enterprises; merchant money exchangers and bankers dominated the field after 1876, when the new banking law made banking profitable.<sup>12</sup> It is perhaps understandable that experienced merchant

<sup>10</sup> *The Origins of Entrepreneurship . . .*, 244. See also, in W. W. Lockwood, ed., *The State and Economic Enterprise in Japan* (Princeton: 1965), two important contributions which pursue this general line: Horie Yasuzō, 'Modern Entrepreneurship in Meiji Japan', 183-208, and Hirschmeier, 'Shibusawa Eiichi: Industrial Pioneer', 209-47, a somewhat laudatory account of perhaps the outstanding Meiji entrepreneur.

<sup>11</sup> 'A Re-examination of Entrepreneurship in Meiji Japan (1868-1912)', *Economic History Review*, 2nd Ser. 21 (April 1968), 144-58.

<sup>12</sup> 'The Role of the Samurai in the Development of Modern Banking in Japan', *Journal of Economic History* XXVII (1967), 198-220. Hugh T. Patrick, in R. Cameron, ed., *Banking in the Early Stages of Industrialization* (New York: 1967), 'Japan, 1868-1914', 239-89, gives support to Yamamura's interpretation of the profit motive in banking, which played such a crucial role in Japan's industrialization.

bankers, putting profits first, would come to control the complex world of banking and finance, but Yamamura imputes the same motives to at least one major 'samurai' enterprise. The founder of the Mitsubishi *zaibatsu*, Iwasaki Yatarō, whose family had purchased low grade country *samurai* status in Tosa, made a point of employing former *samurai* as managers and enjoyed advantageous personal connexions with government officials. Yamamura's evidence classifies him too as ruthlessly bent on profits before all else.<sup>13</sup>

In the vast Tokugawa merchant houses, Mitsui and Sumitomo, which became the greatest of the modern *zaibatsu*, as well as in most lesser ones, the managers were virtually all merchants, mostly provincial ones, in early training and outlook, if not always in formal classification. They embodied the chief ideals of the Tokugawa merchant code: hard work, frugality, and close calculation which preferred steady and sure profits, even if only moderate, over short-term speculation and which placed great emphasis on saving for investment and reinvestment. In modern as in pre-modern business, the Japanese revealed qualities of enterprise, ingenuity and flexibility. In Meiji times there occurred, rapidly and incompletely, a fusion of merchant and *samurai* values, but much detailed work is required before we can generalize with confidence about the nature of this fusion. In any case, whether their real desires were for personal advantage or national gain and prestige, the energetic activities of the business pioneers did much to profit the nation and the people at large.

The nationwide economy which the 'pre-modern' merchants made into a reality, despite the limitations of technology and of the economic autonomy of the feudal domains, did much to create a general consciousness of the nation as the ultimate object of allegiance. Also, the experience of the Tokugawa merchants, and the profit motive which they had been instrumental in spreading throughout the nation, were essential preconditions to Japan's modernization.

<sup>13</sup> 'The founding of Mitsubishi: A Case Study in Japanese Business History', *Business History Review* XLI (1967), 141-60.

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#### <sup>2</sup> **Review: [Untitled]**

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#### <sup>4</sup> **Saikaku as a Realist**

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#### <sup>11</sup> **A Re-Examination of Entrepreneurship in Meiji Japan (1868-1912)**

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<sup>12</sup> **The Role of the Samurai in the Development of Modern Banking in Japan**

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<sup>13</sup> **The Founding of Mitsubishi: A Case Study in Japanese Business History**

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