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In this 1857 painting, a column of smoke rises from an earthenware kiln by the Sumida River near present-day Tokyo. Japanese pottery, highly prized abroad, was one of the country's first export products.

Japan

Since 1973, when most Western economies were first becalmed by rising oil prices, Japan's star has seemed to shine brighter than ever before. But many Americans forget that Japan's economy has outperformed most others during much of this century. If there is a secret to this success, it is the Japanese ability to adapt quickly to new conditions and the Tokyo government's encouragement of change. Here, historian Peter Duus tells how the Japanese pragmatically modernized their "underdeveloped" country after 1868; historian James B. Crowley describes Japan's growing prosperity, in war and in peace, after 1890; and economist Patricia Hagan Kuwayama explains why the postwar economic "miracle" is no miracle at all.

TAKING OFF

by Peter Duus

In 1857, Townsend Harris, the first American minister to Japan, had a hard time convincing the country's feudal leaders that doing business with the United States might be a good thing. He preached the mid-Victorian gospel that foreign trade would make their nation wealthier and stronger, but his ideas were not well received in Edo (now Tokyo), Japan's capital.

For more than 200 years, the Japanese had been strict mercantilists, hoarding gold and silver instead of using them for trade. Under the *shōguns* of the Tokugawa family (who, with some 250 *daimyo*, or regional feudal lords, effectively ruled Japan in the name of a powerless emperor), the country had been "closed." The *shōguns* restricted the right of people to enter or leave the country. They limited foreign trade to a small trickle of goods—scientific instruments and medicines coming in, silk and tea going out—carried by Dutch and Chinese ships putting in at the port city of Nagasaki. Shortly after the arrival of Commodore Matthew Perry's four "black ships" in 1853, one *daimyo* warned: "To exchange valuable articles like gold, silver, copper, and iron for useless foreign goods like woolens and satin is to in-

cur great loss while acquiring not the smallest benefit. [It] would inflict the greatest possible harm on our country.”

Yet, four decades later, after its victory in the 1894–95 Sino-Japanese war, Tokyo was preparing for what the Japanese business journal *Jitsugyo no Nihon* called a “great economic war” in East Asia. Government officials and private entrepreneurs were debating how best to promote Japanese exports in Korea and China. Robert A. Porter, a U.S. Congressman with an exceptionally clear crystal ball, predicted that “when Japan is fully equipped with the latest machinery, it will . . . be the most potent industrial force in the markets of the world.”

The past century has been full of remarkable changes, but few are more astonishing than the early transformation of Japan. While most of Africa, South Asia, and Southeast Asia was succumbing to Western colonialism, and while China, the proud Middle Kingdom, was being threatened with partition, Japan experienced its first “economic miracle” and within a generation emerged as the overwhelmingly dominant military and economic power in East Asia.

How, and why, did this come about? The key to understanding Japan’s initial success lies in the triumph of a peculiar brand of anti-imperialism.

The Opening of Japan

Most Japanese in the 1850s saw Commodore Perry as the herald of a “barbaric” and predatory West, not the fraternal envoy of a higher and more prosperous civilization. But some took a realistic view of the situation. As the scholar Sakuma Shōzan wrote after the Opium War of 1839–42, “Why did an upright and righteous great country like China lose to an insolent, unjust, and contemptible country like England? It is because the rulers of China prided themselves on their superiority, regarded the outside world with contempt, and paid no heed to the progress of machinery in foreign countries.”

As most Japanese leaders saw it, outright resistance to the foreigners was dangerous. Instead, the shōgun gave way to Perry in 1854, signing a limited treaty (later expanded) granting

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Americans access to two ports. Treaties with the British, French, Russians, and Dutch soon followed.*

The "opening" of Japan, though it kept the Westerners at bay, called attention to the feudal government's weakness. Under the "unequal treaties" of the 1850s and '60s, the country's growing overseas trade soon came to be dominated by the privileged Westerners, and it disrupted the domestic economy. Some commodities, such as tea, were rushed to the treaty ports where they could be sold at great profit, leading to local shortages and high prices. Foreign goods, especially cheap manufactured textiles, began to compete with domestic cotton homespun. By the mid-1860s, the Japanese were suffering from steep inflation and an adverse balance of trade.

