History of peripheral society should be analyzed as interaction between internal and external forces.

Japanese history was cumulative and evolutionary thanks to the right distance from civilization (China).

When Japan began integration in the mid 19th century, it already had sufficient adaptive power.

Japan absorbed Western technology and systems selectively and under its own initiative.

Japan’s industrialization also nurtured the *monozukuri* (manufacturing) spirit.
History: Evolution vs. Repetition

- Colonialism
- Neo-patrimonial state?
- Industrial revolution
- High technology & civil society
- Rise of commerce & merchant class
- External stimuli
- Fights among local powers
- Centralized dynasty
- Dynasty A
- Dynasty B
- Dynasty C
- Dynasty D
- Colonialism
- Neo-patrimonial state?

Japan’s Multi-layered Identity

- Pre-historic Japan
- Rice cultivation
- Buddhism, China
- Heian & Samurai Culture
- Guns & Christianity
- Edo Culture
- Western influence

Note: Colored areas indicate external impacts
I. Emperor’s Rule
- NARA Centralization
- HEIAN
- 645 Taika Reform
- Clan fights
- Hunting & gathering

II. Samurai’s Rule
- KAMAKURA SHOGUNATE
- 1603
- Internal wars, dynamic & fluid society
- Peace, isolation, conservative class society

III. Modernization
- EDO Tokugawa Shogunate
- MEIJI
- Westernization, industrialization, militarization

IV. Postwar
- Rapid recovery and growth

Dr. Tadao Umesao’s View of the World
- Eurasian Continent
- Russia
- Western Europe (UK)
- The Mediterranean and Islamic States
- Dry Area
- China
- Japan
Existing World System
Democracy, market economy, industry, technology, life style …

Latecomer country

Dynamism for change (+)
Integration risks (-)

Integration Viewed from Outside

WTO, WB, IMF, FTAs, G8, USA…

Integration Viewed from Inside

“Translative adaptation”
(Prof. Keiji Maegawa, Tsukuba Univ.)

Foreign Systems
Imported from outside by:
- Invasion
- Migration
- Trade and FDI
- ODA
- Int’l organizations

Conflicts and adjustments

Base Society
Internal systemic evolution

Government must manage
Evolution of Peripheral Society
Interaction between Internal and External Forces

External stimuli
- Base society
- Period of adjustment & rapid change
- Period of internalization & stability
- Failed adjustment: social instability, economic crisis, foreign dominance, etc.

K. Marx: Historical Materialism
- History proceeds inevitably through material conflicts and class struggle
- *Production force* and *production relation*: rise in the former creates friction with the latter, which leads to dialectic solution.

Superstructure
- (politics, culture, science, ideology, etc)

Infrastructure

Das Kapital, 3 volumes, 1867-94

Primitive society
- Slavery
- Feudalism
- Capitalism
- Socialism!
J. Schumpeter: Rise & Fall of Capitalism

- Capitalism is driven by entrepreneurs who perform innovations
- The success of capitalism produces new problems, attitudes and mechanisms that lead to its fall

Capitalism!

Entrepreneurs with new combinations

Bankers who supply credit

Dynamism driven by creative destruction

Mature technology, equity over growth, bureaucracy, large public sector, etc.

“Socialism” (welfare state)

Theory of Economic Development, 1912

Capitalism, Socialism, Democracy, 1942

Japan’s economic growth was driven mainly by private dynamism while policy was also helpful

Private-sector dynamism and entrepreneurship (primary force)

Rapid industrialization especially in Meiji period & post WW2 period

Policy was generally successful despite criticisms:
-- Power monopoly by a small group of politicians
-- Privatization scandal, 1881
-- Excessively pro-West
-- Unfair by today’s standard

Cumulative history, Edo achievements, national unity and nationalism

Policy support (supplementary)
Edo Period (1603-1867)

Pre-conditions for Industrial Take-off

- Political unity and stability
- Agricultural development
- Development of transportation and nationally unified markets
- Rise of commerce, finance and wealthy merchant class
- Rise of pre-modern manufacturing
- Industrial promotion by local governments
- High level of education

Rich Merchants from Edo Period (Gosho)

**Mitsui Family**
- 16c From Matsuzaka
- Kimono trade & money exchange in Edo, Kyoto, Osaka – huge success
  <Transition to Meiji>
  Manager: **Rizaemon Minomura**
  - Cope with bakufu policy to protect Mitsui business
  - Support and work with new government
  - Internal reform: from gosho to zaibatsu
  - 1876 Establish Mitsui Bank & Mitsui Trading Company

**Sumitomo Family**
- 16c Adopt Western copper refining, copper trade (Kyoto)
- 17c Move to Osaka
- Besshi Copper Mine (under Bakufu’s commission)
  <Transition to Meiji>
  Manager: **Saihei Hirose**
  - Avoiding gov’t confiscation
  - Introducing Western mining technology to renovate Besshi
  - Business diversification

**Konoike**
- Sake making, trading, loans to daimyo
- No serious internal reform in Meiji
- Failed to form zaibatsu (Sanwa Bank)
Yataro Iwasaki (1835-85)