No Utopian Visions

The presence of growing numbers of Western traders, merchants, and sailors in the treaty ports fueled a xenophobic movement to "expel the barbarians" from the country. In January 1861, a group of extremist *samurai* assassinated U.S. minister Harris's interpreter, Henry Huskens.† But more astute leaders, echoing Sakuma Shōzan, knew that it would be futile simply to try to get rid of the foreigners. They realized that Japan's weakness lay in its backward technology and its lack of a strong central government. As one noble in the emperor's court wrote, reasserting Japan's national prestige and overcoming the foreigners "requires that the country be united. For the country to be united, policy and administration must have a single source. . . . The Court must be made the center of the national government."

Samurai from the large Chōshū, Satsuma, and Tosa domains in western Japan were determined to bring this about. In 1868, they engineered a nearly bloodless coup d'état, followed by a brief civil war that ended with the surrender of the shōgun. The coup brought to power a new government under the Meiji ("era of enlightenment") Emperor Mutshuhito, three years before Bismarck completed the unification of Germany.

The "quiet" revolution of 1868 is known as the Meiji Resto-

* By 1866, the Japanese had agreed to open the ports of Shimoda, Hakodate, Nagasaki, Yokohama, Niigata, and Hyōgo (present day Kōbe) to trade; to grant the foreigners "extra-territoriality" (exempting them from Japanese law); to establish diplomatic relations; and to limit tariffs on imported Western goods to a mere five percent.

† The samurai, accounting for some two million (with their families) of Japan's 30 million people, were an aristocratic warrior class in the service of the daimyo or shōgun. Because Japan had been at peace since the civil wars of the 16th century, most earned their stipends as officials, clerks, or even messengers in the daimyo domains.

ration. The real leaders of the Meiji government—Mutshuhito was a figurehead—were primarily the western samurai.* They were outspokenly anti-imperialist—like many Third World rulers of the 20th century. But their minds were not cluttered with utopian ideologies, nor with intransigent anti-Westernism. They were committed to no economic doctrines, save a belief in what worked. The Emperor himself pledged that “intellect and learning would be sought from throughout the world, in order to establish the foundations of Empire.”

A Bureaucrat's Paradise

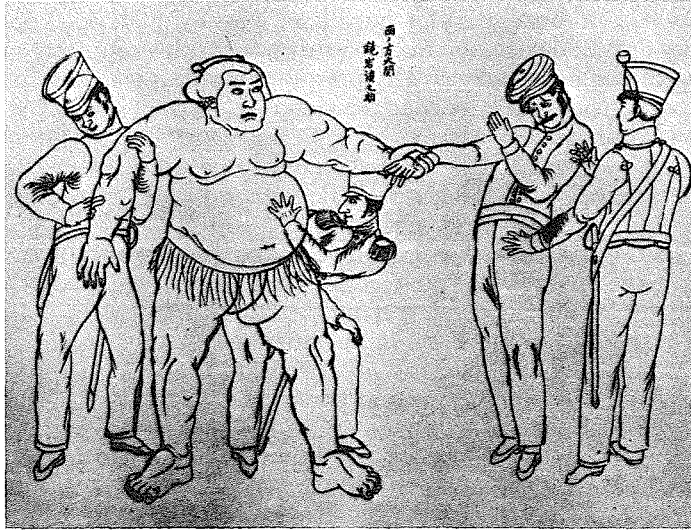
The new leaders' pragmatism, and their practice of acting only after reaching a consensus, did not make for charismatic leadership on the model of Mao or Nasser or Sukarno, but it did protect the ruling oligarchs from making terrible blunders, and it allowed them to incorporate useful Western ways into their government and economy.

The Meiji rulers also had a solid economic foundation to build on, despite the near-chaos of the previous decade. Ōsaka and Tokyo were thriving cities with populations close to a million each. They were linked to the provinces by a complex national marketing network. Large, city-based merchant houses—such as the Mitsui, Sumitomo, and Konoike family ventures—manufactured and traded in clothing, medicines, *sake*, foods, and many other goods. Money changing, deposit banking, bills of credit, commodity trading, and other commercial practices essential to a capitalist economy were well developed by 1868, and cottage industries in the countryside produced goods to supply the great cities.

But agriculture was the real launching pad for the Japanese economic “take off.” The late Tokugawa agrarian economy was probably more prosperous than any other outside the West. Enterprising farmers had brought new land into cultivation and had learned how to reap two or three harvests each year instead of one. By 1868, crop yields had been on the rise for a century. And, because the nation's population remained relatively stable during the Tokugawa years, the increased output could be sold in the cities, boosting income per capita in the countryside, where about 80 percent of all Japanese lived.

Rutherford Alcock, a widely traveled British diplomat who became minister to Japan in 1860, was impressed: “The evi-

* The Meiji government, with the Emperor as titular head, consisted of a Chief Executive, 10 Senior Councilors (five court nobles and five daimyo or samurai), and 20 Junior Councilors (five nobles and 15 samurai).



By permission of the Historiographical Institute of the University of Tokyo, and Captain R. Pineau, U.S.N.R.

Commodore Perry called Sumo wrestling a "farce," but he and his men were amazed at the bulk of the wrestlers.

dence of plenty, or a sufficiency at least, everywhere meets the eye; cottages and farmhouses are rarely seen out of repair—in pleasant contrast to China where everything is going to decay."

Landlords and landlord-farmers reaped the greatest rewards. Often, they put their profits into money lending or rural industries such as oil pressing, sake brewing, or spinning and weaving. They also moved from subsistence crops such as rice to cash crops—tea, cotton, and silk. Their petty capitalist mentality prepared them to assume later roles as buyers of stock, promoters of local business, and depositors in modern banks.

To understand the comparative ease with which the Meiji leaders pursued their goal of national wealth and strength, however, one must look beyond basic economic factors. In the post-Restoration period, Tokyo's ability to chart a course for the economy and muster the resources to follow it was a crucial element in the country's success.

Political authority had been highly fragmented in Tokugawa Japan. The shōgun was the country's formal military and political leader, but he shared the power to tax, pass laws, and raise armies with the daimyo in their 250 separate domains. Such diffusion of power proved unwieldy at the national level; but *local* government was extremely efficient by pre-modern

standards, a bureaucrat's paradise. Samurai clerks kept minutely detailed records on everything from the religious preferences of the peasantry to the pregnancy of horses. The mass of the population had learned to defer to "honorable officials." When Commodore Perry arrived, Japanese society had the brain of a dinosaur but the nervous system of a primate. Once the Restoration lopped off the head of the *ancien régime*, rapid bureaucratic mobilization was possible.

The samurai class itself also proved remarkably adaptable to change. As the Meiji government gradually destroyed the old system of feudal privilege during the early 1870s, many samurai easily shifted to new roles in business, education, science, and particularly the central government. These one-time aristocrats, unlike their counterparts in the West, were well accustomed to part-time employment by 1868, having turned to occupations such as farming, teaching, or trading to supplement their often meager fixed stipends.*

Fear and Fascination

The population as a whole, including commoners, was highly educated. In 1868, according to one estimate, more than one million people were attending some sort of school. At the outset of economic modernization, the basic literacy rate was probably about 50 percent among adult males and 12 percent among females. This placed Japan at roughly the level of Disraeli's England.

Tokyo made elementary school education compulsory in 1872, a decade before Britain did so, declaring that "henceforth, universally, without any distinction of class or sex, in no village shall there be a house without learning, and in no house an individual without learning." In 1877, Tokyo University opened its doors, the first of many public and private universities to be established in the Meiji period.

Despite their fear of foreign domination, the Japanese were fascinated by things Western. Fukuzawa Yukichi's *Conditions in the West*, describing everything from lunatic asylums to table manners, sold 150,000 copies in Japan in 1866. Fukuzawa, a leading pro-Western intellectual, later established his own university and newspaper. Like many Japanese educators of the

* Tokyo effectively eliminated the last vestiges of feudal privilege by 1876. In 1869, it had abolished the feudal domains and deposed the daimyo, offering them generous lump-sum payments; samurai stipends were halved. In 1871, the government declared all classes equal before the law. A universal draft (1873) ended the samurai monopoly on military service. Finally, in 1876, the samurai were deprived of their stipends (but paid off) and stripped of the right to wear swords, the traditional badge of their high social status.

day, he believed that absorbing *some* Western values was the key to modernization. "To defend our country against the foreigners," he wrote, "we must fill the whole country with the spirit of independence, so that noble and humble, high and low, clever and stupid alike will make the fate of their country their own responsibility." During the 1870s, Japanese schools played down such traditional Buddhist and Confucian virtues as docility, modesty, and deference. Using Victorian primers (British writer Samuel Smiles's *Self-Help*, for instance, another best seller in Japan), educators tried instead to encourage independence and enterprise.