- Seisho from Tosa, founder of Mitsubishi Zaibatsu
- Shipping company--grew fast with government support (receiving gov’t ships, contract for military transport)
- Established Nippon Yusen (NYK Line), fierce battle with Kyodo Unyu (anti-Mitsubishi company), 1883-85
- Expanded to many areas: trade, banking, shipbuilding, coal, mining (later, more)

Mechanical factory in Nagasaki, ca 1885

Bakufu’s Steel Mill in Nagasaki, transferred to Mitsubishi in 1884

Eiichi Shibusawa (1840-1935)

- From Saitama

Tomoatsu Godai (1836-1885)

- From Satsuma

Super business promoters -- but they did not form zaibatsu

- First, anti-bakufu fighter
- Next, assistant to last shogun
- Works vigorously for MOF (invited by Meiji Government)
- Governor of First “National” Bank”
- Company builder and business coordinator, helping to create 500 new companies
- Social contributions

- Studies and builds human network in Nagasaki
- Visits UK; realizes need to industrialize, writes report
- In Osaka, helps to create copper co., railroad, shipping co., rice & stock exchanges, cham. of commerce, university, test centers, trading center, etc
- SOE privatization scandal
Rise and Fall of Merchants and Enterprises

Q: Who were the main drivers of Meiji industrialization?

A: All types of entrepreneurs including Edo gosho, Yokohama merchants, Meiji zaibatsu, and company boom millionaires.

- Survival game was severe: many entries, many exits
- Japan’s industrial revolution: from 1880s to 1900s
- Japan-China War, Japan-Russia War also accelerated industrialization

Toshimichi Okubo (1830-1878)
High Official Implementing Industrial Policy

- Participated in Iwakura Mission (1871-73) to observe Western technology & systems
- Top-down promoter of technology import and industrialization
- Minister of Finance; Minister of Internal Affairs
- Policy measures:
  --Supporting businesses (Iwasaki, Godai) to promote industries and import substitution (shipping, etc)
  --Establishment of SOEs and research centers
  --Domestic industry exhibitions
  --Set up bureaucracy, police and local governments
  --Suppress Saigo Rebellion, send troops to Taiwan

Source: Computed from Miyamoto (1999), p.53. Each line shows how many of the new millionaires emerging each period survived in later periods.
Technology Transfer

1. Foreign advisors (public and private sector)—salary too high

2. Engineering education (studying abroad, Institute of Technology; technical high schools)

3. Copy production, reverse engineering, technical cooperation agreements (esp. automobiles, electrical machinery); *sogo shosha* (trading companies) often intermediated such cooperation

<table>
<thead>
<tr>
<th>Private-sector experts, 1910</th>
<th>Mining 513 (18.0%)</th>
<th>Textile 300 (10.6%)</th>
<th>Shipbuilding 250 (8.8%)</th>
<th>Power &amp; gas 231 (8.1%)</th>
<th>Trading 186 (6.5%)</th>
<th>Railroad 149 (5.2%)</th>
<th>Food 149 (5.2%)</th>
<th>TOTAL 2,843 (100%)</th>
</tr>
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Studying Abroad (Early Engineers)

- First students: bakufu sent 7 students to Netherlands in 1862 (naval training)
- By 1880s, 80 Japanese studied engineering abroad (shipbuilding, mechanical, civil engineering, mining & metallurgy, military, chemistry)
- Destination: UK (28), US (20), France (14), Germany (9), Netherlands (8)
- They received top-class education and could easily replace foreigners after coming back
- They mostly worked in government (no private industries existed at first)—Ministry of Interior, MOF, Army, Navy, Ministry of Industry
Kobu Daigakko (Institute of Technology)

- 1871 Koburyo of Ministry of Industry; 1877 Renamed to Kobu Daigakko; 1886 Merged with Tokyo Imperial University (under Ministry of Education)
- First Principal: Prof. Henry Dyer (UK)
- Theory and practice--preparatory course (2 years), specialized studies (2 years), internship (2 years)
- 8 courses: civil engineering, mechanical engineering, shipbuilding, telecommunication, chemistry, architecture, metallurgy, mining (classes in English)
- Educating top-class engineers (import substitution)

Monozukuri (Manufacturing) Spirit

- Mono means “thing” and zukuri (tsukuri) means “making” in indigenous Japanese language.
- It describes sincere attitude toward production with pride, skill and dedication. It is a way of pursuing innovation and perfection, disregarding short-term profit.
- Many of Japan’s excellent manufacturing firms were founded by engineers full of monozukuri spirit.

Sakichi Toyota 1867-1930
Konosuke Matsushita 1894-1989
Soichiro Honda 1906-1991
Akio Morita (Sony’s co-founder) 1921-1999
Vietnam’s history has been more disruptive with wars and foreign invasion (too close to China?)
No super business leaders or large business groups.
Economic policies are not very good.
Worker quality is potentially good.
- Vietnam’s development must rely heavily on FDI and ODA (risk of losing one’s identity and control)
- Possibility of learning *monozukuri* spirit and becoming Japan’s manufacturing partner?