"Walking on Two Legs"

Japanese traditions survived, too, and proved to be a far greater asset than many had predicted. The samurai ethos of public spirit and complete loyalty, for instance, was easily adapted to fit the realities of post-Restoration Japan. Though stripped of their former status, the samurai took their *esprit* with them into business and government. The communal spirit suffused every level of society. Morimura Ichizaemon, an overseas entrepreneur with a peasant background, declared that "the secret to success in business is the determination to work for the sake of society and mankind as well as the future of the nation, even if it means sacrificing oneself."

Even the islanders' most "backward" values meshed well with the modernization effort. A group of peasant farmers who joined a new mutual savings society swore to "preserve our station in life, show humility and proper respect for others, be industrious and frugal, and so live up to the deeds of our ancestors and bring their work to fruition." For centuries, wresting more food from Japan's limited crop lands had demanded foresight, discipline, and local cooperation.

At first, few of the Meiji oligarchs had a very clear or sophisticated appreciation of what was required to make Japan strong economically. Countering the West's overwhelming military power was their chief concern. This meant buying gunboats, training a Western-style army, and building munitions factories and shipyards.

In 1871, a government delegation led by the elder statesman Iwakura Tomomi visited the United States and Europe to try to renegotiate the "unequal treaties" of the 1850s and '60s. Iwakura was unsuccessful, but he and his fellow diplomats (including a former Finance Minister, Okubo Toshimichi, and two imperial councilors) saw firsthand the vast technological supe-

This 1625 painting shows a woman weaving silk fabric. Cottage industries played an important part in the development of the Japanese economy up to World War II.



Courtesy M.O.A. Art Museum, Tokyo.

riority and wealth of the West. They realized that their own economy need not be fixed in size (as their Confucian training had led them to believe) and came to see that modern commerce and manufacturing were as much the source of Western power as modern cannons. In England, Okubo wrote, "Everywhere we go, there is nothing growing in the ground, just coal and iron. . . . Factories have increased to an unheard-of extent, so that black smoke rises from every possible kind. . . . This is sufficient explanation of England's wealth and strength."

Partly as a result of this visit, the Meiji government decided to concentrate on building up a modern manufacturing sector in Japan. It began to shift capital from agriculture to light industry, import foreign technology, and introduce the management methods of the advanced capitalist countries.

During the 1950s, Mao Zedong stressed the need for China to "walk on two legs," instead of relying on just one sector of the economy for growth. The Meiji leaders had no slogan for what they were doing, but that was the kind of policy they pursued.

They were desperately anxious to limit their dependence on foreign capital. (The Japanese avoided borrowing money from the West until the turn of the century, when they were confident

that they could limit foreign penetration of the economy.) To finance the country's development, Tokyo relied instead on the flourishing agricultural sector. During its first two decades, about 80 percent of the government's revenues came from a land tax instituted in 1873. Agricultural production during those years increased between one and three percent annually, far outpacing population growth. Part of the surplus was sold in the cities; the rest was sold overseas, mostly to Europe. Indeed, the agricultural sector was so prosperous that it continued to absorb most of the country's population increase right up until the 1900s. Japan never had to struggle to feed a growing number of hungry mouths, unlike many developing nations today.

Helping the Farmers

The growth of the rural economy rested neither on a major revolution in agricultural techniques nor on a massive redistribution of the land. Improvement came through the wider diffusion of the best traditional technology—better seed varieties, more effective fertilizers, new techniques for dealing with pests, and the reclamation of marginal land. The government helped to promote these changes by disseminating information and establishing agricultural schools, but the main initiative came from the farmers themselves.

The tax structure gave farmers an incentive to improve their land. In feudal Japan, landholders had had to give a certain proportion of their harvests to the authorities, but under the system set up in 1873, fixed-sum taxes were levied. If the yield of the land went up, the tax burden did not increase. Landlords had a direct incentive to produce more.* Their profits played an important part in the build-up of the private sector. In the Soviet Union, the government slaughtered the Kulaks after the 1917 revolution; Tokyo encouraged its well-to-do farmers.

The government in Tokyo invested in handsome, Western-style office buildings, outfitted an impressive new army and navy, and paid generous salaries to its bureaucrats. But it also did much to aid Japan's farmers and entrepreneurs. It improved roads, built harbors and irrigation systems, reclaimed land, and built new bridges—all of which helped producers increase output or get their goods to market. By 1893, Tokyo had laid 2,000 miles of railroad track, strung 4,000 miles of telegraph lines, established a postal system, and purchased several steamships to

* Taxing farmers to build up industry and military strength nevertheless produced some resentment in the provinces during the 1870s. There were at least 200 political disturbances between 1868 and 1878.

provide ferry service between major cities.

The Meiji leaders energetically set about importing foreign technology. During the 1870s and '80s, hundreds of foreign experts—dubbed “live machines” by one Meiji official—were brought to Japan, often at exorbitant salaries, to advise on everything from raising sheep to constructing railroads. Most came from Great Britain, then the premier world power, with lesser numbers from France, Germany, and the United States.

Boosting Spirits

The Japanese were careful to select experts from the countries most proficient at the technical skills they were trying to learn. (After the 1870–71 Franco-Prussian War, for example, the Japanese sent their French military advisers home and called in the victorious Prussians.) They hired many highly educated experts, but also ordinary technicians—brick layers, locomotive drivers, shipwrights, boilermakers, coppersmiths, and draftsmen. By 1875, there were 527 foreigners on the government payroll, and many more in the employ of private firms. But once the Japanese working alongside them had learned their skills, the foreigners were laid off.

Thousands of Japanese students also went abroad during the Meiji years, many at their own expense. There was no problem of a “brain drain,” because most of the students, coming from samurai families, were imbued with the great sense of public responsibility their class retained. Not incidentally, they also knew that they could command prestige and high pay back home, where the demand for people with “new knowledge” from the West was great.

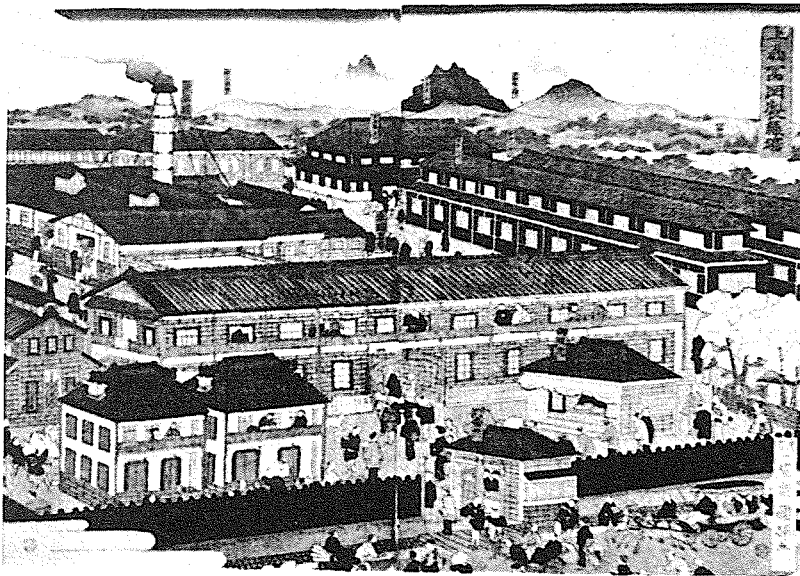
The Japanese did not borrow blindly from the West: They often discovered that foreign methods and expertise were not suited to their needs. Advice from foreign agricultural experts urging Japanese farmers to start raising cows and potatoes fell on deaf ears in a country where people ate rice and drank no milk. The Japanese needed technology appropriate to their resources, labor, and capital assets. Often, they had to simplify foreign production processes.

To promote the production of cheaper, stronger, and more uniform silk yarn, the government once imported a “turn-key” silk-reeling mill from France. Local entrepreneurs, following the basic model of the government mill, built their own plants around the country, substituting wood for brass, iron wire for glass windows, and earthen floors for brick ones to save money. They also adapted the machinery so that it could handle Japa-

nese silk, different in texture from the French variety. The government mill eventually went bankrupt, but the modified indigenous mills flourished.

Tokyo backed a number of other ventures, mostly as examples for private investors to follow. These included cement, sugar, glass, and chemical factories, shipyards, copper and coal mines, and even a brewery. (Still in operation, it produces *Sapporo* beer).

But the Meiji leaders did not want to keep the economy going by central planning or public investment. Indeed, strapped for cash in 1881, Finance Minister Matsukata Masayoshi sold off nearly all government-owned enterprises except the shipyards and some weapons factories. The government aimed instead to nurture a market economy based on private entrepreneurship and initiative. An official *Report on Manufactures* published in 1884 weighed the elements needed to spur industrialization: "It can be neither capital nor laws and regulation, because both are dead in themselves. . . . The spirit sets both in motion. . . . If we assign weights to these three factors with respect to their effec-



International Society for Educational Information, Inc., Tokyo.

Japan's first modern silk-spinning factory, shown above, was staffed by the daughters of samurai families under French supervision.

tiveness, the spirit should be assigned five parts, laws and regulations four, and capital no more than one part."

Skeptical about the adaptability of some of the traditional merchants (the Mitsui family motto was, "Do not put your hand to any type of activity that has not been done before"), the government tried to cultivate a new class of indigenous private investors, entrepreneurs, and business managers. During the 1870s, Tokyo introduced laws of contract and property, banking laws, and joint stock company regulations in the hopes of encouraging and protecting investment. By the mid-1880s, Japanese entrepreneurs had set up a number of highly successful private companies—the Nippon Railway Company, the Mitsubishi Steamship Company, the Mitsui Trading Company, and the Dai-Ichi Bank. Many companies established during this period are giant corporations today.

The Path to Ruin

Because all these firms benefited in some way from government subsidies and contracts, it is tempting to see in the Meiji era the beginnings of "Japan, Inc." But such practices were also common at the time in Italy, Germany, and other Western nations, where state intervention was thought necessary to catch up with Great Britain. (Tokyo's expenditures averaged about 12 to 14 percent of national income—roughly the same as London's.)

Nor was the Japanese government a major employer: There were only 37,000 people (0.19 percent of the working population) on the public payroll in 1880. And while the Meiji government took an active interest in the nation's businesses, it could not force them to do what they did not want to. At the turn of the century, the Minister of Commerce, hoping to increase cotton yarn exports, urged the heads of several major spinning companies to merge; they politely but firmly refused.

By 1900, barely three decades after the Meiji Restoration, Japan was well along on the road to modernization. The overwhelming majority of the people were still tied to the land, but their farms were productive. The nascent industrial sector was expanding rapidly, fueled by heavy private investment and favorable government policies. Textiles, mostly cotton cloth and silk, made up more than half the country's exports, with tea and other food products running far behind at about 25 percent. The economy was growing by five to six percent annually, compared to America's growth rate of about eight percent; Japan's GNP per capita stood at about one-tenth of the American level.

Meanwhile, a series of political reforms, culminating with

the Meiji Constitution of February 1889, had brought modern, if not very representative, government to Japan. The constitution, a "gift" from the Emperor to his subjects, provided for a bicameral Diet, with the power to approve the national budget and pass some legislation of its own. Membership in the upper house of the Diet was restricted to a new class of peers named by the Emperor, and fewer than a half-million people (the leading taxpayers) were eligible to vote in elections to the lower house. Much of the real power remained in the hands of a Premier and his Cabinet, both established by an 1885 imperial edict. The Emperor made all appointments to these positions, acting on the advice of the oligarchs and the bureaucracy.

For all its successes, the Meiji "economic miracle" also had its costs. Many were of the kind that most developing economies experience—inequalities in income distribution, a growing cultural and economic gap between country and city, trade deficits, exploitation of child and female labor, and occasional corruption of politicians by businessmen.

But there was one peculiarly ironic long-term cost in the case of Japan. The Meiji leaders had begun their quest for "national wealth and strength" to be free of dependence or foreign domination. But as industrialization accelerated, the economy became more and more dependent on the outside world. By the turn of the century, government and business leaders were talking about the need for foreign capital to fuel continuing growth, for foreign raw materials to feed their factories, and for overseas markets to earn the money to pay for essential imports. The result was the rapid growth of the export trade, now handled by Japanese trading firms, which quadrupled between 1896 and 1914 alone.

If history proceeded in a logical fashion, this new trend should have made Japan more internationalist in outlook and solicitous of foreign countries that could supply the markets, raw materials, and capital it desired. But the times were not right. At the turn of the century, the Western imperial powers were stepping up their activities in Asia and around the globe. Japan's leaders, following the West's example, deliberately chose to turn their country into the kind of expansionist power they had felt threatened by during the 1850s. Their decision set Japan on a path that eventually led to ruin.